

*Regional Program on Enhancing the Investment Climate for the Economic Empowerment of Refugee, Returnee and Host/Return Community Women in the East and Horn of Africa and Great Lakes Region*



# Regional Report

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# Abbreviations

AfCFTA	African Continental Free Trade Area
AfDB	African Development Bank
ANACOOP	L'Agence Nationale de Promotion et de Régulation des Sociétés Coopératives au Burundi
AGOA	the African Growth and Opportunity Act
B-READY	Business-Ready
CRA	Commission for Refugee Affairs
CTD	Conventional Travel Document
EAC	East African Community
FDI	Foreign Direct Investment
DRC	Democratic Republic of the Congo
DTM	Displacement Tracking Matrix
EHAGL	East, Horn of Africa, and Great Lakes
GBV	Gender-Based Violence
GCR	Global Compact on Refugees
GDP	Gross Domestic Product
GISEDP	Garissa Integrated Socioeconomic Development Plan
HIPIC	Heavily Indebted Poor Countries
ICT	Information and Communication Technologies
IDPs	Internally Displaced People
IFC	International Finance Corporation
IGAD	Intergovernmental Authority on Development
IIAG	Ibrahim Index of African Governance
IMF	International Monetary Fund
IOM	International Organization for Migration
INGOs	International Non-Governmental Organizations
KYC	Know Your Customer
MINEMA	Ministry in Charge of Emergency Management

MSME	Micro, Small and Medium Enterprises
NCRI	National Commission for Refugees and IDPs
NIN	National Identification Number
NIRA	National Identification and Registration Authority
NTC	Inter-Ministerial National Technical Committee
ONPRA	Office National de Protection des Réfugiés et Apatrides (National Office for the Protection of Refugees and Stateless Persons)
OPM	Office of the Prime Minister
PPD	Public-Private Dialogue
PPP	Public-Private Partnership
REC	Regional Economic Community
RHA	Refugee-Hosting Area
RIN	Refugee Identification Number
RRC	Relief and Rehabilitation Commission
RSF	Rapid Support Forces
SAF	Sudanese Armed Forces
RSD	Refugee status determination
SMEs	Small and Medium Enterprises
SOE	State-Owned Entity
STR	Simplified Trade Regime
TIN	Tax Identification Number
TVET	Technical Vocational Education and Training
VSLA	Village Savings and Loans Association
VTC	Vocational Training Center
WASH	Water, Sanitation and Hygiene
WB	World Bank
WFP	World Food Programme

# Executive Summary

The 21st century has witnessed a global surge in refugee numbers, profoundly impacting politics worldwide. The East and Horn of Africa, regions long grappling with political instability, face particularly acute challenges with high numbers of refugees, internally displaced populations and returnees.

As of October 2024, the region hosts 5.5 million refugees and asylum seekers, representing nearly one-sixth of the global refugee population, and 21.4 million internally displaced persons (IDPs). The protracted nature of this crisis has led to multi-generational refugee populations, with some individuals reporting having both children and grandchildren born in camps. Climate change has exacerbated resource contestation, further fueling regional instability and increasing refugee flows. Concurrently, changing political and economic outlooks in donor countries, as well as refugee crises in other parts of the world, have strained global resources dedicated to burden-sharing, particularly in developing countries.

The protracted nature of the refugee crisis in East Africa and the Horn of Africa has put pressure on the countries of the region to respond in ways that mitigate the risk of importing violence and instability, address the economic and employment challenges faced by their own nationals, while at the same time upholding their commitments to international treaties and protocols ensuring humane conditions for refugees. Government responses have varied widely, ranging from policies that integrate refugees into the economy and society (barring voting rights) to those requiring refugees to reside in camps with limited opportunities for work or self-sufficiency.

In recent years, there has been a growing recognition that refugees, regardless of the duration of their stay, can contribute to local economies while developing skills that facilitate their eventual reintegration. Increasingly, refugee self-reliance is considered an integral component of the long-term economic development challenge faced by countries in the region.

To deepen its commitment to this aspect of development, the African Development Bank (AfDB) has partnered with the United Nations High Commissioner for Refugees (UNHCR), the East African Community (EAC), and the Intergovernmental Authority on Development (IGAD) to focus on activities that support Member States' efforts to promote the economic empowerment of refugees, returnees, and their host communities.

Acknowledging that the majority of refugees are women and the children they support, this review pays particular attention to enhancing the investment climate for women's economic empowerment in refugee communities. Women represent a significant portion of the potential labor force in refugee settings, yet they often face additional challenges in accessing economic opportunities. The 2023 UNHCR Global Survey on Livelihoods and Economic Inclusion for the EHAGL region reveals that while all refugees encounter barriers such as permit requirements, high unemployment in host economies, and administrative restrictions, women and older adolescents face additional obstacles. These include caregiving responsibilities, lack of affordable childcare, gender-based limitations on access to education (especially at the secondary and tertiary levels), certain types of jobs, and insufficient information about employment opportunities.<sup>1</sup> The very real dangers of assault that women face in communities where the traditional social order has been disrupted, create further challenges to be addressed by those providing services to women. Once the investment climate challenges are addressed for women, they are addressed for all.

This comprehensive study, led by UNHCR with support from EAC and IGAD, has identified opportunities to improve the investment climate at the national level, in peripheral refugee-hosting regions, and within refugee and returnee communities. Throughout the analysis, particular attention is paid to the unique challenges faced by women, recognizing their crucial role in economic development.

The study emphasizes the importance of enhancing national investment climates, adjusting refugee management practices to facilitate economic activity, and making strategic infrastructure investments. These investments aim to integrate refugee-hosting areas into national economies and strengthen cross-border infrastructure to boost regional trade.

Based on these findings, the study proposes priority interventions and investment areas for the AfDB and other regional actors. These recommendations encompass multi-country regional initiatives, country-specific priority actions, and identifying high-impact areas for private sector growth within each country.

## Regional Context and Response

The region presents a diverse landscape of refugee management approaches, offering valuable lessons in both challenges and innovations.

 **Uganda**, hosting the largest refugee population in Africa with over 1.7 million refugees, stands as a pioneer in progressive refugee policy. Implementing an open-door approach that grants refugees freedom of movement, the right to work, and access to land for agricultural purposes, it sets the benchmark for refugee integration and self-reliance strategies. This policy has enabled many refugees to become self-reliant, contributing to both their host communities and Uganda's broader economy. The country's approach demonstrates how integrating refugees into the national economy can create mutual benefits for both displaced populations and host nations.

 **Kenya**, with 812,910 refugees and asylum seekers, as of 31 October 2024, is undertaking a significant transformation in its refugee management approach. Moving away from its traditional encampment policy, the country has developed the innovative Shirika Plan and established the Kalobeyei integrated settlement. These initiatives represent a fundamental shift from viewing refugee situations as temporary humanitarian challenges to treating them as opportunities for long-term development. The Kalobeyei model, alongside the more recent Garissa Integrated Socioeconomic Development Plan (GISEDIP), demonstrates Kenya's commitment to creating sustainable, integrated communities where both refugees and host populations can thrive.

 **Ethiopia**, hosting over 1 million refugees, has made substantial policy commitments to strengthen its asylum system and social protection

<sup>1</sup> UNHCR. *Global Survey on Livelihoods And Economic Inclusion Report – 2023*. Published December 2023. (<https://www.unhcr.org/media/global-survey-livelihoods-and-economic-inclusion-report-december-2023>). See also UNHCR. *Regional findings for EHAGL*, unpublished presentation. Only 34% of refugees live in countries with unrestricted access in practice to formal employment, significantly lower than the global average of 45%.

capacity. The country is moving toward integrated approaches, particularly in areas like Kebribayah, signaling a transition away from traditional camp-based approaches. This evolution includes creating additional socioeconomic opportunities through livestock and agricultural value chains, demonstrating how countries can adapt their refugee management strategies to align with both humanitarian needs and development goals.

 **Rwanda** offers a unique example of how cultural and linguistic similarities can facilitate refugee integration. With 95% of refugees sharing similar cultural and linguistic backgrounds with host communities, the country has leveraged these commonalities to create more effective integration programs. Rwanda's approach to refugee inclusion extends beyond basic rights to encompass economic participation, demonstrated by its policies allowing refugees to access formal employment and financial services, and supported by one of Africa's most business-friendly environments.

 **Somalia**, while facing its own significant internal displacement challenges with 3.9 million IDPs, hosts more than 41,000 refugees and has maintained an open-door policy despite complex security and economic challenges. The country's experience illustrates the interconnected nature of internal and cross-border displacement, with recent efforts focusing on developing formal institutional and regulatory frameworks to support both displaced populations and host communities.

 **South Sudan**, the world's youngest nation, faces a complex displacement situation, hosting more than 500,000 refugees while grappling with 2 million IDPs. The country has developed its National Durable Solutions Strategy and Plan of Action, which focuses on sustainable security, access to basic services, peacebuilding and reconciliation, and creating livelihood opportunities for displaced populations. This comprehensive approach is led by the Inter-Ministerial National Technical Committee on Durable Solutions, showcasing the country's commitment to addressing displacement challenges despite significant economic constraints.

 **Sudan**, despite recent internal conflicts, has historically hosted a significant refugee population, currently standing at 874,493 forcibly displaced persons. The country's experience underscores the complex interplay between hosting refugees and managing internal displacement, particularly in border regions.

 **Djibouti** has implemented progressive legislation through its 2017 National Refugee Law, providing its 32,233 refugees and asylum seekers with equal rights to access basic services and economic opportunities. The country's strategic location as a regional hub, combined with its policy framework, creates potential for refugee integration into the formal economy, particularly in sectors like logistics and services.

 **Burundi** hosts over 90,000 refugees while managing the return and reintegration of over 250,000 Burundian returnees. The country has recently introduced a New Settlement Policy, establishing a new refugee site in Giharo, Rutana province, where refugees live under conditions similar to the local community and share social services such as schools, health centres, and markets. This shift away from strict encampment approaches demonstrates Burundi's evolving response to displacement challenges.

This diversity of approaches and experiences across the nine countries provides valuable lessons for refugee management and economic inclusion. While each country faces unique challenges, common themes emerge around the need for:

- Sustainable development-oriented approaches to displacement
- Enhanced infrastructure in refugee-hosting areas
- Improved access to financial services and economic opportunities
- Gender-responsive programming
- Regional coordination and harmonization of policies

The varying scales of refugee populations and different stages of policy development across these countries create opportunities for peer learning and regional cooperation, particularly through frameworks established by the EAC and IGAD.

## Investment Climate and Economic Inclusion

The region demonstrates varying levels of progress in creating enabling environments for economic growth and inclusion. Several countries have achieved notable success in attracting investment and implementing business reforms. Kenya's achievement in attracting FDI, with a 117% year-on-year increase in 2022 worth USD2 billion, particularly in business services and technology, demonstrates the potential for diversified economic growth. Rwanda's comprehensive reform program has yielded impressive results, tripling investment values from USD400 million in 2010 to USD2.008 billion in 2020, while establishing one of Africa's most efficient business environments. These experiences offer valuable lessons for regional peers in streamlining business processes and attracting investment to benefit both host communities and refugee populations.

## Key Barriers and Solutions

The study identifies four primary categories of barriers to economic inclusion, with varying manifestations across the region. These barriers often intersect and compound each other, particularly affecting women refugees and entrepreneurs.



## 1. Business Enabling Environment

Common challenges include complex registration processes, limited access to finance, and regulatory obstacles. While some countries have made significant strides in business regulation reform, opportunities exist for peer learning and regional harmonization. Rwanda's streamlined business registration processes and Kenya's integration of digital systems offer replicable models. The EAC's Simplified Trade Regime presents an underutilized opportunity for enhancing cross-border trade, particularly beneficial for refugee communities with transnational networks.

## 2. Infrastructure Development

Remote refugee-hosting areas across the region face common infrastructure challenges. The Kalobeyei integrated settlement model demonstrates how strategic infrastructure planning can create sustainable communities. Similar initiatives are emerging in Ethiopia's Kebribeyah development and Uganda's refugee-hosting districts. The AfDB and partners are well-positioned to support infrastructure development that benefits both refugee and host communities.

## 3. Financial Inclusion

Innovation in financial services shows promising developments. Kenya's mobile money solutions and Rwanda's integration of refugee documentation into financial systems demonstrate how technology can enhance inclusion. These successes can inform regional approaches to expanding financial access, particularly for refugee women entrepreneurs. Opportunities exist for developing tailored financial products and risk assessment methodologies suitable for refugee populations.

## 4. Gender-Specific Solutions

While legal frameworks increasingly support women's economic participation, implementation gaps persist. Rwanda's high scoring on women's business indicators provides valuable insights for regional peers. Uganda's specific provisions for women refugees in agricultural programs offer practical examples of gender-responsive programming. Enhanced regional cooperation could accelerate progress in addressing gender-specific barriers to economic inclusion.

### Strategic Opportunities

Several key opportunities exist for enhancing economic inclusion across the region:

**i) Agricultural Development:** The sector offers significant potential for refugee integration, particularly in countries with land allocation policies like Uganda. Value chain development and modernization could benefit both refugee and host communities.

**ii) Cross-Border Trade:** The region's established trade corridors and refugee populations' cross-border networks present opportunities for enhanced regional commerce, supported by frameworks like the AfCFTA protocols and EAC's Simplified Trade Regime (STR).

**iii) Digital Economy:** Growing digital infrastructure provides opportunities for innovative financial services and e-commerce opportunities, particularly beneficial for youth and women in refugee communities.

**iv) Renewable Energy:** The expansion of sustainable energy solutions in refugee-hosting areas could address both environmental concerns and economic development needs.

### Way Forward

Success in enhancing economic inclusion requires coordinated action at multiple levels:

- Strengthening regional frameworks through EAC and IGAD to harmonize approaches to refugee economic inclusion
- Implementing progressive refugee policies that promote self-reliance, leveraging successful national initiatives as models for regional learning and adaptation
- Enhancing private sector engagement in refugee-hosting areas through targeted incentives and risk-sharing mechanisms
- Implementing gender-responsive programming that addresses both cultural and practical barriers to economic inclusion of women
- Developing targeted infrastructure investments and developing sustainable financing mechanisms for infrastructure in refugee-hosting areas

The AfDB, in partnership with UNHCR, EAC, and IGAD, is well-positioned to support these efforts through targeted investments and technical assistance. Such support, combined with policy reforms and regional integration initiatives, can transform refugee-hosting areas into engines of inclusive economic growth and development.



## 1. Background

The East and Horn of Africa and Great Lakes (EHAGL) region is particularly affected by forced displacement. As of October 2024, the region hosted 5.5 million refugees, representing nearly one-sixth of the global refugee population.

Furthermore, conflict and natural disasters have forced an additional 21.4 million internally displaced persons (IDPs) to flee their homes to other parts of their countries.<sup>2</sup> As a result, the EHAGL region hosts approximately 90% of the total number of forcibly displaced persons on the African continent. Many refugees have been displaced for extended periods, with some communities experiencing protracted displacement for two decades or more.

Most refugees reside in remote and generally underdeveloped regions in their countries of asylum, relying on food and supplies distributed by humanitarian actors. These remote areas are characterized by challenging socioeconomic conditions, including high poverty rates, low living standards, limited access to basic services, and high unemployment. This environment can potentially lead to tensions within communities, including between refugees and host populations, over perceived competition for resources. In some instances, refugees face additional challenges in accessing economic opportunities due to their confinement in camps or limited regions, with restrictions on their movement, ability to engage in economic activities, secure employment, or access social amenities.

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<sup>2</sup> Actual figures as of July 2024: 5,493,925 refugees and asylum seekers and 21,047,551 IDPs. UNHCR Operational Data Portal. Regional Bureau for the East and Horn of Africa, and Great Lakes Region (<https://data.unhcr.org/ar/regions/rbehagl>)

The private sector plays a crucial role in fostering sustainable solutions to forced displacement and the socio-economic development of refugee-hosting areas. Given ongoing pressures on public and development partner resources, exacerbated by global challenges such as the war in Ukraine, the importance of private sector engagement has increased significantly. Private sector involvement can range from large-scale investments to support for small and medium enterprises (SMEs) and entrepreneurship programs tailored to refugees and host communities. This engagement not only contributes to the economic self-reliance of displaced populations but can also enhance social cohesion by creating shared economic interests between refugees and host communities. However, interaction between programmatic activities aimed at improving economic opportunities for vulnerable populations and creating conducive conditions for private sector development remains limited. Recognizing this, governments, regional economic communities, and development partners are increasingly emphasizing the importance of creating an enabling environment for private sector participation as a key component of long-term, durable solutions to forced displacement.

In this context, the Global Compact on Refugees (GCR), affirmed by the United Nations General Assembly in December 2018, calls for increased support for refugees and host communities through sustainable responses and their empowerment. Various stakeholders, including governments, UNHCR, African Development Bank (AfDB), International Finance Corporation (IFC), donors, NGOs, and private sector actors, are undertaking actions in this region.

However, the economic empowerment of these target populations, particularly women, faces challenges due to an unfavorable investment climate for access to finance and markets, stemming from various constraints (legal, regulatory, procedural, and infrastructural barriers). Moreover, existing solutions are often geographically limited to national, local (refugee-hosting areas), or camp-based levels, and do

not provide sustainable regional responses to a crisis with regional spillover effects.

Recognizing the challenges associated with protracted forced displacement, the AfDB funded a Regional Program on Enhancing the Investment Climate for the Economic Empowerment of Refugees, Returnees, and Host/Return Community Women in the EHAGL Region.

**The program encompasses nine countries in the EHAGL region and is jointly implemented by UNHCR, EAC, and IGAD. The countries covered are Burundi, Djibouti, Ethiopia, Kenya, Rwanda, Somalia, South Sudan, Sudan, and Uganda.**

The program's primary objective is to lay the foundation for reducing legal, regulatory, procedural, and infrastructural barriers to the economic empowerment of refugees, returnees, and host communities, and to identify sectors with competitive advantages for investment and trade in selected refugee-hosting and return areas. Tutwa Consulting Group has been engaged to support the implementation of the regional program through various activities, including country scoping missions, community engagements, public-private dialogues (PPDs), and capacity-building events and workshops.

In July 2022, the program was officially launched at a meeting in Mombasa, bringing together representatives from investment authorities and refugee management and support structures of the EHAGL countries. This initial gathering served as a platform to outline the program's objectives and refine its implementation strategy. A key outcome of the meeting was the decision to conduct comprehensive studies aimed at identifying obstacles to the economic empowerment of refugees, returnees and host communities, with a particular focus on women. Participants also engaged in discussions to select specific refugee-hosting areas within each country for focused interventions.

It was agreed that the findings from these studies would be examined at multiple levels: within the Regional Economic Communities (RECs) of the East African Community and Intergovernmental Authority on Development, at the national level in each participating country, and at the community level in the selected refugee-hosting areas (RHAs). This multi-tiered approach was designed to ensure a thorough understanding of the challenges and opportunities specific to each context, with the ultimate goal of developing targeted strategies to remove barriers

to investment and employment that could support refugees' economic empowerment and integration.

## 1.1 Refugee Situation in the EAHGL Region

The number of refugees, returnees, and IDPs within the region has grown significantly in recent decades, with a sharp increase over the last decade.

Table 1. Populations of Concern in the EHAGL Region, as of 31 October 2024

Country	Registered Refugees and Asylum Seekers	Returnees	IDPs
 Burundi	90,786	252,149 <sup>3</sup>	86K
 Djibouti	32,233	-	
 Eritrea	118	-	
 Ethiopia	1,071,860	2,548,685 <sup>4</sup>	4.4 million
 Kenya	812,910	-	
 Rwanda	134,588	98,949 <sup>5</sup>	
 Somalia	41,164	140,115 <sup>6</sup>	3,864,000 million
 South Sudan	501,798	1,503,835 <sup>7</sup>	2.2 million <sup>8</sup>
 Sudan	874,493		11 million
 Tanzania	236,605	-	
 Uganda	1,771,389	-	

<sup>3</sup> Assisted returnees repatriated since September 2017.

<sup>4</sup> IDP returnees, based on national IOM Displacement Tracking Matrix (DTM) Village Assessment Survey conducted between November and December 2023.

<sup>5</sup> Number of Rwandan returnees since 2009, status as of June 2024. UNHCR Rwanda. Monthly Returnees Statistics Published June 2024. (file:///Users/admin/Downloads/Returnees%20Report%20JUN%202024.pdf)

<sup>6</sup> Number of refugee returnees in the period December 2014 – October 2024. UNHCR. Somalia Operational Update October 2024. Published November 2024. (<https://data.unhcr.org/en/documents/details/112589>)

<sup>7</sup> Accumulated number of spontaneous refugee returnees reported since the signing of the revitalized peace agreement in October 2018 to 31 August 2024. UNHCR Data Portal. South Sudan Country Page (<https://data.unhcr.org/en/country/ssd>)

<sup>8</sup> UNOCHA, South Sudan Country Page



In the EHAGL region, home to over 407 million people<sup>9</sup>, there is increasing pressure on the resources available for refugee management, because of multiple new refugee crises in other regions; the protracted nature of the refugee crisis in East Africa and the Horn; and the natural growth of existing refugees through family formation. In the period since the launch of this program in September 2022, until its completion in late 2024, the number of refugees and asylum seekers in the region has increased by 10% from 4.97million to 5.46 million.<sup>10</sup>

This has led to a realization that many refugee crises are frequently not short-term issues to be swiftly resolved, but long-term developmental challenges. It is also understood that it is to the benefit both of host countries and refugees that at least a portion of refugees be integrated into the host community society and economy, and that among those who will eventually return, many can make a significant contribution to sustaining themselves during their time as refugees. Increasingly development actors such as the World Bank, AfDB and leading donors are orienting their work to support development in host and refugee communities.

There is significant diversity in refugee management policies among the countries in the region. This variety of approaches provides valuable opportunities for countries to learn from each other's experiences.

This is not to suggest that all countries in the region should adopt a uniform approach to refugee management, as the political and economic imperatives vary depending on each country's unique circumstances. However, much can be learned from the experiences of others in effective refugee management, including how each addresses its internal political economy challenges. It is increasingly recognized that successful refugee management includes provisions for refugees with the skills and motivation to contribute to their own economic empowerment, even within the constraints of their refugee status. This approach benefits not only the refugees themselves but also strengthens the host economy and reduces the burden and costs of refugee management.

Both the East African Community (EAC) and the Intergovernmental Authority on Development (IGAD) are spearheading efforts towards a harmonized approach to refugee management in their respective regions.

The IGAD Policy Framework on Refugee Protection is a comprehensive document designed to harmonize refugee protection policies, legislation, and practices among IGAD Member States, promoting a more consistent and effective response to the challenges faced by refugees. The framework recognizes the regional nature of displacement challenges and seeks to complement individual Member States' efforts by promoting cooperation and coordination. It also builds upon existing regional commitments, such as the Nairobi Declaration and the GCR.

The framework outlines 11 key priority areas, including access to territory and reception procedures, registration and refugee status determination, access to civil registry and identity documents, and access to essential services. Notably, the framework emphasizes the importance of access to jobs, livelihoods, and self-reliance for refugees and asylum seekers.

This includes enhancing access to job opportunities, supporting local economic development initiatives, and facilitating access to market opportunities and financial services. The framework also prioritizes durable solutions, calling for coordination on voluntary repatriation, resettlement, and local integration. It advocates for creating conducive environments for sustainable return and reintegration, increasing resettlement opportunities, and pursuing local integration prospects for protracted refugee situations.<sup>11</sup>

The EAC is also currently working to finalize and adopt its Regional Refugee Management Policy. This policy aims to ensure a harmonized regional approach consistent with international standards, including access to quality asylum procedures, protection and assistance, and durable solutions.<sup>12</sup>

9 World Bank. *Development Indicators. Population, total - Burundi, Djibouti, Ethiopia, Eritrea, Kenya, Somalia, South Sudan, Sudan, Tanzania, Uganda, Rwanda*. Accessed August 2024. ([https://data.worldbank.org/indicator/SP.POP.TOTL?locations=BI-DJ-ET-ER-KE-SO-SS-SD-TZ-UG-RW&name\\_desc=true](https://data.worldbank.org/indicator/SP.POP.TOTL?locations=BI-DJ-ET-ER-KE-SO-SS-SD-TZ-UG-RW&name_desc=true))

10 Compare UNHCR Operational Data Portal and UNHCR Regional Bureau for the East and Horn of Africa, and the Great Lakes Region Quarterly Factsheet September 2022.

11 IGAD. *IGAD Policy Framework on Refugee Protection*. Published January 2024. (<https://igad.int/download/igad-policy-framework-on-refugee-protection/>)

12 East African Community, EAC and UNHCR sign MoU renewing cooperation in addressing refugee and asylum seekers issues in the region. Published 17 April 2023 (<https://www.eac.int/press-releases/148-immigration-and-labour/2776-eac-and-unhcr-sign-mou-renewing-cooperation-in-addressing-refugee-and-asylum-seekers-issues-in-the-region>). See also East African Community, EAC to partner with other stakeholders to improve refugee welfare in East Africa. 20 November 2023 (<https://www.eac.int/press-releases/148-immigration-and-labour/2968-eac-to-partner-with-other-stakeholders-to-improve-refugee-welfare-in-east-africa>)

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## 2. Barriers to Economic Empowerment for Refugees, Returnees and Host Communities in the Region

This section looks at common barriers to investment climate, proposed solutions and opportunities in areas of comparative advantage to promote trade and investment.

The investment landscape varies considerably across countries in the region, reflecting diverse economic conditions, policy environments, and sectoral opportunities. While some nations have successfully attracted significant foreign direct investment (FDI), others face ongoing challenges in securing international capital flows.<sup>13</sup>

For instance, Kenya emerged as a leader in attracting FDI in 2022, recording a 117% year-on-year increase in foreign investment, attracting 63 projects worth USD2 billion. This success stems from the country's diversified economy, with business services, technology, and transportation sectors proving particularly appealing to foreign investors. The country's growing reputation as a technology hub and its strategic position as a regional economic center have helped drive this investment boom.<sup>14</sup> Uganda presents an interesting case, having secured record-high FDI inflows of over USD10 billion in 2022, primarily driven by large investments in the oil and gas sector. This underscores the continuing importance of natural resources in attracting capital to the region, though it also raises questions about long-term sustainability and economic diversification.

Across the region, renewable energy is becoming an increasingly attractive sector for foreign investment, particularly in countries like Kenya. This trend aligns with global shifts towards sustainable development and could provide a pathway for countries in the region to attract more diverse and forward-looking investments.

While the overall investment climate in the region shows varied patterns and opportunities, this study focuses specifically on investment climate reforms that can enhance economic empowerment for refugees, returnees, and host communities, particularly women. In this context, it's important to consider how broader economic trends and investment patterns intersect with the unique challenges and opportunities present in refugee-hosting areas.

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<sup>13</sup> EY. *A Pivot to Growth: EY Attractiveness Africa*. November 2023 ([https://assets.ey.com/content/dam/ey-sites/ey-com/en\\_za/topics/attractiveness/africa-attractiveness-2023/graphics/new-graphics/ey-com-en-za-2023-ey-africa-attractiveness-report-nov.pdf](https://assets.ey.com/content/dam/ey-sites/ey-com/en_za/topics/attractiveness/africa-attractiveness-2023/graphics/new-graphics/ey-com-en-za-2023-ey-africa-attractiveness-report-nov.pdf))

<sup>14</sup> In contrast, Ethiopia, has experienced a decline in FDI. Political instability, conflict in the Tigray region, and economic policy uncertainties have led to a dramatic drop in foreign investment, from 34 projects in 2019 to just 6 in 2022. This stark reversal highlights the fragility of investment flows in the face of political and social upheaval. *Ibid.*

The strength and growth of the national economy play a crucial role in the successful absorption of refugees and returnees into host communities. A robust, expanding economy creates opportunities for more participants and generates demand for a wider range of goods and services, potentially benefiting both existing residents and newcomers. The economies of the region, like many regions globally, face complex challenges in attracting investment and building consumer confidence to drive robust economic growth.

It is encouraging to note that several countries in the region have made significant strides by implementing policies prioritizing economic development, yielding positive results.

While economic growth is a key component, it is important to recognize that multiple factors contribute to creating an environment conducive to refugee economic empowerment. Countries experiencing economic growth that outpaces population growth are better positioned to address the needs of both existing populations and new arrivals, be they refugees or returnees. Conversely, countries facing slower economic growth relative to population increase may encounter additional challenges in this regard.

Table 2 shows the recent per capita economic growth of the countries in the region, where 10-year data is available. This information is presented in real (inflation adjusted) income growth per person.

**Table 2. Per capita Real GNI growth 2013-2023<sup>15</sup>**

Country	Per capita economic growth %
Burundi	-1.49
Djibouti	3.47
Ethiopia	5.00
Kenya	3.28
Rwanda	4.06
Somalia	-
South Sudan	-
Sudan	-
Tanzania	2.24
Uganda	1.48

As is shown in Table 2, most countries of the region have achieved strong economic growth of over 3% per person, and in some cases even more robust economic growth during the last decade. This economic growth has been

achieved by establishing appropriate economic policies and regulations; the development of infrastructure; the development and exploitation of the region's natural resources, agriculture, mining and fisheries and their associated value chains; and establishing construction, manufacturing and services industries primarily serving the region's inhabitants. While not all countries have yet achieved robust economic growth, the success of others provides some signposts to economic growth. The challenge then moves to empowering those located in the peripheral regions and serving as host communities to refugee and returnee populations to participate in their own economic needs and support the growth of the regional and national economies.

## 2.1 Pathway to economic inclusion of refugees, returnees and host community women

The economic inclusion of refugees, returnees, and host community women presents both challenges and opportunities for host countries. Enabling these populations to contribute to a country's economy can potentially strengthen economic growth and alleviate the perceived burden associated with refugee populations. However, several obstacles impede the economic empowerment of these vulnerable groups. These barriers can be categorized into four main areas, each requiring targeted interventions:

- 1. Business enabling environment:** The regulatory and legal foundations for business activity affect all investors and entrepreneurs in a country, including refugees. A suboptimal business environment can impede economic growth, potentially exacerbating social tensions as various groups compete for limited economic opportunities.
- 2. Infrastructure deficiencies in refugee-hosting areas:** Refugee settlements are often located in border regions that frequently lack adequate physical and financial infrastructure. These areas may have limited road access, unreliable electricity supply, poor internet connectivity, and inadequate water networks. Additionally, their distance from urban centers often results in limited access to financial services, further constraining economic opportunities for refugees and host communities alike.
- 3. Refugee management regulations:** Some countries implement refugee management practices that can restrict refugees' economic participation. These range from regulations that prevent refugees from engaging in economic activities to limitations on accessing services such as banking and telecommunications, often due to refugees' unique documentation status.

<sup>15</sup> Source: World Bank World Development Indicators. For Kenya and Tanzania the most recent 10-year information period is 2012 to 2022. Data is not available for this period for Somalia, South Sudan and Sudan.



**4. Gender-specific barriers:** While many countries in the region have made progress in removing legal barriers to women's economic participation, societal attitudes and inadequate support systems continue to pose challenges. Services provided to refugee, returnee, and host communities often fail to account for women's family care obligations, limiting their ability to access economic opportunities effectively.

**5. Education barriers and gender inequality:** Limited access to quality education hinders economic opportunities for refugees. Gender disparities exacerbate this challenge, with girls and women facing disproportionate barriers at all levels of education. In the EHAGL region, secondary school enrollment is lower for refugee girls (16%) compared to refugee boys (25%), and the gap widens at the tertiary level, with only 1% of refugee women enrolled compared to 2.7% of refugee men. Addressing these disparities is crucial, as educated women are more likely to prioritize their children's education, fostering a cycle of learning and economic empowerment that can lift families and communities out of poverty.

These findings are supported by the 2023 UNHCR Global Survey on Livelihoods and Economic Inclusion, which provides a comprehensive overview of the economic landscapes and enabling environments for refugees and other displaced populations across 132 countries, with specific insights into the EHAGL region, which faces more significant challenges to economic inclusion compared to global averages.<sup>16</sup> For example, only 34% of refugees in the EHAGL region live in countries with unrestricted access to formal employment, significantly lower than the global average of 45%. A higher proportion (66%) of refugees in this region live in countries requiring work permits for employment access, compared to the global figure of 61%. The main barriers to formal employment in the EHAGL region differ somewhat from global trends. The most frequently reported barriers include the need for permits (residence, work); high unemployment/underemployment in the host economy; administrative and practical restrictions; prospective employers' lack of knowledge about refugees' rights and IDs; and restricted freedom of movement.<sup>17</sup>

The region fares comparatively better when it comes to entrepreneurship and self-employment. While 46% of refugees live in countries with unrestricted rights to own or lease property for business purposes (lower than the

global 63%), a higher percentage (68%) have access to entrepreneurship support, compared to the global figure of 37%.

Access to land for agriculture is more restricted in the EHAGL region, with only 45% of refugees living in countries offering unrestricted legal rights to use land, compared to 54% globally. However, 93% of those with land access also have access to water for agricultural purposes.

The region also lags behind in financial inclusion. Only 36% of refugees live in countries with full legal recognition of UNHCR or government-issued IDs for opening bank accounts, compared to 56% globally. Mobile money services are more accessible, with 53% having recognition for these services, closer to the global average of 58%.

The survey also affirmed that while all refugees encounter barriers to such as permit requirements, high unemployment in host economies, and administrative restrictions, women and older adolescents face additional obstacles to economic inclusion. Assessing restrictions to formal employment opportunities, it reports the primary barrier to be childcare and household responsibilities, including cooking, cleaning, and caring for elders. This is closely tied to the lack of affordable childcare or family care options.

Gender roles also play a pivotal part in restricting employment opportunities for women. In many cases, cultural norms dictate that certain jobs are exclusively for male family members, narrowing the field of potential occupations for women. A lack of information about employment opportunities further hinders women's access to jobs.<sup>18</sup>

Only when each of these clusters of challenges is addressed, will it be possible for women to effectively achieve greater economic empowerment.

The Pathway to Economic Inclusion, illustrated in Figure 1, is an analytical tool developed following a review of common challenges to refugee inclusion. It facilitates the analysis of several key areas related to refugee economic empowerment across all nine countries in this study, enabling a comprehensive assessment of the specific context in each country as well as allowing for cross-country and regional comparisons. Each segment represents a crucial aspect of full economic inclusion.

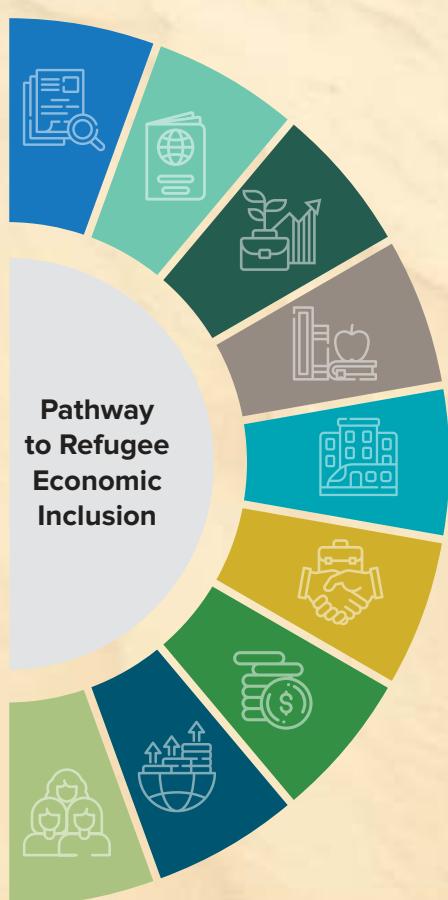
<sup>16</sup> UNHCR. *Global Survey On Livelihoods And Economic Inclusion Report – 2023*. Published December 2023. (<https://www.unhcr.org/media/global-survey-livelihoods-and-economic-inclusion-report-december-2023>).

<sup>17</sup> See UNHCR. *Global Survey On Livelihoods And Economic Inclusion Report – 2023* and UNHCR. *Regional findings for EHAGL*, unpublished presentation.

<sup>18</sup> Ibid. Other reported barriers include high female unemployment in host economies, administrative and practical restrictions, limited freedom of movement for women and girls, and lack of safe transportation or risks of gender-based violence when accessing work locations. The survey also notes that women refugees often lack the technical skills required for the labor market in host countries.



Figure 1. Pathway to Economic Inclusion



#### REFUGEE DOCUMENTATION

- Registration of refugee status
- Access to Refugee ID cards
- Awareness of refugee rights

#### FREEDOM OF MOVEMENT

- Encampment policy and movement restrictions
- Access to travel documentation

#### ENABLING BUSINESS ENVIRONMENT

- Conducive business laws and regulations
- Incentives for investors (e.g. tax, visa)
- Property rights
- Critical for both host community and refugees

#### ACCESS TO EDUCATION

- Access to quality education at all levels
- Recognition of prior skills and qualifications

#### LOCAL INFRASTRUCTURE QUALITY

- Availability of quality infrastructure to facilitate business activity (e.g. transport, energy, water, ICT)

#### RIGHT TO WORK AND DO BUSINESS

- Right to work, access to work permit
- Right to open business / obtain business license
- Access to productive land
- Driver's license

#### ICT & FINANCIAL INCLUSION

- Telecommunications access
- Access to finance: Opening bank accounts, Applying for credit/loans

#### FULL ECONOMIC INCLUSION

#### FULL ECONOMIC INCLUSION OF WOMEN



While the tool follows a conceptual refugee path, this does not indicate a linear progression from outer to inner layers. Rather, it illustrates the interconnected nature of these elements, all of which contribute to the central goal of full economic inclusion, especially for women. The non-sequential nature of this framework allows for flexible and context-specific approaches to refugee economic inclusion.

Depending on the specific situation in a country or region, policymakers and support organizations might prioritize different layers or work on multiple layers simultaneously. For instance, efforts to improve Information and Communication Technologies (ICT) & Financial Inclusion might occur alongside or even before addressing certain aspects of Freedom of Movement. Similarly, the enabling business environment might be developed concurrently with efforts to ensure the right for refugees to work and do business. This flexibility is a key strength of the framework, as it allows for tailored strategies that can adapt to the unique challenges and opportunities present in different contexts.

The tool follows a conceptual refugee path. It begins with asylum seekers obtaining refugee status and securing necessary documentation. This establishes their rights to participate in the host society and economy. The path then addresses refugees' freedom of movement, which involves removing barriers such as encampment policies and ensuring access to travel documentation. This is crucial for accessing resources, identifying market needs, and selling goods and services.

An Enabling Business Environment forms the next crucial layer, fostering a legal and regulatory framework conducive to private sector growth, benefiting both refugees and host communities. Access to Education, encompassing both formal schooling and recognition of existing skills, is vital for enhancing employability and long-term economic prospects. Local Infrastructure Quality ensures the physical and technological foundations necessary for economic activity.

The Right to Work and Do Business establishes the legal framework for economic participation, encompassing access to work permits, business licenses, productive land, and other essential authorizations such as driver's licenses. This is complemented by ICT & Financial Inclusion, which connects individuals to the modern digital economy and financial systems through access to electronic communication, bank accounts, and credit. These layers collectively contribute to Full Economic Inclusion, represented by the second innermost circle of the pathway.

At the core lies the ultimate goal: Full Economic Inclusion of Women. This emphasizes the importance of ensuring that

all services and opportunities are accessible to refugee women, often requiring tailored approaches to overcome gender-specific barriers. Examples include providing on-site childcare facilities to allow women with young children to engage in business activities without neglecting family responsibilities; and offering support with business registration and understanding local regulations, which can be particularly challenging for refugee women who may face language barriers or unfamiliarity with local systems.

Full economic inclusion, particularly for women, requires sufficiently strong performance on each of these criteria. Each set of issues constitutes a potentially binding constraint. For example, if refugees are empowered to work in a society and infrastructure is upgraded, but the business-enabling environment remains poor, little benefit will result. Conversely, if the business-enabling environment is robust, but refugees are not empowered to participate in the economy, they will not benefit.

Finally, to empower women, information and services must be provided in a format and manner that they can access and use, considering their unique challenges and responsibilities. This may include addressing cultural barriers, providing childcare support, or offering targeted training programs.

## 2.2 Business Enabling Environment

Sustainable jobs and economic production stem from entrepreneurs and investors initiating new business ventures and making additional investments, which require new workers to produce goods and services. Factors influencing these investment decisions include the nature of opportunities (e.g., mineral or agricultural wealth), geographic location, existing infrastructure, availability of skilled and committed workers, the size of the accessible market, and the competitiveness relative to other potential locations.

While some of these characteristics, such as location or market size, are difficult to change in the short term, and others, like major infrastructure, require time to improve, targeted improvements in actionable policy areas can stimulate investment and signal a government's commitment to creating a supportive investment environment.

The most readily alterable aspect of the investment environment is the business-enabling environment – the legal and regulatory framework that establishes the infrastructure and rules within which investors and entrepreneurs operate. This regulatory environment is within the government's purview to change, with some aspects requiring only legal amendments, while others necessitate establishing new institutions or practices.

Effective regulations can significantly impact the investment landscape by:



**Reducing Costs:** Streamlined processes for business registration, property rights, and regulatory compliance can lower the financial burden on businesses.



**Increasing Efficiency:** Clear and consistent regulations can reduce bureaucratic hurdles, allowing businesses to operate more efficiently.



**Providing Certainty:** A stable regulatory framework reduces uncertainty for investors, encouraging long-term planning and investment.



**Facilitating Market Access:** Regulations promoting fair competition and international trade can open new business opportunities.

Key elements of this regulatory environment include regulations to establish a company, access credit, register land ownership, access electricity, and other services, pay taxes, construct buildings, and trade with other countries, to name a few. By implementing effective and clear regulations in these areas, governments can influence the ease with which entrepreneurs and investors can capitalize on new opportunities.<sup>19</sup>

The transformation of Rwanda's business environment offers a compelling example of how regulatory reforms can improve a country's investment climate. In the early 2000s, Rwanda embarked on a comprehensive reform program to create a favorable and competitive business environment, more than tripling the value of investments from USD400 million in 2010 to USD2.008 billion in 2020.<sup>20</sup> For example,

the country made starting a business easier by exempting newly-formed small and medium enterprises from paying the trading license tax for their first two years of operation.<sup>21</sup>

Rwanda's commitment to creating an enabling environment for economic opportunity is evident in its impressive score of 63.4 out of 100 in the Ibrahim Index of African Governance's Foundations for Economic Opportunity category, significantly surpassing the regional average of 48.5.<sup>22</sup> Recent initiatives include exempting new SMEs from trading license taxes for their first two years and streamlining construction permitting processes. These and other incentives are guided by the Investment Promotion and Facilitation Law of 2021, which guides investment promotion in Rwanda and aims to enhance the country's competitiveness as an investment destination by expanding the list of eligible investors and the range of incentives available.<sup>23</sup>

Recent initiatives further underscore Rwanda's dedication to fostering a business-friendly atmosphere. The government has exempted new SMEs from trading license taxes for their first two years, streamlined construction permitting processes, upgraded the power grid, and refined labor regulations.

Governments aiming to stimulate entrepreneurship and investment often prioritize updating business regulations and institutions. Such actions are frequently perceived by investors as indicative of a government's commitment to fostering new business establishment and investment.

While legislative and regulatory changes can be enacted relatively quickly, implementation often requires careful consideration of diverse stakeholder interests.

19 Recording improvements in the business environment was made easier by the Ease of Doing Business methodology by the World Bank. Introduced between 2003 and 2005, this measure relies on a thorough annual review of the practical experience of investors in 190 countries on 10 measures for a standard hypothetical business investment. The Ease of Doing Business index comprises an average of 10 common business activities ranging from starting a company, through to securing credit, trading internationally to business closure. It rigorously recorded the cost, time taken and number of procedures for each activity. Considering matters solely from the investor's perspective, the measure was controversial but served as a valuable data point in understanding a country's international competitiveness and ability to attract investment and the resultant jobs and output. The clear and transparent measurement made it easy for governments to identify paths to improve investor-friendliness. The index itself, and particularly improvements in the Index, was widely used as a measure in a "beauty parade" of investor competitiveness, including being inserted in many ministerial performance targets, and became a key input in many global indices of competitiveness.

In the early years, as the data was refined, it was at times a frustrating measure to use as a country could regress by a few places on the index in several ways – by introducing "negative" reforms, which added to the burden on investors or by making no changes while others improved. However, it was also possible to drop in the rankings when new countries who scored better were added to the Index; or when refinements were made to the measures in its early years, or when a subsequent, more detailed review identified errors that the researchers had made in their assessment of the country in previous years. In 2020, the World Bank suspended the exercise, announcing plans to introduce a more robust measure, Business Ready, starting in 2024. The first edition of Business Ready was released October 2024.

20 Government of Rwanda. Economy and Business. Accessed June 2024 (<https://www.gov.rw/highlights/economy-and-business>)

21 World Bank. Business Reforms. Doing Business Archive. Accessed September 2024 (<https://archive.doingbusiness.org/en/reforms>)

22 IIAG. Ibrahim Index on African Governance 2022. Released January 2023. (<https://iiag.online/data.html>).

23 Rwanda Development Board. Investment Promotion and Facilitation Law of 2021. (<https://rdb.rw/wp-content/uploads/2022/02/Investment-code-2021.pdf>).



Existing investors, who have adapted their business models to the current regulatory environment, may express concerns about sudden shifts that could impact established practices or competitive dynamics. Balancing these considerations with the need for progress requires thoughtful dialogue and a phased approach to reform.

Various institutions have contributed significantly to measuring different aspects of countries' economic competitiveness and investment attractiveness. In Africa, the African Development Bank's Africa Economic Outlook and Annual Development Effectiveness Review are particularly noteworthy. For assessing the business enabling environment, the World Bank's Doing Business Index, last published in 2019 as "Doing Business 2020", has been a primary resource. The World Bank has launched a new initiative called Business-Ready to replace the discontinued Doing Business Report. Launched in October 2024, Business Ready assesses the business environment and investment climate in economies around the world, measuring the regulatory framework, public services impacting businesses, and how efficiently these elements function in practice. The idea is to provide data that

governments can use to make reforms that will strengthen their private sectors. Rwanda was among the first 51 countries included in Pilot 1 of Business Ready.<sup>24</sup>

Many countries have utilized the Doing Business Index to identify and learn from comparator countries with similar legal regimes that have managed to improve their regulatory environments. This approach has enabled them to adapt successful regulatory practices to their specific national contexts.

Table 3 illustrates each country's performance in the Ease of Doing Business Index. It presents their overall score out of 100, as well as specific scores for parameters crucial to small domestic businesses, including those established by host communities and refugees. These are: starting a business, accessing electricity, obtaining credit, registering property, and paying taxes. Note that the scores below are for national level. It can be reasonably assumed that scores in Refugee-Hosting Areas (RHAs) would not exceed these national figures. In fact, they are likely to be lower, given that these locations are often situated in remote and generally less developed regions of the host country.

**Table 3. Doing Business 2020 – Key Regulatory Indicators Relevant to Refugees, Returnees, and Host Communities**

Country	Overall Score	Starting a business	Getting electricity	Accessing Credit	Registering Property	Paying Taxes
Burundi	46.8	92.9	26.4	15	62.6	60.9
Djibouti	60.5	84.3	64.6	40	58.3	62.7
Eritrea	21.6	52.9	0	0	35.3	55.9
Ethiopia	48	71.7	60.1	15	50.9	63.3
Kenya	73.2	82.7	80.1	95	53.8	72.8
Rwanda	76.5	93.2	82.3	95	93.7	84.6
Somalia	20	46	0	0	48.2	0
South Sudan	34.6	71	0	10	177	76.7
Sudan	44.8	76.7	51.3	15	63.7	51.8
Tanzania	54.5	74.4	74.9	65	50.1	51.3
Uganda	60	71.4	48.4	60	53.6	73.1

Source: WB, Doing Business 2020

The score is a measure of how difficult and expensive it is for a small to medium businesses to access a service. The higher the score, the more supportive the business environment for medium and small businesses. At the most

basic, some measures compute the number of procedures, time and cost to access a service, while others look more carefully at the quality and reliability of the service received. Countries committed to improving their ease of

24 World Bank. Business Ready 2024. Washington DC, World Bank. 2024 (<https://www.worldbank.org/en/businessready>)

doing business can benchmark themselves against leading performers with a similar legal culture and copy legal and regulatory examples of good performance.

A comparison of the scores above reveals significant variations. For instance, getting electricity in the most efficient country in the region, which has streamlined the process of obtaining a standardized connection for new buildings, the process typically requires four procedures and takes approximately 30 days. While the cost, at around 2500% of average per capita income, remains substantial, the supply is generally reliable with established restoration procedures. In contrast, some countries in the region face considerable challenges in electricity provision, with processes that are not yet fully documented or standardized.

Regarding financial infrastructure, the leading country in the region has implemented both a publicly accessible credit registry and a debtor registry. These systems provide credit histories for over 15% of the population, enabling creditors to verify collateral security and assess repayment histories for a significant portion of potential borrowers. However, other countries in the region have yet to establish such comprehensive credit information systems. In some cases, the absence of reliable credit registries or credit bureaus creates significant obstacles for lenders in evaluating loan security and identifying credible borrowers.

Implementing reforms to the fundamental economic governance rules is a complex undertaking. It requires careful consideration of various stakeholder interests and may face resistance from established systems. However, historical patterns suggest that periods of significant

societal change, such as those experienced by several countries in East Africa and the Horn, can present unique opportunities for reform. During such periods, there may be increased public receptiveness to change, which can facilitate the reform process.

## Good Practice Examples

In 2006, the AfDB, in collaboration with other IFIs and public and private sector donors, launched the Investment Climate Facility.<sup>25</sup> This seven-year program provided support to countries seeking to enhance their investment climate. The initiative contributed to a period of robust reform on the continent, with several countries significantly improving their investment environment, thus fostering an economic growth surge often referred to as the African Renaissance.

Among the many reformers, Rwanda and Kenya emerged as the two countries in the region that achieved the most substantial improvements in their investment climate.<sup>26</sup>

Not coincidentally, these two countries have also enjoyed relatively strong economic growth. These countries, along with others in the region, have made significant strides in recent years to enhance their regulatory environments. Peer-learning has been a particularly effective tool in supporting this reform process, wherein countries convene with their counterparts to discuss in detail the various approaches they have adopted to address investment climate challenges. By understanding the policies implemented by their peers, countries have been able to develop and implement effective reform strategies.

### Achieving rapid improvements in investment climate –Best practices from Kenya and Rwanda

In an effort to modernize the laws, regulations, and institutions supporting business investment, many countries globally, including several in Africa, made significant progress in the first two decades of the 2000s. On a global scale, Rwanda stands out as the country that achieved the most substantial improvement in its rankings on the Ease of Doing Business index. Between 2007 and 2020, Rwanda enhanced its position from 158th out of 175 countries to 38th out of 190 countries – an advancement of 120 places. This remarkable progress has likely contributed to Rwanda's per capita growth rate of over 4% in the decade leading up to 2023.

Other top performers from the region include Kenya,

which improved its ranking by 39 places between 2010 and 2020, and Djibouti, which advanced 51 places during the same period. It is noteworthy that these three countries, along with Ethiopia, constitute the four nations in the region that have achieved per capita economic growth rates exceeding 3% in the decade leading up to 2023.

The working papers accompanying this report include case studies detailing how Rwanda and Kenya successfully implemented rapid reforms of their business regulatory institutions. These reforms resulted in global rankings of 38th and 56th, respectively, out of 190 countries in the 2020 Ease of Doing Business measure.

Source: World Bank, Doing Business 2020

25 AfDB. Project Brief – Investment Climate Facility. Published 28 August 2015 (<https://www.afdb.org/fr/documents/document/project-brief-investment-climate-facility-56220>)

26 World Bank. Doing Business 2020. Washington DC, World Bank.



## 2.3 Weak physical and financial infrastructure in refugee-hosting areas

While challenging regulatory environments and limited infrastructure can hinder investment throughout the economy, these barriers are often more pronounced in peripheral areas of a country, which frequently host refugee populations. These areas are often characterized by significant infrastructure gaps and limited economic prospects. Refugee-hosting locations are typically situated in remote areas, often near national borders. The selection of these sites may be influenced by various factors, including the availability of unused land and other strategic considerations.

The existing infrastructure deficiencies in these areas further exacerbate the challenges faced by host communities in attracting and sustaining investment. This combination of factors—remoteness, limited infrastructure, and the presence of refugee populations—creates a complex environment that requires targeted interventions to stimulate economic development and improve living conditions for both host and refugee communities.

Regions hosting refugee communities often face disproportionate challenges related to regulatory environments and infrastructure. Historically, before the widespread adoption of technology and digitization, investors and entrepreneurs were required to visit government offices in person, typically located in capital cities or regional centers. This posed significant logistical challenges for those based in outlying regions. In cases of substantial governmental and administrative decentralization, this issue is somewhat mitigated by the availability of services at regional centers. Modern regulatory systems, which extensively utilize technology, online databases, and digital applications, have improved accessibility to government services for those in areas distant from capital cities. However, the effectiveness of these systems often depends on reliable internet connectivity and digital literacy.

Perhaps more critical than access to regulatory services is the state of infrastructure in areas remote from urban centers, where refugee communities are typically located. These distant regions frequently face challenges such as:

- Limited transportation infrastructure, including poor road conditions
- Insufficient power networks
- Inadequate access to water systems
- Limited or non-existent connectivity to ICT networks

Additional investment in infrastructure is crucial to enable these remote areas to participate more fully in the regional economy. Such investment can itself drive economic growth, particularly as the construction sector tends to be labor-intensive. As infrastructure challenges are specific to individual countries, they are addressed in more detail in the respective country chapters in Section 4.

A major opportunity for economic growth lies in enhanced trade, particularly at the regional level. Both the EAC and IGAD have made progress in enabling their member countries to strengthen regional trade, but there remains considerable potential for further development in this area. Strengthening regional trade would require improvements to cross-border trade routes and customs management procedures.

Cross-border trade represents a significant opportunity where refugees, with their strong connections to adjacent countries, can play a valuable role in fostering stronger trade relationships. Their unique position and knowledge of multiple markets can contribute to the development of more robust and diverse regional economies.

Existing instruments, such as the EAC's Simplified Trade Regime (STR), offer a framework to capitalize on these opportunities. The STR is a special provision under the EAC Customs Union protocol designed to promote cross-border trade, particularly benefiting small-scale traders. It caters to goods wholly produced within the EAC, including live animals, agricultural produce, and manufactured goods. By simplifying clearing procedures and reducing bureaucratic barriers, the STR aims to formalize and stimulate cross-border economic activities.<sup>27</sup>

The STR's objectives align well with the potential contributions of refugee communities to regional trade. By providing a streamlined process for small-scale cross-border trade, the STR can serve as a valuable tool for refugees looking to leverage their cross-cultural knowledge and networks. This synergy between existing trade facilitation mechanisms and the unique capabilities of refugee populations presents an opportunity to enhance economic integration in border regions, strengthen regional supply chains and market linkages, promote the formalization of trade activities that might otherwise occur through unofficial channels, all while providing legitimate economic opportunities for refugee communities.

Consultations conducted during this study revealed limited familiarity with the STR and the list of common traded goods among potential beneficiaries, including refugee communities. This knowledge gap may hinder full utilization of the regime's benefits. There is an opportunity to develop

<sup>27</sup> EAC. *Simplified Trade Regime*.

targeted programs that could enhance understanding of the STR's mechanisms and benefits. Such initiatives could empower refugees and other traders to participate more effectively in cross-border trade. The current limitations on

the origin radius for STR-eligible goods may inadvertently restrict participation. Expanding this radius could potentially increase opportunities for refugee involvement in cross-border trade.

### Integrating refugee and host communities

As observed, certain countries, including **Uganda**, **Rwanda**, **Somalia**, and **Djibouti**, have consistently implemented policies aimed at integrating refugees within their communities for the duration of their stay in the host country. Other countries have come to recognize the value of establishing integrated communities rather than isolated "refugee camps". Countries that permit free movement of refugees sometimes limit the services available to refugees outside designated settlement areas. Within these settlements, UNHCR and protection-focused NGOs bear the cost of service provision.

More recently, other countries have begun exploring integrated refugee and host community models. Kenya has established an integrated settlement at Kalobeyei in the Kakuma region, designed to offer the full range of services typically found in a regional town of comparable size. Additionally, **Kenya** has developed plans for a similar settlement in the Garissa region. **Ethiopia** has announced intentions to initiate integrated settlements, with one planned for Kebribayah in the Somali region, although progress has been gradual. **Burundi**, while partially relaxing its previously strict refugee movement

restrictions, has recently established a settlement for refugees in Giharo, where refugees live under conditions similar to those of the local community and share social services such as schools, health centers, and markets.

While the establishment of such integrated communities requires significant investment, it lays a stronger foundation for healthier socio-economic development and provides refugees with livelihood opportunities.

Showcasing its commitment to socio-economic inclusion and refugee self-reliance, Kenya has introduced the Shirika Plan, a transformative initiative by the Government of Kenya and UNHCR designed to transition refugee camps into integrated settlements. The plan builds on the Refugee Act No. 10 of 2021, providing refugees with better opportunities, rights, and access to services and employment. The plan, aligned with various international and national commitments and frameworks, involves a multi-stakeholder consultative approach, including refugees, host communities, government bodies, and various agencies.<sup>28</sup>

## 2.4 Specific challenges facing refugees

Refugees encounter challenges stemming from both the often underdeveloped investment environments of host countries and the infrastructural limitations of peripheral regions. Additionally, they face a unique set of economic empowerment challenges directly related to their refugee status. Various countries have addressed these issues differently, with varying degrees of effectiveness. While each country has its own political and administrative culture and challenges, precluding a one-size-fits-all approach, there are opportunities for countries to learn from both positive and negative experiences of others in implementing effective policies. The diverse approaches to refugee management adopted by countries in the region offer valuable learning experiences on key issues concerning refugee economic empowerment. This section outlines some of the primary constraints faced by

refugees and highlights effective approaches adopted by participating countries, potentially forming a foundation for peer learning and exchange of best practices among member countries.



### Refugee status determination (RSD) backlogs:

Generally, when individuals or families request asylum at a border or within a country, they are transported to a transit camp where refugee status determination procedures are conducted to assess their eligibility. While this process can be completed relatively swiftly in some cases, many countries experience considerable backlogs, resulting in delays of several years before status determinations are finalized. Until the RSD process is completed and asylum seekers are issued refugee identity documentation, they do not have access to the rights accorded to recognized refugees. In some countries in the region, such as Djibouti, the 2017 National Refugee Law provide refugees and asylum seekers with

<sup>28</sup> UNHCR. Joint Statement by the Government of Kenya and the UN High Commissioner for Refugees: High Level Dialogue on the Shirika Plan. 20 June 2023. (<https://www.unhcr.org/africa/news/press-releases/joint-statement-government-kenya-and-un-high-commissioner-refugees-high-level>)



equal rights to access basic services and economic opportunities.

Most countries have granted *prima facie* refugee status to certain categories of refugees, often in response to widespread instability and where the host country does not anticipate extensive security concerns. This practice can significantly reduce the caseload.

Countries such as Uganda have extensively utilized the *prima facie* approach to avoid creating a large and burdensome caseload of RSD cases. Most countries have accepted and made significant use of assistance offered by UNHCR and NGO clusters to support the RSD process. Even when security and other concerns have led to a significant requirement for RSD, the effects can be mitigated. For example, Djibouti's 2017 National Refugee Law accords asylum seekers with the same rights as refugees to access services and opportunities. Uganda goes further, adopting an open-door policy for refugees with a streamlined refugee attestation and registration process, after which refugees receive their identity cards. Burundi has also recently introduced a New Settlement Policy. In collaboration with UNHCR, government opened a new site for refugees in Giharo, Rutana province, where refugees can live under the same conditions as the local community and share social services such as schools, health centers, and markets.



**Freedom of movement:** Host governments have adopted refugee management policies ranging from full encampment, where refugees are required to stay within the refugee camp and a designated perimeter around it, to total freedom of movement, where refugees can locate themselves anywhere within the host country's borders. Some countries, including Djibouti, Rwanda, Somalia, and Uganda, allow refugees to choose their place of residence, although protection services are usually offered only in designated refugee locations. Other countries, including Burundi and Ethiopia, are cautiously experimenting with providing greater freedom of movement, sometimes offering it only to refugees of certain nationalities or allowing refugees to locate together with the host community in broader, less strictly demarcated zones. Kenya has established a successful integrated community in the Kakuma-Kalobeyei area and is developing plans to establish similar communities in other areas, including Garissa.

These varying approaches to refugee movement and integration are also impacted by regional frameworks, particularly the EAC Common Market Protocol. As the region moves towards greater economic integration, there's

growing pressure to harmonize policies on the movement of people, including refugees. The Protocol provides for the free movement of goods, people, labor, services, and capital among member states. While its full application to refugees remains a work in progress, it's beginning to shape discussions on refugee policies in countries like Uganda and Rwanda, which are already EAC members, and Somalia, which joined in December 2023. This regional framework could potentially lead to more uniform and liberal policies on refugee movement and integration across the region, although security concerns and national sovereignty considerations continue to influence individual country policies.

Countries in the region vary in the rights they accord to approved refugees. Beyond potential movement restrictions, only some countries permit refugees to work or obtain work permits, acquire business licenses, access banking facilities, own or lease fixed property, obtain driver's licenses, access credit, or even secure mobile phone connections.



**ICT and Financial Inclusion:** Some countries require applicants to present a national identity document to open a bank account. As mobile phones often enable mobile electronic banking services, this restriction can extend to precluding access to SIM cards. While these regulations might have been adopted for other reasons, such as encouraging the uptake of new national identity documents or meeting anti-money laundering requirements, the net effect is to prevent refugees from accessing key mobile or banking services. Countries following this approach could consider adopting alternative policies to achieve these ends.



**Employment Rights:** A significant obstacle is the high unemployment levels across all countries in the region, leading to a common preference among businesses to offer open positions to unemployed fellow nationals. Even when refugees are accorded employment rights, they are often treated the same as other foreigners, requiring employers to prove that no national citizen can be found with the required skills. This can be an onerous bureaucratic task, especially where there is uncertainty regarding the equivalency of skills acquired in different countries.



**Opening and Operating a Business:** In some cases, governments do not accord refugees the right to legally conduct business in a country, either by not allowing it in law or by setting administrative requirements that refugees are unable to satisfy. This prevents refugees from attempting to contribute to their own incomes or forces them to operate in ways that make them vulnerable to business, health and safety, or tax inspectors, potentially leading to irregular payments to avoid prosecution. Even when it is legal to open and

operate a business, effective operation can be hampered by movement restrictions, limiting entrepreneurs' access to supplies, markets, business support services, or market opportunities. Uganda, Rwanda, and Somalia are among the countries in the region that make it easiest for refugees to legally open and operate a business.



**Access to basic services:** Access to certified education and training opportunities for refugees and their children is crucial to enable refugees to conduct their businesses, as is the ability to receive treatment for illnesses and accidents. While UNHCR supports the cost of access in many refugee areas, it can be difficult to access these services if refugees are located outside designated refugee areas and unable to access national systems. Additionally, it is important that there are sufficient resources, such as schools, teachers, clinics, and medical staff, for both refugees and host community members to access quality healthcare and education. This is a challenge for all countries in the region.



**Recognition of Qualifications:** Many refugees have obtained educational and training qualifications that are not recognized in the host country. Without adequate recognition systems to harmonize and assess the quality of the training, education, and prior learning experiences of refugees and returnees, host countries are losing the opportunity to draw on refugees' skills in their new environment. To secure the benefits of prior qualifications and experience, refugees and returnees need access to systems that recognize their prior learning and support their equivalency. Both IGAD and EAC have put considerable effort into this area. The IGAD Qualifications Framework, for example, aims to enhance transparency, comparability and recognition of

qualifications across IGAD member states. It serves as a regional mechanism for harmonizing qualifications, facilitating credit transfer and mobility, creating common standards, and improving quality assurance in education and training systems within the IGAD region. The framework is designed to support member states in developing their own national qualifications frameworks while promoting regional integration, lifelong learning opportunities, and improved employability for learners and workers across East Africa and the Horn of Africa. Kenya already demonstrates good practice, with an effective system in place to recognize and equate secondary and tertiary qualifications earned at universities outside the country. Furthermore, the African Continental Qualifications Framework represents a comprehensive policy initiative to achieve continental harmonization of education in Africa, providing an overarching structure that aligns with and supports both the IGAD and EAC frameworks while promoting broader cross-regional recognition of qualifications.



**Awareness of Refugee Rights:** Refugees often encounter challenges when accessing services, particularly with local financial institutions, mobile phone operators, and law enforcement agencies. This stems from a general lack of awareness of refugee rights across both public and private sectors. Integrating refugees into the national ID system, such as by providing access to National Identification Numbers, could significantly improve this situation. UNHCR and IGAD are well-positioned to assist national authorities in promoting a broader understanding of refugee rights and, where appropriate, support efforts to include refugees in updated identity systems.





**Administrative Barriers:** In many cases, while rights are formally made available to refugees, the administrative processes to obtain those rights effectively preclude access. For example, a country might allow refugees the right to obtain a mobile phone connection, but the administrative requirements might demand a national identity certificate, thus effectively denying refugees that right. One way to address such bureaucratic issues is to operate a mobile office with representatives from key government and private sector agencies, traveling from location to location with a mandate to help refugees meet various documentation requirements. Kenya's Huduma and Biashara Centers, which provide sometimes mobile one-stop centers for refugees to address various national and local government issues, exemplify how to tackle this issue.

There is wide variation in the rights accorded to and restrictions placed on refugees among the countries in the region. These are noted and discussed in greater detail within each country chapter.

### 2.5 Specific challenges facing returnees

Returnees face unique challenges upon repatriation. When conditions are deemed safe for return, refugees must reintegrate into their home societies, which may have evolved in their absence. In some instances, returnees find their assets have been reallocated during their time away. To address this, countries experiencing significant returnee influxes often establish specialized legal frameworks to expedite the resolution of property disputes involving returning residents.

A prevalent issue for returnees concerns documentation. Countries anticipating substantial returnee populations should implement measures to accommodate civil and educational records that may be incomplete or were obtained in host countries during displacement. Addressing these matters effectively requires collaboration with regional bodies such as the EAC and IGAD, as well as UNHCR. The expertise of these organizations in supporting returnee groups can assist countries in developing appropriate legislation to manage property disputes and documentation requirements.

It is important to recognize that returnees also bring valuable assets to their home countries, including international connections, diverse skills, and experiences that can contribute to enhancing cross-border trade. Nations can leverage this knowledge by implementing specialized cross-border trading regimes, which can serve as a foundation for robust intra-regional trade.

One example of cross-border opportunities is Tanzania's system aimed at formalizing cross-border seasonal labor migration by issuing seasonal migrant passes to Burundian returnees (and all eligible Burundians) residing along the border. This permit allows eligible individuals to obtain temporary work rights in Tanzania for an initial 30 or 60 days, with the option to renew. The Seasonal Migrant Pass System is designed to address labor shortages in critical sectors by facilitating the temporary entry of foreign workers. It is an essential mechanism for meeting workforce demands during peak periods in agriculture, construction, hospitality, and forestry. At the same time, it offers a legalized pathway for Burundian returnees to benefit from employment opportunities in Tanzania, enabling them to diversify their household livelihood portfolio after returning to their home country.



03





### 3. Common Gender-specific Barriers to Economic Inclusion

Approximately 75% of refugees in the region are women and the children under their care. While there are barriers to economic inclusion commonly faced by all affected populations, women encounter additional obstacles in achieving economic empowerment.

These challenges, documented in a separate working paper, persist despite the repeal of most legal gender-based discrimination in the region. The main gender-based obstacles to women's economic empowerment can be categorized as follows:

#### 3.1 Refugee Issues as Women's Issues

The majority of refugees are women and children, who often are the first to flee violent situations. This trend is also observed among returnees, where families may send women and children ahead to assess conditions while men remain to maintain fragile economic livelihoods established in exile. Consequently, the challenges faced by refugees disproportionately affect women, making refugee economic empowerment and access to livelihoods primarily a gender issue.

#### 3.2 Limited Access to Basic Services

While all refugees face limited access to basic services, women are particularly affected by:

- Inadequate health services, especially in childbirth and maternal health facilities
- Limited WASH (Water, Sanitation and Hygiene) facilities, which particularly impact school-going girls who may miss classes due to menstruation
- Insufficient education opportunities, especially at secondary and tertiary levels
- Insufficient security and safety services in environments where community structures have broken down, leading to increased vulnerability to sexual and gender-based violence

These issues, while not typical investment climate concerns, become obstacles to economic participation by hindering women's access to education, training, and economic activities. See the working paper titled Regional Gender Analysis that was produced as part of this program for detailed discussion on the challenges women face in pursuing economic self-sufficiency in refugee environments.

### **3.3 Awareness of Refugee and Women's Rights**

Despite commendable progress in addressing legal and regulatory barriers to women's participation in the economy and society, community expectations have not evolved at the same pace. This disparity is often more pronounced in temporary and unsettled refugee environments. Additionally, local-level officials and private sector representatives may not fully understand or implement updated refugee rights, leading to continued discrimination in access to jobs, banking facilities, and other services.

In certain countries, including Burundi, the legal framework regarding women's land rights presents significant challenges. While customary practices predominantly govern land access, these traditions often do not align with principles of gender equality. Women, especially those returning from displacement, frequently encounter obstacles when seeking to utilize land resources. This situation is further complicated by the limited legal recognition of various forms of partnerships, which can impede women's ability to assert their land rights effectively. Consequently, many women face difficulties in securing the resources essential for participating in economic activities. Addressing these complexities requires a nuanced approach that considers both legal reforms and cultural sensitivities.

### **3.4 Unequal Access to Services**

Even when services are offered in a gender-neutral manner, women often face greater difficulties in accessing them due to:

- Perceptions that women should not be involved in business
- Structural barriers in accessing credit and other business requisites

- Caregiving responsibilities for children, elderly, and disabled relatives
- Safety concerns in communities where traditional social order has been disrupted
- These challenges affect women's ability to access licenses, permits, and training courses.

The expectation of a woman's role of caring for children, aged and handicapped relatives, and the very real dangers of assault which they face in communities where the traditional social order has been disrupted, create further challenges to be addressed by those providing services to women. This challenge holds as much for visits to access a license or permit as it does to attend training courses.

To ameliorate some of these challenges, steps which can be taken now include:

Extensive and ongoing awareness-raising programs on women's legal rights both in the country of asylum, and home country, as a means to begin to bring community attitudes into line with current legislation. This should be mirrored by awareness programs of refugee rights. To the extent that more people have a strong understanding of refugees' rights in the society, it will become easier for refugee men and women to access these rights. Similarly, the evolution of community expectations can be accelerated by greater awareness programs supported both by officials, UNHCR, and donors.

Given that most economic actors in refugee areas are women, those providing services, both government and private, need to consider how these services will be accessed by refugee women and then structure the delivery of the services to accommodate the requirements of the intended clients.

These minimum requirements are to ensure access by women for all countries in the region. Other specific proposals on addressing gender-specific barriers to economic empowerment will be noted in specific countries' cases.

### 3.5 Proposed Solutions

To address these challenges, the following steps are recommended:

- Implement extensive and ongoing awareness-raising programs on women's legal rights in both countries of asylum and origin. This should include refugee rights awareness programs to facilitate easier access to these rights for both refugee men and women.
- Encourage service providers, both governmental and private, to consider how their services can be accessed by refugee women and structure service delivery to accommodate the specific requirements of this client base.
- Ensure that all countries in the region meet minimum requirements for women's access to services.
- Develop and implement country-specific proposals to address gender-specific barriers to economic empowerment.
- These measures aim to create a more inclusive environment for refugee women, enabling their economic empowerment and contribution to host communities.



# 04





## 4. Solutions and Areas of Regional Comparative Advantage to Promote Trade and Investment

An analysis of the policies and responses across the region reveals a diverse array of opportunities and challenges.

The varied policy approaches among countries provide valuable learning opportunities for policymakers. To enhance the investment climate for the economic empowerment of refugee, returnee, and host community women, policies differ in terms of both national investment climate and refugee management strategies. Addressing these challenges creates opportunities for economic empowerment, particularly through infrastructure improvements—including roads, energy, and trade facilities—and expanded access to credit.. The geographic diversity within the region also presents opportunities across various economic sectors.

Progress requires action at both regional and national levels. Two countries in the region have implemented private sector business regulations and established institutions that strongly support economic growth, presenting an opportunity for peer learning. Similarly, countries with successful refugee management policies that foster economic empowerment can share valuable insights with those still developing their approaches. Upgrading infrastructure in remote refugee locations and improving access to energy and ICT creates opportunities for regional collaboration. This collaboration can simultaneously support deeper cross-border trade.

Refugees themselves offer a unique opportunity to boost cross-regional trade, potentially through special refugee visas that leverage their existing networks and knowledge of cross-border markets. Many opportunities have both national and regional dimensions. Agriculture stands out as a particularly strong growth sector within the region, with the greatest potential lying in improving value chains, including cross-border networks for both inputs and outputs. Water management also necessitates a regional approach, reflecting the transboundary nature of river systems.

Creating an enabling environment for refugees to access economic opportunities not only enables them to contribute to the regional economy, but also reduces pressure on the host communities. The subsequent section of this report examines the challenges facing individual countries, while the Annex presents a roadmap for addressing these challenges and capitalizing on growth opportunities at both regional and country levels.

# 05





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## 5.1 BURUNDI



Burundi, a small landlocked country in East Africa with an estimated population of 12.6 million in 2022, is host to 342,300 persons of concern, including 252,149 assisted returnees, 90,786 refugees in camps and urban areas, and 86,000 IDPs.<sup>29</sup>

Most refugees in Burundi are from the Democratic Republic of the Congo (DRC, 98.8%). These refugees

are primarily hosted in five camps in the eastern and north-eastern regions of the country. A sixth refugee site was established in 2024 in the southern province of Rutana. Ruyigi Province, identified by the Burundian government as a focus area, hosts two refugee camps, Nyankanda and Bwagiriza, accommodating a total of 39,800 refugees and more than 68,000 Burundian returnees as of June 2024.<sup>30</sup>

Table 4. Populations of Concern in Burundi

<b>342,300*</b> Total Population of Concern	<b>90,786*</b> Refugees and Asylum Seekers	<b>39,943**</b> Refugees and Asylum Seekers in Ruyigi camps	<b>71,029**</b> Total Returnee population in Ruyigi

\* UNHCR Operational Data Portal, Burundi Operational Map, 31 October 2024

\*\* UNHCR Operational Data Portal, UNHCR Ruyigi Sub-Office Operational Map, 31 October 2024

### 5.1.1 Burundi's Economic Outlook

Burundi's economy faces significant challenges, with negative per capita economic growth over the past decade. The country's total GDP in real terms grew by 10.9% between 2012 and 2021, but the population increased by

28.1%, resulting in a 13.4% decline in GDP per capita over this period.<sup>31</sup> This decline in average incomes has put significant pressure on the society, particularly when trying to accommodate additional entrants such as refugees and returnees.

29 UNHCR Operational Data Portal, Burundi Operational Map, 31 October 2024. (<https://data.unhcr.org/en/documents/details/112408>). For IDP figures, see UNHCR Operational Data Portal, Regional Dashboard RB EHAGL: IDPs Dashboard - 31 Oct 2024 (<https://data.unhcr.org/en/documents/details/112687>)

30 UNHCR Operational Data Portal, Ruyigi Sub-Office Operational Map, 30 June 2024. (<https://data.unhcr.org/en/documents/details/109862>).

31 World Bank World Development Indicators. 2022 (<https://databank.worldbank.org/source/world-development-indicators>).

### 5.1.1.1 Key Economic Indicators

Despite these challenges, recent data from the AfDB's African Economic Outlook 2024 show signs of economic recovery. Real GDP growth rose from 1.8% in 2022 to 2.8% in 2023, driven mainly by industry (up 4.7%) and services (up 2.7%) on the supply side and by public investment and private consumption on the demand side.<sup>32</sup>

The economy remains heavily reliant on agriculture, with approximately 85% of the population employed in this sector. However, the agricultural sector remains largely traditional and non-mechanized. The country's economic challenges are further compounded by its high population

density and limited land area, creating significant pressure on resources, particularly land.

Inflation remains a significant concern, rising from 18.8% in 2022 to 27.1% in 2023, driven mainly by food prices, weak agricultural production, and currency depreciation.<sup>33</sup> The fiscal situation showed some improvement, with the budget deficit narrowing from 5% of GDP in 2022 to 3.7% in 2023. However, public debt rose from 68.4% of GDP in 2022 to 72.7% in 2023, and the risk of external and global debt distress remains high. On the external front, the current account deficit improved considerably from 13.7% in 2022 to 8.2% of GDP in 2023.<sup>34</sup>

## Major industries and sectors

Burundi's economy is primarily based on agriculture, which accounts for a significant portion of GDP and employs the majority of the population. Key sectors include:



### Agriculture and Agribusiness

This sector dominates the economy, with coffee and tea being major export crops. Burundi has potential for growth given its fertile agricultural land and strategic location for regional trade. With appropriate reforms and investment, the country could leverage its agricultural strengths and regional connections to reverse low growth trends.



### Mining

As of 2019, the mining industry overtook tea and coffee

as the leading source of foreign currency, producing mainly gold, niobium, tin, and tungsten.



### Manufacturing

This sector is limited but includes food processing, textiles, and consumer goods production.



### Services

Including trade, transportation, and public administration.<sup>35</sup>

The AfDB's outlook for Burundi is cautiously optimistic, projecting real GDP growth to increase to 4.6% in 2024 and 5.9% in 2025. However, significant risks remain, including potential impacts from global events, climate hazards, and regional security concerns.

### 5.1.2 Current Investment Climate

Burundi's investment climate faces a number of obstacles

to economic growth and private sector development. Since 2015, the country has struggled to maintain its earlier reform momentum.<sup>36</sup> Governance indicators reflect these challenges, with Burundi's overall governance score for 2022 at 40.4 out of 100, below the regional average of EAC member states (46.3).<sup>37</sup> Burundi scored 42.5 (out of 100) for Foundations for Economic Opportunity, again lower than the regional average for the EAC (48.5).<sup>38</sup>

<sup>32</sup> AfDB. *African Economic Outlook 2024: Driving Africa's Transformation -- The Reform of the Global Financial Architecture*. Country Note: Burundi. 2024, pg. 201. (<https://www.afdb.org/en/knowledge/publications/african-economic-outlook>).

<sup>33</sup> AfDB. *Africa Economic Outlook 2024*, Country Note: Burundi. 2024

<sup>34</sup> *Ibid.*

<sup>35</sup> International Finance Corporation (IFC). *Creating Markets in Burundi: Leveraging Private Investment for Inclusive Growth*. Country Private Sector Diagnostic. 2022.

<sup>36</sup> In the World Bank's Ease of Doing Business Index, Burundi ranked 166th out of 190 countries.

<sup>37</sup> IIAG . Ibrahim Index on African Governance 2022. Released January 2023. (<https://iiag.online/data.html>).

<sup>38</sup> *Ibid.*

Infrastructure, particularly access to energy as well as internet and computers, remain significant hurdles to exploiting economic opportunity.<sup>39</sup> Similarly, the World Bank's Doing Business Index ranked Burundi 166th out of 190 countries in 2020, indicating a challenging regulatory and business environment.<sup>40</sup> More recently, the economic situation has been aggravated by the El Niño flood emergency and recurrent fuel shortages. Notably, the worsening scarcity and high cost of fuel have become key factors exacerbating the socio-economic crisis.

**Key challenges in the investment climate include:<sup>41</sup>**

**i) State dominance:** The economy is characterized by significant state and party control, with many state-owned enterprises controlling key sectors. The tradeable sectors are dominated by state-owned entities (SOEs), which require structural reforms to improve their productivity and competitiveness.<sup>42</sup> This in turn affects the development of cooperatives and private sector participation in agriculture and value chains. Cooperatives play a crucial role in facilitating economic activity in Burundi, and the cooperative model is prevalent throughout the country. Joining a cooperative can facilitate access to communal land, making it an attractive option for many. ANACOOP (L'Agence Nationale de Promotion et de Régulation des Sociétés Coopératives au Burundi), the national cooperative agency, offers financial assistance to cooperatives.

**ii) Infrastructure gaps:** There are significant deficiencies in key infrastructure, including energy, ICT, and water. Affordable and reliable infrastructure, digital connectivity and efficient logistics and transport services are essential for reducing production costs and linking firms to markets.

**iii) Underdeveloped financial sector:** The financial sector lacks depth, with limited access to credit for small businesses. Private sector lending lags behind regional averages, with domestic credit to the private sector representing only 22% of GDP in 2020, compared to the Sub-Saharan African average of 38%. Digital financial services are also relatively nascent, with mobile money

penetration standing at only 1% in the country in 2020. Significant numbers of the population remain unbanked with similarly low rates of mobile phone ownership compared to regional averages. Microfinance institutions give access to formal financial systems, but many are accessible mainly in Bujumbura.<sup>43</sup>

**iv) Land issues:** Land scarcity and disputes over land ownership create challenges for investment, particularly in agriculture. Enhancing legal security and transparency in land tenure management is crucial for boosting private sector investments.

**v) Exchange rate disparities:** Gradually converging the country's official and parallel exchange rates has been identified as a key reform priority to improve the investment climate.

**vi) Skills gap:** There is a shortage of adequately skilled workers and trainers, misalignment between training programs and market needs, and limited economic opportunities in refugee-hosting areas.

These challenges have implications for several thematic issues identified as critical for the economic inclusion of populations of concern in Burundi, including agriculture and value chain development, infrastructure and cross-border trade, as well as skills development.

Despite these challenges, Burundi has potential in several areas, including agricultural development, regional trade opportunities through EAC membership, and mineral resources. Burundi has fertile land suitable for various crops, including coffee, tea, and horticulture, and agribusiness and agroforestry has been identified as a sector with untapped potential. In addition, the country's abundant mineral deposits, including nickel, rare earths, and gold, could attract investment if managed transparently.<sup>44</sup>

<sup>39</sup> IIAG. *Ibrahim Index on African Governance 2022. Burundi Country Profile*. Released January 2023. (<https://assets.iiag.online/2022/profiles/2022-IIAG-profile-bi.pdf>).

<sup>40</sup> World Bank. *Doing Business 2020: Burundi*. Washington DC, World Bank. 2020.

<sup>41</sup> Here and below, key challenges drawn from IFC Burundi Country Private Sector Diagnostic and verified during scoping mission consultations and Public Private Dialogues hosted in Bujumbura as part of this Regional Program.

<sup>42</sup> IFC. *Creating Markets in Burundi*.

<sup>43</sup> GSMA. *Mobile Money Enabled Cash Assistance: User Journeys in Burundi*. Published December 2020 ([https://www.gsma.com/solutions-and-impact/connectivity-for-good/mobile-for-development/wp-content/uploads/2020/12/M4H\\_Burundi\\_User\\_Journeys.pdf](https://www.gsma.com/solutions-and-impact/connectivity-for-good/mobile-for-development/wp-content/uploads/2020/12/M4H_Burundi_User_Journeys.pdf))

<sup>44</sup> Ibid.



Recent governance trends show some promise. While Burundi's overall score has declined over a decade, the past five years have seen improvements. Notably, the country performs well in providing equal access to basic services such as education, water, and healthcare for women (92.9 out of 100).<sup>45</sup>

### 5.1.3 Barriers to Economic Inclusion

Burundi's approach to refugee management is evolving towards a more inclusive model that aims to integrate refugees into the national economy while addressing the needs of host communities. However, consultations held during the course of this regional program highlight ongoing challenges and areas for improvement. Considering Burundi's approach through the lens of the Pathway to Economic Inclusion framework, the following issues can be highlighted:

#### 5.1.3.1 Refugee Documentation

The current documentation process for refugees and returnees presents certain challenges. While systems are in place, in certain situations, returnees and refugees may need help with obtaining necessary documents such as birth certificates for children without known fathers, leading to the lack of national ID cards. This situation could limit access to services and economic opportunities, including school enrolment. The complexity of the registration process, particularly at transit and entry points, may lead to delays or incomplete capture of refugee and returnee details, potentially affecting their ability to integrate into Burundian society. Civil documentation centers have opened in 2024 to facilitate access for refugees returning at the four transit centers in Ruyigi, Makamba, Muyinga and Bujumbura. Digital solutions such as a digital register with trackable identification cards could streamline the process. Ensuring government officers are present at all transit and entry points would help adequately capture refugee and returnee details.<sup>46</sup> As of November 2024, a digital registration system has been implemented at 2 pilot transit centers (Nabitare and Gitara) to facilitate documentation processes.

#### Documentation and Support Programs for Returnees

The government has established a comprehensive support system for returnees through repatriation certificates valid for two years. These certificates entitle returnees to access

essential documentation including national identity cards as well as birth and marriage registration. Government has established a dedicated budget line called "Support for the repatriation process" through which returnees are eligible for several forms of assistance, including free ID card issuance, free registration of births and marriages, support for housing construction, professional reintegration support for former civil servants, and agricultural support through cooperative membership.<sup>47</sup>

While the repatriation certificate system provides important entitlements, some returnees face challenges in obtaining necessary documents. In particular, returnee children without known fathers may have difficulty obtaining birth certificates, which in turn affects their ability to get national ID cards and access certain services.

#### 5.1.3.2 Freedom of Movement

Current regulations regarding the movement of refugees, while designed with security considerations in mind, may inadvertently restrict their ability to engage in economic activity.

While the government has recently allowed camp-based refugees to move freely within their respective communes, refugees in the 5 camps still require exit permits from ONPRA (National Office for the Protection of Refugees and Stateless Persons) to travel to Bujumbura.

While intended for administrative purposes, this requirement can sometimes limit refugees' ability to access job opportunities or engage in economic activities outside their immediate vicinity. A new refugee site had also opened in Rutana province where refugees live together with local communities, demonstrating progress in promoting integration. This situation illustrates the challenge faced in balancing security needs with the goal of economic inclusion for refugee populations.<sup>48</sup>

#### 5.1.3.3 Enabling Business Environment

Burundi's current business environment presents challenges, particularly for refugees, returnees, and small enterprises. While the government has made efforts to improve the economic landscape, some aspects of the

<sup>45</sup> The Ibrahim Index of African Governance (IIAG) notes that while Burundi's overall Governance score has deteriorated over the past 10 years, the most recent five years have witnessed encouraging improvements. That said, and as affirmed during the consultations held during the course of this regional program, women do face discrimination when it comes to economic and political inclusion. For example, Burundi scored 37.8 for Political Power for Women, illustrating the unequal distribution of political power according to gender. IIAG 2022. Burundi Country Profile.

<sup>46</sup> Outcomes Report, Subnational and National Public Private Dialogues Burundi, April 2024.

<sup>47</sup> Burundi Country Presentation, Regional High-Level Workshop, hosted by the Government of Kenya, the EAC, IGAD, and UNHCR with funding from the AfDB, Nairobi, 19-21 November 2024.

<sup>48</sup> Ibid.



business climate may inadvertently limit opportunities for new and small businesses to establish themselves and grow.

The prominent role of established SOEs in key sectors, while providing stability, can sometimes make it difficult for new entrants to gain a foothold in the market. In addition, administrative procedures and regulatory requirements, though designed to ensure proper business conduct, may unintentionally pose hurdles for entrepreneurs with limited resources or those unfamiliar with the local business ecosystem, such as refugees and returnees.

Cooperatives are a key driver of economic activity in the country, and many refugees face difficulties in joining cooperatives due to legal ambiguities and practical implementation issues, while returnees struggle to rejoin cooperatives due to arrears payment requirements.

Compounding these challenges are underlying social dynamics stemming from historical grievances and past conflicts. These have led to tensions between returnees and host communities in some areas, which can inadvertently impact economic integration and create obstacles for business cooperation and development. Such social factors can influence local market dynamics, access to business networks, and overall entrepreneurial opportunities for certain groups.

These factors, combined with the global economic pressures facing many nations, contribute to a business environment that may not yet fully unleash the entrepreneurial potential of all segments of society. As a result, some refugees, returnees, and members of host communities may find it challenging to start businesses or engage in formal economic activities. This situation potentially limits their ability to achieve economic self-reliance and contribute fully to Burundi's economic growth, while also hindering the development of a more inclusive and diverse business landscape.

#### 5.1.3.4 Access to Education

Education access is a critical issue for refugees, returnees and host communities. Burundi has relatively low system capacity and fiscal space, especially in hosting provinces and return areas. Returnees have reported difficulties in enrolling in school or finding employment due to the cost of academic equivalency, recognition of prior learning (qualifications) and in some cases, birth certificates. Children arriving from anglophone countries have reported language challenges, especially at secondary and tertiary levels.

Technical and Vocational Education and Training (TVET) centers also often lack adequate equipment and

face gender stereotyping in course offerings. Further compounding economic inclusion is the mismatch between the skills of refugees and returnees and the needs of the local job market. Targeted skills development programs that align with market demands, and potentially engaging the private sector in TVET program design, could help bridge this gap. It can also encourage the return of 300,000 Burundian refugees who are still living in asylum countries.

#### 5.1.3.5 Local Infrastructure Quality

The current state of infrastructure in some areas, particularly those hosting refugees and returnees, presents challenges for economic development. Limited access to reliable energy, water supply, and ICT infrastructure in certain regions can impact economic activities. Limited resources for multi-sectoral reintegration programs compound these infrastructure challenges.

In addition, access to land, a crucial resource in Burundi's largely agrarian economy, poses a significant challenge, especially for returnees. The scarcity of available land, exacerbated by the country's high population density, creates competition for this vital resource. Land-related issues account for approximately 90% of conflicts experienced by returnees, potentially hindering their economic reintegration and overall stability.

In agricultural areas such as Ruyigi, the existing infrastructure may not fully support optimal farming conditions, and the limited availability of fertile land further compounds the challenges of agricultural productivity. This affects economic opportunities for both host communities and refugee populations, presenting a complex challenge in balancing the needs of various groups while working within the constraints of limited natural resources. Infrastructure projects that enhance connectivity in refugee-hosting areas and improve ICT and telecommunications infrastructure in underserved areas should be prioritized.<sup>49</sup>

#### 5.1.3.6 Right to Work and Do Business

Refugees need work permits to take up formal employment, and the existing processes to obtain work permits, while designed to ensure proper labor market management, can be complex. Urban refugees must submit an employer's letter of offer and a letter from ONPRA verifying their unrestricted authorization to work in any type of job. Refugees in camps require special authorization for work permits. The requirements for documentation and authorization, particularly for camp-based refugees, may unintentionally create barriers to formal employment. This situation presents a challenge in balancing labor market regulations with the goal of economic inclusion for refugee populations. Furthermore, the majority of employment takes place in the informal economy.

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49 *Ibid.*



### 5.1.3.7 ICT & Financial Inclusion

The financial sector in Burundi presents opportunities for enhancement, particularly in expanding access to credit for small businesses. As of 2020, domestic credit to the private sector represented 22% of GDP, indicating potential for growth when compared to the Sub-Saharan African average of 38%. Refugees and returnees face additional challenges in accessing credit from financial institutions, often due to limited collateral or perceived risk factors. While commendable efforts are underway to expand digital financial services, the provision of high-quality connectivity infrastructure is necessary to ensure widespread access to these innovative financial solutions.

To address these challenges, several strategic initiatives could be considered. Developing diversified collateral models tailored to the unique circumstances of refugees and returnees could enhance their access to financial services. Continued investment in sustainable connectivity solutions, digital financial infrastructure and technologies would support the expansion of innovative financial solutions. Additionally, establishing innovation incubators and start-up hubs could foster entrepreneurship and promote broader financial inclusion across various demographics.<sup>50</sup>

It is also important to acknowledge the complex social dynamics that influence economic inclusion efforts. Historical factors have contributed to certain tensions between returnees and host communities in some areas. These social considerations can have indirect impacts on various aspects of economic inclusion, from access to educational and employment opportunities to participation in local markets and business networks. While not a direct economic barrier, these dynamics add a layer of complexity to fostering an inclusive economic environment.

Addressing these social factors is crucial for building a foundation of trust and cooperation that can support broader efforts to overcome the specific economic challenges faced by refugees, returnees, and host communities.

## 5.1.4 Gender Barriers

Women face additional barriers to economic inclusion in Burundi. These barriers are deeply rooted in cultural norms, legal frameworks, and societal structures, affecting various aspects of women's lives, such as land inheritance, and their ability to participate fully in economic activities.<sup>51</sup>

### 5.1.4.1 Limited access to education and skills training opportunities

Education and skills development, crucial foundations for economic empowerment, remain elusive for many women and girls in Burundi. High dropout rates among girls, often due to early marriage or pregnancy, create a cycle of limited opportunities. In some communities, girls as young as 14 are married off, abruptly ending their education and restricting their future economic prospects. This educational disparity leaves many women underprepared for business engagement and limits their access to skills training opportunities.

### 5.1.4.2 Land ownership and inheritance rights

Land ownership and inheritance rights present another significant hurdle. Burundi's legal framework offers little protection for women's land rights, with no specific laws governing inheritance and matrimonial regimes. Instead, access to land is largely governed by tradition and custom that discriminated against women. Women, particularly returnees, face considerable resistance when attempting to use land, often encountering opposition from both their husbands' families and their own. The lack of legal recognition for marriage or cohabitation further complicates women's ability to assert their land rights, making it challenging to secure the resources necessary for economic activities.

### 5.1.4.3 Unpaid care work

The disproportionate burden of unpaid care work further constrains women's economic participation. Deeply ingrained cultural expectations often confine women to household responsibilities, limiting their ability to engage in activities outside the home. This burden is compounded by the need for many women to recover from trauma, a process that demands time and energy that might otherwise be directed towards economic pursuits. In addition, an inadequate enabling environment for women, such as the absence of childcare facilities for younger children, hinders women's access to employment.<sup>52</sup>

### 5.1.4.4 Limited representation in decision-making roles

Decision-making power, crucial for economic empowerment, often eludes women in Burundi. Unequal power dynamics within households frequently result in men dominating financial decisions and controlling family resources. This imbalance is evident even in assistance programs, where cash aid at borders is typically given to husbands, bypassing women and reinforcing their economic dependence.

50 Ibid.

51 The barriers presented here are primarily based on the Burundi Gender Analysis report from the scoping mission conducted in May 2023.



#### 5.1.4.5 Cultural Norms

Traditional and cultural barriers have historically limited women's preparedness and education to engage in business. Pervasive cultural norms continue to discourage women's participation in certain economic activities. These norms not only restrict women's freedom of movement but also expose them to various forms of vulnerability. Economic hardship can increase women's exposure to gender-based violence and force them into harmful survival mechanisms. Paradoxically, even when women manage to earn higher incomes than their partners, they may face economic and domestic violence, creating a deterrent to their economic advancement.

These interlinked gender-barriers create a challenging environment for women's economic inclusion in Burundi. Addressing these issues requires interventions that combine economic empowerment initiatives with efforts to transform cultural norms, enhance legal protections, and provide support for trauma healing and mental health.

#### 5.1.5 Proposed Solutions and Opportunities

Based on the reports, several solutions and opportunities have been identified to improve economic inclusion and stimulate private sector investment in Burundi. These can be organized into six key thematic areas:

##### 5.1.5.1 Cooperative Development and Land Access

Cooperatives play a crucial role in Burundi's economic landscape, particularly in facilitating access to communal land and resources. The Government of Burundi has implemented concrete measures to support cooperative development, providing financial support of BIF 5 million (USD1,700) per cooperative per province, benefiting 18 cooperatives annually.

To facilitate business registration, the Burundi Development Agency (Agence de Développement du Burundi) has launched an online registration platform ([www.easybusiness.bi](http://www.easybusiness.bi)), making cooperative and company registration accessible to all, including refugees and returnees, without specific restrictions.<sup>52</sup>

To enhance their effectiveness and inclusivity:

- i) Develop a comprehensive, accessible database of cooperative legislation and registration processes to encourage participation of refugees and returnees.

<sup>52</sup> Burundi Country Presentation, Regional High-Level Workshop, hosted by the Government of Kenya, the EAC, IGAD, and UNHCR with funding from the AfDB, Nairobi, 19-21 November 2024.



- ii) Work with relevant government bodies, particularly ANACOOP, to bridge the gap between legal rights and practical implementation of refugee-only cooperatives.
- iii) Strengthen land access for refugees through partnerships with local authorities, participation in mixed and refugee-only cooperatives, or formal land rental agreements with host communities.
- iv) Launch targeted awareness campaigns about cooperative legislation, focusing on the differences between cooperatives and pre-cooperatives, including registration requirements and benefits of each structure.
- v) Review and revise policies on arrears payments for returnees seeking to rejoin cooperatives. The current requirement for returnees to pay arrears for years spent in exile can pose an obstacle to their economic reintegration.
- vi) Improve market linkages for cooperatives to ensure they respond better and faster to market demands. Enhance engagement of cooperatives in value chains and improve processing capacities.

### 5.1.5.2 Skills Development

Enhancing skills is vital for fostering economic opportunities. To align skills with market needs and improve access for vulnerable populations:

- i) Redesign TVET programs in collaboration with the private sector to ensure alignment with market demands. This could involve regular consultations with industry leaders and the inclusion of work-based learning components.
- ii) Expand access to digital skills training, particularly in refugee-hosting areas, coupled with improvements in digital infrastructure to enable practical application of these skills.
- iii) Develop programs that focus on transferable skills, including social and cognitive competencies, to enhance adaptability in a changing job market. Implement comprehensive financial literacy programs for refugees and returnees, with a focus on leveraging digital financial technologies. This would support their economic empowerment and integration into the formal financial system.
- iv) Enhance skills training in the artisanal sector and for the development of cottage industries with a specific focus on women to provide labor-intensive employment opportunities that allow women to gradually join the market economy

- v) Enhance capacity of existing training institutions to include refugees and returnees and map and fundraise for additional training centers in the proximity of areas with high refugee or returnee density. Particular focus should be placed on training that has a high success rate for female economic integration.

### 5.1.5.3 Agriculture and Value Chains

Agriculture remains a cornerstone of Burundi's economy. To unlock its full potential and enhance inclusivity, the following measures could facilitate transformation:

- i) Prioritizing value chain development for key crops such as rice, coffee, beans, maize, and nuts. This involves identifying and addressing bottlenecks in production, processing, storage, and marketing.
- ii) Investing in agricultural technology, including mechanization and irrigation systems. This is crucial given the challenges posed by Burundi's high population density and limited arable land.
- iii) Integrating climate change adaptation strategies into agricultural projects. This could include promoting agroforestry practices and implementing efficient water management systems.
- iv) Fostering agricultural innovation through research partnerships and knowledge transfer programs. This could help in developing high-yield, hydroponic, climate-resistant crop varieties suitable for Burundi's conditions.
- v) Addressing land access issues, particularly for refugees and returnees, to enable greater agricultural productivity. This might involve exploring communal farming models or land-sharing agreements, with a specific focus on women.
- vi) Enhance agroforestry both to increase timber production and an expansion of timber value chains but also to regreen hills to prevent flood related landslides.

### 5.1.5.4 Documentation to Facilitate Economic Inclusion of Refugees, Returnees and Host Communities

Proper documentation is crucial for economic participation. The following measures can serve to streamline and modernize documentation processes:

- i) Implement a digital refugee and returnee registration system, complete with trackable identification cards. This would enhance security while facilitating freedom of movement and economic participation. Machine-readable national IDs can facilitate cross-border movement, also aligning with regional integration efforts.

- ii) Review and update the Comprehensive Policy Framework and nationality laws, with particular attention to the status of returnee children. This would help address current legal ambiguities.
- iii) Improve registration procedures by ensuring government officers are present at all transit and entry points. This would help capture accurate data and reduce documentation backlogs.

### 5.1.5.5 Infrastructure and Cross-Border Trade

Enhancing infrastructure and facilitating cross-border trade are key to Burundi's economic development. The following interventions can enhance connectivity and facilitate trade:

- i) Prioritize infrastructure projects that improve connectivity in refugee-hosting areas, particularly in Ruyigi Province. This could include road rehabilitation and the development of key transport links.
- ii) Upgrade ICT and telecommunications infrastructure in underserved areas, especially refugee-hosting regions, to support digital inclusion and enable access to online economic opportunities.
- iii) Develop efficient cross-border facilities in key trade areas like Ruyigi to streamline the movement of goods and people. Leverage regional cooperation frameworks, such as the EAC's Central Corridor project, to harmonize infrastructure development efforts and improve regional connectivity.
- iv) Several specific infrastructure priorities have been identified to improve conditions in refugee-hosting areas. These include the rehabilitation of the Bweru-Kavumu road to enhance transportation access, construction of protective gutters around Kavumu camp to prevent erosion damage, improvement of electricity access in camps and surrounding host communities, and upgrading of facilities at Cishemere camp. These targeted infrastructure improvements aim to enhance both refugee welfare and host community development.<sup>53</sup>
- v) The government has developed a national strategy for cross-border trade and is working to implement the Simplified Trade Regime (STR) between Burundi, DRC, and other neighboring countries. Invest in digital infrastructure to support implementation of trade facilitation measures, such as the STR and digital documentation systems at border crossings. Run awareness raising campaigns with local communities to ensure increase of trade and economic growth in borderland communities.

### 5.1.5.6 Financial Inclusion

Expanding access to financial services is crucial for economic empowerment.

- i) Work with financial institutions to develop diversified collateral models that accommodate the unique circumstances of refugees and returnees. Strengthen and encourage microcredit institutions to provide more accessible financing options tailored to the needs of vulnerable populations. This may include the provision of guarantee funds to microcredit institutions to facilitate lending to refugees and returnees who lack traditional collateral.
- ii) Invest in digital financial infrastructure and technologies to expand access to financial services, particularly in underserved areas. Digital financial technologies can encourage savings and diversify financial options. This approach requires investment in infrastructure, developing shared management information systems, and creating digital payment platforms for microfinance and savings and loan cooperatives.
- iii) Invest in innovation incubators and start-up hubs to support entrepreneurship among refugees, returnees, and host communities through knowledge sharing, business development, and sustainability, making refugee and returnee projects more "investment-ready" and reducing overall sector risk. Related to this, implement financial education programs for refugees and returnees to maximize the benefits of digital financial technologies.
- iv) Promote the "Caution Solidaire" or "Caution Sociale" system, which involves organizing mutual funds between communities with similar resource levels. This approach encourages the formation of Village Savings and Loans Associations (VSLAs), allowing refugees, returnees, and host communities to pool small amounts of money and create investment funds. Explore measures to ease requirements for running VSLAs, particularly for the most vulnerable segments of society.

These proposed solutions aim to address the barriers to economic inclusion while creating opportunities for private sector investment and growth in Burundi. Implementation will require coordinated efforts from the government, international organizations, and the private sector.

<sup>53</sup> Burundi Country Presentation, Regional High-Level Workshop, hosted by the Government of Kenya, the EAC, IGAD, and UNHCR with funding from the AfDB, Nairobi, 19-21 November 2024.



## 5.2 DJIBOUTI



Djibouti is a small country strategically located at the mouth of the Red Sea and the Gulf of Aden, along the world's most heavily traversed maritime route, with a population of just over one million people. Djibouti serves as a hub for landlocked nations providing access to its port for neighboring countries. The country has consistently maintained an open-door policy for refugee inflows. This despite its low human development status – the country ranks 171st out of 191 countries in the 2021/22 Human Development Index.<sup>54</sup>

It hosts 32,233 refugees and asylum seekers, comprising about 3% of its total population. Eighty-five percent of the refugees and asylum seekers reside in

refugee villages, with most coming from Somalia (43%) and Ethiopia (41%), followed by Yemenis and Eritreans.<sup>55</sup> It is also a major transit country for mix-migration flows.

Regional conflicts, political instability, economic hardship, and environmental factors linked to climate change have all contributed to forced displacement, compelling individuals and families to seek safety and better living conditions in Djibouti.

Djibouti's economy is heavily reliant on ports, military bases, services, particularly related to its strategic location as a major port and logistics hub for the region.

Table 5. Populations of Concern in Djibouti



**32,233**

Refugees and  
Asylum Seekers



**85%**

Residing in Refugee  
Villages



**23,606**

Refugees



**8,627**

Asylum Seekers

Source: UNHCR Operational Data Portal, 31 October 2024

### 5.2.1 Djibouti's Economic Outlook

The country has experienced strong headline economic growth in recent years, driven by massive public sector investments in port and logistics infrastructure. GDP growth exceeded 50% over the last decade, outpacing

population growth. However, this capital-intensive growth has not translated into widespread job creation or poverty reduction. The poverty rate reached 34.3% by 2021, while the latest official unemployment rate stood at 47% in 2017, revealing both a significant gender disparity – 63% of women versus 38% of men were jobless – and minimal

<sup>54</sup> United Nations Development Programme. Human Development Report 2021/2022. Uncertain times, unsettled lives: Shaping our future in a transforming world. September 2022 (<https://hdr.undp.org/content/human-development-report-2021-22>).

<sup>55</sup> UNHCR, Djibouti Weekly Update - 28 November 2024, Published 1 December 2024(<https://data.unhcr.org/en/documents/details/112821>)

formal sector participation, with only 10% of the working age population in formal employment.<sup>56</sup> Youth unemployment is even more troubling, estimated at 78.1% for young women, and 75.4% for young men, primarily as a result of skills deficit.<sup>57</sup> According to the survey profiling conducted by UNHCR in 2020, the proportion of s is 29.2%.

Djibouti's arid climate and limited arable land (less than 2% of the land area) constrain agricultural production, necessitating the import of nearly all food and manufactured goods. This reliance on imports contributes to a high local cost base. The small domestic market, undereducated workforce, and high costs, including electricity and water, have resulted in an uncompetitive manufacturing sector.

### 5.2.1.1 Key economic indicators

The AfDB's Africa Economic Outlook 2024 highlights Djibouti's economic performance:



**Real GDP growth:** 3.7% in 2022, increased to 7.3% in 2023, projected to reach 6.2% in 2024 and 6.6% in 2025



**Inflation:** 5.2% in 2022, decreased significantly to 1.3% in 2023, projected to be 1.7% in 2024 and 2.0% in 2025



**Fiscal deficit:** 1.4% of GDP in 2022, improved to 0.5% in 2023, projected to turn into a surplus of 0.4% in 2024 and a slight deficit of 0.2% in 2025



**Public external debt-to-GDP ratio:** Stable at around 76% between 2022 and 2023.<sup>58</sup>

The government has made significant investments to capitalize on Djibouti's strategic location, developing the country as a major port for landlocked Ethiopia and attracting several foreign military bases. The country's robust economic rebound in 2023, with GDP growth reaching 6.7%, was driven primarily by increased port activity and renewed trade with Ethiopia following a peace agreement.<sup>59</sup> While these investments and rental income from military bases contribute substantially to GDP, they have not generated sufficient employment opportunities for the local population. Moreover, despite these positive indicators, Djibouti's growth model faces several vulnerabilities:

- **Heavy dependence on global maritime transport:** While port activity continued to increase in early 2024, even amid Red Sea disruptions, this reliance exposes the economy to external shocks.

- **High operational costs:** The high cost of electricity, telecommunications, and labor significantly impacts business competitiveness and economic growth.

- **High unemployment and poverty:** Despite strong GDP growth, as of 2017, Djibouti had an estimated unemployment rate of 47% and a high poverty rate.<sup>60</sup>

- **Mismatch between human capital and labor market demand:** This is highlighted by the necessity for foreign labor in high skill sectors in the hospitality and port industry for instance.

- **Limited economic diversification:** With less than 1,000 square kilometers of arable land (0.04% of its total land area), Djibouti depends almost completely on imports to meet its food needs. That said, Djibouti's coastal location presents opportunities for sustainable development in areas such as fisheries, marine tourism, and renewable marine energy, pending further assessment and investment.

- **Exposure to regional conflicts:** The country's economy is vulnerable to conflicts in nearby countries, which can disrupt trade flows.

Looking ahead, Djibouti's economic outlook is promising, with several factors contributing to potential growth:

- Continued Ethiopian demand for transport and logistics services is expected to drive economic growth.
- Development projects like the Damerjog Industrial Park and infrastructure programs under the National Development Plan are anticipated to boost investment.
- The country has untapped potential in tourism, service industries for the various international military bases, marine resources for artisanal fishing, and opportunities to develop new digital and service industries based on its infrastructure of undersea telecommunications cable.
- Renewable energy, including geothermal, solar, and wind, presents another potential source of growth.<sup>61</sup>

<sup>56</sup> International Monetary Fund. Djibouti: 2024 Article IV Consultation-Press Release; Staff Report; and Statement by the Executive Director for Djibouti, IMF Staff Country Reports 2024, accessed October 2024, p. 5 (<https://doi.org/10.5089/9798400277917.002>). See also African Development Bank Country Strategy paper 2023-27, published February 2023, p. v ([https://www.afdb.org/en/documents/djibouti-country-strategy-paper-2023-2027#:~:text=The%20Bank%20Group%27s%20Country%20Strategy,operational%20priorities%20\(High%205s\)](https://www.afdb.org/en/documents/djibouti-country-strategy-paper-2023-2027#:~:text=The%20Bank%20Group%27s%20Country%20Strategy,operational%20priorities%20(High%205s))).

<sup>57</sup> World Bank. Djibouti Gender Landscape. <https://documents1.worldbank.org/curated/en/099929206302212659/pdf/IDU168dce0c7103281435b199f8140232925d37f.pdf>

<sup>58</sup> AfDB. African Economic Outlook 2024: Driving Africa's Transformation -- The Reform of the Global Financial Architecture. Country Note: Djibouti. Pg. 203. (<https://www.afdb.org/en/knowledge/publications/african-economic-outlook>).

<sup>59</sup> World Bank. Djibouti Overview. Last updated May 2024 (<https://www.worldbank.org/en/country/djibouti/overview>)

<sup>60</sup> Ibid.

<sup>61</sup> Ibid.



## 5.2.2 Current Investment Climate

Djibouti faces significant challenges in its investment climate, ranking 112th overall on the World Bank's Ease of Doing Business Index [2]. The country performs particularly poorly on indicators most relevant to small businesses, such as Starting a business (123rd), Getting electricity (121st), and Paying taxes (133rd).

These rankings indicate steep barriers to entry for new formal businesses.<sup>62</sup> While the government has established The National Agency for Investment Promotion (ANPI)-Single Window one-stop shop (Guichet Unique) for business registration, there is a perception that larger and more strategic business opportunities are often captured by elites.

Key issues in the investment climate include:

- **High utility costs:** Government-provided utilities, especially electricity and telecommunications, are exorbitantly priced, dampening investment.
- **Limited transparency:** The investment environment suffers from a lack of transparency in policymaking and licensing processes.
- **Lack of competition:** There are indications that elites have captured many promising business sectors, limiting open competition.
- **Underdeveloped institutions:** Institutions to support business development are limited.
- **Skills shortage:** The government, which employs 59% of the formal labor force, faces a shortage of skilled staff.

Despite these challenges, Djibouti has made some efforts to improve its business environment. The government has invested heavily in upgrading port and logistics infrastructure and established a Djibouti Free Zone to attract investment [2]. However, the dearth of raw materials, high electricity costs, and low skills profile of the population continue to limit the potential for labor-intensive industries.

## 5.2.3 Barriers to Economic Inclusion

### 5.2.3.1 Refugee Documentation



Djibouti has implemented progressive refugee legislation, but significant barriers remain in practice:

- **Backlog in Refugee Status Determination (RSD):** The National Eligibility Commission faces a significant

backlog in Refugee Status Determination (RSD), with over 11,000 asylum seekers awaiting decisions. Despite intensified efforts during 2022-2023 - examining nearly 2,000 files across more than 100 sessions - a substantial backlog continues to persist.

- **Differential treatment:** While asylum seekers from South-Central Somalia and Yemen receive *prima facie* refugee status, all others must undergo individual RSD procedures.
- **Limited rights without formal status:** Asylum seekers without formal refugee status face difficulties accessing bank accounts, registering SIM cards, and exercising other economic rights.

### 5.2.3.2 Freedom of Movement



Djibouti's legislation allows freedom of movement for refugees throughout the country, which is generally respected by authorities. However, access to humanitarian assistance is limited to refugees registered in one of the three refugee villages, which in practice covers over 80% of refugees. Moreover, the remote location of refugee settlements, particularly Ali Addeh, limits economic opportunities and access to services.

### 5.2.3.3 Enabling Business Environment



Refugees face additional challenges in the business environment:

- **Limited awareness:** Many businesses are unaware of refugees' right to work, leading to employment discrimination.
- **Lack of refugees inclusion** in the national ID system (National Number of Identification), which limits refugees' access to certain services such as driver's licenses, as well as land access.
- **Sector restrictions:** Security requirements for port access effectively exclude refugees from the country's most important economic sector.
- **Tax exemption disparity:** According to national financial law no 181/AN/22/8eme L, Djiboutian micro and small enterprises have access to tax exemptions for the first years of their life cycle. This exemption has not been extended to refugee-led enterprises, which are generally micro-sized, affecting their ability to operate effectively and grow.

<sup>62</sup> World Bank. Doing Business 2020

- **Limited credit access:** Refugees face challenges in accessing credit due to underdeveloped credit markets in Djibouti. Banks and Micro Financial Institutions, the primary sources of finance, require physical security or guarantees for loans, which are difficult for refugees to provide, hindering their ability to secure credit facilities.

#### 5.2.3.4 Access to Education



Refugees have access to certified education opportunities within the national education system, delivered by the Ministry of Education. However, several challenges persist:

- **School dropouts:** Reasons include child involvement in business, caregiving responsibilities, disabilities, illnesses, nomadic lifestyles, and shepherding.
- **Limited secondary education and transition to tertiary education:** While 63% of refugees are enrolled in primary school, only 19% are enrolled at the secondary level. English is the language of instruction among the refugee schools in Djibouti, while university education is offered in French. Refugees are therefore less likely to be able to enroll in university level courses. In the past, the lack of recognized certificates and limited opportunities for secondary education contribute to dropouts.
- **Gender disparities:** Girls often leave school due to unwanted pregnancies, early marriages, and the need to support their families.

#### 5.2.3.5 Local Infrastructure Quality



Poor infrastructure, particularly in refugee settlements, hinders economic inclusion:

- **Road conditions:** The biggest challenge for business in the refugee village of Ali Addeh is the poor road access from Ali Sabieh, limiting access to services and economic opportunities. The severely degraded road conditions make transport slow, costly and unreliable, leading to delays of several weeks or even months in organizing collective transport. This severely impedes movement of goods and access to essential services.
- **Water scarcity:** Refugee settlements face significant challenges in water supply, sanitation, and hygiene facilities. In Ali Addeh, the water supply relies on three frequently damaged pipelines, leading to regular service interruptions.<sup>63</sup> The burden of water collection falls disproportionately on women, who must travel to

distribution points or organize transport via animal carts, further limiting their ability to engage in other activities.

#### 5.2.3.6 Electricity access:



Limited and unreliable electricity supply in refugee settlements constrains business activities.

#### 5.2.3.7 Right to Work and Do Business



While Djibouti's legislation grants refugees the right to work and establish businesses, practical barriers exist:

- **High unemployment:** With national unemployment at nearly 40%, local businesses tend to favor Djiboutian citizens for employment.
- **Limited formal employment:** Most refugees, like many Djiboutian nationals, work in the informal economy.
- **Professional recognition:** For self-employment, professional certificates and diplomas are recognized on the same basis as those of other foreigners, but information on refugees performing professional services is limited.
- **Driver's licenses:** Advocacy efforts are ongoing to enable refugees to obtain driver's licenses, which would enhance their ability to engage in business activities. Current restrictions remain barriers to access.

#### 5.2.3.8 ICT & Financial Inclusion



Refugees face challenges in accessing financial services and ICT:

- **Bank accounts:** While legally allowed, in practice, commercial banks generally only allow accounts to be opened by those with Refugee ID Cards, not asylum seeker attestations.
- **SIM cards:** Only refugees with formal Refugee IDs can obtain and register SIM cards, limiting access to mobile financial services. Those who do possess the formal refugee IDs can access digital payment platforms like D-Money and Waafi.
- **Digital divide:** Limited access to ICT services, particularly sustainable, affordable internet connectivity, in refugee settlements hampers economic opportunities and integration.

<sup>63</sup> The supply of safe drinking water relies on three often damaged pipelines. Djibouti Country Presentation, Regional High-Level Workshop, hosted by the Government of Kenya, the EAC, IGAD, and UNHCR with funding from the AfDB, Nairobi, 19-21 November 2024.

## 5.2.4 Gender-Specific Barriers

Women refugees face additional challenges:

- **Cultural barriers:** Traditional gender roles and household responsibilities often limit women's ability to pursue economic growth.
- **Violence and exploitation:** Women refugees are vulnerable to sexual abuse, harassment, and exploitation,

particularly when traveling to Djibouti City for work.

- **Limited support systems:** There is a lack of safe shelters and support services for women experiencing domestic violence in refugee settlements.
- **Education disparities:** Girls are more likely to drop out of school due to unwanted pregnancies, early marriages, and family responsibilities.

## Comparative Advantages



### Natural resources

Djibouti's natural endowments provide a foundation for several key industries:

- **Strategic location:** Djibouti's position at the intersection of major shipping lanes offers significant potential for port and logistics services.
- **Geothermal energy:** The country has untapped geothermal resources that could be developed for sustainable energy production.
- **Salt production:** Djibouti has significant salt deposits that could be further exploited

## 5.2.5 Proposed Solutions and Opportunities

### 5.2.5.1 Refugee Documentation and Rights

To address barriers to economic inclusion of refugees, key recommendations include:

- Expedite refugee status determination:** Reduce the backlog for refugees applying for identity documents and ensure refugees can access their full rights.
- Enhance document issuance:** Ensure timely issuance of birth certificates for refugee children born in the last three years.
- Inclusion of refugees** in the national ID system (National Number of Identification)
- Improve access to services:** Negotiate with the Ministry of Interior to enable refugees to obtain driving licenses and provide initial financial support for driving school courses to ensure adequate and safe training.
- Enhance awareness:** Sensitize all government departments and the refugee community on Djiboutian refugee laws. Train law enforcement officers about the rights of refugees and refugee documentation.

### 5.2.5.2 Financial Inclusion

- Policy reform:** Amend laws to clearly define the rights of refugees and asylum seekers regarding financial

services access. Implement comprehensive awareness programs about these rights for refugees, regulators, and service providers.

- De-risking mechanisms:** Provide additional risk capital, training, and de-risking mechanisms through institutions like the AfDB to enable fintechs, financial institutions, and INGOs to enter or expand their operations.
- Infrastructure development:** Invest in infrastructure, including water, electricity distribution, and ICT, to reduce the cost of doing business for financial institutions, refugees, and the host community.
- Innovative solutions:** Encourage innovations such as access to SIM cards for refugees, sensitizing banks on refugee law and rights, leveraging mobile money transfer platforms like D-Money, and supporting groups, cooperatives, and community-based organizations to provide de-risking mechanisms, alternative security, and financial literacy training.

### 5.2.5.3 Local Infrastructure Prioritization and Urbanization

- Water infrastructure:** Collaborate with Ethiopia on water infrastructure projects for sustainable solutions. Prioritize rehabilitation of damaged pipeline systems in refugee settlements, particularly in Ali Addeh, to ensure reliable water access and reduce the burden on women collecting water.

**ii) Energy solutions:** Reduce administrative and other obstacles to the efficient and inexpensive supply of electricity and ICT services in the country. Expand solar power generation to benefit both refugees and the host community, contingent upon providing refugees with more durable housing structures.

**iii) Road infrastructure:** Invest in road infrastructure, particularly the highway project, to enhance connectivity and trade. Prioritize rehabilitating the severely degraded road between Ali Sabieh and Ali Addeh to reduce transportation delays and costs, while improving the road connecting refugee villages (Hol Hol and Ali Addeh) to Djibouti City.

**iv) Cross-border trade hub:** Develop a commercial transportation hub in the Special Economic Zone (SEZ) bordering Ethiopia to unlock cross-border trade opportunities.

**v) Fisheries development:** Establish a fish processing plant to create jobs, support economic activity, and contribute to food security.

**vi) Construction and Urban Development:** Invest in affordable housing projects, linking this to upskilling initiatives for urban infrastructure development; Develop sustainable construction techniques and related skills

#### 5.2.5.4 Skills Development

**i) Comprehensive TVET strategy:** The 2023 SKILLS development project is strengthening capacities of refugees and host communities for economic integration. Following a 2024 in-depth refugee skills survey, the forthcoming analysis will inform refugee inclusion in the national TVET strategy and help align training with market needs and key sector expectations.<sup>64</sup>

**ii) Market-aligned training:** Conduct a detailed skills gap

analysis and engage international partners to build local training capacity in priority areas, such as hospitality, logistics, and construction.

**iii) Entrepreneurship focus:** Strengthen the entrepreneurship focus in training programs, including practical training and start-up support.

**iv) Address gender-specific barriers:** Develop and implement gender-sensitive training programs, including flexible schedules and childcare support, to increase women's participation in skills development initiatives.

**v) Human capital development:** Proactively invest in human capital development to meet the workforce needs of upcoming infrastructure projects and growth sectors.

**vi) Formalization support:** Couple skills development efforts with support for business formalization to enhance the impact of refugee livelihood programs.

**vii) Support language acquisition initiatives** to improve transition rates from secondary to tertiary education; and facilitate refugee economic participation outside of refugee villages.

#### 5.2.5.5 Growth Sectors

The following opportunities present areas with significant potential for economic growth and job creation, which could benefit both the local population and refugees. To fully capitalize on these opportunities, priority should be given to skills development, infrastructure improvement, and regulatory reforms.

**Logistics and Transport Hub Development:** Establish Djibouti's position as a major port and logistics hub by leveraging the country's strategic location and existing investments in port infrastructure to further develop

<sup>64</sup> Djibouti Country Presentation, Regional High-Level Workshop, hosted by the Government of Kenya, the EAC, IGAD, and UNHCR with funding from the AfDB, Nairobi, 19-21 November 2024.

logistics and transport services. Invest in truck repair facilities, corridor development, and SEZ expansion for ship repair and logistics services

**Cross-Border Trade and Regional Integration:** Capitalize on Djibouti's position as a gateway for regional trade, particularly with Ethiopia.

- Deepen and formalize cross-border trade, particularly in the livestock sector for the Halal market
- Upgrade infrastructure to support trade flows, e.g. by developing a commercial transportation hub in the SEZ bordering Ethiopia to unlock cross-border trade opportunities
- Upgrade infrastructure and align with regional initiatives like the African Continental Free Trade Area (AfCFTA) to boost trade.
- Leverage Djibouti's strategic location, upgrading infrastructure, and aligning with regional initiatives to boost trade. Focus on enhancing cross-border trade, particularly for livestock intended for the Halal market.

**Blue Economy Development:** Djibouti's coastal location presents opportunities for sustainable development in areas such as fisheries, marine tourism, and renewable marine energy, pending further assessment and investment.

- Develop the fishing sector and establish an SEZ for ship repair and maintenance.
- Invest in fishing infrastructure, promote labor mobility within the industry, and provide training for refugees in maritime services.
- Develop fish processing plants to create jobs, support economic activity, and contribute to food security.

**ICT Sector Growth:** Leverage Djibouti's existing telecommunications infrastructure and growing data center activity, i.e. access to major international fiber-optic systems to develop the ICT sector.

- Invest in ICT skills development to address the current skills gap
- Position Djibouti as a regional hub for data processing and storage
- Review and potentially reform ICT sector regulations to open up investment and employment opportunities

**Business Development and Support Services:** Establish a platform to support refugee-led businesses and income-generating activities through:

- Technical assistance for business formalization and management, with dedicated support for women entrepreneurs
- Targeted tax incentives to support business development
- Value chain integration to expand economic opportunities
- Enhanced private sector engagement in refugee-hosting areas through capacity-building for businesses employing refugees, focusing on creating inclusive work environments and addressing administrative barriers
- Adapted financing programs for start-up capital and training in financial management and entrepreneurial techniques, with particular focus on women entrepreneurs

**Supplier Development for Foreign Investments:**

Capitalize on the presence of foreign military bases and other large international investments.

- Implement multi-year supplier development programs to link foreign investments (like military bases) with local suppliers
- Build capacity of local firms to meet international standards for goods and services
- Provide comprehensive training, credit, and other support to enable local companies to meet international procurement standards.



## 5.3 ETHIOPIA



Ethiopia is a landlocked, culturally rich country in the Horn of Africa of around 1,129,300km, the tenth biggest on the continent in an area prone to conflict and therefore a generator of refugee flight, return and internal displacement. It is bordered by six countries, five of whom, like Ethiopia itself, have a low score on the Human Development Index: Eritrea, Djibouti, Somalia, South Sudan, and Sudan. Neighboring Kenya stands out as being in the medium human development category.

With more than 1-million refugees and asylum seekers — mainly from South Sudan, Somalia Eritrea and Sudan — Ethiopia is the third largest refugee hosting country in Africa. In addition, the country has more than 4 million internally displaced persons, more than 2.5 million of whom are returnees.<sup>65</sup> Refugees and host communities “largely share similar culture, language, ethnicity, religion and sometimes clanships” and overall relations seem mostly positive.<sup>66</sup>

Table 6. Populations of Concern in Ethiopia

<b>1,071,860</b> Refugees	<b>4,385,789</b> IDPs	<b>77%</b> Camp-based refugees	<b>15%</b> Sites and Settlement based refugees*	<b>80%</b> Women and Children

Source: Ethiopia Refugees and IDPs statistics October 2024, UNHCR

\* The remaining 8% are urban refugees based in Addis Ababa and Mekele

Persons of concern make up around 4% of Ethiopia’s population that by mid-2024 was approaching 130 million, making it the second most populous nation in Africa after Nigeria. Most refugees are hosted in one of the 20 camps

locate across the country (77%), 15% reside in sites and settlements, and the remaining 8% are urban refugees based in Addis Ababa or Mekele.<sup>68</sup>

<sup>65</sup> UNHCR Ethiopia, Refugees and Asylum-Seekers - October 2024. Published 25 November 2024 (<https://data.unhcr.org/en/documents/details/112716>)

<sup>66</sup> UNHCR, “Ethiopia Country Summary as at 30 June 2023- UNHCR” (United Nations, June 30, 2023), 2, <https://www.refworld.org/reference/countryrep/unhcr/2024/en/147867>.

<sup>67</sup> The World Bank puts the 2023 population at 126.5 million people, and Worldometer extrapolates that to arrive at a figure of 129,887,542 on July 16, 2024.

<sup>68</sup> UNHCR Ethiopia, Refugees and Asylum-Seekers - October 2024. Published 25 November 2024 (<https://data.unhcr.org/en/documents/details/112716>)

## 5.3.1 Ethiopia's Economic Outlook

### 5.3.1.1 Key economic indicators

Real GDP growth: Edged up to 6.5% in 2023 from 5.3% in 2022.



**GDP per capita growth:** Increased from 2.7% to 3.8%.



**Inflation:** Dropped from 33.9% to 30.2%.



**Fiscal deficit:** Narrowed to 3.3% of GDP in 2022/23 from 4.2% in 2021/22.



**Debt-to-GDP ratio:** Government Debt amounted to 38% of GDP in 2023, down from 46% in 2022.

Ethiopia's economy has performed well in the face of difficulties in recent decades, recording positive annual real GDP growth of around 9% between 2003 and 2023,<sup>69</sup> helping reduce the severe poverty with which the country has become associated. Over the last 10 years, the economy has more than doubled in constant terms,<sup>70</sup> well outpacing population growth of about 30% over the decade,<sup>71</sup> to approach 130 million people, the second highest in Africa.<sup>72</sup>

Credit for the sterling economic growth must go to the country's ambitious reform program. As a result, Ethiopia has been able to decrease the severe poverty with which it had become associated and improve the lives of its people. Life expectancy at birth increased in the decade from 2012 to 2022 by 14 years, and per capita Gross National Income rose three-fold from USD743 (in constant 2017 PPP\$) to USD2,369.<sup>73</sup> Nonetheless, Ethiopia remains poor: 27% of the population lived on less than USD2.15 a day at 2017 purchasing power adjusted prices in 2015 (the latest available measure). Ethiopia's Human Development Index is improving, but still ranks at 176 of 193 ranked countries. The capacity of Ethiopia's economy to absorb refugees is therefore better than that of its immediate neighbors, but could be even better.

Economic progress, dampened by the civil war that broke out in 2020 and imposition of sanctions by countries, particularly the USA in ending access via the African Growth and Opportunity Act, better known by its acronym AGOA, a major driver of manufactured exports in response to reports of war crimes, will hopefully resume now that a peace deal was signed in 2022 by Ethiopia's federal government and leaders of the country's northern Tigray region.<sup>74</sup> Indeed, the IMF in its World Economic Outlook estimates annual real GDP growth of 7.2% this year and 6.4% next.

Obstacles remain. In the past few years, Ethiopia has suffered the after-effects of COVID-19 and associated containment measures, the impact of conflicts in the North of the country, and severe weather events, including droughts and floods and an historic locust plague.<sup>75</sup> The annual inflation rate as measured by Ethiopia's consumer price index in 2023 was around 30%, pointing to a need to tighten monetary policy with determination.<sup>76</sup> At the same time, the country faced the challenge of unifying the official foreign exchange rates for the birr and the unofficial rate, which is reportedly around double the black market rate.<sup>77</sup>

However, the country has introduced a market based foreign exchange monitoring policy since 29th July of 2024, which is seen as a milestone change in the country's economic policy.

The country has undertaken strong investment in infrastructure. This, together with a steep increase in manufacturing exports and foreign direct investment, driven by reform, including opening up most of the country's economic sectors to international participation, has fostered growth. More can be done. Ethiopia is among a group of African countries, according to the AfDB, which would benefit from "increased public investments in major growth sectors (mainly manufacturing and services) and substantial capital outlays on critical public infrastructure including electricity, transport, and logistics".<sup>78</sup> Noting the slow pace of structural transformation, the AfDB recommends et al sorting out macroeconomic imbalances, easing sectoral bottlenecks in tourism and information and communication technologies, and modernizing the financial sector.

69 [https://www.imf.org/external/datamapper/NGDP\\_RPCH@WEO](https://www.imf.org/external/datamapper/NGDP_RPCH@WEO).

70 World Bank, "World Bank Open Data," World Bank Open Data, accessed July 22, 2024, <https://data.worldbank.org>.

71 "Ethiopia Population 2024 (Live)," World Population Review, 2024, <https://worldpopulationreview.com/countries/ethiopia-population>.

72 "Countries in Africa 2024," World Population Review, 2024, <https://worldpopulationreview.com/country-rankings/countries-in-africa>.

73 U.N., "Human Development Index - Ethiopia," Human Development Reports (United Nations, March 13, 2024), <https://hdr.undp.org/data-center/specific-country-data>.

74 ICG, "Turning the Pretoria Deal into Lasting Peace in Ethiopia - Ethiopia | ReliefWeb," November 23, 2022, <https://reliefweb.int/report/ethiopia/turning-preatoria-deal-lasting-peace-ethiopia>.

75 Victoria Kwakwa, "Fostering Inclusive Growth and Realizing Peace Dividends in Ethiopia," World Bank Blogs, March 22, 2023, <https://blogs.worldbank.org/en/nasikiliza/fostering-inclusive-growth-and-realizing-peace-dividends-ethiopia>.

76 AfDB, "African Economic Outlook 2024 Ch. 1" (African Development Bank, 2024), 34.

77 Rachel Savage and Dawit Endeshaw, "Ethiopia Faces Tough Devaluation Decision to Secure IMF Bailout," Reuters, April 12, 2024, sec. Africa, <https://www.reuters.com/world/africa/ethiopia-faces-tough-devaluation-decision-secure-imf-bailout-2024-04-11/>.

78 AfDB, "African Economic Outlook 2024 Ch. 1," 31.

Work continues on restructuring Ethiopia's foreign debt and securing new IMF loans.<sup>79</sup> Home-grown economic reforms could also increase financing opportunities, including by "expanding public-private partnerships, restructuring state-owned enterprises, and developing money and capital markets".<sup>80</sup>

From the standpoint of aiding refugees, the economic growth model has been based on significant government investment to attract foreign direct investment and increase exports, rather than to enhance small business growth, which would be more helpful for refugee businesses.

For Ethiopia, along with other African countries, much depends on the resilience of the global economy in an increasingly uncertain era of conflict, renewed protectionism and climate shocks.

### 5.3.2 Current Investment Climate

The recent devastating civil war has highlighted the most serious investment climate challenge for investors in Ethiopia — periodic instability. Now that the conflict in the North of the country has ended, Ethiopia can restart treading the path from the autarkic past it followed for many years, continuing to liberalize the telecoms and financial sector. If the peace holds manufactured exports can resume in earnest, further foreign investment can be attracted to the country, and Ethiopia's reform drive can intensify.

To mitigate the impact of the cancellation of AGOA, government allowed businesses in industrial parks to sell directly into the local economy to replace lost export markets. It also let many domestic businesses set up in these parks to serve the local market, drawing on good infrastructure and tax incentives. As a result, the country's balance of payments and foreign reserves have come under considerable strain, resulting in wide divergence between the official exchange rate and the parallel (black market) exchange rate. The new Foreign Exchange Directive No. FXD/01/2024, issued in July 2024, marks a liberalization of the country's foreign exchange policy. It allows exporters and commercial banks to retain foreign exchange, eliminates previous surrender requirements to the NBE, and simplifies foreign currency account rules. The directive also removes interest rate ceilings on foreign borrowing, opens the securities market to foreign investors, and grants special forex privileges to companies in economic zones. These measures aim to increase foreign currency supply to

the private sector and address the strain on the country's balance of payments and foreign reserves, potentially narrowing the gap between official and parallel exchange rates.<sup>81</sup>

By adopting a development model which sought to sidestep the country's poor business regulation environment by creating industrial parks with a separate dispensation, Ethiopia neglected to improve the investment climate for all businesses, particularly small and medium local Ethiopian businesses which would usually operate outside the parks.

More recently, Ethiopia has given renewed attention on business reform, in 2022 passing a series of substantive reforms, an event which it is to be hoped marks the start of a new effort to improve the ease of doing business throughout Ethiopia for small and medium-sized domestic business. Those reforms are not captured the last and final, discontinued Ease of Doing Business survey of 2020, which shows Ethiopia dropping from number 109 to 159 between 2010 and 2020. Still, much opportunity remains in business regulatory reform.

Ethiopia's overall ease of doing business score of 48.0 out of 100 indicated room for improving its business climate. While the country achieved a relatively good score in starting a business (71.7), performance varied across other regulatory areas crucial for small and refugee businesses. The scores for accessing electricity (60.1), paying taxes (63.3), and registering property (50.9) suggest moderate progress, but also highlight opportunities for enhancement.<sup>82</sup>

The financial and legal infrastructure requires particular focus. The getting credit score of 15.0 reflects the need to strengthen credit information systems and legal rights frameworks for borrowers and lenders. Corporate governance standards need substantial improvement, as indicated by the protecting minority investors score of 10.0. The resolving insolvency score of 30.3 highlights the necessity of addressing business closure procedures, which currently take three years and yield recoveries of only 27.3 cents on the dollar.

<sup>79</sup> Jorgelina Do Rosario and Fasika Tadesse, "Ethiopia Wins Financing Assurances Key for New IMF Loan," Bloomberg.Com, July 18, 2024, <https://www.bloomberg.com/news/articles/2024-07-18/ethiopia-wins-financing-assurances-key-to-unlock-new-imf-loan>.

<sup>80</sup> AfDB, "African Economic Outlook 2024 - Ethiopia" (African Development Bank, 2024).

<sup>81</sup> UNCTAD. Ethiopia: Issued Directive to liberalize its foreign exchange policy, Published 29 July 2024 (<https://investmentpolicy.unctad.org/investment-policy-monitor/measures/4763/ethiopia-issued-directive-to-liberalize-its-foreign-exchange-policy>)

<sup>82</sup> World Bank. Doing Business 2020. Washington DC, World Bank. 2020.

Strategic regulatory reforms in these areas would strengthen Ethiopia's investment climate, benefiting both local and refugee-owned businesses. Such improvements would particularly support small enterprises, which play a vital role in Ethiopia's economic development.

On governance, the 2022 IIAG shows that Ethiopia's score for Overall Governance is slightly below the average for Africa of 48.9 and ranks 32 out of 54 countries.<sup>83</sup> Ethiopia

also demonstrates "increasing improvement" in overall governance over the 10 years from 2012, according to the IIAG. In areas such as Participation, Rights and Inclusion and Human Development, Ethiopia has improved strongly over the 10-year period in the latest tabulation of scores, while the security and rule of law score is understandably low. The Foundations for Economic Opportunity and Human Development categories encouragingly show only a slight deterioration from previous years' highs.

## Major industries and sectors



### Agriculture and Livestock

Contributes 32% to GDP but employs 79% of the still majority rural population. Mostly, "rain-fed, subsistence-level, and low-yield," and therefore susceptible to climate change effects, it offers obvious areas for intervention, such as professionalizing farming for higher productivity and combating soil erosion et al. For refugees, agricultural co-operatives can harness the power of share farming for mutual benefit and benefit from climate friendly and more productive agricultural initiatives.



### Energy

Biomass, mostly firewood, contributes to about 92% of household fuel consumption, contributing to surging deforestation, increased greenhouse gas (GHG) emissions and degradation of land. Reducing

or avoiding the arduous process of fetching firewood (along with water) releases women, including refugee women, for other activities. Increasing access to natural gas and solar-powered electricity can also improve livelihoods. A focus on better energy supply would aid climate resilience and economic inclusion.

An example of the right direction for reform is the Mini-Grid Directive introduced by the Ethiopian Energy Authority in December 2020 which allows firms to generate electricity from solar energy. Based on this Directive, a 254kW solar mini-grid was inaugurated in the Somali region, benefitting refugees and host communities in and around Sheder refugee camp and hosting communities, in May 2024.



### Finance

Essential for refugee and host inclusion, financial inclusion can also boost economic growth.<sup>84</sup>

### 5.3.3 Barriers to Economic Inclusion

Ethiopia in 2019 made various policy pledges to strengthen its asylum and social protection capacity, including to create additional socioeconomic opportunities through the livestock and agricultural value chains to benefit both refugees and host communities, and to provide skills training to 20,000 refugees and members of the host community. The UNHCR Ethiopia Country Summary report as at 30 June 2023<sup>85</sup> assesses progress since a 2020 baseline on policy pledges. Comparing pledges with "in practice" observations reveals fissures between policy and implementation.

Beyond legal frameworks and reforms, refugee mindset

and beliefs also stand in the way of economic inclusion. Many refugees seem to believe they are transient in Ethiopia en route to a third country such as the UAE, UK or the USA. This makes them reluctant to invest in the area in which they live, or to set up businesses there – or integrate fully with the host community. Another false belief is that by setting up they will lose their entitlement and rights from the Ethiopian Government and the UNHCR. Many such refugees could have fared better had they integrated better and set up businesses or invested in their education and skills rather than depending on handouts from the government and UNHCR. Awareness creation, mindset change, and financial literacy training hopefully can change this mindset and encourage refugees to integrate better and to set up businesses in the areas where they live.

<sup>83</sup> Mo Ibrahim Foundation, "2022 Ibrahim Index of African Governance Report" (Mo Ibrahim Foundation, 2023), 13.

<sup>84</sup> Asli Demirguc-Kunt, Lora Klapper, and Dorothe Singer, "Financial Inclusion and Inclusive Growth A Review of Recent Empirical Evidence" (World Bank Group - Development Research Group Finance and Private Sector Development Team, April 2017), 3.

<sup>85</sup> UNHCR. Country Summary as at 30 June 2023.

### 5.3.3.1 Refugee Documentation



While Access to Civil Registration and Documentation has seen targeted improvements, challenges remain. The war in the North and COVID-19 disrupted the issuing of ID cards to such an extent that most refugees eligible for one do not have a valid ID card and more than 11,000 refugee families have no proof of registration. These challenges are further compounded by limitations in qualified personnel for RSD and registration processes, as well as constraints in technical, financial, and infrastructure capabilities. Despite these obstacles, significant progress has been made with the introduction of Directive No. 1019/2024 to Implement Recognized Refugees' and Asylum Seekers' Right to Work in August 2024, which provides refugees and asylum seekers with a unique Fayda number giving them access to tax identification numbers, financial services, business licenses, and the ability to exercise their right to work.<sup>86</sup>

### 5.3.3.2 Freedom of Movement



While Ethiopia historically pursued an encampment policy for refugees, with some flexibility for Eritrean refugees to reside in urban areas, since 2019 the government has worked to expand these opportunities. At the 2019 Global Refugee Forum in Geneva, Ethiopia pledged to relax its encampment policy. In September 2019, one of two directives adopted was to Determine the Conditions for Movement and Residence for Refugees Outside of Camps. Since then, the Out of Camp Policy (OCP) applies to all refugee nationalities.

According to UNHCR data, despite these policy changes, less than 10% of the total refugee population lives outside of camps. The pass permit requirement still presents hurdles for refugees wanting to move outside their designated area. Additionally, COVID-19 pandemic restrictions, followed by the State of Emergency and the impact of conflict, have restricted refugee movement. A positive development is the government's pledge to upgrade refugee camps into urban settlements and integrate them socio-economically. Disputes in Somaliland and clashes in Sudan as well

Tigray region meant Ethiopia has had to absorb tens of thousands of new refugees. New settlements created to do this include Mirqaan (29,032 Somali refugees), Alemwach (22,000 refugees relocated from Tigray), and Kumer (7,000 Sudanese refugees). This new approach "allows refugees to be included in national systems and contribute to the economy instead of setting up camps".<sup>87</sup>

### 5.3.3.3 Enabling Business Environment



Perception has been that Ethiopia's business environment has been beset by stifling bureaucracy abetted by poor macroeconomic management in a state-run economy that has seen double digit inflation and a dual official and black-market currency system.<sup>88</sup> In July, the government announced significant reform at the macro level to complement earlier opening up of some sectors of the economy, such as allowing foreign investment in telecoms. The currency has been allowed to float, a move seen as aiding its bid for IMF aid in debt restructuring,<sup>89</sup> and the central bank announced a major new direction in moving to an interest-rate-based monetary policy<sup>90</sup> which should see inflation moderate.

### 5.3.3.4 Access to Education



While policy improvements have been made to include refugee children in the national education system, many refugees continue to learn in camp-based schools operated by the international community. In 2023, 7% of refugee girls and 21% of refugee boys were enrolled in secondary education. The educational attainment of both hosts and refugees is unimpressive overall, while the Gross Enrollment Rate figures at all levels of education for refugee children have continued to lag the national GER for Ethiopia children. Gender and regional disparities are a concern.<sup>91</sup>

Beyond the challenges posed by isolated refugee camps and few accessible host community schools, refugee children face additional barriers to education including inadequate school infrastructure, a lack of teaching resources, and a shortage of qualified teachers.<sup>92</sup>

<sup>86</sup> Ethiopia: Directive No. 1019/2024 to Implement Recognized Refugees' and Asylum Seekers' Right to Work, accessed November 2024 (<https://www.refworld.org/legal/decrees/natlegbod/2024/en/148630>)

<sup>87</sup> UNHCR. P1

<sup>88</sup> Giulia Paravicini, "Ethiopia's Economic Reform Drive Splutters for Foreign Investors," Reuters, June 15, 2021, sec. Africa, <https://www.reuters.com/world/africa/ethiopias-economic-reform-drive-splutters-foreign-investors-2021-06-15/>.

<sup>89</sup> Dawit Endeshaw, "Ethiopia's Birr Drops 30% as Central Bank Floats Currency," Reuters, July 29, 2024, sec. Currencies, <https://www.reuters.com/markets/currencies/ethiopia-shifts-market-based-foreign-exchange-system-2024-07-29/>.

<sup>90</sup> National Bank of Ethiopia, "The National Bank Of Ethiopia Announces The Launch Of A New Monetary Policy Framework – National Bank of Ethiopia," July 9, 2024, [https://nbe.gov.et/nbe\\_news/the-national-bank-of-ethiopia-announces-the-launch-of-a-new-monetary-policy-framework/](https://nbe.gov.et/nbe_news/the-national-bank-of-ethiopia-announces-the-launch-of-a-new-monetary-policy-framework/).

<sup>91</sup> UNHCR, 12.

<sup>92</sup> Ethiopia Country Presentation, Regional High-Level Workshop, hosted by the Government of Kenya, the EAC, IGAD, and UNHCR with funding from the AfDB, Nairobi, 19-21 November 2024.

### 5.3.3.5 Local Infrastructure Quality



Ethiopia sought to sidestep the country's poor performance on business regulation by creating industrial parks with a separate dispensation, but this development model neglected to focus on improving the investment climate for all businesses, particularly small and medium local Ethiopian businesses which would usually operate outside the parks. More recently, Ethiopia has developed a new focus on business reform, and in 2022 passed a major series of reforms which hopefully marks the beginning of a new focus on the ease of doing business throughout Ethiopia for small and medium-sized domestic business.

### 5.3.3.6 Right to Work and Do Business



Ethiopia has established a legal framework granting refugees the right to work in formal employment, though most refugees currently operate in the informal sector. Working with development and humanitarian partners, Ethiopia has exceeded its 2019 Global Refugee Forum pledge, creating 129,000 economic opportunities in agriculture and livestock - surpassing the original target of 90,000 by 2024.

The government has taken steps to streamline business formalization through Directive No. 1019/2024 and the new refugee ID system with unique Fayda numbers. These measures aim to facilitate refugee access to tax identification numbers, financial services, and business licenses. In refugee camps, refugees have been operating small shops with licenses from local authorities. On Land, Housing, and Property Rights, refugee rights on immovable property are unclear. So too are refugee rights to access agricultural and irrigable land for joint projects. That said, broader rights concerning immovable property continue to evolve, and there are positive examples of progress. In Melkadida, Somali Region, a 2016 MOU between UNHCR, RRS and the Somali National Regional State has enabled refugee access to irrigable lands. The ongoing transition to settlements is expected to further enhance refugee property rights.<sup>93</sup>

### 5.3.3.7 ICT & Financial Inclusion



Financial inclusion is heavily affected by infrastructure and refugee documentation. Poor infrastructure – roads, water, and digital connectivity – hinder financial institutions opening branches in refugee and host community areas, and increases their operational costs, and therefore the cost of finance.

It is true that more refugees have been accessing financial services, though “a lack of clear procedures, limited awareness of refugee rights among financial service providers and a lack of collateral/savings” still presents difficulties.<sup>94</sup> Refugee and Returnee Services-provided ID documents still allow refugees to obtain driver’s licenses and telecoms services including SIM cards, which is why suspension of registration and documentation services by RRS after the State of Emergency, a suspension that continued after the emergency was lifted in November 2022, has been such a problem.

Slow uptake of mobile internet-enabled devices is impeding the expansion of digital financial services, and while recent policy progress could speed up digitization, mobile money account ownership rates are still low. Cash is still king.<sup>95</sup>

Clearly some progress has been made, though much work still needs to be done to ensure economic inclusion of refugees. Covid-19, the war and the State of Emergency were roadblocks. What is not clear is that now the roadblock is out of the way how fast the vehicle of reform can move.

## 5.3.4 Gender-Specific Barriers

Fieldwork on Somali refugees living in the Jijiga and Melkadida regions of Ethiopia as well as desktop research provided key insights on gender-specific barriers that restrain refugee women in the country. A combination of financial challenges and cultural norms prevent women refugees creating or getting jobs. The fulltime work of household responsibilities such as caring for their children precludes them from the formal jobs market and poverty and household duties means girls leave before high school.

Examples include:

### 5.3.4.1 Access to Education

Cultural factors also militate against greater gender parity in education. Among reasons girls do not continue beyond primary school are early marriage and responsibilities in unpaid care and domestic work. For refugees, also demotivating are the many refugee secondary school graduate students who remain unemployed in the camps. Technical Vocational Education and Training (TVET) training seems to overlook girls. For instance, the government-led TVET based in Jijiga that trains for the metal sector, carpentry, woodwork and driving includes no girls and no training that might specifically interest girls.

<sup>93</sup> UNHCR, “Ethiopia Country Summary as at 30 June 2023- UNHCR,” 10.C

<sup>94</sup> UNHCR, 10.

<sup>95</sup> Sophie Falsini, “Newest Financial Inclusion Data Provides Compelling Insights for Ethiopia,” UNCDF Policy Accelerator, August 2023, <https://policyaccelerator.uncdf.org/whats-new/newest-financial-inclusion-data-provides-compelling-insights-for-ethiopia>.

#### 5.3.4.2 Financial Inclusion

While financial inclusion has grown over the years, women are still largely shut out of the financial sector by “affordability, accessibility, lack of documentation, and low levels of financial and digital skills.” Women are half as likely to use savings clubs and family or friends, as well as financial institutions. Basic literacy is low, and awareness of mobile internet limited, especially among women, constraining access, usage, and control over financial and digital financial services.<sup>96</sup>

#### 5.3.4.3 Entrepreneurship Opportunities

Business capital is the biggest challenge for women and men. Due to poor road networks, security check points and costs of transport, vulnerable women are unable to access markets outside the refugee camps to buy and sell goods. They find it challenging to make profit as individual traders. Co-operatives could come to the rescue, though the USD100 million IKEA Foundation investment in creating co-ops in the five Dollo Ado refugee camps identified hurdles to sustainability outside of donor support as well as benefits to refugees and host community members. The IFC is one of the leading partners facilitating private

sector investment in the Somali Region. The partnership supports the transition of the nine agriculture production cooperatives to a climate-smart, sustainable share farming model with the establishment of an operating company composed of the nine cooperatives in a Union and in contract with a professional agriculture management services company. Having cooperatives benefits refugees in two ways: one is through the project's sustainability, and the other is protecting women from GBV. One typical good experience of a cooperative that sells charcoal made from the invasive *Prosopis juliflora* plant was the safety of women members, who no longer had to leave the camps, travel far, and expose themselves to GBV.<sup>97</sup>

#### 5.3.4.4 Legal and Cultural Barriers

Within the Somali patriarchal culture, women are encouraged not to leave their homes or communities without being accompanied by a brother or a sibling. Refugee women seldom leave the camps to travel to Jijiga or elsewhere for business. Many of them are housewives dealing with societal norms of taking care of their households and are engaged in informal business near their homes or the market.

### Comparative Advantages



#### Natural resources

- **Sesame seeds:** One of the highly competitive green products for which Ethiopia has a revealed comparative advantage in production. It is Ethiopia's second most important agricultural commodity after coffee in foreign exchange earnings, but the seed is farmed most areas with low productivity
- **Leather:** Ethiopia's comparative advantage is in the export of raw hides rather than processed leather, a pattern of low value add that is repeated elsewhere.
- **Coffee:** Ethiopia's number one source of export revenue generates around a third of the country's total export earnings. The country is the largest exporter of Arabica coffee beans on the continent and fifth in the world. However, value addition remains low, with the coffee beans exported raw to be roasted, blended and branded in other countries



#### Unique industries or expertise

- **Textile and apparel production:** Ethiopia has had a comparative advantage in its textile sector rather than in finished apparel, but the government has prioritized clothing manufacture as part of its industrialization strategy, focusing on job creation and export diversification. The labor-intensive nature of the industry aligns well with Ethiopia's abundant labor force, making it a focal point for economic development. Artisanal production is also well developed and could be further capitalized on enhancing access to international markets.
- **Horticulture:** The sixth largest exporter of roses worldwide, Ethiopia can count its export diversification drive through horticulture, and particularly floriculture a success.
- **Tourism:** One of the “sectors without smokestacks” that Ethiopia, with tourist attractions that range from the Rock-Hewn Churches of Lalibela to the Danakil Depression, in which it has a true comparative advantage.

<sup>96</sup> Falsini.

<sup>97</sup> Alexander Betts and Raphael Bradenbrink, “The IKEA Foundation and Livelihoods in Dollo Ado - Lessons from the Cooperatives Model” (University of Oxford Refugee Studies Centre, December 2020), 6.



### 5.3.5 Proposed Solutions and Opportunities

The following solutions and opportunities align with the Makatet Roadmap, which provides tangible and costed action plans for implementing Ethiopia's refugee policy commitments from 2016, 2019, and 2023, reflecting the government's long-term vision for refugee inclusion.

#### 5.3.5.1 Refugee Documentation and Rights

- i) Build on Ethiopia's progressive refugee proclamation by supporting implementation of additional subsidiary legislation to enhance economic inclusion and freedom of movement, rather than pursuing proclamation amendments at this stage.
- ii) Strengthen institutional capacity through:
  - Expanding RRS staffing levels
  - Providing targeted technical training for registration and RSD processes
  - Upgrading documentation systems and infrastructure
  - Securing additional financial resources for processing
- iii) Accelerate the transition from camps to integrated settlements by:
  - Expanding successful models like Mirqaan and Alemwach
  - Strengthening socio-economic integration with host communities

- Supporting infrastructure development in transition areas
- iv) Enhance implementation of the Out-of-Camp Policy by:
  - Streamlining pass permit procedures
  - Building capacity of local authorities to support integration
  - Developing clear guidelines for property rights and land access
- v) Clear the backlog of ID card renewals and registration documentation, particularly focusing on those currently without proof of registration.
- vi) Streamline procedures for private sector companies to open businesses in refugee areas, making it easier for them to create jobs and opportunities within the camps, building on the successful integration models seen in places like Mirqaan and Alemwach.
- vii) Create awareness among refugees about the benefits of registering with authorities, such as access to finance and government services, while assuring them that registration does not take away their rights. Community sensitization programs about the new Fayda number system and its benefits - including access to tax identification, financial services, and business licenses - can help overcome hesitation about formalizing businesses.

These solutions build upon recent progress made through Directive No. 1019/2024 and the Fayda number system, which have already streamlined business registration, financial access, and documentation processes for refugees and asylum seekers, marking a significant step toward comprehensive economic inclusion of refugees in Ethiopia.

### **5.3.5.2 Infrastructure Development and Settlement Integration**

- i) Consider funding activities supporting the integration of the Kebribeyah refugee camp with the adjacent host community in the Jijiga region.
- ii) Invest in support of the Melkadida Compact, building on the work of the IKEA Foundation and IFC's recent investment, to develop an extensive investment program in infrastructure and productive activities, such as agriculture, livestock, and solar energy.
- iii) Improve infrastructure facilities in refugee-hosting areas, including schools, health centers, water, housing, roads, electrification and digital connectivity.

### **5.3.5.3 Access to Quality Education**

- i) Expand educational infrastructure in and near refugee camps while increasing accessible host community schools, prioritizing areas with largest regional enrolment disparities.
- ii) Establish dedicated programs for teacher recruitment and training to address the critical shortage of qualified educators, alongside systematic provision of teaching materials.
- iii) Implement targeted support programs to address the gender disparity in secondary education enrolment.
- iv) Develop alternative education programs for over-age and out-of-school refugee children, integrating these into both camp and host community school structures as per government initiative.
- v) Create coordinated resource-sharing mechanisms between camp-based and host community schools to maximize efficiency of limited teaching resources and infrastructure.

### **5.3.5.4 Financial Inclusion**

- i) Invest heavily in infrastructure (roads, water, digital connectivity) to reduce operational costs for financial institutions and encourage business growth.

- ii) Amend the Ethiopia Proclamation to clarify refugees' entitlements and create awareness among refugees, host communities, service providers, and regulators.
- iii) Support the setup and scaling of VSLAs to bring alternative and flexible financial services closer to the camps.
- iv) Implement awareness creation, mindset change, and financial literacy training modules to encourage refugees to integrate better and set up businesses in their areas of residence.
- v) Develop de-risking and innovative mechanisms to reduce impediments faced by financial institutions, encouraging them to provide funding and financial products suited to the unique needs of refugees and host communities.

### **5.3.5.5 For the AfDB**

- i) The AfDB, World Bank, and others should develop de-risking and innovative mechanisms to reduce impediments faced by financial institutions, encouraging them to provide funding and financial products suited to the unique needs of refugees and host communities, including low-interest loans to international and local private sectors operating in refugee hosting regions.
- ii) Consider funding the integration of the Kebribeyah refugee camp with the adjacent host community in the Jijiga region for their mutual benefit.
- iii) Invest in the Melkadida region, building upon the pioneering work of the IKEA Foundation and the recent investment by IFC, to develop an extensive investment program in infrastructure and productive activities, such as agriculture, livestock, and solar energy.
- iv) Invest in infrastructure to reduce the cost of doing business in refugee areas and incentivize more financial institutions to open branches in these locations.
- v) Encourage improvement of data collection and dissemination at all levels of government, including on a national census, and harmonization of data between government and multinational and private sector partners, to improve planning.
- vi) Work with relevant government authorities to develop trade facilitation mechanisms, including duty-free privileges and other incentives for refugee-produced goods targeting international markets.



## 5.4 KENYA



Kenya, with a multi-ethnic population of 56.2 million in mid-2024, is a leading economy in East Africa, and one of the fastest growing economies in Africa. Around 27% of the population live in urban areas, a percentage that should rise in coming years as the urban growth rate is 3.7%,<sup>98</sup> outstripping the population growth rate of around 2%.<sup>99</sup>

The number of registered refugees and asylum seekers in mid 2024 constitutes around 1.4% of the population but has grown almost 59% since 2019.<sup>100</sup> Only a minority live in urban areas, and most have been prevented by Kenya's encampment policy from engaging in sustainable livelihoods, making them dependent on food aid, though a new policy approach aims at greater economic integration and recognition of refugees as potential contributors to the economy.<sup>101</sup>

Most of the refugees and asylum seekers (56.7%) are from Somalia. Of Kenya's two camps, the Dadaab

camp in the East of the country is the largest, providing refuge for 408,985 mainly Somalians, near the border of Somalia. Next biggest is Kakuma, hosting 296,152 refugees and asylum seekers, in the Northwest, bordering Uganda, Ethiopia and South Sudan, which is another major source of refugees and asylum seekers (36.4%). The capital Nairobi hosts 107,773 urban refugees (13.1%).<sup>102</sup>

Kenya's economy grew by 150% in constant 2015 US dollars, according to World Bank data, over the decade to 2023, to almost USD100 billion. Mostly stable, the country has been the victim of periodic terrorism attacks, usually ascribed to Al Shabab and related groups from Somalia and ethnic violence.<sup>103</sup> While Kenya suffers from widespread perceptions of corruption, it has been a persistent and determined economic reformer and the Ease of Doing Business report in 2020 recorded Kenya as having the third-best investment climate for business in Africa.

Table 7. Populations of Concern in Kenya

			
<b>812,910</b>	<b>413,595</b>	<b>87%</b>	<b>77%</b>
Refugees and Asylum Seekers	Refugees and Asylum Seekers in Dadaab	Camp-based Refugees	Women and children

Source: UNHCR Operational Data Portal

<sup>98</sup> UN Habitat, "Briefing Note Kenya" (UN Habitat, 2023).

<sup>99</sup> Worldometer, "Kenya Population (2024) - Worldometer," 2024, <https://www.worldometers.info/world-population/kenya-population/>.

<sup>100</sup> UNHCR, "Kenya Statistics Package June 2024" (UNHCR, June 2024), <https://www.unhcr.org/ke/wp-content/uploads/sites/2/2024/07/Kenya-Statistics-Package-June-2024.pdf>.

<sup>101</sup> Abdullahi Boru Halakhe, Alan Mukuki, and David Kitenge, "The New Refugee Act in Kenya and What It Means for Refugees - Kenya | ReliefWeb," June 4, 2024, <https://reliefweb.int/report/kenya/new-refugee-act-kenya-and-what-it-means-refugees>.

<sup>102</sup> UNHCR. Kenya Statistics Infographics | October 2024. Published 18 November 2024 (<https://data.unhcr.org/en/documents/details/94275>)

<sup>103</sup> Westen K. Shilaho, "Kenya's Politicians Continue to Use Ethnicity to Divide and Rule – 60 Years after Independence," *The Conversation*, July 19, 2023, <http://theconversation.com/kenyas-politicians-continue-to-use-ethnicity-to-divide-and-rule-60-years-after-independence-207930>.

Kenya's new refugee legislation (the Refugee Act of 2021) envisages more progressive policies towards refugee management. Initial steps towards establishing integrated settlements have already been undertaken in the Turkana region, in the Kakuma-Kalobeyei integrated settlement area. The Government of Kenya has introduced the Shirika Plan to guide the transition from camps to integrated settlements. Together with the Garissa Integrated Socioeconomic Development Plan (GISEDP), these initiatives are integral to the region's approach to inclusive development. The Shirika Plan, which focuses on promoting self-reliance among refugees and host communities, is pioneering efforts to transition from humanitarian aid to sustainable development models. Similarly, GISEDP is a comprehensive plan that aligns with the Big Four Agenda of the Kenyan government, tailored to boost economic growth, create jobs, and integrate refugees into the national development plan.<sup>104</sup> Implementation of the Shirika Plan is estimated to cost USD943 million over a period of 12 years across 3 phases.<sup>105</sup>

Kenya's adoption of modern refugee management policies, together with its request for assistance provides a good opportunity for the development community to support investments for both refugees and host communities in some of Kenya's most marginalized regions.

## 5.4.1 Kenya's Economic Outlook

### 5.4.1.1 Key economic indicators



**Real GDP growth:** Increased from 4.9% in 2022 to 5.6% in 2023.



**GDP per capita growth:** Rose by 3.4% in 2023 compared to 2.9% in 2022.



**Inflation:** Was only marginally higher at 7.7% in 2023 compared to 7.6% previously.



**Fiscal deficit:** Higher in 2023 at 7.0% compared to 6.3% in 2022.



**Debt-to-GDP ratio:** Up at 70.1% in 2023 from 66.7% in 2022.

Kenya, the strongest economy in the East African Community, fought off a range of constraints in 2023 that included rising debt service obligations, high borrowing costs, persistent inflation and the sharp depreciation of the shilling to record growth in Gross Domestic Product of 5.6%,<sup>106</sup> impressive under the circumstances. The economy was boosted by recovery in agriculture prompted by better weather, and tourist arrivals regained their pre-pandemic level while an increase in remittances lifted foreign income. Growth was also seen in services though the industrial sector continued to fall as investment and business sentiment plunged.<sup>107</sup>

In 2024, Kenya's GDP is projected to grow by 5% held back by continuing fiscal consolidation efforts, tight monetary policy, and the waning agricultural rebound. Kenya's debt problems arose from its strong growth before the COVID-19 pandemic, which was largely propelled by the public sectors. The country is burdened by total public debt, which though estimated to have edged down to 68% of GDP in fiscal 2023/24 from 72% in FY2022/23, still has to deal with rising interest payments, accounting for 37.9% of tax revenue in FY2023/24 and leaving little space for public spending on government priorities.<sup>108</sup>

On the plus side, Kenya's issuing of a new USD1.5 billion Eurobond in February 2024 to help repay the USD2 billion Eurobond due for repayment in June eased liquidity and took downward pressure off the currency.<sup>109</sup> Also, a resilient services sector, a continuing tourism rebound, and a recovery in exports is expected to underpin growth in 2024. However, known unknowns include adequate rainfall, and most importantly the ability of the authorities to stay the course on fiscal consolidation and structural reform, this latter perhaps shown by recent protests against proposed tax increases to be no piece of cake.<sup>110</sup>

<sup>104</sup> See UNHCR. *Joint Statement by the Government of Kenya and the UN High Commissioner for Refugees: High Level Dialogue on the Shirika Plan*. 20 June 2023. (<https://www.unhcr.org/africa/news/press-releases/joint-statement-government-kenya-and-un-high-commissioner-refugees-high-level>). See also County Government of Garissa and UNHCR. *The Garissa Integrated Socio-Economic Development Plan (GISEDP) For Enhancing The Socio-Economic Inclusion Of Refugees And Host Communities In Refugee Hosting Sub-Counties Of Dadaab, Fafi, And Lagdera In Garissa County, Kenya. Phase I: 2023-2027. 2023* ([https://www.unhcr.org/ke/wp-content/uploads/sites/2/2023/09/GISEDP-1\\_Overview\\_Final\\_26092023.pdf](https://www.unhcr.org/ke/wp-content/uploads/sites/2/2023/09/GISEDP-1_Overview_Final_26092023.pdf))

<sup>105</sup> Kenya Country Presentation. *Regional High-Level Workshop*, hosted by the Government of Kenya, the EAC, IGAD, and UNHCR with funding from the AfDB, Nairobi, 19-21 November 2024

<sup>106</sup> World Bank, "Kenya Economic Update No. 29 - Fostering Trade for Robust Growth and Dynamic Job Creation" (World Bank, June 2024), 3.

<sup>107</sup> World Bank, *iii*.

<sup>108</sup> World Bank, 10.

<sup>109</sup> Reuters, "Kenyan Shilling Extends Gains on Confidence Eurobond Will Be Repaid | Reuters," February 14, 2024, <https://www.reuters.com/markets/currencies/kenyan-shilling-extends-gains-confidence-eurobond-will-be-repaid-2024-02-14/>.

<sup>110</sup> Chrispin Mwakideu, "Kenya: What's behind the Deadly Protests? – DW – 06/26/2024," dw.com, June 26, 2024, <https://www.dw.com/en/kenya-whats-behind-the-deadly-protests/a-69478710>.

Inflation is projected to ease by a percentage point or two in 2024 and in 2025 thanks to lower global and local price pressures. This with stable exchange rates may allow the central bank some room to decrease interest rates, though fiscal and monetary policy is expected to remain tight. Remittance flows show no reason for marked decrease.

On a broader front, Kenya has enthusiastically engaged at the global, continental, and regional level to increase trade integration, being an early signatory and backer of the African Continental Free Trade Area (AfCFTA). Also, Kenya has, through improved bilateral relations, signaled its openness to trade.

Much depends on the stronger macroeconomic framework continuing, along with renewed access to international financial markets, and implementation of structural reforms such as removing restrictions on foreign ownership in the ICT sector. This is expected to "spur investor confidence and private investment in the medium term, supporting capital inflows, including FDI, and freeing more credit to the private sector through reduced domestic government borrowing". FDI inflows, low by comparison with Sub-Saharan Africa in general, would increase to take advantage of opportunities opened up by the African Continental Free Trade Area (AfCFTA) and bilateral trade negotiations.<sup>111</sup>

#### 5.4.2 Current Investment Climate

Scoring 58.7 out of 100 for Overall Governance on the 2022 Mo Ibrahim Foundation Governance Index, Kenya showed stable performance. While the scores for Foundations for Participation, Rights and Inclusion, Economic Opportunity, and Human Development improved and the Security and Rule of Law score deteriorated, public perception of governance dipped.

Kenya's legal and regulatory management is good, and the country is positioned at number 56 on the overall Ease of Doing Business<sup>112</sup> ranking. However, much of this outperformance comes from excellence in sophisticated finance-related issues, such as protecting minority investors and resolving insolvency. Kenya does well on some of what matters more for small refugee and host community investors, such as infrastructure for getting access to credit and quality and availability of the electric grid, but progress can be hoped for on the ease of registering a business,

in simplifying the process to pay taxes, and in secure registration of fixed property.

Kenya's legal and regulatory management is good. Previously, the country was positioned at number 56 on the overall Ease of Doing Business ranking. This outperformance stemmed largely from excellence in sophisticated finance-related issues, such as protecting minority investors and resolving insolvency. Kenya performed well on some factors crucial for small refugee and host community investors, including infrastructure for credit access and quality and availability of the electric grid. However, improvements are needed in ease of business registration, simplifying tax payment processes, and secure registration of fixed property.

Kenya's score on the Transparency International's Corruption Perception Index has improved over the 10 years to 2023, though that score (31/100) is still low, ranking Kenya at 126 out of 180 countries.<sup>113</sup> It must be remembered, however, that is an index of perception.



<sup>111</sup> World Bank, "Kenya Economic Update No. 29 - Fostering Trade for Robust Growth and Dynamic Job Creation," 13.

<sup>112</sup> The Ease of Doing Business is discontinued and has been replaced by the World Bank's Business Ready benchmarking report released October 2024.

<sup>113</sup> Transparency International, "2023 Corruption Perceptions Index: Explore the Results," Transparency.org, January 30, 2024, <https://www.transparency.org/en/cpi/2023>.

## Major industries and sectors

Kenya's economy is primarily based on agriculture, which accounts for a significant portion of GDP and employs the majority of the population. Key sectors include:



### Agriculture

Agriculture, forestry and fishing as a sector still accounts for almost 22% of GDP. Coffee may immediately spring to mind, but Kenya is the world's leading exporter of black tea. Horticultural exports, including cut flowers and fresh vegetables have seen substantial growth.



### Financial Services

Kenya has a flourishing financial services industry, with several local and continental banks, including Kenya Commercial Bank, and Equity Group. The banking sector plays a key role in housing finance, offering a range of mortgage products that supports Kenya's housing sector.



### East African Breweries

EABL as it is known, 65% owned by multinational alcoholic drinks group Diageo, has a history of brewing dating back to the 1920s. With subsidiaries in Uganda

and Tanzania, on 1 August 2024 it had a market capitalization of KSh125 billion USD975 million.



### Safaricom

Kenya has been a pioneer in the use of mobile money<sup>114</sup> through the innovative Safaricom M-PESA service, and the impressive figure of 79% of Kenyan adults having bank accounts, according to the 2021 Global Findex Database, up from just 42% in 2011, is attributed to mobile money. Safaricom operates across the Democratic Republic of Congo (DRC), Egypt, Ghana, Kenya, Lesotho, Mozambique and Tanzania and has 51 million customers.



### Manufacturing

Manufacturing only accounts for under 8% of GDP, but the prospect of deepening integration of African firms into global supply chains and attracting technology-intensive industries is tantalizing.<sup>115</sup> A lot would seem to depend on the development of African markets and opening of trade through the African Continental Free Trade Area (AfCFTA)

### 5.4.3 Barriers to Economic Inclusion

Around 13% of refugees live in and around the national capital of Nairobi, with the balance in two large, similar-sized communities, in the semi-arid regions of Turkana County, bordering on South Sudan, Uganda and Ethiopia, and Garissa County bordering on Somalia. Between 2006 and 2021 Kenya adopted increasingly restrictive refugee policies, including a strict encampment policy, and crimping refugees' opportunities for economic empowerment. In 2021 the Kenyan legislature approved a new refugee law, Refugee Act 2021, which promised a much more progressive approach to refugee management. The Refugee (General) 2024 Regulations have since been developed and gazetted to support its implementation.<sup>116</sup>

It has been argued that integrated settlements will reverse the unintended consequences of the encampment policy. Poorly planned camps, it is contended, have put pressure on scarce water resources, woodlands, and vegetation cover and resulting environmental damage has catalyzed conflict between host and refugee communities<sup>117</sup> and integration could aid climate-sensitive economic inclusion.

Initial steps towards establishing integrated settlements have already been undertaken in the Turkana region, in the Kakuma-Kalobeyei integrated settlement area.

The government of Kenya's Shirika Plan and GISEDIP initiatives are integral to Kenya's approach to inclusive

<sup>114</sup> Wolfgang Fengler, "How Kenya Became a World Leader for Mobile Money," World Bank Blogs, July 16, 2012, <https://blogs.worldbank.org/en/african/africa-can/how-kenya-became-a-world-leader-for-mobile-money>.

<sup>115</sup> UNCTAD, "Africa's Rise as a Global Supply Chain Force: UNCTAD Report | UNCTAD," August 16, 2023, <https://unctad.org/news/africas-rise-global-supply-chain-force-unctad-report>.

<sup>116</sup> Kenya Country Presentation. Regional High-Level Workshop, hosted by the Government of Kenya, the EAC, IGAD, and UNHCR with funding from the AfDB, Nairobi, 19-21 November 2024

<sup>117</sup> Halakhe, Mukuki, and Kitenge, *The New Refugee Act in Kenya and What It Means for Refugees – Kenya*. ReliefWeb, Published 3 June 2024. (<https://reliefweb.int/report/kenya/new-refugee-act-kenya-and-what-it-means-refugees#:~:text=With%20the%20Refugee%20Act%20of,localizing%20refugee%20response.>)

development and will guide the transition from camps to integrated settlements. Both Kakuma and Dadaab have received their Municipality Status Charters, marking a concrete step in the transition from camps to integrated settlements. Together with the Garissa Integrated Socioeconomic Development Plan (GISED), these initiatives are integral to the region's approach to inclusive development.<sup>118</sup> Draft 1 of the Shirika Plan is in place and will undergo further stakeholder engagements and public participation; and Implementation of the Shirika Plan is estimated to cost 943M USD over a period of 12 years across 3 phases.<sup>119</sup>

#### 5.4.3.1 Refugee Documentation



The UNHCR reported in January 2024, that the refugee status of more than 168,000 asylum-seekers in Kenya had not yet been determined.

The number of asylum seekers in mid-2024 was higher at 210,523.<sup>120</sup>

Asylum seekers lawfully entering Kenya receive a movement pass to go to a refugee camp where they apply for refugee status. After several interviews, successful applicants should receive refugee permits, printed in Nairobi, an apparently simple process but one described in community consultations as "harrowing". Previously, refugees could wait for years, and sometimes the refugee permit, valid for five years from date of application, expired before being given to the refugee. Once the five-year validity of their permit has expired, and its extension requested, a further delay ensues. Wait times have now reportedly for most applicants cut to between 4-5 months after having their biometrics taken, still a significant delay for what ought to be a routine process.

Government has taken several steps to address these challenges. The government is developing a refugee database and Management System that will be interoperable with other government databases, alongside a process to digitize refugee IDs to improve their verifiability and access to services. Additionally, five refugee documents have been gazetted to enhance their legal status and support refugee access to national and private services.<sup>121</sup>

Refugees without an identity document are only entitled to the basic services. They have no legal status to engage in livelihood activities, open a bank account, obtain a mobile sim card, business licenses, movement pass to leave the camp or register in higher education.

#### 5.4.3.2 Freedom of Movement



The legal restriction on freedom of movement of the encampment policy that has been in force since 2006 is debilitating for refugee economic empowerment. Even refugees with the necessary qualifications to obtain a work permit must still live in camps, regardless of their location of employment. For businesspeople, seeking to access raw materials or goods for sale in camp, this proves a huge challenge as they are forced to work through intermediaries, severely reducing their margins. Some refugee business owners claimed that in Kakuma refugee camp business owners could obtain movement passes for a year while they operated their businesses, and they hoped that a similar provision could be made in Dadaab. The Kenyan government arguably needs to recognize the Refugee ID for movement within the country. Current regulations restrict movement due to security concerns. However, if refugee entrepreneurs are to engage in economic activity beyond the camps, they will need to travel to source supplies and conduct sales. Freedom to move and therefore engage properly in productive economic activity should go a long way to ending the food aid dependency of refugees in Dadaab.

#### 5.4.3.3 Enabling Business Environment



Greater progress in improving the investment climate by improving regulation, enhancing governance and controlling corruption and progress in macroeconomic management will clearly benefit both host and refugee communities. Specific initiatives, however, need to be taken on the enabling environment for refugee enterprises, two of the most important being allowing greater freedom of movement and beefing up the processing of refugee documentation. These are major cross cutting issues.

For example, limited movement is an impediment to business growth and expansion in Dadaab. Difficulties in obtaining movement passes deprives many entrepreneurs from accessing affordable markets in Nairobi or Mombasa.

Support is needed to develop robust business ecosystems to support refugee ventures. The AfDB, in collaboration with entities like the Danish Refugee Council, can finance systems that enhance business infrastructure and ecosystems. Additionally, considering Dadaab's dynamic youth population, the AfDB could finance initiatives for skill mapping and development in partnership with the various arms of the Kenyan government, such as the National Qualifications Authority and Ministry of Education.

<sup>118</sup> Kenya Country Presentation. Regional High-Level Workshop, hosted by the Government of Kenya, the EAC, IGAD, and UNHCR with funding from the AfDB, Nairobi, 19-21 November 2024

<sup>119</sup> Ibid.

<sup>120</sup> UNHCR, "Refugee Status Determination," UNHCR Kenya, n.d., <https://www.unhcr.org/ke/refugee-status-determination>.

<sup>121</sup> Kenya Country Presentation. Regional High-Level Workshop, hosted by the Government of Kenya, the EAC, IGAD, and UNHCR with funding from the AfDB, Nairobi, 19-21 November 2024

Private sector entities, such as banks, often fail to recognize refugee documentation, restricting refugees' access to essential financial services. State entities like the Kenya Chamber of Commerce could facilitate market access for refugee entrepreneurs, yet their registration systems currently do not recognize refugees. The AfDB can support the digitization of refugee services in collaboration with Kenya's Information and Communication Technology (ICT) Authority, the DRS, and UNHCR. This initiative could include establishing one-stop online platforms or physical Biashara Centers for all refugee documentation needs and financing digital identity document (ID) initiatives for refugees.

#### 5.4.3.4 Access to Education

 Kenya's Comprehensive Refugee Response Framework<sup>122</sup> and the Global Compact of Refugees outlines a "whole of government, multi-sector approach". The Support for Host Community and Refugee Empowerment (SHARE) Plan calls for training refugee teachers as professionals and investing in expanding higher education opportunities for both refugees and host communities.<sup>123</sup> Access to education is linked to freedom of movement and refugee documentation. Refugees must be free to move to access higher education opportunities away from the camps.

Kenya has some of the highest refugee enrolment rates in the region: in 2023, 87% of refugees were enrolled in primary school, and 66% in secondary. 6.6% were enrolled in tertiary education. At present, camp schools follow the Kenyan educational curriculum but are privately and NGO-run and depend for funding on the UNHCR and other humanitarian organizations. Due to the policy of encampment, refugee teachers are drawn from camps or settlements whereas national teachers in the public schools can be recruited from all over Kenya.<sup>124</sup> Nonetheless, teacher shortages persist in public schools in Turkana and Garissa.<sup>125</sup>

Steps have been taken towards inclusive education, which avoids creation of sometimes inferior parallel education and training systems, and boosts social cohesion, among other benefits.<sup>126</sup> However, even if refugees were fully

included in Kenya's education system, expert opinion is that international funding would have to continue.<sup>127</sup>

#### 5.4.3.5 Local Infrastructure Quality



Kenya's infrastructure network is strong, and the port of Mombasa and associated logistics include a major road and railway from the port to the interior of Africa, serving a population of over 400 million. This important trade network has recently been enhanced, including a significant upgrading and modernization of the railway line from the port of Mombasa to Nairobi, and associated regulatory improvements to reduce time and cost for goods in transit. Kenya also has a robust – and environmentally friendly – power sector.

Road infrastructure development is still necessary. For refugees that the state of rural roads needs attention is important.<sup>128</sup> The tarmacking of the Garissa-Dadaab road remains a critical priority, with its completion expected to significantly enhance economic integration and development in the refugee-hosting region. As newly chartered municipalities, both Kakuma and Dadaab face substantial infrastructure needs across multiple sectors - from basic services like water and energy to social infrastructure in health and education, alongside environmental conservation and waste management systems. These infrastructure investments are essential to realizing the full potential of their new municipal status and supporting the transition to integrated settlements.

#### 5.4.3.6 Right to Work and Do Business



Refugees who have secured employment technically are entitled to apply for a Class M work permit. In practice, however, the requirements for these work permits are so onerous, for example requiring copies of a valid national passport among other documents, and so lengthy, that by the time the permit is issued the employment offer would probably have been withdrawn, and the position offered to someone in a better position to take it up. Refugees who have applied report not only long timelines, but that frequently the application process just stops somewhere. In

<sup>122</sup> In 2016, as a response to the burgeoning global refugee crisis, the international community came together during a Leader Summit to formulate a more equitable and predictable refugee response. At this summit, UN member states, including Kenya, adopted the New York Declaration for Refugees and Migrants, thereby agreeing upon the core elements of a CRRF. The Global Compact on Refugees was affirmed by the UN General Assembly on 17 December 2018.

<sup>123</sup> Helen West et al., "Teacher Management in Refugee Settings: Kenya" (Education Development Trust, 2022), 76.

<sup>124</sup> Supra

<sup>125</sup> West et al., "Teacher Management in Refugee Settings: Kenya," 70.

<sup>126</sup> UNESCO, "Learning Together: Inclusive Education for Refugees in Kenya | IIEP-UNESCO," June 19, 2020, <https://www.iiep.unesco.org/en/learning-together-inclusive-education-refugees-kenya-13451>.

<sup>127</sup> West et al., "Teacher Management in Refugee Settings: Kenya," 36.

<sup>128</sup> Menya, "Why Most Rural Roads Are in Bad Shape," Nation, April 10, 2022, <https://nation.africa/kenya/news/why-most-rural-roads-are-in-bad-shape-3777812>.

practice Class M work permits are rarely issued and data on success and rejection rates are unavailable.<sup>129</sup> In addition, Kenyan businesses report a lack of clarity on whether they are legally permitted to employ refugees.

#### 5.4.3.7 ICT & Financial Inclusion



Aiding financial inclusion is Kenya's well-known pioneering role in finance, including microfinance, with its MPESA mobile money network. However, regulatory barriers persist which prohibit holders of Refugee ID cards from legally accessing SIM cards with which they could open mobile money accounts. Stalled rates of refugee registration and access to documentation compound this issue. Other barriers include an absence of sharia-compliant banking or credit options.

Data plays a crucial role in advancing the financial inclusion of refugees, but, where it is available, must be used correctly. Studies often fail to examine the interconnected causes of financial exclusion among refugees, focusing instead on isolated aspects. A more comprehensive ecosystem analysis would be beneficial. Notably, refugees will be included in the FinAccess Survey by the Central Bank of Kenya starting from 2024, which is expected to shed light on their financial inclusion. Data duplication among agencies too has resulted in inefficient resource use and research fatigue among refugees. There is a call for open access to data and interagency collaboration in data generation. The AfDB could collaborate with UNHCR and other bodies to support an ecosystem analysis of refugees' financial inclusion.

Banks tend to view refugees as high-risk customers and advocacy at the level of the Central Bank is needed to change this. Other de-risking strategies include loan guarantee funds, group lending, and initiatives to help refugees build credit histories. Kenya's anti-money laundering laws, which impede lending to refugees, must also be reformed. Administrative hurdles also affect financial inclusion, particularly the delays in migrating Refugee ID cards into the Integrated Population Registration System (IPRS). If Refugee IDs are recognized in the IPRS, banks are more likely to acknowledge refugee documentation. Progress has been made through sustained advocacy with key service providers, including the Kenya Revenue Authority, Financial Reporting Centre, Communications Authority, National Transport and Safety Authority, and Kenya Bankers Association, demonstrating potential pathways for expanding financial inclusion for refugees.

#### 5.4.4 Gender-Specific Barriers

Women and children comprise just over 75% of the refugee population in Dadaab. As an inevitable impact of a long

running Somalian civil war, many households in Dadaab are female headed, with husbands either dead, back in Somalia fighting, or seeking to maintain rights in the home community while wife and children are safe in the refugee camps.

Entrepreneurship of women-owned businesses are evident in, for instance, the thriving business community in Dadaab. Women are involved in the beauty industry, agriculture, livestock, food manufacturing and market businesses. Unfortunately, restriction of movement and limited market opportunities lead women to engage in businesses that are saturated, e.g. tailoring, weaving, tie-dye, and beauty. Most single women engage in traditional income generating activities such as handicrafts, despite poor market demand.

Women cannot register businesses as easily as men and due to the preponderance of women undertaking entrepreneurship activities in Dadaab, restrictions on economic empowerment of refugees have become a gender issue.

From a customary perspective, refugee women in Dadaab face obstacles including the cultural practice of married men controlling the finances and savings of the family and the lack of personal security in the camps.

Most social problems refugees face have a gender dimension, and women should be supported to face the repercussions that may arise from their empowerment through strong protective mechanisms to give them the confidence and not be threatened by emasculated and violent spouses. There should be awareness that while women are empowered, they must maintain the cultural balance to maintain their family life.

Many of the women in female-headed households take up the primary economic roles. Culturally, married women are not supposed to be seen in the market after 6pm. However, female breadwinners are forced to work in the male dominated markets past this time with little community support.

Infrastructural improvements to enhance the safety of women include creating security and safe spaces for women, improved road conditions, electricity distribution and fire brigades within the camp/host community and market areas to encourage customers and investors.

<sup>129</sup> Reported in Research and Evidence Facility (REF). May 2021. "Mapping the refugee journey towards employment and entrepreneurship: obstacles and opportunities for private sector engagement in refugee-hosting areas in Kenya." London: EU Trust Fund for Africa (Horn of Africa Window) Research and Evidence Facility.

## Comparative Advantages



### Agriculture

Agriculture in Kenya calls to mind coffee as well as tea, and the climate and soil in many parts is ideal for diversified agricultural produce. Kenya's floriculture success is well known, as are its exports of horticultural produce



### Tourism

Tourist arrivals in Kenya plunged in 2020 thanks to Covid-19 but have since recovered to 2,086,800. In the West, the word Kenya is almost synonymous with "safari" and the capital boasts a national wildlife park in a 15-minute drive from the city center. Tourism also offers an opportunity for large scale enhancement of the artisanal sector catering for the various sisters.



### Geographic Location

Kenya's strategic location and modern business environment make it a natural choice as a regional hub

for investors who want to access the larger regional market of the East African Community, and as a base for expanding into other African countries. The Port of Mombasa is the largest seaport in East Africa, serving landlocked neighbors, and Jomo Kenyatta International Airport in Nairobi is a major regional air transport hub.



### People

Notably, UNCTAD singles out the Kenyan people as a reason to invest in the country, describing Kenya's workers as "among the best educated and most enterprising and hard-working in Africa". Certainly, the steady flow of money remitted by Kenyans operating elsewhere in the world betokens energetic labor.



### Energy

Although Kenya's electricity demand may come under strain in future from continuing industrialization and higher household consumption, the source of electricity generation is 90% renewables – geothermal, hydro, solar and wind. In an era where exporters face punitive carbon border taxes this is an obvious plus.

## 5.4.5 Proposed Solutions and Opportunities

Kenya has made significant progress on several fronts through the development of a government-owned refugee database, digitization of refugee IDs, and gazettlement of refugee documents to enhance legal status. However, various structural and operational challenges persist in achieving full economic inclusion of refugees. Key priorities include environmental programs for restoration and clean energy in refugee hosting counties, and strengthening the institutional capacity of the Department of Refugee Services (DRS) to enhance coordination and management of refugee programs. Building on existing progress while addressing remaining barriers, specific opportunities and solutions include:

### 5.4.5.1 Refugee Documentation and Freedom of Movement

#### i) Streamline refugee documentation process:

Collaborate with DRS and UNHCR to reduce the

processing time for refugee permits from the current 4-5 months to a more efficient timeframe. This would involve digitizing the application process and implementing a tracking system for applications.

**ii) Enhance freedom of movement:** Support the implementation of the Refugee Act 2021, and its newly gazetted Refugee (General) Regulations 2024, focusing particularly on provisions that facilitate freedom of movement for refugees, particularly for business and educational purposes.

**iii) Integrate refugee IDs into national systems:** Facilitate the rapid integration of Refugee ID cards into the Integrated Population Registration System (IPRS) to enhance recognition by financial institutions and other service providers. The Government of Kenya is developing a government-owned Refugee Database and Management System that will be interoperable with other government databases, alongside a process to digitize refugee IDs to improve their verifiability and access to services.<sup>130</sup>

<sup>130</sup> Kenya Country Presentation. Regional High-Level Workshop, hosted by the Government of Kenya, the EAC, IGAD, and UNHCR with funding from the AfDB, Nairobi, 19-21 November 2024



#### 5.4.5.2 Economic Inclusion and Business Environment

- i) **Develop robust business ecosystems:** Finance systems that enhance business infrastructure and ecosystems in refugee-hosting areas, in collaboration with entities like the Danish Refugee Council and various arms of the Kenyan government.
- ii) **Facilitate market access:** Work with the Kenya Chamber of Commerce to adapt their registration systems to recognize and include refugee entrepreneurs, enabling them to access wider markets and business opportunities.
- iii) **Simplify work permit process:** Advocate for the simplification of the Class M work permit application process for refugees, including reducing documentation requirements and processing times. Collaborate with the relevant authorities to create clear guidelines for businesses on legally employing refugees.

#### 5.4.5.3 Financial Inclusion

- i) **Support ecosystem analysis:** Collaborate with UNHCR and other bodies to conduct a comprehensive ecosystem analysis of refugees' financial inclusion, identifying interconnected barriers and opportunities.
- ii) **Advocate for regulatory changes:** Work with the Central Bank of Kenya to revise prudential guidelines and consider changes to anti-money laundering laws to reclassify refugees as non-high-risk customers.
- iii) **Implement de-risking strategies:** Encourage the development of loan guarantee funds, group lending initiatives, and programs to help refugees build credit histories. This could include partnering with microfinance institutions and local banks to create tailored financial products for refugees.

#### 5.4.5.4 Infrastructure Development

- i) **Improve road infrastructure:** Prioritize the tarmacking of critical roads, particularly the Garissa-Dadaab road which is identified as a key priority under both the Shirika Plan and GISED<sup>131</sup> to facilitate trade and enhance security in refugee-hosting areas.

ii) **Enhance camp infrastructure:** Support the transition from camps to integrated settlements as outlined in the Shirika Plan. This includes investing in water, sanitation, and energy infrastructure that benefits both refugee and host communities.

iii) **Expand education facilities:** Invest in expanding and improving educational facilities in refugee-hosting areas, with a focus on higher education and vocational training opportunities that align with market needs.

#### 5.4.5.5 Skills Development and Gender Empowerment

- i) **Implement skills mapping and development:** Finance initiatives for skill mapping and development in partnership with the National Qualifications Authority and Ministry of Education, focusing on the dynamic youth population in refugee camps.
- ii) **Address gender-specific barriers:** Develop programs that support women entrepreneurs in refugee camps, including providing safe spaces for women in markets, improved lighting, and security measures to allow for extended business hours.
- iii) **Promote inclusive education:** Support the integration of refugee students into the Kenyan education system, including teacher training programs that benefit both refugee and host communities.

#### 5.4.5.6 ICT and Digital Inclusion

- i) **Digitize refugee services:** Support the creation of one-stop online platforms or physical Biashara Centers for all refugee documentation needs, in collaboration with Kenya's ICT Authority, the DRS, and UNHCR.
- ii) **Enhance mobile money access:** Advocate for regulatory changes to allow holders of Refugee ID cards to legally access SIM cards and open mobile money accounts, leveraging Kenya's strong mobile money infrastructure.
- iii) **Improve data collection and sharing:** Support initiatives to include refugees in national surveys, such as the FinAccess Survey, and promote open access to data and interagency collaboration in data generation to avoid duplication and research fatigue among refugees.

<sup>131</sup> Ibid.



## 5.5 RWANDA



Rwanda, a small landlocked nation in East Africa with a population exceeding 13 million, has been welcoming refugees for almost three decades. As of 30 April 2024, the UNHCR's Rwanda Country Operation has registered 135,397 refugees and asylum seekers.<sup>132</sup> The overwhelming majority are from its two neighbors, the Democratic Republic of the Congo (DRC) (62%) and Burundi (37%). Regional conflicts and ethnic violence, particularly in neighboring DRC and Burundi, political instability, economic hardship, and environmental factors linked to climate change have all contributed to forced displacement, creating conditions that compelled individuals and families to flee to Rwanda for safety, security, and better living conditions.

Out of the total refugee population, 91% live in the five refugee camps of Kigeme, Kiziba, Mugombwa,

Nyabiheke, and Mahama, as well as the Emergency Transit Mechanism. Most Burundian refugees in Rwanda reside in the Mahama refugee camp, located in Kirehe District near the Tanzanian border. Established in 2015, Mahama is the largest refugee camp in Rwanda, hosting 63,484 refugees and asylum seekers as of 30 April 2024.<sup>133</sup>

The overwhelming majority of refugees in Rwanda (95%) share a common socio-cultural background with the local population. Nearly all refugees are fluent in the local Kinyarwanda language and adhere to the same cultural norms as Rwandans.<sup>134</sup> This close alignment in language and culture can facilitate the integration of refugees into Rwandan society and contribute to social cohesion between refugees and host communities.

Table 9. Populations of Concern in Rwanda

<b>134,588</b> Refugees and Asylum Seekers	<b>75%</b> Women and children	<b>67,515</b> Refugees and Asylum Seekers in Mahama Camp	<b>91%</b> Camp-based (national)

Source: UNHCR. Rwanda - Statistics of Forcibly Displaced Population Figures - October 2024

<sup>132</sup> See UNHCR Operational Data Portal. April 2024. (<https://data.unhcr.org/en/country/rwa>).

<sup>133</sup> Ibid.

<sup>134</sup> UNHCR and Government of Rwanda. *Economic Inclusion of Refugees in Rwanda: A Joint Strategy by The Ministry of Disaster Management and Refugee Affairs and The United Nations High Commissioner for Refugees for Furthering Economic Development in Host Communities through Refugee Self-Reliance* (2016-2020). Pg 7.



## 5.5.1 Rwanda's Economic Outlook

Rwanda has set ambitious economic goals for the future, aiming to attain Middle-Income Country status by 2035 and High-Income Country status by 2050.<sup>135</sup> To achieve these objectives, the country has developed a seven-year National Strategy for Transformation as the implementation instrument for the remainder of its Vision 2020 and for the first four years of Vision 2050, and the domestication of the United Nations' Sustainable Development Goals (SDGs) and other continental and regional commitments.<sup>136</sup>

Despite facing both external and domestic challenges, Rwanda's economy has demonstrated remarkable resilience and adaptability.

In the first three quarters of 2023, the country achieved a 7.6% growth rate, with the services sector sustaining domestic demand and the industrial sector's rebound contributing to this robust performance.<sup>137</sup> Rwanda's economic outlook remains promising, with GDP growth projected to maintain an average of 7.2% over the period 2024-2026.

Following the recent presidential and parliamentary elections held in July 2024, Rwanda remains committed to implementing its economic strategies to drive sustainable growth and development while preserving the political stability it has maintained since the Genocide against the Tutsi in 1994 in Rwanda.

### 5.5.1.1 Key economic indicators

The AfDB's Africa Economic Outlook 2024 highlights Rwanda's economic resilience in the face of global challenges.<sup>138</sup>

Key economic indicators include:

- **Real GDP growth:** Remained stable at 8.2% in both 2022 and 2023
- **GDP per capita growth:** Steady at 5.9% during 2022-2023

- **Inflation:** Rose from 13.9% in 2022 to 14.3% in 2023
- **Fiscal deficit:** Decreased from 7.7% of GDP in 2022 to 7.0% in 2023
- **Debt-to-GDP ratio:** Declined from 71.3% in 2022 to 66.6% in 2023

The banking sector in Rwanda has remained stable, with the capital adequacy ratio standing at 21.1% at the end of September 2023, well above the prudential limit of 15%. The ratio of non-performing loans to gross loans improved from 4.3% in June 2022 to 3.6% in June 2023, reflecting prudent management of the loan portfolio.<sup>139</sup>

On the social front, extreme poverty in Rwanda declined from 47% in 2019 to 45% in 2021, and unemployment decreased from 43.4% in August 2022 to 40.2% in August 2023. However, skills mismatch remains a major cause of unemployment in the country.

## 5.5.2 Current Investment Climate

Rwanda has emerged as a standout performer in cultivating a favorable investment climate, particularly within the EAC. From 2003 to 2020, the World Bank's Doing Business Report served as the primary benchmark for assessing business environments globally. In its final edition (Doing Business 2020), Rwanda ranked 38th globally and 2nd in Africa, demonstrating the success of its reform agenda that helped triple investment values from USD400 million in 2010 to USD2.008 billion in 2020.

Building on this strong foundation, Rwanda's strong performance continues under the World Bank's new Business Ready (B-READY) assessment framework, launched in October 2024 to replace the discontinued Doing Business Report. Rwanda is the only country in the EHAGL region to be included in the inaugural report.<sup>140</sup>

While Doing Business focused primarily on regulatory burden for small and medium enterprises, B-READY provides a more comprehensive evaluation of the business environment, assessing regulatory frameworks, public services, and operational efficiency. In this inaugural B-READY report, Rwanda demonstrates exceptional performance across most B-READY topics, ranking in the top quintile in 6 out of 10 assessed areas.

<sup>135</sup> Ministry of Finance and Economic Planning (MINECOFIN). 7 Years Government Programme: National Strategy for Transformation (NST1): 2017 – 2024. Pg. 45 (<https://vision2050.minecofin.gov.rw/root/nst/nst1>)

<sup>136</sup> Ibid. Pg. 9.

<sup>137</sup> World Bank. The Rwanda – Overview. <https://www.worldbank.org/en/country/rwanda/overview>.

<sup>138</sup> Figures and projections reported here and below, AfDB. African Economic Outlook 2024: Driving Africa's Transformation – The Reform of the Global Financial Architecture. Pg. 207 (<https://www.afdb.org/en/knowledge/publications/african-economic-outlook>).

<sup>139</sup> AfDB. African Economic Outlook 2024: Driving Africa's Transformation – The Reform of the Global Financial Architecture. Country Note: Rwanda. Pg. 207. (<https://www.afdb.org/en/knowledge/publications/african-economic-outlook>).

<sup>140</sup> Rwanda is the only country in the EHAGL region to be included in the inaugural report. See World Bank 2024. Business Ready 2024. Washington DC, World Bank (<https://www.worldbank.org/en/businessready>).

- The country's score for Public Services (67.37) and Operational Efficiency (81.31), demonstrate strong institutional capacity and effective implementation.
- It achieved outstanding scores in several key areas including Dispute Resolution (82.87), Business Entry (85.39), and Business Insolvency (80.2).
- Rwanda was the only low-income economy to place in the first quintile for Public Services delivery, significantly outperforming many higher-income economies.
- Rwanda's performance is particularly noteworthy as it achieved these results despite being a low-income economy, demonstrating that good business environment practices are achievable regardless of income level.<sup>141</sup>

The country's commitment to creating an enabling environment for economic opportunity is further evident in its impressive score of 63.4 out of 100 in the Ibrahim Index of African Governance's Foundations for Economic Opportunity category, significantly surpassing the regional average of 48.5.<sup>142</sup>

Recent initiatives further underscore Rwanda's dedication to fostering a business-friendly atmosphere. The

government has exempted new small and medium-sized enterprises (SMEs) from trading license taxes for their first two years, streamlined construction permitting processes, upgraded the power grid, and refined labor regulations. However, challenges persist, particularly in infrastructure development, where Rwanda scored a modest 38.8 in the IIAG subcategory.

The labor market presents both opportunities and challenges. With a working age population of about 8.2 million and 4.37 million employed, the overall unemployment rate stands at 12.9%, showing improvement from 17.2% the previous year. However, youth unemployment remains higher at 16.6%, indicating a need for targeted interventions.<sup>143</sup>

Despite these challenges, Rwanda's strong performance in the new, more comprehensive B-READY assessment framework reinforces its position as a leading reformer and attractive investment destination in East Africa. This continued excellence in business environment reforms provides a solid foundation for achieving the country's ambitious development goals.

## Major industries and sectors

Rwanda's economy is diverse, with several key sectors driving growth:



### Agribusiness

Accounts for 39% of Rwanda's GDP and nearly three-quarters of its employment. The country's natural endowments provide a comparative advantage in high-value crops such as tea, coffee, beans, grains, cassava, fruits, and vegetables.<sup>144</sup> Specific opportunities in the sector include high-value crop production, particularly in specialty coffee and tea, agro-processing and value

addition, organic farming initiatives, and agricultural technology and irrigation systems. Women are particularly active in agricultural cooperatives, but face challenges in accessing resources for larger-scale ventures.



### Services sector

- This sector has been sustaining domestic demand and contributing significantly to economic growth.<sup>145</sup>

<sup>141</sup> Ibid.

<sup>142</sup> IIAG. Ibrahim Index on African Governance 2022. Released January 2023. (<https://iiag.online/data.html> ).

<sup>143</sup> National Institute of Statistics in Rwanda. Labour Force Survey – 2024 (Q1). Published May 2024. Pg. 11. (<https://www.statistics.gov.rw/publication/2136> ).

<sup>144</sup> The International Finance Corporation (IFC). *Creating Markets in Rwanda: Transforming for the Jobs of Tomorrow. Country Private Sector Diagnostic*. March 2019. Pg. 31ff (<https://documents.worldbank.org/en/publication/documents-reports/documentdetail/685821567684905917/country-private-sector-diagnostic>). The Rwanda Country Private Sector Diagnostic report by the IFC, though conducted before the COVID-19 pandemic, provides relevant insights into Rwanda's private sector investment landscape. The report identified market opportunities, constraints, and necessary reforms to unlock the private sector's potential. It emphasized collaboration between the public and private sectors to support the development of high-value, competitive sectors for job creation, aligning with Rwanda's Vision 2050 and economic transformation goals.

<sup>145</sup> AfDB. *African Economic Outlook 2024. Country Note Rwanda*. Pg. 207.



### Industrial sector

- The rebound in this sector has been a key contributor to Rwanda's recent economic performance.<sup>146</sup>



### Affordable housing

- There is a projected demand for 345,000 new houses by 2022 in Kigali alone, more than half of which cater to the affordable housing segment. Specific opportunities include large-scale affordable housing projects in urban areas, green building initiatives, and housing finance products.<sup>147</sup>



### Tourism

- Rwanda has been developing its tourism sector, focusing on diversifying its tourism offerings by

generating investments in tourism destinations beyond Kigali and the Virunga. Specific opportunities include eco-tourism development, high-end lodges and hotels, cultural tourism initiatives, and tourism-related services such as tour operations, transportation, and inclusion of refugee products at tourism expos.<sup>148</sup>



### ICT and digital solutions

- The government has been promoting Rwanda as a regional ICT hub.<sup>149</sup>
- Driven by the government's ambition to establish itself as a regional financial hub, fintech has also emerged as one of the fastest growing sectors in the country.

## 5.5.3 Barriers to Economic Inclusion

Rwanda has made significant strides in creating an inclusive environment for refugees, granting them full rights to movement and work. Analyzing Rwanda's approach through the lens of the Pathway to Economic Inclusion framework, several key elements can be highlighted:

### 5.5.3.1 Refugee Documentation

Rwanda has established effective procedures for refugee status determination. All registered refugees receive a Proof of Registration, with those above 16 years old entitled to a refugee ID issued by the National Identification Agency (NIDA), while the Directorate General of Immigration and Emigration handles the refugee status determination pursuant to the new law Governing Refugees and Applicants for Refugee Status in Rwanda (Law No 042/2024 of 19/04/2024). This ID, valid for 10 years, serves as a residence permit and proof of legal identity.<sup>150</sup> These IDs are equivalent to Rwandan identity cards, enabling refugees to open bank accounts, access financial services,

register businesses, and apply for jobs in the formal labor market.<sup>149</sup>

However, implementation gaps persist, especially at the local level, creating a disconnect between national policy and on-the-ground realities. Many employers and service providers lack awareness about refugee rights, creating practical difficulties for refugees in securing employment and accessing services.<sup>152</sup>

### 5.5.3.2 Freedom of Movement

Rwanda's policies grant refugees full rights to movement within the country. This freedom is crucial for enabling refugees to seek employment or self-employment opportunities beyond designated camps.<sup>153</sup> However, despite the right to freedom of movement, the majority of refugees (90%) still reside in camps, often lacking the means to move, particularly due to transport costs. This limitation affects their ability to network and access economic opportunities outside the camps, even though no legal restrictions exist.<sup>154</sup>

<sup>146</sup> Ibid.

<sup>147</sup> IFC. *Creating Markets in Rwanda*. Pg. 49ff.

<sup>148</sup> Ibid.

<sup>149</sup> Ibid.

<sup>150</sup> KII (key informant interview), UNHCR Rwanda representative, Rwanda scoping mission Kigali, February 2024.

<sup>151</sup> Rwandan Law No 13er/ 2014 of 21/05/2014 relating to refugees, <https://www.unhcr.org/rw/wp-content/uploads/sites/4/2017/07/Guide-to-employment-of-refugees-in-Rwanda.pdf>.

<sup>152</sup> Leghtas, I. and Kitenge, D. "Turning Policy Into Reality: Refugees' Access To Work In Rwanda." *Refugees International*. September 2023.

<sup>153</sup> Izza Leghtas and David Kitenge. *Turning Policy Into Reality: Refugees' Access To Work In Rwanda*. *Refugees International*. September 2023. (<https://www.refugeesinternational.org/reports-briefs/turning-policy-into-reality-refugees-access-to-work-in-rwanda/>).

<sup>154</sup> KII, Rwanda scoping mission, February 2023 and verified at Rwanda PPDs, Kigali, June 2024.

### 5.5.3.3 Enabling Business Environment

Rwanda has created a favorable business environment for both refugees and nationals, demonstrated by its exceptional performance in the World Bank's new Business Ready (B-READY) assessment framework. The country ranks in the top quintile in 6 out of 10 assessed areas, with particularly strong scores in Business Entry (85.39), Public Services (67.37), and Operational Efficiency (81.31).<sup>155</sup> Recent initiatives include exempting new SMEs from trading license taxes for their first two years and streamlining construction permitting processes. These and other incentives are guided by the Investment Promotion and Facilitation Law of 2021, which guides investment promotion in Rwanda and aims to enhance the country's competitiveness as an investment destination by expanding the list of eligible investors and the range of incentives available.<sup>156</sup>

However, significant barriers persist, particularly in refugee-hosting areas. Infrastructure limitations pose a major challenge.<sup>157</sup> Key issues include poor road connectivity, especially between Mahama camp and Kirehe town, limiting access to markets and services. Refugees often rely on unsustainable fuel sources due to limited access to the main electricity grid. Insufficient water infrastructure impacts both agricultural productivity and basic needs. In addition, health facilities require upgrades to better serve both refugee and host communities.

Business registration presents another challenge, as the process requires a refugee ID card, while many refugees only possess proof of registration documents. The limited private sector engagement in refugee settings further compounds these challenges, as more private sector investment is needed to create jobs and foster economic inclusion. These infrastructure and investment gaps, along with administrative barriers, significantly hinder the potential for economic growth and inclusion in these areas, despite the overall favorable business environment in Rwanda.

### 5.5.3.4 Access to Education

Refugee students are integrated into the national education system, receiving the same support as Rwandan nationals up to the secondary level. Partnerships among UNHCR, World Vision International, and the Rwandan government support quality education for refugee children. However, urban refugee students face significant barriers due to limited funding, receiving no support for school levies or materials as priority is given to camp-based students, and they have limited livelihood opportunities to meet these costs (which are met by national households).<sup>158</sup> Camp-based refugee students receive support from the international community throughout Early Childhood Development, Primary, and Secondary education. At the tertiary level, while refugees cannot access student loans like their Rwandan counterparts, some benefit from the DAFI scholarship program.

Notwithstanding the positive impact this inclusive policy has on refugees' education, educational infrastructure in refugee-hosting areas faces significant challenges, with schools often overcrowded and resorting to double shifts. In Mahama for example, classrooms designed for 46 students must accommodate up to 90 students through double shifts.

### 5.5.3.5 Local Infrastructure Quality

Infrastructure development is a critical enabler for refugee economic inclusion in Rwanda, but significant barriers persist, particularly in refugee-hosting areas. Key issues include:

- **Road connectivity:** The connection between Mahama and Kirehe town as well as in other 4 refugee camps is particularly problematic, including the Kiziba refugee camp connection to Nyamagabe and Nyamasheke districts via Gisovu tea factory. Improving this and other road networks would enhance connectivity, facilitate the

<sup>155</sup> World Bank 2024. *Business Ready 2024*. Washington DC, World Bank.

<sup>156</sup> Rwanda's Investment Promotion and Facilitation Law N° 006/2021 was gazetted on 8 February 2021, and repealed the previous Investment Promotion and Facilitation Law N° 06/2015. The law expands the list of priority economic sectors to include mining activities, logistics and electric mobility, specialized innovation parks, tourism (including hotels, adventure tourism, and agro-tourism), horticulture, creative arts (specifically the film industry), and skills development in areas where Rwanda has limited capacity. It introduces a new category for strategic investment projects of national importance, which may be granted additional incentives on approval by the Cabinet. The law offers various tax incentives, including a 0% corporate income tax rate for philanthropic investors spending at least USD20 million on social impact projects; a 15% preferential corporate income tax rate for investors in areas such as innovation R&D facilities, ICT training centers, and certain financial services; corporate income tax holidays of up to five years for specialized innovation park developers; preferential corporate income tax rates for export-oriented businesses; and various withholding tax exemptions or reductions. It also provides specific incentives for start-ups, research and development, the mining sector, and the film industry. The law includes talent attraction incentives, such as entrepreneurship visas, talent visas for international students, and visas for remote workers in priority professional fields. See Rwanda Development Board. *Investment Promotion and Facilitation Law of 2021*. (<https://rdb.rw/wp-content/uploads/2022/02/Investment-code-2021.pdf>).

<sup>157</sup> Rwanda scores only 38.8 in the Infrastructure subcategory of the Ibrahim Index of African Governance. IIAG. *Ibrahim Index on African Governance 2022*. Released January 2023. (<https://iiag.online/data.html>).

<sup>158</sup> UNHCR and Government of Rwanda. *Economic Inclusion of Refugees in Rwanda: A Joint Strategy by The Ministry of Disaster Management and Refugee Affairs and The United Nations High Commissioner for Refugees for Furthering Economic Development in Host Communities through Refugee Self-Reliance (2016-2020)*. Pg 7.



movement of goods and people, and increase access to markets and services. Currently, poor road conditions limit access to essential services and economic opportunities, including markets, secondary healthcare, tea factory employment, and cross-border trade.<sup>159</sup>

- **Energy access:** Refugees often rely on unsustainable fuel sources like mangrove/papyrus reeds, charcoal, and firewood. Solar energy initiatives have been disrupted, leading to calls for connection to the main electricity grid. Even basic needs like charging mobile phones are challenging during rainy seasons.<sup>160</sup>
- **Water infrastructure:** Expansion is required to support agricultural productivity and basic needs, especially in dry areas. The reliance on rain-fed agriculture highlights the need for irrigation support. The water supply system in Kirehe requires improvement to better serve both refugee and host communities.<sup>161</sup>
- **Education facilities:** Schools in refugee-hosting areas are often overcrowded, particularly in Mahama where classrooms are severely congested. While efforts are underway to construct more school rooms and TVET centers under the World Bank-funded Jya Mbere project, additional schools, TVET facilities, and innovation centers are needed in Mahama and other camps.<sup>162</sup>
- **Health infrastructure:** Health facilities require upgrading to better serve both refugee and host communities.<sup>163</sup>
- **Digital Connectivity:** Limited internet access in refugee camps restricts access to digital services and economic opportunities, impacting refugees' ability to participate in the digital economy.

The Rwandan government recognizes these challenges and has designated several districts, including Kirehe in the Eastern Province, as secondary cities to promote balanced economic growth and manage rural-urban migration. The government is actively seeking investments in infrastructure development, economic activities that generate employment opportunities, and housing projects to support the growth of these areas as vibrant urban centers.<sup>164</sup>

The AfDB is well-positioned to support these efforts. With its diverse portfolio of 22 projects in Rwanda focusing on infrastructure development and skills enhancement, the AfDB has the potential to expand its initiatives to benefit refugee-hosting areas.

The AfDB is also engaged in regional initiatives that aim to foster economic integration and connectivity among neighboring countries, including road projects linking Rwanda and Burundi, and an energy project connecting Rwanda, Burundi, and the DRC.

The World Bank's Jya Mbere project provides a foundation for the AfDB to build on, with several key areas for intervention already identified, including infrastructure development, health, education, and livelihoods support. These areas align closely with the AfDB's current projects in Rwanda, creating opportunities for collaboration and synergy.

These infrastructure gaps significantly hinder economic growth and inclusion in refugee-hosting areas, despite Rwanda's overall favorable business environment.

#### 5.5.3.6 Right to Work and Do Business

Refugees have the right to work and do business in Rwanda. They can open businesses in the same way as nationals and register them under their own name. Camp-based refugees can register their business at sector level and have to pay monthly taxes. In urban areas, refugees with a refugee ID card can, register their business at the Rwanda Development Board. They are issued with a certificate of registration and a Tax Identification Number (TIN), and have the same tax obligations as nationals. To date, 659 companies owned by refugees have been registered in the registry of companies in Rwanda under the Rwanda Development Board.<sup>165</sup>

However, despite these rights, refugees face significant barriers in practice.<sup>166</sup> While urban-based refugees maintain contact with the private sector and are generally aware

<sup>159</sup> *KIIs, Rwanda scoping mission, February 2024; verified at Rwanda PPDs, Kigali. June 2024.*

<sup>160</sup> *Ibid.*

<sup>161</sup> *Ibid.*

<sup>162</sup> *Ibid.*

<sup>163</sup> *Ibid.*

<sup>164</sup> *Ministry of Finance and Economic Planning (MINECOFIN). 7 Years Government Programme: National Strategy for Transformation (NSTI): 2017–2024. Pg. 45.*

<sup>165</sup> *Rwanda Country Presentation. Regional High-Level Workshop, hosted by the Government of Kenya, the EAC, IGAD, and UNHCR with funding from the AfDB, Nairobi, 19-21 November 2024.*

of available opportunities, camp-based refugees face a significant disconnect from the private sector, further limiting their economic empowerment potential.<sup>167</sup> Refugees also face discrimination in the labor market, with some reporting difficulties in obtaining and maintaining employment due to their refugee status. Some online job application platforms do not accept refugee IDs, and there are perceptions of discriminatory attitudes from employers or co-workers.<sup>168</sup> In addition, there is often a gap between the skills training offered to refugees and the specific needs of the private sector job market, reducing refugees' employability.<sup>169</sup> The lack of awareness about the right to work for refugees among both employers and refugees themselves further compounds these challenges.

### 5.5.3.7 ICT & Financial Inclusion

Refugees have the right to access financial services and ICT. Their IDs are considered equivalent to Rwandan identity cards for opening bank accounts and accessing financial services. They can also register businesses and obtain a TIN. However, financial inclusion remains a challenge for many refugees. While refugees have the right to access financial services, they face several barriers: a) Lack of collateral often prevents refugees from obtaining traditional loans; b) Financial institutions often perceive lending to refugees as high-risk; c) Lack of financial products specifically catered to unique circumstances.<sup>170</sup>

There's also a general lack of awareness about refugee rights among service providers, employers, and financial institutions. Some refugees themselves are not fully informed about their right to work and access financial services.<sup>171</sup>

Additional challenges include the absence of refugee representation in Rwanda's annual Labor Force Survey, hindering the evaluation of their labor market participation and the identification of specific skill gaps and needs.<sup>172</sup>

Refugee women face additional challenges, including childcare responsibilities limiting their economic participation, restricted mobility, and limited say in financial decisions in some households. These barriers are discussed in more detail below.

To address these challenges, Rwanda has implemented several initiatives. The National Bank of Rwanda (BNR) has taken a proactive approach to refugee financial inclusion. Following a 2021 study that revealed refugees were not adequately covered by national financial inclusion efforts, BNR developed a National Financial Education roadmap through a Refugee Working Group chaired by the Ministry in Charge of Emergency Management (MINEMA) with UNHCR as co-chair. This initiative includes the development of a financial literacy book to be translated into local languages, enhancing financial literacy among refugee populations. The government has also established the Rwanda National Investment Trust, which receives savings from individuals, including refugees, and invests them, providing non-taxable interest to savers. This initiative not only strengthens the national savings rate but also provides refugees with a secure savings option.<sup>173</sup>

Moving forward, recommendations include implementing comprehensive awareness programs about refugee rights and opportunities, improving infrastructure in refugee-hosting areas, aligning training programs with market needs, developing gender-sensitive programs, and encouraging private sector investment in refugee-hosting areas. A key priority is working with financial institutions to develop tailored lending programs that address the collateral constraints faced by refugees, enabling greater access to credit and supporting financial inclusion.<sup>174</sup>

By addressing these areas comprehensively, Rwanda can further enhance its efforts towards refugee economic inclusion and create a more inclusive environment for both refugees and host communities.

166 See Rwanda Development Board. *Business Registration* (<https://org.rdb.rw/business-registration/>) and UNHCR, *Working in Rwanda* (<https://help.unhcr.org/rwanda/services/work/>).

167 *Rwanda Country Presentation, Regional High-Level Workshop*, hosted by the Government of Kenya, the EAC, IGAD, and UNHCR with funding from the AfDB, Nairobi, 19-21 November 2024

168 Leghtas, I. and Kitenge, D. *Turning Policy Into Reality: Refugees' Access To Work In Rwanda*. Refugees International. September 2023. Pg. 19.

169 KII, verified during PPDs in Kigali. June 2024.

170 *Ibid.*

171 Leghtas, I. and Kitenge, D. *Turning Policy Into Reality: Refugees' Access To Work In Rwanda*. Refugees International. September 2023. Confirmed during scoping mission consultations and Rwanda PPDs, February and June 2024.

172 KII, *Rwanda Scoping Mission*. February 2024.

173 *Rwanda PPDs*, Kigali. June 2024.

174 *Ibid.* For a detailed list of recommendations, please see the Recommendations section at the end of this Country Chapter.



## 5.5.4 Gender-Specific Barriers

In Rwanda, the legal framework treats women and men equally, with the Government and partners actively working to address gender-based violence issues that predate displacement.

### 5.5.4.1 Legal and regulatory obstacles for women

Rwanda has made significant progress in eliminating legal gender-based discrimination. The country scores 72.5 out of 100 on the Women, Business and the Law 2024 index, higher than both the global average (64.2) and the Sub-Saharan Africa regional average (57.4). Rwanda demonstrates relative strengths in gender equality legislation, scoring perfectly on metrics assessing freedom of movement, women's work and pay decisions, marriage-related constraints, limits on women's entrepreneurship, and gender parity in property and inheritance rights.<sup>175</sup>

However, the country has room for improvement regarding laws impacting women's employment after childbirth, and pension amounts. Rwanda received one of its lowest scores on the World Bank's Women, Business and the Law 2024 parenthood indicator, which measures legislation affecting working mothers.<sup>176</sup>

### 5.5.4.2 Cultural and social norms affecting women's participation

Despite progressive laws, cultural and social norms continue to affect women's economic participation, particularly in refugee settings.<sup>177</sup> This situation is especially pronounced in Rwanda's protracted refugee context, where women bear a disproportionate burden of household responsibilities, performing almost all domestic work while men often remain unemployed. These domestic duties, combined with childcare responsibilities significantly limit women's ability to engage in paid work or entrepreneurial

activities. Societal expectations frequently prioritize women's domestic responsibilities over their economic pursuits. Additionally, some women face restrictions on their mobility, especially at night, further constraining their economic opportunities. In certain households, women have limited influence over financial decisions, which further impacts their ability to invest in businesses or education.

### 5.5.4.3 Education and skills gap

While Rwanda strives to provide inclusive and quality education for refugee children, several challenges persist that disproportionately affect women and girls.<sup>178</sup> Many older women, particularly among the refugee population, lack formal education, with HDI data showing only 14% of women over 25 years having some secondary education. This highlights the need for adult literacy programs and appropriate infrastructure centers.<sup>179</sup> Gender biases continue to hinder girls' participation in both academic and extracurricular activities, including sports. Girls are particularly vulnerable to school dropouts due to early pregnancies and the need to care for family members. There is a notable shortage of vocational training opportunities tailored to the specific needs of refugee women. Furthermore, a skills mismatch often exists between the capabilities of refugee women and the requirements of the local job market.

### 5.5.4.4 Access to resources and networks

Refugee women face considerable obstacles in accessing the resources and networks necessary for economic empowerment. Many struggle to secure sufficient start-up capital to establish businesses or generate profit. Limited access to business networks and mentorship opportunities further impedes their economic progress. The technology gap presents an additional barrier, with many refugee women having restricted access to digital technologies, thus hindering their participation in the growing digital economy.

<sup>175</sup> World Bank. 2024. *Women, Business and the Law 2024*. Washington, DC: World Bank 2024. Rwanda Data. (<https://wbl.worldbank.org/en/data/exploreconomies/rwanda/2024>).

<sup>176</sup> *Ibid.*

<sup>177</sup> These findings are primarily based on the Rwanda Gender Analysis report from the scoping mission. They highlight the complex interplay of factors that continue to challenge women's economic empowerment in refugee settings in Rwanda, despite ongoing efforts to address these issues.

<sup>178</sup> *Ibid.*

<sup>179</sup> According to the Human Development Report, only 14% of women aged 25 and older have completed some form of secondary education, compared to 18% of men in the same age group. This disparity becomes more evident when compared to Kenya for example, where 54.6% of women and 63.5% of men aged 25 and older have at least some secondary education. United Nations Development Programme Data Center, Human Development Index data, accessed November 2024 (<https://hdr.undp.org/data-center/documentation-and-downloads>)

## Comparative Advantages

Rwanda's economy is diverse, with several key sectors driving growth:



### Natural resources

Rwanda's natural endowments provide a strong foundation for two key industries, as affirmed in the IFC's Country Private Sector Diagnostic:

- **Agriculture:** The country has favorable conditions for high-value crops such as tea, coffee, beans, grains, cassava, fruits, and vegetables.<sup>180</sup>
- **Tourism:** Rwanda's natural beauty, including its famous mountain gorillas, provides a basis for eco-tourism development.<sup>181</sup>



### Geographical location

Rwanda's strategic location offers several advantages:

- **Regional trade hub:** As a member of both the East African Community and the Common Market for Eastern and Southern Africa, Rwanda is well-positioned for regional trade.<sup>182</sup>
- **Gateway to Central Africa:** Rwanda can serve as a gateway for trade and investment into Central Africa.<sup>183</sup>
- **Potential for cross-border projects:** The country's location allows for potential cross-border infrastructure and development projects.



### Labor force characteristics

Rwanda has several advantageous labor force characteristics:

- **Young population:** Rwanda has a young and growing population, providing a large potential workforce.<sup>184</sup>
- **Shared cultural background with refugees:** The overwhelming majority of refugees (95%) share a common socio-cultural background with the local population, facilitating integration and potentially easing labor market entry.<sup>185</sup>
- **Multilingual workforce:** Many Rwandans speak multiple languages, which can be an advantage in sectors like tourism and international business.<sup>186</sup>



### Unique industries or expertise

Rwanda has been developing expertise in several niche areas:

- **High-value, low-impact tourism:** The country has positioned itself as a destination for high-end, eco-friendly tourism.<sup>187</sup>
- **ICT hub development:** Rwanda is actively working to become a regional ICT hub, investing in digital infrastructure and skills development.

## 5.5.5 Proposed Solutions and Opportunities

### 5.5.5.1 Cooperatives and Agriculture

- Enhance financial awareness and access:** To improve financial inclusion for cooperatives and agricultural enterprises, targeted campaigns should be organized to

raise awareness about available financial opportunities. These campaigns would focus on informing participants about loans from microfinance institutions and Savings and Credit Cooperatives. Efforts should also be made to facilitate connections between cooperatives and larger financial institutions like the Development Bank of Rwanda and RNIT Iterambere Fund, opening up new avenues for funding and support.

<sup>180</sup> IFC. *Country Private Sector Diagnostic. Rwanda. Pg. 31ff.*

<sup>181</sup> Ibid.

<sup>182</sup> Ibid.

<sup>183</sup> Ibid.

<sup>184</sup> National Institute of Statistics in Rwanda. *Labour Force Survey – 2024 (Q1). Published May 2024. Pg. 11.* (<https://www.statistics.gov.rw/publication/2136>).

<sup>185</sup> UNHCR and Government of Rwanda. *Economic Inclusion of Refugees in Rwanda: A Joint Strategy by The Ministry of Disaster Management and Refugee Affairs and The United Nations High Commissioner for Refugees for Furthering Economic Development in Host Communities through Refugee Self-Reliance (2016-2020).* Pg. 7.

<sup>186</sup> Ibid.

<sup>187</sup> IFC. *Country Private Sector Diagnostic. Rwanda.*



**ii) Improve infrastructure and market access:** Enhance market competitiveness requires investment in climate-smart and climate-resilient infrastructures such as greenhouses, along with post-harvest handling and storage facilities to reduce losses. Advocate for improved road networks, especially in refugee-hosting areas, would significantly enhance market access and connectivity. Develop partnerships along the value chain, from producers to retailers, would help secure stable markets for cooperative products, creating a more robust and sustainable agricultural sector.

**iii) Address climate vulnerabilities:** To mitigate the effects of erratic weather patterns and boost agricultural productivity, irrigation systems should be implemented in dry areas. Explore and facilitate access to crop insurance programs would provide crucial protection against climate-related losses, enhancing the resilience of agricultural enterprises in the face of environmental challenges.

**iv) Strengthen capacity building:** Provide technical support for cooperative development is essential, including assistance with business plan creation and management skills. Offer training in financial management and market analysis would improve business operations, equipping cooperative members with the skills needed to thrive in a competitive market environment.

**v) Enhance agricultural value chains:** Focus on developing value-adding MSMEs across various agricultural value chains.

#### 5.5.5.2 Infrastructure Development

**i) Road infrastructure enhancement:** Priority should be given to rehabilitating critical roads, connecting refugee camps to business centers, including the Kirehe-Mahama road connection and the Kiziba refugee camp connection to Nyamagabe and Nyamasheke districts via Gisovu tea factory. These improvements would significantly enhance access to markets, healthcare,

and economic opportunities, benefiting both refugee and host communities.

**ii) Energy solutions:** Support the connection of refugee camps, such as Mahama, to the main electricity grid would ensure a stable power supply. Simultaneously, explore sustainable alternatives to replace the unsustainable fuel sources currently used by refugees would promote environmental sustainability and improve living conditions.

**iii) Water and irrigation development:** Expand irrigation systems in refugee-hosting areas would support agricultural productivity, while improving potable water infrastructure would ensure consistent access to clean water for both refugees and host communities, addressing a fundamental need and improving overall quality of life.

**iv) Education and health infrastructure:** Construct additional schools, TVET facilities, and health centers in refugee-hosting areas would reduce overcrowding and support integration. This investment in social infrastructure would have long-term benefits for both refugee and host communities.

**v) Economic infrastructure:** Develop enhanced working spaces including modern marketplaces, Integrated Craft Production Centers (ICPCs/Udukiriro), and digitally connected spaces with fiber connectivity for access to digital services.

#### 5.5.5.3 Skills Development and Education

**i) Align training with market needs:** Integrating interest assessments and labor market analyses into program design would ensure that the skills being taught match both refugees' interests and job market demands. Strengthening the entrepreneurship focus in TVET programs, including practical training, start-up support, and digital literacy, would better prepare participants for the realities of the job market and the digital economy.

**ii) Address gender-specific barriers:** Developing and implementing gender-sensitive training programs, including flexible schedules and childcare support, would increase women's participation in skills development initiatives. Increasing access to startup capital and financial services for refugees, with a focus on women and youth, would further support their economic empowerment.

**iii) Enhance data collection and inclusivity:** Including refugees in Rwanda's annual Labor Force Survey would provide valuable data to better understand their economic participation and specific skill needs, informing more targeted and effective interventions.

**iv) Strengthen labor market linkages:** Implementing proactive job matching programs and measures to enhance job readiness to connect skilled refugees with employment opportunities. Enhance educational programming: Establish innovation hubs, science centers of excellence, and adult literacy programs to strengthen the quality of education and expand learning opportunities for both youth and adults in refugee communities.

#### 5.5.5.4 Private Sector Development

**i) Improve coordination and information access:** Establishing an information platform providing on-demand access to business opportunities and support services for refugees and host communities would facilitate economic integration. Enhancing advisory services for businesses in displacement settings, and providing guidance on navigating the business environment and regulatory compliance, would support the growth of refugee-owned enterprises. One such initiative is the private sector forum, organized jointly by the Private Sector Federation, UNHCR, and MINEMA, which aims to integrate refugees into business and advisory opportunities. Strengthening cooperation mechanisms between private sector actors operating in refugee settings would further support economic integration.

**ii) Focus on high-potential sectors:** Developing targeted initiatives in sectors with growth potential, including food production, value addition and supply chain, tourism and hospitality, professional arts, and ICT and digital solutions, would create more diverse economic opportunities for refugees and host communities alike.

**iii) Incentivize private sector engagement:** Developing targeted incentives to encourage businesses to invest in refugee-hosting areas would stimulate economic growth and job creation in these regions. These incentives could include tax breaks, subsidies for companies prioritizing refugee employment, reduced production costs, import/export facilitation, and improved access to loans for

businesses operating in these areas. The Rwanda Development Board's pledge to support the inclusion of refugee-hosting areas in private sector incentive opportunities, such as reducing taxes for companies with export products, demonstrates a promising step towards implementing such measures.

#### 5.5.5.5 Financial Inclusion

**i) Enhance financial literacy and access to information:** Implementing comprehensive financial education programs for refugees and improving information dissemination about available financial services and opportunities through outreach campaigns by financial institutions would empower refugees to make informed financial decisions.

**ii) Develop tailored financial products:** Collaborate with financial institutions to create products specifically designed for refugees' unique circumstances and advocate for funding of refugee-led start-ups to address the specific needs of this population. This approach should include supporting Microfinance Institutions (MFIs) through guarantee instruments and exploring mechanisms to de-risk businesses among vulnerable populations. Establishing dedicated de-risk funds would provide an additional layer of support, further facilitating refugees' access to financial services and enhancing their economic integration.

**iii) Leverage technology and expand partnerships:** Improving access to digital technologies would deepen financial inclusion for refugees. Increasing the number of partners engaged in enhancing financial inclusion and leveraging technological solutions would broaden reach and effectiveness of financial services.

**iv) Promote comprehensive risk management:** Encouraging and facilitating insurance coverage for businesses in refugee settings and exploring innovative funding options would mitigate risks associated with refugee-owned businesses, creating a more stable economic environment.

**v) Expand physical access to financial services:** Increase the presence of financial institutions within refugee camps, with enhanced capacity for savings services to improve accessibility to financial services for camp residents.

**vi) Prioritize strategic sectors for next phase:** Focus program support on enhancing refugee economic inclusion in high-potential sectors, including funding programs that provide start-up kits or capital for refugee entrepreneurs (particularly TVET graduates), and establishing revolving funds or de-risking mechanisms for refugee financial inclusion.



## 5.6 SOMALIA



Somalia, a country in the Horn of Africa with a population of approximately 18 million, has been hosting refugees and IDPs for decades. As of April 2024, the UNHCR Somalia Country Operation had registered 39,025 refugees and asylum seekers. However, the number of internally displaced persons is significantly higher, with approximately 3.86 million IDPs registered as of the same date.

The majority of refugees in Somalia come from Yemen, South Sudan, Ethiopia, Afghanistan, and Syria. Most Syrian refugees have settled in Puntland. The high number of IDPs is primarily due to liberation movement and clan or inter-clan conflicts over resources or land disputes, as well as agricultural and climate disasters, including locusts, drought, floods, and El Niño.

Table 10. Populations of Concern in Somalia

<b>41,164</b> Refugees and Asylum Seekers	<b>140,115</b> Refugee-returnees from Dec 2014	<b>3,864,000*</b> Internally Displaced Persons

Source: UNHCR Operational Data Portal, Somalia Population Dashboard, April 2024

\* Note that data sources vary and NCRI believes investment in this regard is crucial for informed decision-making.

Unlike many other countries in the region, Somalia has more internally displaced people than refugees. This unique situation presents both challenges and opportunities for economic inclusion strategies.

### 5.6.1 Somalia's Economic Outlook

Somalia has set ambitious goals for economic recovery and development following decades of conflict and instability. The country aims to rebuild its institutions, strengthen its economy, and improve the lives of its citizens, including the large population of IDPs and refugees.

Despite facing significant challenges, Somalia's economy has shown resilience. Since 2012, when the Federal Government of Somalia was established, the country has experienced more economic growth than Sub-Saharan Africa and fragile and conflict-affected countries on average. GDP growth averaged 2% from 2013 to 2020, recovering to 3.3% in 2021 but falling to 2.4% in 2022 due to regional drought and worsening global economic conditions. GDP growth was forecast to rebound to 2.8% in 2023 and 3.7% in 2024.<sup>188</sup>

<sup>188</sup> World Bank. 2022. Gross Domestic Product, Somalia, current USD

The economy has considerable potential, with abundant resources, including hydrocarbons, minerals, renewable energy, livestock, and fisheries. However, economic growth has been insufficient to generate enough inclusive economic opportunities for Somalia's expanding population. As of 2022, only 21.7% of adult Somalis were employed, compared to employment rates of over 60% in other Sub-Saharan African countries.<sup>189</sup>

Somalia's private sector has been the economic foundation of the country in recent decades, accounting for an estimated 95% of total jobs created. However, the country's productive tradable sectors remain subdued and fail to provide a basis for structural transformation.<sup>190</sup>

#### 5.6.1.1 Key economic indicators



**GDP:** USD10.42 billion (2022)



**GDP per capita:** Approximately USD580 (2022)



**Inflation:** 6.1% (2022)



**Real GDP growth:** 2.4% (2022), projected 2.8% (2023), 3.7% (2024)

A major positive development is that Somalia reached the Heavily Indebted Poor Countries (HIPC) Completion Point in December 2023, qualifying for full debt relief.

This is expected to reduce Somalia's debt-to-GDP ratio from 41% in 2022 to 6%, enabling access to new financial resources to strengthen the economy.<sup>191</sup>

### Major industries and sectors



#### Agriculture and Livestock

Accounts for about 75% of GDP and is the largest employer. The sector includes nomadic pastoralism, which is central to the Somali economy and culture.<sup>192</sup>



#### Services

This sector, particularly telecommunications and money transfer services, has shown resilience and growth even during periods of conflict. It is dominated by a few large conglomerates operating across multiple sectors.<sup>193</sup>



#### Energy

Somalia has significant potential for renewable energy, particularly solar and wind power. However, the sector faces challenges including fragmented distribution networks and reliance on diesel generators.<sup>194</sup>



#### Fisheries

With the longest coastline in Africa, Somalia has untapped potential in its fisheries sector. However, the sector remains underdeveloped and faces challenges including illegal fishing.<sup>195</sup>



#### ICT and Digital Solutions

The telecommunications sector in Somalia is relatively well-developed, with mobile money being widely used. However, broadband penetration remains low compared to regional peers.<sup>196</sup>



#### Financial Services

The sector has grown significantly in recent years but remains underdeveloped, with limited access to finance for much of the population and businesses.<sup>197</sup>

<sup>189</sup> Somalia National Bureau of Statistics, 2022 Somalia Household Budget Survey (SHBS)—Main Report. February 2023.

<sup>190</sup> IFC. Creating Markets in Somalia: Unlocking private sector-led growth at a critical juncture of Somalia's development. Somalia Country Private Sector Diagnostic. June 2024. (<https://www.ifc.org/content/dam/ifc/doc/2024/somalia-country-private-sector-diagnostic-en.pdf>).

<sup>191</sup> International Monetary Fund. Somalia: Enhanced Heavily Indebted Poor Countries Initiative-Completion Point. 2023.

<sup>192</sup> Verified during Somalia PPD, Nairobi. June 2024.

<sup>193</sup> IFC. Creating Markets in Somalia. 2024.

<sup>194</sup> UNICON Ltd. Power Master Plan – Development of a Power Master Plan for Somalia Project (Ministry of Energy and Water Resources and the World Bank. October 2018).

<sup>195</sup> IFC. Somalia Country Private Sector Diagnostic. 2024.

<sup>196</sup> World Bank. Somalia Digital Economy for Africa. 2022. (Initiative DE4A Report, World Bank, Washington, DC, 2022).

<sup>197</sup> IFC. Creating Markets in Somalia. 2024.



## 5.6.2 Current Investment Climate

Somalia faces significant challenges that hinder its investment climate and ability to maintain economic recovery. These include:

- Severe drought conditions impacting agricultural productivity and food security
- Rising food prices putting pressure on households and businesses
- Falling exports and slowed growth in remittances
- Security concerns and political instability, creating uncertainty for investors
- Underdeveloped or inconsistently applied legal and regulatory frameworks
- Limited foreign investment due to concerns about security and lack of reliable infrastructure<sup>198</sup>

These challenges are both causing and exacerbating cycles of displacement throughout Somalia, contributing to existing displacement patterns and triggering new waves of mass displacement.

While several foundational steps have been taken to develop formal institutional and regulatory frameworks for the private sector, these measures are still incomplete and, thus, only partially effective.<sup>199</sup> Some critical advances include: 1) the Enactment of the 2019 Company Act, updating pre-1991 legislation on starting companies and shareholder rights; 2) progress on regulatory frameworks for investment policy and promotion, public-private partnerships, trade, quality standards, tax regulation, and national ID; and 3) development of policies for private sector development.<sup>200</sup>

However, significant gaps remain. Many areas still lack regulatory and institutional frameworks (e.g., competition). Existing laws and regulations have gaps and implementation challenges. Most institutions for private sector development face capacity constraints. Enforcement of regulations is often ineffective due to government constraints and private sector vested interests.<sup>201</sup>

The Somali private sector continues to rely heavily on trust-based informal institutions, which have been a source of resilience but also tend to reproduce socioeconomic inequalities. These informal institutions include clan-based networks and Xeer customary law, self-sustaining non-clan trust-based informal institutions essential to business relations, in addition to informal credit and dispute

resolution mechanisms.<sup>202</sup> While providing some benefits, these informal institutions can increase risks, uncertainty, and inequitable outcomes, especially for women and marginalized groups.

According to the Ibrahim Index of African Governance, Somalia's overall governance score for 2022 was 23.2 out of 100, ranking it low among African countries. Similarly, the World Bank's Doing Business Index ranked Somalia 190th out of 190 countries in 2020, indicating a challenging regulatory and business environment.<sup>203</sup>

However, there have been some positive developments:

- Efforts to rebuild and stabilize the country, though progress has been slow
- Somalia's accession to the EAC, presenting opportunities for economic integration
- The country reaching the HIPC Completion Point, enabling access to new development finance
- Growing remittances and investment from the Somali diaspora
- Visible international investment: For example, the extension of the Balcad road from Mogadishu to Jowhar, funded by the government of Qatar, has catalyzed substantial economic development in the area, demonstrating the potential impact of such projects. The Jowhar Offstream Storage Programme represent another major investment to improve water management. The multi-partner, large-scale initiative is designed to mitigate drought and floods and boost agricultural production for sustained food security and climate resilience along the Shabelle River in southern Somalia.

Somalia's private sector presents a distinctive profile, reflecting both the challenges and resilience of its economy. The landscape is predominantly shaped by non-tradeable, consumption-driven services, indicating a focus on meeting local needs rather than export-oriented production. This sector concentration highlights the country's current economic priorities and constraints.

A notable feature is the dominance of a few large conglomerates in key sectors, suggesting a concentrated market structure with potential implications for competition and innovation. In contrast, there is a conspicuous "missing

<sup>198</sup> World Bank. *The World Bank in Somalia: Overview*. 2024.

<sup>199</sup> IFC. *Creating Markets in Somalia*. 2024.

<sup>200</sup> Ibid.

<sup>201</sup> Ibid.

<sup>202</sup> Ibid.

<sup>203</sup> World Bank. *Doing Business 2020*. Washington DC, World Bank. 2020.

middle” in the business ecosystem, with few of the medium-sized enterprises that typically form the backbone of a diverse and dynamic economy.

Informality remains a defining characteristic of Somalia’s labor market, with an overwhelming 91.7% of jobs classified as informal. This high level of informality underscores the challenges in regulation, taxation, and labor protection, while also reflecting the adaptability and entrepreneurial spirit of the Somali workforce.

The economic fabric of Somalia is further characterized by limited integration, both domestically and internationally. This lack of connectivity hampers the flow of goods, services, and ideas within the country and restricts Somalia’s participation in global value chains and international markets.<sup>204</sup>

### 5.6.3 Barriers to Economic Inclusion

Somalia’s government has maintained an open-door policy for refugees for the past 30 years despite the country’s many challenges. Several key barriers hinder economic inclusion in Somalia:

#### 5.6.3.1 Refugee Documentation

Somalia has made strides in establishing systems for refugee and IDP documentation through the National Commission for Refugees and IDPs (NCRI).<sup>205</sup> Currently, the NCRI is spearheading the implementation of the Refugee Law, which includes establishing the RSD committee, issuance of ID cards, appeal board, and drafting regulations from the law. The NCRI works in collaboration with UNHCR to issue identification documents and certificates to refugees and IDPs. However, this process faces three main challenges:

**Documentation delays:** Delays in issuing certificates often lead to difficulties for refugees and IDPs to access services and support. This can hinder their ability to integrate economically and socially.

**Administrative inefficiencies:** Administrative hurdles, resource constraints, and limited institutional capacity result in inefficiencies in conducting RSD processes. These inefficiencies can prolong the period during which refugees and IDPs lack official status and documentation.

**Data fragmentation:** Several experts consulted during the course of this regional program highlighted the lack

of integration and standardization among various data sources. These fragmented data management systems make it difficult to maintain accurate, up-to-date records of refugee and IDP populations. Several factors hamper the collection of high-quality data, including security concerns in many parts of the country, the wide geographical spread of refugee and IDP populations, as well as inadequate infrastructure for data collection and management. These data collection and coordination challenges raise concerns about the overall quality and reliability of data on refugee and IDP populations, which in turn can impact the effectiveness of policies and interventions aimed at these groups.

These documentation and data management challenges create significant barriers for refugees and IDPs in Somalia. Without proper documentation, displaced persons may be excluded from formal economic opportunities, financial services, and other essential support systems. The lack of reliable, harmonized data also makes it difficult for policymakers and service providers to understand and address the needs of these vulnerable populations effectively.

#### 5.6.3.2 Freedom of Movement

While refugees in Somalia have the legal right to freedom of movement within the country, practical limitations often restrict this freedom. Ongoing security concerns and inadequate infrastructure in many areas constrain refugees’ ability to travel freely and access economic opportunities beyond their immediate settlements.<sup>206</sup>

#### 5.6.3.3 Enabling Business Environment

Somalia’s business environment remains challenging, with significant obstacles to formalization and growth.

Key issues include lengthy and duplicative registration processes, cumbersome and cost-prohibitive annual registration requirements, and additional complexities for sector-specific licenses. These factors, combined with weak enforcement mechanisms and lack of statistical data, foster informality as businesses perceive formalization costs as prohibitive.

<sup>204</sup> IFC. *Creating Markets in Somalia*. 2024.

<sup>205</sup> Federal Government of Somalia. *National Policy on Refugee-Returnees and Internally Displaced Persons*. 2019. (<https://www.refworld.org/policy/strategy/natlegbod/2019/en/122553>)

<sup>206</sup> KIIs, Somalia scoping mission, February 2024 and verified at Somalia PPDs, Nairobi, June 2024.



The private sector landscape is characterized by a concentration in nontradable, consumption-driven services, domination by a few large conglomerates, a “missing middle” with few medium-sized enterprises, and high levels of informality. An estimated 91.7% of jobs in Somalia are informal, hindering overall productivity and job generation.<sup>207</sup>

#### 5.6.3.4 Access to Education

Refugee students attend public and private schools alongside their host community counterparts. UNHCR provides returnees with various kinds of support to facilitate their reintegration into the community on their return, including access to education.<sup>208</sup> That said, educational infrastructure faces challenges, with schools in refugee-hosting areas often overcrowded.<sup>209</sup> Further, school attendance requires contributions from refugee and returnee households for fees (where there are no public schools), books, uniforms, and other wrap-around costs. These associated costs are often unattainable for refugee households, creating an additional barrier to education.

A mismatch exists between available skills and market demands. Unemployed Somalis cite inadequate skills as a major barrier to finding jobs, while positions requiring vocational skills often remain unfilled. This skills gap forces many firms to rely on foreign workers. Low formal education outcomes, particularly for women, exacerbate this issue.

Consultations held during the Public Private Dialogues in June 2024 highlighted the need for a differentiated approach to vocational training for refugees, returnees, and IDPs, recognizing their unique backgrounds and experiences. It also emphasized the importance of developing an integrated, harmonized TVET curriculum to ensure consistency and quality across skills development initiatives.<sup>210</sup>

#### 5.6.3.5 Local Infrastructure Quality

Infrastructure development is a critical challenge in Somalia, significantly impacting economic inclusion for all, but particularly affecting refugees, returnees, and IDPs. The country faces widespread deficiencies, including poor road connectivity, limited access to electricity, insufficient

water infrastructure, and inadequate health and education facilities.<sup>211</sup>

- **Energy:** Access to reliable, affordable electricity is severely limited. Somalia ranks in the upper 5% globally for power costs, relying on a fragmented network of small, isolated diesel-based mini-grids operated by private sector providers. This patchwork system results in inequitable access and high costs for consumers.
- **Transport:** Somalia’s transport infrastructure is underdeveloped, characterized by elevated road transport prices, high port and airport fees, and poor road connectivity. The country’s low score of 2.0 out of 5 in the World Bank’s Logistics Performance Index underscores its underperformance in trade and transport-related infrastructure.<sup>212</sup>
- **Water:** As of 2022, only about 75% of households had access to improved water sources, with an even smaller proportion having access to safely managed drinking water. This situation is exacerbated by poor water management and fragmented institutional frameworks.
- **ICT:** While mobile communications have improved, broadband penetration remains low compared to regional peers. Large gaps in middle- and last-mile network infrastructure, coupled with market concentration hinder development in this sector.

These infrastructure challenges are particularly acute for displaced populations, who often settle in areas with the poorest access to basic services. Refugees, returnees, and IDPs frequently face inadequate housing and shelter, especially those in informal settlements or recent arrivals. They have limited access to clean water and sanitation facilities, unreliable or non-existent electricity supply, and poor road connectivity, which hinders their access to markets and employment opportunities.

#### 5.6.3.6 Right to Work and Do Business

While refugees have the right to work and do business in Somalia, they face significant practical barriers, including discrimination and limited access to formal employment opportunities.<sup>213</sup>

207 IFC. *Creating Markets in Somalia*. 2024.

208 UNHCR. *Fact Sheet: Somalia*. February 2021.

209 Klls conducted for Somalia Gender Analysis, Somalia Scoping mission, Nairobi, February 2024.

210 *Somalia PPD Outcomes Report Outcomes Report, Subnational and National Public Private Dialogues Somalia*, June 2024. Nairobi, Kenya.

211 African Development Bank Group. *Somalia: Transport Sector Needs Assessment and Investment Programme*. Abidjan, Côte d'Ivoire. October 2016.

212 World Bank. *Connecting to Compete: Trade Logistics in the Global Economy*. 2023. Pg. viii. (<https://lpi.worldbank.org/report>). The LPI is an interactive benchmarking tool designed to help countries evaluate their trade logistics capabilities to enable them to develop strategies to improve their logistics performance.

213 Klls, Somalia scoping mission, February 2024 and verified at Somalia PPDs, Nairobi, June 2024.

### 5.6.3.7 ICT & Financial Inclusion

Despite Somalia's advanced mobile money sector, financial inclusion remains a significant challenge, particularly for refugees, returnees, and IDPs. Barriers include lack of collateral, perceived high risk by financial institutions, and need for tailored financial products.<sup>214</sup> Only 10-15% of the adult population has access to banking services, illustrating the extent of financial exclusion in the country.<sup>215</sup>

The financial sector in Somalia faces several challenges. There is a large unmet market demand for financing in the real economy, especially for micro, small and medium enterprises (MSMEs). The country needs more core financial infrastructure such as credit bureaus and movable collateral registries, which are essential for a well-functioning financial system. Furthermore, Somalia's isolation from the global financial system and limited access to credit for productive sectors hinder economic growth and inclusion.<sup>216</sup>

For displaced populations, these challenges are even further compounded. Accessing credit poses unique challenges due to specific limitations in the collateral requirements of the financial sector. Traditional collateral requirements present a particular barrier as refugees and IDPs typically cannot provide standard forms of security required by financial institutions. Financial institutions frequently perceive them as high-risk clients, leading to their exclusion from credit markets. Moreover, there is a notable absence of financial products tailored to the unique needs and circumstances of displaced populations.

The identification verification process poses another significant barrier. Traditional Know Your Customer (KYC) requirements often exclude displaced populations who may lack standard forms of identification. Without acceptable identification documents, these populations struggle to access even basic financial services, let alone credit facilities.

The complexity of financial exclusion for displaced populations is further exacerbated by systemic challenges within the banking sector. Vulnerable populations face obstacles in establishing and maintaining banking relationships due to their lack of credit history or formal financial records. The situation is particularly acute in refugee-hosting areas, where limited formal banking infrastructure restricts access to financial services. Moreover, the irregular income patterns common among

displaced populations make it difficult to maintain consistent repayment schedules, while limited financial literacy can impede effective engagement with formal banking systems.

During the PPD consultations held in Nairobi in June 2024, several potential solutions were highlighted to address these barriers. These include implementing de-risking operations to encourage banks to enter new markets, developing effective SME lending practices that consider the unique circumstances of displaced populations, and expanding financial infrastructure for credit. The latter could include systems that accommodate alternative forms of collateral or credit history, which would be particularly beneficial for refugees and IDPs.

While mobile money has shown promise in increasing financial access, more comprehensive solutions are needed to achieve full financial inclusion for all, especially vulnerable and displaced populations. Bridging the gap between Somalia's advanced mobile money sector and broader financial services remains a key challenge and opportunity for fostering economic inclusion.

### 5.6.4 Gender-Specific Barriers

Women in Somalia face additional barriers to economic inclusion, which are exacerbated for refugee and internally displaced women. These barriers are deeply rooted in legal, cultural, and socio-economic structures of Somali society:

#### 5.6.4.1 Legal and regulatory obstacles

Somalia's legal framework presents significant challenges for women's economic participation. The country's World Bank Women, Business and the Law score of 46.9 is well below the Sub-Saharan Africa average, indicating substantial legal and regulatory barriers for women.<sup>217</sup> For example, the Family Law, Art. 33 restricts a Somali woman's ability to choose where to live in the same way as a man. Furthermore, women face restrictions on land ownership and inheritance and cannot be legally recognized as "heads of household," limiting their ability to own and manage property.<sup>218</sup>

<sup>214</sup> World Bank, *Somalia Digital Economy for Africa. Initiative DE4A Report*. World Bank, Washington, DC 2022.

<sup>215</sup> IFC. *Creating Markets in Somalia*. 2024.

<sup>216</sup> *Ibid.*

<sup>217</sup> World Bank. *Women, Business and the Law 2024*. Washington, DC: World Bank 2024. Somalia Data. 2024 (<https://wbl.worldbank.org/en/data/exploreeconomies/somalia/2024>).

<sup>218</sup> Family Law, Art. 4 (2).



#### 5.6.4.2 Education and skills gaps

Persistent disparities in education and skills development further hinder women's economic prospects. Lower enrollment and completion rates for girls translate into limited future opportunities in the labor market. Social norms and cultural expectations often prioritize women's domestic and caregiving responsibilities over their economic participation, restricting their mobility and ability to engage in work outside the home.

#### 5.6.4.3 Unequal access to finance

Women-led businesses face particular challenges in accessing finance. They are less likely to secure credit due to a lack of collateral and gender biases in lending practices. The absence of a movable collateral registry in Somalia disproportionately affects women's ability to secure loans, further limiting their economic opportunities.

#### 5.6.4.4 Workplace discrimination and lack of protection

The absence of legislation addressing sexual harassment in employment leaves women vulnerable in the workplace. Without criminal penalties or civil remedies for such harassment, women face increased risks and barriers to their professional development and economic participation.

#### 5.6.4.5 Forced evictions and safety concerns

IDPs, the majority of whom are women and children, frequently face forced evictions. These displacements disrupt livelihoods and economic activities, making it particularly challenging for women to establish and maintain businesses or engage in long-term economic activities. The Norwegian Refugee Council reports that since 2017, over 1.1 million people, mostly IDPs, have been evicted from their settlements across Somalia. Additionally, displaced women and girls are at high risk of gender-based violence, further impacting their ability to engage in economic activities.

#### 5.6.4.6 Climate change impacts

Climate-related disasters disproportionately affect women, exacerbating existing inequalities and economic vulnerabilities. The Environmental Justice Foundation highlights that 15 million children are out of school in the Horn of Africa, with drought potentially adding 3.6 million more. Girls are particularly disadvantaged, often expected to take on caregiving roles during crises. The rise in child marriage cases further limits girls' opportunities for upward mobility and increases their vulnerability to domestic violence.

#### 5.6.5 Proposed Solutions and Opportunities

The Somalia Public-Private Dialogues held in June 2024 in Nairobi identified several key areas for intervention to improve economic inclusion for refugees, IDPs, returnees, and host communities. These solutions address the major barriers identified and aim to create a more enabling environment for economic participation. One of the key outcomes highlighted the need for enhanced capacity of the NCRI at both federal and state levels, coupled with adherence to national legal instruments, as this would provide a strong foundation for coordinating interventions and creating a conducive environment for protection of and durable solutions.

In addition, the recently released IFC Country Private Sector Diagnostic recommends three mutually reinforcing areas for intervention:

1. Establish legitimate, effective, and equitable formal institutional and regulatory frameworks for private sector-led growth.
2. Promote private participation and improve public stewardship of key enabling sectors to facilitate an economic transformation in the medium to long term.
3. Improve growth and productivity of selected value chains for short- to medium-term dividends.

##### 5.6.5.1 Business Formalization and Enabling Environment

To address the challenges of business formalization and create a more enabling environment, several key recommendations were made:

**i) Modernize and streamline business registration processes:** This includes updating the Ministry of Commerce's Trade Portal and website to provide clear, accessible information on business registration processes, and digitizing processes to reduce manual interactions with regulatory bodies. The goal is to make business registration more accessible and efficient for all, including refugees and IDPs. This will also make it easier for women to register and manage businesses. The IFC report recommends streamlining business registration by creating a unified national system with a single business number across federal and state levels.

**ii) Reform business licensing:** Implement a comprehensive business license inventory and reform program, similar to Kenya's Business Licensing reform. This should

include developing an inventory of licenses, permits, and fees, and tracking trends over time. The Ministry of Commerce should maintain statistics on these aspects to inform future reforms. The creation of a one-stop shop for various business permits and licenses would streamline this process further.

**iii) Separate revenue collection from business registration:**

This approach aims to tailor taxes based on business size and profitability, encouraging businesses to emerge from the informal sector and gradually become tax compliant. The current system of simultaneous taxation and registration may unintentionally promote informality. Harmonizing tax systems by implementing consistent revenue legislation and tax rates across regions would support this effort.

**iv) Enhance government capacity and standardization:**

Efforts should be made to enhance federal, state, and local government capacities to reach rural areas. Requirements should be standardized across states, promoting mutual recognition and striving for a Single Business Permit valid throughout the country. The IFC report suggests assessing “the capacity-building needs of [the Ministry of Commerce and Industry] to better enforce laws and regulations and to support the institution in closing these gaps”.

### 5.6.5.2 Infrastructure Development

Improving infrastructure is critical for economic development and inclusion. Key recommendations include:

**i) Energy sector development:** Advance the investment regulatory regime, with a particular focus on establishing a regulatory environment for energy in the Mogadishu area. Facilitate substantial investment in renewable energy to increase the quality and quantity of power available to households, businesses, and industrial establishments. The government is launching the Somali Electrification Energy project, with a budget of USD150 million, aiming to streamline and coordinate energy infrastructure more efficiently.

**ii) Housing and land development:** Implement sound financial regulations to unlock substantial credit for individuals investing in housing. Additionally, develop secure Land Registry and property titles to attract private investment. The AfDB, working with other partners, should secure and service land to accommodate IDPs and host communities currently living in harsh conditions.

### 5.6.5.3 Skills Development and Institutional Capacity

A key opportunity identified during the June 2024 dialogues was the potential contribution of diaspora businesses to economic development and inclusion. The Somali diaspora

represents a significant source of expertise, investment capital, and international business connections that could be leveraged to support economic inclusion initiatives for refugees and IDPs. To address skills gaps and strengthen institutional capacity, the following approaches were recommended:

**i) Integrated skills development:** Develop an integrated and harmonized TVET curriculum that adopts a differentiated approach for refugees, returnees, and IDPs while ensuring consistency and quality across skills development initiatives. This should include structured mentorship programs connecting diaspora professionals with displaced populations to build professional skills, confidence, and networks.

**ii) Local capacity strengthening:** Enhance the technical expertise of local organizations working with refugees and IDPs through partnership opportunities, training in project management, and program evaluation. Promote state ownership and coordination to ensure programs are relevant, sustainable, and aligned with local economic needs.

**iii) Transition towards sustainable development:** Shift from humanitarian aid to sustainable development approaches by fostering self-reliance and long-term economic empowerment through skills transfer and institutional capacity-building.

### 5.6.5.4 Financial Inclusion

**i) De-risking and group-based lending:** Support international NGO-funded de-risk operations and establish donor-backed guarantee funds to encourage banks to enter new markets, particularly in lending to underserved populations including refugees and IDPs. Implement group lending models where members collectively guarantee each other's loans, building on existing VSLAs and community savings groups. Banks have indicated willingness to offer loans up to USD5,000 without collateral for small business lending, including to IDPs, when backed by appropriate de-risking facilities. Tailored financial products should feature subsidized rates, flexible repayment options with grace periods for seasonal income fluctuations, and integrated microinsurance for emergency protection. This approach helps overcome traditional collateral barriers, leveraging Somalia's strong community structures while managing institutional risk.

**ii) Alternative verification systems:** Implement flexible KYC requirements accepting refugee cards, NCRI, and UNHCR identification. Establish community-based verification systems where leaders, NGOs, or aid organizations can verify applicants' identity and background, creating a trust-based system particularly suited to displaced populations.

**iii) Digital financial services:** Leverage Somalia's advanced mobile money infrastructure for loan disbursement and repayment. Implement automated payment systems and digital tools for managing loan applications, flexible repayment schedules, and reminders, making financial services more accessible and efficient for displaced populations.

**iv) Financial literacy and business support:** Partner with FIs and NGOs to provide comprehensive financial education programs on budgeting, savings, and loan management. Offer pre-loan counseling to explain terms and responsibilities, coupled with ongoing business mentorship. Deliver training through in-person workshops and digital resources, tailored specifically to the needs of IDPs and refugees, with focus on accessible language and practical advice.

#### 5.6.5.5 Data Harmonization

**i) Policy alignment and data system strengthening:** Leverage the upcoming EAC Data Policy to harmonize and enhance coordination with regional mechanisms. Support NCRI's ongoing efforts to expand and operationalize its data system, including its blockchain-based Information Management System designed to ensure transparent and equitable access to services across the humanitarian-development-peace nexus. Enhance integration between the National Identification and Registration Authority (NIRA) and NCRI's IDP and refugee registration systems across Somalia, incorporating critical data points into the national census.

**ii) Utilize existing data and learn from regional experiences:** Support the strengthening of existing data collection and management systems, to enrich future census data, rather than waiting for the upcoming census. Study and apply lessons from recent census experiences in neighboring countries like Uganda, Kenya, and Rwanda.

**iii) Inclusive data collection and protocol development:**

Engage local enumerators to enhance buy-in and account for local context, adopting special measures for remote and newly liberated areas. Strengthen standard operating procedures for data collection and sharing between NCRI, as the designated body for IDP status determination and data collection, and other entities involved in refugee and IDP assistance and protection, ensuring clear roles and responsibilities while supporting NCRI's coordination mandate.

#### 5.6.5.6 Gender-Inclusive Economic Empowerment

**i) Policy and financial support:** Implement policies promoting gender equality in economic participation, such as anti-discrimination laws in employment and business ownership. Develop targeted financial products and services for women entrepreneurs, including microfinance options with flexible terms, and establish a dedicated fund for women-led businesses, particularly those started by refugee or IDP women.

**ii) Mentorship and capacity building:** Establish mentorship programs connecting successful women business owners with aspiring entrepreneurs from refugee and IDP communities. Integrate gender-sensitive approaches in all skills development and vocational training programs, ensuring they accommodate women's needs (e.g., flexible schedules, childcare support).

**iii) Safe spaces and market access:** Create safe, women-friendly workspaces and marketplaces, particularly in refugee-hosting areas. Develop digital platforms to connect women entrepreneurs with markets, overcoming mobility and cultural barriers.

**iv) Awareness and cultural change:** Launch awareness campaigns to challenge cultural norms limiting women's economic participation, engaging community and religious leaders as advocates.



These proposed solutions aim to address the multifaceted challenges to economic inclusion in Somalia, creating opportunities for refugees, IDPs, returnees, and host communities to participate more fully in the economy. Implementation will require coordinated efforts from government bodies, international organizations, the private sector, and local communities.



## 5.7 SOUTH SUDAN



South Sudan presents a particularly complex context of forced displacement. Since the outbreak of conflict in December 2013, the world's youngest nation has experienced massive population movements both internally and across its borders. As of 31 October 2024, South Sudan hosted 501,798 registered refugees and asylum seekers, with the vast majority (95.7%) coming from neighboring Sudan, followed by the DRC.<sup>219</sup> Simultaneously, South Sudan is experiencing one of Africa's largest refugee crises, with over 4 million South Sudanese displaced - 2.3 million as refugees in neighboring countries<sup>220</sup> and 2.2 million internally displaced persons.<sup>221</sup>

The refugee situation in South Sudan is complex, with most refugees residing in camps or settlements in the Upper Nile and Unity regions. The Ruweng Administrative Area, which includes Jamjang County, hosts a significant refugee population, with the Ajuong Thok, Pamir, and Yida refugee camps collectively housing over 120 000 refugees as of May 2024.

These figures, however, are dynamic. Between January and November 2024 alone, the UNHCR documented 237,427 South Sudanese returning to

their homeland, many fleeing the escalating violence in Sudan.<sup>222</sup> These population movements underscore the interconnected nature of regional conflicts and their impact on forced displacement patterns in South Sudan and its neighboring countries.

The South Sudan Durable Solutions Strategy and Plan of Action, a comprehensive initiative endorsed by the Cabinet in 2023 presents a significant effort to address the challenges faced by the displaced populations and host communities in the country, aligning with IGAD's Sudan- South Sudan Solutions Initiative and focusing on key priorities such as sustainable security, access to basic services, promoting peacebuilding and reconciliation, and creating livelihood opportunities for displaced populations. The Inter-Ministerial National Technical Committee on Durable Solutions, comprising key National Ministries and Commissions, spearheads the coordination of Durable Solutions efforts in South Sudan. The NTC-DS is hosted and led by the Ministry of Humanitarian Affairs and Disaster Management and co-chaired by the Commission for Refugee Affairs (CRA) and the Relief and Rehabilitation Commission (RRC).

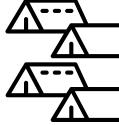
219 UNHCR Operational Data Portal, South Sudan (<https://data.unhcr.org/en/country/ssd>).

220 *Ibid.*

221 UNOCHA, South Sudan Country Page

222 UNHCR Data Portal. UNHCR South Sudan - Return Monitoring Dashboard (<https://data.unhcr.org/en/dataviz/384?sv=0&geo=259>)

Table 11. Populations of Concern in South Sudan

			
<b>501,798*</b> Registered Refugees and Asylum Seekers	<b>2.2**</b> IDPs	<b>120 526</b> Refugees and Asylum Seekers in Jamjang	<b>1,503,835*</b> Spontaneous Refugee Returnees

\*Source: UNHCR Operational Data Portal, last updated 31 July 2024. Accumulated number of spontaneous refugee returnees reported since the signing of the revitalized peace agreement in October 2018 to 31 August 2024. UNHCR Data Portal. South Sudan Country Page (<https://data.unhcr.org/en/country/ssd>)

\*\*Source: UNOCHA, South Sudan Country page

## 5.7.1 South Sudan's Economic Outlook

South Sudan's economy faces significant challenges as it strives for stability and development. The country's economic outlook is heavily influenced by both external and internal factors, including the ongoing conflict in neighboring Sudan and persistent climate-related issues.

According to the African Development Bank's 2024 Africa Economic Outlook, South Sudan's economy has shown vulnerability to external shocks:

- Real GDP growth:** Contracted by 0.4% in 2022/23 due to challenges in oil production caused by the conflict in Sudan and persistent floods damaging oil fields
- Inflation:** Estimated at 16.5% in 2022/23, driven primarily by supply chain disruptions resulting from the Sudan conflict. Inflation is projected to remain high, averaging 17% between 2023/24 and 2024/25.
- Fiscal deficit:** Improved to 4% of GDP in 2022/23
- Debt-to-GDP ratio:** Estimated at 34.5% in 2023
- Current account balance:** Reached a surplus of 7.0% of GDP in 2022/23
- International reserves:** Remained low at 0.5 months of import cover in 2022/2023<sup>223</sup>

In terms of social indicators, South Sudan continues to grapple with significant social challenges. Poverty remains widespread, with a staggering 7 million people facing food insecurity. Unemployment has increased slightly, rising from

12% in 2022 to 12.5% in 2023. The country is also dealing with a complex refugee situation, as illustrated by the size of the populations of concern noted above.

Looking ahead, the AfDB projects that South Sudan's economic challenges will persist in the near term. Real GDP is expected to contract by 5% in 2023/24 due to the vandalism of an oil pipeline amid the ongoing Sudan conflict. However, a modest recovery of 1% growth is anticipated in 2024/25 as oil production and exports stabilize. The primary risks to the economic outlook are the ongoing conflict in Sudan and the impacts of climate change.<sup>224</sup>

## 5.7.2 Current Investment Climate

South Sudan's investment landscape is characterized by both challenges and opportunities.

As the world's youngest nation, the country grapples with a complex conflict situation, pervasive poverty, and low human capital development, which pose substantial obstacles to economic growth and stability.

The country also faces acute challenges in food security and needs more fundamental infrastructure and basic services, further complicating its development trajectory.<sup>225</sup> Furthermore, political instability has persistently undermined efforts to establish a robust and transparent business environment.

<sup>223</sup> AfDB. African Economic Outlook 2024: South Sudan Country Note. Pg. 211. 2024. ([https://www.afdb.org/sites/default/files/2024/06/06/aeo\\_2024\\_-\\_country\\_notes.pdf](https://www.afdb.org/sites/default/files/2024/06/06/aeo_2024_-_country_notes.pdf))

<sup>224</sup> AfDB. Africa Economic Outlook 2024. Country Note: South Sudan. 2024.

<sup>225</sup> See for example, Bertelsmann Stiftung, BTI 2024 Country Report – South Sudan. Gütersloh: Bertelsmann Stiftung, 2024; World Bank. The World Bank in South Sudan, updated 11 April 2024 (<https://www.worldbank.org/en/country/southsudan/overview#1>)



South Sudan possesses significant natural resource wealth that hints at its untapped potential. The country has oil and gas reserves, vast tracts of forest cover, and extensive arable land. The River Nile and other water sources provide significant irrigation possibilities, and a thriving fishing industry with significant growth potential. With proper development and management, South Sudan could achieve food self-sufficiency and become a food exporter to the region.

Agriculture and livestock rearing form the backbone of South Sudan's economy, offering significant potential for economic diversification beyond the oil industry. These sectors are crucial for livelihoods, nutrition, food security, and household income.

The agricultural landscape is diverse. Host communities primarily engage in cattle rearing and farming, while refugees and internally displaced persons (IDPs) mainly contribute to arable farming and the rearing of smaller livestock such as poultry, goats, donkeys, and sheep. This diversity in agricultural activities underscores the need for comprehensive and inclusive policies that address the needs of all communities.

The increasing vulnerability to climate change has introduced a new level of unpredictability to farming and herding practices, although some regions, particularly the 'Green Belt', the Equatoria and other pockets in central and northern territories, still maintain agricultural potential. Changing weather patterns have influenced agricultural practices, necessitating adaptive strategies for farming and herding. Periods of drought alternating with instances of flooding underscore the need for innovative approaches to water management and climate-resilient agricultural practices.

The current legal framework governing land use and agricultural practices needs further development. While the Ministry of Agriculture has instituted policies to guide land use, there are no comprehensive laws that govern this area. Furthermore, government institutions have limited capacity to provide essential extension services to farmers and herders. These services include disseminating best practices, providing guidance on disease control, and offering support for crop and livestock production.

The sector also faces input and infrastructure constraints. Farmers and herders struggle to access affordable and reliable inputs such as fertilizers, seeds, and pesticides. This can lead to lower yields and increased vulnerability to crop and livestock diseases. Additionally, inadequate supporting infrastructure, particularly transportation networks, impedes the efficient movement of agricultural goods to markets. The presence of irregular taxation and roadblocks along transportation routes can affect profitability for farmers and herders.

Many of these challenges are compounded by a skills and knowledge gap within the sector. There's a need for improved capabilities in modern agricultural techniques, as well as post-harvest handling, packaging, and marketing. Addressing this gap could help the sector increase the value of its products and improve its competitiveness in broader markets.

The Government of South Sudan has implemented two key strategies to guide agricultural development: the Comprehensive Agriculture Master Plan (CAMP) and the Irrigation Development Master Plan (IDMP).

Developed through the implementation of technical cooperation projects by the Government and development partners, CAMP and IDMP are the first national agriculture development plans that aim to transform the country's agriculture sector into a sustainable and productive engine of growth.<sup>226</sup> CAMP outlines a roadmap for increased food production, rural development, food security, export diversification and climate resilience. CAMP focuses on a range of agricultural commodities, including crops, livestock, and fisheries. It also emphasizes the importance of value addition, processing, and marketing to increase the economic benefits of agricultural production. IDMP is a complementary plan that focuses on developing irrigation infrastructure to support agricultural production, particularly during the dry season. It aims to expand irrigated agriculture, improve water management, reduce post-harvest losses, and promote sustainable irrigation.

Notwithstanding the challenges mentioned above – e.g. limited infrastructure, insufficient funding and technical expertise, climate change – South Sudan has the potential to realize its agricultural ambitions through effective implementation of CAMP and IDMP. International cooperation, investment, and capacity-building are crucial for achieving these goals.

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<sup>226</sup> Ministry of Agriculture, Forestry and Fisheries, Ministry of Livestock and Fisheries and Ministry of Environment and Forestry. Comprehensive Agriculture Master Plan. October 2016. (<http://mafsconcept.mafs.gov.ss/wp-content/uploads/2022/07/GoRSS-0-CAMP-Final-Report.pdf>)

## Major potential industries and sectors

The key sectors that can drive South Sudan's economy include:



### **Oil and Gas**

The primary source of government revenue and foreign exchange.



### **Agriculture**

Accounts for a significant portion of GDP and employment.



### **Fisheries**

An important source of livelihood for many communities.



### **Manufacturing**

A developing sector with potential for growth.



### **Sustainable forest management**

An area with untapped potential.



### **Cross-border trade**

Important for regional economic integration.



### **Retail and wholesale business**

A significant part of the informal economy. Of these, agriculture offers opportunities for refugees to grow arable crops like vegetables, simsim, sorghum, legumes, and millet. Trade is another key opportunity, including for refugees to run retail outlets to sell fast-moving consumer goods.

For refugees and their host communities to take full advantage of these opportunities, substantial investment is needed in skills, infrastructure (roads, electricity, water, serviced land), as well as communication and banking infrastructure.

### **5.7.2.1 Measuring South Sudan's Investment Attractiveness**

The African Development Bank's 2024 Country Focus Report provides a comprehensive assessment of South Sudan's investment climate, highlighting both structural challenges and emerging opportunities. The report shows that while GDP per capita has declined from USD1,050 at independence in 2012 to USD577 in 2023, there are encouraging signs of economic resilience and potential for growth. FDI has shown notable improvement, increasing from USD2.2 million in 2019 to USD121.5 million in 2022, primarily in the strategic oil and gas sector.<sup>227</sup>

The investment environment faces several structural constraints. The country's infrastructure remains limited, with road density at only 15km per 1,000 km<sup>2</sup> compared to the East Africa average of 101 km per 1,000 km<sup>2</sup>, and access to electricity reaching only 7% of the population. Historical assessments reflect these challenges - the World Bank's

Doing Business Report ranked South Sudan at 185 out of 190 economies surveyed, with performance variations across indicators. The country fared relatively better on paying taxes (74) and enforcing contracts (84), while facing greater challenges in areas like getting electricity (187), protecting minority investors (185), getting credit (181), trading across borders (180), starting a business (172), and resolving insolvency (168). This data helps illustrate specific areas where investment climate improvements are needed.<sup>228</sup>

Despite these challenges, South Sudan has demonstrated resilience and significant potential for entrepreneurial growth. Following the Comprehensive Peace Agreement, the country experienced a notable increase in business activity, with entrepreneurs from neighboring countries establishing a diverse enterprises, including retail and wholesale businesses, construction firms, hotels, restaurants, and telecommunication companies. The South Sudanese diaspora and educated nationals have also

<sup>227</sup> African Development Bank. *Country Focus Report 2024: South Sudan*. 2024. (<https://www.afdb.org/en/documents/country-focus-report-2024-south-sudan-driving-south-sudans-transformation-reform-global-financial-architecture>)

<sup>228</sup> World Bank. *Doing Business 2020*. The World Bank has launched Business-Ready to replace the discontinued Doing Business Report and assess the business environment and investment climate in economies worldwide. The first Business Ready report was released in October 2024, with South Sudan to be included in the second round of pilot countries.

made significant contributions to this economic expansion, often leveraging their expertise and networks to launch businesses. This trend highlights the valuable contributions of the country's human capital to its economic growth.

From a regional perspective, the Ibrahim Index of African Governance (IIAG) provides additional insight into South Sudan's investment climate relative to its neighbors. The country's score of 12.5 out of 100 for Foundations for Economic Opportunity falls below both the East African Community (EAC) and the Intergovernmental Authority on Development (IGAD) regional averages.<sup>229</sup> However, while South Sudan's overall Governance score has declined over the past decade, there are signs of stabilization, with the rate of decline slowing over the most recent five-year period (2017 – 2021).<sup>230</sup>

Looking forward, the AfDB report emphasizes South Sudan's substantial untapped potential, particularly in agriculture.

The country possesses abundant arable land across multiple agricultural zones, substantial water resources for irrigation, and opportunities for year-round crop production. There is also considerable potential for hydropower development, with an estimated capacity of 2,590 megawatts on the Nile.

The signing of the 2018 peace agreement has yielded encouraging results, particularly in strengthening non-oil revenue collection, while the government's ongoing reforms at the National Revenue Authority, especially efforts to diversify revenue sources beyond oil, have contributed to increased non-oil sector contributions.

These natural advantages, combined with continued implementation of the peace agreement and public financial management reforms, position South Sudan to attract increased investment across multiple sectors, particularly in agriculture, energy, and infrastructure development.<sup>231</sup>

It is worth noting that while the formal economy continues to develop, a substantial portion of economic activity occurs in the informal sector. An estimated 80% of the population engages in informal sector work,<sup>232</sup> underscoring both the challenges and the significant opportunities for economic formalization and development.

## 5.7.3 Barriers to Economic Inclusion

South Sudan's refugee protection framework is governed by the Refugee Act of 2012, which aligns with international and regional treaties, including the 1951 Refugee Convention and its 1967 Protocol, as well as the 1969 OAU Convention. This comprehensive legislation establishes key institutions such as the Commission for Refugee Affairs (CRA), the Refugee Eligibility Committee (REC), and the Refugee Appeals Board (RAB). The Act, bolstered by the 2017 Refugee Status Eligibility Regulations, grants refugees various rights, including socio-economic entitlements.

The CRA, supported by UNHCR, plays a central role in implementing these laws and coordinating refugee programs, demonstrating South Sudan's commitment to refugee protection and regional cooperation. While the country provides an exemplary legal framework for refugee protection, refugees and returnees can face practical barriers in accessing these rights.

The primary barriers – and relative strengths – for the economic inclusion of displaced populations and their host communities are discussed in the following section, using the Pathway to Economic Inclusion framework.

### 5.7.3.1 Refugee and Civil Documentation

South Sudan demonstrates a strong commitment to refugee protection through its comprehensive documentation process. The CRA grants refugee status following thorough interviews and document verification, ensuring a robust system for refugee recognition. The country's refugee documentation framework is notably inclusive, with Refugee IDs valid for five years and asylum-seeker certificates for one year. Additionally, South Sudan's *prima facie* recognition of refugees from Sudan, DRC, and the Central African Republic further showcases its commitment to refugee protection.

The Refugee Act exemplifies the country's approach to refugee inclusion, clearly outlining the rights associated with Refugee IDs, including access to essential services such as food rations, education, health services, work permits, business licenses, and basic national services, though limitations exist for broader financial services including banking and access to loans.

While the system faces challenges due to high demand, particularly with the influx of *prima facie* refugees, these are procedural delays rather than legal barriers.

<sup>229</sup> *Ibid.*

<sup>230</sup> IIAG. IIAG 2022: *South Sudan Country Profile*. Released January 2023 (<https://assets.iiag.online/2022/profiles/2022-IIAG-profile-ss.pdf>)

<sup>231</sup> *Ibid.*

<sup>232</sup> Bertelsmann Stiftung, BTI 2024 Country Report – South Sudan. Gütersloh: Bertelsmann Stiftung, 2024.



Importantly, no legal prohibitions prevent refugees from seeking employment or engaging in business activities. Similarly, civil registry regulations are in place to facilitate birth registration for refugee children but need stronger implementation.

South Sudan's proactive stance on refugee documentation sets a positive example in the region, with ongoing efforts to enhance capacity and streamline processes to better serve its refugee population through the Durable Solutions Strategy and its commitments to the Global Compact on Refugees. The country has pledged to provide comprehensive protection to refugees and facilitate their inclusion in national planning through specific initiatives, including the provision of digital IDs and machine-readable travel documents. These widely recognized documents enable refugees to access a broader range of services.

As for civil documentation for returnees and host communities, the Ministry of Interior's Directorate of Civil Registry, National Passport and Immigration (DCRNPI) handles the registration and issuance of nationality certificates and IDs to South Sudanese citizens. The process requires validation through witness testimony from relatives who possess valid IDs, or in some cases, verification from local chiefs. For complex cases involving cross-border communities, chiefs may be required to provide written confirmation of family origin.

While the process allows for any relative with valid ID to serve as a witness regardless of gender, practical challenges often exist for returnees, particularly women and children who may have become separated from immediate family members during displacement. In many cases, accessing chiefs for verification can be difficult due to their location in remote villages. Additional barriers include transportation costs to registration centers and literacy requirements, which can particularly affect vulnerable populations. These practical obstacles, while not inherent to the policy itself, can impact access to documentation services.

Applicants for nationality certificates must provide various documents, including birth certificates or age assessments and blood group analysis, followed by biometric registration. This process often involves transportation costs and other expenses, and may experience delays.

These challenges highlight the need for a more accessible and streamlined civil documentation process. Potential improvements could include establishing service centers

closer to returnees' towns of origin, reducing the need for travel to Juba or other major towns, and developing strategies to address practical barriers while maintaining the integrity of the verification process.

### 5.7.3.2 Freedom of Movement



As indicated above, South Sudan's Refugee Act of 2012 gives refugees full rights, including freedom of movement. The challenges faced in this regard are of a practical nature. For instance, while refugees can request permission for inter-country travel, confusion among officials regarding residence requirements occasionally leads to immigration detention of urban refugees. Language barriers, particularly for non-Arabic speaking refugees, further complicate movement and integration. These issues can restrict refugees' ability to seek economic opportunities beyond their immediate settlement areas.<sup>233</sup>

Notwithstanding these challenges, at the national level, South Sudan demonstrates a progressive stance on freedom of movement for women. The country receives a perfect score on "mobility" in the World Bank's Women, Business and the Law 2023. This score indicates that women in South Sudan face no legal restrictions when choosing where to live or when traveling outside their home or country.<sup>234</sup>

### 5.7.3.3 Enabling Business Environment



South Sudan's business environment presents significant challenges for both refugees and nationals.

Establishing a business in South Sudan involves several regulatory steps, designed to formalize the economy but often posing hurdles for entrepreneurs. Obtaining a National ID, a prerequisite for registration, can be initiated at state-level DCRNPI offices where available, though the final printing is done in Juba. The ID costs USD 100, which can be prohibitive for some, and lengthy waiting times, sometimes exacerbated by shortages of plastic cards, can delay the process. The subsequent multi-step registration process, involving various government offices, typically costs between USD500-USD700 and can take up to six months. While this system aims to create a structured business sector, it often leads smaller enterprises to operate informally in their initial stages.

<sup>233</sup> *Ibid.*

<sup>234</sup> World Bank. *Women, Business and the Law 2024: South Sudan Country Snapshot*. Washington, DC: World Bank 2024. (<https://wbl.worldbank.org/content/dam/documents/wbl/2024/pilot/WBL24-2-0-South-sudan.pdf>)



Once registered, businesses navigate a complex licensing and taxation landscape. Multiple licenses and permits are required, covering areas such as security, health, and environmental compliance. The predominance of cash payments and irregular fee schedules increases administrative burden and potential inefficiencies. The multi-layered and sometimes unpredictable taxation system particularly impacts smaller businesses, potentially hindering their growth and formalization.

South Sudan's weak transport infrastructure, with less than 2% of primary roads paved, severely restricts the movement of goods. Entrepreneurs (women, men, refugees and local communities alike) face unofficial checkpoints, arbitrary road taxes, and security risks when transporting goods. This infrastructure deficit compounds the challenges of operating a business in the country.

Certain groups face additional challenges. For instance, high rates of illiteracy among women entrepreneurs, coupled with limited access to online registration systems, can present significant barriers to formalizing and expanding businesses. Refugees and returnees may need additional support navigating the administrative procedures and meeting the financial requirements associated with business formalization.

Economic factors, including currency devaluation, further complicate the business environment, affecting pricing and competitiveness, especially for local producers competing with imported goods.

Recognizing these challenges, various initiatives have been launched to support entrepreneurs, including training programs and efforts to simplify the registration process. However, the current regulatory environment continues to present obstacles for many businesses, particularly startups and small enterprises.

Furthermore, the current land management system presents a unique challenge for integrating refugees into the local economy. Refugees typically reside on designated parcels allocated through coordination between local authorities and the Commission for Refugees Affairs (CRA). While this arrangement provides immediate shelter, it can limit long-term economic integration opportunities.

#### 5.7.3.4 Access to Education



South Sudan has one of the highest rates of out-of-school children in the world, with an estimated 2.5 to 2.8 million school-age children currently not enrolled in the formal and non-formal education system. The enrolment rates paint a concerning picture: only 38% of primary school-aged children (4-12 years) and 7% of secondary school-aged children are enrolled, presenting major implications for individual development, societal progress, and economic growth. For refugees, gross enrolment at the primary level is 66% and 44% at the secondary level. The education system faces critical challenges, with both national and refugee schools lacking sufficient infrastructure, equipment, and teaching personnel. National education service delivery is heavily reliant on international support, as public spending on education remains critically low at 1.6% of GDP, the second lowest in the EHAGL region.

The education landscape, particularly in refugee-hosting areas like Jamjang, faces constraints in post-secondary and tertiary institutions. This limitation affects the educational progression of many, including displaced populations, with scholarship opportunities to higher learning institutions being relatively scarce. The education system is grappling with a shortage of qualified teachers, compounded by delays in salary payments for government schoolteachers. This situation, along with overcrowded classrooms, adversely impacts the quality of education provided.<sup>235</sup>

<sup>235</sup> 235 KIs, Jamjang, Ruweng Administrative Area, South Sudan scoping mission, May 2024.



South Sudan recognizes the critical importance of skills development for its overall economic growth. The current skills gap impacts various sectors, including public service, agriculture, and infrastructure development, presenting both challenges and opportunities for improvement. The Technical and Vocational Education and Training (TVET) sector, while valuable, is operating below its potential due to resource constraints. These institutions often lack sufficient tools and educational aids necessary for effective training. Infrastructure challenges, including inadequate training facilities, unreliable electricity, and water shortages, further hamper the education sector's effectiveness and graduates' ability to apply their skills.

The education system faces ongoing challenges in teacher recruitment and retention, which impact the quality and consistency of instruction across the country. To attract and retain qualified educators, priority should be given to ensuring timely salary payments, implementing regular pay increases, and improving working conditions. These measures would help address the issue of overcrowded classrooms while enhancing the overall quality of education. The recent influx of skilled refugees and returnees from Sudan presents an opportunity to reassess qualification recognition policies. An updated South Sudan national qualifications framework that is aligned with regional standards (i.e. IGAD Regional Qualifications Framework and EAC Qualifications Framework for Higher Education) would facilitate recognition of skills and qualifications of refugees and returnees, unlocking additional skilled resources to support the education requirements of both host communities and displaced populations.

Finally, cultural perceptions regarding certain skills, particularly in agriculture, arts, and technical vocations, present an area for potential awareness and attitude change to support economic diversification.

### 5.7.3.5 Local Infrastructure Quality



Infrastructure remains a critical barrier to economic inclusion in South Sudan. While notable progress has been made in certain areas, such as the roads from Juba to Bor and Juba to Terkeka, the country's vast infrastructure needs require substantial further investment. This is reflected in South Sudan's infrastructure rankings, where it places among the lowest in Africa according to the 2022 Africa Infrastructure Development Index, particularly in overall infrastructure and electricity access.<sup>236</sup> Particularly during the PPD consultations held in Juba in August 2024, stakeholders emphasized how infrastructure affects multiple priority areas including financial inclusion, skills

development, agriculture and livestock rearing, encompassing not just roads but also bridges, marine and air transport, internet connectivity, telecommunications, education, and agricultural infrastructure.

Transportation infrastructure faces significant challenges. Road density is particularly low at only 15km per 1,000 km<sup>2</sup>, compared to the East Africa average of 101 km per 1,000 km<sup>2</sup>. Rail infrastructure is even more limited, with a density of just 0.4 km per 1,000 km<sup>2</sup>. The energy sector remains fragile, with most energy needs being met by biomass. Fossil fuels account for 92.8% of electricity generation, with hydro providing the remainder. As of 2020, only about 7% of the population had access to electricity.<sup>237</sup>

Discussing infrastructure development priorities during the PPD consultations, participants highlighted opportunities to strengthen funding mechanisms across infrastructure sectors and identified areas where enhanced institutional capacity could improve project oversight and procurement processes. Stakeholders also discussed the potential benefits of developing comprehensive frameworks for road maintenance, particularly for gravel roads, and explored policy options that could help attract increased private sector investment in infrastructure development.

Climate change impacts, including unpredictable weather patterns, were recognized as additional factors affecting infrastructure development and maintenance. Seasonal droughts lasting up to 8-9 months highlight the critical need for improved water management infrastructure, with the lack of water collection centers and dams affecting both human and animal populations. The underutilization of river transport and the need for improved water management infrastructure were identified as areas requiring attention.

Enhancing skills, equipment, and support structures for infrastructure development and maintenance was highlighted as a crucial area for improvement. Stakeholders noted a critical shortage of essential equipment such as graders and earth-moving machinery, as well as deficiencies in inspection, monitoring, evaluation, and procurement capabilities. The energy sector was identified as a particular focus area, with the current reliance on diesel-powered generators presenting both economic and environmental challenges. The country has considerable potential for hydropower development, with an estimated capacity of 2,590 megawatts on the Nile, and stakeholders emphasized the need for robust legal and public-private partnership (PPP) frameworks to facilitate private power generation and regional grid connectivity.

<sup>236</sup> The country ranked 53 out of 54 countries for overall infrastructure availability and 46 out of 54 countries for electricity access. See African Development Bank 2024. Country Focus Report 2024: South Sudan. Pg. 18

<sup>237</sup> Ibid. pg. 18f

The consultations also underscored how infrastructure challenges can disproportionately affect vulnerable groups, including women and displaced populations. The impact of unreliable power on women's empowerment and local manufacturing capabilities was noted as a key area of concern, with the high cost of diesel-powered generation making light manufacturing prohibitively expensive and resulting in high dependence on imports for items that could be produced domestically under more conducive circumstances.

#### 5.7.3.6 Right to Work and Do Business



The Labour Act of 2017, Section 46, stipulates that any foreigner/alien shall not be employed unless the Ministry of Labour has issued them a valid work permit against payment of a fee. However, as per Sections 67(1) and (2) of the Refugee Status Eligibility Regulations (2017), the Refugee ID card should suffice for employment.

While South Sudan's laws allow refugees to work and do business, practical barriers remain. Administrative processes and implementation gaps can affect refugees' ability to fully exercise their rights, particularly in accessing employment opportunities.<sup>238</sup>

As mentioned above, the process of registering a business is complex and costly, involving multiple government offices and fees. That said, no legal barriers exist to prevent refugees from working or engaging in business activities. The Refugee ID card legally serves as both identification and work authorization, eliminating the need for a separate work permit. This aligns with South Sudan's commitment to refugee rights and integration. However, the disconnect between policy and practice highlights the need for improved implementation and awareness of refugee rights among employers and local authorities.

Obtaining employment or starting a business may still be challenging for refugees due to factors such as limited economic opportunities, lack of awareness among potential employers about refugee rights, and competition in the job market. Despite these challenges, the legal framework in South Sudan provides a foundation for refugee economic inclusion that could be strengthened through targeted interventions and public awareness campaigns.

#### 5.7.3.7 ICT & Financial Inclusion



Financial inclusion remains a significant challenge in South Sudan, particularly in refugee-hosting areas. The absence of traditional banking institutions and microfinance

organizations in the Ruweng Administrative Area has led to the emergence of alternative financial systems, primarily Village Savings and Loan Associations (VSLAs). Over 100 such groups operate across Pamir and Ajuong Thok camps, providing essential savings and small-scale lending services. These VSLAs have shown particular success in empowering women, who make up 90% of participants, offering them a path to financial inclusion. While these provide a lifeline for savings and small-scale lending, they face inherent limitations in capital and struggle with high formalization costs. In the capital Juba, Maban, Gorom and Mangalla areas, organizations like Inkomoko in coordination with UNHCR and the Ministry of Interior, CRA and RRC, have successfully helped refugees open bank accounts using their Refugee IDs, thereby enabling VSLAs and associations to access larger loans and contract opportunities with development partners. These services have not yet extended to Ruweng Administrative Area, presenting an opportunity for collaboration between the government, financial institutions, and development partners to support and expand these community-driven initiatives.

The financial services landscape continues to evolve, with promising developments in digital financial solutions. Money transfer services like MTN's MoMo and Zain's M-GURUSH have upgraded their mobile systems to enable remote registration and business transactions. Notably, M-Gurush has received Central Bank approval to accept refugee IDs for account registration. However, infrastructure limitations in refugee-hosting areas continue to constrain the full potential of these digital solutions.

Access to financial services is closely tied to identification requirements. The government's pilot program for a new refugee documentation ID system demonstrates concrete progress. This initiative stems from the country's commitments under the Global Compact on Refugees and its GRF pledges to promote refugee inclusion through digital IDs and machine-readable passports. Swift implementation of this system could dramatically improve refugees' access to a wider range of financial services and broader financial inclusion.

Financial literacy remains an area for potential improvement. Enhancing understanding of financial products and services could empower refugees and host communities

<sup>238</sup> UNHCR. Annual Results Report 2023: South Sudan. Published 30 May 2024. pg. 5 ([https://reporting.unhcr.org/sites/default/files/2024-06/EHGL%20-%20South%20Sudan%20ARR%202023\\_0.pdf](https://reporting.unhcr.org/sites/default/files/2024-06/EHGL%20-%20South%20Sudan%20ARR%202023_0.pdf))

to engage more effectively with both formal and informal financial systems. This presents an opportunity for targeted education programs that could yield substantial benefits for economic integration and self-reliance.<sup>239</sup>

The regulatory environment plays a crucial role in shaping financial inclusion. While necessary for financial system stability, some current regulations may inadvertently create barriers for refugees and low-income individuals. There is potential to explore more flexible approaches, particularly in areas such as Know Your Customer (KYC) requirements, that maintain system integrity while promoting inclusion.

Trust in financial institutions is another area where progress can be made. Historical experiences and cultural factors have led some refugees and host community members to prefer informal financial methods. Building trust through community engagement and demonstrating the benefits of formal financial services could help bridge this gap.

The ongoing efforts to stabilize the economy are commendable and will have positive ripple effects on financial inclusion. As economic conditions improve, it will become easier for refugees and host communities to save and invest, further driving financial inclusion.

Gender disparities in financial inclusion persist, with refugee women facing additional challenges. Addressing these disparities through targeted programs and policies could unlock significant economic potential.

Lastly, the security situation in parts of South Sudan impacts all aspects of life, including access to financial services. The government's ongoing efforts to improve security are crucial and will have positive impacts on financial inclusion as they progress.

#### 5.7.4 Gender-Specific Barriers

Women, particularly refugee women, face additional barriers to economic inclusion. While the country scores exceptionally well in several areas of women's legal rights, such as freedom of movement and equal pay protection, it falls short in supportive frameworks. Women entrepreneurs face administrative and practical obstacles in accessing essential services and economic opportunities, including practical difficulties in obtaining identification documents, due to some officials adhering to outdated practices. Cultural and social barriers compound these challenges, with women often facing a lack of respect and suspicion in the community, especially when interacting with male customers. The burden of childcare and household responsibilities often falls disproportionately on women,

limiting their economic participation. Safety and security concerns, including exposure to gender-based violence when engaging in economic activities, further restrict women's economic opportunities.

Further gender-specific barriers to economic inclusion include:

##### **Cultural and social barriers:**

- Family Conflicts can arise when women seek to operate businesses located far from home. Trust issues emerge as men may not trust women to conduct business with other men.
- Women can face stigma and suspicion in the communities, especially if seen engaging in casual chats with male customers.
- Burden of childcare and household duties limits economic participation

##### **Economic challenges:**

- Husbands often take control of the money earned by their wives.
- Lower literacy rates among women affect business management capabilities
- Pressure to find money for family food needs during shortages, especially for women-led households

##### **Safety and security concerns:**

- Exposure to gender-based violence when engaging in economic activities, e.g. accessing markets and resources. Women face risks of sexual exploitation and violence, especially those involved in activities like charcoal burning, firewood collection, or selling in markets.
- Greater vulnerability to theft compared to male counterparts, depleting capital and goods.

#### 5.7.5 Proposed Solutions and Opportunities

Based on the analysis of South Sudan's economic outlook, investment climate, and barriers to economic inclusion, the following solutions and opportunities are proposed:

##### 5.7.5.1 Agricultural Development and Food Security

With its vast potential, the agricultural sector faces a complex set of circumstances that present both challenges and opportunities for growth. The sector's development is intricately linked to environmental factors, resource management, institutional capacities, and market dynamics,

<sup>239</sup> Here and below, outcomes derived from thematic session on financial inclusion, South Sudan Public-Private Dialogue, Juba, August 2024.



all of which offer avenues for strategic interventions and collaborative efforts.

To unlock the full potential of South Sudan's agribusiness and livestock sectors, a multi-faceted approach is needed, addressing key challenges while capitalizing on existing opportunities. South Sudan's agricultural sector presents numerous opportunities for growth and improvement:

**i) Agricultural Support Systems and Extension Services:**

Investing in seed multiplication programs and bolstering farmer groups and cooperatives can lay the foundation for improved productivity. Enhanced agricultural extension services, including comprehensive training for extension workers, will play a crucial role in disseminating knowledge and best practices across the sector.

**ii) Climate-Smart Agriculture:** Implementing climate-smart agricultural practices, including reforestation and agro-forestry initiatives, coupled with the introduction of climate-adaptive farming techniques and crop varieties, can help mitigate the impacts of changing weather patterns. Encouraging sustainable fishing practices and developing robust water management systems, including irrigation networks and water harvesting techniques, will further enhance the sector's resilience and productivity.

**iii) Value Chain Development and Improved Market Access:**

To maximize the economic impact of agricultural production, emphasis should be placed on value addition and export growth. There is significant potential to develop robust agricultural value chains, improving preservation methods for agricultural products, providing incentives for agricultural exports and creating linkages for local sourcing of agricultural products, particularly through partnerships with organizations like the UNDP, FAO, and WFP among others, can open new market opportunities. Such efforts can be complemented by support for branding and standardization of quality,

which can enhance the competitiveness of South Sudanese agricultural products in both domestic and international markets. Streamlining the tax and licensing framework for smallholder farmers can remove barriers to entry and growth. Additionally, enhancing rural road networks and market infrastructure will facilitate easier access to markets for farmers and herders alike.

**iv) Livestock Management and Animal Health:**

Focus on strengthening the early warning system for disease surveillance and control measures. Developing dedicated livestock markets and veterinary service centers can significantly improve animal health and productivity. Supporting initiatives in small animal and poultry production can diversify income streams for rural households.

**v) Technology and Infrastructure Development:**

Embracing appropriate technology and infrastructure development is crucial for modernizing the sector. This includes introducing mechanized irrigation systems where suitable, improving storage facilities to reduce post-harvest losses, and expanding rural telecom networks to enhance information access. Exploring renewable energy solutions for agricultural operations can also increase efficiency and sustainability. Additionally, constructing essential infrastructure such as roads, markets, and storage facilities can significantly improve the overall agricultural value chain.

**vi) Community Engagement and Conflict Mitigation:**

Underpinning these technical solutions is the need for robust community engagement and conflict mitigation strategies. Motivating community participation in agricultural development initiatives and promoting dialogue among different community groups can foster a sense of ownership and reduce potential conflicts. Implementing targeted programs to address security concerns and resource-based conflicts in agricultural areas is also essential for creating a stable environment for sector growth.



**vii) Policy and Legislative Framework:** As part of strengthening the legal frameworks and policies, the government, especially the agriculture and social sector, needs to harmonize policies, incorporate best practices from other countries, and enhance the sectoral framework that encourages Public-Private Partnership and inclusion of vulnerable persons. This framework should focus on building a sustainable agricultural and livelihoods sector through an enhanced investment climate, with enabling environments through clear policies and accountability frameworks. Much of this effort should be devoted to sensitizing communities on the available policies and their application. This sensitization campaign will empower communities to advocate for new policies that better address their specific needs and contribute to sustainable development in the sector.

#### 5.7.5.2 Infrastructure and Connectivity

**i) Strategic Planning and Governance:** Develop a comprehensive national infrastructure plan with clear performance indicators, timelines, and accountability measures. This should include enhancing the procurement framework to ensure value for money and implementing a participatory approach to infrastructure planning and maintenance, involving local communities and state administrations.

**ii) Public-Private Partnerships and Investment:** Develop and implement a Public-Private Partnership (PPP) policy framework to encourage private sector participation across all infrastructure sectors. This approach could be particularly effective in prioritizing investment in renewable energy sources, exploring regional power-sharing agreements, and enhancing telecommunications access across the country, including in remote areas.

**iii) Climate Resilience and Resource Management:** Focus on developing climate-resilient infrastructure to mitigate the impact of extreme weather events, particularly in road and water management and food production systems. This includes improving water

management through the construction of drainage improvement and flood protection structures, including reservoirs, embankments, and water collection centers. Additionally, enhance marine transport infrastructure to provide cost-effective alternatives to road transport.

**iv) Skills Development and Community Empowerment:**

Invest in skills development programs focused on infrastructure development and maintenance. Establish social and recreational centers with internet provision to enhance skills and access to information, particularly in underserved areas. Support government structures to strengthen land allocation systems and basic infrastructure development that promotes integration and self-reliance for all community members, including both host communities and refugees.

#### 5.7.5.3 Skills Development and Women's Empowerment

South Sudan recognizes the critical role of skills development in driving its economic growth and stability. The country faces several challenges in this cross-cutting area, but also sees opportunities for significant improvement that could benefit both the public and private sectors,

**i) Expand and Strengthen Educational Infrastructure for the benefit of all learners:** To build a foundation for skills development, South Sudan could focus on constructing additional schools at both primary and secondary levels as well as vocational learning facilities that can enrol school leavers. This expansion would be particularly crucial in refugee-hosting areas, where post-secondary opportunities are currently limited. There is also potential to scale up and diversify skill programs in existing Technical and Vocational Education and Training (TVET) institutions. This could include mobilizing resources through established coordination mechanisms between government, humanitarian and development partners recognizing that investment in these areas is vital for long-term economic development.

## ii) Address Teacher Shortages and Improve Education

**Quality:** To combat the shortage of qualified teachers, often exacerbated by delayed and inadequate salary payments, South Sudan could focus on harmonizing approaches to teacher training, support and salary scales, including leveraging community-based teaching resources. Establishing teacher training colleges in refugee hosting locations could be a strategic move to build a sustainable pipeline of educators. Improving the harmonization of teacher support systems would help enhance education delivery across all affected populations.

## iii) Enhance TVET Sector and Skills Recognition:

Strengthening the TVET sector presents a significant opportunity. This could include centralizing and standardizing TVET recruitment procedures under government guidance, prioritizing the recognition and certification of vocational training institutions, and expanding TVETs to all regions. Supporting these institutions with practical tools and facilities could ensure hands-on, quality training. The key to maximizing impact lies in harmonizing South Sudan's national qualifications framework with established regional standards, particularly the IGAD Regional Qualifications Framework and EAC Qualifications Framework for Higher Education. This harmonization would enable seamless recognition of certifications across borders, allowing displaced persons to leverage their existing skills and qualifications while creating new opportunities for skill development. Such an integrated approach would strengthen both the local TVET ecosystem and create pathways for displaced populations to contribute their expertise to South Sudan's development. The government is already moving in this direction through initiatives to grant citizenship to skilled Sudanese professionals, particularly medical personnel, enabling them to practice their professions in South Sudan.<sup>240</sup>

## iv) Improve Access to Education and Skills Development:

**Development:** Enhancing the capacity of functional adult literacy programs to absorb youth for life skills and apprenticeships is a key suggestion. Implementing flexibility in document requirements for age and qualification certificates could enable more teachers and skilled experts to actively participate in the job market.

## v) Support Skills Utilization and Changing Perceptions:

To maximize the impact of skills development, South Sudan could explore ways to support TVET graduates

with gradual capital injection for their ventures. This approach could help newly skilled individuals apply their knowledge practically and contribute to economic growth. Extensive sensitization efforts could be planned to change mindsets about TVETs and informal skills acquisition, highlighting their value in the modern economy. These should include local employers and business leaders to help demonstrate the practical value of technical and vocational skills in the marketplace. This collaborative approach to awareness-building could help change mindsets about TVETs and informal skills acquisition, while gradually strengthening the connection between training and employment opportunities.

### 5.7.5.4 Financial Inclusion

**i) Inclusive Financial Infrastructure:** South Sudan can build a more inclusive financial system by developing alternative identification methods for financial access, investing in digital infrastructure to support fintech solutions, and expanding financial services in underserved areas through public-private partnerships.

**ii) Adaptive Policy and Product Development:** Creating an environment that fosters innovation is crucial. This involves collaborating with regulators to develop flexible, inclusive policies and encouraging financial institutions to design products tailored to marginalized groups. Incentivizing financial institutions to develop products for marginalized groups... Integrating financial inclusion with social protection programs could further enhance financial stability for vulnerable populations.

**iii) Financial Literacy and Trust-Building:** Implementing comprehensive financial education programs and developing community engagement initiatives are essential to build trust in formal financial services. Partnerships between government, financial institutions, and educational bodies can ensure sustained impact, empowering residents to make informed financial decisions and participate fully in the formal financial sector.

These consolidated categories encompass the key areas for enhancing financial inclusion in South Sudan, providing a framework for collaborative action among stakeholders to benefit both refugees and host communities.

<sup>240</sup> 240 South Sudan Country sPresentation, Regional High-Level Workshop, hosted by the Government of Kenya, the EAC, IGAD, and UNHCR with funding from the AfDB, Nairobi, 19-21 November 2024



## 5.8 SUDAN



The country scoping mission to Khartoum and the White Nile State took place in January 2023, before the outbreak of the war in April 2023. At the time, General Abdel Fattah al-Burhan, the leader of the Sudanese Armed Forces (SAF), and General Mohamed Hamdan Dagalo, also known as Hemedti, the leader of the Rapid Support Forces (RSF), had joined forces to orchestrate a coup on 25 October 2021 that abruptly ended Sudan's first civilian government in years and marked a return to the country's international isolation.

The scoping mission revealed a country in a delicate political situation. Parties were engaged in negotiations for a new path to elections, while the military generals were focused on safeguarding their interests. Opposition groups frequently took to the streets, demanding that the military step down and restore civilian rule. All this was interrupted by the war that erupted in the capital

city on 15 April 2023, a conflict that has, among other far-reaching effects, diminished resource availability and disrupted supply chains throughout the country. The fighting compelled several aid agencies, including the UNHCR and its partners, to suspend their operations temporarily in some locations, to the detriment of those relying on their support for survival.<sup>241</sup>

While the government representatives who were interviewed at the time may not return to office, the team conducting the mission was aware of the volatile political climate. Insights were gathered from a diverse range of stakeholders, including members of the former government that the 2019 revolution and the overthrow of former president al-Bashir brought to power. Additionally, the analysis incorporated perspectives from other relevant experts and representatives of international entities on the ground.

### 5.8.1 Sudan's Economic Outlook

Sudan's economy has been in turmoil for years, facing multiple challenges including political instability, conflict, and the loss of oil revenues following South Sudan's secession in 2011. The country experienced a period of transition after the 2019 overthrow of long-time ruler Omar al-Bashir, but a military coup in October 2021 derailed the transition to civilian rule and led to the suspension of international aid and debt relief. The situation has worsened dramatically since the outbreak of the civil war in April 2023.

Prior to this conflict, Sudan's economy was already struggling. The AfDB reported that Sudan's GDP contracted by 1.9% in 2021 due to political instabilities and the spillover effects of Russia's invasion of Ukraine.

In 2022, Sudan's GDP grew by a modest 0.7%, driven primarily by agriculture, mining, and private consumption.<sup>242</sup> The AfDB projected GDP growth of 2.0% in 2023 and 3.8% in 2024 for Sudan. These projections were based on reduced political instability following the signing of a Framework Agreement between the military and civilians. However, the ongoing war has made these forecasts obsolete.

As of June 2024, at least 16,000 Sudanese have died in the conflict. The warfare has included widespread atrocities, including mass rape and ethnic pogroms by the RSF, particularly in Darfur's western region. To date, 10.2 million people have been forcibly displaced, agricultural infrastructure has been destroyed, and the country's economy has collapsed.<sup>243</sup>

<sup>241</sup> UNHCR. *Sudan Emergency: UNHCR Supplementary Appeal May – October 2023*. 21 June 2023 (<https://data.unhcr.org/en/documents/details/101432>).

<sup>242</sup> AfDB. *Africa Economic Outlook*. 2023

<sup>243</sup> UNHCR Operational Data Portal. *Sudan Situation Map Weekly Regional Update - 05 Aug 2024* (<https://data.unhcr.org/en/documents/details/110395>) See also Institute for Security Studies. *Burhan and Hemedti's deadly hunger games*. ISS Today, 28 June 2024. (<https://issafrica.org/iss-today/burhan-and-hemedti-s-deadly-hunger-games>)

Table 12. Populations of Concern in Sudan

<b>12,233,498*</b> Total Forcibly Displaced	<b>8,619,054</b> New IDPs in Sudan	<b>3,137,312</b> Newly Arrived Refugees and Asylum Seekers	<b>258,129</b> Self-relocated Refugees in Sudan

\* 11,359,005 IDPs incl old caseload and 874,493 refugees and asylum seekers

Source: DTM Sudan Mobility Update (11) as of 21 November 2024 and UNHCR Operational Data Portal. Sudan Situation as of 01 December 2024

## Major industries and sectors

Sudan's economy has traditionally been dominated by agriculture, which employs a large portion of the workforce. Key agricultural products include sorghum, millet, wheat, gum arabic, sugarcane, and livestock. The country also has significant mineral resources, including gold, chromite, and copper.

### Agriculture

Generating about one-third of GDP and providing jobs for around half of the workforce (AfDB, 2023). Sudan has vast agricultural potential, with only 30% of arable land currently cultivated.

### Mining

Particularly gold mining, which has become increasingly important since the loss of oil revenues.

### Services

Including telecommunications, banking, and transportation.

### Oil and Gas

While diminished since South Sudan's independence, still plays a role in the economy.

### Manufacturing

Including food processing, textiles, and pharmaceuticals

### Fishing

An important sector in coastal regions and along the Nile.

The ongoing conflict has severely disrupted economic activities across all sectors. The war has displaced millions, destroyed infrastructure, and collapsed much of the country's economy.



## 5.8.2 Current Investment Climate

Prior to the current conflict, Sudan's investment climate was already challenging due to political instability, economic sanctions, high inflation, and a lack of infrastructure. The country consistently ranked poorly on international measures of economic production, human development, and economic competitiveness.

According to the 2022 Ibrahim Index of African Governance (IIAG), Sudan scored 34.5 out of 100.0 in Overall Governance, ranking 47th out of 54 countries in Africa. In the "Foundations for Economic Opportunity" category, Sudan scored 38.9, which was about the regional average for IGAD countries.<sup>244</sup>

The World Bank's Doing Business 2020 report (the last year available) ranked Sudan 171st out of 190 economies for ease of doing business. Sudan performed particularly poorly on indicators such as getting electricity (162nd), getting credit (176th), and paying taxes (164th).<sup>245</sup>

The current conflict has severely worsened the investment climate. As of mid-2024, much of the capital Khartoum lies in ruins, with major combat still raging there and in several other cities and parts of the countryside. The state has largely collapsed, and millions are threatened with starvation. The World Food Programme reports that nearly 18 million Sudanese face 'acute food insecurity', with almost five million at 'emergency levels of hunger'.<sup>246</sup>

## 5.8.3 Barriers to Economic Inclusion<sup>247</sup>

### 5.8.3.1 Refugee Documentation



One of the most significant barriers to economic inclusion for refugees in Sudan is the lack of proper documentation. Without formal refugee or national ID cards, individuals are unable to access the labor market, conduct transactions, obtain SIM cards, or open bank accounts. The documentation process for refugees is complex and often incomplete:

- Photo slips are issued to family members with registration details and a photograph of each member of the household. These can be obtained in a day at

any refugee registration center, but are not sufficient for many purposes.

- New Refugee IDs with a two-year validity period are plastic cards with the applicant's photo, COR logo, and a foreigner number. These are required for formal employment or work permits, but their issuance is limited. In the White Nile Region, no formal ID cards had been issued as of January 2023.
- Registration and verification exercises have been suspended in hard-to-reach areas since the outbreak of the conflict due to ongoing insecurity.

### 5.8.3.2 Freedom of Movement



While Sudan generally allows refugees freedom of movement outside of camps, creating opportunities for interaction between refugees and host communities, the legislative environment does not provide refugees with necessary protections for rights such as work or property ownership. This means that even though refugees can move freely, they have limited opportunities to engage in economic activities. The outbreak of conflict has further constrained the movement of refugees due to increased insecurity and risk of arrest and detention.

### 5.8.3.3 Enabling Business Environment



Sudan's business environment poses significant challenges for both nationals and refugees. The country ranked 171st out of 190 economies in the World Bank's Doing Business 2020 report. Particular challenges exist in areas such as getting electricity (162nd), getting credit (176th), and paying taxes (164th).

The informal sector accounts for approximately 60% of Sudan's GDP, indicating a large unregulated economy.

Refugee-specific challenges include lack of clear regulations for registering businesses and accessing financial services.

### 5.8.3.4 Access to Education



Education is crucial for stability and empowerment, but refugees face significant barriers:

- Overcrowding and limited facilities in refugee camp schools and host community schools.

<sup>244</sup> IIAG. IIAG 2022: Sudan Country Profile. Released January 2023 (<https://assets.iiag.online/2022/profiles/2022-IIAG-profile-sd.pdf>)

<sup>245</sup> World Bank. Doing Business 2020.

<sup>246</sup> UNOCHA. Sudan Humanitarian Update. 29 July 2024 (<https://reports.unocha.org/en/country/sudan/card/6xqBDU5svk/>)

<sup>247</sup> Here and below, KIIs and FGDs held during scoping mission to Khartoum and White Nile State, Sudan, January 2023.

- A gap between primary and secondary education, with limited opportunities for tertiary education, compounded by the closure of most higher education institutions due to conflict.
- High dropout rates influenced by factors such as sexual and gender-based violence, child labor, and early marriage.
- Limited financial resources hindering refugee students' pursuit of education at all levels (primary, secondary and tertiary).
- Scholarships and admission criteria present additional barriers.
- An imbalance in the number of male and female teachers in camp schools.
- Lack of access to education in hard-to-reach areas

#### 5.8.3.5 Local Infrastructure Quality



Like several other states in Sudan, White Nile State, selected as an area for focused intervention and hosting a large refugee population, faces significant infrastructure deficits, including limited road connectivity and poorly maintained infrastructure; inadequate water and sanitation infrastructure; unreliable electricity supply, particularly in rural areas and refugee camps; insufficient education and healthcare facilities; and limited communication and digital infrastructure.

#### 5.8.3.6 Right to Work and Do Business



While refugees have the right to work according to the Asylum (Organization) Act of 2014, they face numerous obstacles including complex application processes for work permits, prohibition from working in public institutions, and difficulties in obtaining business licenses for small-scale enterprises.

#### 5.8.3.7 ICT & Financial Inclusion



Access to ICT and financial services is limited for refugees. Many areas have limited access to communication networks and digital infrastructure. While the Central Bank of Sudan allows refugees to open bank accounts, banks require an ID card with a foreign number, which many refugees lack. The lack of documentation also prevents refugees from obtaining SIM cards, limiting their access to mobile money services.

#### 5.8.4 Gender-Specific Barriers



Women refugees in Sudan face additional barriers to economic inclusion:

- **Cultural and societal norms:** Sudan is a predominantly patriarchal society where men hold hierarchical superiority. Violence against women is often normalized, and men have power within the societal structure.
- **Limited economic roles:** Women's economic empowerment is hindered by limited roles, lack of access to education, early marriages, and female genital mutilation.
- **Unfair labor distribution:** There is an unfair distribution of labor, with women performing arduous farm work while men control the products and income.
- **Documentation challenges:** Women in both refugee and host communities often overlook the need for documentation, which further complicates their ability to access services.
- **Sexual exploitation and abuse:** Refugee women and girls are vulnerable to sexual exploitation, rape, and abuse, particularly when collecting firewood outside camps.
- **Limited access to education:** Girls face higher dropout rates due to factors such as sexual and gender-based violence and early marriage.
- **Restricted business opportunities:** Women face obstacles in obtaining business permits and are at a disadvantage compared to local businesswomen.
- **Land ownership restrictions:** While host community women have legal rights to own land, cultural barriers often prevent them from doing so (UNHCR Sudan, 2023).

#### 5.8.5 Proposed Solutions and Opportunities

Given the current crisis, immediate solutions are focused on ending the conflict and addressing the humanitarian emergency. Multiple, sometimes competing, peace initiatives have been launched, including:

- The Ceasefire Talks in Geneva, co-hosted by Saudi Arabia and Switzerland.
- The African Union's High-Level Panel on Sudan and the Ad Hoc Presidential Committee.
- Bilateral initiatives led by Egypt and Ethiopia.

However, the proliferation of peace processes has allowed the warring parties to forum-shop without committing to any implementable accord. A single, coordinated process is needed that includes deadlines and reflects the military realities on the ground.<sup>248</sup>

<sup>248</sup> International Crisis Group. *Working with Others to Halt Sudan's Collapse. Watch List 2024 - Spring Update. May 2024.* (<https://www.crisisgroup.org/africa/horn-africa/sudan/working-others-halt-sudans-collapse>)

In the longer term, there are potential solutions and opportunities that could be pursued once stability is restored:

- i) Agriculture and agribusiness:** Sudan has vast agricultural potential, with only 30% of arable land currently cultivated. Despite the ongoing conflict, agriculture remains essential to Sudan's food security and employment, especially in rural areas. Investors can explore partnerships with NGOs to co-invest in post-harvest technologies, solarized irrigation, and micro-finance for smallholder farmers. Processing facilities for local crops could help stabilize rural economies and reduce reliance on imports. Investing in agriculture, including irrigation systems and value-added processing, could create significant economic opportunities for both refugees and host communities.
- ii) Renewable energy and off-grid solutions:** With limited access to the national grid and high fuel costs, renewable energy – particularly solar – offers scalable solutions. Investments in solar-powered mini-grids, portable units, and battery storage can benefit both rural and conflict-affected areas. Partnering with humanitarian organizations to provide solar power in refugee camps could lower costs and boost sustainability. Investing in solar energy could help address electricity shortages while creating jobs and business opportunities.
- iii) Skills development and vocational training:** Expanding vocational training programs could help refugees and host community members develop marketable skills.
- iv) Financial inclusion (microfinance, digital financial inclusion and fintech):** Developing tailored financial products for refugees and streamlining documentation requirements could improve access to credit and financial services. The need for accessible financial services is pressing, especially for displaced and rural populations. Mobile banking, digital wallets, and micro-lending solutions have high potential in regions lacking formal banking infrastructure. Partnerships with telecom companies can expand mobile banking, providing safe, accessible options to reduce cash handling risks amid war.
- v) Digital economy:** Investing in digital infrastructure and promoting digital skills could open up new economic opportunities, particularly for youth.
- vi) Healthcare and Pharmaceuticals:** Sudan's healthcare system is heavily impacted by conflict, creating a demand for medical supplies, mobile health clinics, and telemedicine. Investments in local pharmaceutical production could reduce import dependency while mobile health solutions could address accessibility challenges in conflict areas thereby improving health services for refugees, IDPs and host communities.

- vii) Education and Skills Training:** Conflict has disrupted education, highlighting the need for alternative learning solutions. Investments in e-learning platforms, mobile classrooms, and vocational training for in-demand skills (e.g., healthcare, IT) can improve access to education, helping refugees, IDPs and refugees youths and adults gain access to employment.
- viii) Logistics and Supply Chains:** Improved logistics for essential goods—such as last-mile delivery, cold storage, and inventory management—could stabilize supply chains disrupted by conflict. Investments in flexible logistics services can enhance access to food and medical supplies in hard-to-reach areas highly affected by conflict.
- ix) Urbanization/Construction and Infrastructure Development:** Demand for affordable, resilient housing has surged due to displacement. Investment in cost-effective housing solutions, such as modular homes using local materials, can support rebuilding efforts and boost local economies.
- x) Cross-border trade:** Once stability is restored, Sudan's strategic location could be leveraged to promote cross-border trade, benefiting both refugees and host communities.
- xi) Manufacturing:** Developing light manufacturing industries could create employment opportunities and promote economic diversification.
- xii) Tourism:** In the long term, Sudan's rich historical and natural attractions could be developed to support a sustainable tourism industry.
- xiii) Strategic Investment Considerations:** Investors should leverage partnerships with NGOs, adopt adaptable and flexible business models, and explore innovative financing like blended finance. Emphasizing impact-driven investments (e.g., healthcare, education) aligns with humanitarian needs, increasing resilience and support. By focusing on scalable solutions and local workforce development, private investments can contribute to Sudan's economic resilience and position for post-conflict recovery.

However, realizing these opportunities will require addressing the root causes of conflict, restoring political stability, and implementing comprehensive economic reforms. International support and investment will be crucial in rebuilding Sudan's economy and creating an environment conducive to the economic inclusion of refugees and host communities alike. This analysis reflects conditions as of the time of writing. The development of further assessments and recommendations is contingent on stabilization of local conditions and stakeholder engagement.



## 5.9 UGANDA



Uganda is a small, landlocked country in East Africa with a population density of 229 people per square kilometer. It is bordered by South Sudan to the North, the DRC to the West, Kenya to the East, and Rwanda and Tanzania to the South. Refugees and asylum seekers are 3.5% of the total population of around 49 million people.<sup>249</sup> 91% live in settlements, with 9% in urban areas.<sup>250</sup>

Most refugees (56%) come from South Sudan and the DRC (31%), with percentages of 3% or less for Eritrea, Somalia, Burundi, Sudan, Rwanda, Ethiopia and others. Refugee settlements tend to be located near the countries from which refugees have arrived, though a sizeable population of varied nationalities resides in and around Kampala.

An increasing number of refugees and asylum-seekers have been streaming into Uganda from Sudan – 59,790 people, making up 27% of all new arrivals registered since the start of 2024. Including the Sudanese, conflict and climate change drive on average 2,500 people to flee to Uganda every week, mainly from the DRC and South Sudan. The arrivals are putting pressure on Uganda's refugee services, including schooling, health and registration processes. The surge in arrivals “combined with funding shortfalls, puts significant pressure on protection and assistance services provided to refugees and their host communities, risking Uganda's solid protection regime and refugee response model”.<sup>251</sup>

Table 13. Populations of Concern in Uganda

<b>1,771,389</b> Refugees and Asylum Seekers	<b>205,349</b> Refugees and Asylum seekers in Nakivale	<b>91%</b> Settlement-based	<b>79%</b> Women and children

Source: UNHCR Operational Data Portal. Status as of 31 October 2024

<sup>249</sup> Refugee figures for June 2024. Population was 48,582,334 in 2023, according to the World Bank data centre.

<sup>250</sup> UNHCR. Uganda - Refugee Statistics October 2024 (<https://data.unhcr.org/en/documents/details/112289>)

<sup>251</sup> Matthew Crentsil, Uganda's Open-Door Policy for Refugees Strained by Arrivals from Sudan, DRC, and South Sudan UNHCR. Published 17 May 2024 \*<https://www.unhcr.org/news/briefing-notes/ugandas-open-door-policy-refugees-strained-arrivals-sudan-drc-and-south-sudan>.

## 5.9.1 Uganda's Economic Outlook

### 5.9.1.1 Key economic indicators<sup>252</sup>

-  **Real GDP growth:** Down by almost two percentage points to 4.6% in 2023 compared to the previous year's 6.3%.
-  **GDP per capita growth:** Rose to 2.3% versus 1.5% in 2022.
-  **Inflation:** Declined from 7.2% in 2022 to 5.5% in 2023.
-  **Fiscal deficit:** Higher in 2023 at 7.0% compared to 6.3% in 2022.
-  **Debt-to-GDP ratio:** Edged up to 49.6% in 2023 from 46.3% in 2020.

Uganda's economic growth slowed, despite strong performance in sectors such as mining, thanks to lower output in manufacturing, food production and public administration. Tight fiscal policy to combat inflation also put a damper on growth, despite substantial investment in oil and gas, and vigorous consumer demand and foreign investment.<sup>253</sup> Monetary policy has matched firm fiscal policy, with the Bank of Uganda setting the policy rate set at 10.25%, resulting in inflation declining quite sharply. While the current account remained elevated at 7.9% of GDP, and a higher debt-to-GDP ratio, debt is sustainable. The financial sector is well capitalized and armored against external shocks, with ratio of non-performing loans to gross loans of 4.6% and a capital adequacy ratio of 25.3% in 2023. Foreign direct investment surged from 3.2% in 2020 to 6.5% of GDP in 2022.

The short-term outlook is optimistic, given the authorities' firm hand on the tiller of economic management, but the AfDB notes that structural transformation is incomplete, and poverty has worsened over time, with the poverty rate rising from 21.4% in 2017 to 30.1% in 2020. Despite the agriculture sector's contribution to GDP dropping from a little over half in 1990 to 24% in 2022, in favor of services, seven out of 10 Ugandans are still subsistence farmers. Productivity has

dramatically improved in manufacturing and trade services – but these employ relatively few workers. Only 13% of total exports in 2022 were manufactured goods.<sup>254</sup>

## 5.9.2 Current Investment Climate

Uganda's pro-business agenda is showing signs of stalling after two decades reform that have seen inward investment and intra-regional trade increase and created "a vibrant informal economy". In brief, productivity is too low and jobs too few. The economy must absorb at least 600 000 Ugandans entering the labor market every year, in a rapidly urbanizing economy – the urban population has gone from 16% in 2003 to 27% in 2023.<sup>255</sup> The solution put forward is a "focus on growth in sectors that can leverage demand from abroad, are labor-intensive, and lower-skilled".<sup>256</sup>

The loss of reform momentum in Uganda compared to its earlier economic reform drive has led to a relatively poor performance on the Doing Business Index,<sup>258</sup> with Uganda ranking 116 out of over 190 countries. However, recent positive developments include initiatives by the Private Sector Foundation Uganda, such as the Invite Project to establish industrial parks in refugee-hosting areas, and the GROW project which provides women entrepreneurs, including refugees, with access to affordable capital. These initiatives demonstrate Uganda's commitment to inclusive economic development and improving the investment climate.

Among the sub-indices most important to small and refugee businesses, Uganda performed relatively well on the parameters for paying taxes (at 92) and infrastructure supporting access to credit (80) but poorly on the requirements to start a business or to access electricity. Uganda's weak rankings on these indices suggests considerable opportunity to strengthen economic growth, particularly for small host as well as refugee business, through accelerated business regulatory reform.

To maintain progress, Uganda needs to reinvigorate its economic reform program, thereby strengthening growth by host community members as well as benefiting refugees. In addition, it is encouraged to redouble its focus on transforming the society from a purely agricultural society to one focusing more on manufacturing transformation and services.

<sup>252</sup> AfDB and World Bank data.

<sup>253</sup> AfDB. *African Economic Outlook 2024 - Uganda*. 2024. pg. 213.

<sup>254</sup> *Ibid.*

<sup>255</sup> IFC. *Creating Markets in Uganda: Country Private Sector Diagnostic*. 16 February 2022. (<https://www.ifc.org/en/insights-reports/2022/cpsd-uganda>).

<sup>256</sup> World Bank data portal.

<sup>257</sup> IFC. *Creating Markets in Uganda*.

<sup>258</sup> Now discontinued and replaced by the *Business Ready 2024* report (<https://www.worldbank.org/en/businessready>)

A focus on introducing manufacturing facilities in rural areas, strengthening education and training, and programs to strengthen electrification will help develop Agri-business. In addition, efforts to broaden the footprint of its leading businesses could be expanded to refugee communities as well.

The Mo Ibrahim Index of African Governance shows that on

the Foundations for Economic Opportunity, Uganda scored well above the African average of 48.3, while the Human Development score is close to the African average.

A slight deterioration is seen in Overall Governance compared to previous years, while scores on Security and Rule of Law and Participation, Rights and Inclusion have dropped sharply.

## Major industries and sectors



### Agriculture

Agriculture employs around 68% of the population, and takes up 72% of the country's land area, but, according to the AfDB, its contribution to GDP has declined from 53% in 1990 to 24% in 2022. The sector includes fisheries, animal husbandry, dairy, and crops such as coffee, important for decades



### Services

This sector contributes 42.6% to GDP, it was a primary driver of growth (6.2%) in fiscal year 2022/23.<sup>259</sup> It includes wholesale and retail trade, telecommunications, hotels and restaurants, transport and communications and tourism sub sectors



### Industry

The Industrial sector includes manufacturing, construction, and electricity supply sub-sectors.<sup>260</sup>



### Tourism

Uganda's Ministry of Tourism Wildlife and Antiquities notes a steady recovery of international visitor arrivals from 31% of arrivals in 2020 (from the pre-Covid-19 2019 level), to 82% in 2023. Obstacles include "inadequate tourism marketing and promotion; unpredictable political environment; and unfavourable economic and business environment".<sup>261</sup>



### Housing

The Centre for Affordable Housing Finance in Africa notes that despite the "dire deficit in housing units" as Uganda urbanizes, housing development in Uganda remains constrained by policy as well as both demand and supply. The country's housing deficit is estimated to be 1.6 million units.<sup>262</sup>

### 5.9.3 Barriers to Economic Inclusion

The country has had a long and proud history of openness to refugees and has established a progressive refugee management system focused on supporting refugee self-reliance over simply humanitarian support. Accordingly, Uganda has set in place some of the highest standards in the region, including not enforcing an encampment policy, and providing land for smallholder refugees to cultivate. Successive waves of refugees particularly from South

Sudan and DRC, added to family growth from refugees who settled earlier have led Uganda to becoming one of the top five refugee hosting countries in the world. This refugee population growth has put pressure on Uganda's policy of making land available to smallholder refugees, while the recent slower growth rate of the economy has put pressure on urban refugees too – pressure which has led many to wonder whether Uganda can sustain its progressive refugee management system.

259 US International Trade Administration. Uganda - Market Overview. 13 October 2023. (<https://www.trade.gov/country-commercial-guides/uganda-market-overview>.)

260 Government of Uganda. The Economy | Uganda National Web Portal. n.d. (<https://www.gou.go.ug/about-uganda/uganda-glance/economy>.)

261 Tourism Research and Development Centre. Uganda Tourism Trends and Outlook Report. February 2024.

262 Jimmy Ebong and Maria Nkhonejera. Unlocking the Potential of Uganda's Housing Value Chain Through Strategic Partnerships and Collaboration. Centre for Affordable Housing Finance Africa. 29 March 2021. (<https://housingfinanceafrica.org/documents/unlocking-the-potential-of-ugandas-housing-value-chain-through-strategic-partnerships-and-collaboration/>.)

### 5.9.3.1 Refugee Documentation



Refugee IDs in Uganda enable access to key services and support on equal footing with nationals, in line with the country's open-door policy. IDs are supposed to be promptly issued free of charge within a month upon registration with the Office of the Prime Minister (OPM). Once the Family Attestation Letter is submitted to the Office of the President, the refugee ID is automatically processed. Unfortunately, reported equipment malfunctions for ID issuing machines have led to delays of up to five months following the submission of a valid family attestation form to the OPM.

### 5.9.3.2 Freedom of Movement



Since Uganda does not have an enforced encampment policy, and grants freedom of movement to all refugees, refugees can choose where they wish to live. Those who live, and are registered, outside refugee camps forfeit the rights to social and other services provided by the UNHCR and associated support bodies. This freedom of movement supports a greater integration of refugee communities into Ugandan social life. Ugandan refugees in possession of a refugee identity card, renewable every five years, also have rights to basic social services on a par with nationals including healthcare, free primary education, and the right to work.

### 5.9.3.3 Local Infrastructure Quality



Uganda continues to face severe infrastructure challenges, with remote areas in general being poorly served with networked electricity, and limited farm-to-market roads. Rural areas, including refugee hosting areas, are not well served with quality inputs, particularly agricultural inputs, which are more freely available near the major cities. Infrastructure development is without doubt a key enabler for the economic empowerment of host communities and refugees.

### 5.9.3.4 Access to Education



Uganda has a favorable education policy that promotes equal enrollment, retention, and completion of boys' and girls' primary education, not only for its citizens but also for refugee boys and girls. Enrollment at primary schools for both girls and boys has been high. Schools in refugee camps offer the same curriculum and opportunities as for Ugandan students, unlike free primary education, secondary education requires payment. Parents often struggle to afford boarding schools for their children if they

do not receive scholarships. This financial constraint leads to many children being unable to continue their education.

The recent influx of refugees into Uganda is putting strain on services to refugees, including Schools, which are overcrowded without enough teachers or educational materials, a problem for the children, who make up more than half of the total refugee population. An interesting fact is that most Sudanese refugees are from Khartoum, and many have tertiary-level education.<sup>263</sup>

### 5.9.3.5 Right to Work and Do Business



Refugees have the right to acquire a work permit without payment, although a permit is not a requirement for formal work. However the work permit has to be stamped in a passport, and a refugee without a passport must first acquire a Conventional Travel Document, at a cost of about Ush220 000. As well as being a document in which a work permit can be stamped, the CTD serves as a passport and supports international travel. This requirement does restrict the availability of work permits. Refugees with professional qualifications must convince the relevant Ugandan authorities of their status to practice their profession.

Refugees who have properly registered and obtained their refugee IDs under Section 29(l) (a) of the Refugees Act of 2006 can work without restrictions. Furthermore, Section 29(e) (IV) of the same Act gives refugees the right to engage in agriculture, industry, handicrafts, and commerce, and to establish companies in compliance with Ugandan laws and regulations. As such, refugee IDs serve as sufficient documentation for refugees to work in Uganda.

Refugees have a right to operate a business, and Uganda's decentralized regulatory environment makes it relatively easy to obtain the necessary license. In practice some refugees can face bureaucratic hurdles, such as establishing a fixed place of residence, in exercising this right.

Refugees with a valid Refugee ID have the right to obtain a driving license. There is no fee for this license, unless the refugee intends to operate a taxi business.

An industrial park has been planned for in Nakivale settlement to attract private sector investment. This would require putting in place appropriate infrastructure to support relevant industrial activities. Difficulties in actualizing the park included compensation for the residents occupying the land identified for the park, and no feasibility study or investment plan having been conducted, making it difficult to move forward with the project.

<sup>263</sup>263 Crentsil, "Uganda's Open-Door Policy for Refugees Strained by Arrivals from Sudan, DRC, and South Sudan."

### 5.9.3.6 Access to Land



Refugees in the camps are allocated land for agricultural purposes – though this practice is becoming increasingly difficult to sustain, as the available land in settlements is limited and plots of allocated land are becoming smaller. While refugees have use rights to this land, they cannot sell or otherwise alienate it. Outside the camps, refugees have the same rights to access fixed property as other non-citizens.

Land usage in refugee settlements is unique in that land is centrally managed and owned by government. However, systematic planning and plotting of refugee settlements is absent and a plan is needed to organize and map refugee settlements.

A new shelter approach is being discussed to concentrate refugee housing in smaller plots with semi-permanent structures. This aims to enable clustered service delivery to households while releasing more land for block farming.<sup>264</sup>

### 5.9.3.7 Enabling Business Environment



Refugees and Refugee-led businesses, often informal, face skills gaps and struggle to enter the job market or to produce quality goods and services consistently. The first few years of any business are hard, and most of them fail. The solution involves supporting the expansion of business membership organizations into settlements and coordinating and offering robust business development services to refugees and their businesses. Financial literacy training, savings, business planning, marketing, market research and training are key skills needed. Business Development Services programs that use refugees primarily as Training-of-Trainer and role models are solutions. Additional elements include internships, incubation, enterprise linkages and the establishment of common user services for MSMEs. The services, financed initially by international financial institutions like AfDB, will be sustained through membership fees, fostering a self-sustaining entrepreneurial ecosystem within refugee communities.

### 5.9.3.8 Financial Inclusion



High interest rates, and limited access to financial resources, remains a primary challenge for refugees and their businesses. Conventional banks complain of high risks due to refugees' mobility and the absence of collateral. Some banks are working on innovative solutions, but they also complain of high cost of capital, which affects the rates at which they lend to the refugees. They also complain of absence of flexible and high value de-risking instruments such as

partial guarantees. Some of the financial institutions cited the difficulty of tracking borrowers across borders, many of whom leave unpaid debts. Some banks partner with the UNHCR to curtail the mobility of refugees with financial obligations. However, this effort sometimes backfires, spreading rumors that association with such banks jeopardizes resettlement opportunities. International financial institutions, like the AfDB, could perhaps support an expedited lending process.

Uganda has shifted from finance cards to national identity cards for credit monitoring, leaving refugees unsupported in credit history tracking, impacting their credit history and scores. It has been proposed that international financial institutions like the AfDB should endorse and facilitate the migration of historical credit data from outdated finance cards to the refugee identification card system. Leveraging its expertise and resources, the AfDB would play a crucial role in guiding this transition, fostering a harmonized framework that combines credit monitoring, identity documentation, and tailored solutions for refugee-specific challenges, thereby enhancing financial inclusion and stability. This solution could also be enabled to handle cross-border credit history, given the transient nature of most refugees. Such an initiative might leverage the AfDB's Africa Digital Financial Inclusion facility to support refugee inclusion.

## 5.9.4 Gender-Specific Barriers

Uganda's gender regulation is in general strong, with an overall score on women's business and the law in 2023 of over 81/100. The sole area related to entrepreneurship where some countries offer a better regulatory environment is access to credit. Here Uganda could enforce non-discrimination against women. However, Uganda scores highly overall compared to its peers.

### Access to Education

Poverty prevents both girls and boys from full educational attainment, since only primary school is free, though girls may be under greater pressure to help in the household. Girls under the age of 18 are at risk of unintended pregnancies due to the prevalence of transactional sex driven by poverty. While Uganda's educational policies encourage pregnant girls to continue attending school, many drop out due to stigma, lack of support systems, and the absence of breastfeeding facilities in schools.

### Legal and cultural barriers

Cultural barriers may be a more repressive force than legal barriers. For example, female refugee employees in Nakivale who work part-time for humanitarian organizations

<sup>264</sup> 264 Uganda Country Presentation, Regional High-Level Workshop, hosted by the Government of Kenya, the EAC, IGAD, and UNHCR with funding from the AfDB, Nairobi, 19-21 November 2024.

often have to quit their jobs due to gender norms, family duties, and household responsibilities.

This applies especially so violence visited by men on their women partners, politely known as gender-based violence or GBV. Reporting SGBV cases in refugee settlements is limited by community attitudes and inadequate response

systems. The Mo Ibrahim Foundation notes that despite better legal protection for women in Africa, violence persists. “Uganda, with a score of 100.0, scores highly in the indicator Laws on Violence against Women while also being the African country with the third highest prevalence of intimate partner violence.”<sup>265</sup>

## Comparative Advantages



### Agriculture

Traversed by the equator, Uganda has fertile soil and favorable weather for thriving agriculture – the country’s farming produce has been described as “green gold”, but productivity growth has been below par. With the right public sector support, such as agricultural research on climate developments and farm practices, development of roads infrastructure, and expanding access to energy for farmers, it should fulfil that promise.<sup>266</sup>



### Tourism

With its many and varied tourism attractions, from snow-peaked mountains to white sand beaches on Lake Victoria, the epithet Pearl of Africa is rightly bestowed on Uganda. The return on investment from developing

this comparative advantage could be high. This means developing tourist roads and airports, diversifying tourism products and investing in training to provide excellent tourism experiences.



### Oil

Environmental concerns and doubts whether this is the era for investment in extracting an unfashionable energy source aside not to mention concerns about a commodity “curse”, Uganda is going ahead with a developing an oil industry. The first oil exports are expected in 2025 from an estimated 1.4 billion barrels of recoverable oil. TotalEnergies and the China Offshore Oil Corporation (CNOOC) are the main players investing around USD10 billion in pre-production financing. Investments include, central processing facilities, refined products pipelines, a USD3.5 billion export pipeline, and the USD4.5 billion oil refinery.<sup>267</sup>

## 5.9.5 Proposed Solutions and Opportunities

### 5.9.5.1 Refugee Documentation

- i) **Improve asylum seeker processing:** Support the OPM in addressing the backlog of asylum seeker cases by providing infrastructure and equipment for the Refugee Eligibility Committee (REC). This includes funding for interview rooms, waiting areas, and modern biometric registration systems compatible with current cloud systems.
- ii) **Enhance refugee ID issuance:** Invest in additional, faster, and more efficient ID printing equipment to speed up the issuance of refugee ID cards. Support the integration of refugee identification numbers (RINs)

into national systems that currently only accept national identification numbers (NINs).

- iii) **Increase awareness:** Support OPM in advocating for the recognition and acceptance of Refugee IDs by all relevant stakeholders to facilitate refugee access to services and economic opportunities.

### 5.9.5.2 Infrastructure Development

- i) **Industrial park development:** Support the establishment of the Nakivale Industrial Park by funding feasibility studies, investment plans, and infrastructure development. Create a collaborative working group involving OPM, Uganda Investment Authority, Isingiro District officials, and other relevant stakeholders.

265 Mo Ibrahim Foundation.2022 Ibrahim Index of African Governance Report. 2023, p. 57.

266 Christina Malmberg Calvo. Agriculture Is the ‘Green Gold’ That Could Transform the Economy and the Lives of Ugandan Farmers. World Bank Blogs. 19 June 2018. (<https://blogs.worldbank.org/en/nasikiliza/agriculture-is-the-green-gold-that-could-transform-the-economy-and-the-lives-of-ugandan-farmers>.)

267 US International Trade Administration. Uganda - Market Overview

**ii) Road infrastructure:** Invest in expanding and improving road networks, particularly farm-to-market roads in refugee-hosting areas. Focus on key connections such as those between Nakivale settlement and surrounding areas.

**iii) Energy access:** Support the extension of the electricity grid to remote areas, including refugee settlements. Explore sustainable energy alternatives to replace unsustainable fuel sources currently used by refugees.

**iv) Water infrastructure:** Invest in developing irrigation systems, leveraging abundant water resources like Lake Nakivale and Lake Kagera. Support the expansion of water management systems to address scarcity for both production and domestic use.

### 5.9.5.3 Financial Inclusion

**i) Credit information system:** Support the creation of a central database linking refugee data to credit information and financial records. Assist in integrating refugee IDs into the credit reference bureau system.

**ii) De-risking mechanisms:** Develop specialized financial instruments and guarantee schemes to reduce the perceived risk of lending to refugees. Consider increasing guarantee ceilings to better meet the needs of refugee borrowers.

**iii) Financial literacy:** Implement comprehensive financial education programs for refugees and host communities. Support the development and distribution of financial literacy materials in relevant languages.

**iv) Tailored financial products:** Encourage financial institutions to develop products specifically designed for refugees' unique circumstances, including flexible collateral requirements and credit scoring models that consider refugee-specific factors.

**v) Recent programs** include the GROW project, established by the Private Sector Foundation Uganda and the World Bank, which focuses on ensuring women entrepreneurs from both refugee and host communities have access to affordable capital. This USD180 million project specifically includes funding dedicated to ensuring female refugees have access to affordable capital to grow their businesses.<sup>268</sup>

### 5.9.5.4 Private Sector Development

**i) Business environment reforms:** Support the review and simplification of laws, regulations, licenses, and permits affecting refugee businesses. Assist in the development of a "Guide to Doing Business in Refugee Areas of Uganda."

**ii) Information access:** Fund the development of a comprehensive information portal, building on existing platforms like PSFU's, to provide refugees and host communities with access to business-related information, opportunities, and support services.

**iii) Business Development Services:** Support the expansion of business membership organizations into settlements and coordinate robust BDS offerings. This should include financial literacy training, business planning, marketing, and market research skills.

<sup>268</sup> Confirmed at Regional High-Level Workshop, hosted by the Government of Kenya, the EAC, IGAD, and UNHCR with funding from the AfDB, Nairobi, 19-21 November 2024.

**iv) Entrepreneurship support:** Fund internship programs, business incubation services, and the establishment of common user facilities for MSMEs in refugee-hosting areas.

**v) Priority Economic Sectors:** Government has identified several priority sectors for development, with particular emphasis on commercial agriculture and value chains, the hospitality and tourism industry, and industrial parks targeting refugees and host communities. Additional focus areas include cottage industries (food processing, textiles), financial services, digital economy initiatives (mobile money, ICT), and TVET education and professional practice development.

**vi) The Invite Project**, a USD200 million initiative by the Private Sector Foundation Uganda in partnership with the World Bank, aims to establish industrial parks within refugee and host community areas to create joint economic opportunities.<sup>269</sup>

### 5.9.5.5 Skills Development and Education

- i) Vocational Training Center (VTC) enhancement:** Increase funding for infrastructural development of the Nakivale VTC, including classrooms, training spaces, and dormitories. Support the recruitment of additional tutors and the acquisition of modern equipment and technology.
- ii) Curriculum alignment:** Fund efforts to increase the number and diversity of courses offered at VTCs, ensuring they are demand-driven and aligned with market needs. Support the integration of ICT skills across curricula.

**iii) Accessibility:** Support the establishment of community-based training centers in different zones of refugee settlements to improve access, particularly for women and girls.

**iv) Work-based learning:** Develop programs to support apprenticeships and internships that enable refugee learners to gain practical skills and establish connections with potential employers.

**v) Priority areas** include TVET and professional practice development in medical, engineering, ICT, and education sectors.

### 5.9.5.6 Cross-Border Trade and Regional Integration

- i) Trade facilitation:** Support the implementation of trade facilitation measures, such as a one-stop border post, to simplify and expedite customs procedures in the refugee-hosting areas near borders.
- ii) Skills development:** Invest in training programs focused on cross-border trade regulations, languages, and cultural nuances to enhance local capacity to engage in cross-border trade, leveraging the knowledge of refugees.
- iii) Logistics infrastructure:** Support the establishment of strategically located logistics hubs and modern warehousing facilities near border areas to optimize supply chains and contribute to effective trade flows.

<sup>269</sup> 269 Regional High-Level Workshop, hosted by the Government of Kenya, the EAC, IGAD, and UNHCR with funding from the AfDB, Nairobi, 19-21 November 2024.



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