

Private Sector Engagement for Internally Displaced Persons

Additional Submission by UNHCR to the UN Secretary-General's
High-Level Panel on Internal Displacement

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At UNHCR, the term **private sector** refers to corporations, foundations, philanthropists, as well as individual donors. For the purposes of this submission, foundations, philanthropists and individual donors are considered to be out of scope, except when it comes to fundraising for IDP situations. Within scope, in addition, are organizations such as social enterprises, chambers of commerce, and business associations.

1. Purpose

This paper is submitted by UNHCR to the High-Level Panel on Internal Displacement (HLP) and focuses on the role of the private sector in situations of internal displacement. It is intended to complement UNHCR's original submission to the HLP dated 8 May 2020. Its specific purpose is to answer the questions, "*what is the relevance of private sector engagement in and for IDP situations, and what are the necessary conditions and concrete opportunities for more impactful and integrated engagement?*"

UNHCR very much welcomes the Panel's inclusion of private sector engagement as an area of attention. We believe that there is untapped potential to mobilize private sector donations for IDP situations, including for emergency situations. Even more crucially, in stabilized and protracted IDP situations in particular, there is ample scope for high-impact, context-specific, cross-sector partnerships. For this to materialize, new frameworks and approaches are required involving IDPs, humanitarian and development actors, governments, and private sector actors. UNHCR stands ready to continue engaging on this topic, and support in taking forward recommendations by the Panel.

Recommendations made in this paper are based on a rapid, limited review of existing literature and a small number of interviews with UNHCR staff as well as examples drawn from UNHCR's engagement with the private sector in both refugee and IDP contexts. It is therefore not at the level of detail to recommend specific policy changes.

2. Introduction

In all economies, a dynamic, legal, well-regulated private sector is the main engine of value creation, innovation and growth. In fragile and conflict settings, this engine may fail to function normally due to interconnected challenges: insecurity, corruption, lack of effective regulation, weak institutions, and poor or damaged infrastructure. Parts of the private sector may have contributed to this problem themselves and profited from war economies. How to ensure the private sector plays a positive and constructive role in fragile and conflict settings is therefore pivotal, and increasingly well understood and documented in a growing body of research¹. The central argument of this paper is that, under certain conditions, the private sector can be more effectively engaged by humanitarian and development actors, as well as governments, in IDP situations. The private sector can play a transversal role across three broad outcome areas: advancing protection, contributing to peace, and achieving prosperity.

The private sector bears a responsibility for doing no harm and advancing protection objectives as well as durable solutions in displacement contexts. As stated in a Note to the UN General Assembly by the Secretary-General in July 2020, ‘companies should take appropriate action in response to adverse human rights impacts with which they are involved, which means that companies should cease or prevent impacts that they cause or contribute to and use their leverage to mitigate any remaining impacts [...] Where businesses have identified that they have caused or contributed to displacement, they should provide for or cooperate in its remediation. This entails engaging with those who have been affected to determine an appropriate remedy, which may include support for protection and assistance efforts and durable solutions, for instance, through funding or by supporting housing solutions for internally displaced persons, food production, and the provision of health care and education².

The private sector can directly and indirectly contribute to peace processes. Businesses with a history of operation in conflict-affected areas not only bear a particular responsibility to help restore peace – they also hold knowledge, assets, capacities and networks that can supplement government capabilities, and be leveraged to help populations transition from a war-based economy to a peace-based one. While this contribution must be nuanced³, there is evidence that the private sector’s participation in government-led programs to create employment and training opportunities for IDPs, to invest in vulnerable areas, has significant positive impacts. In doing this, businesses help restore livelihoods and reduce the likelihood of violence flaring up again.

Finally, private sector actors, especially local actors, are the key to restoring prosperity in affected communities. As noted by the World Economic Forum, ‘at least 70% of jobs globally are generated by small and medium-sized enterprises and these local entities often prove extremely resilient in fragile contexts⁴. Private sector financing should contribute to equitable growth in IDP-hosting areas, benefiting hosts and the displaced alike. This requires conducive policy environments and functioning institutions which will allow businesses to open and operate normally.

¹ Mac Sweeney, Naoise (2009).

² UNGA (2020).

³ DCED Synthesis Note (2018).

⁴ World Economic Forum (2016).

Example: Private sector engagement in Colombia

In Colombia, the process initiated by the Havana Agreement is an example of the role that the private sector may play in contributing to peaceful outcomes⁵. Following the end of hostilities between the Colombian government and the FARC in 2016, a peace agreement was signed whereby private companies were invited to become partners in implementing the peace process. By means of various institutions, incentives and instruments, the government created an enabling environment for the private sector to become involved. A combination of new territorial administrative structures, tax breaks and seed funding created a business case for investment, particularly investment in infrastructure. The Asociación Nacional de Empresarios de Colombia (ANDI), Colombia's main business association, played an important role in driving business engagement.

The private sector's commitment was directly linked to its early and formal inclusion in the peace process, and the establishment of specific policy instruments and incentives that promoted and/or de-risked certain investments. By means of targeted tax breaks and incentives, these investments were directed toward particularly vulnerable areas which companies would not have normally prioritized. A positive collateral effect of these direct investments was the launch of social programs which made full use of companies' convening power – helping bring diverse stakeholders to the table and enhancing companies' reputation by the same token. In the process, the mindset of businesses themselves shifted, from a philanthropic approach to one of co-ownership of the peace process, and mainstreaming of peace activities into core business operations. Multi-stakeholder alliances between companies, NGOs, government authorities and business associations, were essential, ensuring that different actors combined strengths and achieved a critical mass of impact.

The joint UNHCR-UNDP project 'Improving durable solutions and peacebuilding through Human Security Business Partnerships in post-Peace Agreement Colombia' builds on the above thinking⁶. Implemented in 2019-2021, the project aims to increase the participation of the private sector in ZOMAC territories (most affected zones by the armed conflict) as a contribution to durable solutions and peacebuilding processes. It targets both urban and semi-urban zones in the departments of Nariño (Tumaco and El Charco) and Antioquia (Bello, Dabeiba and Ituango). It aims to achieve this through: 1) training communities in how to dialogue with institutions and the private sector, 2) developing and supporting initiatives that improve economic security, 3) strengthening of local institutions, and 4) dissemination of results and knowledge management.

⁵ Martin, Mary (2020).

⁶ UNHCR and UNDP (2021).

3. Roles of the private sector

Humanitarian engagement through procurement and philanthropy

The humanitarian system continues to engage with the private sector mainly through procurement and through philanthropy. UNHCR alone procures over a billion dollars' worth of goods and services annually. This form of engagement remains essential to ensure that the basic needs of displaced persons are met.

Example: UNHCR engagement with Vodacom in the Democratic Republic of the Congo (DRC)

In the DRC, UNHCR partners indirectly (through NGO partners) with Vodacom to deliver cash-based interventions for IDPs. Through M-Pesa, one of the world's leading mobile payment services, Vodacom offers mobile bank accounts for refugees and IDPs in DRC. The presence of mobile operators providing access to financial services in post-conflict, IDP-hosting areas can be crucial, as security conditions or access issues may deter financial actors such as banks to operate in these areas and offer traditional financial services.

While the use of mobile phones for cash assistance can be crucial to reach beneficiaries, it is not without its challenges. A major challenge with this intervention is the lack of civil documentation among the IDP population. Since the last population census in 1984, no administrative census has been carried out, with the consequence that no Congolese today has a national identity card. Those who register to vote in the election receive a voter's registration card, which is the most commonly used documentation to access support and services. However, since the situation of displacement made it difficult for IDPs to register to vote during the voter registration process, many IDPs do not have the voter's registration card.

Another challenge experienced by IDPs is that mobile usage can be infrequent. This can be because of lack of habit of using a mobile phone, inadequate network coverage, lack of access to electricity to charge a mobile phone, or lack of money to buy airtime. IDPs may also not receive a cash transfer for a period of time. As a result, their SIM cards may get deactivated. This causes problems with cash-based interventions reaching intended beneficiaries as well and leads to higher than expected operational costs.

Combining forces among humanitarian actors may be very important in helping resolve these issues. By joining forces, humanitarian actors increase their bargaining power and the flow of business to operators. This can draw in other mobile operators to the area, promote competition, and thereby increase the reliability and quality of services.

With regard to philanthropy, UNHCR has seen a considerable increase in donations from the private sector for its work - from US\$30 million dollars in 2008 to over US\$530 million dollars in 2020, with the bulk of these donations coming from individual donors. Of this amount, donations earmarked for IDP situations totalled US\$32 million dollars in 2020, an increase of 10% from 2019. Cumulatively, over the period 2015-2020, donations for IDP situations were a cumulative US\$97 million dollars. Targeted appeals to private donors for emergency situations, such as UNCHR's appeal for Yemen, can therefore clearly contribute to mobilizing significant cash and in-kind contributions toward the humanitarian response. In addition to mobilizing swift financial support, fundraising activities across multiple channels help build empathy and awareness among individuals, companies and foundations. UNHCR has had success in using Islamic social finance to raise funds for IDP situations and this fundraising approach holds considerable potential, as further described below.

Example: the potential of Islamic Social Finance for IDPs

Background and Rationale:

Of the 45.7 million IDPs worldwide⁷, many originate from and are located in Muslim-majority countries/member states of the Organization for Islamic Cooperation (OIC), including Iraq, Afghanistan, Syria and Yemen. In light of this reality, Islamic social finance tools have great potential for promoting the economic inclusion for IDPs and helping them achieve economic self-sufficiency, as well as providing direct assistance to help them meet a variety of needs, including access to food, water, healthcare, and shelter.

Despite a very small share in the global financial system, Islamic finance attracts all specialists in the field with an average annual growth rate of 20%. It is noteworthy that Islamic finance can be used not only in Muslim-majority countries but also in non-Muslim countries. The global Islamic finance industry is estimated at around \$2.1 trillion: it is not only comprised of Islamic banking and financial instruments such as Sukuk (Sharia-compliant bonds), Islamic microfinance, Takaful (Sharia-compliant insurance), but also of non-commercial tools such as Zakat (obligatory charity), Sadaqah (voluntary charity), Waqf (charitable endowments), Qard al-Hasan (interest-free loans) and purification funds from Islamic financial institutions (profit generated from non-Sharia compliant transactions that must be donated to charity). Indeed, these non-commercial social tools are estimated to form an important share of the overall industry, with the Islamic Development Bank Group (IsDB) estimating the potential of Zakat alone globally in the range of \$550-600 billion.

The use of these social finance tools can be a game changer for IDPs, helping foster economic inclusion within their environment, and leading to important and sustainable improvements in their situation, not to mention helping to achieve Sustainable Development Goals (SDGs). Delving deeper into the potential applications for each tool, we find that they can contribute substantially to the alleviation of the plight of IDPs.

Zakat and Sadaqah:

One of the five pillars of Islam, Zakat is an obligatory tax that is levied on wealth that is in excess of a certain threshold. It is used purely for social welfare and nothing is expected in return in terms of repayment or remuneration. Sadaqah is a voluntary charitable act, often in the form of a one-time or regular cash payment. The Quran identifies eight categories of zakat-eligible beneficiaries, four of which apply to many IDPs (and refugees), namely the poor (*fuqarâ'*), the needy (*masâkîn*), the wayfarers (*abnâ' as-sabîl*) and the debtors (*ghârimûn*). It also aligns with several SDGs, namely No poverty (SDG 1), Zero hunger (SDG 2), Reduced inequalities (SDG 10) and the SDGs' commitment to leave no one behind. Through Zakat and Sadaqah, emergency relief can be provided to IDPs, including via direct cash and in-kind assistance, which gives internally displaced communities similar access to markets and services as local host communities, and allows them to contribute to the local economy. It also provides IDPs and their host community with access to food, water, healthcare and shelter.

Purification Funds:

Certain prohibited types of income in Islam, such as interest or late payment fees, must be 'purified' by donating them to a charity. Purification funds have a great potential to contribute to humanitarian response, and this potential is yet to be fully harnessed. Islamic financial institutions are aspiring to strategically utilize such funds, in order to maximize their social and humanitarian impact.

⁷ UNHCR Global Trends (2019)

Qard al-Hassan and microfinance

Qard al-Hassan is an interest-free loan that is used, among other purposes, to settle short-term funding requirements, the borrower being only required to pay the principal. It is the main tool used for Islamic microfinance and could facilitate access to funds for SMEs run by IDPs, while promoting economic activity and participation. It could allow IDPs greater facility for entrepreneurial endeavors and, subsequently, more financial and business literacy and economic self-sufficiency.

Waqf:

A Waqf is an endowment. It consists of allowing free use of an asset or cash to achieve social objectives, including providing housing, basic services, education, healthcare or access to funds.

One of the main impediments to gaining greater access to Waqf is the absence of proper governance mechanisms within organizations and institutions that aim to make use of these assets, the overwhelming majority of which are administered by government-run agencies or ministries. Empowering the governments of Muslim-majority countries to establish transparent Waqf institutions, setting up Waqf governance boards within NGOs/ INGOs or establishing partnerships with credible Waqf administrators would pave way to a large number of these assets being used for the benefit of people in need of assistance, including IDPs.

Uses of Waqf endowments can include:

- Dedicating endowed land to build affordable education/ health facilities, housing projects or set up temporary settlements for IDPs, or allow use of the land for agricultural or real estate investments, with revenues going to IDPs (some of these projects could employ some IDPs too);
- Allocating cash waqf to be used as loans for IDPs, or towards investments projects, with revenues going to IDPs.

Sukuk:

According to the Accounting and Auditing Organization for Islamic Financial Institutions (AAOIFI), "Sukuk are certificates of equal value representing undivided shares in ownership of tangible assets, usufruct and services or (in the ownership of) the assets of particular projects or special investment activity, however, this is true after receipt of the value of the Sukuk, the closing of subscription and the employment of funds received for the purpose for which the Sukuk were issued."

The issuance of Sukuk, as an instrument in Islamic finance, has been growing in recent years, especially for infrastructure financing in emerging and developing economies. The financial burden of growing infrastructure needs can no longer be assumed solely by governments or by means of conventional lending. As a result, and in response to the need for mobilizing more innovative sources of financing, Sukuk has become one of the most prominent financing instruments used to finance high volume infrastructure projects.

For example, Sukuk can be used to fund environmentally sustainable infrastructure projects (Green Sukuk) such as the construction of renewable energy generation facility, which could appeal to both sukuk investors and conventional environment focused investors. In a similar fashion as Green Sukuk, humanitarian or IDP Sukuk can potentially be issued to help foster economic activity among IDPs. Another relevant example is Vaccine Sukuk which were issued in 2014, 2015 and 2018 by the International Finance Facility for Immunization (IFFIm) to boost immunization programs that save children's lives in the world's poorest countries.

The promise of cross-sector partnerships

Cross-sector, context-specific partnerships between businesses and humanitarian actors tap the private sector's expertise, capacity for innovation, and influence, to achieve positive outcomes for forcibly displaced persons. Both local and multi-national businesses may play important roles in such partnerships, whether to co-create solutions, to direct investments toward areas hosting forcibly displaced persons, or to support individual livelihood opportunities, as part of an integrated response. At the very least, it is in the interest of local businesses to be sensitized to the needs and specific vulnerabilities of IDPs in markets where they operate – in order to offer relevant products and services, and in this way expand their business. Awareness-raising initiatives by government entities, supported by humanitarian actors, development actors, and business associations, can help achieve this aim. Normative frameworks such as the UN Guiding Principles on Business and Human Rights provide frameworks for both States and businesses to dialogue and engage on human rights issues.

As noted by the European Centre for Development Policy Management, private sector actors can play a multitude of roles at different stages of the migration cycle:

- 1) provide goods and services to refugees and migrants
- 2) provide services to governments in support of migration governance and, in some cases, act on behalf of the government
- 3) act as an employer and engaging in job creation for refugees and migrants (including prospective migrants and migrant hosting societies)
- 4) engage in lobbying to influence migration policies and legislation, thus contributing to how the governance of migration and mobility is shaped
- 5) act as a consumer or buyer of goods and services produced by migrants⁸.

A number of formal mechanisms may be considered: employment programs aimed at displaced persons; specific policies that guarantee the rights of displaced persons to be hired if they are the best candidate; employee volunteering programs in support of IDP entrepreneurship projects; inclusion of IDP-led businesses into value chains; participation in as well as funding of reconciliation initiatives that include IDPs; as well as tax incentives and subsidies that will promote investment in IDP-hosting areas. Research, for example by ILO in Ukraine, points to the need for specific government policies and programs to increase IDPs' employability and improve their access to employment⁹. This may include a focus on transferrable skills, flexible working arrangements, tax breaks (or exemptions), compensations or subsidies for salaries and training costs, internship and apprenticeship schemes, and other modalities. As noted elsewhere, "the private sector can provide country-level financing and insurance schemes to support public systems and infrastructure in areas where IDPs are located, as well as micro-level financing targeting IDPs directly, such as through venture capital-like funding for small businesses, start-ups, and social enterprises"¹⁰.

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