

Forced Displacement - Comprehensive Finance for Affected Countries

This brief outlines progress made on financing and policies towards comprehensive responses to forced displacement and identifies opportunities to further strengthen robust policy and financing to this rising global challenge.

Key messages include:

- Over 122 million people have been forcibly displaced by mid-2024, including refugees and internally displaced persons. Over 70% live in low-income countries (LICs) and middle-income countries (MICs), fragile contexts, and have been displaced for longer than five years. The presence of forcibly displaced persons has a major relevance for the development of countries and can affect macro-economic indicators in countries where the ratio between non-displaced nationals and the forcibly displaced is high. Durable solutions – voluntary return in safety and dignity, resettlement, and local integration – are lagging, requiring pragmatic approaches which can be a win-win for affected countries and support progress towards sustainable development goals.
- Pathways for policy solutions have been laid through the [Global Compact on Refugees](#) and its multi-stakeholder [pledging](#) framework, the [UN Secretary General’s Action Agenda on Internal Displacement](#), and the [DAC INCAF Common Position on Addressing Forced Displacement with a Humanitarian-Development-Peace Nexus Approach](#). Dedicated financing instruments such as the IDA Window on Host Communities and Refugees and the Global Concessional Financing Facility have delivered financial support for refugee host countries which align with their development ambitions.
- The 4th International Conference on Financing for Development can contribute to further strengthening consensus and action in the following areas: Inclusion of forced displacement in development plans, programmes and financing, national statistics, and implementation plans; development finance for hosting refugees as a global public good; bilateral and multilateral development banks should consider establishing and maintaining dedicated financing instruments for forced displacement; fiscal impacts, including on economic growth and costs, on refugee hosting LICs and MICs need to be recognized; development finance allocations for forced displacement need to be systematically measured in the context of the Official Development Assistance (ODA) reporting process to the OECD; life-saving humanitarian finance needs to be sustained and become more predictable.

Problem statement:

Driven by conflict, persecution, and fragility, the global population of forcibly displaced people exceeded 122 million people by mid-2024. This includes refugees, asylum seekers, other people in need of international protection, and internally displaced persons (IDPs). The vast majority of forcibly displaced (over 70%) live in LICs and MICs and in fragile contexts.

In the short-term, the presence of forcibly displaced populations poses a significant additional burden on fiscal resources and service systems in hosting areas. Over time, if refugees and IDPs can integrate into the labour market and the economy, these costs can decrease, and the displaced can contribute to the development of countries. External support for refugee and internal displacement situations in LICs and MICs has historically relied heavily on annual cycles of humanitarian funding, creating unsustainable parallel service systems. According to an OECD survey, 58% of all external finance for refugee situations in 2021 was spent on short-term humanitarian responses, despite the reality that forced displacement largely results in protracted, long-term situations. Very few refugees are able to avail themselves of the three durable solutions – voluntary return in safety and dignity, resettlement, and local integration. Approximately 66% of refugees worldwide now live in exile for five years or longer.

Progress has been made towards new partnerships and financing mechanisms for longer-term and more sustainable approaches to responding to forced displacement. These instruments have contributed to enabling important policy shifts by governments towards sustainability and solutions. The World Bank International Development Association (IDA) Window for Host Communities and Refugees (WHR) played a major role by supporting refugee-hosting LICs. The Global Concessional Finance Facility (GFFF), hosted by the World Bank and implemented by several multilateral development banks, provides concessional financing to MICs. Bilateral development actors also developed or strengthened financing mechanisms, such as the Transitional Development Assistance mechanism by the German Federal Ministry for Economic Cooperation and Development (BMZ), and the Netherlands' PROSPECTS Partnership. UNHCR also formed a partnership with the International Finance Corporation (IFC) to promote private-sector solutions and support the creation of economic opportunities in areas hosting large refugee populations.

Unfortunately, given the scale and complex reality of forced displacement, these initiatives remain insufficiently resourced and fall short of meeting the needs of displacement-affected countries, host communities and the forcibly displaced. Resources are also unevenly distributed, with some countries benefiting from relatively higher amounts of development finance for refugee situations, while others hosting large refugee populations receive less (see [Development Finance for Refugee Situations, years 2020-21 | OECD](#) and [2023 Global Compact on Refugees Indicator Report | UNHCR](#)).

Policy solutions

The New York Declaration for Refugees and Migrants (2016), the Global Compact on Refugees (GCR, 2018), and the UN Action Agenda on Internal Displacement (2022) charted a new way forward, calling for development approaches to forced displacement, alongside renewed emphasis on durable solutions, especially voluntary return in safety and dignity, and nationally owned solutions strategies.

One core objective of the GCR is expanded, equitable and more predictable responsibility-sharing among countries, including additional ODA for LIC and MIC host countries. In the wake of the second Global Refugee Forum in 2023, the OECD Development Assistance Committee (DAC) International Network on Conflict and Fragility (INCAF) agreed on a Common Position on *Addressing Forced Displacement with a Humanitarian-Development-Peace* (HDP) nexus approach, encompassing three areas of action:

- Early engagement of development, peace and climate action, alongside humanitarian aid, in new displacement situations;

- Inclusion of refugees and internally displaced persons in broader development and climate programming; and,
- Addressing the drivers of forced displacement to enable solutions, such as voluntary return, local integration, and resettlement, and prevent further displacement, through comprehensive development, peace and climate action.

To support measuring the extent and nature of ODA for forced displacement contexts across the HDP nexus, in 2022 the OECD DAC Working Party on Development Finance Statistics (WP-STAT) adopted a methodology for tracking development finance for forced displacement. The methodology remains voluntary under OECD reporting guidelines. A similar methodology was also approved for tracking under the framework for Total Official Support for Sustainable Development (TOSSD), a new mechanism for measuring the totality of development finance beyond ODA. The finance tracking involves the use of three “keywords”, which development finance providers use to identify their financing in support of forced displacement contexts: i) Refugees and host communities; ii) voluntary refugee return and reintegration; and iii) IDPs and host communities.

According to the latest [OECD data](#), the total volume of official development assistance and concessional outflows from multilateral organisations (hereafter referred to as ODA) for refugee situations in LICs and MICs amounted to USD 13.7 billion in 2020 and 12.7 billion in 2021, or USD 26.4 billion combined over two years. ODA for refugee situations in LICs and MICs largely (73%) depended on four donors: the United States, European Union (EU) Institutions, Germany, and the World Bank. Over half (55%) of all ODA for refugee situations in LICs and MICs was provided for *humanitarian* purposes, reflecting the reality of urgent needs in refugee situations, but also the tendency to resort to short-term financing instruments, despite many protracted refugee situations. The portion of *development* and *peace* ODA (excluding *humanitarian*) amounted to 40%, mainly due to concessional loan financing provided by the World Bank. Direct external financing to the fiscal budget of refugee host governments accounted for 17% of ODA for refugee situations in LICs and MICs.

Some displacement-affected countries have aligned support to the forcibly displaced and host communities with their aspirations towards progress on the 2030 Agenda for Sustainable Development and its Goals. This includes progress on the inclusion of refugees in national statistics, national service systems (health, education, social protection etc.), and in the economy. The latter being where refugees are accorded the right to work in the formal economy, have access to financial inclusion, and enjoy freedom of movement. When the forcibly displaced add to economic development outcomes and pay taxes, recurring fiscal costs to national service systems can significantly reduce over time, and the presence of displaced persons can add to economic growth, as recent studies by the IMF and other entities have consistently shown.

Recent pledges made towards the Global Compact on Refugees at the last Global Refugee Forum in 2023 saw 68 low- and middle-income countries making policy pledges for increased refugee inclusion, as well as more than USD 2.2 billion pledged in core financial contributions. A multi-stakeholder pledge on statistical inclusion, consisting of 102 financial, technical, material, and policy support pledges, was submitted. The implementation of these pledges can help advance the SDGs in refugee-hosting countries, in particular Goals 1, 4, 6, 8, 10, 13, and 16—and the key principle of leaving no one behind. Most of these pledges contribute to large SMART goals set out in [multi-stakeholder pledges](#) including:

- Better quality financing and systemic inclusion in financing policies and instruments pledged by 30 States and 44 non-State actors;
- More inclusive societies with access to labour markets, social protection, education, and healthcare pledged by 59 states and 222 non-state actors;
- Increasing support for conditions in countries of origin for return in safety and dignity pledged by 33 states and 63 non-state actors; and
- Improved partnerships across the HDP nexus, amongst others, by 61 states and 160 non-state actors.

Specific recommendations for FFD4:

In view of growing needs and the complex nature of forced displacement, recognising the policy pathways laid, commitments made, and progress achieved, stakeholders at the 4th International Conference should consider further building consensus and action plans on international development finance and forced displacement:

- **Inclusion of forced displacement:** Building on the recognition by the Addis Ababa Action Agenda on Financing for Development that “international migration is a multidimensional reality of major relevance for the development of origin, transit, and destination countries that must be addressed in a coherent, comprehensive and balanced manner”, **development finance providers** (bilaterals, multilateral banks) should ensure that people forced to flee and their host countries and communities are explicitly included in development finance planning, allocation and implementation. Ensure that this also includes people on the move within countries, the internally displaced persons, which represent the majority (58%) of people forced to flee.
- Given the protracted nature of forced displacement, **countries affected by refugee and internal displacement situations**, including countries of origin, should ensure that their national development plans and climate action plans, and their related requests for development finance, explicitly include refugees, internally displaced persons and the needs of local areas and communities hosting the displaced.

According to OECD analysis, only 28% of LIC and MIC national development plans explicitly include refugees and IDPs (year 2022), and only 36% of national climate action plans (2022). This means that tens of millions of forcibly displaced are left behind in planning for sustainable development and climate change adaptation.

- **Financing for hosting refugees as a global public good (GPG):** Forced displacement is one of several global public challenges, and hosting refugees in turn has been acknowledged as a global public good in related policy reviews by the World Bank and the OECD. GPGs are those that are available to all (“nonexcludable”) and that can be enjoyed over and over again without diminishing the benefits they deliver for others (“nonrival”). Upholding hosting refugees as a GPG requires collective action and the effective mobilization and deployment of additional financing. When GPG financing instruments are designed, support to hosting refugees should be within their scope.
- **Dedicated finance instruments for refugee situations:** Building on the progress made by dedicated development finance instruments for refugee situations such as the IDA Window for Host Communities and Refugees, the Global Concessional Financing Facility, among others, ensure that bilateral and multilateral development finance providers, as appropriate, maintain or

establish dedicated financing windows for refugees. Dedicated mechanisms, and dedicated teams managing these, are required given the complex nature of refugee situations, which require expert and dedicated attention. Such instruments, existing and new, need to be resourced with additional dedicated and predictable finance, so that displacement-affected countries see the benefit of engaging with such financing instruments, including committing to concessional loans, in line with the spirit of burden- and responsibility sharing which underlies the GCR. This is also insofar important that refugee related development finance does not come to the detriment of financing for other important development priorities.

- **Annual data reporting on ODA for forced displacement:** Recognising the importance of additional ODA allocations for refugee situations in the spirit of the GCR on burden and responsibility-sharing, and recognising the importance of reliable and comparable data to measure progress, all development finance providers (bilaterals and multilateral development banks), should ensure to utilise the voluntary refugee-related keywords in their annual development finance reporting to the OECD and TOSSD. Development finance for internal displacement situations should also be reported as part of the annual reporting to the OECD and TOSSD, using the keyword “internally displaced persons and host communities”.

In the first round of regular reporting to the OECD (data for the year 2022), 63% of DAC members (20), 14 non-DAC bilaterals, and none of the multilateral development banks used the refugee keywords.

- **Recognising and measuring fiscal impacts of forced displacement:** The contributions made by forcibly displaced persons to economic growth and fiscal income, and the additional costs incurred to national service systems in LICs and MICs for hosting refugees should be recognised, and a comparable international methodology for measuring such fiscal impacts should be supported.

The joint work by the World Bank and UNHCR on measuring the impact of hosting refugees in the [education](#), health, and basic needs sectors is leading in this regard and has come up with a methodology. Recent studies by the IMF, World Bank and others have also demonstrated the contributions made by refugees to economic growth of their host countries.

- **Sustained and predictable humanitarian finance:** Recognising the importance of life-saving essential humanitarian assistance in conflict and crisis situations for stabilising populations, ensure that humanitarian funding is available in adequate proportion to humanitarian need, and provided with predictability beyond annual funding cycles. Humanitarian actors should reform and pivot their planning and programming where possible and appropriate, to look at solutions from the start.