

**THE EUROPEAN UNION EMERGENCY TRUST FUND FOR STABILITY AND
ADDRESSING THE ROOT CAUSES OF IRREGULAR MIGRATION AND
DISPLACED PERSONS IN AFRICA**

**Action Fiche for the implementation of the Horn of Africa Window
T05-EUTF-HOA-KE-58**

1. IDENTIFICATION

| | | | |
|---------------------------------------|---|--------|---------------------------|
| Title | Piloting Private Sector Solutions for Refugees and Host Communities in North-West Kenya | | |
| Total cost | Total estimated cost: USD 26.679,941 million Total amount drawn from the Trust Fund: 5 million EUR | | |
| Aid method / Method of implementation | Administrative Agreement with International Finance Corporation (IFC) | | |
| DAC-code | 25010 | Sector | Business support services |

2. RATIONALE AND CONTEXT

2.1. Summary of the action and its objectives

This action directly responds to **objectives 1 and 2 of the Trust Fund**, priority domains **1 and 3 of the Valletta Action Plan**, and **Sustainable Development Goals 8 and 10**. It supports the long-term development needs of refugees and their host communities through an innovative approach to piloting private sector development which will create greater economic and employment opportunities, especially for young people and women and help strengthen the protection and resilience of refugees and host communities. It is fully aligned with the principles underpinning the Comprehensive Refugee Response Framework (CRRF) and its regional application in the Nairobi Declaration on Durable Solutions for Somali Refugees and its accompanying Action Plan, which is in the process of being translated at a national level by the Government of Kenya.

The intervention logic of this action is that by attracting private sector and social enterprise investment to the Kakuma and Kalobeyei area and supporting local entrepreneurial potential, there will be better employment opportunities for refugees and the host community, with a focus on young people and women, improved services, more consumption choices and potentially reduced prices. In turn, this will enhance the self-reliance of refugees and their host communities and their socio-economic integration, whilst contributing to the development of the hosting region, in the spirit of the global agenda of the Comprehensive Refugee Response Framework and, more widely, of "leaving no-one behind".

The **overall objective** of the action is to promote better economic integration and self-reliance of refugees and host communities in the Kakuma and Kalobeyei area through supporting market-led solutions that strengthen and deepen local markets and respond to key development challenges.

There are **three specific objectives**, as follows:

1. Assist private business companies and social enterprises to enter the Kakuma and Kalobeyei market and provide opportunities to scale-up the existing operations of enterprises already present in the area.
2. Develop refugee and host communities' entrepreneurship potential, with a focus on young people and women, by supporting their businesses to grow, providing vocational skills training, business development services and micro-finance opportunities.
3. Support policy dialogue and advocacy efforts focussed on creating a more conducive business environment and attracting private sector companies to the Kakuma and Kalobeyei area.

The **geographical coverage** focuses on Turkana County, in north-west Kenya, and more specifically, the area around Kakuma town, refugee camps and Kalobeyei town and settlement.

The **target beneficiaries** of the action will be (1) entrepreneurs among refugees and the host community in Kakuma and Kalobeyei area, (2) social enterprises that are already present in the area or who would consider starting operations, (3) private sector companies planning to expand or start their business in the area. Refugees and the host community will also benefit indirectly from the programme due to improved access to products and services, employment opportunities and potentially lower prices. Indirectly, the Turkana County Government and the broader county population will benefit from the programme as investments in Kakuma and Kalobeyei will benefit the county as a whole. There will be a specific emphasis on vulnerable groups, including women and youth.

This is a **pilot initiative**, which, in the long-term could be extended to other areas in Kenya, East Africa and potentially beyond.

2.2. Context

2.2.1. Country/regional context

The world is currently facing an unprecedented level of forced displacement. At the end of 2016, 65.6 million individuals were forcibly displaced as a result of persecution, conflict, generalised violence, or human rights violations; a level not previously seen in the post-World War II era. The largest refugee displacements are protracted¹ and the vast majority resides in developing countries.

The Horn of Africa is one of the major refugee producing and hosting regions in the world. Protracted conflict and violence, persecution and repression, combined with increasingly harsh climatic conditions, and lack of income opportunities for a rapidly growing and increasingly young population that enters the labour market, cause people to flee or migrate.

By the end of 2017, Kenya was the tenth largest refugee hosting country in the world, and the fourth largest in Africa after Uganda, Ethiopia and the Democratic Republic of Congo (DRC). As of ~~March 2018~~ January 2023, it hosts a total of around ~~488,000~~ 560,000 officially registered refugees. Forced displacement in Kenya is largely a consequence of the country's proximity to protracted conflicts in Somalia and South Sudan. It has been welcoming refugees from neighbouring countries escaping conflict or natural disasters for over 25 years. Most refugees in Kenya are from Somalia and South Sudan (58% and 23%), with significant numbers also from DRC (7%) and Ethiopia (6%), and smaller numbers from Burundi, Eritrea

¹ UNHCR defines protracted refugee situations as those in which 25,000 or more refugees of the same nationality have been in exile for five years or longer in a given asylum country

and Sudan. The majority of refugees are located in refugee camps in Dadaab (Garissa county) and Kakuma and the newly established Kalobeyei settlement (Turkana county): 50% in Dadaab, 36% in Kakuma / Kalobeyei (approximately in 147,000 in Kakuma and 38,000 in Kalobeyei) and 14% in Nairobi. Somali refugees are mainly located in Dadaab camp complex while South Sudanese are largely in the Kakuma camp complex and Kalobeyei settlement. Both Dadaab and Kakuma camp complexes have existed for over 20 years, having been established in the early 1990s.

The main refugee hosting regions (outside Nairobi) are economically underdeveloped. Turkana County, in north-western Kenya, is one of the poorest regions in Kenya. The entire territory is in semi-arid (19%), arid (42%) or very arid (38%) ecological zones. The refugee population represents some 15% of the total population of Turkana County. Nearly 80% of the refugee population is made up of women and children (approximately 148,000 people).

Kenya has signed and ratified the key international legal instruments governing the treatment of refugees². National law is enshrined in the Kenya Refugee Act 2006, which is currently under review. The Act supports an encampment policy where movement outside camps is restricted along with the right to work and pathways to acquiring citizenship. A revised bill addressing some of issues related to encampment and socio-economic rights of the refugees in the country was endorsed by the Parliament in 2017 but subsequently rejected by the President of the Republic.

That being said, the Government of Kenya has recently been at the forefront of seeking international support and responsibility sharing towards renewing efforts for durable solutions for Somali refugees and sustainable return and reintegration of returnees in Somalia, as demonstrated by its decision to host the ground-breaking summit in March 2017 in Nairobi that resulted in the Nairobi Declaration and Action Plan (NAP). The country was a pledging member of the Leaders' Summit and, in December 2017, joined others in becoming a pilot country for implementation of the Comprehensive Refugee Response Framework (CRRF). In practical terms, the Government has started exploring models for a different, developmental response to forced displacement; the primary example of this is the Kalobeyei settlement in Turkana. The idea behind this settlement, which has been receiving support from the EU Trust Fund since 2016³, is to develop a settlement that would promote the self-reliance of refugees and host communities by providing them with better livelihoods opportunities and enhanced service delivery. These principles have been integrated into the County Integrated Development Plan for Turkana, in the process of finalisation at the time of writing.

2.2.2. Sector context: policies and challenges

In the majority of protracted refugee situations, UNHCR and other humanitarian organisations have assumed a primary role in the delivery and coordination of support to refugees, initially by means of emergency relief operations and subsequently through long-term “care and maintenance” programmes. However, with displacement situations ongoing for several decades, it has become clear that the current “care and maintenance” approach is not sufficiently addressing the needs of refugees and host communities. Humanitarian assistance and the generosity of host communities are overstretched. These challenges have forced

² Kenya has signed and ratified the 1951 United Nations Convention Relating the Status of Refugees (1951 Convention) and the 1967 United Nations Protocol Relating to the Status of Refugees (1967 Protocol). Kenya has also signed and ratified the 1969 Organization of African Unity Convention Governing Specific Aspects of Refugee Problems in Africa (OAU Convention), 1981 African Charter on Human and People's Rights and the 1990 African Charter on the Rights and Welfare of the Child.

³ EUTF05-HOA-KE-17, <https://ec.europa.eu/trustfundforafrica/node/398>

refugee-supporting agencies to pay attention to refugees' economic capacity and to improve their understanding of how refugees construct their livelihoods.

This shift from “care and maintenance” to “self-reliance” is expressed in the New York Declaration for Refugees and Migrants which was adopted by the United Nations General Assembly in September 2016⁴. The New York Declaration reaffirms the importance of the international refugee regime and represents a commitment by member states to strengthen and enhance mechanisms to protect people on the move. It paves the way for the adoption of two new global compacts in 2018: a global compact on refugees and a global compact for safe, orderly and regular migration. The New York Declaration sets out the key elements of a Comprehensive Refugee Response Framework (in Annex I of the Declaration) to be applied to large-scale movements of refugees and protracted refugee situations. The four key objectives of the Comprehensive Refugee Response Framework are to: 1. Ease pressures on host countries; 2. Enhance refugee self-reliance; 3. Expand third-country solutions; and 4. Support conditions in countries of origin for return in safety and dignity.

At the European level, the European Commission set out, in 2016, a new, development-oriented policy framework to address forced displacement⁵ which calls for joined-up and coordinated approaches of EU instruments to better address the needs of forcibly displaced persons and their hosts. The EU continues to demonstrate its political and financial commitment including by supporting the roll-out of the CRRF globally and in the pilot countries⁶.

The private sector can play a role in supporting refugees' self-reliance and supporting host communities. The Comprehensive Refugee Response Framework (CRRF) clearly integrates the private sector as a solutions provider for refugee hosting areas: as a service provider, jobs creator, and growth facilitator. Host countries are increasingly exploring partnerships with the private sector to address the needs of camp-based and urban refugees. Common interventions include: skills training for improving employability; value chain development and special economic zones for job creation; and substitution of imported goods; vouchers and cash transfers to support local economies. However, most private sector companies do not see refugees as their target group and hence have not expanded their core business to refugee hosting areas.

In this spirit, the International Finance Corporation (IFC) conducted a consumer and market study in Kakuma refugee camp and town in Turkana county. The study examines Kakuma area through the lens of a private firm looking to enter a new market. In other words, rather than identifying humanitarian or development needs of refugees and host community, the study looked at Kakuma as a single commercial and financial market collecting data on consumption levels and patterns, consumer preferences, financial literacy, access to finance, telecommunications, employment, and business ownership.

The findings of the study provide strong elements of contextual analysis that underpin the rationale behind this Action. These can be summarised as follows:

- Kakuma town and camp constitute a market of significant size (equivalent to Kenya's 10th largest city).

⁴ http://www.un.org/en/ga/search/view_doc.asp?symbol=A/RES/71/1

⁵ "Lives in Dignity: from Aid-dependence to Self-reliance", April 2016, http://ec.europa.eu/echo/files/policies/refugees-idp/Communication_Forced_Displacement_Development_2016.pdf

⁶ Djibouti, Ethiopia, Kenya, Uganda and Zambia have each agreed to apply the comprehensive framework. It will also be applied to the Somalia situation, requiring the involvement of Somalia's Government and its neighbours in a regional approach.

- The area provides a diverse number of income and business prospects for both local and refugee populations, and already supports household expenditures, centred on consumer goods, of 5.8 billion KES (approx.45.7 million EUR) per year. Refugees account for 29% of total household consumption – 1.7 billion KES (approx.13.4 million EUR).
- The political environment is favourable in that the Turkana County Government sees the refugee presence as an asset, supports the economic integration of refugees; and welcomes private sector investments in the Kakuma and Kalobeyei area. This has also been reflected in the new Country Integrated Development Plan (CIDP), under finalisation.
- The area, by population, is significant with extensive telecommunications/mobile penetration but has low levels of education, financial literacy and access to formal credit.
- Overall, employment and income levels in the Kakuma camp lag behind those in Kakuma town. The average monthly income in Kakuma town was 15,863 KES – almost three times higher than the 5,597 KES average in the camp.
- Business ownership/self-employment is higher in town than camp. The number of people who are business owners/self-employed is much higher in the town (39%) than in the camp (12%). The County government has indicated its readiness to further facilitate the registration of refugee businesses with the County Trade and Commerce Ministry that will enable the refugees to trade freely within the County and pay taxes, which will contribute to the economy of the County.
- Access to capital is a key barrier to open a business. 95% of respondents in Kakuma camp and 99% of respondents in Kakuma town stated, “lack of adequate capital” as the main issue preventing them from opening their own businesses. In addition, 73% of refugees in Kakuma camp claim to have no information on financial matters, indicating low levels of financial literacy.
- Energy is a main development issue in Kakuma and Kalobeyei. Currently power is produced by generators, which is very costly and not accessible to everybody. A World Bank commissioned study⁷ found that refugees in Kakuma camp currently spend between KES 1,000 – 2,000 per month on energy services.
- Water is key for livelihoods in the Kakuma and Kalobeyei area. However, water is a scarce resource. In addition to the scarcity of water is a lack of sanitation. Most respondents indicated a willingness to pay for better sanitation.
- Livestock is the main livelihood source for the host community. Turkana people are traditionally pastoralists but despite high levels of meat consumption, the price is relatively low in comparison to vegetables and fruits throughout the whole year. This can lead to low value creation by the pastoralists.
- The education situation in Kakuma and Kalobeyei is deficient. The number of students significantly exceeds the number than can be hosted by the existing schools and there are numerous over-aged learners. Secondary school enrolment rates are particularly low.

2.3. Lessons learnt

A number of policy processes and studies have highlighted the problems associated with long-term care and maintenance situations and demonstrated the need to go beyond short-term

⁷ “Unlocking business potential in frontier markets: Framework Development and Demand Analysis”, World Bank, 2016

humanitarian assistance to refugees and address the longer-term development needs and self-reliance of both refugees and host communities.

A study (2016) conducted by the World Bank titled “Yes, in my backyard”⁸, shows that harnessing the productive potential of refugees and supporting their self-reliance could lead to economic gains for both refugee and host populations. The study found that Kakuma refugee camp has contributed to an increase in the county’s gross regional product (GRP) of 2.6% in the short-term and 3.4% in the medium-to long-term. Full economic integration of the refugees would lead to a 15.1% increase in Turkana’s GRP in the short-term.

More recently, the University of Oxford's Refugee Studies Centre identified, through research into Kakuma and Nairobi refugee and hosting populations⁹, a "development gap" between refugees and host communities whereby each population face distinctive opportunities and constraints when it comes to economic and development outcomes. They found that, even in a restructured regulatory context, a range of interventions are available to promote economic participation and market-based approaches to assistance. Even when there is no formal right to work, refugees do engage in diverse forms of economic activity and within Kenya, regulation on refugees' economic participation may be interpreted and implemented differently depending on the local context. The importance of supporting the institutional and policy framework which underpins economic policy in hosting areas, and integrating refugees into national or local development plans, are also underlined as determinants of improved economic opportunities for refugees and their hosts.

The design of this Action has also been fed by the findings of the IFC's "Kakuma as a marketplace" study (see section 2.2.2) and evaluations of the Challenge Fund modelled employed by the Africa Enterprise Challenge Fund (AECF), who will work with IFC on the implementation of the Kakuma-Kalobeyi Challenge Fund. The mid-term evaluation of the AECF carried out in 2015¹⁰ concluded that there is a strong demand for the services provided by the AECF model, it being particularly relevant for better engagement of smallholders and poor households in market systems and value chains. AECF has an added-value and provides market stimulus when it focuses on constraints that cannot easily be addressed from commercial sources and the own funds of investees. The effectiveness of the fund should be enhanced by a more focused due diligence with specific attention on the availability of matching funds and weak capacity of companies. In order to compensate for the capacity gaps, the AECF should invest more in technical assistance and the requirements for matching funds could be somewhat relaxed for applicants who for obvious reasons are not in a position to match the AECF funding fully.

Moreover, the AECF is one of the few organisations that is willing to promote the private sector in post-conflict states and from that point of view the interventions are important pilot initiatives to show that private sector can work. The AECF has gathered a number of lessons learnt from implementing Challenge Funds in fragile contexts. They have found that success in fragile contexts can have tremendous impact in changing how market systems work for the vulnerable, and therefore, the potential upsides of investment in environments almost entirely starved of investment funds can be considerable. Fragility and the ability for the private sector to function is principally on a sub-national level. Care must therefore be taken to understand the specific development issues and challenges in the target areas. It is important to realise that innovations such as those promoted by AECF often create pre-conditions for systemic

⁸ <http://documents.worldbank.org/curated/en/308011482417763778/Yes-in-my-backyard-The-economics-of-refugees-and-their-social-dynamics-in-Kakuma-Kenya>

⁹ <https://www.rsc.ox.ac.uk/publications/refugee-economies-in-kenya>

¹⁰ Evaluation Management Unit (EMU) for the Africa Enterprise Challenge Fund, Final report Mid-term evaluation, ECORYS and Carnegie Consult

change rather than catalyse change on their own. Creating systemic change depends on the further development of the business models and the ability of the business and its development partners to create “inclusive business ecosystems”. Finally, in terms of implementation, managing these projects requires continued risk monitoring, reporting and mitigation.

The programme will also gather lessons learnt from a mapping of private sector development and livelihoods initiatives in and around Kakuma during the inception phase.

2.4. Complementary actions

A number of ongoing projects funded by the EU and by other development partners address the needs of both refugees and host populations in Kenya in terms of better access to basic services, economic and employment opportunities. These include, *inter alia*, the EU's ongoing support to the development of Kalobeyei settlement under the Regional Development and Protection Programme (RDPP), the UK-funded Support for Protection and Assistance of Refugees in Kenya (SPARK) programme, the Swiss funded vocational training and livelihoods support and the German-funded support to refugees and host communities in Kenya. The project is complementary to the EU's ongoing support to the development of Kalobeyei by filling a gap not addressed thus far i.e. focussing on market-led solutions that will provide refugees and host communities with better employment opportunities and access to services.

In addition, the World Bank has become increasingly engaged in rolling-out development-oriented solutions to displacement in Kenya. In 2017, they approved a loan of approximately USD 100 million to the Government of Kenya to support host communities in Turkana, Garissa and Wajir¹¹. In 2018, the World Bank will begin to examine the eligibility of Kenya to access support under the IDA 18 Refugee Sub Window. As a member of the World Bank Group, the IFC is coordinating closely with its colleagues working on these areas. IFC will also engage with its private sector clients to support interested companies to expand their services and products to Kakuma and Kalobeyei using instruments such as blended finance from the IDA 18 Private Sector Window.

These more development-oriented actions are interlinked with the protection and lifesaving assistance delivered by UNHCR and its partners in Kakuma and Kalobeyei with the support they receive from various donors, including the European Commission's Humanitarian Office (ECHO). Elements of humanitarian assistance will remain necessary in both sites.

At the same time, the developmental logic of this action will need close articulation and ultimately integration with ongoing developmental assistance to Turkana county. Complementarity and synergies will be sought with the EU's support to ASAL areas in Kenya, channelled through the National Drought Management Authority, with EU's support to improving land governance, with any support provided to Turkana county under the Support to productive, adapted and market integrated smallholder agriculture project (Agrifi) and under the External Investment Plan (EIP) as well as with the EU Trust Fund's work in the cross-border areas around Turkana lake and South Omo in Ethiopia. Moreover, IFC will ensure coordination and complementarity with World Bank programmes benefitting Turkana, especially those under the North and North East Development Initiative (NEDI) which encompasses Turkana and includes a specific project on increasing off-grid solar access for underserved counties.

¹¹ Project appraisal document can be found here: <http://documents.worldbank.org/curated/en/598591493431258373/pdf/Kenya-Hon-Africa-PAD-04072017.pdf>

The IFC will work in close cooperation with UNHCR and Turkana County Government which will ensure that overlaps with existing or pipeline projects and programmes in the Kakuma and Kalobeyei area are prevented. In particular, this action is in alignment and supports the implementation of the fourth component – private sector & entrepreneurship - of the Kalobeyei Integrated Social and Economic Development Program (KISED). The Challenge Fund addresses the planned activities under this component of improving the investment climate and business environment, enhanced market development and supporting enterprise development and entrepreneurship. In this respect, IFC will also coordinate closely with WFP on its retailer engagement initiative which is already working on addressing some of the main supply chain inefficiencies around Kakuma.

2.5. Donor co-ordination

Coordination amongst donors active in supporting refugees is ensured through the Refugee Donor Coordination Group which usually meets on a bi-monthly basis. In addition to this, a specific group is in the process of being established to bring together development partners around the implementation of the CRRF in Kenya.

At EU level, coordination takes place within the EU+ Migration Working Group, consisting of EU Member States plus Norway and Switzerland, which is a forum that meets bi-monthly to discuss pertinent issues related to migration and displacement in Kenya and the implementation of the EU Trust Fund in particular.

IFC is also part of a Multilateral Development Banks (MDB) platform¹² whose aims is to foster greater strategic alignment in the members' approach to economic migration and forced displacement, and to translate this into enhanced operational synergies on the ground.

As the Challenge Fund is being implemented through a multi-donor pooled fund, managed by IFC, participating donors will be able to coordinate through the specific governance mechanisms set up under the project.

3. DETAILED DESCRIPTION

3.1. Objectives

The **overall objective** of the project is to promote better economic integration and self-reliance of refugees and host communities in the Kakuma and Kalobeyei area through supporting market-led solutions that strengthen and deepen local markets and respond to key development challenges.

There are three **specific objectives**, as follows:

1. Assist private business companies and social enterprises to enter the Kakuma and Kalobeyei market and provide opportunities to scale-up the existing operations of enterprises already present in the area.

¹² MDB presented to G7 Ministerial Meeting on Finance in Bari (May 2017), Members of the Platform: the European Investment Bank, the European Bank for Reconstruction and Development, the African Development Bank, the Islamic Development Bank, the Inter-American Development Bank, the Asian Development Bank, the World Bank and the International Finance Corporation

2. Develop refugee and host communities' entrepreneurship potential, with a focus on young people and women, by supporting their businesses to grow, providing vocational skills training, business development services and micro-finance opportunities.
3. Support policy dialogue and advocacy efforts focussed on creating a more conducive business environment and attracting private sector companies to the Kakuma and Kalobeyei area.

3.2. Expected results and main activities

Component 1 - To achieve these objectives, the **Kakuma-Kalobeyei Challenge Fund (KKCF)** will be created. The KKCF will support private sector companies to stimulate market-based development of the private sector in refugee and host communities in the Kakuma and Kalobeyei area. It will provide opportunities for the host community and refugees, with a focus on women and youth, to contribute to their own socio-economic development as producers, traders, workers, and consumers. It will also encourage both businesses in and outside of the area to provide services in a sustainable way. The Fund would provide a market-based platform for economic and social integration between the refugees and the host communities.

The Challenge Fund will have **three windows**:

i. Private Sector Window: serving for-profit SMEs which plan to expand their business model to Kakuma and Kalobeyei thereby tapping into a new target group for their products or services. This financing for private sector companies will be grants on an output milestone-based scheme. It will require co-financing by the selected companies, based on their profile and ability. Other criteria that will be considered for selection include women and youth inclusion, economic impact (for refugee and host households), commercial sustainability and additionality. Preference will be given to local companies with an aim to include job creation for refugees and host populations. Technical assistance may also be provided under this window. Indicatively, this window would represent 40% of the Challenge Fund budget.

ii. Social Enterprise Window: Social enterprises are understood as either non-profit or blend for-profit initiatives generating a positive "return to society". This window will provide direct financing to social enterprises through a competitive process, with a community-driven focus. The financing for social enterprises will offer grants on an output milestone-based scheme. This model will be used as an incentive to push existing social enterprises to develop/scale up operations aimed at increasing sustainable access to public goods and essential services for refugees and host communities. The financing package will also require co-financing by the selected companies based on a matching funds principle. Similar selection criteria as for window 1 will be applied to this window, whilst a specific focus will be placed on the positive social impact of the initiatives to be supported. Technical assistance may also be provided under this window. Indicatively, this window would represent 30% of the Challenge Fund budget.

iii. Local Enterprise Development Window: provides technical assistance and grants for micro and small enterprises from refugees and host communities. While many businesses exist in Kakuma – particularly in the trade and services sectors – most of these are still small and at an early stage of development. The programme would work with existing or new providers of financial and business development services (banks, microfinance institutions, NGOs and others) to support the growth of local businesses in both the refugee and host communities. In addition the programme will provide grants to micro/small enterprises and associations or self-help groups with a business purpose in readiness for scale up. The goal is to “graduate” these businesses so that they are able to access expansion resources from MFIs.

An additional element of this window, and to help develop pipeline small businesses, will be to work with existing training institutions to act as an incubator for incipient micro-businesses, and to provide training in business and vocational skills. The window will be linked to IFC's discussions with Equity Bank to encourage expansion of lending to local traders and businesses. The programme will also work with financial institutions under window 1 or 2 to provide seed capital for the development of a loan product tailored to the needs of refugee entrepreneurs. Indicatively, this window would represent 30% of the Challenge Fund budget.

The windows will be implemented in three phases:

- a. **Phase One - Fund Inception (3-6 months):** During the inception phase, environmental and social assessment, a political economy analysis, a gender analysis and any other relevant background assessments, e.g. on the specific sectors mentioned below, will be carried out. Subsequently, sector specific competition processes will be designed, stakeholders will be engaged, indicators and a performance measurement system will be developed, details of a due diligence process will be shared, and related work plans and milestones will be developed. Features of the competitive process can be tailored to the specific circumstances of a sector, for example in regard to the minimum size of the grant and the matching fund requirements.
- b. **Phase Two - Competition Phase (6-8 months):** The basic form will be based on a standard challenge fund competition, which aims to identify and select innovative and viable business ideas with potential to impact on the target community. At this stage, marketing and outreach is conducted to create awareness and encourage companies to apply for funding. The Fund then reviews and selects investees through a rigorous due diligence process.
- c. **Phase Three - Implementation Phase (funding for businesses/projects/investees), 34-39 months:** In this phase, funds are disbursed to selected companies to implement the funded business models and as technical assistance to small/medium enterprises.

The IFC has identified a number of indicative sectors based on their analysis of potential opportunities to stimulate improvement of the market system of the Kakuma and Kalobeyei area while increasing access to entrepreneurial and gainful employment opportunities and addressing key development challenges in the refugee camps and host communities. These include:

- **Renewable Energy:** To address the issue of cost and accessibility of energy, introducing solar or wind based solutions could reduce the price and improve the service by providing energy for longer hours. Examples include off grid solar companies that offer a variety of home solar systems, and mini/micro grid solar power supply systems to supply power for productive use. There are already a number of potential candidates for additional low-cost funding to scale their businesses within the Kakuma and Kalobeyei market.
- **Agribusiness: Strengthening the livestock value chain.** The livestock value chain offers business opportunities to host and refugee communities, as producers, suppliers of inputs and consumers of unprocessed and processed poultry, small ruminants and cattle products. The host Turkana community are predominantly livestock farmers, are already involved in aggregation and sale of small ruminants, hides and skins, and are faced with unreliable and uncompetitive markets for their products. In such circumstances, a livestock off-take and processing value chain can stimulate productivity and employment for the host community. Refugees have also been trained and now breed and trade in poultry and poultry products, though at subsistence and smaller commercial scale - this poultry value chain can be scaled to supply the market and beyond. Opportunities also exist in horticulture and fresh food supply to the semi-urban population of the area. The Fund could work with market facilitators

like the Kenya Markets Trust to build capacity of the producers, while providing financing to private sectors companies to provide a primary market for the farmers.

- **Financial services, trades and livelihoods:** Working with banks and microfinance institutions would help to expand formal financial services to refugees and the host community which could lift a key barrier for entrepreneurship. Already ongoing livelihoods programmes in the Kakuma and Kalobeyei area could be targeted for partnership to administer business selection and planning grants to small/micro and medium enterprises, with the aim of developing funding pipelines for established financial institutions. Such programmes would work with technical and enterprise training institutions to build capacity of host community and refugee businesses for readiness to access additional funding for scaling up.
- **Water and Sanitation:** Social enterprises providing water and sanitation solutions could be targeted with grants to enter the Kakuma and Kalobeyei markets. Improvements in water and sanitation provision will have positive effects on livelihood opportunities but also on health conditions.
- **Education:** Studies have shown that refugees are able and willing to pay for improved education services. Private companies could help to ease the burden on existing education services. Social enterprises in this area could be targeted with competitive financing in a bid to improve the quantity and quality of education in Kakuma and Kalobeyei. Improving the education sector, particularly at secondary school level, would provide added benefit to the bulging youth population in Kakuma and Kalobeyei. This however would need to be subject to further assessment during the inception phase related to the national and county-level policy framework on education.

These sectors will be further refined during the inception phase.

The challenge fund model, by financing innovative and risky SMEs and supporting local enterprises to develop, will not only support private sector development and social impact, but will create a tested and proven pool of companies for more commercial investors such as private equity funds or development finance institutions. The Kakuma-Kalobeyei Challenge Fund is premised on supporting companies to scale-up or enter this market where the business climate is harsh in order to spur innovation and inclusive business models. This approach allows for social impact to remain sustainable by providing these marginalised communities with access to affordable products and services, even after funding has been withdrawn. This model has the potential to be replicated in other similar contexts/environments in Kenya and beyond.

In addition, one other component will be supported to complement this action:

Component 2 - Policy and Advocacy: Contribute to the efforts of UNHCR and other key partners to work with Turkana county government on creating a business environment conducive to the growth and development of host community and refugee businesses. Carry out specific advocacy efforts amongst private sector companies in Kenya to share findings of the IFC market study, to promote the Challenge Fund and attract companies to the Kakuma and Kalobeyei area.

3.3. Risks and assumptions

To understand the key environmental, social and fragility risks a county level environmental and social assessment as well as a political economy analysis and gender analysis for the Kakuma and Kalobeyei area will be conducted during inception phase. The findings will

inform the interventions. However, if a suggested investment might potentially trigger one of these risks, a more detailed assessment on project level will be done.

Some of the main risks and mitigation measures are listed in the table below:

| Risk | Likelihood | Mitigation measures |
|--|------------|---|
| <p>Refugee rights: Existing or future legal and de facto restrictions on refugee movement, access to labour markets, right to work, access to ID cards, business registration/permits and access to finance will restrict the economic abilities of refugees.</p> <p>The Refugee Act 2006, currently under review, stipulates the right of refugees to wage-earning employment subject to the provisions under the Kenyan Immigration Act 2011 which governs the issuance of Class M permit to refugees. The lengthy asylum process delays acquisition of refugee identification which subsequently hinders application for legal documentation, e.g. work permit, business registration, PIN, etc.</p> <p>Issuance of single business permits is decentralised through County business licensing offices; in Kakuma, refugees can apply for single business permits at office of the County administration (Trade, Tourism and Industrialization).</p> | High | <p>This risk could affect the participation of refugees under window 3 of the programme but would not directly affect window 1 and 2.</p> <p>Nevertheless, this will be mitigated by engaging the County Government to advocate for the lifting of restriction of movement of refugees within Turkana County and awareness-raising on the availability of business permits for refugees at county level. The County government has indicated its readiness to further facilitate the registration of refugee businesses with the County Trade and Commerce Ministry that will enable the refugees to trade freely within the County and pay taxes, which will contribute to the economy of the County.</p> <p>At national level, continued engagement of WB/IFC, UNHCR and other key donors including EU on the roll-out of the CRRF in Kenya and ongoing revision of the legislative framework, notably through political dialogue with the Government of Kenya.</p> |
| <p>Limited absorption capacity and "Doing Business" limitations: Despite the findings of the IFC's study, Kakuma and Kalobeyei remain remote areas affected by major issues such as water scarcity, insecurity, environmental degradation and drought and poor and inadequate infrastructure. Private sector presence has traditionally been very limited and attractiveness for private sector firms could remain low, thus limiting the absorption capacity of the project.</p> <p>The ability of the private sector to offer certain services, and of local</p> | High | <p>The size of the Challenge Fund is based on a demand estimation derived through the data collected as part of the "Kakuma as a marketplace" study, including assessment of potential applicants and their needs in terms of financial support. It will nevertheless operate on a rolling basis, scaling up based on absorption capacity levels.</p> <p>One of the main purposes of the Challenge Fund is to incentivise private companies to invest in what would otherwise be considered a risky environment. In addition, the project will involve an advocacy component to share findings of the IFC market study,</p> |

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| <p>and refugee entrepreneurs to launch or expand their own businesses, depends on improving the business climate. In particular, issues around business permits, business registration, and identification need to be resolved to ease the doing of business. If there is a lack of political will to undertake these reforms the expansion of the private sector in these areas will be difficult.</p> | | <p>to promote the Challenge Fund and attract companies to the Kakuma and Kalobeyei area.</p> <p>Ensuring the national and local governments clearly see the benefits for their own constituents will help mitigate this risk. As part of outreach and communications efforts, a clear link must be demonstrated between the economic integration of refugees and the benefits for the wider Turkana area.</p> <p>The county government has been at the political forefront of refugee and host community economic integration in Kenya. Not only has the government introduced the Kalobeyei settlement model, but they also expressed their willingness to initiate an investment climate reform project to look at promoting rights and streamlining procedures that would support refugee livelihoods. This could potentially be done by IFC experts.</p> |
| <p>Elite Capture and Fiduciary Risks: Local power holders might try to influence the competition by promoting or enforcing the organisers to favour specific companies. This kind of practice is particularly prominent in Turkana county. Fiduciary risks in form of corruption and fraud are endemic in Kenya.</p> | <p>High</p> | <p>This can be mitigated through clear selection criteria, transparent processes and a consistent communication strategy. To avoid fraud regular business checks on the ground will be conducted. Detailed background checks with key partners such as UNHCR will be done before beneficiaries are selected for support.</p> |
| <p>Failure to shift mindsets of refugees, NGOs, and private sector: The mindset of NGOs, refugees, and the private sector will need to shift from doing business as usual. It is important that the provision of parallel services and in-kind support be reviewed in order to build up the self-reliance of refugees and move towards more commercially viable business models for services. Eventually, it will also be necessary for some refugees to consider paying for certain improved services in order to develop the market. Finally,</p> | <p>Medium</p> | <p>To mitigate this, separate efforts on advocacy and education will need to be conducted for all three groups. This will focus in particular on creating awareness with traditional humanitarian sector support agencies to reduce dependency based care and maintenance activities as this creates an unfavourable business environment.</p> |

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| <p>advocacy efforts will be needed to promote the potential opportunities for the private sector amongst refugees and host community areas.</p> | | |
| <p>Difficulties in shifting from provision of free to paid services for refugees: Refugees have rightfully received life-saving support from the humanitarian and local communities upon arrival. However, as they shift towards self-reliance and economic integration in more protracted situations there will be an accompanying shift to paying for services they had previously received for free. This poses reputational risks, as the IFC and its partners could be seen as taking advantage of immobile refugee population and extracting profit from them.</p> | <p>Medium</p> | <p>This risk can be mitigated through proper messaging and ensuring there is value added in the paid services. For example, while it is necessary to convince the private sector of the market potential, messaging cannot only focus on the profit to be made. The issues of supporting the host community, encouraging local and refugee entrepreneurs, and the delivery of improved services and goods must be at the forefront. When it comes to services, it must be clear that there is value added. Due attention will also be given to the fact that a large part of the Kakuma-Kalobeyei refugee population are new arrivals that are still in need of receiving humanitarian assistance. This activity will be implemented in the spirit of the humanitarian-development nexus.</p> <p>Both Kakuma camp and Kalobeyei settlement are already progressively shifting towards cash transfers. WFP has been moving from distribution of food items to a voucher system called Bamba Chakula. UNHCR is preparing to shift their support to unconditional cash transfers in the coming months. Providing refugees with the choice to determine what needs to address with their humanitarian assistance will further open the market to the possibility of competition in the delivery of goods and services.</p> |
| <p>Water Scarcity: The Kakuma and Kalobeyei area is located in a semi-arid region of Kenya with scarce water resources. The current borehole supply is just enough for human consumption but not sufficient for any large-scale agricultural activities. This may affect the success of certain business activities which rely on the provision of water.</p> | <p>Medium</p> | <p>This limiting factor will be closely assessed in each business proposal. In addition, IFC will continue to work with other partners and Turkana county government to advocate for more long-term solutions to address the water supply issue. This is also being done under the existing EU Trust Fund support to the development of Kalobeyei.</p> |

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| <p>Deterioration of the security situation: There have been periods of unrest in Kakuma due to ethnic tensions spilling over from refugees' countries of origin. In addition, there are concerns by some that Al-Shabaab is attempting to or has infiltrated the camp. The actual, and perceived, security risks pose a threat not only to those conducting the programme but the ability of the programme to attract the private sector into these areas.</p> | <p>Low</p> | <p>To mitigate the risk, the staff involved in the project must follow IFC and UNHCR security protocol. To prevent unfounded fears arising with private sector partners, research into the facts, security incidents, and risks moving forward will be conducted.</p> <p>UNHCR, through the Security Partnership Project (supported by the EU under the Instrument contributing to Stability and Peace), will continue to enhance security through an increased police presence, community policing in addition to continuing dialogue with the refugee leadership and social cohesion/conflict prevention activities.</p> |
|---|------------|--|

The assumptions for the success of the project and its implementation include:

- Political will to improve business and investment climate in Turkana county.
- Commitment of the Government of Kenya to rolling out commitments made in line with the Comprehensive Refugee Response Framework (CRRF).
- Interest and understanding of the market potential by the private sector.
- Ability and willingness of refugees to pay for some services.
- Willingness and understanding from donors and NGOs to shift away from the care and maintenance approach, in particular through an increase in cash-based assistance.
- Sufficient funding is provided by other donors for the Challenge Fund to reach its full potential.
- The Kakuma and Kalobeyei area will continue to maintain a comparable population structure. New influxes, particularly from South Sudan, will remain at a manageable scale and humanitarian aid will continue to be provided.
- Insecurity will not inhibit the implementation of the programme.

3.4. Cross-cutting issues

Gender: A gender gap exists, especially in key areas such as education and employment, that the Challenge Fund will need to help address. The "Kakuma as a marketplace" study revealed that, when it comes to access to education, more than 60% of females have no education compared to 21% of males. Women have also withdrawn from the employment market, as 62% of them identify as housewives or unemployed (not looking for work), and only 8% are employed in the Kakuma area compared to 31% of men. Gender will not only be mainstreamed into the various components of the programme, but selection of initiatives to support will be based on the criterion of female inclusion. For the Challenge Fund, it will play a role in the awareness campaigns, project selection criteria and performance assessment. For

local enterprise development, the selection of investees and composition of training groups will be subject to gender inclusivity as well.

Youth: Young people are another group to which the Challenge Fund will pay special attention. The majority of refugees in Kakuma and Kalobeyei fall in the internationally defined category of young people, i.e. people between 20 and 39 years old. The employment prospects they have are limited which can lead to social and economic exclusion. The action will support productive engagement of youth in market systems - both from refugees and host communities. It will also look at improving knowledge and technical skills for youth through vocational training, facilitating access to credit and markets, coaching new entrepreneurs, to enable them to improve their employment opportunities.

Do-No-Harm/conflict sensitivity: Kakuma and Kalobeyei is a confined environment with its own dynamics. Introducing new private sector players might lead to changes in the existing power system which will change the dynamics. The Challenge Fund will do its best to avoid tensions created by single projects. The IFC, through its study, has made use of existing networks of local anthropologists to ensure a better understanding of the specific dynamics at play. A county level environmental and social assessment as well as a political economy analysis will also be carried out during the inception phase to ensure there is a detailed understanding of these dynamics and each application will be analysed from a due diligence and do-no-harm perspective. All actions will analyse the risk of conflict between refugee and host populations.

Environmental considerations: For relevant business proposals (e.g. energy, water, agribusiness), a focus will be placed on enabling innovative, climate friendly and sustainable solutions adapted to local circumstances, protecting the already fragile ecosystem/environment.

3.5. Stakeholders

Beneficiaries

There are three main target groups which will benefit directly from the Action:

1. **Entrepreneurs among refugees and the host community in Kakuma and Kalobeyei area:** Refugee and host community entrepreneurs, particularly women and youth, will benefit directly from the programme's interventions under window 3 (Local Enterprise Development), in the form of technical assistance and grants. This support will help them develop their capacities as economic actors and improve, grow or start their own business.
2. **Social enterprises** that are already present in the area or who would consider starting operations there will benefit through direct funding. By providing capital, these two groups can expand and improve their services and products to refugees and host communities.
3. **Private sector companies** planning to expand or start their business in the area.

Refugees and the host community will be the final beneficiaries of the programme due to improved access to products and services, employment opportunities and potentially lower prices. These groups, though distinct, are intertwined economically and socially. Refugees and host community combine to create one urban area and their needs should be addressed in an integrated way to support economic integration and enhance social cohesion. Refugees and local Kenyans, as employees of the social enterprises and private companies the Challenge Fund will support, will also benefit through wages and other forms of compensation. Increased private sector operations in the area will translate into better job and revenue/incomes opportunities.

Indirectly, the **Turkana County Government** and the **broader county population** will benefit from the programme as investments in Kakuma and Kalobeyei will benefit the county as a whole. Turkana County Government will be targeted through the policy and advocacy component that will aim to improve the business environment in the area and facilitate private companies and social enterprises to do business in Turkana. The County Government will also be involved in policy discussions, reporting and knowledge sharing from the project. Reforms that benefit both host communities and refugee businesses and entrepreneurs would also be applicable to the entire county and benefit the local government and residents.

Implementing partners

IFC will manage the overall programme, in cooperation with the Africa Enterprise Challenge Fund (AECF). The AECF is a well-established organisation with experience running business competitions throughout the African continent including in challenging fragile and conflict affected situations such as South Sudan and Somalia.

The Kakuma-Kalobeyei Challenge Fund (KKCF) will be conducted jointly by IFC and AECF meaning that both organisations will co-administer the Challenge Fund in terms of defining the selection criteria of the end-beneficiaries, reviewing the applications and giving recommendations to the investment committee, monitoring and decision making. IFC will sit in AECF's internal review committee which will be the channel to provide technical input. The final investment decision will be done by the investment committee which is a sole AECF body. The contracts with the selected companies will be signed by AECF which will also disburse the funds according to agreed milestones. Operational presence in Kakuma will be established and ensured as part of the project.

The involvement of both organisations intends to capitalise and synergise on their different and complementary expertise. IFC has built the foundations for this programme by conducting the study "Kakuma as a marketplace" which provides the evidence and suggested entry points for market-led solutions in Kakuma and Kalobeyei. IFC will leverage its private sector development expertise, including in displacement contexts in Jordan and Lebanon, and work on building an ecosystem around the businesses supported in Kakuma and Kalobeyei area. They will also bring specific technical expertise in relevant sectors such as education, health, renewable energy, water provision, access to capital and digital finance. IFC's strong relationship with a variety of private sector companies from different sectors in Kenya as well as globally will also help to build a pipeline of interested applicants. Furthermore, IFC as a member of the World Bank Group, can more easily coordinate and collaborate with the World Bank on policy dialogue and leverage the World Bank's access to the national government.

The IFC will establish a trust fund for pooling the donor contributions to this initiative.

Donors

IFC is in discussions with the Netherlands, Denmark, DFID, Switzerland, USAID/Power Africa and Germany about possible contributions to the programme.

Others

The **Government of Kenya**, at national level, particularly the Refugee Affairs Secretariat, is responsible for refugee management in Kenya, including registration, refugee status determination and camp management. However, the effective handover of these responsibilities from UNHCR to RAS is still ongoing. The project will engage with RAS and other relevant Government of Kenya stakeholders at a national level to ensure their awareness of the activities. Political dialogue with the Government on the roll-out of the CRRF and ongoing revision of the legislative framework will be crucial to addressing some of the existing restrictions that could hinder refugees' full participation in business.

UNHCR, given its mandate, is also a key stakeholder in this action and will be closely consulted throughout implementation, particularly when it comes to linking this action to the broader approach of the Comprehensive Refugee Response Framework and policy dialogue activities with government authorities. In addition, UNHCR provides and facilitates logistics for travel and accommodation to Kakuma and Kalobeyei areas; and shares available data and information relevant to the action.

4. IMPLEMENTATION ISSUES

4.1. Financing agreement, if relevant

It is not foreseen to conclude a financing agreement referred to in Article 17 of Annex IV to the ACP-EU Partnership Agreement.

4.2. Indicative operational implementation period

The implementation period will begin from the date of signature by the last party of the first contract implementing this Action, or from the earliest starting date of implementation period at contract level in case of retroactive financing, whichever occurs first, and will last until the 31/12/2025.

This operational implementation period will be followed by a liquidation period of 18 months which will end on the 30/06/2027.

4.3. Implementation components and modules

The envisage implementation mode is through an Administrative Agreement with the International Finance Corporation, member of the World Bank Group, in accordance with Article 58(1)(c) of Regulation (EU, Euratom) No 966/2012 applicable by virtue of Article 17 of Regulation (EU) No 323/2015. This implementation entails a contribution to the IFC administered multi-donor trust fund that will pool donor contributions to the programme. The IFC will manage the resources of the multi-donor trust fund and be responsible for concluding, monitoring and managing contracts, carrying out payments, and recovering moneys due; management of procurement procedures for hiring staff, purchasing goods, hiring consulting services, and any other relevant transactions. This implementation is justified because of IFC's strong expertise and capacities as outlined in section 3.5. IFC will enter into a contract with the AECF for the co-implementation of the Challenge Fund. AECF's involvement is justified based on their in-depth experience in managing challenge funds across Sub-Saharan Africa and in fragile contexts.

4.4. Indicative budget¹³

| Component | Total budget in EUR | Total budget in USD | Amount in EUR drawn from | Amount in USD drawn from | Rider 2 Total budget in USD |
|------------------|----------------------------|----------------------------|---------------------------------|---------------------------------|------------------------------------|
|------------------|----------------------------|----------------------------|---------------------------------|---------------------------------|------------------------------------|

¹³ These amounts have been calculated on the basis of the EURO-USD exchange rate of April 2018 (http://ec.europa.eu/budget/contracts_grants/info_contracts/infoeuro/index_en.cfm). The relevant rates will be reviewed at the time of contracting, therefore, the final USD figures may differ slightly. In any case, the EU contribution will not exceed EUR 5 million. The exchange rate EURO-USD when IFC received the EU funds was 1.2112.

| | | | EUTF | EUTF | |
|---|-----------------------|-----------------------|------------------|------------------|-------------------|
| Component 1: Challenge Fund (incl. direct programme costs) | 18 300 000 | 22 500 000 | 4 450 000 | 5 500 000 | 18 300 000 |
| Component 2: Policy and advocacy component / Hands on Support to Larger Firms | 1 200 000 | 1 500 000 | 170 000 | 210 000 | 2 228 181 |
| Program Management, M&E, and KM | | | | | 4 881 287 |
| IFC Trust Fund fees (5%) | N/A | N/A | 230 000 | 285 000 | 1 270 473 |
| Monitoring, audit and evaluation (direct management) | N/A | N/A | 150 000 | 185 000 | n/a |
| Total | 19 500 000 | 24 000 000 | 5 000 000 | 6 180 000 | 26 679 941 |

The size of the Challenge Fund is based on a demand estimation derived through the data collected as part of the "Kakuma as a marketplace" study, including assessment of potential applicants and their needs in terms of financial support. The Challenge Fund is designed on a rolling basis. In this way it can start with a budget of approximately 8.1 million EUR, or the equivalent of USD 10 million. Interest expressed from other donors indicates that this minimum threshold budget will be reached by mid-2018, ensuring a commencement date of the inception phase at a similar time. The total estimated cost may increase depending on the contributions from other donors which still have to be confirmed.

4.5. Monitoring, evaluation and audit

Different levels of monitoring are foreseen for the programme. Implementing Partners will be in charge of the regular monitoring of their activities and establish their own M&E plans. External monitoring may be carried out by the EU through EU Results Oriented Monitoring (ROM) exercises and possible evaluations (mid-term and final), managed by the EU Delegation and implemented through service contracts. In addition, joint monitoring exercises with the EU, relevant government agencies and other relevant partners in the pooled fund will be conducted regularly.

A Steering Committee will be formed to monitor the programme and give strategic guidance. It will meet regularly to discuss the implementation of the programme based on prepared reporting. The EU Delegation will be a member of this Steering Committee.

All components of this action will have to be integrated with the EUTF Monitoring and Learning System (MLS)¹⁴ for the reporting of selected output and outcome indicators, and project implementing partners must take part in case study exercises and the learning strategy developed by the MLS. Project implementing partners will be expected to provide regular (at least quarterly) data to the MLS in a format which will be introduced during the contract negotiation stage.

Project implementing partners will have to report against a selected number of the MLS output indicators (see full list in annex III). The monitoring of these indicators will therefore have to be included in the M&E systems of each component (in addition to the indicators already existing in the project logical framework, see annex II).

If necessary, ad hoc audits or expenditure verification assignments could be contracted by the European Commission for one or several contracts or agreements.

Audits and expenditure verification assignments will be carried out in conformity with the risk analysis in the frame of the yearly Audit Plan exercise conducted by the European Commission. The amount allocated for external evaluation and audit purposes should be shown in the budget at section 4.4. Evaluation and audit assignments will be implemented through service contracts, making use of one of the Commission's dedicated framework contracts or alternatively through the competitive negotiated procedure or the single tender procedure.

4.6. Communication and visibility

Communication and visibility of the EU is a legal obligation for all external actions funded by the EU. This action shall contain communication and visibility measures which shall be based on a specific Communication and Visibility Plan of the Action. Appropriate contractual obligations shall be included in the procurement contracts. The Communication and Visibility Manual for European Union External Action¹⁵ shall be used to establish the Communication and Visibility Plan and the appropriate contractual obligations.

The Akvo RSR¹⁶ on-line reporting platform, which is available to the public, will be used to communicate and report on this action as well as on all project components. Akvo RSR links directly to the EUTF website. The project logical frameworks will be encoded in their respective Akvo pages and regular reporting of project activities and outputs will take place on this platform.

¹⁴ T05-EUTF-HOA-REG-28

¹⁵ <https://ec.europa.eu/europeaid/node/17974>

¹⁶ Akvo Really Simple Reporting

Annex I

| EU Trust Fund Strategy | Valletta Action Plan | United Nations Sustainable Development Goals |
|--|---|---|
| Four main areas of intervention | Five priority domains, and 16 initiatives | 17 goals |
| <p>1) Greater economic and employment opportunities</p> <p>2) Strengthening resilience of communities and in particular the most vulnerable, as well as refugees and displaced people</p> <p>3) Improved migration management in countries of origin and transit</p> <p>4) Improved governance and conflict prevention, and reduction of forced displacement and irregular migration</p> | <p>1) Development benefits of migration and addressing root causes of irregular migration and forced displacement</p> <ol style="list-style-type: none"> 1. enhance employment opportunities and revenue-generating activities 2. link relief, rehabilitation and development in peripheral and most vulnerable areas 3. operationalise the African Institute on Remittances 4. facilitate responsible private investment and boost trade <p>2) Legal migration and mobility</p> <ol style="list-style-type: none"> 5. double the number of Erasmus scholarships 6. pool offers for legal migration 7. organise workshops on visa facilitation <p>3) Protection and asylum</p> <ol style="list-style-type: none"> 8. Regional Development and Protection Programmes 9. improve the quality of the asylum process 10. improve resilience, safety and self-reliance of refugees in camps and host communities <p>4) Prevention of and fight against irregular migration, migrant smuggling and trafficking of human beings</p> <ol style="list-style-type: none"> 11. national and regional anti-smuggling and anti-trafficking legislation, policies and action plans 12. strengthen institutional capacity to fight smuggling and trafficking 13. pilot project in Niger 14. information campaigns <p>5) Return, readmission and reintegration</p> <ol style="list-style-type: none"> 15. strengthen capacity of countries of origin to respond to readmission applications 16. support reintegration of returnees into their communities | <ol style="list-style-type: none"> 1) End poverty in all its forms everywhere 2) End hunger, achieve food security and improved nutrition and promote sustainable agriculture 3) Ensure healthy lives and promote well-being for all at all ages 4) Ensure inclusive and equitable quality education and promote lifelong learning opportunities for all 5) Achieve gender equality and empower all women and girls 6) Ensure availability and sustainable management of water and sanitation for all 7) Ensure access to affordable, reliable, sustainable and modern energy for all 8) Promote sustained, inclusive and sustainable economic growth, full and productive employment and decent work for all 9) Build resilient infrastructure, promote inclusive and sustainable industrialisation and foster innovation 10) Reduce inequality within and among countries 11) Make cities and human settlements inclusive, safe, resilient and sustainable 12) Ensure sustainable consumption and production patterns 13) Take urgent action to combat climate change and its impacts 14) Conserve and sustainably use the oceans, seas and marine resources for sustainable development 15) Protect, restore and promote sustainable use of terrestrial ecosystems, sustainably manage forests, combat desertification, and halt and reverse land degradation and halt biodiversity loss 16) Promote peaceful and inclusive societies for sustainable development, provide access to justice for all and build effective, accountable and inclusive institutions at all levels 17) Strengthen the means of implementation and revitalise the global partnership for sustainable development |

Annex II: Logical Framework

Performance and progress monitoring will be an integral component of the project design. The indicators specified in the logical framework will serve as a starting point for performance measurement. They will be adapted and further elaborated during the inception phase and form a common results framework for the IFC Trust Fund.

| Impact | | | | | | | |
|--|---|--|--|--------------------------------------|-----------------------------|----------|--------|
| Overall Objective | Results Statement | Indicator | Methodology | Source | Disaggregation | Baseline | Target |
| Promote better economic integration and self-reliance of refugees and host communities in the Kakuma and Kalobeyi area through supporting market-led solutions that strengthen and deepen local markets and respond to key development challenges. | Improved refugee and host community access to services | # of people/ households with access to improved services | Count of beneficiaries accessing services available as a result of projects implemented | Companies receiving funds | Sex, age, refugee/host, PWD | 0 | tbd |
| | Increase in household incomes ¹⁷ | Change/increase in household income | Analysis of household income indicators | Project M&E | Sex, age, refugee/host, PWD | tbd | tbd |
| | Increased availability of employment opportunities in Kakuma and Kalobeyi areas | # of jobs supported | Count of full time equivalent employees working for beneficiary enterprises at any given time during the project implementation period | Companies receiving funds | Sex, age, refugee/host, PWD | 0 | tbd |
| | Generated private sector investment | Value of private investment catalyzed | Value of matching funds | Challenge Fund application documents | | 0 | tbd |

¹⁷ World Bank and UNHCR are currently in discussions about conducting a household survey among refugees in Kakuma and Kalobeyi using the same methodology as the Kenyan National Government for their national household survey. If this survey is done data can be used to inform the baseline and data from the next survey can be used for comparison with the baseline. However, if this survey will not be conducted there will be no data to report on this indicator.

| Outcomes | | | | | | | |
|---|--|--|---|--|--|----------|---|
| Specific Objective | Results Statement | Indicator | Methodology | Source | Disaggregation | Baseline | Target |
| S.O.1: Assist private business companies and social enterprises to enter the Kakuma and Kalobeyi market and provide opportunities to scale-up the existing operations of enterprises already present in the area. | Increased presence of private sector companies and social entrepreneurs providing goods and services to the area | # of companies/ social enterprises that started new operations | Count of companies/ social enterprises that entered the Kakuma Kalobeyi market. | Programme Progress Reports | Private Sector, Social Enterprise. | 0 | 10 - 20 companies |
| | | # of companies that scaled up their operations | Count of companies that increased the volume or types of products or services provided | Programme Progress Reports | Private Sector, Social Enterprise | 0 | 5 - 10 companies |
| | Improved capacity of private sector | Value and type of technical assistance provided to companies. | Size of funding into private sector companies/ social enterprises for TA, type of TA provided | Programme Progress Reports | Private Sector, Social Enterprise | 0 | 90% of total TA fund allocation to private sector companies/ social enterprises |
| | Supported private sector companies profitable in the refugee-host community market. | # of private sector window clients that are profitable after 36 months | Count of companies making a profit | Final Programme Progress Report | Private Sector | 0 | 30% of private sector companies funded. |
| | Additional funding to private sector companies / social enterprises leveraged. | Co-financing ratio. | Value of direct programme funding disbursed divided by the value of the co-funding. | Financial system; Programme Progress Reports | Private Sector, social Enterprises; debt, equity, grants, in kind contributions; by source | 0 | TBD |
| S.O.2 Develop refugee and host communities' entrepreneurship potential, with a focus on | Increased presence of refugee and host | # of local MSMEs that started new | Count of MSMEs that entered the | Programme Progress | Refugee, Host Community | 0 | 50 - 100 new local entrepreneurs |

| | | | | | | | |
|--|--|--|--|--|-----------------------------|---|--|
| young people and women, by supporting their businesses to grow, providing vocational skills training, business development services and micro-finance opportunities. | community entrepreneurs starting or expanding their businesses | operations | Kakuma-Kalobeyei market for the first time | Reports | | | |
| | | # of SMEs that scaled up their operations | Count of companies that increased the volume or types of products or services provided | Programme Progress Reports | Refugee, Host Community | 0 | 50 - 100 local entrepreneurs scaled-up |
| | Improved capacity of refugee and host-communities | # of people receiving technical assistance or vocational/skills training | Count of people that adopted changed recommended/learned in trainings | Partner agencies providing trainings/ Programme Progress Reports | Sex, age, refugee/host, PWD | 0 | 100-200 local entrepreneurs trained |
| | | # of LED window clients linked to or benefitting from access to finance | Count of companies receiving financial assistance from KKCF or MFIs | Information partner MFIs/ Programme Progress Reports | Refugee, Host Community | 0 | TBD |
| S.O.3: Support policy dialogue and advocacy efforts focussed on creating a more conducive business environment and attracting private sector companies to the Kakuma and Kalobeyei area. | Structured dialogue with relevant stakeholders (private, public) on business environment, legislation, policy, regulation. | # of private sector advocacy initiatives | Count of initiatives done | IFC/AECF | Sector | 0 | At least 3 private sector advocacy initiatives |

| | | | | | | | |
|----------------|---|---|--|--------------------------------------|--------------------------------------|-----------------|---|
| | | # of dialogues held with county / national government and relevant partners | Count of meetings | Programme Progress Reports | County/ National Government | 0 | 2 dialogue forums with partners At least 3 private sector advocacy initiatives |
| | Improved understanding of business environment and regulatory framework for businesses | # of reports/ learning papers developed examining current situation and way forward | Count of documents prepared | Programme Progress Reports | | 0 | 1 annual policy report |
| Outputs | | | | | | | |
| | Results Statement | Indicator | Methodology | Source | Disaggregation | Baseline | Target |
| | i) Private sector and social enterprises entry into Kakuma and Kalobeyei incentivized | # of companies that applied | Count of companies or social enterprises that apply to the challenge fund | Challenge Fund application documents | Private Sector and social enterprise | 0 | 20 - 30 companies applying |
| | ii) Financing for private sector companies' engagement in Kakuma and Kalobeyei provided | # of grants awarded | Count of grants provided to Challenge Fund winners | AECF financial system | | 0 | 5-10 grants disbursed |
| | | Rate of disbursement | Value of disbursements divided by count of disbursements planned as per the disbursement schedule. | AECF financial system | | 0 | 90% disbursement rate |
| | | Value of funds disbursed | Total value of funds disbursed through grants per the disbursement schedule. | AECF financial system | | 0 | 90% disbursement rate |

| | | | | | | |
|---|---|--|--|--|---|---|
| iii) Financing for social enterprises engagement in Kakuma and Kalobeyei provided | # of grants awarded | Count of grants provided to Challenge Fund winners | AECF financial system | | 0 | 5 - 10 grants disbursed |
| | Rate of disbursement | Value of disbursements made divided by value of disbursements planned per the disbursement schedule. | AECF financial system | | 0 | 90% disbursement rate |
| | Value of funds disbursed | Total value of funds disbursed through grants per the disbursement schedule. | AECF financial system | | 0 | 90% disbursement rate |
| iv) Capacity of private sector companies and social enterprises in the Kakuma and Kalobeyei improved. | # of private sector companies and social enterprises who received capacity building and business model technical support. | Count of private sector companies and social enterprises that received training | Partner/ AECF database for TA support to private sector companies and social enterprises/ contractor payment | Private sector companies and social enterprises. | 0 | 60% of private sector companies and social enterprises which receive capacity building and business model technical support |
| v) Capacity of local micro and medium enterprises in the Kakuma and Kalobeyei improved | # of local micro and medium enterprises which received capacity building and business model technical support. | Count of local micro and medium enterprises that received training | Partner/ AECF database for TA support to local enterprises. | Sex, age, refugee/host, PWD | 0 | 100 - 200 local micro and medium enterprises |

| | | | | | | |
|---|--|--|---|-------------------------------------|---|---|
| | # of management systems adopted | Count of local micro and medium enterprises which management systems adopted | AECF database for TA support to local enterprises which adopt management systems/ Contractor payment. | Local Micro and medium enterprises. | 0 | 60% of local micro and medium enterprises which receive capacity building and business model technical support. |
| | # of local micro and medium enterprises which received grants | Count of local micro and medium enterprises which received a grant | AECF financial system | Local Micro and medium enterprises. | 0 | 100-200 local and medium enterprises |
| vi) Understanding of business environment and regulatory framework for businesses | # of reports developed examining current situation and way forward | Count of documents prepared | IFC | | 0 | Policy report(s) |
| vii) Structured dialogue with relevant stakeholders (private, public) on business environment, legislation, policy, regulation. | # of dialogues held with local government and relevant partners | Count of meetings | IFC | | 0 | 2 dialogue forums |
| | # of private sector advocacy initiatives | Count of initiatives done | IFC/AECF | | 0 | at least 3 private sector advocacy initiatives |

Annex III: EUTF Indicators as part of the Monitoring and Learning System

| EUTF COMMON OUTPUT INDICATORS * | | | | |
|---|--|---|--|--|
| 1. Greater economic and employment opportunities | | Optimal disaggregation (in addition to geographical location) | 3. Improving Migration Management | Optimal disaggregation (in addition to geographical location) |
| 1.1 | Number of jobs created | Gender Target groups (refugee, IDP, Host community, returnee, migrant in transit) Age group Types of Job (permanent, short term, cash for work, etc.) Location | 3.1 | Number of projects by diaspora members Type of projects |
| 1.2 | Number of MSMEs created or supported | Type of support (access to finance, business development, training, equipment, market access, etc.) | 3.2 | Number of migrants in transit, victims of human trafficking, children in the mobility, IDPs and refugees protected or assisted. Gender Target groups (refugee, IDP, returnee, migrant in transit) Age group Types of Protection (protection measures, medical and psychosocial, shelter, food, legal, etc.) |
| 1.3 | Number of people assisted to develop economic income-generating activities | Gender Target groups (refugee, IDP, Host community, returnee, migrant in transit) Age group Types of support (funding, finance education, entrepreneurship prog., business dev service, etc.) | 3.3 | Number of migrants, or potential migrants, reached out by information campaign on migration and risks linked to irregular migration Gender Target groups (refugee, IDP, returnee, migrant in transit) Age group |
| 1.4 | Number of people benefiting from professional trainings (TVET) and/or skills development | Gender Target groups (refugee, IDP, Host community, returnee, migrant in transit) Age group Types of TVET (professional training, skills dev scheme, internship, other) | 3.4 | Number of voluntary returns or humanitarian repatriation supported Gender Age group Types of assistance (transportation, pre-departures counselling assistance to obtain documents, return tickets, travel escorts, assistance upon arrival, etc.) |
| 1.5 | Number of job placements facilitated and/or supported | Gender Target groups (refugee, IDP, Host community, returnee, migrant in transit) Age group Types of Job (permanent, short term, cash for work, incentive, etc.) | 3.5 | Number of returning migrants benefiting from reintegration assistance Gender Age group Types of assistance (income generating, medical, education, housing support etc.) |
| 1.6 | Number of industrial parks and business infrastructure created, expanded or improved | | 3.6 | Number of institutions and non-state actors strengthened through capacity building or operational support on protection and migration management Types of support (capacity building, operational support, etc.) |
| 1.7 | Financial volume of new funding instruments for scholarships or self-employment | | 3.7 | Number of individuals trained on migration management Target groups (state, non-state) |
| 1.7 bis | Financial volume granted to individual recipients | | 3.8 | Number of refugees and forcibly displaced persons receiving legal assistance to support their integration Gender Target groups (refugee, IDP) Age group |
| 2. Strengthening resilience | | Optimal disaggregation (in addition to geographical location) | 3.9 | Number of early warning systems on migration flows created |
| 2.1 | Number of local development plans directly supported | | 3.10 | Number of people benefiting from legal migration and mobility programmes Gender Age group |
| 2.1 bis | Number of social infrastructure built or rehabilitated | Use of infrastructure (health, education, water, sanitation, housing, domestic energy, legal, etc.) | 3.11 | Number of activities/events explicitly dedicated to raising awareness and sensitivity of general public regarding all aspects of migration Types of activity (media campaigns, etc.) |
| 2.2 | Number of people receiving a basic social service | Gender Target groups (refugee, IDP, Host community, returnee, migrant in transit) Age group Types of Service (health, education, water, sanitation, housing, energy, legal, nutrition, etc.) | | |
| 2.3 | Number of people receiving nutrition assistance | Gender Target groups (refugee, IDP, Host community, returnee, migrant in transit) Age group | 4. Improved governance | |
| 2.4 | Number of people receiving food security related assistance | Gender Target groups (refugee, IDP, Host community, returnee, migrant in transit) Age group Types of assistance (social protection schemes, training on agri practice, agri inputs, land dev, etc.) | 4.1 | Number of border stations supported to strengthen border control |
| 2.5 | Number of local governments and/or communities that adopt and implement local disaster risk reduction strategies | | 4.2 | Number of staff from governmental institutions, internal security forces and relevant non-state actors trained on security, border management, CVE, conflict prevention, protection of civilian populations and human rights Gender capacity building Type of |
| 2.6 | Hectares of land benefiting from improved agricultural management | Types of support (irrigation, rehabilitation, improved management, etc.) | 4.2 bis | Number of Institutions and Non-State actors benefiting from capacity building and operational support on security, border management, CVE, conflict prevention, protection of civilian populations and human rights Gender capacity building Type of |
| 2.7 | Number of people reached by information campaigns on resilience-building practices and basic rights | Gender Target groups (refugee, IDP, Host community, returnee, migrant in transit) Age group Types of practices and rights (health, education, water, energy, rights, etc.) | 4.3 | Number of people participating in conflict prevention and peace building activities Gender Target groups (refugee, IDP, Host community, returnee, migrant in transit) Age group Types of Activities (community dialogue, civilian mediation, peacebuilding, awareness raising, etc.) |
| 2.8 | Number of staff from local authorities and basic service providers benefiting from capacity building for strengthening services delivery | Type of service (health, education, etc.) | 4.4 | Number of victims of trafficking assisted or referred to assistance services Gender Target groups (refugee, IDP, Host community, returnee, migrant in transit) Age group Types of Services (medical assistance, psycho-social assistance, counselling, accomodation, legal counselling, family tracking, travel docs, assistance to voluntary return, etc.) |
| 2.9 | Number of people having improved access to basic services | Target groups (refugee, IDP, Host community, returnee, migrant in transit) | 4.5 | Number of cross-border cooperation initiatives created / launched or supported |
| CROSS-CUTTING | | Optimal disaggregation | 4.6 | Number of strategies, policies and plans developed and / or directly supported Types of output |
| 5.1 | Number of multi-stakeholders groups and learning mechanisms formed and regularly gathered | Type of actors (state-level, local authorities, civil society) Goal of the group/platform (coordination or learning) | 4.7 | Number of refugees benefiting from an Out-of-Camp policy |
| 5.2 | Number of planning, monitoring, learning, data-collection and analysis tools set up, implemented and / or strengthened | Types of tools (studies, needs assessment, market assessments, reporting and statistics, etc.) | 4.8 | Number of national/regional/local networks and dialogues on migration related issues newly established or functionally enhanced |
| 5.3 | Number of field studies, surveys and other research conducted | Focus of research | * Definition and methodology will be introduced to the implementing partners of the action | |