

FINANCING FOR PROTRACTED DISPLACEMENT

IN THE SYRIAN REFUGEE CONTEXT – SYNTHESIS REPORT

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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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1. EXECUTIVE SUMMARY

This synthesis report summarises findings from three country case studies on Jordan, Lebanon and Kurdistan Region of Iraq (KRI), and identifies common themes and lessons for how financing can better support pathways to durable solutions in the region. With durable solutions not in reach for the vast majority of Syrian refugees, supporting pathways to durable solutions is understood to mean financing to strengthen future prospects for durable solutions and support refugees' socio-economic inclusion or self-reliance in order for them to take informed and voluntary decisions if and when solutions become available.

Across the region, Official Development Assistance (ODA) is likely to remain the primary albeit increasingly constrained source of financing for displacement. This research finds that despite some attempts to promote more coherent, joined up and longer term solutions – for instance the establishment of the Jordan nexus task team - and some specific financing instruments designed to support pathways to medium to longer term solutions, such as European Union (EU) Madad Trust Fund, France's Minka Fund and the Global Concessional Financing Facility (GCFF) – the short-term nature of much of the funding reaching displacement affected communities inhibits the development of medium to long term programming and approaches. Approaches seeking to draw in funding beyond ODA through blended finance and greater private sector engagement remain nascent, small scale and /or unproven.

The policy, legal and regulatory environment is fundamental to developing pathways to durable solutions. In generating or supporting political commitment to longer-term approaches to displacement, financing is the key influencing tool international actors have at their disposal. But there are hard limits to the influence financing can exert. Debt financing in particular limits political leverage. Looking forward, the intentions of donors and appetite to support coordinated positions and negotiate financing packages is very uncertain.

Financing needs to be carefully targeted, involving hard choices about the use of limited resources, in a constrained environment where medium and long term solutions for refugees are limited. Financial, economic and policy environments have deteriorated across the region, further limiting the scope for promoting medium to longer term solutions for Syrian refugees. Realistically, there isn't enough money to do it all well - donors face difficult trade-offs and are likely to prioritise urgent acute needs. Effective prioritisation of concessional finance in this context is key and support to meet immediate needs will be needed alongside longer-term approaches for the foreseeable future.

It is important to build on what works, generate more and better evidence and to calibrate and manage financing to incentivise inclusion and quality. Financing approaches including large packages of concessional finance through the GCFF and multi-donor accounts appear to have been effective in supporting inclusion in national service provision. Providing financial support to inclusion through national systems with ODA is both necessary and difficult and may entail a potentially open-ended commitment. Second generation funding instruments need to pay closer attention to the quality of services provided. Despite years of experimentation in the region, there is a lack of evidence on what works to guide decision-making. In some cases, the capacity of partners and willingness of donors – aside from the major financing mechanisms – has acted as a brake on longer-term approaches.

Coherence and coordination are key to utilising existing limited resources as effectively and efficiently as possible. Supporting medium to longer term outcomes for Syrian refugees and their host communities requires coherence between humanitarian and development financing streams, in which both are used in complementary ways to meet immediate needs while working to address structural vulnerabilities and risks over time. Aiming for longer-term outcomes requires coherent approaches to policy, programming and financing, as well as transparency of financial flows. It is not clear that current leadership, coordination, evidence and analysis support coherent financing approaches. However, large programmes and financing instruments have served as loci of coordination and coherence.

2. STUDY BACKGROUND AND METHODOLOGY

This synthesis report is part of a larger regional Durable Solutions Platform commissioned study “Financing for Protracted Displacement in the Syrian Refugee Context”. It draws on findings from three country case study reports focused on Jordan, Lebanon and Kurdistan Region of Iraq (KRI), and identifies common themes and lessons for how financing can better support pathways to durable solutions in the region. With durable solutions not in reach for the vast majority of Syrian refugees, supporting *pathways* to durable solutions is understood to mean financing to strengthen future prospects for durable solutions and support refugees’ socio-economic inclusion or self-reliance in order for them to take informed and voluntary decisions if and when solutions become available.

The research set out to critically review the existing displacement financing architecture in order to explore how different funding modalities and instruments can better respond to medium- and longer-term priorities and needs in areas that host Syrian refugees. In analysing the extent to which financing is supporting the realisation of medium to longer term outcomes, the research understands 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. Generally, the overarching outcome is greater self-reliance, which is understood to be “the social and economic ability of an individual, a household or a community to meet its essential needs in a sustainable manner”.¹

Within the scope of this research, 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).

3. CONTEXT

3.1 DISPLACEMENT CONTEXT

There are very large populations of Syrian refugees in Jordan and Lebanon both in absolute terms and relative to the size of the host population. KRI hosts a smaller, but still significant, number of Syrian refugees, though this refugee population constitutes only a relatively small proportion of the wider displaced population throughout Iraq, which is dominated by returnees and Internally Displaced Persons (IDPs).

1. 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.² Syrian refugees make up only a small proportion of the total displaced population of concern in Iraq, which numbers 6.4 million, including 4.9 million returnees and 1.2 million IDPs, along with a small number, 41,402, of refugees from other countries. 770,000 IDPs are present in KRI.
2. According to United Nations High Commissioner for Refugees (UNHCR), **Jordan** hosts the third largest number of Syrian refugees (663,000), of which half are children.³ However, the Government of Jordan (GoJ) estimates that the real number of refugees is almost double this number (1.4 million Syrians),⁴ representing more than 10% of Jordan’s population.⁵ In addition, Jordan hosts close to 90,000 refugees from other countries.⁶ Of these Syrian refugees, 82% live in urban settings and 18% in camps.
3. **Lebanon** remains the country hosting the largest number of refugees per capita in the world.⁷ Currently, 879,598 Syrian refugees are registered with UNHCR. The actual number of displaced Syrians is thought to be much higher, with the Government of Lebanon (GoL) estimating that the country hosts closer to 1.5 million Syrians (November 2020).⁸ Lebanon also hosts 257,000 Palestinian refugees, including Palestinian refugees from Syria and other United Nations Relief and Works Agency for Palestinian Refugees in the Near East (UNRWA) eligible persons from Lebanon.⁹ Lebanon adopts a ‘no camp’ policy and therefore refugees from Syria live scattered across the country in urban settings or Informal Tented Settlements.

3.2 POLICY AND LEGAL ENVIRONMENT FOR SYRIAN REFUGEES

The protection environment is relatively favourable in Jordan and even more so in KRI, but legal and regulatory barriers in both countries mean that the outlook for medium to long-term solutions is uncertain. The environment in Lebanon is more constrained, with the restriction on legal residency of Syrian refugees, combined with the current political and economic crisis, significantly impeding any moves towards medium and long term outcomes.

While **Jordan** offers a relatively favourable protection environment, the outlook for medium to longer term outcomes towards pathways to durable solutions is becoming more constrained, particularly after COVID-19. Jordan initially adopted a welcoming policy toward displaced Syrians, however this has become more restrictive over time and the debate over local integration is complex and sensitive. The country has been at the forefront of the debate on global burden-sharing in refugee responses and pioneered new approaches, most notably the 2016 Jordan Compact. Improving access to livelihoods and economic opportunities for Syrian refugees has been a major focus of the response since the signing of the Jordan Compact. Despite this, major structural, legal and regulatory barriers remain that hamper Syrian refugees' ability to access livelihoods, particularly for women, and exacerbate their vulnerability. The medium to longer term outlook in terms of economic opportunities for Syrian refugees in Jordan is uncertain.

The protection and policy environment remain largely favourable for Syrian refugees in **KRI** – reflected in attitudes of the host community and Kurdistan Regional Government (KRG) policies - when compared to the situation of Syrians in the neighbouring hosting countries. There is some prospect of moving towards medium and longer term outcomes, if little of establishing durable solutions. However, the focus of Iraqi government policy is on addressing the much larger and more politically significant issues around IDPs and returnees, and not on Syrian refugees. Syrian refugees can obtain legal residency status, work permits and access to basic services. These opportunities have strengthened their self-reliance and local integration with the host community in KRI. However, the absence of a legal framework for refugees in Iraq remains an obstacle for longer-term and durable solutions, with no legal provision made to offer humanitarian asylum to refugees in Iraq.

The restriction of legal residency for Syrian refugees in **Lebanon** increases their protection risks. The political instability, economic freefall, currency devaluation and COVID-19 pandemic limit the prospects for positive medium- and longer-term outcomes towards pathways for durable solutions for Syrian refugees. The scope for working in partnership with the government to improve the policy and protection environment has reduced and the willingness of donors to strike deals and work in partnership with the government to support inclusion of refugees in service provision and economic opportunities is now extremely limited due to government resistance to reform. Notably, some of the large flagship development programmes supported with financing from the Global Concessional Financing Facility (GCF) have stalled in the face of political resistance from within the government.



4. FINANCING OVERVIEW AND TRENDS

The large number of Syrian refugees has placed considerable strain on the economies, infrastructure and public services of Jordan and Lebanon, and to a lesser extent, KRI. The governments of Jordan and Iraq face challenging economic circumstances that have been compounded by the impacts of the Covid-19 pandemic. Lebanon faces a more severe and debilitating political and economic crisis.

Despite challenging economic conditions however, compared with many refugee hosting countries, Jordan, Lebanon and Iraq have a number of economic advantages that in principle could provide an enabling environment for economic integration. Notably, they each have reasonably well-developed markets and well-educated populations, with the potential to attract private sector investment. In the case of Lebanon, it should be noted that mismanagement, corruption, waste and inefficiency in the public sector are a problem.

Domestic government revenues are the largest source of financial resources in Jordan, Lebanon and Iraq, supporting public service delivery for populations within their borders, including refugees. In all three countries domestic government revenues are declining, with the economic and fiscal situation in Lebanon dire. Jordan's levels of government debt are high but considered sustainable. In Lebanon the government's access to external financing is very limited, with unsustainably high and growing levels of government debt. In Iraq, oil price volatility and Covid-19 have contributed to shrinking government revenues, which declined by 32% of GDP in 2020. Following tensions around the KRG's 2017 independence referendum, the federal government of Iraq reduced the KRG's share of the national budget from 17% to 13%.¹⁰

ODA is likely to remain the primary albeit increasingly constrained source of financing for displacement. Of all the potential sources of financing for displacement analysed – ODA, domestic revenues, foreign direct investment, and remittances – ODA is the most significant targeting the needs and priorities of Syrian refugees, and likely to remain so for the foreseeable future.

Total volumes of ODA to Jordan and Lebanon have grown significantly since 2013. The majority of this ODA is developmental, rather than humanitarian. Of this total ODA, most is delivered as grants rather than loans. Where lending is occurring it is notable that in recent years loans provided as what the OECD classes as "Other Official Flows" – e.g. loans that are not considered concessional enough to count as ODA – have overtaken ODA loans by volume in both Jordan and Lebanon.

While volumes of ODA have increased significantly overall in Jordan, Lebanon and Iraq since the start of the Syria crisis, there are some indications of this trend declining in recent years and particularly for ODA specifically targeting Syrian refugees. However, data is not available for 2020 and 2021 and the COVID-19 pandemic may have changed the overall picture. The extent to which displacement-focused ODA is oriented towards medium to longer-term outcomes is analysed below but the absence of disaggregated data limits understanding of how financing is being allocated.

In Jordan, Lebanon and Iraq concessional lending (as opposed to grants) makes up a larger share of ODA than it does for poorer countries. As middle-income countries however,¹¹ Jordan, Lebanon and Iraq are ineligible for the most concessional financing provided by the multilateral development banks. There are strong disincentives for governments to increase public debt to fund support and inclusion of non-citizens and even more so if that financing is relatively costly. Nevertheless, bilateral donors and International Financial Institutions (IFI) have made efforts to overcome this problem and soften the terms of lending through blending, through the GCFF established specifically to enable middle-income countries hosting large refugee populations to access concessional financing which they would not normally be able to. Since its inception, the GCFF has disbursed over \$658.55 million in concessional funding, supporting 17 operations worth over \$4.8 billion.¹²

In Jordan, Lebanon and KRI, ODA specifically targeting displacement affected communities is declining and is expected to reduce further. Of this ODA targeting displacement affected communities, the majority is short term humanitarian funding, rather than longer-term development ODA.

Recent reductions in humanitarian funding have not been counterbalanced by increases in development ODA. Despite some attempts to promote more coherent, joined up and longer term solutions – for instance the establishment of the Jordan nexus task force - and some specific financing instruments designed to support pathways to medium to longer term solutions, such as EU Madad Trust Fund, France’s Minka Fund and the GCFF – the short-term nature of the funding reaching displacement affected communities inhibits the development of medium to long term programming and approaches.

Approaches seeking to draw in funding beyond ODA through blended finance and greater private sector engagement remain nascent, small scale and /or unproven. In Lebanon in particular the scope for using blended finance or trialing innovative financing approaches is extremely limited due to political and economic instability and the unwillingness of most major donors to countenance loan financing at the current time. The immediate scope for leveraging significantly greater volumes of financial support for displaced Syrians is limited.

Demand for blended finance is growing in the region, though its applications are limited and overall, volumes targeting refugees are small. The sectors where blended finance are useful are quite limited. It is currently focused on de-risking lending to SMEs and effectively providing grant financing to start-ups in Jordan and Lebanon, for example the portfolio guarantees provided to microfinance institutions by the Dutch development bank FMO or European Bank for Reconstruction and Development. At the other end of the spectrum, blended finance has also been used in large-scale infrastructure projects, such as the expansion of As-Samra Wastewater Treatment Plant in Jordan. Its use is less relevant in the social sectors, partly due to the lack of a commercially viable financial return generally¹³.

Some environments however are effectively too high risk. Notably, Lebanon was considered too risky for some international investors. Two new multi-country initiatives that rely on mobilizing private sector investment – the Refugee Livelihoods Development Impact Bond and the Swiss Development Cooperation’s Strengthening Social Entrepreneurship for Migration & Development (SEMD) Project – have not yet launched in Lebanon due to difficulties in securing private investors. And in Jordan, barriers to blended finance initiatives include the restrictive regulatory and right-to-work environment for refugees, and challenging economic climate.

While proponents affirm that under the right conditions blended finance can be an effective tool in de-risking private sector investment in forced displacement contexts,¹⁴ it is not a panacea.¹⁵ There is an opportunity cost to blended finance. In a constrained financing environment, many competing demands are placed on concessional financing, and choice of how to allocate ODA is critical. Beyond the guiding principles agreed for blended finance under the Addis Ababa Action Agenda which emphasise developmental impact, aid effectiveness principles, compliance with legal and voluntary standards, and additionality,¹⁶ Development Finance Institutions should adhere to enhanced principles considering minimal use of concessional resources, commercial sustainability and promoting high standards, among others.¹⁷ In the Syrian refugee context going forward, greater transparency, reporting and evidence on impact and Return on Investment (ROI) is needed to inform decision-making, assess the added value of blending versus other financing mechanisms and ensure they are well targeted.

Innovative finance remains in its nascence, small in scale, its applications limited and ultimately the business case remains unproven. The new Refugee Livelihoods Development Impact Bond for Jordan and Lebanon has taken five years to develop and at the time of writing, is not yet launched. Furthermore, it is not clear if it is mobilising new funding that would not otherwise have been available. While it is important to develop proof of concept for new financing models, ultimately this means investing in things that will fail, to learn what will work. This may become harder to justify as ODA resources come under more pressure due to the economic impact of COVID-19 in both donor and recipient countries. Nevertheless, it seems that private foundations are playing a key role in this regard, and appear to have a greater risk appetite for investing in untested approaches than institutional or bilateral donors.

New sources of financing are very limited, but UNHCR’s Refugee Zakat fund is a notable bright spot on the horizon. Currently this has largely been used for meeting immediate needs, and with a global focus. It could be that this is the right niche for it. But potential to support longer-term financing needs could also be investigated, taking a country-specific strategy.

5. FINANCING TO SUPPORT PATHWAYS TO DURABLE SOLUTIONS

THE POLICY, LEGAL AND REGULATORY ENVIRONMENT IS FUNDAMENTAL TO DEVELOPING PATHWAYS TO DURABLE SOLUTIONS - FINANCING IS AND CAN POSITIVELY INFLUENCE POLITICAL COMMITMENT AMONG HOST GOVERNMENTS BUT THIS INFLUENCE IS LIMITED

The single biggest determining factor in longer-term approaches to displacement is political commitment on the part of the host government. In all three countries, there was widespread consensus that the biggest barriers to achieving medium to longer term outcomes were policy, legal and regulatory constraints imposed on refugees by the government, which limit what can be attained through financing.

The nature of these barriers and the extent to which they restrict refugee rights and freedoms varies considerably across the three contexts. In KRI, 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, although the absence of a federal legislative framework for refugees limits their prospects for durable solutions. In Jordan, the government's openness to dialogue with international partners led to the signing of the Jordan Compact, but the medium to longer term outlook for greater economic self-reliance for Syrian refugees is uncertain.

Lebanon has the most restrictive environment for refugees of the three, and the GoL has not been willing to engage in dialogue with international partners on their medium to longer term future in the country. Even where progress for more refugee-inclusive policies was possible at the technical level, initiatives have been blocked at the political level.

In generating or supporting political commitment to longer-term approaches to displacement, financing is the key influencing tool international actors have at their disposal. The legal and policy environment for displacement financing for Syrian refugees has been significantly shaped by the Jordan Compact. The 2016 Jordan Compact was a pioneering model of international financing being used to broker a deal with the refugee-hosting state to transform the legal and policy environment. The new global refugee policy paradigm developed since, encapsulated in the 2018 Global Refugee Compact, draws on the Jordan Compact's principle of "you host, we pay". While interviewees pointed to various shortcomings, most acknowledged that the Compact had played a catalytic role in aligning the objectives of the GoJ and the international community in the education, health, and livelihoods sectors and succeeded in shifting the dialogue on Syrian refugees' right to work. The discussion is no longer about whether Syrians have the right to work, but rather how and under what conditions. It demonstrates how, through a common donor position and dialogue with the government, international financing can serve as an incentive for policy reform.

But there are hard limits to the influence financing can exert. Mobilizing additional development finance requires having a government counterpart willing and able to engage in policy reform. While attempts to forge a Lebanon Compact of similar scope and ambition to the Jordan Compact did not pan out, international actors have repeatedly tried to use financing to broker deals with the GoL (Brussels conferences, CEDRE conference) but the promised reforms have not materialized.

The GCFE provides a clear example of an innovative and technically effective instrument designed specifically to mitigate the impact of a large refugee population that has not been able to overcome political intransigence. Additional development finance is mobilized and available to support the inclusion of refugees in national systems through the GCFE, but has not been deployed due to a perceived lack of commitment to pro-refugee policies on the part of the government. Major projects are effectively dead in the water because the GoL refuses to sign them off.

Despite the significant efforts of the international community mobilized through the Compacts and Brussels conferences, it is notable that in both Lebanon and Jordan, the policy environment has become more restrictive over time and in all three countries, the Syria refugee response continues

to rely heavily on short-term humanitarian funding sources. In Lebanon, humanitarian assistance is clearly being used as an alternative to working in partnership with the government, which presents numerous challenges. Indeed, in the health sector at the time of the research the political affiliation of the Ministry of Health with Hezbollah was an obstacle for direct engagement with and financing of the ministry for several donors. But overall, and particularly as observed in the livelihoods sector in Jordan, the preferences and funding streams of donors are heavily skewed towards funding refugee needs through humanitarian ODA.

Debt financing in particular limits political leverage. As middle income countries, Iraq, Jordan and Lebanon do not have access to the same concessional finance provided through MDBs as poorer countries do. For this reason, the GCFF was set-up to support middle income countries hosting large populations of refugees. The GCFF blends grant financing with development loans to soften the terms, effectively lowering the cost of borrowing. Nevertheless, governments in the region are reluctant to increase their national debt burden to cover the costs of non-nationals. A case in point is Lebanon, where the GoL would not include refugees in the World Bank Emergency Social Safety Net programme. Money (particularly debt financing) was not enough of an incentive to influence political calculations in this case. Indeed, the extent to which the GCFF has been able to influence pro-refugee policies in Lebanon has been limited. When it comes to projects supported through the GCFF, host governments have an interest in maximising resources to the benefit of their own citizens and the GCFF has at times struggled to maintain a strong refugee focus in the projects it has supported. In general, it seems that the substantial financial support provided by international actors since the Compact agreements in 2016 to boost the economies of Jordan and Lebanon and create jobs has over time seen a weakened emphasis on supporting refugees.¹⁸

The intentions of donors and appetite to support coordinated positions and negotiate financing packages is very uncertain. The lack of leadership and clarity around discussions on a Jordan Compact successor is a case in point. Despite a request from the GoJ for a new Compact, dialogue between international actors and ministerial counterparts is reportedly not taking place. A preference for bilateral approaches on the part of both government and donors works counter to collaborative discussions to develop common positions. There seems to be uncertainty about who should lead such discussions on the side of the international community and at least one major donor is reportedly not in favour of a new Compact. Meanwhile in Lebanon, many donors are revising their strategies and are unclear on future support to the country. The International Monetary Fund (IMF), MDBs and GCFF have ruled out further financial aid until a new government is in place and a roadmap for reforms laid out, and the EU has recently announced targeted sanctions.

FINANCING NEEDS TO BE CAREFULLY TARGETED, INVOLVING HARD CHOICES ABOUT THE USE OF LIMITED RESOURCES, IN A CONSTRAINED ENVIRONMENT WHERE MEDIUM AND LONG TERM SOLUTIONS FOR REFUGEES ARE LIMITED

Financial, economic and policy environments have deteriorated across the region, further limiting the scope for promoting medium to longer term solutions for Syrian refugees. Jordan's economic and fiscal outlook has taken a severe hit from the impacts of Covid-19, which has put additional pressure on public services and infrastructure already under considerable strain since the Syrian crisis. Lebanon's economy is in a tailspin, with reduced government revenue coinciding with increased demand for public services as Lebanese who can no longer afford private substitutes turn to the public system. In all three countries, public debt, unemployment, poverty and tensions with host communities have risen. These conditions are making it difficult (Jordan, KRI) if not impossible (Lebanon) to shift financing and programming from short-term humanitarian assistance to longer-term approaches due to the increased uncertainty and deepening vulnerability across the board.

Realistically, there isn't enough money to do it all well. Donors face difficult trade-offs, and are likely to prioritise urgent acute needs. In all three contexts, stakeholders are concerned about declining funding, particularly from humanitarian sources, while at the same time facing growing needs linked to the socio-economic impact of the COVID-19 pandemic. Short term humanitarian assistance in KRI has also created an expensive and unsustainable model for donors to support. Similarly in the health sector in Lebanon, international actors have attempted to shift from an expensive and highly privatised model of healthcare provision to more sustainable inclusion through

a public system. However, the Beirut blast response and COVID-19 pandemic have made significant new demands on resources. Some projects, notably the World Bank's Health Resilience project, have seen part of their resources reallocated to respond to immediate COVID needs and it is not yet clear how this will impact on the attainment of their medium-term objectives.

In Jordan, tailored, ongoing and more resource-intensive approaches to individuals over longer timeframes have been found to give a greater likelihood of improved economic self-reliance.¹⁹ The growing interest in 'graduation approaches' attests to this.²⁰ However, there is constant pressure to use funding to reach a maximum number of beneficiaries. This research found two instances of bilateral donors opting to use scarce funding to reach the maximum number of people with short term cash assistance rather than investing in sustained livelihoods support for fewer people.²¹ As the fall-out from the pandemic continues, these trade-offs risk becoming more acute making the outlook for financing medium to longer term outcomes less and less certain.

Effective prioritisation of concessional finance in this context is key and support to meet immediate needs will be needed alongside longer-term approaches for the foreseeable future.

The example of supporting economic self reliance illustrates the need for dual track approaches. Cash-for-work is an important feature of programming to support economic opportunities for Syrian refugees in Jordan. While there is widespread recognition that this is not a sustainable model nor contributing to medium to longer term outcomes, it is an important and secure source of income for many Syrian refugees. There is growing interest in transitioning to longer term support as evidenced by several new projects trialing graduation approaches. But these will take time to bear fruit and are resource intensive. In the interim, both donors and implementers stress the importance of maintaining short-term income support alongside longer-term approaches in order to tackle the high levels of vulnerability, which have been exacerbated in the context of COVID-19.

There are risks associated with rolling displacement into broader developmental approaches.

Eleven years into the crisis, some donors are increasingly looking to mainstream support to Syrian refugees within their regular development cooperation going forward. A number of displacement-specific financing mechanisms – Germany's Transitional Development Assistance in KRI and the EU Madad Trust Fund²² in all three countries – have made their last allocations. In all three contexts, there are big questions remaining about what will come next. In KRI, separate funding instruments and windows have been quite useful in mobilizing and earmarking money for displacement. However, 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. In this regard the absence of a specific financing tool or instrument that addresses medium to longer term solutions among the Syrian refugees is an evident gap and there may be missed opportunities to increase the engagement of development partners and donors in supporting displacement solutions in Iraq and KRI.

Support to Syrian refugees through future EU funding will be mainstreamed into regular development cooperation, but the form it takes is yet to be determined. While funding will continue to be multiyear, it is unclear whether it will incorporate the features of flexibility and humanitarian-development coherence that have been appreciated by partners to date. In Jordan and even more so in Lebanon, mainstreaming financing support for refugees is a sensitive topic with the government, who would rather prioritise their own national development objectives. In general, targeting of development cooperation is often based on assessments of vulnerability and poverty, but may not sufficiently take into account the specific needs and protection concerns of refugees. Negotiation of future development projects will need to strike a delicate balance between ensuring sufficient inclusion of refugee rights and needs, and meeting the priorities of the governments of Jordan and Lebanon.

IT IS IMPORTANT TO BUILD ON WHAT WORKS, GENERATE MORE AND BETTER EVIDENCE AND TO CALIBRATE AND MANAGE FINANCING TO INCENTIVISE INCLUSION AND QUALITY

Financing approaches including large packages of concessional finance through the GCFF and multi-donor accounts have been effective in supporting inclusion in national service provision.

Examples like the multi-donor accounts for health and education in Jordan, or the World Bank's Emergency Primary Healthcare Restoration Project (EHPHRP), have enabled donors to pool their

resources to manage risk, harmonize and align their support with national systems and make clearer commitments. Large packages of concessional financing also offer increased scope for applying specific conditions and building government buy-in, combined with packages of technical support.

Results-based financing models have encouraged greater investment in measuring and monitoring results, but more evidence is needed of their impact. In Lebanon, the principles of performance-based financing (PBF) have emerged as a potentially successful approach in inclusive financing for healthcare. International Medical Corps and partners have piloted elements of PBF to incentivize the health service delivery model to deliver quality care through tracking health outcomes. The Program for Results modality used by the World Bank to support the inclusion of Syrian refugee children in formal education systems in both Jordan and Lebanon has been designed to incentivize policy reform through the disbursement of concessional finance triggered by performance-based indicators. In Jordan, the Jordan Education Reform Support project has contributed to increased school enrolment and improved monitoring and management through national systems.²³ These programmes would benefit from evaluation against good practice principles to assess the extent to which the policy targets (results) have been defined by the government via a consultative process, do not constrain the space for national level policy dialogue, and are assessed against the impact on equality in addition to poverty alleviation.

Providing financial support to inclusion through national systems with ODA is both necessary and difficult and may entail a potentially open-ended commitment. It is largely thanks to ODA financing that Syrian refugees have access to formal education and subsidized healthcare through national systems in both Lebanon and Jordan. While issues around access and quality of services remain, without international support it is unlikely host governments would be able or willing to shoulder these costs. The outlook for domestic revenue mobilization is not strong in any of the three contexts. Moreover in Lebanon, the government is struggling to cover the costs of public services for its own nationals. The GoL and Ministry of Public Health (MoPH) are unlikely to be able to mobilize sufficient domestic resources for publicly funded or subsidized healthcare.²⁴ Resorting to an ODA-financed model in the middle of political sensitivities around the MoPH, political unrest, and structural economic and social fragility that Lebanon is witnessing seems an unsustainable, though unavoidable pathway for financing. A predominantly ODA-financed model will also increase Lebanon's aid dependency²⁵, and limit the sustainability of scaling both models. But in both Jordan and Lebanon to maintain progress made to date, a sustained commitment from donors to provide additional concessional development resources, over and above regular development assistance, will be required, in line with the principle of responsibility-sharing enshrined in the Global Compact on Refugees. In addition, continued support to build national systems and capacities will be required to ensure they are in a position to manage these additional responsibilities.

Second generation funding instruments need to pay closer attention to the quality of services provided. The World Bank's EPHRP in Lebanon was found to increase access of Syrian refugees to primary health care centres by 78 per cent; however, it was criticized for focusing primarily on preventive care with a limited number of curative services. Its successor project the Lebanon Health Resilience project incorporated a number of lessons learned from the EPHRP into its design, to expand the scale and scope of primary-level service delivery. But due to its COVID-19 restructuring, it's unclear what impact the project will have on Syrian refugees' health outcomes.

Meanwhile in Jordan, the World Bank's Job Opportunities project enabled access to the labour market for Syrian refugees through work permits, but these were criticised for being decoupled from actual employment and a poor proxy for outcomes in terms of greater economic self-reliance or sustained income. The extension of the project in 2020 has attempted to address some of these concerns.

Despite years of experimentation in the region, there is a lack of evidence on what works to guide decision-making. There is currently a lack of clarity around what works and what the financing priorities are, particularly in economic inclusion and self-reliance. Supporting successful livelihoods outcomes requires sustained investment but in a context of limited resources, hard trade-offs must be made. In Jordan, in a context of limited resources, greater clarity is needed on where to draw the line between financing to support economic self-reliance of Syrian refugees and broader economic development agendas. There is a lack of strategic direction and clarity about which programmatic approaches to invest in to support economic self-reliance and the sequencing and prioritisation of investments. The extent to which funding decisions are based on evidence of what works is unclear.

In some cases, the capacity of partners and willingness of donors – aside from the major financing mechanisms – has acted as a brake on longer-term approaches. In the livelihoods sector in Jordan, much funding remains annual and there are few multiyear programmes. This was reported as partly an inability or unwillingness on the part of donors to fund multiyear programmes but equally a shortage of implementing partners with the capacities to design, deliver and measure the impact of a five-year programme. For instance, attempts to move beyond pure cash assistance to a more comprehensive package (for example, certified training and additional employment support) are hampered by a lack of appropriate funding and donors willing to invest. For health financing in Lebanon, the picture is slightly different. Donors have played a positive role in driving the strategic direction of the long-term primary healthcare subsidisation protocol through their financing. But the capacity of partners has been a barrier in implementing performance-based financing in the primary health care centres and the capacity of the MoPH to create a solid governance model, provide supervision and a monitoring and evaluation system was also limited.

COHERENCE AND COORDINATION ARE KEY TO UTILISING EXISTING LIMITED RESOURCES AS EFFECTIVELY AND EFFICIENTLY AS POSSIBLE

Supporting medium to longer term outcomes for Syrian refugees and their host communities requires coherence between humanitarian and development financing streams, in which both are used in complementary ways to meet immediate needs while working to address structural vulnerabilities and risks over the longer term. Several notable initiatives have been established in the Syria crisis response to overcome structural barriers in the way the aid system is set-up. The Regional Refugee Response (3RP) Framework, the PROSPECTS Partnership, and the GCFF all have stated aims to bring the development and humanitarian communities closer together. Nevertheless, the differences to bridge – in understanding, systems, ways of operating, and time horizons – are large. This study reiterates the well-trodden path of previous research on the ‘nexus’ in highlighting the ongoing challenges in bringing greater coherence and alignment between the different financing systems in the country case studies²⁶. Examples were found of development actors adapting their financing systems and ways of working to fragile displacement contexts – Germany’s Transitional Development Assistance and France’s Minka Fund for instance – and equally of humanitarian actors increasingly implementing multi-year resilience-focused programming; but for the most part, the disconnect between the two remains significant.

Aiming for longer-term outcomes requires coherent approaches to policy, programming and financing. In Jordan, effective support to economic opportunities for Syrian refugees requires both top-down and bottom-up approaches, working on both supply and demand sides of the economy. Support at the individual and household level must be complemented by efforts to promote policy reforms. The regulatory constraints in Jordan are significant, and interviewees stressed that without policy reform there is a limit to what can be achieved. In Lebanon, the EU Madad Trust Fund health portfolio evolved over time to complement its humanitarian-type interventions with more developmental / system strengthening support elements. One of its projects - Reducing Economic Barriers to Accessing Health Services in Lebanon (REBAHS) – shows the success of this approach: improvements in access to primary health care for vulnerable communities were combined with system-wide benefits, and provided proof of concept for a viable funding model which the MoPH is now looking to roll-out nationwide through the new LSPS. The EU Madad Trust Fund has funded REBAHS II to support this effort.

The foundation for financing coherence is transparency of financial flows. Tremendous efforts have been expended through the 3RP Framework, which has for the first time attempted to not only coordinate but track both humanitarian and development funding supporting refugees and host communities under a common strategy. But only a relatively modest proportion of total ODA flows into Jordan, Lebanon and KRI are oriented towards the 3RP. Overall, there is still a sense that stakeholders at country level lack the full picture of all humanitarian and development funding flows coming into the country (their targeting and desired impact), as well as domestic resource allocation to support Syrian refugees. Financing from IFIs and some bilateral donors seems particularly opaque. Data on IFI support to refugee-oriented activities is not readily accessible, though has recently been analysed to support 3RP tracking. The GCFF in its second phase intends to improve the transparency and accessibility of funding information, including by improving the website and creating a project dashboard, providing more information about funding, results, and status of project implementation.²⁷ There are in some cases incentives for host governments to not be fully transparent, in order to maximize their potential revenue.

It is not clear that current leadership, coordination, evidence and analysis support coherent financing approaches. In Lebanon and KRI, and to a lesser extent Jordan, a proliferation of coordination platforms and response frameworks is not facilitating a clear prioritization of resources or coherence across different financing streams. More joined up thinking, analysis and coordination is needed to make the most of existing financing, realize synergies, and even increase financing. Particularly in Jordan, interviewees suggested the time was ripe for the 3RP approach to evolve, in order to get the right actors in the room and provide the right level of analysis and policy coherence for longer-term programming and financing packages. When it comes to livelihoods support in Jordan, the JRP is considered a basic reference, and notably provides instruction on the proportion of Jordanians to Syrians that should be targeted by any livelihoods intervention but does not have sufficient detail on what interventions to prioritise and how. Multiple national plans have relevance for the sector, and these do not always clearly link up. There is the impression of a “fairly messy sector” with each donor funding in an ad hoc way according to its own priorities.²⁸

Long-standing structural coordination problems across humanitarian and development constituencies continue to frustrate coherent approaches. In KRI, development donor coordination mechanisms are generally less structured than the humanitarian coordination mechanisms and 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. Although humanitarian coordination is more developed, 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, while the IDP response was coordinated through the Iraq Humanitarian Response Plan, and now increasingly through the new Durable Solutions coordination architecture, with key decisions made in Baghdad and passed down to subnational level. Thinking on how to overcome the traditional development and humanitarian silos is perhaps the most advanced in Jordan, where the Nexus Task Team has developed a set of recommendations for a more coherent approach. But they have struggled to translate this into concrete programmatic change on the ground and discussions appear to be stalled at the current time.

Furthermore, refugees of different nationalities, internal displacement and returns of national citizens are treated differently among governments and international actors. The differences are most stark where financing for displacement solutions is different for Syrian refugees and Iraqi IDPs. Although key bilateral donors include both Syrian refugees and Iraqi IDPs in their elsewhere programme, differences in the financing approach towards longer term solutions, instruments, financing decision making and stakeholders exist. These differences limit the support for coordinated or coherent approaches across the humanitarian–development nexus. For the Syrian refugees in KRI, most of the response resource mobilisation and engagement with ODA donors happens regionally, as some donors (particularly on the development side) lack a presence in Erbil, and are coordinated through the regional response plan 3RP. The KRI based Joint Crises Centre and MOPIC are engaged rather than the Central Government of Iraq. In contrast, Jordan and Lebanon do not have large internally displaced populations but do host a significant number of non-Syrian refugees, who receive far less programmatic attention and ODA resources than the Syrians. International actors are increasingly looking to move to a ‘one-refugee’ approach in Jordan.

However, large programmes and financing instruments have served as loci of coordination and coherence. In the absence of a detailed overarching plan or strategy in the livelihoods sector in Jordan, large programmes and consortia funded by GIZ and the EU Madad Trust Fund have served to coordinate and align interventions. In the education sector in Jordan, the ‘Accelerating Access to Quality Formal Education for Syrian Refugee Children’ initiative has demonstrated how a large financing instrument (multidonor account) combined with technical assistance and significant budget support, has served to harmonize donor support in alignment with national systems. Factors that have facilitated donor coherence in this sector include the existence of a prioritised and costed strategy, the Education Strategic Plan (2018-2022), and strong government-led education sector coordination mechanisms at country level. In Lebanon, the GCFF donor coordination group was found to have been a useful platform for coordinating donor positions not just on GCFF-supported projects, but wider development issues.²⁹ The Cash and Livelihoods Consortium for Iraq has played a similar role in KRI, leading to the implementation of harmonised cash and livelihoods assistance at scale to meet basic needs and support self-reliance of vulnerable populations.

RECOMMENDATIONS

JORDAN RECOMMENDATIONS

USING FINANCING TO CREATE A MORE ENABLING ENVIRONMENT FOR MEDIUM TO LONGER TERM OUTCOMES FOR SYRIAN REFUGEES

1. Strengthen a common donor position to address remaining policy barriers

Bilateral and multilateral donors need to come together around a common position, backed up with financing, to respond to the government's call for a new Compact. The Jordan Compact has shown that a common position and collective action can be effective in creating a more enabling environment for refugees and supporting country ownership, and should be sustained. International finance can work as an effective lever for policy change; it appears to have been more effective when used in support of a common position. The GoJ's white paper issued this year offers an opportunity to build on lessons learned and engage in dialogue between the government, donors, international and national implementers on a medium-term vision for the response. To support this, strong political leadership is needed on the donor side. And there is an opportunity to link discussions started under the Nexus Task Team with those on the future of the Compact. Implementers need to proactively engage in these discussions, supporting a multistakeholder process that includes the voices of refugees at its centre.

2. Couple financing to support the wider enabling environment, including economic growth and job creation, with financing specifically targeted to refugees

When designing packages of financing, **bilateral and multilateral donors and IFIs** need to work with host governments while also addressing refugee specific needs. Donors must ensure to include financing that specifically targets refugees so their specific needs and priorities are not lost in the broader development agenda and that refugees benefit from the new jobs created. Also, including robust consultations with refugee representatives, civil society organisations and other key stakeholders in the design of such financing packages is important to ensure they are adapted to the context, avoid duplication of effort and respond to the needs and priorities of displacement affected communities.

IMPORTANCE OF PRIORITISATION AND CHOICES ON RESOURCE ALLOCATION

3. Greater investment in measuring and documenting the results and impact of financing, to identify causal pathways to economic self-reliance

Donors need to invest in generating evidence on which programmatic models have the greatest impact in supporting refugee economic self-reliance – allowing pilots to learn from mistakes, iterate and improve - and base their funding on that evidence. For new financing models being tested, **donors** and **implementers** must ensure that lessons learned are documented and shared with all stakeholders, including national systems, to enable scale-up and replicability. It is important that both donors and implementers are realistic about the levels of ODA that can be put into blended finance and innovative financing initiatives given the many competing demands on ODA resources and testing environment. The unproven nature of new financing models, combined with their longer lead-in time and limited donor risk appetite mean that it is of even greater importance to assess and understand the added value of blending versus other financing mechanisms in the Jordan context. As a general principle, when donors blend finance, they should ensure blended programmes have a developmental impact, adopt aid effectiveness principles, comply with legal and voluntary standards, and demonstrate additionality.³⁰

4. Build on the JRP process to promote better collective engagement with national planning processes

The **GoJ, UN and World Bank** need to build on the learning and experience from 3RP/JRPs to inform medium-term national planning with greater involvement of large development actors. While the decision has been taken to move towards a joint comprehensive vulnerability assessment as a basis for planning, donors and implementers need to examine the implications of this from a financing perspective, and development actors need to be aware of the specific protection needs of refugees that may not be captured by vulnerability-based targeting. Collectively, **donors, implementers and the GoJ** need to ensure that the needs and priorities of refugees are reflected in ongoing national development frameworks and planning.

5. More strategic direction on the prioritisation and sequencing of investments to support refugee economic self-reliance

Donors and implementers active in supporting economic opportunities for Syrian refugees should work with the **GoJ** to develop an evidence-based, costed analysis and plan for how to achieve economic self-reliance for the proportion of the refugee population for whom this is realistic. The plan should provide guidance for donors on which programmatic approaches to invest in and the sequencing and prioritisation of investments.

6. Build partnerships between humanitarian and private sector actors in support of strategic objectives towards refugee economic self-reliance

Humanitarian actors (donors and implementers) need to continue developing a broader range of partnerships with private sector actors to harness their expertise in trialing innovative approaches to support refugee economic inclusion. Given how little evidence exists on successful economic inclusion programming in Jordan, it will be important to learn from models and experiences from other contexts and population groups to identify the opportunities of the future. As blended finance and impact investment initiatives multiply, ensuring coherence between them will be crucial and donors, IFIs and implementers must link them to national private sector development strategies, rather than their own individual priorities and criteria.

APPROACHES TO FINANCING THAT DELIVER BETTER OUTCOMES FOR SYRIAN REFUGEES

7. Provide more multiyear, flexible, 'nexus-oriented' funding

Donors need to capitalise on the growing body of learning generated from displacement financing specific instruments to inform future programming and funding approaches to build on their successes. Specifically, these instruments have demonstrated that supporting (economic) self-reliance requires multiyear funding commitments to support comprehensive packages of support – donors need to be willing to make the necessary investments and scale-up quality funding across the board. Given the key role that has been played by the EU Madad Trust Fund to date, the question of what will follow it is crucial. The **EU** must capitalise on lessons learned from Madad and incorporate those elements of the instrument most valued by partners – flexible multiyear funding that emphasises humanitarian-development coherence.

8. Humanitarian approaches need to evolve to take a more medium-term view

Implementers also have a responsibility to avoid submitting the same short-term proposals for funding year after year, and plan and design programmes that can support a transition to longer-term developmental approaches over time. There is evidence that some humanitarian actors are starting to do so, as attested by the focus on 'graduation' approaches, but this needs to be taken forward more consistently among a wider group of implementers.

9. Build consensus on the recommendations of the Nexus Task Team, and develop a detailed action plan for their implementation.

The **Nexus Task Team** through a number of senior/high-level **donor 'champions'** needs to reach beyond members of the Task Team and the technical level to influence the strategic/political decision-makers on the importance of implementing a nexus approach. These efforts should be linked to discussions currently taking place on the future of the Compact. The recommendations, which remain quite broad, should be further developed to become actionable and feed into the next JRP planning cycle. This is critical to continue strengthening coherence of funding and programming beyond the scope of the displacement-specific financing instruments.

10. Honour donor commitments on equitable responsibility-sharing to continue meeting the needs of refugees in the near and medium term

Donors must sustain commitments to meet the basic needs of refugees in the near term; taking a nexus approach should not be a pretence for shifting the humanitarian caseload onto national systems and shrinking humanitarian budgets. In line with commitments on responsibility-sharing taken under the Global Compact on Refugees and Jordan Compact, **bilateral and multilateral donors** must commit to sustained ODA/concessional financing in the near and medium term (over and above regular development assistance) to maintain inclusion of refugees in national systems. It is important that donors continue to invest in the national capacities and systems of line ministries and local government structures, so they are in a position to take on the additional responsibilities associated with managing the refugee caseload.

11. Evaluate the efficiency, effectiveness and quality of inclusion of refugees in national systems in Jordan

Bilateral and multilateral donors should invest in an independent evaluation of the multi-donor accounts supported by donors in the health and education sectors in order to understand their cost-effectiveness as compared to parallel humanitarian systems, any potential trade-offs and user perceptions. The multi-donor accounts seem to be a promising model but hard evidence on the outcomes they produce is needed to inform future decisions on scaling up volumes of funding channeled through these accounts or establishing others in new sectors.

LEBANON RECOMMENDATIONS

The recommendations target short and medium-term time-frames due to the current situation of political instability in Lebanon, but there are some indications of longer-term priorities emerging for health. The recommendations are organised around the emerging lessons from the study and target wider contextual financing challenges and this is followed by a separate set of recommendations specifically for health financing.

USING FINANCING TO CREATE A MORE ENABLING ENVIRONMENT FOR MEDIUM TO LONGER TERM OUTCOMES FOR SYRIAN REFUGEES

1. Use a combination of political dialogue, technical assistance and financing to incentivise the GoL to provide a more enabling legal and policy environment for refugees in Lebanon

Lebanon is currently an extremely challenging environment in which to promote policy reform, particularly refugee-inclusive policies. In the short-term, high level political challenges will severely limit options for exerting influence, however, there are pockets of decision making especially at technical level that can offer opportunities for reform and inclusion of refugees. Over the medium term, when more effective governance is provided by the GoL, **bilateral and multilateral donors and IFIs** need to be opportunistic and through a combination of

political dialogue, technical assistance and financing, push on issues where there are openings to shift incentives towards a more enabling legal and policy environment. For instance, facilitating legal residencies of adequate duration will have profound impact on the protection of Syrians and their access to basic services.

2. In the short to medium term, make greater use of grant funding to increase leverage in promoting a more enabling environment for refugees and influencing policy reform

Bilateral and multilateral donors and IFIs should build up complementary packages of financing that encourage the better targeting and protection of refugees, increasing the use of grants and proceeding with great caution in advancing additional lending, given the current economic circumstances and the risks of debt distress faced by the GoL. For example, EU Madad Trust Fund grant funding to support subsidisation of health services for the Syrian refugees.

PRIORITISATION AND CHOICES ON RESOURCE ALLOCATION

3. Streamline coordination at a macro-level for the delivery of all humanitarian and development assistance

It is questionable whether having multiple response frameworks is facilitating coordination. In the short term, a collective process involving **GoL, donors, IFIs and international and national organisations** should review existing coordination processes and structures.

4. Invest in the creation of a shared evidence base to inform prioritisation and coordination of financing investments

International partners (UN agencies, bilateral and multilateral donors, IFIs and INGOs) with the GoL should develop a shared understanding of vulnerabilities and a common plan to address these. This shared understanding should guide the resource allocation for displacement financing. At the least, the different plans need to be better aligned in terms of approaches and targeting, including greater clarity on how the humanitarian and development plans complement each other. With growing widespread vulnerability among Lebanese and non-Lebanese populations, vulnerability-based targeting may be more appropriate going forward, and common agreement is needed on harmonised vulnerability assessment criteria. If vulnerability based targeting cannot be achieved, and status based targeting is the approach of choice, then a "One refugee Policy" is recommended.

Donors should fund efforts to develop, agree and carry out targeting. Financing should then be used to ensure that programming use these criteria and calibrate checks and incentives into their funding and financing agreements to support the use of these criteria.

In the short term, **donors, IFIs and the GoL** should invest in documenting emerging evidence and lessons learned from investments already made in programmes and instruments. This includes for example, building lessons from the EU Madad Trust Fund into the next generation of EU funding to Lebanon and documenting lessons from piloting Performance Based Financing.

5. Support the continued evolution of multi-year planning tools and programming approaches

International actors - Bilateral and multilateral donors, UN agencies, IFIs, and INGOs - must engage in supporting the 3RP to evolve. Their efforts should focus on laying the foundations for a transition from humanitarian to longer-term development programming and put in place plans to scale up transition interventions when conditions allow. The 3RP has the potential to evolve to further support medium-term approaches and multi-year, rather than repeated one-year, programming with more systems-strengthening and greater involvement of large development actors, to strengthen the prospect of addressing longer-term outcomes. This is clearly a challenging endeavour in the current rapidly evolving context with growing humanitarian needs.

Bilateral and multilateral donors, UN agencies and the GoL should adopt coherent approaches to policy, programming and financing. Long term outcomes require coherent approaches that bring together short-term humanitarian actions with longer-term development approaches in a complementary way.

FINANCING APPROACHES FOR BETTER MEDIUM TERM OUTCOMES

6. Provide complementary and layered packages of financing

Bilateral and multilateral donors should provide multi-year humanitarian funding that enables multi-year programming. This will help lay the foundations for effective transition to longer-term development programming when conditions allow.

Bilateral and multilateral donors, UN agencies, IFIs, and national and international NGOs should direct financial support through the national system and key institutions whenever possible. At a minimum they should align their support with national systems and policies to avoid fragmentation and incoherent approaches. In the longer-term, inclusion of refugees in national systems is likely to be more cost-effective and sustainable and is also necessary to avoid parallel structures and fragmentation, including in the healthcare sector. An example of this is the Flat Fee Model (FFM) implemented by some NGOs which aims to bolster primary health care within the national system and in complementarity with MoPH programmes.

7. Calibrate financing agreements and instruments to incentivise improved quality of programming

Donors and IFIs need to pay closer attention to the quality of services provided as they develop second generation funding instruments. The World Bank's EPHRP in Lebanon provides a good example of where this wasn't the case but where the subsequent iteration of the project appears to have learned lessons from the first phase. The principles of performance-based financing (PBF) as piloted in Lebanon appear to provide the foundation for a successful approach in inclusive financing healthcare in Lebanon. Further testing and evidence generation is needed to inform the financing decisions of actors in the health sector but potentially others too.

KRI RECOMMENDATIONS

As the KRI brief was a shorter, more limited piece of research, the recommendations it generated are less detailed and more succinct than those for the Jordan and Lebanon country case studies.

1. The **Government of Iraq (GoI) 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 **GoI** 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 GoI 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 the 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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- 16 These include: “i) appropriate use (i.e., financial and developmental additionality); (ii) sharing risks and rewards fairly; (iii) alignment with sustainable development; (iv) clear accountability mechanisms; (v) transparency; (vi) participation, particularly of local communities, in decisions affecting their communities; (vii) effective management, accounting, budgeting for contingent liabilities, and debt sustainability; and (viii) alignment with national priorities, promotion of country ownership and other relevant principles of effective development cooperation.” See: Inter-Agency Taskforce on Financing for Development, 2021. *Financing for Sustainable Development Report 2021*. Available at: https://developmentfinance.un.org/sites/developmentfinance.un.org/files/FSDR2021_ChptIII.C.pdf
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