

## Designing refugee compacts: lessons from Jordan

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**Analysis of progress to date under the Jordan Compact highlights a number of shortcomings that need to be addressed if the model is to be used effectively elsewhere.**

Livelihoods opportunities are an essential component of refugee well-being and self-reliance but it is often very difficult for host countries to make progress in this area. This is particularly so in countries with high unemployment and slow economic growth – such as Jordan. The challenges faced by Jordan's workforce are compounded for refugees, who face specific vulnerabilities when seeking livelihoods, particularly when they are working informally, exposed to risk of exploitation, abuse and other poor working conditions. In Jordan, 73% of Syrian refugees in Jordan were living below the poverty line in 2015, rising to 93% by June 2017.<sup>1</sup>

The Jordan Compact was created to provide sustainable livelihoods solutions, as well as infrastructure and basic services, for Syrian refugees and their Jordanian hosts through grants and concessional (low-interest rate) loans to the country. Initial pledges at the Supporting Syria and the Region conference in London in February 2016 totalled US\$1.8 billion, including \$700 million in grants and an indication from multilateral banks of the potential to increase their lending by \$1.1 billion.

The most innovative support came from the World Bank's Global Concessional Financing Facility (GCFF). This new facility supports middle-income refugee-hosting nations with concessional loan rates normally reserved for low-income countries, and its flexible, multi-year funding represents a major new tool to address protracted displacement. Both the Jordan Compact and the GCFF embraced the twin goals of meeting the needs of refugees and host communities and increasing refugee self-reliance, offering an opportunity to transform a humanitarian crisis into a development opportunity.

The Jordan Compact also included commitments beyond traditional aid and assistance projects. As part of the Compact,

the European Union (EU) relaxed the EU's Rules of Origin to improve access of companies operating in Jordan to the EU market. Businesses in Jordan's Special Economic Zones (SEZs) receive incentives to employ refugees in order to benefit from these trade opportunities. Jordan agreed to a goal of issuing up to 200,000 work permits to Syrian refugees.

### Game-changing progress, with obstacles

Some significant strides have been made: some 83,000 work permits issued, work permits no longer tied to a single employer in the agriculture and construction sectors, provision of basic vocational training to approximately 2,600 Jordanians and Syrians, and 18 new categories or sub-categories of work opened up to Syrian refugees as of July 2017.<sup>2</sup> Five companies have started exporting from the SEZs. However, progress in achieving the Jordan Compact's goals has been hindered by a number of factors, and the needs of refugees and Jordanians remain considerable.

The targets set through the Jordan Compact focus on outputs (number of permits issued) rather than outcomes (jobs secured, increases in household incomes), which led from the start to insufficient analysis of, and attention to, the investments and policy changes necessary for success. This has meant that some of the interventions selected do not strongly reflect the evidence of what works to generate livelihoods opportunities for refugees and host communities, and do not address the unique needs of affected communities. For example, trade concessions and SEZs – two areas that received the greatest attention – have a mixed overall record, especially in advancing decent opportunities for vulnerable populations.<sup>3</sup> They are also interventions that are unlikely to generate

or improve the quality of jobs available to refugees or Jordanians in the short term.

While the issuing of roughly 83,000 work permits since January 2016 represents important progress, this number includes all work permits issued, including those renewed annually or quarterly to the same workers, and the total number of active work permits (permits held by refugees currently working) is lower at approximately 40,000.<sup>4</sup> The sectors in which refugees are permitted to work also remain too narrow, reducing employment opportunities and delaying progress towards the goal of 200,000 work permits. Expansion of the sectors refugees can work in has largely still been limited to low-skilled jobs. Furthermore, many of the work permits have gone toward formalising existing jobs rather than being issued to refugees who are engaging in new avenues of formal employment. Formalisation of informal work is an important step – many refugees wish to formalise their jobs and this can raise wages, reduce exploitation and improve the quality of jobs – but this only addresses one part of the employment problem. Advances in employment will continue to stall so long as they are issued only for existing jobs without the creation of new ones for both refugees and hosts.

In most cases, Syrian refugees continue to face significant barriers to owning a business. Under the Compact, the Jordanian government agreed to allow refugees to formalise their existing businesses but the extent to which this policy has been implemented is unclear. To open a business, refugees would need to demonstrate a significant amount of investment capital to gain investor status, and would need to provide documentation proving legal residency status (which many Syrian refugees do not have). Syrians may also be required to partner with a Jordanian to legally open a business, which can put refugees at risk of exploitation. These delays or barriers to refugees formalising their new or existing businesses can stunt local market growth, as Syrians – who could be strong contributors as producers and consumers in their host economies – are

kept back from full participation. This contrasts with Turkey where Syrian business owners have invested more than \$334 million into the Turkish economy through roughly 10,000 businesses, many of which hire Turkish citizens and refugees alike.

Many of the challenges stalling progress are not unique to the Compact design but are instead endemic challenges that must be addressed more broadly. Compared globally, Jordan's business climate overall is less conducive to entrepreneurship and private sector investment, which are key avenues to job creation. A cumbersome regulatory environment and high business tax rates reduce the attractiveness of opening a business in Jordan, leading some investors to look elsewhere in the region, such as the Gulf. While there is no silver bullet to job creation and economic development, greater attention should be paid to how refugee-related efforts connect with analyses and plans focused on broader trade, investment and growth promotion.

### **Making compacts work**

To make improvements in the context of the challenges facing Jordan and other countries hosting large numbers of refugees requires partnership and political will from host governments, donors, humanitarian and development actors, and the private sector. When practical and policy barriers are adequately addressed, compacts can be an effective way to build development opportunities for both refugees and host communities.

For compacts to work, there must be: clearly defined outcomes for refugees and host communities; improved collection and sharing of data and evidence; identification and transparent documentation of barriers to economic and social inclusion; and a common set of benchmarks against which programmes are measured. In addition, creating multi-stakeholder governance boards led by host governments can help systematise engagement by actors across the board, including international non-governmental organisations, local actors, international institutions and donors.

There is often a misalignment of goals and priorities among the multitude of actors operating in-country, and some key actors may be left out of the discussions. Notably, refugees fall outside traditional state-citizen accountability mechanisms and therefore outside typical donor-host government financing agreements. Better alignment of priorities and processes can unlock discussions around policy and practice, and a multi-stakeholder governance board could ensure all necessary actors are at the negotiating table. Such boards can also serve as an accountability mechanism and a formal, consistent way for various constituencies to provide feedback to decision makers.

Although the first year of the Jordan Compact revealed shortcomings, it was nonetheless game-changing – not just for the Syrian crisis but also as a model for refugee compact agreements around the world. The lessons learned from the Jordan Compact can inform future compact negotiations, both in protracted settings and as a means of early planning in crises that may become protracted. Compacts are not appropriate for every situation, and they require significant political and financial investment. However, they can open up the political space needed to shift policy, forge new and innovative partnerships, and reach agreements. The process of developing and implementing

a compact brings together key actors, including the host government, humanitarian and development players, donors and the private sector, facilitating discussions and partnerships that may not otherwise happen. Compacts can align incentives, promote accountability and encourage private sector investment. By so doing, they can tap into new financing mechanisms and work toward durable solutions.<sup>5</sup>

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3. IRC (2017) *Evidence Based Policy Review: The Jordan Compact* <http://bit.ly/IRC-JordanCompactEvidence>
4. <http://issues.newsdeeply.com/the-compact-experiment>
5. For more information, see (2017) *Refugee Compacts: Addressing the Crisis of Protracted Displacement*, Center for Global Development and International Rescue Committee <http://bit.ly/CGD-IRC-2017>