Kakuma as a Marketplace

A consumer and market study of a refugee camp and town in northwest Kenya

IN PARTNERSHIP WITH

IFC International Finance Corporation
WORLD BANK GROUP
Creating Markets, Creating Opportunities

This image and cover images: ©IFC and Dominic Chavez

Kakuma as a Marketplace

US$1 = 103.2 Kenyan shillings (KES)[1]

April 2018

Preface

The evolving global refugee crisis calls for innovative approaches. In Sub-Saharan Africa, IFC's engagement begins in Kakuma town and refugee camp in northwest Kenya, which for 25 years has hosted some of the 20 million people displaced in the region. Living in Kakuma for decades with little prospect of returning home, becoming a Kenyan citizen, or being resettled in a developed country, the options for the camp's residents are limited.

While traveling to Kakuma camp at UNHCR's invitation, we discovered a vibrant though informal market. Buzzing street shops, internet cafés, restaurants, and beauty salons showed the potential of the private sector. However, what we saw had yet to be measured or monetized.

Kakuma as a Marketplace is a consumer and market study, which examines the camp and town through the lens of a private firm looking to enter a new market. The study included a survey of 1,400 households in the refugee camp and neighboring town. Rather than focusing on humanitarian or development needs of refugees and the host community, we considered Kakuma camp and town 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.

To highlight the types of opportunities that exist or might be possible for the private sector, the team also interviewed companies already operating in Kakuma camp and town or considering entering the market. The sample covered a variety of sectors, including retail, sanitation, and energy. Key aspects of each company's business model and the incentives to enter refugee camps provide a sense of the potential.

Kakuma as a Marketplace presents information for companies looking to enter the substantial, yet mostly untapped market, in Kakuma. Commercial and financial data is necessary for private sector engagement, but there is seldom information available on refugees outside of academic, development, and humanitarian studies. Through its findings, we hope that this study might lay the foundation for private initiatives to harness and strengthen the existing business opportunities in Kakuma to the benefit of the refugees and the host community – and for refugees to lead self-determined lives.

Daniela Henrike Klau-Panhans
Senior Operations Officer,
World Bank

Luba Shara
Senior Operations Officer, IFC

Acknowledgments

Conducting research in Kakuma refugee camp was not business as usual. The camp's remoteness, size, and cultural, ethnic, and linguistic diversity added to the complexity of interviewing people in a confined environment. The study's development and completion was the result of cooperation between IFC's Fragile and Conflict Situations Africa Unit, the World Bank's Fragility, Conflict, and Violence Group, UNHCR (the UN Refugee Agency), and the Nairobi-based Sagaci Research Group.

First and foremost, we would like to thank our respondents in Kakuma refugee camp and town, who graciously opened their homes to our enumerators and provided responses to many, often sensitive, questions.

We appreciate UNHCR providing access to the camp, sharing the cost, and educating the team on the fundamentals of humanitarian operations. Without UNHCR Kenya's logistical and organizational support, the study would not have come to fruition. Our special gratitude to Raouf Mazou (UNHCR representative in Kenya), and Yonatan Araya (UNHCR Senior Global Solutions and Development Officer) for being our champions through the process, connecting us to the right people, and making things happen.

Experts from Sagaci Research developed a sample, helped fine-tune the consumer part of our survey instrument, collected data in Kakuma, and analyzed information. Sagaci's efforts were led by Charles Ballard and included Valentine Mathenge, Nathan Mpoyi, Danish Owiti, and Moses Machemo. The quality of the study's findings benefited greatly from their professionalism, understanding of the private sector, and receptiveness to our requirements and feedback.

We would like to thank Rahul Oka and Rieti Gengo, two anthropologists from the University of Notre Dame in the United States, who provided support with understanding the camp's dynamics and interpreting the findings.

The report benefited from being peer reviewed by Manuel Moses (Kenya Country Manager, IFC), Tigere Muzende (Investment Officer, IFC), Raouf Mazou (UNHCR representative in Kenya), Mohamed Shoman (Senior Operations Manager, UNHCR), Apurva Sanghi (Lead Economist, World Bank), Xavier Devictor (Adviser, World Bank), and Joanna de Berry (Senior Social Development Specialist, World Bank).

A number of advisers provided overall guidance to the team at all stages of the project. For their advice and encouragement, the team is especially grateful to Manuel Moses and Caroline Bahnson, Senior Operations Officer from the World Bank's Forced Displacement Team.

We also gratefully acknowledge the funding and support from Ireland, the Netherlands, and Norway, which support our Conflict-Affected Situations in Africa Initiative (CASA).[2]

Kakuma as a Marketplace was developed during discussions between Michel Botzung (Manager, IFC), Raouf Mazou (UNHCR representative in Kenya), Apurva Sanghi (Lead Economist, World Bank), and Yonatan Araya (UNHCR Senior Global Solutions and Development Officer) on the potential role of the private sector in the protracted refugee situations in Kakuma and Dadaab.

The study was led by Luba Shara (Senior Operations Officer, IFC) and Daniela Henrike Klau-Panhans (Senior Operations Officer, World Bank). The report was written and produced with the support of Vishal Patel (Consultant, IFC) and Neha Sud (Communications Officer), who provided editorial guidance and input. The report is a product of IFC's Fragile and Conflict Situations Africa team, led by Michel Botzung.

Clarity Editorial copy-edited and designed the layout of the report. A team at Communications Development, led by Bruce Ross-Larson, provided further edits.

The team would also like to extend its thanks to all others who have helped with the process.

Contents

Figures

Boxes

Over its 25-year history, the population of Kakuma camp has been in flux. There have been constant outflows and inflows from various countries, which risk depopulating the camp.

©IFC and Luba Shara

Study Assumptions and Limitations

To identify business opportunities, challenges, and better understand the dynamics of the market in Kakuma camp and town, the study focused on data relevant to commercial firms, social enterprises, and local entrepreneurs wanting to start or scale-up their businesses in the Kakuma area. Taking into account the study's goal, the remoteness of the camp, and the complexity of its political economy, the study is based on the following assumptions and limitations:

Timeframe – This study is a snapshot of Kakuma camp and town from October and November 2016, when the data collection was conducted. Additional information was collected during interviews and scoping missions between December 2016 and the publication of the report.

Heads of household – To more accurately create a picture of consumption, employment, and finances the study interviewed heads of household who are often the main decision makers and earners. The text notes where the figures might be affected by this. For example, surveying only heads of household would likely affect the rate of mobile phone ownership, as heads of household are more likely to own a phone than the general population.

Political economy – As this report is based on a consumer and market study, it does not provide full insight into the underlying political economy of the

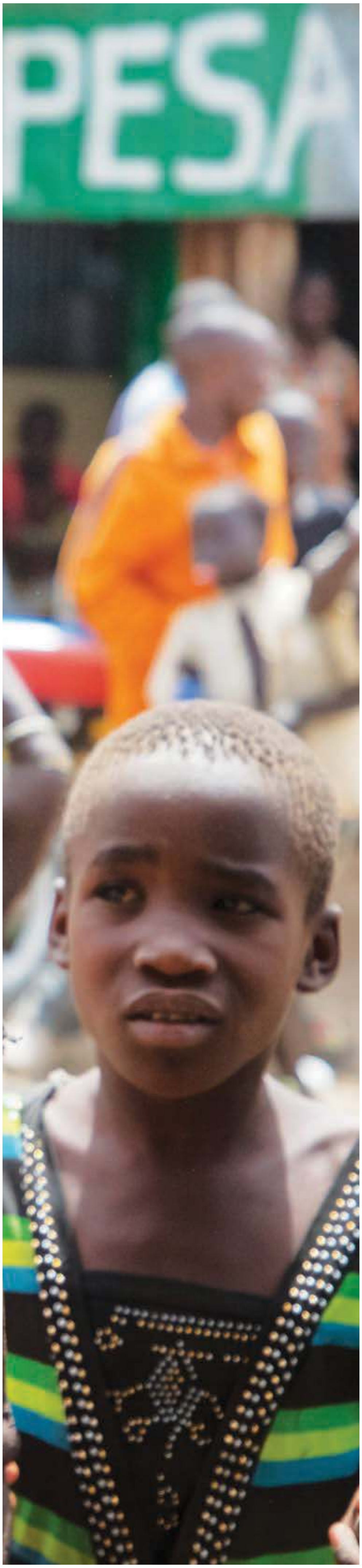
Sign marking the start of Kakuma town

camp, a detailed analysis of local actors, or an analysis of drivers of fragility. To fully understand local dynamics and the potential impact of any private sector intervention in the area, a further political economy assessment is recommended.

Geographic scope – For the purposes of this study, Kakuma town is defined by its urban economic boundaries, which includes the main road and adjacent alleys. As the study is looking at the area from the private sector perspective, it is practical to compare the stationary, urban, and densely populated area of town with the stationary, urban, and densely populated camp. However, the political boundaries of Kakuma town are much larger and include mobile pastoralists. After discussions with UNHCR, the population of Kakuma town was defined as 60,000, with the understanding that this number fluctuates based on the movement of the aforementioned pastoralist community.

Population – The study assumes Kakuma camp will remain in place for the foreseeable future. Over its 25-year history, the population of the camp has been in flux. There have been constant outflows and inflows from various countries, which risk depopulating the camp. In addition, there are political risks: requests for camp closure could arise, as seen with Dadaab camp in 2016. However, the majority of refugees in Kakuma are from South Sudan. The situation there has not been improving, making return unlikely in the short to medium term. On the issue of closure, the politics surrounding Dadaab are more complex and Kakuma does not face the same concerns. Moreover, the Turkana County Government, where Kakuma is located, sees the potential economic benefit of refugee integration and would not likely support calls for closure.

Turkana woman from
Kakuma town



Kakuma as a Marketplace

OVERVIEW

In a remote area of northwest Kenya lies a sprawling mass of tents and shelters made of mud brick and cement blocks. It is Kakuma camp, one of the largest and longest-standing refugee camps in the world, which was established in 1992 for refugees fleeing conflict in Sudan. Set on the border of the town of Kakuma, home to Kenya's Turkana people, Kakuma camp is a melting pot of more than 160,000[3] refugees and displaced people from South Sudan, Somalia, Ethiopia, Burundi, the Democratic Republic of the Congo, and Sudan.

For 26 years, Kakuma camp has provided refuge to many of the 20 million displaced people in Sub-Saharan Africa.[4] Some of the camp's residents have lived there for decades, like those in other African refugee camps and settlements: Dadaab in Kenya, Dollo Ado in Ethiopia, and Bidi Bidi in Uganda. Over the years, refugees have engaged in different livelihood activities, creating a vibrant informal economy. Kakuma camp has economic potential even though it is still reliant on aid.

The aim of this study is to better understand Kakuma as a potential market and identify business opportunities and challenges for the private sector. The study identified three types of players that might benefit from its findings: commercial firms (banks, microfinance institutions, telecommunications companies, and small and medium enterprises from other sectors); social enterprises (companies that look to attain and maximize financial, social, and environmental impacts); and local entrepreneurs (from the refugee and host communities). By collecting empirical data on revenues, consumption patterns, consumer preferences, and financial transactions in the refugee camp and neighboring town, the study addresses the lack of market information that is necessary for the identified private sector players to start or scale up their operations in the Kakuma area.

Attracting new private sector players to the area, expanding the operations of existing firms, and supporting local entrepreneurs have the potential to expand job opportunities for refugees and the host community, improve services, provide more choice, reduce prices, and contribute to self-reliance. The increased role of the private sector would also enhance the socioeconomic integration of refugees with their host communities, while 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."

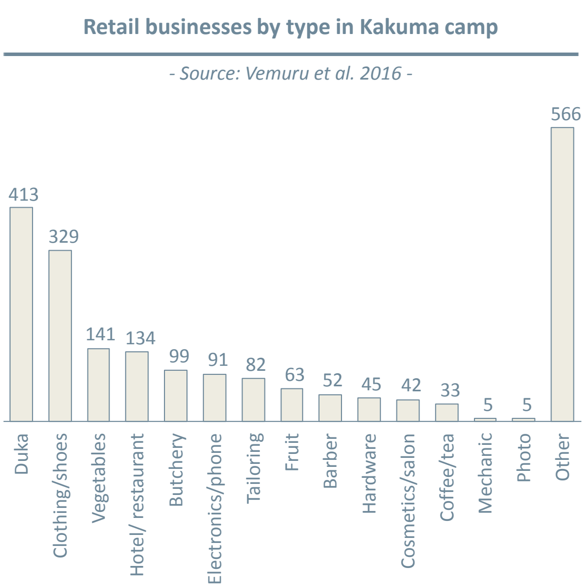
A vibrant informal economy – more than 2,000 businesses

Visitors to Kakuma are often struck by the buzz of business activity in the area. The camp's informal economy is thriving, with more than 2,000 businesses, including 14 wholesalers.[5] Businesses tend to meet daily needs for Kakuma's residents, providing food, cosmetics, mobile phones, and other sundries. There are four major markets in subcamp one, two in subcamp two, three in subcamp three, and one in subcamp four. Kakuma town has 232 shops along the main road and adjacent alleys.[6]

Despite the legal and practical limitations refugees face – the inability to gain formal employment, move, or own property – about 12 percent of refugee respondents identify as business owners or are self-employed. Of the respondents living in Kakuma town, 39 percent own businesses. Although this difference is wide, both own a similar number of businesses (on average, respondents in the camp own 1.15 businesses, town locals 1.08).

More telling is the fact that both the camp and town have similar types of businesses, indicating an overlap. Most business owners run "dukas" (small general stores), which account for 31 percent of businesses in the town and 33 percent in the camp. Across both areas of Kakuma, 39 percent of duka shops are owned by Kenyans and located in the town, while 24 percent are owned by Somalis in the camp. A duka typically provides limited job opportunities – 70 percent of owners do not employ any other people. Other businesses that feature prominently in both areas are grocery stores, food stalls, restaurants, cafés, and M-Pesa kiosks.[7]

Figure 1 Retail businesses by type in Kakuma camp



The businesses cater to refugees and town residents, whose total household consumption is conservatively estimated at KES 5.8 billion ($56.2 million) annually.[8] The camp, with 160,000 registered inhabitants at the time of the survey, spends KES 1.7 billion ($16.5 million), while the town, with a population of about 60,000, spends about KES 4.1 billion ($39.7 million). Consumption in Kakuma is substantial, but the local community still lags behind national consumption in Kenya, and refugees are even further behind. In 2016, the per capita household consumption for Kenya was more than $800 a year (2010 dollars),[9] while Kakuma town was at $602 and the camp at $94.

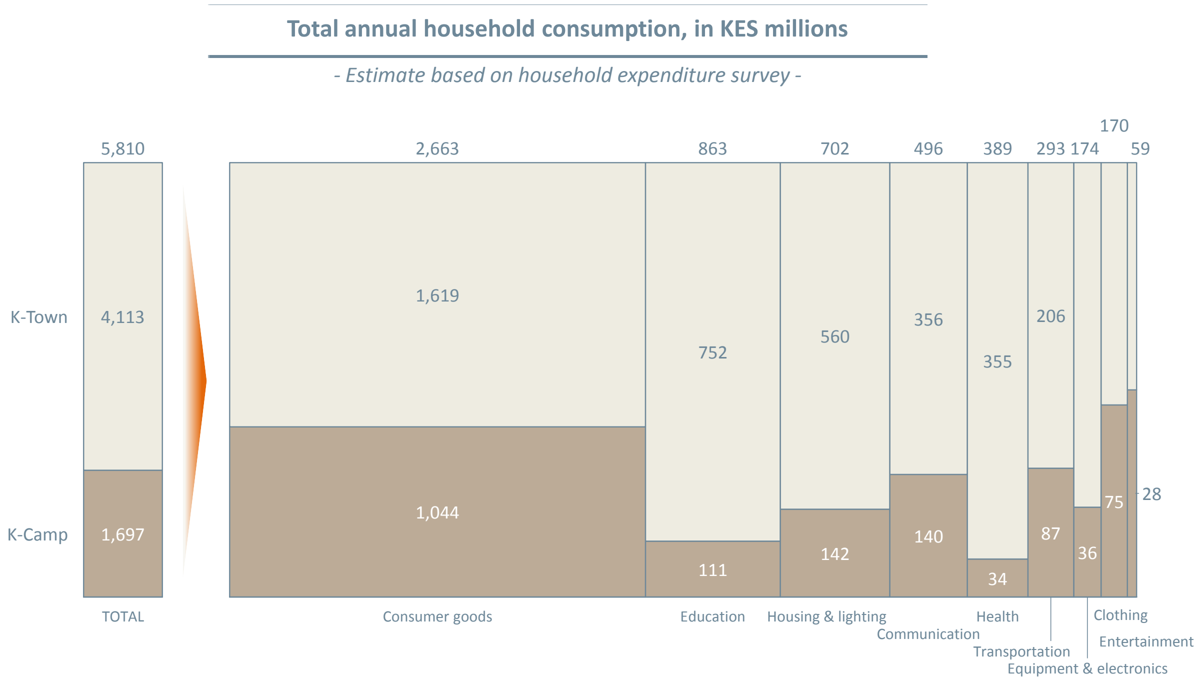
After decades of co-existence, it is not uncommon for refugee camps and host communities to become socioeconomically interdependent. In Kakuma, refugees hire Turkana locals as porters, shopkeepers, security guards, or casual labor (to help with housework). And Kakuma town residents sell livestock and charcoal to refugees, who do not have easy access to such resources.[10]

Starting a business

The rate of business registration with a Kenyan administration was 38 percent for respondents in the camp and 51 percent for those in the town. In additional interviews, refugee business owners stated that they pay a fee to a representative of the local authorities and receive proof of payment that is typically valid for one day, one week, or one month. According to Kenyan legislation, refugees can register their business as a limited liability company or as a single business name with the national registrar and receive a single business permit from the county government based on national registration. However, national business registration is a formal process that requires certain documentation, such as an Alien ID, registration with the Revenue Authority, national health insurance, and a pension plan, which refugees often lack. It is thus unclear whether the respondents are legally registered or mistake the payments they make to local representatives for registration as the survey process did not entail the checking of documents.

Registration is not the only hurdle. Among Kakuma residents interested in starting a business, 99 percent of those in the town and 95 percent of those in the camp lack the capital to do so. Refugees wanting to own a business are also constrained by the high rental charges (16 percent), movement

Figure 2 Total annual household consumption



restrictions (13 percent), lack of space available for rent (12 percent), lack of support from camp administration (11 percent), and the time it takes to get a travel pass (10 percent).

The gender gap

Kakuma's small shops may offer different types of goods and services, but they tend to have one thing in common–the owner is usually male. Women are less likely to be entrepreneurs than men, and their businesses are more likely to be informal and have less invested. In the camp, 23 percent of male respondents have a business or are self-employed, while only 7 percent of women respondents are self-employed. Women entrepreneurs in Kakuma camp are less likely to register their business (22 percent) than men (49 percent). Their businesses are also generally smaller, with a lower initial investment (KES 6,925 on average, compared with KES 16,652 for businesses owned by men). This difference does not apply in Kakuma town, where 40 percent of the men and 39 percent of the women own a business, indicating women in the town also operate largely in the informal economy.

Earning a living

Aside from owning a business, there are other prospects for employment for refugees and the host community. Formal jobs in Kakuma town are primarily based on the local economy, while salaried jobs in the camp depend on nongovernmental organizations (NGOs). In the town, 79 percent of respondents are employed by Kenyans, while 58 percent of respondents in the camp are employed by non-profits. Refugees employed by NGOs are hired as "incentive workers" due to laws restricting formal employment. In this arrangement, refugees work as volunteers and are paid incentives much lower than what would be paid to a Kenyan in the same position.[11] While the variety of businesses and services provided in the camp suggests a level of economic independence, humanitarian assistance remains the main source of income and employment for refugees. More people are unemployed in the camp (27 percent) than in the town (14 percent). In addition, 13 percent of women are unemployed but not looking for work, compared with only 8 percent of men.

Kakuma's small shops may offer different types of goods and services, but they tend to have one thing in common – the owner is usually a man. Women are less likely to be entrepreneurs than men, and their businesses are more likely to be informal and have less invested.

About 84 percent of households in Kakuma town claim to have a regular income, compared with 73 percent in the camp (the figure for the camp includes the World Food Programme's e-vouchers for food, called Bamba Chakula, as a source of income). Levels of income and employment are lower in the camp because refugees face legal restrictions, have insufficient skills or capital to start a business, lack formal job opportunities, and have limited access to external markets. Households in the camp that do earn regular incomes generally do not earn large amounts – only about 2.9 percent of refugee households earn more than the minimum wage of KES 10,000.[12]

Opportunities for doing business in a $56 million market

Kakuma's multitude of shops, traders, and daily economic activity indicate that the camp and town present a significant market. The study estimated the total consumption to be $56 million, with the camp contributing 29 percent (KES 1.7 billion, or $16.5 million). This figure is likely conservative as it does not include in-kind aid, distribution of products, or the provision of free services by humanitarian agencies. The findings further indicate that there is room to grow as the demand for access to finance is high and respondents stated that they are willing to pay for improved energy, housing, and sanitation services. Most of the money spent by residents in the town and the camp goes towards consumer goods (46 percent). The consumer goods market is valued at KES 2.7 billion ($26.2 million), with rice/pasta, ugali flour, and milk powder making up the three largest components (each worth more than KES 300 million, or $2.9 million). Currently, most groceries are provided by small shops and traders, but the high level of consumption could support one or two supermarkets servicing the camp and town.

Tapping the consumer goods market

Consumer patterns and preferences in the camp and town indicate where business opportunities for specific products and brands could lie. While many consumer goods, such as rice/pasta, are purchased in both areas, others are more specific to their market. For example, due to cultural preferences, Kenyans favor ugali flour, while other nationalities prefer baking flour. In the town, residents spend KES 250 million on ugali flour compared with KES 102 million ($988,372) in the camp. Town respondents spend only KES 88 million ($852,713) on baking flour compared with KES 167 million ($1.6 million) spent in the camp. Spending on other goods like personal care items and alcohol are also low when compared with consumption in the town, because these items might be considered less essential due to financial constraints or culturally unacceptable to some groups living in the camp.

The number of people buying fruit and vegetables, and the amount they spend, varies across the camp and the town. Overall, less than 40 percent of households across the camp and town bought fruit and vegetables in the four weeks preceding interviews. The percentage was higher in Kakuma camp two and Kakuma town (58 percent). While subcamp three has a low penetration rate of 26 percent, it also has the largest proportion of buyers. The variations could be the result of consumer preferences or differences in spending power between nationalities: subcamp four generally hosts the newest arrivals, who tend to have less money and thus have the lowest consumption of fruit and vegetables.

Meat and livestock are produced locally, with supplies coming mainly from Kalobeyei, Kibich, and Lokipoto, as well as Ethiopia. In general, meat prices are fairly low.[13] However, in March and April, prices increase in response to decreasing supply.[14]

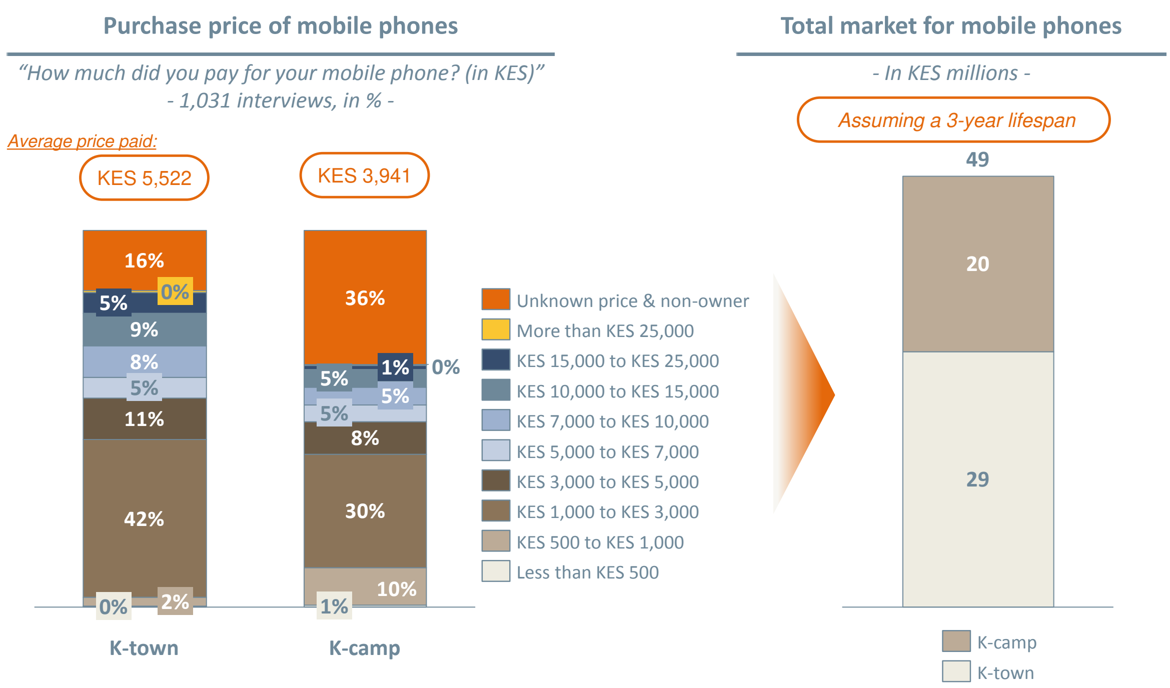
Aside from food, people spend their money on household goods. The most popular household purchase in Kakuma camp and town is the TV, followed by motorbikes and solar panels. The market for household equipment is worth an estimated KES 174 million ($1.7 million). Power generation is a significant contributor – spending on solar panels and power generators combined is the second largest expenditure on household equipment after TVs. In addition, the most common consumable nonfood items people spend their money on are cooking fuel and charcoal, electricity, loan repayments, airtime, and mobile phone charging, most of which are related to energy.[15] Although fragmented, spending on energy-related products (generation, charging, fuel) would be substantial if combined. This suggests that there is a market for a commercial solution that provides energy and lighting at a lower cost.

Telecommunications and mobile banking opportunities

The study indicates the substantial demand for communications and mobile services. Mobile phone penetration is high both in the camp (69 percent) and town (85 percent), making it a potentially attractive market for mobile banking.

The mobile handset market in Kakuma camp and town is estimated at KES 49 million ($480,000) annually, assuming a three-year lifetime. About 59 percent of the market is from the town and 41 percent is from the camp.

Figure 3 Mobile phone prices and market



The most common purchase price of a phone in both the town and the camp is between KES 1,000 and KES 3,000. An important caveat: all respondents were heads of household and, as a result, more likely to own a phone than the average inhabitant.

Mobile money is more widely used in the town than in the camp. About 86 percent of respondents in the town use their phone/SIM for mobile banking or money transfers, while only 31 percent do so in the camp. Banks and mobile network providers offer mobile-money services in both areas, but there is a significant opportunity to increase penetration in the camp. Growth in this segment would depend on improving refugees' currently low financial literacy and access to Alien ID cards, which are necessary to register with M-Pesa.

Challenges to investing in Kakuma

While this report indicates various opportunities to invest in new or existing businesses in Kakuma, the path to private sector success will be complex.

Kakuma's productive potential lies in its people, but many of them lack the education they need to put their skills and talents to use, whether as business owners, employers, or employees. More than 50 percent of refugees have no schooling in comparison with 33 percent of those in the town. The rate of high school education or vocational training for refugees is 19 percent and 3 percent respectively, compared with 30 percent and 7 percent in the town. This has an adverse link to employment status, business ownership, income, and savings. More people are unemployed in the camp (27 percent) than in the town (14 percent), and the average monthly income in the camp is about one-third of that in the town (KES 5,597 compared with KES 15,863).

Beyond education, other more practical problems keep people from reaching their full potential. The camp and town have limited access to markets due to poor road connections and the lack of a commercial airport. Many refugees and host community members do not have the funds to set up a business, nor do they know how to access them. Financial literacy is low, and access to finance is limited. About 73 percent of respondents in the camp and 45 percent in the town have no information on financial matters. This is correlated with low levels of savings, with 58 percent of those in the town and only 21 percent of those in the camp having saved in the last 12 months. Respondents in the town (29 percent) are also more likely than those in the camp (24 percent) to receive a loan from a financial institution. Local Kenyans are more likely to use a loan for education or a business investment, while those in the camp mostly borrow money from local shops to buy food on credit.

The following chapters of this report will delve into further details on the aspects covered in this overview, offering data and insights on Kakuma's potential as a marketplace.

An Ethiopian refugee living in the camp who runs a retail and wholesale business serving both camp and the host community

CHAPTER 1

Know Your Market – A Snapshot of Kakuma

Kakuma camp and town are located in the remote, mostly arid Turkana county in northwest Kenya. Although it is one of Kenya's largest counties, Turkana has a population of only around 1.4 million people.[16] The county has traditionally been home to nomadic pastoralists, who rely on livestock rearing and subsistence farming.

Marginalized in the past, Turkana was often overlooked by the government, businesses, and the donor community.[17] Poverty is extreme, at 90 percent, and more than 30 percent of the population is malnourished.[18]

Water availability is very limited – there are only two permanent rivers in Turkana county, 80 percent of the county is considered arid or very arid,[19] and droughts are commonplace and recurrent. But the discovery of oil in 2012 and a vast aquifer in 2013 could change things. While initial tests indicate that parts of the aquifer are too saline for human consumption, the water could potentially be used for livestock and agriculture in Turkana. Other areas that have yet to be tested might have saline levels low enough for human consumption.[20]

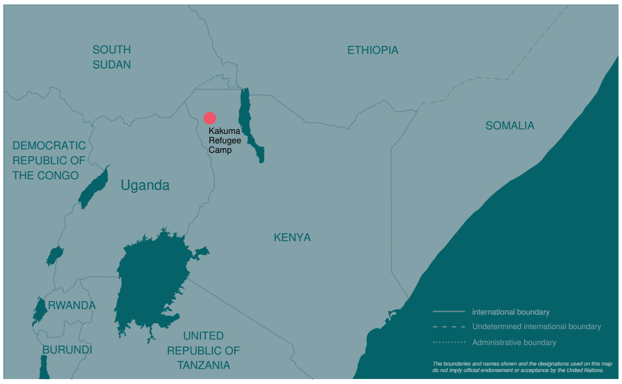
Kakuma camp was established in 1992 to receive refugees fleeing conflict in Sudan. A year later, it took in Ethiopians escaping the aftermath of a collapsed government. Since then, the camp has experienced major population shifts as refugees have come and gone. In 1997, Somali refugees began to arrive in Kakuma when Kenya's coastal camps were closed. The Somali population increased again when 15,000 refugees from Dadaab[21] were relocated to Kakuma in 2009. In 2005, with the signing of the South Sudanese Peace Accord, around 37,500 South Sudanese refugees were repatriated. However, conflict broke out once again, leading to almost 80,000 South Sudanese refugees fleeing to Kakuma since the end of 2013.

The camp was originally designed to host about 100,000 refugees, but, at the time of the study (October – November 2016), it had about 160,000 inhabitants, representing nine major nationalities.

Getting to and from Kakuma

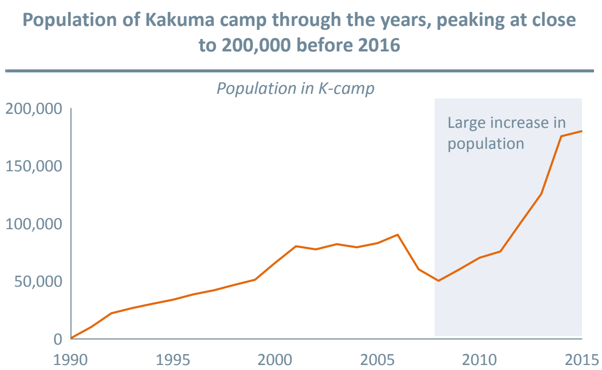
Kakuma struggles with market integration[22] because poor road conditions hinder the movement of goods and people.[23] The road conditions also affect the availability of perishable food as the average resupply time in the camp doubles from 1.5 days in the dry season to 3 days in the rainy season.[24] The closest commercial airport is four hours away in Lodwar and the route is not secure, limiting the times when people can travel and increasing the costs. However, Kakuma camp is fairly well supplied, thanks to being on the northwest corridor, where a main road connects Nairobi with Kitale, Lokichogio, and South Sudan. In addition, the national government has begun upgrading the Eldoret-Lodwar highway, which will pass through Kakuma all the way to the South Sudanese capital of Juba.

Figure 1.1 Kakuma camp within the region



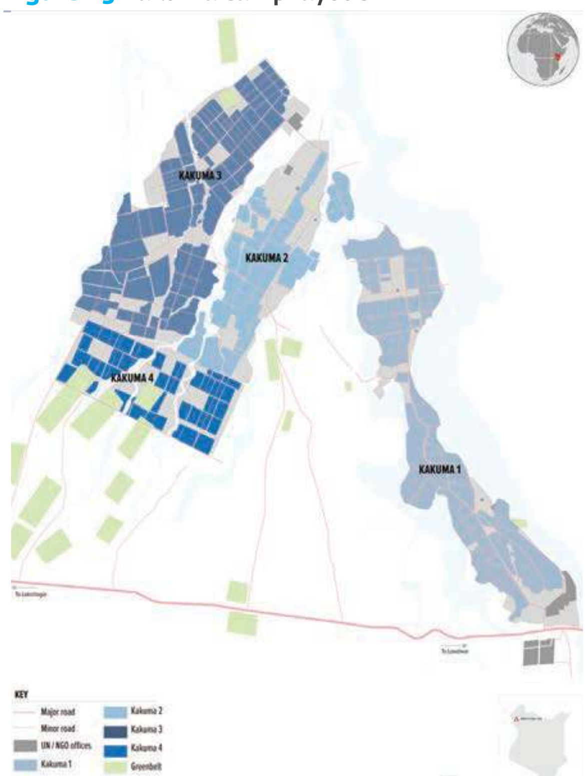
Source: UNHCR 2017.

Figure 1.2 Population of Kakuma camp, 1992–2016



Source: World Bank Group & UNHCR 2016, "Yes" In My Backyard?

Figure 1.3 Kakuma camp layout



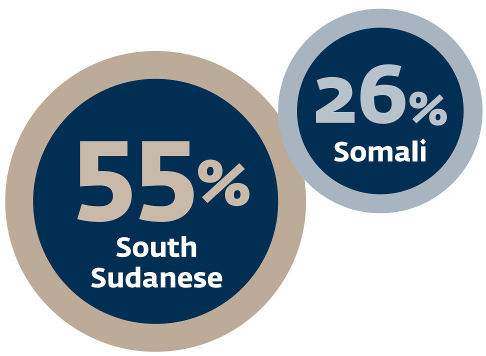
Population

About 85 percent of the camp's 160,000 refugees arrived within the last 10 years and more than half within the last five.[25] Kakuma camp is now an established, though informal, urban settlement and when combined with the town can be considered a single market. In late 2016, about 220,000 people lived in Kakuma camp and town combined, making it comparable to Kenya's 10th largest urban area.[26]

Subcamps and demographics

The refugee camp has four subcamps, numbered in the order they were opened. The subcamps, rather than consisting of rows of tents, are like small towns, with a mix of mud and cement homes, tents, and commercial centers.

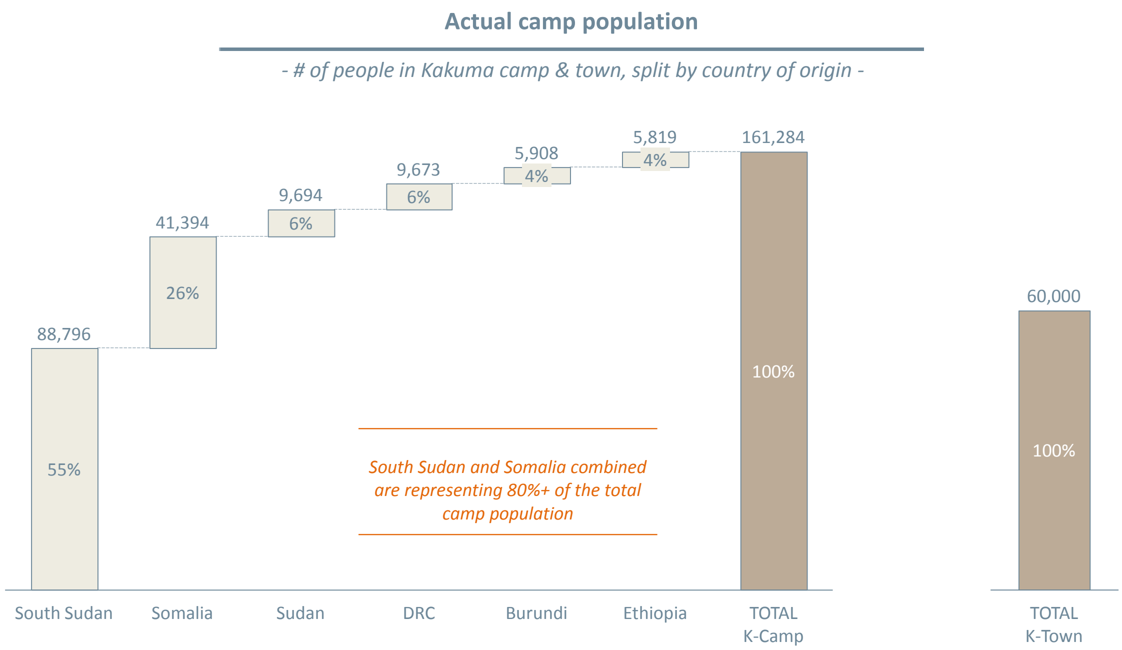
The camp is a melting pot of nationalities and ethnicities. Its demographic breakdown shows that most of the residents are South Sudanese (55 percent) and Somali (26 percent). There are also refugees from Burundi, the Democratic Republic of the Congo, Ethiopia, and Sudan, among others. The camp's diversity is even greater when looking at ethnicity within nationalities. The South Sudanese camp population, for example, is divided into Nuer and Dinka, and the Somali population into Somali Somali and Somali Bantu.



The distribution of nationalities differs greatly among Kakuma's four subcamps. Subcamps one, two, and three have diverse populations, while subcamp four, hosting the newest arrivals, is primarily South Sudanese.

Before arriving in Kakuma, most refugees were farmers or reared livestock. Only 7 percent had a business before they arrived at the camp. Given the harsh climate, scarcity of water, and constraints to livestock ownership for refugees, farming or livestock rearing is not a viable option for refugees, making it difficult for them to earn money from traditional occupations or to leverage their skills in a new and unfamiliar job market.[27]

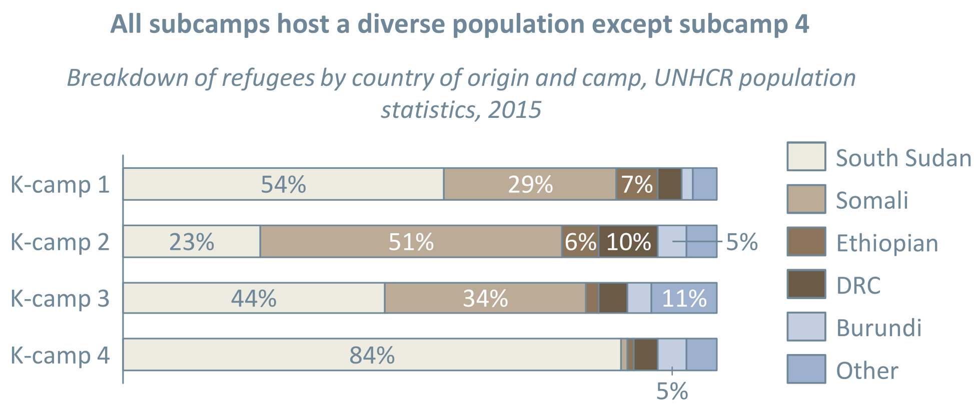
Figure 1.4 Kakuma camp population by nationality



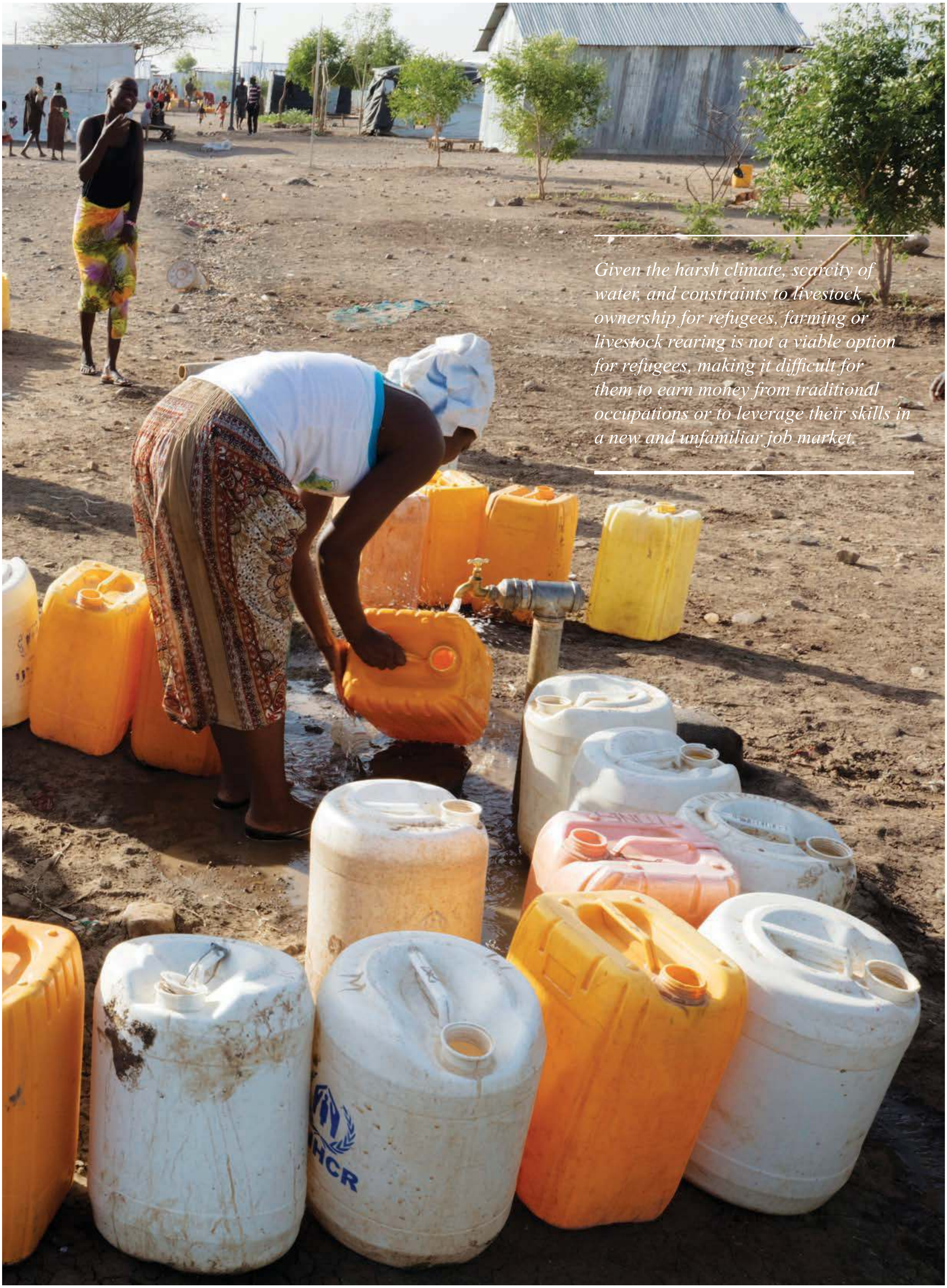
Source: UNHCR Kenya Operation Statistics, October 2016.

The distribution of nationalities differs greatly among Kakuma's four subcamps. Subcamps one, two, and three have diverse populations, while subcamp four, hosting the newest arrivals, is primarily South Sudanese.

Figure 1.5 Kakuma subcamp population by nationality

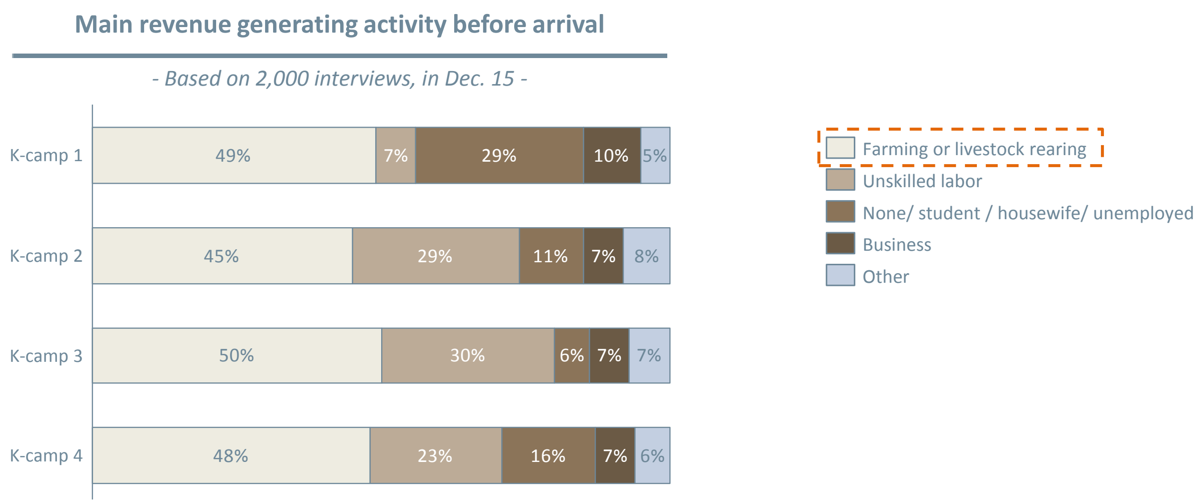


A water collection point in camp where water is provided on a fixed schedule to residents



Given the harsh climate, scarcity of water, and constraints to livestock ownership for refugees, farming or livestock rearing is not a viable option for refugees, making it difficult for them to earn money from traditional occupations or to leverage their skills in a new and unfamiliar job market.

Figure 1.6 Revenue-generating activities before arrival[28]



Employment

More people are unemployed in the camp (27 percent) than in the town (14 percent). Despite high unemployment and legal limitations, 12 percent of refugee respondents identify as business owners or self-employed. While this figure is lower than the 39 percent of respondents in the town who own businesses, refugees face significant legal barriers that locals do not. Almost half of all respondents in the camp identified their professional status as "other," which reflects the legal grey area in which they must work. Sustainable business growth and reduction in unemployment depend to a large extent on easing the limitations for refugees to work, own, or use property legally, and move without restrictions.

Many women in the town and the camp do not have jobs. Almost half of the women surveyed (49 percent) identified themselves as homemakers, compared with 1 percent of men.

Figure 1.7 Professional status by location and nationality[29]

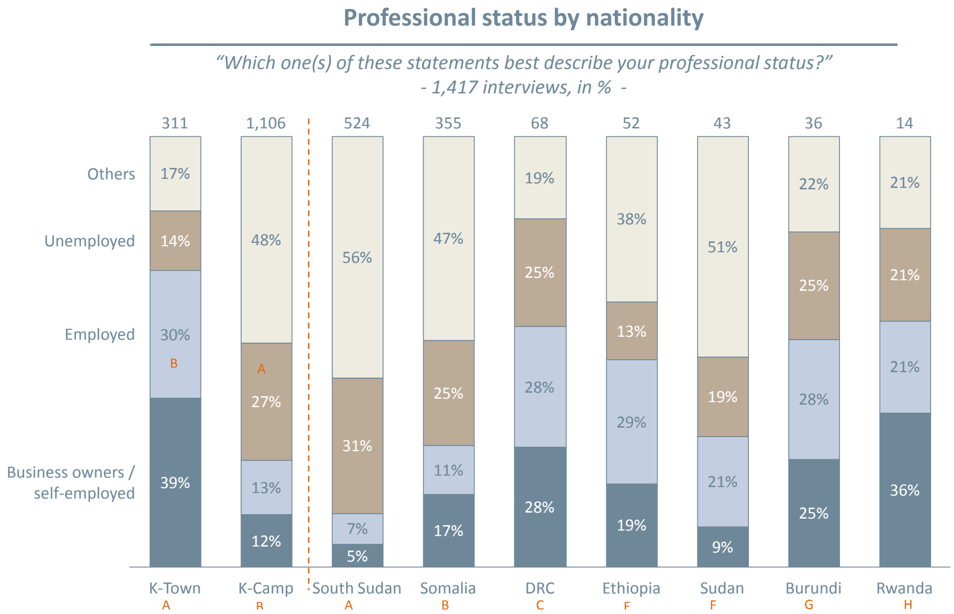
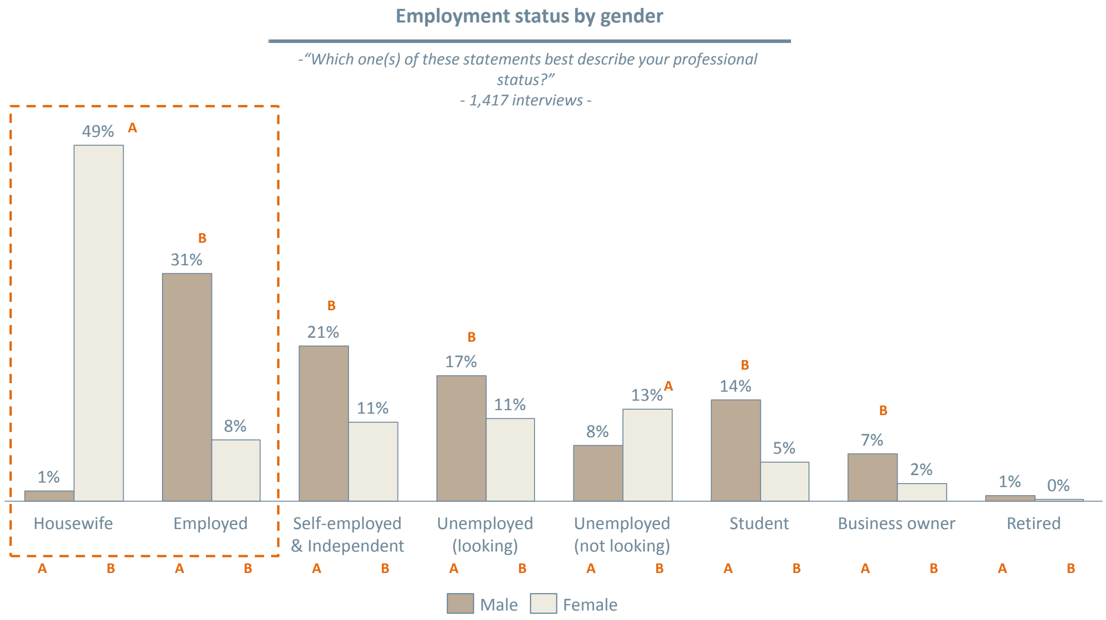


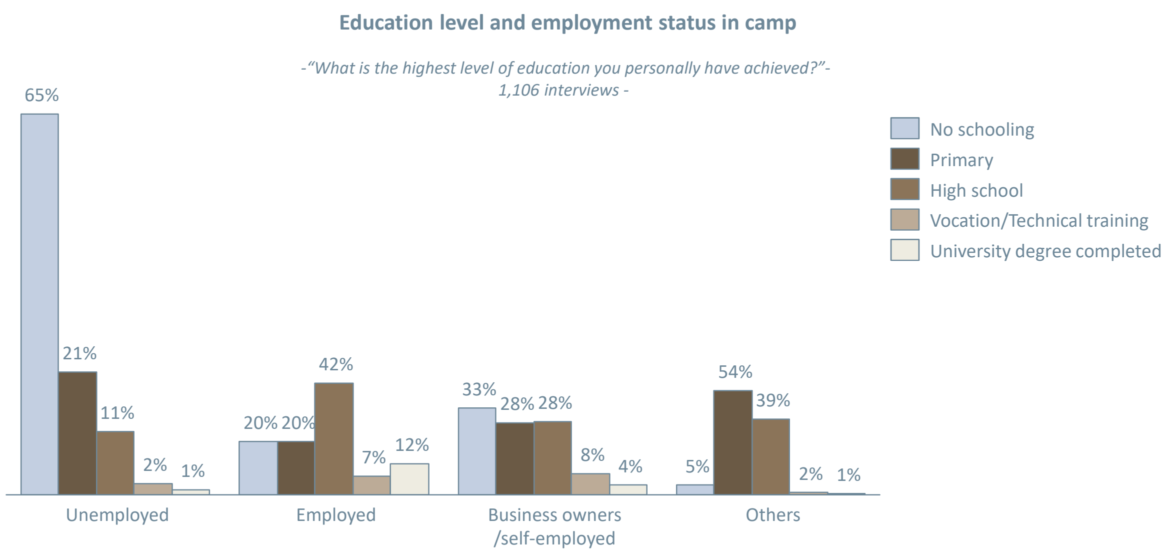
Figure 1.8 Employment status by gender



In addition, 13 percent of women are unemployed but not looking for work, compared with only 8 percent of men. About 59 percent of men identify as employed or business owners/self-employed, compared with only 21 percent of women.

The study findings show that education is positively correlated with employment status, business ownership, and income. Refugees with more education are more likely to be employed. Of the unemployed respondents in the camp, 65 percent have no schooling. Of those who have jobs, only 20 percent have no schooling. Among business owners and the self-employed, 33 percent have no schooling, indicating the complementarity of entrepreneurial skills to formal education. Women's lower levels of education correlate with high unemployment (73 percent of all women respondents).

Figure 1.9 Education and employment status in camp

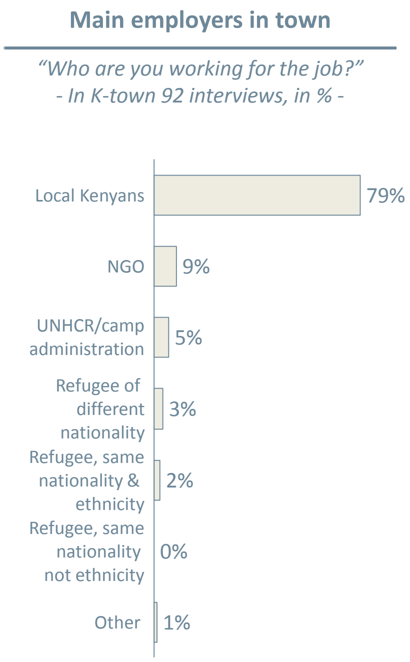


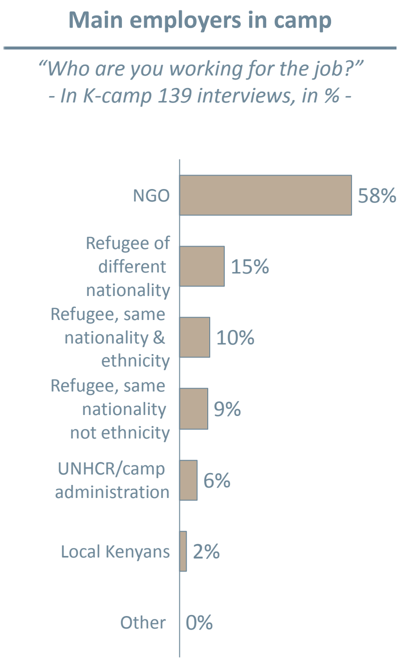
Types of jobs

Kakuma's population draws on various sources to earn its living. Formal jobs in Kakuma town are primarily based on the local economy, while salaried jobs in the camp depend on NGOs. In the town, 79 percent of respondents are employed by Kenyans, while 58 percent of respondents in the camp are employed by NGOs. Due to obstacles to formal employment, refugees that work with NGOs are hired as "incentive workers," which means they are volunteers and paid incentives much lower than what would be paid to a Kenyan in the same position.[30]

While the variety of businesses and services provided in the camp suggests a level of economic independence, humanitarian assistance remains the main source of income and employment for refugees.

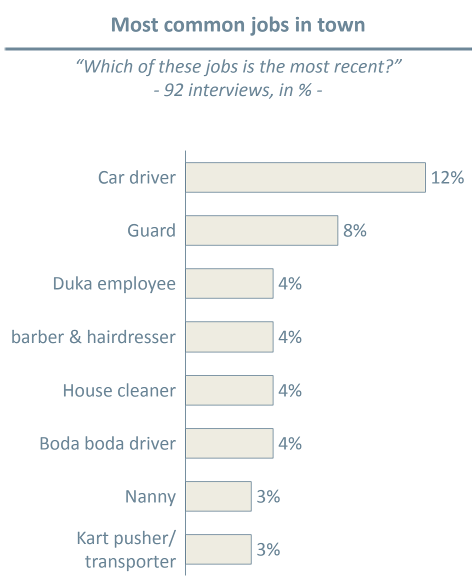
Figure 1.10 Main employers in camp and town





While the variety of businesses and services provided in the camp suggest a level of economic independence, humanitarian assistance remains the main source of income and employment for refugees.

Figure 1.11 Most common jobs in camp and town



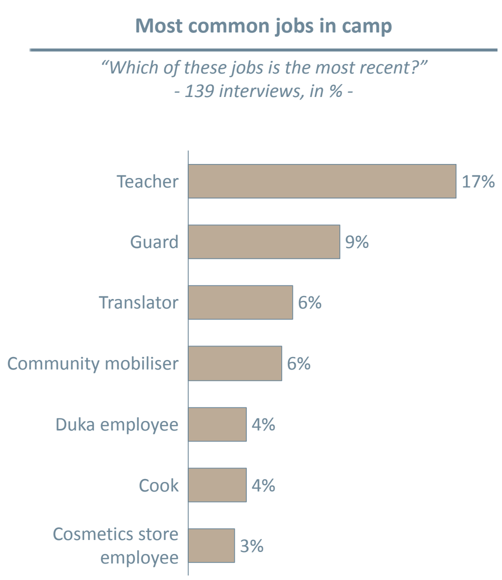
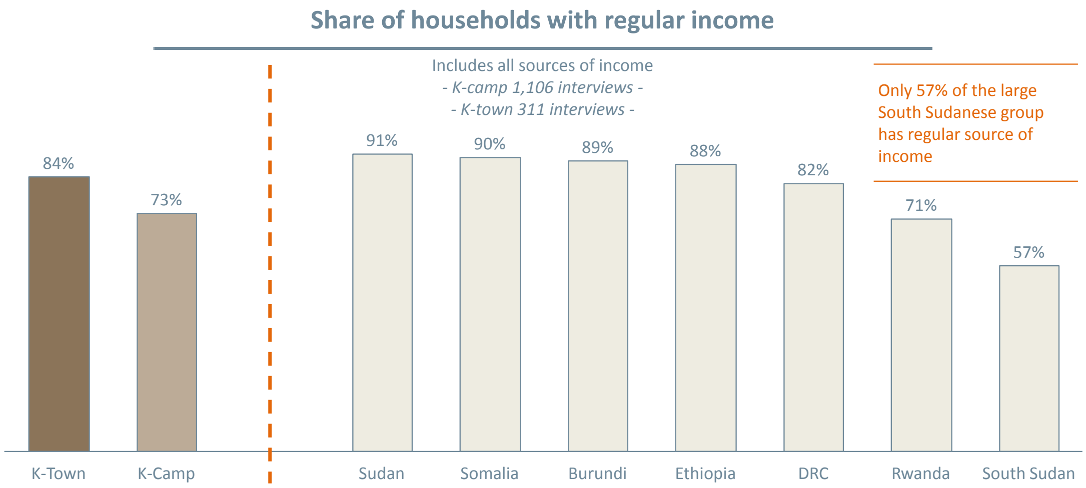


Figure 1.12 Share of households with regular income by nationality[31]

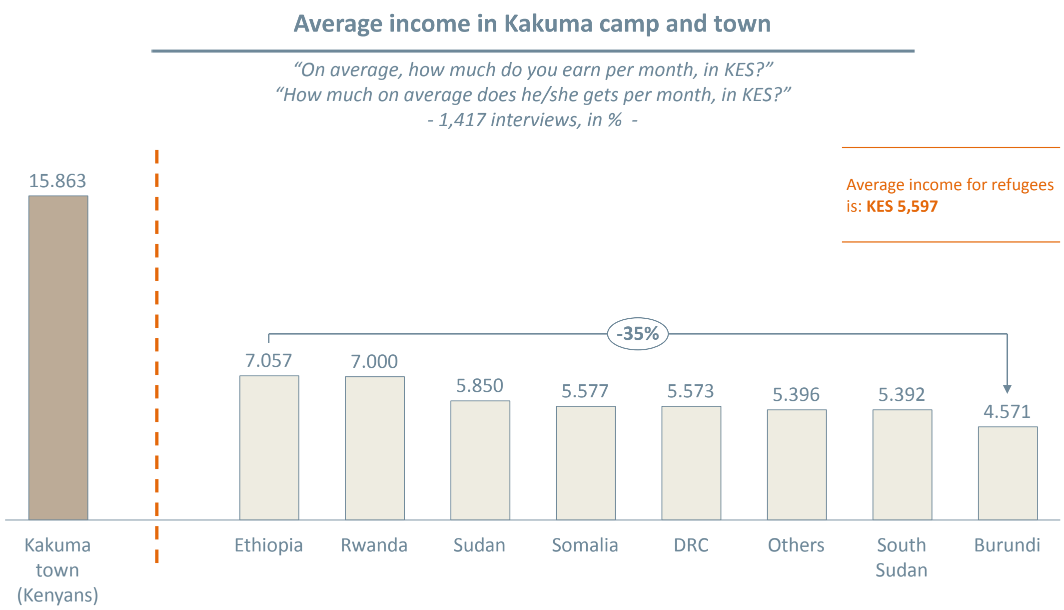


Employed Kenyans tend to do more low-skill jobs than "formally" employed refugees. Those in the town tend to work as car drivers, duka employees, barbers, and house cleaners. In comparison, refugees often have skilled positions with NGOs. Some of the most common jobs in the camp are teacher (17 percent), guard (9 percent), translator (6 percent), and community mobilizer (6 percent).

Incomes

Not all people are paid alike in the Kakuma area. Despite the fact that some refugees work in jobs that require a higher level of skill and education, on average, they earn almost a third less than those in the town (KES 5,597 against KES 15,863). About 84 percent of households in Kakuma town claim to have a regular income, compared with 73 percent of households in the camp. Income and employment are lower in the camp because many refugees lack the skills and capital to start a business, lack formal employment opportunities, and have limited access to external markets. In addition, while many households in the camp do earn a regular income, the amount they make is generally quite low as only 2.9 percent of refugee households earn more than the minimum wage of KES 10,000.[32]

Figure 1.13 Average income



The entrance to a Bamba Chakula shop in camp that also accepts M-Pesa

©IFC and Luba Shara

Box 1.1 "Bamba Chakula" – Get your food

In 2015, the World Food Programme Kenya launched its new e-voucher program called Bamba Chakula, which literally translates from Swahili to "Get your food."

SIM cards are distributed for free in partnership with Safaricom. These SIM cards receive part of the funds meant for monthly food baskets.

Using the mobile money feature of the sim card, a household can chose to buy selected food items from a list of approved retailers enrolled in the program rather than receiving a predetermined food package all the time.

In one month in 2016, KES 75 million was transferred to 34,000 households and 201 traders transacted an average of KES 398,000.

"Existing mobile-based lending and financing (such as Bamba Chakula) have laid the groundwork for additional mobile financing."
I-Dev International: Clean Cooking Strategy Development

Kakuma

Transfer value and ration by household size

Household size 1
KES 500 per month
+
210g cereal
60g pulses
40g super cereal plus
35g vegetable oil
per person per day

Household size 2+
KES 300 per person per month
+
294g cereal
60g pulses
40g super cereal plus
35g vegetable oil
per person per day

Income varies by nationality, occupation, gender, and education. For example, 57 percent of Rwandans are either employed or business owners/self-employed, compared with only 12 percent of South Sudanese. In terms of income, Rwandans are also better off, with an average income of KES 7,000 compared to KES 5,392 for South Sudanese. About 53 percent of Burundian respondents identify as employed or business owners/self-employed, which is relatively high, but their average monthly income was the lowest of all the groups, at KES 4,571. Groups with higher levels of education (Congolese, Ethiopian, Rwandan, and Sudanese) also have higher incomes.

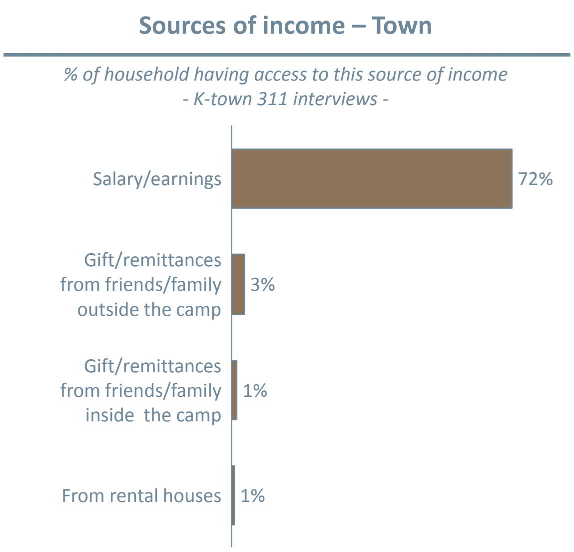
South Sudanese have the lowest number of households with a regular income, at only 57 percent, while 91 percent of interviewed Sudanese households earn a regular income. Despite little formal education, 90 percent of Somali households have a regular income. The Somali community has a long history in Turkana. In the 1960s, Somali Isaak and Hawiye traders established trading firms in Kakuma town. Somali traders owned and ran large shops and petrol stations, while traders from Turkana and Meru owned the smaller establishments. Within a year of the camp's establishment, Ethiopian, Somali, and some Sudanese refugees had set up retail shops and restaurants, with products sourced mainly from three Somali firms in Kakuma town.[33]

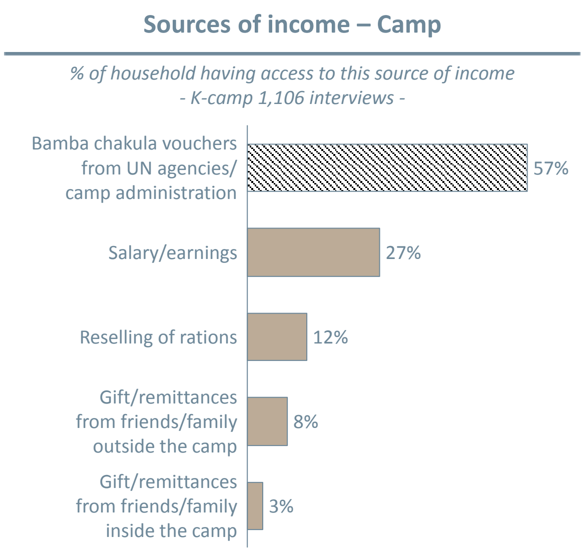
Refugees draw income from a range of sources, relying on multiple livelihoods and coping strategies. The main source of income for refugees is the Bamba Chakula e-voucher (57 percent), followed by salaries and/or earnings from business activities (27 percent), reselling rations (12 percent), and gifts/remittances (11 percent). The Bamba Chakula vouchers are not, however, regarded as a source of income by all households. As a result, the number of South Sudanese households with no income may seem high because they may not be reporting vouchers as income.

A more granular look at sources of income by camp zones shows that refugees who live in subcamps where NGOs are located, such as subcamps one and two, are more likely to have salaried jobs. Reselling rations is more popular among refugees in subcamp two, which has a predominantly Somali population. Outside the camp, most town residents get their income from a salary (72 percent).

The relationships people make in and out of the camp result in financial support in the form of gifts and remittances. They are also a sign of networks that enable trade, relocation, and information flows from home and the diaspora.[34] Ethiopians (35 percent) and Somalis (16 percent) are more likely to receive remittances than Burundians, Congolese, and South Sudanese. This is likely a result of the large diaspora of Ethiopians and Somalis across North America, Europe, and the Middle East.[35] Remittances are mostly sent through the global money transfer network called hawala, which in the camp is dominated by Dahabshil, Amel, Dalsan, and Iftin financial institutions. In 2011, based on estimates from these institutions and M-Pesa agents, remittances totaled at least $200,000 a month.[36]

Figure 1.14 **Sources of income in camp and town**





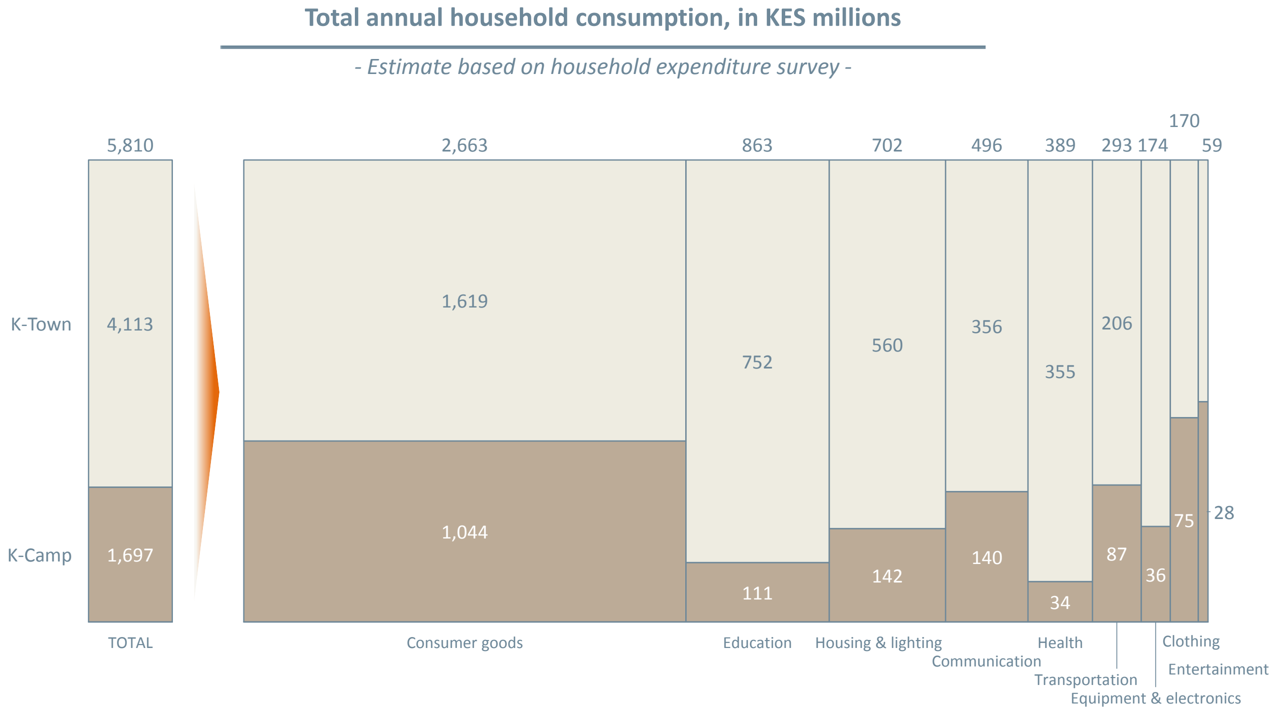
Consumption – $56.2 million a year

Household consumption in Kakuma camp and town is estimated at KES 5.8 billion ($56.2 million) annually. This figure is likely conservative as it does not include in-kind aid, distribution of products, or the provision of free services by humanitarian agencies. The camp spends KES 1.7 billion ($16.5 million), while the town spends nearly KES 4.1 billion ($39.7 million).

Consumption in Kakuma is substantial, but the local community still lags behind national consumption in Kenya, and refugees are even further behind.[37] According to World Bank figures, per capita household consumption in Kenya for 2016 was more than $800 a year (2010 dollars),[38] while the study found that Kakuma camp and town trailed this at $602 and $94, respectively (2010 dollars).

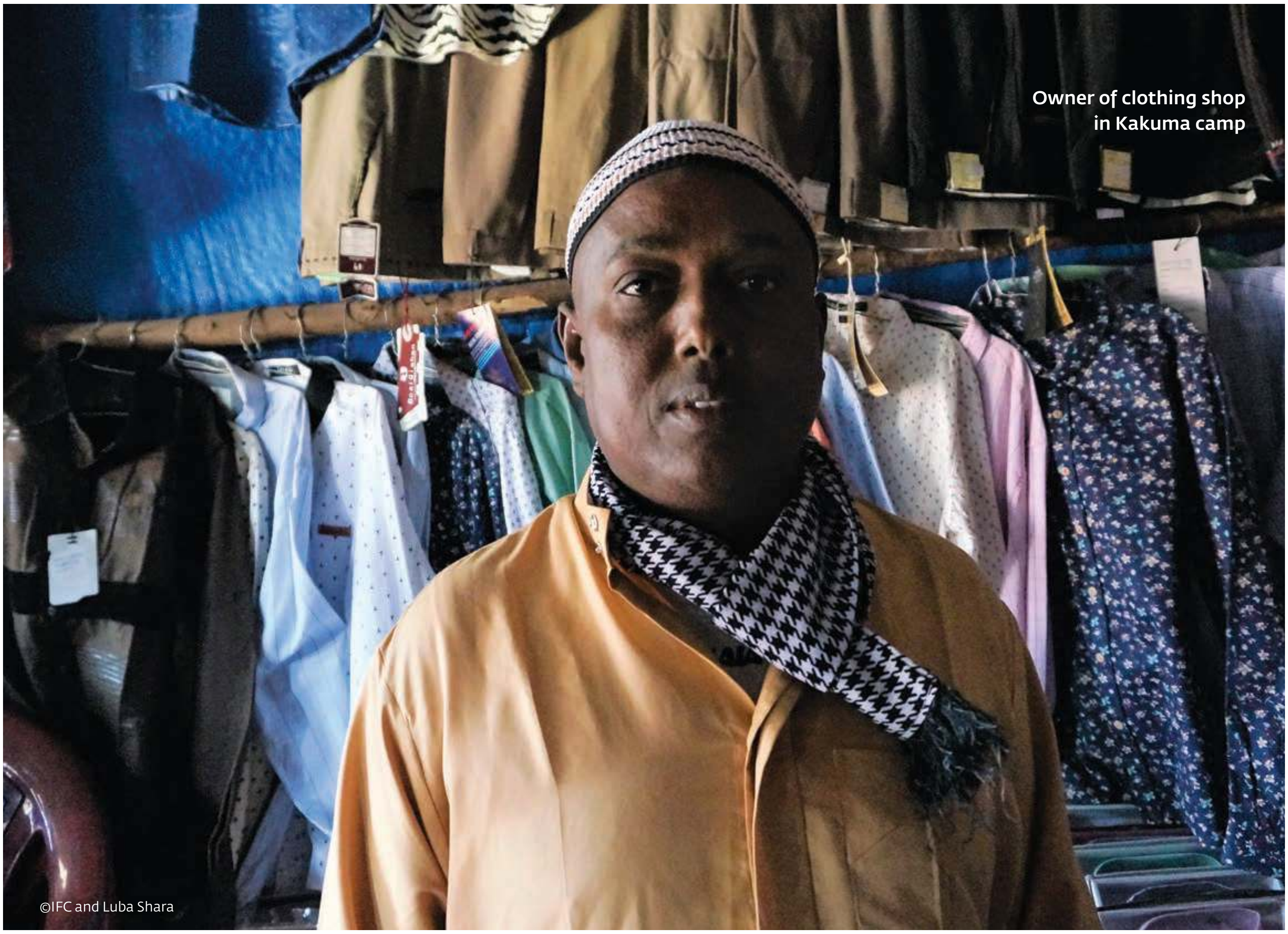
Household consumption in Kakuma camp alone accounts for 29 percent of the overall area's consumption, which is almost 2.5 times lower than Kakuma town. More than half of the spending (61 percent) of refugee consumption is on consumer goods, compared with 39 percent in the town.

Figure 1.15 **Total annual household consumption**



Note: Market sizes were calculated based on average monthly spending per household (taking into account penetration levels) for the main national groups in Kakuma: Kenyans, South Sudanese, and others (the remaining nationalities were grouped to avoid bias because of limited sample sizes). Average monthly spending per household was extrapolated from the total number of households for each group (based on latest UNHCR population data and the observed household size in the survey).

Residents in both the camp and town spend almost half their money on consumer goods like fruit, vegetables, meat, rice, ugali flour, soap, and personal care. While many consumer goods are purchased in both areas, such as rice/pasta, others are more specific to their market. For example, due to cultural preferences, Kenyans favor ugali flour, while other nationalities prefer baking flour. For ugali flour, town residents spend KES 250 million, compared with KES 102 million in the camp. For baking flour, town respondents spend only KES 88 million, compared with KES 167 million spent in the camp. For other goods such as alcohol and personal care items, spending is also lower than in the town, possibly as a result of being considered culturally unacceptable or less essential due to financial constraints.



Owner of clothing shop in Kakuma camp

Residents in both the camp and town spend almost half their money on consumer goods like fruit, vegetables, meat, rice, ugali flour, soap, and personal care. While many consumer goods are purchased in both areas, such as rice/pasta, others are more specific to their market.

Figure 1.16 Total annual refugee household consumption in Kakuma camp

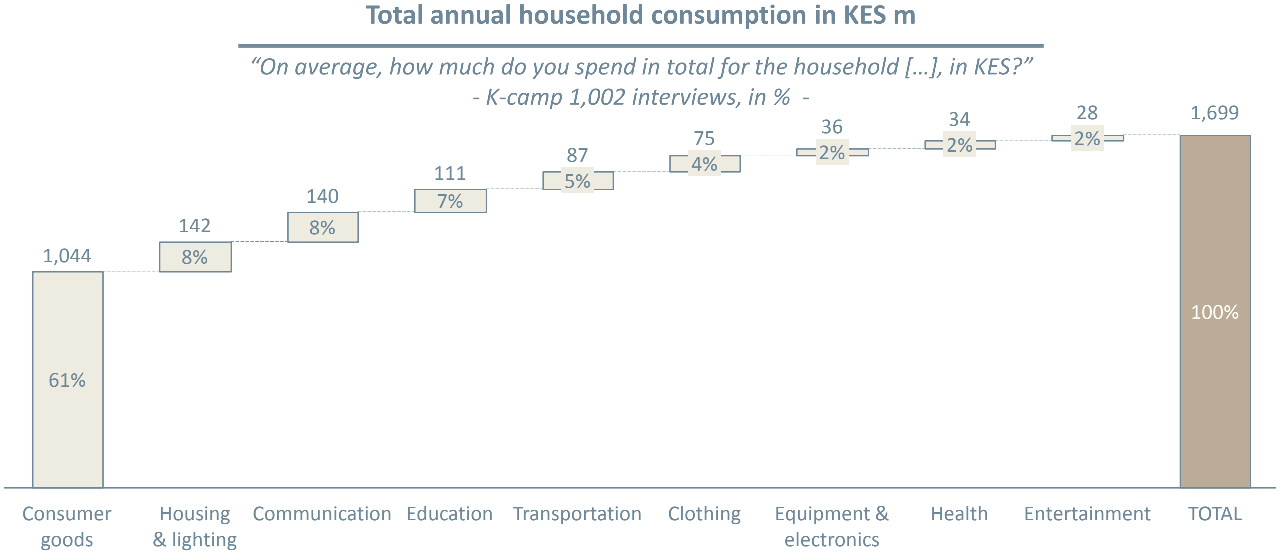
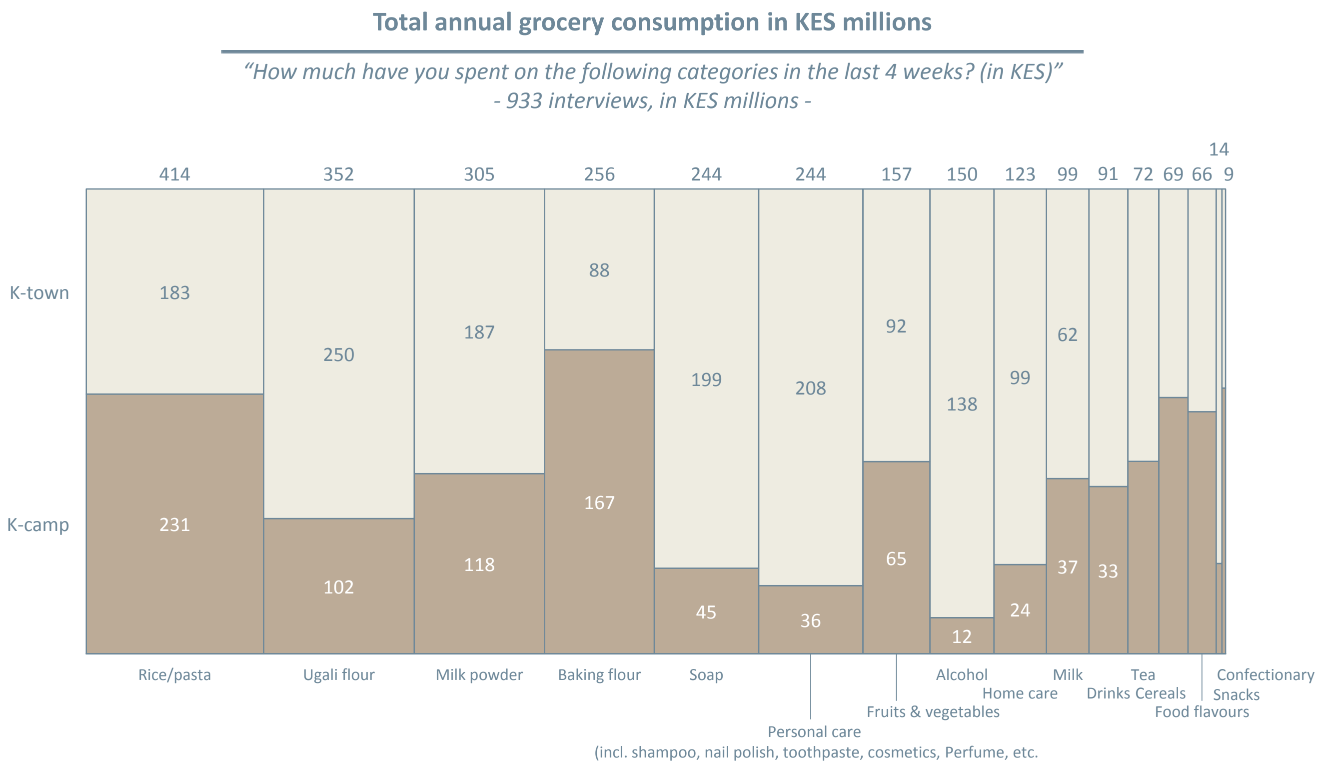
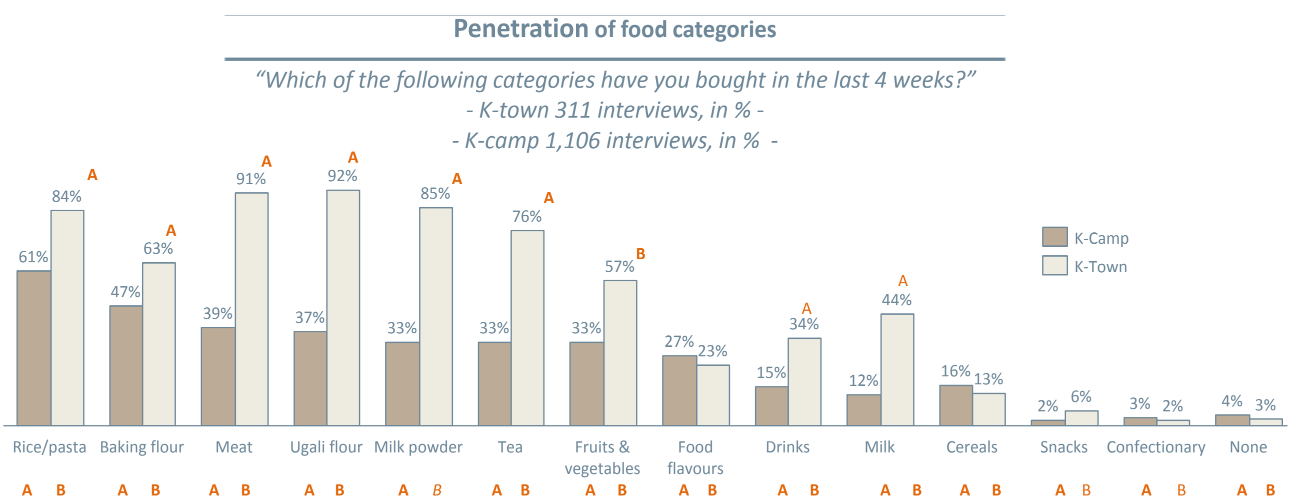


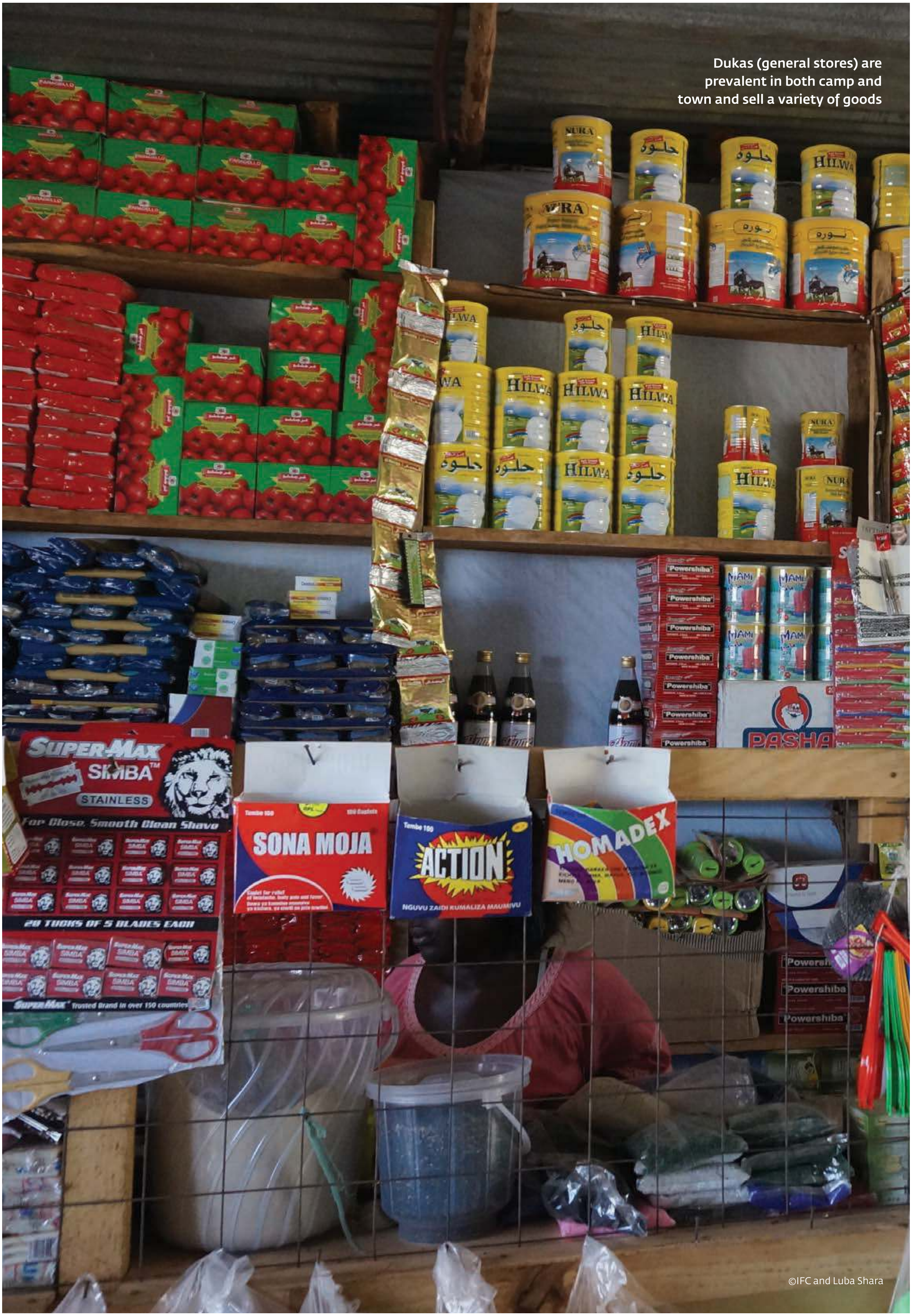
Figure 1.17 Total annual grocery consumption in Kakuma camp and town



Residents in the camp and the town buy a similarly wide range of food products, but town residents buy more than camp residents. Within the camp, meat and packaged products such as rice/pasta, flour, milk powder, milk, tea, and drinks are the most popular. The same food items are popular in the town, but with a higher penetration rate.

Figure 1.18 Penetration rates for various food items





Dukas (general stores) are prevalent in both camp and town and sell a variety of goods

©IFC and Luba Shara

A bakery run by a Congolese refugee which sells bread to the local community and schools

CHAPTER 2

A Vibrant Informal Economy

Despite the legal and practical limitations (such as the inability to gain formal employment, move, or own property, which are covered in chapter 4), a thriving informal economy has evolved, with frequent interaction between the refugee and host communities. There are more than 2,000 businesses in Kakuma camp,[39] including 14 wholesalers. There are four major markets in subcamp one, two in subcamp two, three in subcamp three, and one in subcamp four. Kakuma town has 232 shops along the main road and adjacent alleys.[40]

Kakuma camp and town are a single market in more than just name. Over the past decades, the two have become socioeconomically interdependent with refugees hiring, trading, and working with town residents and vice versa. For example, refugees hire Turkana locals as porters, shopkeepers, security guards, or casual labor (to help with housework); shop in town; and open businesses with residents. At the same time, Kakuma town residents shop in the camp and sell livestock and charcoal to refugees, who do not have easy access to these resources.[41]

Figure 2.1 Retail businesses and markets by location in Kakuma camp

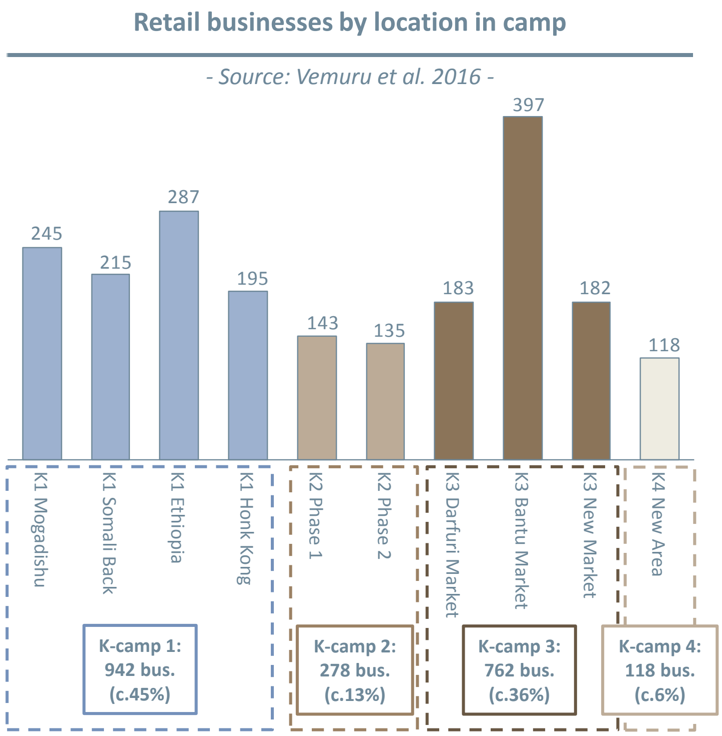
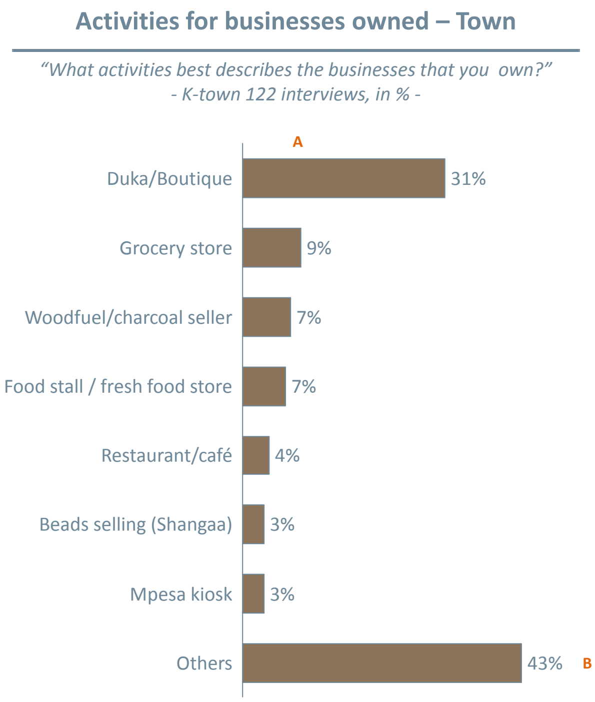
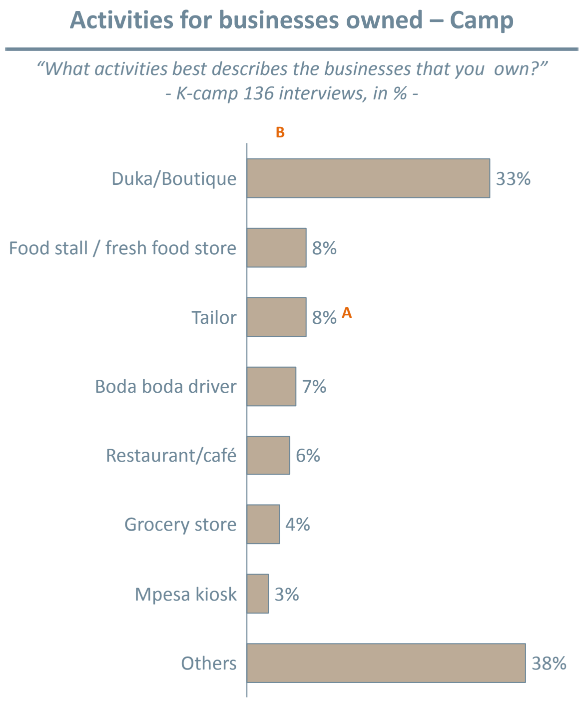


Figure 2.2 Business activities in camp and town





Twenty percent of all businesses in the camp are dukas, which suggests the possibility of introducing low-end supermarkets. Clothing and shoe stores are the second most common, at 16 percent. While dukas are ubiquitous in both the camp and town, they offer limited job opportunities – 70 percent of duka owners do not employ any other people. Other businesses that feature prominently in both areas are grocery stores, food stalls, restaurants/cafés, and M-Pesa kiosks.

These markets are important as they also provide daily sustenance for most people. Only 4.5 percent of refugee households ate food they had produced themselves.[42] As refugees become settled and find ways to earn income, their spending increases. For example, 70 percent of new arrivals spent no cash on food in the week preceding interviews, compared with 37 percent of refugees who had arrived before 2017,[43] suggesting the potential for increased consumption, assuming refugees do not move away from the camp.

On arrival, refugees are assigned to an available plot in Kakuma. However, refugee business owners are willing to pay other refugees for their plots in order to be closer to the main highway and the markets in each subcamp, creating an informal real estate market.[44] The informal agreements include both rental agreements and transfers of ownership. This practice is not in line with UNHCR policy on the provision of free shelter, but entrepreneurial refugees are left with few choices if they want to run their businesses in areas with heavy foot traffic.

Some refugees have even amassed a portfolio of assets and make a living by renting, buying, and selling real estate. Given that the system is not formally regulated, disputes arise when shelters are rented or "sold" to two parties, or when refugees renting out shelters leave the camp and must surrender them to authorities.

The correlation between owning a business and declared registration by respondents varies by nationality and location. The highest rates of registration in the camp are in subcamp four, at 75 percent, which is even higher than the rate of registration in the town (51 percent).

©IFC and Luba Shara

Despite the lack of available credit, camp residents expend a significant amount on items such as motorcycles

When asked about reasons preventing the opening of a business, 16 percent of "would-be entrepreneurs" cited the "high cost of rental charges" and 12 percent the "lack of available space to rent."

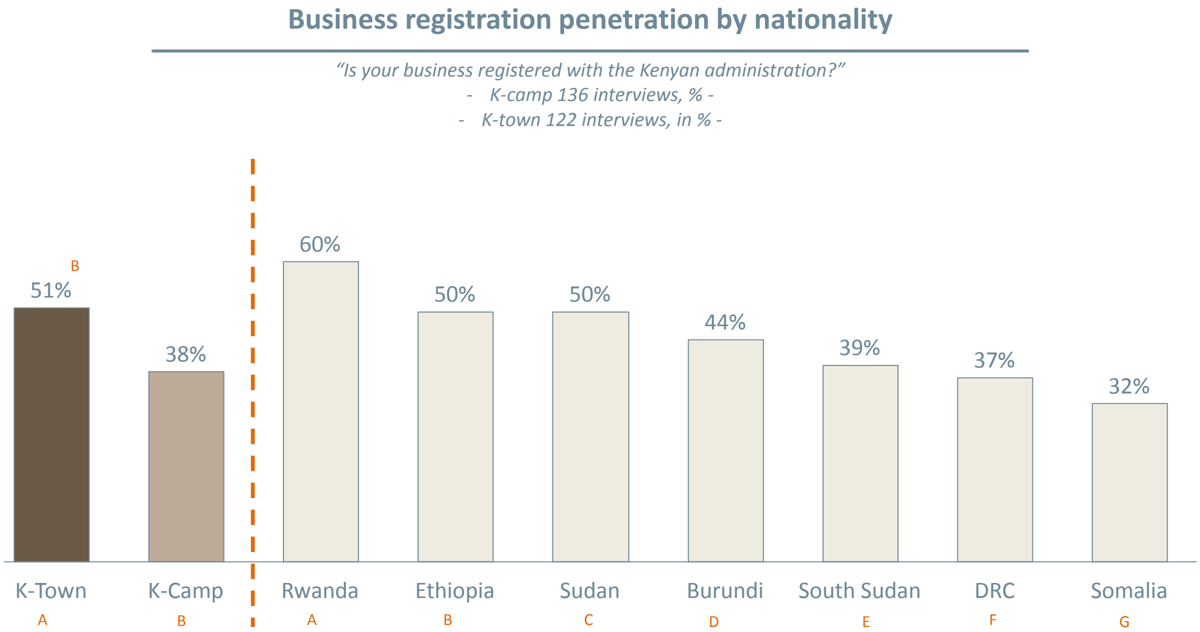
Business ownership

Only 12 percent of refugee respondents identify as business owners/self-employed, compared with 39 percent in the town, but they tend to own a similar number of businesses (respondents in the camp own 1.15 businesses, while town locals own 1.08). More telling is the fact that both areas have similar types of businesses, indicating an overlap in the two markets. In both areas, the most common business is the duka, which accounts for 31 percent of businesses in the town and 33 percent the camp. Across both areas of Kakuma, 39 percent of duka shop owners are Kenyan and 24 percent are Somali.

With regards to business registration, 38 percent of respondents in the camp and 51 percent of those in the town stated that they had registered their business with a Kenyan administration. According to Kenyan legislation, refugees can register their business as a limited liability company or as a single business name with the national registrar and receive a single business permit from the county government based on national registration. However, national business registration is a formal process that requires certain documentation, such as an Alien ID, registration with the Revenue Authority, national health insurance, and a pension plan, which refugees often lack.

According to Kenyan legislation, refugees can register their business as a limited liability company or as a single business name with the national registrar and receive a single business permit from the county government based on national registration.

Figure 2.3 Rates of business registration in camp and town



While formal education may be lacking, a variety of organizations provide vocational and business training. As a result the labor pool available to potential employers may be more skilled than the education figures suggest

©IFC and Dominic Chavez

In additional interviews with refugee business owners, they stated they pay a fee to a representative of the local authorities and receive proof of payment that is typically valid for one day, one week, or one month. It is possible that refugee business owners interpret this payment as formal business registration at the county level. However, it seems similar to a process used by county governments to tax informal businesses. In this process, the county government levies fees on informal businesses on a daily/weekly/monthly basis and provides a receipt or ticket in return. The collected funds enter the county budget as unstructured revenues.[45]

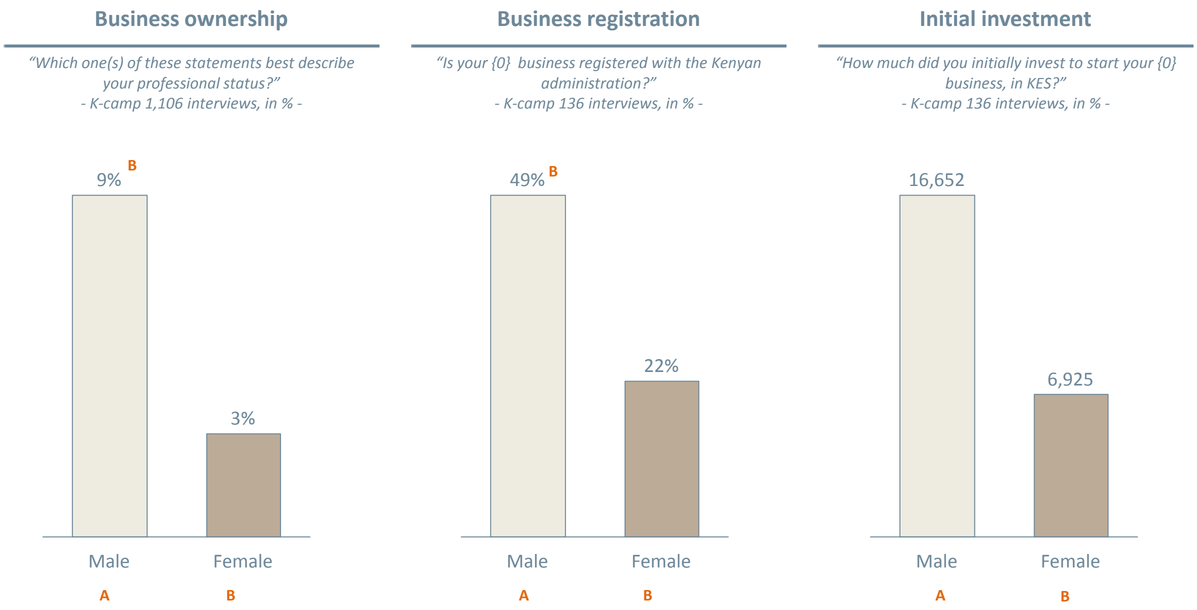
It is unclear whether the respondents are legally registered or mistake the payments they make to local representatives for registration as the survey process did not entail the checking of documents.

The correlation between owning a business and declared registration by respondents varies by nationality and location. The highest rates of registration in the camp are in subcamp four, at 75 percent, which is even higher than the rate of registration in the town (51 percent). As subcamp four is the least well off and hosts the newest arrivals, it might also have the most Bamba Chakula providers, which are required to register. Rwandans have the highest rate of business registration across nationalities (60 percent) and Somalis the least (32 percent).

The gender gap

Women in the camp are less likely to be entrepreneurs than men, and their businesses are more likely to be informal and have less invested in them. In the camp, 9 percent of male respondents have a business, while only 3 percent of women respondents do. When looking at business ownership combined with self-employment, women still lag behind men at 7 percent (men: 23 percent). Women face many cultural restrictions on the types of businesses they can open and run.

Figure 2.4 **Business ownership, registration, and initial investment by gender in camp**



For example, for some nationalities it is culturally discouraged for a woman to open a butchery. Women entrepreneurs in the camp are less likely to register their business (22 percent) than men (49 percent). Their businesses are also generally smaller, with a lower initial investment (KES 6,925 on average, compared with KES 16,652 for businesses owned by men).

This difference does not apply in Kakuma town, where 40 percent of the men and 39 percent of the women own a business. Of the residents in the camp and town who own a business, 60 percent of men are registered owners, while almost half as many women are (32 percent), indicating that women operate largely in the informal economy.

One of the wholesale businesses in town that serves residents of both the camp and town

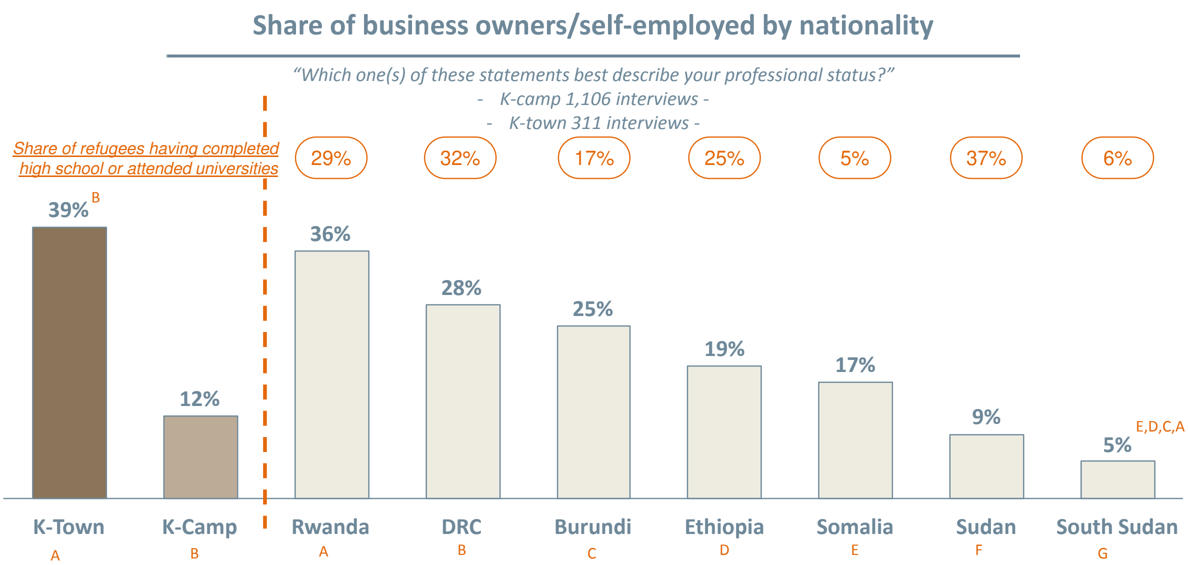
Starting a business

Nationalities with higher levels of education are more likely to be business owners/self-employed than national groups with less education. An exception is Somali refugees, who have high levels of business ownership relative to their low education levels. This may be the result of their strong financial and entrepreneurial networks.[46]

Many Kakuma residents are interested in starting a business. In the town, 84 percent of respondents would prefer to own a business, as would 90 percent of respondents in the camp. Among those who would like to start a business, 99 percent of those in the town and 95 percent of those in the camp lack the capital to do so.

Refugees wanting to own a business are also constrained by the high cost of rental charges (16 percent of refugee respondents), movement restrictions (13 percent), lack of space available for rent (12 percent), lack of support from camp administration (11 percent), and the time it takes to get a movement pass (10 percent).

Figure 2.5 **Share of business owners/self-employed by nationality and education**

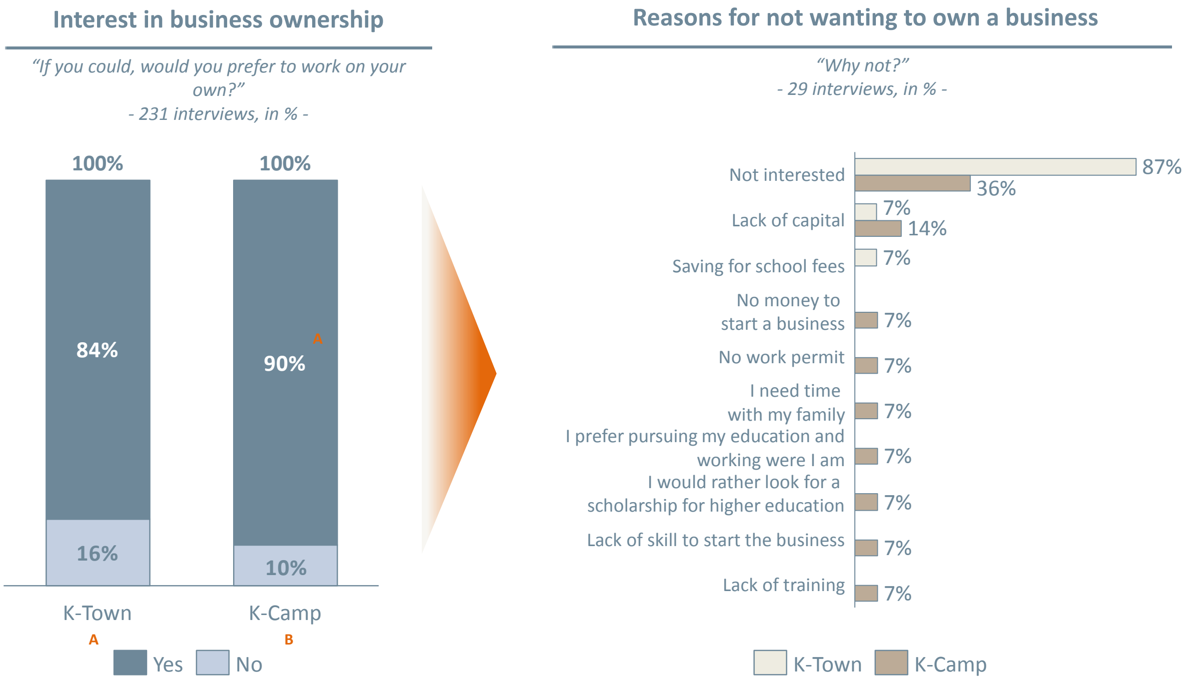


But for those who do not want to own a business, the reasons vary between locals and refugees. Most locals who do not want to start a business are simply not interested (87 percent), but refugees who do not want to own a business cite a range of reasons constraining them. Only 36 percent are not interested, while 14 percent lack access to capital, 7 percent have no money of their own to start a business, 7 percent do not have a work permit, 7 percent lack the skills, and another 7 percent lack the training. These issues center on access to finance and education, opening opportunities for provision of services to resolve them.

Residents in the town and the camp tap into similar sources to finance their businesses with similar amounts. The average amount invested to start a business is KES 17,500 in the town and KES 18,000 in the camp. Within the camp, however, the amounts vary significantly across nationalities. South Sudanese respondents have started businesses with KES 4,000, whereas Rwandans used KES 75,000 on average. Although the sample size for Rwandans is small, the difference in financing suggests that some groups have much better access to capital and own larger businesses.

There is also a link between having a job or owning a business and having strong social networks – 31 percent of business owners in the camp have friends or family who have resettled in the United States or Europe, compared with 16 percent for those who do not own a business.[47]

Figure 2.6 Interest in business ownership



In both the camp and town, respondents have received funding from friends and family to start a business, with 16 percent of refugee respondents receiving funds from abroad. Only 9 percent of respondents in the town and 11 percent in the camp used loans to start their business, which suggests an opportunity for formal lenders to capture more of the market.

Figure 2.7 Interest in business types and constraints to ownership

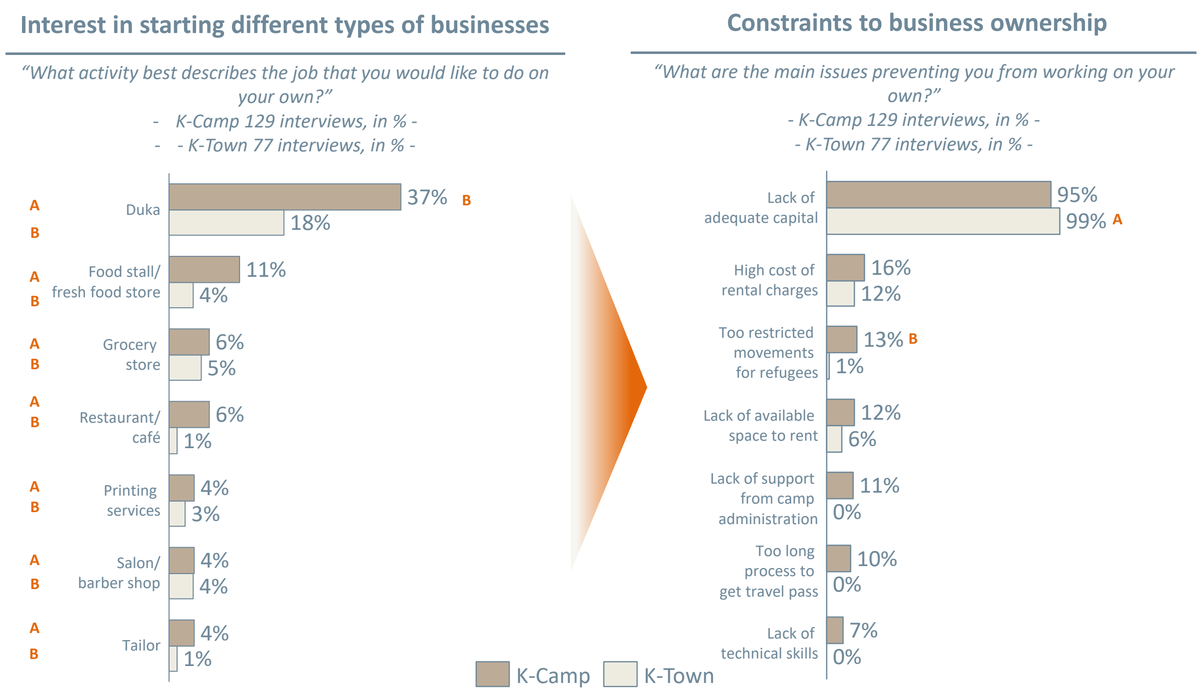
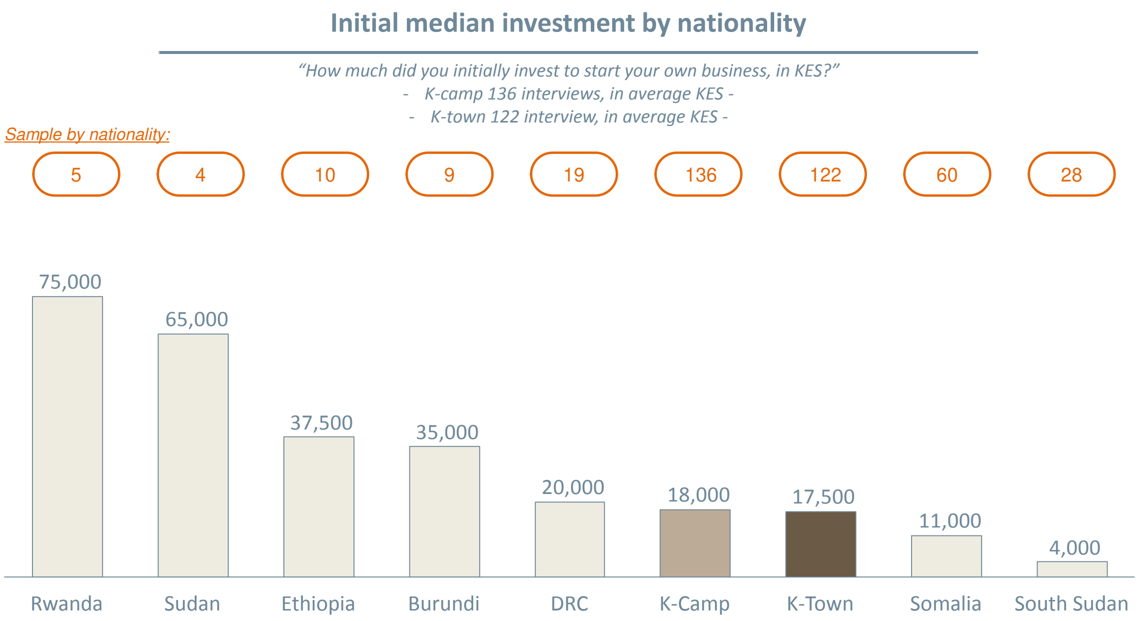
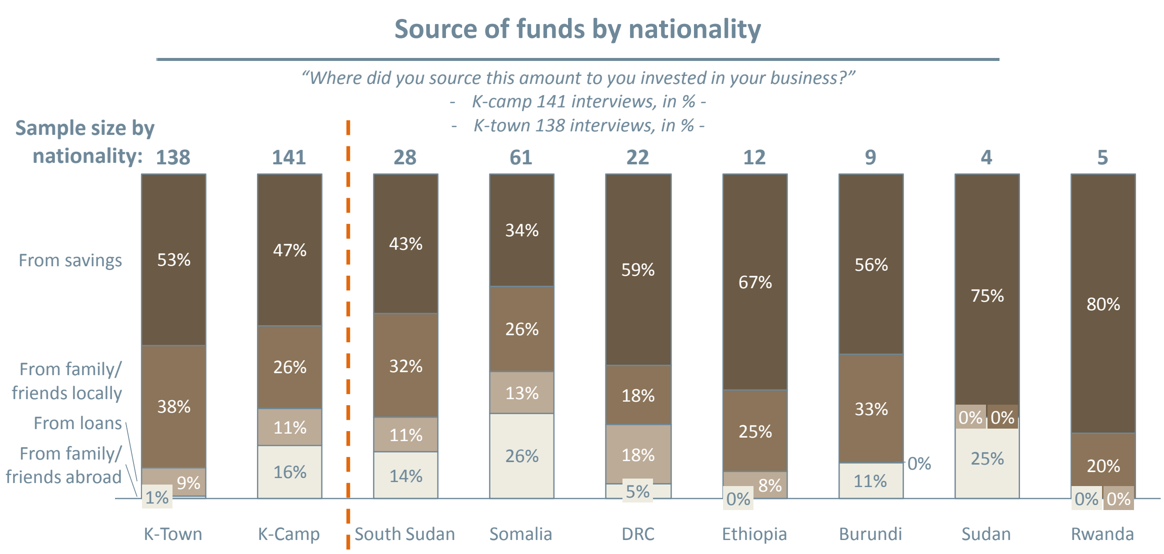


Figure 2.8 Initial median investment for new businesses by nationality



There is also a link between having a job or owning a business and having strong social networks – 31 percent of business owners in the camp have friends or family who have resettled in the United States or Europe, compared with 16 percent for those who do not own a business.

Figure 2.9 Source of funds for new business investment by nationality



A market in camp typically supports a variety of shops and has considerable foot and vehicle traffic

©IFC and Luba Shara

CHAPTER 3

Opportunities for Doing Business in a $56 Million Market

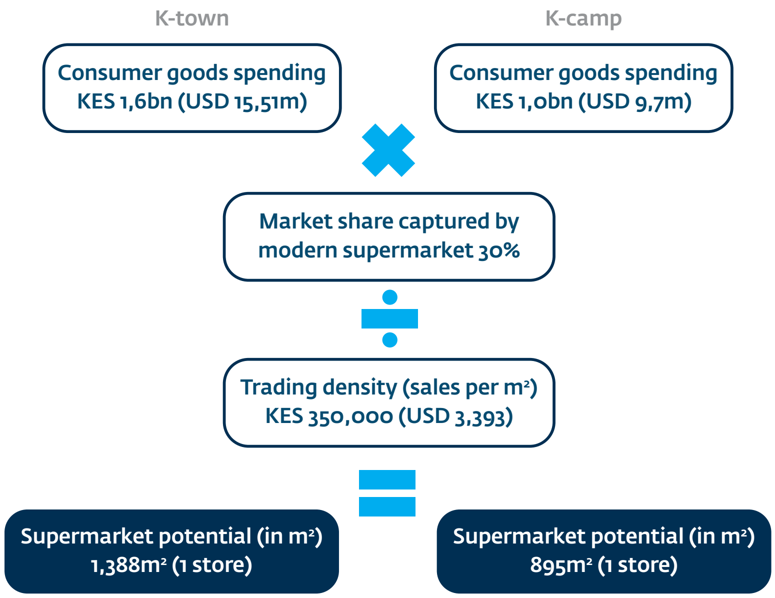
Kakuma camp and town present a market with the potential for growth. The study indicates there is demand for access to finance and a willingness to pay for improved energy, housing, and sanitation services. There are many income and business prospects for both local residents and refugees, as well as social enterprises and commercial firms.

The political environment is favorable 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 area. This has also been reflected in the new County Integrated Development Plan for 2018–2023.

Residents in the camp and town spend most of their money on consumer goods (46 percent), and the camp makes up 29 percent of total consumption (KES 1.7 billion, or $16.5 million). The consumer goods market is valued at KES 2.7 billion ($26.2 million), with rice/pasta, ugali flour, and milk powder making up the three largest components (each worth more than KES 300 million, or $2.9 million).

The study's consumption estimates, which are conservative, would increase if in-kind aid or services were shifted to unconditional cash transfers, which would increase the demand side for all goods and services. UNHCR plans to shift to unconditional cash transfers in 2018.

Figure 3.1 Supermarket potential



In the pilot phase, the converted cash assistance will not exceed $40,000 per month. This will inject roughly $0.5 million into the local economy annually. While the multiplier effect has not been calculated, cash aid to refugees should have a significant positive impact on local businesses and households.[48]

The estimated level of existing consumption could potentially support one or two supermarkets serving the camp and town.

Retail trade

Staples

Rice and pasta are staples in both the camp and town with respective penetration rates of 61 percent and 84 percent. While there are seven major brands available, Baraka is the most well-known, purchased, and appreciated brand in the camp. However, all seven brands have sizable penetration rates. When looking at the town alone, 5 Star has high levels of appreciation (70 percent) and awareness (81 percent). As a result, it has a 70 percent penetration rate, which is far ahead of all other brands.

Baking flour is another common staple in both the camp and town, with respective penetration rates of 47 percent and 63 percent. Five major brands of baking flour are available in this market, with Dola having the highest awareness (59 percent), penetration (50 percent), and appreciation (44 percent) in the camp. Ndovu leads the market in the town with a penetration rate of 81 percent. Dola also has high penetration in the town, at 70 percent, but low appreciation of 13 percent.

While there are seven major brands available, Baraka is the most well-known, purchased, and appreciated brand in the camp.

Figure 3.2 Rice and pasta brand awareness, penetration, and appreciation

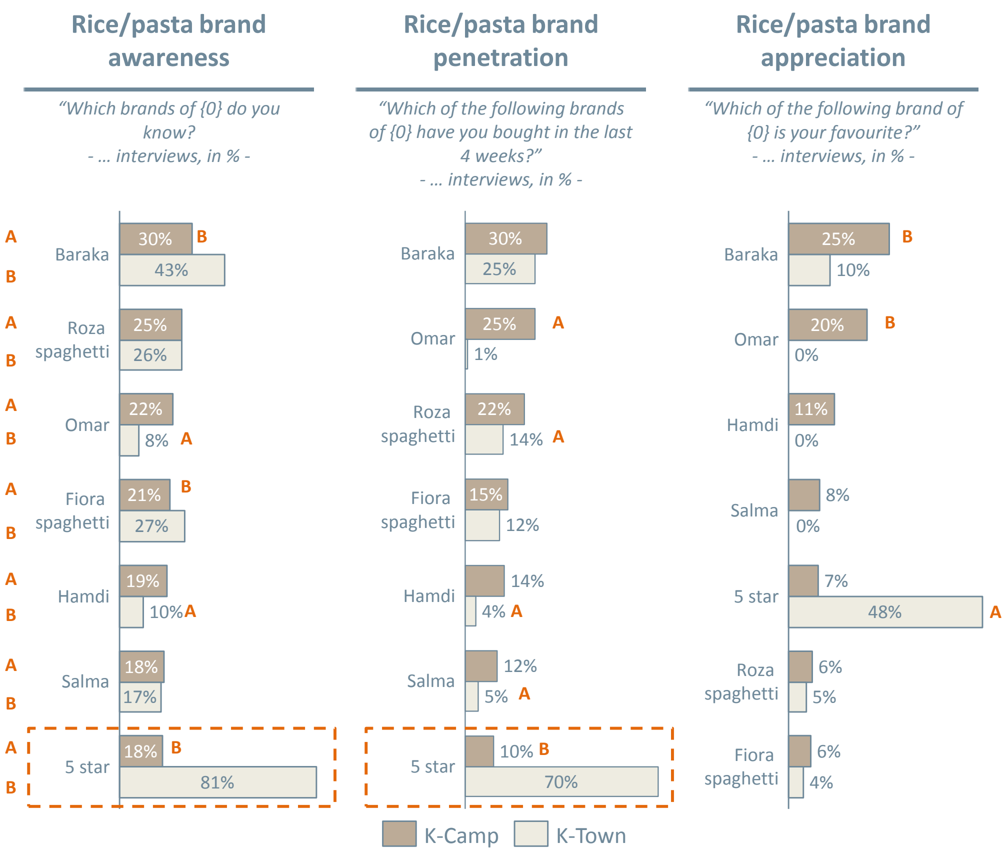
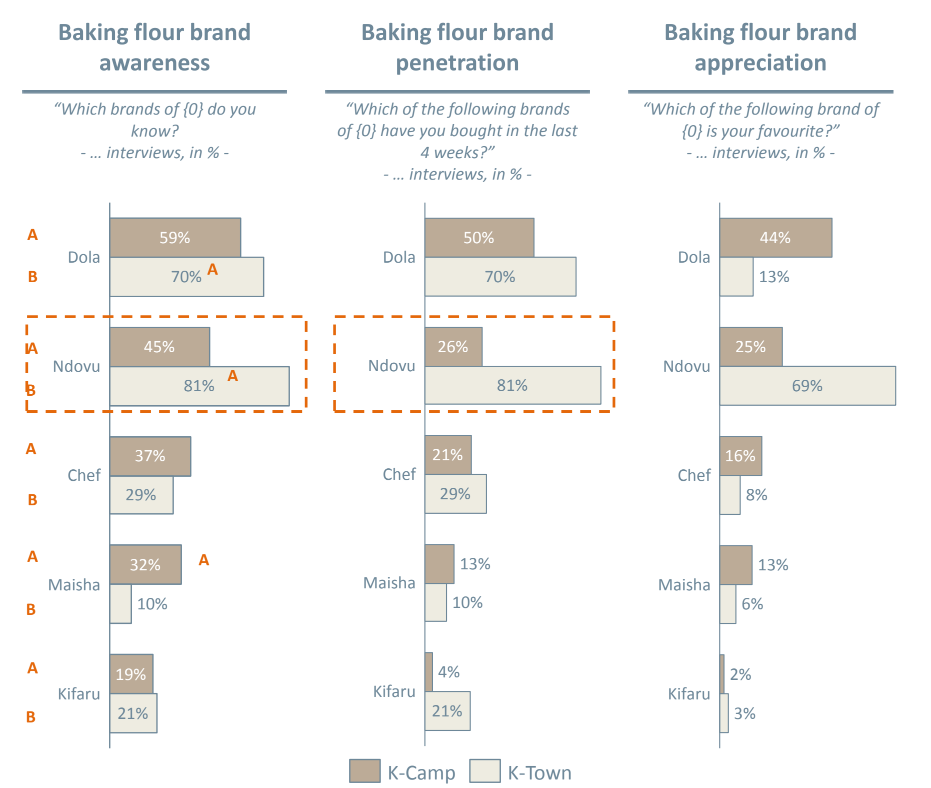


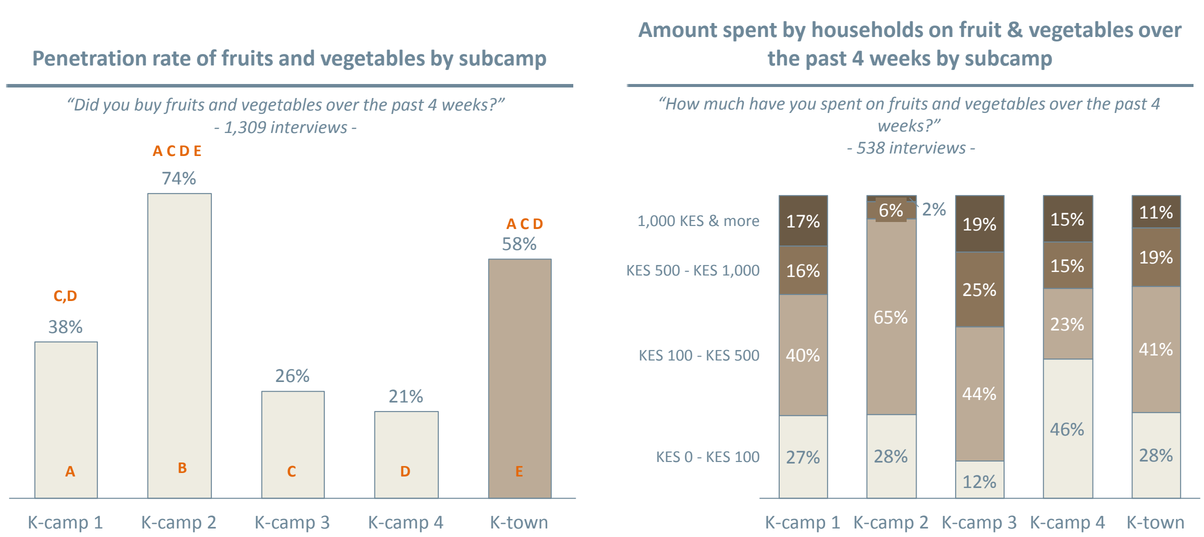
Figure 3.3 Baking flour brand awareness, penetration, and appreciation



Fresh fruit and vegetables

The number of people buying fruit and vegetables, and the amount they spend, varies across the camp and the town. Fewer than 40 percent of households bought fruits and vegetables over the four weeks preceding interviews, except in subcamp two (74 percent) and Kakuma town (58 percent). While subcamp three has a low penetration rate of 26 percent, it also has the largest proportion of buyers spending between KES 500 and KES 1,000 (25 percent) and KES 1,000 or more (19 percent). This is even higher than the distribution of spending in the town. These variations could be the result of consumer preferences or differences in spending

Figure 3.4 Penetration and expenditure on fruit and vegetables, by camp zone and town



power between nationalities – for example subcamp four hosts the newest and poorest refugees and has the lowest consumption.

Fruit and vegetables that are sold in Kakuma are procured in Kitale, more than 400 kilometers away, and mostly produced in the western regions of Kenya. Local production could lead to lower transportation costs and a steadier supply of produce as poor road conditions during rainy seasons can make delivery unreliable. As a consequence, there is a lack of supply of fresh fruit and vegetables from September to January, with prices being higher from September through December and lower from January to February.[49]

A Samuel Hall study, *Comprehensive Market Assessment for Kakuma Refugee Camp* (2016), looked at three value chains (tomatoes, aloe vera, and hides and skins), and found tomatoes to have the greatest potential for local production as they are in high demand and able to grow in arid areas. Tomato production could be a promising business opportunity for the camp.[50]

	Value chain assessment	Value chain potential	Job-creation potential	Roadmaps for NGOs	Limitations
Tomato	• Large demand • Massive imports from Kitale • A few very small producers • Absence of wholesalers • High number of retailers • No transformation	• Strong potential in the production segment of the value chain • Opportunity for factories through public-private partnerships	• Strong potential for unskilled workers (including women and young workers) • Potential for semi-skilled and skilled in the longer run if transformation	• Advocacy • Water schemes • Environmental management (eco-fertilizers) • Access to finance • Capacity development • Potential verticle integration in longer run	• Seasonality limits potential for unskilled jobs • Important to diversify incomes (threats of drought and pest) • Unsure long-term development

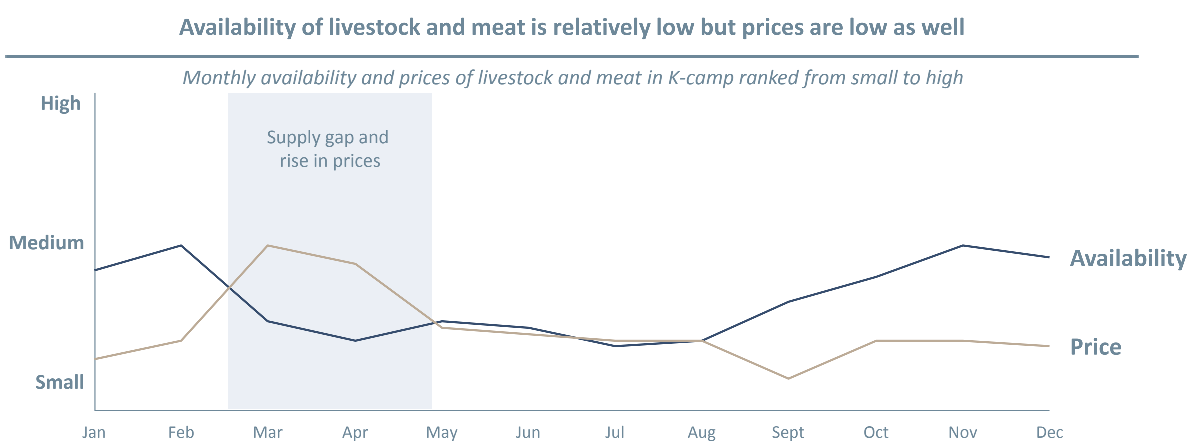
High potential given high demand

Meat

Meat and livestock are produced locally and prices are relatively low, but their availability is at times limited.[51] Livestock is supplied mainly from Kalobeyei, Kibich, Lokipoto, and Ethiopia, which are relatively close when compared with the distance over which fruit and vegetables are transported. In March and April, supply declines and prices rise.[52]

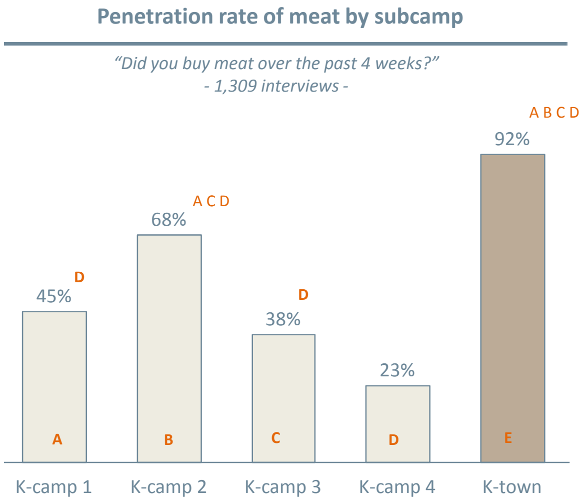
Market penetration for meat in the camp is highest in subcamp two (68 percent) and lowest in subcamp four (23 percent). The pattern of meat penetration and consumption is similar to that of fruit and vegetables, indicating that subcamps one and two are better off than subcamps three and four.

Figure 3.5 Monthly availability and prices of livestock and meat in Kakuma camp



Source: World Food Programme 2014.

Figure 3.6 Penetration of and expenditure on meat



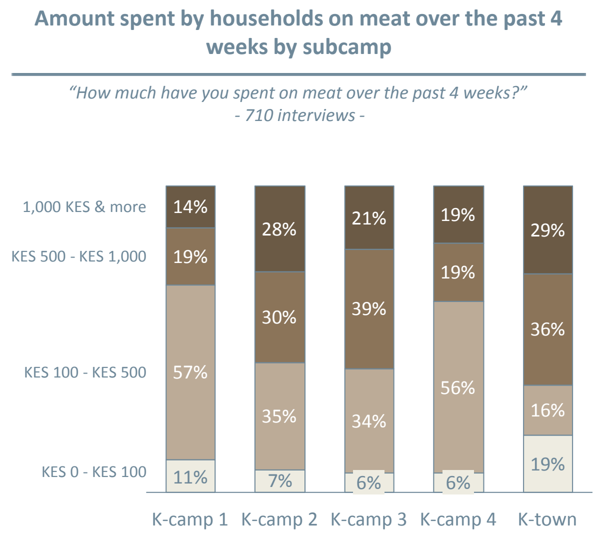
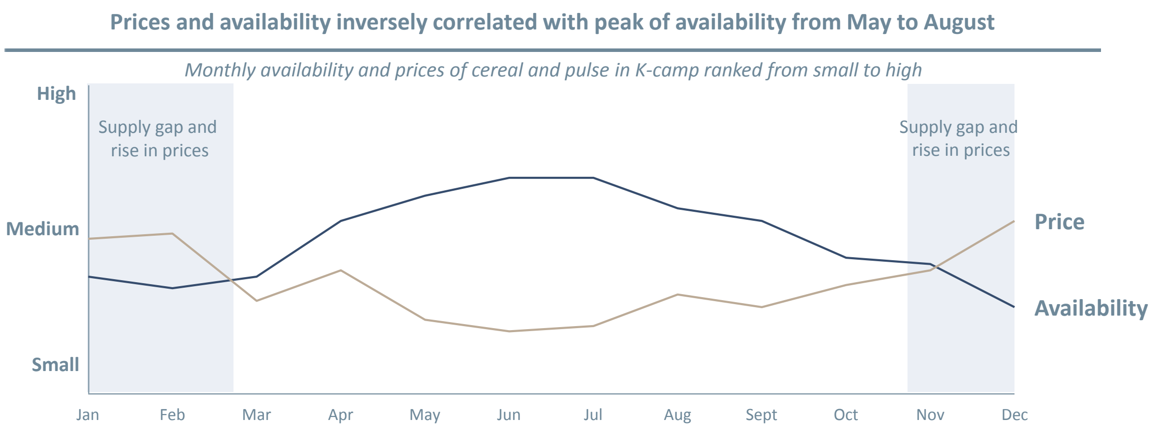


Figure 3.7 Monthly availability and prices of cereal and pulses in Kakuma camp



Source: World Food Programme 2014.

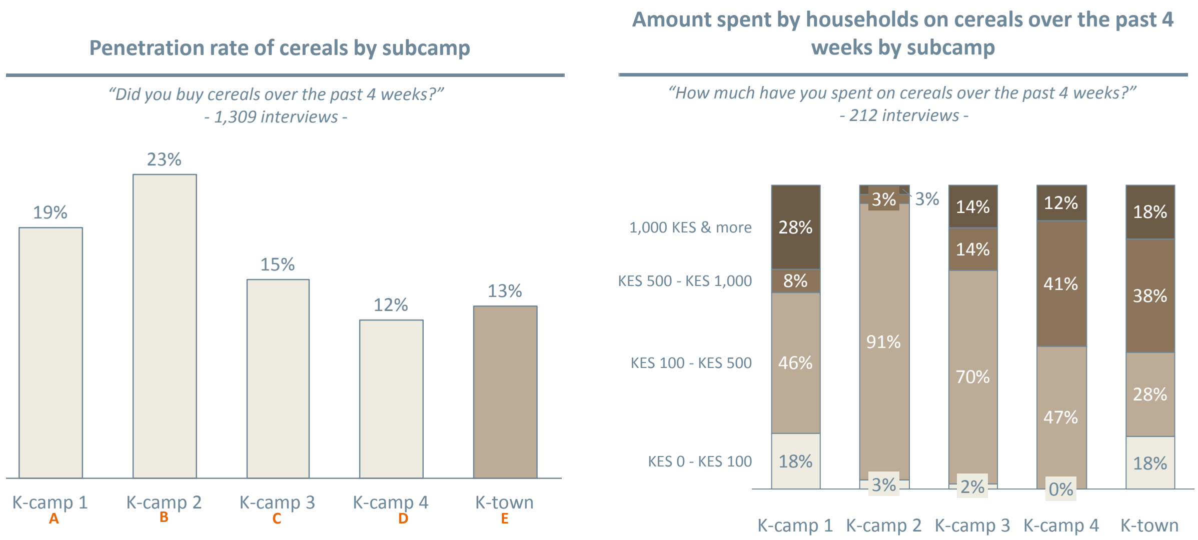
The demand for meat is high in town – 92 percent of those surveyed had purchased meat in the four weeks preceding interviews, with 29 percent of town respondents spending more than KES 1,000 on meat over the same time.

Cereals

Cereals, produced throughout Kenya, are always available, though there is a drop in supply and an increase in price in November and December.[53]

Consumption of cereals varies slightly between subcamps and the town. Penetration is low across all areas, from 12 percent in subcamp four to 13 percent in the town, to 23 percent in subcamp two. Most consumers spend between KES 100 and KES 500 on cereals, except for subcamp four, where 41 percent of respondents spend more than KES 500. This is likely because cereals are the cheapest source of calories and thus make up the bulk of the diet in the poorest subcamp.

Figure 3.8 Penetration of and expenditure on cereals



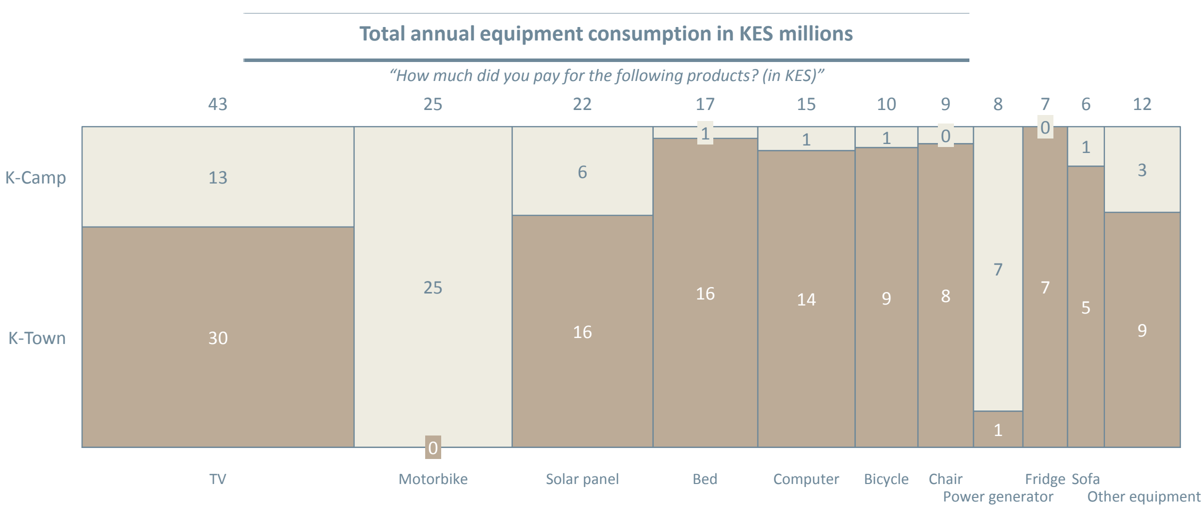
Home equipment

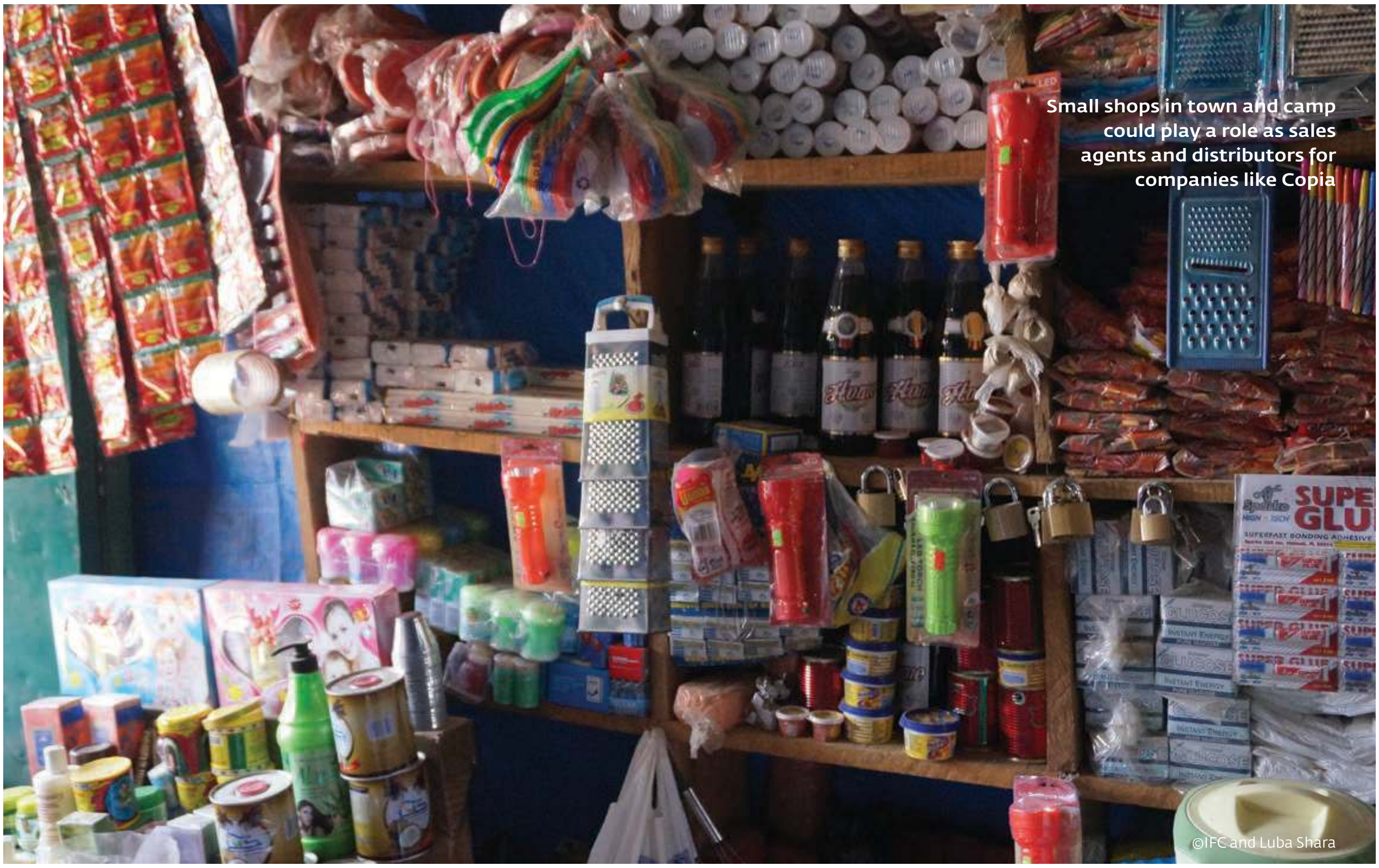
The most popular household purchase in Kakuma camp and town is the TV, followed by motorbikes and solar panels. The market for household equipment is worth an estimated KES 174 million ($1.7 million). Power generation is a significant contributor – spending on solar panels and power generators combined makes it the second largest household equipment item. In addition, according to a World Food Programme study, the most common consumable nonfood items people spend their money on are cooking fuel and charcoal, electricity, loan repayments, airtime, and mobile phone charging, most of which are related to energy.[54] Although fragmented, spending on energy-related products (generation, charging, fuel) would be substantial if combined. This suggests that there is a market for a commercial solution that provides energy and lighting at a lower cost.

Both the camp and town rely mostly on electric lights, generators, torches, and solar lamps for lighting. The exception is subcamp four, where 23 percent of respondents use candles, and town, where 12 percent use kerosene lanterns. This reflects the distribution of wealth across Kakuma – subcamp four is the poorest, so connections to generators are low, while those living in the town and the other subcamps tend to be better off and typically use some form of electric lighting.

Copia, a mail order catalog company that is based in Kenya, could use its model to improve the variety and cost of goods available in remote areas such as Kakuma camp and town (see box 3.1).

Figure 3.9 Consumption of equipment





Small shops in town and camp could play a role as sales agents and distributors for companies like Copia

©IFC and Luba Shara

Box 3.1 Copia – A distributor partnering with small retailers for rural customers

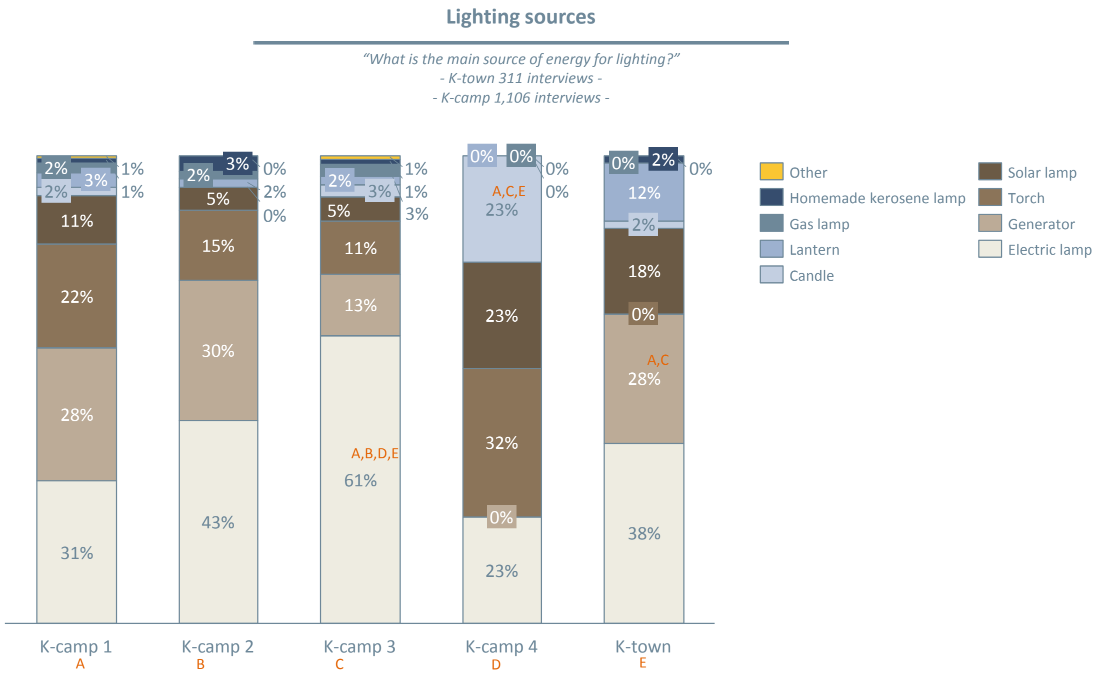
Copia, established in 2012, is a Nairobi-based consumer catalog order and delivery company for nonperishable and durable goods. Targeting Kenya's peri-urban and rural areas, Copia recruits local businesses such as hair salons, M-Pesa agents, tailors, and general shops to act as Copia agents. This benefits both parties, because Copia gains access to more customers and the agents increase their monthly incomes by an average of 35 percent.

1. Copia recruits local business owners as Copia agents.
2. Agents have an established network of customers in the local community who visit the shop and view products in the Copia catalog.
3. Once customers have selected their products, the agent texts the customer's order to Copia and pays through M-Pesa.
4. Copia sends a confirmation SMS to the agent and customer and then sources goods from reliable long-term suppliers.
5. Customer goods are delivered to the agent's shop within one to four business days, depending on the type of product.

"If there are more than 250,000 low-income consumers in a very remote area of Kenya, Copia's e-commerce platform and tested logistics may be the best available option to serve the retail needs of this community. We already have the right product offering and logistic system to serve them quickly and efficiently."
Samantha Roblin – Growth Manager

Copia is not yet operating in Kakuma town or camp, but the remote location, small retail shops, lack of variety of products sold, and limited number of wholesalers present a market opportunity for the company. Expanding into Kakuma could boost the income of small business owners and create jobs. Copia's arrival would also give residents access to a greater variety and supply of products.

Figure 3.10 Lighting sources in camp and town



Telecommunications and mobile money

Most respondents have mobile phones with pre-pay plans, which enables access to information, social networks, and digital finance. About 69 percent of camp residents have a mobile phone, as do 85 percent of those in the town. The high mobile phone penetration in Kakuma town in comparison to their relatively low purchasing power suggests a high level of interest in phone ownership in the area. However, of those who have mobile phones, only 86 percent in the town and 31 percent in the camp use their phone/SIM card for mobile banking or money transfers. This translates to strong potential for mobile-banking interventions in the area.

The mobile handset market in Kakuma camp and town is estimated at KES 49 million ($480,000) annually, and about 59 percent of the market is from the town and 41 percent from the camp. The handset market figures were calculated based on the conservative assumption that people will keep their handsets for three years and spend KES 3,941 on average in the camp and KES 5,522 in the town. Although a large segment of phone users did not know the price paid or were not the owner of the phone, the most common purchase price of a phone in both the town and camp was between KES 1,000 and KES 3,000.

The rate of ownership varies greatly by nationality among refugees. More people from Eritrea (100 percent), Uganda (92 percent), and Ethiopia (90 percent) own phones than their Kenyan counterparts in the town (85 percent). Somalis (81 percent), Sudanese (67 percent), Rwandans (64 percent), and South Sudanese (57 percent) all have much lower rates of ownership.

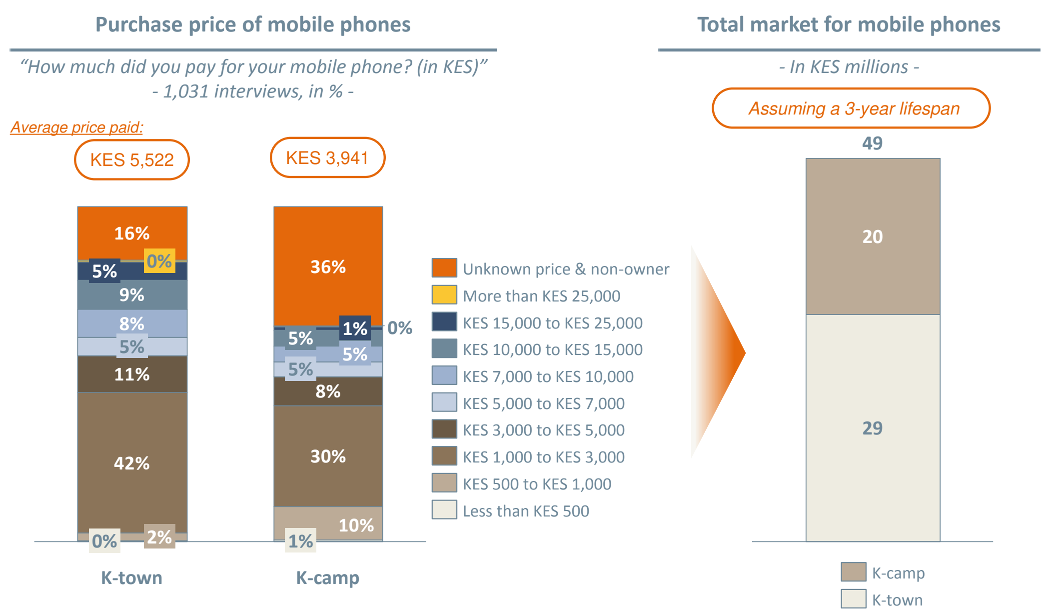
The high mobile phone penetration in Kakuma town in comparison to their relatively low purchasing power suggests a high level of interest in phone ownership in the area. However, of those who have mobile phones, only 86 percent in the town and 31 percent in the camp use their phone/SIM card for mobile banking or money transfers. This translates to strong potential for mobile-banking interventions in the area.

South Sudanese are the only large national group with less than 60 percent mobile phone ownership. These figures are not closely aligned with income by nationality or professional status, which indicates that owning a mobile phone is not directly linked to economic status. Nationalities with low rates of mobile phone ownership are likely to struggle to access finance, information, and social networks.

Even though many residents have mobile phones, they have limited access to the internet and service is offered by only one provider. Although 69 percent of respondents in the camp and 85 percent in the town own phones, only 19 percent and 33 percent of them, respectively, connect to the internet. Safaricom captures the entire market across the camp and town, which gives it the opportunity to promote its M-Pesa services with existing users.

The use of mobile money is higher in the town than in the camp. There is a substantial gap in the use of mobile money and bank accounts between residents in the town and the camp. About 86 percent of respondents in the town use their phone/SIM for mobile banking or money transfers, while only 31 percent do so in the camp.

Figure 3.11 Mobile phone prices and market



This correlates with low financial awareness (only 29 percent of refugee respondents know and understand the term mobile money). Banks and mobile network providers offer mobile-money services in both areas, but there is a significant opportunity to improve penetration in the camp. Growth in this segment would depend on improving refugees' financial literacy and their access to Alien ID cards, which are necessary to register with M-Pesa. Refugees are already familiar with mobile payment systems as the World Food Programme launched a SIM card-based food voucher system in 2015.

Smartphone ownership follows its own patterns related to education, arrival date, and gender. Only 28 percent of phone owners in the camp and 36 percent in the town have smartphones. However, 96 percent of university graduates in the town and 67 percent of university graduates in the camp own a smartphone. Furthermore, refugees arriving between 2000 and 2010 are more likely to own smartphones than those who arrived after 2010 (33 percent and 22 percent respectively). In the camp, 63 percent of men do not have smartphones, while 88 percent of women do not, likely limiting their access to the internet and consequently to information. The low level of smartphone penetration could also prevent a large segment of the population from accessing more sophisticated app-based services.

An important caveat: all respondents were heads of household and as a result more likely to own a phone than the average inhabitant.

Figure 3.12 Mobile phone network providers, internet penetration, and mobile-money penetration

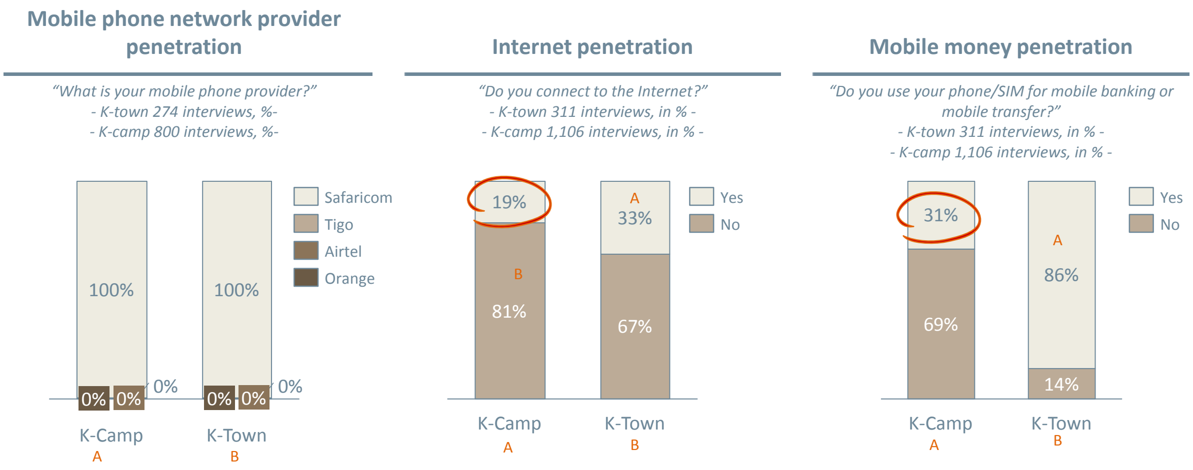
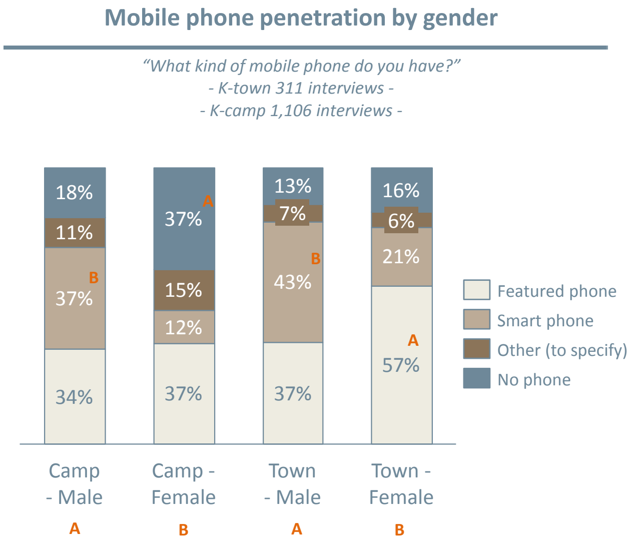
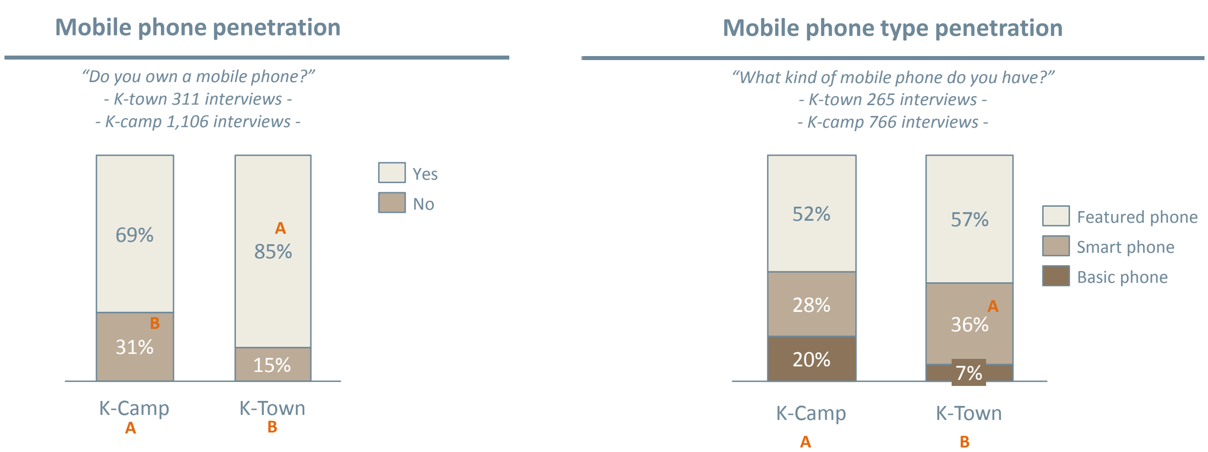


Figure 3.13 Mobile phone penetration by gender



Banks and mobile network providers offer mobile-money services in both areas, but there is a significant opportunity to improve penetration in the camp. Growth in this segment would depend on improving refugees' financial literacy and their access to Alien ID cards, which are necessary to register with M-Pesa.

Figure 3.14 Mobile phone penetration



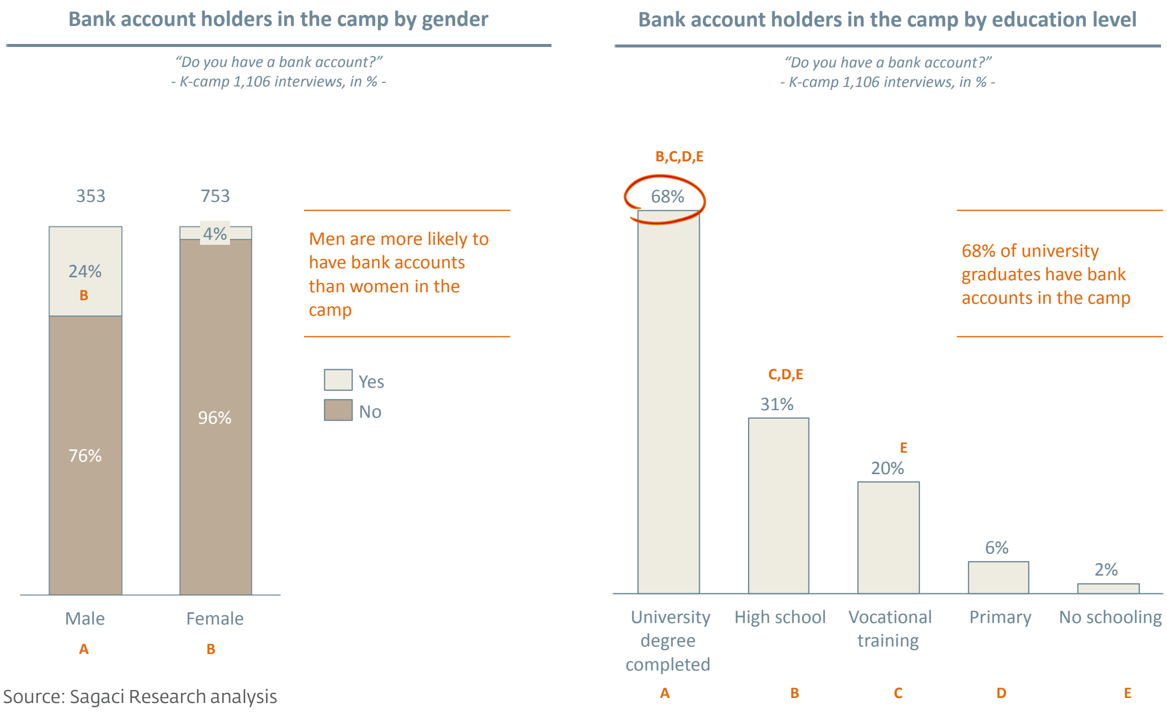
Banking

Access to basic financial services is critical for personal financial security and entrepreneurship within the host and refugee communities. The study found that there is a sizable opportunity for growth for commercial firms in this regard.

Only 54 percent of respondents in the town and 10 percent in the camp have a bank account. About 68 percent of refugees with a university degree have a bank account, as they are likely to have a better understanding of the purpose and benefits. In terms of gender, 24 percent of men in the camp have an account, compared with 4 percent of women. This is likely a result of existing disparities in education and employment between genders.

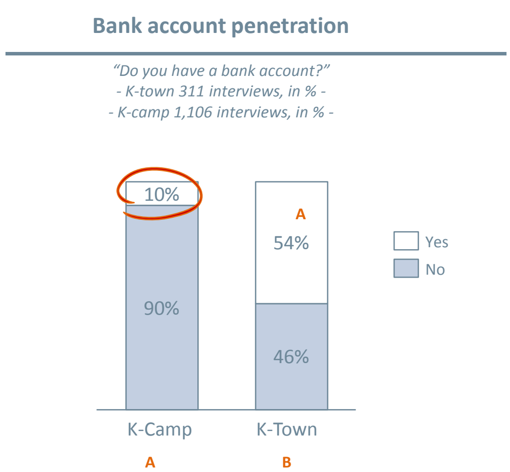
According to Equity Bank, the only bank with a branch in Kakuma, a refugee can open a bank account if they have an Alien ID card or their proof of registration document from UNHCR and RAS (Refugee Affairs Secretariat).

Figure 3.15 Bank account holders in camp, by gender and education



Source: Sagaci Research analysis

Figure 3.16 Bank account penetration



Demand for financial services in the camp and town is high and is likely to grow. Of those in the camp and town who would like to start a business, 99 percent and 95 percent, respectively, lack the access to capital to do so.

Many residents and small businesses, such as butcher shops, could benefit from improved access to banking services

Box 3.2 Equity Bank – Bank accounts and access to credit for Kakuma camp and town

Equity Group Holdings Limited, founded in 1984, is the largest commercial bank in Africa in terms of number of total customers. In Kakuma camp and town, Equity Bank has managed to successfully develop a common offer for both the refugee and host community markets that includes bank accounts and access to credit.

The business model has been profitable and, as a result, Equity Bank is interested in expanding its activities in Kakuma camp and expects to further grow its business with the development of the Kalobeyei refugee settlement.

Bank accounts

- Bank accounts are offered to those in the host community and in the refugee camp.
- Refugees can open a bank account if they have an Alien ID card or their proof of registration document from UNHCR and RAS.
- Refugees have access to the same accounts that locals do, and are given a Visa debit card to access their funds.

Access to credit

- Refugees and the host community are offered credit through Equitel, a mobile SIM-based platform.
- Regular loans offered by Equity Bank do not target the refugee population.
- Equity Bank also offers credit to refugees in partnership with NGOs, which select beneficiaries, disburse funds, and manage the loan on behalf of Equity Bank.

"They [the refugees] are able to get loans. We have a mobile loan product which is the most used. This product enables you to get loans if you are transacting through your account. So, once you have an account, you are given a SIM card which is linked to your account, Equitel. With that, if your transactions are good then you can get a loan over the phone."

Once they obtain accounts, refugees with salaried positions can have their pay directly deposited into their accounts. Account holders also receive bank cards and have the same access to the bank's ATMs as any other customer. The beneficiaries of the bank accounts are primarily refugees who work for humanitarian agencies in and around the camp as "interns," "incentive workers," and "community organizers." Equity Bank dominates the market in the camp, with 97 percent of the market share, but other banks do have some brand awareness. The latest number the team obtained from Equity Bank before this report was published was 60,000 savings accounts in the Kakuma area (camp and town). About 11 percent of refugee respondents are familiar with Kenya Commercial Bank and 6 percent are aware of Barclays Bank of Kenya.

Demand for financial services in the camp and town is high and is likely to grow. Of those in the camp and town who would like to start a business, 99 percent and 95 percent, respectively, lack the access to capital to do so. In addition, UNHCR is moving towards unconditional cash transfers, which will result in additional liquidity entering the area regularly and predictably. Because formal credit markets and savings accounts are not available, informal mechanisms have arisen to fill the gap. Credit in the camp is overwhelmingly provided through friends and family, and many people save money at home, with friends, or in savings groups.

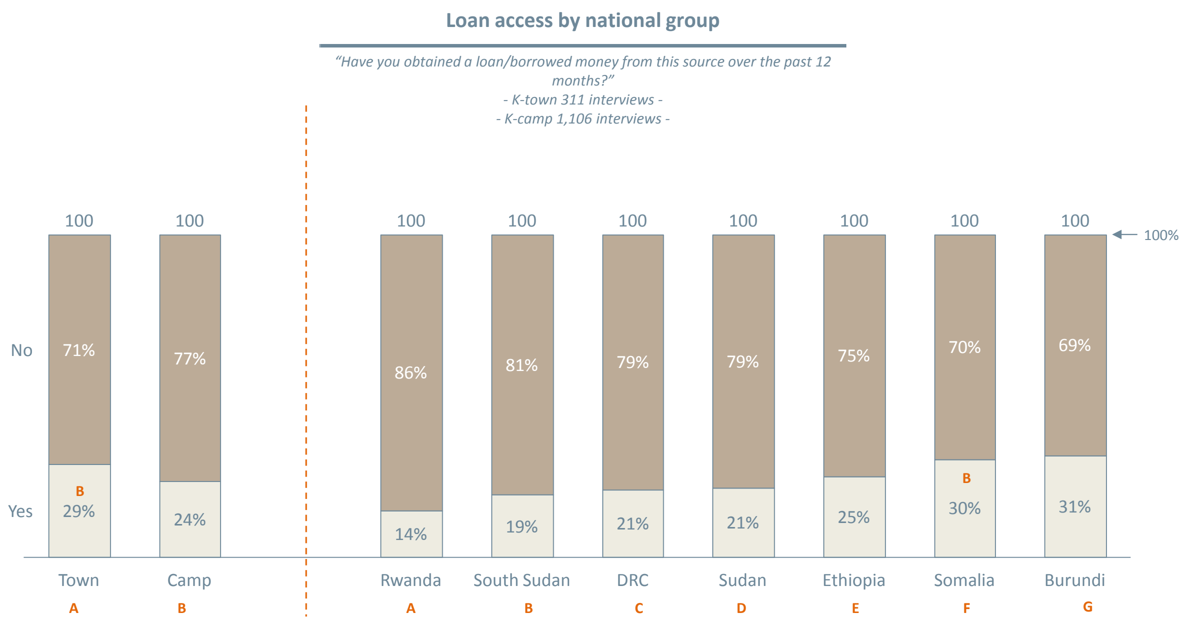
Financial service providers have opportunities to fill this demand by providing capital to start and expand businesses as well as accounts for personal savings. To resolve the lack of collateral, banks have begun developing alternative credit ratings based on other data, such as M-Pesa transactions or savings account history. With the rise of digital finance, banks are able to reach customers in extremely remote locations without costly investments in brick and mortar shops.

Equity Bank already has considerable operations in Kakuma camp and town (see box 3.2).

Access to credit

The low access to credit and use of informal lending mechanisms presents opportunities for formal financial institutions to expand to Kakuma. Respondents in the town (29 percent) are more likely than those in the camp (24 percent) to receive a loan. Kenyans are more likely to use the loan for education or a business investment, while those in the camp mostly borrow money from local shops to buy food on credit. Entrepreneurs in both areas consider access to capital to be the main constraint to business growth. Equity Bank does lend directly to refugees but through risk-partnerships with NGOs, which select beneficiaries and provide the funds, while Equity Bank holds the account and disburses the loans. The Bank also supports traders and uses inventory as collateral.

Figure 3.17 Access to loans by nationality

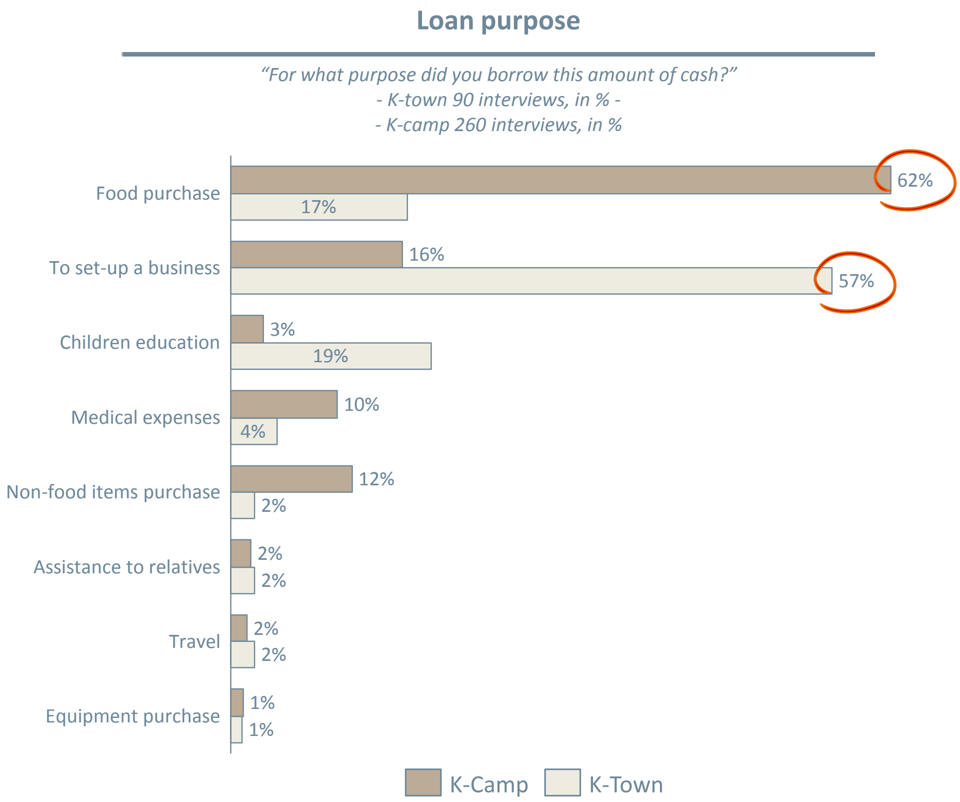


This financial institution cites the lack of asset security by customers as the key obstacle to expanding lending.

Roughly a quarter of respondents in Kakuma camp and town said they borrowed money over the last 12 months. About 62 percent of loans in the camp are for food purchases, and only 16 percent are for setting up a business. In contrast, those in the town primarily take out a loan to set up a business (57 percent) or provide for a child's education (19 percent).

Within the refugee community, the level of indebtedness varies by nationality. Somalis and Burundians are most likely to have borrowed money in the previous year. Somalis reportedly use loans to pay for education or invest in their business, which can be considered positive debt, while those from the Democratic Republic of the Congo use loans as a coping mechanism.[55]

Figure 3.18 Purpose of loans

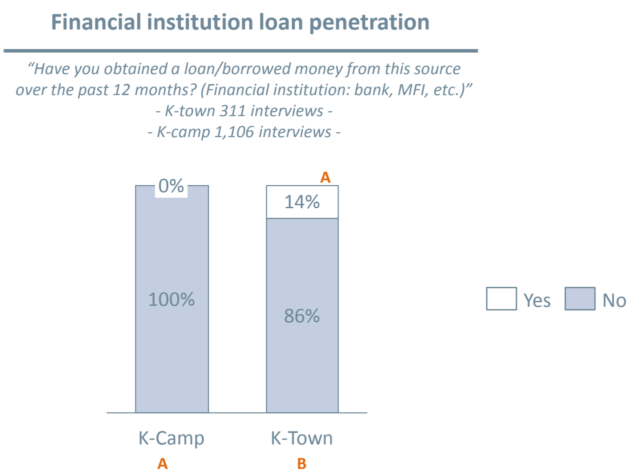


There is demand for credit in Kakuma, but the market is largely informal. Most refugees needing credit borrow money from friends and family (10 percent), or shops (buying on credit, at 14 percent).

For Kenyans, the most common source is financial institutions (14 percent) and friends/family (13 percent). Unlike those in the town, none of the refugees interviewed received loans from financial institutions, other than those managed in risk-partnership with NGOs. But according to refugees, the system of group loans offered by NGOs is inadequate, and individual loans would be more appropriate for their needs.[56]

The size of loans from family or friends varies greatly. Around a quarter of these types of loans for both refugees and Kenyans are between KES 1,000 and KES 2,000 and about another quarter are between KES 3,000 and KES 8,000. In the camp, 61 percent of loans from friends and family and 61 percent from shops are KES 1,000 or more. These amounts are substantial, indicating the possibility for more formal credit mechanisms in Kakuma camp.

Figure 3.19 Financial institution loan penetration



There is demand for credit in Kakuma, but the market is largely informal. Most refugees needing credit borrow money from friends and family (10 percent), or shops (buying on credit, at 14 percent). For Kenyans, the most common source is financial institutions (14 percent) and friends/family (13 percent).

Figure 3.20 Family and friends loan penetration and amounts

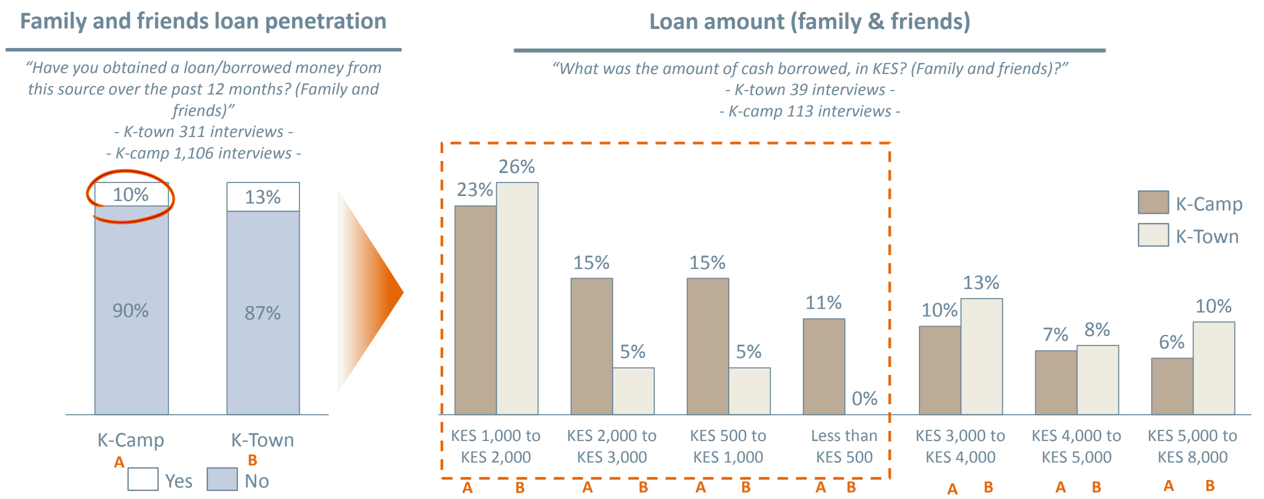
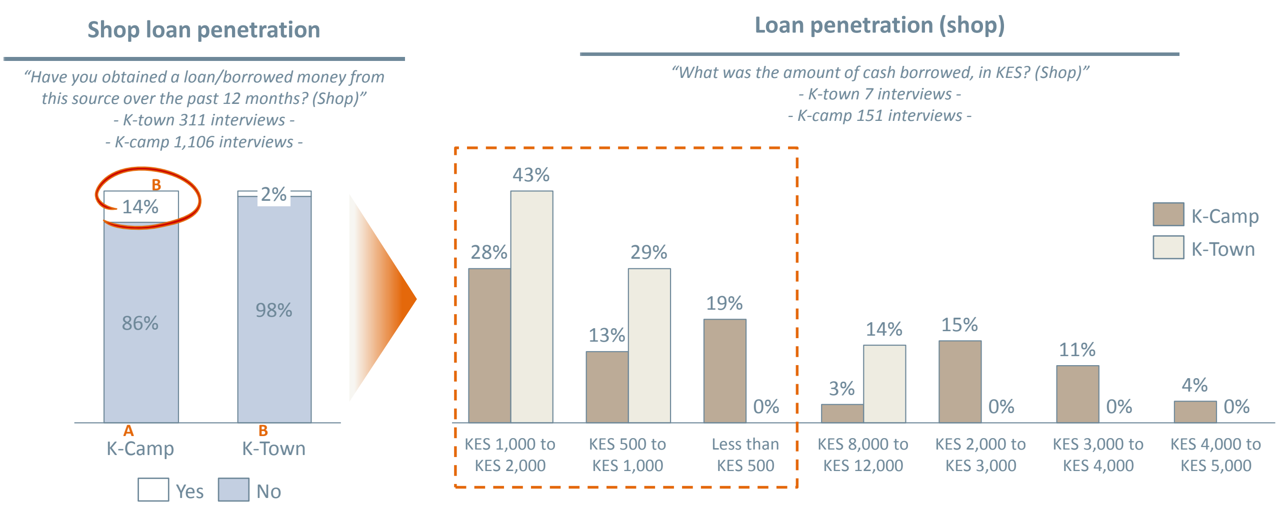


Figure 3.21 Shop loan penetration and amounts



Education

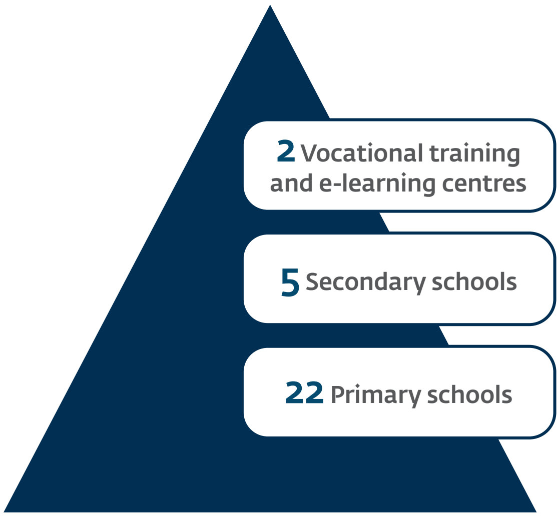
The camp is home to many more students than can be hosted by the existing schools. The private sector can play a role in relieving the pressure on the humanitarian education system as well as provide services to those with special needs.

The schools run by UNHCR and its implementing partners in Kakuma camp follow the Kenyan curriculum, which is set out as eight years of primary education, four years of secondary education, and four years of tertiary education. Children need to obtain the Kenya Certificate of Primary Education at the end of the primary cycle and the Kenya Certificate of Secondary Education at the end of the secondary cycle.

UNHCR reserves 10 percent of school spaces for children from the host community and supports community-identified projects in the town, including education infrastructure. It encourages partners working in the camp to fundraise and intervene in surrounding host communities. There are also refugee children who attend the surrounding host community schools.

At the time of the study, the camp had 22 primary schools, five secondary schools, and two post-secondary institutions. In 2016, 90 percent of the 3,894 children completing their Kenya Certificate of Primary Education passed, but without schools of the next level to host them, many of these students will not be able to go to secondary school.[57]

Figure 3.22 Primary, secondary, and post-secondary schools in Kakuma camp



More than 7,000 primary-school-age children are not enrolled and more than 19,000 secondary-school-age children are not enrolled. The lack of space for these students prevents motivated and qualified students from continuing their education.

Partly as a result of the lack of schools, a high number of children are out of school (preprimary 55 percent, primary 17 percent, and secondary 96 percent). Other challenges include overstretched and insufficient teaching and learning facilities, a high population of over-age learners (66 percent), an insufficient number of teachers, including a low number of female teachers (only 19.5 percent), low teacher salaries that affect educational quality, and low parental and community participation.

To address growing needs for education, communities started their own private primary and secondary schools. The student–teacher ratios are much better, with one such school having a ratio of about 1:20. A lower ratio significantly improves the learning environment. The monthly fee per student is KES 1,200 for the primary school and KES 2,000 for the secondary school. The secondary school situation is challenging, with use of double shifts in schools.

The demand for education opens up avenues for affordable, private education providers in Kakuma. According to the report "The Business of Education in Africa," about 21 percent of African children and young people are already being educated by the private sector, with the percentage likely to rise to one in four in 2021. In Kenya alone, private sector schools enroll 1 million students at the preprimary level, 2.8 million at the K–12 level, and 0.1 million in tertiary education.

The study indicates that the respondents in Kakuma camp and town already spend KES 863 million ($8.4 million) on education, accounting for 15 percent of the area's total annual household consumption. Despite UNHCR and partner efforts to provide free education to refugees, respondents in Kakuma camp alone claimed to spend KES 111 million ($1.1 million) on education, or 6.5 percent of the annual household consumption in the camp.

Social enterprises can ease pressure on the overstretched humanitarian system and complement people's willingness to pay for education, for example, by engaging Kenyan and regional low-cost private school providers. The future school system in Kakuma might be a hybrid – a mix of public and private.

Figure 3.23 Housing type in subcamps and town

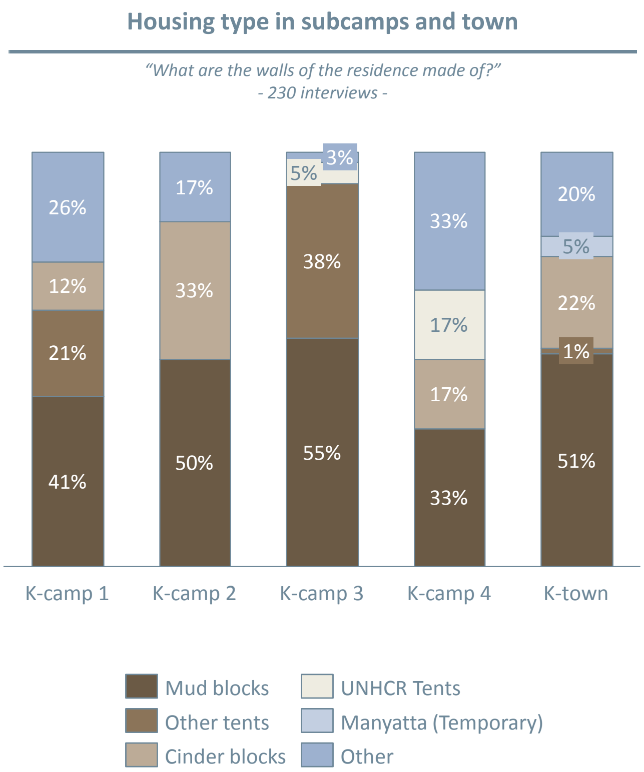
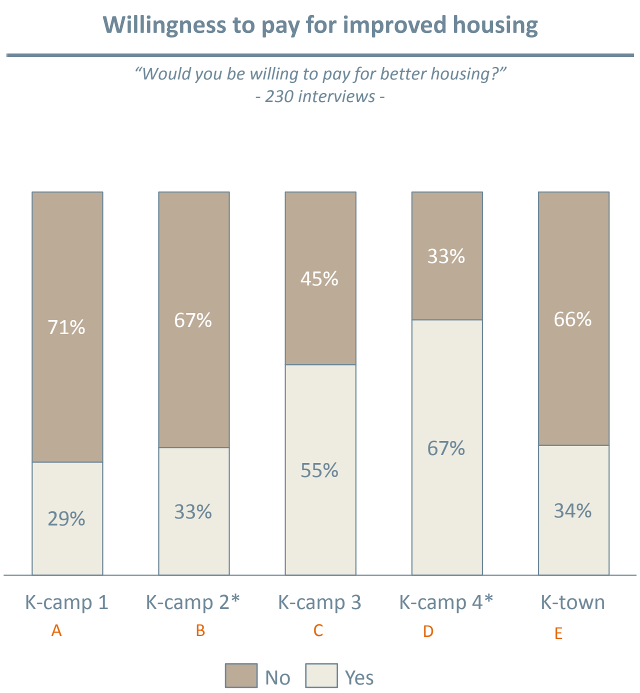


Figure 3.24 Willingness to pay for improved housing



Housing

Although some residents in subcamp one and two and the town say they are unwilling to spend money on improving their houses, many have actually invested in improvements. For example, even though only 29 percent of residents in subcamp one would be willing to pay for improved housing, 79 percent are in improved houses made of mud, cinder blocks, or other materials, with only 21 percent of respondents in tents. Across all subcamps and the town, the most common form of improved housing is mud blocks, ranging from 33 percent in subcamp four to 55 percent in subcamp three. The use of cinder blocks is more variable, with subcamp two having the highest percentage of cinder block homes at 33 percent (even more than in the town, which is at 22 percent).

About 55 percent of respondents in subcamp three and 67 percent in subcamp four are willing to pay for improved housing, and these are the only two subcamps still using UNHCR tents. In addition, subcamp three has the most "other tents," and subcamp two has the largest portion of "manyatta" (temporary housing). A market supported by commercial firms and local shops for home improvement might exist for the other subcamps and Kakuma town, because the two main motivations for paying for housing improvements are better sanitation and more security, rather than better materials.

Sanitation

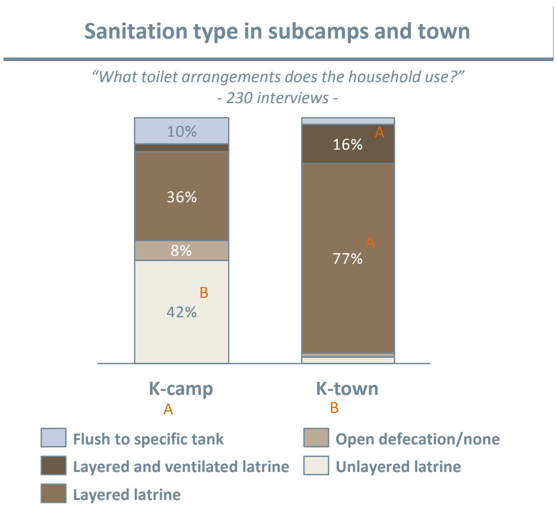
Sanitation is another growing need at the camp. Current sanitation conditions leave much room for improvement. About 42 percent of the camp's residents use unlayered latrines and 8 percent have nothing. Accordingly, 47 percent of those in the camp would be willing to pay for better sanitation services. In the town, 77 percent have layered latrines and 16 percent have latrines that are layered and ventilated, but 27 percent of respondents would still be willing to pay for improved sanitation. According to UNHCR data, the latrine user ratio in Kakuma camp was 1:6 for both shared and household latrines. Overall, latrine coverage is 78 percent.

The most acute challenge is the lack of space, especially in subcamp one, which is the oldest: when a latrine is full, there is a need to dig and build a new one at a different location. Considering funding constraints, another challenge is the cost. A typical latrine consists of a slab and a superstructure, which costs $140 to $160 and has a lifespan of two years.

The final challenge is environmental. Latrines might be hard to dig in rocky soil, and high water tables and seasonal flooding can destroy the latrines or cause overflowing.

These challenges can be translated into opportunities for the private sector, particularly social enterprises, while benefiting the refugees and local community. Opportunities could be related to charging a small fee for providing and servicing latrines while transforming the solid waste into a clean burning alternative to charcoal or fertilizer. Such a model could provide refugees and the host community with improved sanitation services and job opportunities.

Figure 3.25 Sanitation types in camp and town



Market-based sanitation services already exist in the camp through the social enterprise Sanivation (see box 3.3).

In addition to Sanivation, there are other social enterprises that might also be viable in Kakuma camp and town (see box 3.4).

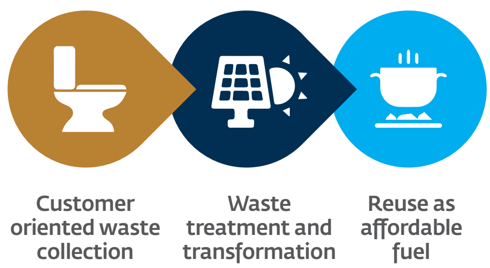
The most acute challenge is the lack of space, especially in the subcamp one, which is the oldest: when a latrine is full, there is a need to dig and build a new one at a different location. Considering funding constraints, another challenge is the cost.

Box 3.3 Sanivation – Providing an inexpensive and safe energy source for cooking and heating

Sanivation, established in 2011, is a Kenyan social enterprise that transforms human waste into a cheap and safe energy source. The company installs toilet facilities in the homes of subscribers for a small monthly fee. Sanivation collects the waste and treats it with solar thermal energy to create low-cost briquettes for cooking and heating homes. The briquettes replace traditional charcoal, burn longer than standard coal, and release less pollution.

In 2013, Sanivation received funding for a pilot project in Kakuma camp, which helped determine the best model for in-home toilets and waste collection in a refugee-camp setting.

There is an opportunity for Sanivation to expand in Kakuma, because the camp lacks space and funding for new pit latrines, and the current facilities are overcrowded and unsanitary. Camp residents also need charcoal for cooking and heating, presenting good near-term market potential for the company.



"Currently in Kakuma, toilets are supplied free of charge, with the manufacturing cost subsidized by multilateral partners. Yet, the toilet manufacturing cost can be recovered from the sale of briquettes manufactured from the waste, so the network could be extended."
Benjamin Cramer – Director of Operations

The challenge of providing water and sanitation services in the town and camp is also a potential opportunity for the private sector

In the camp, a variety of service providers have sprung up from home grown Internet Service Providers to collectives of motorcycle taxis


©IFC and Luba Shara


Water and sanitation services are provided by humanitarian partners, however refugees have expressed a willingness to pay for improved services

©IFC and Luba Shara

Box 3.4 Sanergy – Safe sanitation in informal settlements and affordable fertilizer for farmers

Sanergy, founded in Kenya in 2012, aims to provide residents of densely populated urban informal settlements with 24-hour access to sanitation and daily waste collection. The company uses sawdust instead of water for sanitation and turns the waste it collects into organic fertilizer. Since the launch of its pilot phase in 2011, Sanergy has franchised 800 toilets in three of Nairobi's informal settlements. The toilets have more than 8,000 daily users, and the company has collected 500 tons of waste. In 2013, Acumen, SpringHill Equity Partners, and Eleos invested in the company, with the objective of growing to 50,000 daily users.

Build: Sanergy designs and manufactures low-cost, high-quality sanitation facilities, including the Fresh Life Toilet.

Franchise: It has a network of local residents who purchase and operate the toilets. Operators are franchise partners who are provided with Fresh Life Toilets, training, finance, operational and marketing support, and daily waste collection. Operators generate local demand and ensure that toilets are kept clean. Operations can be commercial, residential, or part of community institutions.

Collect: It collects waste every day using wheelbarrows, handcarts, and trucks, ensuring that even remote locations are serviced.

Convert: At a central facility, Sanergy converts the waste into useful products such as organic fertilizer, insect-based animal feed, and renewable energy.

Transfer: It sells the products in East Africa, where demand is strong and imported synthetic fertilizers are subject to tariffs and high transportation costs.

Energy

The potential for energy consumption and provision in Kakuma camp is considerable due to the large population, high density, and presence of street markets. Despite this opportunity, the energy market remains largely informal, and at the time of publishing this report, the Kenyan government had no plans to connect the camp to the grid.

Energy in the camp is provided by refugees running gensets, which are mostly clustered around market areas to serve local businesses such as stores, barbers, internet cafés, grain mills, and even photo studios. Most informal energy providers have more than one generator with 100–150 connections. Rates are negotiated connection by connection, and the amount is based on a rough estimate of usage. For example, a photo studio with a computer, printer, and lights was charged KES 1,500 a month and only provided power in two four-hour blocks.

When a household connects to a genset, it typically pays KES 500 a month per lightbulb connected and KES 500 a month for power outlets to charge phones, and it is provided power only in two four-hour blocks. Solar home systems have also begun entering the camp, and there are agents for popular home solar providers in the town. A World Bank-commissioned study found that refugees in Kakuma camp currently spend between KES 1,000 and KES 2,000 per month on energy services.[58]

Power provision is costly, inefficient, environmentally unfriendly, and a fire hazard due to the use of old and poorly maintained gensets and the ad-hoc stringing of low-hanging power lines. Despite all this, the market has been viable due to existing demand and has the potential to support a more formal energy market provided by commercial firms.

Considering the high prices for energy in the camp, home solar solutions such as those provided by M-Kopa and D.light could gain entry into the market (see box 3.5 and 3.6).

Box 3.5 M-Kopa – Using home solar systems to light Africa

M-Kopa, created in Kenya in 2011, sells affordable solar energy systems to people with limited or no access to electricity in Kenya, Tanzania, and Uganda. The basic kit includes a control unit, a battery, a solar panel, four bulbs, a torch, a radio, and phone-charging cables. The product costs $200 and requires an upfront payment of KES 2,999 ($29), followed by daily payments of KES 50 ($0.48) for a year, through M-Pesa's mobile-money platform.

M-Kopa also offers various products on credit once a customer has paid off the home solar system, including fuel-efficient cooking stoves, bicycles, rainwater tanks, smartphones, and TVs. M-Kopa has a 93 percent repayment rate for the first product and a 98 percent rate for the second.

While M-Kopa has yet to formally market its products in Kakuma camp, the company specializes in targeting low-income consumers in rural and remote areas. In addition, M-Kopa has a local dealer in Kakuma town who reports high demand in the camp. Overall, M-Kopa has connected more than 400,000 homes in Kenya, Tanzania, and Uganda. Kakuma camp presents a significant opportunity—residents have limited access to electricity, and the existing supply is costly and requires a lot of maintenance and fuel.

> *"Our repayment rate is currently at 96 percent, and we need to keep it at this level. That is why we are really cautious about the new population or income segments we venture into."*
> *Deenah Kawira – Business Manager*

While many refugees are willing to pay for solar, various economic and policy factors prevent M-Kopa from fully entering the refugee market. The provision of free firewood in the camp would reduce potential spending on solar. In addition, the company typically targets rural customers with regular and decent incomes, and income in Kakuma is considered too low. With refugee income irregular, M-Kopa expects higher default rates. Competition from other solar providers and the humanitarian community's provision of free or subsidized systems also deter the company.

Many homes in camp lack access to electricity and lighting which has an effect on health, productivity, and education

Box 3.6 D.light – Providing efficient solar lighting to the world

D.light has been designing and selling affordable solar lanterns in developing countries since 2007, with funding from venture capital funds based in Silicon Valley and India. With headquarters in Hong Kong, it has offices in China, India, Tanzania, and the United States. It sells its lanterns through local dealers, networks, and distributors in 32 countries, with the majority of its sales in India and East Africa.

D.light has an opportunity to provide Kakuma camp with solar lighting, which would help maximize household income, improve indoor air quality, reduce what people spend on energy, and extend study hours for children.

Environmental benefits

- A typical kerosene lamp, used daily, burns about 80 liters of kerosene each year, emitting 0.2 tons of carbon dioxide in that time.
- Solar lanterns replace more than one kerosene lamp, saving large amounts of kerosene.

Social benefits

- Solar lanterns give a much clearer, brighter, and more dependable light, making it easier for students to study.
- Burning kerosene contributes to indoor air pollution, whereas solar lanterns emit no harmful fumes.
- People can stay active into the night, enabling them to work or socialize longer.

Economic benefits

- Solar lanterns help people save money because they do not have to buy kerosene.
- Solar lanterns promote income-generating activities because people are able to extend their shop hours, charge their mobile phones, and work on crafts in the evening.

"In November 2015, D.light and Unilever piloted a private sector development project in Kibera and finally extended it in Kenya. It provided shopkeepers with D.light D20 home systems to extend their opening hours. It has been really successful in rural areas and shopkeepers increased their sales revenue."
Anthony Kinyua – Platform Operations Manager

Vocational training centers in camp teach both refugees and host community members skills such as carpentry, plumbing, masonry, and sewing

©IFC and Dominic Chavez

CHAPTER 4

Challenges to Investing in Kakuma

In order to strengthen and expand private sector operations in the Kakuma area, it is important to understand the business environment challenges. This section explains the constraints resulting from legal and regulatory limitations, informality, and low human capital.

Legal and regulatory limitations

The Refugee Act of 2006 defines a refugee's right to employment, movement, and ownership. While in many cases, the act grants these rights, the ability of refugees to exercise them has been limited due to practical constraints and the ongoing encampment policy.

Refugees are legally entitled to formal employment as they are technically able to access work permits, seek and gain employment, and start a business. But due to movement restrictions imposed by the same act that entitles them to work, they are unable visit the necessary offices in Nairobi to obtain a work permit. To bypass this restriction, many refugees work informally, are employed by NGOs as "interns," "incentive workers," and "community organizers," or use Kenyan nationals to front their businesses. Due to the legal grey area in which they are working, refugees are vulnerable to exploitation, and companies that may want to hire refugees face procedural hurdles.

Refugees must acquire written authorization from the Kenyan government to legally leave the camp. Passes are not easily obtained, and are often provided only in cases of medical emergencies, to conduct asylum/resettlement interviews at embassies in Nairobi, or for educational purposes.

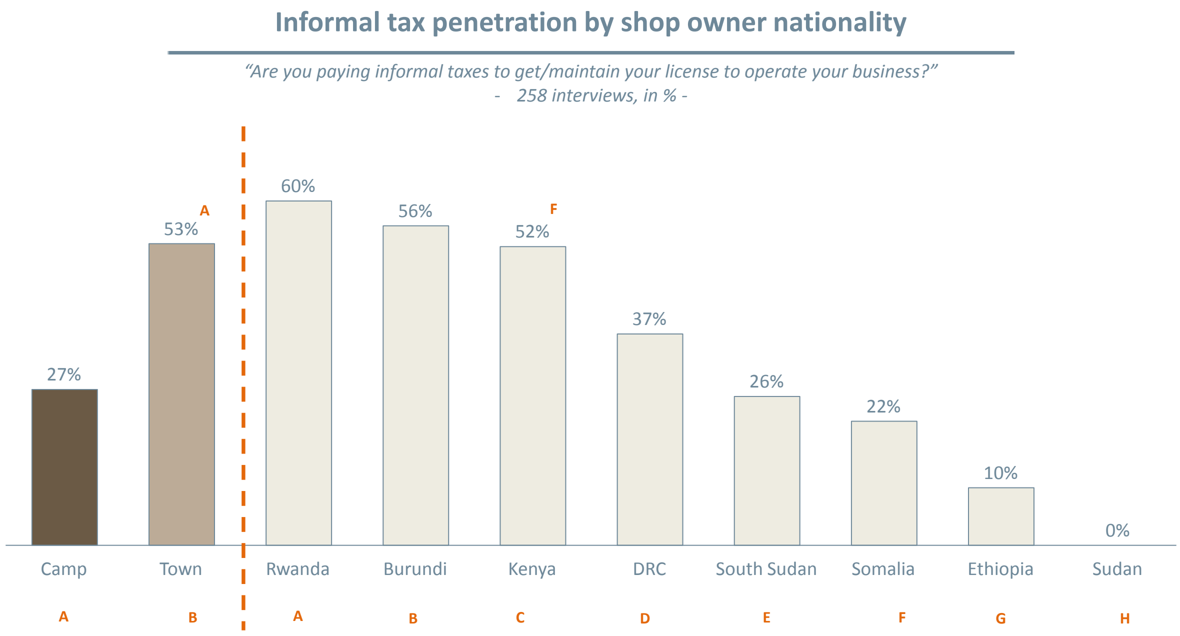
This affects consumers, producers, and suppliers since refugees cannot usually travel outside the camp to acquire the goods or materials needed for shops or construction. As a result, they are often dependent on middlemen to negotiate terms and the delivery goods, which results in a loss of time, money, and control for business owners and higher prices for consumers. To get around this bottleneck, refugees attempt to bribe their way through checkpoints, which entails its own costs and risks.

Finally, refugees do not have access to property rights. This has practical implications as a refugee business may not own the land it sits on or the fixed assets it has invested in. In addition, banks are hesitant to provide credit to individuals or businesses as a lack of ownership means a lack of collateral.

Level of informality

In the camp, 27 percent of respondents say they pay an informal tax to run their business, while the rate is 53 percent in Kakuma town. According to anthropologists working in the camp, every business pays an informal tax based on its size. Burundians, Rwandans, and Kenyans have the highest rate of stated informal tax payment. These nationalities also tend to have larger businesses, which could indicate that they have a stronger political influence or sense of security, and can talk more freely about informal tax payments.

Figure 4.1 Informal tax penetration



More than 60 percent of women in the camp and town combined have no schooling (compared with 21 percent of men). Eight times as many men than women have completed a university degree and 3.5 times as many men have some vocational or technical training.

Low education

One of the key challenges for doing business in Kakuma is the low level of education, as commercial firms and social enterprises may not always be able to find qualified candidates to employ. Refugees are lagging their peers from Kakuma town, indicating a possible displacement effect on education. More than 50 percent of refugees have no schooling, compared with 33 percent of those in the town. The rate of high school education or vocational training for refugees is 19 percent and 3 percent respectively, compared with 30 percent and 7 percent in the town. This has a negative effect on employment status, business ownership, income, and savings.

While formal education may be lacking, a variety of organizations provide vocational and business training programs in the camp and town. Although the exact number of refugees trained and organizations providing training is unclear, the labor pool available to potential employers may be more skilled than the education figures suggest.[59]

Figure 4.2 Education level in camp and town

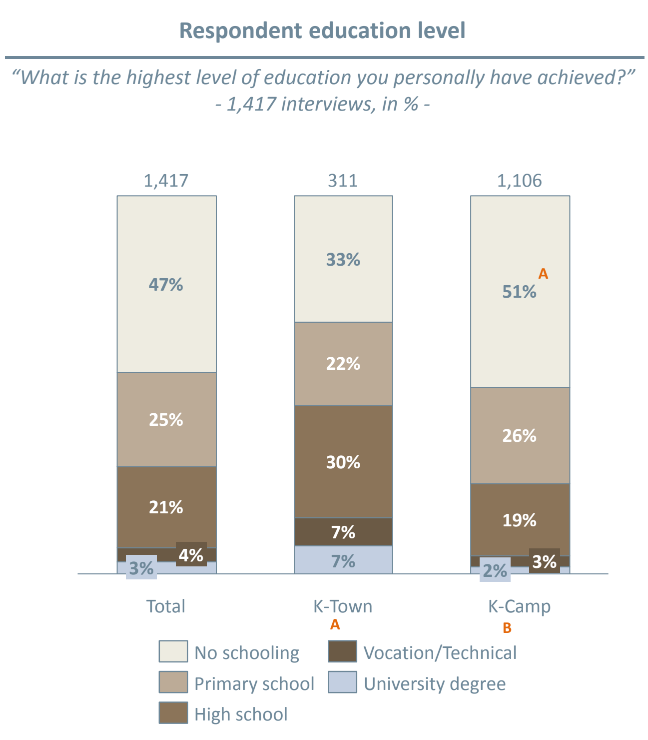


Figure 4.3 Education status by gender

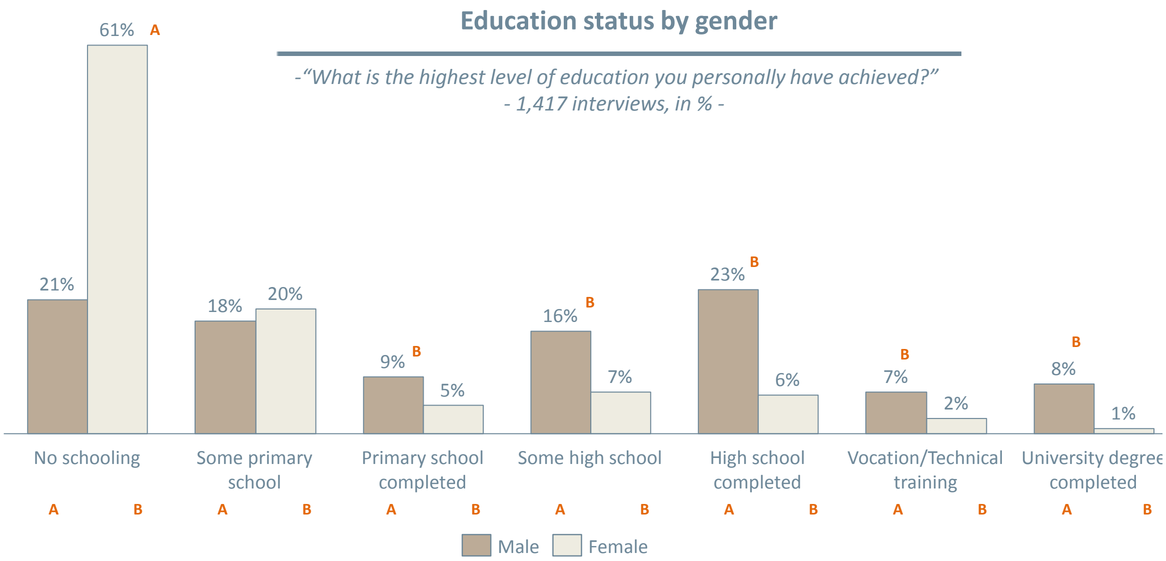
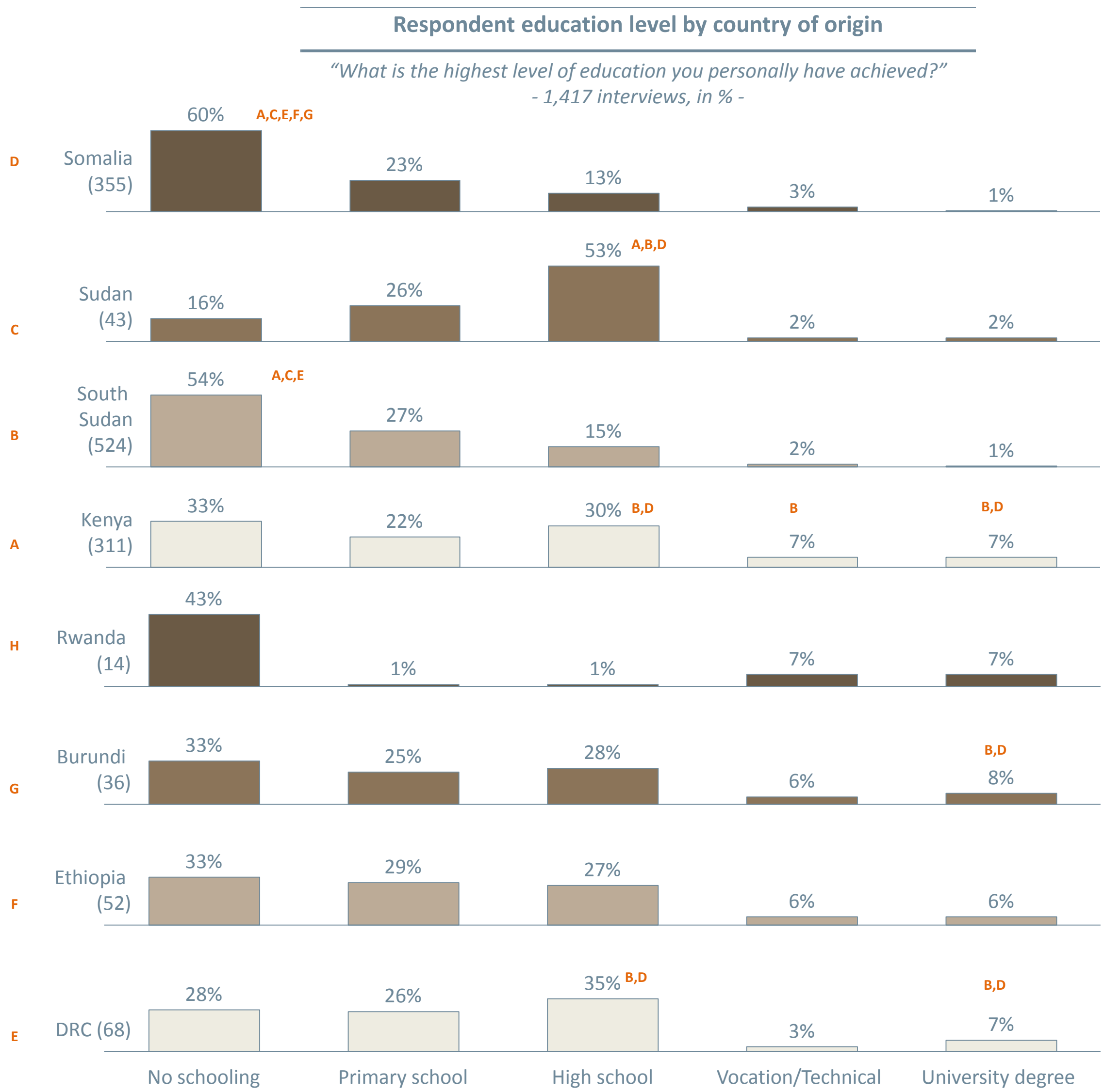


Figure 4.4 Respondent education level by country of origin



Students in class in Kakuma camp

The level of formal education among respondents also varies by gender, nationality, and ethnicity, suggesting that displacement is not the only factor at play. More than 60 percent of women in the camp and town combined have no schooling (compared with 21 percent of men). Eight times as many men than women have completed a university degree and 3.5 times as many men have some vocational or technical training.

By nationality, 60 percent of Somalis, 54 percent of South Sudanese, and 43 percent of Rwandan respondents stated that they do not have any schooling. In contrast, only 16 percent of Sudanese and 28 percent of Congolese respondents have no schooling, suggesting that national or cultural differences also play a role in education.

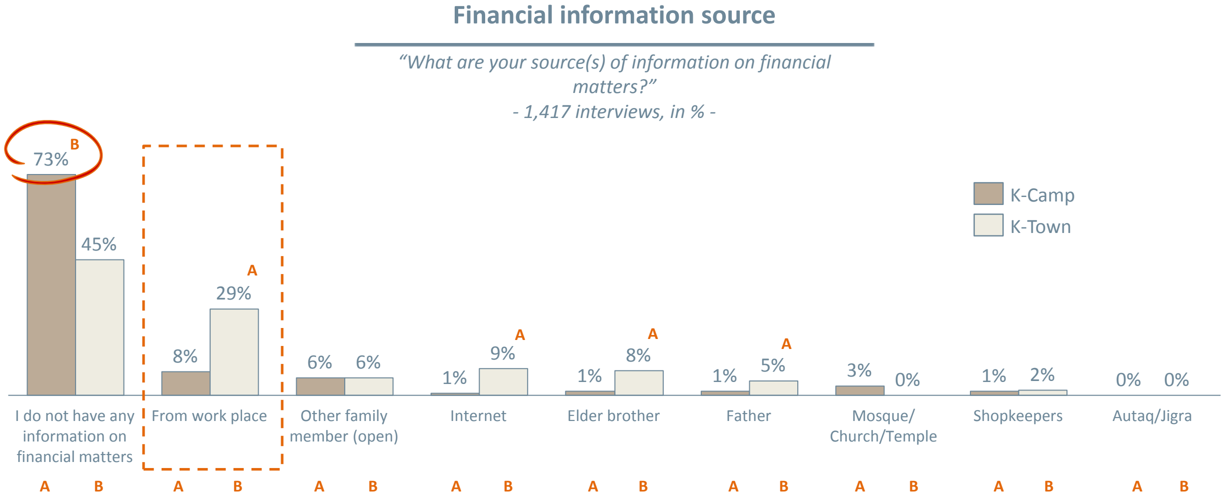
Ethnicity is another factor – Somali Somalis are better off than Somali Bantus (53 percent and 71 percent have no schooling, respectively). The same applies to the Dinka and Nuer camp residents from South Sudan, with 77 percent of Dinka having no education and 38 percent of Nuer.

Low financial literacy

Beyond basic education, an entrepreneur's success requires a certain level of financial literacy. The study shows that residents of Kakuma camp and town struggle with basic financial concepts. Financial literacy is low in the Kakuma area overall, but especially in the camp, where 73 percent of refugees have no information on financial matters. Roughly 8 percent of refugee respondents get information from their workplace and 6 percent from their family. By comparison, 55 percent of respondents in the town have information on financial matters, with 29 percent gaining knowledge from their workplace and 9 percent from the internet.

Almost a third of respondents among refugees admitted to never having heard the word "bank," and 62 percent the word "interest." Many refugees in the camp do not understand mobile money and mobile banking – 52 percent have never heard of mobile money and 57 percent have never heard of mobile banking. In comparison, comprehension of these terms in the town is quite high. Accordingly, mobile-money use in the town (86 percent) is much higher than in the camp (31 percent).

Figure 4.5 Financial literacy information sources



Almost a third of respondents among refugees admitted to never having heard the word "bank," 73 percent the word "pension," 62 percent the word "interest."

Figure 4.6 Awareness and comprehension of "bank" and "interest"

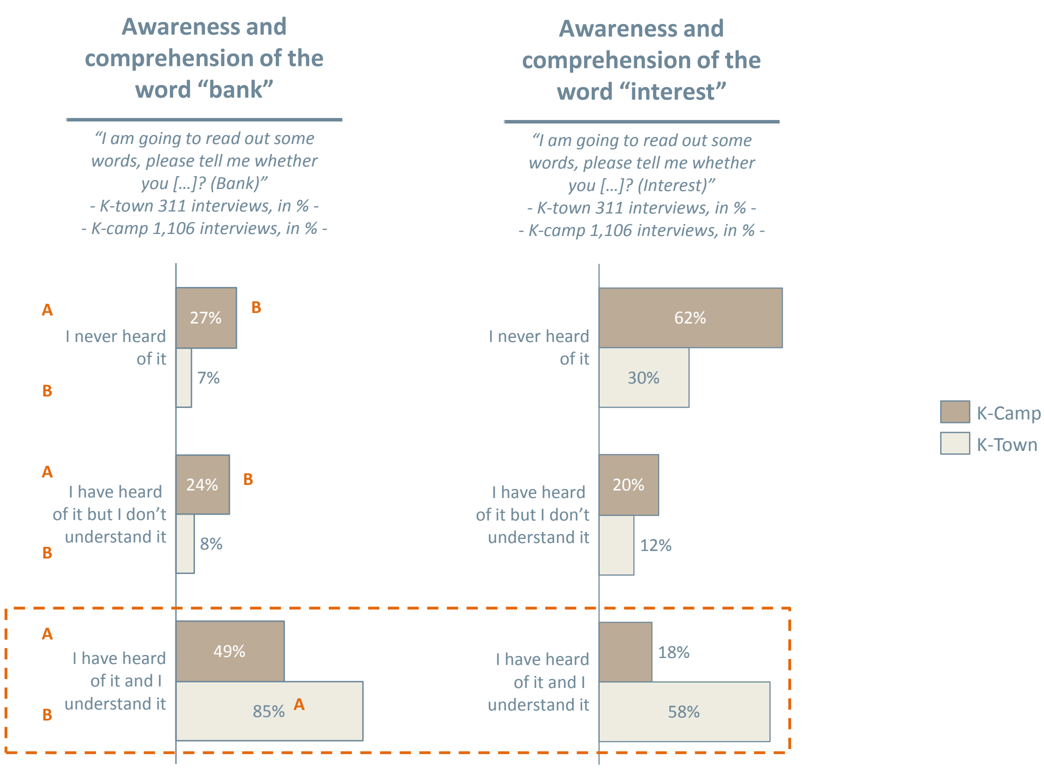
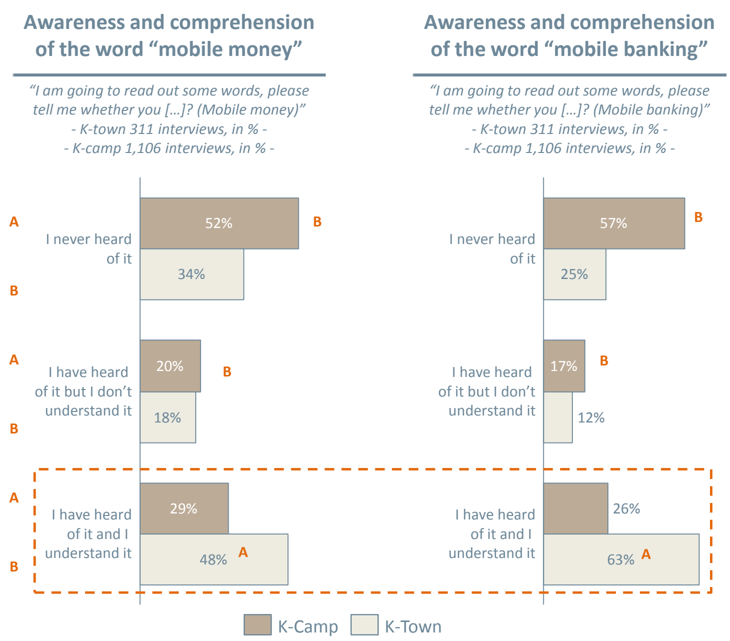


Figure 4.7 Awareness and comprehension of "mobile money" and "mobile banking"



Many residents in Kakuma have never heard of the word ATM. While a lack of understanding about ATMs was similar in both the camp and town (70 percent of camp respondents and 67 percent of town respondents have never heard of the word), there are large gaps in awareness of other key concepts like bank fees and taxes. Most respondents in the town know and understand these words, while most in the camp have never heard of them. Similarly, many refugees have never heard of the terms microfinance (79 percent), loan (55 percent), or profit (56 percent), while their peers in the town have.

Figure 4.8 Awareness and comprehension of "tax," "ATM," and "bank fees"

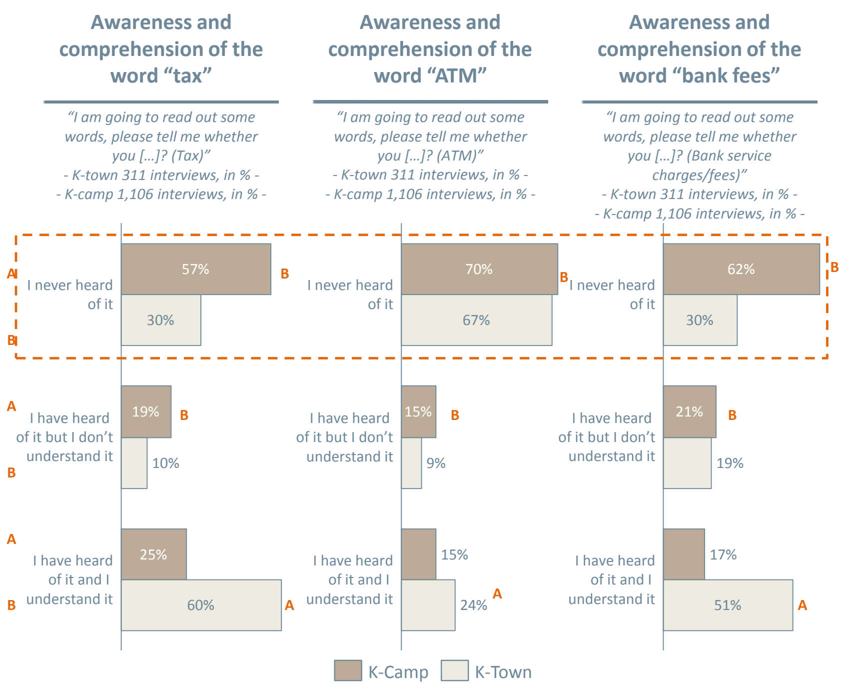
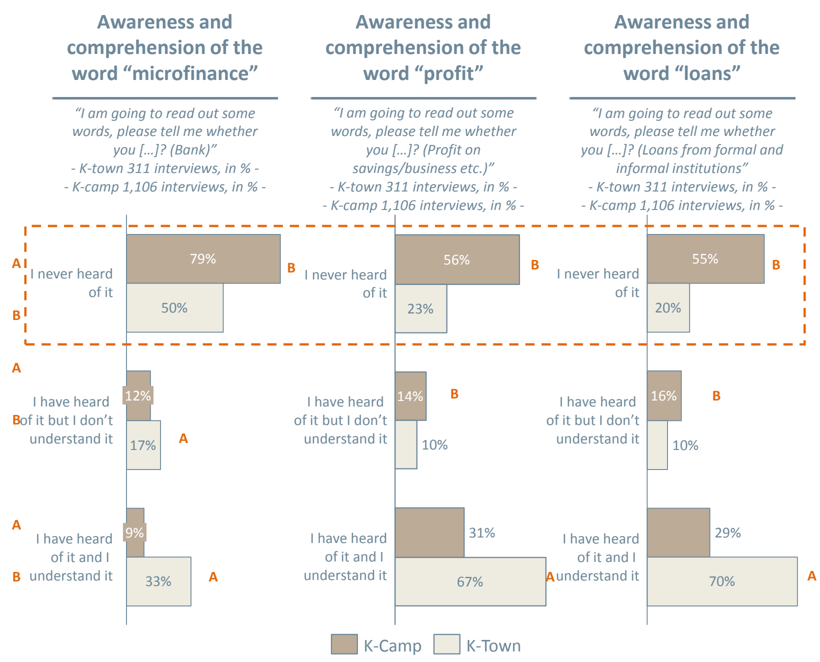


Figure 4.9 Awareness and comprehension of "microfinance," "profit," and "loans"



To fully expand the market in Kakuma, this gap in financial literacy would need to be addressed.

Complex concepts such as Islamic banking and credit cards are poorly understood by most respondents in the camp and town. Expanding or introducing these services would benefit from financial literacy campaigns or other interventions to raise awareness. A sequenced approach to introducing financial services might be useful—starting with basic services, such as mobile money, to pave the way for more complex products.[60]

Although refugees own a variety of shops from open stalls to large wholesalers they face challenges such as limited access to credit, limited movement, and low financial literacy

©IFC and Luba Shara

Low savings

Low financial literacy also correlates with low savings, with 58 percent of those in the town and only 21 percent of those in the camp having saved in the last 12 months. Respondents in the camp save small amounts more frequently than those in the town (less than KES 50 and between KES 50 and KES 1,000). However, town respondents are more likely to save larger sums of money, from KES 4,000 to KES 10,000. It is important to note that these figures are incomplete because 29 percent of camp respondents and 35 percent of town respondents would not disclose the amount they saved.

Respondents save in different ways and for different reasons, reflecting their socioeconomic status and vulnerabilities. The most common reason to save for those in the town is to invest in or develop their business (29 percent) or for education (21 percent). In comparison, refugees save primarily for medical expenses/emergencies (21 percent), food (17 percent), or their business (14 percent). Kenyans mostly save their money in financial institutions (32 percent), at home (23 percent), or with a friend (17 percent).

Figure 4.10 Average savings over the last year

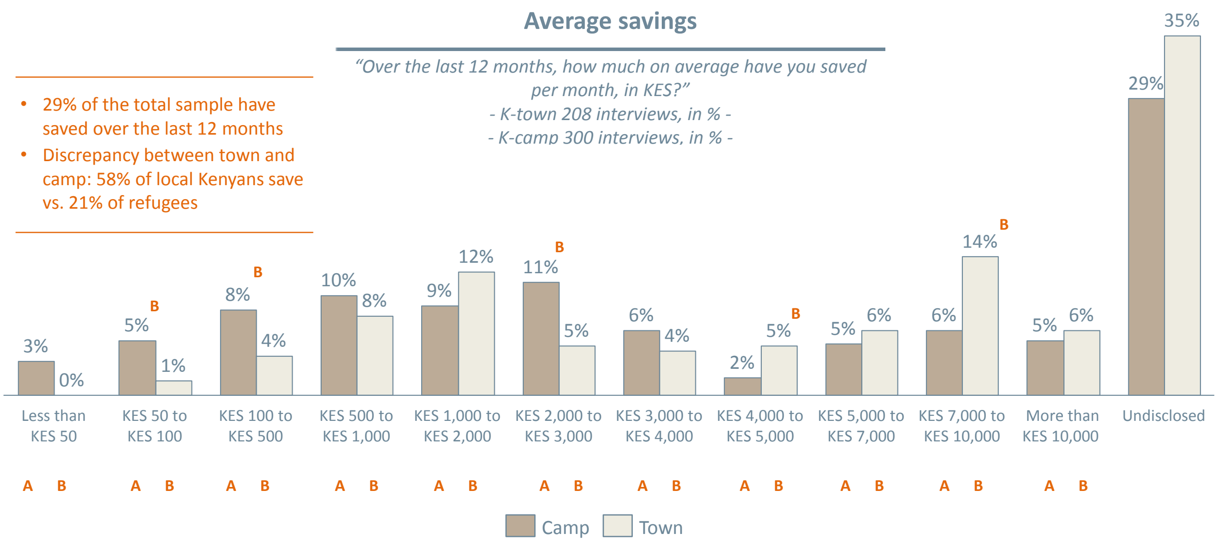


Figure 4.11 Purpose for saving

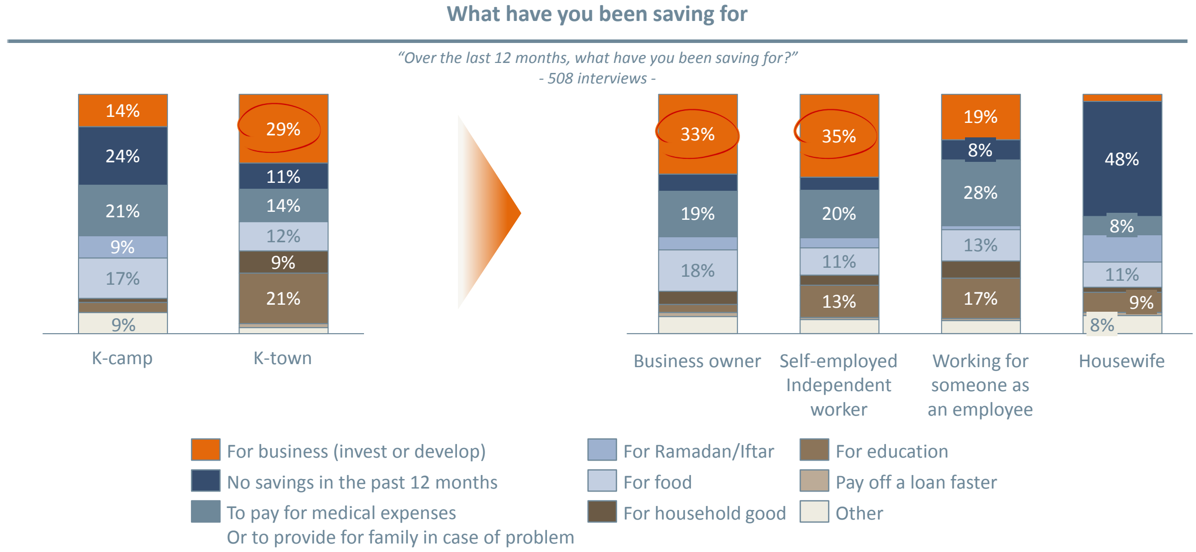
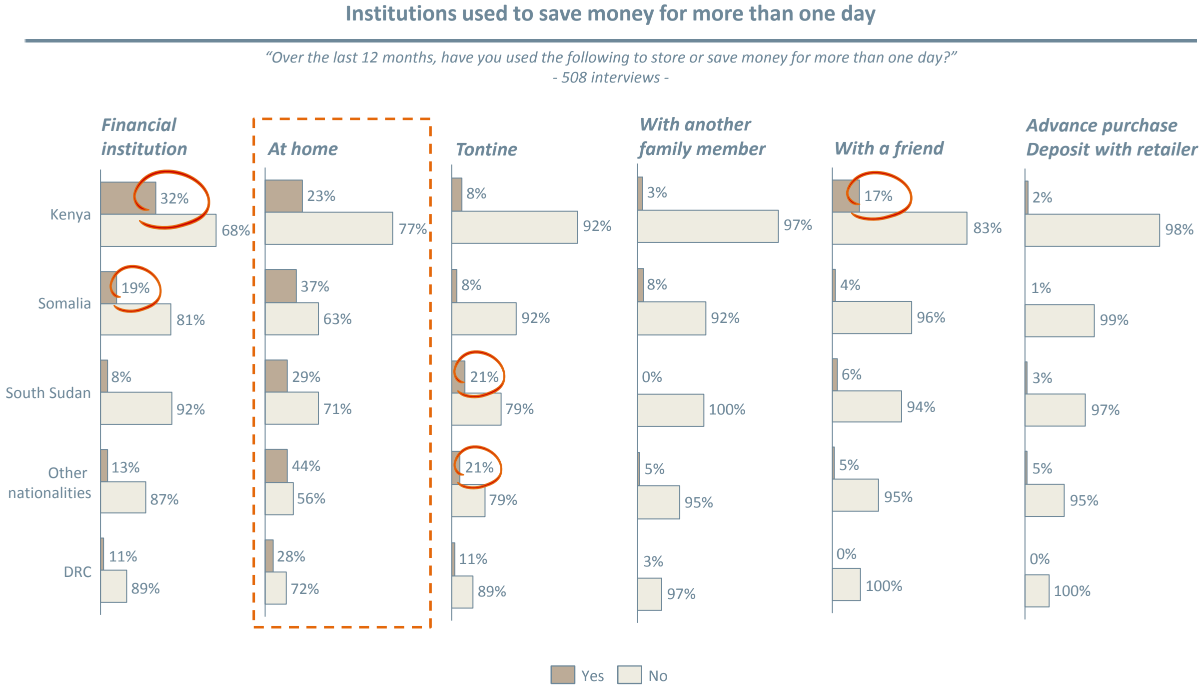


Figure 4.12 Methods for saving money



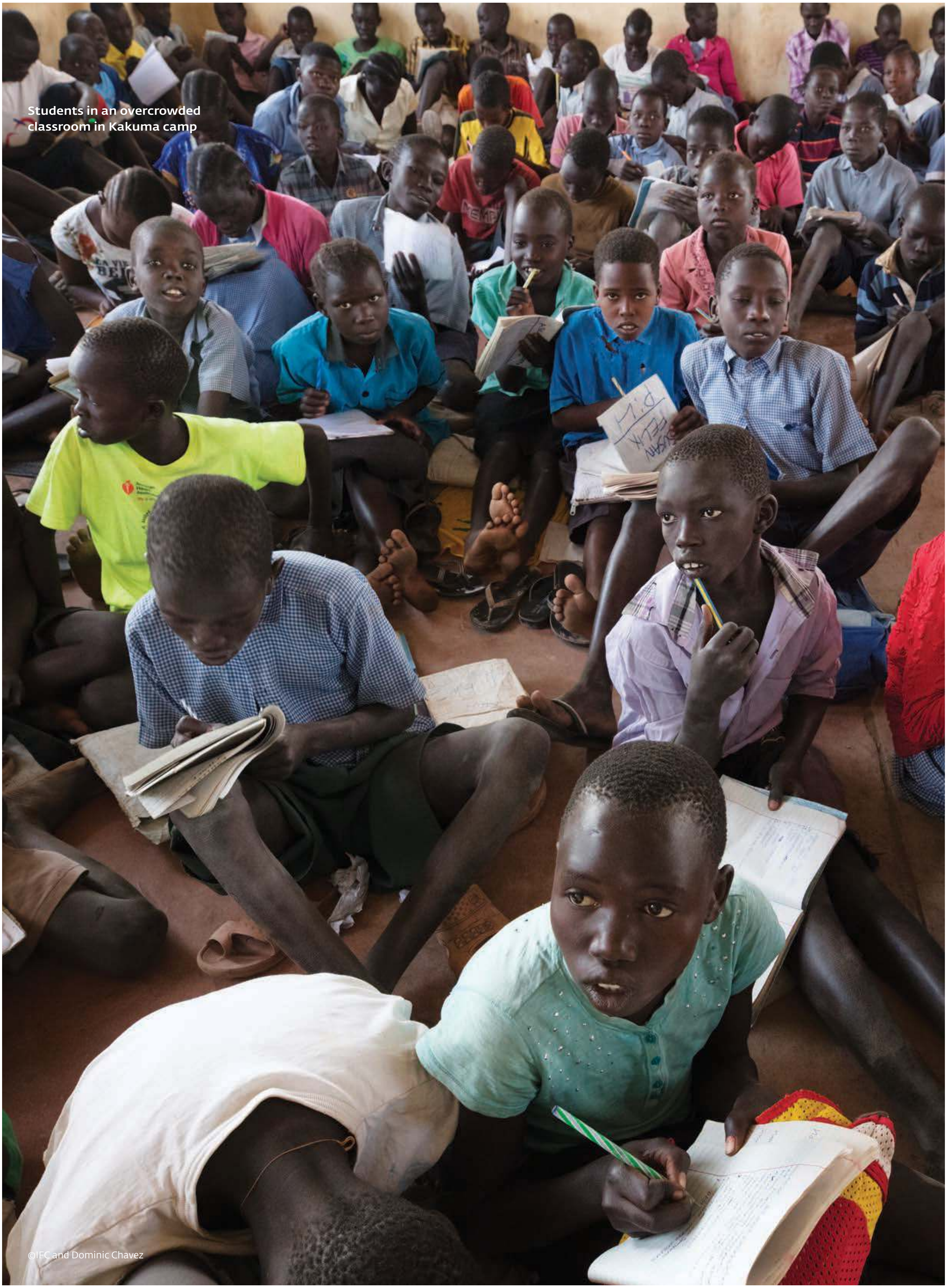
Among refugees, only Somalis make wide use of financial institutions (19 percent). Most refugees save at home or through a tontine.[61] The survey findings suggest that while those in the town save for positive outcomes, those in the camp mostly save as a coping strategy.

High cost of doing business

While the study did not directly measure the cost of doing business, the combination of restrictive regulations, remoteness, poor infrastructure, and a specific political economy suggests high transaction costs relative to areas in central and western Kenya.

Due to the complications around formally hiring refugees, businesses might find it difficult to employ the best candidates. Although the camp and town are located only 120 kilometers away by road from the closest major town and commercial airport in Lodwar, the drive takes three to four hours due to the poor quality of the roads. Moreover, the time needed to make this trip can increase significantly during the rainy reason. Finally, as the camp is a confined environment, which has resulted in an opaque political economy, it may be difficult for private enterprises to not only understand but also conduct business in the camp.

Due to the complications around formally hiring refugees, businesses might find it difficult to employ the best candidates. Although the camp and town are located only 120 kilometers away by road from the closest major town and commercial airport in Lodwar, the drive takes three to four hours due to the poor quality of the roads.



Students in an overcrowded classroom in Kakuma camp

CHAPTER 5

Outlook

Attracting the private sector and social enterprises to the Kakuma area and supporting local and refugee entrepreneurs has the potential to expand job opportunities, improve services, provide more choice, and reduce prices. In turn, this could enhance the self-reliance of both communities and their socioeconomic integration, while contributing to the development of the hosting region. This is in the spirit of the global agenda of the Comprehensive Refugee Response Framework[62] and, more widely, of "leaving no-one behind."[63] In order to move towards achieving this, three key objectives would need to be reached:

- Attract private businesses, including commercial firms and social enterprises, to enter the market and provide opportunities to scale up operations of enterprises already present in the area.
- Develop refugee and host communities' entrepreneurship potential, with a focus on young people and women, by supporting their businesses to grow and providing vocational skills training, business development services, and microfinance opportunities.
- Support policy dialogue and advocacy efforts focused on creating a more conducive business environment and attracting private sector companies to the area.

Addressing the data gap by collecting information on and quantifying the Kakuma area market is the first step in a complex process towards the above objectives. Following this study, a number of scoping missions to the Kakuma area were organized for a group of IFC's investment officers and representatives of private companies to collect additional information and begin outreach. The outreach campaign, which includes the launch of this report, will also entail meetings with private sector businesses and social enterprises to discuss the opportunities and challenges present in the camp and town.

In addition to data, commercial firms, social enterprises, and local entrepreneurs would benefit from technical assistance and incentives in the form of seed capital or de-risking to encourage their engagement with this new market.

It will be important to support market-based development of commercial firms (banks, microfinance institutions, telecommunications companies, and small and medium enterprises from other sectors) and social enterprises (companies that look to attain and maximize financial, social, and environmental impacts). Doing so would provide opportunities for the host community and refugees to contribute to their own socioeconomic development as producers, traders, workers, and consumers. It would also encourage both businesses in and outside of hosting areas to provide services in a sustainable way.

Financing for private sector companies and social enterprises could include a combination of interest-free loans and grants and could require cofinancing, based on a matching funds principle. This model could be used as an incentive to push existing companies and social enterprises to enter the market or scale up operations in order to increase sustainable access to public goods and essential services for refugees and host communities. In particular, small and medium enterprises and local commercial firms could be targeted and assisted to set up agents (as opposed to only fully fledged company operations) for the business areas identified in chapter 3 (such as mobile-money kiosks, banking agents as opposed to proper branches, and microfinance agents). The development and launch of operations would provide new job opportunities and result in these enterprises acting as employment offtakers from vocational and livelihoods programs in the camp and town.

Technical assistance has been provided by NGOs to individual refugees and members of the host community; however, it will need to be scaled up to include micro and small enterprises. While many businesses exist in Kakuma—particularly in the trade and services sectors—most of these are small and at an early stage of development and could benefit from assistance from existing or new providers of financial and business development services (banks, microfinance institutions, NGOs, and others).

The way forward

The ultimate beneficiaries of a market-based approach in the Kakuma area would be entrepreneurs among refugees and the host community, social enterprises that are already present in the area or who would consider starting operations, and commerical firms planning to expand or start their business in the area. Refugees and the host community will also benefit indirectly from the proposed approach due to improved access to products and services, job opportunities, and potentially lower prices. Indirectly, the Turkana County Government and the broader county population would benefit from the increased investments as well. More broadly, depending on the success of such an approach, similar initiatives could be expanded to other areas in Kenya, East Africa, and potentially beyond in the long term.

Markets in camp host a variety of businesses that have informal access to electricity and often accept mobile money

Methodology

Kakuma as a Marketplace comprises four components: an in-depth review of previous studies, a survey of 1,417 households in Kakuma camp and town, interviews with UNHCR and other agencies present in Kakuma, and case studies of private companies already active in the camp or that might be potentially interested in launching operations there.

To avoid duplicating previously conducted research, the team reviewed papers produced by humanitarian, development, government, academic, and private sector actors. Most of these reports focused on livelihoods, vulnerability, job training, education, and the economic impact of refugees on hosting communities. Existing private sector interventions in refugee camps and hosting areas were limited, ad hoc, not necessarily commercially viable, and in need of scaling up. Although telecommunications and some other industries have made inroads into the refugee markets, there was little information on for-profit ventures in camps and host communities.

To create a private sector-focused survey instrument that would produce clear and reliable data, drafting the questionnaire was an iterative process involving colleagues from the private sector, humanitarian agencies, and international financial institutions. Key contributors were IFC, the World Bank, UNHCR, and Sagaci.[64] The team collected data using computer-assisted personal interviewing tablets.

Selecting respondents for quantitative interviews was a three-stage process. In the first stage, the team selected primary sampling units, which consisted of 126 blocks making up the four subcamps. Each unit was fully delineated by Sagaci field coordinators in collaboration with block leaders or local representatives. In stage two, the team selected starting points and random routes. In the third stage, the team chose a respondent from each household, targeting the head of household or the person in charge of shopping.

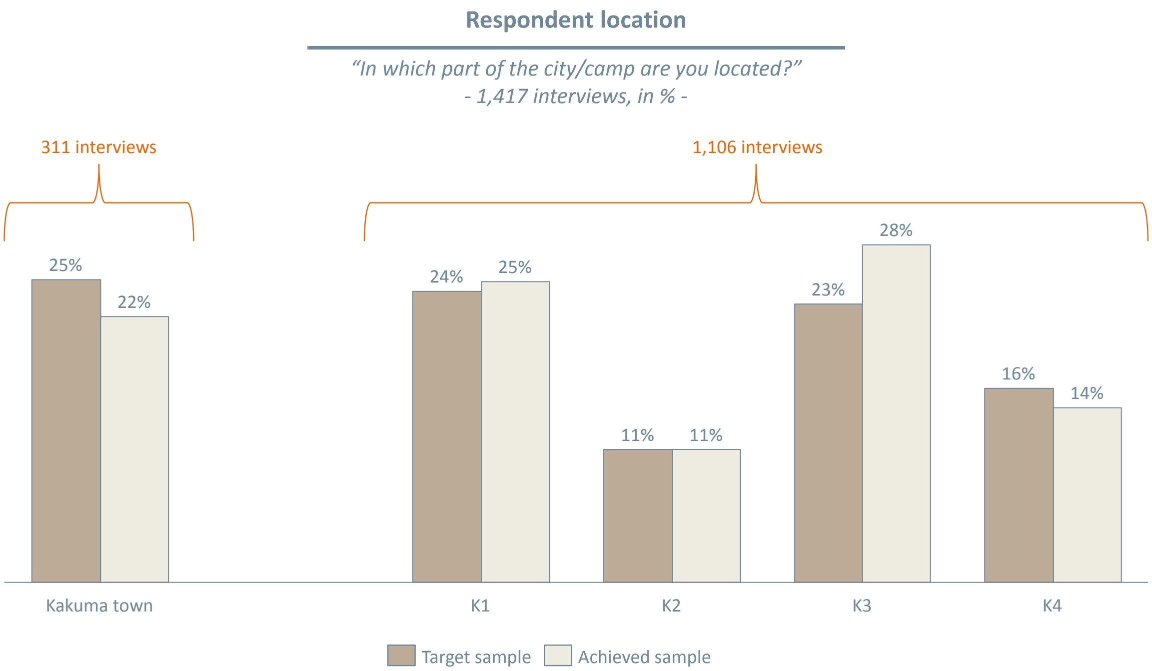
Twenty-four enumerators, recruited in Kakuma camp and town, collected data. The six women and 18 men, from the Democratic Republic of the Congo, Ethiopia, Kenya, Somalia, South Sudan, Sudan, and Uganda, spoke a myriad of languages used in the area and understood different cultures. A Sagaci and IFC field team trained the enumerators, ensured quality control, and monitored the execution of the survey.

The statistical significance of the findings was assessed using a two-tailed t-test at a 95 percent confidence interval, signifying that the difference between the category studied and the reference sample has less than a 5 percent probability of occurring by chance or sampling error alone. Figures statistically different at a 95 percent level are indicated by the symbols A, B, C, and D on the graphs. Different letters correspond to different categories, as indicated in each figure.

One of the enumerators conducting the survey in a tailor's shop in Kakuma camp

©IFC and Luba Shara

Figure 4 Overview of survey sample



References

Betts, A., Bloom, L., Kaplan, J., & Omata, N. (2014). Refugee Economies: *Rethinking Popular Assumptions*. Retrieved from https://www.rsc.ox.ac.uk/files/files-1/refugee-economies-2014.pdf

Caerus Capital. (2017). *The Business of Education in Africa*. Retrieved from https://edafricareport.caeruscapital.co/thebusinessofeducationinafrica.pdf

IASC. (2010). *IASC Framework on Durable Solutions for Internally Displaced Persons*. Retrieved from http://www.unhcr.org/50f94cd49.pdf

IRIN. (2017, May 2). *Kenya's Black Market in "Refugee Real Estate*." Retrieved from IRIN: https://www.irinnews.org/feature/2017/05/02/kenya%E2%80%99s-black-market-%E2%80%9Crefugee-real-estate%E2%80%9D

Jacobsen, K. (2002). Livelihoods in Conflict: The Pursuit of Livelihoods by Refugees and the Impact on the Human Security of Host Communities. *International Migration, Volume 40, Issue* 5, 95–123. Retrieved from http://www.humanitarianinnovation.com/uploads/7/3/4/7/7347321/jacobsen_2002.pdf

Kenya National Bureau of Statistics, Nairobi, Kenya. (2009). *Population and Housing Census.* Retrieved from https://www.knbs.or.ke/publications/

Kimetrica; UNHCR; World Food Programme. (2016). *Refugee Vulnerability Study: Kakuma, Kenya*.

Oka, R. (2011, September). Unlikely Cities in the Desert: The Informal Economy as Causal Agent for Permanent "Urban" Sustainability in Kakuma Refugee Camp, Kenya. *Urban Anthropology*, 40, 223–262.

Omata, N. (2016). *Refugee Economies in Kenya: Preliminary Study in Nairobi and Kakuma Camp.* Humanitarian Innovation Project, Refugee Studies Centre. Retrieved from https://www.rsc.ox.ac.uk/publications/refugee-economies-in-kenya-preliminary-study-in-nairobi-and-kakuma-camp

Ruvaga, L. (2015, March 10). *Tests Show Kenya's Turkana Water Unfit for Consumption.* Retrieved from Voice of America: https://www.voanews.com/a/kenya-turkana-water-unfit-for-human-consumption/2674350.html

Samuel Hall, commissioned by DDRC, AAH-I, and UNHCR. (2016). *Comprehensive Market Assessment for Kakuma Refugee Camp.* Retrieved from http://samuelhall.org/wp-content/uploads/2016/07/Rapid-Market-Assessment-Value-Chain-Analyses-in-Kakuma-May-2016-FINAL.pdf

Sanghi, A. & Onder, H. (2016, April 6). *Kenya Got Oil: What Next?* Retrieved from *Financial Times*: https://www.ft.com/content/a24fa4fe-e969-3806-ac7e-3f1d19edbaf5

Turkana County Government. (2015). *Turkana County Investment Plan 2016–2020.* Retrieved from http://www.turkana.go.ke/wp-content/uploads/2016/10/Annual-Development-Plan-2015-2016.pdf

Turkana County Government; UN. (2015). *Turkana County–United Nations Joint Program 2015–2018*.

UNHCR. (2016). *Global Trends: Forced Displacement in 2016*. Retrieved from http://www.unhcr.org/5943e8a34.pdf

UNHCR. (2017). *Kakuma Refugee Camp: Education Note*.

UNHCR. (2017, October). *Kenya Operation Statistics*. Retrieved from http://www.unhcr.org/ke/857-statistics.html

UNHCR. (2017, September). Weekly Update–Voluntary Repatriation of Somali Refugees from Kenya.

UNHCR. (2016, April). *Kenya Comprehensive Refugee Programme 2016*. Retrieved from http://www.unhcr.org/ke/wp-content/uploads/sites/2/2016/05/Kenya-Comprehensive-Refugee-Programme-document-KCRP-20161.pdf

UNHCR. (2006, February). *Refugee Livelihoods: A Review of the Evidence*. Retrieved from http://www.unhcr.org/4423fe5d2.pdf

UNHCR. (2017, May). *South Sudan Regional Refugee Response Plan 2017 –Revised.* Retrieved from data.unhcr.org/SouthSudan/download.php?id=3165

UNHCR. (2017, September). *Kenya Statistics Package September 2017.* Retrieved from http://www.unhcr.org/ke/wp-content/uploads/sites/2/2017/10/Kenya-statistics-package-Sept_2017.pdf

Vemuru, V., Oka, R., Gengo, R., & Gettler, L. (2016). *Refugee Impacts on Turkana Hosts*. World Bank. Retrieved from https://openknowledge.worldbank.org/handle/10986/25863

Wesangula, D. (2017, June 20). *Reuters*. Retrieved September 29, 2017, from https://www.reuters.com/article/us-kenya-refugees-idUSKBN19B269

World Bank Group. (2016). *An Assessment of Uganda's Progressive Approach to Refugee Management*. Retrieved from https://openknowledge.worldbank.org/handle/10986/11866

World Bank Group. (2016). *I-Dev International: Select Market Segmentation Findings: Clean Cooking Strategy Development*.

World Bank Group. (2016). *Unlocking Business Potential in Frontier Markets: Framework Development and Demand Analysis*.

World Bank Group. (2017, November). *World Bank Open Data: Free and Open Access to Global Development Data.* Retrieved from https://data.worldbank.org/

World Bank Group & UNHCR. (2016). *"Yes," in My Backyard*.

World Food Programme. (2014). *Dadaab and Kakuma Refugee Camps Market Assessment*.

Notes

[1] KES 103.2 to US$1 was the exchange rate used during the analysis of the data.
[2] The Conflict-Affected States in Africa Initiative (CASA) is a donor-funded, IFC-implemented (and cofunded) platform designed to enable and implement private sector initiatives across selected fragile and conflict-affected situations (FCS) in Africa. CASA focuses on three core elements: it puts people on the ground in (most of) the FCS where it operates; it allocates funding to and supports the implementation of IFC Advisory projects in these countries; and it undertakes a range of knowledge management activities, contributing to a better understanding of the private sector's contribution in these challenging markets. Ireland, the Netherlands, and Norway have partnered with IFC and supported CASA since its inception in 2008.
[3] The population figure of 160,000 inhabitants in Kakuma refugee camp is as of October 2016, which is the time of the study.
[4] UNHCR Global Trends Report 2016. This figure includes refugees, asylum seekers, returnees, stateless people, certain groups of internally displaced people, and other individuals of concern to the UNHCR. The report indicates that at the end of 2016, Africa hosted 5.6 million refugees and asylum seekers, almost 13.2 million internally displaced people and returnees, and 715,000 stateless people.
[5] Vemuru, Oka, Gengo, and Gettler 2016, 216–217.
[6] Ibid.
[7] M-Pesa is a mobile-money platform owned by Safaricom that is prevalent throughout Kenya in all socioeconomic groups. Transactions require a SIM card and mobile phone and allow for the transfer of funds.
[8] The consumption estimate is conservative as it does not include in-kind aid distribution or the provision of free services by humanitarian agencies.
[9] Per capita household consumption for Kenya was sourced from World Bank figures (https://data.worldbank.org/indicator/NE.CON.PRVT.PC.KD?locations=KE). Amounts for the camp and town were calculated by dividing consumption by population. Those figures were then adjusted to constant 2010 U.S. dollars using the consumer price index to convert from 2016 dollars to 2010.
[10] Omata 2016.
[11] Omata 2016.
[12] Kimetrica, UNHCR, and World Food Programme 2016.
[13] Ibid.
[14] Ibid.
[15] Ibid.
[16] Turkana County Government 2015.
[17] Omata 2016.
[18] Sanghi and Onder 2016.
[19] Turkana County Government and United Nations 2015.
[20] Ruvaga 2015.
[21] Dadaab camp complex is located in Garissa County, northeast Kenya, bordering Somalia.
[22] As indicated by price correlation between markets.
[23] Kimetrica, UNHCR, and World Food Programme 2016.
[24] World Food Programme 2014.
[25] Kimetrica, UNHCR, and World Food Programme 2016.
[26] Kenya National Bureau of Statistics 2009.
[27] Kimetrica, UNHCR, and World Food Programme 2016.
[28] Kimetrica, UNHCR, and World Food Programme 2016.
[29] Figures statistically different at a 95 percent level are indicated by the symbols A, B, C and D on the graphs. Different letters correspond to different categories, as indicated in each figure.
[30] Omata 2016.
[31] Kimetrica, UNHCR, and World Food Programme 2016.
[32] Regular income is defined as average monthly earnings.
[33] World Bank Group and UNHCR 2016.
[34] Jacobsen 2002.
[35] Samuel Hall 2016.
[36] Oka 2011.
[37] Market sizes were calculated based on average monthly spending per household (taking into account penetration levels) for the main national groups in Kakuma: Kenyans, South Sudanese, and others (the remaining nationalities were grouped together to avoid bias because of limited sample sizes). Average monthly spending per household was extrapolated from the total number of households for each group (based on latest UNHCR population data and the observed household size in the survey).
[38] Per capita household consumption for Kenya was sourced from World Bank Open Data website figures (https://data.worldbank.org/indicator/NE.CON.PRVT.PC.KD?locations=KE). Amounts for the camp and town were calculated by dividing consumption by population. Those figures were then adjusted to constant 2010 U.S. dollars using the consumer price index to convert from 2016 dollars to 2010.
[39] Vemuru, Oka, Gengo, and Gettler 2016, 216–217.
[40] Ibid.
[41] Omata 2016.
[42] Kimetrica, UNHCR, and World Food Programme 2016.
[43] Ibid.
[44] IRIN 2017.
[45] Based on interviews with World Bank Group Finance, Competitiveness, and Innovation.
[46] Somalis have historical business ties in Turkana; a strong international network through their diaspora in North America, Europe, and the Middle East; and access to financial services through "hawalas" (a traditional money transfer network).
[47] Kimetrica, UNHCR, and World Food Programme 2016.
[48] UNHCR note to donors.
[49] World Food Programme 2014.
[50] Samuel Hall 2016.
[51] Ibid.
[52] Ibid.
[53] World Food Programme 2014.
[54] Kimetrica, UNHCR, and World Food Programme 2016.
[55] Samuel Hall 2016.
[56] Kimetrica, UNHCR, and World Food Programme 2016.
[57] UNHCR 2017a.
[58] World Bank 2016 "Unlocking Business Potential in Frontier Markets: Framework Development and Demand Analysis."
[59] Among others, the following organizations provide vocational and business training in the Kakuma area: Norwegian Refugee Council (NRC), Danish Refugee Council (DRC), Kuza Biashara, Swiss Contact, Action Africa Help International (AAHI), and Don Bosco.
[60] World Bank 2016b.
[61] A tontine is a system of group savings in which individuals pay a predetermined amount into a common pool of money. Each contributor receives the total of the pooled funds on a turn-by-turn basis.
[62] The New York Declaration for Refugees and Migrants is a milestone for global solidarity and refugee protection that lays out a vision for a more predictable and more comprehensive response to these crises, known as the Comprehensive Refugee Response Framework, or CRRF. One of the key aspects of the CRRF is the promotion of socioeconomic integration and refugee self-reliance.
[63] In order to achieve the 2030 Agenda for Sustainable Development, the principle of "leaving no one behind" was adopted to ensure goals and targets are met for all nations and people and for all segments of society. In particular, vulnerable groups – including children, youth, people with disabilities, people living with HIV, older people, indigenous people, refugees, internally displaced people and migrants – should be targeted.
[64] Sagaci is a private sector market research firm based in Nairobi, Kenya.

Kakuma offers significant potential for the private sector to invest, to the benefit of both refugees and host communities. Scaling up the private sector in Kakuma will help refugees become more self-reliant and create opportunities for host communities.

Kakuma presents a significant informal economy built on entrepreneurship. Refugees are active as employers, consumers, and producers. Formalizing its informal businesses as well attracting new social enterprises and commercial firms could translate into revenues and benefits for Turkana county's government and its people.

The market size of Kakuma is conservatively estimated at $56 million annually, and the population of 220,000 makes it comparable to the tenth largest city in Kenya.

Sectors with potential for investment include retail trade, mobile financial services, banking, energy, livestock, health, education, and water.

About IFC

IFC – a sister organization of the World Bank and member of the World Bank Group – is the largest global development institution focused on the private sector in emerging markets. We work with more than 2,000 businesses worldwide, using our capital, expertise, and influence to create markets and opportunities in the toughest areas of the world. In FY17, we delivered a record $19.3 billion in long-term financing for developing countries, leveraging the power of the private sector to help end poverty and boost shared prosperity. For more information, visit **www.ifc.org.**

Working with IFC's FCS Africa Program

IFC's FCS Africa Program partners with governments, development and financial institutions, and other groups and individuals to maximize its impact in Africa. For more information, please contact: Luba Shara (lshara@ifc.org) and Daniela Henrike Klau-Panhans (dklaupanhans@worldbank.org)

Stay connected

www.facebook.com/IFCAfrica
www.twitter.com/IFCAfrica

April 2018

International Finance Corporation
WORLD BANK GROUP
Creating Markets, Creating Opportunities