

ReDSS

Unlocking Protracted Displacement



# FINANCING FOR SOLUTIONS TO DISPLACEMENT

ETHIOPIA COUNTRY STUDY

EXECUTIVE SUMMARY

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## 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

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

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.

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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.

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Tailor at work, Kebrebeayah 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.

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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.



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?”

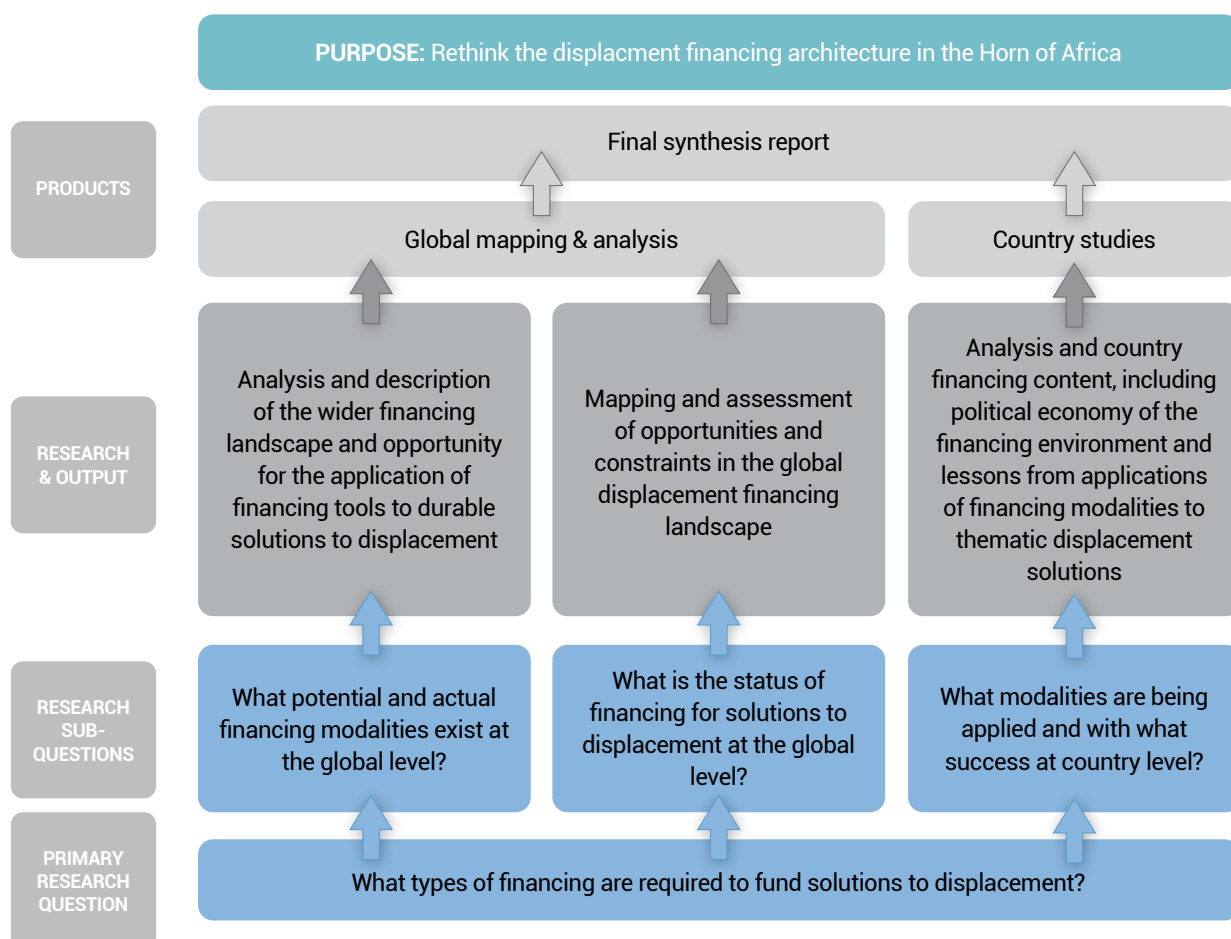
### AIM OF THE STUDY

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



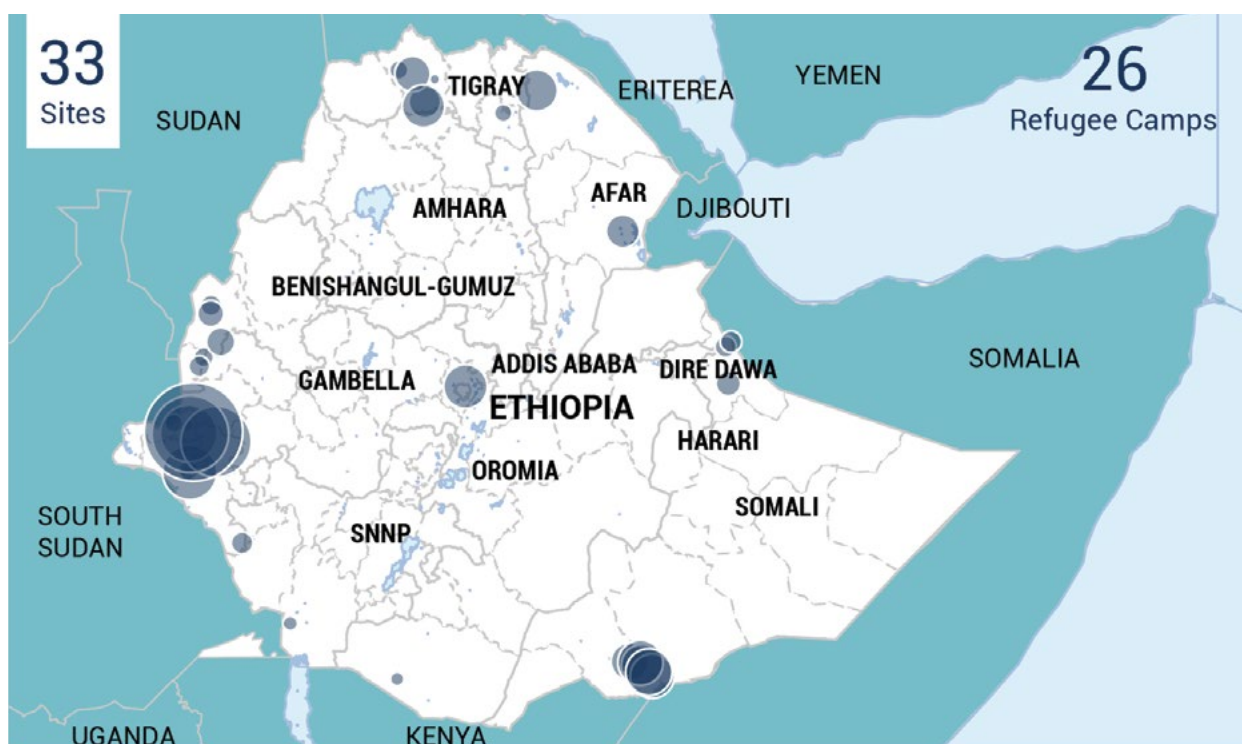
## DISPLACEMENT CONTEXT

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.<sup>1</sup> 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).<sup>2</sup> 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.<sup>3</sup>

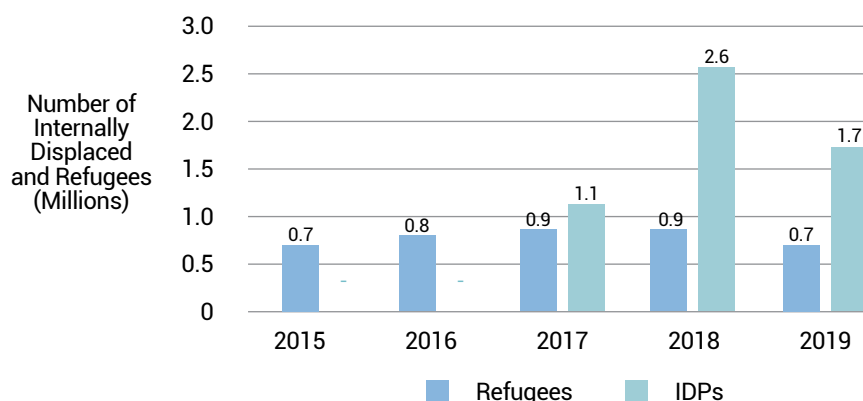
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### DISTRIBUTION OF REFUGEES ACROSS GEOGRAPHIC REGIONS OF ETHIOPIA (2020)

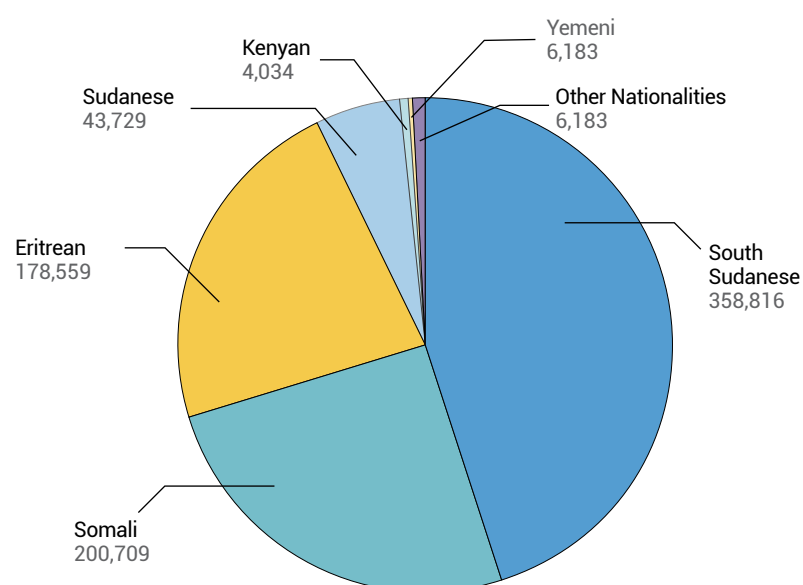


Source: UNHCR Ethiopia Humanitarian Population Profile, end of September 2020.



**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).<sup>4</sup> 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.<sup>5</sup> 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.<sup>6</sup> The majority of those who remained displaced in 2020, however, indicate that their preferred durable solution is local integration.<sup>7</sup>

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.<sup>8</sup> 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



## 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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Children playing, Kabrebeyah.  
Credit: RedSS





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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