

ReDSS

Unlocking Protracted Displacement



RE-THINKING THE DISPLACEMENT FINANCING ARCHITECTURE

THE HORN OF AFRICA

APRIL 2021

CO-FUNDED BY:



MINISTRY OF FOREIGN AFFAIRS
OF DENMARK
Danida



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ACKNOWLEDGEMENTS

This operational research was commissioned by the Regional Durable Solutions Secretariat (ReDSS) and was conducted by Lydia Poole.

ReDSS and the research team would especially like to thank member organisations of the Technical Advisory Committee: DRC, DSP, EU and EUREF, FCDO, IGAD, IRC, Mercy Corps, NRC, ODI, UNDP, UNHCR, and the World Bank.

Financial support was provided by FCDO, Danida, and the EU.

THE REGIONAL DURABLE SOLUTIONS SECRETARIAT (ReDSS)

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

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

Back cover photo: Somali Regional State. Credit: Guacamaya

GLOSSARY OF TERMS

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

LIST OF ACRONYMS

ACF	Action Contre La Faim	KISED	Kalobeyei Integrated Socio-Economic Development Plan
ACTED	Agency for Technical Cooperation and Development	KKCF	Kakuma Kalobeyei Challenge Fund
ARRA	Agency for Refugee and Returnee Affairs	LORA	Local (Re)Integration Assessment
CIDP	County Integrated Development Plan	LWF	Lutheran World Federation
CRRF	Comprehensive Refugee Response Framework	MENA	Middle East and North Africa
DAC	Development Assistance Committee (OECD)	MOPIED	Ministry of Planning Ministry of Planning, Investments and Economic Development (Somalia)
DFID	Department for International Development (UK)	MPF	Multi-Partner Fund
DRC	Danish Refugee Council	NCRRS	National Comprehensive Refugee Response Strategy (Ethiopia)
DRDIP	Development Response to Displacement Impacts Project	NDP	National Development Plan
DSI	Durable Solutions Initiative	NRC	Norwegian Refugee Council
DSRSG / RC / HC	Deputy Special Representative of the Secretary General, Resident and Humanitarian Coordinator	ODA	Official Development Assistance
DSS	Durable Solutions Secretariat	ODI	Overseas Development Institute
DSU	Durable Solutions Unit	OECD	Organisation for Economic Co-operation and Development
EBRD	European Bank for Reconstruction and Development	RAS	Refugee Affairs Secretariat
EC	European Commission	RCK	Refugee Consortium of Kenya
ECHO	European Civil Protection and Humanitarian Aid Operations	RCO	Resident Coordinator's Office
EU	European Union	ReDSS	Regional Durable Solutions Secretariat
EU RE-INTEG	European Union programme for enhancing Somalia responsiveness to the management and reintegration of mixed migration flows	REF	Research and Evidence Facility
EUTF	EU Trust Fund for Africa	RESI	Refugee Employment and Skills Initiative
FGS	Federal Government of Somalia	RPRF	Refugee Policy Review Framework
GCFF	Global Concessional Financing Facility	RSW	Refugee Sub-Window (World Bank)
GCR	Global Compact on Refugees	SCC	Smart Communities Coalition
GIZ	Gesellschaft für Internationale Zusammenarbeit	SDC	Swiss Development Cooperation
GNI	Gross National Income	TAC	Technical Advisory Committee
GRF	Global Refugee Forum	ToR	Terms of Reference
IASC	Inter-Agency Standing Committee	UK	United Kingdom
IDA	International Development Association (World Bank)	UK FCDO	United Kingdom Foreign, Commonwealth and Development Office
IDP	Internally Displaced Person	UN	United Nations
IFC	International Finance Corporation	UNDP	United Nations Development Programme
IGAD	Intergovernmental Authority on Development	UNESCO	United Nations Educational, Scientific and Cultural Organization
INCAF	International Network on Conflict and Fragility	UNHCR	United Nations High Commissioner for Refugees
IOM	International Organization for Migration	UNICEF	United Nations International Children's Emergency Fund
IPF	Investment Project Financing	USAID	United States Agency for International Development
IRC	International Rescue Committee	USNJP	Urban Safety Net and Jobs Project (World Bank)
IsDB	Islamic Development Bank	WFP	World Food Programme
ITC	International Trade Centre	WHR	Window for Host Communities and Refugees (World Bank)
KII	Key Informant Interview		



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.

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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

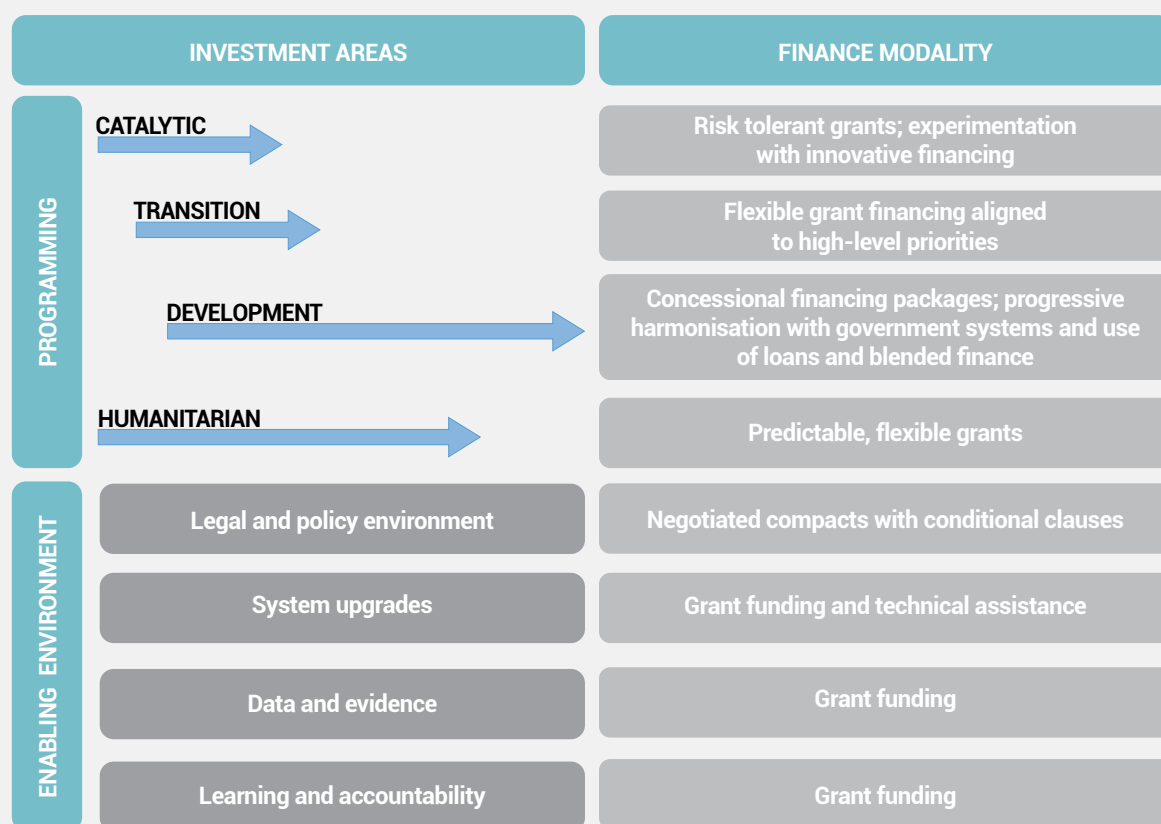
Key elements of a roadmap for effective financing for solutions to displacement

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.

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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).



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

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.

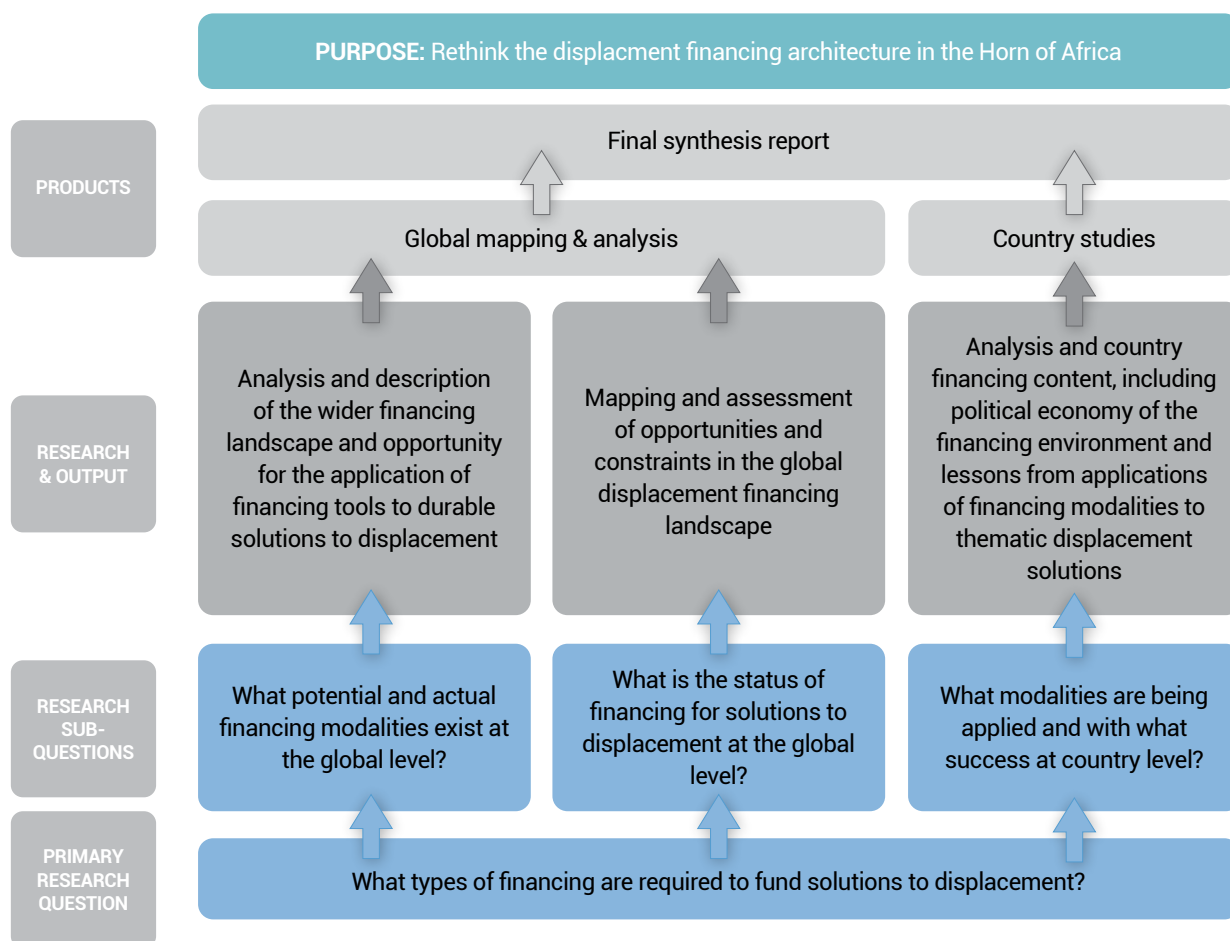
AIM OF THE STUDY

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

WHY FINANCING MATTERS

This section of the report (Section 2) offers a brief overview of why financing should be considered a key tool and enabler in pursuit of solutions to displacement.

THE ROLE AID FINANCING CAN PLAY

This study is concerned with the role that aid financing can play in delivering solutions to displacement. Financing has properties over and above the ability to buy goods, services, or in the case of aid programming, results. Money, as they say, talks. As such, aid financing can also be used to nudge incentives and broker deals or transactions. This is particularly important in situations of forced displacement, where the challenges are not only humanitarian or developmental. Rather, they are often first and foremost related to ensuring the rights and protections of displaced people. Solutions, therefore, must also be negotiated at the political level.

The 2010 Inter Agency Standing Committee (IASC) Framework on Durable Solutions for Internally Displaced Persons⁶ describes durable solutions as a process involving four challenges (see Figure 2).

The design and management of financing instruments and modalities can play an important role in structuring incentives, in formalising terms and conditions, and making sure that financing is available at critical moments, in the right amounts, and with the right properties.

FIGURE 2. SOLUTIONS TO DISPLACEMENT AS MULTI-DIMENSIONAL SETS OF CHALLENGES

Challenge type	Human rights	Humanitarian	Development	Peacebuilding
ACTIONS	Restoring human rights including rights to security, property, housing, education, health, and livelihoods	Continuing humanitarian needs, including temporary shelter, food, emergency health, etc.	Providing access to livelihoods, education, and health care in areas of return, local integration; supporting local governance structures and the rule of law, and rebuilding houses and infrastructure	Political, economic, and social stabilisation after conflict and disasters

Aid financing can be provided with strings attached. This is an important attribute when displaced populations are at risk of exclusion and marginalisation. It is also valuable when the terms of financing agreements can be calibrated to promote inclusion, protection, and consideration of the specific needs of displaced people.

Therefore, the design and management of financing instruments and modalities can play an important role in structuring incentives, in formalising terms and conditions, and making sure that financing is available at critical moments, in the right amounts, and with the right properties. For example, payment terms linked to performance can be structured to drive policy reforms and improve



Refugee youth entrepreneur, Kakuma refugee camp. Credit: DRC

programme performance. Adjusting the concessional nature of financing and providing risk guarantees can help to attract private sector investment to new markets. Conditions attached to risk financing and risk transfer instruments can help create incentives to invest in preparing for and reducing exposure to risk.

Aid funding can also be directed towards system level or public goods that benefit many actors. In addition, it can be used, for example, to enhance the enabling conditions for solutions to displacement or promote greater programme efficiency.

CALIBRATING FINANCING TOOLS AND INSTRUMENTS

What is a financing instrument?

A financing instrument is an agreement between two or more parties to transact funds. Minimally, it includes a disbursement and payment plan. Financing instruments allow people, governments, and businesses to pay money in and receive disbursements at agreed times and under specific negotiated conditions. For example, a loan allows recipients to receive funds up front and spread repayments over an agreed time period. An insurance product requires an up-front payment, which guarantees a later disbursement if and when a specific event occurs.

The majority of ODA is provided in the form of grants, which do not make provision for repayments. ODA loans, however, do require repayment terms. ODA is also used in a range of other financing instruments, which typically involve private sector actors. These include equity investments in private sector entities and contributions to investment funds.

Guarantees may also be provided with payments made from ODA funds should they be invoked. Guarantees only represent a financial transaction if they are invoked, however. Otherwise they are recorded as a liability against the balance sheet of the guarantor.

What is a financing modality?

A modality is the means or specifications used to implement a financing instrument. For example, a loan between a donor and government is a financing instrument. That loan, however, might be provided as budget support or a contingent loan disbursed on pre-agreed conditions. A loan may also be calibrated on a payment-by-results basis.

NEW OPPORTUNITIES FOR SOLUTIONS TO FORCED DISPLACEMENT

The following section (Section 3) outlines global and system-level opportunities and challenges that influence the scope to pursue solutions to displacement in the Horn of Africa region.

NEW GLOBAL POLICY PARADIGM: LARGE-SCALE REFUGEE SITUATIONS

Political commitment to address large population movements has increased substantially. Since 2015, a new global refugee policy paradigm has emerged, which includes new multilateral policy frameworks and commitments, as well as new opportunities for financing to support solutions to forced displacement.

This paradigm shift emerged as a result of the political priorities arising from the refugee and migrant crisis in Europe.⁷ It has also subsequently received political commitment from governments hosting large refugee populations, including in the Horn of Africa where a number of governments have been early adopters of the Comprehensive Refugee Response Framework (CRRF). In the Horn of Africa, IGAD also plays a key role in galvanising political commitment from member state governments, establishing new normative frameworks and specific commitments on solutions to displacement for governments in the region (see box on frameworks and commitments).

Since 2015, a new global refugee policy paradigm has emerged, which includes new multilateral policy frameworks and commitments, as well as new opportunities for financing to support solutions to forced displacement.



Female students on the first day of school at Awbare refugee camp in Somali Regional State. Credit: Jiro Ose, UNHCR

POLICY FRAMEWORKS AND COMMITMENTS: SOLUTIONS TO DISPLACEMENT FOR REFUGEES

Regional frameworks and commitments

In November 2015, the Valetta Summit on migration was convened between European and African heads of state and governments to strengthen cooperation on migration. This gathering was motivated by political concerns among EU member states around increasing levels of irregular migration to Europe. The summit led to the agreement of the Valetta Summit Political Statement and the Valetta Summit Action Plan designed to:⁸

1. Address the root causes of irregular migration and forced displacement
2. Enhance cooperation on legal migration and mobility
3. Reinforce the protection of migrants and asylum seekers
4. Prevent and fight irregular migration, migrant smuggling, and human trafficking
5. Work more closely to improve cooperation on return, readmission, and reintegration

At the Valetta Summit, the Common Agenda on Migration and Mobility, between the EU and Ethiopia, was also signed. This agreement recognises the importance of Ethiopia as a country of origin, transit, and designation for irregular migration. In addition, the EU Trust Fund for Africa (EUTF) was launched at the summit.

In March 2017, IGAD hosted a summit in Nairobi, with support from UNHCR and the EU, bringing together heads of state and government to agree the Nairobi Declaration and accompanying Plan of Action on Durable Solutions for Somali Refugees and Reintegration of Returnees in Somalia. The declaration and action plan comprise a regional approach with commitments on: 1) accelerating solutions by creating an environment conducive for voluntary and sustainable return of Somali refugees; 2) delivering durable solutions in countries of asylum; 3) strengthening sub-regional cooperation; and 4) increasing international responsibility sharing.⁹

National action plans, building on country-level CRRFs, feed into a regional framework. National action plans are costed and indicate donor funding requirements. The regional framework is also subject to monitoring.¹⁰

Global frameworks and commitments

The New York Declaration for Refugees and Migrants was adopted unanimously by all 193 UN member states at the UN General Assembly in September 2016 (Resolution 71/1) at a high-level Summit for Refugees and Migrants. The declaration reflects an understanding that protecting people forced to flee and supporting the countries that shelter them are shared international responsibilities that should be borne more equitably and predictably.¹¹

A Leaders' Summit was held the following day in New York, at which 47 member states committed to legal or policy changes to enhance refugee access to education, lawful employment, and social services, substantially increase humanitarian aid, and expand access to third-country solutions.¹²

The New York Declaration includes commitments to develop CRRFs in situations of large-scale refugee displacements. The purpose of the CRRF is to ease pressures on refugee-hosting countries, enhance refugee self-reliance, expand third-country solutions, and support conditions in countries of origin for return in safety and dignity.¹³

The New York Declaration also lays out a process for the development of two global compacts – one on refugees and one on safe, orderly, and regular migration. In December 2018, the Global Compact on Refugees (GCR) was affirmed by UN member states.¹⁴ The GCR represents a statement of political will and commitment to operationalise the principles of burden and responsibility sharing, along with commitment to implement the CRRF.¹⁵

The first Global Refugee Forum (GRF) was held in December 2019. It sought to mobilise pledges and commitments in support of GCR priority areas, including: burden and responsibility sharing; education, jobs, and livelihoods; energy and infrastructure; protection; and solutions.¹⁶ At the first GRF, 250 financial pledges were recorded.

A significantly heightened level of political commitment to provide longer-term solutions to refugee displacement has emerged since 2015. Crucially, this has been backed in principle with recognition that additional financing is essential. The 2015 Valetta Summit Action Plan, for example, identifies financing as a key enabler of implementation.¹⁷ The 2018 GCR provides an important acknowledgement of the need for international burden sharing in the form of financial support for refugee hosting countries – in short: “you host, we pay”.¹⁸

Prior to 2015, there were few clearly identifiable funding sources or instruments targeting displacement at either global or country level. Consequently, responses to displacement were overwhelmingly financed on an ad hoc and short-term basis from humanitarian funding budgets.¹⁹

Acknowledgement of the critical role financing plays in solutions to displacement as part of the new refugee policy paradigm has generated an uplift in funding, the engagement of new financing actors (notably development financing partners and private sector actors), and an array of new financing windows, instruments, and partnerships (see box on new financing windows and instruments).



Community consultations in Baidoa.
Credit: Concern Worldwide

NEW FINANCING WINDOWS AND INSTRUMENTS

The **Global Concessional Financing Facility (GCFF)** was created in 2016 as a joint response from the World Bank, UN, and the Islamic Development Bank (IsDB) to assist middle-income countries hosting large numbers of refugees from the Syria crisis. These countries would not otherwise be eligible for concessional financing.

The GCFF is an intermediary facility that receives grant funding contributions from donors and uses these to soften the terms of loans provided by the World Bank, the IsDB, and the European Bank for Reconstruction and Development (EBRD).²⁰ By March 2020, pledges and contributions of USD 773 million had been received, which leveraged concessional lending for projects with a total value of USD 3.9 billion.²¹ Since 2016, financing has been provided for a range of health, education, job creation, and infrastructure projects in Jordan and Lebanon. In 2019, Colombia became the third recipient of financing from the GCFF and in 2020, Ecuador was the fourth.²²

The World Bank **IDA18 refugee sub-window (RSW)** and **IDA19 window for host communities and refugees (WHR)** were created as dedicated windows in the World Bank fund for the poorest countries to supplement the country allocations of refugee-hosting countries, providing access to substantial additional financing to “enact policy change and address the social and economic dimensions of refugee situations”.²³ The IDA18 RSW provided USD 2 billion to 14 countries, including Ethiopia, on highly concessional terms. The RSW is also notable for its focus on both refugees and host communities and for its efforts to support enabling policy environments. For example, eligibility for RSW funding includes having an adequate framework for the protection of refugees and a plan or strategy, including policy reforms, for long-term solutions benefiting refugees and host communities. The substantial volume of funds provided through the RSW (up to USD 500 million per country) has also stimulated wider policy dialogue. The RSW provides funding as investment project financing (IPF) and programme-for-results agreements.²⁴

The RSW has also stimulated a range of additional benefits at the system level. These include developing a close partnership with UNHCR to establish the Joint Data Center for Forced Displacement, which collates and systematises socio-economic data on refugees and host populations across all refugee-hosting countries.²⁵ The RSW has also generated a range of analytical work, including research on the impact of a refugee presence on host communities and evidence on what works in programming in refugee situations.²⁶

The RSW was followed by a new sub-window under IDA19, the WHR, with an increased funding envelope of USD 2.2 billion for the period July 2020 to June 2023.²⁷ The 14 countries eligible under the RSW are also eligible under the WHR. Building on recommendations from the experiences of the RSW, the WHR has introduced a new tool to assess refugee policies and institutional environments in eligible countries, the Refugee Policy Review Framework (RPRF).²⁸

In 2015 at the Valetta Summit, the European Union Emergency Trust Fund (EUTF) for stability and addressing root causes of irregular migration and displaced persons in Africa was created to contribute to better migration management. The fund is intended to support a more coherent approach to migration among 25 of the EU member states, plus additional contributing donors (Switzerland and Norway). By 10 November 2020, the EUTF had received contributions of EUR 5 billion and had committed EUR 5.8 billion across 256 programmes.²⁹

The EUTF has provided substantial multi-year funding for solutions to displacement programming in the Horn of Africa, including EUR 26.4 million for five consortia programmes in Somalia under the EU RE-INTEG programme. The EUTF has also funded projects to strengthen the evidence base on migration, including the Research and Evidence Facility (REF) on migration in the Horn of Africa.³⁰ As many programmes are still being implemented, the EUTF has ceased allocating new funds.

This new approach to financing for refugee-hosting situations provides three critical opportunities to shift how financing enables and supports solutions to displacement.

1. Using financing to broker deals to transform the legal and policy environment

The new global refugee policy paradigm includes implicit acknowledgement of a degree of financial liability, albeit non-binding. Nonetheless, this provides scope for financing deals and agreements to be struck. This has enabled the negotiation of compacts at country level – such as the jobs and employment compacts for Jordan and Ethiopia – whereby legal and policy concessions were negotiated and structured into financing agreements in return for substantial development investments.

2. Transforming the refugee response model into inclusion and developmental approaches

The commitment to global burden sharing also acknowledges and seeks to address the long-recognised political and financial disincentives for refugee-hosting states to assume the open-ended financial liabilities that would result from the inclusion of refugees in national service provision and wider national development agendas.³¹ This willingness to use financing to influence these disincentives provides an historic opportunity to move beyond protracted parallel care and maintenance support to refugees financed through short-term humanitarian funding and to pursue developmental approaches to including refugees in national systems and development plans.

There is also increased interest and commitment among development financing actors to include refugees in national development programming. In aligning with priorities in national development plans, which have historically often omitted refugees, development partners have by default often also omitted refugees from their priorities and programmes.³² Recently, however, development partners have made a range of high-level commitments towards supporting refugee inclusion in development agendas. At the 2019 GRF, for example, UN agencies pledged to include refugees in new Sustainable Development Cooperation Frameworks. Multilateral development banks also pledged to establish a Coordination Platform on Economic Migration and Forced Displacement. In 2019, the International Network on Conflict and Fragility (INCAF), comprised of major bilateral and multilateral donors and supported by an OECD secretariat, adopted a common position on supporting comprehensive responses to refugee situations.³³ The GCR emphasis on economic self-reliance for refugees has also stimulated interest in attracting private sector investment into refugee-hosting areas.

At country level, there is evidence of far greater involvement of development financing in refugee-related matters. To a lesser extent, private sector actors are also engaging in refugee situations, bringing new expertise, new partnerships, and opportunities to experiment and adapt modes of programming and approaches to financing (see Section 4 for further discussion on challenges and opportunities associated with this shift).

The new global refugee policy paradigm includes implicit acknowledgement of a degree of financial liability, albeit non-binding. Nonetheless, this provides scope for financing deals and agreements to be struck.

3. Calibrating financing instruments to support solutions oriented outcomes

Whereas historically, international support for refugee hosting has been provided largely in the form of short-term grants from humanitarian budgets, the engagement of a new set of development financing actors brings new expertise, new types of financing, and new opportunities to create financing instruments and agreements calibrated to support longer-term outcomes. Notably, efforts to attract private sector investment have generated interest in applying a range of blending and de-risking financing instruments to create incentives for private sector investment.

Negotiating substantial financial packages and channelling funds through national systems as budget support offer greater scope to calibrate conditions linked to mutually agreed standards or outcomes. For example, in Ethiopia, the World Bank used a programme-for-results agreement as part of a wider multi-donor supported jobs compact agreement. This has been instrumental in bringing about major regulatory changes, notably passage of the 2019 Refugee Proclamation, which provides refugees the rights to obtain work permits, access primary education, obtain driver licenses, legally register life events such as births, marriages, divorces, adoptions, and deaths, and access national financial services such as banking. Calibrating conditions to standards and outcomes can also be an important tool to promote the inclusion of displaced people in national systems and programmes.



Children in school, Kebrebeayah refugee camp. Credit: ReDSS

LACK OF INCENTIVES TO INVEST IN DURABLE SOLUTIONS

In contrast to the political commitment and new funding to address forced displacement across national borders, little international political attention or additional financing has been directed towards situations of internal displacement. In October 2019, the UN Secretary General convened a high-level panel to consider recommendations on how to better prevent, respond, and achieve solutions to internal displacement.³⁴ The panel recognises that a lack of political will or ability for governments to respond and/or prioritise durable solutions represent key obstacles to addressing internal displacement.³⁵ Financing is one of the five priority themes the panel is considering.

There are fundamental differences in international approaches to financing for internal and refugee displacement situations. In refugee situations, there are strong arguments in favour of international actors simply providing more money to refugee-hosting governments in recognition of the public good they are providing in hosting the citizens of other countries. The same logic is not, however, applied to situations of internal displacement. Governments are the primary duty bearers with respect to their own internally displaced citizens. In contrast to refugee situations, there are no formal or implicit obligations for international actors to meet the costs of supporting people who are internally displaced. In addition, major ODA donors have strong political incentives to support refugee programming as part of their global migration management strategies to reduce the number of migrants reaching their own borders. For internally displaced people who are not at risk of crossing borders, the same political incentives to provide funds do not exist.

Moreover, there are unresolved disincentives that have discouraged development partners from prioritising internal displacement. First, when governments are unwilling to discharge their responsibilities with respect to internally displaced

persons, simply providing more money may create disincentives for those governments to meet their own responsibilities. Such funding may also help create and sustain parallel systems that further reinforce the exclusion and marginalisation of internally displaced people. Secondly, while internal displacement is within the remit of Agenda 2030 under the leave no one behind principle, in practice, when governments do not prioritise solutions for internal displacement, there are limited incentives for development partners to do so.

There are no dedicated budgets, windows, or instruments targeting internal displacement. Funding and financing for internal displacement is typically drawn from general development and humanitarian budgets. That is, financing support is essentially discretionary and competes with many other funding priorities. Consequently, funding for internal displacement is often ad hoc and unpredictable. At present, there is also significantly reduced scope and appetite to use financing to negotiate deals and apply conditions that might alter the legal and policy environment in favour of durable solutions for internal displacement.



Boy overlooking a settlement in Somalia. Credit: Marco Gualazzini

STRUCTURAL BARRIERS TO COHERENCE

There is broad agreement that solutions to displacement require whole of government approaches, and on the side of international actors, engagement across the full spectrum of humanitarian, development, and peacebuilding actors.³⁶ There is also a high level of interest in working more closely with the private sector as a source of financing and investment, and as a partner in delivering services and creating employment opportunities.

Engaging a far wider scope of actors presents huge opportunities to apply greater technical expertise and influence to long-standing displacement challenges. The role of some multilateral actors in supporting solutions to displacement has recently been considerably strengthened. Access to additional increased financing through the two successive World Bank refugee and host sub-windows means the World Bank is now playing a major convening and influencing role on solutions to displacement at country level where countries are accessing these funds. The UN, through the Resident Coordinator's Office (RCO), has also taken on a leadership role on durable solutions for internal displacement in Somalia and Ethiopia.

In other respects, however, the international system is still struggling to adapt to a relatively new policy paradigm that calls for coherent approaches and complementarity based on comparative advantage. While there may be areas of common interest, humanitarian, development, and peacebuilding actors have varied entry points and interests in solutions to displacement.³⁷ They may be framed at the theoretical level as a development concern in order to fulfil Agenda 2030 commitments to leave no one behind,³⁸ or as a governance and peacebuilding challenge.³⁹ In practice, however, this is a relatively new field of action for development partners. Not only is it one among a range of competing priorities but it may also struggle to compete with national-level priorities for delivering poverty reduction or economic growth.

In addition, the institutions and organisational structures of the international aid system are often at odds with aspirations towards coherence and complementarity. International actors still operate with separate humanitarian and development

coordination, planning, and prioritisation systems and financing siloes. Further, in some of the most high-risk settings, development actors are only present to a limited extent. International actors also maintain separately mandated organisations and funding streams to address refugee and internal displacement situations. The international system thus remains complex and fragmented, and exerts considerable drag on efforts to shift towards longer-term and more coherent approaches.

The way that governments organise their institutions to address displacement may also work against their aspirations and commitments to longer-term and coherent approaches. Bureaus and departments dealing with refugees and IDPs often have limited influence over planning, budgeting, and line ministry priorities. By extension, the traditional international counterparts of these bureaus or departments—notably UNHCR and the IOM—have limited engagement and influence with ministries of finance and planning, and other relevant line ministries.

A range of government and international institutions and organisations stand to lose significant resources and influence in a shift towards longer-term developmental approaches. In Kenya, for example, humanitarian organisations compete for smaller pots of humanitarian funding, and often lack the programmatic skills and experience to compete for development funding. Government refugee agencies or departments may receive substantial international funding, which they stand to lose in shifts away from parallel service provision. In Ethiopia, for example, the government Agency for Refugee and Returnee Affairs (ARRA) provides health and education services in camp settings, often with funding channelled via UNHCR. This means that ARRA is a major employer and both ARRA and UNHCR would, in principle, lose revenue and staff in a transition towards the inclusion of refugees in national systems.

The international system remains complex and fragmented, and exerts considerable drag on efforts to shift towards longer-term and more coherent approaches to durable solutions.

DIFFICULTIES DEFINING THE SCOPE OF SOLUTIONS TO DISPLACEMENT

At the level of principles and aspirations, solutions to displacement are articulated in a relatively clear manner. There are clear definitions of durable solutions for internally displaced people and refugees. How these aspirations are achieved in practice is far less clear. In the countries considered for this study, a number of dilemmas around the boundaries, approaches, and desired outcomes of solutions to displacement are apparent, as follows.

Who is included

Humanitarian approaches to supporting displaced populations rely on a relatively straight forward status and use needs-based targeting.⁴⁰ In many cases, the social and economic conditions of a host population are similar to or even worse than those faced by displaced people. There are compelling developmental, social cohesion, and political arguments for including both displaced and host populations. For example, the 2010 IASC Framework on Durable Solutions for Internally Displaced Persons notes that: “populations and communities that (re)integrate IDPs and whose needs may be comparable, must not be neglected in comparison to the displaced”.⁴¹ In practice however, resource constraints, organisational mandates, and the physical location of displaced people, particularly when in camps, often means that humanitarian action targets primarily displaced people. Developmental targeting is often based on assessments of poverty,

vulnerability, and exclusion. While this does not preclude the inclusion of displaced people, current tools and standards may not adequately take into account the specific vulnerabilities and protection needs of displaced people. In addition, historically, development programming has often omitted refugee camps and focused investments on the host population.

Where the boundaries of solutions to displacement lie

Displaced people are often living in some of the poorest and most marginalised parts of cities and areas bordering refugee countries of origin. Greater inclusion and economic self-reliance cannot be achieved without addressing the structural under-development of the markets and services in these areas.

Expanding the scope of solutions to displacement programming to include the broader host population, however, dramatically increases the scale of required investment. The boundaries between programmes targeting solutions to displacement and wider national developmental agendas can quickly become unclear.

In addition, if displaced populations are included in wider developmental programmes, there may be risks that the specific needs and vulnerabilities of people who have been historically marginalised and excluded may not, in fact, be adequately catered for. This concern contributes to reticence among some donors around channelling funds through national programmes and systems.

There are also differences of opinion on whether solutions to displacement should include addressing the root causes and drivers of forced migration. On the one hand, there are arguments for addressing displacement alongside peace and reconciliation processes.⁴² In Somalia, for example, the focus of international actors emphasises assistance and solutions for displaced populations and affected host communities in their current areas of displacement, which are typically urban settings. On the other, Somali government actors and some development partners are concerned with addressing the chronic vulnerability and risks that are driving migration.

What actually works

There is not yet a body of evidence on what best contributes to solutions to displacement. Most current programming is best described as in a learning phase. Lessons emerging from programmes in Ethiopia, Kenya, and Somalia highlight the relatively limited potential for local-level programming to address the legal and status-related exclusion, or structural under-development and governance challenges. Instead, emerging lessons point towards the long-term and complex nature of solutions to displacement. Without clarity around the scope of solutions to displacement and what actions and investments contribute to them, investments will be ad hoc, with limited demonstrable impact and sustainability.

There is not yet a body of evidence on what best contributes to solutions to displacement. Most current programming is best described as in a learning phase.



Vendor in Kismayo.
Credit: Rikka Tupaz

CONSTRAINED FINANCING OUTLOOK

Even prior to the COVID-19 pandemic, the least developed countries were not forecast to be able to meet their SDG financing requirements through increased domestic resource mobilisation.⁴³ Many low-income countries were also at increasing risk of debt distress before the pandemic. For example, debt risk has doubled among low-income countries in less than 5 years—from 22% at high risk or in debt distress in 2015 to 44% based on the latest data.⁴⁴ The composition of public debt has also shifted towards costlier and riskier sources of finance.⁴⁵ This limits scope for potential multilateral and bilateral debt relief, leaving some of the least developed countries less resilient to shocks and with reduced scope to borrow sustainably to meet their development financing needs.⁴⁶

The scope for domestic private sector growth in developing countries is also expected to be constrained in the near term, with reduced investment and weak external demand for goods and services.⁴⁷ Remittances have historically provided an important source of external financing in times of crisis in countries that receive remittances. The outlook for remittances is uncertain, however, as economic recessions in remittance sending countries continue into 2021.

ODA is an important source of external financing for low-income countries and typically plays a counter cyclical role in times of crisis. Since 2013, however, ODA flows, including ODA grants, to the poorest countries have been on a downward trend.⁴⁸ Moreover, it is anticipated that economic recessions in donor countries will likely lead to reduced aid budgets in 2021 and 2022, and that assessed contributions to multilateral institutions, which are calculated on the basis of Gross National Income (GNI), will likely be reassessed downwards.⁴⁹

It is prudent, therefore, to plan for a significantly constrained financing environment in the short term. In a resource constrained environment, ODA resources will need to be deployed tactically and targeted with precision to derive the greatest value and impact on delivering solutions to displacement, while also maintaining assistance and protection for displaced persons who remain dependent on international support to meet their basic needs.



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

LESSONS FROM THE HORN OF AFRICA

This section of the report (Section 4) summarises a set of lessons drawn from the three country studies: Ethiopia, Kenya, and Somalia. It also analyses how financing can be used to drive change.

FIVE KEY LESSONS

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 also 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.

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. Moreover, these gains are fragile.

For example, both Kenya and Ethiopia have received substantial additional development funding. Coordination and implementation of the CRRF in both countries has faltered, however. International investments and programming have also fallen short of government expectations on burden sharing. In the absence of clear prioritisation and monitoring, financing investments have been ad hoc and unevenly distributed across different refugee-hosting regions. In Kenya, much of the new programming funded by development partners is in very early stages, with benefits yet to be felt by target refugee and host populations. At the same time, humanitarian funding is falling increasingly short of meeting basic needs, with tough prioritisation decisions and cuts – including to food rations – being made.

In Ethiopia, under the DSI, there is progress in creating an enabling policy and coordination environment for durable solutions. There is, however, no funding to take forward durable solutions programmes that address internal displacement. Without a renewed commitment and new approaches to financing solutions to displacement, there are significant risks that hard-won gains and momentum could be lost.

The following section groups emerging lessons from three country case studies (Ethiopia, Kenya, and Somalia) and spells out their implications for how financing could more effectively support the transition from humanitarian approaches towards longer-term solutions to displacement. More detailed accounts of progress in each country are included in the country case study reports that support this report.

Approaches to delivering solutions to displacement in the Horn of Africa are at the beginning of a transformation process.

1. TACTICAL USE OF FINANCING TO CREATE AN ENABLING ENVIRONMENT

Ensuring the rights of displacement-affected communities 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 be the first priority in the pursuit of solutions to displacement. International actors have the ability to influence enabling environments through a combination of political dialogue, technical assistance, and financing.

International actors should pursue a strategic combination of political dialogue, technical assistance, and financing to help shift incentives towards enabling legal and policy environments. The promise of substantial additional funding as part of burden sharing agreements, for example, has played a critical role in shifting the policy and legal environment in Ethiopia towards greater socio-economic inclusion of refugees. In return for the nine pledges made at the Leaders' Summit on Refugees in 2016, signalling a major reform agenda, the World Bank, EU, and UK pledged USD 550 million in investment into new industrial parks, which are a key priority in the ambitious industrialisation strategy in Ethiopia. The conditions built into the financing agreement with the World Bank were instrumental in achieving changes in the regulatory framework. In 2019, Ethiopia passed new legislation on the rights and entitlements of refugees with a new Refugee Proclamation (Proclamation No. 1110/2019). The proclamation provides refugees with key rights and entitlements, including the right to: work and reside outside camps; access social and financial services; and to register life events, including births, marriages, divorces, adoptions, and deaths.

In Somalia, political engagement at the highest levels of government, combined with relatively modest financial investments in targeted technical support, has helped create an enabling policy environment for durable solutions to internal displacement.

The Somalia Durable Solutions Initiative (DSI) was pioneered by the Deputy Special Representative of the Secretary General, Resident and Humanitarian Coordinator (DSRSG / RC / HC), with targeted financial and technical support from the Swiss Development Cooperation (SDC), IGAD, the World Bank, Danida, the UK FCDO, and the EU.

The DSI was launched in early 2016 by the DSRSG / RC / HC and led by the Federal Government of Somalia (FGS) to support government-led delivery of durable solutions and to provide a unifying framework for government and international partners. Key commitments, frameworks, and mechanisms agreed and created include:

- A chapter on durable solutions in NDP8
- A Durable Solutions Unit (DSU) was created at the Ministry of Planning, Investments and Economic Development (MOPEID) for the overall coordination and communication on durable solutions



A woman selling her products in Hargesia Market. Credit: Axel Fassio, DRC Somalia

- A Durable Solutions Secretariat (DSS) was launched in October 2019, reporting to the Office of the Prime Minister and chaired by MOPIED, to bring together 14 key line ministries to coordinate durable solutions in line with the NDP
- A national policy on refugee returnees and IDPs and national evictions guidelines were adopted in November 2019
- The FSG ratified the African Union Convention for the Protection and Assistance for IDPs in Africa (known as the Kampala Convention) in November 2019
- The National Development Plan 2020–2024 was approved, including a cross-cutting thematic focus on durable solutions, supported by a national durable solutions strategy to guide implementation of durable solutions activities, agreed later in 2020

IGAD has a unique comparative advantage in influencing the policy environment among its members and in facilitating political level dialogue.

Displacement and durable solutions are no longer considered a marginal theme and concern of humanitarian actors in Somalia. Political engagement at the highest levels of government, and technical support through the DSI has helped create an enabling policy environment and has helped successfully embed durable solutions in national development priorities. This is a major achievement in supporting a government-led durable solutions agenda.

International aid actors should use their capacity to create financing incentives in complementarity with the unique comparative advantages of IGAD to facilitate political dialogue and shift the normative environment. Among international aid actors, engagement in political-level dialogue has a mixed record. In Kenya, for example, engagement is perceived to be largely confined to technical levels and there is no high-level agreement on burden sharing.⁵⁰ In Ethiopia, political dialogue on the sensitive topic of durable solutions to internal displacement is an area of limited space, with international aid actors often reluctant to engage. The principal influencing tool at the disposal of international aid actors is their access to financing.

In contrast, IGAD has significant access and influencing capabilities based on historic political and economic relationships and peer influence. IGAD has a unique comparative advantage in influencing the policy environment among its members and in facilitating political-level dialogue. IGAD policy work on internal and refugee displacement in the region has contributed to a normative shift among member governments, including acceptance of the importance of domesticating international commitments on displacement into laws, policies, and decrees (see box).⁵¹

IGAD declarations and commitments have proved influential in driving concrete policy reform at country level. It is a centre of gravity for both government and international support to reform processes. Notably, the Djibouti Declaration commits governments to very specific commitments, including a requirement to “integrate education for refugees and returnees into National Education Sector Plans by 2020” and to “commit to developing costed, long-term refugee education response strategies, as part of national education sector plans based on a comprehensive mapping of current and emerging resources and call upon humanitarian and development partners to support this process”.⁵²

Recently, IGAD and UNHCR have initiated national-level dialogue with the governments of Sudan and South Sudan to develop roadmaps for solutions to regional and internal displacement of their citizens. This is linked to the implementation of their respective peace agreements. This could provide a model for international actors to support regional approaches to political dialogue to advance solutions to displacement.⁵³

IGAD INFLUENCE ON THE SOLUTIONS TO DISPLACEMENT POLICY ENVIRONMENT

In March 2017, IGAD convened a special summit on durable solutions for Somali refugees and the reintegration of returnees in Somalia. Member governments adopted the Nairobi Declaration and action plan at the summit, which calls for a shift in addressing forced displacement and mixed migration from a humanitarian and security perspective to one defined as a development challenge. The scope of the Nairobi Declaration and action plan was later expanded to include not only Somali refugees but all refugees in IGAD territory, including those originating from outside IGAD countries. The Nairobi process now covers all refugees and returnees in IGAD countries.

The Nairobi process identifies three key sectors of focus for implementation of the declaration and action plan: education, health, and livelihoods. Under these themes, further binding declarations have been agreed, notably:

- **The Djibouti Declaration on Regional Refugee Education** (2017), which commits IGAD countries to include refugees in national education systems by 2020
- **The Kampala Declaration on jobs, livelihoods, and self-reliance** (2019) for refugees, returnees, and host communities in the IGAD region

Each thematic declaration is accompanied by an action plan with a clear requirement to translate commitments into respective national frameworks for implementation and delivery.

The Nairobi process also mandates IGAD to operationalise, follow up, and monitor the implementation of the commitments in collaboration with UNHCR, development actors, and other partners. Currently, an annual inter-ministerial stocktaking meeting and various thematic meetings take place to support follow up. IGAD also launched a support platform for the Nairobi process at the GRF in 2019. This aims to sustain political momentum, mobilise support for the action plans, engage a wider set of actors (including the private sector), and follow up on commitments.

Source: IGAD (2019). Terms of Reference (ToR) for IGAD Support Platform for Nairobi Process.

2. BUILD COHERENT GOVERNMENT-LED APPROACHES

Financing investments and instruments should support an understanding that long-term solutions must be government led. At a theoretical and policy level, international actors acknowledge that responsibility for durable solutions to internal displacement lies with governments. These actors also recognise that longer-term approaches to refugee hosting require greater inclusion and nationally led developmental approaches. One of the high-level outcomes of the GRF in December 2019, for example, was on supporting the development of more inclusive national policies in host countries, with more than 100 pledges made related to the inclusion of refugees in national systems and increased access to jobs, livelihoods, and financial services were made in support of inclusive national policies.⁵⁴

Refugee and IDP-hosting regions and urban settings face a range of pre-existing structural developmental challenges. Solutions to displacement cannot progress at scale without addressing these. They require integration of the needs of displacement-affected communities into national development planning and investments. This is a long-term challenge that requires sustained engagement and support at multiple levels, including acceptance that displacement is a politically challenging area.

In reality, government commitment may be contested and vary over time. In both Kenya and Ethiopia, for example, the national governments must balance the spirit of their international facing commitments to support the greater inclusion of refugees with the realities of more limited domestic political licence to implement these policies. In both cases, implementation of the CRRFs has been slow to date. In Somalia, the capacity of government to ensure rights are upheld and aspirations towards durable solutions are realised remains highly constrained.⁵⁵

There are, however, positive examples of international investments to support nationally led solutions. The DSIs in Ethiopia and Somalia, for example, are designed to enable government ownership and leadership. Notably, in Somalia, the DSI has supported coordination and leadership structures at some of the most influential government institutions.

Shifting programming and financing models and behaviour from predominantly parallel humanitarian models towards government-led approaches remains a work in progress. Early durable solutions consortia programmes in Somalia, for example, were designed, funded, and managed largely outside of government-led processes.⁵⁶ Learning from the first generation of these programmes finds that they had limited influence on some of the key barriers to durable solutions (notably land tenure) and that limited government capacity was a major constraint to the sustainability of investments in health and education provision. The next generation of durable solutions programmes, namely the Danwadaag and Saameynta programmes, include a much stronger emphasis on engagement and investments in capacity strengthening of Somali government counterparts.

At the same time, financing for solutions to displacement largely still flows outside government budgetary systems. This limits scope to build financing packages and agreements calibrated to incentivise and support government-led solutions. In part, this is because the integration of solutions to displacement in national development plans and development partner programmes is in



Market in Mogadishu. Credit: Tobin Jones, UN

relatively early stages. Development partners may also be reluctant to channel funds on budget owing to accountability and capacity concerns. Humanitarian partners are also accustomed to funding and delivering assistance directly. In the long run, however, supporting government-led developmental approaches requires far greater alignment with and use of government budgeting and financing systems.

Efficient targeting of resources requires clarity of purpose and collaborative approaches to scoping out solutions, rather than a masterplan. Formal high-level roadmaps or plans have struggled to receive adequate commitment and financial backing, leaving gaps in strategic direction and coordination. Kenya, for example, adopted the CRRF in 2017 but a CRRF action plan was not endorsed until November 2020.⁵⁷ Ethiopia adopted the CRRF in 2017, but the National Comprehensive Refugee Response Strategy (NCRRS) remains in draft form and the federal-level CRRF steering committee has not met since May 2018. In Somalia, durable solutions have been integrated as a cross-cutting priority in the National Development Plan, which is supported by a National Durable Solutions Strategy. While there is consensus on the over-arching goals, there is less clarity, however, on who to target and include, as well as which practical programmatic approaches to invest in and how to deliver the sequencing of reform and investments in the enabling environment that would deliver durable programmatic outcomes.

High-level master plans also fail to provide adequate prioritisation and guidance against which investments can be aligned. What has emerged instead, and which may provide promising alternatives to achieving more coherent approaches, 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.

In Kenya, for example, the Djibouti Declaration has proved influential in education ministry commitment to refugee inclusion and has provided clarity of purpose to international partners. How to deliver on those commitments has been detailed during a sustained period of technical work on inclusion with support from international partners, led by UNHCR (and including UNESCO, UNICEF, and the World Bank), accompanied by the diplomatic work of building buy-in and support for refugee inclusion among key stakeholders. This has resulted in a detailed policy and costed plan to support the inclusion of refugees and asylum seeking learners in the national education system.

Internally displaced people are often concentrated in urban areas.⁵⁸ Consequently, solutions to internal displacement are often entwined with urban development challenges. In Somalia, a broad set of actors has coalesced around mutual interests in understanding and addressing the urban development challenges in the country. This has brought together the World Bank, UN agencies, donors, and NGOs, which issued a "Collective roadmap towards a common agenda on urbanisation, land and displacement in Somalia" in October 2020. The roadmap identifies a sequenced set of short, medium, and long-term actions required to: advance legal and regulatory frameworks on land issues; support local and national institutions to deliver settlement plans, urban master plans, and service delivery responsibilities; and initiate a national reconciliation process addressing land conflict and citizenship rights. Durable solutions are an established priority theme in these discussions.

Formal high-level roadmaps or plans have struggled to receive adequate commitment and financial backing, leaving gaps in strategic direction and coordination.

There are, however, thematic areas that have neither clarity of purpose nor an obvious convening of actors to lead development of analysis, strategy, and prioritisation. In particular, international efforts to advance economic inclusion and self-reliance have so far proceeded on a relatively ad hoc basis, with little strategic direction. Areas hosting displaced people typically face a range of pre-existing structural developmental challenges that cannot be addressed by programmes focused at the local level. Economic inclusion requires integration into wider regional and national development planning and investments, including simultaneous work at policy and legislative levels with the engagement of a range of ministries, targeted investment in infrastructure, and access to investment finance for businesses.

In terms of economic inclusion and self-reliance, there is no clear point of coordination or leadership either among governments or international actors. Policy and programming falls across the remit of many ministries, sectors, and actors, including the private sector. There is, overall, a lack of clear prioritisation and sequencing of investments and policy reforms, as well as a lack of knowledge among partners and a lack of evidence on what types of programming are effective. Across all the countries studied, questions are raised around the feasibility of the aspiration towards self-reliance and around the effectiveness of current programming approaches (see box). In a resource constrained environment, far greater clarity and focus is required to target investments in economic self-reliance.



Kebribeyah refugee camp, Somali Regional State. Credit: F Courbet, UNHCR

IGAD INFLUENCE ON THE SOLUTIONS TO DISPLACEMENT POLICY ENVIRONMENT

In both Kenya and Ethiopia, the policy and legislative environments still place heavy restrictions on freedom of movement and rights to work. These significantly constrain the ability of refugees to achieve economic self-reliance. Programmes aiming to strengthen the economic self-reliance of refugees have delivered modest gains. Recent evaluations highlight a range of profound structural economic challenges, which point towards a more realistic aspiration of achieving a degree of greater self-reliance, while acknowledging the reality that refugees in camps will remain reliant on external assistance for the foreseeable future.⁵⁹

Since 2012, the IKEA Foundation has invested around USD 100 million in the Dollo Ado refugee camps in the Somali region of Ethiopia with hopes of piloting a new and more sustainable model for refugee response. A recent evaluation found that, ultimately, the majority of refugees remain heavily reliant on humanitarian aid and their cross-border networks, with economic self-reliance a distant prospect.⁶⁰ Only very limited investment has been mobilised from the private sector, with the majority of funds provided by international donors. The programme experimented with a range of cooperative models. While some cooperatives and microfinance institutions were expected to be self-sustaining, most are expected to continue to be reliant on external inputs. They also do not have realistic links with markets beyond the camps. Moreover, refugee-hosting environments such as Dollo Ado face substantial structural development challenges, which require comprehensive development responses.

Similarly, in Kenya, refugee-hosting regions are remote and poorly integrated with regional and international markets. Recent dryland agriculture projects have contributed to a reduction in food insecurity and higher dietary diversity in Kalobeyi and Kakuma, yet refugees are far from being self-sufficient.⁶¹ The majority of refugees in camps therefore remain reliant on humanitarian aid; for example, 70% of households in Dadaab are reported to be reliant on humanitarian aid as their primary coping mechanism,⁶² and most refugees in Kakuma and Kalobeyi report being completely or mostly dependent on food aid.⁶³ Even with regular assistance, many refugees are heavily indebted to local retailers, so self-reliance would also require assistance with managing the burden of accumulated debt.⁶⁴ In general, markets in the camps and settlements are fundamentally dependent on the cash and material inputs from humanitarian aid.⁶⁵

Invest in commitments, nudges, evidence, and dialogue to encourage engagement of development partners. Incentives for development partners to prioritise investments in solutions to displacement remain limited and significant increases in engagement have followed commitments at the highest levels of institutional leadership. There are also, however, opportunities to influence engagement at country level. In Somalia, for example, a Durable Solutions Marker has been introduced to the government Aid Flow Mapping tool. This allows identification of the contributions that investments make to durable solutions, links them to strategic objectives in the National Development Plan, and provides evidence around which the government can engage in dialogue with partners. The requirement to publicly report also offers partners an incentive to critically reflect on the extent to which programmes support durable solutions. In Kenya, targeted research led by the IFC on the scale and potential of markets in refugee camp settings in their influential 2018 study, Kakuma as a Marketplace, has played an important role in attracting interest and investment from development partners and private sector actors.⁶⁶



Digital skills interview. Applicants engaged in written interview for Cohort 3 selection at the Dadaab coworking space. Credit: NRC

3. MAINTAIN PROGRESS THROUGH MULTI-LEVEL ENGAGEMENT

International support requires sustained engagement that is context sensitive, understands the contested nature of reform processes, and is prepared for shocks and setbacks. Solutions to displacement are often politically sensitive and contested. Progress is often bumpy and subject to pauses and interruptions. Donors need to be prepared for this.

In Ethiopia, for example, since the announcement of the nine pledges and the 2019 Refugee Proclamation, translating these commitments into action through new legislation, policy, coordination structures, plans, and programmes has encountered a range of practical, political, and financing challenges. Notably, the domestic political appetite for reform has shifted over time as Ethiopia has undergone a major political transition towards democratic governance since early 2018. The Refugee Proclamation has proved controversial among host populations, particularly in the Gambella region where protests followed its announcement. Ethiopia has also been affected by major crises in 2019 and 2020, including locust infestation, the COVID-19 pandemic, and increasing internal displacement. The reform of the Ethiopian refugee-hosting model has taken a backseat during this period of transition and crisis management. The conflict in the Tigray region, which escalated during the course of the research for this study, has generated a new wave of displacement, and created tensions between actors, which in turn could affect development partnerships.

Ethiopian experience provides a useful lesson for international partners: supporting the long road 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.⁶⁷ Such efforts further require a willingness to respond flexibly to support windows of opportunity to push forward reform processes. The domestic response to the Refugee Proclamation also provides a useful lesson in the need to invest in engagement and consultation with affected populations in the development of policy and legislation.

Expect to work at multiple levels and with multiple stakeholders simultaneously.

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, and area-based approaches, which can often more readily navigate domestic political sensitivities. International actors can play an important role in these pockets of opportunity, creating packages of technical and financial support. The developmental, political, and security challenges of displacement are more immediately felt by decision makers at sub-national level, who may therefore show strong motivation to lead and coordinate solutions to displacement.

For example, in Kenya, the legal and policy environment for refugees remains restrictive and the anticipated new refugee bill is yet to be passed into law. At county level, however, under the 2010 Kenyan constitution, county governments have significantly greater powers to initiate and deliver on developmental priorities and service provision, which they have used to take a lead in coordinating new investments and transformation of the refugee-hosting model. For instance, Turkana County has formed a CRRF task force and has also included refugees in their latest (2018–2022) County Integrated Development Plan (CIDP), the Kalobeyei Integrated Socio-Economic Development Plan in Turkana West (referred to as KISED). International partners, notably UNHCR, supported the county government in the technical development of the plan and the Netherlands championed donor investments, mobilising support for initial investments from the EUTF and EU member states. KISED has attracted substantial international investment to the county and enabled experimentation with a new settlement approach and new modes of programming that support the KISED vision of refugees and hosts working and living side by side.

In Ethiopia, the Somali Regional State government has shown significant leadership and initiative in domesticating the CRRF and DSI agendas, and in leading coordination. Consequently, the state has become a major focus of ODA investment. In Somalia, significant progress has also been made in delivering durable solutions programming for IDPs through area-based approaches and by working in close partnerships with municipal authorities to relocate IDPs into new designated settlement areas. Notable progress in the inclusion of displaced people in specific sectors, including health and education, and in national social protection schemes, has also been made across Ethiopia, Kenya, and Somalia.

Working at multiple levels and with a more diverse range of actors requires new partnerships and tools.

A range of financing tools are required to tailor financing to new modes of programming and new partners. In particular, working in partnership with sub-national authorities may require new financing tools. It may likewise require national legislation and policy to enable sub-national governments to receive grants and contract loans. In order to drive the next phase of private sector investment beyond grant-funded pilots, new de-risking and investment instruments will also be needed. Financing tools must be capable of responding with flexibility to shocks and changed circumstances.

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, and area-based approaches.

4. INVEST IN EVIDENCE AND LEARNING TO ACCELERATE PROGRESS AND DRIVE EFFICIENCY

Coherent approaches require investment in a shared evidence base. Across Ethiopia, Kenya, and Somalia, there are substantial gaps in the evidence, analysis, prioritisation, and planning required to underpin and guide coherent longer-term approaches to solutions to displacement. In part, this stems from the incomplete shift from humanitarian to longer-term developmental approaches. Moreover, data collected for humanitarian planning and programming purposes is insufficient to inform developmental approaches.⁶⁸

In Somalia, for example, basic data and analysis on the scale and nature of internal displacement is lacking. Currently, the headline figure of 2.7 million internally displaced people is thought to include people displaced by conflict and disasters, along with other rural–urban migrants. The specific vulnerabilities in this very large group are not well understood. Many have been displaced for years and have very different needs to recently displaced people. Without clarity on the numbers, locations, and profiles of displaced people, it is impossible to assess the overall scale and nature of durable solutions challenges, or to effectively prioritise and target resources. Measuring progress in achieving durable solutions also requires a baseline, against which changes then can be monitored. Therefore, a country-wide assessment and profiling of internal displacement is needed to inform more efficient targeting and sequencing of investments. This would also provide greater clarity as to where the specific needs of displaced people fall across the remits and competencies of humanitarian, development, and peacebuilding actors.

There are significant evidence and analytical gaps in key sectors and programming areas. A programmatic shift from short-term livelihoods programmes towards developmental approaches, and efforts to attract private sector investors, requires a realistic understanding of major structural barriers to economic self-reliance, including infrastructural investment requirements, market imperfections, and value chain analysis of market opportunities beyond local markets. Currently, there is both a lack of evidence and analytical capabilities being applied to these challenges.

For example, the IKEA Foundation has supported ten years of iteration and learning in UNHCR approaches to livelihoods programmes in the Dollo Ado camps of the Somali Region in Ethiopia. A key lesson from a recent evaluation is the need for a coherent plan that is underpinned by evidence and analysis of market opportunities from the outset, which would require a broader range of partnerships and expertise than often exists among the traditional implementing partners operating in Ethiopian refugee settings.⁶⁹ In Kenya, the economic self-reliance priorities and activities identified in the KISED plan are also found to have inadequately assessed major structural barriers to economic self-reliance.⁷⁰

Well targeted investments in learning have a high return in accelerating adaptation and in shifting dominant paradigms and building consensus.

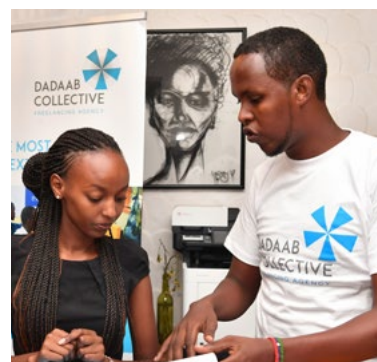
Understanding how to influence and support pathways out of displacement is highly challenging and requires a commitment to learning, collaboration, dialogue, and a willingness to adapt to new information and perspectives. Investments in learning and a willingness to share evidence and analysis can help drive system-wide changes and improvements in programming.

Understanding how to influence and support pathways out of displacement is highly challenging and requires a commitment to learning, collaboration, dialogue, and a willingness to adapt to new information and perspectives.

Durable solutions programmes in Somalia, for example, have made substantial investments in learning and lesson sharing. This is facilitated by the relatively small group of donors and overlapping set of implementing organisations involved in delivery of the EU RE-INTEG, UK FCDO, and Danida-funded consortia, which has enabled an evolution in programming approaches. A range of investments in KISED in Kenya and in the IKEA Foundation and UNHCR support to Dollo Ado have also generated a substantial body of evidence that has contributed to adaptation and improved programme design.

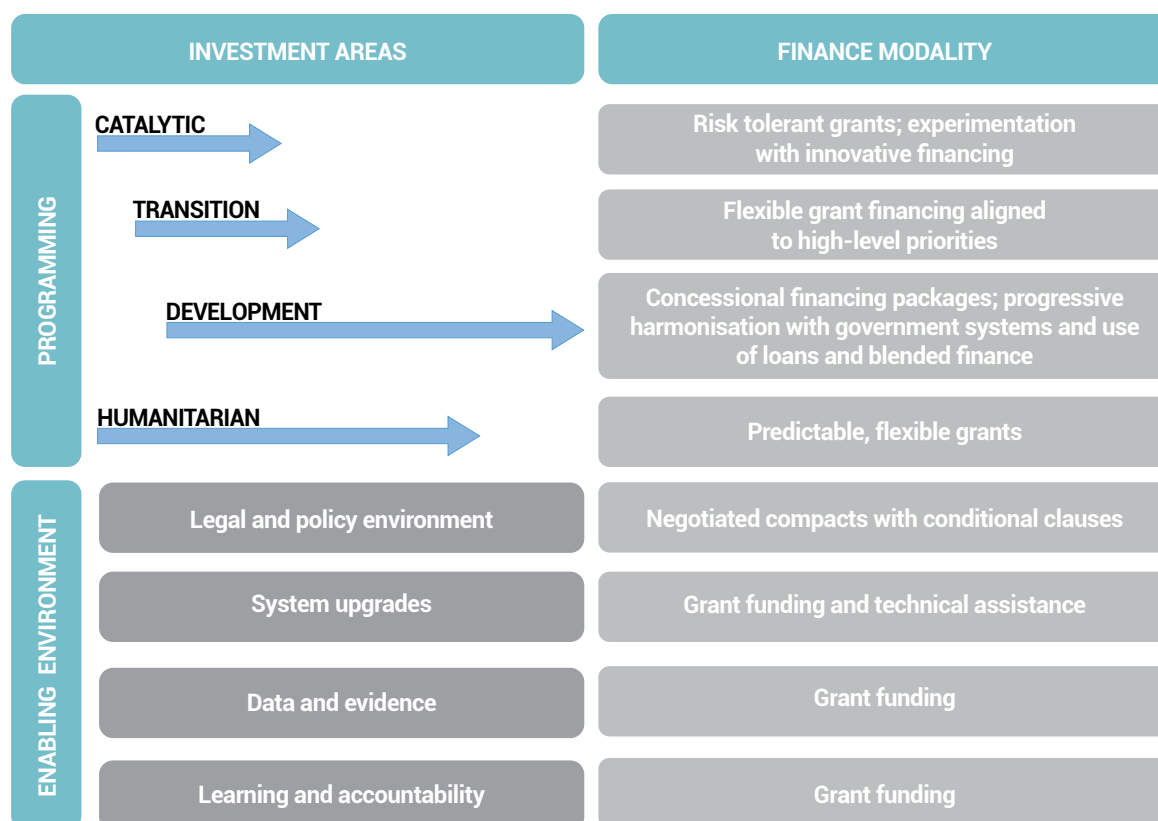
5. SEQUENCE AND CALIBRATE INVESTMENTS TO INCENTIVISE AND ENABLE SOLUTIONS

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. A simple sequential transition is not realistic. Instead, multiple types of programming and funding may be required simultaneously. In particular, 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.



RESI Online Freelancing at Dadaab Connections. Credit: NRC

FIGURE 3. MAJOR INVESTMENT AREAS AND FINANCING MODALITIES



Priority investment areas: four foundational investments in the enabling environment

Legal and policy environment: Negotiated compacts (in refugee settings) that include packages of funding on burden sharing principles, aligned with agreed high-level priorities and clear conditional clauses to incentivise timely delivery on key legislative and policy milestones, combined with sustained financial and technical support to develop secondary legislation and policy.

System upgrades: Investments in national capacity to lead solutions to displacement, including the creation of national, local, and municipal coordination forums, processes, and tools; plus support to key departments issuing civil documentation and enforcing property rights.

Data and evidence: Investments in foundational evidence for effective targeting, analysis, and monitoring; for example, a country-wide assessment and profiling of displacement to help inform more efficient targeting and sequencing of investments, and provide greater clarity on where specific needs of displaced people fall across the remits and competencies of humanitarian, development, and peacebuilding actors.

Learning and accountability: Investments in learning, knowledge sharing, and dissemination of evidence; and inclusion of displacement-affected communities in the design and monitoring of solutions.

Sustained commitment to meet the basic needs of refugees still reliant on external assistance is likely to be required for the foreseeable future.

Sustain flexible predictable humanitarian funding and be prepared for further shocks. In addition to financing to support solutions to displacement, sustained commitment to meet the basic needs of refugees still reliant on external assistance is likely to be required for the foreseeable future. In Kenya, for example, humanitarian funding for the refugee response has reduced significantly and many programmes have been scaled back. There are concerns that humanitarian funding is shrinking well before the impacts of development investments have been felt.⁷¹ Hopes that economic self-reliance can enable a tailing off of reliance on humanitarian aid have proven unrealistic, especially in an environment where opportunities for self-reliance are relatively slim and precarious, newly displaced people continue to arrive on a regular basis, and shocks are common.

Provide catalytic funding to develop and test new approaches and models. Targeted funding investments to demonstrate proof of concept or to test new models are necessary to help identify and build the case for new programming and financing approaches. For example, donors in Ethiopia have funded a pilot to trial the inclusion of refugees in the Urban Safety Net and Jobs Project.⁷² The pilot will include an evaluation of refugee inclusion, which could help to build evidence for a larger roll out of refugee inclusion in the national social protection system. Investments in attracting private sector investment, including the use of new modes of financing such as risk guarantees and blended finance also currently fall within the scope of experimental approaches that require catalytic investment.

INNOVATIVE FINANCING AND PRIVATE SECTOR INVESTMENT IN REFUGEE-HOSTING REGIONS IN KENYA

The potential for the private sector to play a major role in the shift towards longer-term solutions to displacement has attracted a great deal of attention in Kenya and many now look to Kenya as the exemplar of private sector-led solutions in the region.

Particular areas of interest for private sector engagement include:

- Extending markets and key services to refugee camps as a primary means for reducing the costs of aid programmes
- Mobilising investment into infrastructure
- Increasing economic self-reliance through job creation and providing access to key services such as financial services and digital connectivity

Many initiatives are underway in Kenya, with considerable buzz and enthusiasm around increased private sector engagement. Notable developments and challenges to date include:

1. **Formation of new partnerships.** Initiatives have brought together the expertise of humanitarian, development, and private sector actors. This has also expanded the scope of programming to the provision of clean energy, increasing connectivity, and access to digital financial services.

For example, the International Trade Centre (ITC) Refugee Employment and Skills Initiative (RESI) programme, funded by the Dutch government, brings together the private sector expertise of the ITC and the operational humanitarian experience of the NRC. Similarly, the MasterCard Smart Communities Coalition (SCC) brings together a large network of private sector actors with the United States Agency for International Development (USAID) Power Africa project and the Deutsche Gesellschaft für Internationale Zusammenarbeit (GIZ) GmbH, the German government technical development agency. The fund has received proposals from consortia that include novel combinations of NGOs and private sector actors.

2. **Limited use of innovative approaches to financing.** To date, funding to incentivise private sector investment has been predominantly grant funded. Discussions on other financing models (including loans and equity) are ongoing and there is considered to be scope for alternative models, particularly in the energy sector. Nonetheless, the two major funds, the Kakuma Kalobeyi Challenge Fund (KKCF) and the SCC innovation fund, continue to use grant funding.
3. **Funding partnerships not yet a good fit.** Actors working on private sector-led economic inclusion programmes note the short-term and restrictive nature of much of the funding. This is not compatible with efforts to develop a robust understanding of market opportunities, develop partnerships, navigate bureaucratic requirements, negotiate contracts, build skills, shift mind-sets, and inspire motivation among refugee and host populations. The costs per output or per person are also noted as a hard sell to donors in some cases, particularly when donors are more accustomed to large numbers benefitting from trainings, for example. At present, it is unclear whether there will be an adequate pipeline of funding to bring pilots to scale.
4. **Limited pool of partners.** Competition for limited funding and for a limited range of potential projects and collaborations provides a strong disincentive to share information and learning. The pool of private sector actors and NGOs engaging in this area is limited. Some private sector actors even employ NGO staff and some private sector initiatives have been established by former NGO staff. Therefore, the pool of expertise and ideas is limited and engagement from the local private sector is low. Market systems analysis tends to be relatively short term and in some instances, the projects that are developed are felt to fall short of expectations.
5. **Restrictive policy environments.** Key barriers such as the ability to open bank accounts, access credit, and move freely remain essentially unchanged. The difficulties in employing refugees are a deterrent to major companies using refugee labour at scale. Hence, partners have focused on self-employment as the primary route for increasing economic self-reliance, where opportunities are niche and small scale.

Dedicate funding to support transitional activities. In the move towards integrating solutions to displacement in development financing and programming, there may be a case for designating additional funds for activities that fall between humanitarian and longer-term development priorities. These activities might include practical programming support to displacement-affected communities to begin to pursue inclusion and self-reliance; for example, the multi-sectoral durable solutions programmes in Somalia. Activities might also include strengthening local and national government capacities to manage durable solutions to displacement, including support to build government capacity to issue civil documentation. The additional costs associated with reconciling parallel systems with nationally led systems could be covered. Specific enabling activities, including evidence generation, supporting dialogue processes, creating or scaling up new tools, such as assessment and monitoring tools, could likewise be considered.

In a competitive and constrained funding environment, there may be an argument for ring fencing funds to support these transitional activities. In Ethiopia and Somalia, multi-partner trust funds have been mooted for this purpose. To date, funding from bilateral donors, the EUTF, and private foundations has played a critical role in tolerating a degree of risk and willingness to experiment and learn in setting up new programmes and initiatives. Notable examples include: Swiss support to establish the DSIs in Somalia and Ethiopia; funding from the EUTF, UK, and Danida to establish area-based durable solutions programmes in Somalia; leadership from the Netherlands and funding from a range of EU member states to support KISEDIP and the establishment of the Kalobeyei settlement in Kenya; and IKEA Foundation support to UNHCR programming in Dollo Ado in Ethiopia.

Commit to providing sustained funding for the long haul of programme scale-up and implementation. Having committed to burden sharing to meet the costs of refugee hosting, international donors need to make good on these commitments in order to consolidate initial progress. Failing to provide adequate and predictable financing risks undermining political goodwill and hard-won policy and programmatic progress. In both Kenya and Ethiopia, despite evidence of an uplift in financing since the launch of their respective CRRFs, funding has been relatively ad hoc, largely channelled outside of government systems, and has fallen short of expectations. In the absence of a clear commitment from donors to help meet costs, refugee-hosting governments are understandably reluctant to assume long-term financial liability for integrating refugees into national services.

In Kenya, for example, taking on the long-term financial liability associated with refugee inclusion in the national education system is a serious consideration for the government. The principal issue yet to be addressed is securing financial commitment from international partners to support the implementation of the policy and costed plan to support the inclusion of refugees and asylum seeking learners in the national education system. Without adequate predictable and concessional financing, the Kenyan government is unlikely to move further forward in implementing its commitments and plans.

In Ethiopia, a lack of funding to support durable solutions programming for internally displaced people is considered a major barrier to progress. The only clearly identifiable programme targeting durable solutions – a joint UN



Business woman at Kakuma IV refugee camp. Credit: DRC

lasting solutions programme — has yet to attract sufficient funding, however. In particular, the lasting solutions plan developed for Somali Regional State has so far failed to attract donor support.

Move towards greater alignment with and use of national systems. Providing funding and financing as direct budget support comprises grants or loans channelled through recipient government treasuries. Budget support provides scope for calibrating payments linked to the achievement of reforms or results, regular performance assessments, and linking capacity building and targeted support to reforms. In principle, budget support strengthens partnership, government ownership, and government systems.⁷³ It also reduces the burden of aid fragmentation and transaction costs for recipient governments. Inclusion of displaced people in national services will ultimately require funding through government systems. International actors should work towards this goal. There are many potential options to align funding with government priorities and systems that can move closer to this goal, while still allowing partners to manage capacity and accountability concerns.

For example, in Somalia, the World Bank Baxnaano social protection programme channels funds to implementing partners, the World Food Programme (WFP) and UNICEF. The Somali national treasury is responsible for oversight and authorisation of contracting and transfers. Somalia also has an established pooled funding architecture, which is designed to strengthen government systems and to ensure alignment with the National Development Plan. The UN-led Saamentya lasting solutions programme will receive funding through the World Bank Multi-Partner Fund (MPF) and therefore undergo review and receive sign off from relevant ministries. There is considerable scope to make greater use of MPFs to target funding towards lasting solutions in alignment with Somali national priorities.

In Kenya, support for plans to include refugees in the national education system provides an opportunity to develop a transitional strategy to progressively shift funding towards budget support. Current suggestions include a transitional period to strengthen accountability measures so as to build donor confidence. There are a range of potential financing modalities that align with agreed principles and priorities, with the longer-term goal of a progressive shift towards channelling funds through the treasury.

Calibrate investments to provide checks and incentives to support inclusion of displaced people. Negotiating development financing modalities and packages also provides opportunities to build in specific accountability measures and incentives for the inclusion of displaced people. For example, the new financing package to support refugee inclusion in the Ethiopian education system under the IDA19 WHR will use a programme-for-results agreement that builds in disbursement indicators linked to the harmonisation of the parallel refugee education system with the national system.

Negotiating development financing modalities and packages also provides opportunities to build in specific accountability measures and incentives for the inclusion of displaced people.



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

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

ENDNOTES

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- 19 OECD (2019). Financing for refugee situations. OECD Development Policy Papers No. 24; <https://doi.org/10.1787/02d6b022-en>
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- 30 See: <https://blogs.soas.ac.uk/ref-hornresearch/>
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- 37 The written submission of UNDP to the High Level Panel on Internal Displacement notes that: “Multiple actors (including government, private sector, NGOs and development agencies) support development action directly focusing on IDPs, but often doing so with very different intentions and very different strategic notions behind their interventions. This makes it complicated to stimulate coherence and consistency in both action and approach, reinforced by the situation where no single actor has sufficient capacity or power to ‘push through’ solutions” UNDP (June 2020).
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- 39 Vernon et al. (2020) argue that displacement and peacebuilding are intrinsically linked: "A peace that does not take account of the interests, needs and rights of people affected by displacement is likely to fail, meaning further violence and displacement. For peacebuilding to work, it must address the issue of displacement, just as durable solutions to displacement inevitably involve sustaining the wider peace."
- 40 The term "needs" is used here as shorthand for common usage of the concept by humanitarian actors as described by Darcy and Hofmann to refer to three linked concepts: "1. To describe basic human needs ('food is a basic need'); 2. To describe a lack of the above ('these people need food'); 3. To describe the need for relief assistance or some other humanitarian intervention ('these people need food aid')." Darcy and Hofmann (2003). According to Need? Needs assessment and decision-making in the humanitarian sector: <https://odi.org/en/publications/according-to-need-needs-assessment-and-decision-making-in-the-humanitarian-sector/>
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- 48 This corresponds with a period in which donor countries allocated ODA funds for the cost of hosting refugees in their own countries, an increase in humanitarian funding directed towards middle-income countries in response to the Syria and Iraq regional crises, and an increase in contributions to new global-level vertical thematic funds. See: World Bank (2020b).
- 49 Dag Hammarskjöld Foundation / UN MPTF Office (September 2020). Financing the UN Development System. Time to Walk the Talk; <https://reliefweb.int/sites/reliefweb.int/files/resources/dhf-financial-report-time-to-walk-the-talk-2020-interactive.pdf>
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- 71 For example, the World Bank DRDIP programme is still in early stages of implementation, with community development plans completed by mid-2020; see: World Bank (2020c). Development Response to Displacement Impacts Project (DRDIP) in the Horn of Africa (P161067) – Implementation Status and Results Report (6/29/2020); <http://documents1.worldbank.org/curated/en/684291593450277088/pdf/Disclosable-Version-of-the-ISR-Development-Response-to-Displacement-Impacts-Project-DRDIP-in-the-Horn-of-Africa-P161067-Sequence-No-07.pdf>. The UK-funded PAMOJA programme component contracted to an NGO consortium to develop new approaches to economic inclusion has recently been cancelled due to funding constraints and reprioritisation of UK aid funding. The IFC KKCF issued its first call for proposals in November 2020.
- 72 This World Bank initiative builds on conversations between the EU and UNHCR in Somali Regional State, which led to a planned EUTF programme to trial the inclusion of refugees in the urban safety net programme in the Somali region. EUTF funds were redirected to COVID-19 response. The World Bank, however, picked up this work and included it in the scale up of its existing Urban Safety Net and Jobs Project (USNJP) to new towns and cities, and to new beneficiaries (including youth, the elderly, disabled, and homeless, as well as refugee and host community beneficiaries). See: World Bank (2020d). Ethiopia - Urban Productive Safety Net and Jobs Project (English); <http://documents.worldbank.org/curated/en/438581601776877012/Ethiopia-Urban-Productive-Safety-Net-and-Jobs-Project>. See: https://ec.europa.eu/international-partnerships/budget-support_en
- 73 See: https://ec.europa.eu/international-partnerships/budget-support_en
- 74 The LORA index measures how IDPs and returnees perceive their local environment and prospects for building and maintaining safe and productive lives across 32 indicators designed to measure physical, material, and legal safety. The LORA also compares the situation of displaced people against that of the host population (rather than global standards) to help distinguish needs specifically related to displacement from the broader shared challenges of poverty, vulnerability, and insecurity. The LORA index also helps identify the specific challenges displaced people experience in relation to their integration. In principle, this approach helps focus programming and investments on the specific factors that influence durable solutions. It also measures changes in perceptions of integration over time to enable continued learning, adaptation, and refocusing programming.

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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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