

Assessing the contribution of refugees to the development of their host countries

This background paper was prepared for the OECD Development Centre's Policy Dialogue on Migration and Development in Paris on 2 October 2017. It is submitted to delegates for information.

The paper reviews the limited but growing literature on the economic impact of refugees on low and middle-income destination countries, showing that there are both winners and losers. It discusses some of the factors that affect the costs and benefits of forced displacement and highlights policy responses and experiences to refugee crises. In addition, this paper identifies some of the main challenges when empirically assessing the contribution of refugees in host countries. It then proposes a way forward through an empirical study that could guide policy makers in implementing sustainable, development-led responses to international forced displacement.

The opinions expressed and arguments employed herein do not necessarily reflect the official views of the member countries of the OECD or its Development Centre.

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The number of refugees worldwide is on the rise, reaching 22.5 million at the end of 2016 (UNHCR, 2017a). The large majority, 84%, are hosted by developing countries (i.e. low and middle-income countries), some of them among the poorest countries in the world. Refugees are often perceived as a burden for the host country, putting pressure on public budget and service provision. However, refugees can also contribute to development by providing skills and resources, and spurring production capacity and consumption demand. It is therefore important to complement short-term humanitarian responses to refugee crises with more long-term development-oriented responses to strengthen the positive impacts of forced displacement. Policy makers are increasingly acknowledging the importance of connecting humanitarian assistance to longer-term development planning (OECD, 2017). Such policy efforts require empirical knowledge of the socioeconomic impacts of refugees.

While the impact of labour migration on development in the countries of origin and destination is well studied, much less is known about the effects of refugee inflows, especially in low and middle-income countries. The context in which forced migration takes place often differ from that of labour migration, and outcomes and policy implications from previous studies on immigration may therefore not apply to the case of refugees. More systematic assessments of the benefits and costs are needed to support evidence-based policy and evaluations of current and future investments in development programmes in response to forced displacement.

The purpose of this paper is to discuss the assessment of economic impacts of refugees in developing countries. It starts by highlighting some major patterns and trends in refugee flows. The following sections present existing empirical evidence on the economic impact of refugees and highlights policy responses to mitigate the negative aspects and strengthening the development potential of large-scale refugee flows. Finally, the paper discusses methodological and data challenges in estimating the economic impact of refugees on host countries and suggests a way forward for future studies.

Most refugees are located in low and middle-income countries

The term refugee used in this paper refers to refugees under the 1951 United Nations Convention and people in refugee-like situations (Box 1), unless otherwise stated. Asylum seekers are not included in the figures presenting refugee numbers.

Box 1. Definitions and key terms

Refugee: A person who, “owing to a well-founded fear of persecution for reasons of race, religion, nationality, membership of a particular social group or political opinions, is outside the country of his nationality and is unable or, owing to such fear, is unwilling to avail himself of the protection of that country.”

Source: UNHCR (1967), *Convention Relating to the Status of Refugees*, Art. 1A(2), 1951 as modified by the 1967 Protocol.

This paper uses United Nations High Commissioner for Refugees (UNHCR) figures on the total numbers of refugees which include people recognised as refugees under the 1951 UN Convention/1967 Protocol, the 1969 Organisation of African Unity (OAU) Convention, in accordance with the UNHCR Statute, persons granted a complementary form of protection and those granted temporary protection as well as people in refugee-like situations (a term which is descriptive in nature and includes groups of persons who are outside their country or territory of origin and who face protection risks similar to those of refugees, but for whom refugee status has, for practical or other reasons, not been ascertained).

Palestinians under UNRWA mandate: The Relief and Works Agency for Palestine Refugees in the Near East (UNRWA) was established following the 1948 Arab-Israeli conflict to carry out direct relief and works programmes for Palestine refugees. UNRWA defines Palestine refugees as “persons whose normal place of residence was Palestine between June 1946 and May 1948, who lost both their homes and means of livelihood as a result of the 1948 Arab-Israeli conflict.”

Source: United Nations (1949), *United Nations General Assembly Resolution 302 (IV)* of 8 December; UNRWA (2017)

Refugee status determination: A process (conducted by states and/or UNHCR) to determine whether an individual should be recognised as a refugee in accordance with applicable national and international law.

Source: IOM (2011), *Glossary on Migration*, 2nd edition.

Asylum seeker: A person who seeks safety from persecution or serious harm in a country other than his or her own and awaits a decision on the application for refugee status under relevant international and national instruments. In case of a negative decision, the person must leave the country and may be expelled, as may any non-national in an irregular or unlawful situation, unless permission to stay is provided on humanitarian or other related grounds.

Source: IOM (2011), *Glossary on Migration*, 2nd edition.

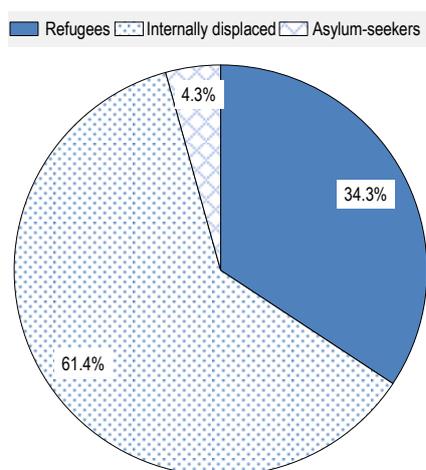
Internally displaced persons (IDPs): Persons or groups of persons who have been obliged to flee or leave their homes or places of habitual residence, in particular as a result of, or in order to avoid, the effects of armed conflict, situations of generalised violence, violations of human rights or natural or human-made disasters, and who have not crossed an internationally recognised state border.

Source: United Nations (2004), “Guiding principles on internal displacement”, UN Doc E/CN.4/1998/53/Add.2.

The world is experiencing an all-time high in forcibly displaced people as a result of persecution, violence, or human right violations. At the end of 2016, the number of forcibly displaced persons reached 65.6 million. More than 60% of the forcibly displaced (40.3 million) are internally displaced, while close to 40% (27.8 million) are displaced outside their country, either as refugees (22.5 million¹), or asylum-seekers (5.3 million) (Figure 1). Among the internationally displaced, 3.4 million were new refugees and new asylum seekers in 2016 (UNHCR, 2017a).

Figure 1. Refugees represent about one third of the forcibly displaced worldwide

Share of forcibly displaced individuals at the end of 2016 (%), by category



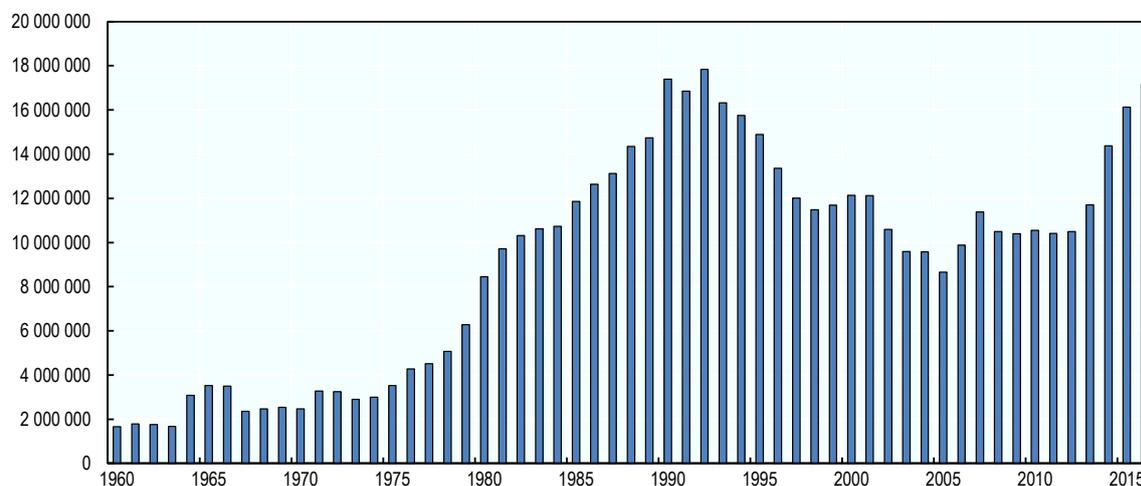
Note: The data includes Palestinian refugees under UNRWA's mandate.

Source: Authors' calculations based on UNHCR (2017a).

The number of refugees worldwide has steadily increased in the past five years, largely driven by the conflict in Syria. In 2016, the number of refugees under UNHCR mandate reached more than 17 million for the first time since the peak years in 1990 and 1992, an increase by 65% since 2011 (Figure 2).

Figure 2. The number of refugees worldwide has increased by 65% in the past five years

Total refugee numbers, 1960-2016

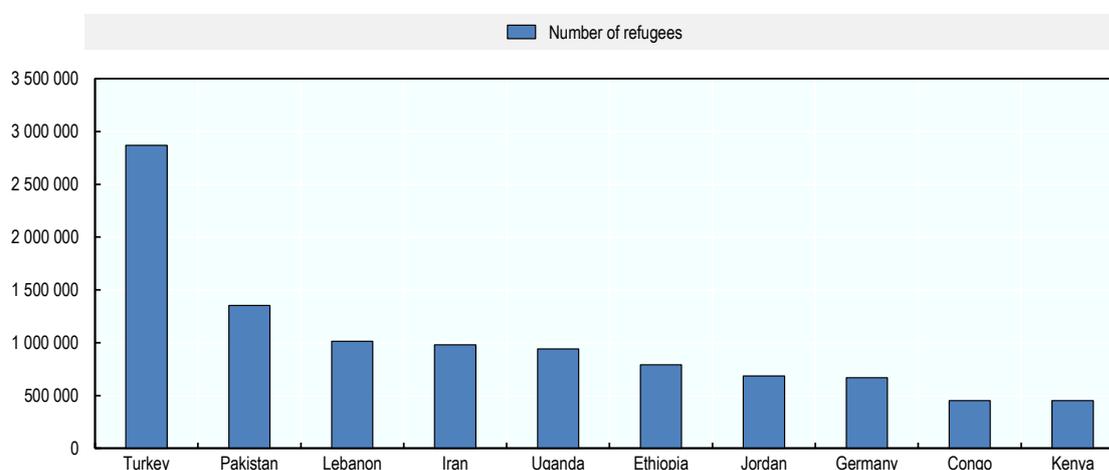


Source: UNHCR (2017a).

A large majority of the world's refugees – 84% at the end of 2016 – are concentrated in developing countries. In fact, nine out of the top ten countries to host refugees are low or middle-income countries (Figure 3). Three countries, Turkey, Pakistan and Lebanon, together host 30% of the world's refugees. Syrian refugees constitute 98% of the refugees in Turkey, while the refugee population in Pakistan almost exclusively originates from Afghanistan (UNHCR, 2017a). It is also worth noting that over one fourth (28%) of the global refugees live in low-income countries, such as Cameroon, Chad, the Democratic Republic of the Congo, Ethiopia, Kenya, Sudan and Uganda.

Figure 3. Nine out of ten top refugee receiving countries are low or middle-income countries

Total number of refugees in main host countries, end of 2016

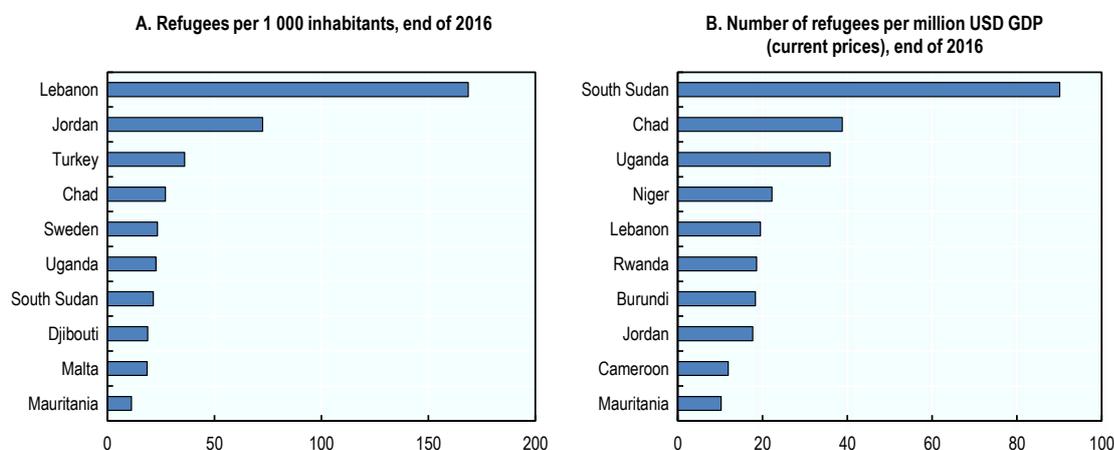


Source: UNHCR (2017a).

The size of the host countries' population and economy will influence how they cope with the socioeconomic impacts of refugee flows. Countries with borders to Syria have received the largest refugee populations relative to their host populations (Figure 4A). Lebanon hosts the largest number of refugees relative to its population: 169 refugees for every 1 000 Lebanese, followed by Jordan and Turkey. Only three OECD countries, Malta, Sweden and Turkey, are found among the top ten destination countries.

Many refugees are living in low-income countries with limited economic growth and levels of development, and hence limited resources to cope with direct and indirect costs induced by refugees. South Sudan, Chad and Uganda face the largest refugee populations as a share of their Gross Domestic Product (GDP) (Figure 4B). Eight out of the top ten countries with the highest share of refugees in relation to their GDP are located in Africa, and several of them are among the poorest countries in the world.

Figure 4. Neighbouring countries and some of the world's least developed ones carry the largest burden of refugees



Source: UNHCR (2017a).

The countries most severely affected by international displacement in 2016 were Syria, Afghanistan and South Sudan. Over half of the world's refugees (55%) originate from one of these countries (Figure 5). While the highest absolute number of refugees originates from Syria, 5.5 million, the war in South Sudan caused the fastest growing refugee population worldwide in 2016, growing by 85% (UNHCR, 2017a). Recently the escalating violence in Myanmar has generated a large flow of refugees to neighbouring countries, mainly Bangladesh (see Box 2).

Box 2. The Rohingya refugee crisis

The Rohingya are a stateless Muslim minority group from Rakhine state in Myanmar. Military crackdowns and violence during several decades have resulted in thousands of internally and internationally displaced Rohingya, with staggering numbers of refugees in recent years. Following the latest outbreak of violence in Rakhine on 25 August, some 436 000 refugees (about a third of the Rohingya population) have fled to Bangladesh. This has resulted in a peak of 607 735 Myanmar refugees residing in Bangladesh. Over 40 000 people have sought refuge in the two registered camps of Kutupalong and Nayapara in Cox's Bazar district. However, more than 270 000 non-registered Rohingya refugees are estimated to live in informal and spontaneous camps that lack basic infrastructure, water and sanitation facilities.

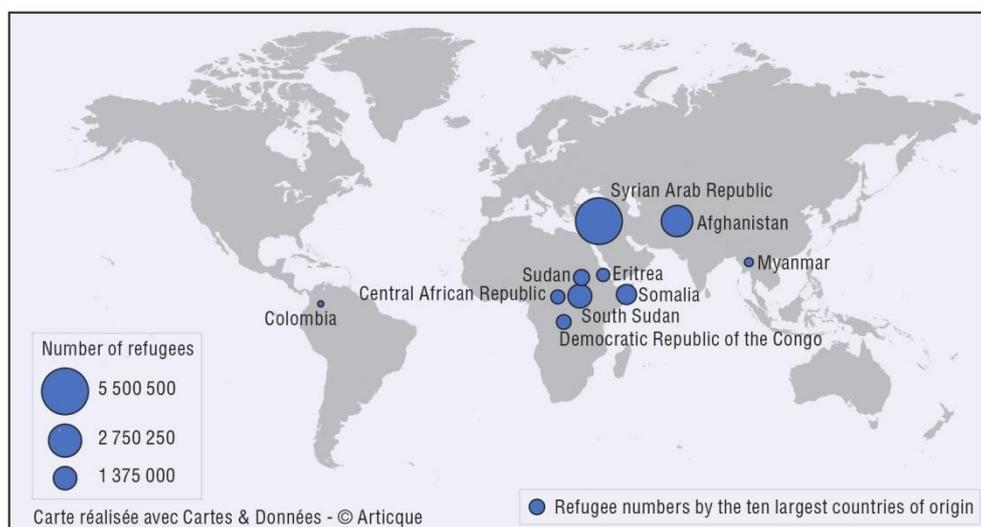
The Rohingya population in Cox's Bazar is highly vulnerable, having fled conflict and experienced trauma, and are now living in difficult conditions in the camps. The vast majority of the Rohingya refugees in Bangladesh are women and children. More than 58% are under 18 years old, of which 29% are under five, while lactating and pregnant women constitute 10% of the refugees. The UNHCR and other actors are collaborating with the Government of Bangladesh to provide urgent humanitarian assistance, such as shelter, food, water and healthcare, and expand their activities outside the camps.

Malaysia, India and Thailand also host significant numbers of refugees from Myanmar. An estimated 112 500 Rohingya refugees travelled by sea to Malaysia between 2012 and 2015. This stretch of the sea is one of the deadliest in the world, with an average fatality rate of 1.2% in the period 2013-15, compared to an average rate of 0.6% in the Mediterranean Sea in the same period. Since 2012, at least 13 000 Rohingya have entered India, virtually all via Bangladesh. Other countries affected by the refugee crises include Australia, with more than 2 200 Rohingya refugees in the offshore processing camps in Papua New Guinea since 2012, and Thailand with 102 600 refugees from Myanmar at the end of 2016.

Sources: Inter Sector Coordination Group (2017), UNHCR (2016 and 2017b).

Figure 5. More than half of the world's refugees originate from Syria, Afghanistan and South Sudan

Refugees by top ten origin countries, end of 2016



	Country of origin	Total number of refugees	% of world refugees
1	Syrian Arab Republic	5 500 448	32.0%
2	Afghanistan	2 488 689	14.5%
3	South Sudan	1 436 651	8.4%
4	Somalia	1 012 323	5.9%
5	Sudan	646 036	3.8%
6	Democratic Republic of the Congo	537 265	3.1%
7	Central African Republic	490 892	2.9%
8	Eritrea	431 704	2.5%
9	Myanmar	195 086	1.1%
10	Colombia	91 240	0.5%

Source: UNHCR (2017a), *Global Trends 2016* (database).

In 2016, more than 500 000 refugees returned to their countries of origin, which was almost twice the number of returning refugees the year before, when 201 400 refugees repatriated. The main countries of return were Afghanistan, Somalia and Sudan (UNHCR, 2017a). Around 90% of the refugees who returned received UNHCR assistance.

What do we know about the impact of refugees on low and middle-income countries of destination?

Hosting significant numbers of refugees have both economic and social impacts for host countries. A prevailing view is that refugees imply a net cost on economic and social development in the host country. However, refugees may also bring economic opportunities and positively contribute to development. This section discusses some of the economic benefits and costs associated with refugees for the hosting countries. Besides economic impacts, refugees can also have social, environmental, political and

security effects on their host countries. This paper focuses however on the economic implications of refugees.

The economic impact of immigrants in host countries, particularly in developed economies, is well studied. Overall, the evidence points to a limited impact of immigrants on wages and unemployment in high-income countries. However, low-skilled workers may in certain cases face reduction in wages (Borjas, 2003; D'Amuri et al., 2010). Likewise, the fiscal impact of immigration tends to be very small in terms of GDP, around zero on average in most OECD countries (OECD, 2013).

There are significantly fewer studies that investigate the economic impacts of immigrants in developing countries. Existing research shows no clear patterns, and imply both positive and negative labour market outcomes for the host population (Facchini et al. 2013; Özden and Wagner, 2014; Gindling, 2009). To increase the knowledge base on labour immigration in developing countries, the OECD together with ILO and EU launched a project in 2014 to analyse this topic more in detail (Box 3).

Box 3. Assessing the economic contribution of labour immigration in developing countries

In August 2014, the OECD Development Centre and the International Labour Organization (ILO) launched a project, co-funded by the EU Thematic Programme on Migration and Asylum, on *Assessing the Economic Contribution of Labour Migration in Developing Countries as Countries of Destination* (ECLM). This project, implemented from 2014 to 2018, aims to analyse the economic impact of immigration in developing countries across a variety of dimensions.

Despite its importance for the economies and development of many low and middle-income countries, where labour migration represents a large share of the workforce in key economic sectors, the economic contribution of labour migration to the development of developing countries as countries of destination has scarcely been examined. A better understanding of this issue will be essential to designing evidence-based labour and migration policies, improving labour management and securing the appropriate protection of migrant rights.

The project was carried out in ten partner countries: Argentina, Costa Rica, Côte d'Ivoire, the Dominican Republic, Ghana, Kyrgyzstan, Nepal, Rwanda, South Africa and Thailand. By working with a diverse group of countries in terms of geographic location, economic and immigration backgrounds, the project aims to provide evidence on the range of possible economic impacts of immigration in developing countries.

The objectives of the project include:

- Develop a methodology for assessing the impacts of migration in developing countries in their role as countries of destination, in close co-operation with national authorities, academia and civil society.
- Apply the methodology in, and with a number of partner countries, to measure the contribution of labour migration to their economies.
- Gather data and arrive at conclusions about the economic contribution of labour immigration in developing countries.
- Propose policy recommendations with a view to potentially applying the methodology in other developing countries and using the project results for policy development.
- Disseminate the results of the project so that they can inform EU development co-operation instruments and dialogues between the EU and partner countries, as well as global debates and initiatives in the field of migration and development.

The key economic effects of immigration analysed in the project are the employment and wage outcomes of the native-born population, enterprises and gross domestic product (GDP), and the current fiscal contribution.

Refugees can generate both costs and benefits to the host country

Refugees can positively contribute to host countries' economies through several channels. They can bring skills and contribute to the human capital stock, as well as stimulate trade and investment. Refugees may also create employment opportunities, and attract aid and humanitarian investments in, for example, infrastructure, which would benefit refugees as well as the society as a whole. On a macro perspective, refugees stimulate consumption,

even if for basic necessities. This triggers a supply response, with consequent investments in retail trade and transport and a boost in GDP (European Commission, 2016).

However, an inflow of refugees may also imply costs for the host country, especially in the short term. It places a burden on public expenditures and service delivery and may have negative impacts on labour market outcomes such as wages, employment and labour force participation of the host population. In addition, one can expect an upwards pressure on prices in areas where the supply response is constrained, such as the housing market.²

Forced displacement also has implications on the refugees themselves. Even though this paper focuses on the impacts of refugees on the host country rather than those on refugees, their social and economic experiences will directly and indirectly affect their ability to contribute to development in the host country. Displacement may negatively affect labour market outcomes for the refugees, especially if they do not possess the legal right to work in the host country. Moreover, it may also result in loss of assets that makes refugees more vulnerable to economic shocks.

The literature on the economic impact of refugees on host countries shows both winners and losers

The literature on the economic impacts of refugees in low and middle-income host countries is very limited. Existing studies are often qualitative in nature and tend to focus on social rather than economic impacts. There is however a small but emerging literature providing empirical evidence of the economic impacts of forced displacement on the refugees themselves as well as on host countries and the host population. The studies have mainly focused on two geographical areas: East Africa and the Syrian refugee flows to neighbouring countries.

A few studies from Africa analyse the impact of refugees on price levels. One study on refugee inflows from Burundi and Rwanda to Tanzania found that an increase in the refugee population has led to an increase in prices, particularly in areas close to refugee camps. The effect was stronger for non-food items and more modest for aid-related food items (Alix-Garcia and Saah, 2009). Another study also found that displacement (internal displacement in this case) increased prices on certain items in Darfur (Alix-Garcia, Bartlett and Saah, 2012).

Two studies on labour market impacts have been conducted within the region of Kagera, Tanzania, to analyse long-run effects of displaced workers. Both studies show that the overall impact of refugees on the labour market is positive for the part of the host population that is relatively well off. However, negative impacts were found for agricultural workers, with an upwards pressure on prices and a decrease in wages following refugee inflows. On the other hand, expanded trading opportunities and cheap labour supply following the refugee inflow have attracted small investors and increased the incentives to become entrepreneurs (Maystadt and Verwimp, 2014; Ruiz and Carlos Vargas-Silva, 2015).

There is also a growing body of empirical studies estimating the economic impacts of Syrian refugees in neighbouring countries. The evidence shows that refugees in Turkey without work permits have had negative development effects for some Turkish workers, and particularly workers in the informal and agriculture sector, low-educated workers and female workers (del Caprio and Wagner, 2015). However, positive impacts on wage levels for Turkish workers were also found due to occupational upgrading from the creation of higher-wage formal jobs. In another study, the inflow of Syrian refugees to

Turkey was found to decrease employment among Turkish informal workers (Certoglu et al, 2015). The inflow of refugees have also led to a decrease in consumer prices (Balkan and Tumen, 2016). Fasih and Ibrahim (2016) investigate the impact of Syrian refugees in Jordan and find very limited effects on the Jordanian labour market, potentially due to policy measures that prohibit firms from hiring refugees and higher probability for refugees to work in the informal sector, or due to a mismatch between the skills of refugees and the needs of the local labour market.

The net contribution of refugees depends on several factors and policies

What determines successful integration of refugees and allows them to make a positive contribution to development? As shown above, refugees can have both positive and negative impacts on the receiving countries, and the net impact in short and long run will depend on the characteristics of the refugees as well as the economic and political context of the host countries.

First of all, the time frame and the duration of displacement will partly determine the costs and contributions of refugees to the host country as costs may outweigh benefits in the short-term. The socioeconomic characteristics of refugees, such as gender, age, family composition, education and skills and social networks, also affect the socioeconomic impact of displacement. In addition, macroeconomic and institutional factors of the host country will determine the capacity of the country to integrate refugees (Kulhman, 1990).

Refugee inflows may also have heterogeneous effects on the host society and population, and create both winners and losers. Ruiz and Vargas-Silva (2013) show that the impact of forced displacement after the World War II has been positive for many displaced groups due to effective resettlement policies, increased future mobility and fast transition to sectors outside the agriculture sector. However, when looking at developing countries as host countries, the outcomes are less encouraging for refugees. The evidence shows negative labour market outcomes, less income and less consumption smoothing. For host countries and their native-born population the findings are mixed, and there seem to be, as reported in the previous sector, both winners (employers in the agriculture sector) and losers (native-born agriculture workers).

The role of policy in shaping the economic outcomes of humanitarian refugee crises

Besides the socioeconomic characteristics of the refugees and structural and macroeconomic conditions in the host country, policy responses will also affect the economic impacts of displacement. In the short run, the capacity to cope with massive movements of refugees partly depends on the ability of the international community to anticipate the impact of protracted conflicts. Donors may thus aim to move from a “reactive” model to a more “proactive” approach (OECD, 2017). In the medium and long run, experiences show that an effective policy response to refugee inflows is to target both refugees and host communities. This will mitigate negative impacts and strengthen the development potential embedded in forced migration. Box 4 highlights a number of policy initiatives that have aimed to take on a holistic response to humanitarian refugee crises in different development areas.

Box 4. Policy responses to humanitarian refugee crises

Experience shows that development assistance contributes better to maximising the positive contribution of refugees and mitigating the negative impacts if it targets not only refugees, but also the native-born population (World Bank, 2010). Several projects have taken a holistic approach when supporting the positive contribution of refugees based on broad-based partnerships between governments, humanitarian organisations, bilateral and multilateral development agencies.

The International Conference on Central American Refugees (CIREFCA) started in 1989 as a forum to respond to the displacement of more than two million individuals in the Central America region due to civil conflicts. Since then, it has become a platform for peace and stability projects in conflict-affected areas, as well as development assistance for host communities and refugees, contributing to the voluntary repatriation of Salvadorans, Nicaraguans and Guatemalans.

Income Generating Projects for Refugee Areas (IGPRA) provided assistance through labour – intensive projects to over three million Afghans escaped to Pakistan after the war in the early 1980s. The programme also successfully helped creating sustainable assets and infrastructures for the local communities and increased the skills of Afghans workers (World Bank, 2010).

The Zambia Initiative was launched in 2003 in response to more than 100 000 Angolan refugees residing in Zambia. It provided a multi-sectoral rural development programme that targeted refugees as well as the host communities affected by the inflow through a multi-sectoral approach, including education, health agriculture, infrastructure, forestry and water resources.

Resettlement programme of Burundi refugees in Tanzania includes a naturalisation process of 162 000 refugees who settled before 1972 coupled with development programmes in order to find long-lasting solution for the refugees and their host community (UNHCR, 2017a)

Cash-based programming in urban areas in Jordan and Lebanon tried to address the issue of affordable housing for refugees. In Jordan the ECHO and other partners provided conditional cash grants and technical support to Jordanian property owners to complete unfinished buildings as well as free rents to vulnerable Syrians for a period of 12 to 24 months. A similar initiative in Lebanon helped to reduce the families' difficulties in access to other basic services and stabilised overall rental prices (OECD, 2017).

The Jordan Compact is a new long-term funding and planning strategy aimed to provide economic opportunities for refugees and vulnerable Jordanians. Launched in 2015 in collaboration with the European Commission, it aims to create 200 000 working permits for Syrians. The intention is to create a job growth through an EU trade liberalisation policy accompanied by promoting investment in Special Economic Zones (SEZs). While promising, it is too early to measure its impact and future assessment of its performance is needed. (OECD, 2017).

Estimating the economic impact of refugees in low and middle-income countries: methodological considerations and steps forward

Data limitations and estimation challenges are some of the main methodological constraints when assessing the impact of refugees on host countries. Measuring impacts of refugees and displacement requires quantitative data that is often difficult to obtain. The first data limitation relates to available data on refugees. Survey data, such as household surveys, rarely include variables that allow refugees to be identified. Refugee register data usually do not contain the socioeconomic variables necessary to estimate impacts of displacement, do often not cover the full refugee population, and may not always be accessible to researchers. Refugee data is often further complicated by the fact that refugees live both in- and outside camps, with potentially different implications for the impact on the host country. Refugees in camps are easier to track, but only make up a small share of the refugee population and may not constitute a representative sample of the refugee population. The majority of refugees live outside camps but are more difficult to track as they usually only make up a small share of the overall population and often are mobile. The lack of sampling frame for data collection is another challenge when collecting refugee data. National sampling frames do generally not include refugees. In addition, given the sensitivity of the issue, permissions to use refugee registration data or collect primary data on refugees may in some context be hard to obtain.

Ideally, data to assess the economic impacts of refugees would include several waves and capture the situation before, during and after displacement. However, data over time is rarely available, and not possible to obtain if the displacement process is still ongoing. It may also be difficult to obtain data over a long period that allows an assessment of the long-term impacts of displacement (Fiddian-Qasmiyeh et al. 2012).

Besides data limitations, statistical estimation issues also pose challenges to the studies on the impact of refugees on host societies. The main obstacles in the literature include:

- Finding a **counterfactual**. It is hard to know what the economic outcome in a community hosting refugees would have been without the refugee inflow. Comparing communities that are directly affected with those that are not may not always give the full picture as many other factors could have changed simultaneously with the inflow of refugees. The native-born population may also choose to move out of a region following large influx of refugees.
- The inflow of refugees not being **exogenous**, refugees may self-select into moving into certain areas with better employment availabilities or where they already have a social network.

Several methods to minimise the selection issue have been proposed in the literature. One example is the use of **natural experiences** to estimate the impact of refugees on host communities. Focusing on major events such as civil wars and natural catastrophes, that causes sudden and rapid movement of refugees without any selection has been exploited in the literature (Tumen, 2015).

The use of a **difference-in-difference approach** involve comparing the outcomes before and after a large-scale refugee inflow of two similar communities, one that was affected by a refugee shock and one that was not, controlling for other factors. This strategy relies on a context where there are at least two similar communities where only one received refugees, and that the refugee settlement in one community but not the other was random (Ruiz and Vargas-Silva, 2013).

There is an increasing recognition among academics, policy makers, international donors and practitioners of the need to find long-term, sustainable solutions to refugee situations. Such responses require rigorous and systematic evaluation methods to assess the complex impacts and costs of forced displacement. In response to the knowledge gaps in this area, international initiatives, including a collaboration between the Refugee Studies Centre at the University of Oxford, PRIO, FAFO and the World Bank as well as the creation of the KNOMAD thematic working group on forced migration and development, have started developing frameworks and analytical tools to promote more systematic analysis of the economic benefits and costs of refugees (see for example Fiddian-Qasmiyeh et al. 2012). However, knowledge gaps in this area still remain.

Building on some of the experiences and guidelines stemming from these initiatives, and based on the OECD Development Centre's work on assessing the contribution of immigrants to host countries' economies, the rest of the paper develops the first steps towards a conceptual and methodological framework to assess the economic impacts of refugees on host countries. It also identifies potential case studies for in-depth analysis of macro and micro-level economic impacts of displacement.

Suggested scope for future studies

Estimating the economic impacts of refugees in developing countries calls for a mixed-method approach. The proposed approach includes a combination of primary and secondary data obtained through already existing data sources, through a survey with refugees and the native-born population and through qualitative interviews.

The study would encompass two parts, taking into account micro as well as macroeconomic impacts. The first part of the study would contain a macroeconomic diagnostic, presenting key macroeconomic indicators pre-, during and (in cases where the conflict is no longer ongoing) post-conflict. This part would also outline the legal framework related to refugees and their situation in the host country, including access to public services and the labour market, settlement (camp vs. non-camp settlement) and national and international humanitarian and economic response. The second part of the study would contain an in-depth, microeconomic research of two main elements to capture impacts on areas that are key to the economy and likely to be affected by the inflow of refugees: labour market outcomes, and education and skills assessments.

Data and methodology

The first part of the study builds on secondary data, including macroeconomic indicators and household surveys, compiled from national and international sources such as national statistical offices, ministries and UNHCR. This part will analyse key macroeconomic outcomes before and after the displacement period, with a particular focus on wage levels, productivity and impacts on public finance.

The second part of the study will make use of a mix of primary and secondary data depending on data availability. Primary data will be collected through a survey administrated to refugees and host population, either nationwide or in selected parts of the country with large refugee inflows. The exact design of the survey will depend on the scope and quality of the available data. A first step in the process is therefore to map the existing data sources and identify gaps which can be complemented by primary data.

The survey will assess labour market outcomes as well as the skills of refugees that are most relevant for labour market integration, the process of their inclusion into the – formal or informal – labour market, and the way refugees use their skills.

The survey will comprise four key modules:

1. *Educational background* to capture information on their level of schooling, technical training, degree specialisation, etc.
2. *Labour market module* to compile information on professional experience, including past experience gained in the country of origin or elsewhere, and current labour force participation, employment status, occupation and wage in the host country.
3. *A skills self-assessment* to ascertain literacy, numeracy and digital literacy. This information could be gathered by posing indirect questions, for example: “Do you have an email account?”, to assess digital literacy.
4. *A business module* to gather information on whether refugees have started their own businesses, in what sectors, whether these businesses hire employees or family members, etc.

The survey will aim to capture a sample of working-age refugees taking other factors such as age, gender, camp/non-camp residence and geographic location into account. In addition to the survey of refugee populations, a survey of the local population will be designed to complement already existing data, such as household and labour market surveys.³ This will enable a comparison of refugees’ skills with the skills of the local population, revealing the degree of skills complementarity/substitutability between groups. Ideally the survey would be carried out nationwide. If this is not feasible because of financial or other constraints, a second-best option would be to carry out the survey in a number of regions that would be nationally representative.

The quantitative data will be complemented by qualitative interviews with refugees as well as employers. Interviews with refugees would give a deeper understanding of the entry barriers to the labour market and how refugees get around them by, for example, working in the informal sector. Interviews with employers aim at identifying labour demand and skills shortages on the labour market.

An important factor to take into account is the location of the refugees. Urban locations are increasingly becoming the main destination of refugees. One challenge will be the lack of sampling frame, especially when it comes to capture refugees in urban areas outside camps.

Potential case studies

A series of case studies can be carried out using the proposed methodology. The section below discusses three potential geographical areas that have been heavily affected by forced displacement, highlighting the most relevant studies and the opportunity of further research.

Syrian refugees in Jordan and Lebanon

As a result of the Syrian conflict that began in 2011 neighbouring countries such as Lebanon, Jordan and Turkey have received large inflows of refugees over the past years, which implies both economic and social consequences for the countries and their populations.

Jordan is one of the countries with the highest number of Syrian refugees. In the end of 2016, Syrian refugees registered or awaiting registration in Jordan reached 656 913, about 10% of the total Syrian population (UNHCR, 2017a). In response to such inflow, the Jordanian government set up the Zaatari refugee camp in 2012, which has grown to be the second largest refugee camp in the world. However, many refugees also live outside the camps. Data indicate that the majority of them are concentrated in three regions: Amman (32% of refugees), Irbid (29%), and Zarqa (10%).

A previous study in Jordan found that the arrival of Syrian refugees had no impact on different labour market outcomes, such as employment rates, unemployment rates and labour market participation (Fakih and Ibrahim, 2016). The lack of impact may be due to restrictions to access the formal labour market and a mismatch between the labour market demand and the skills that refugees possess. However, as pointed out in Box 4, the Jordanian government adopted a Compact agreement with the EU in 2016 with the aim to provide work permits to refugees and stimulate a sustainable growth. It would therefore be interesting to conduct a study that allows for a longer time perspective and includes an in-depth qualitative and quantitative assessment of the labour market experiences and outcomes of refugees before and after the Compact.

Lebanon records the highest refugee per capita population in the world at the end of 2016, with 169 displaced migrants every 1 000 inhabitants (UNHCR, 2017a). The socioeconomic situation of Syrian refugees in Lebanon remains precarious despite humanitarian interventions. Since the beginning of the Syrian civil war, the government has limited the issue of residence permits and adopted a “no-camps” policy. This has pushed 9 refugees out of 10 to live in 251 dispersed locations and to have a restricted access to formal jobs, health service and public education (European Commission, 2017)

An ILO study on the impact of refugees and their employment opportunities in Lebanon shows that the large inflow of Syrians has had a negative impact on the labour market and on the overall economy (ILO, 2014). The real estate and the tourist sectors were the most affected, and the government had to increase the public expenditures to meet the higher demand for public goods and services. This has widened the fiscal deficit and induced a significant loss in potential growth. The authors also claimed that the absence of official documents and work permits has forced Syrians to accept low wages, exacerbating the already deprived living conditions of the poorest host communities.

African Great Lakes region: The cases of Uganda and Tanzania

Uganda experienced the fastest growing refugee crisis in the world from the neighbouring South Sudan, reaching the peak of 982 700 people in 2016 (UNHCR, 2017a). The country is facing both civil conflict and famine and the immediate future is of grave concern, pushing a great number of individuals to seek protection in the neighbouring Uganda. According to UNHCR (2017c), Uganda has one of the most favourable protection environments for refugees. It provides freedom of movement and working permits, access to public education, health care and small plots of lands to refugees to farm. This generous policy response and the recent nature of this large inflow make this country an interesting case to study the impact of refugees on a macro and micro scale.

Few studies have been conducted on the issue. A research by the World Food Programme (WFP) and the University of California found that the generous assistance policy for refugees creates significant economic benefits for the host communities in the form of

increased land productivity and consumption of goods and services within the local economies (Taylor et al, 2016).

Tanzania has historically been a land of refugee settlements given its proximity with fragile states. In 1993 and 1994, a massive influx of forced migrants sought protection in Tanzania following the ethnic civil conflicts in Burundi and Rwanda. Over one million sought refuge in Western Tanzania, with Kagera being the main destination given its geographical proximity. On 24 April 1993 over 250 000 refugees moved overnight from Rwanda to Tanzania in what the UNHCR defines as the largest and fastest exodus it has ever witnessed (UNHCR, 1997). In 1995 the refugee population of Kagera counted 700 000 individuals, over a population of 1.5 million (Maystadt and Verwimp, 2014). Today Tanzania is experiencing a new surge of refugee influx from Burundi. Following the political tension in its neighbouring country, 267 770 refugees are currently hosted in Nyarugusu, the biggest camp in Tanzania (UNHCR, 2017d).

Tanzania is a suitable case for the study of the long-run impact of refugees on the host economy. Some studies have investigated selected economic outcomes in this context, showing that the influx of refugees puts a downwards pressure on wages for local agricultural workers (Maystadt and Verwimp, 2014; Ruiz and Carlos Vargas-Silva, 2015). The case of Tanzania shows that the individuation of the most affected segment of the population can guide donors towards a precise target for the alleviation of negative effects due to the refugees' influx. Therefore, it is desirable that an analogous evaluation of long-run impacts could be applied to other countries with similar features.

South-East Asia: Bangladesh

Bangladesh is experiencing one of the fastest growing refugee crises of the last decade (see Box 2). Today it hosts more than 600 000 Unrecognized Myanmar Nationals (UNM), namely the Rohingya minority. The country is struggling to cope with this massive influx as it is already confronted with extreme poverty and high population density, and is increasingly affected by natural disasters and climate change (UNHCR, 2011).

The influx of refugees started in 1978, when the military powers in Myanmar excluded the Rohingya population from the census registration, leading to widespread violence and the escape of more than 200 000 individuals to Bangladesh (Human Rights Watch, 1996). The second large refugee wave occurred between 1991 and 1992, followed by a controversial repatriation agreement by Bangladesh and Myanmar which led to the return of 250 000 Rohingya (Human Rights Watch, 2001).

The literature on the economic impacts of Rohingya refugees in Bangladesh is very limited and there is a lack of in-depth quantitative studies. One study shows that despite the high concentration of undocumented and unassisted refugees outside the camps (200 000), Rohingya reached de facto integration after years of stay in Bangladesh, aided by their cultural and linguistic similarities and shared Muslim faith (Cheung, 2012). However, refugees have no formal right to work and do not have access to Bangladesh's micro-finance institutions. Under these circumstances, Rohingya appear to be increasingly dependent on remittances sent by Rohingya working abroad, primarily in the Gulf States and South-East Asia (UNHCR, 2011).

Conclusion

The world is experiencing an all-time high in forcibly displaced people as a result of persecution, violence, or human right violations. In 2016, the number of refugees reached 22.5 million, with the large majority concentrated in low and middle-income countries. This large influx of refugees is likely to have socio-economic impacts on host countries.

This paper reviewed the limited but growing literature on the economic impact of refugees on low and middle-income host countries, showing that there are both winners and losers. The costs and benefits in the short and medium term depend on factors such as the characteristics of the refugees as well as the economic and political context of the host countries. Policy responses also affect the economic impact of refugees. The paper highlights some policy experiences showing that development assistance tends to be more efficient if it jointly targets refugees and the host population.

However, the economic implications of international displacement remain under-studied and few empirical studies address the economic contribution of refugees in developing countries. This is partly due to methodological and estimation challenges. This paper identifies some of the main challenges when empirically assessing the contribution of refugees in host countries, and proposes a mixed-method approach that combines primary and secondary data in order to analyse both micro and macro effects. Such a study would enhance the understanding of the costs and contributions of refugees, and help guide policy makers in implementing sustainable, development-led responses to international forced displacement.

Notes

¹ Including 17.2 million refugees under UNHCR's mandate and 5.3 million Palestinian refugees under UNRWA's mandate.

² Besides the economic impacts of refugees, there may also be other impacts on the host country, including effects on social cohesion and security and environmental costs. This paper however focuses on the economic impacts of refugees.

³ As noted by Fiddian-Qasmiyeh et al. (2012), the comparison group could either exclusively consist of the native-born population, or also include long-time residents of the host community, or even previous waves of migrants/refugees, depending on data availability and context.

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