

# **The role of DFIs in supporting refugees and forcibly displaced people**



# Contents

1. Background .....	3
■ Forced displacement: emerging challenges and opportunities	
■ Introduction to the IDFC	
2. Forced displacement challenges and opportunities .....	5
■ Global trends on forced displacement	
■ Impacts of forced displacement and the need for a development approach	
- Enhancing the capacity of service providers	
- Addressing environmental impacts	
- Economic opportunity	
3. The role of Development Financial Institutes (DFIs) in addressing forced displacement .....	10
■ The opportunity for and role of DFIs	
■ The financing landscape	
■ Case-study examples of innovative approaches to private sector engagement	
4. Engagement of IDFC members in situations of forced displacement .....	15
■ Agence Française de Développement (AFD)	
■ Kreditanstalt für Wiederaufbau (KfW)	
■ Development Bank of Latin America (CAF)	
■ Industrial Development Bank of Turkey (TSKB)	
■ Islamic Corporation for the Development (ICB)	
■ Japan International Cooperation Agency (JICA)	
5. Way forward .....	21

# 1. Background

## Forced displacement: emerging challenges and opportunities

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With an unprecedented number of refugees and internally displaced people (IDPs) forced from their homes, humanitarian crises have become a worldwide challenge. With many conflicts and crises lasting years, or even decades, protracted displacement is becoming the norm. These displaced populations not only put stress on host countries' economies and societies over a long period of time, but the refugees and IDPs themselves end up with fewer opportunities to rebuild their own lives. Nearly 85 percent of refugees and IDPs currently reside in developing countries<sup>1</sup> where locals are already suffering from poverty, a lack of resources and other development challenges. By 2030, approximately half of those living in extreme poverty will reside in countries characterized by fragility, conflict and violence (FCV)<sup>2</sup>. In order to address the rising scale and complexity of forced displacement situations, humanitarian and development actors must increasingly recognize the need to change their approaches to pursue a development-led vision that enables longer-term outcomes and sustainable solutions.

The 2030 Agenda for Sustainable Development, which was adopted by world leaders at the UN General Assembly in 2015, consists of 17 Sustainable Development Goals (SDGs) and 169 associated targets, including a commitment to “leave no one behind”. This principle provides a powerful basis to advocate for the rights of refugees, internally displaced and stateless people within social and economic development. It also makes it undeniable that refugees and

IDPs should be considered in all measures that states take toward achieving the SDGs.

On September 19, 2016, the United Nations General Assembly unanimously adopted the New York Declaration for Refugees and Migrants. This landmark declaration paved the way for the Global Compact on Refugees (GCR), which was adopted on December 17, 2018. The GCR provides a framework for governments, international organizations and other stakeholders to ensure equitable burden sharing and enable stronger support for these vulnerable communities. The GCR calls for numerous measures to be taken by host countries and the international community at the global, regional and national level to enhance their support for host communities and improve refugee self-reliance.<sup>3</sup>

Given the impacts on host communities and the potential to address the challenges of these displaced people, the international community has come to recognize the need to build multi-stakeholder engagement that brings development and humanitarian actors to work cohesively around a shared objective. Working across different sectors to address the humanitarian-development-peace nexus will realize more systematic, longer-term and sustainable support for forcibly displaced persons and their host communities.

## Introduction to the IDFC

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Formed in 2011, the International Development Finance Club (IDFC) is a partnership of 26 national, bilateral and regional development banks from Africa,

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1 UNHCR, Global Trends 2019 (<https://www.unhcr.org/5ee200e37/>)

2 World Bank, Strategy for Fragility, Conflict, and Violence (<http://documents1.worldbank.org/curated/en/844591582815510521/pdf/World-Bank-Group-Strategy-for-Fragility-Conflict-and-Violence-2020-2025.pdf>)

3 UNHCR (<https://www.unhcr.org/the-global-compact-on-refugees.html>)

Asia, Europe and Latin America whose aim is to address timely challenges facing long-term development finance.

The combined assets of the IDFC equate to more than USD 4 trillion, with a total annual financing commitment of over USD 600 billion. The IDFC is uniquely positioned to play a leadership role in key areas including sustainable infrastructure, renewable energy, energy efficiency, social and economic inclusion, sustainable urban development, climate finance and cooperation for development.

The IDFC is a platform that collaborates with central and local governments, international institutions and private-sector actors to promote and leverage sustainable development investments worldwide. As part of the IDFC, its members also explore new opportunities to deepen cooperation with each other under the IDFC's four modalities: (1) knowledge sharing, (2) capacity building including training programs and staff exchanges, (3) technical assistance including project assistance, technology transfer, technical assistance, project preparation, etc., and (4) co-financing.

Several members of the IDFC have also joined forces to address the needs of refugees, forcibly displaced populations and host communities. To address these issues, several members collectively formed a working group, led by JICA, with key participation from the AFD, DBSA, KfW and TSKB. This working group not only shares best practices and lessons learned, but it also promotes broader cooperation beyond the IDFC by leveraging the strengths of IDFC members to tackle these important challenges.

## 2. Forced displacement challenges and opportunities

### Global trends on forced displacement <sup>4</sup>

#### Nearly 80 million people are forcibly displaced

At the end of 2019, the number of forcibly displaced people worldwide reached 79.5 million, which includes 26 million refugees and 45.7 million IDPs. These numbers stand in stark contrast to 10 years ago in 2009, when the number of forcibly displaced people stood at 43.3 million – approximately 36.2 million fewer than in 2019. The enormous surge in displacement in the last ten years primarily resulted from the Syrian conflict, which caused a large number of people to flee between 2012 and 2015. At the end of 2019, Syrians continued to make up the largest proportion of forcibly displaced people worldwide, accounting for about 13.2 million people, including 6.6 million refugees and more than 6 million IDPs. Venezuela has also experienced a massive forced displacement crisis in recent years. 4.5 million Venezuelan refugees and migrants have already fled to neighboring Colombia, Peru, Chile, Argentina, Ecuador, Brazil and the Caribbean islands due to social, economic and political factors. A rising number of violent conflicts in other regions have also contributed to increased levels of displacement. These conflicts include Iraq and Yemen in the Middle East, as well as the Democratic Republic of the Congo (DRC), Nigeria and South Sudan in Sub-Saharan Africa. In Sub-Saharan Africa, the number of refugees residing within the continent nearly tripled over the course of a decade, from approximately 2.2 million to 6.3 million. In Asia, since 2017, more than 860,000 displaced people fled from Myanmar into Bangladesh. Additionally, Asia is home to the third largest group of displaced people worldwide, namely the 2.7 million

Afghan refugees, most of whom have resided in Iran and Pakistan for the last 40 years. In 2019 alone, 11 million people became newly displaced while only 5.6 million people returned home, including 5.3 million IDPs and 317,200 refugees.

#### Unique challenges – protracted displacement and living in urban settings outside of refugee camps

In late 2019, 15.7 million refugees fell under the UNHCR's definition of a protracted refugee situation – a situation in which 25,000 or more refugees from the same nationality have been in exile for five consecutive years or more in a given host country. Protracted refugee situations place heavy social and financial burdens on host countries and also negatively impact those who have been displaced by prolonging the ability for them to rebuild their lives. Currently, the average refugee spends approximately 10.3 years of his or her life in exile, with a median of four years. This means that approximately half of refugees spend at least four years in exile. While similar data is not available for IDPs, in 2014, the World Bank identified 53 countries that IDPs had been living in for more than 10 years.<sup>5</sup> Additionally, the majority of refugees and IDPs now reside in developing countries, where locals already suffer from poverty, a lack of resources and other development challenges. At the end of 2019, the UNHCR reported that 85 percent of refugees live in developing countries. They also shared that developing countries make up the majority of IDP populations, with the ten countries with the largest IDP populations being Colombia, Syria, DRC, Yemen, Somalia, Afghanistan, Nigeria, Sudan, Ethiopia and South Sudan. Furthermore, those who have been affected by forced displacement are increasingly living in urban centers, instead

<sup>4</sup> UNHCR, Global Trends 2019 (<https://www.unhcr.org/5ee200e37/>)

<sup>5</sup> World Bank, Forcibly Displaced (<https://openknowledge.worldbank.org/handle/10986/25016>)

of in refugee camps. While this trend is less prevalent in Africa and South Asia, approximately 50 percent of refugees now live in urban cities and towns,<sup>6</sup> particularly in middle-income environments in the Middle East, Europe, and the Americas.

## **Impacts of forced displacement and the need for a development approach**

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Countries and communities that host large numbers of refugees and IDPs must inevitably adapt to their changing environment. The arrival of refugees and migrants can create overwhelming new demands for the host country, posing both new opportunities and challenges. A large inflow of refugees can cause increased pressure on public services and create a job market mismatch problem due to critical gaps in government policy and service delivery. Other impacts of forced migration may include challenges in addressing poverty reduction, government spending, rising commodity prices and changes to the labor market. In order to support refugees and IDPs through development programming, there must be more emphasis on socioeconomic inclusion and the need for refugees and IDPs to become self-reliant. To do this, governments must learn to accommodate and effectively deliver essential services to forcibly displaced people and their host communities.

The large and protracted nature of refugee displacement situations require development actors and stakeholders to engage in a medium- to long-term approach that explores sustainable solutions that address these issues. Long-term development approaches that support host country economies, infrastructure, social services and livelihoods can help advance host government initiatives. Private enterprises are particularly

well-positioned to build and scale-up such efforts, given their strategic capabilities and business acumen.<sup>7</sup> Since many refugees and IDPs now reside in urban centers, these individuals often end up competing with locals for job opportunities and goods and services. This competition for resources provides another strong reason for why development actors, including development finance institutions (DFIs), must engage in addressing the challenge of forced displacement. In the paragraphs below, we have provided examples of key interventions that can help enhance the humanitarian-development-peace nexus.

### **Enhancing the capacity of service providers**

The arrival of refugees and IDPs inevitably transforms the socioeconomic dynamics of host countries and their impacted communities. As host country populations rapidly rise, their governments face increased social and economic pressures on their public services. In northern Jordan where the majority of Syrian refugees live, the population rose from 1.7 million to 2.7 million between 2009 to 2015. Such dramatic population growth creates urgent new needs for public services, such as education and health, despite access to these services often remaining dependent on external humanitarian assistance. In many countries, the large inflow of refugees have placed profound new pressures on already over-stretched public services, making it incredibly challenging for existing systems to absorb the additional needs. To address this issue, there must be more effort to strengthen the capacity of service providers and construct necessary infrastructure, including schools, health facilities and power supply networks. In addition, since local authorities play a key role in service delivery, it is important to also support their capacity development through trainings, technical support, financial management and exchanging

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<sup>6</sup> World Bank, Forcibly Displaced (<https://openknowledge.worldbank.org/handle/10986/25016>)

<sup>7</sup> for example; IFC, Private Sector & Refugees Pathway to Scale ([https://www.ifc.org/wps/wcm/connect/region\\_\\_ext\\_content/ifc\\_external\\_corporate\\_site/sub-saharan+africa/resources/psr-pathways-to-scale](https://www.ifc.org/wps/wcm/connect/region__ext_content/ifc_external_corporate_site/sub-saharan+africa/resources/psr-pathways-to-scale))

### **Box 1 Strengthening government capacity and services in Uganda**

In Northern Uganda, JICA is conducting a multi-layered intervention to enhance refugee and host community resilience. This intervention strengthens refugee self-reliance through livelihood skills-building, the creation of an integrated database that covers both refugee settlements and host communities and by involving refugees in local development plans. JICA's development approach in Uganda emphasizes the importance of government capacity building and cultivates values of national ownership. In this regard, JICA has helped local authorities enhance their planning and implementation skills for development projects and has demonstrated that host governments can make their refugee responses more sustainable through their own capacity development. JICA has also helped amend Uganda's national guidelines on Local Government Development Planning to include consideration for refugees. Furthermore, JICA has also assisted in conducting a needs assessment survey for host communities in Uganda's West Nile sub-region, which is home to a large number of refugees from South Sudan. Here, JICA developed project sheets that identified key social infrastructure gaps, which then led to efforts to obtain financial support to address these needs through coordination with the World Bank and other development actors. This scenario provides a clear example of how the humanitarian and development nexus can be strengthened to establish strong foundations for comprehensive refugee responses by gathering precise, integrated data regarding the development needs of both refugee settlements and host communities.

best practices. Therefore, development-oriented interventions are essential in ensuring refugees and IDPs have access to public services and are represented in their public systems.

#### **Addressing environmental impacts**

The arrival of a large number of refugees and IDPs can result in severe environmental impacts on host communities. Problems associated with refugee-affected areas include deforestation, a depletion of water resources and soil erosion. For instance, refugees and IDPs frequently rely on traditional biomass (firewood and charcoal) as sources for cooking and heating due to their lack of energy access. This reliance then puts pressure on forest resources in rural areas. In urban areas, a rise in population increases solid waste generation, which then often results in improper waste disposal, such as illegal dumping and

burning. Such environment degradation and improper waste management then multiply threats for forcibly displaced people, affecting their health, livelihoods and food security. Furthermore, the depletion of natural resources heightens tensions between host and forcibly displaced communities, which then exacerbates vulnerabilities and deepens pre-existing fragility. Climate change is another driver of forcible displacement. Extreme weather, such as severe droughts, tropical cyclones and flooding can result in acute humanitarian needs. Therefore, development actors have begun to view preventing and addressing extreme weather patterns as a high priority to reduce humanitarian crises. In order for host countries and local authorities to effectively manage these environmental impacts and strengthen their existing systems, they must invest in vital infrastructure, reliable water supplies and sanitation networks and waste management facili-

## Box 2 Strengthening civil protection and relief capacities in Jordan

Jordan is prone to multiple natural risks and man-made hazards. The vulnerability of its population and its territory is exacerbated by rapid and unplanned urbanization and the increasing occurrence of disasters related to climate change. A large inflow of Syrian refugees causes additional pressure on public services for disaster risk reduction and relief activities. To deal with this, the Jordanian authorities have undertaken to reinforce the operational means and coverage of the territory by civil protection services delivered by the Jordanian General Directorate of Civil Defence (GDCCD), whose mandate covers not only the preparation and interventions for natural and man-made risks, but also “daily” relief operations for populations (accidents, fires, etc.). AFD’s support to Jordan Civil Defence aims to improve risk awareness and provide it with operational means of response. The overall objective of the project is to contribute to improving the quality of the public service delivered by GDCCD for the population (hosts and refugees) in Mafrq Governorate. The project has two specific objectives:

1. build risk prevention and preparation capacities;
2. improve the quality of services delivered at the local level and align operational capacities with risks in Mafrq Governorate.

ties. Such investments will help mitigate environmental pressures and prevent additional conflict between forcibly displaced people and host communities. Host countries may also need to make more effort to attract private sector engagement. These environmental challenges pose a business opportunity for private sector investments in renewable energy, as well as for public-private partnerships in revamping the country’s water supply network and waste management system. Innovative financing mechanisms, such as private sector engagement will be key in delivering sustainable solutions in these sectors and in helping to address these humanitarian challenges.

### Economic opportunity

While refugees/displaced persons are often regarded as burdens or disruptions to local economies and societies, it is now more widely recognized that they can actively and positively engage in local economies if proper development assistance is delivered.

The opportunity and right to work is one of the most

effective ways that people can rebuild their lives. However, forcibly displaced persons often have limited economic opportunities. In many cases, governments restrict the right to work and freedom of movement, especially for refugees since they are not citizens. In addition, most large host countries are low- or middle-income, with high rates of unemployment and a very large informal sector. Forcibly displaced persons may crowd out demand in labor markets and create competition with workers from host communities, further increasing unemployment and depressing wages. To turn this tendency into a virtuous cycle of refugees/IDPs contributing positively to economic activities, sustained efforts are needed to ensure the right to work and to engage in formal economic activities which enable forcibly displaced persons to contribute to local economies. Governments play a critical role in creating an enabling environment for such a virtuous cycle by allowing freedom of movement and the right to work, thereby facilitating access to markets.

### Box 3 Jordan compact – economic inclusion for refugees

In February 2016, the Jordan compact was signed in an attempt to improve access to education and legal employment for Syrian refugees, with the aspiration of shifting from short-term humanitarian aid to a long-term development approach inclusive of both Jordanians and Syrian refugees.<sup>8</sup> The Compact has led to significant progress in formal labor market access for Syrian refugees in Jordan, as demonstrated by the issuance of 122,000 work permits to Syrian refugees since 2016.<sup>9</sup>

The private sector plays an important role in supporting the economic inclusion of refugees and providing targeted support to them. For example, Irisguard supports the financial inclusion of Syrian refugees via ATM cash machines that allow refugees to access cash quickly and easily without a traditional bank card or PIN number. Moreover, Microfund for Women (MFW) is the largest not-for-profit microfinance institution providing financial services for Syrian refugees, especially women. It provides microloans, life and hospital insurance, group microcredit and an e-wallet product to support women-led entrepreneurs and self-employed individuals.

In addition, humanitarian actors such as UNHCR support vocational and language training, conduct market assessments, advocate for the removal of legal barriers and provide small-scale grants, etc. But supporting private sector actors and creating markets is a big challenge in the context of forced displacement, and a broader range of efforts is needed—including those touching on the regulatory environment, access to formal banking services, skills development, value chains and market systems, etc.

Furthermore, access to education, including higher education, is key to creating economic opportunities for refugees and IDPs. Education is the basis for future and broadened opportunities for children refugees and forcibly displaced youth. Refugees and IDPs should be supported in completing primary and secondary education, which can lead to higher education opportu-

nities as well as increased access to tertiary education and vocational training. Therefore, consolidated efforts are required to ensure quality education for refugee children and young people everywhere.

8 ODI, Policy briefing The Jordan Compact (<https://data2.unhcr.org/en/documents/download/61932>)

9 UHNCR, Regional Refugee & Resilience Plan Annual Report 2018 (<https://data2.unhcr.org/en/documents/download/68557>)

### 3. The role of Development Financial Institutions (DFIs) in addressing forced displacement

#### The opportunity for and role of DFIs

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In the context of forced displacement, humanitarian and development actors increasingly work together in promoting longer-term and sustainable support for refugees and host communities. Pursuing longer-term solutions requires mobilizing development resources that support government efforts to reform policy, strengthen national systems and local capacity for service delivery, as well as promote economic opportunities. A World Bank study in Colombia shows, for example, that if short-term challenges are managed well, Venezuelan migrants could have a net positive impact over the medium- and long-term due to increased investment and consumption derived from inbound immigration.<sup>10</sup> Against this backdrop, DFIs can play an important role in facilitating new approaches to providing long-term development solutions to forced displacement.

IDFC, in its role as the network of national and regional development banks, is uniquely positioned to address forced displacement through the development of social/economic infrastructure for refugees and host communities, the provision of stimulus to support economic activities, and by leveraging private financing. In combination with grant funding and/or concessional loans from MDBs or other donors/investors, or by introducing innovative financial instruments, the IDFC and its member institutions have the potential to address the challenges of forcibly displaced populations and their host communities with their affluent knowledge on their respective local contexts. In addition, the diversity of its membership allows for a range

of innovative approaches to be explored in the name of meeting the various needs of refugees.

The expansion of access to markets, financial institutions and opportunities as well as diversified job prospects can have a transformative impact on the resilience of forcibly displaced persons. This section provides practical examples of how the IDFC seeks to engage in forced displacement settings and promote well-being therein accordingly.

#### Potential contributions to the local economy and development

Forcibly displaced persons can act as contributors to economic growth in their host countries and communities. Inclusive economic opportunities - connecting refugees and IDPs to the labor market, and creating job opportunities in the process - is the key to them having a direct positive impact on a host country's economy. The private sector plays an important role in creating job opportunities and stimulating the local economy. Such opportunity is not limited to job creation. A supportive private sector may also present opportunities to build innovative business models for offering goods and services to forcibly displaced persons. This creates new markets and has the potential to grow local industry, in particular small- and medium-sized enterprises. Scaling up these initiatives will require facilitating SME financing and increasing private sector investment in such sectors as manufacturing, agribusiness, environment, sanitation, energy, education and telecommunications, etc.

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<sup>10</sup> World Bank, Migration from Venezuela to Colombia: Short-and Medium-Term Impact and Response Strategy (<https://www.worldbank.org/en/news/feature/2018/11/06/despite-challenges-venezuelan-migration-into-colombia-can-boost-its-growth>)

## Creating opportunities for entrepreneurship

Entrepreneurship comprises multiple benefits for refugees and IDPs, as they have very diverse socio-economic backgrounds. For instance, some are highly educated and had worked as engineers, doctors and researchers before fleeing their home countries. Some have artisanal skills, managerial or entrepreneurial skills and rich experience in agriculture. Refugees and IDPs carry with them different experiences, thereby adding to local knowledge and enabling them to create new businesses that address local needs. However, several barriers hinder their ability to engage in entrepreneurship. In particular, refugees and IDPs are often excluded from formal financial services; as a result, they lack affordable means of receiving payments and accessing loans to invest in business activities. Mobilizing start-up capital and establishing long-term lending schemes are critical to promoting their entrepreneurship. Furthermore, refugees and IDPs also need to be aware of local workforce customs, relevant skills tailored to local needs and the local language in order to accelerate their integration into local markets. DFIs play an instrumental role in providing financial support to organizations that provide those services to refugees and IDPs.

## Infrastructure development in host communities

An important role of development actors is to provide solutions concerning the increased demand for social services on the part of the forcibly displaced. In many cases, inflows of forcibly displaced populations puts pressure on host communities in terms of increased demand for energy, water, transport as well as social infrastructure, including education and health facilities. As this pressure can worsen the relationship between displaced populations and their host communities, improving basic infrastructure at the local and municipal level that serves both populations is critical

to easing it and building up resilience within communities. DFIs can play a significant role in addressing infrastructure gaps in host communities.

While the MDBs and bilateral development actors provide grants and/or concessional loans to countries to help them meet their infrastructure development needs and improve public service delivery, fiscal constraints also lead many governments to look for private sector investment to fill these gaps. Renewable energy, water and sanitation and climate-smart infrastructure are areas where the private sector's comparative advantage can contribute to improved social services for forcibly displaced persons and host communities. Private sector investments in such sectors have the potential to further enhance governmental responses to forced displacement.

## The financing landscape

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Globally, humanitarian, bilateral and international actors have been mobilizing the resources and funding necessary to support forcibly displaced people and host communities. However, as the funding gap for such assistance is gradually increasing, greater resource mobilization, better resource allocation and more innovative financing instruments are required.

ODA financing in support of refugees stood between USD 7.48 billion and USD 9.27 billion over the three-year period from 2015-2017. The level of this kind of assistance has shown a slight increase rather than decreasing. The majority of ODA directed to refugee situations has come in the form of humanitarian assistance for short-term and emergency projects.<sup>11</sup> Humanitarian financing remains essential for emergency situations as well as for the continued protection of, and provision of basic services to, refugees. However, as incidents of forced displacement are increasing

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11 OECD, Financing Refugee-Hosting Contexts Highlights ([http://www.oecd.org/development/conflict-fragility-resilience/docs/highlights\\_financing\\_refugee\\_hosting\\_contexts.pdf](http://www.oecd.org/development/conflict-fragility-resilience/docs/highlights_financing_refugee_hosting_contexts.pdf))

and becoming more and more protracted, the financing need—particularly for protracted situations requiring developmental finance—is increasing. According to the World Bank, only 49% of the required amount was mobilized in 2014.<sup>12</sup> Development financing including contingency funding for emergencies, should be further mobilized. DFIs can play an important role in filling this gap, not only financially but also by taking a development-oriented approach that bridges the gap between humanitarian and development needs. IDFC has the potential to contribute more to filling this gap.

## Case-study examples of innovative approaches to private sector engagement

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Recognizing the critical importance of economic inclusion for forcibly displaced persons through job creation and other economic opportunities, private sector engagement has the potential to meet the various needs of refugees, IDPs and host communities. DFIs can leverage the private sector by providing financing and technical assistance to local, regional and international companies.

The kind of private sector engagement described here demonstrates innovative efforts in supporting forcibly displaced persons and host communities. Although private sector engagement in settings of forced displacement is not yet mature, a number of successful engagements already exist. The initiatives highlighted below provide IDFC members with practical examples of how private sector actors are moving beyond humanitarian assistance and supporting forcibly displaced persons and host communities.

The three case-study examples include interventions by the World Bank Groups' IFC (International Finance Corporation), Sanivation and IKEA Foundation, a local and international corporation/foundation,

respectively. The first case-study example from the IFC depicts a private equity fund that promotes private sector investment in developing and frontier markets. This example shows how private companies can offer services to forcibly displaced persons and host communities. The second case-study example of Sanivation features a unique model of a local company advancing economic inclusion by providing a range of employment opportunities to refugees and integrating them into its value chains. Sanivation also offers hygienic solutions and cleaner fuel alternatives in refugee settings. The third case-study example of IKEA Foundation demonstrates a private company bringing its capacity to bear alongside a humanitarian organization. IKEA Foundation has a long-standing partnership with UNHCR, and they are working jointly to provide support to refugees and host communities by developing projects together; IKEA Foundation is also providing in-kind donations and raising funds for UNHCR. The partnership also contributes to the exchange of knowledge and sharing of experiences between these organizations.

### Case Example 1: IFC Asset Management Company, LLC (AMC) — Facilitating private investment to companies that offer services to refugees and host communities

IFC Asset Management Company, LLC (AMC), a wholly-owned subsidiary of IFC, mobilizes and manages capital for investments in businesses in developing and frontier markets. As part of its portfolio, AMC made an equity investment in Equity Bank, which serves more than 13 million people—including refugees and other vulnerable communities—in six East African countries. Equity Bank has since opened branches in Dadaab and Kakuma, two refugee camps in Kenya which together host nearly 380,000 refugees. For its diverse clientele, Equity Bank provides a range of financial services, such as personal banking and

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<sup>12</sup> World Bank, Forcibly Displaced (<https://openknowledge.worldbank.org/handle/10986/25016>)

microcredit as well as group savings and lending products (including loans to both households and small businesses).

Investors in AMC-managed funds include sovereign wealth funds, pension funds and development finance institutions. For example, JICA signed an agreement for equity participation in its IFC Middle East and North Africa Fund, LP, through which JICA is investing up to USD 30 million to support equity investments in private enterprises across the Middle East and North Africa (MENA) region. By doing so, JICA aims to support job creation and economic growth, and hence contribute to socio-economic stability, in the region.

### **Case Example 2: Sanivation — Advancing economic inclusion by employing refugees**

Sanivation provides sanitation services in Kenya's Kakuma refugee camp—which hosts nearly 190,000 refugees and asylum seekers from South Sudan, Ethiopia and Somalia—as well as employment opportunities for refugees living there. Specifically, Sanivation installed container-based toilets and provides maintenance services, including the collection of waste and its subsequent transportation to a treatment facility. From this waste, Sanivation produces a solid fuel product which is then sold for cooking and heating purposes in the refugee camp. This fuel is low-cost and is an environmentally-friendly alternative to charcoal and firewood. In addition, employing refugees in its value chain is core to Sanivation's business model. Sanivation employs refugees for 1) producing the container-based toilets, 2) maintaining the toilets in working order and transporting waste to the treatment facility, 3) operating the facility where waste is converted into fuel, and 4) selling the solid fuel product to refugees living in the camp as well as to small businesses located outside

of the camp. Sanivation employs 22 refugees, and it sold over 35 tons of fuel to up to 10,000 customers in 2018. Sanivation also plans to expand operations in Kakuma so that 10,000–20,000 refugees can have access to its container-based toilets.<sup>13</sup>

### **Case Example 3: IKEA Foundation — Sharing capacity building expertise with humanitarian organizations**

The partnership between IKEA Foundation and UNHCR dates back to 2010, when the IKEA Foundation started its engagement on Somali refugee issues in the Dollo Ado region of Southeast Ethiopia. The Foundation's work in this stage focused on supporting the construction of vital infrastructure, providing essential services and delivering lifesaving humanitarian assistance. Over time, the IKEA Foundation helped to significantly improve shelter, water, sanitation, education, health and nutrition conditions in Dollo Ado. Since 2015, the IKEA Foundation has gradually modified its assistance approach, shifting from an emphasis on the provision of emergency support to creating sustainable solutions with the goal of enhancing the self-reliance of refugees. The IKEA Foundation also provides support to host communities. Key interventions on this front include: 1) the construction of irrigation infrastructure to increase agriculture production and expand income generation opportunities for refugees and host communities; 2) the construction of farmers' markets to promote small business opportunities; 3) the installation of new solar street lights and solar mini-grids; and 4) upgrades to water infrastructure, including the installation of solar-hybrid water pumping systems. In all, the IKEA Foundation has provided support to approximately 200,000 refugees and their host communities.

These examples illustrate how private sector actors can

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13 IFC, Private Sector & Refugees-Pathways to Scale

([https://www.ifc.org/wps/wcm/connect/region\\_\\_ext\\_content/ifc\\_external\\_corporate\\_site/sub-saharan+africa/resources/psr-pathways-to-scale](https://www.ifc.org/wps/wcm/connect/region__ext_content/ifc_external_corporate_site/sub-saharan+africa/resources/psr-pathways-to-scale))

help make a difference in the lives of forcibly displaced persons. In order to unleash their full, individual and collective potential as facilitators of greater private sector engagement and enhanced private finance mobilization, IDFC members need to further explore innovative financial tools, while also pursuing potential partnerships with grant/concessional loan providers and social investors. By expanding its collaboration with various stakeholders, IDFC can maximize its potential for solving humanitarian-development challenges and contributing to the achievement of the SDGs.

## 4. Engagement of IDFC members in situations of forced displacement

Using data collected through questionnaire surveys, the Working Group has compiled information on the degree to which IDFC members are already helping to address issues related to forced displacement. Various examples are discussed below including those associated with the work of AFD, KfW, CAF, TSKB, ICD and JICA.

These case studies illustrate different courses of action that IDFC members may choose to pursue in response to forced displacement situations. Most of the examples presented deal with direct support to forcibly displaced populations. AFD, KfW and CAF, for instance, provide financial support targeting forcibly displaced persons and host communities. These case studies demonstrate how the provision of financial support can ease the pressure on host communities while simultaneously building the resilience of governments by enabling improvements in basic infrastructure and expanding access to social services, as well by strengthening public policy.

On the other hand, other IDFC members focus on stimulating economic activity in regions impacted by refugee inflows. In this regard, TSKB's project aims to expand access to finance for local companies in areas impacted by Syrian refugee inflows. TSKB's project contributes to local economic growth by providing long-term lending to local businesses, thus creating more employment opportunities for refugees. ICD's support enhances private sector resilience and strengthens value chains in Yemen through grant matching scheme and the provision of technical assistance, focusing on micro, small and medium enterprises (MSMEs).

Finally, JICA's case study highlights a project that

seeks to improve basic infrastructure in a geographical area where the massive inflow of refugees is placing additional pressure on already fragile infrastructure systems. Specifically, JICA supports a private sector-led infrastructure project in Jordan designed to expand power generation to meet the rising demand for energy partially attributed to the inflow of Syrian refugees. This project was co-financed by a consortium of bilateral, regional, and international, financial institutions.

### **AFD: Improving access to water and sewage disposal for Syrian refugees and host communities**

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Jordan is one of the most water-scarce countries in the world, with less than 150 m<sup>3</sup> of water available per inhabitant on an annual basis. This water stress is particularly exacerbated in the Northern Governorates where a massive inflow of Syrian refugees has been happening since 2011, resulting in further deterioration of water supply services and depletion of groundwater resources. A large number of Syrian refugee households do not have adequate access to public water services or basic sanitation facilities. Their housing is located in parts of buildings or in parts of neighborhoods that are not connected to potable water distribution systems or to sewage networks, e.g., shops, basements, garages, living quarters found on the roof of buildings, or other dwellings located far from these networks.

The sudden increase in population size has also placed additional stress on wastewater management facilities. This stress results in overflows of cesspits and in overloaded wastewater networks, which in turn risk contaminating the shallow aquifers which contribute



to the local water supply. The situation of Syrian refugees living in host communities continues to deteriorate, especially in terms of access to essential services. Meanwhile, the rise in the number of refugees leads to overburdened water infrastructure systems, which in turn fuels tensions between host communities and Syrian refugees.

AFD's project targets one of the geographical areas most severely affected by the Syrian refugee crisis in Jordan. Its objectives include adapting and reinforcing water supply distribution networks to achieve a 50% increase in water supply services; improving the performances of water networks; and increasing access to water for host communities and refugees. The project will result in improved water and wastewater services for a population of 1 million beneficiaries, 220,000 of which are refugees. The project also seeks to extend water access to an additional 70,000 Syrian refugees, as well as to other vulnerable households in host communities. The project's ultimate objective is to support

resilience building from a water security perspective in areas of Jordan hosting large groups of Syrian refugees. Amounting to up to 152 million EUR, the project's co-financing package consists of 32 million EUR from a highly concessional AFD loan, a 40 million EUR grant from the EU delegated to AFD, a 40 million KfW loan, and a 40 million KfW grant.

### **KfW: Improving learning conditions and expanding access to child protection**

The economic and social infrastructure in Iraq has been deteriorating since the 1980's as a result of wars and economic sanctions by the international community. In addition, the armed conflict between the Iraqi Army, rebel groups, and the so-called Islamic State has caused a massive increase in the number of IDPs in Iraq, which currently stands at more than 3.3 million people. Because of the war in Syria, an estimated 250,000 Syrian refugees have fled to Iraq. At least half of them are children and youth. Due to the current situation, they have limited access to basic services. About 3.5 million children have limited or no access to formal education. In addition, the availability of school facilities has been adversely affected by the ongoing conflict, delivering a blow to the quality of education. Many schools have been destroyed amid conflict; others are now being used as emergency shelters or military bases.

KfW provided USD 18.6 million to enhance access to education, implement child protection measures in host communities, and improve educational quality. The program contributes to providing quality of education for children of refugees, IDPs and host community children alike. The program represents a good example of collaboration between a bilateral donor and the UN. Recognizing the increasing importance of partnering with the UN in the context of refugee support, KfW is financing the project and UNICEF

will be responsible for its implementation. In response to severe refugee crises, KfW supports measures to rapidly and effectively improve the living conditions of refugees by maintaining or restoring essential services. In addition, refugee crises are protracted; it takes on average 17 years before refugees can return to their home. It is, therefore, vital to develop solutions that effectively link short-term relief measures with longer-term development programmes. One of the most important factors in this context is making sure that enough support is provided to host communities.



## CAF: Supporting programs for integral rural development under post-conflict frameworks

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The general objective of CAF's program is to contribute, through budgetary support, to the efforts that the Colombian government has been making to fine-tune public policies that emphasize a comprehensive approach to rural development. Acknowledging the principles enshrined in the Final Peace Agreement framework, these efforts seek to guarantee equitable access to land, productive and sustainable land use, and fair land distribution.

Guided by the terms of the loan agreement signed with CAF, the National Government of Colombia has advanced the definition and implementation of public policies that promote the regularization and formalization of property rights to land in rural areas. Additionally, the Colombian government has taken actions to boost infrastructure development, mainstream adaptation to climate change in land use, and increase agricultural productivity. By the same token, the Colombian government engages in territorial planning to inform the territorial development initiatives of local governments at the municipal, district and departmental (political subdivision) level.

The national government of Colombia agreed to comply with a series of policy initiatives outlined in the Matrix of Consensus Actions featured in the accord between CAF and Colombia. These actions focused on strengthening public policy designed to catalyze the structural transformation of the countryside; closing gaps between urban and rural living standards; and improving the well-being of rural communities. These policy actions fall into four categories: (i) institutional policy and framework; (ii) access to land and land formalization interventions; (iii) comprehensive rural reform; and (iv) Territorial Focused Development Programs (PDET). CAF has provided

budget support loans amounting to USD 300 million to advance these policy actions.

In addition to providing budget support, CAF is complementing its financial assistance with a non-reimbursable technical cooperation project for institutional capacity building. CAF recognizes the need to assist agricultural sector stakeholders with developing technical and methodological guidelines related to land adaptation and new integral agricultural extension models. The main objectives of CAF's technical cooperation project include the following:

1. Strengthening institutional management capacity for the development of land adaptation policy instruments (ADT) in Colombia.
2. Generating reliable cost estimates for the provision of comprehensive agricultural extension services at the departmental level.
3. Generating a methodological proposal to establish a co-financing mechanism for comprehensive agricultural extension services.

### **TSKB: Inclusive access to project financing**

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Turkey has become one of the largest refugee-hosting countries in the world. In fact, Turkey currently hosts over 3.6 million Syrians refugees. Only a small minority of these refugees (0.23 million) live in designated camps along the Syrian border; the vast majority of them reside in urban areas, where refugees and host communities interact on a daily basis.

Businesses in less developed sub-regions impacted by the large inflow of Syrian refugees face particularly severe constraints when it comes to access to finance. The Turkish government is eagerly trying to stimulate economic activity in sub-regions hosting large numbers of Syrian refugees, aiming to reduce regional disparities by expanding local employment opportunities.

The development objective of the Inclusive Access to Finance Project in Turkey is to improve access to longer-term finance for (i) women-inclusive enterprises and (ii) enterprises in less developed sub-regions affected by the Syrian refugee influx. This project has two components. Under the first component, TSKB will lend funds to eligible beneficiary SMEs through qualified Participating Financial Institution (PFIs). Under the second component, TSKB will lend funds directly to eligible beneficiary SMEs and large enterprises (LEs). The lending instrument for the project is a USD 400 million World Bank Group/IBRD loan, equally divided into wholesale lending and direct lending components, with TSKB serving as the implementing agency for the project.

### **ICD: BRAVE Program - enhancing private sector resilience in Yemen**

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The Business Resilience Assistance for Value-Adding Enterprise (BRAVE) Program was designed in 2016 by ICD in partnership with the Islamic Development Bank, the Government of Yemen (MoPIC), the Small and Micro Enterprise Promotion Service (SMEPS), an affiliate agency of the Social Fund for Development (SFD), and three local financial institutions in Yemen, namely Kuraimi, Tadhamon International Islamic Bank and Saba Islamic Bank, who act as custodians for the grant beneficiaries.

The Program invests in business resilience and business continuity initiatives within an integrated framework not only to help enterprises manage risks associated with the impact of ongoing conflict but also to develop crisis mitigation strategies. The program seeks to enhance private sector resilience in Yemen as an engine of sustainable growth, focusing on micro, small and medium enterprises (MSMEs) in pro-poor/value adding sectors such as agribusiness, fisheries healthcare and textile. The program consists of three components:

- a. Providing business resilience capacity building;

- b. Providing business recovery support to selected firms with a matching grant scheme, to be invested primarily in capital goods needed by the businesses;
- c. Strengthening the chain resilience for target sectors and helping lead value-chain firms adjust, upgrade, or enhance their business models to respond rapidly to new market structures. This is achieved through a tailored grant matching scheme.

The Program was designed as a two-phase project to be completed in 2020, and commendable progress has been made to date. A total of USD 6.0 million was raised for the BRAVE Program from the MENA Transition Fund, which was established in 2012 at the request of the Deauville Partnership with Arab Countries in Transition. The first phase of the Program (2017-2018) provided Yemeni firms with much-needed business continuity training to respond to the challenges faced by the private sector in-conflict situations. Selected firms also benefited from a matching grant scheme, which was deployed in coordination with local banks. The grants provided careful financial control and stimulated bankability along with the restoration of SMEs' trust in banks and the wider ecosystem. This phase covered fragile areas of Sana'a, Aden and Hadhramaut, focusing on vital sectors.

The second phase started in 2019 with an additional USD 3.0 million in funding from the MENA Transition Fund. This phase focuses on deepening value chain support across the country, reaching out to over 90 lead firms and business associations/ cooperatives in the same priority sectors. Overall, the Program resulted in positive development outcomes for Yemen. As of the end of 2019, a cumulative total of 620 firms had been provided with business continuity training and 348 firms benefited from a matching-grants scheme. Moreover, 15,000 jobs have been supported with an additional 1,541 new jobs created under the BRAVE Program, thus helping to bring jobs and stability to communities at risk and cementing the

important role of the private sector in fragile and conflict-afflicted countries.

Building on the successful implementation and positive impact made by the BRAVE Program, the BRAVE Women Program was established in 2018. Formally launched in February 2019 in Yemen, the BRAVE Women Program focuses on addressing barriers to women entrepreneurship in selected value chains in Yemen, Nigeria, and Burkina Faso, three of most vulnerable countries and/or fragile geographies in the Middle East and Africa. The BRAVE Women program will contribute to increasing outreach efforts targeting women; it will also help to guarantee the inclusion of women-led/owned micro, small and medium enterprises (MSMEs). Specifically, the Program is envisaged to reach at least 500 women MSMEs with specialized business trainings. The program will also provide a combination of grant matching support and technical assistance to some 1,200 women-led/owned MSMEs. The multi-country women-centric program is fully funded by the Women Entrepreneurship Finance Initiative (We-Fi), a groundbreaking partnership consisting of 14 donor governments, six multi-lateral development banks as implementing partners, with a USD 32.2 million allocation under the first round of applications for projects in Yemen, Nigeria and Burkina Faso.

**To listen to one of the many successful stories of the BRAVE Woman Program click on the following link:**  
<https://we-fi.org/women-entrepreneurs-in-yemen-adapting-to-the-covid-19-crisis/>

## **JICA: Project finance for renewable energy development in Jordan**

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Jordan could face a severe energy supply-demand crisis in the near future. For starters, in 2016, for instance, Jordan's total energy production reached 19,498 gigawatt-hours while its energy consumption

was 16,843 gigawatt-hours. To complicate matters, energy demand in Jordan is expected to rise by four to five percent per year, just as existing energy production facilities continue to deteriorate. This situation renders enhanced investments in energy sector development an urgent and inescapable necessity for the country. Since Jordan imports 97 percent of its energy sources, oil price fluctuations can adversely impact the country's current account balance. Against this backdrop, the Jordanian government has rolled out an ambitious plan to meet up to 20 percent of its energy needs with renewable sources by 2020.

Jordan has accepted a large number of refugees from nearby countries. Approximately 650,000 refugees from Syria have sought refuge in Jordan in the wake of the 2011 Syrian conflict. Jordan is also hosting refugees from Palestine and Iraq. Faced with rising energy demand, in part driven by the ongoing refugee crisis, the Government of Jordan is pursuing the development of renewable energy sources. Under this project, a 200-megawatt solar power plant, the largest photovoltaic (PV) plant in Jordan, has been constructed in Al-Muwaqqar District, Amman Governorate. The electricity generated by this solar power plant will supply energy to host communities located in urban areas with large numbers of refugees.



JICA is co-financing this project with a parallel loan in partnership with IFC, Deutsche Investitions-und Entwicklungsgesellschaft (DEG, Germany) and the OPEC Fund for International Development. The Baynouna Solar Energy Company owned by Abu Dhabi Future Energy Company and Taaleri (Finland)) will construct and operate this 200 MW solar photovoltaic (PV) power plant. The project's 188 million USD finance package includes USD 55.2 million from JICA, USD 54 million from IFC and USD 78.8 million mobilized from DEG and the OPEC Fund.

## 5. Way forward

This paper highlights the challenges of addressing forced displacement, with a particular focus on how development actors, especially DFIs, can work together with humanitarian actors and mobilize private actors' engagement to address the humanitarian-development-peace nexus. While many humanitarian crises do require a prompt emergency response and humanitarian assistance provision to forcibly displaced populations, we are witnessing more and more demand for a development-oriented approach in managing refugee crises, particularly in order to address protracted situations. Although efforts on this front are still on a nascent stage, MDBs and DFIs are starting to recognize that they can play an important role in addressing refugee crises by providing financial and technical support.

While massive inflows of refugees and IDPs pose challenges to host communities, particularly in the form of increased demand for infrastructure and social services, refugees and IDPs can actively and positively contribute to the prosperity of host communities if they receive adequate support to engage in business and social activities. Private sector investment can enhance economic and employment opportunities for refugees. Mobilizing start-up capital and establishing long-term lending schemes for refugees and IDPs can also encourage their entrepreneurial spirit. Furthermore, DFIs can contribute to improving basic infrastructure in support not only of forcibly displaced populations but also of host communities.

In this paper, we have discussed practical insights and opportunities for IDFC members to support refugees, IDPs and their host communities. Potential areas of intervention include providing support for infrastructure development; efforts to promote local economic activities; and initiatives aimed at leveraging private

sector investments to create jobs and expand economic opportunities. Promoting private sector engagement and catalyzing private finance mobilization are effective approaches to overcoming the challenges of forced displacement. Three case studies presented in this paper, namely those associated with the work of IFC, Sanivation and the IKEA Foundation in the realm of humanitarian affairs, showcase the importance and novelty of private sector engagement in humanitarian actions. These examples could help IDFC members better understand what works and how to address the challenges of forced displacement. Learning from the experiences that AFD, KfW, CAF, TSKB, ICD and JICA have accumulated in the process of bridging the humanitarian assistance-development nexus would be crucial to facilitate further discussions among IDFC members. IDFC members should ultimately explore opportunities for engagement in situations of forced displacement. Concerted efforts should include building better enabling environment for private engagement through institution building and capacity development, enhancing physical infrastructure for economic and social activities, and expanding the supply of innovative financial instruments.

Development banks are playing ever increasing roles in the pursuit of global peace and prosperity. They can contribute to solving broader social challenges, including humanitarian challenges. They can also help build more resilient societies, thus facilitating the realization of human security. Major MDBs like the World Bank, AfDB and ADB, working in partnership with the UN and bilateral development actors, are now providing enhanced assistance to alleviate the plight of refugee and IDPs. Their programmes and projects seek to address a wide range of needs. However, they can arguably still do more to leverage private sector engagement to address both emergency and develop-

ment challenges stemming from humanitarian crises. In this context, IDFC members should join forces to provide broader and more innovative solutions, relying on their close relations with key stakeholders as well as their profound understanding of local economic and social conditions.

Encompassing 26 national, bilateral, and regional development banks, IDFC finds itself in a privileged position to address development challenges across the world. Its members collectively pledge their resolute commitment to achieving the SDGs. Recognizing that humanity is facing the largest wave of forced displacement ever recorded, we can all agree that addressing the challenges posed by forced displacement is critical to achieving the SDGs. With the noble vision of “leaving no one behind” in mind, we must catalyze IDFC engagement to meet the growing challenges of forced displacement. By doing so, IDFC will effectively contribute to achieving human security and the SDGs.

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## About IDFC

The International Development Finance Club (IDFC), created in 2011, is the leading group of 26 national and regional development banks from all over the world, a majority active in emerging markets. IDFC is the largest provider of public development and climate finance globally, with US\$ 4 trillion in combined assets and annual commitments above US\$ 600 billion, including US\$ 150 billion per year of climate finance. IDFC members have the unique function of supporting domestic policies while transferring international priorities into their own constituencies. IDFC members are aligned with and work together to implement the Sustainable Development Goals (SDGs) and the Paris Climate Agreement agendas. Through IDFC, and in close partnership with other development bank networks, members join forces as a platform to promote and leverage sustainable development investment worldwide. IDFC is chaired since October 2017 by the Agence Française de Développement (French Development Agency) where the IDFC Secretariat is hosted in Paris, France. To learn more about IDFC please visit our website [www.idfc.org](http://www.idfc.org) or follow us on Twitter & Linked in

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This report was written by a team led by Ryutaro Murotani. Core team members were Daishiro Murakawa, Toru Yoshida, Minako Kakuma, and Hidehiko Furumoto. The report benefited from being reviewed by the member of IDFC forced displacement/refugee working group, including inputs/feedbacks from AFD, DBSA and KfW. The team also express deep appreciation to the contributions of case studies, especially, CAF, ICD, and TSKB. JICA has a long-standing partnership with the United Nations High Commissioner for Refugees (UNHCR) and a number of advice and inputs were provided to the team for drafting stage of the report. The team would especially like to thank Betsy Lippman, Roberta Russo, Tapio Vahtola for their insights and support.



This report was created by the IDFC Forced Displacement/Refugee Working Group led by JICA



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