FINANCING FOR SOLUTIONS TO DISPLACEMENT
KENYA COUNTRY STUDY
APRIL 2021
ACKNOWLEDGEMENTS
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THE REGIONAL DURABLE SOLUTIONS SECRETARIAT (ReDSS)
The Regional Durable Solutions Secretariat (ReDSS) is a coordination and information hub created in 2015 that acts to catalyse forward thinking and policy development on durable solutions for displacement-affected communities. ReDSS seeks to improve joint learning and programming, inform policy processes, enhance capacity development, and facilitate coordination in the collective search for durable solutions. It is comprised of 14 organisations (ACF, ACTED, CARE International, Concern Worldwide, DRC, IRC, INTERSOS, Mercy Corps, NRC, OXFAM, RCK, Save the Children, World Vision, and LWF) working together to maintain focused momentum and stakeholder engagement towards durable solutions for displacement-affected communities in East Africa and the Horn of Africa.

Cover Photo: Shopping centre in Kamuka IV camp. Credit: DRC

Back cover photo: Refugee youth participating in a refugee tournament in Kakuma. Credit: DRC
## GLOSSARY OF TERMS

<table>
<thead>
<tr>
<th>Term</th>
<th>Definition</th>
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<tr>
<td>Area-Based Approach</td>
<td>An approach that defines an area, rather than a sector or target group, as the main entry point. All stakeholders, services, and needs are mapped and assessed, and relevant actors mobilised and coordinated within it. (ReDSS)</td>
</tr>
<tr>
<td>Asylum Seeker</td>
<td>An individual who is seeking international protection. In countries with individualised procedures, an asylum seeker is someone whose claim has not yet been finally decided on by the country in which the claim is submitted. Not every asylum seeker will ultimately be recognised as a refugee but every refugee was initially an asylum seeker. (UNHCR)</td>
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<tr>
<td>Displacement-Affected Communities</td>
<td>All displaced populations (refugee, returnee, IDP), host communities, and local institutions. (ReDSS)</td>
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<td>Durable Solutions</td>
<td>A durable solution is achieved when the displaced no longer have any specific assistance and protection needs that are linked to their displacement and can enjoy their human rights without discrimination on account of their displacement. It can be achieved through return, local integration, or resettlement. (IASC framework)</td>
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<tr>
<td>Internally Displaced Persons (IDPs)</td>
<td>Persons or groups of persons who have been forced or obliged to flee or to leave their homes or places of habitual residence, in particular as a result of or in order to avoid the effects of armed conflict, situations of generalised violence, violations of human rights, or natural or human-made disasters, and who have not crossed an internationally recognised State border. (Guiding Principles on Internal Displacement)</td>
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<tr>
<td>Host Communities</td>
<td>The local, regional, and national governmental, social, and economic structures within which refugees live. (UNHCR). In this report, the term “host population” is defined as non-displaced persons living in the same municipality as IDPs, returnees, and/or refugees.</td>
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<tr>
<td>Livelihoods</td>
<td>A combination of the resources used and the activities undertaken in order to live. Resources include individual skills (human capital), land (natural capital), savings (financial capital), equipment (physical capital), as well as formal support groups and informal networks (social capital). (DFID)</td>
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<tr>
<td>Local Integration</td>
<td>Local integration as a durable solution combines three dimensions. First, it is a legal process, whereby refugees attain a wider range of rights in the host state. Second, it is an economic (material) process of establishing sustainable livelihoods and a standard of living comparable to the host community. Third, it is a social and cultural (physical) process of adaptation and acceptance that enables the refugees to contribute to the social life of the host country and live without fear of discrimination. (UNHCR)</td>
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<tr>
<td>Official Development Assistance</td>
<td>Government aid that promotes and specifically targets the economic development and welfare of developing countries. (OECD)</td>
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<tr>
<td>Refugee</td>
<td>A person who “owing to well-founded fear of persecution for reasons of race, religion, nationality, membership of a particular social group or political opinions, is outside the country of his [or her] nationality and is unable or, owing to such fear, is unwilling to avail himself [or herself] of the protection of that country”. (Geneva Convention relating to the Status of Refugees, Art. 1A (2), 1951)</td>
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<tr>
<td>Self-Reliance</td>
<td>The social and economic ability of an individual, household, or community to meet basic needs (including protection, food, water, shelter, personal safety, health, and education) in a sustainable manner and with dignity. (UNHCR)</td>
</tr>
<tr>
<td>Solutions to Displacement</td>
<td>In this report solutions to displacement refer to longer-term approaches to supporting displaced populations, which may include durable solutions, but may also include goals such as greater socio-economic inclusion and/or self-reliance of refugees, and/or transforming the refugee response model towards longer-term more sustainable approaches.</td>
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# LIST OF ACRONYMS

<table>
<thead>
<tr>
<th>Acronym</th>
<th>Full Form</th>
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<tbody>
<tr>
<td>ACF</td>
<td>Action Contre La Faim</td>
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<tr>
<td>ACTED</td>
<td>Agency for Technical Cooperation and Development</td>
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<tr>
<td>AECF</td>
<td>Africa Enterprise Challenge Fund</td>
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<td>CIDP</td>
<td>County Integrated Development Plan</td>
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<td>CRRF</td>
<td>Comprehensive Refugee Response Framework</td>
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<td>DFID</td>
<td>Department for International Development (UK)</td>
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<td>DRC</td>
<td>Danish Refugee Council</td>
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<td>DRDIP</td>
<td>Development Response to Displacement Impacts Project</td>
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<tr>
<td>ECHO</td>
<td>European Civil Protection and Humanitarian Aid Operations</td>
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<td>EU</td>
<td>European Union</td>
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<td>EUTF</td>
<td>EU Trust Fund for Africa</td>
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<td>FAO</td>
<td>Food and Agriculture Organization</td>
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<td>GCR</td>
<td>Global Compact for Refugees</td>
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<td>GISEDP</td>
<td>Garissa Integrated Socio-Economic Development Plan</td>
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<td>GIZ</td>
<td>Gesellschaft für Internationale Zusammenarbeit</td>
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<td>GRF</td>
<td>Global Refugee Forum</td>
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<td>IHRC</td>
<td>International Human Rights Clinic</td>
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<td>IASC</td>
<td>Inter-Agency Standing Committee</td>
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<td>IDA</td>
<td>International Development Association (of the World Bank)</td>
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<td>IFC</td>
<td>International Finance Corporation</td>
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<td>IGAD</td>
<td>Intergovernmental Authority on Development</td>
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<td>IIEP</td>
<td>International Institute for Education and Planning</td>
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<tr>
<td>ILO</td>
<td>International Labour Organization</td>
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<td>ITC</td>
<td>International Trade Centre</td>
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<tr>
<td>KfW</td>
<td>Kreditanstalt für Wiederaufbau</td>
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<tr>
<td>KISEDP</td>
<td>Kalobeyei Integrated Socio-Economic Development Plan</td>
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<tr>
<td>KKCF</td>
<td>Kakuma Kalobeyei Challenge Fund</td>
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<tr>
<td>KNBS</td>
<td>Kenya National Bureau of Statistics</td>
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<tr>
<td>KSH</td>
<td>Kenyan shilling (currency)</td>
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<tr>
<td>LWF</td>
<td>Lutheran World Federation</td>
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<tr>
<td>NRC</td>
<td>Norwegian Refugee Council</td>
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<tr>
<td>ODA</td>
<td>Official Development Assistance</td>
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<td>ODI</td>
<td>Overseas Development Institute</td>
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<tr>
<td>OECD</td>
<td>Organisation for Economic Co-operation and Development</td>
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<tr>
<td>PAMOJA</td>
<td>Swahili word for &quot;together&quot;</td>
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<tr>
<td>PBR</td>
<td>Payment-by-results</td>
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<tr>
<td>RAS</td>
<td>Refugee Affairs Secretariat</td>
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<td>RCK</td>
<td>Refugee Consortium of Kenya</td>
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<td>ReDSS</td>
<td>Regional Durable Solutions Secretariat</td>
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<td>RESI</td>
<td>Refugee Employment and Skills Initiative</td>
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<td>RSW</td>
<td>Refugee Sub-Window</td>
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<td>SCC</td>
<td>Smart Communities Coalition</td>
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<tr>
<td>ToR</td>
<td>Terms of Reference</td>
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<tr>
<td>UK</td>
<td>United Kingdom</td>
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<tr>
<td>UK FCDO</td>
<td>United Kingdom Foreign, Commonwealth and Development Office</td>
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<tr>
<td>UNDAF</td>
<td>United Nations Development Assistance Framework</td>
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<tr>
<td>UNESCO</td>
<td>United Nations Educational, Scientific and Cultural Organization</td>
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<tr>
<td>UN-HABITAT</td>
<td>United Nations Human Settlements Programmes</td>
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<tr>
<td>UNHCR</td>
<td>United Nations High Commissioner for Refugees</td>
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<tr>
<td>UNICEF</td>
<td>United Nations International Children's Emergency Fund</td>
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<tr>
<td>USAID</td>
<td>United States Agency for International Development</td>
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<tr>
<td>WFP</td>
<td>World Food Programme</td>
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<tr>
<td>WHR</td>
<td>Window for Host Communities and Refugees</td>
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EXECUTIVE SUMMARY

Kenya currently hosts just under half a million registered refugees and asylum seekers of whom 84% live in official camps and settlements. These are situated in remote, poor, and historically marginalised regions that have an arid climate and a history of frequent drought, food insecurity, and deteriorating environmental conditions. The approach of Kenya to refugee hosting has become increasingly restrictive over time, shifting towards a policy of encampment in the 1990s. During the last five years, Kenya has made a number of commitments – including the Comprehensive Refugee Response Framework (CRRF) and the Intergovernmental Authority for Development (IGAD) Nairobi and Djibouti Declarations – which have opened some opportunities for for longer-term approaches and refugee inclusion.

The Government of Kenya must balance the spirit of these international facing commitments with the realities of more limited domestic political support in government and potentially among the general public to implement supporting legislation and policies. This creates a situation whereby progress takes place within pockets of political space. While national-level processes have been slow – notably the passing of a new refugee bill – progress is being made at sub-national and sectoral level such as the inclusion of refugees in the Huduma Bill.¹

Much of the donor engagement on policy and reform is at the technical rather than political level. There is also no national-level dialogue or settlement on burden sharing. Currently, there appears to be limited domestic political scope and limited appetite among international donors to use financing to negotiate a major shift in the highly restrictive legal and policy environment for refugees in Kenya. This is a key contributing factor to delays in government implementation of further policy reforms, with the government understandably reluctant to assume long-term financial liability for refugees integrated into national services in the absence of a clear commitment from donors to help meet the costs.

To date, progress in financing for programming for solutions to displacement in Kenya has been uneven. There is increased engagement from development partners and private sector actors, bringing new technical capabilities, networks, and resources to bear on the long-standing challenges of transforming the refugee response model in Kenya, and enabling inclusion and self-reliance.

There has been a hiatus, however, in national-level leadership on the CRRF process during this period of increased development investments. The legal and policy environment also limits the scope to invest in longer-term programming. Notably, continued restrictions on employment, access to financial services, and freedom of movement pose major challenges to efforts to pursue economic self-reliance. The CRRF roadmap was not approved until late 2020. In the absence of agreed priorities, sequencing, and theories of change, investments are piecemeal and ad hoc, and distributed unevenly across refugee-hosting regions.

At the same time, there are concerns that humanitarian funding is shrinking well before the impacts of development investments have been felt. In a challenging post COVID-19 funding environment, there are also concerns that the funding and programming gap will continue to widen. Moreover, without compelling evidence to demonstrate the impact of new approaches and investments, longer-term...
Investments in transforming the refugee response model, particularly economic self-reliance (which has yet to demonstrate significant impact), may become increasingly difficult to justify.

There are, however, opportunities to make progress within the existing pockets of permissive policy space. This includes the potential to use a package of financing to nudge the draft Education Policy for the Inclusion of Refugees and Asylum Seeking Learners in the National Education System and supporting a costed plan over the line. This would require leadership from international partners to negotiate an acceptable financing settlement and the agreement of financing modalities that would meet government desire for support to national systems and donor concerns around traceability and accountability.

Despite these challenges, there is broad appetite for change in programming approaches towards economic inclusion and self-reliance. This is underpinned by frank acknowledgement that established approaches to livelihoods programming have not worked. The elephant in the room in discussions on economic self-reliance is the highly restrictive legal environment. Partners target progress in small pockets of possibility, but expect little change in the fundamental restrictions. As such, international actors have adopted a pragmatic approach to work informally around restrictions and/or to focus on pockets of possibility, tacitly accepting the restricted impact of economic self-reliance investments in the current environment. Efforts to advance economic inclusion are highly politically sensitive and are expected to become increasingly contentious in the context of an economic downturn. Funding is also anticipated to become more restricted overall and refocused towards urgent needs. The appetite for new private sector investment is also likely to be dampened by challenging national and global economic conditions. International efforts to advance economic inclusion and self-reliance have so far proceeded on a relatively ad hoc basis, with little strategic direction from government, and without reference to comprehensive analysis of opportunities or agreed priorities for investment and reform. In a much more challenging and resource limited environment, however, far greater clarity and focus are required to target investments.

The foundations for greater clarity and focus include having robust shared data, analysis on economic conditions and value chains, and based on this, agreement on high-level priorities and desired outcomes. Underneath these high-level priorities, prioritisation, and sequencing of key enabling conditions such as infrastructure investments, capacity strengthening needs, and policy and legislative reforms is required. The identification of responsibilities, timelines, and investment requirements are also needed to achieve greater clarity and focus. Agreements on how to measure impact and track investments to avoid duplication, and a commitment to learning and transparency in sharing evidence and data, are also required to ensure resources are targeted efficiently in what is a relatively experimental field. The assurance of multi-year and flexible finance is critical to underwrite this period of learning and adaptation.
Community consultations in Baidoa, 2019, © Rikka Tupaz/IOM.

Community dialogue meeting in Lorengippi, Turkana. Credit: DRC
LESIONS & AREAS FOR CONSIDERATION

Creating an enabling environment for solutions to displacement

- The legal and policy environment for solutions to displacement in Kenya remains relatively restrictive, which is a major limiting factor on aspirations to increase economic self-reliance, in particular. Financing has not so far been used tactically to try to negotiate significant legislative and policy change.
- There are opportunities to engage in policy dialogue. This is especially the case now that the CRRF roadmap has been approved and the Government of Kenya is in discussion with the World Bank on accessing potentially significant additional (primarily) grant funding through the IDA19 window for hosts and refugees (WHR). In early 2021, the refugee bill was also still being negotiated in parliament.
- Leadership from international partners is required to negotiate any financing settlement on burden sharing and financing packages to support sectoral or area-based approaches at scale. The newly revamped donor coordination forum could provide a good opportunity to broker consolidated positions and apply the collective influence of donors on critical barriers and opportunities, and to play a convening role across humanitarian and development partners.

Coherent approaches

- Kenya has benefited from an increase in development funding in support of transforming the refugee-hosting model. In the absence of a coherent framework, clear prioritisation, and monitoring, however, these investments are ad hoc and uneven across refugee-hosting regions.
- In a resource constrained environment, effective targeting and prioritisation will be key to delivering on the dual requirements of meeting the basic needs of refugees and making progress on commitments to deliver solutions to displacement. This requires evidence on what works and openness to transparency in sharing learning. It also requires leadership on prioritisation and coordination. It further requires key datasets and analyses of structural barriers in infrastructure, skills, markets, and the legal and policy environment to inform sequencing and prioritisation of investments. This analytical work will require far greater engagement from development and private sector partners.
- Efforts to promote economic self-reliance have attracted significant investment, including enthusiasm for stimulating private sector investment and growth. These investments are in urgent need of far stronger evidence, logic, coherence, and realism if they are to deliver meaningful impact. Despite some progress, there is still a critical technical and coordination gap to address to provide greater coherence, targeting, and sequencing, and to allow beneficial exchange of learning, technical expertise, and influence across the wide range of actors working in this area. It is also important to ensure that developmental approaches to economic self-reliance take into account the particular vulnerabilities and protection needs of refugees.
Multi-level progress

- There is currently an important opportunity to demonstrate good faith in government commitments towards refugee inclusion in the national education system and to find mutually acceptable solutions to channelling financing in alignment with government systems. This could provide a model for other sectors and help to move forward the impasse on the use of government systems. Brokering a package of financing support to the costed plan for the Education Policy on the Inclusion of Refugees and Asylum Seeking Learners in the National Education System should be a priority for 2021. The Kenya donor working group and IGAD could play a key convening role to help negotiate such a package.

- The KISEDP approach offers many lessons for locally led area-based approaches to inclusive development, including the need for early engagement of development partners in the foundational analyses and theories of change that will underpin longer-term solutions.

Sequencing investments

- Hopes that economic self-reliance would enable a tailing off of reliance on humanitarian aid have proved both unrealistic and premature. It is clear that in Kenya, where opportunities for self-reliance are currently relatively slim and precarious, and where newly displaced people arrive on a regular basis and shocks are common, a strong and sustained commitment to meet the basic needs of refugees still reliant on external assistance will be required for the foreseeable future. Expectations around the timeframe for development programming to deliver impact may also need to be adjusted among humanitarian actors to enable realistic sequencing.

Tactical investments in efficiency, learning, and accountability

- During this period of experimentation with new approaches and the engagement of new actors, investments in generating evidence and transparency in sharing lessons could help to accelerate scaling of innovation, efficiency in targeting and programme emphasis, and accountability, both in the Kenya refugee setting, and in other displacement settings.
Refugee youth entrepreneur, Kakuma refugee camp. Credit: DRC
INTRODUCTION

This report summarises the findings of research about funding and financing for solutions to displacement in Kenya as part of the ReDSS study entitled, “Re-thinking the displacement financing architecture in the Horn of Africa: What types of financing are required to fund solutions to displacement?”

The research uses the terms “solutions to displacement” to describe longer-term approaches to supporting displaced populations, which may include durable solutions but may also include goals such as greater socio-economic inclusion and/or self-reliance of refugees, and/or transforming the refugee response model towards more longer-term sustainable approaches. Where durable solutions are an explicitly stated policy objective, the term “durable solutions” is used.

AIM OF THE STUDY

This is one of three country studies that contributes to the overall study objectives to rethink the displacement financing architecture in the Horn of Africa and make recommendations on the types of financing modalities required to fund solutions to displacement. The logic and contribution of the country case studies is outlined in Figure 1.

Each of the three country studies assesses the enabling conditions for solutions to displacement, including the political, policy, institutional, and financing environment. In each country, a subset of thematic programmatic areas is also investigated. The Kenya study focuses on on efforts to include refugees in the national education system and efforts to promote greater economic self-reliance among refugees. In particular, it examines refugees in camps and formal settlements. The Kenya study does not address urban refugees or the issue of refugee return.

FIGURE 1. STUDY RESEARCH LOGIC
DISPLACEMENT CONTEXT

Kenya currently hosts just under half a million registered refugees and asylum seekers (see Figure 2). They are concentrated in the Dadaab refugee camp (44%) in Garissa County and the Kakuma Kalobeyei camp complex (40%) in Turkana County, with the remainder in urban settings (16%). The majority of refugees are from Somalia (54%) and South Sudan (25%), with Somali refugees strongly concentrated in Dadaab Camp and South Sudanese refugees strongly concentrated in the Kakuma Kalobeyei complex.

FIGURE 2. NUMBER OF REGISTERED REFUGEES AND ASYLUM SEEKERS IN KENYA BY LOCATION AND COUNTRY OF ORIGIN (30 SEPTEMBER 2020)

Both Dadaab and the Kakuma Kalobeyei complex are located in poor, historically marginalised regions with an arid climate, frequent drought, food insecurity, and deteriorating environmental conditions (see map).\(^4\)

**LOCATIONS OF MAJOR CONCENTRATIONS OF REFUGEES IN KENYA (2020)**

Kakuma camp was established in 1992 and is located near the border with South Sudan in an area historically populated by the Turkana ethnic group.\(^5\) Kakuma received refugees predominantly from South Sudan, Ethiopia, and Somalia. In 2014, due to an escalation in conflict, a new influx of refugees arrived from South Sudan and Kakuma reached capacity. The Kalobeyei settlement was established in 2015 and 2016, and is situated about 20km north-west of Kakuma. The site was initially established to decongest Kakuma, but was subsequently designed and developed with the intention of creating a settlement where refugees could be integrated with the host population.

Dadaab was established in 1991 to receive refugees from conflict in Somalia. Many refugees in the older parts of Dadaab have lived there since the early 1990s.\(^6\) In 2011, a second large influx of approximately 130,000 refugees arrived as a result of famine in Somalia. Two new extensions to the camp were built to accommodate these new arrivals. Since 2011, many refugees have returned to Somalia, resulting the closure of the extensions.
FIGURE 3. NUMBERS OF REFUGEES AND ASYLUM SEEKERS IN KENYA (1990–2020)

POLICY ENVIRONMENT

The Kenyan approach to refugee hosting has become increasingly restrictive over time, shifting towards a policy of encampment in the 1990s as refugee numbers increased and the Dadaab and Kakuma camps were established. Prior to this, refugees were free to travel, work, and settle throughout the country.

During the last five years, Kenya has made a number of commitments, along with progress at the policy level, which contribute to opening space for longer-term approaches and refugee inclusion. In 2017, Kenya adopted the Intergovernmental Authority on Development (IGAD) Nairobi Declaration on durable solutions for Somali refugees (and the action plan), the Djibouti Declaration on refugee education, and the Kampala Agreement on self-reliance and livelihoods. The Nairobi Declaration commits signatories to “progressively advance alternative arrangements to refugee camps and facilitate the free movement of refugees” and measures to “maintain protection and promote self-reliance” for Somali refugees. At the 2016 Global Refugee Forum (GRF), Kenya made a number of pledges, including support for the development of the Kalobeyei settlement, and facilitating access to education and training. In 2017, Kenya subsequently adopted the Comprehensive Refugee Response Framework (CRRF).

Current Kenyan legislation governing refugees remains the 2006 Refugee Act, which establishes the encampment policy in law. This position was further reinforced with the 2014 Security Laws (Amendment) Act, and a subsequent gazette notice that designated official camps as the only places refugees could legally reside. A Refugee Bill to amend the current 2006 Refugee Act was approved by parliament in 2017, but was later rejected by the president. A revised draft of the 2019 refugee bill has yet to be passed into law, although in early 2021, the bill was successful in a second reading and is now awaiting a final reading and presidential approval.

Despite these commitments, political factors continue to limit government appetite and public support for the implementation of substantial and comprehensive reform. Notably, security concerns loom large among both the government and the public with respect to greater inclusion of Somali refugees following terrorist attacks by al-Shabaab and fears that refugee camps have been infiltrated by al-Shabaab. Public sympathies for refugees might also be strained in the context of a slowing economy and high rates of national unemployment. Strained relations between the Kenyan and Somali governments also limit scope for political dialogue on comprehensive responses and rights for Somali refugees. The scope of international development financing actors to influence these domestic political considerations is limited.

In this restricted political environment, progress on implementing the CRRF has stalled in a number of areas. For example, publication of a CRRF action plan developed by UNHCR and the Refugee Affairs Secretariat (RAS) was blocked by the interior ministry and technical meetings ceased after mid-2018. Nonetheless, in November 2020, the CRRF roadmap was approved and a national level CRRF coordination structure was formed.

The new 2018–2022 UN Development Assistance Framework (UNDAF) includes refugee support and the Kenya National Bureau of Statistics (KNBS) included refugees and stateless persons in the 2019 housing and population census for the first time. In the absence of a clear action plan prior to the approval of the
CRRF roadmap, and with limited buy-in from line ministries, there is no whole-of-government approach. There is also little clarity to guide the targeting and sequencing of resources at the national level.

In practice, the Kenyan government must balance the spirit of these international commitments to support the greater inclusion of refugees with the realities of more limited political support in government and among Kenyan citizens to implement these policies. This creates a situation whereby progress occurs in pockets of political space. While national-level processes have been slow – namely, passing both the refugee and the Huduma legislation, and implementation of the CRRF – progress is being made at sub-national and sectoral level. This also means that progress is uneven across different refugee regions and key areas of inclusion; for instance, economic inclusion, which remains restricted. At the sub-national level, Kakuma and Kalobeyei, home to largely South Sudanese refugees, are the focus of investments and initiatives to support greater inclusion and increased movement between refugee and host populations. In contrast, Dadaab, primarily home to Somali refugees, is periodically under threat of closure and imposition of increasing restrictions. The camp has also received significantly less investment in solutions related to programming.

Whereas policy at the national level is heavily influenced by security and political considerations, at the county level, an important factor is economics. As poor and historically marginalised areas, the Turkana and Garissa county governments in refugee-hosting areas have shown considerable appetite to drive forward with integrated developmental approaches, and are much more open to the social and economic inclusion of refugees as a means of attracting investment and boosting economic growth. This motivation pre-dates the CRRF. It reportedly grew out of discussions in 2014 between county and central government, and development and humanitarian partners on the socio-economic impact of refugees in Turkana County.

According to the 2010 Kenyan constitution, county governments have significantly greater responsibility for delivering devolved services, including in health, education, agriculture, urban planning, and local infrastructure. This means that county governments have a range of powers to initiate and deliver on developmental priorities and service provision.

Turkana County has formed a multi-stakeholder steering committee co-led by UNHCR and the county government, which includes refugees in their most recent (2018–2022) County Integrated Development Plan (CIDP); namely, the Kalobeyei Integrated Socio-Economic Development Plan (KISED) in Turkana West. There is also significant progress to further the inclusion of refugees and asylum seekers in the national education system. At the same time, continued restrictions on employment, access to financial services, and freedom of movement pose major challenges for efforts to pursue economic inclusion.
FINANCING LANDSCAPE

Historically, the refugee response in Kenya has been predominantly supported with humanitarian funding. Humanitarian aid flows to Kenya have fallen from a peak of USD 451 million in 2011 (the height of the Horn of Africa drought and food security crisis) to a ten-year low of USD 197 million in 2018 (see Figure 4). During this period, however, the numbers of refugees arriving in Kenya substantially increased, especially in Kakuma and Kalobeyei. While numbers have stabilised since then, there is a steady and continuous stream of new arrivals. In 2020, overall humanitarian funding flows experienced a COVID bump and are expected to drop back in 2021, with partners being advised to expect funding cuts. As of 3 November 2020, for example, the UNHCR Kenya appeal for USD 165 million was only 54% funded.

The long-standing refugee response in Kenya is felt to compete poorly against more high-profile crises and is expected to continue to struggle to attract funds in the foreseeable future. The refugee operation in Kenya is also seen as resistant to reform and improvement, and is therefore a hard sell for some donors. Notably, efforts by the UK to provide funding to the World Food Programme (WFP) and UNHCR in the form of a payment-by-results (PBR) agreement linked to a set of reform priorities were rejected by the WFP and UNHCR, who opted instead to accept a 30% funding cut rather than set a precedent for accepting funding on a PBR basis.

In an environment of shrinking humanitarian funding, hard prioritisation choices are being made. In October 2020, for example, the WFP was facing an acute funding crisis and had cut back refugee rations in Dadaab to 60%. Reportedly, the WFP had no cash in the bank to complete cash transfers. Much of the humanitarian funding for Kenya also remains short term, which is particularly challenging for longer-term programming. For example, multi-year funds provided to UNHCR are passed on to implementing partners as annual grants.

In contrast to humanitarian assistance, development funding flows to Kenya overall have increased in real terms over the last ten years (see Figure 4). Kenya has experienced robust economic growth and achieved middle-income country status in 2014. The composition and emphasis of Official Development Assistance (ODA) funding to Kenya has shifted accordingly, with the proportion of ODA provided as loans growing from just 26% in 2010 to 55% in 2019 (see Figure 5). Linked to the achievement of middle-income status for Kenya, some development donors have initiated a shift in emphasis of their investments, moving from poverty reduction and meeting basic needs towards greater emphasis on trade and private sector-led development.
**FIGURE 4: MAJOR CATEGORIES OF ODA FLOWS TO KENYA (2010–2019)**


**FIGURE 5: ODA FLOWS TO KENYA IN THE FORM OF GRANTS AND LOANS (2010–2019)**

Development funding has not been historically targeted for programmes benefitting refugees. In particular, when ODA is provided in the form of loans, there is little incentive for developing countries – with many competing domestic priorities of their own – to incur debt to meet the needs of citizens of other countries. The World Bank created the refugee sub-window under IDA18 to mitigate this structural disincentive by providing substantial additional funding for investing in refugee and refugee-hosting communities, without diverting funds from other domestic priorities. The Government of Kenya did not pursue funding under the IDA18 window.

Additional development funding has been mobilised for refugee-hosting areas from other sources, however. Notably, the World Bank regional Development Response to Displacement Impacts Project (DRDIP) was extended to Kenya in its second round in 2017. The DRDIP programme is predominantly loan financed, with a USD 100 million loan for multi-sectoral community development activities across the three refugee-hosting counties of Turkana, Garissa, and Wajir, and a USD 3 million grant component that supports the policy, coordination, and technical support provided by IGAD. Community development activities target the host population, with some indirect benefits expected to accrue to refugees, who may be informal users of services. The DRDIP programme has also recently received grant contributions from the Danish government.

Other significant allocations of funding from non-humanitarian envelopes include contributions from the European Union (EU) and a number of EU member states. The stated motivation for many European donors is twofold: management of irregular migration, and the implicit expectation that investments in inclusion will enable a reduction in humanitarian support. Notable contributions include funding from the EU Trust Fund (EUTF) to support the establishment of the Kalobeyei settlement, with an allocation of EUR 15 million for the period between 2017 and 2019. This was followed by an allocation of EUR 25.4 million for three years from March 2020 for a wider package of support, including KISEDP, self-reliance for refugees and host communities in Garissa County, and technical support to national level policy reforms and asylum management capacity.

The UK is implementing a major investment package through its integrated PAMOJA programme – up to GBP 82.5 million over a five-year period (2018–2023) – with the aim of supporting a shift from care and maintenance to self-reliance in the Kenyan refugee operation. However, this is likely to change following a decision to reduce UK ODA from 0.7% to 0.5% of Gross National Income (GNI). The International Finance Corporation (IFC) Kakuma Kalobeyei Challenge Fund (KKCF) has attracted contributions from the EUTF, Kreditanstalt für Wiederaufbau (KfW), and the governments of the Netherlands, Switzerland, and the UK.

There are, therefore, substantial funding commitments. Contributions to refugee-hosting regions, however, are not tracked and overall levels of investments and funding gaps are unknown, but they are perceived to fall significantly short of requirements. Likewise, contributions to the CRRF are not systematically tracked by the Kenyan government or UNHCR, and contributions to KISEDP, which does have a budget attached to the first phase against which contributions could be monitored, are also not tracked. The only funding to refugee-hosting regions that is routinely monitored are contributions to the UNHCR annual appeal.
A refugee donor working group exists and is currently led by the US Bureau of Population, Refugees, and Migration and the Netherlands. Previously, however, this group has operated without terms of reference (ToR) or an agreed structure. It is also understood to have acted in a relatively ad hoc fashion and largely on an information sharing basis, with no clear picture of donor contributions. A ToR has now been finalised for the group, which provides a key opportunity to reset the level of ambition and scope of engagement for the group. For example, this donor working group could play an important convening and linking role across humanitarian and development partners to help achieve consolidated positions and financing packages to negotiate major shifts in the policy and programming environment. In particular, the group could also help convene key financing actors and facilitate discussions to broker a financing package to support the costed plan for inclusion of refugees in the national education system. In addition, the group could identify key bottlenecks and challenges in operational coordination, the policy environment, and areas of significant risk (such as the shortfall in humanitarian funding), with their collective influence brought to bear.

It is important to note that while development funding has increasingly been allocated towards refugee-hosting areas, in most cases these investments are in very early stages. The DRDIP programme, for example, is still in early stages of implementation, with community development plans only completed in mid-2020. The UK-funded PAMOJA programme component, contracted to an NGO consortium to develop new approaches to economic inclusion, has recently been cancelled due to funding constraints and reprioritisation of UK aid funding. The IFC KKCF issued its first call for proposals in November 2020.

Programmatic benefits have yet to reach the target population and do not include refugees directly in some cases; notably the DRDIP programme. At the same time, humanitarian funding for the refugee response has been significantly reduced and many programmes have been scaled back. As such, there are concerns that the sequencing of investments is misaligned and that humanitarian funding is shrinking well before the impacts of development investments have been felt. In the challenging post COVID funding environment, it is anticipated that both the funding and programming gap will continue to widen.

While there have been increases in development funding, these are ad hoc and uneven. A particular bias towards Kalobeyei, which readily attracts donor visits and investments from development and private sector actors, is felt; whereas Kakuma and Dadaab struggle to attract comparable levels of longer-term investment.

Much of the donor engagement on policy and reform is understood to be at the technical rather than political level. There is, for example, no national-level dialogue, no agreement on burden sharing, and no forum in which consolidated international positions on policy and financing can be developed. This is felt to be a key contributing factor to delays in government implementation of further policy reforms, with the Kenyan government understandably reluctant to assume long-term financial liability for refugees integrated into national services in the absence a clear commitment from donors to help meet the costs. Meanwhile, donors are reportedly waiting for progress on key policy commitments and strengthened accountability before making further commitments.

To be expected, discussions on modalities have also not advanced. At present, the only dedicated financing instrument is the IFC KKCF. Donors are thought to be reluctant to engage in discussions on channelling funds for refugee inclusion through the Kenyan treasury. In the interim, funding continues to be channelled.
outside government systems, directly to implementing partners. Major programmes such as the World Bank DRDIP and the EUTF support to KISEDIP have provided a focus for additional contributions from bilateral donors with a more limited operational presence. The IFC KKCF also provides a platform for coordination and exchange among contributing donors, the IFC, and key partners, including UNHCR.\(^2\)

The future outlook for donor support to solutions to displacement in Kenya looks particularly uncertain for several reasons. First, the future of migration-related funding from the EU has yet to be formally announced. Second, the UK is undergoing downward revisions of even its existing financial commitments in order to reconcile with the recent announcement to reduce its ODA to 0.5% of GNI, down from 0.7% from 2021.\(^5\) Third, it remains unclear whether Kenya will access funding under the World Bank IDA19 WHR, which would unlock significant additional (largely) grant-based development financing.
FINANCING SOLUTIONS TO DISPLACEMENT PROGRAMMING

There are two programmatic areas that support the achievement of solutions to displacement, but through different approaches, models, and financing: 1) efforts to include refugees in the national education system; and 2) efforts to promote economic self-reliance, with a particular focus on area-based approaches. The latter takes the KISED model into consideration and focuses on efforts to attract private sector investment to refugee-hosting areas.

EDUCATION INCLUSION

Refugees in camps have been educated through facilities financed and staffed by international actors, although the curriculum and exams are harmonised with the Kenyan system. In 2017, however, the Kenyan government made commitments to include refugees in the national education system. These include the CRRF and the regional commitments developed by IGAD, including the Nairobi Declaration on durable solutions for refugees and the Djibouti Declaration on refugee education.

Under the Nairobi Declaration plan of action, the Kenyan government made pledges on the enrolment of refugees in basic education and extending educational access at all levels. The Djibouti Declaration supports the inclusion of refugees in national education systems and also indicates clear commitments. These include commitments to “integrate education for refugees and returnees into national education sector plans by 2020” and “developing costed long-term refugee education response strategies as part of national education sector plans based on a comprehensive mapping of current and emerging resources and [a] call upon humanitarian and development partners to support this process”.

At the 2019 GRF, the Kenyan government also committed to: “Adopt a policy of systematic inclusion of refugees in the national education system, including through the development, endorsement and implementation of the Education and Training Policy on the Inclusion of Refugees and Asylum Seekers and the accompanying costed implementation plan.”

The Djibouti Declaration has proven influential in driving Ministry of Education commitments to refugee inclusion. With support from international partners, led by UNHCR (and including UNESCO, UNICEF, and the World Bank), the ministry has developed a policy and costed plan to support the inclusion of refugees and asylum seeking learners in the national education system. The costed plan is designed as a five-year transitional plan beyond which it is intended that refugee and asylum seeker educational needs will be integrated in regular sector planning and budgeting.

The education sector is significantly further ahead than other sectors in these respects. This is due to several combined factors, including: the existence of specific policy commitments, which are backed up by political support from the Ministry of Education; a sustained period of work on the technical details of inclusion, accompanied by the diplomatic work of building buy-in; and support for refugee inclusion among key stakeholders, including multilateral implementing and funding partners. The process and timeline for developing the policy and costed plan provides several useful lessons.
Well targeted and consistent technical support has a significant return on investment

The role of UNHCR as a consistent champion, convener, and source of technical support to the process has been invaluable for providing continuity and forward momentum across shifts in the political environment, changes of personnel at the education ministry, and in building buy-in and engagement from development partners.

Advancing technical work without buy-in from key stakeholders, particularly government, can be a false economy

The first iteration of the policy was developed without adequate attention to the practical details of implementation and associated costs. In 2019, it was challenged by the incoming education minister, requiring additional months of work to respond to important questions that the minister raised. The technical content of the policy and costed plan are relatively straightforward, but the process to build buy-in and support from actors who are key to ensuring long-term sustainability may require significant work and time.

Progress can be stop–start and subject to external factors

The costed plan was developed with support from the UNESCO International Institute for Education and Planning (IIEP) relatively quickly, using the existing costing model at the ministry. Although the costing was presented to donors in March 2020, the COVID-19 pandemic interrupted planned follow up on discussions. Overall, the process of developing and agreeing the policy and costed plan has taken far longer than anticipated at the outset.

Unresolved issues

A number of fundamental issues on financing have yet to be resolved. The policy drafted in July 2019 has not been signed off by government. The long-term financial liability associated with refugee inclusion in the national education system is a serious consideration. Inclusion of refugee learners, teachers, and schools into national systems automatically has budgetary implications for the government. The principal issue yet to be addressed is securing financial commitment from international partners to support the implementation of the policy and plan.

There are likely to be additional costs (initial and recurrent) associated with aligning refugee education facilities, teacher training, and remuneration in line with national standards. For example, class sizes are well above national standards, so would require additional classrooms and teachers. There are also continued costs associated with the specific educational and protection needs of refugees, which will not be included in the national policy and plan, and will therefore continue to require support by international actors.

Despite these additional costs, however, when considering the overall numbers of learners, facilities, and teachers in question in context with wider education financing needs in the country, and existing levels of donor support to the Kenyan education sector, the costs of refugee inclusion are likely to be relatively modest and will be spread over an extended period, in line with the implementation of reforms across the sector.
The final costs may be adjusted depending on targets and prioritisation scenarios fed into the model and the ministry presented a number of scenarios to partners in March. Requests to report future contributions to the education sector have been circulated to donors to build up a financing mapping to support prioritisation and planning but so far few responses have been received. In the context of the COVID-19 pandemic, however, further discussions on financing have not been prioritised.

Linked to this stalled discussion on donor support to the plan, a discussion on financing modalities has yet to be tabled. The expectation is that the Kenyan government will have a strong preference for channelling funds on budget through the treasury, despite the reluctance of international partners to channel their contributions for refugee education in this way. The education ministry and international partners are considering a range of practical options, including a transitional period during which accountability measures would be strengthened to build donor confidence. A range of potential financing modalities that align with agreed principles and priorities has also been mooted with the longer-term goal of a progressive shift towards channelling funds through the treasury.

At present, donors providing sector-wide support to education in Kenya channel those funds off-budget, so there is a pre-existing practice of avoiding government systems. A frank conversation on financing modalities will be needed to address these divergent preferences. The potential role of private sector actors in financing and delivering education for refugees and host communities has also not been systematically explored. While the foundations have been laid for the inclusion of refugees and asylum seekers in the national education system in Kenya, financing provides the key to unlocking understandable government reluctance to formally commit to assuming these costs over the long term.

Discussions on modalities notwithstanding, there is an open goal available for international partners to make good on their commitments under the global compact to support refugee inclusion – if they are willing to put forward a consolidated multi-year financing package. It is also important to note that cost estimates are likely to increase with the addition of a COVID-19 coefficient or cost mark up. Globally, it is estimated that the financing gap to meet Sustainable Development Goal 4 (sustainable education for all) will increase by up to a third as a result of the pandemic.
ECONOMIC SELF-RELIANCE

The idea of greater economic self-reliance for refugees, particularly through market-led solutions, has attracted a broad base of support in Kenya. Economic self-reliance is appealing to donors for a variety of reasons, including interest in shifting the refugee response model away from long-term assistance to a more sustainable one. Donors have invested substantial intellectual effort and research into promoting evidence and narratives that portray refugees an economic asset rather than a burden. It should be noted, however, that these approaches focus predominantly on refugees and host communities in Turkana County. There is, then, a significant disparity in attention and investment between the Kakuma Kalobeyei refugee complex and Dadaab camp in Garissa County.

County governments in refugee-hosting areas see the potential benefits of developing markets for both refugee and host populations. They are increasingly providing leadership, direction, and license for this new wave of investment and programming. Private sector actors both inside and outside Kenya have also shown significant interest in and motivation to support market-led solutions and opportunities in refugee-hosting areas.

This combination of new evidence, narratives, and political commitment to shift the refugee support model has helped attract a number of experimental approaches to achieving greater economic self-reliance for refugees. This has been backed with substantial financial investments in the last five years. The logic of economic inclusion activities and outcomes in the KISEDP plan, however, suffers from a short-term analytical lens that has not adequately assessed major structural barriers to economic self-reliance, including infrastructural investment requirements, market imperfections, and value chain analysis of market opportunities beyond local markets.

Structural impediments and challenges: economic self-reliance for refugees

In contrast to the upbeat narratives presenting Kenyan refugee camps and populations as an economic asset, the structural challenges of economic self-reliance for refugees in Kenya nonetheless remain huge. Consideration of these structural challenges is critical to effective programming, as well as targeting and sequencing investments. In particular, the policy environment and the geographic and environmental conditions of the refugee settlements place major constraints on the feasibility of economic self-reliance. Most importantly, refugees have very restricted legal rights and opportunities to generate income.

In March 2019, Kenya adopted the Kampala Declaration on jobs, livelihoods, and self-reliance, which aims to advance livelihood opportunities and economic inclusion for refugees through strengthening policies related to freedom of movement and access to the labour market and services. The policy and legislative environment in Kenya remains highly constrained, however. This is principally due to the continued policy of encampment, which prevents refugees from moving freely outside camps and designated settlement areas.

Refugees do have the right to apply for jobs in the same way as any other foreign national, but they must obtain a Class M permit, which are only available in Nairobi. In order to obtain a work permit, refugees must have an offer of employment and refugees living in camps must obtain movement passes from the RAS to leave the camp. The issuance of permits is opaque and discretionary, the overall number of permits issued is low, and travelling without a permit risks a fine of up to KSH 20,000 (USD 200) and/or up to six months in prison.
Aid organisations in camps and settlements are the primary employers, providing largely incentive work rather than regular salaried employment; unemployment rates among refugees are well in excess of national averages. Refugees also have the right to establish businesses, but since they cannot legally travel outside camps without receiving a permit from the RAS, in practice they cannot trade outside the camps and are often obliged to reply on brokers to procure stock on their behalf, leaving them at risk of exploitation. Moreover, the cost and process of obtaining business permits can be a deterrent and access to credit is limited. Refugee owned businesses are therefore small and informal.

The economic conditions of the surrounding areas also pose impediments. These are economically vulnerable areas, with high rates of poverty. Both refugees and host communities in refugee-hosting regions lack specialised skills, literacy, and capital to initiate and grow businesses. Refugee-hosting regions are remote from major markets and are poorly integrated with regional and international markets. Markets in the camps and settlements are fundamentally dependent on the cash and material inputs from humanitarian aid, including USD 1 million in cash assistance injected into the economy every month through WFP cash transfers.

The majority of refugees in camps therefore remain reliant on humanitarian aid; for example, 70% of households in Dadaab are reported to be reliant on humanitarian aid as their primary coping mechanism. Most refugees in Kakuma and Kalobeyei report being completely or mostly dependent on food aid. While dryland agriculture projects have contributed to a reduction in food insecurity and higher dietary diversity in Kalobeyei and Kakuma, refugees are far from household food security for the foreseeable future. Even with regular assistance, many refugees are heavily indebted to local retailers owing to factors that include frequent household shocks, delayed cash transfer payments, and regular shortfalls in meeting household needs.

Self-reliance, or even a greater degree of self-reliance, would require a range of investments in enabling conditions and establishing how refugee settlements and hosting areas can be attractive investments, create value, and develop export to markets beyond the small-scale local markets that rely heavily on aid inputs. Given that refugee-hosting areas are remote and arid, investment needs in infrastructure and physical and human capital are substantial. Self-reliance would also require assistance with managing the burden of accumulated debt. A comprehensive set of measures would be needed to foster market development and greater economic self-reliance. There are also a range of operational, coordination, and financing challenges that limit progress in efforts to achieve greater economic self-reliance.

Despite these challenges, there is broad appetite for change in programming approaches towards economic inclusion. This is underpinned by frank acknowledgement that established approaches to livelihoods programming have not worked and, in some assessments, have been a costly exercise in training and preparing people for jobs and opportunities that do not exist. Rather, these efforts have, in effect, acted primarily as a form of psychosocial support.

Better alternatives, however, have not yet been established. Shifting away from poorly conceived short-term programmes that are not based on realistic value chain analyses is not straightforward. In particular, there are concerns that the existing cast of partners do not have the right skills or experience to adapt. While there are a handful of innovators among established NGOs, new actors with new skills will be necessary to drive this shift.
For example, a number of organisations have been involved in efforts led by UNHCR and the World Bank-hosted partnership for economic inclusion to design and mobilise funds to apply graduation model programming to refugee camp settings. This approach, which is modelled on poverty reduction rather than emergency response, requires drawing in the expertise of organisations in Kenya that do not typically work in refugee settings. There is considerable commitment and enthusiasm for trialling such new approaches, but the process is just at the beginning. These new approaches will require sustained support to establish, adapt, and refine new models and new partnerships.

At an operational level, there are already shortcomings in the coordination of livelihoods programmes among international actors. In particular, there are widespread overlaps and gaps in provision of training. Further, there is competition between agencies, which disincentives information sharing. This is exacerbated by the absence of an overall strategy against which resources can be targeted, along with little accountability for poor results.

By default, coordination has fallen to UNHCR through livelihood working groups, although UNHCR has acknowledged it does not have sufficient expertise in economic inclusion. Moreover, coordination is becoming a growing challenge, while funding for livelihoods programming is falling. Limited funding reduces incentives for partners to participate and also makes forward planning extremely difficult. At the same time, engagement from private sector actors falls inconsistently within existing coordination processes.

Area-based approaches
Area-based county government-led planning has played a key role in driving new programming and investment approaches to refugee self-reliance. Related to this, these efforts have also sought to mobilise private sector investment. The Kalobeyei Integrated Socio-Economic Development Plan (KISEDP) was developed in 2016 under the leadership of Turkana County authorities, with support from UNHCR, to promote refugee and host community self-reliance and inclusion.

The KISEDP vision is one of refugees and hosts living and working side by side and using the same services. It includes eight key components: health; education; WASH; protection; spatial planning and infrastructure; agriculture, livestock, and resources; sustainable energy; and private sector development and entrepreneurship. KISEDP is thus consistent with the objectives of the CRRF to move from encampment towards self-reliance and is an important part of Kenyan government commitments. KISEDP also represents a concrete commitment to integrate refugees into national planning and service provision, and is integrated with the wider County Integrated Development Plan (CIDP).
**KISED P 2018–2022 goal and objectives**

**Overall goal:** To boost the local economy by enabling the environment and building skills/capabilities for refugees and host communities in Turkana West to increase their self-reliance, access inclusive national service systems, and successfully function in their new market environment. This will directly contribute to transforming the humanitarian model of assistance for refugees towards development-oriented solutions that enhance the self-reliance of refugees and host communities.

**Strategic objectives:**

- Create a conducive environment that attracts investment from the private sector and financial service providers to promote the local economy
- Invest in basic socio-economic infrastructure, introduce sustainable models, and strengthen capacities for enhanced and inclusive national service delivery
- Enhance innovative aid delivery and increase financial inclusion for refugees and host communities to raise levels of self-reliance and reduce poverty
- Increase access to higher and specialised education, and promote and support the market-driven skills and capabilities of refugees and host communities to take part in the local economy

Economic self-reliance has been a key objective of KISED P from the outset, but has shifted over time from early discussions in 2015 to include greater emphasis on stimulating private sector investment, reducing the cost of doing business, strengthening value chains, and boosting the wider economy in the final December 2018 plan. In practical terms, KISED P spans a long-term planning cycle. It is envisaged to be implemented through a phased approach that includes a preparatory phase (2016–2017), followed by three phases: Phase I (2018–2022), Phase II (2023–2027), and Phase III (2028–2030). KISED P is estimated to require USD 500 million for Phase I, with resources drawn from humanitarian, development, government, and private sector actors.

KISED P has attracted financial support and provided opportunities to experiment with new programming approaches to support greater inclusion and economic self-reliance. In particular, additional financing has been mobilised from development actors, including:

- Initial investments to establish Kalobeyei were funded by the EUTF and EU member states, led by the Netherlands. The EUTF has allocated two rounds of funding to KISED P, which includes areas outside KISED P. The first round was EUR 14.7 million (2016–2019) and the second round is EUR 25.4 million (2020–2022), which supports inclusive education and health services, targeted protection services (particularly for children), long-term food and nutrition security, and economic opportunities in and around the Kalobeyei settlement. Other EU donors to KISED P include the Netherlands, the UK, Denmark, and Germany. Switzerland has also supported this.

- The World Bank has committed funding to Turkana Country, targeting the host community outside of the Kakuma Kalobeyei complex through an expansion of its regional DRDIP programme to include Kenya. This is one example of a project aimed at improving access to basic social services, expanding economic opportunities, and enhancing environmental management for host communities in different target areas.
The IFC launched the KKCF, implemented by the Africa Enterprise Challenge Fund (AECF), with donor contributions from the EUTF, Kreditanstalt für Wiederaufbau (KfW), and the governments of the Netherlands, Switzerland, and the UK. The KKCF is a five-year programme to promote private sector investment, including attracting new businesses and social enterprises, scaling up businesses already present, developing new refugee and host community owned businesses, and improving the operating environment for business through streamlining business procedures.

KISEDP has fostered greater engagement from a broader range of UN agencies beyond those traditionally involved in the refugee response (such as WFP, FAO, and UNICEF); notably UN-HABITAT, which supported settlement planning of Kalobeyei, and the International Labour Organization (ILO), which is working with UNHCR on refugee labour rights. In contrast, UNDP has had limited engagement. In practice, this means that technical support for coordination and implementation of KISEDP continues to default to UNHCR. The World Bank and the IFC have also played an important role in investing in the evidence base that underpins the rationale for KISEDP and are now establishing major investments in support of KISEDP.

A major component of KISEDP was the creation of a brand new settlement in 2016 in Turkana West—Kalobeyei—to house a planned 180,000 refugees. Kalobeyei was to be the testing ground for a new settlement model, an integrated settlement where refugees and the host population would work and trade together and access the same services. In 2016, however, a large influx of refugees from South Sudan meant that plans for Kalobeyei had to adapt and instead became a new camp used to house new arrivals. Many of the new arrivals were children and female-headed households. Despite this setback, Kalobeyei is now a testing ground for programming approaches and investments that aim to shift the refugee response model from aid dependence and encampment towards socio-economic inclusion and economic self-reliance.

The standard package of assistance for Kalobeyei residents has been modified to support the KISEDP vision of greater inclusion and economic self-reliance. Most notably, the WFP provides refugees with cash-based assistance through digital transfers that can be redeemed against food items in selected retailers under the Bamba Chakula programme. Programmes led by the FAO, the Danish Refugee Council (DRC), and the WFP support refugees in Kalobeyei to practice agriculture, including kitchen gardens and animal husbandry. UNHCR has also provided refugees with cash grants to construct their own shelters.

Market-driven solutions
New financing opportunities, combined with advocacy and engagement from aid actors and key private sector champions, have stimulated interest from international and domestic private sector actors in investment opportunities and development programmes in Kenyan camps and settlements. Extending markets and key services to refugee camps is a primary means to reduce the costs of aid programmes, mobilise investment in infrastructure, and increase economic self-reliance through job creation and providing access to financial services and digital connectivity.

The main areas of focus for private sector engagement include provision of clean energy, increased connectivity, and access to financial services. Many initiatives are underway and there is considerable buzz and enthusiasm around increased private sector engagement. During this experimental period, however, the coverage and impact of these initiatives is currently unclear.
One notable new development is the formation of partnerships that bring the expertise of humanitarian, development, and private sector actors together in a number of economic inclusion related programmes and funds. This has also expanded the potential scope of action to areas outside the expertise and/or scale of humanitarian actors. For example, the International Trade Centre (ITC) Refugee Employment and Skills Initiative (RESI) programme, funded by the Dutch government, brings together ITC private sector expertise and the operational humanitarian experience of the Norwegian Refugee Council (NRC). Similarly, the MasterCard Smart Communities Coalition (SCC) brings together a large network of private sector actors with the United States Agency for International Development (USAID) Power Africa project and the Gesellschaft für Internationale Zusammenarbeit (GIZ) GmbH, the German government technical development agency. The fund has received proposals from consortia that include novel combinations of NGOs and private sector actors.

To date, funding to incentivise private-sector investment has been predominantly grant based. At the same time, discussions on other financing models (loans and equity) are ongoing and there is considered to be scope for alternative models, particularly in the energy sector. The two major funds – the KKCF and the SCC innovation fund – as well as donor funded directly implemented programmes nonetheless still use grant funding.

Actors working on private sector-led economic inclusion programmes note a number of challenges in the funding environment. These include both the short-term and restrictive nature of much of the funding, which is not compatible with efforts to develop a robust understanding of market opportunities, build partnerships, navigate bureaucratic requirements, negotiate contracts, or to build skills, shift mind-sets, and build motivation among refugee and host populations. In particular, funds awarded by the KKCF and the SCC innovation fund are relatively short term. The costs per output or per person are also noted as a hard sell to donors in some cases, especially when donors are more accustomed to large private sector engagement. Competition for limited funding, along with a limited range of potential projects and collaborations, provides a strong disincentive to share information and learning.

Other challenges have also been identified in this initial period of increased private sector engagement. Competition for limited funding, along with a limited range of potential projects and collaborations, provides a strong disincentive to share information and learning. In addition, there is a limited pool of private sector actors and NGOs engaging in this area. Some private sector actors also employ former NGO staff and some private sector initiatives are established by former NGO staff. The pool of expertise and ideas for private sector involvement is therefore limited and engagement by the Kenyan private sector beyond the immediate locality is low. Market systems analysis tends to be relatively short term, and, in some cases, the projects that have been developed are felt to fall short of expectations. Linked to challenges in coordination, there are risks of duplication; linked to the constrained funding environment, there are risks of failure to secure adequate financial commitments to bring pilots to scale.

The elephant in the room in all discussions on economic self-reliance is the highly restrictive legal environment. Partners target progress in small pockets of possibility, but expect little change in the fundamental restrictions. For example, difficulties in employing refugees is a deterrent to major companies using refugee labour at scale; therefore, partners have focused on self-employment as the primary route for increasing economic self-reliance, where opportunities are primarily niche and small scale. Partners advocate on behalf of refugees with local authorities and provide technical assistance to navigate local rules and
requirements to operate businesses; for example, to make sure refugees have basic legal documents, with some success for individuals. Key barriers, however, such as the ability to open bank accounts, access credit, and move freely remain essentially unchanged.

Compared with some other CRRF countries, international actors appear to have little appetite for using their collective influence and financial incentives to try to negotiate major policy and legislative change, and the Kenyan government appears to have limited receptiveness for this. Efforts to advance economic inclusion are very politically sensitive and are expected to be increasingly contentious in the context of an anticipated economic downturn. Funding is also anticipated to become more restricted overall and refocused towards urgent needs. The appetite for new private sector investment is also likely to be dampened by challenging national and global economic conditions.

As such, international actors have adopted a pragmatic approach to work informally around restrictions and/or to focus on pockets of possibility, tacitly accepting the restricted impact of economic self-reliance investments in the current environment. International efforts to advance economic inclusion and self-reliance have so far proceeded on a relatively ad hoc basis, with little strategic direction from government and without reference to a comprehensive analysis of opportunities or agreed priorities for investment or reform. In a much more challenging and resource limited environment, however, far greater clarity and focus are required to target investments.

The foundations for greater clarity and focus include having robust shared data, analysis on economic conditions and value chains, and based on this, agreement on high-level priorities and desired outcomes. Underneath these high-level priorities, prioritisation, and sequencing of key enabling conditions such as infrastructure investments, capacity strengthening needs, and policy and legislative reforms is required. The identification of responsibilities, timelines, and investment requirements is also needed to achieve greater clarity and focus. Agreements on how to measure impact and track investments to avoid duplication, and a commitment to learning and transparency in sharing evidence and data, are also required to ensure resources are targeted efficiently in what is a relatively experimental field. The assurance of multi-year and flexible finance is critical to underwrite this period of learning and adaptation.

International actors have adopted a pragmatic approach to work informally around restrictions and/or to focus on pockets of possibility, tacitly accepting the restricted impact of economic self-reliance investments in the current environment.
CONCLUSION

To date, progress in financing for solutions to displacement in Kenya is uneven. On the upside, there is increased engagement from development partners and private sector actors, bringing new technical capabilities, networks, and resources to bear on the long-standing challenges of transforming the refugee response model in Kenya, and enabling inclusion and self-reliance. The outlook for future financing looks uncertain, however. New programmes have been slow to gear up and investments are piecemeal and ad hoc. They are also made without reference to agreed priorities, sequencing, and theories of change. Alongside this, humanitarian funding is falling increasingly short of meeting the basic needs of refugees, and donors and implementing partners face hard choices in terms of prioritisation. Without compelling evidence to demonstrate the impact of new approaches and investments, longer-term investments in transforming the refugee response model, especially in the direction of economic self-reliance (which has yet to demonstrate significant impact), may become increasingly difficult to justify.

The legal and policy environment for refugees in Kenya remains restrictive. At present, it is unclear whether donors will attempt to negotiate for significant additional concessions. It is also uncertain whether the new refugee bill will, in fact, deliver these. There are opportunities to deliver substantial gains within the existing pockets of permissive policy space. This includes the potential to use a package of financing to nudge the finalised but not yet enacted policy and plan on the inclusion of refugees and asylum seekers into the national education system. This would require both leadership from international partners to negotiate an acceptable financing settlement and an agreement on financing modalities that would meet government desire for support to national systems, and donor concerns around traceability and accountability.

There are opportunities to deliver substantial gains within the existing pockets of permissive policy space.
LESIONS & AREAS FOR CONSIDERATION

Creating an enabling environment for solutions to displacement

- The legal and policy environment for solutions to displacement in Kenya remains relatively restrictive, which is a major limiting factor on aspirations to increase economic self-reliance, in particular. Financing has not so far been used tactically to try to negotiate significant legislative and policy change.

- There are opportunities to engage in policy dialogue. This is especially the case now that the CRRF roadmap has been approved and the Government of Kenya is in discussion with the World Bank on accessing potentially significant additional (primarily) grant funding through the IDA19 window for hosts and refugees (WHR). In early 2021, the refugee bill was also still being negotiated in parliament.

- Leadership from international partners is required to negotiate any financing settlement on burden sharing and financing packages to support sectoral or area-based approaches at scale. The newly revamped donor coordination forum could provide a good opportunity to broker consolidated positions and apply the collective influence of donors on critical barriers and opportunities, and to play a convening role across humanitarian and development partners.

Coherent approaches

- Kenya has benefited from an increase in development funding in support of transforming the refugee-hosting model. In the absence of a coherent framework, clear prioritisation, and monitoring, however, these investments are ad hoc and uneven across refugee-hosting regions.

- In a resource constrained environment, effective targeting and prioritisation will be key to delivering on the dual requirements of meeting the basic needs of refugees and making progress on commitments to deliver solutions to displacement. This requires evidence on what works and openness to transparency in sharing learning. It also requires leadership on prioritisation and coordination. It further requires key datasets and analyses of structural barriers in infrastructure, skills, markets, and the legal and policy environment to inform sequencing and prioritisation of investments. This analytical work will require far greater engagement from development and private sector partners.

- Efforts to promote economic self-reliance have attracted significant investment, including enthusiasm for stimulating private sector investment and growth. These investments are in urgent need of far stronger evidence, logic, coherence, and realism if they are to deliver meaningful impact. Despite some progress, there is still a critical technical and coordination gap to address to provide greater coherence, targeting, and sequencing, and to allow beneficial exchange of learning, technical expertise, and influence across the wide range of actors working in this area. It is also important to ensure that developmental approaches to economic self-reliance take into account the particular vulnerabilities and protection needs of refugees.
There is currently an important opportunity to demonstrate good faith in government commitments towards refugee inclusion in the national education system and to find mutually acceptable solutions to channeling financing in alignment with government systems. This could provide a model for other sectors and help to move forward the impasse on the use of government systems. Brokering a package of financing support to the costed plan for the Education Policy on the Inclusion of Refugees and Asylum Seeking Learners in the National Education System should be a priority for 2021. The Kenya donor working group and IGAD could play a key convening role to help negotiate such a package.

The KISEDPP approach offers many lessons for locally led area-based approaches to inclusive development, including the need for early engagement of development partners in the foundational analyses and theories of change that will underpin longer-term solutions.

Hopes that economic self-reliance would enable a tailing off of reliance on humanitarian aid have proved both unrealistic and premature. It is clear that in Kenya, where opportunities for self-reliance are currently relatively slim and precarious, and where newly displaced people arrive on a regular basis and shocks are common, a strong and sustained commitment to meet the basic needs of refugees still reliant on external assistance will be required for the foreseeable future. Expectations around the timeframe for development programming to deliver impact may also need to be adjusted among humanitarian actors to enable realistic sequencing.

During this period of experimentation with new approaches and the engagement of new actors, investments in generating evidence and transparency in sharing lessons could help to accelerate scaling of innovation, efficiency in targeting and programme emphasis, and accountability, both in the Kenya refugee setting, and in other displacement settings.
ENDNOTES

1 UNHCR Kenya Factsheet (July 2019), see: https://reliefweb.int/report/kenya/unihr-kenya-factsheet-01-31-july-2019


3 UNHCR Kenya (2020c).


6 https://www.unhcr.org/ke/dadaab-refugee-complex


8 NRC / IIRC (2018a).

9 O’Callaghan et al. (2019).

10 Hargrave et al. (2020).


13 REF (February 2020), 19, notes, for example, “an escalating dispute between the Kenyan and Somali governments over their respective maritime borders, as well as continued tensions over Kenya’s involvement in the African Union-led peacekeeping force, AMISOM, and its interest in a vis-à-vis south-western Somalia, has eroded relations and coordination between the two countries on a range of issues, including on comprehensive responses that grant wider rights that would benefit Somali refugees in Kenya”.

14 Under the Refugees Act 2006, the Refugee Affairs Secretariat (RAS), housed at the Ministry of Interior and Coordination, has the overall responsibility for all administration, coordination, and management of refugee matters.

15 REF (February 2020), O’Callaghan et al. (2019).

16 REF (February 2020).

17 UNHCR (July 2019).

18 O’Callaghan et al. (2019), 6, notes: “concerns about al-Shabaab’s potential presence in the Dadaab camp and, to some extent, in Nairobi, and, more recently, deteriorating diplomatic relations between Kenya and Somalia. Since 2011, this has led to a series of legislative and restrictive measures focused on Somali refugees, including border closures (2011), forced relocation of urban refugees to camps (2014) and repeated efforts to close Dadaab refugee camp and repatriate its residents. In February 2019, the Kenyan government again indicated its intention to close Dadaab, highlighting the volatile situation in relation to refugees.”

19 REF (February 2020).

20 Hargrave et al. (2020).


22 Kenya Law Reports

23 UNHCR (2018), REF (February 2020).


26 Interviews 4 and 15.


28 Interviews 10 and 15.

29 Interviews 4, 10, and 20.


31 UNHCR Kenya (2020d), 4, notes: “Monthly Food Advisory Committee meetings were held across the three Dadaab camps in preparation for the October food distribution cycle. WFP reported that beneficiaries would receive two months’ ration allocation. However, the quantities of both in-kind and voucher assistance would be reduced by 40 per cent due to low stock and budgetary constraints.”

32 Interview 15.

33 Danida / UNHCR (2019), 42, note, “Many EU donor strategies seek to transition from aid assistance to enhanced trade relations.” For example, under its 2019–2022 strategy, the Netherlands states that, “In Kenya, the Netherlands is pursuing an aid-to-trade policy agenda bifurcating a lower middle-income country, in which the focus has gradually shifted from traditional development projects to private sector development as a vehicle to attain development goals.”


36 Interview 13.

37 Danida / UNHCR (2019).

38 EU (2020a) Action Fiche for the implementation of the Horn of Africa Window T05-HOA-KE-17, see: http://trustfundforafrica/sites/afterh/files/t05-exit-hoa-ke-17_rdp_endl_addendum.pdf


40 DFID (2019).

41 The Danida / UNHCR (2019), 121, evaluation finds that, “KISEDP was supported by a range of some new and more appropriate sources of financing including contributions from multi-year and development budgets. It is apparent, however, that there is so far very limited additional investment by either government or donors and funding is far short of the budget requirements.” Interviews 7 and 12 corroborate this.

42 Interviews 10 and 12.


44 Interviews 4 and 13.

45 Interview 4.

46 O’Callaghan (2019), REF (February 2020).

47 Interviews 7, 10, 12, and 15.

48 Danida / UNHCR (2019), observe that: “There is also a strongly perceived gap on overall coordination at the national level. There is no established multi-agency forum where stakeholders are able to engage with National Government on CRRF related issues, including KISEDP. Existing national coordination groups are limited to either one stakeholder group or only formally address KISEDP. Consequently, there is no multi-stakeholder forum to discuss and address key national policy and regulatory issues.”

49 REF (February 2020), Danida / UNHCR (2019).

50 REF (February 2020), Danida / UNHCR (2019), note: “Donors are looking for stronger national policy commitments towards the CRRF goals and strengthened accountability frameworks around KISEDP as a precondition to unlocking further financial support.”

51 Interview 12.

52 Interview 4.

IGAD (14 December 2017). Djibouti Declaration on Regional Conference on Refugee Education in IGAD Member States; see: https://irispdx.pdf

MoE (6 March 2020). Interviews 5 and 17.

Practice 18. Policy in Kenya is likely to be reviewed after ten-year intervals.

Interviews 5, 17, 18, and 19.

REF (February 2020). Interview 17 corroborates this.

Interview 18.

Interviews 17 and 19.

Interviews 5 and 17.

Interviews 5, 17, 18, and 19.

REF (February 2020); Danida / UNHCR (2019). Interviews 17 and 18 corroborate this.

MoE (6 March 2020).

Interviews 17 and 18. The Ministry of Education assesses these at 141,170 learners enrolled in 40 pre-primary schools, 48 primary schools, 16 secondary schools, 18 accelerated education centres, 3 TVET centres and 2 satellite university campuses (MoE, 6 February 2020).

Interviews 17, 18, and 19.

Interviews 17 and 18.

Interviews 17 and 18.


Danida / UNHCR (2019). The Samuel Hall (2018) evaluation of the EUUT support to KISEDP notes: “The livelihood sector requires a significant overhaul to enable it to function more efficiently and effectively. Strong leadership with a heightened focus on economic systems and economic empowerment is needed in addition to a common baseline, labour market and value chain analysis to inform project design and a funding strategy.”

REF (2019).


REF (2019); Harrgrave et al. (2020).

NRC / IHCRC (2018a).


World Bank (2019); Betts et al. (2019). Interview 15 corroborates this.

Betts et al. (2019).

World Bank (2019).

Betts et al. (2019).

Interview 16 corroborates this.

Betts et al. (2019).

Betts et al. (2019).

Betts et al. (2019).

Betts et al. (2019).

Sterck et al. (2020). Cash Transfer Models and Debt in the Kalobeyi Settlement.

Betts et al. (2019).

Sterck et al. (2020).

For example, Betts et al. (2019), 32, note: “Even if essential socio-economic needs could be met, enabling refugees to achieve them autonomously is a remote prospect given that virtually the entire economy is based upon assistance. Without the aid system, most businesses in Kalobeyi and Kakuma would collapse. The only means to ensure long-term self-reliance will be to enable the region to export to the wider Kenyan, regional, and global economy... Given that Turkana County is in a remote area (which increases transportation costs), is in an arid area (which increases production costs), and has very little infrastructure, significant investment would be needed in physical and human capital in order to create sustainable opportunities for businesses.”

Danida / UNHCR (2019), 104, report, for example, “NGOs providing training reported that the majority of trainees has struggled to find employment after training with challenges including, languages, employment being dependent on family networks, a lack of start-up capital and restrictions on mobility to seek employment outside of camps. Women were found to be significantly disadvantaged, especially in starting businesses or looking for work off the refugee camp.” The mid-term evaluation of EUUT Support to KISEDP also notes: “The gap in market analyses means that sustainability is threatened, as trainings may not match the labour market needs. Development partners were vocal about the lack of sustainability of a vocational training approach handled by humanitarian without a long-term plan to integrate them in a labour market.” Samuel Hall (2018) Interviews 10, 11, and 12 corroborates this.

Interviews 10 and 11.

Samuel Hall (2018).

Interviews 2, 3, 10, and 11.

See, for example, the Poverty Alleviation Coalition; https://alleviatepoverty.org/

Interviews 9 and 11.

Interviews 9 and 11.

Interviews 6 and 9.

Interview 4 and 11.

Samuel Hall (2018). Interview 12 corroborates this.

Interview 11.

Interviews 3, 11, and 12.

NRC / IHCRC (2018a); Danida / UNHCR (2019).

UNHCR (2018), Betts et al. (2019).

Danida / UNHCR (2019).


UNHCR (2018).

It is worth noting, however, that humanitarian financing requirements are not included in the KISEDP plan, with separate resource mobilisation continuing through the UNHCR annual appeal.

Samuel Hall (2018). Interview 7 corroborates this.

Samuel Hall (2018).

Danida / UNHCR (2019).

Danida / UNHCR (2019).

Danida / UNHCR (2019).


Danida / UNHCR (2019).

Interview 4. Also see: Betts et al. (2019).

Betts et al. (2019).

Betts et al. (2019).

Interview 3.

Interviews 2, 3, and 8.

Interviews 3 and 8.

Interviews 2 and 3.

SCC funds are expected to be for 12 to 18 months. Interview 3 corroborates this.

Interview 2.

Interview 4.

Interview 8.

Interviews 4 and 7.

Interview 8.
Interviews 3 and 8.

Interviews 2, 11, 12, and 14.

Interviews 6, 12, and 14.

Notably Ethiopia and Jordan, where jobs/employment compacts were negotiated in return for investment packages.

Interviews 4, 7, 10, and 11.

For example, Betts et al. (2019), 13, recommend the following actions to advance self-reliance in Kakuma and Kalobeyei: “First, do not cut overall assistance in the short term. Second, gradually redirect assistance towards market-based activities such as unrestricted cash assistance, alongside providing the necessary incentive structures and training opportunities to encourage the development of markets and investment in productive activities. Third, invest significantly in public goods and physical infrastructure that enhance self-reliance enabling factors. Fourth, work with the regional and national governments to reduce regulatory barriers to refugees’ economic activities including those relating to mobility and the right to work. Fifth, in alignment with the regional and national development plans, create a development plan for Kalobeyei and Kakuma which can offer sustainable ‘export’ opportunities to the wider economy, whether in sectors such as agriculture, solar energy, or ICT, for example.”

Interview 12.
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Hargrave, K and Mosel, L, with Leach, A (2020). Public narratives and attitudes towards refugees and other migrants – Kenya country profile. London: ODI.


IGAD (14 December 2017). Djibouti Declaration on Regional Conference on Refugee Education in IGAD Member States. Djibouti: Intergovernmental Authority on Development.


The Regional Durable Solutions Secretariat (ReDSS) is a coordination and information hub that acts to catalyse forward thinking and policy development on durable solutions for displacement. ReDSS seeks to improve joint learning and programming, inform policy processes, enhance capacity development, and facilitate coordination in the collective search for durable solutions. It is comprised of 14 organisations working together to maintain focused momentum and stakeholder engagement towards durable solutions for displacement-affected communities in East Africa and the Horn of Africa.