

ReDSS

Unlocking Protracted Displacement



RE-THINKING THE DISPLACEMENT FINANCING ARCHITECTURE

THE HORN OF AFRICA

EXECUTIVE SUMMARY

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A young boy walks past an IDP camp in Baidoa.
Credit: Save the Children



Community dialogue meeting in Lorengippi, Turkana. Credit: DRC

EXECUTIVE SUMMARY

This study is concerned with the role that aid financing can play in delivering solutions to displacement. It was commissioned to provide practical lessons and recommendations to stimulate dialogue and critical reflection on how to improve the displacement financing architecture in the Horn of Africa. The study is intended to complement commitments, policy studies, and evidence produced at the global level by adding real world evidence and examples drawn from concerted efforts during the last five years to accelerate progress in achieving solutions to displacement in Ethiopia, Kenya, and Somalia.

Financing has properties over and above the ability to buy goods, services, or in the case of aid programming, results. Aid financing can be used to nudge incentives and broker deals or transactions. Financing agreements can be calibrated to promote inclusion, protection, and consideration of the specific needs of displaced people. This is particularly important in situations of forced displacement, where challenges are not only humanitarian or developmental, they are often first and foremost political, and therefore related to ensuring the rights and protections of displaced people.

Opportunities for pursuing solutions to forced displacement in Ethiopia, Kenya, and Somalia have increased substantially in the last five years. There have been major advances in national legislative and policy environments. There has been notable progress in recognition of displacement as a core development challenge among governments, the private sector, and international development partners, with concerted efforts to move beyond humanitarian models of support, including substantial new financing and programming approaches. Alongside these developments, new tools, evidence, and partnerships have been created.

There has been notable progress in recognition of displacement as a core development challenge among governments, the private sector, and international development partners, with concerted efforts to move beyond humanitarian models of support.

Cover Photo: Students leave school, Sheddor refugee camp, Somali Regional State. Credit: Jiro Ose, UNHCR

KEY LESSONS FROM ETHIOPIA, KENYA, AND SOMALIA

Use financing tactically to create an enabling environment for solutions to displacement

- Ensuring the rights of displaced people are respected and upheld is the single most important and potentially least costly investment in achieving solutions to displacement. Investing in creating an enabling legal and policy environment should therefore be the first priority in the pursuit of solutions to displacement. International actors should pursue a combination of political dialogue, technical assistance, and financing to help shift incentives towards enabling legal and policy environments, and ensuring operationalisation and application.

Build coherent government-led approaches

- Financing investments and instruments should support an understanding that long-term solutions must be led by government. Shifting programming, financing models, and behaviour from predominantly parallel humanitarian models towards government-led approaches remains a work in progress. Financing for solutions to displacement still flow largely outside of government financial systems. This limits scope to build financing packages and agreements calibrated to incentivise and support government-led solutions.
- Efficient targeting of resources requires clarity of purpose and collaborative approaches to scoping out solutions. High-level master plans have failed to attract support and do not provide adequate prioritisation and guidance against which investments can be aligned. What has emerged instead is a more organic convening of actors mobilised around shared high-level objectives, where prioritisation of policy reforms and enabling investments, logics or theories of change, and programme designs have been developed collaboratively over periods of months or years.

Maintain progress through multi-level engagement

- Supporting the long tail of reform and implementation requires sustained political and financial engagement combined with sensitivity to the political economy of interest groups that stand to gain or lose from solutions to displacement. This also requires a willingness to respond flexibly to support windows of opportunity to push forward reform processes, and acceptance that there will be shocks and setbacks, including political upheaval, changes in key leadership positions, and shifting levels of public support.
- Even where progress is slow or stalled at the national level, there are often opportunities to advance solutions to displacement through technical sectors, programmes, sub-national, or area-based approaches, which can often more readily navigate domestic political sensitivities. International actors can play an important role in capitalising on these pockets of opportunity, creating packages of technical and financial support.
- Working at multiple levels and with a more diverse range of actors also requires new partnerships and tools, including financing tools that are capable of responding flexibly to shocks and changed circumstances.

Invest in evidence and learning to accelerate progress and drive efficiency

- Coherent approaches require investment in a shared evidence base to inform efficient targeting and sequencing of investments, and to provide greater clarity as to where the specific needs of displaced people fall across the remits and competencies of humanitarian, development, and peacebuilding actors. This includes investing in evidence on the numbers of people affected by displacement and the specific nature of their vulnerabilities. Measuring progress in working towards durable solutions also requires a baseline against which changes can be monitored, with realistic and causal pathways to measure. Well targeted investments in generating evidence also have a high return in accelerating learning and adaptation, and in shifting dominant paradigms and building consensus.

Sequence and calibrate investments to incentivise and enable solutions to displacement

- Supporting solutions to displacement requires different types of financing, financing modalities, and tools over time, with instruments and agreements calibrated to incentivise and support specific objectives and programming requirements. Multiple types of programming and funding may be required simultaneously. A simple sequential transition is not realistic.
- Funding requirements are likely to increase in the medium term—when a variety of humanitarian, catalytic, transitional, and development financing is required. Financing actors should not anticipate a rapid tailing off of humanitarian funding requirements or a reduction in overall financing requirements in the near term.
- Targeted funding investments to demonstrate proof of concept or to test new models and approaches are necessary to help identify and build the case for new programming and financing approaches. There is currently a conceptual and practical gap in funding tools to support transitional activities, however. There may be a compelling case for support to transitional activities underpinned by flexible multi-year financing to provide practical programming to displaced communities to begin to pursue inclusion and self-reliance, to strengthen local and national level government capacity to manage durable solutions to displacement, and to support specific enabling activities.
- Particular attention should also be applied to the inclusion of displaced people in development programming and funding. The design of financing tools and packages can play a critical role here, calibrating conditions to provide checks and incentives to support the inclusion of displaced people.



Shopping centre in Kamuka IV camp.
Credit: DRC

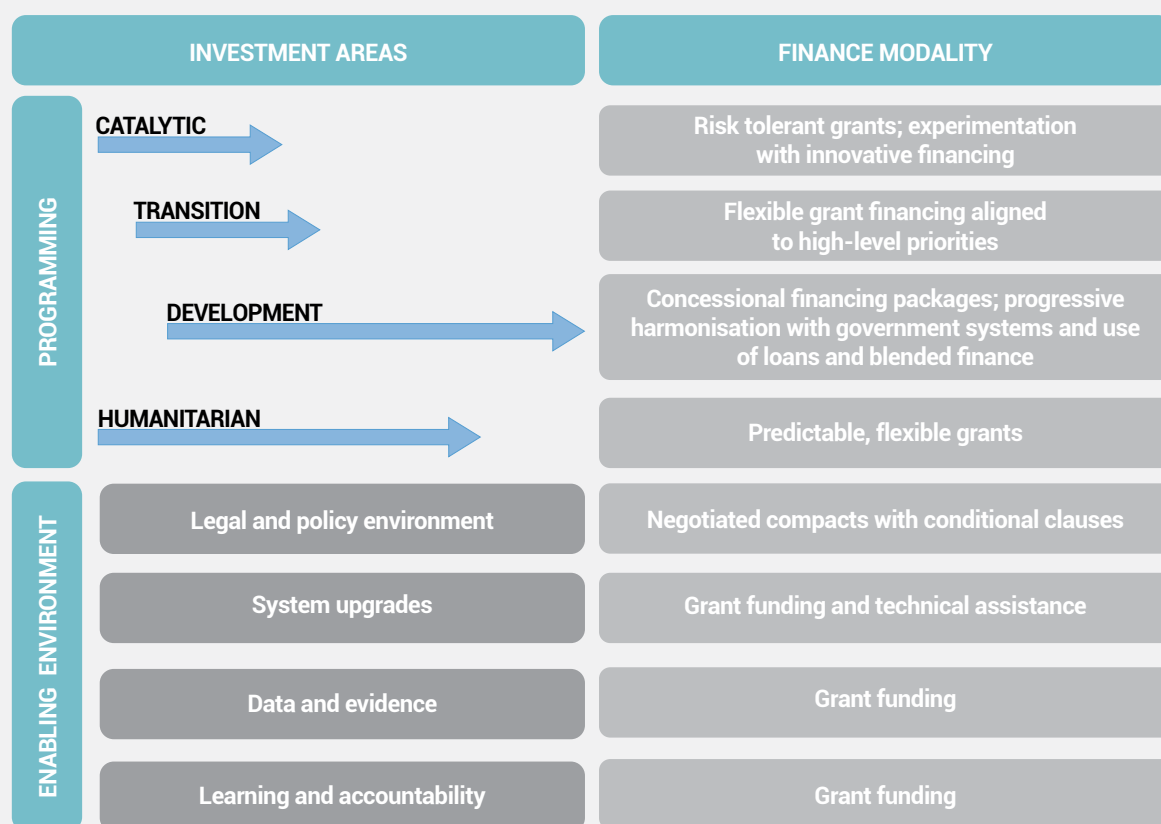
Key elements of a roadmap for effective financing for solutions to displacement

1. Invest in the enabling environment

- Negotiate financing packages to incentivise legislative and policy reform
- Provide sustained financial and technical support to the development of secondary legislation and policy implementation
- Invest in national capacity to lead solutions to displacement
- Invest in foundational evidence for effective targeting, analysis, and monitoring
- Invest in learning and dissemination of evidence

2. Prioritise, layer, and sequence programming and investments

- Sustain predictable but flexible humanitarian funding and be prepared for further shocks
- Provide catalytic funding to pilot and develop new approaches and models
- Dedicate funding to support transitional activities
- Commit to providing sustained funding for the long haul of programme scale-up and implementation
- Move towards greater alignment with and use of national systems
- Calibrate investments to provide checks and incentives to support the inclusion of displaced people



KEY RECOMMENDATIONS

Approaches to delivering solutions to displacement in the Horn of Africa are at the beginning of a transformation process. There are many positive lessons and new models emerging. There are also barriers and unforeseen challenges.

Maintaining momentum and protecting gains made in the last five years in advancing solutions to displacement in Ethiopia, Kenya, and Somalia requires renewed political commitment and additional financing to take forward the next stage of programming, to enable the inclusion of displaced people into national service provision. Both domestic and international resources are likely to be significantly constrained in the near term, however, and there are likely to be many urgent and competing demands for public funds. In light of this, prioritisation and sequencing of investments will be critical.

Governments and international partners have a unique opportunity to work with the Intergovernmental Authority on Development (IGAD) through the IGAD Regional Support Platform to engage in political dialogue on prioritisation and negotiation of new financing packages and to identify solutions to emerging challenges. Discussions should focus on scope for legislative and policy reform to create enabling environments for solutions to displacement and the three IGAD priority thematic areas: health, education, and livelihoods. This includes a focus on brokering financing packages to support implementation of the Djibouti Declaration to further the inclusion of refugees in national education systems. Actors should also be convened around the challenges, opportunities, and emerging lessons resulting from implementation of the Kampala Declaration on jobs, livelihoods, and self-reliance. This includes opportunities to integrate displaced people in national social protection systems and taking stock of and refocusing ad hoc investments in promoting economic self-reliance.

Maintaining momentum and protecting gains made in the last five years in advancing solutions to displacement in Ethiopia, Kenya, and Somalia requires renewed political commitment and additional financing.

STRUCTURE OF THE REPORT

Following the Introduction (Section 1), the report is organised in four major discussion areas: a brief explanation of why financing should be considered a key tool and enabler in pursuit of solutions to displacement (Section 2); a summary of major opportunities and challenges at the global level in pursuing solutions to displacement (Section 3); a set of lessons drawn from the three country studies, with a focus on how financing can be used to drive change (Section 4); and conclusions and specific recommendations for immediate action in the Horn of Africa, including reference to areas in need of further research (Section 5).



One of many sprawling camps in Mogadishu.
Credit: Peter Biro, IRC

INTRODUCTION

This section of the report (Section 1) explains the primary aim of the study. It also presents the methodology used for the research and discusses the intended scope of the study.

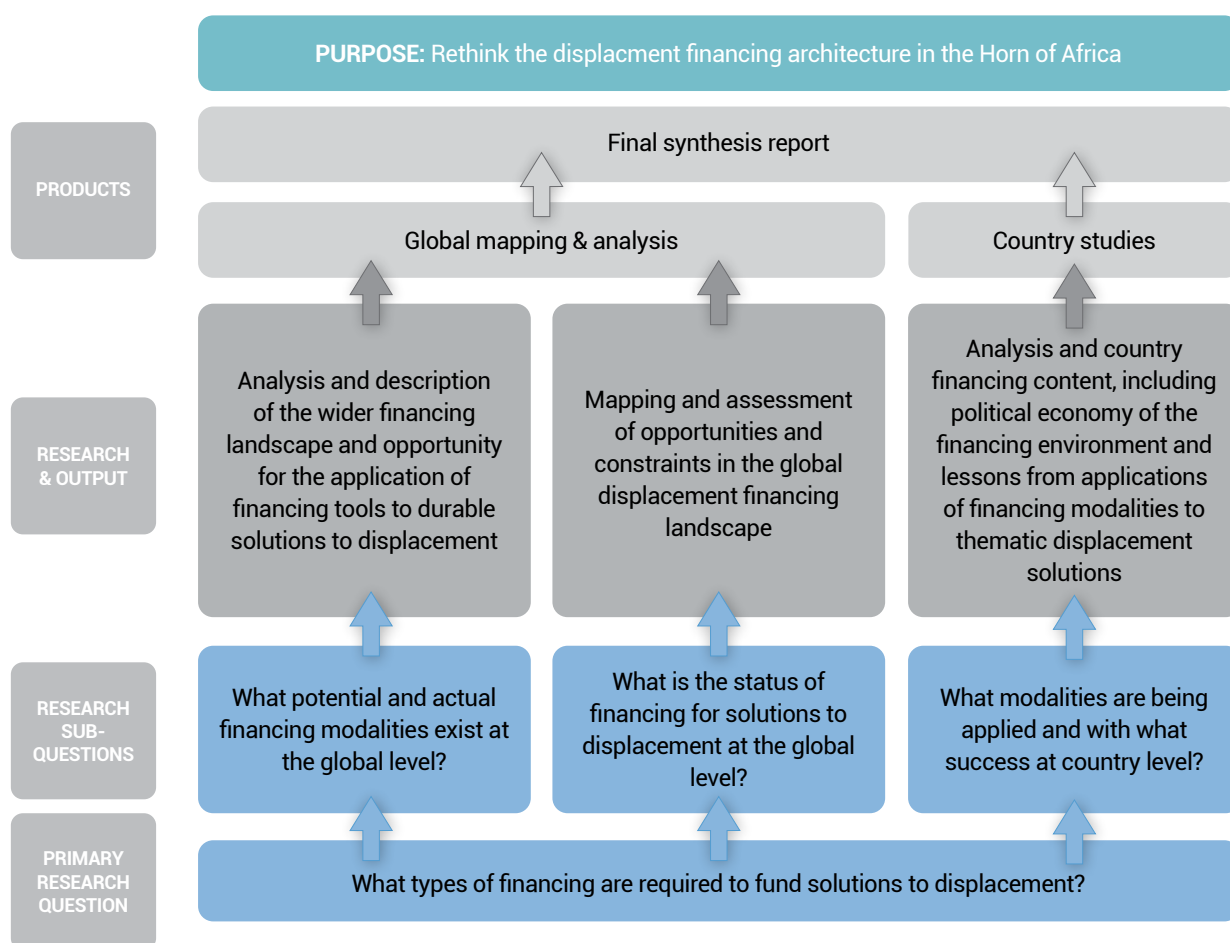
AIM OF THE STUDY

This study was commissioned to provide practical lessons and recommendations to stimulate dialogue and critical reflection on how to improve the displacement financing architecture in the Horn of Africa. The study is intended to complement commitments, policy studies, and evidence produced at the global level by adding real world evidence and examples drawn from concerted efforts during the last five or so years in Ethiopia, Kenya, and Somalia to accelerate progress in achieving solutions to displacement.

The research uses the term “solutions to displacement” to refer to both aspirations to increase the inclusion and self-reliance of refugees through longer-term approaches, and explicit efforts to achieve durable solutions for internally displaced people. Where durable solutions are an explicitly stated policy objective, the report refers to these directly as durable solutions.

The study includes a review of policy and financing instruments and approaches at the global level to inform the framing of analysis and recommendations. The primary evidence for the study is, however, drawn from a range of refugee and internal displacement situations in Ethiopia, Somalia, and Kenya. The logic of the research is outlined in Figure 1.

FIGURE 1. STUDY RESEARCH LOGIC



The study assesses the enabling conditions for solutions to displacement in each country, including the political, policy, institutional, and financing environment. For refugees, the study focuses on solutions within the host country, and does not consider voluntary repatriation or resettlement.

In each country, a subset of thematic programmatic areas is also studied. These include:

- **Self-reliance:** efforts to promote economic self-reliance among refugees in refugee camps and settlements in Kenya and Ethiopia
- **Social protection:** inclusion of internally displaced persons (IDPs) and refugees in national social protection systems in Somalia and Ethiopia
- **Area-based programming:** lessons emerging from area-based durable solutions programming in Somalia, Ethiopia, and Kenya
- **Education:** inclusion of refugees in the national education systems in Kenya and Ethiopia
- **Sustainable housing solutions:** efforts to provide sustainable housing solutions for IDPs in urban settings in Somalia.



A young man in Kakuma refugee camp in Kenya. Credit: DRC

METHODOLOGY AND APPROACH

The analysis is based on a literature review, key informant interviews (KIIs), and data analysis of key financing flows. In total, 100 KIIs were completed between October 2020 and January 2021: 34 KIIs at the global and regional level; and 66 KIIs across the 3 country case studies.

The study also benefits from substantive inputs and guidance from a Regional Technical Advisory Committee (TAC) comprised of ReDSS members (Danish Refugee Council [DRC], International Rescue Committee [IRC], Norwegian Refugee Council [NRC], and Mercy Corps) and key partners at regional and global levels, including: the Intergovernmental Authority on Development (IGAD), the World Bank, United Nations High Commissioner for Refugees (UNHCR), United Nations Development Programme (UNDP), European Union Trust Fund for Africa (EUTF), UK Foreign and Commonwealth Development Office (UK FCDO), and the Humanitarian Policy Group at the Overseas Development Institute (ODI).

The TAC contributed to defining the scope and focus of the study, and to developing the analysis and recommendations of the synthesis report. The engagement of the TAC also forms part of the dissemination and uptake strategy for the research, with TAC members facilitating opportunities to disseminate the study findings, and socialising the findings of the study in their own institutions and networks.

SCOPE AND LIMITATIONS

The scope of this study considers a range of different types of financing with a focus on: Official Development Assistance (ODA), including innovative financing; private sector financing, including funds from trusts, foundations, corporate partnerships, donations from private individuals, and profit-seeking commercial investments; and public sector financing from national governments through national budgets. The primary emphasis for analysis and recommendations is ODA financing because this is where international actors have the greatest potential for influence.

KEY FINANCING TERMS

Official Development Assistance

ODA comprises financing flows to countries and territories on the Organisation for Economic Cooperation and Development (OECD) Development Assistance Committee (DAC) list of ODA recipients and multilateral development institutions that are: 1) Provided by official agencies, including state and local governments, or by their executive agencies; and 2) Concessional (i.e. grants and soft loans) and administered with the promotion of the economic development and welfare of developing countries as the main objective.¹

Innovative financing

There is no officially agreed definition of innovative financing. This is, however, commonly understood to include either efforts to mobilise additional funding for development (typically from private sector investors or private funders) or instruments designed to make financing more efficient. For example, the OECD describes this as follows: "Innovative financing for development refers to initiatives that aim to raise new funds for development, or optimise the use of traditional funding sources."²

The International Rescue Committee (IRC) Airbel Impact Lab describes innovative finance for humanitarian response as: "New financing approaches and instruments that help people prevent, prepare for, and respond over time to crises, by shrinking need, maximizing impact, attracting new sources of investment capital, and enhancing the equitable use of resources."³

In the context of solutions to forced displacement, innovative financing is commonly used to describe a range of financing instruments that seek to incentivise private sector investment (such as risk guarantees, blended finance, or grant financing to promote business investment or expansion) and/or investments in private sector-driven efficiencies or services that bring down the cost of response.

UNHCR, for example, describes innovative financing as financial arrangements to support its work that are not traditional donor funded grants. Rather, this is financing that helps deliver more sustainable, efficient, and effective resources and that brings in a wider range of stakeholders and their financial and other capabilities.⁴ Instruments include investments, impact bonds, swaps, funds, guarantees, and blended finance. UNHCR focus areas include: using blends of grant and other financing to scale up impactful programming; financing higher-quality and more cost-efficient infrastructure; reducing operational costs; and investing in the productive capacities of refugees.⁵



Refugee youth participating in a livelihoods training in Kakuma refugee camp. Credit: DRC



Women carrying jerry cans in Somali Regional State. Credit: Poorwai Nang, Oxfam Hongkong

CONCLUSIONS AND RECOMMENDATIONS

This final section of the report (Section 5) concludes this analysis of financing solutions to displacement. It presents specific recommendations for immediate action in the Horn of Africa and identifies a series of questions in need of further research and analysis.

SPECIFIC RECOMMENDATIONS

Maintaining momentum and protecting gains made in the last five years in advancing solutions to displacement in Ethiopia, Kenya, and Somalia requires renewed political level commitment and additional financing to take forward the next stage of programming, including the integration of displaced people in national service provision. Both domestic and international resources, however, are likely to be significantly constrained in the near term. It is also likely that there will be many urgent and competing demands for public funds. Prioritisation and sequencing of investments will be critical in light of this.

Governments in the Horn of Africa and international partners have a unique opportunity to work with IGAD, through the IGAD Regional Support Platform, to engage in political dialogue on prioritisation and negotiation of new financing packages and to identify solutions to emerging challenges. Discussions should focus on scope for legislative and policy reform to create enabling environments for solutions to displacement. They should also focus on the three IGAD priority thematic areas: health, education, and livelihoods.

In education, a package of financing has already been agreed to support refugee inclusion in the national education system in Ethiopia and a draft costed action plan has been developed for Kenya. Brokering a package of financing support to the Kenyan costed plan for the inclusion of refugees and asylum seeking learners in the national education system should be a priority for 2021. This provides an opportunity for international partners to demonstrate good faith in government commitments towards refugee inclusion in the national education system. It could also provide an opportunity to find mutually acceptable solutions to channelling financing in alignment with government systems. In turn, this could provide a model for other sectors and help move forward the impasse on use of government systems.

Economic self-reliance, which falls within the livelihoods focus area of IGAD priorities, represents both political and programmatic challenges. Currently, investments are made on an ad hoc basis. There is no clear point of coordination or leadership either among governments or international actors, with policy and programming falling across the remit of many ministries, sectors, and actors, including the private sector. Overall, there is a lack of clear prioritisation and sequencing of investments and policy reforms. This is exacerbated by a lack of knowledge about and agreement on what types of programming are effective. Across Ethiopia, Kenya, and Somalia, questions have been raised around the feasibility of the aspiration towards self-reliance and around the effectiveness of current programming approaches.

Inclusion in safety net programmes is also likely to be an important longer-term solution to providing protection to displaced people, a proportion of whom will realistically never be able to achieve self-reliance.

Alongside these questions, it is also important to ensure that developmental approaches to economic self-reliance, particularly efforts to attract private sector actors, take into account the specific vulnerabilities and protection needs of displaced people. In the context of an economic downturn, investments in economic inclusion and the self-reliance of refugees has the potential to prove controversial. It is a sensitive issue for governments. There are clearly a wide range of challenges that need to be addressed if investments in economic self-reliance are to deliver meaningful returns. The IGAD Regional Support Platform could offer a useful forum for exchange and dialogue on economic inclusion, convening governments, international partners, and the private sector.

Inclusion in safety net programmes is also likely to be an important longer-term solution to providing protection to displaced people, a proportion of whom will realistically never be able to achieve self-reliance. The IGAD Regional Support Platform could also convene actors and emerging evidence on the technical and political challenges, as well as financing modalities and requirements, to include displaced people into safety net programmes across the region.

AREAS FOR FURTHER RESEARCH

Pursuing solutions to displacement remains an emerging field. During the course of this study, many areas in need of further research have been identified, as follows.

Insights and metrics to identify which investments shift the dial

Current approaches in investing in solutions to displacement are unlikely to be affordable at scale. Therefore, evidence on which policies and programmes make the most significant difference to achieving solutions is needed to inform prioritisation of limited ODA. This requires regular monitoring of perceptions and indicators of inclusion. It also needs meta-analysis of impact evaluations to elevate current levels of analysis of what works above the level of projects and programmes to enable broader assessment of a range of possible interventions.

Understanding migration as an adaptation to climate change

Population movements in response to climate change and climatic hazards is already a major trend in the Horn of Africa. This is most notable in Somalia since late 2016, for example, where two consecutive years of drought drove nearly a million Somalis dependent on agricultural and pastoralism to seek assistance in urban areas. Experiences from supporting solutions to forced displacement in the region could offer important lessons for government, development, peacebuilding and climate financing actors to inform policy and programming to proactively support population movement as an adaptation to climate change as part of planned national development processes.

Practical approaches to delivering inclusion and accountability to displacement-affected people

The inclusion of displaced people and the populations they live alongside is important for designing effective programming and supporting social cohesion. Regular monitoring of perceptions and concerns – such as the Local (Re)Integration Assessment (LORA) index in Somalia – provides critical insights into progress in achieving solutions.⁷⁴ Experiences from these efforts and initiatives to include the perspectives and concerns of people affected by displacement in the design and delivery of solutions could usefully be collated, analysed, and shared to support the development of more widespread and meaningful opportunities to include displaced people in the delivery of solutions to displacement.



Overview photo of Kakuma IV
refugee camp. Credit: DRC



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



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