

CGD NOTES

Refugee Compacts: An Initial Framework

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CGD-IRC Policy Note

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Introduction

An unprecedented humanitarian crisis, and a changing landscape. The global community is facing extraordinary shifts in forced displacement. Today, more people than ever before—65 million, including 21 million refugees—are displaced by conflict.^[1] The average length of their displacement is 10 years, and some 60 percent now live in urban areas rather than camp settings.^[2] A staggering 86 percent of refugees are living in developing countries that already struggle to meet the needs of their populations.^[3] Because of their proximity to conflict, just seven countries host half of the world’s refugees, placing great strain on their economies and societies.^[4] For example, as of December 2015, the economic cost to Jordan to host and assist refugees was roughly \$2 billion, and one in four people in Lebanon was a refugee.^[5] Furthermore, the political and economic dynamics in many of these host countries have the potential to threaten regional stability.

Current tools and responses fail to match the scale and complexity of the challenge. The needs of refugees and host countries have changed tremendously alongside these trends. Protracted displacement requires access to education, healthcare, and economic recovery opportunities. Urban displacement presents new challenges for both reaching refugees with services and addressing dynamics with host communities. The humanitarian sector’s tools and financing, which often focus on basic needs and short-term funding, are too limited in scope and scale, and often not “fit for purpose”—a significant proportion of funding is allocated to food and non-food assistance, when the long-term displaced and urban refugees need access to livelihoods, routine social services, and other opportunities to achieve self-reliance. For example, education receives less than two percent of humanitarian aid.^[6] A sustainable response requires interventions integrated into national systems that allow refugees not only to survive, but to recover and rebuild their lives.

Host countries are taking on great responsibility, but with insufficient support. Host countries bear significant responsibility and play a critical leadership role in responding to refugee crises. But they are neither equipped on their own, nor receiving the right support, to face the complex challenges of increasing refugee populations, especially in the longer-term. Governments are understandably concerned with external actors creating permanent parallel systems for social services and they confront difficult political

dynamics with respect to their citizens, who may experience or perceive increased competition for work, rising prices for housing and goods, and degraded social services. Some countries are also managing delicate tribal, religious, or ethnic politics, which may be further complicated by refugee populations. These dynamics contribute to severe restrictions on refugees' legal status, freedom of movement, and access to jobs and social services, which in turn create deep vulnerabilities for refugees, and especially for women and girls. In conflict-affected contexts, for example, girls are two and a half times more likely to be out of school than boys.^[7] A more robust response must recognize the needs of both refugees and host communities.

New partners and new models are required to meet the displacement challenge. To deliver on-the-ground results for refugee populations, donors, humanitarian and development actors, and host governments must shift to a new model of engagement that reflects today's reality. This reality demands a more coordinated approach that responds to both the immediate, short-term needs of refugees, host communities, and governments during a crisis, as well as the long-term development needs of countries and their populations, including refugees. During the recent United Nations General Assembly High-Level Meeting on Refugees and Migrants and the US-led Leader's Summit on Refugees, the international community affirmed its commitment to additional financing, refugee resettlement, and improved education and livelihoods opportunities for refugees and their host communities, most notably with the announcement of the World Bank's new Global Concessional Financing Facility. Although these are important steps forward, *how* new financing is implemented will be critical to achieving intended outcomes.

Compacts to Support Refugees and their Host Countries

Compact models—in a variety of forms—have been used to address the development and humanitarian needs generated by refugee crises. Recent examples include the agreements negotiated between donor countries, development actors, and the governments of Jordan and Lebanon that seek to create education and livelihoods opportunities for Syrian refugees and host communities.^[8] These are very positive efforts in the right direction. But the international community must put greater emphasis on creating incentives for host governments to make up-front investments that help ensure refugees are a part of national development in the longer-term.

There are specific reasons why a compact model is well-suited to respond to refugee crises. A compact model, grounded in the principles and practices of good program design and management, brings together a critical array of actors with different perspectives and mandates to meet the needs of refugees and host communities. Although negotiating compacts can be a lengthy and politically-sensitive process, the reality of a protracted crisis means a long-term plan is necessary, and a compact approach provides flexible resources over multiple years.

A compact also sets mutually-reinforcing and binding commitments to financing and policy changes from both host countries and donors, creating incentives to remove barriers for and invest in the wellbeing of refugees. Traditionally, host country governments have not been responsible for meeting the needs of refugees, as evident by their omission in national development plans and policies that restrict their access to public services. A compact model introduces host countries' accountability for these populations while acknowledging the obligation of shared responsibility with humanitarian and development actors. A rigorous body of research demonstrates that refugees can be net economic contributors when they have access to adequate social services, support, and rights.^[9] The compact model lays out a plan and accountability mechanism to overcome the policy constraints to realizing these gains.

There is an opportunity to build these compact principles into recently announced financing platforms. The World Bank's Global Concessional Financing Facility and sub-window of the International Development Association (IDA) fund, and the multi-donor Education Cannot Wait fund have the building blocks of compact-driven partnerships that bridge the divide between host countries, donors, and humanitarian and development actors.^[10] Each specifies that countries must make policy commitments and invest in ensuring their systems work to better meet the needs refugees and citizens alike. Both have the capacity to tie financing flows directly to delivering on these commitments. To ensure these and other emerging platforms have the greatest success, their policy and operational frameworks should be built to incorporate and institutionalize a cohesive compact approach as outlined below.

A New Operational Model

This brief outlines a particular iteration of a compact approach that incorporates critical components—such as shared outcomes for refugees, host country ownership and focus on longer-term transition, best practices for program design and management, and commitment to policy reforms—into a systematic model with clear requirements and accountability. While each compact would be tailored to reflect the context of the crisis, greater consideration of these components will ensure greater shared responsibility to support refugees.

The first step of any compact is identifying eligibility; a compact model may not be suitable for all refugee-hosting countries. There should be transparent baseline criteria, such as the presence of a functioning and willing national government, absence of active conflict, and thresholds for the number of refugees hosted within a country and the length of their displacement. Beyond baseline eligibility, a compact should consider including the following components.

1. Define shared, measurable outcomes for refugees.

Real improvement in the lives of refugees must be the central goal of a compact and the metric of its success. As discussed by Cliffe et al. and highlighted in the Grand Bargain, governments and humanitarian and development actors must define and agree to a set of shared outcomes for improving refugees' livelihoods, education, safety, and wellbeing.^[11] As part of this process, actors must determine a set of indicators that measure progress against outcomes, rather than only against inputs, processes, and activities. For example, rather than the number of work permits issued to refugees, an outcome-focused indicator for a livelihoods project would be the number of refugees working in the formal sector, or the increase in their income.

2. Employ best practices—use of evidence, transparency, and cost efficiency—to design and manage compact programs.

- **Ensure evidence driven decision-making about how best to achieve outcomes.** It is critical that governments and development and humanitarian actors use a common methodology for programmatic decisions, and that a premium is placed on evidence-based solutions. Joint analyses of need, opportunity, and constraints can help de-politicize difficult policy changes. Given the dearth of evidence on what works in displacement contexts, compacts should dedicate resources to generating evidence through impact and process evaluations.

- **Incentivize innovation and partnerships.** Where evidence or effective tools are lacking, compacts should foster innovation and public-private partnerships through dedicated funds and financing tools. Private sector actors may be best placed to develop and enhance tools and financing solutions for a more effective response to the refugee crisis, particularly for job creation. Such partnerships can result in new and better technologies (e.g., biometrics, digital money, technology-based job platforms) or approaches (e.g., formalizing work in the gig economy).
- **Evaluate cost-efficiency and cost-effectiveness of interventions.** Costing measures should be required for project proposals and evaluations, and governments should pursue interventions that are the lowest-cost way to deliver and achieve desired outcomes. For example, cash transfers have been shown to be one of the most efficient ways to deliver assistance and improve well-being, especially when implemented at large scale.^[12] Development and humanitarian actors should lead on setting cost analysis standards.
- **Establish ambitious transparency standards** for publishing initial analyses, plans for implementation and financing, as well as consistent and open reporting on costs and program evaluation. Development and humanitarian actors should also take the lead on these efforts.

3. Ensure host country ownership, complementary roles, and accountability throughout each phase of the refugee response.

- **Institute host government leadership and promote national accountability for refugee welfare.** Host country governments are at the core of an effective, sustainable response to refugee crises. One option is to mirror the organizational structure of the Millennium Challenge Corporation's compact model, where the host government designates an accountable entity to oversee implementation at the country level, and progress is monitored by a board of relevant stakeholders.^[13] Refugees should also be incorporated into national development plans, recognizing the long-term costs but also the benefits of hosting refugees, and allowing governments to sustainably plan for both.
- **Include key non-governmental stakeholders.** Compact governance structures and negotiations must recognize the voices and roles of humanitarian and development actors, as well as refugee beneficiaries, when determining compact priorities and terms. Humanitarian agencies, particularly those directly engaged with refugees, offer access to vulnerable populations and expertise in identifying needs, defining outcomes for projects, and setting terms for financing agreements. Development actors bring their knowledge of host communities' longer-term needs, financial resources, and experience negotiating with governments.
- **Allow resources to flow to the best providers throughout the lifecycle of a crisis, with a joint, multi-year plan for sustainable response.** Implementers—governmental or non-governmental—should demonstrate that they have the scale, reach, and expertise to respond to the needs identified and to be held accountable for results. At the outset of a crisis there will be a need for immediate and flexible emergency response funding (often directed to humanitarian actors). However, as Cliffe et al. underscore, it is important to quickly begin joint, long-term planning for how populations will be integrated into more sustainable host country structures and the terms for doing so—including criteria for meeting unique needs of refugee populations. A compact that lays out this long-term plan should establish which actors are accountable for delivering on which outcomes and when.

- **Link financing to delivering on outcomes to ensure accountability.** Beyond emergency financing, pay-for-results financing—whereby the disbursement of funds is linked to mutually-agreed benchmarks—should be a preferred instrument. Tying funding to clear benchmarks including inputs, outputs, and outcomes creates financial incentives to make progress towards results and ensures accountability of program implementers. A process for deciding if and when to withhold funding should be agreed upon within the compact design, balancing the needs of host countries, rights of refugees, and accountability for results. The World Bank’s Program for Results instrument, which is being applied in both Jordan and Lebanon, provides a model of how pay-for-results financing can be implemented in displacement contexts, particularly for improving service delivery systems and encouraging policy change.[\[14\]](#)

4. Prioritize commitment from host governments to undertake necessary policy reforms.

Governments need to demonstrate a willingness to enact policy reforms that support refugees and host communities. Compact partners should review available evidence and conduct joint analyses to identify policy, regulatory, and operational barriers that must be removed before or after the compact is signed. For example, for a compact seeking to improve refugees’ livelihoods, an analysis should examine legal provisions on the right to work and practices that either facilitate or hinder refugees’ abilities to access jobs.[\[15\]](#) Analyses should focus on short- and long-term timeframes, and differentiate which policy changes will be required ex-ante and ex-post.

- **Ex-ante policies should demonstrate commitments to refugees’ protection.** These reforms could include an end to refoulement, freedom of movement within the country’s borders, recognition of refugee status, oversight of labor standards, and access to employment opportunities, housing, education, and other public services. The analysis process should consider specific policy and implementation constraints that refugees and their host communities face in achieving self-reliance.
- **Ex-post policy requirements should be supported and aligned with project financing and outcomes,** such as streamlining and building host country capacity for registration or work permit application procedures, digital and financial infrastructure regulations for cash transfers (e.g., biometric identification), facilitating refugees’ access to land and finance, or developing flexible education systems and policies through formal and informal sectors. In Turkey, for example, a recent study found that refugees do not have full access to formal financial institutions to secure loans—a potential barrier for entrepreneurial activity.[\[16\]](#) Women, again, face unique barriers: four of the five countries with the most legal restrictions on women’s access to the economy are also countries with the highest populations of refugees.[\[17\]](#)

The compact model for refugee support is one concrete, distinct solution among many efforts attempting to bridge the humanitarian-development divide and ease the burdens of protracted crises. The emerging financing platforms are of critical importance to assist refugees and this compact model provides an organizational structure that will leverage their funds to better deliver for refugees. Through a compact, actors can coordinate their distinctive efforts while working through their comparative advantage. The international community can turn this global challenge into a proactive opportunity to invest in partnerships that will ensure refugees and their host communities have a pathway to stability, self-reliance, and the fulfillment of their potential.

This policy note builds on ongoing work conducted in the context of the [Forced Displacement and Development Study Group](#), convened jointly by the Center for Global Development and the International Rescue Committee. The note is informed by feedback and input from study group members, but does not necessarily reflect their views or endorsement. The ideas will be further developed in a final report to be released in December. Study group members include current and former experts from donor and host governments, UN agencies, NGOs, and academia.

Endnotes

[1] <http://bit.ly/2aQNHoB>

[2] <http://bit.ly/2cGBSNm> and <http://bit.ly/2dwJpzS>

[3] <http://bit.ly/2aQNHoB>

[4] The seven countries include: Iran, Jordan, Lebanon, Pakistan, Palestine, Syria, and Turkey. See: <http://bit.ly/2dfjI9k>

[5] <http://bit.ly/1S7FZUT> and <http://bbc.in/1QWSFvW>

[6] <http://bit.ly/2cGqN3q>

[7] <http://bit.ly/2dBhkLF>

[8] <http://bit.ly/2dsAoqA> and <http://bit.ly/2a6crZs>

[9] Philippe Legrain. 2016. “[Refugees Work: A Humanitarian Investment That Yields Economic Dividends.](#)” Tent Foundation and Open Network.; T. Alexander Aleneikoff. 2015. “[From Dependence to Self-Reliance: Changing the Paradigm in Protracted Refugee Situations.](#)” Washington, DC: Migration Policy Institute.; Alexander Betts et al. 2014. “[Refugee Economies Rethinking Popular Assumptions.](#)” Oxford, UK: Humanitarian Innovation Project, University of Oxford.

[10] More details about the Global Concessional Financing Facility, sub-window of the IDA fund, and the Education Cannot Wait fund are available at: <http://bit.ly/2dq5hQg>, <http://bit.ly/2cGBA99>, and <http://bit.ly/1WcaJlg>.

[11] Sarah Cliffe et al. 2016. “[After the World Humanitarian Summit: Better Humanitarian-Development Cooperation for Sustainable Results on the Ground.](#)” New York, NY: Center on International Cooperation, New York University.; “[The Grand Bargain – A Shared Commitment to Better Serve People in Need.](#)” 2016. Istanbul, Turkey.

[12] The High Level Panel on Humanitarian Cash Transfers. 2015. “[Doing Cash Differently: How Cash Transfers Can Transform Humanitarian Aid.](#)” London, UK: Overseas Development Institute and Center for Global Development.

[13] <http://bit.ly/2cpovUK>

[14] <http://bit.ly/1RBPxVP>

[15] Roger Zetter and Héloïse Ruaudel. 2016. “[Refugees’ Right to Work and Access to Labor Markets – An Assessment: Part 1 Synthesis.](#)” Washington, DC: Global Knowledge Partnership on Migration and Development.

[16] Roger Zetter and Héloïse Ruaudel. 2016. “[Refugees’ Right to Work and Access to Labor Markets – An Assessment: Part 1 Synthesis.](#)” Washington, DC: Global Knowledge Partnership on Migration and Development.

[17] World Bank. 2016. “[Forcibly Displaced: Toward a Development Approach Supporting Refugees, the Internally Displaced, and Their Hosts.](#)” Washington, DC: World Bank.