

ReDSS

Unlocking Protracted Displacement



FINANCING FOR SOLUTIONS TO DISPLACEMENT

ETHIOPIA COUNTRY STUDY

MARCH 2021

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THE REGIONAL DURABLE SOLUTIONS SECRETARIAT (ReDSS)

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

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

Back Cover Photo: Children in school, Kebrebeayah refugee camp. Credit: ReDSS

GLOSSARY OF TERMS

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

LIST OF ACRONYMS

ACF	Action Contre La Faim	SDC	Swiss Development Cooperation
ACTED	Agency for Technical Cooperation and Development	SHARPE	Strengthening Host and Refugee Populations in Ethiopia
ARRA	Agency for Refugee and Returnee Affairs	UK	United Kingdom
BOFED	Bureau of Finance and Economic Development	UK FCDO	United Kingdom Foreign, Commonwealth and Development Office
CRRF	Comprehensive Refugee Response Framework	UN	United Nations
DAI	DAI Global, LLC (formerly Development Alternatives, Inc.)	UN-HABITAT	United Nations Human Settlements Programme
DFID	Department for International Development (UK)	UNHCR	United Nations High Commissioner for Refugees
DRC	Danish Refugee Council	UNICEF	United Nations International Children's Emergency Fund
DRDIP	Development Response to Displacement Impacts Project	USNJP	Urban Safety Net and Jobs Project (World Bank)
DRMB	Disaster Risk Management Bureau	WB	World Bank
DSI	Durable Solutions Initiative	WFP	World Food Programme
EOP	Economic Opportunities Program	WHR	Window for Host Communities and Refugees
ETB	Ethiopian Birr (currency)	woreda	District (third-level administrative unit)
EU	European Union		
EUTF	EU Trust Fund for Africa		
FAO	Food and Agricultural Organization		
FDRE	Federal Democratic Republic of Ethiopia		
GRF	Global Refugee Forum		
GTP	Growth and Transformation Plan		
IASC	Inter-Agency Standing Committee		
IDA	International Development Association (of the World Bank)		
IDP	Internally Displaced Person		
IFC	International Finance Corporation		
IGAD	Intergovernmental Authority on Development		
ILO	International Labour Organization		
IOM	International Organization for Migration		
IRC	International Rescue Committee		
LWF	Lutheran World Federation		
NCRRS	National Comprehensive Refugee Response Strategy		
NDRMC	National Disaster Risk Management Commission		
NRC	Norwegian Refugee Council		
ODA	Official Development Assistance		
ODI	Overseas Development Institute		
OECD	Organisation for Economic Co-operation and Development		
RCK	Refugee Consortium of Kenya		
RCO	Resident Coordinator's Office		
RDPP	Regional Development and Protection Programme		
ReDSS	Regional Durable Solutions Secretariat		
RSW	Refugee Sub-Window		

EXECUTIVE SUMMARY

Ethiopia faces substantial refugee and internal displacement challenges. In 2020, the country hosted 792,030 refugees across 26 refugee camps. Since 2017, Ethiopia has also experienced a dramatic increase in internal displacement. In mid-2020, there were 1.8 million internally displaced persons (IDPs), including 1.2 million conflict-related displacements. Displacement situations in Ethiopia are highly specific to geographic regions and population groups. Moreover, these are overlaid onto the development challenges, an ambitious development agenda, frequent climate induced shocks, and internal conflict in the country. For the foreseeable future, Ethiopia will continue to face a range of long-standing, new, and dynamic displacement situations across many regions of the country.

The Ethiopian approach to managing displacement has changed substantially in recent years. In 2016, the Government of Ethiopia signalled strong political support for a new approach to hosting refugees, as co-host of the Leaders' Summit on Refugees and as an early adopter of the Comprehensive Refugee Response Framework (CRRF). In 2019, the government passed new legislation on the rights and entitlements of refugees, with a new Refugee Proclamation (Proclamation No. 1110/2019).

In February 2020, Ethiopia also ratified the Kampala Convention for the Protection and Assistance of Internally Displaced Persons in Africa and is now reviewing a national IDP law. In late 2019, a Durable Solutions Initiative (DSI) and Durable Solutions Working Group were launched by the government to support policy and legislative reforms. The government is also integrating durable solutions into the national development plan, and into national and sub-national urban and spatial development plans.

International actors have provided important targeted technical support and advocacy to both refugee displacement solutions and IDP durable solutions reform processes. This includes providing financial support to coordination structures and key technical work; for example, the drafting of legislation. Despite this support, funding for durable solutions programming in the Ethiopian IDP context remains extremely limited.

Financing played a pivotal role in the passing of the Refugee Proclamation. In return for the nine pledges the Ethiopian government made at the Global Refugee Forum (signalling a major reform agenda), the World Bank, European Union (EU), and United Kingdom (UK) pledged USD 550 million in investment into new industrial parks, which is a key priority of the Ethiopian industrialisation agenda. In the Ethiopia Jobs Compact agreement, financing is contingent on meeting specific concessions, including improvements in the refugee regulatory framework. Political alignment and commitment among key donors, backed with substantial additional financing through the World Bank IDA18 regional refugee sub-window were critical to the brokering of this deal. Substantial additional development funding has also been made available from a range of donors to support aspects of the transformation of the Ethiopian refugee-hosting model.

In contrast to the high-level political engagement of major donors in brokering the Jobs Compact, donors have taken a relatively cautious approach to engaging the government on more politically sensitive aspects of durable solutions for

In mid-2020, there were 1.8 million internally displaced persons (IDPs), including 1.2 million conflict-related displacements. Displacement situations in Ethiopia are highly specific to geographic regions and population groups.

IDPs. Critically, no additional financing has yet been put on the table to influence government policies towards IDPs or to enable dedicated programming. This illustrates a structural challenge in the international financing system, whereby there is reluctance among some donors to mobilise additional funding to support durable solutions because doing so may risk reducing incentives for governments to take on this responsibility.

Since the achievement of these high-level commitments and legislative changes, the translation of these commitments into action – through new legislation, policy, coordination structures, plans, and programmes – has slowed. Ethiopian experience provides a useful lesson for international partners: supporting long-term reform and implementation requires sustained commitment to political dialogue, as well as technical and financial support to translate high-level commitments into reality. Notably, the domestic political appetite for reform has shifted over time as Ethiopia has undergone a major political transition towards democratic governance since early 2018. The reform of the Ethiopian refugee-hosting model has taken a backseat during this period of transition and crisis management.

The Ethiopian government National Comprehensive Refugee Response Strategy (NCRRS) remains in draft form, leaving a gap in planning and prioritisation behind which international investments and programmes could align. The practical implementation of the Refugee Proclamation has also faltered and proved domestically unpopular among the public in some areas. The secondary legislation and guidance required to enable key provisions of the Refugee Proclamation signal a more cautious and limited interpretation of refugee integration and inclusion. Coordination of the CRRF has also stalled at the federal level. The steering committee has not met since May 2018, leaving a gap in strategic direction and coordination.

While progress in rolling out both the CRRF and DSI has slowed at the national level, there are nonetheless opportunities in national-level programmes and sectors to advance refugee inclusion. This is also the case at sub-national level, where the developmental, political, and security challenges of displacement are more immediately felt by decision makers. Notably, the Somali Regional State government has shown significant leadership and initiative in domesticating the CRRF and DSI agendas, and in leading coordination. Consequently, Somali Regional State has become a major focus of Official Development Assistance (ODA) investment.

Notable progress has been made in the inclusion of refugees in the national education system and the urban social protection system. A World Bank programme to support inclusive education is now close to sign off. It uses grant financing under the IDA19 window for host communities and refugees (WHR), with additional contributions from bilateral donors. Importantly, the financing package is structured as a programme-for-results agreement that links disbursements to agreed indicators on inclusion and attainment of standards.

Donors have initiated efforts to include refugees in the urban safety nets programme in Ethiopia. Refugee inclusion will be piloted from 2021. The World Bank has also initiated research into the feasibility of incorporating IDPs into the urban safety net programme. This could provide a useful focus for dialogue between government and development partners, around which a wider plan for inclusion and financing could be developed.

There is reluctance among some donors to mobilise additional funding to support durable solutions because doing so may risk reducing incentives for governments to take on this responsibility.



Outside clearly defined national sectors and programmes, the inclusion of both refugees and IDPs is a more challenging proposition. Greater economic self-reliance for refugees has been a major focus of policy dialogue and investment in Ethiopia. Responsibilities lie across many ministries, federal and regional governments, the international humanitarian–development nexus, and the private sector. There is little clarity on an overall strategy at the national and regional levels. Practices are divergent and there are incoherent approaches to programming and investment. Moreover, economic transformation is a long-term and extremely challenging prospect in what are often already economically marginal regions of the country.

Significant policy-level reform and structural investment are required to create enabling environments for private sector businesses. In addition to direct programming, this will require detailed analysis of market conditions and value chains, stakeholder mapping and partnership building, and sequencing of investments across a range of enabling conditions. This requires long-term funding commitments that enable analytic and design work, the formation of partnerships, investments in evidence gathering and information sharing, and flexibility to adapt to new information and learning.

It is also worth noting that refugee inclusion and durable solutions for IDPs in Ethiopia are currently approached through separate policy, planning, coordination, financing, and programming channels. At the local level, however, there are instances of refugee and IDP populations living alongside one another. Both groups would benefit from inclusion in area-based programming that targets them and the host population. Unfortunately, the current siloed structure of the international system strongly incentivises supporting these populations separately. More robust strategic direction and coordination at the regional level could help manage the risk of incoherent approaches and inefficiency.

Refugee inclusion and durable solutions for IDPs in Ethiopia are currently approached through separate policy, planning, coordination, financing, and programming channels.



Tailor at work, Kebrebeyah town.
Credit: ReDSS

A lack of funding to support durable solutions programming is considered a major barrier to progress. The DSI has advocated for programming and funding to demonstrate proof of concept for durable solutions. The only clearly identifiable programme that targets durable solutions – a joint UN durable solutions programme – has yet to attract sufficient funding to start programming. The UN Resident Coordinator's Office (RCO) has recently drafted Terms of Reference for a multi-donor fund, which is envisaged as a means to target funding activities that are prioritised in regional durable solutions plans. Given the many competing demands for ODA funding in Ethiopia (including crisis response, support to refugee responses and the CRRF, and government ambitions for the development agenda), earmarking dedicated funding for durable solutions will likely be critical to advance the durable solutions agenda from policy to programme implementation.

Ultimately, refugee and IDP-hosting regions throughout Ethiopia face a range of pre-existing structural developmental challenges. Durable solutions cannot progress at scale without addressing these. In short, durable solutions require integration of the needs of displacement-affected communities into wider regional and national development planning and investments. This is a long-term challenge that needs sustained engagement and support at multiple levels. It also necessitates acceptance that displacement is a politically challenging area subject to uneven progress and setbacks. Nonetheless, there are often opportunities to advance inclusion and durable solutions through technical sectors, programmes, and sub-national and area-based approaches, which can more readily navigate domestic political sensitivities. International actors can play an important role in these pockets of opportunity, creating packages of technical and financial support.

A lack of funding to support durable solutions programming is considered a major barrier to progress, so earmarking dedicated funding for durable solutions will likely be critical to advance the durable solutions agenda from policy to programme implementation.



Woman washing clothes, Kebrebeyah refugee camp. Credit: ReDSS

LESSONS & AREAS FOR CONSIDERATION

Creating an enabling environment for solutions to displacement

- Strong political leadership, backed up with financing, has played a critical role in transforming the enabling environment for greater refugee inclusion in Ethiopia.
- Staying the course to support the practical implementation of these commitments has proven more challenging and requires long-term political engagement, technical support, and financing.
- Targeted technical support from international actors has also played a significant role in advancing the legal and policy environment for durable solutions for IDPs.
- Additional financing for IDP and refugee inclusion should be provided as grant funding – not as concessional lending – in order to provide the Government of Ethiopia at all levels with incentives to take on the risk of a potential long-term financial liability.

Coherent approaches

- The current aid landscape comprises relatively separate and disconnected humanitarian and development aid (and refugee and IDP) coordination systems, financing, and implementing partners, which does not support coordinated or coherent approaches across the humanitarian–development nexus.
- There is an established history and practice of channelling ODA funds through government treasury systems as budget support in Ethiopia, which provides scope for both supporting government-led solutions to displacement and designing technical support and conditions into financing agreements that support and incentivise solutions to displacement.
- Scope for greater linkages between IDP durable solutions and refugee integration programmes at regional levels could be explored, including opportunities for context specific integrated area-based approaches that address the needs of refugees, IDPs, recent returnees, and host populations.
- There may be opportunities to increase the engagement of development partners in supporting displacement solutions through mainstreaming displacement solutions approaches across programme cycle management tools, particularly in poverty and vulnerability assessments, programme risk assessments, and monitoring tools.

Multi-level progress

- Top-down or broad national-level approaches have not allowed for context specific interventions, which are critical in complex displacement environments, such as those found across Ethiopia. As a result, these approaches have also struggled to learn from and address the diverse needs of displacement-affected communities.
- While progress has stalled at the national level, there are opportunities for greater integration in national programmes and sectors, as well as at the regional level.
- Durable solutions for IDPs are unlikely to proceed without additional funding from international actors and meaningful commitment from Ethiopian government authorities at all levels. There are already options on the table that donors can immediately support, including an area-based multi-sectoral programme and a proposed multi-partner fund. This funding should be considered catalytic and targeted towards activities that will support government ability and appetite for taking on long-term responsibilities for durable solutions.
- In the case of national programmes and sectors, technical support and financing packages are needed, which could also incorporate specific conditions to ensure inclusion and quality are built into the terms of these packages.

Tactical investments in efficiency, learning, and accountability

- There is a fundamental gap in the evidence base necessary to define the parameters of durable solutions in Ethiopia. Without clarity around the numbers, locations, and profiles of displaced people, it is impossible to assess the overall scope and scale of the problem, or to prioritise and target resources effectively into programming. Without a baseline and monitoring of changes against this, it is also impossible to measure progress in achieving durable solutions. A country-wide assessment and profiling of internal displacement would help inform more efficient targeting and sequencing of investments. It also would provide greater clarity as to where the specific needs of displaced people fall across the remits and competencies of humanitarian, development, and peacebuilding actors.



Woman filling jerrycans with water, Kabrebeyah refugee camp. Credit: ReDSS



INTRODUCTION

This report summarises the findings of research about funding and financing for solutions to displacement in Ethiopia as part of the ReDSS study entitled, “Re-thinking the displacement financing architecture in the Horn of Africa: What types of financing are required to fund solutions to displacement?”

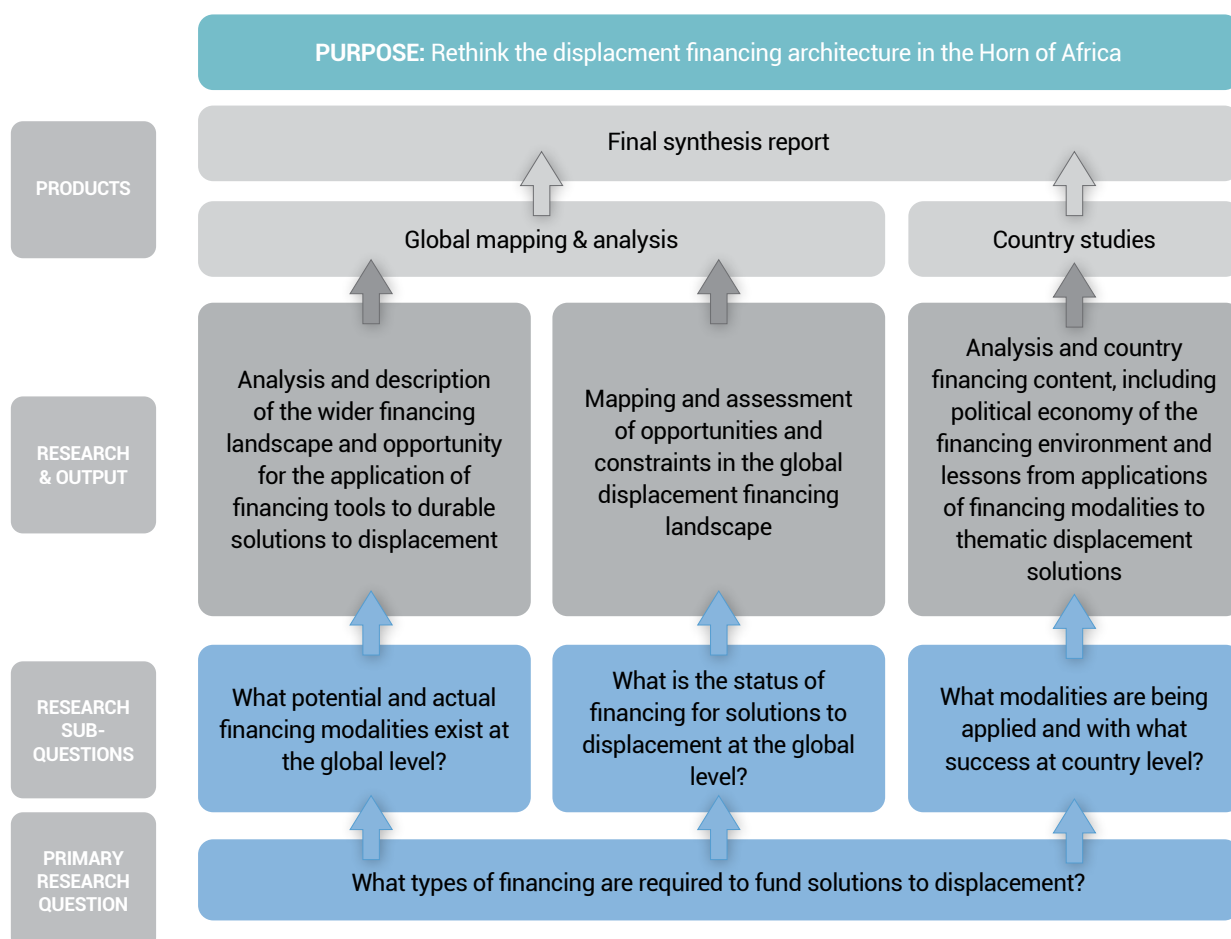
AIM OF THE STUDY

This is one of three country studies that contributes to the overall study objectives to rethink the displacement financing architecture in the Horn of Africa and make recommendations on the types of financing modalities required to fund solutions to displacement. The logic and contribution of the country case studies is outlined in Figure 1.

Each of the three country studies assesses the enabling conditions for solutions to displacement, including the political, policy, institutional, and financing environment. In each country, a subset of thematic programmatic areas is also investigated. The Ethiopia country study examines efforts to promote the greater economic inclusion of refugees and efforts to include refugees in the national social protection system.

Many Ethiopians are internally displaced due to frequent climate induced shocks – notably drought and floods. Ethiopia has also experienced a dramatic increase in internal displacement since 2017 driven in large part by ethnic, border, and land disputes.

FIGURE 1. STUDY RESEARCH LOGIC



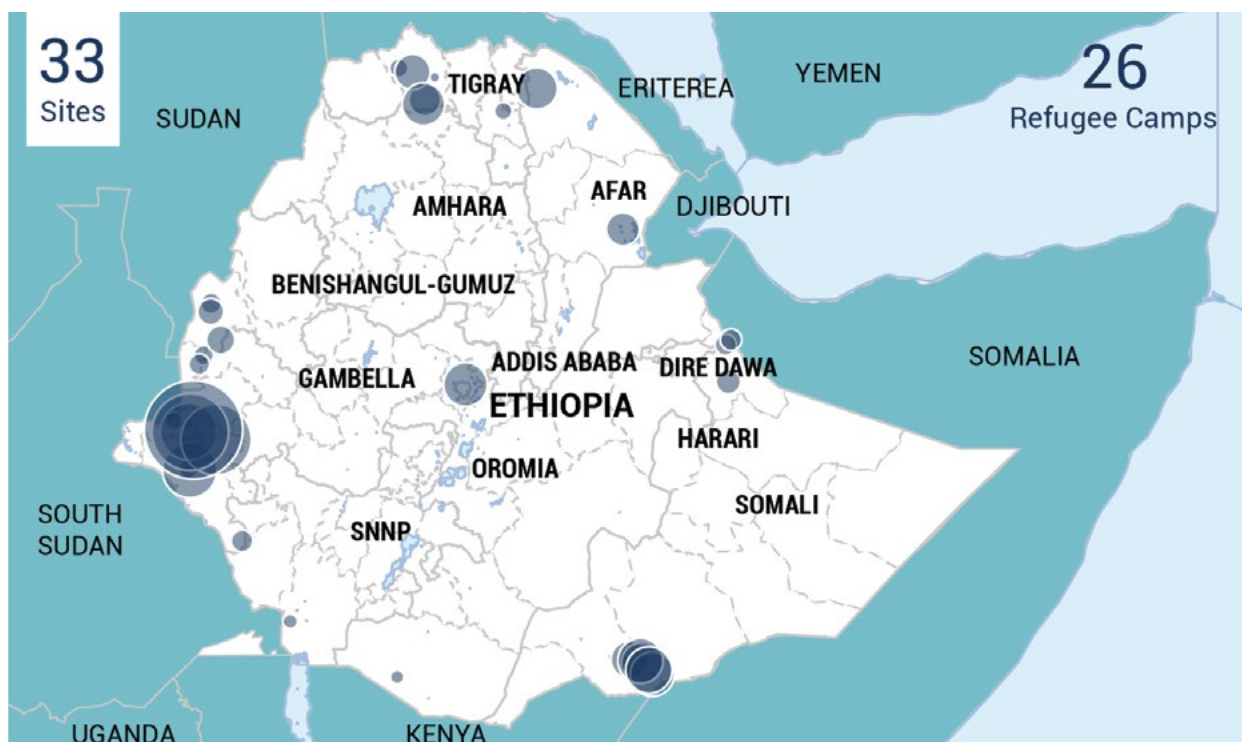
DISPLACEMENT CONTEXT

Ethiopian displacement challenges are substantial. These challenges are highly specific to geographic regions and population groups. They are also changing relatively rapidly as Ethiopia undergoes a period of political transition.

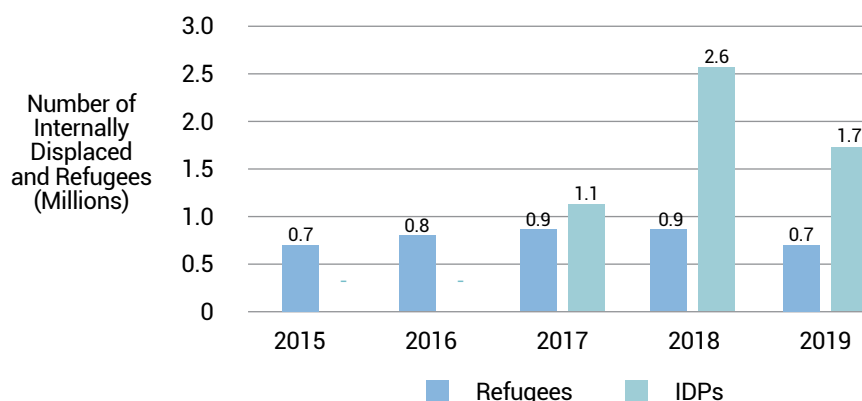
In 2020, Ethiopia hosted 792,030 refugees across 33 sites, including 26 refugee camps.¹ The majority of refugees are from South Sudan (45%), Somalia (25%), and Eritrea (23%) and are concentrated in Tigray Regional State and the four emerging regions of Ethiopia: Afar Regional State; Benishangul-Gumuz Regional State; Gambella Regional State; and Somali Regional State (see map and Figure 3).² The emerging regions are the least developed in the country, with many parts inaccessible due to poor road infrastructure. There are limited realistic options of voluntary return for most refugees because their countries of origin continue to be affected by insecurity.³

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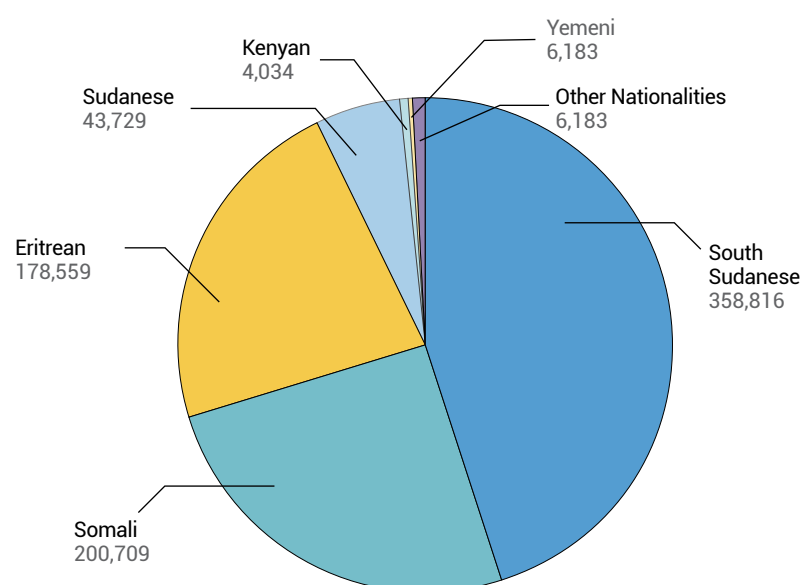
DISTRIBUTION OF REFUGEES ACROSS GEOGRAPHIC REGIONS OF ETHIOPIA (2020)



Source: UNHCR Ethiopia Humanitarian Population Profile, end of September 2020.

FIGURE 2. NUMBER OF INTERNALLY DISPLACED AND REFUGEES UNDER UNHCR MANDATE (2014–2019)

Source: UNHCR. Data downloaded 5 November 2020.

FIGURE 3. REFUGEES BY NATIONALITY (2020)

Source: UNHCR. Data reported 12 October 2020.

Many Ethiopians are internally displaced due to frequent climate induced shocks, notably drought and floods. Ethiopia has also experienced a dramatic increase in internal displacement since 2017 driven in large part by ethnic, border, and land disputes (see Figure 2).⁴ A recent survey conducted by the IOM and the Government of Ethiopia in June and July 2020 finds that there were 1.8 million IDPs, including: 1.2 million conflict-related IDPs; 351,062 people displaced by drought; 104,696 people displaced by seasonal floods; and 50,093 people displaced by flash floods.⁵ The situation remains fluid and 1.8 million IDPs are reported by the government to have returned to their place of origin in 2019, including through government-led return operations.⁶ The majority of those who remained displaced in 2020, however, indicate that their preferred durable solution is local integration.⁷

In 2020, during the COVID-19 pandemic, Ethiopia also received 34,000 returning Ethiopian migrants, mostly from neighbouring countries and the Middle East, many of whom have experienced forced return.⁸ Conflict in Tigray Regional State has already displaced a significant number of people across the border into neighbouring Sudan, as well as internally. Ethiopia will continue to face a range of long-standing, new, and dynamic displacement situations across many regions of the country for the foreseeable future.



Eritrean refugee musicians, Hitsats refugee camp. Credit: DRC

SCOPE AND LIMITATIONS OF THE STUDY

The research for this study coincided with conflict in Tigray Regional State, which means that a number of key informant interviewees were not available during this period. Therefore, there are gaps in the evidence base. Efforts have been made to supplement evidence by conducting further literature review and undertaking reviews of the draft report, which will be circulated to key informants who were not available to participate in research interviews.



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

FINANCING LANDSCAPE

Ethiopia has made impressive development and poverty reduction gains. The federal government also has an ambitious development agenda. The most recent household survey shows, for example, that poverty has decreased from 30% of the population in 2011 to 24% in 2016.⁹ The Government of Ethiopia Growth and Transformation Plan II (GTP II) (2015/16-2019/20) includes plans to achieve annual GDP growth of 11% and structural economic transformation that would see Ethiopia attain lower middle-income status by 2025.¹⁰ In the GTP II, industrialisation is prioritised as a key driver of the structural transformation of the economy, with Ethiopia aspiring to become a light manufacturing hub.¹¹

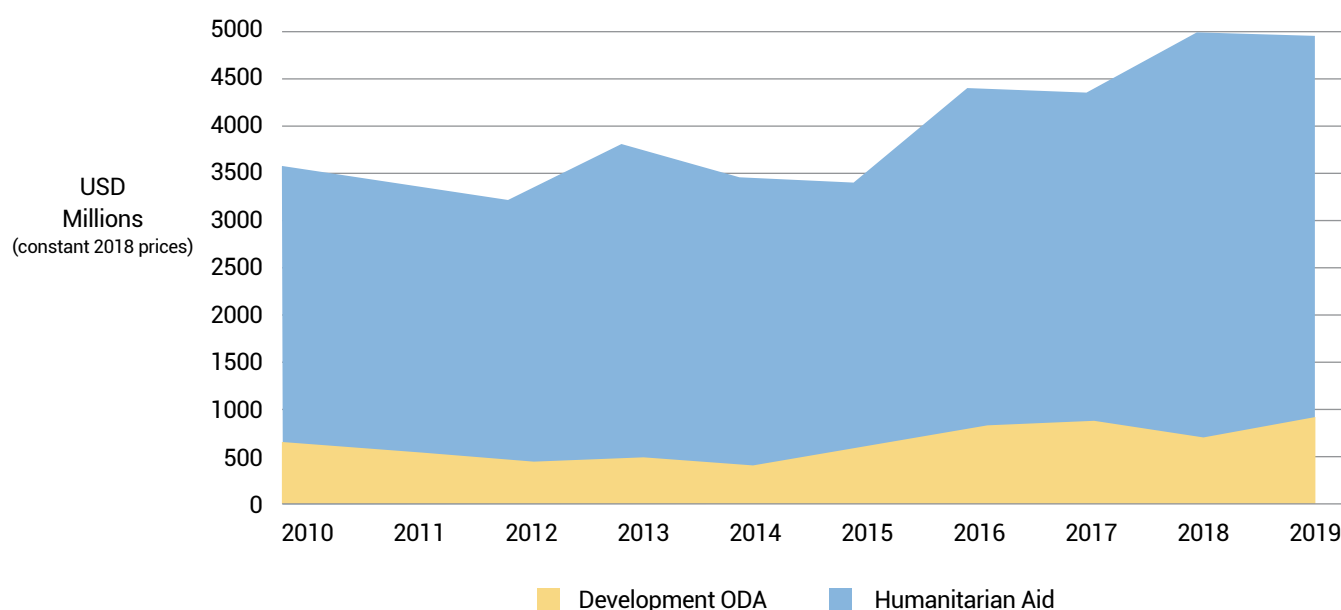
Financing this plan is envisioned through a combination of domestic revenues, grants, foreign loans, and domestic borrowing.¹² In 2019–2020, for example, the government budget was projected to comprise domestic revenues of ETB 621 billion against planned expenditure of ETB 714 billion, with the deficit met with ETB 37 billion in external funding and ETB 56 billion in domestic borrowing.¹³ Therefore, domestic revenues are by far the most significant source of development financing in Ethiopia. Increasing revenue, including through private sector growth, is an important element of Ethiopian development priorities, with ODA continuing to play a significant role.

Ethiopia is a major recipient of ODA. In 2019, the country received a total of USD 4.9 billion, of which 82% was development aid and 18% humanitarian aid (see Figure 4).¹⁴ Moreover, ODA has grown by 31% in the five years from 2015 to 2019. During this five-year period, the five leading donors are the World Bank Group (32%), the United States (20%), the UK (11%), EU Institutions (6%), and the African Development Bank (4%).¹⁵ In particular, increased ODA from the World Bank has been a driver of ODA growth, with an increase of 59% between 2015 and 2019, reaching a peak of USD 2.1 billion in 2018.¹⁶



Eritrean refugee family, Hitsats refugee camp. Credit: DRC

FIGURE 4. MAJOR CATEGORIES OF ODA FLOWS TO ETHIOPIA (2010–2019)

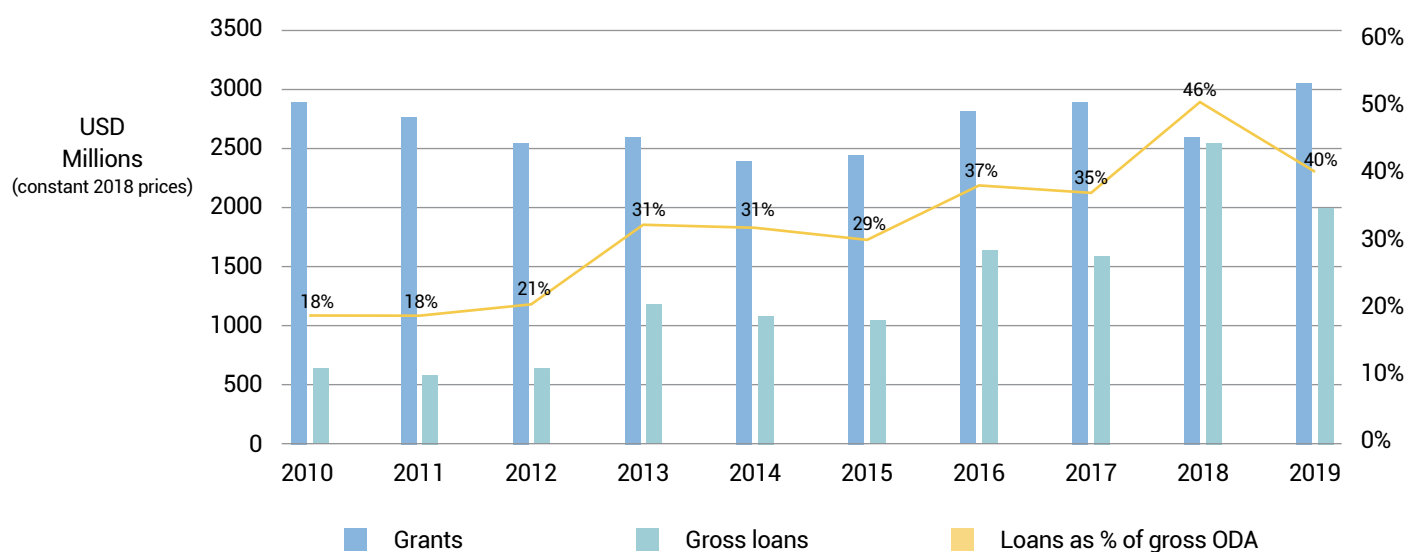


Source: OECD International Statistics for Development. Data downloaded 1 February 2021.

Note: development ODA is total ODA excluding debt relief, less humanitarian aid.

The composition of ODA to Ethiopia has shifted significantly during the ten-year period from 2010 to 2019, with a growing proportion of ODA provided to the government in the form of ODA loans (see Figure 5). Because ODA loans are usually arranged with partner governments, financing through ODA loans tends to flow directly through the treasury. This means that there are established systems and practices for channelling funds on budget in support of solutions to displacement in Ethiopia. This opens up possibilities for combining financing with technical assistance and calibrating agreements that include clear conditions, which can be used to incentivise and monitor displacement solutions.

FIGURE 5. VOLUME AND PROPORTION OF TOTAL GROSS ODA PROVIDED AS GRANTS AND LOANS (2010–2019)



Source: OECD International Statistics for Development. Data downloaded 1 February 2021.

There is currently no dedicated financing architecture to support displacement solutions in Ethiopia and the current aid landscape comprises relatively separate and disconnected humanitarian and development aid coordination systems and sets of actors.

In some cases, donors lack appropriate financing arrangements to support displacement solutions programming at country level. For a number of donors, decision-making takes place at headquarters and often relies on providing core funding contributions to multilateral organisations and/or pooled funding mechanisms.¹⁷ This may cause particular challenges for downstream partners working on displacement solutions because multi-year funding that is contributed to multilateral organisations at headquarters level is contracted onwards in short-term and relatively inflexible agreements.¹⁸

DISPLACEMENT POLICY, PROGRAMMING & FINANCING

INTERNALLY DISPLACED PERSONS

In Ethiopia, policy and institutional arrangements for IDPs are new and emerging. A Durable Solutions Initiative (DSI) was launched in December 2019, following endorsement by a Durable Solutions Working Group at federal level led by the National Disaster Risk Management Commission (NDRMC), and co-chaired by the UN Resident's Coordinator Office (RCO) and the IOM. The DSI is supported with technical secondments to the RCO and the IOM that are funded by the Swiss Development Cooperation (SDC) and draw on the experiences of the DSI in Somalia.¹⁹ Engagement from NGOs in the DSI has been limited, owing to concerns about respect for voluntary returns in the government-led return operations in 2019.²⁰ Durable solutions working groups also operate at regional levels, with participation from a range of humanitarian NGOs and donors.

The DSI aims to support policy and legislative reforms, including the ratification of the African Union Convention for the Protection and Assistance of Internally Displaced Persons in Africa (known as the Kampala Convention)²¹ and the drafting of domestic legislation to support its implementation.²² Ethiopia ratified the Kampala Convention in February 2020.²³ UNHCR has provided an international expert to support the drafting of a national IDP law, which is now under review by the government.²⁴

Substantial progress has been made at the legislative and policy level. At the same time, inclusion of durable solutions into development planning and prioritisation frameworks and processes is a work in progress.²⁵ The DSI aims to support the integration of durable solutions into the national development plan and into national and sub-national urban and spatial development plans; UNDP is recruiting staff to support the mainstreaming of resilience and durable solutions into government national development plans.²⁶ Durable solutions have also been mainstreamed into the UN Cooperation Framework, which is endorsed by the government.

While the work of integrating durable solutions into national development planning and budgeting is ongoing, and in the absence of a separate costed and prioritised set of activities,²⁷ it is unclear where government ministries and partners should target programmes and financing. The DSI engages in advocacy with development partners and government ministries to include IDPs in ongoing development programmes, with some reported instances of success;²⁸ however, this appears to be relatively opportunistic rather than strategic. The World Bank has initiated research on the feasibility of incorporating IDPs in the urban safety net programme, with the hope that it can be used to inform future dialogue with the government.²⁹ This work is in the early stages but could provide a useful focus for dialogue between the Ethiopian government and development partners, around which a wider plan for inclusion and financing could be developed.

Overall, however, international support remains opportunistic and reactive, focused largely on immediate responses to new instances of displacement rather than longer-term developmental solutions.³⁰ Moreover, with limited scope to engage the government on the root causes of internal displacements, solutions are typically pitched at a technical level.³¹ The government is also understood to prefer return rather than resettlement or local integration in places of displacement, which limits the scope of line ministries, regional governments, and development partners to invest in inclusion in areas of displacement.³²

Substantial progress has been made at the legislative and policy level. At the same time, inclusion of durable solutions into development planning and prioritisation frameworks and processes is a work in progress.

Planning, prioritisation, and resource mobilisation for durable solutions have advanced further at the regional level, where the developmental, political, and security challenges related to displacement are more immediately felt by decision makers. In some cases, local authorities at regional government level have convened regional-level working groups and identified opportunities for advancing durable solutions, including programmes adopting area-based approaches.³³ In the Somali Region, for example, a DSI working group has been established, led by the Disaster Risk Management Bureau (DRMB) and the IOM, with a secretariat that includes representatives from key government bureaus.³⁴ A costed plan for durable solutions for IDPs also has been developed for the Somali Region through the regional DSI working groups and led by the DRMB, with support from international partners.³⁵ The total funding request, however, has failed to attract donor support.

In fact, a lack of funding to support durable solutions programming is considered a major barrier to progress at all levels. With the exception of funding from the SDC for the DSI within the RCO and the IOM, there is currently no project or programme targeting IDP durable solutions in Ethiopia.³⁶ The DSI has advocated for programming and funding to demonstrate proof of concept for durable solutions.³⁷ The only clearly identifiable programme targeting durable solutions – a joint UN durable solutions programme (IOM / FAO / UN-HABITAT) for the Somali Region – has received support from the SDC but has yet to attract sufficient funding to start programming.³⁸

The DSI and the wider UN system in Ethiopia have agreed not to fundraise for durable solutions as a separate programming area. Instead, incorporation of durable solutions into Ethiopia developmental agendas is the preferred approach. Given the incomplete integration of durable solutions into development planning, budgeting, and programming, however, this has yet to bear fruit in terms of directing resources towards durable solutions. Meanwhile, the RCO has recently drafted Terms of Reference for a multi-donor fund for durable solutions, which is under consultation.³⁹ The fund is envisaged as a means to target funding to activities prioritised within regional durable solutions plans.⁴⁰ It is unclear whether donors will consider the fund a priority in the context of a new acute displacement crisis. Given uncertainty around the timelines and processes for inclusion of durable solutions into development budgeting and programming, and given the many competing demands for ODA funding in Ethiopia (including crisis response, support to refugee response and the CRRF, and government ambitions for the development agenda), earmarking dedicated funding for durable solutions will likely be critical to advance the durable solutions agenda from policy to programme implementation.

REFUGEES

Ethiopia has historically hosted refugees through a strict encampment policy that includes providing access to services in camp settings.⁴¹ In 2016, however, the Ethiopian government signalled strong political support for a new approach to hosting refugees, as co-host of the Leaders' Summit on Refugees and as an early adopter of the CRRF.

At the Leaders' Summit, Ethiopia announced nine pledges that would inform the content of the CRRF. This was later supported by an implementation roadmap, which organises the nine pledges under six thematic pillars (see text box), and a ten-year NCRRS. The central theme of government policy commitments is the

A lack of funding to support durable solutions programming is considered a major barrier to progress at all levels.

intention to move from a model of refugee assistance based on camps towards greater socio-economic inclusion and developmental approaches to supporting both refugee and host communities.

Government of Ethiopia: nine pledges grouped by six key thematic areas

1. Out-of-Camp

Expansion of the out-of-camp policy to benefit 10% of the current total refugee population.

2. Education

Increase of enrolment in primary, secondary, and tertiary education to all qualified refugees, without discrimination and within available resources.

3. Work and job creation

a) Provision of work permits to refugees and to those with permanent residence IDs, within the bounds of domestic law; b) provision of work permits to refugees in the areas permitted for foreign workers, giving priority to qualified refugees; c) making available irrigable land to allow 100,000 people (among them refugees and local communities) to engage in crop production; and d) building industrial parks, with a percentage of jobs designated for refugees.

4. Documentation

Provision of other benefits, such as issuance of birth certificates to refugee children born in Ethiopia, possibility of opening bank accounts, and possibility of obtaining driving licenses.

5. Social and basic services

Enhance the provision of basic and essential social services.

6. Local integration

Facilitating local integration for protracted refugees – those who have lived in Ethiopia for 20 years or more.



Children in school, Kebrebeayah refugee camp. Credit: ReDSS

Source: ReDSS (2018); for the complete list of the nine pledges, see: <https://data2.unhcr.org/en/documents/details/62655>

Financing has played an important role in this shift in the policy and legal environment. In the period leading up to the Leaders' Summit, Ethiopia was developing an industrialisation strategy (including the creation of industrial parks) in collaboration with a core group of development partners.⁴² In return for the nine pledges, which signalled a major reform agenda on the part of the Ethiopian government, the World Bank, EU, and UK pledged USD 550 million in investment in new industrial parks.⁴³ In the Ethiopia Jobs Compact agreement, financing is contingent on meeting specific concessions, including providing 30,000 of the anticipated 100,000 jobs to be created to refugees, and perhaps most importantly, improving the refugee regulatory framework.⁴⁴

The conditions built into the Ethiopia Jobs Compact financing agreement with the World Bank have been instrumental in achieving changes in the regulatory framework that create an enabling environment for displacement solutions. In

2019, Ethiopia passed new legislation on the rights and entitlements of refugees with a new Refugee Proclamation (Proclamation No. 1110/2019).⁴⁵ The Refugee Proclamation is an important evolution in Ethiopian policy and legislation. The 2004 Ethiopian Refugee Law focused on the protection of refugees, while the 2019 Refugee Proclamation, which replaces it, aims to support the achievement of displacement solutions, including local integration.⁴⁶ The Refugee Proclamation provides refugees with key rights and entitlements, including the right to work and reside outside camps, access social and financial services, and the ability register life events, including births, marriages, divorces, adoptions, and deaths.

Key refugee policy and legislative reforms in Ethiopia (2016–2019)

2016	<ul style="list-style-type: none"> ■ Ethiopia announces nine pledges at Leaders' Summit on Refugees and UN Declaration on Refugees and Migrants (September)
2017	<ul style="list-style-type: none"> ■ Ethiopia becomes CRRF roll-out country (February) ■ Legislative reforms to Proclamation 760/2012 permitting civil documentation for refugees passed (July) and first birth certificates for refugees issued (October) ■ CRRF national launch and agreement of roadmap for pledge implementation (November) ■ Ethiopia signs the Djibouti Declaration on regional quality education standards and inclusion into national systems for refugee children (December)⁴⁷
2018	<ul style="list-style-type: none"> ■ Local level launches of the CRRF throughout first half of the year ■ NCRRS released for consultation (May)
2019	<ul style="list-style-type: none"> ■ Refugee Proclamation (Proclamation No. 1110/2019) adopted by parliament (February) ■ ARRA releases three directives supporting implementation of the Refugee Proclamation: Directive to Determine Conditions for Movement and Residence of Refugees Outside of Camps (No. 01/2019); Directive to Determine the Procedure for Refugees Right to Work (No. 02/2019); and Refugees and Returnees Grievances and Appeals Handling Directive (No. 03/2019) ■ Ethiopian government issues additional pledges at the Global Refugee Forum on jobs and livelihoods, education, protection, energy, and the environment (December)

Although there has been major progress at the legislative level, progress in implementing Ethiopian CRRF ambitions to transform its refugee-hosting model has been uneven. In 2019 and 2020, Ethiopia was also affected by major crises, including locust infestations and the COVID-19 pandemic. The reform of the Ethiopian refugee-hosting model has taken a backseat during this period of turbulent transition and crisis management.⁴⁸ In some respects, the government has even doubled down on the pre-CRRF model; for example, creating parallel structures for the COVID-19 response for refugee populations.

There is no clear strategy for implementing the CRRF, which creates a major obstacle to effective prioritisation and targeting of resources and reforms. In 2018 and 2019, the NCRRS was issued for several rounds of consultation. The NCRRS sets out a vision for refugee and host community self-reliance, refugee inclusion in national services, and was expected to be rolled out through regional action plans for refugee-hosting regions of Ethiopia.⁴⁹ The NCRRS remains in draft form, however, thus leaving a gap in planning and prioritisation behind which international investments and programmes could align.⁵⁰ The extent to which line ministries support the content of the NCRRS is unclear.⁵¹

Coordination of the CRRF has also stalled at the federal level. The roadmap for implementation sets out responsibilities within government that would deliver a whole-of-government approach under the leadership of a national steering committee jointly led by ARRA – the government Agency for Refugee and Returnee Affairs – the finance ministry, and UNHCR.⁵² The steering committee should facilitate engagement across government agencies, ministries, international actors, and the private sector. The steering committee has not met since May 2018, thus leaving a gap in strategic direction and coordination.⁵³ ARRA has continued to provide coordination but has undergone a change in leadership and re-organisation.⁵⁴ In the absence of direction and prioritisation, demand from ministries and development partners to integrate refugees into their planning and programming has been limited.

At the regional level, active and functional leadership and coordination structures supporting CRRF implementation are led by the Bureau of Finance and Economic Development (BOFED), with ARRA and UNHCR. The Somali Region, for example, has quarterly coordination meetings led by BOFED, as well as monthly meetings at woreda (district; third-level administrative unit) and city administration levels.⁵⁵ There is, however, considerable variation across regions in terms of their receptiveness and scope to implement displacement solutions, which in turn patterns allocations of international funding. The Somali Region has a number of relative advantages, including motivated regional government leadership of the CRRF, high levels of social cohesion between refugees and host communities (who largely share Somali ethnic and linguistic ties), and active commercial networks that reach into Somalia and other regional markets.⁵⁶

In contrast, Gambella experiences frequent tensions between host communities and the South Sudanese refugee population⁵⁷ and political sensitivity with respect to the CRRF.⁵⁸ Therefore, implementation of the CRRF and the rollout of programmes proceeds at variable rates across different regions. In addition, the Education Act needs to be reviewed to allow for the inclusion of refugees in line with government CRRF pledges and the Djibouti Declaration.⁵⁹ There is also a widely held perception that in the absence of progress at the national level, donors and partners have tacitly focused their attention on piloting new approaches and targeting resources towards the more progressive and secure Somali Region, where markets are also more developed.⁶⁰

The practical implementation of the Refugee Proclamation has also faltered. The Refugee Proclamation has proved controversial among the host population, particularly in the Gambella Region, where protests followed its announcement.⁶¹ Implementation must also navigate domestic political sensitivities and conflict risks. The secondary legislation and guidance required to enable key provisions of the Refugee Proclamation signal a more cautious and limited interpretation of refugee integration and inclusion in key areas.

On residency, freedom of movement, and engagement in employment, a lack of clarity and outstanding gaps in regulation remain.⁶² The nine pledges include expansion of the out-of-camp policy to benefit 10% of the current total refugee population and allow local integration for refugees who have lived in Ethiopia for 20 years or more. Directive 01/2019 (Directive to Determine Conditions for Movement and Residence of Refugees Outside of Camps), issued in support of the implementation of the Refugee Proclamation, was intended to provide guidance on these opportunities to live and move outside of camp settings. For external actors, however, the exact eligibility criteria and processes to achieve greater freedom of movement remain unclear. Efforts are underway to identify

In the absence of progress at the national level, donors and partners have tacitly focused their attention on piloting new approaches and targeting resources towards the more progressive and secure Somali Region.

individuals who meet the criteria of having lived in Ethiopia for 20 years or more, which is thought to comprise around 10% of the refugee population in camps.⁶³

The Refugee Right to Work directive was issued in December 2019. It provides greater clarity on the scope and processes for refugees and asylum seekers to work on joint projects (that is, government programmes funded by international donors).⁶⁴ The directive also addresses wage and self-employment issues, as stipulated in the Refugee Proclamation, providing greater clarity on eligibility, requirements, and procedures, with ARRA beginning to issue work permits in 2020.⁶⁵ Some areas remain unclear and challenges in implementation are emerging. These include the limited availability of joint projects and restrictions on the ability of refugees to access financing, which is necessary for the pursuit of self-employment in many cases.⁶⁶

UNHCR has undertaken periodic monitoring of government pledges made at the Global Refugee Forum. There is, however, no routine monitoring of funding against the CRRF and it is therefore impossible to accurately assess overall volumes of funds on an ongoing basis.⁶⁷ Since 2016, there have been a number of substantial funding contributions, which indicates international donors have provided additional development funding to support the implementation of the CRRF. Global and regional funding windows and instruments have played an important role in channelling funding to implementation of the CRRF in Ethiopia. The country was an early recipient of funding through the World Bank IDA18 refugee sub-window (RSW), for example, which provided access to substantial additional funds. The World Bank regional Development Response to Displacement Impacts Project (DRDIP) and the EU Trust Fund for Africa (EUTF) have also been major sources of financing.

Notable programmes and allocations since 2016 include:

- The Ethiopia Jobs Compact, agreed in 2016, includes a package of around USD 550 million in financing, with funding from the UK (GBP 80 million grant), the World Bank (USD 83 million IDA loan and USD 119 million grant), the EU (EUR 66 million grant), and the European Investment Bank (up to EUR 200 million concessional loan).⁶⁸
- In 2016, the World Bank DRDIP programme agreed to provide USD 100 million in grant funding to support improved access to social services, expand economic opportunities, and support environmental management across five regions of Ethiopia (Afar, Tigray, Gambella, Benishangul Gumuz, and Somali states).⁶⁹
- The EUTF has funded a range of programming to support refugees and host populations, including a EUR 30 million multi-year multi-sectoral package of funding under its Regional Development and Protection Programme (RDPP), awarded to five NGOs.⁷⁰
- The UK has provided a package of GBP 170 million, entitled “Strengthening Host and Refugee Populations in Ethiopia” (SHARPE), for the period 2016 to 2023; around two thirds of these funds are directed towards programmes supporting refugees, including funding to UNHCR and WFP, and GBP 24 million for economic development of refugee-hosting areas.⁷¹
- Donors have provided funding to support government institutions to implement the CRRF, including EUR 4.2 million from the EUTF⁷² and USD 15 million from Denmark.⁷³



Woman in front of house, Somali Regional State. Credit: Oxfam

There are no dedicated financing instruments at country level to support the implementation of the CRRF. There has been some adaptation and experimentation with financing tools and approaches, including using programme-for-results agreements and attempting to soften the terms of concessional loans with grant financing.

Economic inclusion

Greater economic self-reliance for refugees has been a major focus of policy dialogue and investment in Ethiopia. There is, however, little clarity on an overall strategy at the national and regional levels. In practice, there are divergent and incoherent approaches to programming and investment. Economic transformation is a long-term and extremely challenging prospect in what are often already economically marginal regions of the country. These challenges are exacerbated by both the anticipated economic contraction amidst a global economic downturn, and the significant policy-level reform and structural investment required to create enabling environments for business in displacement-affected communities. In addition, the organisations traditionally working with refugee populations often do not have suitable experience, technical capabilities, and partnerships to address the multi-layered structural economic challenges refugee-hosting regions face.

The primary focus of economic investments linked to the CRRF and Global Refugee Forum (GRF) pledges in the first few years has been investments in the Ethiopian industrialisation strategy. This area also has attracted the largest volumes of ODA funding. The Jobs Compact or Economic Opportunities Program (EOP) was the result of a high-level deal brokered between the Government of Ethiopia and major donors. In return for substantial concessional investments in the industrialisation ambitions for the country,⁷⁴ the government has provided specific employment opportunities for refugees and undertaken large-scale changes in the legislative environment for refugees. In providing jobs and specific economic rights through the legislative changes contained in the Refugee Proclamation, the Jobs Compact also in principle provides incentives for refugees to remain in situ rather than migrating towards the EU.⁷⁵

The financing agreement with the World Bank uses a programme-for-results model, with specific indicators designed and linked to payments.⁷⁶ This has been effective in driving policy and legislative changes and in providing additional accountability assurances that donor funds channelled through the treasury are directed towards agreed outcomes.⁷⁷ The Jobs Compact is clearly linked to the government Growth and Transformation Plan, including the industrialisation strategy, and supports the implementation of the CRRF through the Refugee Proclamation. This approach to refugee self-reliance has proven highly problematic, however. The job creation aspect of the programme suffers from design flaws and demonstrates limited understanding of the refugee context.⁷⁸ Some of the most pressing issues include the following: refugees are located far away from the industrial parks, so they would therefore require permits to leave the camps; they may not have the right skills for these jobs; and the employment terms may be less lucrative and more dangerous than existing informal opportunities.⁷⁹ It quickly became apparent that refugees were unlikely to fill the earmarked 30,000 jobs and that a more comprehensive strategy for refugee employment through donor-funded programmes would be necessary.⁸⁰

It is important to note that the key benefits of the EOP to refugees are in changes to the legislative environment and the earmarking of jobs in industrial parks. The industrial parks and the businesses that have been created, however, are intended to benefit the wider economy and not refugee-hosting areas. At the same time,

Economic transformation is a long-term and extremely challenging prospect in what are often already economically marginal regions of the country.

programming and investments that do target refugee-hosting regions are currently at a relatively early stage of development. In many cases, then, practical benefits have yet to be felt in refugee-hosting areas.

A number of initiatives at the regional level are also underway. These attempt to shift programming models away from traditional humanitarian livelihoods programmes and towards sustainable economic inclusion. These include a long-standing partnership between the IKEA Foundation and UNHCR in Dollo Ado, and newly signed agreements between the EUTF, Mercy Corps, and DRC in the Somali Region, and a separate agreement between the UK and DAI focused on Dollo Ado, Jijiga, and Gambella.

The IKEA Foundation has supported ten years of implementation and learning in UNHCR approaches to livelihoods programmes in the Dollo Ado camps of the Somali Region that provide a range of lessons (see text box on next page). Perhaps most notable among the lessons emerging from a recent evaluation of these approaches is the need for a coherent plan that is underpinned by evidence and analysis of market opportunities from the outset.⁸¹ Doing so, however, would require a broader range of partnerships and expertise than often exists among the traditional implementing partners operating in Ethiopian refugee settings.⁸²



Shopkeeper tending to his shop, Kebrebeayah town. Credit: ReDSS

Lessons from IKEA Foundation support to Dollo Ado

Dollo Ado comprises a group of new refugee camps in the Somali Region built between 2009 and 2011. These camps are home to 160,000 Somali refugees. Since 2012, the IKEA Foundation has provided around USD 100 million in funding to UNHCR to support programming in the camps. Over time, these programmes have shifted from emergency relief towards an increasing focus on economic development and livelihoods for both refugee and host communities. The IKEA Foundation hopes to pilot a new, more sustainable model for refugee response.

Flexible and long-term support from the IKEA Foundation has enabled a sustained period of iteration and learning. It has also progressively strengthened the partnership between UNHCR and local government. Over time, however, new partners with expertise in development programming and market development have been brought into the partnership. UNHCR openness to work differently and with different partners has increased over time, and UNHCR has dedicated additional technical resources to support this process.

Although the iterative approach has allowed a great deal of learning and refinement, in hindsight the programme would have benefitted from a clearer logical and conceptual framework to support a transition from reliance on an aid economy towards reliance on a private sector market-based economy. Moreover, such a strategy should be rooted in evidence and market analysis to help guide decision-making. Key evidence to inform strategy development and enable monitoring includes baseline data on the key characteristics of the population, value chain analysis, and market systems analysis.

Activities supported by the IKEA Foundation include: irrigation and agriculture cooperatives; firewood

cooperatives; meat selling cooperatives and other livestock-related interventions; microfinance loans; energy cooperatives; a secondary school and teacher training college; and ongoing support for infrastructure development and emergency relief.

Farming cooperatives, livestock value chain groups, and microfinance institutions are expected to continue on a self-sustaining basis. While the cooperatives have delivered a variety of benefits for participants, most (including energy, firewood, gum, and incense) remain reliant on external inputs and do not have sustainability plans or realistic linkages with markets and value chains. Cooperatives do, however, serve a variety of social functions over and above their economic functions. These social functions are of value in terms of supporting protection, providing public goods, training, and supporting self-esteem.

Ultimately, the majority of refugees remain heavily reliant on humanitarian aid. Their cross-border networks and economic self-reliance is a distant prospect. Only very limited investment has been mobilised from the private sector, with the majority of funds provided by international donors. Refugee-hosting environments such as Dollo Ado face substantial structural development challenges, which require comprehensive development responses that incorporate but are not solely focused on refugees.

It is also worth noting that the programme required more money and time than envisaged at the outset. In part, this was due to an unexpected large influx of refugees in the early stages of the programme that required a temporary shift to emergency response, along with the establishment of basic infrastructure and services. Setbacks were also experienced due to reliance on familiar partners, which did not have the expertise to implement the required activities.

The EUTF signed a EUR 10 million funding agreement with Mercy Corps and DRC to deliver a three-and-a-half-year economic development and employment programme in the Somali Region starting in June 2020.⁸³ The programme is expected to include one-stop centres to support entrepreneurship, private veterinary pharmacies, and the expansion of existing microfinance institutions to include refugees.

The UK signed a three-and-a-half-year GBP 24 million funding agreement with DAI in August 2019 under its SHARPE programme to promote the economic self-reliance of refugees and to strengthen the economies of refugee-hosting populations through a Market Systems Development approach.⁸⁴ The programme will target the Gambella Region, and Dollo Ado and Jijiga in the Somali Region, with a focus on: agricultural sectors (wood and wood products, livestock, crops, fish); the labour market; and increasing aid efficiency.⁸⁵ The inception stage of the programme includes extensive data collection, market systems analysis, and the development of theories of change.⁸⁶ Current activities focus on efforts to work with businesses to provide financial support, risk mitigation to encourage investment, and extension of markets to refugee-hosting areas.

Although these programmes are at very different stages of implementation, they share a number of common experiences:

- Challenges identifying partners with adequate market systems experience and technical skills⁸⁷
- Combinations of partners that include development, private sector, and refugee protection expertise⁸⁸
- Identification of the need to undertake robust market systems analysis to inform programme design and implementation⁸⁹
- Experimentation with the application of developmental approaches to refugee settings⁹⁰
- The need for new financing models and tools to support private sector co-investment and de-risking
- A variety of implementation delays that underscore the need for flexibility and multi-year funding support

Ultimately, refugee-hosting regions face a range of pre-existing structural developmental challenges. The economic inclusion of refugees also cannot be addressed by programmes focused at the local level. Rather, the economic inclusion of refugees requires integration into wider regional and national development planning and investments,⁹¹ including simultaneous work at policy and legislative levels with the engagement of a range of ministries, targeted investment in infrastructure, and access to investment finance for businesses. For example, along with the creation of new employment opportunities, a comprehensive strategy for economic inclusion also requires attention to improving wages and conditions in the informal sector,⁹² and improved national social protections linked to employment contributions (such as pensions, health insurance, and sickness and maternity cover).⁹³



Refugee youth performance, Gambella. Credit: DRC

In principle, the PROSPECTS Partnership provides a centre of gravity for promoting greater harmonisation and coordination on efforts to strengthen the enabling environment for economic inclusion. PROSPECTS is a multi-partner consortium funded by the Dutch government that includes the International Labour Organization (ILO), UNHCR, UNICEF, World Bank, and the International Finance Corporation (IFC). PROSPECTS brings together the combined development, private sector investment, and protection and assistance experience of these five agencies, as well as their existing partnerships with government agencies. It focuses on the creation of decent work opportunities for displacement-affected communities, alongside training and education, and transformation of the enabling environment through the reform of policy, legislative, and regulatory frameworks.⁹⁴ For example, in 2019, the ILO undertook diagnostic labour market assessments to understand the logic of the sectors in which refugees are employed and the linkages of these sectors to international markets, and commissioned an assessment of social protection practices to inform the design of future activities.⁹⁵

In practice, PROSPECTS has faced delays and is expected to start in 2021, with just three years of its four-year implementation window remaining. The partners are still establishing ways of working, undertaking analytical work, and identifying areas for intervention. The programme is also waiting for approval from ARRA following a change in leadership at the agency, which has necessitated revisiting and discussing the justification and design with the new leadership.⁹⁶ Despite delays, PROSPECTS may provide a useful model for convening technical expertise that extends beyond traditional humanitarian actors in an integrated multi-partner multi-level approach to enabling economic inclusion for forcibly displaced people (both refugees and IDPs).

While PROSPECTS may bring greater coherence to international approaches to improving the enabling conditions for economic inclusion, it is still unclear how the economic inclusion of refugees fits within the strategic planning for economic development in the refugee-hosting regions.⁹⁷ In addition, with the exception of PROSPECTS, the economic inclusion of refugees and IDPs is addressed through separate approaches, coordination structures, and frameworks at the national and regional levels. In the interim, international programming proceeds on the basis of priorities and criteria identified by partners and donors. Stronger strategic direction and coordination at the regional level is needed to help manage the risk of incoherent approaches, inefficiency, and a loss of potential learning opportunities across programmes and partners.

It is also clear that developmental approaches to the economic inclusion of refugees operate on different time frames than those of traditional refugee response livelihoods programmes. They require far more detailed analysis of market conditions and value chains, stakeholder mapping, and partnership building. In addition to direct programming, they also entail sequencing of investments across a range of enabling conditions. Expectations among humanitarian donors and partners in the Ethiopia refugee response should be moderated to fit a far longer return on investment and to accommodate the need for a multi-level multi-stakeholder approach. This requires long-term funding commitments that enable analytical and design work and the formation of suitable partnerships. It also requires investments in evidence gathering, documentation, information sharing, and flexibility to adapt to new information and learning.

Developmental approaches to the economic inclusion of refugees operate on different time frames than those of traditional refugee response livelihoods programmes.

Inclusion of refugees in national service provision

Efforts to support the inclusion of refugees in national service provision are underway but face a number of political, practical, and resourcing challenges. Recent efforts to include refugees in the national education system and the national social protection programme are as follows.

In December 2017, the Government of Ethiopia signed the Intergovernmental Agency on Development (IGAD) Djibouti Declaration. This commits the government to integrate the education needs of refugees into national education systems by 2020, covering pre-primary, primary, secondary, and TVET.⁹⁸ Government CRRF and GRF pledges also support these goals of including refugees in the national education system.

The national education sector development programme and the Education Act still need to be revised to provide a detailed policy framework for the implementation of these commitments.⁹⁹ In contrast, there has been some progress at technical levels. The Ministry of Education, regional education bureaus, and ARRA are responsible for the implementation of these commitments in practice. There is already technical cooperation on a range of issues, including: joint school inspections and monitoring refugee schools; examinations for refugees; teacher training for ARRA staff; and integration of data on refugee schools and students into the national education management information system, with operational-level coordination and planning taking place at regional level in the context of donor-funded programmes.¹⁰⁰ Overall, however, coordination and planning take place on an ad hoc basis and are primarily motivated by donor-funded programmes.¹⁰¹

There are fundamental tensions and competition for control of resources between the education ministry and ARRA, which are barriers to progress on refugee inclusion. ARRA currently provides health and education services in camp settings, often with funding channelled via UNHCR. ARRA is therefore a major employer in the refugee education and health sectors. In principle, both ARRA and UNHCR would lose revenue and staff in a transition towards the inclusion of refugees in national systems. These are contentious areas that have flared up in programming and financing negotiations.¹⁰²

The government CRRF and GRF commitments make clear reference to increased education enrolment “within available resources”.¹⁰³ A lack of funding from donors is considered to act as a brake on further progress, however.¹⁰⁴ Yet in this instance, the willingness of donors to fund has not been the challenge. Rather, it is the availability of the right type of financing that has contributed to difficulties in agreeing a funding package for refugee inclusion in education in 2019. A World Bank programme to support inclusive education was developed in the lead up to the 2019 Global Refugee Forum, which included a package of ODA loans and grants from the World Bank, with supplementary grant funding from a range of bilateral donors (the UK, Netherlands, and Denmark), which would be used to buy down the loan component. In effect, this would make the whole package grant financed.¹⁰⁵

A number of technical difficulties prevented this arrangement. These include concerns from the Ethiopian government that presenting an agreement to parliament that included references to loans would prove difficult to approve, and concerns at the World Bank that the loan buy down would set a precedent that would undermine the bank financing model.



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



Students leave school, Sheddere refugee camp, Somali Regional State. Credit: Jiro Ose, UNHCR

A new financing package is now close to sign off. It uses grant financing under the IDA19 WHR in the amount of USD 80 million. The package uses a programme-for-results agreement that builds in disbursement indicators supporting the harmonisation of, for example, teacher salaries, qualifications, and school capitation grants.¹⁰⁶ It is worth noting, however, that while the new agreement supports greater harmonisation, the integration of the two separate ARRA and education ministry systems has not yet been resolved at the national policy level.¹⁰⁷

Donors have initiated efforts to include refugees in the urban safety net programme in Ethiopia. Building on conversations between the EU and UNHCR in the Somali Region, the EUTF initially developed a programme to trial the inclusion of refugees in the urban safety net programme in the Somali Region. The EUTF pilot was not taken forward, however, as the funds were diverted for the COVID-19 response. The World Bank has taken on this trial using an additional USD 50 million in funding through the IDA19 WHR as part of a USD 400 million COVID-19-related scale up of the existing World Bank Urban Safety Net and Jobs Project (USNJP) to new towns and cities and to new beneficiaries (including youth, the elderly, disabled, and homeless, as well as refugee and host community beneficiaries).¹⁰⁸ The project is scheduled to begin in 2021 and includes an evaluation of the refugee inclusion pilot.¹⁰⁹

At this early stage in the lifecycle of this programme, the appetite among government and potential donors to sustain and scale up Ethiopian safety nets to include refugees cannot be assessed. It is worth noting, however, that in the process of developing the project implementation, progress was made with respect to concerns and challenges from key government agencies, including the Job Creation Agency and ARRA.¹¹⁰

Efforts to support the inclusion of refugees in national service provision are underway but face a number of political, practical, and resourcing challenges.

CONCLUSION

In Ethiopia, substantial progress has been made at the legislative level to create an environment in which durable solutions for IDPs and the greater inclusion of refugees might be achievable. This is also the case at the policy level, although to a lesser extent.

International support has been critical for tipping the balance in favour of greater inclusion for refugees. A financing deal that provided substantial financing to support the broader Ethiopian industrialisation ambitions was clearly a key motivator to adopt the landmark Refugee Proclamation. ODA financing was also used strategically to create incentives to shift the legal environment towards potential displacement solutions. This would not have been possible to negotiate without substantial additional financing and political leadership from key development partners. The direct programmatic benefits of this investment for refugees are open to debate, however. Progress in implementation of the Refugee Proclamation has also proved challenging and requires continued technical support and advocacy. Nonetheless, the indirect benefits of this deal in opening up opportunities for the inclusion and integration of refugees are potentially substantial and long lasting.

In contrast, a lack of funding to support durable solutions programming for IDPs is considered a major barrier to progress. The DSI has advocated for programming and funding to demonstrate proof of concept for durable solutions. The only clearly identifiable programme targeting durable solutions – a joint UN durable solutions programme – has yet to attract sufficient funding to start programming. So far, the durable solutions plan developed for the Somali Region has also failed to attract donor support. The RCO has recently drafted Terms of Reference for a multi-donor fund that is envisaged as a means to target funding to activities that are prioritised in regional durable solutions plans. Given the many competing demands for ODA funding in Ethiopia (including crisis response, support to the refugee response and the CRRF, and government ambitions for the development agenda), earmarking dedicated funding for durable solutions will likely be critical to advance the durable solutions agenda from policy to programme implementation.

Ultimately, refugee and IDP hosting regions face a range of pre-existing structural developmental challenges. Displacement solutions cannot progress at scale without addressing these. Rather, displacement solutions require integration of the needs of displacement-affected communities into wider regional and national development planning and investments. This is a long-term challenge that requires sustained engagement and support at multiple levels. It also necessitates acceptance that displacement is a politically challenging area subject to uneven progress and setbacks. Nonetheless, there are often opportunities to advance inclusion and durable solutions through technical sectors, programmes, and sub-national and area-based approaches, which can often more readily navigate domestic political sensitivities. International actors can play an important role in these pockets of opportunity, creating packages of technical and financial support.

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LESSONS & AREAS FOR CONSIDERATION

Creating an enabling environment for solutions to displacement

- Strong political leadership, backed up with financing, has played a critical role in transforming the enabling environment for greater refugee inclusion in Ethiopia.
- Staying the course to support the practical implementation of these commitments has proven more challenging and requires long-term political engagement, technical support, and financing.
- Targeted technical support from international actors has also played a significant role in advancing the legal and policy environment for durable solutions for IDPs.
- Additional financing for IDP and refugee inclusion should be provided as grant funding – not as concessional lending – in order to provide the Government of Ethiopia at all levels with incentives to take on the risk of a potential long-term financial liability.

Coherent approaches

- The current aid landscape comprises relatively separate and disconnected humanitarian and development aid (and refugee and IDP) coordination systems, financing, and implementing partners, which does not support coordinated or coherent approaches across the humanitarian–development nexus.
- There is an established history and practice of channelling ODA funds through government treasury systems as budget support in Ethiopia, which provides scope for both supporting government-led solutions to displacement and designing technical support and conditions into financing agreements that support and incentivise solutions to displacement.
- Scope for greater linkages between IDP durable solutions and refugee integration programmes at regional levels could be explored, including opportunities for context specific integrated area-based approaches that address the needs of refugees, IDPs, recent returnees, and host populations.
- There may be opportunities to increase the engagement of development partners in supporting displacement solutions through mainstreaming displacement solutions approaches across programme cycle management tools, particularly in poverty and vulnerability assessments, programme risk assessments, and monitoring tools.

Multi-level progress

- Top-down or broad national-level approaches have not allowed for context specific interventions, which are critical in complex displacement environments, such as those found across Ethiopia. As a result, these approaches have also struggled to learn from and address the diverse needs of displacement-affected communities.
- While progress has stalled at the national level, there are opportunities for greater integration in national programmes and sectors, as well as at the regional level.
- Durable solutions for IDPs are unlikely to proceed without additional funding from international actors and meaningful commitment from Ethiopian government authorities at all levels. There are already options on the table that donors can immediately support, including an area-based multi-sectoral programme and a proposed multi-partner fund. This funding should be considered catalytic and targeted towards activities that will support government ability and appetite for taking on long-term responsibilities for durable solutions.
- In the case of national programmes and sectors, technical support and financing packages are needed, which could also incorporate specific conditions to ensure inclusion and quality are built into the terms of these packages.

Tactical investments in efficiency, learning, and accountability

- There is a fundamental gap in the evidence base necessary to define the parameters of durable solutions in Ethiopia. Without clarity around the numbers, locations, and profiles of displaced people, it is impossible to assess the overall scope and scale of the problem, or to prioritise and target resources effectively into programming. Without a baseline and monitoring of changes against this, it is also impossible to measure progress in achieving durable solutions. A country-wide assessment and profiling of internal displacement would help inform more efficient targeting and sequencing of investments. It also would provide greater clarity as to where the specific needs of displaced people fall across the remits and competencies of humanitarian, development, and peacebuilding actors.



Local market area, Kebrebeayah town.
Credit: ReDSS

ENDNOTES

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



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