

# NEW ISSUES IN REFUGEE RESEARCH

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## **FROM CARE AND MAINTENANCE TO SELF-RELIANCE: SUSTAINABLE BUSINESS MODEL CONNECTING MALIAN REFUGEE ARTISANS TO SWISS MARKETS USING PUBLIC-PRIVATE PARTNERSHIPS**

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## Introduction

The refugee crisis has reached critical mass today, with governments, communities, and UNHCR alike all trying to keep abreast of providing necessary support to people fleeing war and persecution. UNHCR is mandated to lead and coordinate international action for the worldwide protection of refugees and the resolution of refugee problems, and its primary purpose is to safeguard the legal rights and well-being of refugees. Traditionally, economic empowerment and development work is left to other specialized agencies and national development plans, yet these agencies do not generally include refugees in their work. As a result, two-thirds of the world's refugee population is trapped in long stays, with the average being 17 years with little access to a sustained and viable source of income. There is a crisis within the refugee crisis, one of sheer waste of human potential that demands a response beyond basic humanitarian assistance.

Yet, UNHCR does not have the resources to provide beyond basic needs in such protracted stays. Providing opportunities for dignified work would allow refugees to meet their own needs. However, refugees, as aliens, are frequently excluded from employment and national development plans. Last year, the number of displaced people globally surpassed 60 million, for the first time since after World War II.<sup>1</sup> When refugees do not have means for survival in their countries of first asylum, they may risk their lives and undertake dangerous journeys to seek better livelihoods elsewhere. This became starkly evident in the last few years, as hundreds of thousands of refugees left extremely difficult conditions in countries of first asylum for the shores and cities of Europe. UNHCR has been focusing efforts to enable refugees to achieve self-reliance and to contribute to their communities, as well as to promote synergies between humanitarian action and longer-term, partnership-based cooperation, planning and development. A new, largely unexplored area is how to leverage the private sector to attain these goals, the focus of this paper.

Within the private sector, one overlooked sector where refugees are highly skilled, is the artisan sector. UNHCR data shows that, in absolute terms, the number of artisans who are on the run, or in exile, is truly impressive. These refugees have skills that represent centuries of traditions, but do not have the opportunities to connect to the global demands for quality handmade artisanal products. They need support in finding markets, but also in product design, production process, financing, pricing, positioning strategy and finding the outlets to source their products in a sustainable way. This paper focuses on a successful livelihoods program in this sector, but the framework may be applied to other sectors, and indeed the analysis of partnership between UNHCR and private sector companies can be applied to other areas of cooperation.

Working with private sector to promote refugee employment is a natural place to begin, given the funding shortfall and pressing need for practical solutions. Helping refugees connect to markets would significantly improve refugees' access to long-term self-reliance. This remains one of UNHCR's largest challenges, and it would serve the UNHCR mandate to allow refugees to lead their lives with dignity. Secondly, it would greatly reduce UNHCR's care and maintenance costs. This paper seeks to, firstly, investigate sourcing companies' interests based on frameworks related to corporate social responsibility (CSR), shared value creation (CSV) and sustainable value chains; secondly, apply key marketing and risk management tools to further refine a sustainable business idea involving refugee crafted goods. Lastly, insights from the Public-Private Partnership (PPP) literature are integrated in order to clarify UNHCR's position in a PPP. Recommendations on how to use the sustainable business model as a starting point to develop PPPs between UNHCR and strategic private sector partners.

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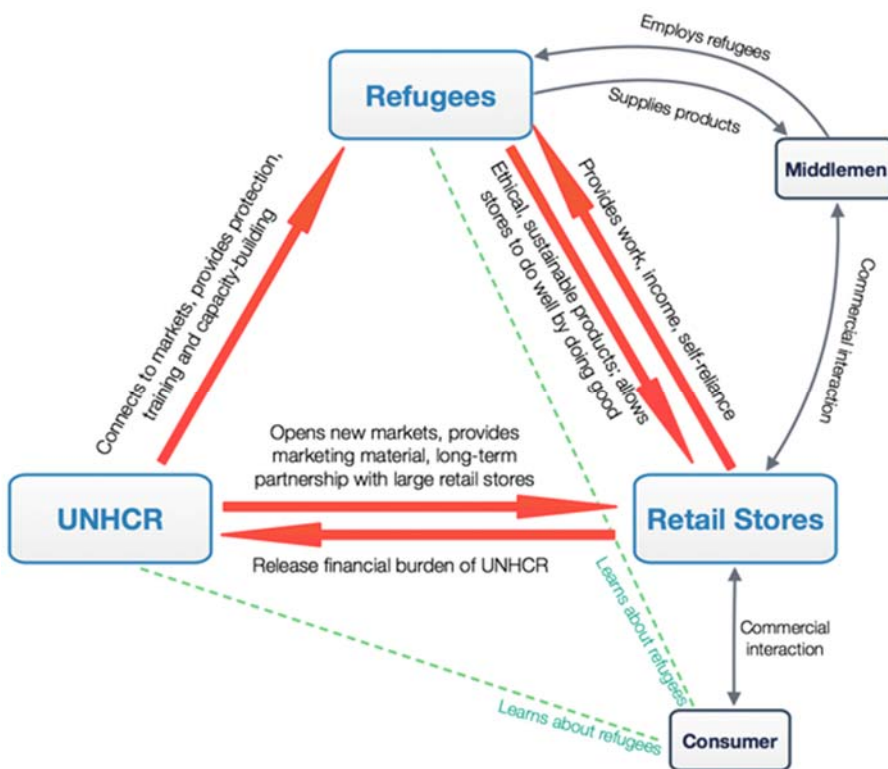
<sup>1</sup> *World Refugee Day: Global forced displacement tops 50 million for first time in post-World War II era.* Retrieved November 8, 2015, from <http://www.unhcr.org/53a155bc6.html>

## The Sustainable Business Model

This model is built on an innovative approach to create competitive advantage for existing Swiss retailers while contributing to meaningful social impact. The idea is that both UNHCR and the companies bring their core competencies together, to work to create a durable link between skilled refugee artisans and global markets. In doing so, each gains financially while refugees gain access to a dependable income. This model can be applied across sector and in markets globally.

UNHCR identifies refugee artisans and provides further business and skills training for them. The participating private sector are those firms selling similar products; however within the model, the company has an opportunity to build in social impact by sourcing the products made by refugees. These products can be marketed as supporting a cause that consumers care about, a social issue they can help provide a solution for: of assisting refugees to earn a dignified living. Retailers also have the option of tweaking the design of the products to align it with their core offerings, ensuring profitability.

UNHCR acts as a broker organization that connects Swiss retailers to the refugees and their products. UNHCR also identifies and organizes the refugee artisans, helping build their capacities, as part of its core activities. A reliable middleman is also identified by UNHCR, acts as the intermediary between retailers and refugees. UNHCR is not involved in the commercial aspects of this model. However, UNHCR provides “storytelling” materials and data for marketing purposes and helps with the coordination of future developments in the camp. This is a unique model that relies on public and private parties in order to build a win-win solution with financial benefits for private sector companies, UNHCR, and refugees. The sustainable business model is depicted in below.



In this model, UNHCR serves as the broker in a multi-stakeholder initiative with a purpose of connecting refugee artisan goods to global markets, establishing a sustainable supply chain. All stakeholders have a core expertise that plays an essential part in the sustainable business model. Participation in the business model should create benefits and economic value for all the stakeholders. Refugees have access to a source of reliable and continuing income while using their existing skills and assets; local

businesses (the middleman) have expanded business opportunities, therefore demonstrating to the local community and the government the benefits of economic inclusion of refugees; the international retailers help a social cause valued by consumers while expanding their product portfolio; and consumer's demand for a decor product supporting a compelling cause is met.

UNHCR's contribution to the business model is manifold. It identifies and hones the skills of refugee artisans. UNHCR also helps with its human rights knowledge in the concrete business model. It has the data that demonstrates the necessity to support refugee self-reliance, and provides evidence of this in the form of life stories of artisans, which are also of interest to the consumer. UNHCR can also ensure that the production is ethical and the work is being carried out with standards in line with ILO Labor Conventions. UNHCR protection principles would ensure that rights at work are being met, an important consideration for companies, who are concerned with human rights violations in their supply chain.

UNHCR's gain would be reduced 'care and maintenance' costs; these are the costs incurred when providing basic humanitarian assistance, such as shelter, food, water and health care. As refugees achieve dignified and sustained self-reliance, UNHCR expenditure will decline. But beyond this, the success of this model has a multiplier effect for UNHCR. A business model that has at its heart refugees' skills and creativity, makes the case for more inclusion of refugee labor in the host economy. As is explored in this paper, one of the major challenges of refugee artisans is the right to work. UNHCR can demonstrate that such a business model also creates value for the hosting nation, whose economies benefit from increased exports, and whose local businesses increase profits. When scaling this sustainable business model to other UNHCR operations, as well as to other sector beyond artisan work, this can be used to advocate for refugee inclusion in development plans. It would also serve as a model for Public-Private Partnership, whereby private sector companies can help alleviate a social problem within the parameters of the business strategy.

## The Reality of a Refugee

Protecting refugees and providing life-saving humanitarian assistance is the core mandate of UNHCR, which was set up at the end of World War II.<sup>2</sup> "Protection" here refers to legal assistance that "ensures the basic human rights of uprooted or stateless people in their countries of asylum or habitual residence and that refugees will not be returned involuntarily to a country where they could face persecution."<sup>3</sup> Much of UNHCR's work is conducted with the imperative of saving lives being paramount. In these contexts, UNHCR provides legal protection, shelter, water and sanitation and other necessities of life. However, today, the majority of refugees do not live in the context of an emergency. Humanitarian measures, such as tents, and a certain number of kilocalories per day, provide lifesaving relief over the short-run, but can become a confining limitation if they become the sole option for existence over the long run, without hope of rebuilding a home and life. In these cases, development assistance would also be required. However, refugees have not traditionally been on the radar of these efforts.

Last year, the number of forcibly displaced people globally surpassed 60 million for the first time since after World War II.<sup>4</sup> The rate of forced human displacement is at an all-time high, and the primary cause is unresolved and ongoing global wars and conflict.<sup>5</sup> UNHCR works with international governments to offer humanitarian assistance and beyond that, durable solutions for refugees. Where possible, this is through the first durable solution, voluntary return to countries of origins. However, due to wars and conflicts that continue without resolution, recent years have seen the lowest rate of refugee returns to home countries in almost a quarter century – only 414,600, or less than 1%, of the total 51 million refugees in 2013.<sup>6</sup> The second durable solution is local integration, and this refers to a change in legal status, whereby refugees are allowed legal rights in live permanently in the country of asylum, and enjoy the same rights as nationals. However, very few countries allow this to occur. The third and final durable

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<sup>2</sup> *World Refugee Day: Global forced displacement tops 50 million for first time in post-World War II era.* Retrieved November 8, 2015, from <http://www.unhcr.org/53a155bc6.html>

<sup>3</sup> *UNHCR Protection: A Safety Net.* Retrieved November 8, 2015, from <http://www.unhcr.org/pages/49c3646cc8.html>

<sup>4</sup> *World Refugee Day: Global forced displacement tops 50 million for first time in post-World War II era.* Retrieved November 8, 2015, from <http://www.unhcr.org/53a155bc6.html>

<sup>5</sup> *New UNHCR report says global forced displacement at 18-year high.* Retrieved November 2, 2015, from <http://www.unhcr.org/51c071816.html>

<sup>6</sup> *World Refugee Day: Global forced displacement tops 50 million for first time in post-World War II era.* Retrieved November 8, 2015, from <http://www.unhcr.org/53a155bc6.html>

solution is legal resettlement into a country different than the first country of asylum. Some 98,400, or less than 0.2% of refugees, were legally resettled in 21 countries in 2013.<sup>7</sup>

As a result, long-term displacement is a harsh reality for refugees today. Over two-thirds of the world's refugee population is trapped in a protracted situation.<sup>8</sup> This crisis of wasted potential can be seen as the one of the underlying causes of the other more visible crisis in Europe today, of vast refugee flows.<sup>9</sup> The Livelihoods program discussed in this paper seeks to find viable solutions to create productive and promising lives for refugees.

### *The Refugee Crisis in Europe*

Without the option of a viable future, the desperate situation of refugees in protracted situations leads to desperate measures to search for a better life. Refugee families thus risk their lives being illegally trafficked across seas and land in dangerous journeys. Those that do survive this hazardous journey seek asylum in European countries. With the unprecedented movements of refugees following the war in Syria and other Middle-Eastern and African nations, the number of asylum seekers has increased at unexpected rates.

It is important to point out that refugees differ from migrants in that they are people who are fleeing conflict, persecution and/or abuses of their human rights and they have a right under international law to seek asylum in other countries. Many refugees risk their lives to make such journeys because they cannot access or sustain a source of livelihoods in their first countries of asylum. There are many voices that weigh in on mitigating the impact of such influxes of refugees on the economic stability of European nations. Some, like Germany, recognize the potential of refugees to fill in labor gaps within an aging populace.<sup>10</sup> Other voices call for appropriate responsibility sharing according to the wealth of the nation for admitting refugees. Responsibility sharing could also consist of supporting refugee livelihoods in their original country of asylum. Were refugees able to support themselves and their families in sustainable ways in their original host country, there would be far fewer perilous journeys across the Mediterranean.

The European Council together with key African nations participated in an international summit to discuss migration issues in Valletta on 11 and 12 November 2015, to further their work on EU-Africa Dialogue on Migration and Mobility<sup>11</sup>, with the view to protect migrants and refugees. They too identified the need to promote livelihoods in the first country of asylum as a prevention mechanism for irregular migrations:

Migration within Africa and Europe, from Africa to Europe and from Europe to Africa is a multifaceted phenomenon. We commit to address the root causes of irregular migration and forced displacement resulting from state fragility and insecurity, as well as from demographic, economic and environmental trends. This common response will focus on reducing poverty, promoting peace, good governance, rule of law and respect for human rights, supporting inclusive economic growth through investment opportunities and the creation of decent jobs, improving the delivery of basic services such as education, health and security. Rekindling hope, notably for the African youth, must be this paramount objective.<sup>12</sup>

In a recent speech,<sup>13</sup> UN secretary general Ban Ki-moon discussed how unresolved refugee displacement "can upend a country's path to peace and prosperity," and that "the needs and potential of displaced populations must be reflected in national development plans." So, responsibility sharing also means solidarity with countries of the first asylum so that there is the determination to jointly bear the

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<sup>7</sup>Ibid.

<sup>8</sup> *Protracted Refugee Situations: Political, Human Rights and Security Implications* - United Nations University (2008). Retrieved November 2, 2015, from <http://unu.edu/publications/books/protracted-refugee-situations-political-human-rights-and-security-implications.html#overview>

<sup>9</sup> Girit S. (2015) *Syrians in Turkey: 'We just want a normal life'* - BBC News. Retrieved November 3, 2015, from <http://www.bbc.com/news/world-europe-34472884>

<sup>10</sup> *Migrants Offer Hope for Aging German Workforce*. Retrieved November 3, 2015, from <http://www.wsj.com/articles/migrants-offer-hope-for-aging-german-workforce-1441928931>

<sup>11</sup> *Valletta Summit on migration, 11-12/11/2015*. retrieved on November 21, 2015 from <http://www.consilium.europa.eu/en/meetings/international-summit/2015/11/11-12/>

<sup>12</sup> *Final Declaration on Valletta Summit*. Retrieved November 21, 2015 from [http://igad.int/attachments/1241\\_FINAL%20DECLARATION%20OF%20VALLETTA%20SUMMIT%20ON%20MIGRATION.pdf](http://igad.int/attachments/1241_FINAL%20DECLARATION%20OF%20VALLETTA%20SUMMIT%20ON%20MIGRATION.pdf)

<sup>13</sup> *Ban Ki-moon. United Nations, Secretary-General*, Retrieved November 3, 2015, from <http://www.un.org/sg/statements/index.asp?nid=8074>

costs of the refugee crisis. Thus, interventions targeted at helping refugees themselves and at the same time supporting the local economy should be prioritized. Interventions that aid in refugee self-reliance, but also help sustain and expand local economies would provide support to host nations. UNHCR Livelihoods work thus seeks to approach programming from a development perspective, with host community and economy as stakeholders. Effective programming not only uses refugee skills to the best use of local economy, but also develops social cohesion, and trust and cooperation between refugee and host communities. By targeting equally refugees and host community members, employment can be created for both communities. By creating new export markets with previously untapped value chains allows entirely new jobs to be created, with new sources of revenue contributing to GDP and local economy.

### *International Refugee Law and the Right to Work*

Despite the possible benefits to a host economy, not all countries of asylum provide refugees the right to work. This is an important constraint to consider in developing the business model. The refugees' ability to enter the workforce in a country of asylum would depend, in great part, on whether refugees have the legal right to work in the host state. The 1951 Refugee Convention,<sup>14</sup> ratified by 147 countries, establishes refugees as autonomous persons who are entitled to dignity and rights in exile. "Refugees' work rights, including the right to engage in wage-earning employment and self-employment, are explicitly provided for in Chapter III of the Refugee Convention."<sup>15</sup> However states can sign and ratify the Refugee Convention but make exception to Chapter III. But other regional and international human rights treaties support refugees' work rights under the 1951 Refugee Convention. "The International Covenant of Economic, Social and Cultural Rights (ICESCR) recognizes the right of everyone to the opportunity to gain his living by work which he freely chooses or accepts." The UN Universal Declaration of Human Rights, in Article 23, also establishes the right to work as a fundamental human right.<sup>16</sup>

The principle of Right to Work has underpinned much of UNHCR's Livelihoods strategic thinking for some time, culminating in the 2014-2018 Global Livelihoods Strategy, where the right to work is the first of four strategic objectives. This paper examines only the case study of Burkina Faso, where the right to work for refugees is protected by law. However, this is not the case in many host countries. Legal access to work would be an important element to keep in mind when developing partnerships between UNHCR and private sector entities. It would be equally important to understand the options even when the legal work permit is absent. Such considerations include whether refugees can work legally from home (most often they can, even in countries where right to work is restricted), whether they can legally own businesses or be part of cooperatives, etc. Equally important would be to understand the private sector entity's supply chain compliance criteria for sourcing goods. Many are willing to source from workers who are in the informal economy as long as local labor rights are respected, or if it is demonstrated that excluding refugees from workforce is tantamount to a human rights violation.

As a recommendation to any potential private sector partner, in any such program, UNHCR could apprise them of refugees' human right to work, as well as the enshrinement of this right in the refugee convention, especially in case refugees do not have the right to work in the country of asylum. In case refugees do not have the right to work, it is nonetheless often possible to find employment solutions for them, such as self-employment. In many cases, the country of asylum's informal sector may be vast enough to incorporate refugees. UNHCR's core competency in human rights knowledge is an asset that can be leveraged with the private sector. Companies would not generally have the core competency to identify ways in which it would be possible to include refugees in their supply chain. They would rely on UNHCR expertise in this area in order to assess how they can fulfill a social good within the business model.

UNHCR's role would be to keep the protection concerns for refugees paramount, such as rights at work, as well as any harassment they may face if perceived as a threat to the local workforce. Private sector

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<sup>14</sup> *The 1951 Refugee Convention*. Retrieved November 8, 2015, from <http://www.unhcr.org/pages/49da0e466.html>

<sup>15</sup> *Convention and protocol relating to the status of refugees*. Retrieved November 8, 2015, from <http://www.unhcr.org/3b66c2aa10.pdf>, page 22

<sup>16</sup> *The Universal Declaration of Human Rights*. Retrieved Oct 23, 2015 from <http://www.un.org/en/universal-declaration-human-rights/>



partners who are understanding and flexible in this regard could also work to advocate with the government on benefits of refugee inclusion for the economy.

### *Refugee Artisans*

Given the magnitude of the refugee crisis and the lack of solutions available to refugees in their years of asylum, there is a compelling case for supporting refugee self-reliance. However, it is important that the idea fit into UNHCR's livelihoods and self-reliance strategy. Self-reliance is defined by UNHCR as the "ability of people, households or communities to meet their basic needs and enjoy social and economic rights in a sustainable and dignified way. By becoming self-reliant, refugees and displaced persons lead active, productive lives that contribute to society and they are able to build strong social, economic and cultural ties with their host communities. Self-reliance can assist in ensuring that persons of concern are better protected by strengthening their capacity to claim their civil, cultural, economic, political and social rights."<sup>17</sup> With participation in the business model, refugee artisans are able to meet their basic needs, as will be established in this paper.

Apart from looking after their own economic well-being, refugee self-reliance that is established as a result of the program will lead to a host of other benefits for both refugees as well as the economic ecosystem they inhabit. In the case of the business model, the increase in exports lead to a host of increased economic opportunities for local businesses as well, from the sourcing of raw materials, to the business gains made by the middleman. In scaling to other operations, where refugees live in urban contexts, local artisans can be included in the intervention by UNHCR to demonstrate added value to local economy, as well as to aid with social cohesion.

This paper also demonstrates the scalability of the idea. We would counter the preconceptions that may be present with this sector, for several of the stakeholders. As this sort of intervention is innovative at UNHCR, there may be doubts within the organization that not enough refugees could be targeted, as the perception of the artisan sector is often one of small participation and consequence. Secondly, retailers may question the feasibility of building a supply chain from remote refugee camps to Western markets. We clarified how these issues can be overcome, while others are not be substantive in the context of the sustainable business idea. This is especially important in the context of the business model; if retailers did bring up such doubts, we were prepared to clarify or else, refine the model to take into accounts real risks and concerns.

In fact, UNHCR data shows that the number of refugee lives and families this programming would affect is significant. Many refugees are skilled artisans— be it formally as professional craftsmen or artisans, or informally through, for example, embroidery work done in the seclusion of homes and families. In Burkina Faso, artisan work comprises 20% of GDP.<sup>18</sup> On the supply side, in Burkina Faso, per UNHCR studies, an estimated 37% of refugees are skilled artisans; of these 19% are heads of household. And artisan work is increasingly being recognized as an underrepresented driver for GDP growth, second only to agriculture in developing countries.<sup>19</sup> We can thus presume that refugees of other nationalities would also have a significant number of artisans among them, and UNHCR data shows, for example, that 15% of Syrian refugees in Lebanon and Turkey self-identify as artisans. Some of the artisan traditions have been practiced for millennia and many of the designs are unique to their respective region. Helping revive and broaden these artisanal activities would have the added immeasurable impact on preserving ancient traditions, and breathe new life into dying crafts.

## **Sustainable Business Model**

Sustainability became a broadly discussed topic since 1972 when the UN Conference on the Human Environment was held in Stockholm. The World Commission on Environment and Development in 1987 defined sustainable development as "development which meets the needs of the present without compromising the ability of future generations to meet their own needs, it contains two key concepts: the concept of 'needs', in particular the essential needs of the world's poor, to which overriding priority should

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<sup>17</sup> *Global Strategy for Livelihoods A UNHCR Strategy 2014-2018* (2014). Retrieved November 8, 2015, from <http://www.unhcr.org/530f107b6.pdf> p 7

<sup>18</sup> *Economie du Burkino*. (2006) Retrieved November 8, 2015, from <http://www.faso-dev.net/Economie-du-Burkina.html?page=static>

<sup>19</sup> Barber T and Krivoslykova M (2006) USAID report: *Global Market Assessment for Handicrafts*. Development Alternatives, Inc. Retrieved November 2, 2015, from [http://pdf.usaid.gov/pdf\\_docs/PNADN210.pdf](http://pdf.usaid.gov/pdf_docs/PNADN210.pdf)



be given; and the idea of limitations imposed by the state of technology and social organization on the environment's ability to meet present and future needs."<sup>20</sup>

The 2002 World Summit on Sustainable Development (WSSD) in Johannesburg reflected a major shift in the perception of sustainable development away from primarily environmental issues toward social and economic development. This shift was driven by the needs of the developing countries and strongly influenced by the United Nations led Millennium Development Goals (MDGs),<sup>21</sup> and their emphasis on extreme poverty reduction. A new agenda and set of goals have been identified for 2015-2030, known as the Sustainable Development Goals (SDGs).<sup>22</sup> These notably differ from the MDGs in their language, as they consistently refer to the benefits being seen by "all" (i.e. "end poverty in all its forms everywhere," rather than "eradicate extreme hunger and poverty"). Unlike the MDGs, their scope is universal (applicable to all countries) and they pledge to leave no one behind, including refugees and other displaced persons. This bodes well for refugees who have typically been left off the development agenda, due to their vulnerable legal and work status, discussed earlier. SDG Goal Eight is most notable in the context of refugee livelihoods: "Promote sustained, inclusive and sustainable economic growth, full and productive employment and decent work for all," with the specific target to "Protect labour rights and promote safe and secure working environments for all workers, including migrant workers, in particular women migrants, and those in precarious employment."<sup>23</sup>

When discussing the sustainable business model, it is worthwhile to point out that here, "sustainable" refers to the idea that it should be able to be maintained over time, as well as the idea that it should contribute to poverty reduction. The business model focuses on the long-term Return on Investment (ROI) in three dimensions – economic, ecological and social. This approach was evolved from the idea of the Triple Bottom Line (TBL), a term that was introduced by sustainability and CSR expert John Elkington in 1994.<sup>24</sup> He argued that when preparing accounting sheets, companies should measure not only net profit and loss account, as is traditionally done, but additionally measure two new areas, social and environmental. So, "the TBL thus consists of three Ps: profit, people and planet. It aims to measure the financial, social and environmental performance of the corporation over a period of time. Only a company that produces a TBL is taking account of the full cost involved in doing business."<sup>25</sup> Increasingly companies are producing a TBL balance sheet, not only to keep up with compliance standards but also to keep a positive image of their company in stakeholders' minds.

Another definition of the sustainable value chain can be described as good business ethics to monitor value and harm over the entire supply chain from the first supplier to the end consumer.<sup>26</sup> In this Livelihoods program, firstly, a social good is being provided for refugees via the opportunities for dignified self-reliance. Secondly, UNHCR protection mechanisms ensure that the production is ethical, with close monitoring of rights at work and using no child labor; hence the production is sustainable in the value chain. The middleman is the Fair Trade platform, and is recognized as someone who pays the refugees fairly, and generally as an arbiter of good ethical practices in trade and transport. Here too, the production, as well as outbound logistics correspond with good business ethics. UNHCR stories of refugee lives provided as marketing material to use when selling the products to the retailers allows them to create the ethical story for the products; again this is in line with the sustainable value chain method.

A wider result of both sets of the development goals is that sustainable development has become the focus of both public and private sectors, sometimes in coordinated capacities. This is a marked opportunity for organizations like UNHCR to enter into partnerships with private sector partners who are interested in being a part of sustainable development. This will be discussed further in the section for Public Private Partnership.

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<sup>20</sup> this *Common Future, Chapter 2: Towards Sustainable Development - A/42/427 Annex, Chapter 2 - UN Documents: Gathering a body of global agreements*. Retrieved November 3, 2015, from <http://www.un-documents.net/ocf-02.htm>

<sup>21</sup> *Millennium Program*. Commissioned by UN Secretary General (2002-2006) Retrieved November 8, 2015, from <http://www.unmillenniumprogram.org/goals/>

<sup>22</sup> *Sustainable Development Goals*. Retrieved November 8, 2015, from <https://sustainabledevelopment.un.org/topics>

<sup>23</sup> Ibid.

<sup>24</sup> *Triple Bottom Line* (2009). The Economist, Retrieved November 2, 2015, from <http://www.economist.com/node/14301663>

<sup>25</sup> Ibid

<sup>26</sup> Ibid

## Fair Trade

Fair trade is an example approaching a sustainable business model not as a “secondary priority” or obligation, but rather one that puts ethics and sustainability at the core of the business model. Some literature sources state that Fair Trade started even before the establishment of the CSR concept. In 1946, the U.S.-based company “Ten Thousand Villages (formerly Self-Help Crafts) began buying needlework from Puerto Rico, and in 1958, opened the first formal “Fair Trade” shop, which sold these and other items in the USA.”<sup>27</sup>

In Europe, “Fair Trade” started in the late 1950s when “Oxfam UK started to sell crafts made by Chinese refugees in Oxfam shops. In 1964 Oxfam UK created the first Fair Trade Organization. Parallel initiatives were taking place in the Netherlands and in 1967 the importing organization, Fair Trade Original, was established.”<sup>28</sup> This reflects that the selected portfolio of products and the ethical story behind them may be a valuable proposition for the Fair Trade channel, as it all started in Europe, and the focus was refugees and artisan products.

### *How Fair Trade Works*

According to the UN agency, International Trade Center, (ITC), which specializes in getting Small and Medium Companies (SMEs) from developing countries connected to export markets, Fair Trade organizations use five main tools to contribute to development of its members:

**Price premiums:** Consumers are willing to pay a higher price when they believe in the positive impact on the global society. Part of the price premium is going to the producer communities, which allows them to reinvest into the production and improve the level of life.

**Certification and labeling:** Fair Trade standards are followed to improve “product quality, working conditions, environmental sustainability, business development and training”<sup>29</sup>. There are several Fair Trade Labels in the globe, the main ones in Europe are Max Havelaar, TransFair, Fairtrade mark and Rättvisemärkt. All of the Labeling organizations are coordinated by Fairtrade Labelling Organizations FLO.

**Financing production via Microcredit:** This allows poor producers to access working capital, which may otherwise be difficult to access for poor communities with little collateral and at times, even access to financial institutions.

**Technical support:** This can include trade information, advice on quality standards, training in new techniques, etc.

**Advocacy:** The Fair Trade label has an important impact on the marketability of the product, and helps retail chains to generate higher sells, as some consumers, especially in the developed countries, are choosing Fair Trade products instead of regular products.<sup>30</sup>

Based on the research executed in 2005 for the Fair Trade Organization, who market products globally, the European market represents “60-70% of the Fair Trade market.”<sup>31</sup>

## Corporate Social Responsibility (CSR)

As a further evolvement of the business sustainability, the term “Corporate Social Responsibility” (CSR) was introduced. CSR can be defined broadly as “the business approach to sustainable development by delivering economic, social and environmental benefits for all stakeholders.”<sup>32</sup> CSR has been on the corporate, public, and academic agenda starting in the 1980s. Until that time, most corporate behavior

<sup>27</sup> *When did it all begin?* « WFTO Europe. Retrieved November 3, 2015, from <http://wfto-europe.org/when-did-it-all-begin/>

<sup>28</sup> Ibid.

<sup>29</sup> *Fair Trade*. International Trade Forum Magazine. Retrieved November 3, 2015, from <http://www.tradeforum.org/Fair-Trade/>

<sup>30</sup> *Fair Trade*. International Trade Forum Magazine. Retrieved November 3, 2015, from <http://www.tradeforum.org/Fair-Trade/>

<sup>31</sup> Ibid.

<sup>32</sup> *Definition of corporate social responsibility (CSR)*, Financial Times [http://lexicon.ft.com/Term?term=corporate-social-responsibility--\(CSR\)](http://lexicon.ft.com/Term?term=corporate-social-responsibility--(CSR))

was defined by the Friedman doctrine.<sup>33</sup> Friedman has famously asserted that the sole moral responsibility of managers is to answer to the shareholders, and in doing so, to concentrate wholly on maximizing profits. Friedman further argued that a company has no social responsibility to society; as it increases profits to its shareholders, these shareholders would then have the capacity to exercise social responsibility in a private capacity.<sup>34</sup> This view of corporate responsibility, to answer only to the shareholder, was held to be the paragon of good corporate behavior.

But by the 1980s, the responsibility demands of corporations started to evolve such that they were also responsible to various stakeholders. Garvare and Johansson (2009) define stakeholders in a broader terms as “actors that provide essential means of support required by an organization and who can withdraw their support if their wants or expectations are not met, thus causing the organization to fail or inflicting unacceptable levels of damage.”<sup>35</sup> Another view of such stakeholders is “individuals and constituencies that contribute, either voluntarily or involuntarily, to [a company’s] wealth-creating capacity and activities, and who are therefore its potential beneficiaries and/or risk bearers.”<sup>36</sup> These can widely be interpreted as customers, shareholders, employees, suppliers and the local and global community. Companies today are held responsible not only for things that they have done, but to all the stakeholders mentioned, as well as to aspects of their business to which they may be tangentially connected. For example, corporations are held increasingly responsible for worker and human rights violations within but also those beyond their immediate supply chain, where production has been outsourced to suppliers in the developing world.<sup>37</sup> Now companies are not expected to keep in mind only the shareholders’ perspectives, but also those of all stakeholders.

In *Strategy and Society: The Link Between Competitive Advantage and Corporate Social Responsibility*,<sup>38</sup> Porter and Kramer posit that there are four main widely accepted reasons why companies have traditionally engaged in CSR. These are:

- ⇒ Moral obligation: This shows all stakeholders that ethical behavior is important to the company, and they are allied in values with their stakeholders.
- ⇒ Sustainability: “is widely defined as meeting the needs of the present without compromising the ability of future generations to meet their own needs.”<sup>39</sup>
- ⇒ License to operate: this generally refers to the social approval resulting from the goodwill of CSR, which supports companies to operate, but may also refer to tacit approval from governments in new markets.
- ⇒ Reputation: This refers to the idea that with an improved image will come a higher brand equity, and valuation.

Porter and Kramer go on to argue that these traditional CSR efforts can lead to inefficiencies for two reasons. Firstly, business interests are pitted as being in oppositions to those of society, when in reality the two are interdependent. Secondly, they force companies to think of CSR as an activity that is extraneous to their own strategy. They argue that “the prevailing approaches to CSR are so disconnected from strategy as to obscure many great opportunities for companies to benefit society. If corporations were to analyze their opportunities for social responsibility using the same frameworks that guide their core business choices, they would discover that CSR can be much more than a cost, a constraint, or a charitable deed—it can be a potent source of innovation and competitive advantage.”<sup>40</sup>

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<sup>33</sup> Friedman M. (1970). *The Social Responsibility of Business is to Increase its Profits* The New York Times Magazine,. Retrieved November 3, 2015, from <http://www.colorado.edu/studentgroups/libertarians/issues/friedman-soc-resp-business.html>

<sup>34</sup> Ibid.

<sup>35</sup> Garvare, R., Johansson, P. (2010). *Management for sustainability: a stakeholder theory*. *Total Quality Management & Business Excellence* (Print Edition), 21(7), p. 737-744.

<sup>36</sup> Post J.E. , Preston L.E. and Sachs S. (2002), *Managing the Extended Enterprise: The New Stakeholder View*, California Management Review 45, no. 1 p. 5–28.

<sup>37</sup> Lindgreen, A., Maon, F., Sen, M. S., & Vanhamme, J. (Eds.). (2013). *Sustainable Value Chain Management: A Research Anthology*. Gower Publishing, Ltd..

<sup>38</sup> Porter M.E & Kramer M.R. (2006) *Strategy and Society: The Link Between Competitive Advantage and Corporate Social Responsibility*. Retrieved November 8, 2015, from [http://sharedvalue.org/sites/default/files/resource-files/Strategy\\_and\\_Society.pdf](http://sharedvalue.org/sites/default/files/resource-files/Strategy_and_Society.pdf)

<sup>39</sup> Drexhage J., Murphy D., International Institute for Sustainable Development (IISD) (2010) *Sustainable Development: From Brundtland to Rio 2012*. Retrieved November 8, 2015, from

[http://www.un.org/wcm/webdav/site/climatechange/shared/gsp/docs/GSP1-6\\_Background%20on%20Sustainable%20Dev.pdf](http://www.un.org/wcm/webdav/site/climatechange/shared/gsp/docs/GSP1-6_Background%20on%20Sustainable%20Dev.pdf)

<sup>40</sup> <https://hbr.org/product/strategy-and-society-the-link-between-competitive-advantage-and-corporate-social-responsibility-hbr-bestseller/R0612D-PDF-ENG>

In this particular Livelihoods program, the businesses benefited by expanding their product offering while engaging in a social cause. They also provided a value to their consumers, who are looking for products that offer quality but also support a social cause. This idea is key in developing a concept that speaks to mutual interest of both company and society.

## Creating Shared Value

Porter and Kramer develop further the idea of strategically linking value to business and society in their work *Creating Shared Value*.<sup>41</sup> They discuss the link between competitive advantage and corporate social responsibility. Their work challenges the approach of CSR as an additional role of the business, one separate from the core mission and mainstream operations. The notable difference of the approach from CSR is that with Creating Shared Value (CSV), the social benefit can be maximized together with business profitability.

In their work *Creating Shared Value*<sup>42</sup>, Porter and Kramer defined three main ways of shared value creation:

- By reconceiving products and market
- By redefining productivity in the value chain
- By enabling local cluster development

Shared Value itself is described as “policies and operating practices that enhance the competitiveness of a company while simultaneously advancing the economic and social conditions in the communities in which it operates.

The Creating Shared Value approach was developed in order to offset the opposition between business and society – where business support of the society (CSR) was more an obligation, and not a joint benefit for the business. The social role was always left for governments, international organizations and NGOs. Further “creating shared value (CSV) should supersede corporate social responsibility (CSR) in guiding the investments of companies in their communities. CSR initiatives focus mostly on reputation and have only a limited connection to the business, making them hard to justify and maintain over the long run. In contrast, CSV is integral to a company’s profitability and competitive position. It leverages the unique resources and expertise of the company to create economic value by creating social value. In both cases, compliance with laws and ethical standards and reducing harm from corporate activities are assumed.”<sup>43</sup>



Source: Michael E. Porter and Mark R. Kramer (2011) *Creating Shared Value* p.13

<sup>41</sup> Porter M.E & Kramer M.R.(2011) *Creating Shared Value*. Retrieved November 3, 2015, from <https://hbr.org/2011/01/the-big-idea-creating-shared-value/>

<sup>42</sup>Porter M.E & Kramer M.R.(2011) *Creating Shared Value*. Retrieved November 3, 2015, from <https://hbr.org/2011/01/the-big-idea-creating-shared-value/>

<sup>43</sup> Ibid.

## How Shared Value Evolved from Corporate Social Responsibility

In the Livelihoods project, the concept of CSV was used as the main proposition to enter into a partnership with retailers; the idea for companies sourcing of refugees' artisan work simultaneously creates profits for the company, while alleviating a social problem- that of refugees' systemic poverty resulting from lack of access to work and markets. Rather than philanthropic activities, supported by and ending with the CSR budget and concerns of a company, the sustainable business idea refers to a competitive business transaction that simultaneously seeks to resolve the issue of refugee self-reliance. A more thorough study of CSV theory highlights specific ways this approach creates a competitive advantage for the retailers.

The recommended approach of implementation of CSV starts from value chain analysis of the firm, but with the focus on all the social consequences of each segment of the chain, including problems and opportunities. Based on this value chain analysis, the company should try to eliminate negative social impacts within the value chain, as well as implement the identified opportunities for social and strategic positive distinction. Companies must define the strategy with prioritization of the social initiatives with the "greatest shared value, with a benefit for both society and its own competitiveness."<sup>44</sup>

It is important to note that as companies move from philanthropy to a shared value approach, where they hone in their resources on those social issues that fit in with their own core competency, UNHCR may also expect that donations from companies will fall, unless a meaningful partnership is developed.

### Public-Private Partnerships

The main objective of this paper is to develop a business model where refugees are in durable relationships with private sector. This, in turn, provides a basis for a long-term partnership between UNHCR and private sector companies on joint value creation, as described in the previous section. It is important to examine the history and meaning of Public-Private Partnership, its benefits and challenges in order to make some recommendations for participation by UNHCR.

There is no standard definition of Public-Private Partnership. It is usually described as a partnership or agreement between a government or public entity and one or more private parties in which the public entity would rely on the private company to carry out public services and thereby bear part in the risks and responsibilities. The early ideas of the partnership between government and private sector started in the '90s. Governments started to realize their budgetary constraints and hence looked for other resources to overcome their limitations. Although financial issues are the main drivers of this partnership, improvements in shared responsibilities and the quality of public services were equally important elements of the partnerships.

Samii, Wassenhove and Bhattacharya wrote a study entitled *Innovative Public-Private Partnership: New Approach to Development*<sup>45</sup> where they report that companies started to recognize that PPP can actually be both beneficial and profitable for the company<sup>46</sup> During the 1997 World Economic Forum, Kofi Annan, UN secretary-general, said: "Strengthening the partnership between the UN system and the private sector will be one of the priorities of my term as a secretary-general." In 1999, UNIDO's (United Nations Industrial Development Organization) director general said "each country has to find its recipe for industrialization, but this is not possible without the participation of private sector actors in the process." UNIDO subsequently developed a multidisciplinary partnership approach.

The establishment of this model could serve to develop partnerships between UNHCR and large private companies. UNIDO's PPP approach as a model was examined as a starting off point. A private company, on its own, might not have the connections or expertise in working in developing countries to establish a profit-making long-term strategic investment while supporting a social cause. This would involve and structured and strategic engagement on part of UNHCR.

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<sup>44</sup> Porter M.E & Kramer M.R. (2006) Strategy and Society: The Link Between Competitive Advantage and Corporate Social Responsibility. Retrieved November 8, 2015, from [http://sharedvalue.org/sites/default/files/resource-files/Strategy\\_and\\_Society.pdf](http://sharedvalue.org/sites/default/files/resource-files/Strategy_and_Society.pdf)

<sup>45</sup> Samii R. Wassenhove L. and Bhattacharaya S. (2002) *An Innovative Public-Private Partnership: New Approach to Development*. INSEAD

<sup>46</sup> Ibid., page 991.



### *Partnership model*

Based on the aforementioned UNIDO partnership model, Samii, Wassenhove and Bhattacharya<sup>47</sup> discussed the pre-formation, formation and post-formation factors and features that are necessary to take into account when designing a public-private partnership. During the formation of the partnership, there are six requirements for a good fit, and these describe the dependencies and synergies between the partners. There is an obvious resource dependence among the partners that is defined by Pfeffer and Salanick (1978) as “what can be achieved together cannot be achieved alone”. In order to have a successful partnership, both organizations must also be equally committed to the implementation at all levels. If this balance breaks, one partner can feel left out while the other may feel burdened which then leads to frustration and eventually to failure. Linking to the equal commitment, performance symmetry is also a must from all partners; i.e. the same level of competence and expertise is an absolute requirement. In a partnership, the partners ideally complement each other in their different field of expertise. Often these different origins and expertise do not find the right approach because they do not understand or lose the common goal. Therefore – and possibly most importantly – determining the common goal is an absolute key to a successful partnership. The cultural appreciation symmetry is all about understanding the partner’s cultural backgrounds and differences and working in a mutually respectful manner. And finally, converging the different working cultures to bring together various intellectual capital is a great opportunity and an asset to enhance the partnership.

The private sector is widely recognized as the key UNHCR’s Livelihoods policies regarding refugee self-reliance. It follows that all parties should apply the “do no harm” policy to ensure fair wages and equitable treatment of refugees. UNHCR would continue to identify skilled artisans. The targeting of skilled workers instead of the most vulnerable is not in conflict with UNHCR’s mandate of protection, as economic theory tells us that growing the middle class in a community can serve as a multiplier effect on employment generation and can potentially have greater effects than support to unskilled workers. As such, targeting of skilled workers for livelihoods could have a potentially larger impact on employment than the most vulnerable.

In the post-formation period, there are also several conditions for success. First, leadership is key to success. Indeed, a public-private partnership is a complex cooperation that requires high-level diplomacy, especially when working in an international environment, excellent negotiation skills, and a great level of patience and overall prudent partnership management. Adequate human resource allocation and management from all parties is key. When the partnership starts operating, all partners should assign their teams that fit adequately in terms of size, expertise and nature. It is most likely that these teams are set up in different geographic areas. Therefore regular and proper communication needs to be established for good management and collaboration. In a multidisciplinary partnership decision-making can be very sensitive. The UNIDO model designed the consensus-building approach, which technically means that decisions can only be made if all partners are present. That said, another vital condition is to start implementation as soon as possible so to avoid withdrawal from skeptical partners. The later the program starts, the more questions arise that can jeopardize the entire partnership. And finally, aligning cooperation and learning capabilities is the last condition that builds social capital and promotes trusted partnership via knowledge-sharing.

With regards to the business model, the interest in supporting refugees is heightened, given the media visibility of the current refugee crisis. For the retailers in Switzerland, it has created a marketing opportunity that attracts customers even more than if it would have without the active presence of the topic in the media. This business model requires significant human resources investment from all partners. Regular communication and coordination is required between the stores and the middlemen in Burkina Faso, together with coordination with UNHCR, to discuss production capacities, design, follow-up on orders, etc. These coordination efforts will be more demanding in a PPP, where both UNHCR, as well as the company will be involved in strategic cooperation beyond the business model. As the Livelihoods project has piloted the business model with smaller boutique stores, both UNHCR and the stores will be able to learn from their experience and further improve the model, before partnering with a larger retailer where more intersection, cooperation and communication will be required.

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<sup>47</sup> Samii R. Wassenhove L. and Bhattacharaya S. (2002) *An Innovative Public-Private Partnership: New Approach to Development*. INSEAD, page 1002-1007.

## *UNHCR as a Broker Organization*

According to the research done by L. Stadler and G. Probst, broker organizations,<sup>48</sup> are defined as actors, conveners or mediators between public and private sector partners with adequate experience and capacities to facilitate PPP as a third party. In the business model, UNHCR's role is to be the broker and link businesses to the refugees, via the value chain approach. The middleman, another key private sector partner, is fundamental in creating this linkage, and identified by UNHCR. Dedicated UNHCR staff on-site and in its headquarter provide capacities, skills and competence in facilitating the broker role. With expansion to PPP with large mainstream retailers, UNHCR's role will not only be brokering at the connections level, but also leveraging their strengths together with the private sectors' to strategically create greater value for both. Whether UNHCR acts as a broker organization or takes active part in the Public-Private Partnership, their main role is to leverage their knowledge, expertise and network in bringing different sectors together. This sort of multi-stakeholder engagement is not without its unique challenges.

## **Management Challenges in Public-Private Partnership**

Public-private partnerships are complex mechanisms that require active, professional management. While both parties, public and private, understand the goal of the partnership, their own interests and motivations might be different. From the public sector point of view, the most important is to deliver the services to the public in a value for money judgment, whereas the private company seeks profit eventually from this investment. The common objective is the same, however the motivation is different. This is why management needs to be on top to satisfy both parties and achieve social and corporate benefits while paying attention to potential risks that may occur.

At the private sector side, there are four areas where challenges may occur as analyzed by L. Stadler.<sup>49</sup>

1. Coordination with the business: The partnership engagement should fit into the company's regular business activities. As Porter and Kramer<sup>50</sup> identified in order to improve company's profitability an intersection must be identified between the company's activities and the partnership activities. Coordination is even more critical since a partnership with public parties may enhance the company's stability in the market and open up for new opportunities in the public sphere. Building on this, companies need to change their approach when working with public entities from a fragmented to an integrated model for a long-term relationship and future growth and benefits.

2. Facilitating staff commitment: The management's responsibility is crucial when assigning staff and teams to partnerships. It can be expected that the staff may find it challenging to co-align UNHCR's mandate with a private company's core competency, and some rejection may occur from their end. Therefore the common goals of the partnership should be clear to staff, and, indeed, selected staff should be flexible and diplomatic in the exercise of carrying forth the partnership. Staff on all sides of the partnership should be provided with adequate training and facilities to ensure smooth working relations and avoid frustrations and uncertainty. In the partnership this staff will be the face of the company, they will be interacting with other partners, and hence it is not only important for the internal operations but also to show professionalism, expertise and commitment as an external image.

3. Communication: Communication is an essential part of the public-private partnership, both internal and external. For the former, it is important that embedding this partnership in the company's core mission is widely understood by all managers and employees. External communication must be managed more delicately especially when some high-level managers would prefer to advertise such partnership as opposed to participate in discussions among partners; external communication from one partner should be cleared by the others as well.

4. Controlling: The management is responsible for setting up the procedures and practices for the implementation of the partnership. Key performance indicators must be defined in order to measure the

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<sup>48</sup> Stadler, L., & Probst, G. (2012). *How broker organizations can facilitate public-private partnerships for development*. European Management Journal, 30(1), 32-46

<sup>49</sup> Stadler, L. (2011). *Aligning a company's economic and social interests in cross-sector partnerships*. Journal of Corporate Citizenship, 2011(44), 85-106

<sup>50</sup> Porter M.E & Kramer M.R. (2006) *Strategy and Society: The Link Between Competitive Advantage and Corporate Social Responsibility*. Retrieved November 8, 2015, from [http://sharedvalue.org/sites/default/files/resource-files/Strategy\\_and\\_Society.pdf](http://sharedvalue.org/sites/default/files/resource-files/Strategy_and_Society.pdf)



goals of the partnership and how that is integrated into the company's "normal" business objectives. This requires continuous control over the economic and social interests.

These characteristics apply to long-term partnerships where the private party commits itself to a public benefit in a degree that it integrates these public activities in its core business and strategy. This can be the starting point for PPP with large mainstream retailers and UNHCR. UNHCR's "ask" in these partnerships would expand beyond the retail relationship, and would extend to working closely with the private sector partner to provide assistance in all segments of the value chain. For the retailers, this can also create efficiencies and be economically beneficial, and this will be discussed in detail later.

### *PPP at UNHCR*

Sustainable development is becoming a real concern for government, private corporations and civil societies. Businesses realize that by investing in sustainability, they establish long-term strength within their company. Companies are expected to take responsibility in social issues such as human rights, environment and corruption. This long-term social, environmental and ethical investment is defined as Corporate Sustainability and is becoming an increasingly dominant global concept.

UNHCR and other UN organizations also recognize that there is an increasing need for public-private collaboration to overcome social and economic issues. UNHCR partnerships with corporations take many forms, from cash donations to leveraging core competencies and resources, enhancing the impact of UNHCR operations worldwide. For more than six decades, UNHCR has helped save lives, restore hope and rebuild futures. As UNHCR strives to bring protection and solutions to millions of displaced and stateless people around the globe, some of the world's leading companies are helping us to have maximum impact, providing an opportunity for collaborating on initiatives that support their social, philanthropic and business interests.<sup>51</sup>

UNHCR currently enjoys good relationships with private sector partners. These are fostered primarily through Fundraising activities of the Private Sector Partnerships section of UNHCR. The agency welcomes the smallest donations and contributions as much as the larger ones. A long-term partnership will help UNHCR not only to respond to immediate needs but also to rely on a strategic investment and plan ahead proactively for a better future for the refugees.

UNHCR is a double Nobel Peace Prize winner organization that operates in more than 120 countries in the world with 85% of their highly educated and committed staff being in the field to help over 36m lives. Furthermore, UNHCR lists out the following benefits for corporations:

- ⇒ Generating goodwill towards the company in national and international contexts.
- ⇒ Demonstrating values through action and gaining a reputation for good corporate citizenship.
- ⇒ Influencing investors or customers who favor socially responsible companies.
- ⇒ Retaining talented employees who increasingly consider the ethical and social standpoint of their employers.
- ⇒ Fostering stable markets and political conditions conducive to business, and harnessing a skilled labor force from rehabilitated local areas. Support for UNHCR is good for building global markets.
- ⇒ Involvement in humanitarian projects in existing or future markets brings with it increased knowledge of local environments.
- ⇒ Recognition and visibility of corporate partnership with UNHCR are mutually determined and commensurate with the level of support.<sup>52</sup>

UNHCR, in building a PPP, would highlight all the benefits derived for the business from the business model, as well as those that come from association with the organization. Equally, the commitment, staffing and expertise that contribute to building such partnerships should be highlighted.

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<sup>51</sup> *Corporate Partners. On track for Maximum impact.* Retrieved November 3, 2015, from <http://www.unhcr.org/pages/4e5211b96.html>

<sup>52</sup> *Benefits of Partnering UNHCR: The UN Refugee Agency.* Retrieved November 3, 2015, from <http://www.unhcr-centraleurope.org/en/general/get-involved/corporate-and-foundation-partners/benefits-of-partnering-unhcr.html>

## The 4Ps of Marketing

The aim of the study was to identify the consumer needs in the retail sector for handmade decor items similar to those being produced by the refugee artisans, determining target markets and creating the products and services to serve these markets. First, we established that there is market demand for hand-made artisan goods with a cultural identity. Further, we wished to determine how much the “social” element appealed to consumers, and how this could tie in with a unique value proposition to businesses. We used the analysis of the “marketing mix or 4Ps”<sup>53</sup> as explained below, to best understand the products’ unique value proposition to the retailer.

- **Products:** This refers to the offering of items that satisfies a customer need or want, and broadly refers to the functionality, brand packaging and services. We focused on quality, design, features and packaging that were available on the market, and applied the quality/design ideas to the refugee production.
- **Place:** This refers broadly to where the transactions would take place and how customers access your product or service. The production point, of course, is Burkina Faso, and for the sales point, we focused on the Swiss market, in particular the Geneva region. Further, we also kept in the potential use of the internet to sell products directly to consumers.
- **Price:** This refers to the price a consumer would want to pay for the product. Research and segmented market analysis allowed us to set the price for the products. As is recommended, we made clear the list price as well as a suggested retail price; we also specified credit terms.
- **Promotion:** This refers to the communications used to tell customers about your product or service, and can include advertising, public relations and personal sales and promotion. We focused on the uniqueness of the value proposition, with support to refugees defined as a cause. We created a website to tell the consumers about the lives of the refugee artisans. (<http://refugeeartisans.tumblr.com>). These materials could also be used by the retailers as part of their marketing for the products (please see Annex 6).

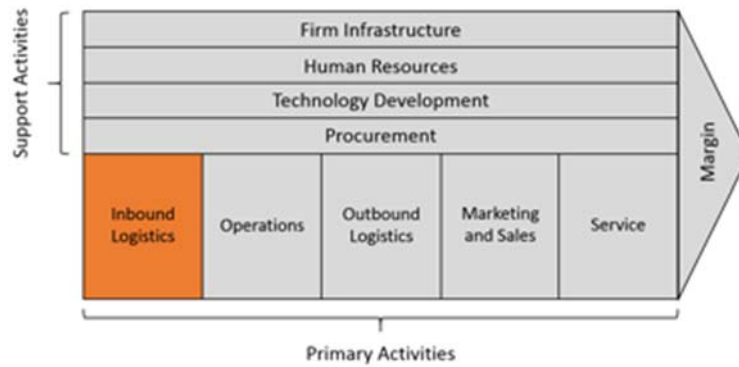
With the literature review now in place, we had an understanding of how the ideas of value chain, CSR, Fair Trade, shared value, PPP and the 4Ps of marketing can contribute to building a sustainable business model. We then turned to the methodologies we could employ to build this model.

## Value Chain Analysis

Porter’s value chain concept has been key in developing the sustainable business model. Since in this case, the model is not involved in after-sales services, we focused only on four initial parts of the concept: these are inbound logistics, operations, outbound logistics and marketing and sales. It is important to point out that in contrast to the organizational setting in which Porter’s value chain is used, the business model spans various stakeholders, including refugees, the middleman, the consumer, and most important for this analysis, the retailer. Below, we have described the value chain from the lifecycle of the product, thereby focusing on the work UNHCR did in the earlier stages, as well as this contribution in focusing on the retailer. A graphical interpretation of the players in this value chain can be seen in Annex 4.

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<sup>53</sup> McCarthy, Jerome E. (1964). *Basic Marketing. A Managerial Approach*. Homewood, IL: Irwin. pp 48-50



Porter, M. E. (1985). *The Competitive Advantage: Creating and Sustaining Superior Performance*. NY: The Free Press, 1985. p 37

### *Inbound logistics*

There are three types of raw materials that are sourced by refugees to make these decor products; leather, wood and metal. Raw materials are readily available locally with some seasonal variation and the prices are comparable to Malian market prices. For leather sourcing, UNHCR has ensured that refugees have been included upstream as providers of the tanned leather. Mostly women do the tanning process of the leather that, because it uses organic products, can leave the skin tough and with an odor. In order to improve this stage of leather work, training in tanning norms will be conducted by UNHCR in January 2016. Building refugees' capacities in order to aid in self-reliance is the UNHCR Livelihoods strategy

The products rely heavily on accessibility to leather; however the refugees can only produce a certain quantity of leather with their own livestock. As a part of the sustainability of the raw materials supply, a SWOT Analysis for Burkinabe Leather Trade was performed. This would be a good indicator of the viability of the overall sector in that country.

The SWOT analysis shows that this is clearly a promising industry for the region. The political situation and the threat of potential unrest is an external factor that is beyond the business's capabilities. We assessed the constraints of the leather supply and we performed optimization of product portfolio to come up with the most profitable product mix. The threat of competition in Asia does not affect this market directly, as we are targeting those customers who are interested in ethical products. International commerce is not new in Burkina Faso and hence the country has most of the things - labor, skills, free trade, and international events - in place to support international partnerships and retailing.

## Strengths:

- ⇒ The country's central location makes it a hub for business transactions in the sub-region.
- ⇒ The free trade established in the framework of the common economic policy of the UEMOA (West African Economic and Monetary Union) encourages commerce.
- ⇒ Much statistical analysis has been done to show favorable conditions for the leather sector in the region, where Malian refugees excel.<sup>1</sup>
- ⇒ Burkina Faso hosts many events that attract foreign buyers and investors. Cultural and commercial events such as the Pan African Film Festival of Ouagadougou (FESPACO) and the International Arts and Crafts Fair, Ouagadougou (SIAO)<sup>1</sup>, which are held alternately every two years, are excellent business opportunities for leather crafts.

## Weaknesses

- ⇒ The lack of slaughter facilities increases the rate of illegal slaughterhouses, which results in poor quality of skins and low skin collections for the leather trade. Refugees also do not have the training and know-how to tan skins to international norms, resulting in hides that are tough, or have an odor.
- ⇒ The industrial infrastructure for leather goods is very undeveloped.<sup>1</sup> The sole industrial leather tannery, which supported 95% of export quality leather, was burned down in the events of October 2014, as learned from UNHCR colleagues on the ground.
- ⇒ Information collection is difficult because of the informal nature of businesses all along the value chain. This results in limited knowledge about the real contribution of the sector to the economy.

## Opportunities

- ⇒ Active private sector in Ouagadougou is looking for new skills and helping innovate the products.
- ⇒ Highly skilled refugee artisan population with large numbers is practicing leather professions.
- ⇒ Opportunities for exposition, sales and export with several actors including private sector and Artisan Village

## Threats

- ⇒ Outright competition with local tanners should be avoided, mainly to avoid protection risks. It would be best if the skins tanned by refugee communities would be used to make the unique wares that other refugees downstream in the value chain could use. If local leather is used, this should be highlighted as supporting local economy upstream of production.
- ⇒ In international domain, Asian leather products have the most competitive prices and some Asian producers are quick to make knock-offs of unique designs.

## *Operations*

In order to make the products more marketable and appealing to Swiss customers, innovative designs and a system of quality assurance were needed. The first products made by the refugees lacked precision in design execution but, as has been established by UNHCR, the refugees were receptive to feedback from UNHCR team and understood the faults in the product quickly.

With current modes of production, each artisan works independently on a product, from beginning to end. The women tan the skins, form them into boxes or cushions and do the painting and embossing themselves. The leather working tools were shared with the men in their community, and the women did not have the capital to invest in new tools. New tools have already been distributed by UNHCR Teams. To improve production, a space and training to work in larger groups would allow division of labor, specialization and economies of scale. UNHCR, as part of its Livelihoods activities, will provide a hangar/workspace and further training to create cooperation between groups of refugee artisans to produce items with multiple materials. The hangar will be built in Jan 2016. UNHCR has already begun to form refugees into legal associations, so they may legally trade.

Training by UNHCR on creating synergies between artisan groups will help cut costs and add value to the finished products. It would also allow them to create innovative products that could effectively compete with the traditional products already flooding the market (i.e. combining leather boxes with a silversmith's accent; lining a leather box with traditionally dyed fabric, thereby incorporating the work of refugee dyers and tailors and differentiated leather workers upstream in the production process).

Quality assurance is done at multiple levels. UNHCR will train the leaders of artisan associations to do quality assurance training. The second level of QA will be done through the middleman in the host country, identified by UNHCR, to ensure products are ready for export. Local private sector intermediaries (such as the Fair Trade platform, social enterprises and designers) will fill the role of the middleman. This middleman can then work as export hubs for the refugee enterprises. They can gather, package and export goods to a foreign market, accept payment from the retailers, and disburse it to the refugee producers, as described further below.

## *Outbound Logistics*

Outbound Logistics are the part of the value chain where activities related to storage and distribution.

Women who were leather workers complained that they had no storage space for finished products, and these, if not immediately sold were ruined in the difficult conditions of the camp in the Sahel. The storage space will be built by UNHCR within the atelier hangars as mentioned above. The refugees deliver the products to the Burkina Faso middleman; he in turn packages and ships the product to Switzerland. Once the products are received, the Swiss retailers make the remaining 50% payment to the middleman. This payment is transferred entirely to the refugees.

The entire production is done in Burkina Faso; including the assistance of the middleman in product handling, quality assurance, packaging, obtaining necessary documents and shipment to Switzerland. However, UNHCR helps to connect the Swiss retailers to the middleman. Here the middleman role can be fulfilled by a host of private sector entities: it could be the Fair Trade platform, as is the case of Burkina Faso. But a designer adept at quality assurance, packaging and exportation would be equally useful to serve as a middleman. Many social entrepreneurs may want to take this role on as a business model. This model of identifying reliable middlemen to connect micro-enterprises to larger markets, whether they be local or global is becoming the norm in developing countries.

Middlemen, in the past, have been represented as exploitative force for poor producers, and concerned with their own profit at the cost of the producers. When there are too many intermediaries between producer and consumer, it can result in an unnecessary increase in price. However, when selected with view to fulfilling a multitude of necessary services, middlemen can "provide an essential service and have the potential to become active contributors to the development of more equitable value chains;

middlemen are often an essential component of a dynamic value chain who provide the critical link to markets and market information that can lift disadvantaged rural producers out of poverty.”<sup>54</sup>

Thus, as a key part of the sustainable business model, UNHCR has identified a reliable partner to link refugees to global markets. The supply chain is meant to be ethical, and UNHCR ensures refugee protection while using the middleman entity. Therefore in applying this model in other countries, it is of utmost importance that the middleman be chosen with care. In addition, the middleman should have proven expertise in exportation to global markets, and be able to do so in a timely manner. This is important to ensure the continued relationship and trust from the side of the retailer, be it a decor store or retailer.

In the course of this Livelihoods project, UNHCR has developed a Memorandum of Understanding that it can sign with private sector partners, outlining the standards of work and pay for the refugees, as well as other legal obligations of the middleman. Further, as UNHCR is the broker organization, making the link with global markets, the middleman has every incentive, in terms of profit and continuity of the business opportunity, to respect refugees; rights at work, as well as the timely delivery of good to the retailers.

However, in the future, as UNHCR develops Public Private Partnerships, this role could well be fulfilled by the private sector entity, who often have local purchasing offices in sourcing countries and ship goods to sales points via their own established supply chain logistics.

#### *Marketing and Sales*

The goal is to organize a sustainable model for the sales of refugees hand-crafted home decor products in the Swiss market. Therefore the analysis here focuses on the marketing and sales segment of the value chain. There are different types of retailers in Switzerland: mainstream large, small boutiques and fair trade. There is no single approach that would fit all types of stores and therefore a market segmented approach was taken.

Our role in the value chain is to explain the opportunities of this business to the Swiss retailers, by making them familiar with the refugee situation and describing them the business model we tailored to each segment. As a very unique marketing opportunity, UNHCR provided materials for marketing strategy, such as photos and stories of the artisans to bring it to the customer’s attention what difference they can make by buying the product. <http://refugeeartisans.tumblr.com/>

We made these materials available to all types of stores we approached, however the use of UNHCR logo is restricted to those retailers that eventually enter into contractual partnership with UNHCR and therefore the small boutiques cannot mention UNHCR in their promotional materials.

## **Artisan Industry Market Research**

We wanted the model to reflect the 4P’s of marketing. In order to do so, it was essential to carry out a market analysis, in several steps:

- ⇒ Starting from the Global Artisan Home Decor Market, following by Western European Market - This research was done to evaluate the level of the market development, market size as well as a growth potential. This step was critical in order to identify viability of the concept. Next, this research helped us better understand all 4P’s: the Product, Place and Promotion and Price.
- ⇒ As a next step we did a detailed research of the competitive products available on the market and their pricing - This research was done in order to establish competitive pricing strategy for the products of the portfolio.
- ⇒ As a final step we did a research of the Swiss retail market, covering Home Decor Product portfolio. This research was focusing on the identification of different channels in order to set up a segmentation and identify main characteristics of stores. This was critical to identify Place.

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<sup>54</sup> *Middlemen as Agents of Change: MEDA and ECDI in Pakistan*. The SEEP Network. Retrieved November 20, 2015 from <http://www.meda.org/women-s-economic-opportunities/publications-weo/68-middlemen-as-agents-of-change-meda-and-ecdi-in-pakistan-1/file>

Based on the market price analysis that we have introduced in the next chapter, most of the products have an opportunity for premium pricing in Switzerland, as average prices are higher in the Swiss market than elsewhere. This should result in higher income for the refugees than expected. Based on the market research, there is demand for mid-luxury products in Switzerland and the fact that the purchase of the product will allow refugees to have a chance for a decent life will potentially motivate the purchase, allowing the sustainable business model to flourish.

### *The Artisan Home Decor Industry*

Forbes magazine recently noted that, despite the financial downturn in many economic sectors, the home décor industry continues to grow rapidly.<sup>55</sup> Some estimates put this market at \$65.2 billion annually in the US alone.<sup>56</sup> Western European consumers also are used to spending a sizeable portion of their disposable income on home goods. Per one marketing survey on home decor spending, “Consumers across Europe regard home improvement as a top priority with 9 out of 10 householders saying they undertake some sort of work on their home.... Home improvement ranks ahead of holidays (75% vs 59%)... Internal painting and decorating is the most commonly undertaken job in the home, followed by renewing home furnishings and fitting a new kitchen or bathroom... Throughout Europe, a third of home improvers do some home improvement at least once a month... The desire to be involved in sustainable movements is an increasingly important factor.”<sup>57</sup>

In particular, consumers are looking for handmade artisan goods. A USAID market assessment states, “the home accessory market, often used to estimate the demand for handcrafted goods, is strongly influenced by fashion, consumer purchasing patterns, and economic conditions in end markets.”<sup>58</sup> In particular, the demand for ‘global style’ (products that combine ethnic elements with contemporary designs) is a growing category and represents an opportunity for handicraft producers. “In fact, demand for handmade global and cultural goods has and will continue to grow with increased global tourism, growing interest in interior decoration, greater spending on home furnishings, and as a reaction (especially in upscale markets) to the homogenization of mass-produced goods.”<sup>59</sup>

### *The Push to Differentiate*

The refugee crafted products had to exhibit a clear and superior advantage over the competition. According to the Dutch national development agency, CBI, which supports the artisan sector and has conducted much research on the interior decoration market:

People in Western countries are searching for more individuality, originality and ‘new luxury’: unique experiences, new skills, eco-credentials and signs of generosity or connectivity. Awareness of sustainability is growing, with green products being viewed as inspiring and pleasing. ‘New luxury’ is all about unique experiences, acquiring new skills, possessing eco credentials and displaying generosity or connectivity. Consumers are looking for products that increase their knowledge, add meaning and significance to their experiences and contribute to the development of their inner search for identity. Being part of a solution for global political and development problems is a part of this.<sup>60</sup>

Marketing data further shows that there is a premium placed on products that are not mass-produced and exhibit a cultural identity. Consumer trends currently lean towards innovative designs and materials, with decor elements that speak of a particular culture. Also in line with current trends are “distinctive embellishments, such as hand beading or embroidery; an unusual combination of materials (for example, wood and metal, or metal and stone); or a layering of colors, patterns, and textures. In their homes, many

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<sup>55</sup>Bossari J, (2012) *Growth of the Home Decor Market Shows No Signs of Slowing Down*. Forbes. Retrieved November 3, 2015, from <http://www.forbes.com/sites/moneywisewomen/2012/10/24/growth-of-the-home-decor-market-shows-no-signs-of-slowing-down/>

<sup>56</sup> *Gifts and Home-Decor Market on Steady Growth Trajectory* (2008). Marketing Charts. Retrieved November 3, 2015, from <http://www.marketingcharts.com/verticals/retail-and-e-commerce/gifts-and-home-decor-market-on-steady-growth-trajectory-3788/>

<sup>57</sup> *European home report*. (2012). Kingsfisher. Retrieved November 2, 2015, from [http://www.kingfisher.com/files/reports/2012/european\\_home\\_report/european\\_home\\_report.pdf](http://www.kingfisher.com/files/reports/2012/european_home_report/european_home_report.pdf)

<sup>58</sup> Barber T and Krivoslykova M (2006) USAID report: “*Global Market Assessment for Handicrafts*.” Development Alternatives, Inc. Retrieved November 2, 2015, from [http://pdf.usaid.gov/pdf\\_docs/PNADN210.pdf](http://pdf.usaid.gov/pdf_docs/PNADN210.pdf)

<sup>59</sup> Barber T and Krivoslykova M (2006) USAID report: “*Global Market Assessment for Handicrafts*.” Development Alternatives, Inc. Retrieved November 2, 2015, from [http://pdf.usaid.gov/pdf\\_docs/PNADN210.pdf](http://pdf.usaid.gov/pdf_docs/PNADN210.pdf)

<sup>60</sup> *Which trends offer opportunities on the European home decoration and home textiles market?* (2014). CBI Ministry of Foreign Affairs. Retrieved November 3, 2015, from <http://www.cbi.eu/market-information/home-decoration-textiles/trends>



consumers are using an eclectic style, choosing a variety of individual pieces for different rooms rather than uniform sets of furniture throughout the house.”<sup>61</sup>

Companies are seeking to create “an emotional connection with their consumers by telling a story, in which the product or service is a component. Although consumers ultimately understand that the message serves to convince them to buy the product, they are emotionally connected to the characters or the story’s ‘action.’”<sup>62</sup> When combined with powerful imagery, storytelling engages an audience, rather than plainly telling a consumer to buy a product.<sup>63</sup> Refugees, who are forced to flee their homes and countries because of war and persecution, make a powerful and emotional narrative, and certainly these are products where a story about individuals can be told, with an emphasis not only on hardship, but the benefits of dignified work. Handcrafted items by traditional artisans further bolster this appeal, adding specific cultural value to the products. To connect retailers and ultimately their consumers to these stories, as mentioned earlier.

As research shows, demand for the authentic, handmade accessories, home decor items made by artisans is on an upward trend. “The challenge is to create a reliable supply chain linking artisans to this growing market.”<sup>64</sup>

USAid market assessment of the decor sector has done significant research on entry of handcrafted decor items into various segments of the market. These are important to mention to formulate a strategy of getting these goods to market. Further, they will serve to formulate this own market segmentation.

- ⇒ Low-end (priority on low prices) and high-end (priority on high quality) markets are expanding, while the middle (moderate quality at moderate prices) is relatively stagnant. Whereas competition at the low end is strong and requires significant production capacity, the “luxury” market tends to focus more on distinctive designs, higher quality, and smaller quantities with greater flexibility in pricing.
- ⇒ Distribution channels in end markets are shortening. Retailers of all sizes are increasingly importing directly from producing countries rather than work with national distributors, as the case used to be even a decade ago. As this trend continues, many wholesale importers are losing important clients as many independent retailers side-step them. This implies that retailers should be contacted directly, rather than wholesalers.
- ⇒ However, there is evidence that savvy small retailers can compete with distinctive, high-end products. Lifestyle shops have become a large part of the retail block in this sector.
- ⇒ The large, direct-import retailers often operate in ways that present barriers to micro and small enterprises. Their purchase orders typically require high production capacities, strict delivery dates, and specific labeling, packaging, and packing. Advance deposits are unusual, delayed payment terms are customary.<sup>65</sup>

While building the model, we incorporated these considerations into the approach. However it was important to understand whether the artisan sector can really affect poverty alleviation in refugee populations, leading to self-reliance. For this we needed to understand the sector from a macroeconomic level. We sought evidence that there existed the demand and established infrastructure of support and trade in the artisan sector.

### *Artisan Work as a Driver for Development*

On a global scale, artisan work is the second largest source of income, after agriculture. Many studies by development organization show that artisan work can be a key driver of development growth. In India, the largest and one of the poorest states, Uttar Pradesh, identified handicrafts as a key income generator, and identified exports as the most important means of growth in the sector.<sup>66</sup> According to research from

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<sup>61</sup> Barber T and Krivoslykova M (2006) USAID report: “Global Market Assessment for Handicrafts.” Development Alternatives, Inc. Retrieved November 2, 2015, from [http://pdf.usaid.gov/pdf\\_docs/PNADN210.pdf](http://pdf.usaid.gov/pdf_docs/PNADN210.pdf) p 23

<sup>62</sup> Which trends offer opportunities on the European home decoration and home textiles market? (2014). CBI Ministry of Foreign Affairs. Retrieved November 3, 2015, from <http://www.cbi.eu/market-information/home-decoration-textiles/trends>

<sup>63</sup> Ibid

<sup>64</sup> Ibid.

<sup>65</sup> Barber T and Krivoslykova M (2006) USAID report: “Global Market Assessment for Handicrafts.” Development Alternatives, Inc. Retrieved November 2, 2015, from [http://pdf.usaid.gov/pdf\\_docs/PNADN210.pdf](http://pdf.usaid.gov/pdf_docs/PNADN210.pdf)

<sup>66</sup> Role of Handicraft Sector in the Economic Development of Uttar Pradesh. G. Journals. Retrieved November 3, 2015, from [http://www.academia.edu/13905479/role\\_of\\_handicraft\\_sector\\_in\\_the\\_economic\\_development\\_of\\_uttar\\_pradesh](http://www.academia.edu/13905479/role_of_handicraft_sector_in_the_economic_development_of_uttar_pradesh)

the Inter-American Development Bank, “if the creative economy, globally, were a country, it would already be equal to the fourth-largest economy in the world with the fourth-largest workforce and rank ninth in the value of exports.”<sup>67</sup>

Thus, it shouldn't be surprising that the artisan sector is increasingly being looked at by development agencies as a high-potential sector that can aid in poverty alleviation and GDP growth. According to USAid, The US Agency for Development, “The global market for artisan crafts is significant and continues to expand: during the period from 2002–2008, world exports of artisan products rose from a value of \$17.5 billion in 2002 to \$32 billion in 2008, an increase of 8.7 percent.”<sup>68</sup> In fact, it's one of the sectors where developing countries outperform developed ones. According to aid to Artisans, the premiere U.S. nonprofit committed to helping poor artisan groups, “developing economies have come to dominate the export market for handicrafts, accounting for 65 percent of world exports in this sector in 2008 (an increase from 53 percent in 2002).”<sup>69</sup>

Most recently, the US State Department hosted an event on the importance of artisan sector for international development.<sup>70</sup> Here, Secretary of State John Kerry, in his keynote, stated:

In my career in public life, which is much of my life, I have attended a lot of conferences, a lot of meetings – I had a lot of meetings on economic development. And usually the emphasis is on trade, agriculture, urbanization, or the new information technologies. Yet the creative arts are a major employer in many parts of the developing world and an especially significant employer of women. The artisan sector is also a growing industry with exports. And it is rapidly spiraling upwards from nations that have a per-capita income that is well below the international average. That means that if you are looking for innovative ways to help developing countries in order to flourish, artisans are a terrific place to begin.<sup>71</sup>

The data on the artisan sector as a whole suggests that products of the Malian refugee artisans would be well placed to enter into global markets, and that the sector growth would be able to support a sustainable business model.

## Competitors' Product Research

Based on the home decor market analysis, which shows growing interest in the high-end handcrafted products, we decided to use benchmark-pricing approach to determine the price of the refugee artisan products. The alternative option would be to build the price based on the production cost, but this approach would not allow refugees to utilize the full potential of the products in today's market, as it would place the prices too low and diminish profits.

After providing guidance on the type and the design of the products, the product portfolio can be split up into the following product categories regardless material and size: Jewelry/tea boxes; Trays; Canisters; Bracelets/napkin ring and Christmas ornaments.

We performed online research of the competitors' products not only limiting the list of stores in Switzerland, but also covering any online stores with similar products, both in aesthetic and quality. We set the following criteria for benchmark pricing for competitors' products:

- ⇒ Similar design concept - Accessible luxury product with ethnic accent (if possible)
- ⇒ Similar materials - Only natural materials, such as leather, wood and metals

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<sup>67</sup>Buitrago F., Duque I. (2013) *The Orange Economy: An Infinite Opportunity*. IDB. Retrieved November 3, 2015, from <http://www.iadb.org/en/news/announcements/2013-10-30/the-orange-economy-an-infinite-opportunity,10622.html>

<sup>68</sup> UNCTAD, UNDP Special Unit for South-South Cooperation, (2010). *Creative Economy Report 2010*, p. 140.












<sup>69</sup> Aid to Artisans, (2009). *Building Profitable Craft Businesses: Notes from the Field No. 4*, p. 1

<sup>70</sup> *Celebrating Artisan Enterprise: The New Startup Economy Forum* Retrieved November 3, 2015, from <http://www.state.gov/s/gwi/events/artisanlaunch/agenda/>

<sup>71</sup> Kerry J. *Secretary of State* (2015). US Department of State. Diplomacy in Action. Retrieved November 3, 2015, from [state.gov/secretary/remarks/2015/09/246795.htm](http://state.gov/secretary/remarks/2015/09/246795.htm)

⇒ Handcrafted - Only handcrafted products. Mass products were excluded since those are not direct competition to this product portfolio.

Based on the criteria set above, we summarized the research results in the following table. This data set was used for the pricing strategy; we analyzed the market price of the competitors' products and calculated the average of those to determine the potential shelf price.

Product Portfolio		Average Competitor's Price	Benchmark details					
Category	Picture	in CHF	Source	Price in CHF	Picture	Source	Price in CHF	Picture
Jewelry/tea box		275	<a href="http://www.smythson.com/black-panama-cufflink-box.html?_SID=U">http://www.smythson.com/black-panama-cufflink-box.html?_SID=U</a>	250		<a href="https://www.aspinaloflondon.com/ladies-collection/leather-jewellery-boxes/bijou-jewellery-box">https://www.aspinaloflondon.com/ladies-collection/leather-jewellery-boxes/bijou-jewellery-box</a>	300	
Round Tray		271	<a href="https://en.lucrin.ch/at-home/table-setting/leather-tray/round-service-tray.htm">https://en.lucrin.ch/at-home/table-setting/leather-tray/round-service-tray.htm</a>	413		<a href="http://www.kjbeckett.com/brand/visconti/visconti-leather-valet-trayblack">http://www.kjbeckett.com/brand/visconti/visconti-leather-valet-trayblack</a>	129	
Ottoman Oval Tray		468	<a href="http://www.houzz.com/photos/1130353/Designer-Ottoman-Trays-contemporary-serving-dishes-and-platters-new-york">http://www.houzz.com/photos/1130353/Designer-Ottoman-Trays-contemporary-serving-dishes-and-platters-new-york</a>	340		<a href="http://www.janetkain.com/orange-leather-tray.html">http://www.janetkain.com/orange-leather-tray.html</a>	595	
Round Canister		81	<a href="http://www.zizo.com.au/DesignRsecrets-Round-Wooden-Canister-Leather">http://www.zizo.com.au/DesignRsecrets-Round-Wooden-Canister-Leather</a>	71		<a href="http://www.materialpossessions.com/hampton-leather-canister/">http://www.materialpossessions.com/hampton-leather-canister/</a>	90	
Bracelet		40	<a href="http://finecartamerica.com/featured/copper-bracelets-ildanach-studio.html">http://finecartamerica.com/featured/copper-bracelets-ildanach-studio.html</a>	40		<a href="http://www.niciart.com/collections/bracelets/products/bronze-feather-cut-out-cuff-bracelet">http://www.niciart.com/collections/bracelets/products/bronze-feather-cut-out-cuff-bracelet</a>	40	
Napkin rings		104	<a href="http://www.johnlewis.com/lexington-leather-napkin-ring/p1989165">http://www.johnlewis.com/lexington-leather-napkin-ring/p1989165</a>	153		<a href="http://www.tenthousandvillages.ca/shop/en/tabletop/6875118-textured-napkin-ring.html">http://www.tenthousandvillages.ca/shop/en/tabletop/6875118-textured-napkin-ring.html</a>	56	

**Table 1: Portfolio Market Price Analysis**

Following this analysis, we identified the price range for each product type. Afterwards, we refined the prices within the same product type based on the materials used for the production. This was rather necessary, since the costs of materials vary and can have severe impact on the profitability of the products.

### Segmentation

After researching the market in terms of identifying the consumer needs, market demand for home decor products and price comparison to similar hand-made products available on the Swiss and global market, we defined and divided the Swiss market into segments. This would help further clarify the "Place" within the 4Ps of marketing.

The segmentation was based on several criteria; the size and type of stores available in the market, the quality of the products these stores offer, the price range of their products, their involvement in CSR activities and indirectly the variety of their customers. The objective was to design a specific value proposition and portfolio for each segment that matches the business model and the profile of the shop as well as the expectation of their customers.

We identified that some stores would find it beneficial to be part of the sustainable business model in the long run, potentially increasing their competitive advantage through access to new markets and serving a good cause. There are retailers that are already involved in CSR activities or source via the Fair Trade

Platform. For these stores, a long-term partnership would be the matching fit since they are already involved in CSR activities and have significant resources, which they could invest into refugees trainings and capacity-building. This type of partnership and investment should create shared value that could result in profit increase of the company and at the same time a contribution to generate income for refugees.

As the result of the segmentation, we defined the following three segments:

- ⇒ Decor retail boutiques: Stand-alone, small, independent shops that are not part of large chains. These boutiques usually sell unique, mid-luxury products at higher price. Characteristically, they are not involved in CSR activities.
- ⇒ Fair trade channels: CSR is the core business of this type of channels. These stores or platforms only focus on selling products crafted by underprivileged populations. The global platform, may provide expertise in helping underprivileged businesses to develop.
- ⇒ Large mainstream retailers: These are usually large retail stores that are managed centrally and their stores are located in many parts of the Switzerland and the rest of the world. This type of business usually has centralized policies and business practices and as such they are often involved in CSR activities or other community affairs activities as part of their ongoing activities; however, these are not part of their core business. These companies may or may not be engaging in shared value initiatives. We recognized that these shops may require a broader partnership with UNHCR, beyond the scope of this paper. We studied how a Public Private partnership may be formulated.

Following the segmentation, we analyzed key business drivers and factors for decision making of each type of the channels and developed the following models for the refugees' hand-crafted products.

#### *Decor Boutiques*

Small boutiques normally lack significant financial and human resources as well as contacts and network to identify and engage with businesses that serve the community and society while remaining profitable. Therefore, we designed a proposition for them based on Porter and Kramer's approach to creating shared value.<sup>72</sup> The main idea was to propose a feasible and implementable model that fits their business and creates access to new opportunities, which then generate sales and profit growth while supporting people in need. We also clearly highlighted consumers' interest in supporting social causes.

In order to make the stores familiar with the refugee situation and explain to them why we proposed this business opportunity, the presentation started with a short debrief on the refugee situation, or, in other words "What it is about...".

It was important to emphasize to these stores that the products are high quality, hand-made and unique with design for luxury western homes. We further placed emphasis on the uniqueness of the product by pointing out that there is a life which can be supported behind each and every product. The model allowed the stores to custom design for large orders. They can choose the color of the leather, the features and the size of the product and the ethnic embellishment as it best fits their regular portfolio and their target customers. Since small stores are often reluctant or hesitant to enter into unknown businesses we also stressed that the products are quality assured by designers selected by UNHCR.

As part of the model, we tried to provide solid assurance to the stores by describing to what extent they can help the refugees by allowing UNHCR to facilitate access to this unique supply chain. For example, we highlighted that the sale of each product provides enough for a refugee to feed their family for a week. We stressed that there is no forced labor or child labor involved in the production, because all products are produced ethically, following ILO labor standards.

In terms of payment and delivery terms, the lead time of the product design, production and transportation is between 12-16 weeks at the beginning. In case of regular or periodic orders, this lead time will shorten after agreeing to a standard design and building strong relationship between the store and the middleman in the hosting country. 50% prepayment is required as per standard conditions established by UNHCR.

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<sup>72</sup> Porter M.E & Kramer M.R. (2006) *Strategy and Society: The Link Between Competitive Advantage and Corporate Social Responsibility*. Retrieved November 8, 2015, from [http://sharedvalue.org/sites/default/files/resource-files/Strategy\\_and\\_Society.pdf](http://sharedvalue.org/sites/default/files/resource-files/Strategy_and_Society.pdf)

Related shipping costs and custom clearance costs are borne by the store. These conditions apply to all types of stores. With these considerations, we had a defined model for the decor boutiques in and around Geneva.

### *Large Mainstream Retailers*

It was also important to consider the larger department stores in the Swiss market, or indeed large online retailers who could service the Swiss market, and perhaps beyond. Most of these large retailers already have a CSR department and they engage with this type of activity within their corporate activities. In this case, UNHCR could offer a long-term partnership, as described in Section 3.6. Deep engagement with such retailers would require high level of involvement of the Private Sector Fundraising department at UNHCR. As such, the team did not pursue a large number of these actors actively, but we have described the approach we took with the few we targeted, and would recommend this approach to UNHCR for future PPPs.

Within such a partnership, the large retailers could add value to UNHCR/refugees by bringing in their core competencies much earlier along the value chain. The small decor stores, as they do not engage in partnerships, can only be relied on as part of the “Sales and Marketing” component of the value chain. But a large retailer may be able to invest in the providing raw materials, production capacity and quality assurance, alongside being the purchaser of the products. The concept of creating shared value should still be the main motivation for the mainstream retailers as well as the décor stores to get involved in this business model. Indeed much of the presentation can remain identical to the one made for decor stores.

The mainstream retailers would likely order large numbers; therefore, we explained to them the production limitations as of today and improvements that can be done with their help and investment. In a full PPP with such a private sector entity, UNHCR could seek assistance in all aspects of the refugee artisan supply chain where the company has a core competence, in ways that can be linked back to the company's strategy. This could be in ways as diverse as: providing product design which are marketable, or creating a cause related marketing campaign, which allows society to see refugees as people who add value to the economy, as economic agents and talents, rather than societal burdens. Both of these forms of collaboration create value for all stakeholders: the company, refugees, middleman and local economy, customers and UNHCR.

The mainstream retailers will also have access to the marketing materials, and since it will be a contracted partnership, the use of UNHCR logo, the benefits therein have been described already. The logo usage would also be discussed with Private Sector Fundraising at UNHCR, who do allow key partners use of the logo.

### *Fair Trade Channels*

As Fair Trade historically started with artisan products and products made by refugees, the proposal should be perfectly suited to Fair Trade retailers, and can be attributed to their core business activities. In the presentation, we moved the focus from the luxury and uniqueness of the product to the core focus of the Fair Trade - helping unprivileged producers to reach the market.

In the presentation, we did not indicate the recommended shelf price, but provided them with the list price, rather than a recommended retail price, while excluded shipping cost. We let the Fair Trade stores price the items according to their judgment and margin expectations. It is worthwhile to point out that although the literature suggests that consumers may likely be willing to pay a premium for Fair Trade products, we found that the price ranges of the products available in Switzerland was lower, but premium materials, such as leather and bronze, were rarely used. Therefore for these retail outlets, we also offered an additional product, the napkin rings made of aluminum and lined with leather, which were more affordable. These napkin rings can be sold in a set of four and their suggested retail price is 40 CHF.

The delivery and payment terms remained the same and in terms of the use of marketing materials they can only have access to UNHCR logos if they are willing to enter into a global partnership with UNHCR. For the pricing, the assumption is based on the calculation that markup from the trade price to retail price in artisan sector is generally 100%. This assumption was justified and confirmed during the interviews. The middleman's charge is 20% of the trade price. The profit distribution between different parties in the supply chain is represented in the table below:







<i>Rec Retail Price</i>	<i>Price for retailer (trade price)</i>	<i>Middleman's Commission</i>	<i>Price ex-refugee</i>	<i>Refugee's profit</i>
200	=200/2 = 100	=20%*100 = 20	=100-20=80	=80 - Production cost

### **Profit distribution along the supply chain**

Based on the production cost, profit distribution level and prices designed for Swiss market, we analyzed profitability of each product in the portfolio. Where profit is estimated as a net income and calculated as revenue received by refugees minus total production cost, including material and labor cost. The model assumes that the refugees receive their payment at the time of the order as 30% of the trade price is transferred to them to cover the material and labor cost. The payment of the remaining 50% of the trade price is paid upon delivery of the product to the Swiss retailer. In other words, one working day of the refugees is paid at the level of 5000 XAF (Central African Franc), which is equivalent of CHF 8.3 daily (CHF 183 monthly). Based on UNHCR data collected, cost of living per family is CHF 90 – 100 per household per month (please see Annex 3). This includes non-food items, health needs, and half food basket, with the other half-coming sister UN agency World Food Program. So even without the profits from these items, even if they were sold at cost, we perceived that the wages as described in production cost is enough to cover the full expenditures of the artisan's family needs.

However, market research indicates that similar items sell for much more than the production cost of the artisan goods produced by refugees. So their income can be even much higher, if profits are considered. In the table below, we summarized the profitability of the full portfolio that is currently in production at the refugee camp.



Product Name	Dimensions	Materials	Pictures	Recommended shelf price in CHF	Price for the stores in CHF	Net income in %
Jewelry/tea box	25 x 7 x 10 cm with 3 compartments	Leather and fabric from Ghana with detachable glass cover		200	100	83%
Jewelry/tea box	25 x 17,5 x 10 cm with 6 compartments	Leather and fabric from Ghana with detachable glass cover		250	125	82%
Jewelry/tea box	25 x 25 x 10 cm with 9 compartments	Leather and fabric from Ghana with detachable glass cover		250	125	81%
Jewelry/tea box	33 x 33 x 10 cm with 16 compartments	Leather and fabric from Ghana with detachable glass cover		300	150	78%
Round Tray	Diameter 32 cm, height 7 cm	Leather with leather base		275	138	83%
Round Tray	Diameter 32 cm, height 7 cm	Leather with bronze base		300	150	78%
Round Tray	Diameter 32 cm, height 7 cm	Leather with copper base		325	163	78%
Round Tray	Diameter 32 cm, height 7 cm	Leather with aluminum base		250	125	74%
Ottoman Oval Tray	45,5 x 35 x 7 cm	Leather with bronze base		450	225	83%
Ottoman Oval Tray	45,5 x 35 x 7 cm	Leather with aluminum base		425	213	83%
Ottoman Oval Tray	45,5 x 35 x 7 cm	Leather with copper base		475	238	83%
Round Canister	Diameter 9 cm, height 10 cm	Leather with hand beaten bronze interior		100	50	71%
Round Canister	Diameter 9 cm, height 10 cm	Leather with hand beaten copper interior		120	60	75%
Round Canister	Diameter 9 cm, height 10 cm	Leather with hand beaten aluminum interior		90	45	68%
Christmas Ornament	Big	Leather		15	8	-41%
Christmas Ornament	Small	Leather		10	5	-57%
Bracelet	Flexible	Aluminum with leather interior		30	15	77%
Bracelet	Flexible	Bronze with leather interior		40	20	74%
Bracelet	Flexible	Copper with leather interior		50	25	75%
Napkin rings	Set of 8	Copper		100	50	48%
Napkin rings	Set of 8	Bronze		90	45	49%
Napkin rings	Set of 8	Aluminum		80	40	49%

## Product Profitability Analysis





As is shown in the table above, we identified products with the most attractive profitability as well as products that cannot be offered to customers since the market price is too low to cover production cost and hence it would result in loss. Christmas ornaments were typically this type of product, which we excluded from the portfolio before applying optimization model.

In addition, we realized that the profitability of tea/jewelry boxes and trays are significantly higher than the profitability of napkin rings and bracelet. Despite the difference, we believed that these products have a higher volume potential, as the sales price is below 100 CHF. On the other hand, we saw the fit of lower-priced products in broader variety of stores as those can be purchased as gifts.

## **Risk assessment and recommendations**

During this analysis, we identified several risks related to these constraints, which we analyzed further.

***Fluctuation in the number of refugee artisans:*** There are concerns that the populations may return to their home countries. Political unrest, civil war and other force majeure can happen in West Africa in their host countries, or refugees may be prevented from working by national laws. Such instability may affect fluctuations in the workforce.

The average stay for a refugee in a protracted situation is 17 years. Refugees fleeing war and violence, often have little to go home to, even after cessation of hostilities. Despite agreements between the Malian Government and Tuareg nationalist rebels, spontaneous returns are not occurring on a large-scale due to uncertainty in the effective resumption of administration, public services and socio-economic activities back home. An intention of return study conducted by UNHCR in November 2014 shows that approximately 80% of Malian refugees do not see their return as imminent. On the other hand, ECOWAS, an economic agreement between West African nations, ensure that refugees continue to enjoy rights of free movement and access to work. Therefore, we did not consider sudden decrease in workforce as a high risk.

**Risk mitigation:** The fact that the refugees are already in a protracted situation suggests that there will not be major variability in the workforce. However in case of sudden change happens and the refugees start returning to their home, UNHCR should alert the middleman and UNHCR should assess if the national program can create the links for the refugees to markets in their home country and help them reintegrate into their lives. As they reintegrate back, the products would no longer be labeled refugee produced.

### *Demand for the product*

During this research in similar products, we found much cheaper and obviously much lower quality items that would suffice the functionality of a tray or a box. This fact can create a risk of the low demand for these products. However, we targeted those customers who are interested in buying unique, high value aesthetic items, and who are willing to pay for more than just function in particular if the purchase also furthers a social cause. We worked on creating a niche market by promoting these as ensuring high design and ethical products, and pricing them at the market price for this specific niche. We have indeed sold these products as being socially and morally friendly and have labeled them such, so the customer is aware that, by buying this product, they are contributing to the well-being of refugees and their host communities. The risks are whether there remains enough demand to market these products into the future and whether there is a possibility to adjust selling price.

**Risk mitigation:** The demand for these products is partially subject to the price sensitivity of the consumers. The recommended shelf price was based on calculating the average of the similar products in the market. However, these prices might need to be adjusted to fit based on the experience in the first round of orders. The price can go higher or lower, however, the minimum profitability level of current portfolio is 48%. That said, the price can be decreased by maximum 48%, at which the refugees would still earn an income. However, it should be noted that profitability at around 50% ensure that refugees could save for the working capital for the next round of production.

Another aspect for creating demand for these products is to have them designed in the style that is in line with the expectations of the business' customers. There is a flexibility to alter the product design to some extent, per the desires of the stores, and since the production is not automated, these adjustments can be made from one order to another keeping in mind 12-16 weeks of production lead time.

#### *Product quality*

There is a slight possibility and low risk in product quality regarding the finishing of the items. These issues have been addressed and actions for providing trainings to the refugees will be continuing for the duration of the program, likely for the next three years. Training the refugees in this will be part of UNHCR work. Local middlemen can also provide design advice as well as quality assurance services, as described above in "Outbound Logistics."

## **Reflections and Way Forward**

Recommendations for UNHCR are made throughout the document, including various risk mitigation strategies. The business model has already been proven successful with several confirmed orders and other promising discussions for orders in the pipeline. However, UNHCR can take steps to strengthen the model, to scale it to other operations and to use it as a starting point to develop key Public Private Partnerships with appropriate private sector partners. This unique business model is an excellent opportunity for UNHCR to address the issue of refugee self-reliance while relying on the private sector. What makes it even more attractive to UNHCR is that engaging with private sector through this business model will not only increase the financial support to refugees, but the model itself generates income to the refugees, which supports their living and which they can reinvest in future businesses. If the model is successfully implemented it should relieve UNHCR's financial burden and establish a long-term business case to focus on other innovative long-term partnerships with private sector.

#### *Recommendations regarding the business model*

There is a small chance of the fluctuation of the refugee artisans, which may occur if they leave the camps suddenly; this can happen primarily in the case of repatriation. Although we have earlier explained that this is unlikely in the foreseeable future for the Malian crisis, in all other situations this is a risk worth considering. Therefore, an action plan should be developed for such event that can disrupt the production and ultimately discourage the business with Swiss retailers. The plan should define the role of the key stakeholders, such as UNHCR and the middleman. UNHCR should alert the middleman as soon as they notice such event to occur and should explore the possibility of creating the links for the refugees to markets as part of their reintegration in their homeland. The middleman should be able to monitor the production in line with the orders and liaise with the retailers in case of sudden change in their capacity.

Although the pricing of the products was done in line with the current market prices of similar items, there is a risk of having lower demand than expected in the Swiss market due to general recessionary forces. There is however room for downward adjustment of the prices up to the point that it still generates income for the refugees. After a round of orders, the retail stores will already have an idea of the pricing and will be able to request modification them if needed; refugees will receive training in business skills and will be able to assess profitability.

Adjusting the portfolio by adding lower cost/priced products would increase the chances of entering either smaller stores or larger channels, which are focusing on the mid-range products. The risk in demand is also affected by the style and attractiveness of the product. There is flexibility in adjusting product design to customize them to different retailers, however the refugees will have to be trained accordingly to be able to manage differentiated portfolios.

## **Conclusion: Developing Long-term Public-Private Partnerships**

To expand the opportunities further and strengthen the model, UNHCR can enhance this business model and elevate it to the level of Public-Private Partnerships with large retailers. If successfully developed, such partnerships would establish a sustainable supply chain, as well as help build capacities and scale-up of artisan enterprises, such that it creates value, economic and otherwise, for refugees, UNHCR, as well as the company.

This mode of cooperation with the private sector actually also creates value for the hosting nation, whose economies benefit from increased exports. When scaling to other UNHCR operations, this can be used to advocate with host governments for refugee inclusion and work permits in Public Private Partnerships with large actors who are interested in supporting refugee self-reliance.

There are, however, some challenges that UNHCR can face before and during the partnership formation. Finding the right partners can be difficult. Approaching them and persuading them can be even more complicated. We should not forget that the business of the private sector is not primarily around social responsibilities or shared values. For profit organizations and companies should understand the advantages of 'doing good'. Therefore UNHCR should develop a strategic plan when reaching out to private sectors for long-term partnership in order to present a sound and solid business opportunity for the targeted companies. UNHCR's goal is to instigate companies' willingness to invest in and commit to this partnership in the long run.

As a recommendation to any potential private sector partner, UNHCR should discuss the right to work situation in the context of the country where the artisans are hosted. Many private sector partners are willing to source from refugees who are not employed formally, as long as labor rights are respected. UNHCR could initiate a discussion with the private sector partner in the context of refugees' human right to work, as well as the enshrinement of this right in the refugee convention, especially in case refugees do not have the right to work in the country of asylum. In this case, UNHCR can seek possibilities to find employment solutions, such as self-employment. This solution is one that is particularly well suited to artisan work, which often takes place in homes.

In many cases, the country of asylum's informal sector may be vast enough to incorporate refugees. Here UNHCR's role would be to keep the protection concerns for refugees paramount, such as rights at work, as well as any harassment they may face if perceived as a threat to local workforce. These expectations should be well discussed with the middlemen, and reinforced by a "gentlemen's agreement," or a Memorandum of Understanding signed by both parties.

Developing a strategic plan and engaging with large corporation require designated resources at UNHCR. With expanding to PPP, UNHCR should discover the possibilities of reaching out to developing agencies such as the Swiss Agency for Development and Cooperation (SDC). As such shared value partnerships become increasingly the norm of engagement on social issues for businesses, UNHCR must also adapt in the best interest of its beneficiaries, the over 60 million people displaced because of conflicts, and scant durable solutions for too few.

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