

# Research: Refugees Can Bolster a Region's Economy

by J. Edward Taylor

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The world's refugee population has increased sharply in recent years, leading governments to argue over which countries should take in people displaced by war or other calamities. At the core of this debate is cost: refugees are usually considered an economic burden for the countries that take them in. Thus the argument usually comes down to one side arguing that the cost is too great, and the other side arguing that humanitarian need outweighs the cost.

But research I've conducted, as well as studies done by others, shows this central assumption may be wrong: helping refugees doesn't cost as much as we think it does. In fact, when refugee camps are managed well, helping refugees can help both displaced people and local economies. In one of the camps we studied, the economic activity associated with the refugee camp increased per-capita income for the host community by as much as a third.

UC Davis teamed up with the United Nations World Food Programme (WFP) to assess the economic costs and benefits of three Congolese refugee camps in Rwanda operated by the United Nations High Commissioner on Refugees (UNCHR). The study, published in the *Proceedings of the National Academy of Sciences*, used econometric analysis with data from local surveys and local economy-wide modeling to simulate the impact of refugees on the host-country economy within a 10-km radius of each camp.

We found that Congolese refugees in Rwanda generate considerably more income than the WFP aid they receive. Moreover, we found two factors that can considerably help both refugees and the communities hosting them.

### **Lesson 1: Give cash, not food**

In two of the camps we studied, refugees receive WFP food aid in the form of cash, while in the third camp the refugees receive the same value of aid but in donated food. At all three camps, refugees are allowed to leave and re-enter their camps at will, transact with host-country businesses, run their own businesses, and perform wage work inside or outside the camps. The camps we studied range in size from 14,774 to 18,614 inhabitants, in districts with populations ranging from around 126,000 to 183,000.

We find greater economic benefits for the host country when refugee food aid is in the form of cash rather than food. The benefits are greatest around a cash camp located in a relatively good agricultural area with ample food supplies and jobs that match the skill set most refugees have.

Here's how it works: The WFP provides mobile phones linked to payment accounts to refugees, who can then purchase food and other items at refugee and host-country shops that accept mobile payments. Alternatively, they may "cash out" and transact with any vendor, including in weekly food markets that invariably materialize outside the cash camps. We found that refugees spent

most of their cash on food, and this raises incomes for host-country businesses, farms, and ultimately the households that supply labor and other inputs. Rising incomes stimulate new rounds of spending and income gains in the local economy.

What happens when the WFP gives out food instead of money? This is the traditional method of aiding refugees, and still the most common form of food aid. Much of the food given out is imported, cutting out local farmers and vendors. Nor does food given offer a lot of variety: in Rwanda, the food-aid package has four ingredients: beans, maize, salt, and cooking oil. That helps explain why refugees often sell the food they've been given. For example, in Rwanda's Kigeme camp, 9 out of 10 refugee households sold part or all of their WFP food allotments in host markets outside the camp. When this happens, they usually receive significantly less than the local retail price. Moreover, these sales add to the local food supply and put slight downward pressure on prices, adversely affecting local farmers and other producers who compete with cheap food aid.

Cash aid gives refugees greater freedom in their purchases and greater variety in their diets, while creating benefits for host-country businesses and farms. In fact, we found that the real income of host-country households increases by as much as \$69 per refugee in Rwanda. This impact is large, equivalent to one-third of the average per-capita income of host-country households outside the camp. Refugee spending also creates a market for refugee businesses, which buy most of their inputs from the host country farms and merchants and generate up to \$56 per refugee in wages and profits.

Our study focused mostly on WFP food aid. Other local income spillovers are almost certainly created by non-food refugee assistance from the UN and other entities, incomes paid to camp staff, and other expenditures required to run refugee camps. Because of this, it is likely that our findings represent lower-bound estimates of the impacts of refugee camps on local incomes.

## **Lesson 2: Promote long-term integration**

Most refugees find themselves in countries with policies designed for short-term accommodation of displaced populations, but refugee migration tends to be disturbingly permanent. The average Congolese refugee has resided in the oldest of Rwanda's camps (Gihembe) for 16.7 years. More than

44% of that camp's population was born in the camp. Promoting integration with the host country not only creates benefits for refugees and locals; it also recognizes the reality that refugees are likely to remain in the host country for some time.

In addition to supporting local farmers and vendors, refugees can also be an important part of the local labor force for host-country farms and businesses. Refugees made up approximately 6% of the hired workers (and 7% of hired farm workers) outside the camps we studied, and had only minimal impacts on wages for Rwandan workers. We also saw that refugees stimulated trade between the local economy and the rest of Rwanda by as much as \$55 per refugee per year.

Uganda, Rwanda's neighbor to the north, takes integration a step further, providing refugees with plots of land and gradually weaning them from WFP assistance altogether. Refugees, like host-country farmers, potentially pay wages to host-country workers, purchase inputs, and contribute to the supply of food in local markets. A new UC Davis-WFP project in Uganda will quantify those impacts.

The more interaction refugees have with the host-country economy around them, the greater the potential there is to create benefits for both refugees and host countries.

### **Implications for other refugee crises**

Our study shows that the preconception that refugees necessarily harm economies is wrong.

Modes of refugee accommodation vary greatly around the world, ranging from large, isolated camps to full integration with host-country economies. The findings from our research apply most directly to the more than 50 percent of United Nations-supported refugees who live in camps.

Syrian refugee migration is of a different order of magnitude than Congolese refugee migration in Rwanda, but the same overall findings apply: a refugee's potential to help herself, as well as to create benefits for the host economy, almost certainly are far greater when there are opportunities to interact productively with the surrounding host-country economy.

We would expect our findings to be even more relevant in high-income countries, where refugee populations are small compared to the local host-country population and research shows that refugees' economic mobility is high. (Many refugees start out in less prestigious jobs than the ones they left behind, but they move up the job ladder more quickly, on average, than other immigrants do.)

To create economic benefits for host-country households and businesses, an enlightened policy would allow refugees to interact with the host-country economy around them; provide refugees with cash assistance and the ability to earn income by working inside or outside the camp; locate refugee camps in places where local producers can supply refugees' demands and there is potential for refugees to supplement their income by working or establishing businesses; and assist host-country farms and businesses to supply food and other items to refugees and host-country households.

Our findings raise the prospect that carefully designed refugee policies might achieve the dual goal of helping displaced people while creating economic benefits for those around them. Such policies could go a long way towards easing tensions between refugees and host countries, while making countries more willing to contribute towards easing the current refugee crisis.

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

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**Fnu Lnu** 7 hours ago

The Cuban Marielitos of 1980 were a great example of refugee economic contribution- within a few years, they were boosting Miami's economy with whole duffel bags full of cash spent on luxury cars, high-end real estate, boats, airplanes, nightclubs, and firearms. They integrated into the local economy by finding jobs as... well, I'm not entirely sure what industry was employing them, but it certainly seems to have been lucrative.

Seriously, though, the positive examples in the article are all of resettlement in areas that are culturally, economically, and geographically similar to the refugees' home countries. It's doubtful the same would hold when the differences are several orders of magnitude greater- e.g., resettling Congolese in Newfoundland or Tokyo. This should be common sense, but too often isn't.

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