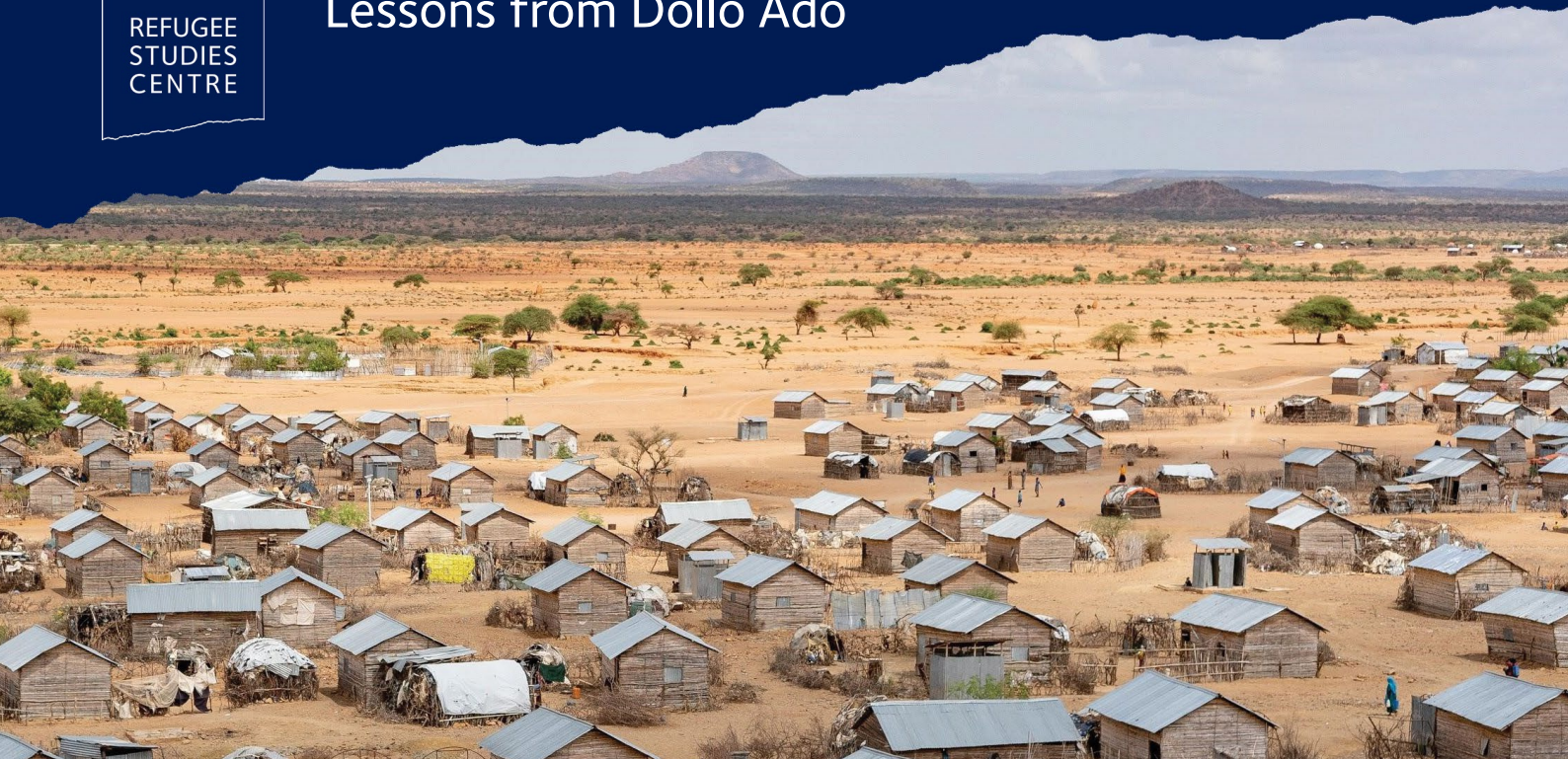


# Building economies in refugee-hosting regions

## Lessons from Dollo Ado



**Authors:** Alexander Betts and Raphael Bradenbrink

### Key points

- Between 2011 and 2018, the IKEA Foundation invested around \$100m USD in supporting infrastructure and livelihoods programmes in, and around, the remote Dollo Ado refugee camps in the Somali region of Ethiopia. It worked collaboratively with UNHCR and the Ethiopian Government.
- In addition to leading to measurable improvements in socio-economic outcomes for the population, the programmes were pioneering in their attempt to build the economy of a remote refugee-hosting region. The lessons learned from the programmes have wider policy implications for building economies in other remote refugee-hosting regions.
- As part of our evaluation of the Foundation's programmes, we developed a five-stage Sustainable Refugee Economies Framework, intended to highlight the pre-conditions for building sustainable economies in remote refugee-hosting borderlands. The elements of the framework are: 1) political will, 2) infrastructure, 3) cultural relevance, 4) comparative advantage, and 5) external inputs.
- The achievements and challenges faced in Dollo Ado offer an unprecedented opportunity to learn about the conditions for building sustainable refugee economies in other remote regions, within Africa and globally.
- Crucially, learning from the Dollo Ado experience teaches us that if refugee self-reliance is to be sustainable, livelihood programmes must also be accompanied by wider economic transformation within refugee-hosting regions.

### Introduction

85% of the world's 26 million refugees live in low and middle-income countries. In some regions such as Africa the majority are hosted in camps and settlements in remote border regions. In any given year, less than 5% will receive access to a durable solution (repatriation, resettlement, or local integration). This

means that for a significant proportion of refugees, trying to create a dignified and purposeful life in remote border regions, including through self-reliance opportunities, may be the best available opportunity until they can return home.

The five Dollo Ado refugee camps are located in the remote and arid Somali region of Ethiopia, and are home to around 160,000 Somali refugees. At the time that the refugee camps

were established between 2009 and 2011, there were few opportunities for employment or other income-generating activities for either refugees or the host community. The IKEA Foundation's programmes were intended to provide an alternative vision for what refugee camps could be. By supporting infrastructure and livelihoods programmes, including through an innovative model of 'cooperatives' in areas such as agriculture, livestock, and energy, they aimed to build economic opportunity for both refugees and the wider host community.

Our retrospective evaluation of the Foundation's livelihood programmes reveals that the cooperatives have generally contributed to improving socio-economic outcomes for thousands of refugees and host community members. For example, 87% of the refugee agricultural cooperative members report higher income levels than before the programmes.<sup>1</sup> However, they also reveal limitations in terms of the overall numbers of people who have sustainable income-generating activities. Less than 10% of the population have independent income-generating activities within the main sectors on which the programmes focused (agriculture, livestock, and retail commerce). The majority of the population remains directly or indirectly dependent on humanitarian assistance, with average (non-aid) income levels for refugees being less than \$1 USD per person per day.

Nevertheless, the programmes offer important and unprecedented insights into the conditions under which it may be possible to build sustainable economies in remote refugee-hosting regions. The Foundation's pioneering investment in such a challenging location represents an extraordinary opportunity to learn and apply the programmes' insights, beyond the Dollo Ado context. These insights are especially important given the absence of clear roadmaps or frameworks for how refugee and humanitarian organisations can collaborate with the private sector and development actors in order to contribute to the development of sustainable economies in remote border regions.<sup>2</sup>

One of the key legacies of the IKEA Foundation's investment in Dollo Ado should be the opportunity for the rest of the world to reflect upon and learn about ways to build sustainable economies in remote refugee-hosting areas. Of course, other remote refugee-hosting contexts, from Turkana County in Kenya

to Isingiro District in Uganda, have their own unique features, but the insights from Dollo Ado present opportunities to begin a global dialogue on how the international community can build a framework for development in remote and refugee-hosting regions.

## The Dollo Ado experience

The Dollo Ado region is extremely remote, in every sense. The phone network is unstable, there is no connection to the national power grid, and the tarmac road ends 350 km further north in Negele. The capital Addis Ababa is almost 1,000 km away, as is Jijiga, the capital of the Somali Region of Ethiopia. To the north is an internal armed conflict and to the south is a fragile and conflict affected state. The five Dollo Ado refugee camps were built from scratch between 2009 and 2011 (Figure 1). Like many other refugee camps worldwide, they were constructed in a region of limited economic opportunity and under-developed infrastructure.

Nevertheless, the region also offered opportunities. The camps exist alongside the Genale River, presenting opportunities for agriculture. The nomadic pastoralist culture of both refugees and the host community suggested opportunities within the livestock sector. There were significant border economies connecting the region to Somalia and Ethiopia. And the presence of refugees and international humanitarian organisations has brought new demand and human capital to the region.

From 2012, the IKEA Foundation invested around \$100m USD through the UN Refugee Agency (UNHCR) in the five camps. The investment was divided into two main grant phases. The first phase (2012-14), based on a grant of \$61.5m USD, focused mainly on emergency relief and infrastructure. By creating important infrastructure and services, this period laid effective foundations for what followed. The second phase (2015-18), based on a grant of \$37.5m USD, came with a shift towards livelihoods and self-reliance with an emphasis on agriculture, livestock, and retail commerce. The outlay is the largest private sector investment ever made in a refugee setting.

However, at the time the IKEA Foundation was developing its programmes, there were no clearly defined roadmaps or frameworks for how to build sustainable economies in remote border regions. Even within development economics, there is

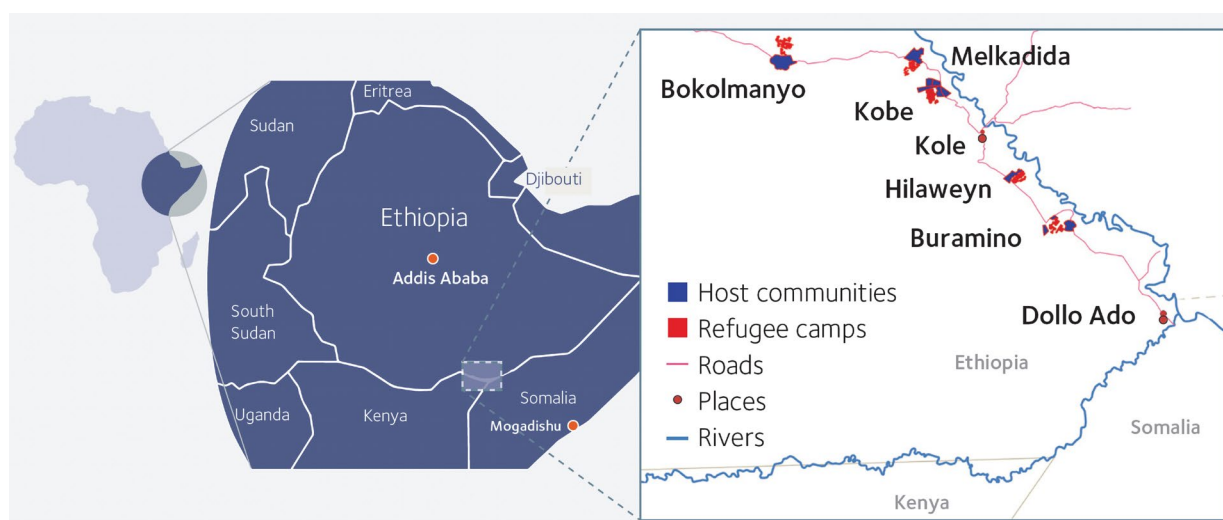


Figure 1. Map showing the Dollo Ado refugee camps in a remote border area

almost no literature relating to remote border economies, and that which does exist tends to focus on wealthier regions like Alaska, the Australian outback, and the Scottish Highlands. The Foundation, UNHCR, and the Government therefore needed to collaborate in an iterative way: ‘learning by doing’. It is only retrospectively that we can now look back, reflect on the experience, and derive from it the basis of a preliminary roadmap for how to build remote economies.

This highlights pivotal questions: What can the rest of the world learn from Dollo Ado? What has worked and what has not? What are the pre-conditions for building sustainable and inclusive economies in refugee-hosting regions? And what roles and responsibilities does it imply for national and international actors, within the public and private sectors?

Through our retrospective evaluation, we have derived a preliminary framework that highlights five core elements that appear to be crucial for sustainable development in remote border regions: 1) political will; 2) infrastructure; 3) cultural relevance; 4) comparative advantage; 5) external inputs (Figure 2).

The five elements are not intended to be sequential steps but rather outline the pre-conditions that need to be met in order for a remote refugee-hosting region to gradually move from an aid economy to a sustainable economic system capable of supporting self-reliance for refugees and the host community.

### 1. Political will

Political will is crucial for building refugee economies for several reasons. First, politics shapes the regulatory environment. Refugees will be far better able to contribute economically if they have the right to work and other basic socio-economic

rights such as mobility and property rights. Second, politics also influences investment risk. If governments signal a commitment to socio-economic integration for refugees and invest in an auspicious business environment, the private sector is likely to perceive investment risk differently. Third, politics matter for the provision of public goods. Even if externally funded, political will is a key aspect of the effective delivery of education, health, policing, infrastructure, and macroeconomic management. There needs to be commitment to effective delivery and to extending access to refugee communities. From the Dollo Ado context we derive three main steps.

### First, identify authorities that exert de facto and de jure influence over political processes in the region.

- A. Identify federal-level authorities that can secure political and financial support from ministries.
- B. Identify regional authorities that can build linkages with federal authorities and support local authorities.
- C. Identify local authorities that can support projects and will benefit from capacity building.
- D. Secure the support of (transnational) customary leaders.

In Dollo Ado, there was support from federal, regional, and local actors. At the federal level, the government recognised the presence of refugees as a national development opportunity and as a means to derive both international legitimacy and resources. Locally, the UNHCR worked effectively with local

Elements of sustainability		Have these been achieved in Dollo Ado?
1	<b>Political will</b> National, regional, local, and traditional levels	There has been gradual buy-in from federal, national, and local actors, especially from 2016, partly due to changes in national politics and more effective relationships.
2	<b>Infrastructure</b> E.g. electricity, water, roads	There has been expansion of infrastructure in electricity, water, markets, education, but there are still gaps, especially relating to roads and internet connectivity.
3	<b>Cultural relevance</b> E.g. nomadic pastoralism, cross-border economic strategies	Attempts have been made to understand and work with culturally appropriate opportunities (e.g. livestock, firewood). However, there have also been ‘blind spots’, e.g. the importance of the cross-border economy and the political economy of food assistance.
4	<b>Comparative advantage</b> Based on people and place	There are few comparative advantages but three have been identified and supported: i) agriculture (Genale River); ii) livestock; iii) retail commerce, and these sectors have expanded. Human capital remains under-invested and key market linkages are lacking, meaning the economy is still largely based on the circulation of aid money.
5	<b>External inputs</b> E.g. business, philanthropy, assistance	Most inputs have been from humanitarian assistance and the IKEA Foundation’s philanthropic investments. Limited capital or for-profit investment has taken place across the region, with the exception of cross-border trade in Dollo Ado town.

Figure 2. Five elements for development of sustainable economies in remote refugee-hosting regions, as seen in Dollo Ado

representatives – the regional government in Jijiga, the Woreda in Dollo and Bokolmany, informal, transnational authorities such as the regional Somali king, and representative of the government refugee agency (ARRA). A remaining challenge is the effect of the transportation network on political linkages. It is more difficult to drive 1,000km to Jijiga, the regional capital, than it is to fly to Addis Ababa. This might lead to an imbalance in regional versus national political buy-in.

### **Second, create buy-in by conveying to authorities what is in it for them and the local populations they are accountable to, and demonstrate through results-oriented programming.**

- A. Commit to developing local markets and injecting capital into the economy.
- B. Demonstrate ability to attract financial services and private sector investment.
- C. Enhance the number and quality of services and amenities that locals benefit from.

In Dollo Ado, infrastructural development across all five camps and adjacent host communities has stimulated economic growth and associated benefits for both local and refugee populations. Private sector investments have been slower to develop, but the opening of two banks and one petrol station in the past year in the camps and the vibrancy of the markets in Dollo Ado town suggest greater future economic development. Through investments by the IKEA Foundation, the host community has benefitted from expanding street light installations, increased access to potable water, and improvements in education and health services.

### **Third, co-design handover plans with government authorities.**

UNHCR and local authorities have developed a comprehensive exit strategy for the agriculture sector. For other sectors, however, the process is slow. The local authorities struggle to match the expertise and capacity brought in by UNHCR and externally funded partners.

## **2. Infrastructure**

Types of infrastructure include: transportation, communications, water, energy, social infrastructure, and waste and recycling. Without infrastructure, the inability to import and export beyond the local context will stymie economic growth.

A challenge is how to secure finance for infrastructure. This means that public-private partnerships that guarantee future returns to private investment, or concessionary finance are often needed to facilitate infrastructural investment. All stakeholders involved in project development should have an interest in implementing these steps towards better infrastructure:

### **A. Identify physical infrastructure that is critical for market-based development.**

- a. Build and improve commercial centres to expand the availability of shopfronts and facilitate exchange.
- b. Construct buildings for manufacturing, processing goods, storing inventory, etc.
- c. Create access to critical utilities needed for business operations, e.g. electricity and water.
- d. Advocate for development of transportation infrastructure.

## **Government responsibilities on the way to Sustainable Refugee Economies**

Government authorities have to fulfil various roles in order to ensure sustainability:

### **On a national level, actors should strive to:**

- secure socio-economic rights for refugees
- establish a legal framework that allows donors, international organisations, local governments to implement integrative refugee policies
- stimulate trans-regional coordination and economic linkages (e.g. secure and invest in transport routes to remote areas)
- motivate and enable local implementing organisation (e.g. local NGOs) to work in remote economy
- harmonise foreign policy and border management with the concept of remote border economic development

In countries with high levels of political decentralisation, local governments have discretion to determine whether and how refugees are included in local development strategies.

### **Further, local authorities' role is to:**

- communicate and mediate between refugee and host populations
- create legal frameworks to facilitate economic inclusion of refugees, e.g. through land rights and legalisation of refugee business activities
- bring in knowledge about the local environment, market structures, and economic opportunities
- communicate advantages of refugee economic development and resulting needs with superordinate administration, e.g. regional and national government
- invest in regular meetings and prepare detailed hand-over plans for UNHCR or other stakeholder to withdraw or reduce responsibility for project developments

## B. Identify technologies that are critical for market development.

- a. Procure advanced machinery and locally accessible technology necessary for livelihood activities, e.g. tractors, generators, pasteurisers, grain mills.
- b. Advocate for development of telecommunications networks.

In Dollo Ado, progress has been made in relation to improving access to electricity and water. Around 24% of refugee households have access to electricity within the home, mainly as a result of solar systems provided to households and solar mini-grids. Investment in 29km of irrigation canals has transformed the possibility of using water from the Genale River for agricultural purposes, creating a command area of 1,000 hectares of irrigated cropland. Building of livestock value chain facilities, and provision of tractors, refrigerators, and generators has enabled entrepreneurs to develop more advanced, profitable business practices. However, in other areas, there are significant limitations. The quality of road and transportation networks, even between the five camps and Dollo Ado town, is extremely poor, limiting the scope for importing and exporting commodities to and from the camps. Additionally, access to broadband connectivity and the phone network are very limited.

All involved actors should:

- invest in sustainable infrastructure and attract private investments;
- create an environment that allows private and state-owned companies to invest in infrastructure, e.g. telecommunication firms to roll out mobile internet;
- create local public buy-in and a sense of responsibility for infrastructure maintenance by local communities and authorities.

## 3. Cultural relevance

Economies are embedded in a broader environment that collectively shapes human behaviour. This includes the cultural, social, and geographical context. Programmes that intend to attain positive society-level outcomes need to be based on



The only road between the Dollo Ado camps is often flooded during the rainy season. Credit: R Bradenbrink

a close examination of the socio-cultural environment and must respond to it accordingly. Further, humanitarian and development interventions themselves, successful or not, shape behaviour within the socio-cultural fabric. The reluctance to synchronise aid programmes across borders and sticking to food distribution instead of cash transfers are examples of how security concerns and a state-centric approach to designing humanitarian responses have resulted in de-contextualised programming that has inhibited the level of success of projects. Therefore, it is necessary to incorporate programme strategies that are sensitive to the cross-border business strategies employed by refugees, and the approaches that households use to build social security networks.

What do we mean by this? Creating sustainable refugee economies relies upon an understanding of how economic life in a certain context looks like.

**First, the interconnectedness of the borderland has to be reflected in humanitarian programming.** In Dollo Ado, goods, services, and people move regularly across the border and a key part of the refugees' economic activity is based on cross-border strategies. Economic activities on the Ethiopian side are, for example, highly affected by humanitarian response in Somalia. In 2018, after the nearby market in Somalia had been flooded with food aid, the refugee agriculture cooperative in Dollo Ado had not been able to sell their products profitably.

**Second, there is a gap in understanding how refugees in Dollo Ado use the aid economy.** Food rations are distributed by the World Food Programme (WFP) on a monthly basis. The type of food distributed is not based on demand, but on supply. As in similar refugee contexts where in-kind food is distributed and cash access limited, many families sell a significant proportion of their food rations in order to purchase the commodities they need and want. The practice is discouraged by WFP and forces households to sell food items at below-market prices. Additionally, some refugee family members move between Somalia and Ethiopia, benefiting from humanitarian assistance on both sides of the border.

**Third, programming should incorporate cultural institutions and reflect demographic realities.** Given the mobility pattern, there are lower numbers of young men

living in the Dollo Ado refugee camps, while the camps serve as a social security for women, children and the elderly.<sup>3</sup> The prosopis firewood cooperative was designed to incorporate women refugee firewood collectors to address their protection vulnerabilities and increase their income streams. The microfinance intervention tries to adapt the business model of loan recipients according to Islamic banking rules. The presence of local nomadic pastoralism has been successfully incorporated in the establishment of a livestock value chain in Dollo Ado. Yet, the fact that livestock for many is used as a savings mechanism rather than a commodity, has

been overlooked. Further, all livelihood programmes struggle with refugees who frequently leave the camps. Some cooperatives have suffered from an inability to sustain consistent levels of activity. As a result, many cooperative members went on pursuing income-generating activities elsewhere. Finally, the Hawala system, an informal, trust-based money transfer system used by Somali refugees around the world to send remittances, has not been integrated in intervention design.

Not paying adequate attention to these three aspects has led to the fact that less than 10% of adult refugees in Dollo Ado are engaged in the areas of agriculture, livestock, and retail commerce, despite the investments by the international community. While individual UN staff in Dollo Ado are aware of these dynamics, these dynamics are not accounted for at an institutional level. This is because the UN's programmes operate at the nation-state level and the cross-border strategies are consequently ignored.

At all levels, actors can be sensitive for socio-cultural aspects and encourage project partners to:

**A. Design an array of projects that are sensitive to and reflective of socio-cultural aspects of existing livelihoods strategies and create opportunities for groups that are typically excluded from economic activities.**

- a. Design projects that cater to different mobility patterns.
- b. Design inclusive programmes, accounting for sex, age, and vulnerability.
- c. Design culturally acceptable interventions.

**B. Design project practices and procedures that incentivise reliable participation.**

- a. Encourage project participants to invest time in their communities.
- b. Ensure that projects provide consistent income-generating opportunities.
- c. Monitor participants' involvement in activities and make adaptations to the project design if needed.
- d. Remove and replace under-active or inactive participants.

## 4. Comparative advantage

Which sectors should a refugee-hosting region prioritise to create the greatest economic opportunities? Closely related to the previous point is the necessity to develop livelihoods projects that capitalise on the comparative advantages present in the local geography and the skills possessed by the target population.

In practice, for remote refugee-hosting countries, this involves identifying potential tradable goods and services which



Irrigation canal at the Kobe refugee camp, Dollo Ado, Ethiopia. Credit: R Bradenbrink

might be exported beyond the region. These may be linked to the particular place in terms of natural resources or geography – for example energy, fisheries and aquaculture, or tourism – or to people in terms of particular forms of human capital such as language skills or digital work. It might also be that some regions can fill a particular ‘niche’ within global value chains; for example, in areas such as first stage processing, value-adding services, or research and development.

Identifying potential comparative advantages in remote regions is often challenging. In Dollo Ado, for example, and the surrounding region, opportunities include livestock, agriculture, and solar energy. Besides agriculture, projects did not have clear strategies to capitalise on human and natural resources. In practice, many approaches were ad hoc and sometimes financially wasteful, such as the investments to train Technical and Vocational Education and Training (TVET) students in the absence of sufficient market opportunities. There was no overarching development plan for the Dollo Ado region into which the IKEA Foundation programmes could feed. The following points can add focus to the ways that local resources can be better optimised to contribute to the more efficient development of sustainable economies in refugee-hosting areas.

**A. Invest in development of human resources.**

- a. Support literacy and numeracy through primary, secondary, and adult education.
- b. Provide market-aligned TVET opportunities.
- c. Support entrepreneurship training and business start-up packages.

The linkage between education and livelihoods should be explicit. In Dollo Ado, large amounts have been invested in pre-primary, primary, and secondary schools, as well as a Teacher Training College to increase the enrolment and education levels of young people. Going beyond lifelong learning, this investment could have explicitly prepared individuals to pursue livelihoods opportunities. However, local labour market demands and high levels of adult illiteracy were not considered in education programming.

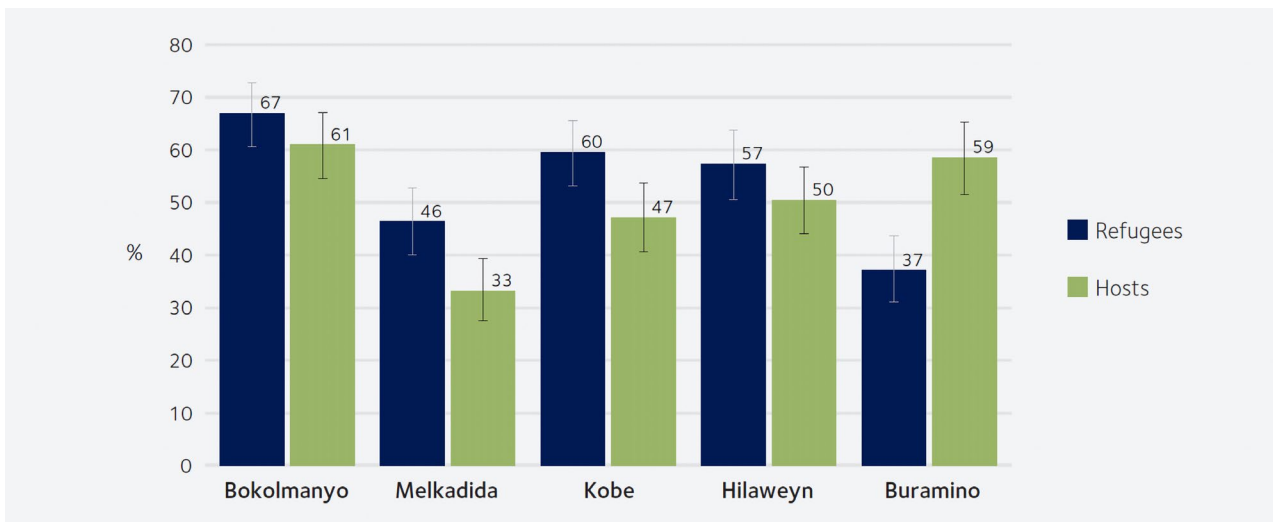


Figure 3. Percentage of households in the Dollo Ado region that own animals, by location and migration status<sup>5</sup>

**B. Build interventions that capitalise on existing geo-strategic advantages.**

- a. Identify catalytic natural resources.
- b. Develop and add value to culturally rooted livelihoods activities.
- c. Identify market opportunities based on existing trade networks.

The IKEA Foundation chose to invest in Dollo Ado explicitly because of the economic potential of the Genale River located in proximity to the camps. However, the target population’s lack of experience in large-scale, river-irrigated farming created significant challenges in developing the irrigation sites.

By supplementing traditional livestock activities with more advanced inputs and infrastructure – e.g. medicines, fattening sheds, and slaughterhouses – a successful livestock value chain has been built. The establishment of a veterinarian service (CAHW)<sup>4</sup> helps to benefit from this regional comparative advantage. While the local livestock economy seems to be benefitting from the CAHWs services, missing legal recognition of the veterinarian’s education and businesses inhibits legal procurement of animal medicine.

Therefore, three steps are important to deal with ‘comparative advantage’ – to plan, invest, and secure:

1. Stakeholders should accumulate knowledge and identify possible comparative advantages, leading to an economic/industrial policy.
2. Invest along this plan.
3. Secure advantages gained through policies, legal recognition, and official investment frameworks.

Looking beyond the context of Dollo Ado, Special Economic Zones (SEZs) may provide a potential economic opportunity for refugee and host populations. SEZs relate to the idea of having a geographical area subject to distinctive forms of economic regulation. The idea of using SEZs to create jobs for both refugees and host communities has been applied in parts of Jordan and Ethiopia.

**5. External inputs**

Creating sustainable refugee economies requires investment, whether from international assistance, philanthropy, or business. The latter potentially being the most important and yet least forthcoming one.

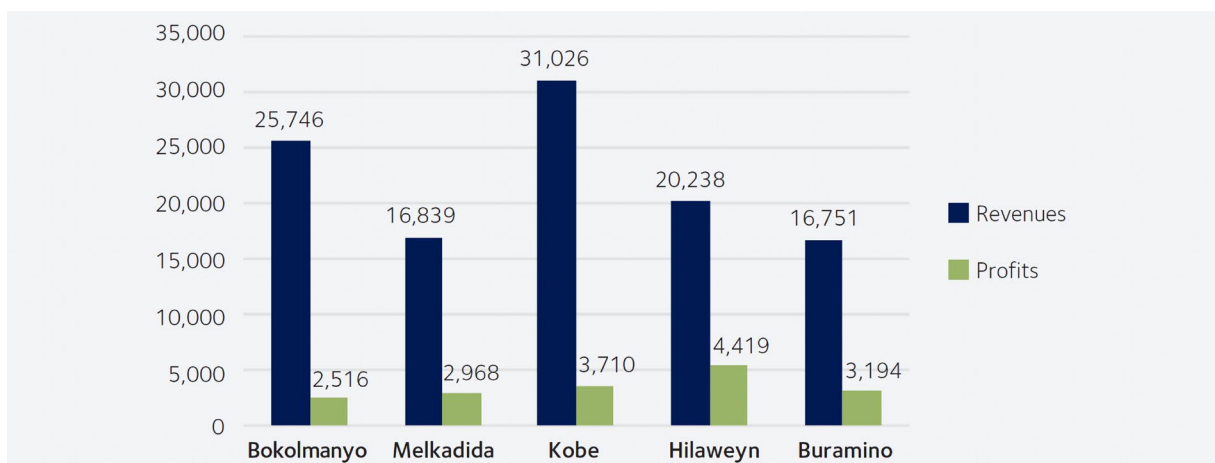


Figure 4. Revenues and profits of meat selling cooperatives, October-December 2018 (in USD)

The IKEA Foundation has provided the largest contribution of resources of any private sector actor in the Dollo Ado region. To achieve sustainability, there is a need to diversify and increase sources of external investment. To this day, the economy is mainly based on the circulation of aid money, rather than a viable private sector-led economy.

To attract international investors of multinational corporations, it is necessary to build a clear business case for investment. In dialogue with the international organisations, whether UNHCR or the World Bank, for example, government actors must embrace the role of broker between the humanitarian and business worlds.

How can a business case for investing in refugee economies best be made? Most job creation in remote refugee contexts currently comes from small and medium-sized enterprises (SMEs), whether owned by refugees or the host community. A key part of building the business sector is therefore to train and support community entrepreneurs. By expanding local entrepreneurship capacity, this may in turn contribute to market growth and make the economy more investable than it otherwise would be. However, the ability to attract external inputs, especially based on a for-profit business case, depends upon all of the preceding elements of the Sustainable Refugee Economies Framework.

## Conclusion

In addition to the local improvements, the IKEA Foundation's investment in Dollo Ado offers an important opportunity for wider learning. Both its successes and failures have the potential to provide valuable insights to humanitarian and development organisations, as well as governments working with refugees, and private sector actors considering investing in refugee-hosting regions.

In particular, the insights derived from Dollo Ado shed light on the challenge of how to build sustainable economies in remote refugee-hosting regions. At the time the IKEA Foundation embarked on its programmes in Dollo Ado, there was no clearly defined roadmap for transforming remote borderland economies. However, the experience and subsequent evaluation present an opportunity to begin to build such a roadmap.

Of course, Dollo Ado and Ethiopia have many unique features and the experience of Dollo Ado will need to be adapted to context as it is replicated. Nevertheless, the preliminary framework outlined in this Brief offers a starting point for drawing the lessons of Dollo Ado into a broader, comparative conversation with other remote refugee-hosting regions on what needs to be achieved in order to create sustainable opportunity for refugees and host communities around the world.



Refugee shop owner in Bokolmanyo refugee camp, Dollo Ado. Credit: R Bradenbrink

### Footnotes

<sup>1</sup> Betts, A., Marden, A., Bradenbrink, R., and Kaufmann, J. (2020) *Building Refugee Economies: An evaluation of the IKEA Foundation's programmes in Dollo Ado*. Oxford: Refugee Studies Centre.

<sup>2</sup> This has been strongly emphasised by World Bank (2020) 'From Isolation to Integration: The Borderlands of the Horn of Africa', Washington DC: World Bank.

<sup>3</sup> Betts, A., Bradenbrink, R., Greenland, J., Omata, N., and Sterck, O. (2019) 'Refugee Economies in Dollo Ado: Development Opportunities in a Border Region of Ethiopia'. Oxford: Refugee Studies Centre.

<sup>4</sup> Community Animal Health Workers (CAHWs).

<sup>5</sup> Betts, A. et al, (2019) *op. cit.*

### Acknowledgements

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Cover photo: Refugee shelter in Melkadida refugee camp, Dollo Ado. Credit: R Bradenbrink