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**THE SOCIOECONOMIC IMPACT OF FORCED MIGRATION  
ON HOST COMMUNITIES:  
CHALLENGES AND OPPORTUNITIES FOR THE ARAB REGION**

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## Abstract

In recent years, the Arab region has experienced considerable and ongoing instability that have led to civil unrest, protracted conflict and massive population displacement. This forced migration has occurred in a relatively short time frame, exacerbating poor economic conditions in both origin and host communities. This paper studies the impact on of this population displacement on socioeconomic conditions of host communities in the Arab region, with a specific focus on the Syrian and Iraqi displaced population. We further propose policy interventions that would allow mechanisms to assimilate the forcibly displaced into different sectors of economic activity during the duration of their displacement. These should be a priority for host-receiving countries, which need to both protect their vulnerable population and provide sustainable development opportunities for the displaced.

## **I. Introduction: the right to development**

In recent years, the Arab region has experienced considerable and ongoing instability that have led to civil unrest, protracted conflict and a massive flow of refugees and internally displaced persons (IDPs).<sup>1</sup> Large population displacement has occurred in a relatively short time frame, exacerbating poor economic conditions in both origin and host communities. Beyond the direct costs to the displaced population, the arrival of refugees and IDPs also poses a challenge for host communities and countries. Refugees and host populations often compete for resources, intensifying poverty conditions of vulnerable groups in reception areas. The purpose of this paper is to examine the effect that the flow of forced migrants could have on socioeconomic development of host communities in general, and in relation to the current situation of the Iraqi and Syrian displaced in particular.

One of the most formidable challenges to the post-2015 development agenda remains an Arab regional context marred by protracted conflict. Development cannot be disassociated from human rights and peace and security: the three dimensions are interlinked and they reinforce each other.<sup>2</sup> These interlinkages have been recognized as a crucial element of the post-2015 development agenda, one to be included at the heart of all present and future UN interventions. While displacement has been widely acknowledged as a humanitarian concern, this paper argues that it should also be regarded as a development concern, impacting not only those displaced, but also the communities and countries that host them.

The detrimental impacts of displacement are of particular consequence in the Arab region, where an escalation of conflicts has dramatically increased the number of refugees and IDPs. Governments in the region increasingly face the challenge of assimilating this population into the mainstream economy. While humanitarian assistance has proven to be an effective tool to mitigate the immediate and short-run impacts, it does not provide a sustainable solution to the affected population. This has become a central element of the current crisis in the region, where the duration of conflicts escalates and the displaced population lack security and development opportunities in their territories of origin for an extended period of time. Different mechanisms to incorporate and assimilate the displaced migrants into the mainstream economy should be a priority of host countries, which need to both protect their

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<sup>1</sup> Through this document, the flow of refugees and IDPs is referred collectively as forced migration or forced displacement. We follow the definitions used by the Office of the United Nations High Commissioner for Refugees (UNHCR), see <http://www.unhcr.org/pages/49c3646c11c.html>.

<sup>2</sup> UN General Assembly (2005), *2005 World Summit Outcome*, UN A/RES/60/1, paragraph 9.

vulnerable population and at the same time provide sustainable development opportunities for the displaced.

This paper is organized as follows. Section II summarises the main trends of conflict and displacement in the Arab region relative to the rest of the world. The following section describes the effects of conflict and the potential channels through which neighbouring countries can be affected by the current state of civil unrest in the region, including the impacts of forced migration. Then, the fourth section presents a review of the literature concerning the challenges and strains that refugees may introduce in host communities and their impact on economic growth. Finally, a last section concludes and leads into the way forward.

## **II. A region affected by protracted conflict**

Compared to other parts of the world, the Arab region is the most afflicted by conflict. In fact, in the five years between 2010 and 2014, half of the Arab countries experienced at least one instance of internal conflict.<sup>3</sup> Examining the current dynamics of conflict in the Arab region reveals not only its protracted and open-ended nature, but also that conflict theatres are becoming increasingly interlinked beyond national borders. The conflicts in Syria and Iraq are a case in point, but so are the situations in Libya and Yemen. Different groups are waging war on each other with a continuous shifting of territory that is taking place over unprecedentedly large areas. Such shifts are accompanied by high levels of violence and atrocities, which are motivated by the securing of resources or rents by belligerent groups through foreign patrons, the capture of natural resources (water, oil and others), and illicit activities such as kidnapping, smuggling, control of vital border crossing points, drug trafficking, etc. Further complicating matters are the countless warring non-state actors, many of which retain a radical exclusivist discourse.

In-fighting among different factions and foreign jihadists, which are drawing on diverse external supporters, has become commonplace.<sup>4</sup> This factor adds to the complexity of the conflict dynamics, particularly in Syria, Iraq, Libya, Yemen and other parts of the Arab world. The situation in Syria, for

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<sup>3</sup> ESCWA calculations based on data from the UCDP/PRIO Armed Conflict Dataset. For details, see UN ESCWA (2014), *Beyond governance and conflict: measuring the impact of the neighbourhood effect in the Arab region*, UN ESCWA. Available at

[www.escwa.un.org/divisions/ecri\\_editor/Download.asp?table\\_name=ecri\\_documents&field\\_name=id&FileID=272](http://www.escwa.un.org/divisions/ecri_editor/Download.asp?table_name=ecri_documents&field_name=id&FileID=272)

<sup>4</sup> Dickinson, Elizabeth (2013), "Follow the money: how Syrian Salafis are funded from the Gulf," *Carnegie Endowment for International Peace*, 23 December. <http://carnegieendowment.org/syriaincrisis/?fa=54011>

instance, is described to have degenerated into a multi-front war with militias challenging both the Syrian military and other militias almost everywhere at once.<sup>5</sup> The conflicts in the Arab region have become magnets for foreign fighters. Such a highly combustible mixture of militants has gravely complicated the likelihood of ending the fighting, not to mention any political solution in the short term. Significantly, Syria, Iraq and Yemen's attraction of religious extremists has extended the life of the "jihadi" movement by a generation,<sup>6</sup> an eventuality with dire consequences for future stability of the Arab region and beyond.

The risk of protracted conflicts in these countries is further augmented by the lack of a national consensus on a governance structure, which is mirrored by the fragility of state institutions as well as weak or absent reconciliation processes. The current context in these countries is also marred by international and regional power politics and polarisation that have translated into proxy wars.

Another manifestation of the high incidence of conflict and instability is the ongoing arms race in the region, which manifests itself as large expenditures in weapons by many regional players. Figure 2 shows that the Arab region is indeed the highest buyer of weapons in the globe in relative terms, reaching more than 4% of its GDP and more than twice the average of developing countries. This captures vital resources that could instead be directed to promote growth, socioeconomic development and address the humanitarian fallout resulting from conflict.

### **III. Impact of conflict on development, the neighbourhood effect and population displacement**

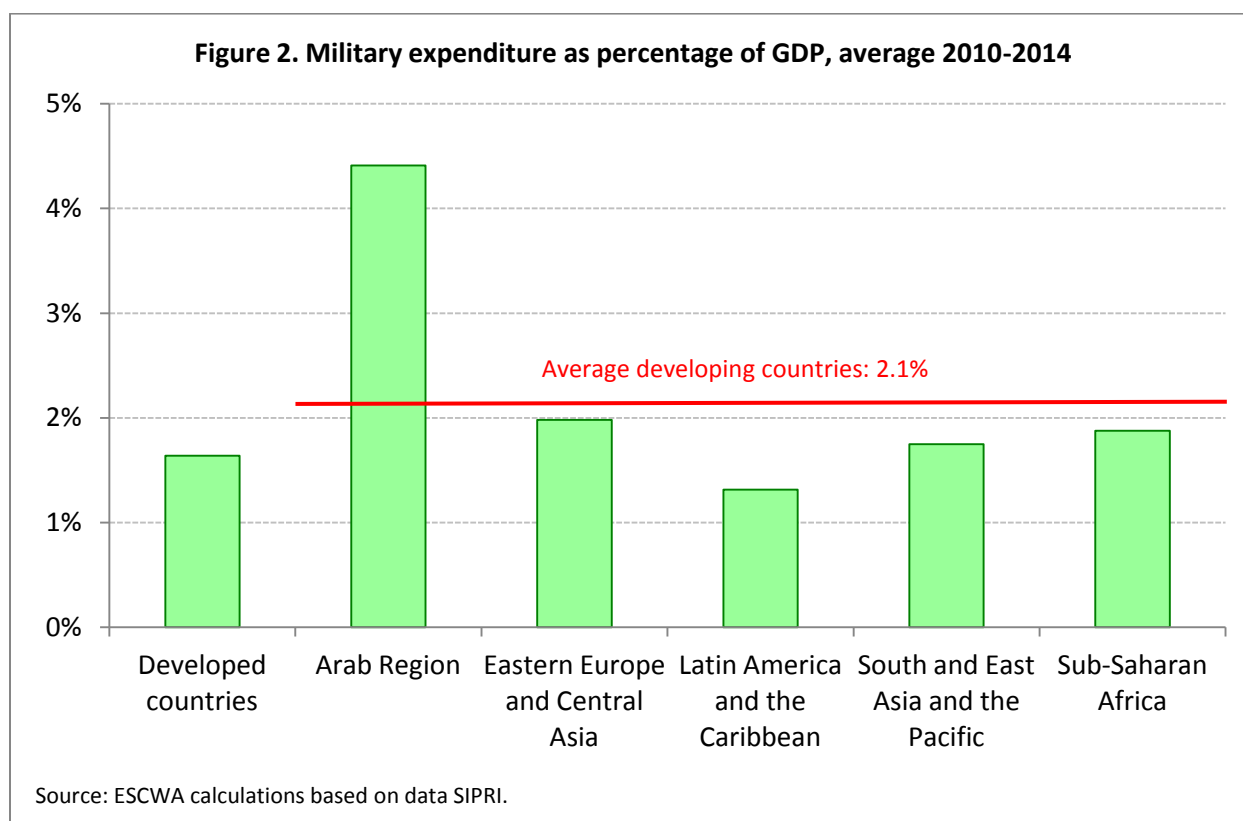
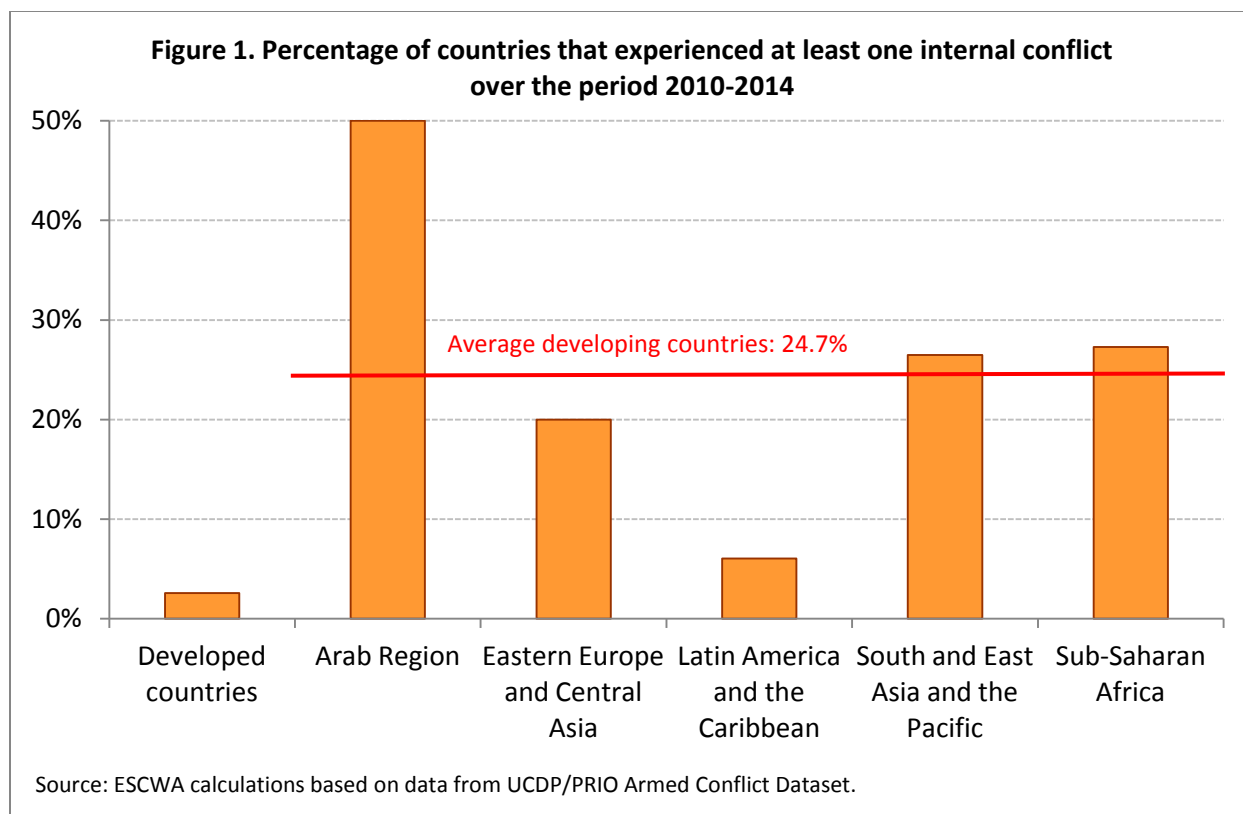
Evidence shows that conflict and instability have a profound impact on society and the economy, including economic growth, health, education and other areas of socioeconomic development. For instance, a conflict of average severity increases undernourishment by 3.3 %, reduces life expectancy by about one year, increases infant mortality by 10% and deprives an additional 1.8% of the population from access to potable water.<sup>7</sup> Civil wars on average reduce the growth of GDP per capita by more than

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<sup>5</sup> Ottaviani, Jacopo (2014), "It's hard to understand the scale and spread of killing in Syria, until you see this map," *Foreign Policy*, 15 January. Violations Documentation Center (VDC), the documentation arm of the Local Coordination Committees in Syria. Data from March 2011 through the VDC's 21 November 2013 report.

<sup>6</sup> Hegghammer, Thomas (2013), "Syria's foreign fighters," *Foreign Policy*, 9 December.

<sup>7</sup> Gates, Scott et al. (2012), "Development consequences of armed conflict," *World Development* 40: issue 9, pp. 1713-1722.



2% for each year that the fighting lasts. Additionally, conflict countries on average do not catch up completely to their pre-conflict expected growth trajectory over the next 5-15 years, so some of the losses can be considered as permanent.<sup>8</sup>

Importantly, the consequences of conflict are not contained to the countries directly affected: it also has an indirect but significant impact on neighbouring countries and the entire region.<sup>9</sup> Neighbouring violence may lead to conflict contagion, as well as severe economic disruptions and even an increase in political repression. A major channel in which the neighbourhood effect comes into consequence is through conflict-related population displacement. Figure 3 illustrates the potentially widespread impact that the arrival of conflict-driven refugees may have on domestic variables and the numerous channels of transmission (shown in yellow) through which this may take place. This figure follows the framework of analysis of the neighbourhood effect along four components, as defined in UN ESCWA (2014).<sup>10</sup>

First, as depicted in the uppermost green square, there could be an influence on the political domain. The influx of refugees may create socio-political divisions, undermine the territorial sovereignty, threaten the local balance of power in host communities, and so on. All of these factors could result in human rights violations or even institutional breakdown and a generalised democratic regression.

As illustrated in the second green square, the arrival of refugees also generates strains on the local and national economy leading for example to increases in prices, insufficient provision of social services, overuse of existing infrastructure, etc. Evidence from other regions of the world that have experienced large influx of refugees and/or internal displacement suggests that fierce competition for jobs in the labour markets of host communities have a detrimental effect on wages and employment opportunities.<sup>11</sup> Crowding of labour markets and schools also reduce the opportunity costs of crime, increasing the likelihood of offences in host communities.<sup>12</sup> Negative impacts of displacement are not

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<sup>8</sup> UN ESCWA (forthcoming), *Trends and impact issue 4: the impact of conflict and instability on development in the Arab region*, UN ESCWA.

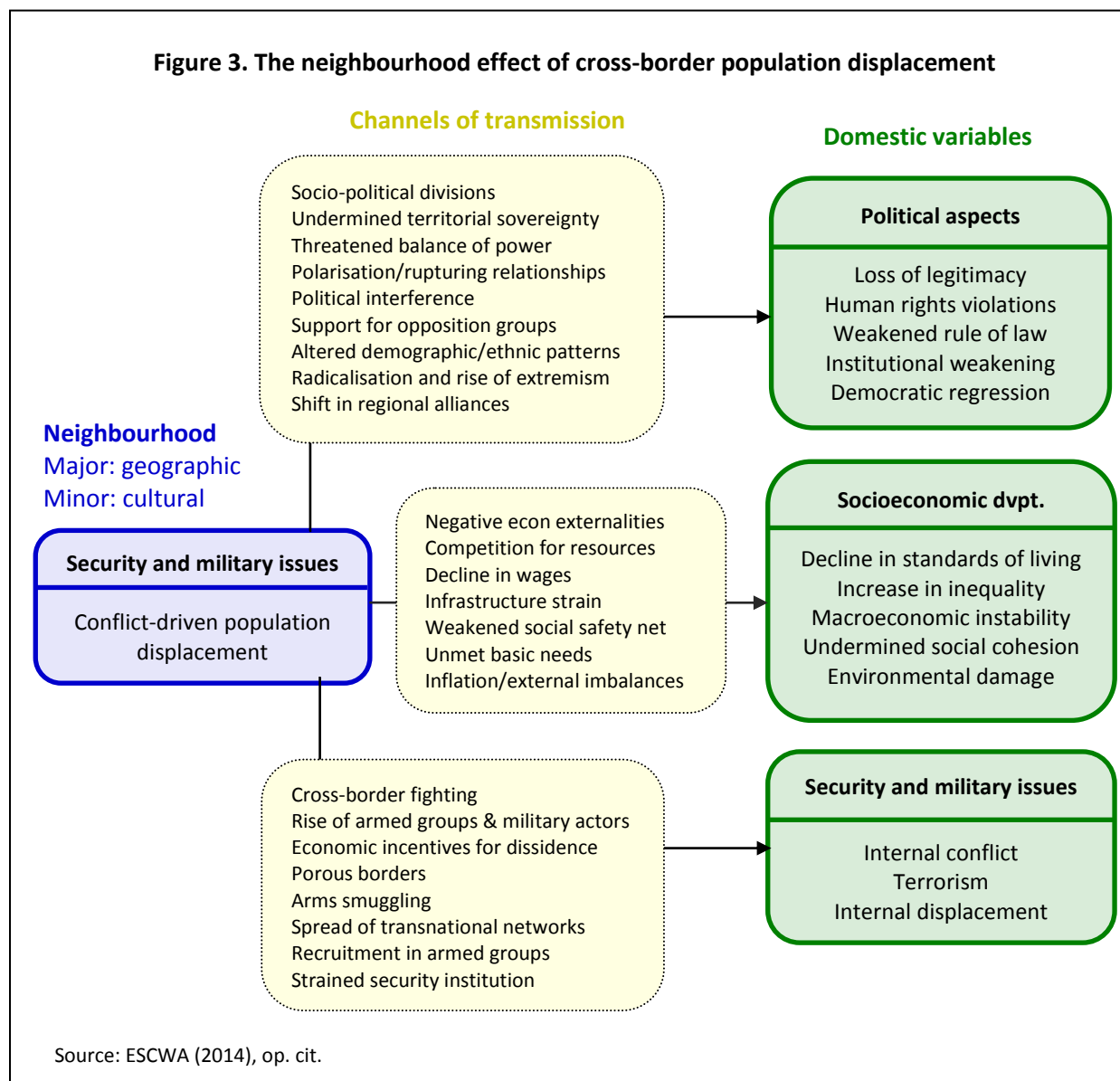
<sup>9</sup> UN ESCWA (2014), op. cit.

<sup>10</sup> Although this figure refers to the impact of the arrival of refugees, most of the linkages also apply to forced internal population movements (IDPs).

<sup>11</sup> Calderón-Mejía, Valentina and Ana María Ibáñez (2015), "Labor market effects of migration-related supply shocks: evidence from internally displaced populations in Colombia," *Households in Conflict Network (HiCN) Working Papers* 69, retrieved from <http://www.hicn.org/wordpress/wp-content/uploads/2012/06/wp69.pdf>.

<sup>12</sup> Borjas, George, Jeffrey Grogger and Gordon Hanson (2006), "Immigration and African-American employment opportunities: the response of wages, employment, and incarceration to labor supply shocks," *NBER Working Paper* 12518, retrieved from <http://www.nber.org/papers/w12518.pdf>.

**Figure 3. The neighbourhood effect of cross-border population displacement**



broadly distributed across the population, however, and the welfare losses from the displacement process may affect to a greater degree vulnerable groups within the host communities.

Third, in terms of security and military issues, the ability of the government to provide basic services may be insufficient and result in an increase in inequality and deteriorating social cohesion. This by itself may trigger internal conflicts. But there are also other factors that could exacerbate the situation: formation of armed groups, economic incentives for dissidence, unprotected borders subject to smuggling of arms and the spread of transnational networks, and an overstrained security institution that cannot cope with the challenges brought upon by the flow of displaced persons.



The high incidence of protracted conflict in the Arab region has led to high levels of population displacement. Figure 4 shows that the number of refugees in this region by the end of 2014 was equivalent to 2.2% of total population; this is by far the highest rate in the world. When considering both internally and externally displaced, more than 23.6 million people, around 6.2% of the Arab population, are displaced. Moreover, as shown in Figure 5 the proportion of internally displaced on the total population has dramatically increased over the last years, while the proportion of refugees has remained stubbornly high over the same period.

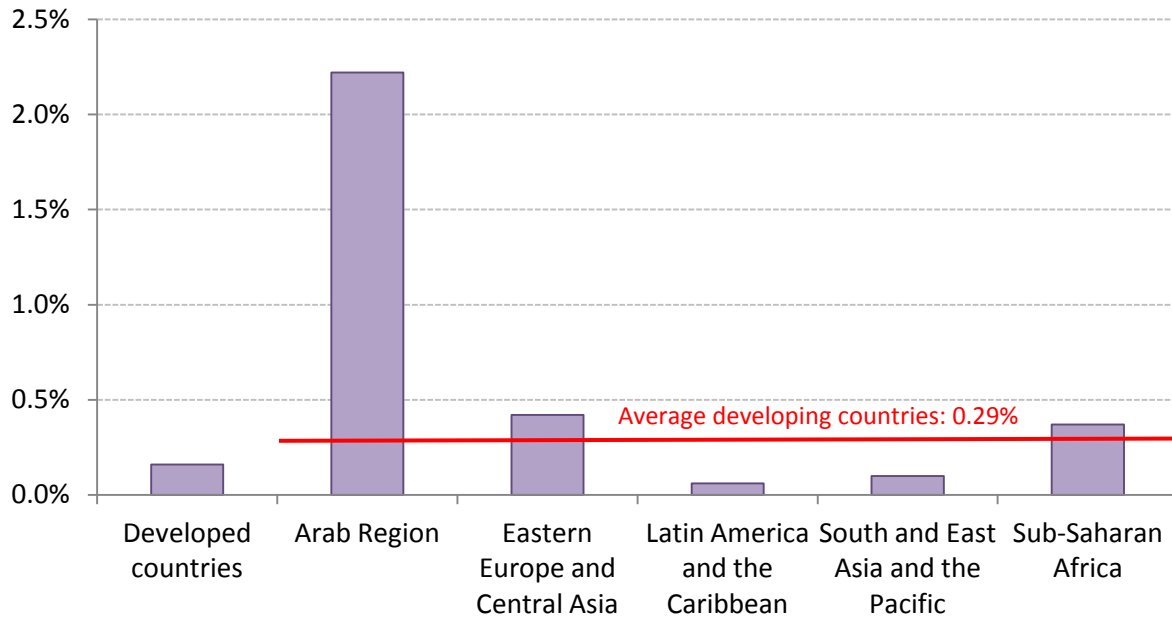
Among all the current conflict in the region, Syria has witnessed the highest number of conflict-driven displaced persons, with a total of 11.4 million as of October 2015: 4.2 million as refugees in neighbouring countries and 6.5 million IDPs residing mainly in Aleppo, rural Damascus, Homs and Idlib.<sup>13</sup> Figure 6 shows the most recent distribution of Syrian refugees in neighbouring countries according to UNHCR statistics. The three main host countries are Turkey, with 2.18 million, most of them residing in camps; Lebanon, with 1.08 million refugees spread out across the country (since no formal camps have been erected in this country), but mostly in already vulnerable areas such as the Bekaa valley and the north of the country; and Jordan, with 633 644 refugees, mostly residing in camps. The demographic distribution of refugees shows that the majority (44.8%) are in the working-age group (18-59 years of age), highlighting the importance of an intervention to secure a sustainable source of income for them and their families.

The 2014 Northern Iraq offensive began on June 2014 when the so-called Islamic State of Iraq and the Levant (ISIL or ISIS) and its aligned forces undertook a major attack in northern Iraq against the Iraqi government and succeeded in capturing several cities: Samarra on June 5, followed by Mosul on June 9 and Tikrit on June 11. The conflict between ISIS and the government forces has led to a massive internal displacement. Over 1.2 million persons were displaced then, approximately 45% originating from Anbar and the rest from Central and Northern Iraq; many of those have reportedly fled across the border into Syria and from there crossed back to Iraq's Kurdistan region. The number of displaced across Iraq increased to reach 2.1 million by December 2014 and 3.2 million in November 2015 as violence continue

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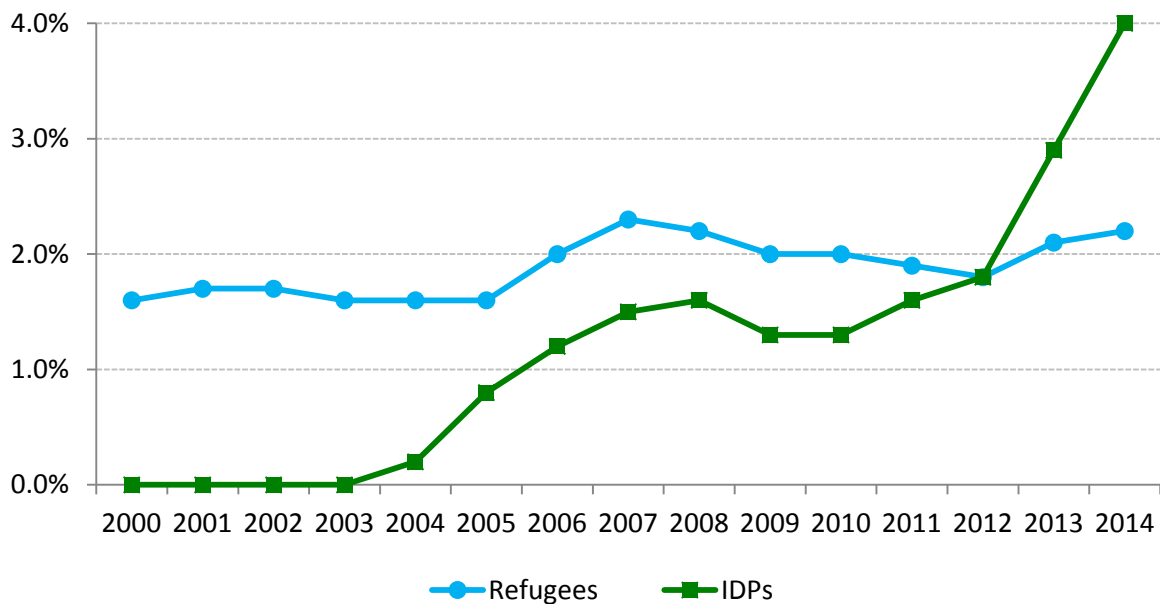
<sup>13</sup> OCHA (2015). *Syrian Arab Republic*. Available at <http://data.unhcr.org/syrianrefugees/regional.php> (Accessed 26 Nov 2015).

**Figure 4. Refugees as percentage of total population, 2014**

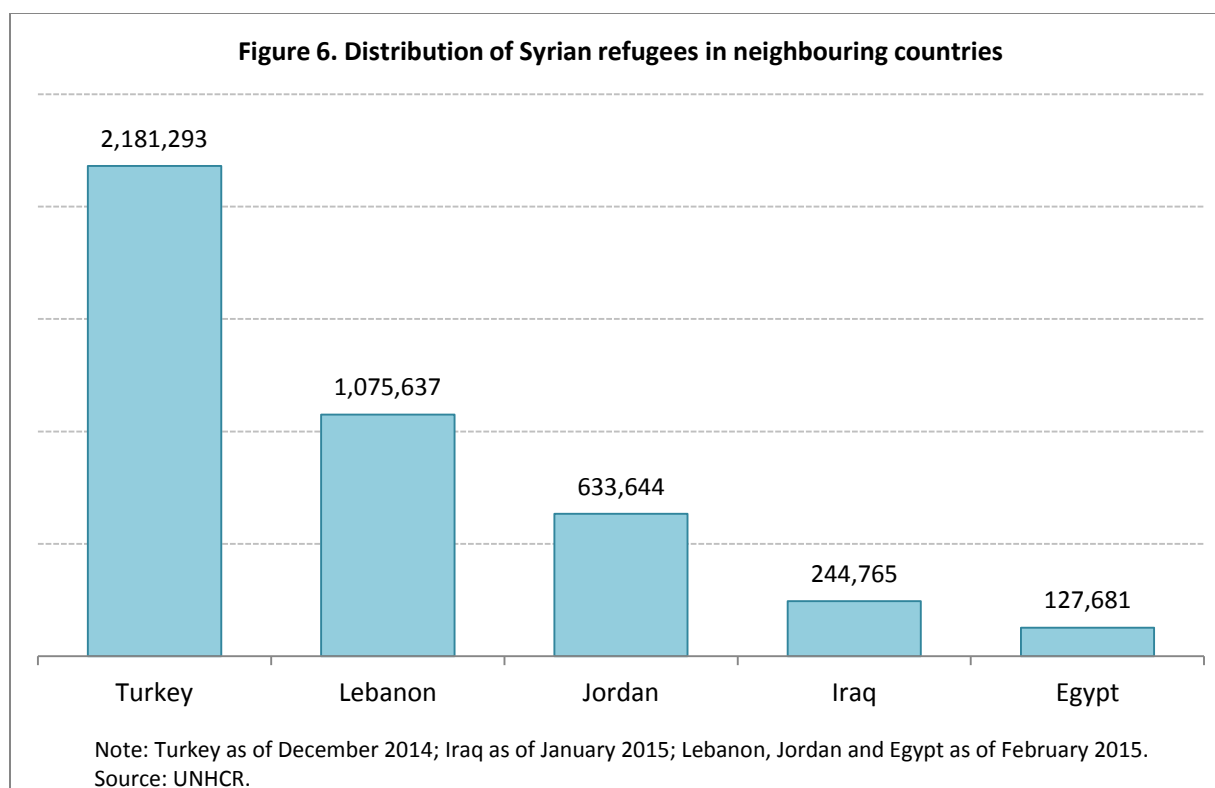


Source: ESCWA calculations based on data from UNHCR, UNRWA and UN DESA.  
Note: end-year figures.

**Figure 5. Refugees and IDPs relative to population in the Arab region, 2000-2014**



Source: ESCWA calculations based on data from UNHCR, UNRWA and UN DESA.  
Note: end-year figures for all years.



continued in these areas.<sup>14, 15</sup> The general hospitals and primary care centres in the cities where IDPs reside are not sufficient to cover their large number. Children access to education opportunities requires more safe learning spaces; in fact, a large number of schools are currently occupied by IDPs due to the lack of shelters.<sup>16</sup>

This growing movement of the Syrian and Iraqi displaced persons have raised the demand of livelihood resources and public services in hosting communities, including food, water, education and health services, and employment. Indeed, this tense situation is felt on a daily basis by populace in neighbouring countries, particularly in Jordan and Lebanon. This is further compounded by the already challenging economic situation currently being experienced by both of these countries, with existing problems such as weak growth and insufficient employment creation, low investment, external imbalances, international price volatility, and others. Moreover, the arrival of the forced migrants has

<sup>14</sup> OCHA (2014), *Iraq: displacement - humanitarian snapshot (as of 9 December 2014)*, retrieved from <http://www.humanitarianresponse.info/operations/iraq/infographic/iraq-displacement-humanitarian-snapshot-09-december-2014>.

<sup>15</sup> OCHA (2015), *Iraq: displacement - humanitarian snapshot (as of 22 November 2014)*, retrieved from <http://reliefweb.int/report/iraq/iraq-humanitarian-snapshot-22-november-2015>.

<sup>16</sup> OCHA (2014), *Iraq IDP crisis: situation report #6 (2-8 August 2014)*, Retrieved from <http://reliefweb.int/report/iraq/iraq-idp-crisis-situation-report-no-6-2-8-august-2014>.

further deteriorated an already tense political and security situation in these countries. The hosting communities are now faced with the challenge of balancing between human rights, economic and political security.<sup>17</sup> In the next section we describe these distresses and provide motivation for the empirical analysis that will be included later in the report.

#### **IV. Review of the literature: the strains on host countries and communities**

The forced displacement of persons from one country to another, or from one area of a country to another in the same country imposes harsh conditions to the affected population in terms of their physiological and psychological well-being, in addition to limiting their sources of income and development opportunities. It also exposes them to situations where their human rights and personal security may be compromised. In addition to the deteriorating socioeconomic situation that refugees themselves experience, their arrival may also impose important economic, social, environmental, political and security challenges to the host countries.<sup>18</sup>

From the point of view of the hosting communities, refugees may represent both a burden and an opportunity. Indeed, the arrival of refugees and IDPs could create benefits for some sectors and negative impacts for others.<sup>19</sup> In general, impoverished host segments of the population are likely to suffer losses rather than gains, at least in the short term. In this section we review the main findings of the economic impacts that refugees bring about on host communities. This is based on the existing literature of conflict-driven population displacement in other areas of the world, complemented by specific studies on the Arab region and its present situation in relation to the Syrian and Iraqi displaced population.

The literature on the impact of forced displacement on host communities reveals two discernible views: some studies show that refugees and IDPs become an economic and social burden on the host

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<sup>17</sup> Al Wazny, Khaled Wasef (2012), "Socio-economic implications of the Syrian refugees crisis on the Jordanian economy," *Economic and Social Council* (November). Available at <http://tinyurl.com/Jordan-EcoSocCouncil>.

<sup>18</sup> For a review of the main impacts of refugees on hosting communities, including socioeconomic, political and security considerations, see World Bank (2010), "The impacts of refugees on neighboring countries: a development challenge," *World Development Report 2011 Background Note*. Retrieved from <http://documents.worldbank.org/curated/en/2010/07/14296890/impacts-refugees-neighboring-countries-development-challenge> (Accessed 7 July 2014).

<sup>19</sup> Chambers, Robert (1986), "Hidden losers? The impact of rural refugees and refugee programs on poorer hosts". *International Migration Review* 20 (2):pp. 245-263.

population, while another line of research argues that refugees represent an opportunity for social progress and improved welfare. Our purpose is to understand the channels through which forced migration generate economic costs for host communities in order to mitigate them, and to identify when do refugees and IDPs represent an economic opportunity in order to propose alternatives for their integration for the benefit of both the displaced and the host populations.

Among the potential impacts of a conflict in neighbouring areas, population displacement has one of the broadest economic effects, as it touches markets and sectors not directly affected by the conflict.<sup>20</sup> The immigration of refugees and IDPs increases the demand for goods, services and local resources, while also enlarging labour supply. The burden of this impact falls disproportionately on the poor, who are directly competing for resources with refugees and IDPs, and who see their opportunities fall as a consequence. Additionally, the competition for jobs and the crowding of schools and social services add to frustration in local communities, decreasing the opportunity costs of criminal activities. Displacement also generates reallocation of fiscal resources between support for vulnerable sectors of the local population and aid directed to the displaced communities.

There is a growing body of literature that explicitly focuses on the effect of displacement on the host communities and the channels of transmission. The impact can be classified according to the following sectors.

#### IV.1 Education

In many cases displaced families face extreme poverty conditions upon arrival to the host communities. Likely, displaced children will be withdrawn from education in order to work within the home or engage in other forms of child labour. But host communities can also experience negative impacts if the influx of migrants with lower educational attainment is coupled with a highly inelastic education supply response. In the economic literature of migration, the evidence suggests that the arrival of a large number of migrants to a given area can induce non-immigrant students to stay in school for either longer or shorter periods of time, depending on whether the marginal benefits or the marginal costs of education change in response.<sup>21</sup> In the conflict context, if the crowding effect dominates the arrival of

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<sup>20</sup> Bozzoli, Carlos, Tilman Bruuck, and Nina Wald (2013), "Self-employment and conflict in Colombia," *Journal of Conflict Resolution* 57 (1): pp. 117-142.

<sup>21</sup> Betts, Julian (1998), "Educational crowding out: do immigrants affect the educational attainment of American minorities?", in Daniel S. Hamermesh and Frank D. Bean (Eds.), *Help or hindrance? The economic implications of immigration for African-Americans*, New York: Russell Sage Foundation.

refugees or IDPs to host communities, it can have detrimental effects on schooling decisions of non-migrant children. This in turn increases the dropout rate and reduces school progression and the average number of years of education of host students and migrant children alike. Studies have indeed found evidence that crowding effects can be more pervasive for youth in host communities, leading for instance to increased high school dropout rates.<sup>22</sup> These factors further contribute to the problems of idle youth in host communities, a sector that is increasingly vulnerable and that can become a risk for crime, insecurity and conflict.

In the Arab region, no formal studies have been carried out to understand the effect of refugees on education, but the impact is likely sizable. Syrian and Iraqi refugees and IDPs are facing a dire educational situation. The particular context in Iraq is complicated due to the presence of both Syrian refugees and Iraqi IDPs. Furthermore, the influx of both groups has forced several schools in the Kurdish region of Iraq to postpone their school year for several months.<sup>23</sup> Additionally, in the Kurdish region of Iraq, where the primary languages of education in Kurdish, Syrian students are having difficulty with adjusting to the language barrier, forcing some to drop out of school. Another barrier faced by the students is the recognition of their diplomas obtained in their country of origin.

According to UNICEF, almost half of Syria's refugee children are out of school. Internally, one fifth of the country's schools are unusable due to damage, because they are being used as shelters, or because they have been taken over by armed groups. In Lebanon, donors and aid organizations are assisting the government with providing education to more than 435 000 school-age children; this is more than the total number of Lebanese children enrolled in public schools. In Jordan, for every five Jordanian children there is one Syrian child receiving educational services.<sup>24</sup>

#### *IV.2 Health*

There are several channels through which refugees can bring about health impacts in hosting countries. First, refugee inflows put pressure on the health system of the host community reducing the availability

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<sup>22</sup> Calderón-Mejía, Valentina (2010), "Civil war, forced migration and educational attainment in destination areas: evidence from Colombia," Mimeo, University of Chicago.

<sup>23</sup> UNICEF (2014), *Iraq: RRP 6 Education Dashboard - September 2014*, retrieved from <http://data.unhcr.org/syrianrefugees/download.php?id=7338>.

<sup>24</sup> UNICEF (2014), *Under siege: the devastating impact on children of three years of conflict in Syria*, retrieved from [http://www.unicef.org/publications/index\\_72815.html](http://www.unicef.org/publications/index_72815.html).

of resources to the host population.<sup>25</sup> In addition, inequalities in the provision of health services are often detrimental for refugee and host population relations.<sup>26</sup> On the other hand, host communities may actually benefit from improved health services when interventions targeted to the displaced are integrated with existing services or they are also offered to the host population. Unfortunately, in the countries hosting refugees in the Arab region, primary care centres are barely coping with the increased demand for services.

Second, the arrival of refugees is associated with the spread of infectious diseases.<sup>27, 28, 29, 30</sup> Montalvo and Reynal-Querol (2005) and Baez (2011) find that the arrival of refugees has had harmful impacts on health in recipient countries by increasing the transmission and persistence of disease, with negative short- and long-term impacts on development. Yet, estimating the causal impact of refugee arrivals on disease outbreaks is difficult due to omitted factors and causal evidence has been limited to a small number of studies. While no evidence has yet been collected on the prevalence of disease in the region as a consequence of refugee influx, this is an area of concern as there are growing strains on sanitation capabilities of host countries as a response to the arrival of refugees.

#### IV.3 Labour market

This economic impact of immigration has been extensively studied in the literature. Although economic theory suggests that an increase in labour supply due to immigration may result in lower wages and/or higher unemployment of nationals if their skills are substitutes to immigrants, empirical studies typically conclude that immigration has only a small impact on the wages and employment rates of the national population.<sup>31, 32, 33, 34, 35, 36</sup>

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<sup>25</sup> Orach, Christohper and Vincent De Brouwere (2004), "Post-emergency health services for refugee and host populations in Uganda, 1999-2002," *Lancet* 364 (9434): 611-12.

<sup>26</sup> Lawrie, Nicolette and Wim Van Damme (2003), "The importance of refugee-host relations: Guinea 1990-2003," *Lancet* 362 (9383): pp. 575.

<sup>27</sup> Kalipeni, Ezekiel and Joseph Oppong (1998), "The refugee crisis in Africa and implications for health and disease: a political ecology approach," *Social Science and Medicine* 46 (12): pp. 1637-1653.

<sup>28</sup> Kazmi, Jamil and Kabita Pandit (2001), "Disease and dislocation: the impact of refugee movements on the geography of malaria in NWFP, Pakistan," *Social Science and Medicine* 52 (7): pp. 1043-1055.

<sup>29</sup> Montalvo, José and Marta Reynal-Querol (2005) "Ethnic polarization, potential conflict, and civil wars," *The American Economic Review* 95 (3): pp 796-816.

<sup>30</sup> Baez, Javier, (2011). "Civil wars beyond their borders: the human capital and health consequences of hosting refugees," *Journal of Development Economics* 96 (2): pp. 391-408.

<sup>31</sup> Friedberg, Rachel and Jennifer Hunt (1995), "The impact of immigrants on host country wages, employment and growth," *The Journal of Economic Perspectives* 9 (2): pp. 23-44.

Few studies have looked at the labour market effects in host communities in response to forced migration. Ruiz and Vargas-Silva (2015 and 2015)<sup>37, 38</sup> examine the impact of large inflows of refugees on the northwestern region of Tanzania. Using panel data (pre- and post-refugee inflow), they estimate that hosting refugees increased the likelihood of informal employment for Tanzanians, which appear to be more likely to become family workers after the shock. Calderón-Mejía and Ibáñez (2015) and Bozzoli et al. (2010) provide further evidence of deteriorating labour market conditions in areas that are net receivers of displaced populations in Colombia.<sup>39</sup> In particular, this research finds that displacement reduces wages in the informal sector and increases the probability of self-employment.

There have been some studies measuring the labour market impacts of the Syrian refugee crisis in the Turkish labour market. Del Carpio and Wagner (2015) show that informal Syrian refugees, who overwhelmingly do not have work permits, results in negative developments for some Turkish workers, particularly those working in informal sector, those working in the agricultural sector, the low-educated and female workers. However, the inflow of refugees also creates higher-wage formal jobs, allowing for occupational upgrading of Turkish workers. Their findings suggest that average Turkish wages increased as a consequence of a change in the composition of employment.<sup>40</sup> Ceritoglu et al. (2015) conclude that immigration of refugees has considerably affected the employment outcomes of natives in Turkey while its impact on wage outcomes has been negligible. Their estimates suggest notable employment losses among Turkish informal workers as a consequence of refugee inflows. The majority of those who lost their informal jobs have either left the labour force or remained unemployed. Both papers conclude that the most hardly affected group are informal female workers that dropout of the labour force as a

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<sup>32</sup> LaLonde, Robert and Robert Topel (1991). "Labour market adjustments to increased immigration," in John Abowd and Richard Freeman (Eds.) *Immigration, trade and labour*, Chicago: University of Chicago Press.

<sup>33</sup> Borjas, George (1999), "The economic analysis of immigration," in Orley Ashenfelter and David Card (Eds.) *Handbook of Labor Economics*, North Holland.

<sup>34</sup> Borjas, George (2003), "The labor demand curve is downward sloping: reexamining the impact of immigration on the labor market," *The Quarterly Journal of Economics* 118 (4): pp. 1335-1374.

<sup>35</sup> Longhi, Simonetta, Peter Nijkamp, and Jacques Poot (2005), "A meta-analytic assessment of the effect of immigration on wages," *Journal of Economic Surveys* 19 (3): pp. 451-477.

<sup>36</sup> Junakar, P. N. (2006), "European migration: what do we know?," in Klaus Zimmerman (Ed.) *Economic Record* 82 (259): pp. 498-500.

<sup>37</sup> Ruiz, Isabel and Carlos Vargas-Silva (2015), "The labor market impacts of forced migration", *American Economic Review: Papers & Proceedings* 105(5): 581-586.

<sup>38</sup> Ruiz, Isabel and Carlos Vargas-Silva (2015), "The labour market consequences of hosting refugees", *Journal of Economic Geography*: pp. 1-28.

<sup>39</sup> See Calderón-Mejía and Ana María Ibáñez (2015), op. cit., and Bozzoli et al. (2010), op. cit.

<sup>40</sup> Del Carpio, Ximena V. and Mathis Wagner (2015), "The impact of Syrians refugees on the Turkish labor market", *World Bank Policy Research Working Paper* 7402.



consequence.<sup>41</sup> In general, it seems that the native workers whose skills can be easily be substituted by those of the displaced population tend to lose, while the rest of the workers are not affected or can even be benefited (from the increased labour demand brought about by the influx of forced migrants and the humanitarian response).

In host countries in the Arab region the strains in labour markets are palpable. An International Labour Organization (ILO) survey estimates that less than 47% of Syrian refugees in Lebanon are economically active, with refugees in the north of the country recording a lower activity than those in the south. Male refugees appear to be employed in larger numbers in Lebanon and Jordan, while unemployment among female refugees is notably high at 68%, and those who work are involved in agriculture or in personal small-scale services. Around 92% of the employed refugee population does not work under a formal contract. Furthermore, lower wages and limited employment opportunities for low-skilled labour are widespread, including among the citizens of the host communities. This competition of labour supply between the local citizens and refugees has deeply affected the local labour markets and increased antagonism between the Lebanese and Syrian communities on one side, and between the Jordanian and Syrian communities on the other.

#### IV.4 Poverty

Large arrivals of refugees and internally displaced persons usually exacerbate pre-existing problems of poverty in host communities.<sup>42, 43, 44</sup> Some studies, however, shed light on the possible channels through which the arrival of refugees can have positive poverty reduction outcomes. For instance, Maystadt (2011) shows that poverty conditions improved as forced migrants (refugees) and hosts benefited from the fact that they were imperfect substitutes, leading to improved agricultural labour productivity and possibly income diversification among the poor.<sup>45</sup>

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<sup>41</sup> Ceritoglu, Evren, H. Burcu Gurcihan Yunculer, Huzeyfe Torun, and Semih Tumen (2015), "The impact of Syrian refugees on natives' labor market outcomes in Turkey: evidence from a quasi-experimental design", *IZA DP* 9348.

<sup>42</sup> Ibáñez, Ana María and Andrés Moya, (2009), "Do conflicts create poverty traps? Asset losses and recovery for displaced households in Colombia," in Rafael Di Tella, Sebastián Edwards, and Ernesto Schargrodsky (Eds.) *The Economics of Crime Lessons for and from Latin America*, Chicago: University of Chicago Press.

<sup>43</sup> Matowu, John Mary and Frances Stewart (2001), "Uganda: the social and economic costs of conflict," in Frances Stewart and Valpy Fitzgerald (Eds.) *War and Underdevelopment 2*, Oxford: Oxford University Press.

<sup>44</sup> André, Catherine and Jean-Phillipe Platteau (1998), "Land relations under unbearable stress: Rwanda caught in the Malthusian trap," *Journal of Economic Behaviour and Organization* 34 (1): pp. 1-47.

<sup>45</sup> Maystadt, Jean-Francois, (2011). "Poverty reduction in a refugee-hosting economy: a natural experiment," *IFPRI Discussion Paper* 01132: November.

In host countries in the region, the limited evidence suggests that poverty levels have increased. Clustering of refugees in poor areas in both Lebanon and Jordan has led to a rise in local prices that, coupled with supply bottlenecks, have contributed to the increase in poverty in these areas. While refugee influx generate challenges in terms of poverty, an imperfect substitution between the skills of refugees and those of the host population may represent a potential opportunity for mutually benefit, and it would be relevant for policy makers to explore these potential pro-poor opportunities.

#### *IV.5 Food security*

A sudden inflow of refugees may affect the food security and resilience of host communities. One channel could be an increase in food prices. In fact, the shift in demand generates upward pressure on prices resulting in an increase in the cost of living.<sup>46</sup> Yet, as prices rise there are also incentives to increase production of the affected products; this leads to an adjustment of supply until a new equilibrium price is attained.

Some findings suggest that the arrival of refugees increases economic activity in host communities and results in higher price volatility of agricultural commodities.<sup>47</sup> This research shows that the net result was lower food prices and, as a result, some increase in welfare. Other studies find a detrimental impact on food security as a consequence of the arrival of refugees.<sup>48</sup> These findings suggest that child anthropometrics worsen and child mortality increases as a consequence of displacement, mainly because of the resulting prevalence of illness and competition for food with host communities.

In the Arab region, the influx of refugees poses real challenges to food security. Outside of Syria, 70% of refugees in Lebanon and Egypt are food insecure, with their main access to food being humanitarian assistance.<sup>49</sup> Furthermore, the crisis has had negative impact on crop production in neighbouring countries, with farmers having difficulties due to hostilities in the border regions, lack of water and increase in the price of inputs. With low-cost Syrian labour readily available, farm wages in neighbouring countries have decreased by 25 to 30%. Animal and plant diseases have also become a problem due to the uncontrolled movement of livestock and seeds across borders.<sup>50</sup> Understanding these challenges will

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<sup>46</sup> Werker, Eric (2007), "Refugee camp economies," *Journal of Refugee Studies* 20 (3): pp. 461–480.

<sup>47</sup> Alix-Garcia, Jennifer and David Saah, (2010), "The effect of refugee inflows on host communities: evidence from Tanzania," *World Bank Economic Review* 24 (1): pp. 148–170.

<sup>48</sup> See Baez (2011), op. cit.

<sup>49</sup> UNHCR (2014), Syria Regional Response Plan Strategic Overview

<sup>50</sup> FAO (2014), *Syria crisis: executive brief 15 September 2014.*, retrieved from <http://www.fao.org/emergencies/resources/documents/resources-detail/en/c/247783>.

lead to better policy planning and advancement towards more sustainable long-term solutions to food insecurity amongst refugee and host populations.

#### IV.6 Security

The arrival of refugees from countries suffering from war may lead to conflict spillover effects and security sector concerns in host communities, further increasing the economic costs of conflict.<sup>51, 52, 53, 54</sup> Refugees may play a role as a trigger of conflict in the communities where they find asylum through a variety of channels. First, the refugee population may bring about instability in the host community by changing the ethnic composition of the population, leading to changes in the balance of power.<sup>55</sup> Second, refugees may crowd out resources from host communities, generating animosity in the host communities and fuelling conflict.<sup>56</sup> Third, competition for resources in the legal economy can lead to a reduction of the opportunity cost of criminal activities; therefore, countries receiving large arrivals of refugees can expect an increase in crime, at least in the short run. Fourth, refugee flows also increase the likelihood of interstate conflicts as countries of origin may intervene in pursuit of rebels and receiving states may be forced to take action in order to prevent further externalities.<sup>57</sup> These are four important channels through which population displacement may bring about security concerns, but many other may be at play in different situations. For a visualization of the detailed channels of action described here, see Figure 3 above.

In the Arab region the security concerns brought about by the refugee influx represent a challenge. For example, the porosity of Syria's border with its neighbours has led to the movement of weapons, people and goods. As a consequence, cross-border fighting has broken out in Lebanon between Jabhat al Nusra and the Lebanese Army. In the aftermath of the fighting, Human Rights Watch (HRW) has reported several instances where refugees are attacked by members of the host population. Similarly,

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<sup>51</sup> Akokpari, John (1998), "The State, refugees and migration in Sub-Saharan Africa," *International Migration* 36 (2): pp. 211–234.

<sup>52</sup> Salehyan, Idean and Kristian S. Gleditsch (2006), "Refugees and the spread of civil war," *International Organization* 60 (Spring): pp. 336–366.

<sup>53</sup> Forsberg, Erika (2009), "Refugees and intrastate armed conflict: a contagion process approach," Paper presented at the 50th Annual Conference of the International Studies Association, New York, 15–18 February.

<sup>54</sup> Blattman, Christopher and Edward Miguel (2010), "Civil War," *Journal of Economic Literature* 48 (1): pp. 3–57.

<sup>55</sup> McColl, Robert (1993), "The creation and consequences of international refugees: politics, military and geography," *GeoJournal* 31 (2): pp. 169–177.

<sup>56</sup> Weiner, Myron (1992–93), "Security, stability, and international migration," *International Security* 17 (3): pp. 91–126.

<sup>57</sup> Salehyan, Idean (2008), "The externalities of civil strife: refugees as a source of international conflict," *American Journal of Political Science* 52: 4, pp. 787–801.

the Jordanian border with Syria has witnessed an increase in smuggling activities of up to 300% by 2013.<sup>58</sup>

Host communities have also reported to being victims of crimes committed by refugees. In Lebanon, constraints have been tightened on Syrians seeking refuge.<sup>59</sup> For instance, HRW reports that 45 municipalities in Lebanon have imposed curfews on Syrian refugees.<sup>60</sup> Therefore the strained relationship between host communities and refugees is a cause for concern in both Lebanon and Jordan. As supported by the information above, tensions are mainly related to dwindling resources (such as food, electricity and water) due to increased use, insufficient jobs, and decreased wages in some sectors due to an increase in labour supply. Consequently, an outlet to create more jobs for both the natives and the displaced would seem as a likely factor to ease the relationship between the two groups.

As illustrated by the review presented above, some countries in the Arab region are already experiencing strains in some or all areas as a consequence of the rapid and massive arrival of refugees. This represents a real challenge for policy makers of the concerned countries, who need to come up with sustainable solutions to integrate the forced migrants into the mainstream economy, minimizing the costs they impose on the economy as a whole and taking advantage of the potential economic benefits that come from their skill composition.

## **V. Conclusion and way forward**

In the Arab region, host countries are experiencing large strains and challenges in all sectors as consequences of the rapid and massive arrival of refugees and IDPs, representing a real challenge for policy makers that need to come up with long-term solutions to assimilate these forced migrants into the mainstream economy while at the same time supporting the local vulnerable population. There is thus an urgent need for a comprehensive response action to improve the livelihood conditions and employability of the displaced and enhance the delivery of health, education and other services in host countries.

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<sup>58</sup> Malik, Nikita (2014), "Syria's spillover effect on Jordan," *Carnegie Endowment for International Peace*, 13 February, retrieved from <http://carnegieendowment.org/syriaincrisis/?fa=54509>.

<sup>59</sup> "Syrian refugees could pose terrorist threat: Lebanon minister" (2014), *The Daily Star*, 25 November, retrieved from <http://www.dailystar.com.lb/News/Lebanon-News/2014/Nov-25/278880-syrian-refugees-could-pose-terrorist-threat-lebanon-minister.ashx>

<sup>60</sup> Alami, Mona (2013), "Averting a crisis: Syrian refugees in Lebanon," *Carnegie Endowment for International Peace*, 28 May, retrieved from <http://carnegie-mec.org/2013/05/28/averting-crisis-syrian-refugees-in-lebanon>.

In particular, the large number of Syrian refugees moving to neighbouring countries represents a growing concern. In 2014 the international community requested US\$ 5.99 billion through the Syrian Humanitarian Response Plan (SHARP) and the Regional Response Plan for Syrian refugees (RRP). However, the total funding received was only US\$ 3.44 billion (58% of the total) leaving a deficit of US\$ 2.54 billion.<sup>61</sup> This shows that there exists a large financing gap in the response plan for the Syrian refugee crisis, which affects their current living conditions and the future of the next generation once the conflict recedes. In 2015 the response is similarly underfunded with only 47% of funding required being met as of November, showing that the international community's preparedness to assist the Syrian people is dwindling.<sup>62</sup> Similarly, for the case of Iraq, US\$ 1.11 billion was requested through the Humanitarian Response Plan (HRP) in 2014, but only US\$ 800 million were received (72% of the total), leaving a deficit of US\$ 309.6 million.<sup>63</sup> In 2015, only 28% is funded so far.<sup>64</sup> This insufficiency of humanitarian aid has left palpable ramifications, especially among the communities who depend on these resources for sustenance. Relying on humanitarian aid has also proven to fail as a long-term solution. Development projects that take advantage of the skill composition of migrants may lead to better long-term solutions for both the displaced population and the host communities.

In light of protracted conflict, depleting resources among host countries as well as finite means of the United Nations and civil society organisations, the need for development interventions has become most pronounced, particularly those that are labour-intensive and enhance human capital and aim at creating employment opportunities. These projects could target both the displaced population and the host communities and thus have a positive, mutually beneficial role for both populations. Through them, refugees and IDPs could improve their daily lives as well as prepare for sustainable solutions that would prove useful on the eventual return to their homes, while host population would benefit from an improvement of infrastructure, service delivery systems, and reinvigoration of the agriculture and other areas of economic activity, creating lasting assets in the process. Finally, given that Syrian refugees in Lebanon are not residing in camps but spread out across the country and the majority are in vulnerable

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<sup>61</sup> Financial Tracking Service (2014), *Total funding to the Syrian crisis 2014*, retrieved from <http://fts.unocha.org/pageloader.aspx?page=special-syriancrisis&year=2014> (accessed November 2015).

<sup>62</sup> Financial Tracking Service (2015), *Total funding to the Syrian crisis 2015*, retrieved from <http://fts.unocha.org/pageloader.aspx?page=special-syriancrisis&year=2015> (accessed November 2015).

<sup>63</sup> Financial Tracking Service (2014), *Iraq: funding received 2014*, retrieved from <http://fts.unocha.org/pageloader.aspx?page=emerg-emergencyDetails&appealID=983> (accessed November 2015).

<sup>64</sup> Financial Tracking Service (2015), *Iraq: funding received 2015*, retrieved from <http://fts.unocha.org/pageloader.aspx?page=emerg-emergencyDetails&appealID=1097> (accessed November 2015).

areas, labour-intensive projects could create jobs not only for them but also for the native population and as a result benefit the host communities in equal proportion.

As evidenced by the literature, population displacement has mixed effects on host communities. The policy response should take these findings into account, aiming at enhancing the benefits brought about by the arrival of refugees and IDPs while mitigating the negative consequences. For example, measures aimed at minimising the spread of infectious diseases are necessary, as well as innovative interventions in the education sector aimed at improving its capacity to quickly respond to the arrival of the migrants. Also, a careful selection of labour-intensive development projects adapted to the local conditions and that take advantage of the complementary skills of displaced and host populations would maximise their benefits. Such actions could limit the detrimental effects on the host populations while, at the same time, create opportunities for the refugees and IDPs and build a human capital that could prove essential once the conflict ceases and a return home becomes possible.