



# REFUGEE COMPACTS

Addressing the Crisis of Protracted Displacement



Final Report of the  
Forced Displacement  
and Development  
Study Group

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CENTER FOR GLOBAL DEVELOPMENT  
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& \_\_\_\_\_  
INTERNATIONAL RESCUE COMMITTEE

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Cover: Around 35 Syrian refugees, including nine children, three new-born, live in this informal refugee settlement in an unfinished building in Ghazir, Lebanon. *Jacob Russell/IRC*

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# CONTENTS

Study Group .....	v
Preface .....	vi
Letter .....	vii
Acknowledgements .....	viii
Acronyms .....	ix
Executive Summary .....	xi
<b>1 Seeking Solutions to Forced Displacement .....</b>	<b>1</b>
A Changing Humanitarian Landscape and the Destabilizing “New Normal” of Forced Displacement .....	2
Current Approaches and Tools Are Inadequate .....	4
2016—A Game Changing Year: Toward a New Approach .....	5
Why This Report? .....	7
<b>2 Compacts: An Emerging Solution to the Refugee Crisis .....</b>	<b>8</b>
Current Compact Approaches and Opportunities .....	9
The Case for Compacts .....	11
Eligibility and Scope of a Compact: Preliminary Considerations .....	13
Challenges and Opportunities in Compact Implementation .....	14
<b>3 Balancing the Needs of Refugees and Host Communities, with a Focus on Key Policy Constraints .....</b>	<b>16</b>
Key Lessons .....	18
Recommendations .....	21
<b>4 Improving Data, Evidence, and Innovation to Drive Outcomes and Get the Most Value for Money .....</b>	<b>27</b>
Key Lessons .....	28
Recommendations .....	34
<b>5 Strengthening and Aligning Incentives to Achieve Results .....</b>	<b>37</b>
Key Lessons .....	38
Recommendations .....	41
<b>6 Conclusion .....</b>	<b>44</b>
Recommendations for Key Actors .....	46
References .....	48



## Boxes

3.1	Barriers to Rapidly Scaling Up Jobs for Refugees in Jordan.....	19
3.2	Regional Durable Solutions Secretariat (ReDSS) Framework: Select Indicators.....	23
3.3	Sample Portfolio Criteria for a Livelihoods Compact .....	25
4.1	The Systematic Cost Analysis Tool.....	32

## Figures

1.1	Low- and Middle-Income Countries Host 88 percent of the World's Refugees.....	3
3.1	IRC Outcomes and Evidence Framework: (a) Education Outcomes; (b) Livelihoods Outcomes .....	22

## Tables

2.1	The Top 10 Refugee-Hosting Countries .....	13
4.1	Evidence Review: (a) Livelihoods Components in the Jordan Compact; (b) Education Components in the Lebanon Compact .....	30
5.1	Program for Results Indicators: (a) Jordan Compact; (b) Lebanon Compact .....	41

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# PREFACE

The world is witnessing higher levels of displacement than ever before. The statistics tell the story. Today, an unprecedented 65 million people—including 21 million refugees—are displaced from their homes. Since the start of the Syrian crisis in 2011, 5 million people have fled to nearby Turkey, Lebanon, Iraq, and Jordan. And refugees now spend an average of 10 years away from their countries. Equally striking as the scale of the crisis are the consequences of an inadequate response. Individual lives hang in the balance; refugees are struggling to rebuild their lives, find jobs, and send their children to school. Developing countries that are hosting the overwhelming majority of refugees—and at the same time trying to meet the needs of their own citizens—are shouldering unsustainable costs. We are seeing global stability and hard-won development gains threatened.

Still, as this report points out, the challenge is manageable—if the international community is able to get its response right. However, the response so far has not kept pace with the changing landscape; the traditional tools and approaches of humanitarian and development actors are not fit for purpose in this new reality. The so-called humanitarian-development divide—which we have been struggling to close for decades—remains; and best practices for coordination, implementation, and transparency are still not the norm. Staying true to the objective of the Sustainable Development Goals to “leave no one behind” and realizing the commitments made at the May 2016 World Humanitarian Summit will require a new, better way forward. It will take a recognition of the collective outcomes we aim to achieve, new ways of working, and greater responsibility-sharing among a broader set of actors.

Innovative ideas are often borne out of seemingly unsolvable problems. New partnerships are forged, bringing in more and untraditional actors. New pressures are placed on a broader set of institutions to offer their expertise and resources. One case in point: last year, the World Bank threw its hat in the ring. In partnership with regional development banks and the United Nations, the World Bank launched an initiative offering concessional financing to middle-income countries hosting large numbers of refugees. These partners, along with donor countries, entered into compact agreements with Lebanon and Jordan to help improve education and livelihoods opportunities for refugees and host communities. Learning from these compacts and other efforts that build on such innovation presents a significant opportunity to change the game.

This study group, convened jointly by the Center for Global Development and the International Rescue Committee, brought humanitarian and development actors to the same table to review lessons from these initial experiences and take a critical look at what needs to change to ensure our collective response is greater than our individual actions. This report offers key principles for closing the humanitarian-development divide and practical guidance for designing effective compacts. We encourage policymakers and implementers alike to carefully consider these recommendations to ensure that humanitarian and development dollars have a real impact on the lives of refugees and host communities.

Masood Ahmed, President  
Center for Global Development

David Miliband, President and CEO  
International Rescue Committee

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# LETTER

This report addresses one of the fundamental questions facing the development community today: how can we effectively provide a framework to improve the lives of displaced people and the host communities in which they live? It examines good practice in humanitarian and development responses to large-scale crises and looks to the opportunities for innovation where those responses intersect.

We have made impressive gains in human development over the past 50 years—we see people living longer, with better access to education, sanitation, and health care—but we know that huge challenges still remain. So how do we bring these past successes to bear on the unprecedented displacement that we see today and make sure that our collective efforts continue to lift the world's poor out of poverty? I hope that this report goes some way towards answering that question.

The Global Innovation Fund's mission is to accelerate innovation that improves the lives of poor and marginalized people. At this time, we cannot help but be compelled to consider how our mission can alleviate the challenges faced by displaced people around the world.

We see this report as setting an innovation agenda for how we fund, manage, and create incentives for impact at the nexus of the humanitarian and development agendas. This innovation of funding compacts builds on the success realized by the Millennium Challenge Corporation and creates the enabling environment for yet more innovation at the micro-level. Within the context of a compact, we have new incentives to seek cost-effective solutions, accountability, and new ways of delivering services.

I want to thank Cindy Huang and Nazanin Ash for their leadership and all members of the Study Group for their time and expertise in making important contributions to this discussion.

Dr. Alix Zwane, CEO  
Global Innovation Fund



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We are grateful to study group and workshop participants as well as others who provided thoughtful comments, critiques, and suggestions, including: Mohamed Abdel, Masood Ahmed, Jesper Andersen, Jeannie Annan, Joseph Asunka, Daniel Kiernan Balke, David Beer, Kimberly Behrman, Caroline Blayney, Kolleen Bouchane, Franck Bousquet, Dean Brooks, Barbara Bruns, Bruce Cohen, Mary Louise Cohen, Adam Connaker, Shanta Devarajan, Henri Dommel, Michael Eddy, Mayada El-Zoghbi, Susan Fratzke, Grant Gordon, Alisha Guffy, Avnish Gungadurdoss, Peter Holland, Claire Horton, Caroline Keenan, Tariq Khan, Rosanna Kim, Molly Kinder, Jyl Kuczynski, Coco Lammers, Saadia Madsbjerg, Fernando Maldonado, Raphaëlle Martínez Lattanzio, Jana Mason, Peter McConaghy, Giulia McPherson, Piers Merrick, Scott Morris, Jodi Nelson, Kevin O’Neil, Omar Parbhoo, Kate Phillips-Barrasso, Radha Rajkotia, Joel Reyes, Jennifer Rigg, Andrew Roberts, Sarah Rose, Héloïse Ruaudel, Justin Sandefur, William Savedoff, Kirsten Schuettler, Beth Schwanke, Caroline Sergeant, Barri Shorey, Sarah Smith, John Speakman, Gizem Sucuoğlu, Charles Tapp, Paolo Verme, Tim Waites, Jamie Weiss-Yagoda, and Zinta Zommers.

Although the report reflects the discussions and views of the study group and workshop participants, it is not a consensus document. The report was written by Cindy Huang and Janeen Madan (Center for Global Development) and by Nazanin Ash, Madeleine Gleave, and Lauren Post (International Rescue Committee). Krishnan Raghavan assisted with analysis for the report. Stephanie Brown helped with the design of the report and infographic. Emily Schabacker coordinated the production of the report.

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## ACRONYMS

3RP	Regional Refugee and Resilience Plan
DFID	Department for International Development
DLI	disbursement-linked indicator
EBRD	European Bank for Reconstruction and Development
EU	European Union
IATI	International Aid Transparency Initiative
IDA	International Development Association
IRC	International Rescue Committee
MCC	Millennium Challenge Corporation
MEHE	Lebanese Ministry of Education and Higher Education
NGO	nongovernmental organization
OEF	Outcomes and Evidence Framework
OPIC	Overseas Private Investment Corporation
PforR	Program for Results
RACE	Reaching All Children with Education
ReDSS	Regional Durable Solutions Secretariat
ReHoPE	Refugee and Host Population Empowerment
SCAN	Systematic Cost Analysis
SDG	Sustainable Development Goal
UN	United Nations
UNESCO	United Nations Educational, Scientific and Cultural Organization
UNHCR	United Nations High Commissioner for Refugees
UNRWA	United Nations Relief and Works Agency for Palestine Refugees in the Near East
USAID	United States Agency for International Development

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# EXECUTIVE SUMMARY

## The Disruptive “New Normal” of Displacement

Today’s refugee crisis poses serious challenges to the international order. Conflict and crisis have pushed some 21 million people to seek refuge outside their home countries, including 5 million who have fled Syria since the civil war began in 2011.<sup>1</sup> Approximately 76 percent of refugees live outside of camp settings, making it even more difficult to locate and reach them with essential services.<sup>2</sup> Furthermore, protracted displacement has become the “new normal.” Refugees now spend an average of 10 years away from their homes, and for refugees displaced more than five years, the average is 21 years.<sup>3</sup>

Low- and middle-income countries host a staggering 88 percent of the world’s refugees.<sup>4</sup> The reality of refugees striving to rebuild their lives alongside host communities can fuel divisive politics, and the strain of refugee flows can threaten hard-won development gains. Refugees often have limited access to jobs, education, and the basic protections and freedoms required to rebuild their lives. Insufficient support from the international community for both immediate and longer-term recovery can beget further crises, as countries close borders, force returns, and detain those fleeing violence and insecurity. Despite the political turmoil precipitated by forced displacement, this is an eminently manageable challenge for the global community. Refugees comprise less than 0.3 percent of the global population, and the vast majority is geographically concentrated in a handful of frontline states.<sup>5</sup>

## Time for a New Approach

A different approach is possible. The scale and urgency of the refugee crisis presents a window of opportunity for donors, humanitarian and development agencies, host countries, the private sector, and civil society to forge new partnerships that give refugees and host communities a chance to thrive together. Evidence shows that when policies and programs promote refugees’ self-reliance and integration into host countries’ development plans, the short-term costs are outweighed by refugees’ longer-term economic and social contributions.<sup>6</sup> And while much needs to change about current humanitarian and development silos, financing and coordination structures, and the role of host governments, promising developments can be seen at the national, regional, and international levels.

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1. UNHCR 2016. There are 16.1 million refugees under UNHCR’s mandate; an additional 5.2 million are Palestinian refugees registered by the United Nations Relief and Works Agency for Palestine Refugees in the Near East (UNRWA).

2. World Bank 2016e.

3. Devictor and Do 2016.

4. Analysis based on the UNHCR refugee caseload as of December 2015 and World Bank country income group classifications for fiscal year 2017.

5. Calculation based on 21 million refugees (including those under UNHCR and UNRWA mandates) and a global population of 7.3 billion in 2015; de Haas 2016.

6. Legrain 2016; Aleinikoff 2015; Betts et al. 2014.

Perhaps the most important development was the launch of large-scale humanitarian-development partnerships in 2016, such as the Grand Bargain, signed at the World Humanitarian Summit, as well as significant financing initiatives. The World Bank, the Islamic Development Bank Group, and other partners created the Global Concessional Financing Facility to provide concessional financing to middle-income countries hosting large refugee populations; and the World Bank launched a financing window in the record-breaking IDA-18 replenishment, providing up to US\$2 billion in grants and concessional loans to low-income countries to meet the development needs of refugees and host communities. The engagement of development actors like the World Bank represents a step-change in how the international community responds to protracted displacement. Missing from these critical initiatives, however, is a clear road map for overcoming the challenges of the current fractured response to displacement.

## Refugee Compacts: An Innovative Solution

Compact agreements have emerged as a new approach, bringing together donors and development and humanitarian actors under host-country leadership for multiyear agreements to achieve defined, sustainable outcomes for refugees and host communities. Under a compact framework, diverse actors make mutually reinforcing commitments to resources, policy changes, and projects designed to achieve a shared vision. Three features make the compact model uniquely suited to address today's refugee crisis:

- Compacts systematically gather humanitarian and development expertise under the umbrella of host-country leadership and a set of shared outcomes. They put host governments in the lead on long-term solutions for refugees, a population which does not fit within the traditional state-citizen relationship.
- Compacts use a common analytical and results framework and a set of process requirements that support evidence-based decision-making and build consensus around the resources, policy changes, and projects required to achieve results. The standardization of the process requirements helps depoliticize difficult negotiations over the right mix of programs and policy changes.
- Compacts strengthen incentives for policy reforms by bringing together diverse actors and financing mechanisms in multiyear agreements focused on measurable results.

While not appropriate in every refugee context, compacts are already driving progress in several places. The most prominent examples are in Jordan and Lebanon, where the World Bank has partnered with host governments and other actors to improve livelihoods and education outcomes, respectively. The lessons of these early compacts, as well as compact experiences in other contexts, offer key insights for humanitarian and development partners working to refine, expand, or launch initiatives to support low- and middle-income countries hosting refugees, including the Global Concessional Financing Facility and the IDA-18 sub-window, the European Union Migration Partnership Framework, and the Education Cannot Wait fund.

## 10 Recommendations for Meeting the Long-term Needs of Refugees and Host Communities

The Center for Global Development and the International Rescue Committee convened a joint study group to assess how key lessons from recent humanitarian-development collaborations can inform a sound partnership framework between host governments, development and humanitarian actors, the private sector, and civil society in protracted displacement situations. While our recommendations can inform a variety of partnership arrangements, well-designed compacts hold the greatest potential for meeting the complex challenges of protracted displacement.

We urge policymakers to focus on **three key principles** and **10 recommendations** to design effective compacts:

**Principle 1. Balance the needs of refugees and host communities, with a focus on key policy constraints.** Better identification and prioritization of the policy changes needed to achieve desired collective outcomes could accelerate progress. Further, interventions should be more responsive to the needs and circumstances of refugee and host communities, with strategies that incorporate short-, medium-, and long-term actions that respond to immediate needs while they strengthen foundations for a sustained response. Breakdowns in this balance often result from gaps in initial analyses and assessments as well as inconsistent participation of the full range of stakeholders throughout the program cycle.

To put this principle into practice, partners should:

- 1. Develop and use standardized assessment tools** that identify barriers to achieving shared outcomes. Such assessments should begin with identifying expected key outcomes, grounded in a common theory of change, and they should determine the key pathways to achieving results for both refugees and host communities, including necessary policy changes.
- 2. Create a refugee policy index** that evaluates key country policies and the legal, physical, and material status of refugees relative to host communities. A universal framework would increase transparency, highlight critical areas for reform, and motivate change to better meet the needs of refugees and host communities.
- 3. Take a portfolio approach** that balances short- and long-term interventions and the needs of refugees and host communities, using common decision-making criteria that assess, for example, timing to impact, proportion of target population to be reached, cost-effectiveness, and distribution of benefits to female and male beneficiaries.
- 4. Create structures for inclusive stakeholder engagement**, with host governments in the lead, and include humanitarian and development stakeholders from humanitarian and development sectors, impacted constituencies, the private sector, and civil society. Multi-stakeholder governing boards chaired by host governments show promise.

We encourage the World Bank and the United Nations High Commissioner for Refugees (UNHCR), in collaboration with partners and building on best practices, to develop **a core set of assessment tools and guidance**. Financing platforms should require the use of appropriate assessment tools and guidance on portfolio criteria and stakeholder engagement.

**Principle 2. Improve data, evidence, and innovation to drive outcomes and get the most value for money.** Our assessment identified significant data-related challenges, including information gaps and a lack of protocols, frameworks, and incentives for sharing data across agencies and host countries. Financial data remains siloed and lacks transparency, hindering collective planning efforts. There are also gaps in the evidence base for effective interventions and a lack of systematic use of evidence where it exists. Measures for cost analyses are not defined or consistently applied. Finally, innovation—critical in this context—is insufficiently rewarded. Addressing these gaps should be a priority to inform decision-making, assess progress, and spend scarce resources wisely.

To put this principle into practice, partners should:

5. **Improve data collection and availability**, including on financing streams, to support decision-making; track progress and outcomes related to interventions focused on refugees and their host communities; and facilitate planning, coordination, and transparency.
6. **Use and generate evidence** to drive programmatic decisions and help depoliticize difficult policy changes, including designating a minimum of 5 percent of program funds for monitoring and evaluation.
7. **Establish standards for measuring cost-efficiency and cost-effectiveness** to ensure value for money and to stretch limited resources for maximum impact.
8. **Incentivize and fund innovation** to help fill gaps in the evidence base and identify new tools and approaches, including reserving flexible funds for rapidly testing and scaling innovative approaches. Specific emphasis should be placed on nontraditional humanitarian partners, such as local governments and the private sector.

To advance these recommendations, donors should support the World Bank, United Nations agencies, and organizations with relevant technical expertise to create a **data and evidence alliance** that identifies and develops solutions for data and evidence gaps related to refugees and their host communities. To the extent possible, financing platforms should require the systematic assessment of proposed interventions against the existing evidence base and measures of cost-efficiency and cost-effectiveness; they should also publish data on funding as well as other specific markers for tracking Grand Bargain commitments.<sup>7</sup>

**Principle 3. Strengthen and align incentives to achieve results.** Because they are multi-year agreements among a diverse range of partners, compacts can use beyond-aid approaches to strengthen incentives for action and achieve scale and impact when aid alone is insufficient. Crowding-in financing partners—bilateral donors, multilateral actors, and the private sector—can increase effectiveness, efficiency, coherence, and scale. And disbursing funds on the basis of the completion of process requirements, such as establishing a multistakeholder governance board or a data system, and eventually the achievement of expected results, can further support program effectiveness and accountability.

To put this principle into practice, partners should:

9. **Pay for results** to strengthen incentives and drive progress for both refugees and host communities, with a focus on identifying benchmarks for disbursement tied to critical barriers to achieving results and systemic gaps. To the extent possible, there should be a greater emphasis on linking disbursements to outcomes, not just inputs and outputs.
10. **Increase use of beyond-aid tools and crowd in partners** to strengthen incentives for host governments to address legal, policy, and operational barriers; leverage limited aid dollars; reinforce accountability; and move toward shared solutions.

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7. “The Grand Bargain—A Shared Commitment to Better Serve People in Need” 2016.

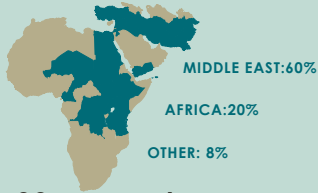


# HOW CAN WE BRIDGE THE Humanitarian-Development Divide

## AND WHY DOES IT MATTER FOR REFUGEES?

### THE FACTS: DISPLACEMENT IS A LONG-TERM DEVELOPMENT ISSUE

**65 million** people were displaced as of 2015<sup>1</sup>  
(1 icon = 1 MILLION PEOPLE)



**88 percent** of refugees live in low- and middle-income countries<sup>2</sup>



**3 out of 4** refugees live outside of camps<sup>3</sup>



**10 years** is the average time a refugee is displaced<sup>4</sup>

### THE PROBLEM: THE TRADITIONAL APPROACH TO REFUGEE RESPONSE IS NOT SUSTAINABLE

**Humanitarian assistance** is short-term, self-contained, and meant to save lives in crisis



Driven by international donors and agencies

Focused on immediate needs like food, water, medication, and temporary shelter

**Development assistance** is long-term, integrated with country systems, and meant to reduce poverty



Coordinated with national and local governments

Focused on long-term needs like jobs, education, health, and infrastructure

### THE SOLUTION: COMPACTS TO BRIDGE HUMANITARIAN AND DEVELOPMENT APPROACHES

#### PRINCIPLES FOR DESIGNING EFFECTIVE REFUGEE COMPACTS

Balance the needs of refugees and host communities

Improve data, evidence, and innovation to drive outcomes

Strengthen and align incentives to achieve results

<sup>1</sup>UNHCR data as of December 2015.

<sup>2</sup>UNHCR data as of December 2015; World Bank classifications for FY2017.

<sup>3</sup>World Bank, 2016. "Forcibly Displaced: Toward A Development Approach Supporting Refugees, the Internally Displaced, and Their Hosts".

<sup>4</sup>Devictor and Do, 2016. "How Many Years Have Refugees Been in Exile?".

# 1

## SEEKING SOLUTIONS TO FORCED DISPLACEMENT



After refugees reach the shores of Lesbos, Greece, they must register then walk 40 kilometers to the northern part of the island to catch a ferry to mainland Greece. *Tyler Jump/ IRC*

## A Changing Humanitarian Landscape and the Destabilizing “New Normal” of Forced Displacement

The world is facing unprecedented shifts in forced displacement. Today, more people than ever before—65 million, including 21 million refugees—are displaced by conflict.<sup>8</sup> More than a dozen conflicts have broken out or reignited around the globe since 2010, driving much of the growth in displacement. The Syrian civil war alone has created nearly 5 million refugees. Conflicts today burn on for an average of 37 years, making return for those uprooted an ever-distant prospect.<sup>9</sup> Refugees spend an average of 10 years away from their home countries, and among those who are refugees for five years or more, the average displacement is 21 years.<sup>10</sup> The vast majority of refugees now live outside camps, especially in urban areas. The 24 percent that remain in camps are staying for extended periods of time, even multiple generations, at a huge cost to the humanitarian system and to human development.<sup>11</sup>

The consequences of forced displacement are far ranging and have a direct and detrimental impact on global stability and security. Take the example of the European migrant crisis: unable to find protection, jobs, and education for their children in their homeland or in overwhelmed neighboring countries, refugees sought better opportunities elsewhere.<sup>12</sup> Despite the well-known dangers of the journey, a record 1.3 million people sought asylum in Europe in 2015.<sup>13</sup> The arrival of this significant number of migrants and refugees has generated social and political tensions across the continent. Open borders and other hard-won pillars of European unity have been greatly strained by the refugee crisis, as illustrated by the United Kingdom’s vote to separate from the European Union (EU) and by the rise of anti-immigrant parties elsewhere in Europe. Across the Atlantic, “America First” and isolationist political figures exploited increased tensions and terrorist attacks in Europe to build momentum for their causes, which culminated in the Trump administration’s executive actions that attempted to suspend refugee admissions.

While the European migrant crisis has garnered considerable media attention, low- and middle-income countries host a staggering 88 percent of the world’s refugees.<sup>14</sup> Low-income countries, which face the most severe development challenges, host 20 percent of the refugee population. Sixty-eight percent of refugees live in middle-income countries, which are still struggling with their own development and where infrastructure and service delivery systems are often weak (see figure 1.1). A handful of countries bear a disproportionate share of the refugee caseload. The 10 countries hosting the greatest number of refugees under the mandate of the United Nations High Commissioner for Refugees (UNHCR) are home to almost 60 percent of the global caseload (see table 2.1). Given their proximity to major protracted conflicts for which resolution remains out of reach, these frontline states will likely continue to bear much of this burden. By contrast, UNHCR resettled only 82,000 refugees in high-income countries in 2015—less than 1 percent of the total

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8. UNHCR 2016. There are 16.1 million refugees under UNHCR’s mandate; an additional 5.2 million are Palestinian refugees registered by the United Nations Relief and Works Agency for Palestine Refugees in the Near East (UNRWA).

9. Bennett 2016.

10. Devictor and Do 2016.

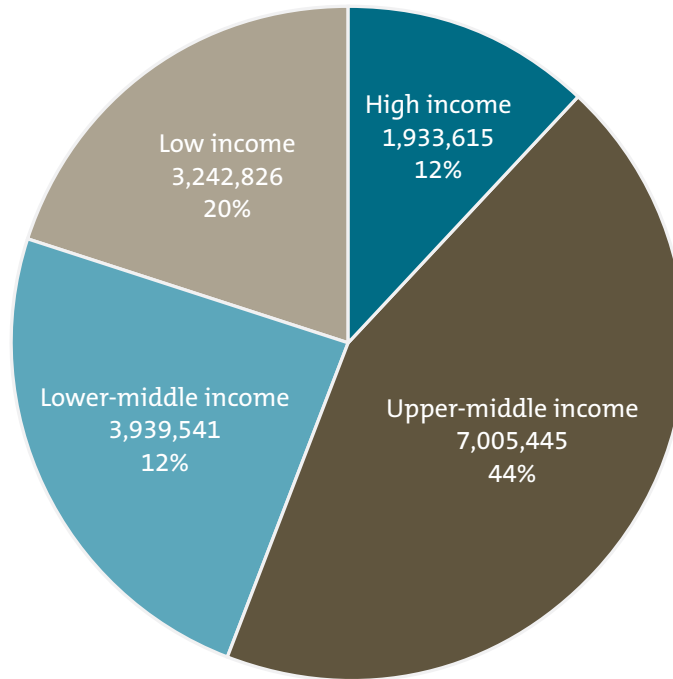
11. World Bank 2016e.

12. Migration Policy Institute 2017; Barbelet and Wake 2017; Save the Children 2016.

13. Connor 2016.

14. Analysis based on the UNHCR refugee caseload as of December 2015 and World Bank country income group classifications for fiscal year 2017.

Figure 1.1. Low- and Middle-Income Countries Host 88 percent of the World's Refugees



Sources: Refugee caseloads from UNHCR as of December 2015; country income-group classifications from World Bank for fiscal year 2017. <https://datahelpdesk.worldbank.org/knowledgebase/articles/906519-world-bank-country-and-lending-groups>.

number of refugees worldwide.<sup>15</sup> The realities of refugees trying to rebuild their lives alongside host communities can fuel divisive politics with serious repercussions. Without adequate support from the international community, the strain of refugee flows can threaten hard-won development gains and stability in host countries, with regional and even global consequences.

However, when policies and programs promote the integration and self-reliance of refugees, evidence shows that short-term costs are outweighed by refugees' longer-term contributions to economies and societies.<sup>16</sup> And despite the political turmoil precipitated by forced displacement, it is an eminently manageable challenge for the global community. Refugees comprise less than 0.3 percent of the global population, so while the number of refugees is historically high, their share as a percentage of the global population is not.<sup>17</sup> Greater political will and support can turn the current global crisis into an opportunity to accelerate rather than disrupt the development trajectories of host countries while helping refugees recover and rebuild their lives.

15. Greene 2016.

16. Legrain 2016; Aleinikoff 2015; Betts et al. 2014.

17. Calculation based on 21 million refugees (including those under UNHCR and UNRWA mandates) and a global population of 7.3 billion in 2015; de Haas 2016; Butler 2017.

## Current Approaches and Tools Are Inadequate

Neither the humanitarian nor development sector alone can adequately meet the needs of refugees and host countries. The life-saving assistance prioritized by the humanitarian sector, while vital, falls short of what is needed given that people are rarely displaced for only days or months. A significant proportion of the humanitarian budget is allocated to food and other in-kind assistance, but refugees who are displaced for several years need much more than just food, water, and shelter. They need access to quality education, job opportunities, and other public services that will allow them to rebuild their lives and live with dignity and in safety. Humanitarian financing does not reflect these needs. For example, in 2016, only 1.9 percent of humanitarian aid was allocated to education, even though it is essential for meeting the development needs of the two-thirds of refugee children not currently attending school.<sup>18</sup>

The financial mechanisms that have traditionally supported assistance programs for refugees are also out of step with the realities on the ground. Humanitarian financing is short term, with the vast majority of grants provided for less than one year, despite the protracted nature of displacement. For example, in 2013, two-thirds of humanitarian aid went to crisis situations that had persisted for eight or more years.<sup>19</sup> With humanitarian appeals already only funded at 56 percent overall, and some as low as 4 percent, resources should be reserved for unmet emergency needs.<sup>20</sup> But the overall resources for addressing forced displacement must grow and be better rationalized between short- and long-term needs and across humanitarian and development budgets.

Meanwhile, development actors, whose clients have traditionally been states and citizens, face a range of challenges to effective service delivery in displacement contexts, including limited expertise operating in environments with security threats or training in conflict analysis; inadequate access to affected populations; and a lack of familiarity with the particular needs of refugee communities, the international legal norms that govern their rights, and the dynamics between refugees and host communities. However, development actors must realize—as many already do—that development challenges are increasingly overlapping with fragile states and complex crises, so they must either learn to work effectively in these contexts or see their work and relevancy erode.<sup>21</sup>

Many of the limitations within each sector, including those related to financing and accountability structures, are linked to their distinct mandates and traditional roles. Humanitarian organizations operate as neutral actors under an international mandate and directly engage with displaced individuals and communities. Assistance flows largely to nonstate entities and operates outside of national development plans and strategies. Accountability for results is diffused, largely held between nongovernmental entities and the donors who give them grants and expect reports in return. Development actors, on the other hand, largely work within national plans and structures, supporting the development trajectories of countries for which governments are ultimately responsible. Resources flow largely through government institutions or are closely coordinated with them. Accountability for results is reinforced by traditional citizen-state relationships and monitored by donors and governments. Development and humanitarian actors are increasingly recognizing the need to work together in complementary ways while maintaining their distinct mandates.

The scale, nature, and urgency of the forced displacement crisis have focused global attention on these challenges, offering a moment of opportunity for all those with a stake in the well-being of

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18. Financial Tracking Service 2017b.

19. World Bank 2016e.

20. Financial Tracking Service 2017a.

21. Chandy 2011; Dervis et al. 2011.



refugees and their host communities to find new and deeper forms of collaboration for identifying solutions across a fractured system. These actors must come together, not only to ensure adequate financing, but also to develop policies and processes tied to that funding. In particular, a sustainable response to the protracted displacement crisis requires interventions that recognize the primacy of host-country leadership as well as the need to ensure accountability for outcomes for a population traditionally outside of host government mandates. They must be—or have a clear pathway to being—integrated into a host country’s national systems. And the financing for interventions needs to be longer-term to match the protracted nature of displacement, adopting a development approach to financing that is complementary and additional to effective humanitarian assistance.

## 2016—A Game Changing Year: Toward a New Approach

In 2016, recognizing the need for a new approach, the international community pushed forward a series of broad agreements to provide more effective assistance to refugees:

- The Supporting Syria and the Region conference, held in London in February 2016 and co-hosted by the governments of the United Kingdom, Germany, Kuwait, and Norway as well as the United Nations (UN), generated over US\$12 billion in grants and more than US\$40 billion in loans, including groundbreaking concessional financing agreements for middle-income countries to pursue improved development outcomes for refugees and their host communities.<sup>22</sup>
- The World Humanitarian Summit, held in Istanbul in May 2016, resulted in the “Grand Bargain.” Signed by more than 30 donors, multilateral agencies, and nongovernmental organizations (NGOs),<sup>23</sup> the agreement crystallized a long-running conversation about the need to bridge the humanitarian-development divide as well as nine other critical pillars for modernizing humanitarian response and financing, with the goal of maximizing the impact of aid. Similarly, the UN’s Commitment to Action, also launched at the summit, called for enhanced engagement between development and humanitarian actors with a focus on: (1) a commitment to collective outcomes, joint and objective needs assessments, and joint planning; (2) working over multiyear timeframes; and (3) the comparative advantage of different actors.<sup>24</sup>
- In September 2016, the UN General Assembly High Level Meeting on Refugees and Migrants produced the “New York Declaration,” which reaffirms the importance of protecting the rights of refugees and the need to share responsibility on a global scale.<sup>25</sup> The declaration launched the Comprehensive Refugee Response Framework, which is designed to bring multiple stakeholders under a single coordination structure for refugee response. The framework is currently being piloted in Uganda and Tanzania.<sup>26</sup>
- Also in September 2016, the Leaders’ Summit on Refugees secured commitments from donors to increase financing and from host countries to expand rights and opportunities for refugees, including access to education and jobs.<sup>27</sup> In addition, the World Bank, together with the European Bank for Reconstruction and Development (EBRD) and the Islamic Development Bank Group, launched the new Global Concessional Financing Facility to

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22. Supporting Syria and the Region 2016.

23. Parker 2016.

24. Cliffe, Sucuoglu, and Strew 2016.

25. United Nations 2016.

26. UNHCR, CRR Task Team 2016.

27. The White House 2016.



provide grants and subsidized lending to middle-income countries strained by large refugee caseloads. This was followed by a record-breaking US\$75 billion International Development Association (IDA) replenishment by the World Bank that created a new US\$2 billion window for low-income countries hosting large refugee populations.

As part of these important developments, a particular model—compact agreements—has emerged as an important way for the international community, host governments, and individual donors to implement these new approaches at the country level. As further explained in chapter 2, compacts bring together host countries, donors, and development and humanitarian actors in a multiyear, mutually accountable agreement to achieve outcomes for refugees and host communities. Compacts range in size and formulation—the most prominent are those in Jordan and Lebanon, where the World Bank has been working with host governments and other partners to improve livelihoods and education outcomes, respectively. Because these compacts are among the first to be implemented in a humanitarian-development context, this report draws heavily from their experience to date, identifying early lessons and recommendations for future humanitarian-development collaborations.

Together, the developments of 2016 represent some of the most innovative changes in the humanitarian sector in decades. In particular, the step change in the engagement of the World Bank has introduced not only a tremendous new flow of humanitarian-related financing, but also a new institutional partner with vital expertise, relationships, convening power, and leverage. The Bank should be commended for its leadership—along with partners at UNHCR, regional development banks, and other agencies, and forward-thinking ministers in host and donor governments—in overcoming obstacles of past practice, entrenched bureaucratic divisions, and traditional approaches to concessional financing. The importance of this commitment cannot be overstated.

At the same time, it is essential to ensure that new financing mechanisms and commitments are not simply funding and feeding into business-as-usual approaches or worse, supporting transactional engagements that pay out for containing refugees rather than yielding long-term solutions and development progress. We note, for example, the troubling agreement between the EU and Turkey by which the EU offered Turkey €3 billion to keep Syrian refugees within their borders and established a “one-for-one” exchange of an additional Syrian refugee resettled in the EU for every Syrian migrant returned from the EU to Turkey. In the absence of requirements that ensure resources are spent in a way that truly meets the needs of Syrian refugees and that addresses underlying drivers, evidence suggests that people continue to leave, but they take more dangerous, covert routes.<sup>28</sup> This experience offers lessons for the European Migration Partnership Framework deals under development, which risk resorting to a cash-for-containment approach without structures and accountability to support improved outcomes for displaced populations. Understanding the significant pressures that host governments are under, an approach that relies on building higher barriers and security measures may succeed in the short term, but will not address the core drivers of displacement, leading the most vulnerable to persist in undertaking perilous journeys in search of safety and opportunity.

For both moral and strategic reasons, the task for the international community now is to ensure that these groundbreaking new partnerships and commitments yield approaches that have at their heart the protection and progress of displaced and host populations, with success measured by whether refugees and hosts communities are thriving together. Regional, national, and global safety, security, and prosperity—as well as the lives of millions of people—depend on it.

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28. Barbelet and Wake 2017; Cosgrave et al. 2016.

## Why This Report?

The momentum around this issue presents a window of opportunity to rethink how the international community can better support host countries in enabling displaced populations and vulnerable host communities to become self-reliant. To this end, the Center for Global Development and the International Rescue Committee (IRC) chaired a joint study group to explore what a sound partnership framework between host countries and development and humanitarian actors might look like in protracted displacement settings. Launched in August 2016, the study group convened experts and current and former officials from government, development banks, the UN, multilateral agencies, NGOs, and academia to offer concrete ideas about how to shape the future policies and strategies of key stakeholders.

The effort was guided by a vision of refugees and host communities having meaningful opportunities that promote long-term economic, social, and institutional development. The study group's scope was limited to refugees; while refugees and internally displaced persons confront many similar challenges and vulnerabilities, the laws and policies governing their legal status and rights are distinct, with differing implications for how the international community responds. The study group focused on two key sectors: (1) education, particularly improved access to quality schooling; and (2) livelihoods, particularly opportunities for refugees to engage in legal, safe, and decent work. These sectors have emerged in the global discourse as areas of significant need and tremendous scope that are crucial to enabling displaced populations and vulnerable host communities to achieve self-reliance.

This final report—grounded in guidance and feedback from the study group as well as input from two technical workshops—sets forth recommendations for host governments and humanitarian and development actors to build strategic partnerships that respond to today's challenges. Chapter 2 outlines our argument for why compact approaches have unique potential to deliver more sustainable solutions to refugee crises. Chapters 3 through 5 are organized around three key principles that policymakers should focus on to design effective compacts: (1) balance the needs of refugees with those of host communities, with a focus on key policy constraints; (2) improve data, evidence, and innovation to drive outcomes and get the most value for money; and (3) strengthen and align incentives to achieve results. In each chapter, we highlight lessons from recent humanitarian-development collaborations, with an emphasis on the Jordan and Lebanon compacts, and we offer recommendations for how host countries and humanitarian and development actors can achieve better outcomes for refugees and host communities. The 10 recommendations offered in this report can inform a variety of partnership approaches, but we argue that they will have the most impact when implemented as part of a well-designed compact.

# 2

## COMPACTS: AN EMERGING SOLUTION TO THE REFUGEE CRISIS



A Syrian woman living in Jordan shops for food at a local grocery store.  
*Meredith Hutchison/IRC*

The traditional response to the refugee crisis by governments, donors, and humanitarian and development actors is failing to meet the needs of refugees and host communities. Financing is typically too short term and is incompatible with the protracted nature of today's crises. Host governments and humanitarian and development partners are not jointly and systematically engaged in analyzing needs and barriers or in long-term planning, which has led to uneven portfolios of solutions and to a risk of duplication and gaps in programming. Actors are not working toward a shared set of outcomes for refugees and host communities or using standardized methods to determine an intervention's cost-effectiveness, making it difficult to determine whether donors and program beneficiaries are getting the greatest value for the money invested. There are too few incentives for donors and host governments to make the policy changes necessary to achieve agreed-on goals. A new and better way forward is needed.

## Current Compact Approaches and Opportunities

Fundamentally, compacts bring together diverse actors, financing instruments, and policy tools to make mutually reinforcing, multiyear commitments to resources, policy changes, and projects required to achieve shared outcomes. They enforce a structure of reciprocal responsibility, with each actor accountable to the others for delivering agreed-on components, such as funding or reforms. Compacts have been an increasingly popular way to channel assistance to refugee-hosting nations for the development and humanitarian needs of refugees and their host communities. Examples from the last two years include:

- The **Jordan and Lebanon compacts**, announced at the Supporting Syria and the Region conference in London in February 2016. The agreements were negotiated between donor countries; development actors, including the World Bank and the EBRD; and the governments of Jordan and Lebanon. In Jordan, the compact seeks to create 200,000 new job opportunities for refugees, primarily by developing and strengthening existing special economic zones and by relaxing rules for exports to the European Union (EU) to attract international and domestic investments and spur job growth.<sup>29</sup> In Lebanon, the compact seeks to expand education access for all Lebanese and Syrian children through Reaching All Children with Education (RACE 2)—the second phase of a multiyear, multistakeholder initiative that the Lebanese government has been implementing since 2013.<sup>30</sup>
- The **Ethiopia Jobs Compact**, signed by the government of Ethiopia and international partners in 2016 and led by the European Investment Bank along with the World Bank, the United Kingdom, and other EU nations. The compact offers a US\$500 million package to build two industrial parks that will employ 100,000 people, 30 percent of whom will be refugees; it also includes government policy changes granting refugees expanded employment rights by issuing work permits for the parks.<sup>31</sup>
- The **EU Migration Partnership Framework**, which aims to orient EU and European member states' development resources toward addressing the root causes of migration and forced displacement as well as reducing the flow of migrants to Europe. The approach aims to mobilize all EU and member state policies and resources towards the goals of managing migration flows and improving conditions on migration routes, including through the development of compacts in partnership with third countries. Initiated in June 2016, the framework is focused on five priority countries of origin or transit: Mali, Nigeria, Niger, Senegal, and Ethiopia.

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29. World Bank 2016a.

30. World Bank 2016f.

31. European Investment Bank 2016.

In addition, there are emerging financing platforms that are or could be used to fund compacts or compact-like approaches that address the refugee crisis:

- **World Bank Middle East and North Africa/Global Concessional Financing Facility.** In April 2016, the World Bank mobilized donors and other multilateral development banks around a new financing facility focused on the Middle East and North Africa, with a particular mandate to extend concessional financing to middle-income countries, ordinarily ineligible for grants and below-market rate loans, which are facing the heavy burden of hosting refugees from the Syrian crisis. At the Leaders' Summit on Refugees in September 2016, the facility was expanded to the global level, allowing it to provide concessional financing to all middle-income countries hosting large numbers of refugees. As of early 2017, the facility had approved roughly US\$125 million in funding and leveraged nearly US\$700 million in concessional financing for four development projects benefitting Syrian refugees and host communities in Jordan and Lebanon.
- **World Bank IDA refugee sub-window.** This US\$2 billion fund, proposed as part of the IDA-18 replenishment, extends similar financing support to low-income countries to meet the medium- and longer-term development needs of refugees and host communities. To be eligible for financing, countries must have in place refugee protection frameworks and action plans, including policy reforms that benefit refugees and host communities.
- **Education Cannot Wait fund.** Launched at the World Humanitarian Summit in May 2016, the fund aims to generate greater shared political, operational, and financial commitments to meet the educational needs of children and young people affected by crises. It will be set up to achieve five core functions: inspire political commitment, plan and respond collaboratively, generate and disburse additional funding, strengthen capacity, and develop and share knowledge across a range of actors. The fund aspires to reach 34 million children and youth with quality education in its first five years of operation.
- **EU Trust Fund for Africa.** Adopted in November 2015 to support fragile and conflict-affected countries in Africa, the fund aims to address the root causes of destabilization, forced displacement, and irregular migration. Initial funding from the EU Commission and EU member states is €1.8 billion, with a proposed additional €500 million specifically dedicated to the EU Migration Partnership countries to fund programs in economic development, resilience, migration management, stability, and governance.

Finally, the **Comprehensive Refugee Response Framework** and **Global Refugee Compact**, stemming from the UN Summit on Refugees and Migrants in September 2016, could facilitate future country-level compacts. An annex to the New York Declaration, the framework outlines the principles for a broad-based response, including engaging humanitarian, development, and government stakeholders; working within national development plans; and investing in local service provision to promote resilience among refugees and host communities. UNHCR will take the lead in piloting the framework's approach in select countries to inform the development of a global compact for supporting refugees and the nations that host them, to be agreed on by all UN member states in 2018.



## The Case for Compacts

Compacts are uniquely positioned to deliver more sustainable solutions to the refugee crisis. They differ considerably from traditional donor coordination groups that bring together donors in post-conflict or post-disaster situations. Donor coordination groups combine pledging sessions with periodic collective assessment meetings, where donors report progress on disbursements and project implementation. For the most part, donors operate independently when developing, implementing, and measuring project results, often to the host government's frustration and with fragmented, delayed, and suboptimal results. Donors frequently engage on a one-on-one basis with host governments regarding policy reforms, raising the risk of duplication, mixed messages, and failure to collectively set the right reform priorities.

In theory, compacts operate quite differently. The central motivation of a compact is the alignment of incentives in one systematic model with clear requirements and direct accountability. All compact partners use a common analytical and results framework, ideally based on the best available evidence regarding cost-efficiency and impact. They agree on a set of projects and associated reform priorities considered essential to underpin project success. The mutual interdependence of the projects and reforms aligns interests and makes it easier for governments to make a case for unpopular or complicated policy changes. Projects are able to achieve scale as multiple donors jointly fund a common set of projects. Further, a single implementation body, led by the host government, manages performance and is held accountable for results, eliminating counterproductive finger pointing between governments and donors. Compacts can promote inclusivity and buy-in from a range of partners through mechanisms such as consultative processes and multistakeholder oversight boards, and foster accountability through transparent decision-making and results monitoring.

Compacts have a strong track record in development work. Experience shows that a well-designed compact can advance outcomes for poor and vulnerable populations in low- and middle-income countries. The Millennium Challenge Corporation's (MCC) compacts, for example, aimed at reducing poverty through sustainable economic growth, have delivered successful programs in several countries,<sup>32</sup> and evidence points to the model's potential to create incentives for policy reform. A pillar of all MCC compacts is that the partner government agrees to specific policy reforms in the relevant sectors.<sup>33</sup> The prospects of grant funding combined with countries taking the lead in identifying and implementing MCC investments—and by extension the regulatory and policy reforms that are necessary to achieve results—resulted in numerous successful reform efforts.<sup>34</sup> Illustrative examples include Nicaragua, where MCC's investment in a Road Maintenance Fund created an incentive for the government to approve legislation for a gas tax, and Lesotho, where in order to enable the success of a private-sector development project, the government passed legislation giving women a number of legal rights, including the right to own property.<sup>35</sup>

In addition, some specific features of compacts are already being tested, such as pay-for-performance schemes, whereby a donor links financing to specific actions, outputs, or outcomes, including policy or institutional reforms. The World Bank's still relatively new Program for Results (PforR) instrument has already channeled over US\$8.1 billion in results-oriented financing since 2012.<sup>36</sup>

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32. Millennium Challenge Corporation 2017b.

33. Rose and Wiebe 2015.

34. Dunning, Rose, and McGillem 2017.

35. Rose and Wiebe 2015.

36. Gelb, Diofasi, and Postel 2016.



Importantly, the World Bank and other organizations implementing pay-for-results agreements emphasize country ownership in setting outcomes and reforms through joint analyses and planning processes.

A well-designed compact model is well-suited to respond to refugee crises and provides unique value in today's landscape for three main reasons:

**1. Compacts systematically gather humanitarian and development expertise under the umbrella of host-country leadership and a set of shared outcomes.** A compact model, grounded in the principles and practices of good program design and management, brings together donors, host-country governments, the private sector, civil society, and other development and humanitarian actors—each with a different perspective, expertise, and mandate. These actors must be brought together in a consistent way rather than through ad hoc consultations, and under the leadership of the host governments because they run the systems and frameworks that form the basis for sustainable solutions. While the exact mechanisms for consultation, coordination, and oversight among stakeholders may vary, a compact agreement can set forth clear and transparent expectations for roles and responsibilities in planning, implementation, and accountability for results. By including both humanitarian and development actors in compacts, their diverse expertise and financing streams can be aligned in operations and day-to-day program management.

A related factor for a compact's success is country-led implementation.<sup>37</sup> Under the MCC model, governments establish interagency implementation entities, overseen by senior public-private boards. This combination of technical and political expertise ensures competence, access to relevant ministries, and political clout to manage and drive implementation. The model gives the host government ownership of the compact so that it is not perceived as being imposed by donors. Moreover, in the context of refugee-focused efforts, the model offers host governments an opportunity to ensure that citizens also share in the benefits.

**2. Compacts use a common analytical and results framework and set of process requirements that support evidence-based decision-making and build consensus around the resources, policy changes, and projects required to achieve results.** Compacts help multiple actors move beyond transactional agreements and short-term financing for near-term outputs toward comprehensive strategies based on joint analysis and planning. Given that negotiations for financing are inherently political, especially those related to support for refugees, compacts can be grounded in a set of process requirements that provide a common evidence base for investment and implementation decisions. Requirements can include needs assessments, analyses of barriers to achieving shared outcomes, joint results frameworks, and planning efforts that straddle refugee and host community objectives. By standardizing process requirements, compacts help depoliticize decision-making. If conducted and led by host governments, such processes can build consensus among multiple stakeholders around what resources, policy changes, and projects are required to achieve the compact's desired results.

**3. By bringing together diverse actors and financing mechanisms in multiyear agreements focused on measurable results, compacts strengthen incentives for policy reforms.** In many refugee-hosting countries, key constraints to refugee self-reliance include freedom of movement; legal residency; access to financing; the right to work; and other legal, policy, and regulatory barriers. As noted above, identifying these barriers and understanding their relationship to achieving intended results is essential. Because of political sensitivities, host countries need and deserve strong incentives and clearly articulated benefits for more fully integrating refugees into national development strategies. Compacts set mutually reinforcing and binding commitments, such as

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37. Dunning, Rose, and McGillem 2017.

financing and policy changes by both host countries and donors, with a plan and accountability mechanism for achieving and tracking results. The multiyear, flexible financing offers a substantial financial boost to host-country budgets and systems that support their national interests and priorities. Multiple donors can coordinate funding and investments under the structure of the compact, enhancing incentives, delivering management efficiencies, and achieving economies of scale in program delivery. Because aid alone is insufficient, compacts bring together various opportunities into a single negotiation, as demonstrated by the inclusion of trade preferences for Jordanian exports to the EU in the Jordan Compact. Ultimately, this approach creates incentives for removing barriers to and investing in the well-being and self-reliance of refugees.

## Eligibility and Scope of a Compact: Preliminary Considerations

Compacts do not fit every refugee context. Eligibility criteria should specify, for example, that the host government is not party to an active conflict that caused the refugees' displacement; that the country hosts a threshold number of long-term refugees; and that it is willing to make legal, policy, and regulatory changes that will support the increased integration of refugees into its public services and economy. Each financing platform will establish its own specific criteria. For example, among other considerations, the World Bank's IDA-18 sub-window requires that countries have in place an "action plan, strategy, or similar document" outlining concrete steps and policy reforms needed to support refugees.<sup>38</sup> Table 2.1 shows a list of the 10 countries hosting the greatest number of refugees under UNHCR's mandate. Given the need to consider other important criteria, some of these countries would not be suitable for a compact. Nevertheless, the list suggests that a significant share of the world's refugees could potentially be reached through compacts. Countries hosting smaller numbers of refugees could also significantly benefit from using a compact approach.

**Table 2.1. The Top 10 Refugee-Hosting Countries**

Country	Country Income Classification	Refugees Under UNHCR Mandate	Percent of Global Caseload	Refugees per 1,000 Citizens
Turkey	Upper-middle	2,541,352	16	32
Pakistan	Lower-middle	1,561,162	10	8
Lebanon	Upper-middle	1,070,854	7	183
Iran	Upper-middle	979,437	6	12
Ethiopia	Low	736,086	5	7
Jordan	Upper-middle	664,118	4	87
Kenya	Lower-middle	553,912	3	12
Uganda	Low	477,187	3	12
Dem. Rep. of Congo	Low	383,095	2	5
Chad	Low	369,540	2	26
<b>Top 10 countries (total)</b>		<b>9,336,743</b>	<b>58</b>	

*Note:* This list includes countries hosting refugees under UNHCR's mandate.

*Sources:* Income groups per World Bank classification for fiscal year 2017; population data for 2015 are from the World Bank; refugee caseloads are from UNHCR, as of December 2015.

38. International Development Association 2016.

Compacts should be tailored to the individual country context; they will—and should—differ based on a country’s political, administrative, demographic, and resource profiles. A key question is what scale—including the total amount of financing, the number of actors, and the number of and scope in sectors—allows for meaningful commitments while not overly complicating negotiations. Ideally, a single comprehensive compact would address all sectors and their linkages, such as programming that builds on synergies between health, education, and livelihoods, and that incorporates all potential stakeholders and financing streams to maximize leverage. However, the on-the-ground reality makes it more likely that a compact will include one or two sectors and a reasonable number of key actors. Similarly, while a compact that includes multiple countries may be ideal for responding to regional dynamics, it could lead to major delays due to the many actors and complex considerations at play. The duration of a compact is also important: a crucial leverage point for an MCC compact is that it is bound to a five-year timeframe, creating pressure and accountability to deliver results during the current agreement. Because central outcomes regarding refugee self-reliance will likely take some time to be realized, compact timelines should be set accordingly.

## Challenges and Opportunities in Compact Implementation

Negotiating a compact can be a complex process. All parties to the agreement—host countries, donors, and humanitarian and development actors—come to the table with their own set of incentives, objectives, and difficult political economy questions that need to be balanced. Many of the bureaucratic processes serve as essential checks for the compact process, but they can add layers of complexity. The parties responsible for designing a compact may face serious constraints and pressures. The need for a quick response to a mounting crisis imposes tight timelines for delivering a negotiated deal, and this sense of urgency can limit the full exploration of options and the evidence base. Moreover, a lack of necessary data, especially disaggregated by gender and refugee status, makes conducting a thorough analysis difficult. Rapidly shifting demographics caused by new flows of refugees compound the need for real-time information.

Despite these challenges, the process-oriented nature of compacts makes it possible to invest in tools that can help overcome them, such as standardized assessment frameworks, data systems, and new indicators. The decision to pursue a compact should not be based on whether it will reach ideal outcomes or resolve all issues, but whether the right mix of actors, best practices, policy commitments, and innovative ideas would create a better solution than the current divided response. Compacts have the strong advantage of aligning incentives to deliver outcomes with accountability, making them a highly valuable and well-suited tool for addressing complex situations like refugee crises. And given the protracted nature of these crises, investing in the creation of rigorous tools and processes and taking sufficient time to design and negotiate compacts could ultimately generate more sustainable outcomes.

The compact model is one concrete, distinct solution for providing support to refugees, among many other attempts at bridging the humanitarian-development divide and easing the burden of protracted crises. Emerging financing platforms are critical to assisting refugees, and the compact model provides an organizational structure to better leverage funds for this effort. The international community can turn this global challenge into a proactive opportunity to invest in partnerships that provide refugees and their host communities pathways to stability, self-reliance, and the fulfillment

of their potential. Chapters 3–5 of this report are organized around the key principles that policy-makers should focus on to design effective compacts. Each chapter draws on lessons from recent humanitarian-development collaborations and offers specific recommendations. These recommendations can be applied to various partnership approaches in a number of contexts, but collectively realizing them in a compact model offers the greatest potential for achieving improved outcomes for refugees and host communities.

# 3

## BALANCING THE NEEDS OF REFUGEES AND HOST COMMUNITIES, WITH A FOCUS ON KEY POLICY CONSTRAINTS



A student at the blackboard at a school in Oure Cassoni, Chad.  
*Sophia Jones/IRC*



Recognizing the protracted nature of displacement, host countries are taking steps toward finding solutions for refugees and their host communities. Governments are beginning to acknowledge the benefits of incorporating refugees into development plans and investing in the ability of refugees to contribute to local economies—in discernable contrast to the traditional camp-based, external-actor model of supporting refugees.

In Uganda, for example, refugees have freedom of movement, the right to work and own a business, and equal access to social services—such as primary education and health care; furthermore, the 2006 Refugee Act and 2010 Refugee Regulations allocated a plot of land to every refugee for cultivation.<sup>39</sup> In 2016, the government, in collaboration with UN agencies and the World Bank, developed the Refugee and Host Population Empowerment (ReHoPE) strategy, which provides a framework for joint self-reliance and resilience programming of up to US\$350 million over the next five years. While rollout of the strategy is in its early stages, this new joint investment in the economic and social development of host communities and in the protection and integration of refugees is expected to enhance social cohesion and coexistence and yield positive economic impacts for individuals and their communities.<sup>40</sup> Another more recent example is Chad, where the government, with the support of the Global Partnership for Education, developed a national education strategy that incorporates refugees and internally displaced persons. The plan provides for nonformal education programs linked by a common national curriculum to immediately serve those displaced from formal education facilities, while it simultaneously invests in strengthening national systems over the long term.

Despite this promising trend, the political will to provide critical services to refugees, such as health care, education, and jobs, is often lacking, especially in places where local communities have limited access to basic services and where unemployment is high. Indeed, inequities can cut both ways. In Kenya, host communities have expressed the sentiment that refugees have everything provided for them in the camps while their needs are overlooked.<sup>41</sup> In 2008–2010, for example, the maternal mortality ratio among refugees living in Dadaab camp in Kenya was lower than that of the host population;<sup>42</sup> and refugees experienced better access to services like health care, education, and water than their host communities.<sup>43</sup> In many displacement contexts, a balance between addressing the needs of refugees and meeting those of their host communities has not yet been struck.

Actors pursuing shared solutions for refugees and host communities understand that achieving better outcomes for both populations requires policy changes, including some that may not be politically palatable or are otherwise difficult to implement. Hurdles include insufficient processes and tools for identifying what policy changes are the most pressing to address constraints to self-reliance. Experts at the front lines of new joint humanitarian-development approaches are improvising, adapting tools from both sectors and building on initial frameworks. Recent efforts, such as the Regional Refugee and Resilience Plan (3RP), combine a humanitarian response that is focused on alleviating suffering, addressing basic needs, and preventing refugees from falling deeper into poverty with longer-term interventions to bolster the resiliency of refugee and host communities and strengthen national systems. The 3RP is a clear step forward, mobilizing five country governments in the Syria region—Jordan, Lebanon, Turkey, Iraq, and Egypt—and drawing support from

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39. World Bank 2016b.

40. ReHoPE 2015.

41. Glendinning 2016.

42. Hynes et al. 2012.

43. IRIN 2011; Aukot 2003.



over 200 partner agencies and donors. However, this joint planning process is not yet widespread, and the funding appeals are still fragmented and formulated around an annual timeframe.<sup>44</sup>

In this chapter, we identify three key lessons around alleviating policy constraints and ensuring that the needs of both refugees and host communities are met. These lessons highlight the importance of: (1) addressing key policy barriers; (2) implementing a portfolio of solutions that considers both the immediate and long-term needs of vulnerable populations; and (3) including the right stakeholders at the table from initial negotiations through long-term planning and implementation. We then offer recommendations to improve the processes and tools available to governments and humanitarian and development actors to ensure that their response to forced displacement crises balances the needs of refugees and host communities.

## Key Lessons

**A range of legal, policy, and operational barriers in host countries stand in the way of refugees achieving self-reliance.** Legal restrictions on the freedom of movement, the right to work, and the ability to attend school, for example, can prevent refugees from providing for themselves and their families and from contributing to their host communities. These restrictions push refugees to the shadows of the labor market and to the fringes of society, adding to their extreme vulnerability. In the absence of standardized, transparent approaches and tools to analyze what barriers exist, needs and constraints analyses are done in a fragmented and ad hoc way, resulting in each stakeholder pushing for a different set of policy changes based on the limited scope of their individual analysis and political constraints.

Not surprisingly, it is often politically difficult for governments to implement policy changes that appear to benefit refugees alone, to favor refugees over host communities, or to divert resources away from public sector services. In Lebanon, for example, the Ministry of Education and Higher Education (MEHE) initially made a policy decision to restrict Syrian teachers from teaching and NGOs from running comprehensive nonformal education programs that would reach refugee children in settlements and address their specific needs. Among the reasons for this decision were fears that these options would generate parallel and inequitable education opportunities for refugees and Lebanese children. Instead, the ministry implemented double-shift schools, whereby Lebanese students attend classes in the morning and Syrian children in the afternoon or evening. However, this solution has not been able to reach all refugee and Lebanese children on its own; many argue that it has undermined the quality of teaching and learning for all children by, for example, shortening the school day, which affects refugees and host communities alike. In addition, double-shifts fail to recognize the critical barriers that affect refugee children in particular, such as the distance between where they live and formal schools and a lack of safe and affordable transportation between home and school. Meanwhile, nonformal or community-based education programs can reach refugee children where they are located, can better meet their language and psychosocial needs, and are easier to scale quickly.

**Given the myriad challenges and barriers to self-reliance in displacement contexts, there is no silver bullet solution; rather it will take a portfolio of solutions to meet the short- and long-term needs of refugees and host communities.** Recent efforts like the Jordan Compact seek to bring together humanitarian and development interventions, but implementation has been uneven. There has been a greater focus on solutions that may generate outcomes over the long term; solutions to address near-term needs have not yet been implemented. In the

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44. 3RP Syria Crisis 2017.

first year, compact actors focused on putting in place a new EU trade liberalization policy, which gives firms in special economic zones greater access to the EU market if refugees make up at least 15 percent of their workforce. However, it could take several years before companies are established in these zones and are able to meet the 15 percent threshold. In the meantime, critical policy changes and programs that could have positive near-term implications have yet to be implemented, such as simplifying the process for obtaining a work permit or for formalizing or starting a business. Furthermore, others, such as providing cash grants and increasing access to finance, are not included in the compact. Consequently, progress has been slower than hoped (see box 3.1).

### **Box 3.1.** **Barriers to Rapidly Scaling Up Jobs for Refugees in Jordan**

Current approaches to scaling up jobs in displacement contexts represent noteworthy efforts in the right direction. However, they also point to a fundamental gap: solutions have not been proposed in a way that adequately addresses the complex set of legal, policy, and operational barriers to achieving outcomes for refugees and host communities. To elucidate these barriers, we consider the case of scaling up jobs for Syrian refugees in Jordan through commitments made under the Jordan Compact.

In February 2016, the Jordanian government committed to creating 200,000 employment opportunities for Syrian refugees, primarily by issuing work permits, but also by creating jobs and reducing restrictions on new business registrations. The government's commitment to create work opportunities for Syrian refugees and to address important policy changes is a welcome development. We commend the Jordanian government's efforts, especially considering the range of domestic challenges it is also confronting, including high unemployment rates and a poor investment climate.<sup>a</sup>

However, progress in the first year was slow and uneven. While some components of the compact were implemented, such as new trade concessions with the European Union, components more immediately relevant to refugees, such as simplified work permitting and business formalization processes, have yet to be completed. There was an intense focus on special economic zones, where companies can take advantage of the European Union's relaxed Rules of Origin, but few firms have applied to participate. As of February 2017, the government had issued about 38,000 work permits—12,000 permits shy of its 50,000 goal.<sup>b</sup> One positive development driving a recent increase in permits issued is the government's willingness to extend the grace period during which Syrians can access permits free of charge.<sup>c</sup>

To date, only 4 percent of work permits have been issued to women.<sup>d</sup> While this figure is low, it still represents an improvement over earlier months of the compact's implementation, when women only received 2 percent of the permits. Gender-specific solutions should be prioritized given the unique constraints women face and since half of the refugee population in Jordan is female.<sup>e</sup>

As commitments translate into action, refugees confront policy and operational hurdles. Government policies regarding the processing of work permits for refugees are cumbersome, complicated, and time-consuming, requiring at least a dozen steps by refugees and employers. Even though the cost of acquiring a permit has been waived, the process requires extensive

*(continued)*

### Box 3.1. Continued

documentation, such as proof of formal residence and sponsorship from an employer and landlord, and refugees often have to travel long distances to registration offices. Many refugees do not understand how the process works, such as where to go and what documentation is needed; many fear deportation; and safeguards against exploitation and abuse by landlords or employers are rare and often unenforced. In addition, work permits are only valid for one year and tie the refugee to a single employer.

Given these challenges, refugees often abandon the process of obtaining work permits, choosing instead to work informally. Between obtaining United Nations High Commissioner for Refugees (UNHCR) registration and applying for Ministry of Interior identification documents, an estimated half of refugees abandon the process, and between obtaining identification and obtaining a work permit, an estimated 90 percent do. Beyond the bureaucratic reasons for low-uptake of work permits, refugees have personal considerations in deciding whether to apply for one, including not wanting to be on the radar of government organizations and fearing the loss of access to humanitarian assistance or third-country resettlement opportunities.

Starting or running a business is difficult for a refugee in Jordan. Syrians, for example, are only able to register a business if they have a Jordanian business partner, can demonstrate that they have 50,000 Jordanian Dinar (US\$70,000) in a Jordanian bank, and can prove legal residency. Although the government of Jordan has indicated that it will reduce the restrictions around refugees registering businesses, the process remains complicated and inconsistently applied.

The government's commitments represent significant progress and political will, but this case study reveals that it will be necessary to more systematically target and pursue policy reforms to achieve the intended goal: that Syrian refugees have access to jobs and other opportunities to improve their well-being.

a. The unemployment rate increased from 14 percent in 2011 to 22 percent in 2014; research suggests that the increase is not directly attributable to the influx of refugees; International Rescue Committee 2017b.

b. UNHCR 2017.

c. Ibid.

d. International Rescue Committee 2017b.

e. Ibid.

**The absence of the right actors at the table reduces the likelihood that policy and program barriers will be fully considered.** Our review suggests that negotiations leading up to the Jordan and Lebanon compacts were led by host countries and included a small group of high-level actors, including bilateral donors and multilateral development banks. However, there was limited engagement with humanitarian actors and local NGOs—and by extension refugees and their host communities. When humanitarian actors were included in compact negotiations, it was typically later in the process, after key decisions had been made, or as observers. For instance, in the case of the Lebanon Compact, the option for comprehensive nonformal educational programs provided by NGOs was removed from consideration even before consultations with various stakeholders began. While response plans should be led by host governments, the perspectives of humanitarian and development actors, refugee beneficiaries, their host communities, and the private sector should be considered at the outset of analysis and response planning to ensure that policy decisions are based on a full picture of the constraints experienced by refugees and host communities.

## Recommendations

### ***1. Develop and use standardized assessment tools that measure progress toward defined shared outcomes.***

Drawing on existing tools, and possibly working as part of the Comprehensive Refugee Response Framework process, the World Bank and UNHCR should collaborate with partners to develop standardized joint assessment tools that can identify key pathways to achieving results for refugees and host communities, including necessary policy changes. The first step for developing such tools is establishing shared outcomes and a common theory of change against which the barriers can be identified and prioritized.

Importantly, the use of standardized assessment tools can help depoliticize the process of identifying constraints and policy reforms. It provides an objective way to determine where the greatest needs are and therefore helps make the case for where investments should be prioritized. Standardized tools that push actors to jointly assess needs and barriers can create collective ownership over the process and decisions. They can reveal the real risks and costs of failing to address key policy barriers—namely, that programs may not generate outcomes for refugees or host communities and scarce resources might be wasted. Standardized assessment tools, along with related planning frameworks, can ultimately help host countries explain to their citizens why they should—and do—invest in the welfare of refugees. They can also help generate the right incentives and diplomatic engagement from partners to assist host governments in navigating difficult political contexts.

There are a variety of existing tools and frameworks that can serve as inputs for developing standardized assessment tools for protracted displacement settings, including:

- **The International Rescue Committee’s Outcomes and Evidence Framework (OEF).** The OEF defines specific outcomes for the health, safety, education, economic well-being, and power of International Rescue Committee (IRC) clients. Critically, the OEF offers a clear theory of change that outlines pathways for achieving each outcome as well as sub-outcomes along the causal pathway that are critical for reaching the final outcome. See figure 3.1 for examples of two theories of change: education outcomes (3.1a) and livelihoods outcomes (3.1b). The OEF can be used to identify specific constraints to and opportunities for achieving every sub-outcome along the theory of change. In addition, the OEF provides evidence for interventions that do and do not work with regard to achieving each sub-outcome, and it includes guidance on what indicators should be used to measure progress. The framework could be used to help identify which programmatic activities should be implemented to drive change and how progress toward outcomes could be measured.
- **Regional Durable Solutions Secretariat (ReDSS) Framework.** The ReDSS framework provides a basis for assessing the legal and regulatory environment for refugees and the material and physical status of refugees *compared with their host communities*, as well as the conditions necessary to support durable solutions for both. It offers measurable indicators to assess the physical, material, and legal protections for refugees that are required to lay the groundwork for an effective response. It can also identify specific policy areas that need to be reformed. The framework is currently being tested and was the basis for a joint analysis among NGOs and government bodies in assessing the status of local integration efforts for refugees in Uganda.<sup>45</sup> See box 3.2 for more about the ReDSS framework.

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45. The ReDSS Advisory Board includes the Danish Refugee Council, the Norwegian Refugee Council, IRC, World Vision, CARE International, Save the Children International, OXFAM, ACTED, INTERSOS, Mercy Corps, and the Refugee Consortium of Kenya. See ReDSS 2017.

Figure 3.1a. IRC Outcomes and Evidence Framework: Education Outcomes

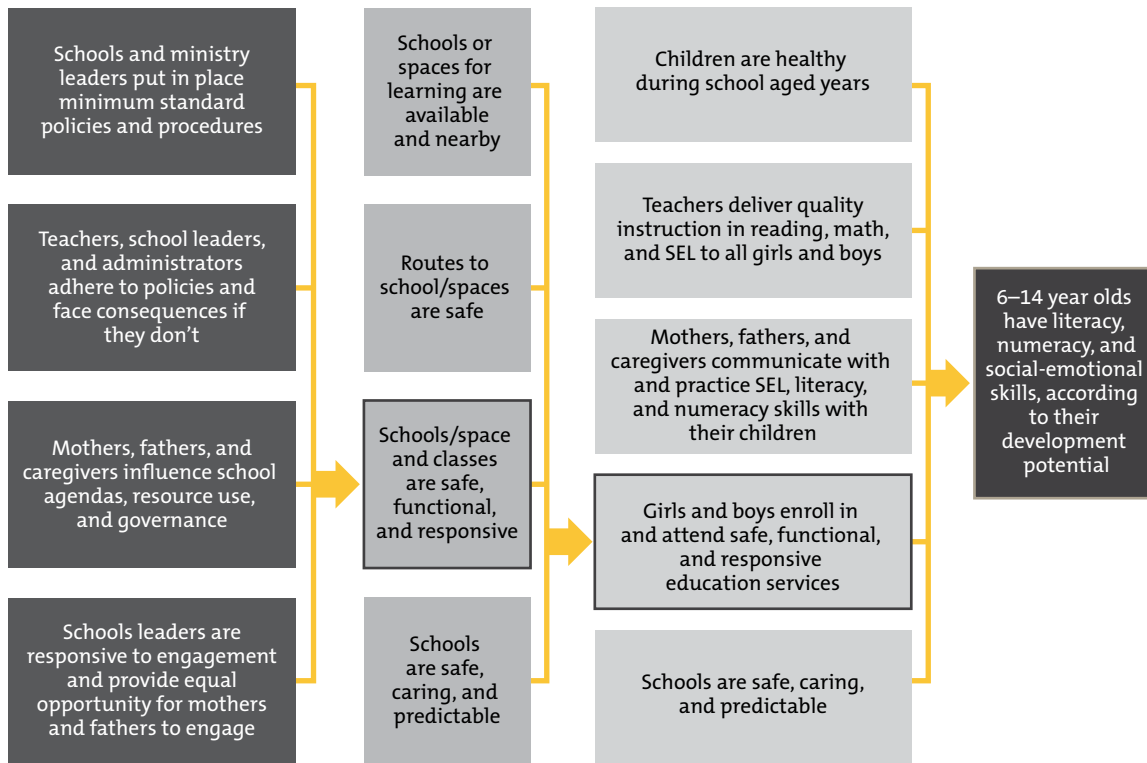
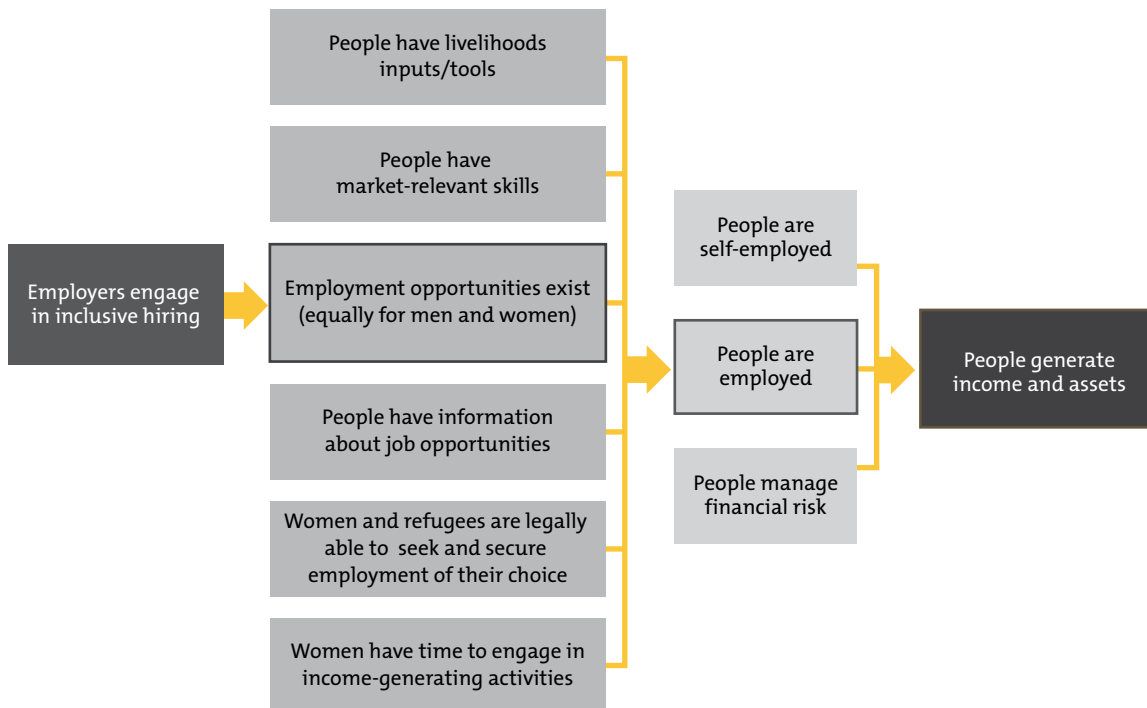


Figure 3.1b. IRC Outcomes and Evidence Framework: Livelihoods Outcomes



Source: IRC Outcomes and Evidence Framework, see oef.rescue.org

### Box 3.2. Regional Durable Solutions Secretariat (ReDSS) Framework: Select Indicators

Protection Criteria	Indicators
<b>Physical safety</b>	Percentage of refugees who do not face more discriminatory or arbitrary restrictions of their freedom of movement based on their displacement or minority status compared to resident population.
<b>Material safety</b>	Percentage of refugees who face legal or administrative obstacles to employment or economic activity compared to resident population.  No legal or administrative obstacles preventing refugee children from going to school.
<b>Legal safety</b>	No legal or administrative obstacles to obtain birth certificates, ID cards, or other relevant personal documents.  Percentage of refugees without birth certificates, national ID cards, or other personal documents relevant to the local context compared to resident population or the national average, as appropriate.  Existence of accessible mechanisms that have the legal mandate and actual capacity to provide refugees with effective remedies for violations suffered, including violations committed by nonstate actors.

Source: ReDSS Solutions Framework, see ReDSS 2017.

- The Millennium Challenge Corporation's Constraints to Growth Analysis.** During the first phase of compact development, MCC and the partner country jointly conduct an analysis to identify binding constraints to private investment and entrepreneurship that are restricting the country's economic growth. Country and MCC economists examine the root causes of these constraints, including how a country's policy, institutional, and social contexts contribute to them. This analysis is then used to determine what interventions and policy reforms are most likely to contribute to sustainable growth and to reduce poverty. The results are not used to dictate specific projects; rather, they provide a framework and foundation for negotiations around priorities and the allocation of resources. Similar growth diagnostic tools used by the World Bank and regional development banks can also be drawn on.<sup>46</sup>

46. Examples include the World Bank's Systematic Country Diagnostics reports and Doing Business reports, EBRD's Transition Reports, and the Asian Development Bank's country diagnostic studies.



- **Global Partnership for Education’s Guidelines for the Transitional Education Plan Preparation.** The Global Partnership for Education, together with the International Institute for Education Planning, developed guidelines to support countries coming out of conflict or crises in preparing transitional education plans to help support the medium- and long-term education needs of refugees, internally displaced persons, and returnees. These guidelines help steer resources and policies to maintain education services in times of crisis and help the education sector become more inclusive, effective, and accountable over time. The guidelines call for a government-led process that is inclusive and coordinated between state authorities, development partners, and other critical local groups. The process of developing a **Transitional Education Plan** begins with an education sector analysis to identify policy priorities and strategies, and then moves on to program design, implementation, and monitoring.<sup>47</sup>
- **Livelihoods Assessment for Displaced Persons.** Crawford et al. developed a multi-dimensional framework that considers the capacity of displaced persons to contribute to the economy, their access to markets and the private sector, the legal framework and protection environment, and the conditions for external intervention.<sup>48</sup> An overall score is generated from a list of questions along four dimensions, placing a protracted displacement situation within a typology of “receptiveness” to self-reliance and livelihoods support. This methodology serves as a tool for diagnosing specific constraints and identifying the best livelihoods interventions for a specific protracted displacement context.

## **2. Create a refugee policy index.**

The World Bank, UNHCR, and other partners with access to relevant data and expertise should develop a refugee policy index that evaluates, on an annual basis, key country policies related to refugee populations and the legal, physical, and material status of refugees relative to host communities. Some of the existing assessment tools described above could be used as resources for creating such a resource. The index could, for example, systematically collect data on the physical, material, and legal protections for refugees under the ReDSS framework. It could also include indicators highlighting areas of reform that are critical to achieving results for refugees and host communities. For example, it could build on the MCC scorecard, which compares countries across a set of 20 indicators that link to the potential for economic growth and poverty reduction.<sup>49</sup> The refugee policy index could similarly include indicators that reflect the broader environment for development programming, such as economic freedom, ruling justly, and investing in people. Indicators such as access to credit or immunization rates could be disaggregated by refugee and host populations. Importantly, a universal index would increase transparency by systematically and periodically making data available, highlighting key areas for reform and motivating change.

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47. GPE and IIEP 2016.

48. Crawford et al. 2015.

49. Millennium Challenge Corporation 2017a.

### **3. Take a portfolio approach using a common set of decision-making criteria.**

The World Bank, UNHCR, and other partners should take the lead on developing guidance for selecting criteria that underpin a balanced portfolio to meet the needs of refugees and host communities. This would enable host countries, donors, implementers, and the private sector to jointly develop a balanced portfolio of investments for a given crisis, including policy and programmatic interventions. The first set of criteria should focus on the extent to which each solution is able to generate critical outcomes. The criteria for an employment plan, for example, could include the number and quality of jobs created and the potential rise in incomes from those jobs for both refugees and host communities. The second set of criteria could assess if an intervention will drive outcomes for the maximum number of people at the lowest cost, the time needed before outcomes are achieved, and whether the intervention will deliver equitably for both genders. Box 3.3 presents a sample of portfolio criteria for a livelihoods compact.

Portfolios should be sufficiently balanced in terms of addressing the short- and long-term needs of refugees and host communities and the barriers they face, but they must also consider implementation timing. As the case of the Jordan Compact demonstrates (see box 3.1) progress can be slow and uneven if implementation focuses too heavily on longer-term solutions and overlooks or

#### **Box 3.3. Sample Portfolio Criteria for a Livelihoods Compact**

##### **Threshold criteria**

1. Number of jobs
  - How many jobs will be created for displaced and host populations?
  - Can the initiative scale?
2. Quality of jobs
  - What percentage of newly created jobs will refugees fill?
  - Are jobs lasting/permanent or short term?
  - Are there qualitative improvements in the jobs? For instance, is there a better match with or upgrading of skills or improvements in safety, hours, and salary?

##### **Portfolio criteria**

1. Timing to impact
  - How long will it take to see outcomes for refugee and host populations?
2. Supporting evidence
  - Is there strong evidence to support the intervention or is there an evidence gap?
3. Cost-effectiveness
  - Is the intervention cost-effective?
4. Implementation complexity
  - Can the intervention be executed in the given setting? How simple or complex will it be to do so?
5. Non-job impacts
  - Will the intervention generate other outcomes, such as psychosocial benefits?

underemphasizes solutions that could meet the urgent needs of vulnerable displacement-affected populations in the near term—or vice versa. Using timing to impact as a criterion in design and implementation lays the foundation for transition planning from emergency response to longer-term, sustainable solutions.

#### ***4. Create structures for inclusive stakeholder engagement.***

The World Bank and UNHCR should collaborate with partners to develop guidance for creating inclusive stakeholder structures and processes that support host government leadership and that recognize the voices and roles of humanitarian and development actors, refugee beneficiaries, their host communities, the private sector, and civil society. Given their expertise and convening roles, the World Bank and UNHCR are well placed to establish guidance and/or best practices—potentially through the Comprehensive Refugee Response Framework process. At the outset of analysis and response planning and at critical junctures during implementation, there should be a defined approach to convening the right set of actors.

Guidance on stakeholder engagement could include requirements and processes related to systematic consultations during compact development, stakeholder committees to provide feedback during implementation, and a multistakeholder governing or advisory board led by a designated country official. The guidance should draw on existing robust literature and toolkits, such as the International Finance Corporation’s handbook on stakeholder engagement, but be tailored to ensure that it is sensitive to refugee contexts.<sup>50</sup> To help streamline inputs into consultative processes, donors should consider supporting civil society and NGOs in forming or expanding coalitions and networks. The design of a multistakeholder board could draw on MCC’s model, where the local implementing entity<sup>51</sup> is overseen by a local board of directors consisting of representatives from relevant line ministries, civil society, and the private sector.<sup>52</sup> If creating a local governing board is not possible, an advisory body with a specific mandate to review programs from multiple perspectives could suffice.

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50. International Finance Corporation 2007.

51. Also known as an MCA Entity, an entity that is accountable manages and oversees all aspects of implementation of MCC compact-funded projects.

52. Millennium Challenge Corporation 2008.

# 4

## IMPROVING DATA, EVIDENCE, AND INNOVATION TO DRIVE OUTCOMES AND GET THE MOST VALUE FOR MONEY



Syrian women and girls meet at an IRC Women's Center in a refugee camp in Jordan. *Meredith Hutchison/IRC*

Generating improved outcomes for refugees and host populations requires more and better data, evidence, and innovation—but challenges abound. Core data and statistics on refugees are hard to come by. National statistics agencies in low- and middle-income countries often do not have the mandate or sufficient funding to track refugee populations, and in some instances are not required to make data publicly available. International organizations are subject to restrictions regarding the sharing of data about the populations they serve, and data in the UN system is siloed across agencies.

Moreover, evidence of what works in refugee-hosting contexts is scant; without feedback mechanisms to inform policies and programs, evidence-driven decision-making about how best to achieve outcomes is rare. It is imperative to know how much interventions cost, but cost analyses in displacement contexts are few and far between. Where they do exist, a lack of standardized measures limits comparisons across studies. Due to the extent of knowledge and operational gaps, a greater emphasis is needed on generating new evidence. Also essential is the incentivizing of innovation by working in partnership with the private sector and other nontraditional partners to find and test new and better ways of enabling refugees to become self-reliant. Where practical, building in rigorous evaluation as a part of testing innovations can contribute to filling evidence gaps.

This chapter provides an overview of four key lessons around data and evidence in refugee-hosting contexts that illuminate the consequences of: (1) the limited data on refugees and host communities and the lack of standardized data to track financing flows in protracted displacement settings; (2) the thin evidence base regarding what works; (3) the sparse information available on costing; and (4) the lack of focus on innovative solutions for addressing the challenges faced by refugees. We then offer specific recommendations to improve available data, invest in evidence generation, use existing evidence to drive decision-making, and harness the private sector and incentivize innovation to drive outcomes and get the most value for money.

## Key Lessons

**There are critical gaps in data, including outcome measures for refugees and host communities, as well as for tracking financing flows for interventions in protracted displacement contexts.** These gaps undermine efforts to identify the needs of refugees and host communities from both a programmatic and policy perspective and to track the overall progress of response efforts. In the livelihoods sector, data on the prevalence of poverty among refugees and host communities, as well as the socioeconomic status of displaced populations, are at the core of designing a sustainable response, but significant gaps exist. For example, refugees are not systematically included in national poverty surveys: only 7 out of the 20 top refugee-hosting countries count refugees in these surveys, and refugees living in camps are excluded.<sup>53</sup> There are challenges associated with collecting statistics about jobs and incomes as well. Research suggests that poor households often have multiple sources of income in both the formal and informal sectors; many jobs held by refugees are short term, such as municipal works jobs, which typically last only three to four months. As a result, tracking job placements and changes in income levels among these populations over time is complex.

There can even be a fundamental disagreement over the estimated number of refugees in a given country. According to UNHCR, for example, there were 600,000 Syrian refugees registered in Jordan in December 2015, but the government estimated that there were as many as 1.2 million Syrians residing in the country.<sup>54</sup> Precise figures on refugee populations are difficult to determine

53. Development Initiatives 2016.

54. Malkawi 2015.



even though these estimates can have significant implications for determining what the needs of vulnerable populations are, and what policy and programmatic solutions are required and most appropriate.

There are similar data gaps in the education sector. Currently, statistics do not systematically track whether refugees are enrolled in and attending school at the global level; furthermore, data disaggregated by gender, education level (primary or secondary), and type of education system (formal or nonformal) are not available. This information is critical to help set targets, design effective programs, and evaluate progress to ensure that the needs of refugee children are addressed.<sup>55</sup> There are few tested measures of learning outcomes and limited agreement around standardized metrics.<sup>56</sup> Moreover, many low- and middle-income countries do not have an existing national assessment or an effective education management information system, reflecting limited statistical capacity. And for the most part, these countries do not participate in international learning assessments, such as the Programme for International Student Assessment (PISA), Trends in International Mathematics and Science Study (TIMSS), and Progress in International Reading Literacy Study (PIRLS).<sup>57</sup> National statistics agencies and their partners must find a way to collect these data for refugee and host populations that serve as building blocks for designing effective education and livelihoods interventions.

**There is a lack of evidence about what works in terms of delivering education and livelihoods outcomes for refugee populations, and where evidence exists, it is not always fully utilized.** The evidence base on livelihoods programming in protracted displacement settings is growing but thin, and studies often reveal mixed impacts. There are only a few independent evaluations and assessments of livelihoods programs, so the extent to which these programs actually lead to outcomes in the form of increased incomes and assets is often unknown.<sup>58</sup>

There is a large gap in the evidence regarding delivering education to refugees in protracted displacement settings. In a systematic search of academic articles, a 2015 study found a mere 13 studies (five experimental and eight quasi-experimental) that had been conducted in countries affected by crises.<sup>59</sup> Also concerning is the lack of systematic comparison between the effectiveness of different approaches. For example, Burde et al. highlight the limited evidence on how double shifts compare with other approaches to increasing access to education, including integration into existing school systems or building temporary schools.<sup>60</sup> In light of these gaps, programmatic decisions are often not grounded in evidence about their potential impact.

The selection of interventions depends on multiple factors, including the nature of the refugee population and local context, but it is crucial that evidence around impact and cost play a prominent role in the decision-making process. The Jordan and Lebanon compacts shed light on this lesson. Tables 4.1a and 4.1b compare the compacts' education and livelihoods interventions with the available evidence base. In many cases, the solutions funded through these compacts are not supported by available evidence on the types of programs that lead to the greatest outcomes. For some components, such as the impact of easing business formalization processes, an evidence gap

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55. Zubairi and Rose 2016.

56. The UN Sustainable Development Solutions Network, which supports the implementation of the Sustainable Development Goals, found that the metrics needed to report on learning outcomes (usually provided through national assessment systems) still need to be developed and rolled out across a majority of developing countries.

57. Sandefur 2016.

58. Blattman and Ralston 2015.

59. Burde et al. 2015.

60. Ibid.



Table 4.1a. Evidence Review: Livelihoods Components in the Jordan Compact	
Compact Component	Evidence of Impact (e.g., jobs and income)
Government of Jordan to make administrative changes to allow Syrian refugees to apply for work permits	Limited evidence on impact of issuing work permits, but studies show that the right to work leads to positive outcomes for refugees.
Government of Jordan to allow Syrian refugees to formalize existing and set up new tax-generating businesses	Evidence gap. Simplifying the business registration process reduces time and cost, but its impact on incomes has not been adequately studied.
Government of Jordan to remove restrictions preventing small economic activity in refugee camps, and on commerce with people outside of camps	Evidence gap. Studies do not compare economically active refugee camps and camps with little or no economic activity; however, studies show that refugees can become self-reliant and contribute to the local economy when they have employment and self-employment opportunities and are able to move freely between camp and non-camp settings.
European Union to relax Rules of Origin (i.e., trade liberalization)	Some impacts on poverty reduction, but these are context-specific and the policy is not necessarily sufficient to generate jobs.
Government of Jordan to pilot special economic zones; businesses to employ 15 percent refugees in year 1 and 20 percent in year 3	This approach has created jobs in a few developing countries, but has also entrenched existing inequalities and led to exploitative work. It could lead to outcomes for migrants rather than the national population.
Government of Jordan to ensure a specific percentage of Syrians are involved in municipal works through private sector employment	Temporary employment increase, but no skill development or sustained income.

Source: This table draws on an evidence review conducted by the IRC, "Evidence Brief: Jordan Compact Strategy Research," forthcoming 2017a, and the IRC's Outcomes and Evidence Framework, International Rescue Committee 2017a.

Table 4.1b. Evidence Review: Education Components in the Lebanon Compact	
Compact Component	Evidence of Impact (e.g., learning and skills)
Support government of Lebanon to continue double shifts, construct new schools, and rehabilitate or repair existing schools	Mixed evidence of impact of double shifts on learning outcomes; evidence gap on impact of school construction and/or repair on learning and well-being.
Support the Ministry of Education and Higher Education (MEHE) to implement tailored teacher guides and teacher trainings and learner-centered pedagogy programs	Tailoring curricula to student needs and learning levels improves learning outcomes; emerging evidence on tailored teacher trainings.
Support MEHE to improve school-based management	Evidence shows school-based management does not improve learning outcomes.

Source: This table draws on a rigorous literature review of crisis-affected contexts conducted by Dana Burde and others, a systematic review of education programs in low- and middle-income countries conducted by 3ie, and the IRC's Outcomes and Evidence Framework. Burde et al. 2015; Snilstveit et al. 2016; International Rescue Committee 2017a.

exists; for others, such as the impact of special economic zones and double-shift school days, the evidence on outcomes is mixed.

For example, there is evidence suggesting that, even though unsuccessful elsewhere, a special economic zone could work in Jordan, and this justified its inclusion in the compact. Nevertheless, the intense focus on and investment in this solution overestimates its potential to lead to outcomes for Syrian refugees and Jordanians.<sup>61</sup> At the same time, interventions proven to have a positive impact on the livelihoods of refugees, such as cash grants for business start-ups, or on education outcomes, such as nonformal education opportunities, are missing from both the Jordan and Lebanon compacts.<sup>62</sup> It can be inferred that, in both cases, evidence of interventions was considered but was not a critical factor in determining the interventions chosen, and this has played a role in the slow progress during the first year. The implications are that available evidence should be rigorously assessed and that more evidence is required. Filling gaps in the evidence base will take time; in the meantime, however, available evidence from experiences delivering interventions to other vulnerable populations should be more closely examined to help inform what might work in a refugee context. Inevitably, while many different factors are important in the selection of interventions, a more systematic process can help ensure that available evidence is incorporated into decision-making processes going forward.

**Cost analyses—a vital component of evidence-based decision-making—are rare in displacement contexts.** Considering the scarce amount of financing available, ensuring value for money is critical. However, limited data, including outcome measures for refugees and budget information that are required inputs into costing models, is a primary challenge in displacement contexts. It is important to recognize that even in more stable low- and middle-income country settings, cost analyses can be complicated by numerous factors. When estimating costs of education interventions, for example, decisions about whether to integrate client and user costs, inconsistencies in costing data, a lack of transparency around the components used to calculate cost-per-child, and variability in methods used to assess learning across studies can lead to a range of challenges.<sup>63</sup>

In an effort to overcome some of these hurdles, the IRC has begun to standardize cost analysis across its programs, including for education and livelihoods interventions. In 2016, the IRC explored the relative costs of running different teacher professional development activities, including face-to-face workshops, mentoring, and teacher learning circles, across nine programs in Afghanistan, Iraq, Lebanon, and Pakistan.<sup>64</sup> Comparing the costs for these different activities within and across country programs allowed the IRC to consider the elements necessary to implement such programs, how much each type of teacher development activity costs per unit of training, and how costs and cost-efficiency vary according to contextual and programmatic features. The IRC's livelihoods programming tracked and measured the cost-efficiency of its unconditional cash transfer program, its employment services and skills training, and its support for small- and medium-sized enterprises.<sup>65</sup> Another IRC study compared the cost-efficiency of delivering cash versus non-food items and found that cash was more cost-efficient, especially for large-scale distribution.<sup>66</sup> To make cost

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61. International Rescue Committee forthcoming 2017a.

62. International Rescue Committee forthcoming 2017a; Burde et al. 2015.

63. Dhaliwal et al. 2012.

64. International Rescue Committee 2016c.

65. The IRC's unconditional cash transfer programs range in cost-efficiency from 14 cents for every dollar transferred up to US\$1.34 for every dollar transferred. Our analysis shows that programs that reached more households through community-based targeting were more cost-efficient. The IRC is working on cost analysis for programming pathways to employment and self-employment. International Rescue Committee 2015.

66. International Rescue Committee 2016b.

analyses even more accessible and actionable for field-based program staff, the IRC has developed a user-friendly cost analysis software tool and has already piloted it in seven countries across a range of projects (see box 4.1). Governments, donors, and their implementing partners should routinize the use of such tools, which are built around standardized methodologies for cost analyses.

### **Box 4.1. The Systematic Cost Analysis Tool**

Humanitarian emergencies are increasing at the same time that resources are becoming ever more constrained. In response, the International Rescue Committee (IRC) created and is piloting an innovative costing tool to help humanitarian actors develop and implement programs that efficiently and more effectively target and apply funds. The Systematic Cost Analysis (SCAN) tool simplifies the process for country-based and technical staff conducting cost analyses, ultimately facilitating program decision-making processes to achieve a broader reach and greater impact for crisis-affected populations.<sup>a</sup>

The IRC piloted the SCAN tool in seven countries, with plans to scale up its use across the organization by 2020. Early experiences using it in the field have shown that having a consistently defined methodology and systematic criteria built into a software interface reduces the time required to conduct a cost analysis from approximately three days to under two hours. The tool can also reveal cost drivers to inform key programming decisions. In Liberia, IRC's country team used the tool to estimate how much it would cost to transition a community-based health program to the Ministry of Health. It determined that the type and size of staff incentives was among the main cost drivers and an area with the most potential for achieving efficiency gains while maintaining health outcomes.<sup>b</sup> Another case study comparing two models of teacher training programs revealed that teacher learning groups cost US\$49 per teacher per year whereas one-on-one mentoring cost US\$423 for the same output and level of quality,<sup>c</sup> spurring a conversation about shifting program design across the IRC.

Cost analysis can capitalize on government-implementer partnerships and highlight the importance of shared data. In Pakistan, an IRC economic recovery team used a rapid cost analysis to assess which of two beneficiary targeting schemes would be more cost-efficient after being scaled up. Data from a prior project showed that, when run at a small scale, using government data to target recipients of a cash transfer program was only marginally cheaper than using a community-based listing process; but in projections for a nationwide program, the one-time costs of procuring government data fell dramatically. The cost-efficiency projection demonstrated that using prepositioned data would be the more cost-efficient way to target beneficiaries, informing the choice of which targeting scheme to use going forward.<sup>d</sup>

Building this kind of standardized analysis, which emphasizes the ingredients going into programs (including support costs) into the design and evaluation process for compacts and other financing arrangements, can yield important insights and can sometimes significantly alter decisions.

a. International Rescue Committee 2016d.

b. International Rescue Committee forthcoming 2017b.

c. International Rescue Committee 2016c.

d. International Rescue Committee 2016a.

**Private sector expertise and financing, together with innovative approaches, can help unlock solutions to the challenges faced by refugees in protracted displacement settings, but the risks are considerable and few incentives currently exist.** The scarcity of evidence on the one hand and the dynamic and complex nature of displacement contexts on the other make unlocking innovation and rapid learning to address refugee crises critical. Testing new solutions will not only help fill gaps in the evidence base, but piloting, prototyping, and iterating new solutions could also provide much-needed guidance on future policy and programming directions. For example, in Jordan, refugees have confronted unanticipated barriers, including long distances and costly transportation to work and limited childcare options, hindering refugees, especially women, from accepting job opportunities. This issue will be of particular concern once the special economic zones are expanded. To respond to unanticipated challenges, programs must build in opportunities for learning and innovation and create feedback loops to adjust responses as needed. In the case of Jordan, providing subsidized transportation and childcare, or making childcare services available in special economic zones, could help break down some of the significant barriers refugees are facing, which may not have been anticipated in the initial design phase.<sup>67</sup>

The private sector can bring much-needed expertise and resources to the table. A number of ongoing efforts point to the importance of collaborating with the private sector to help unlock innovative approaches. In September 2016, George Soros, founder of the Open Society Foundation, announced that he would invest US\$500 million in start-ups and established companies that are founded by migrants and refugees or that are making important contributions toward assisting refugees.<sup>68</sup> Western Union and the IRC have partnered to pilot business process outsourcing opportunities for refugees and Jordanian citizens. Such on-demand and crowd-sourced work, where companies contract with independent workers or third parties for short-term engagements, are promising because they can allow refugees to work from home, overcoming the barriers of transportation and childcare. While several private sector actors are already stepping up, as reflected by the commitments made to the Partnership for Refugees initiative at the US President's Leaders' Summit in 2016, there are few central mechanisms to coordinate private sector commitments and ensure that their combined actions add up to a greater sum total than their individual contributions.

Greater investments and a hypothesis-driven approach to piloting new solutions and to testing current solutions with limited or mixed evidence are needed, but there are a number of challenges associated with unlocking innovation in refugee-hosting contexts. Given the uncertainty, volatility, and typically poor investment climate in low- and middle-income host countries, innovation is often low on the priority list of actors. In many cases, resources are too short term and scarce and the needs of refugees are too urgent to rationalize using humanitarian aid dollars to test new ideas. In addition, donors want to ensure that their money is achieving outcomes—and implementing new solutions can prove to be too risky. Development actors, who can offer long-term financing, and the private sector, which often has a higher risk tolerance, need to play key roles in financing and implementing new and innovative ideas.

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67. International Rescue Committee 2017b.

68. Soros 2016.

## Recommendations

### *5. Improve data collection and availability.*

Host-country governments, donors, and development and humanitarian actors should ensure that data on refugees and host communities are collected and made publicly available; efforts in this regard should focus on adapting national and other survey tools for data collection, providing guidance on standardized global metrics, and tracking financing commitments. These data are needed to promote transparency, guide sound program and policy design, and track progress. Although concerns around confidential, proprietary, and personally identifiable data are warranted, national statistics agencies and their partners should develop appropriate protocols that can help unlock basic data on refugees, including their needs, the assistance they are receiving, and the extent to which they are on a path to self-reliance.

In many instances, this will require building up the capacity of host governments to collect and monitor data on refugee outcomes, such as learning and household income levels. A growing number of examples in refugee settings are paving the way toward improved data. For example, countries such as Chad and Rwanda are beginning to pilot initiatives to integrate data on refugee education into their national education management systems while Jordan is using the UNHCR-developed Open Source Educational Management Information System (OpenEMIS) to track and monitor educational data on Syrian refugee children in schools and education centers in the Za'atari refugee camp.<sup>69</sup>

In other instances, international efforts will need to focus on providing guidance around global standardized metrics where they do not currently exist, such as measures in the education sector of literacy, numeracy, and social-emotional skills. One promising effort by the United Nations Educational, Scientific and Cultural Organization (UNESCO) is the Global Alliance to Monitor Learning, a global data initiative aimed at standardizing learning metrics and supporting low- and middle-income countries in conducting learning assessments that will generate the data needed to track the Sustainable Development Goal for education—SDG 4.<sup>70</sup> Going forward, however, there must be a greater emphasis on ensuring that refugee populations—too often left out of national and global statistics—are also considered in this initiative.

Creating standards to openly share data on financing in displacement contexts leads to increased accountability and improved coordination. Donors should make good on their commitment in the Grand Bargain to publish financial data to the International Aid Transparency Initiative (IATI) standard. Some already do, but this is not the case across the board, particularly with regard to humanitarian assistance.<sup>71</sup> Ideally, data would not only distinguish humanitarian and development funding, but would also be disaggregated beyond the simple “donor-to-recipient country” flows to help track allocations from funders to implementing actors and, where possible, even crisis-affected communities.<sup>72</sup> It should include beginning and end dates for monitoring multiyear financing and incorporate specific markers for tracking other Grand Bargain commitments, such as funding channeled through cash transfers or local and national responders, and the percent of funds devoted to research, evaluation, and evidence-generation.

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69. Zubairi and Rose 2016.

70. UNESCO Institute for Statistics 2016.

71. For more details on whether donors are publishing financial data to the IATI standard, see Gleave 2016.

72. Gleave 2016; High-Level Panel on Humanitarian Financing Report to the Secretary-General 2016.

## ***6. Use and generate evidence.***

Host governments, together with development and humanitarian partners, should use a common methodology for programmatic decisions, and a premium should be placed on evidence-based solutions. Joint analyses of needs and constraints based on data and evidence can help depoliticize difficult policy reforms. To this end, we suggest two specific actions going forward.

First, to improve program design, standardized tools should be developed that facilitate a systematic comparison between proposed interventions and the evidence base. These tools would comprise inputs into the standardized assessment tools recommended in chapter 3. In particular, development and humanitarian agencies should commission and regularly update evidence reviews to reflect new learning from ongoing experience, to help improve program design, and to highlight and prioritize evidence gaps. Second, given the dearth of evidence on what works in displacement contexts, it is imperative to make adequate investments in evidence generation. Donors should dedicate a percentage of their funding in protracted displacement contexts to generate new evidence through rigorous program evaluations, including impact studies. While the appropriate percentage will vary based on context, we recommend a minimum of 5 percent be dedicated to monitoring and evaluation to ensure there is a substantial core budget for investments in evidence generation.<sup>73</sup>

## ***7. Establish standards for measuring cost-efficiency and cost-effectiveness.***

In collaboration with host government agencies, development and humanitarian actors should take the lead in setting cost analysis standards. Going forward, all implementers should agree to use harmonized costing methodologies to the extent possible. It is critical that costing of programs and policies be conducted using a common method that incorporates the same types of budget and program data so that interventions can be fairly compared across programs and implementing entities. When costing analysis is done in a standardized way, it can help ensure that considerations around cost—not politics—are driving programming decisions.

In addition, donors should require grant proposals to include cost analysis information, commit to basing decisions that draw on those analyses, and require transparent and standardized reporting of cost data, where available. The United Kingdom's Department for International Development (DFID), for example, has developed standardized agency-wide guidance on assessing value for money, aimed at emphasizing cost considerations in its programming decisions.<sup>74</sup> Donors should invest in standardized, project-oriented tools, such as the Systematic Cost Analysis (SCAN) tool developed by the IRC, to make these methodologies and analyses widely accessible and applicable.<sup>75</sup> Furthermore, where program evaluations are planned, they should include components on cost analyses, as appropriate.

To advance recommendations 5 through 7, donors should support the World Bank, UN agencies, and organizations with relevant technical expertise in creating a data and evidence alliance with the primary objectives of identifying critical data and evidence gaps related to refugees and their host communities; developing protocols and frameworks for sharing data; conducting regular reviews of evidence to inform program design; developing standardized tools to compare proposed interventions against available evidence; and providing technical guidance to establish common

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73. Austrian Development Corporation 2009; Tweksy and Arbreton 2014.

74. White, Hodges, and Greenslade 2013.

75. International Rescue Committee 2016d.



standards for costing analyses. Financing platforms should require a systematic assessment of proposed interventions against the existing evidence base and, to the extent possible, cost measures; and they should publish funding data to the IATI standard.

### ***8. Incentivize and fund innovation.***

Public and private sector actors should invest in new—and build on existing—partnerships that can unlock technological innovations, fill evidence gaps, and drive progress. Financing platforms should commit a proportion of funds to innovation within a given program and/or launch innovation hubs that invest across multiple programs. Specific emphasis should be placed on nontraditional humanitarian partners, such as local governments and the private sector.

As outlined in chapter 3, a diversified intervention portfolio that includes some high-risk solutions with significant potential but still without a substantial evidence base to support them, coupled with a quick-learning model, can yield important new evidence. The approach to testing innovative solutions must be nimble; actors must be able to “fail fast” and pivot within projects based on early evaluation results and rapid feedback loops. Financing must be flexible enough to allow for scaling down what does not work and scaling up what does within a project’s lifespan. For example, Development Innovation Ventures of the United States Agency for International Development (USAID) provides grants to pilot innovative approaches to development challenges; its tiered-funding model seeks to minimize risk and maximize impact, allocating appropriate resources for piloting, testing, and scaling.<sup>76</sup>

Lastly, innovations should harness partnerships with private sector actors who might be best placed to develop, roll out, and enhance new tools and approaches. The private sector offers entrepreneurial ideas and approaches that are conducive to a “test, fail fast, and learn” approach. Among other benefits, these partners are key to generating jobs, providing new services, and finding innovative ways to deliver them. Furthermore, private businesses—whether local start-ups or large multinational corporations—can provide substantial benefits to the government in the form of tax revenues. To unlock this potential, companies, donors, and humanitarian and development organizations need stronger incentives to improve coordination and to build long-lasting public-private partnerships that draw on the expertise of the private sector and those working with displacement-affected populations.

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76. USAID 2017.

# 5

## STRENGTHENING AND ALIGNING INCENTIVES TO ACHIEVE RESULTS



Young refugees from Syria in an education center run by the IRC at an informal tented settlement in Lebanon. *Sam Tarling/FT*

In addressing the complex barriers that refugees must overcome to realize greater self-reliance, it is essential to align the incentives of actors—host countries, donors, humanitarian and development actors, companies, and civil society groups. Each partner comes to the table with a set of incentives, objectives, and difficult political economy questions to balance. Aligning the incentives of the various actors to achieve shared outcomes for refugees and host communities is critical to an effective response and therefore to realizing the recommendations outlined in previous chapters.

The international community must put a greater emphasis on supporting host governments in making up-front investments to ensure that refugees can contribute to national development. To this end, the international community should strive to establish mutually reinforcing commitments to financing and policy changes from host countries and donors. Focusing on results-based financing mechanisms is one way to create stronger incentives and establish greater accountability to achieve outcomes for refugees and host communities. Additionally, shifts in the beyond-aid policies of donors, such as those related to migration and trade, as well as reforms to increase the duration and flexibility of their financing, could go a long way toward acknowledging that hosting refugees is a global public good.

This chapter outlines key lessons about creating incentives to promote the well-being and self-reliance of refugees that illuminate: (1) how pay-for-results financing can be more fully utilized; and (2) how beyond-aid approaches can create powerful incentives for achieving tough policy reforms. We then offer recommendations on how pay-for-results mechanisms and beyond-aid policies can be used to align and strengthen incentives for host governments and donors to ensure an effective response to refugee crises.

## Key Lessons

**Pay-for-results financing is not typically used in protracted displacement contexts; where it is deployed, it is not always used to its fullest potential to achieve greater impact for refugees.** The World Bank's Program for Results (PforR) instrument—used in the Jordan and Lebanon compacts—is a model for how pay-for-results financing that is offered directly to a government can be implemented in displacement contexts.<sup>77</sup> The PforR instrument is directed at program results and at strengthening government capacity for service delivery. Payments are contingent on achieving predetermined disbursement-linked indicators (DLIs). The instrument's focus on key actions, such as improvements in data collection and utilization, service delivery systems, and policy changes needed to achieve results, can be essential in refugee-hosting contexts. This type of financing creates strong incentives for achieving key benchmarks and results and gives the host government a sense of ownership over the implementation process. However, results-based financing has not yet been widely used in the context of humanitarian-development collaboration.

Since its creation in 2012, the World Bank's PforR lending instrument has seen a steady increase in its use, despite concerns that demand would be slow due to disbursement risks if results were not achieved.<sup>78</sup> Research suggests that governments are choosing this mechanism to drive their national agendas, improve accountability for results, and generate domestic and international credibility through increased monitoring.<sup>79</sup> There may also be a demand from line ministries and subnational governments to lock-in financing over multiple years and to increase performance. PforR operations include more than one DLI—they average eight per loan. They also include a mix of actions,

77. World Bank 2017.

78. As of October 31, 2016, 52 operations have been approved. World Bank 2017.

79. Gelb, Diofasi, and Postel 2016.

including policy changes, outputs, and outcomes. Outcomes are included infrequently<sup>80</sup> because they are substantially more difficult to rigorously measure or achieve, and as a result, countries may be hesitant to take major risks by committing to them. Experience with recent PforR loans to Jordan and Lebanon suggests that it is essential to choose the correct indicators for disbursement and ensure programs strike a balance between their focus on refugees and host communities and the distinct constraints faced by each.

The heart of the World Bank's financing support for the Jordan Compact is a US\$300 million PforR operation—Economic Opportunities for Jordanians and Syrian Refugees—focused on implementing labor market reforms and improving the investment climate to increase access to jobs (see table 5.1a).<sup>81</sup> The largest share of financing (43 percent) is tied to the number of work permits issued to refugees. There is only one other refugee-specific indicator—that 7 percent of financing be contingent on 100 in 1,000 new businesses being refugee-owned—and this is an output, not an outcome. Work permits say little about whether refugees have jobs that are safe and decent or if they have stable or increased incomes. Overall, just over 10 percent of total financing is tied to outcome DLIs. Finally, it is noteworthy that this PforR operation seeks to address broader policy and regulatory constraints by linking financing to specific actions around business regulations and employer compliance with a range of social and environmental practices. However, the theory of change that connects these policy actions to benefits for refugees (for example, regulatory reforms for businesses will create more jobs in general and this will mean more jobs for refugees) is at best a very long-term result.<sup>82</sup> Standardized assessment tools, as outlined in chapter 3, could help identify critical pathways and a portfolio of interventions to better connect promising policy changes and programs to refugees and their host communities.

Similarly, as part of its commitments under the Lebanon Compact, the World Bank finalized a US\$224 million PforR operation: Support to Reaching all Children with Education (RACE 2).<sup>83</sup> The program seeks to improve access to formal education among Syrian and Lebanese children while simultaneously advancing the quality of education. The largest share of financing (42 percent) is tied to the number of school-aged children enrolled in formal education; only 12 percent of the total compact is linked to an outcome related to the proportion of students transitioning grades (see table 5.1b). An even more crucial gap is that, although the indicators are intended to cover both Lebanese and Syrian refugee children, none explicitly focuses on refugees. There are, however, aspects of this PforR operation that serve as good models: it ties a portion of the financing—albeit a small share—to outcomes, and it seeks to fill data gaps in the education sector.

**Changes to beyond-aid policies can create strong incentives for low- and middle-income host countries to undertake policy reforms.** Financing alone often does not offer adequate incentives for host countries to undertake policy reforms to help set refugees on a path to self-reliance. Trade is one example of a beyond-aid approach where a donor country might lower restrictions and increase market access for exports from low- and middle-countries. Enabling developing countries to integrate more fully into the global trade system can deliver significant positive economic impacts.<sup>84</sup> The European Union (EU)–Jordan trade deal, signed in July 2016 as part of the Jordan Compact, is an important example. The EU agreed to provide improved market

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80. Gelb, Diofasi, and Postel 2016.

81. World Bank 2016c.

82. International Rescue Committee 2017b.

83. This includes US\$100 million in IDA credit plus an additional US\$124 in grants from the Lebanon Syria Crisis Trust Fund and the REACH Multi-Donor Trust Fund. World Bank 2016d.

84. Barder and Talbot 2014.

Table 5.1a. Program for Results Indicators: Jordan Compact				
Disbursement-linked indicator (DLI)			Financing Allocation	
	Description	Type	Total (\$ millions)	Share (%)
DLI 1	Number of work permits issued to Syrian refugees	Output	130	43
DLI 2	Annual public disclosure by “Better Work Jordan” of report on factory-level compliance with a list of at least 29 social and environmental-related items	Action	20	7
DLI 3	Establishment and implementation of selected simplified and predictable regulations for the private sector, including household businesses	—	70	23
3.1	A reform establishing a predictability process for issuance of business regulations has been identified and adopted following an inclusive public-private dialogue and a measurement system (including baseline identification) has been prepared	Action	15	6.6
3.2	One key business regulatory reform has been identified following an inclusive public-private dialogue; and a measurement system covering the time, cost, and complexity of the compliance process has been prepared (including baseline identification)	Action	15	6.6
3.3	One thousand officially established household enterprises of which 100 are Syrian refugee owned and 100 female owned	Outcome	20	7
3.4	70 percent of business regulations mandatory to the private sector have been issued following the predictability process adopted under the disbursement-linked result 3.1	System output	10	3.3
3.5	Regulatory burden on businesses has decreased by 30 percent following implementation of business regulatory reform adopted under disbursement-linked result 3.2	Outcome	10	3.3
DLI 4	Increase in the number of enterprises on the Customs Golden List	Output	20	7
DLI 5	Number of investments benefitting from investment facilitation by the Jordanian Investment Commission	—	60	20
5.1	Removing the minimum capital requirements for foreign investments	Action	15	6.6
5.2	Number of investments benefitting from investment facilitation by JIC = 530 (cumulative). This includes the following: (a) Basic communication/investor inquiries (b) Site visits facilitated (c) Secured investment commitment (d) Aftercare services	System output	45	15

Source: World Bank, “Economic Opportunities for Jordanians and Syrian Refugees: Program-for-Results.” See World Bank 2016c.



Table 5.1b. Program for Results Indicators: Lebanon Compact				
Disbursement-linked indicator (DLI)			Financing Allocation	
	Description	Type	Total (\$ millions)	Share (%)
DLI 1	Number of school-aged children (3–18) enrolled in formal education in participating schools	Output	95	42
DLI 2	Proportion of students transitioning grades	Outcome	27	12
DLI 3	Teacher performance measured and evaluated	Output	6	3
DLI 4	Number of participating schools that implement formative and summative assessments for students in Grade 3 in reading and math	Output	18	8
DLI 5	Proportion of participating schools with active community partnerships	Output	16	7
DLI 6	Timely and robust data available for evidence-informed policy making and planning	System output	15	7
DLI 7	Curriculum revised to improve quality of learning	Action	28	13
DLI 8	Foundational Framework and Policies are developed and adopted to support teaching and learning	Action	16	7
DLI 9	Ministry of Education and Higher Education and Center for Educational Research and Development have improved capacity to plan and implement the Program	System output	3	1

Source: World Bank, "Support to Reaching All Children with Education (RACE 2) Program for Results Project." See World Bank 2016d.

access through relaxed Rules of Origin for Jordanian exports; in return, the Jordanian government committed to bringing 200,000 Syrians refugees into the formal labor market. Specifically, Jordanian manufacturers operating in special economic zones that employ 15 percent of their staff as Syrians in their first year (increasing to 25 percent after three years) would pay lower or no duties on exports to the EU across 52 product groups over the next 10 years.<sup>85</sup> This approach aims to create a legal pathway for Syrian refugees to secure jobs; it also has the potential to bolster Jordan's economy, especially its manufacturing sector. The Jordan case provides a compelling model for how donors can use beyond-aid policies to leverage commitments from host governments to shift their policies around refugees' rights to work. Such policies should, however, be only one component of a broader portfolio of interventions to address major barriers to safe and decent work.

## Recommendations

### 9. Pay for results.

Beyond emergency assistance, donors should increase the use of pay-for-results mechanisms—whereby the disbursement of funds is linked to mutually agreed-on benchmarks—with a focus on identifying those tied to critical barriers to achieving results and systemic gaps (e.g., data collection). Tying financing to results for refugees provides strong incentives for host governments to drive change that benefits both refugees and host communities. Results frameworks should set

85. Staton 2016; Dickinson 2016.

clear benchmarks for actions—including policy changes, outputs, and outcomes—to ensure that program implementers are accountable for and take ownership of the process. As the growing portfolio of World Bank PforR operations reflects, there are sound reasons for host governments to pursue pay-for-results agreements. They should carefully consider the potential benefits, such as improving accountability between national government and subnational units or line ministries and generating domestic and international credibility through transparent monitoring.

Specific results benchmarks should be determined based on a joint analysis, as described in chapter 3, and be laid out in a common results framework with targets and benchmarks along the results chain and tailored to the specific context. It is crucial that financing be tied to the right results—focused on real and realistic outcomes for refugees—as well as essential actions like policy reforms to overcome legal, policy, and operational constraints. Refugee-specific results-based programs should be considerably more focused on identifying the specific barriers that refugees face, and should be oriented around a mix of short- medium- and long-term efforts.

Going forward, donors should strive to link an increased share of financing to outcome indicators, explicitly measured for refugees. Placing an emphasis on outcomes for refugees can push governments, donors, and program implementers to change what they measure and how they measure it, and importantly, increase accountability for the quality of interventions. Consideration should also be given to actions and outputs, especially those related to the system, data, and infrastructure upgrades that will be required to reach the desired outcomes. Payments could be linked to process requirements, such as the establishment of a multistakeholder governing board or the completion of high-quality assessments. Collectively, these actions and outputs can serve as the building blocks for achieving longer-term results and as proxies for progress in the absence of a government's ability to measure outcomes over the near term. Finally, a process for deciding if and when to withhold funding should be agreed on and included in the framework of any results-based program, balancing the needs of host countries, protection of refugee rights, and accountability for results.

### ***10. Increase use of beyond-aid tools and crowd in partners.***

Donors should pursue expanded beyond-aid policies in areas such as migration, trade, and investment that can provide strong incentives for host-country governments to address legal, policy, and operational barriers to refugees becoming self-reliant. Beyond-aid policies can have significant impacts on the development trajectory of low- and middle-income countries: by addressing long-standing development challenges and creating vital economic opportunities for host communities, these policies can bring about more substantial benefits than those achieved through aid alone.<sup>86</sup> These beyond-aid tools do not replace humanitarian and development financing; rather, donors should support these approaches as a complement to financing.<sup>87</sup> Donors should also consider reforms in their own programming modalities that could increase incentives and impact, and seek to crowd in public and private partners to negotiate more impactful agreements.

Changes to migration policies could include a greater willingness from donor countries to open their own borders to migrants from low- and middle-income countries, or a commitment to burden-sharing by resettling a greater number of refugees. Less permanent solutions could involve offering time-bound work visas to refugees to help fill critical skills gaps; these kinds of policy changes would spur public-private partnerships and support global skills-matching efforts led by

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<sup>86</sup>. Barder and Talbot 2014.

<sup>87</sup>. Ibid.

organizations such as Talent Beyond Boundaries.<sup>88</sup> In terms of private investments, development finance institutions, such as the Overseas Private Investment Corporation (OPIC) in the United States and the CDC Group in the United Kingdom, could increase their support through financing, guarantees, political-risk insurance, and support for private equity investment funds—at no net cost to taxpayers. For example, OPIC’s Jordan Loan Guarantee Facility provides partial loan guarantees to banks that lend to small- and medium-sized enterprises, which have historically suffered from lack of access to credit due to high collateral requirements.<sup>89</sup> Such a project could be adapted or replicated to support refugee-owned or refugee-employing businesses. Development finance institutions could help catalyze much-needed finance for new infrastructure projects and wider system upgrades and could serve as key drivers of growth in poorer host countries.

Relatedly, reforms may be needed to the aid modalities and programming decisions of donor nations and multilateral institutions to support a self-reliance approach. Strict silos and mismatched funding cycles between humanitarian and development aid inhibit sustainable solutions. Some donors’ requirements around cash programming, for example, mandate that spending on food and spending on other items, such as school fees, come from different grants, with separate monitoring and reporting, adding transaction costs and reducing flexibility. Policy changes may also be needed to the types of financing available to host countries given that middle-income countries—not typically eligible to receive concessional financing—host the majority of refugees worldwide (see figure 1.1 in chapter 1). The decision of the World Bank, EBRD, and Islamic Development Bank Group to offer concessional loans to middle-income countries through the Global Concessional Financing Facility is an important example of a reform that reflects the changing landscape of forced displacement and creates incentives for improved refugee response. Providing multiyear financing is another example of a shift that could have major implications.

To maximize the leverage created by beyond-aid and other tools, the most effective compacts or programs will crowd in as many donors and financing streams as possible. Most importantly, such an approach will reinforce commitments and accountability across various donors. It also has the potential to bring together different types of public and private financing and beyond-aid incentives and can help mobilize tough policy reforms. By reducing the number of separate assessments and negotiations, transaction costs might be lower. Bringing together as many different donors as possible under a unified framework, within practical operational limitations, can help steer them toward joint solutions to refugee crises.

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88. Talent Beyond Boundaries 2017.

89. Afaneh 2016.

# 6

## CONCLUSION



These Somali children fled Mogadishu with their mother and now live in one tiny room along with another Somali woman and her two children in Nairobi, Kenya. *John Gyovai/CineTrek*

The challenge of forced protracted displacement is historic, urgent, and disruptive. With over 21 million refugees unable to find safety or achieve self-reliance, and with host countries unable to provide long-term support, it is clear that the current level and mode of humanitarian response is inadequate. The evolving scale and scope of crises will continue to test the limits of the international community's capacity, and political forces and issues of mandates across agencies and governments will likely hamper coordination and collaboration. Nevertheless, with the requisite political will and resources, the refugee crisis remains manageable. The number of refugees worldwide represents less than 0.3 percent of the global population, and the vast majority are geographically concentrated in a handful of frontline states.<sup>90</sup> Moreover, the world is witnessing a unique window of opportunity to make real progress on a shared agenda: to ease the suffering of refugees, relieve strain on the communities who host them, and establish new and effective modes of collaboration between humanitarian and development actors.

The concepts and practices that underpin the compact approach are not necessarily new, as many of the recommendations in this report are well-known principles of aid effectiveness and best practices in development and humanitarian programming. Rather, the advantage of compacts is in the way they leverage the confluence of incentives, political will, and expertise to advance joint solutions. Our review of compacts and compact-like approaches, although in early stages and few in number, reveals numerous important lessons, as detailed throughout the report. Drawing on this assessment, we outline three core principles that policymakers should focus on to design effective compacts in refugee-hosting contexts:

- Balance the needs of refugees and host communities, with a focus on key policy constraints;
- Improve data, evidence, and innovation to drive outcomes and get the most value for money; and
- Strengthen and align incentives to achieve results.

The 10 core recommendations we offer to operationalize these principles highlight process requirements that, if built into a compact approach at the start of a crisis, could contribute to systematically grounding host governments and humanitarian and development actors in best practices. Making joint analysis and planning, evidence and cost reviews, multistakeholder engagement, investment in innovative approaches, and other processes standard protocol—as well as the basis for disbursing funds—could help break through bureaucratic and political constraints that may otherwise derail the good intentions of responders. Even in cases where compacts are not possible, building these key principles into financing agreements could help bring in critical actors and ideas, align incentives, unlock policy barriers, and drive accountability for delivering real outcomes for refugees and host communities.

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90. Calculation based on 21 million refugees and a global population of 7.3 billion in 2015; de Haas 2016.



## Recommendations for Key Actors

One clear takeaway from the experience to date is that a broad range of actors is necessary to forge sustainable and collective solutions to refugee crises. This following is a summary of the report's recommendations organized by group of actors, with an emphasis on the areas where each group could take the lead.

The **World Bank and UNHCR**, in collaboration with other multilateral organizations, donors, host governments, and a broad range of civil society and private sector actors, and potentially under the UN-led Comprehensive Refugee Response Framework process, should:

- Develop and use a core set of outcomes that define the improvements sought in the safety, health, education, income, and power of refugees and host communities.
- Develop and use a core set of standardized assessment tools that identify pathways to achieving shared outcomes.
- Establish a refugee policy index, which would be annually updated.
- Create guidance for selecting decision-making criteria to develop a balanced portfolio of solutions to address the short- and long-term needs of refugee and host populations.
- Provide guidance on stakeholder engagement structures and processes to ensure that the right actors are engaged throughout the compact's lifecycle.
- Support expanded efforts to collect core data on refugees and host populations, and openly share data with all relevant partners to guide program design and track progress toward outcomes.

**Host governments**, as the leaders of a sustainable, long-term response that unlocks the economic and social contributions of refugees and host communities, should:

- Lead the joint process of utilizing standardized assessment tools to identify the key barriers to achieving outcomes that refugees and host communities face and of applying inclusive stakeholder engagement guidelines.
- Support and facilitate the collection of data on refugees and host communities, including through the expansion and modification of existing data collection and survey tools.
- Periodically convene partners, including from the private sector and local governments, to identify potential opportunities for innovative approaches and beyond-aid policies that could have greater impact if pursued together.
- Carefully consider the potential benefits of pay-for-results mechanisms. In the case of World Bank loans, choose PforR as the financing instrument.

**Bilateral and multilateral donors**, who provide essential resources and expertise to address the needs of refugees and their host communities, should:

- Support the creation of and, where possible, require the use of standardized assessment tools, common criteria to support a portfolio approach, structures for inclusive multistakeholder engagement, and standards for measuring cost-efficiency and cost-effectiveness.
- Fund a data and evidence alliance created by the World Bank, UN agencies, and organizations with relevant technical expertise that identifies and develops solutions for data and evidence gaps related to refugees and their host communities; develops protocols and frameworks for data sharing; conducts regular reviews of evidence to inform program design; and establishes standards for measuring cost-efficiency and cost-effectiveness.
- Designate a minimum of 5 percent of program funds for monitoring and evaluation.



- Publish data on financing in protracted displacement settings according to the IATI standard to track the recipients, purpose, and results of funding flows; and report regularly on Grand Bargain commitments related to financing.
- Work with host governments to design pay-for-results mechanisms that increase accountability and link disbursements to a realistic set of benchmarks along the results chain.
- Incentivize and designate funds to support innovative approaches to help unlock solutions to the challenges refugees face; and build in rigorous evaluation to test new approaches, where appropriate.
- Pursue beyond-aid policies—including those related to trade, migration, and development finance—that support refugees, host communities, and host governments, and that provide mutual benefits for donors’ constituents at home.

**Private sector actors**, who provide additional financing, job opportunities, and innovative ideas to help address the refugee crisis, should:

- Participate in assessments and consultative processes to inform the identification of barriers and opportunities.
- Directly support refugees and their host communities by investing in refugee-owned or refugee-employing companies, and explore opportunities in the gig economy.
- Contribute innovative ideas from business practices, including ways that technology can help meet the needs of refugees and host communities, while bearing in mind the need to invest in longer-term partnerships to ensure that benefits are sustainable and reach intended populations.

**Nongovernmental implementing organizations and civil society actors**, who offer valuable technical expertise and are often the closest to refugees and host communities, should:

- Participate in assessments and consultative processes to inform the identification of barriers and opportunities, including streamlining inputs by forming, supporting, or utilizing existing networks.
- Openly share core data on refugees and host communities as well as information on evidence of what works and on program cost-efficiency and cost-effectiveness in protracted displacement settings.
- Provide technical guidance on data collection efforts to measure outcomes for refugees and host communities and frameworks for sharing data, and help set standards for cost analyses through a data and evidence alliance.

The international community will—and should—continue to learn and iterate around best practices in humanitarian-development collaboration, specifically regarding the application of compact models. The emerging compact in Ethiopia, the possibility for new compacts in other regions and countries, and the piloting process of the Comprehensive Refugee Response Framework offer opportunities to start building more effective responses to protracted displacement. There is also opportunity to underscore these principles and set global standards around effective refugee response frameworks as the preparation of a UN Global Compact on Refugees gets underway. The increasingly dire needs of refugees around the world for dignity, self-reliance, and a chance to thrive over the long term demand that we learn and act quickly.

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# REFUGEE COMPACTS: ADDRESSING THE CRISIS OF PROTRACTED DISPLACEMENT

Final Report of the Forced Displacement  
and Development Study Group



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