

FINANCING FOR PROTRACTED DISPLACEMENT

*IN THE SYRIAN REFUGEE CONTEXT IN
KURDISTAN REGION OF IRAQ (KRI)*

JANUARY 2022





The Durable Solutions Platform (DSP) was created in 2016 to support evidence-based stakeholder engagement on durable solutions for displaced Syrians in the region. DSP is a joint initiative of the Danish Refugee Council (DRC), the International Rescue Committee (IRC), the Norwegian Refugee Council (NRC), Oxfam, Action Against Hunger (ACF) and Save the Children. DSP works to generate knowledge and learning, inform policy and programme processes and enhance capacities on supporting pathways towards durable solutions for displaced Syrians in the region. About DSP: <https://www.dsp-syria.org/>



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This document has been produced with the financial assistance of the European Regional Development and Protection Programme (RDPP II) for Lebanon, Jordan and Iraq, which is supported by the Czech Republic, Denmark, the European Union, Ireland and Switzerland. The contents of this document are the sole responsibility of the Durable Solutions Platform and can under no circumstances be regarded as reflecting the position of the RDPP or its donors.

ACKNOWLEDGEMENTS

This report was authored by Sali Hafez, independent consultant and Charlotte MacDiarmid at Development Initiatives (DI), with contributions from Fran Girling, DI, and Lydia Poole, independent consultant.

The authors would like to thank the wide range of stakeholders who contributed qualitative input through key informant interviews and external reviews, with a special thanks to Elysia Buchanan, Danish Refugee Council (DRC); Virginia Leape, Oxfam; Saudia Anwer, United Nations Development Programme (UNDP); and Ruben Nijs and Silvia Terren, United Nations Refugee Agency (UNHCR). In addition, the authors would like to thank Lana Stade at DSP for her guidance and assistance during the research and for her editorial input to the drafting of the reports.

The project was managed by Lina Salameh. Data analysis was done by Niklas Rieger, with additional research carried out by Olivia Wheatley-Hince. Angus Urquhart and Lydia Poole provided editorial guidance.

SUGGESTED CITATION

Durable Solutions Platform and Development Initiatives. 2021. Financing for protracted displacement in the Syrian refugee context in Kurdistan Region of Iraq (KRI).



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1. INTRODUCTION

This brief critically examines the displacement financing architecture for Syrian refugees and Iraqi Internally Displaced Population (IDPs) in the Kurdistan Region of Iraq (KRI), as part of a larger study titled “Financing for Protracted Displacement in the Syrian Refugee Context”, conducted by the Durable Solutions Platform and Development Initiatives (DI). It is published alongside two other case study reports focused on Lebanon and Jordan, and a synthesis report.

RESEARCH AIMS AND METHODOLOGY

This brief aims to highlight key trends and challenges in financing for displacement solutions in KRI for Syrian refugees, and to a lesser extent Iraqi Internally Displaced People (IDPs). The brief sheds light on the key gaps and opportunities for supporting pathways to solutions through the existing financial modalities and instruments for humanitarian and development assistance related to displacement in KRI (related to IDPs and refugees).

For Syrian refugees in KRI, durable solutions are not in reach for the vast majority; therefore, supporting pathways to durable solutions is understood to mean strengthening future prospects for durable solutions and supporting refugees’ socio-economic inclusion or self-reliance in order for them to take informed and voluntary decisions if and when solutions become available. For IDPs in KRI, the situation is different (as outlined in the brief) and ‘durable solutions’ is the commonly used term for the objective of international actors and the Government of Iraq (GoI) supporting IDPs. It is therefore the term used in this brief in reference to IDPs, and is understood to mean ‘return, local integration, or settlement elsewhere in Iraq’.¹

The report defines medium term outcomes as changes expected to be achieved in a timeframe of 3-5 years, and longer term outcomes as changes expected to be achieved within 5-10 years. Within the scope of this document, funding is understood as a one-way transfer of resources, such as a grant, for a specific time-bound project, programme or function. Financing, in contrast, is not necessarily a one-directional flow of resources, and covers a much broader range of tools and instruments, including loans, bonds, guarantees, and insurance. However, in popular usage, financing is also used as an umbrella term to include both funding and financing, such as when referring to packages of financing, or Integrated National Financing Frameworks (INFFs).

The research team developed the findings of this brief by triangulating a literature and document review with findings from key informant interviews (KII) and quantitative data on financial flows. The documents reviewed included diverse literature on humanitarian needs and response plans of Syrian refugees and Iraqi IDPs, financing instruments and modalities, and key bilateral donor policies, and modalities. The research team collected qualitative data through conducting 7 KIIs. KIIs were purposively sampled, and included representatives from the Kurdistan Regional Government (KRG), UN agencies and bilateral donors. Findings were validated with key in-country experts and stakeholders in a validation workshop.

Analysis of quantitative data on financial flows was conducted where possible. Publicly available data on humanitarian and development Official Development Assistance (ODA) is primarily available for Iraq only at the national level and is not disaggregated at the subnational level. As such, analysis provides an indicative view of funding trends to Iraq as a whole which limits the understanding of funding trends specifically to KRI. Within the scope and time available for this study it was not possible to independently collect KRI specific financing data.

DISPLACEMENT CONTEXT

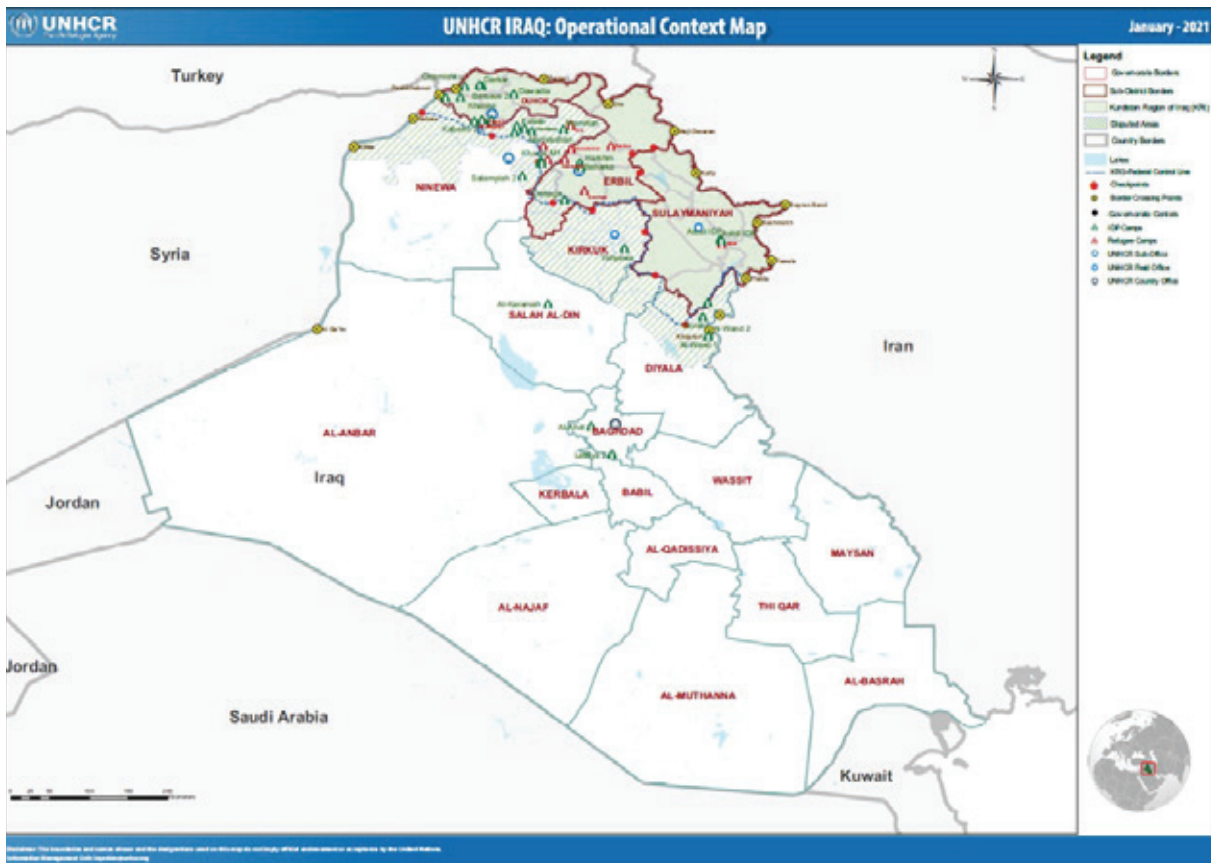
The effects of forced displacement are a fact of life for millions of Iraqis and refugees from neighbouring countries, fleeing or having fled continued conflict and insecurity as well as high levels of violence both within Iraq and the wider region. As of April 2021, United Nations High Commissioner for Refugees (UNHCR) identified a total displaced population of concern in Iraq of 6.4 million. This included 1.2 million IDPs, 4.9 million returnees, 245,953 Syrian refugees, 41,402 refugees from other countries and 47,000 stateless persons.² The three governorates of KRI host just under

a million forcibly displaced people; mainly Syrian refugees and Iraqi IDPs. On average, these IDPs have been displaced for seven years. The number of Syrian refugees in KRI has remained stable since 2013 when the outbreak of civil war in Syria caused the initial largest arrival of refugees, with a small number of new arrivals at the beginning of 2020.

The displacement of Syrians into Iraq started with a surge in violence in Syria during 2013, particularly in zones inhabited by Kurds. This led to the displacement of 250,000 Syrians across the border to the KRI. Today, KRI hosts 242,163 Syrian refugees, the majority of whom are of Kurdish ethnicity. Almost 98% of all the Syrian refugees in Iraq reside in KRI. 61% live in urban settings and around 39% live in camps.³

Parallel to the cross-border displacement from Syria, an on-going conflict in Iraq's Anbar and Ninewa provinces erupted in early 2014 causing the arrival of 180,000 Iraqis in KRI. This was aggravated by the capture of Mosul, Iraq's second largest city, in June 2014 by ISIL which increased the number of IDPs up to 500,000. Now, the areas of origin of displaced populations and the affected areas extend beyond Ninewa and Anbar.

Figure 1. Operational context map of refugees and internal displacement in Iraq- UNHCR (June 2021)



Source: UNHCR factsheet for Iraq, June 2021

Although the number of IDPs hosted in KRI declined in 2020, KRI still hosts 700,000 IDPs in its three governorates (Duhok, Erbil and Al-Sulaymaniyah). The majority live in out-of-camps settings, with the largest number in Erbil, followed by Duhok. Duhok hosts the majority of IDPs living in formal camps (180,000) and informal settlements (16,600). Most of the IDPs who started returning to their areas of origin were camp residents.⁴

2. POLICY ENVIRONMENT

The prospects of moving towards medium and longer term outcomes differ for Syrian refugees and Iraqi IDPs. There are significant policy discussions on transitioning towards more durable medium and longer term approaches and integrating displaced populations into the wider development agenda. However, these discussions are focused on internal displacement and in particular returnees, of which the latter are the primary policy concern for the Government of Iraq (GoI), rather than on Syrian refugees. Despite the strong policy interest in fostering return among IDPs, key issues such as civic documentation, compensation and community reconciliation remain key barriers.

The protection and policy environment remain largely favourable in KRI for Syrian refugees – evident in the attitudes and acceptance of the host community and in policies of the KRG - when compared to the situation of Syrians in the neighbouring hosting countries. The ethnic and language proximity among the Syrian refugees and their host communities enables good social cohesion and local integration in KRI. Almost all Syrian refugees have temporary residence permits in KRI,⁵ which bestows on them considerable rights and access to basic services (the right to work, access to finance, education, health services, etc).⁶

While there are opportunities to pursue **medium and longer term approaches for Syrian refugees in KRI, prospects for durable solutions are limited.** The access of Syrian refugees to legal residency status, work permits and basic services has strengthened their self-reliance and local integration with the host community in KRI. However, at the federal level, the protection environment for refugees is much less favourable. The absence of a **legal framework for refugees at the federal level remains an obstacle for longer-term solutions for Syrian refugees.**

The outlook for voluntary return for the Syrian refugees remains unlikely, and unchanged from previous years. The intention to return surveys highlight that the vast majority of Syrian refugees in KRI intend to stay in the near future.⁷ Despite the large number of refugees hosted in the country, the Law No. 51 of 1971 on political asylum does not include provisions for humanitarian asylum for refugees.⁸ The Iraqi federal government identifies Syrian refugees - who are not registered with the permanent committee of the Ministry of Interior at federal level - as illegal aliens.⁹ This restricts their long-term prospects, such as business ownership, citizenship and access to the federal banking system. To access public financial services, refugees require documents that can be obtained only if fulfilling certain requirements, such as official legalized status with the Iraqi federal authorities.¹⁰

Both the GoI and international aid actors have largely separated the responses for Syrian refugees and for IDPs and returnees, with associated impacts on programming and funding. Given the far greater numbers of IDPs and returnees, political interest and policy discussions on displacement at the federal level in Iraq are **focused on internal displacement and Iraqi returnees rather than on Syrian refugees.** The areas of return for former Iraqi refugees and for IDPs are outside of KRI and so there is limited intersection between programming for internal displacement and refugee responses. As a consequence, the situation of the Syrian refugees has not been consistently or systematically included in wider policy discussions on displacement. The GoI is seeking to accelerate durable solutions for IDPs and returnees by prioritising the return of displaced IDPs to their areas of origin and closure of IDP camps. However, the conditions for return among IDPs remain challenging because of the need for reconstruction, insecurity, safety concerns, challenges with multiple authorities, revival of ISIS in some areas, interrupted services, and limited livelihood opportunities. Moving towards durable solutions should take into consideration the current humanitarian needs. The 2021 Humanitarian Response Plan (HRP) estimates that 3.1 million returnees in Iraq remain in need of humanitarian assistance, and two thirds of them need acute humanitarian assistance.

In 2019, the GoI initiated an **IDP camp closure plan** in order to accelerate returns. This plan was initially put on hold in 2020 because of the COVID-19 pandemic but was subsequently fast-tracked towards the end of 2020 resulting in the closure of at least 16 camps in federal Iraq.¹¹ One third of closed camp residents did not return to their areas of origin and faced a secondary displacement. Most of the secondary displaced IDPs would move to informal settlements, with limited services, and access to livelihoods.

In practice, **KRI policy towards IDP camp closure differs.** KRG have stated that the camps will remain open, requiring dedicated interventions for 2022.¹² To date, out of the 29 IDP camps in Iraq,

25 are in KRI. It is therefore likely that the KRI camps will remain open for the foreseeable future, requiring humanitarian assistance for 2022 and beyond.¹³

Moving forwards, durable solutions are slowly being integrated into key policies, however, these continue to focus on IDPs, returnees and their host communities, and do not include refugee populations. In April 2021, the Gol published its **National Plan to End Displacement**, putting protracted internal displacement in Iraq as one of the priorities of the current government, acknowledging that camp closures are a major objective, so long as the appropriate conditions are created for the return of IDPs to their areas of origin.¹⁴ The Gol has centered its returns policy on economic and infrastructure conditions, a key component of which is the recent white paper for **economic reforms**. The white paper aims to address longstanding economic challenges, stabilise the economy, create sustainable employment and invest in basic infrastructure, among others.¹⁵ However, this high-level vision is not yet accompanied by a clear roadmap and financing to deliver it. Additionally, the forthcoming **United Nations Sustainable Development Cooperation Framework (UNSDCF)** with the Gol will include a fifth pillar to address durable solutions. This stand-alone durable solutions pillar was not welcomed by all stakeholders, with some key ODA donors advocating to mainstream durable solutions throughout the framework. Questions have also been raised about the inclusion of Syrian refugees in the UNSDCF and how NGOs will access funding under the framework.

There is an increasing space for discussions on durable solutions in Iraq through a new coordination mechanism designed to bring together actors working on humanitarian, development, stabilisation, and peace-building activities. Led by the UN, it is composed of a strategic-level platform - the Durable Solutions Taskforce (DSTF), co-led by United Nations Development Programme (UNDP) and International Organization for Migration (IOM) – and a technical level platform - the Durable Solutions Technical Working Group (DSTWG), co-led by UNDP, IOM and Norwegian Refugee Council (NRC) – which meet at national level. Operational coordination takes place through Area-Based Coordination (ABC) groups, primarily located in areas of return for IDPs. There are currently no ABC groups in KRI. The DSTWG has developed an operational and strategic framework¹⁶ to support the government in implementing its national plan to address protracted displacement, although once again it remains focused on IDPs and returnees. The durable solutions coordination architecture is still fairly new and it is not yet clear whether it will lead to new funding and programming for durable solutions, or will simply bring together existing programming under a new reporting framework.

3. FINANCING LANDSCAPE

The economic situation in Iraq, and by extension within KRI, is challenging and as a consequence restricts the ability of the Gol to allocate domestic resources towards medium and longer term solutions for displacement. Oil price volatility and COVID-19 have amplified Iraq's economic challenges, reversing two years of steady recovery.¹⁷

Iraqi GDP suffered a severe contraction in 2020, due to COVID-19-related shocks, but is forecast to make a gradual recovery in 2021.¹⁸ The Iraqi government revenues fell by 47.5% in the first 8 months of 2020 while expenditures remained high. The domestic revenue (oil and non-oil revenues) fell from 33.5% of GDP in 2017, to 27% in 2020 as global oil prices dramatically decreased.¹⁹ The future domestic economic outlook suggests a slight recovery with GDP expected to grow by 1.9% in 2021 and 6.3% on average over the following two years, but dependent on the evolution of the pandemic, global oil markets and the implementation of economic reforms.²⁰

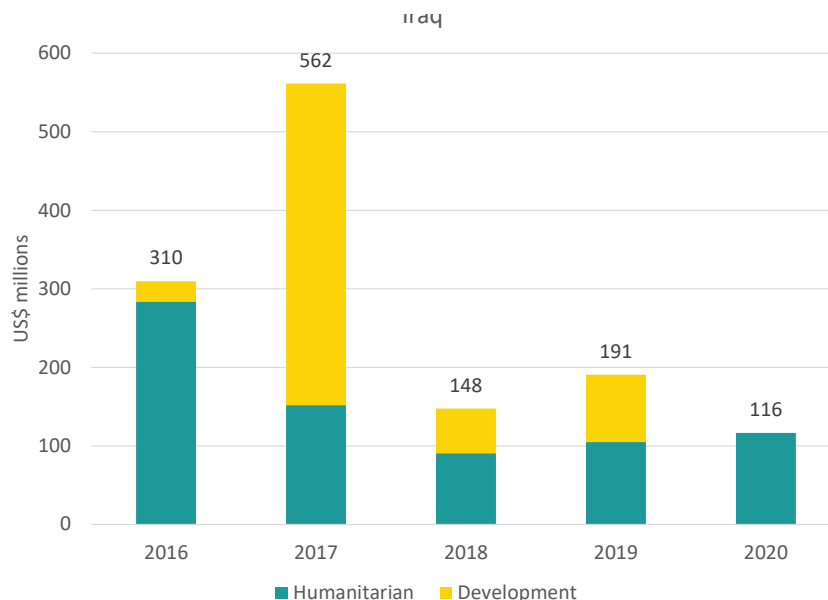
KRG is heavily dependent on the federal government in Baghdad for budgetary allocations with limited revenues mobilised locally - local taxation in KRI represented just 5% of revenues in 2018.²¹ The decreased national revenue along with increased political sensitivity influences the annual domestic budget allocations to Kurdistan. Following the 2017 independence referendum, which increased tensions with the federal government, the federal government reduced the KRG's share of the national budget from 17% to 12%.²² Interviewees reported that, as a result, **the scope for the KRG to use its domestic resources to address forced displacement for both IDPs and refugees is even more limited, and it remains reliant on international financing**, particularly for camp management for both refugees and IDPs. This leaves the KRG with limited ability to forecast their

future budgetary allocations and consequently to support pathways to durable solutions for refugees and IDPs. Against this economic backdrop, Syrian refugees, IDPs and the host community in KRI face similar poverty levels, with poverty increasing due to COVID-19, compounding already existing vulnerabilities.²³

Despite discussions at national level on moving towards planning for medium and longer term outcomes for the displaced population, particularly IDPs and returnees, it appears that short-term humanitarian funding remains important to support displaced populations. Identifying the trends in international development and humanitarian assistance specifically for KRI is challenging in the absence of data disaggregated at the regional (sub-national) level. Within the scope of this study and given the limitations in data availability, analysis focuses on overall national funding trends to Iraq to give a partial, indicative picture of funding to KRI, which shows a large proportion of ODA coming from humanitarian sources.

Total ODA to Iraq rose significantly between 2014 and 2017, doubling to more than US\$3 billion, but has since declined to just over US\$2 billion in 2019. During the same period more of this ODA was provided as humanitarian assistance. The proportion of total ODA provided as humanitarian assistance rose sharply in 2014 to 41%, and has remained at a consistently high level between 41.5% and 56% since then.²⁴

Figure 2. Humanitarian and development international assistance supporting Syrian refugees or refugee-hosting areas in Iraq, 2016-2020



Sources: Development Initiatives based on UN OCHA's Financial Tracking Service (FTS) and OECD DAC Creditor Reporting System (CRS).²⁵

As illustrated in Figure 2, according to DI's analysis, humanitarian funding represents the majority of international assistance specifically targeted to the refugee response and refugee hosting areas, with the exception of 2017 which saw a large spike in developmental ODA.

Most ODA in Iraq is mobilised and coordinated through the federal government. While key bilateral donors have good relations with KRG, **direct budget support to the KRG government and ministries is limited** and where provided has been mainly for camp coordination and camp management. The general budget support to the KRG contributed by UAE in 2017 was an exception, with large bilateral donors (Germany, the United States and the United Kingdom) preferring to channel ODA grant funding through their donor affiliated technical organisations (e.g. GIZ), UN agencies, and INGOs. This approach limits the investment in KRI institutions and local systems and reduces ownership of support to and engagement with displaced populations from KRI authorities. Overall **international financing for displacement in KRI is majorly supply driven** and linked to donors' strategic priorities, and approach.²⁶ International financing to Iraq depends on the appetite of the federal government for reform.²⁷

The outlook suggests that humanitarian funding to Iraq generally, and consequently in KRI, will decrease. Key bilateral donors have decreased their humanitarian allocations to Iraq since 2016, with reductions from the US, UK and Japan. This fall in humanitarian assistance does not appear to be accompanied by a corresponding increase in development financing available for Iraq, as total ODA to Iraq has reduced since 2017.²⁸ That is partly due to the difficulty of long-term development in this context with multiple levels of fragility and crisis. Additionally, a key financing instrument – the EU Madad Trust Fund - is coming to an end after its last allocations in 2021, with future EU support for displacement integrated into the EU's overall bilateral development cooperation portfolio. Where donor support aligns more broadly with wider Gol development priorities rather than having a specific focus on refugee populations or on KRI, it is likely that **future financing and resource allocations may focus further on areas of return in federal Iraq and less financing for either immediate or longer term outcomes for refugees in KRI.**

Coordination of donor assistance is crucial to ensure that financing is directed equitably to all displaced populations and in all regions of Iraq. In general, **development donor coordination and mechanisms are less structured in Iraq than the humanitarian coordination mechanisms.** Development coordination mechanisms in Iraq are affiliated to bilateral development agreements and line ministries that do not necessarily coordinate with each other. In this regard, cross-sectoral and cross-ministerial coordination in development cooperation remains underdeveloped. Humanitarian coordination among humanitarian donors, national authorities, international organisations and local actors is more developed. In KRI, UNHCR facilitates strong humanitarian coordination between NGOs, local authorities and UN agencies for the Syrian refugee response. These coordination efforts are complemented by efforts from UN OCHA who leads the IDPs and returnee response. However, stronger coordination is observed among international actors, UN agencies and INGOs, than it is between international actors and their local counterparts in national authorities and local organisations.

Multiple strategies exist to coordinate assistance and, to a lesser extent, mobilise resources for displaced populations. For the refugee response, the 3RP-Iraq acts as a key planning, resource mobilisation and coordination mechanism for short and medium term approaches for the Syrian refugees. The Iraq HRP meanwhile serves as the key planning and resource mobilisation tool to meet the needs of Iraqi IDPs and other vulnerable groups and is coordinated in Baghdad, but is likely in its last year. The Durable Solutions Taskforce and accompanying coordination architecture has been set-up to lead on planning for the IDP and returnee response. Meanwhile, the fifth pillar of the UNSDCF focused on durable solutions serves a coordination, planning and resource mobilisation function. In KRG, the Joint Crises Centre (JCC) and the Ministry of Planning and International Cooperation (MOPIC) are the key ministries for coordinating responses for the Syrian refugees and Iraqi IDPs, more in project implementation than early planning stages.

4. FINANCING FOR PATHWAYS TO MEDIUM AND LONGER TERM SOLUTIONS

There appear to be two schools of thought in Iraq about how to approach solutions to forced displacement. The GoI has chosen to **closely link durable solutions to the development agenda**, as evidenced by efforts to integrate durable solutions for IDPs and returnees in key development national policies. The United Nations followed the same approach and has conceptualised durable solutions as a standalone pillar within its new cooperation framework, along with a new coordination mechanism to support this. On the other hand, some key actors and donors advocate for mainstreaming durable solutions in key policies to avoid putting durable solutions as a separate or siloed area of work that may not strengthen the existing systems and local capacities in an optimal manner.

With the shift towards a more developmental approach to displacement, concerns have been raised that it may come at the expense of humanitarian and protection interventions resulting in funding gaps for these needs. Interviewees highlighted the need for a well-financed transition period, in which both humanitarian and development funding streams are deployed in a complementary way.

An important funding instrument for displacement-affected communities in KRI is the EU Regional Trust Fund in Response to the Syrian crisis “Madad Fund” (EU Madad Trust Fund) that is coordinated as a regional financing instrument. The tool has funded key medium and longer term approaches such as the Cash and Livelihoods Consortium for Iraq (CLCI, formerly CCI) and Qudra Program, which are outlined in Table 1.

Table 1. Examples of ODA programmes supporting medium to longer term outcomes for displacement-affected communities

<p>Cash and Livelihoods Consortium for Iraq²⁹</p>	<p>The Cash and Livelihoods Consortium for Iraq (CLCI, formerly CCI) was launched in March 2015, by the Danish Refugee Council (DRC), the International Rescue Committee (IRC), the Norwegian Refugee Council (NRC), Oxfam and Mercy Corps. At its inception, the aim of the consortium was the formation of a formal cash coordination mechanism with a harmonised approach, a cost sharing strategy, a centralised data management system and strong geographic coverage across Iraq.³⁰ The consortium has evolved to implement harmonised cash and livelihoods assistance at scale to meet basic needs and support self-reliance of vulnerable populations.</p> <p>The consortium was formed with funding from the European Civil Protections and Humanitarian Aid Operations (ECHO), and has since become a multi-donor, multi-program partnership that has implemented USD 160 million since its formation in 2015, including funds from the EUTF Madad and a range of other donors</p>
<p>PROSPECTS³¹</p>	<p>The Partnership for improving prospects for forcibly displaced persons and host communities (PROSPECTS) is funded by the Netherlands, and brings together five international organizations - International Finance Corporation (IFC), International Labour Organisation (ILO), UNHCR, UNICEF, and the World Bank - to develop a new paradigm in responding to the short and medium term needs of refugees in Dohuk governorate (KRI) and of IDPs and host communities in Ninewa governorate.</p> <p>The partnership looks beyond short-term interventions, aiming to bring together humanitarian, development and peace approaches in programming towards a more medium-term vision. It prioritises employment and decent work initiatives as key to promoting positive socio-economic outcomes and recovery.</p>

Qudra - Resilience for refugees, IDPs, returnees and host communities in response to the protracted Syrian and Iraqi crises³²

Qudra 2 (2019- 2022) is a regional action co-financed by the EU Madad Fund, the German Federal Ministry for Economic Cooperation and Development (BMZ) and Spanish Agency for International Development Cooperation (AECID) seeking to strengthen resilience for Syrian refugees, IDPs, returnees and host communities in response to the protracted Syrian and Iraqi crises. The elsewhere programme overall budget is 65,500,000 EUR for all the program countries.

In Iraq, the program focuses on promoting protection measures for children and vulnerable adults, enhancing access to services for refugees, IDPs, returnees and their host community, and access to employment opportunities for the target groups and generating income opportunities for the most vulnerable. The program enables the provision of grants for participatory community support projects and strengthening capacities of governmental institutions & civil society actors, along with fostering dialogue for exchange and innovation.³³

Financing for displacement solutions in KRI is different for Syrian refugees and Iraqi IDPs.

Although key bilateral donors include both Syrian refugees and Iraqi IDPs in their programs, differences in the financing approach towards longer term solutions, instruments, decision making and stakeholders exist. These differences limit the scope for coordinated or coherent approaches across the humanitarian–development nexus.

For the Syrian refugees in KRI, interactions with donors and donor decision-making on funding to the refugee response in KRI mostly takes place at regional level, with key decisions being made in Amman, Cairo or Beirut, and coordinated through the regional response plan 3RP. The KRI-based JCC and MOPIC are engaged rather than the federal Government of Iraq. However, when looking at the medium term outlook, the federal government regulations and policies are a major determinant of prospects for medium-term outcomes.

Financing for medium-term approaches for the Syrian refugees has often been provided through regional funding instruments, like the EU Madad Trust Fund, or global instruments, like Germany's Transitional Development Assistance. This approach has ensured that funds are allocated for Syrian refugees and they are not left behind. Particularly when the federal Iraq policy is more focused on addressing solutions for IDP and returnees, their needs can be overlooked.

With the evolution of the crisis a number of financing instruments have adapted their approach, broadening their scope and geographic coverage. This is evident in the expanded geographic focus of work, from KRI to also include areas of return in federal Iraq, and in the populations targeted, broadening from a focus on refugees to also include other displaced populations and host communities. After the liberation of many ISIS-held areas in 2017, Germany's Transitional Development Assistance took a greater focus on newly-liberated areas, developing longer-term programming and on supporting durable solutions for IDPs. Its programmes in KRI are now coming to an end. However, Germany's Special Initiative on Displacement continues to address the needs of Syrian refugees in KRI. The EU Madad Trust Fund provides another example of a funding instrument that expanded its mandate beyond assistance to Syrian refugees to encompass IDP and returnee populations since 2016.

While ensuring that the needs of all displaced populations are addressed, **with most funding streams directed towards IDPs and returnees in geographic areas where Syrian refugees are not present, there is a risk that the needs of Syrian refugees may be overlooked.** Among Iraqi IDPs and returnees, the federal Gol is seeking to move more swiftly towards returns than the KRG as is evident from the Gol focus on camp closures and its National Plan to End Internal Displacement. Given the direct funding KRG receives for camp coordination and management, it stands to lose a steady revenue source under the policy of camp closure. Increasingly, donors and financing instruments are focusing on recovery and development needs in the south of the country, despite the persistent humanitarian needs of considerable numbers of IDPs and returnees.

Funding instruments focused on internal displacement (such as the Iraqi Humanitarian Fund, UNDP Funding Facility for Stabilisation and the Iraq Reform, Recovery and Reconstruction Fund) are more

diverse, with larger financial allocations, and stronger approaches towards nexus/development, than the funding instruments and allocations for Syrian refugees. In principle, most of these funding instruments target both IDPs and refugees, though in practice Syrian refugees benefit only from blanket targeting if they reside in the same geographic area as IDPs and returnees.

Table 2. Key financing instruments in KRI and Iraq

<p>EU Madad Trust Fund³⁴</p>	<p>The EU Regional Trust Fund was established in December 2014, in Response to the Syrian Crisis. The instrument is designed to provide flexible funding of 2.2 billion euros to address the needs of the Syrian refugees in Jordan, Lebanon and Iraq, along with their host communities.</p> <p>The instrument aims to foster more self-reliance of refugees, helping them thrive, not just survive, by bridging the funding gap and humanitarian-development nexus. The instrument also supports the resilience of the host communities, and national system strengthening.</p> <p>Iraq has the least country allocations in the region. Only 7% of the fund allocations are in Iraq, sporting 25 projects in KRI and federal Iraq, benefiting both Syrians and Iraqis.</p>
<p>Iraq humanitarian fund³⁵</p>	<p>In 2015, UN OCHA established the Iraq Humanitarian Fund (IHF) to facilitate timely, flexible resource mobilization for the most critical humanitarian needs, guided by the HRP. In 2020, IHF allocated \$32.1 million to support 41 projects of 34 direct recipient partners, largely through multi-NGO consortia. The IHF financed projects that contributed to the rapidly scaled-up COVID19 prevention and response in Iraq, mainly in out-of-camp and other underserved locations.</p>
<p>UNDP Funding Facility for Stabilisation (FFS)³⁶</p>	<p>In 2015, UNDP Iraq established the Funding Facility for Stabilization (FFS) with a total budget of 1.4 billion USD. The facility duration is from 2015-2023. The facility aims to carry out stabilization activities in areas affected by the ISIL conflict, majorly in Anbar, Diyala, Kirkuk, Ninewa and Salah Al Din. The facility supports nine major sectors – electricity, health, water, education, sewerage, livelihoods, municipalities, roads and bridges, and social cohesion.</p> <p>Despite its focus on IDPs, the FFS supported the JCC in KRI in key infrastructure activities in areas hosting both IDPs and Syrian refugees.</p>
<p>Iraq Reform, Recovery and Reconstruction Fund (I3RF)³⁷</p>	<p>The fund was established in 2018, as a multi-donor trust fund administered by the World Bank in Iraq. The fund is designed for total financing of USD 100 to 200 million in grant and loan funding. The fund aims at providing reconstruction and recovery of ISIL held areas, reform and coordination. It therefore does not focus on Syrian refugees or refugee hosting areas, concentrating on longer term approaches in areas of return.</p> <p>The fund has three main components: Socio-economic reconstruction, economic diversification and private sector promotion, and program support and coordination.</p>

<p>Transitional Development Assistance (TDA)³⁸</p>	<p>BMZ established the TDA as flexible financing instrument and a budget line to support resilience building in crises. TDA supports local authorities in reconstruction, water supply, health and education.</p> <p>In Iraq, the GIZ implements on behalf of the TDA three projects with a focus on education with an overall budget of 183,440,000 euros in Mosul, Duhok and Ninewa. The projects target IDPs, returnees, Syrian refugees and the host communities. GIZ supports projects that contribute to recovery and medium term outcomes, including rehabilitation and restoration of destructed education and health facilities. The projects also include a cash for work component, grants to small and medium-sized enterprises, and vocational trainings, with a focus on support to social cohesion.</p>
<p>The Special Initiative “Tackling the root causes of displacement (re-)integrating refugees”³⁹</p>	<p>The initiative launched by BMZ in 2014, across 50 countries, with a funding portfolio of 3 billion euros. As a global tool, it aligns mainly with Comprehensive Refugee Response Framework (CRRF). The initiative finances solutions to address to the challenges of global refugee crises, support host countries and create prospects for refugees wishing to stay or return to their countries of origin.</p> <p>The initiative has provided 1.8 billion euros to support the regional projects in the Middle East, of them 65–500 million euros were allocated to Iraq⁴⁰</p>

BARRIERS TO FINANCING FOR MEDIUM AND LONGER TERM OUTCOMES

Declining humanitarian funding and uncertainty about future development assistance represent key barriers to supporting medium and longer term solutions to displacement in Iraq and in KRI. Overall, the humanitarian response in Iraq has generally been well-funded, with HRPs having a very high proportion of funding requirements met, compared to other humanitarian crises. In 2020, 92% of Iraq HRP requirements were met. Nevertheless, at the time of research, there was uncertainty about the future of the HRP, about whether it would be maintained for another year and if so, likely with a reduced scope.

However, funding requirements specifically for Syrian refugee needs have been less well met. For instance, in 2020 the 3RP Iraqi chapter was just 40% funded. In some instances, reduced humanitarian funding has had impacts on the scope, quality, and sustainability of services provided to refugees and IDPs in camps.⁴¹

COVID-19 has impacted the economies of ODA donor countries, with interviewees indicating that a number have reduced their ODA allocations to Iraq. This suggests less ODA resources that can be allocated, particularly in humanitarian assistance in both Iraq and KRI.

Meanwhile, key development donors are in the process of developing new strategic directions or reviewing their existing ones. Both the EU Madad Trust Fund and Germany’s Transitional Development Assistance have made their last allocations in KRI and there is uncertainty about what will follow, and whether subsequent development assistance will be of the same or greater volume in KRI, and will specifically target the needs and priorities of displacement-affected communities, particularly Syrian refugees. Even among the ODA donors that have clear strategic directions on supporting medium and longer term outcomes, the level of fragility and complexity in Iraq overall remains a key challenge.

Major ODA donors in KRI reported donor fatigue but also struggles to convince their capitals of the need to provide ongoing aid to what is perceived to be a ‘rich’ country. The high level of fragility, macroeconomic instability, political tensions, corruption and slow pace of reforms contribute

to a persistence of humanitarian needs. Short term humanitarian assistance in KRI has also created an expensive and unsustainable model for donors to support. Donor fatigue may seem natural for a country with multiple ongoing crises for the last 20 years, against a global context of proliferating humanitarian needs elsewhere. Additionally, the COVID-19 situation may have contributed to shifting ODA country policy priorities.

On the demand side, **the reliance of KRG on the federal government of Iraq leads to a restricted space for budgetary allocation.** The tension with the federal government makes it challenging for the KRG to predict future budget allocations and to move towards longer term planning and resource allocation. The huge public sector in KRI absorbs a considerable amount of the budget allocations of the KRG, with 50% of total employment being directly with the KRG. The associated costs of salaries, pensions, and social assistance, which consume over 50% of the budget, mean that there are fewer domestic resources available for other purposes, including financing displacement solutions. The KRG Joint Crisis Centre also stands to lose resources and influence in a shift towards more developmental approaches negotiated and financed at national level, which may create disincentives for supporting medium to longer term approaches.

The absence of federal legislative framework for Syrian refugees limits their prospects for medium and longer term outcomes. Iraq's economic outlook hinges on global oil market prospects, the implementation of economic reforms, and on the evolution of COVID-19. The rise of oil prices may increase domestic revenues but limits the prospects for economic reform and resource allocation for durable solutions.

OPPORTUNITIES

The current policy momentum at national level around addressing protracted displacement presents an opportunity for durable solutions for IDPs and returnees. Strong policy commitments for durable solutions are included in multiple policies such as the **National Plan to End Displacement**, in addition to mainstreaming durable solutions in supplementary policies; the **National Program of Economic Reforms**, the **UNSDCF**, and the **Inter-Agency Durable Solutions Strategic and Operational Framework**. These policy commitments set the direction for international financing to align with. An enabling environment and structural reforms are crucial for policy commitments to be realised. For example, the white paper on national program of economic reforms presents an opportunity if supplemented with a clear roadmap and costed plan.

The current federal policy commitment on internal displacement presents an opportunity to advocate for inclusive displacement solutions for all. In all the momentum generated around IDPs and returnees, it is important that medium to longer term outcomes for Syrian refugees and other refugees are not overlooked. Displacement solutions for Syrian refugees require multifaceted approaches that encompasses legal, political, and ethnic sensitivities. Framing displacement solutions for the Syrian refugees as a KRI specific issue, and the limited engagement of the federal GoI in fostering durable solutions for the Syrians is a missed opportunity.

The new coordination mechanisms established to support durable solutions offer another platform to advocate for inclusive programming for both refugees and IDPs particularly in areas hosting both populations, although these are not yet present in KRI. Area-based coordination mechanisms should be extended to areas in KRI to link the regional level to the national level, and enable advocacy for developing a federal level refugee legal framework and the inclusion of refugees in national policies addressing protracted displacement. Similarly, the 3RP Iraqi chapter has an opportunity to evolve and expand its approach to medium term displacement solutions, hand in hand with key humanitarian interventions, particularly in engagement with the GoI on the central level in advocating for legal framework for refugees.

Good progress has been made towards inclusive medium-term programming on displacement in Iraq and there is a viable outlook for their scalability across Iraq and KRI. A good example is the **Cash and Livelihoods Consortium for Iraq (CLCI)**⁴² that was launched in March 2015, by the Danish Refugee Council (DRC), the International Rescue Committee (IRC), the Norwegian Refugee Council (NRC), and Mercy Corps. The consortium has established a formal partnership with a harmonised approach, a cost sharing strategy and strong geographic coverage across Iraq.⁴³ The CLCI has transitioned donors and approaches over time to provide harmonised assistance at scale to meet

basic needs and support the self-reliance of vulnerable populations with cash- and market-based livelihoods approaches. The consortium originated as an operational grouping under the ECHO Cash Alliance, then it was supported by the EUTF Madad, the Government of Canada and other donors who stepped in to sustain the consortium.

Another example is the Partnership for improving prospects for forcibly displaced persons and host communities (**PROSPECTS**), a multi-country initiative funded by the Netherlands. PROSPECTS is a good example of bringing together interventions at multiple levels targeting medium- and longer-term development goals for Syrian refugees and IDPs in employment, education and protection, leveraging the comparative advantage of its five implementing partners - IIFC, ILO, UNHCR, UNICEF, and the World Bank. The premise of PROSPECTS is that the five implementing partners will be able to achieve more together than they would individually. Part of the rationale for initiating the partnership was to overcome institutional silos that prevent more coherent responses. The five implementing partners work towards common priorities agreed under a multi annual country programme, and it is expected that the five-year timeframe will enable medium term outcomes to be achieved. Although PROSPECTS in KRI has faced a lengthy start-up phase and has not yet demonstrated its added value, the innovative design of the partnership emphasises medium-term goals and conflict-sensitive programming, and has the potential to make a positive contribution to social cohesion.

There appears to be growing appetite from the GoI and international actors to engage with the private sector in supporting financing and programming for displacement solutions in KRI. Indeed, both the PROSPECTS partnership and the Qudra programme contain elements of private sector engagement to support economic empowerment, livelihoods and self-reliance. Given the limited scope of this brief, it was not possible to further investigate the opportunities and challenges for private sector engagement on displacement issues in KRI, and what potential there is for the private sector to play a greater role. This remains a gap for further research.

5. CONCLUSION AND RECOMMENDATIONS

The policy and protection environment enabling pathways towards durable solutions is different in KRI from federal Iraq, and dynamics are different for Syrian refugees and Iraqi IDPs and returnees. Even though the policy environment remains largely favourable for Syrian refugees, they have limited prospects for longer term durable solutions, with a better outlook towards medium term outcomes, including access to work, local integration and enhancing access to services. The absence of a legal framework on asylum in Iraq, and the limited intentions to return to Syria restrict the outlook for long-term solutions for the Syrian refugees in KRI.

The durable solutions agenda is moving more swiftly for Iraqi IDPs, and outside of KRI. There is a strong policy commitment from the GoI to address protracted internal displacement and promote return of IDPs to their areas of origin. For those with limited prospects for return, strengthening their local integration and access to services should not be overlooked. KRI policy towards IDP camp closure differs, with emphasis on voluntary return to the areas of origin.

The future outlook for displacement financing in KRI is uncertain. KRI's annual budget allocation is dependent on the annual tense negotiations with the federal government. Moreover, KRI relies on resource mobilisation from international donors to address the budget deficiencies

The reality of Iraq as an upper middle income country conditions its **future displacement financing on its structural reform agenda and policy direction.** Despite the policy commitment towards durable solutions, the country's fragility and uncertainty limits the prospects for medium to longer term solutions. Financing instruments for the transition between humanitarian and development financing should be strengthened by the appropriate inclusive tools, of the right duration, and flexible modalities. A harmonized approach towards medium and longer term solutions programming, policy and financing among Syrian refugees and Iraqi IDPs should be strengthened.

RECOMMENDATIONS:

1. The **Gol** and **KRG** should expand the scope of durable solutions discussion and policies beyond the current focus on IDPs and returnees to include refugees, to influence the allocation of international financing in line with these
2. To create a more enabling environment for longer term solutions for Syrian refugees living in Iraq, the **Gol** should reform the Iraqi asylum law in order to give refugees formal legal status
3. **Donors** and **implementers** need to strengthen coherent approaches to forced displacement in KRI, and promote and implement inclusive financing and programming. In particular, **donors** should use their financing and influence to incentivise reforms to create a more enabling legal and policy environment for medium to longer term outcomes for refugees
4. In the shift in focus to the needs and priorities of IDPs and returns in the south, **donors** and **implementers** need to ensure that the medium to longer term needs of Syrian refugees in KRI are not overlooked
5. **Bilateral and multilateral donors** should engage more with the KRG as a key partner in defining and implementing displacement solutions
6. As long as budget allocations from Gol to KRG remain subject to negotiations and constrained by the lack of overall budget agreement, the KRG will be limited in how it can plan and provide services for refugee, IDP, and returnee populations. Until this is resolved, **donors** need to be aware of the limitations of the KRG to respond to displacement needs and sustain appropriate levels of engagement in this context
7. Given the context of KRG's limited resources and a continuing high level of humanitarian need, **bilateral and multilateral donors** should maintain levels of humanitarian aid alongside development assistance to ensure a well-financed transition period, in which both humanitarian and development funding streams are deployed in a complementary way.
8. **Donors and implementers** need to invest more in generating evidence on which programmatic models have the greatest impact in supporting self-reliance of forcibly displaced people. In particular, opportunities for private sector investment in displacement-affected areas in KRI need to be further explored to better understand the extent to which private sector could be playing a greater role. The availability of sub-national KRI specific financing data would also enhance understanding of financing trends.

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ANNEX: NOTE ON METHODOLOGY

ESTIMATING OFFICIAL DEVELOPMENT ASSISTANCE (ODA) FOR SYRIAN REFUGEE-HOSTING AREAS

It is unfortunately not straightforward to provide a comprehensive picture of the international assistance to Syrian refugees and host communities in Lebanon, Jordan and Iraq, which can then be disaggregated by sector, implementing organisation, type of funding (grant/loan) etc. The Syria conference tracking reports attempt to do this in their data collection of contributions against pledges made at the most recent pledging conferences. However, given that the primary goal of the tracking process is to assess the aggregate contributions by donors against individual pledges, data is not broken down by project or financial flow, but in aggregates. It therefore lacks the granularity that would be useful to different stakeholders involved in the refugee response in those countries and collected data cannot easily be triangulated against other sources. An additional complicating factor is that it is difficult to verify how strictly different donors set their criteria for which funding to include in pledges and contributions - only that addressing the consequences of the Syria crisis, or a wider portfolio of activities in the recipient countries. Still, comparing totals from our dataset on international assistance to Jordan, Lebanon and Iraq in terms of grant disbursements in 2019 with figures from the respective Syria tracking report, those match quite closely for Jordan and Lebanon (within US\$50 million). Total support to Iraq captured in the Syria tracking reports for 2019 is however almost US\$500 million larger than in our dataset, but due to the lack of granular information on what is captured in this amount in the tracking report we are unable to investigate this further.

For humanitarian assistance to the Syria crisis, more granular and comprehensive data is available on UN OCHA's [Financial Tracking Service](#). It captures, by funding flow, humanitarian assistance to the Syria Regional Refugee and Resilience Plans and also funds reaching organisations or activities outside those plans, tagging those flows as related to the Syria crisis. This data is shown in the graphs in the report for 'humanitarian assistance'.

In terms of development assistance, it is more difficult to quantify the volume of funding to Lebanon, Jordan and Iraq in response to the Syria crisis. This is because publicly accessible datasets for international development assistance, such as the OECD DAC [Creditor Reporting System](#) (CRS) or the [International Aid Transparency Initiative](#) (IATI) don't routinely capture which crisis a specific development activity or funding flow seeks to address. We quantified development assistance to Syrian refugees and host communities by performing a keyword search on the OECD DAC CRS database, trying to identify from project titles and descriptions which funding should be included. Data is only available up to 2019 by recipient country. This approach likely yields a partial result, as the level of information provided in these text fields varies across donors but should provide a lower bound estimate and give an indication of trends.

The absence of potentially relevant development assistance in our dataset was most visible in our analysis of grants and loans. We were able to identify only a small number of loans to Jordan referencing support to Syrian refugees or host communities, and almost no loan disbursements to Lebanon or Iraq over the analysis period from 2016 to 2019. The loan disbursements captured in our dataset to Jordan range between US\$125 and US\$21 million per year and are almost all provided by the World Bank. This seems to be a data gap according to ongoing research into the support by multiple multilateral development banks (MDBs) in the region. Most of those development banks provide information on their funding and projects on their respective databases, but again it is not straightforward to quantify their support to the Syria crisis. At the time of research, an analysis was underway by the 3RP Joint Secretariat to map interventions by the International Financial Institutions involved in the Syria Crisis Response, which should complement this research once concluded.

ENDNOTES

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- 23 *Compounded misfortunes. Changes in Poverty since the onset of COVID-19 on Syrian Refugees and Host Communities in Jordan, the Kurdistan Region of Iraq and Lebanon*. UNHCR- World Bank 2021
- 24 An interesting trend is observed in Germany's ODA to Iraq. Reductions in the volume of humanitarian ODA provided through the German Federal Foreign Office since 2017 are largely offset by increases in ODA from the BMZ, meaning total levels of ODA provided by Germany remain at relatively constant levels since then.
- 25 The volume of development assistance is identified through a keyword search on the OECD DAC CRS database and therefore partial; data is also not yet available for 2020 by recipient country. Only data on ODA for development purposes was included from the OECD DAC CRS to avoid overlaps with the humanitarian assistance extracted from FTS. However, there might be a small degree of overlap between the two categories in the graph as their definitions of humanitarian assistance differ, meaning some funding reported to the CRS under development sectors might also have been reported to FTS as humanitarian assistance. Data is in constant 2019 prices.
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