

Refugee Economies



Key points:

- Conventional approaches to refugee assistance in protracted refugee situations are unsustainable.
- Refugees have skills and aspirations, and can contribute economically to host states, if the context supports this.
- Refugees' economic lives are institutionally distinctive from citizens, and vary according to institutional context.
- Factors such as social and cultural networks, access to overseas remittances, and education also effect refugees' economic outcomes.

Recommendations:

- Support for market-based interventions for refugees is critical.
- Better political analysis is needed to understand the political context within which national refugee policies are made.
- Refugee agencies and policymakers should focus on creating an enabling environment for refugees' economic activities.
- The role of the private sector in the host economy needs rethinking to better reflect its complexity.

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There is a **global displacement crisis**. Around the world more people are displaced than at any time since the Second World War, and there are around 20 million refugees. Yet alongside this trend of rising numbers, governments' political willingness to provide access to protection and assistance is in decline. In the face of these challenges, the existing global refugee regime is not fit for purpose. It tends to view refugees and displacement as a uniquely humanitarian issue. When people have to leave their homes or cross borders, the conventional response is to meet their immediate needs in terms of food, shelter, clothing, water, and sanitation. The approach is broadly effective for providing emergency relief, but in the long run, it can lead to dependency.

Over half the world's refugees are in **protracted refugee situations**, having been in exile for at least 5 years. For these people, the average length in exile is around 17 years. From Kenya to Thailand, many are hosted in refugee camps in which they do not have the right to work or freedom of movement. Effectively, they are 'warehoused' pending an opportunity to return home, with significant implications for human rights and international security. This conventional approach is unsustainable. Host countries are closing borders; international donors are less willing to indefinitely support large numbers of refugees within camps; and refugees embark on dangerous journeys in search of protection.

In this context, there is a need to **rethink refugee assistance**. Existing approaches too often ignore the skills, talents, and aspirations of refugees themselves. Yet refugees have capacities. They need not inevitably be a 'burden' on host states but have the potential to contribute economically as well as socio-culturally. Around the world, even under the most constrained circumstances, and sometimes under the radar, refugees in camps and urban areas engage in significant economic activity, and in doing so often create opportunities for themselves and others.

Development-based solutions have for a long time been recognised as one way to overcome the worst consequences of protracted refugee situations. There has been a longstanding debate on the transition from 'relief-to-development' in refugee work. However, such approaches have historically suffered from a range of weaknesses. They have generally been state-centric, relying upon the presumption that donor governments might provide additional development assistance to induce host states to commit to self-reliance or long-term local integration for refugees. What has been lacking is a focus on the market-based activities of refugees themselves.

The concept of ‘refugee economies’

In order for refugee self-reliance to become a reality, we need to better understand **the economic lives of refugees**. By better explaining variation in economic outcomes for refugees, we may be able to fundamentally rethink the policy and practice of refugee assistance. Pioneering work has already taken place in this area, drawing attention to and describing key aspects of the economy of refugee camps and urban areas. What has been largely missing is either theory or data.

Previous economic studies on refugee populations have typically fallen into one of two broad categories: 1) research on refugee livelihoods, which seeks to descriptively understand the different income-generating activities employed by refugees; and 2) ‘impact’ studies, which attempt to quantitatively assess the economic impacts that refugee populations have on their hosts. Although both are important, neither seeks to explore the question of: *‘What explains variation in economic outcomes for refugees themselves?’*

Our key theoretical move is to develop the **concept of ‘refugee economies’**. We define this as the resource allocation systems relating to the lives of refugees. It represents an attempt to look holistically at what shapes the production, consumption, finance, and exchange activities of refugees, and to begin to explain variation in economic outcomes for refugees themselves. Our goal is to examine refugees’ own interactions with markets both for its own sake and as a means to understand how externally driven programmes might build on what already exists rather than be based on abstract – and sometimes arbitrary – interventions.

Our conceptual starting point is that refugees are no different from anyone else as people. What makes their economic lives distinctive is the unique institutional context of ‘refugeehood’. **Refugees’ economic lives are institutionally distinctive** in three ways. They lie: 1) between state and international governance, since refugees are partly under the authority of the host state and partly under the authority of international organisations; 2) between the formal and informal sectors, having some legitimate access to the formal economy but also frequently facing regulatory restrictions compared to citizens; and 3) between national and transnational economies, as the primary sources of exchange and capital for refugees may sometimes be trans-boundary. Based on this theoretical starting point, ‘refugee economies’ seeks to explore **variation in economic outcomes for refugees**.

Our Uganda pilot

In order to explore refugee economies, we began with a focus on one particular country, **Uganda**. It is not in any way intended to be representative. Although Uganda’s treatment of refugees is far from perfect, it has offered them an unusually high level of socio-economic freedom through its Self-Reliance Strategy. Uganda therefore enables us to explore what is possible, in terms of what refugees can contribute, when given basic economic freedoms. It can provide important insights and lessons into what might be possible if other host countries were to adopt similar policies.

Uganda also offers enough internal variation within its refugee hosting practices to provide a useful context for **comparative research** within a single country: 1) it hosts

urban refugees; 2) it has protracted rural refugee settlements; 3) it hosts an emergency relief context with recent arrivals from violence in the Democratic Republic of Congo; 4) it hosts a range of nationalities, including Somalis, Congolese, South Sudanese, Rwandans, and Burundians. This variation is especially useful for our attempts to explain different economic outcomes for refugees.

We adopted a **mixed methods approach**. Four research sites were selected: the capital city, Kampala, host to the largest urban refugee population in the country; the Nakivale and Kyangwali refugee settlements in the south-west, the two most populated settlements in Uganda at the start of the research; and the Rwamwanja settlement, reopened recently in response to the mass influx of Congolese refugees. Across all sites, we used participatory research methods, employing Ugandan research coordinators and refugee researchers, who we trained as peer researchers and enumerators. We were able to build an unprecedented dataset on the economic lives of refugees, based on a total sample size of over 2,000 households.

Our overall argument is that **refugees have complex economic lives**. Despite the significant constraints of having to adapt to new regulatory environments, new social networks, and new markets, refugees are consumers, producers, buyers, sellers, employers, employees, and entrepreneurs. They engage in market-based activities that are worthy of understanding. This, we argue, opens up exciting new avenues for research and enables us to better understand what is analytically distinctive about the economic lives of refugees.

Institutional context matters

Our research in Uganda covered three different institutional contexts: an **urban environment** (Kampala), **protracted camp situations** (Nakivale and Kyangwali), and an **emergency camp context** (Rwamwanja). Our findings demonstrate the importance of these contexts for refugees’ economic outcomes. On average, refugees earn most in Kampala (120 USD monthly), followed by those in a protracted settlement context (39 USD), and those in the emergency camp context (17 USD).

The majority of **Kampala’s urban refugees have little or no access to humanitarian aid**. Here, refugees usually live

Photo: Radio repairman, Nakivale refugee settlement. Credit: J. Kaplan.

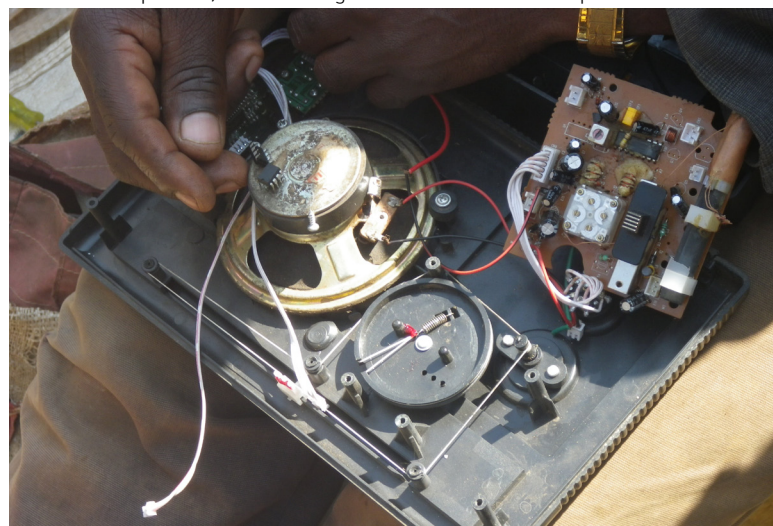




Photo: Somali business, Kampala. Credit: N. Omata.

and work alongside citizens of the host country. The regulations which govern refugees' lives are similar to those of other urban residents. The formal sector of the economy is relatively accessible for refugees, aside from the prohibitive cost of permits and licenses. Although urban refugees face barriers such as social discrimination and more limited access to formal banking services as compared to citizens, for many refugees these challenges – and the absence of humanitarian assistance – are a worthwhile trade-off for being able to access increased **opportunities for income-generation and education, as well as amenities** such as transportation and internet.

In contrast to Kampala, **Nakivale and Kyangwali** are both **rural, long-term refugee settlements that are distant from major commercial hubs**. Unlike urban refugees, refugees in these settlements encounter a different institutional environment, regulated by Uganda's Office of the Prime Minister (OPM) and by UNHCR. Refugees in Nakivale and Kyangwali have access to **food and livelihood assistance** from UNHCR and other humanitarian agencies, in addition to plots of land for residence and farming. While **farming livelihoods** are predominant in both settlements, some refugees' economic activities are well-embedded within wider trade networks that transcend the settlements and often national borders. Although refugees living in Nakivale and Kyangwali are given a relatively high degree of freedom of movement, it is still necessary for them to obtain permission from the Ugandan government to travel, which is an additional barrier to accessing markets and the formal economic sectors in nearby commercial centres.

In **Rwamwanja** settlement, the economic lives of refugees are much more stringently governed by regulatory frameworks through UNHCR and the Ugandan government. Opened in 2012, Rwamwanja was still considered to be an **emergency refugee situation**, in the hope that refugees would soon repatriate. Because Rwamwanja is still in an early phase of assistance, UNHCR and WFP provide food aid for almost all settlement residents, in addition to provision of a plot of land for farming. However, the Ugandan OPM has put in place **significant barriers to economic activity** of refugees. Tighter restrictions have been imposed on refugee movements, and the district government has

imposed an entry tax on Ugandans who seek to enter the settlement to engage in trade. Due to these restrictions, Rwamwanja remains the least economically integrated with local and national economies out of all the research sites by a significant degree.

Other explanations for variation

The specific characteristics and capacities of individuals, households, and communities matter for explaining variation in economic outcomes for refugees. Even within the same geographical context, there is significant variation in household income levels across **nationality groups**. Our data shows that, in Uganda, Somali refugees as a group have the highest income, followed by Rwandan refugees, and Congolese refugees. In Kampala, the average monthly household income for Somalis is approximately 144 USD, compared with 121 USD for Rwandans, and 88 USD for Congolese. By comparison, in Nakivale, monthly average income is 63 USD, 32 USD, and 19 USD, respectively.

These differences may be explained by the **social and cultural assets** of a particular refugee community. As indicated by other researchers, it seems plausible that to some extent there is a 'being Somali' variable that explains part of their better economic position. Indeed, our qualitative research reveals high levels of trust within Somali clan-based networks, as indicated by the presence of Islamic alms-giving and the remittance transfer systems.

Better **access to overseas remittances** serves as a good illustration of Somalis' transnational connections. Somali refugees receive a disproportionately higher level of remittances. In Kampala, 53% of Somali households received remittances, compared to just 17% of both Congolese and Rwandans. One-third of Somalis in Nakivale received remittances while remittance receipt by other nationalities in the settlements was negligible.

Another important variable in explaining economic outcomes for refugees in Uganda is **connections to host state nationals**. In Kampala, many Somali refugees capitalise on dense networks within Somali-Ugandan communities and often find lucrative employment with Somali-Ugandan enterprises in the oil and trade sectors. Similarly, Rwandan refugees also seek economic opportunities through ethno-cultural connections. Given the long history of Rwandan refugees in Uganda, going back to the late 1950s, these Rwandan networks are well-established. A large number of Rwandan refugees build businesses or find employment in dairy or used-clothing trades, in which many of their fellow Rwandans are involved. Congolese refugees appear to have less clearly defined community-based structures for supporting economic activities. Consequently, organised structures for mutual support are absent. Instead a large number of Congolese refugees in Kampala work as vendors or hawkers, and as farmers or farmworkers in the settlements.

Our data demonstrates clear economic **returns to education**. Acquiring an additional year of education is correlated with a 3.3% higher average income. The level of education also matters: an additional year of primary education is associated with 2.4% higher earnings, secondary school 4.5%, and tertiary education 6.2%. Finishing primary school is associated with 21% higher income.¹

Again, however, these **returns to education vary considerably by nationality**. Each year of education is associated with a 4.2% return for Congolese, 4.1% return for Rwandans, and 5.1% for South Sudanese. For Somalis, the economic return per year of schooling is 1.4% overall, with returns to primary education close to 0%. This is perhaps in part due to a ‘Madrassa effect’, as Somalis in Uganda and elsewhere often attend Madrassa schools until around the age of 14. Madrassa schools offer a different form of education than traditional primary schools with different pedagogical priorities. It is also speculated that since economic strategies employed by Somalis are largely based on their social networks, the value of formal schooling is less significant in terms of economic outcome compared to other nationalities.

Recommendations

1) Supporting market-based interventions is critical.

Current attempts to support refugees’ income-generating activities are conceived without a clear understanding of refugees’ economic lives. Interventions that aim to promote refugees’ sustainable livelihoods must be based on a sound and comprehensive understanding of existing markets within which refugees are making a living. Premised upon an appreciation of existing refugee economies as complex systems, interventions should aim to either improve existing markets or to empower refugees to more effectively engage with those markets.

2) Better political analysis is needed. Markets function in the context of states’ policies. Restrictive refugee policies limit the capacity of refugees to engage with markets in ways that can lead to sustainable opportunities. When refugees have the right to work and freedom of movement, they are able to make a contribution to the national economy. Importantly, though, governments’ policy choices are the result of national politics. In order to enhance market-based opportunities for displaced populations, it is important to better understand and engage with the political context and incentive structures within which national refugee policies are made.

3) Refugee agencies and policymakers should focus on creating an enabling environment for refugees’ economic activities. Refugees and displaced populations have diverse sets of skills, talents, and aspirations. While many are in need of assistance, they have capacities as well as vulnerabilities. Rather than assuming a need for indefinite care and maintenance, interventions should nurture such capacities. This is likely to involve improved opportunities for education, skills development, better transportation links, and financial services.

4) Improving economic outcomes for refugees requires rethinking the role of the private sector in the host economy. Within refugee policy debates, the private sector is too often assumed to be synonymous with multinational corporations or large foundations motivated by corporate social responsibility. In reality, the private sector exists at the global, national, local, and transnational levels. It has a range of modes of engagement and motives for involvement



Photo: Bitembe fabric commonly sold by Congolese refugees. Credit: N. Omata.

with refugees, including philanthropy, corporate social responsibility, and core business interests. Refugees and displaced populations can themselves be conceived as part of that private sector in the host economy.

5) Greater investment in research and data is required.

We know surprisingly little about the economic lives of displaced populations. There is a need to develop an ongoing and systematic research agenda on the relationship between forced displacement and development. In particular, comparative case studies are needed: a) in different regulatory environments (restrictive versus open), b) at different phases of a displacement crisis (e.g. emergency, protracted, and post-repatriation), and c) for different categories of displacement (e.g. refugees, internally displaced persons, and people displaced in the context of natural disaster).

Next step: the need for panel data

Our **pilot study in Uganda** has enabled us to make some preliminary claims about what distinguishes the economic lives of refugees, and more specifically, what explains variation in economic outcomes for refugees. However, the Ugandan context is by no means representative, and we cannot generalise our findings to wider refugee populations. What is needed next is to develop what economists call ‘panel data’; in other words, **data that is both multi-country and time-series**. Ideally, data would need to be collected from a spectrum of host countries with different regulatory environments. Comparative studies with multi-regional datasets would allow us to advance a better understanding of the economic lives of refugees, while informing policy and practice by rethinking and improving refugee assistance.

Further reading

Betts, A., Bloom, L., Kaplan, J. and Omata, N. (2014) *Refugee Economies: Rethinking Popular Assumptions*, Oxford: Refugee Studies Centre.

Endnotes

¹ The regression analysis of our data was undertaken by Ran Abramitzky and Thomas Ginn of Stanford University, with whom we are collaborating.

Cover photo: Kagoma weekly market in Kyangwali, Uganda. Credit: N. Omata.