

**CHUMIR
FOUNDATION**
for ETHICS IN
LEADERSHIP

Report of the

**World
Commission
on Forced
Displacement**

Executive Summary

The Chumir Foundation for Ethics in Leadership convened the World Commission on Forced Displacement, a diverse global group of experienced policy and political figures under the Chairmanship of H.E. Heinz Fischer and advised by a global Steering Committee of scholars and practitioners to study best practices and identify solution-oriented policies to address the issue of forced displacement in contemporary conditions.

Forced Displacement: In Search of a Solution

A Destabilizing Issue to be Addressed: The world is confronted by the largest number of forcibly displaced persons in modern history – 68.5 million

people⁽¹⁾, fleeing from homes and communities because of violence, conflict and persecution. That number is growing – the period of displacement is extending – solutions are more challenging. Approximately 85% of those displaced are located in low and middle income countries. On the more positive side, the number is under 1% of the world population. However, many millions more are poised to move for reasons that will not be corrected any time soon – many turning on conditions that are not necessarily linked with violence, such as natural disasters; consequences of climate change; population growth patterns and more media-visible living conditions differentials; and severe discrimination. Resettlement is currently meeting resistance, particularly in corridors of larger population movement. Return is limited. Other forms of responsibility-sharing and international coordination of assistance to those forcibly displaced – and to host communities most burdened by the accident of location nearby a point of origin of displacement – are underfunded. And, the population movement and pathways are – large and often concentrated in time and location – a condition that strains what historically and analytically would have meant new growth of a community that adds to economic activity, productivity and community fiscal balances after a reasonably short period of accommodation and adjustment.

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The UNHCR estimate of forcibly displaced is 68.5 million, of which 40 million are internally displaced (IDPs), 19.9 million are refugees and 3.1 million are asylum seekers.

The situation calls for a multi-faceted and concerted international effort to avoid or mitigate: suffering; wasted lives; foregone economic output; unmanaged irregular population movement; and the risk of recruitment of some of those displaced by extremist and terrorist groups. These are risks faced from idled populations who lack opportunity and might become desperate. The circumstances differ by location, by applicable legal regime, by whether the displaced are in domestic locations or across a border – as well as by demographics; characteristics and attitudes of the migrants and residents; and by supply/demand conditions. Policy and practice – and particularly developmental growth, investment, employment, adjustment support and economic and inclusion opportunity – alongside humanitarian protection, care and maintenance make a difference.

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A manageable policy and investment objective: The moral, economic, social, political and administrative issues across forced displacement from different or mixed causes are more similar than not; and the instability and unfairness are compelling reasons for policy attention. Any fair analysis must emphasize human rights, humanitarian protection, basic care, maintenance and rights – the first and fundamental building blocks for the rebuilding of lives and reaching inclusion in a community, including for the critical element of employment and self-sufficiency. Without reciting a detailed review of rights and support, the

Political will is necessary for an international effort to avoid wasted lives.

Commission stresses these needs, the rights that permit participation of those displaced and their foundational nature for development and beyond. While recognizing the essential nature of rights, services and support for the

safety and survival of the displaced, fairness, management of the various community impacts of large numbers of new forcibly displaced arrivals and the implementation and capturing of the benefits of development, a central focus of the Report of the Commission is the potential for development and the methods and mechanisms the Commission believes critical to the success of such a strategy.

Durable solutions and constructive political attitudes require the ability to find gainful employment – whether by returning to their community of origin in safe conditions, being resettled, or integrated in the locations to which they have fled. The recommendations in this Report aim at stimulating practical action for investment and for employment of the displaced, or of the many poised to move and are intended to address situations in the low and middle income countries. Wealthy jurisdictions face significant social and political challenges from uninvited arrivals, but the economic issues are generally matters that these host governments, primarily in the Global North, can handle on their own. Employment in the low

and middle income locations requires economic development and investment for job creation in the regions where the displaced are located and generally prefer to stay. Fairness and cohesiveness require participation by local community members as well. As the capital required for this task greatly exceeds current or prospective public sector resources available for the purpose, the reallocation of some private sector activity and resources is essential to a development strategy⁽²⁾.

Instability and unfairness are compelling reasons for policy attention and do not turn on legal status or crossing of a border.

There is good news – the percentage of capital that would need to be reallocated to locations of large numbers of the displaced is a small proportion of private sector commercial capital placed each year. In recent years, capital market placements for what have been savings in excess of demand for investment has frequently produced low and negative returns in commercial money markets. This condition, particularly after hedging costs, persists today. There are higher project yields to be found – and such investments would enhance global economic growth – and do so without undermining capital formation in the developed world.

The reallocation would be largely by investment in reasonable risk/reward producing ventures and much needed infrastructure development in target markets. However, commercial ‘deal-ready’ proposals in the locations of need are vastly insufficient for a solution to displacement. Even willing investors focused on the developing world find few or no opportunities to place the funds they have available. Developing such opportunities requires more than additional capital in sophisticated and willing hands. It requires additional business developers motivated by reward plans and institutional cultures to spend the extra time and bring innovativeness, flexibility, transactional nimbleness and willingness to accept a higher risk portfolio – including withstanding the lower success rate in the low and middle income economies involved⁽³⁾. To generate meaningful levels of activity, it requires more – certain additional functionalities, primarily the introduction of arrangements that create commercial conditions and sustainable venture commerciality by addressing impediments that make the opportunities that are suitable to the location but found too risky, or otherwise beyond

(2)

A rough calculation demonstrates the point. Public development funds, if all dedicated to the building of infrastructure in developing markets, would cover only 10-15% of that sectoral requirement; while some 3-5% of private sector liquid capital, if reallocated to the Global South, would fund the gap for some years to come. See Footnote 35, page 33 for details of the numbers. It is confirmation of this analysis that over 9 of 10 jobs in the world economy are in the private sector economy.

(3)

The challenge of establishing commercial investment conditions and adding meaningful scale of investment and numbers of jobs in low income locations must counter such characteristic as: physical plant and infrastructure that are very deficient; industry experience that is narrow; skills and education levels that are low; absence of rule-of-law, as well as incidents and perceptions of corruption; populations and governments that are poor, fiscally and structurally weak; and unemployment, public debt and fiscal deficits that are high. Development assistance will remain necessary in many instances.

commercial tolerance, acceptable commercial investments. This involves more than capital – it involves more than additional motivated project developers – it involves ‘de-risking’⁽⁴⁾.

A Merchant Bank: The World Commission recommends a Merchant Bank, a special purpose vehicle and related methods that accomplishes the capital reallocation proposed. Such an approach would benefit investors by higher investment yields; earn donor governments fiscal revenues and the country’s businesses increased exports related to those investment projects. Host countries gain from additional income and fiscal revenues. The displaced capture employment, income and self-sufficiency. The world realizes improved stability, security and related cost savings. This, and better North/South and even South/South political relations, make a potent public policy case for the strategy.

Market Gap: Without any criticism intended, current policy, methods and development institutions do not achieve the necessary conditions in hosting locations to draw the needed private sector investment. Nor do existing facilities seem to absorb risks in the target locations that exceed commercial tolerances – something governments do routinely in developed economies. Development in the targeted locations requires political resolve and more activist methods and mechanisms to address the impediments. It would be self-defeating to embrace this analysis, but, for reasons of reluctance to create a new vehicle in a crowded field, fail to give the enhanced merchant banking capacities the best opportunity to perform. The Commission recommends a new entity with a purpose-built design, culture, motivational schemes, risk tolerance, stature of management, deal-structuring flexibility and transacting nimbleness – and with the ability to perform both public sector and private sector commercial roles. A new entity is recommended as cultural change in large and established institutions is not an easy task and, given the range of activities of those institutions, may not be appropriate.

The essence of the proposed activity is to make strategic use of the limited public (and, potentially, philanthropic) funds to create commercial conditions so that a readily manageable percentage of the much more plentiful private commercial funds will be invested in the target locations. Funding a greater proportion of a project than is necessary to create commercial conditions is less productive. Further, the amount of activity and job creation sought requires not only more active searching out of inherently sustainable ventures or increased funds allocated to such transactions, but also an enlargement of the techniques through the methods of the Merchant Bank so as to encompass more ventures that, with the

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De-risking is routinely done by governments in developed economies when different risks, e.g. technology development, are considered too high for commercial capital to generate optimal activity, or meet sectoral need. This is seen in U.S. space, defense and health technologies, EU technology and support programs, Canadian tax incentives in resources and Japanese risk absorption in manufacturing automation. It is seen in plant location incentives and public sector laboratories. The proposed de-risking here is a developing economy counterpart.

boost of the additional techniques – addressing impediments and de-risking – are commercially sustainable. These additions to the tools available are public sector and non-commercial by nature. That is, the arrangements are initially and individually generally public sector tasks – at least until they are pooled. Particularly if held through project construction and, perhaps, risk abated, the de-risking instruments are likely capable of being re-financed in the capital market as a securitized instrument.

Also of importance in the proposal is the fact that, instead of making the public expenditure in the hope that the private sector will then find the environment and terms to its liking, the transactional procedure would normally have the Merchant Bank commit to the arrangements as part of a contract for the investment, including the participation of the private sector that is sought. The gaps and deficiencies to be addressed by the actions of the Merchant Bank, thus, within reasonable limits and on fair risk/reward terms, are:

- proactive dedication to the search for opportunities, despite the time required and fewer successes;
- holistic sponsorship, including detailed feasibility, assistance in negotiating accommodating policy, addressing of impediments and de-risking;
- protocols to ensure compliance with standards, honouring commitments, avoidance of arbitrary regulation and corruption, through delegated trusted authorities;
- identifying partners and/or co-investing where helpful to conclude a project, or enforce a fair arrangement against excessive concessionary demands.

History has taught us the need for clear and focused political resolve and appropriate mechanisms in the circumstances. Development success stories are the result of genuine determination and multi-faceted prioritizing of development and industrialization. Also, it has taught us the geopolitical influence acquired by those who engage. A contemporary parallel might be evidenced in the Chinese Belt and Road Initiative. Experience also leads to a design that ensures local knowledge and collaboration; regional and global structure for the hiring of the best talent and optimal diversification of risks, as well as dedicated and tailored mechanisms for the activities, objectives and conditions. The intention is for the Merchant Bank to be additive and complementary to current institutional capacities.

There is an immediate public interest and political case for the proposed methods and mechanisms of the Merchant Bank – an economic ‘win’ for donor country businesses, for hosts, for the displaced, and for the world at large; while also contributing to the curtailment of unmanaged immigration.

Forced Displacement: Policy & Action

Context

Displacement

- Mix of Causes
- Conflict, Violence & Persecution (CVP)
- Human Rights Violations
- Climate & Natural Disasters

Conditions

- Historic Numbers Forcibly Displaced
- 68.5 m Current CVP & More Poised to Move
- Increasingly Protracted
- Low & Middle Income Host Countries
- Difficult Markets for Investment
- Visible Large Disparities of Living Standards
- Demographics and 'Culture' Clash
- Limited Public Sector Resources
- Vulnerability to Extremist Recruitment
- Political Resistance

Objectives

- Inclusion at Scale
- Economic Opportunity & Integration
- Substantial Private Investment Required
- Social Absorption
- Geopolitics
- Intra/Interregional and Triangular Cooperation
- Belt & Road Initiative

Political Dynamics

Policy Motivations

- Moral & Ethical Reasons
- Manage Economic, Social, Political Impact
- Lost Output of Idle Workforce
- Positive Economic Opportunity
- Investment to Contain Migration
- Stability & Cohesiveness
- Physical Security

Narrative

- Emotional Fears vs. Real Facts
- Political Nationalism vs. Pluralism
- Influences Public Mood & Policy
- Shaped by Expectations, Political Tactics, Leadership & Media
- Variable by Place, Time, Population Segment

Public Interest Issues

- Responsibility Sharing
- Potential Donor/Host/Displaced /Broader Community Benefit
- Prepare, Mitigate Impacts & Prevent Flight
- Stable & Cohesive Communities
- Locals & Displaced Contribute to Inclusion
- Macroeconomic & Social Policy Compatibility

Policy & Actions: Who, What & How Addressed

Humanitarian

- Protection, Assistance & Rights for All
- Rights such as:
 - Work
 - Education/Training
 - Social Services
 - Connectivity
 - Anti-Discrimination

Development

- Investment for Job Creation
- Merchant Bank Roles
 - Public vs. Private Resources & Functions
 - Expand Deal Generation & Project Development
 - More Techniques to Create Commercial Conditions
 - Risk Absorption Capacity
 - Resolve Impediments
 - Sponsor Projects & Feasibility
- Provisioning Social & Economic Services & Technology

Methods & Mechanisms

- Political Will for Proactive Development
- Public/Private Strategic Roles
- Fill Gaps in Functionalities
- Holistic Sponsor & Transaction Participant
- Public/Philanthropic Funds for Creating Commercial Conditions – De-Risk/Remove Impediments
- Private Investment for Ventures
- Platform to Plan, Coordinate, Fund & Prevent Forced Displacement

Results

Social Impact

- Engaged/Employed vs. Idled Workforce
- Self Sufficient vs. Dependent Populations
- Integrated vs. Isolated Individuals
- Stable vs. Disrupted Communities
- Cohesive vs. Fractured Societies
- Reduced Security Risk
- Pluralism vs. Nativism
- Normalize Population Movement

Economic Impact

- Reduced Humanitarian & Security Costs
- Increased Output, Employment & Income
- Improved Fiscal Yields
- More Equitable Distribution of Burdens & Benefits
- Better Global Economic Prospects
- Benefits Donors, Hosts, Forcibly Displaced & Broader Community