The displacement of refugees and IDPs is pre-eminently a humanitarian and a human rights challenge. But large-scale displacement crises also present significant development opportunities and challenges, in addition to the humanitarian needs and the ‘humanitarian imperative’. Using a political economy analysis the policy note demonstrates the developmental impacts of displacement, highlights evidence-based arguments in favour of developmental approaches to assisting displaced populations and their hosts, and indicates the scope these approaches offer for sustainable responses that benefits not only displaced people but also host societies. It provides a systematic analytical and methodological framework for: mitigating the negative impacts, by improving strategies to tackle the economic costs and impacts of displacement; and maximising developmental returns from displacement.

REFRAMING DISPLACEMENT

CRISES AS DEVELOPMENT

OPPORTUNITIES

Prepared for the Global Initiative on Solutions, Copenhagen Roundtable, 2-3 April 2014, by Professor Roger Zetter, Professor Emeritus in Refugee Studies, University of Oxford

The displacement of refugees and IDPs is pre-eminently a humanitarian and a human rights challenge. But large-scale displacement crises also present significant development opportunities and challenges, in addition to the humanitarian needs and the ‘humanitarian imperative’. Using a political economy analysis the policy note demonstrates the developmental impacts of displacement, highlights evidence-based arguments in favour of developmental approaches to assisting displaced populations and their hosts, and indicates the scope these approaches offer for sustainable responses that benefits not only displaced people but also host societies. It provides a systematic analytical and methodological framework for: mitigating the negative impacts, by improving strategies to tackle the economic costs and impacts of displacement; and maximising developmental returns from displacement.

OVERVIEW

Thirty years ago ICARA 1 and 2 (1981, 1984) highlighted the developmental ‘burden’ that refugees and IDPs place on their host countries - socio-economic costs and impacts, arresting economic growth, distorting markets, environmental degradation, and political and security strains. That the majority of the world’s 47 million refugees and IDPs are now in protracted displacement accentuates these negative impacts.

The humanitarian relief model to tackle the displacement of refugees and IDPs has evolved, over many decades, into a multi-sectoral regime, playing a vital, complex and far reaching role in securing the lives, dignity and protection of forcibly displaced and disaster affected people. But displacement produces many other consequences, it: erodes human capital and increases poverty amongst people who could be productive; weakens the fragile social fabric of displaced communities; radicalises dispossessed people, underpins the emergence of regional and global security threats and can destabilise host governments; increases the burden on international donors. Crucially current models have yielded little progress toward satisfactory interim or durable solutions to the increasingly protracted displacement of refugees and IDPs.

The ‘humanitarian-development’ nexus has the potential to turn negative outcomes such as these into positive solutions to some of these profound challenges. Yet, despite the gathering momentum that supports the ‘humanitarian-development’ nexus, it remains a significant conceptual division and an enduring feature of crisis response. The primacy of the humanitarian paradigm and precepts of emergency assistance and
WHAT IS A DEVELOPMENT-LED APPROACH TO DISPLACEMENT CRISSES?

Responding to the needs of both displaced populations and the host communities, a development-led approach provides a comprehensive and systematic response to displacement crises which seeks to: mitigate the negative impacts of displacement; improve strategies that tackle the economic costs and impacts of displacement and maximise the developmental opportunities and potential of displacement situations.

A development-led approach:
• Mainstreams displaced populations into developmental programming at community, area and national/sector and international levels.
• Places refugees and IDPs as economic actors at the core of developmental as well as humanitarian praxis, building on their productive resources and assets.
• Engages the potential of the private sector to improve the lives and livelihoods of displaced populations and their hosts, whilst expanding the productive capacity of the host economy.
• Maximises the capacity and synergy of international development and humanitarian actors and interventions to promote development-led strategies.
• Encourages host governments and public sector agencies to incorporate the needs and potential of refugees and IDPs into development planning strategies.
• Maximises the socio-economic benefits for host populations that derive from humanitarian and development programming for displaced populations.
• Applies a systematic approach to the analysis of the public sector costs, fiscal stress and disequililibria created by displaced populations, and the ways these can be mitigated by humanitarian, developmental and government strategies.
POLICY RECOMMENDATIONS

Development and humanitarian actors can reinforce humanitarian precepts such as restoring dignity, improving protection, reducing dependency and vulnerability, and increasing empowerment with development instruments which promote economic well-being, self-reliance and resilience.

By engaging the corporate sector, humanitarian actors can better sensitise it to humanitarian precepts and values, and development actors can better harness resources for development-led responses.

Policies and programmes that widen the private sector’s manufacturing and service sector engagement with displaced populations, can enhance the productive capacity of the host economy as a whole.

dimension of newly emerging, neo-liberal, market-led development praxis. Beyond the conventional support for humanitarian efforts, this sector is expanding its entrepreneurial and developmental interest in less familiar production and service sectors that offer a profit-seeking, commercial rationale and market opportunities: construction and contracting, banking and mobile money services, internet, social media and communications, security, insurance and writing down risk. As a developmental actor, the corporate sector has enormous, yet untapped, potential to improve the lives and livelihoods of both the displaced and their hosts.

By expanding international agency-led development praxis, intergovernmental humanitarian and development actors are transforming their role in promoting development-led responses to mass displacement and disaster recovery. Within the UN, Initiatives such as the One-UN, the Early Recovery Cluster, led by UNDP, the IASC’s 2010 ‘Urban Strategy’, the 2011 Report of the UN Secretary-General on Durable Solutions in the Aftermath of Conflict, use the language of economic development-led approaches and place increasing emphasis on programming that stimulates economic and social recovery.

Through the High Commissioner’s dialogue and Excom, the UNHCR has embarked on significant new initiatives that highlight the importance of development-led responses to protracted refugee crises that build on productive capacities and promote self-reliance as the basis for achieving durable solutions to the needs of refugees and returnees, and of their host communities. The objectives of the World Bank’s Global Program on Forced Displacement (GPFD) are to identify opportunities for a more systematic contribution of the World Bank to developmental responses to forced displacement that support economically and socially sustainable solutions. In partnership with a few donors and international agencies, the European Commission is also promoting development-led programmes as a means to enhance protection by harnessing the human capital, labour, and skills of refugees and by offsetting the negative impacts of displaced populations in hosting communities. These policies are contained within its Global Approach to Migration Management (GAMM) and actioned through significant initiatives such as the new Regional Development and Protection Programmes (RDPPs), led by Denmark in the Middle East.

Development-led approaches are also being driven by context- and situation-led praxis. For example,

POLICY RECOMMENDATIONS

International humanitarian and development actors should aim to:

• convergence between multilateral development and humanitarian actors and the formation of appropriate institutional structures;

• engage with parallel reforms in the international funding of development and humanitarian programmes;

• develop programmatic and operational tools, at macro- and micro- scales, that mainstream development-led approaches in a coherent and systematic way.
more than half the world’s refugees and IDPs now live in urban areas. These dynamics, and the economic and developmental resources that urban-based refugees and IDPs possess, define a new context and opportunity for humanitarian and development actors who are adapting and mobilising their tools and strategies to urban locations.

Refugees and IDPs have many assets, skills, resources, and evidence confirms the economic and social contribution they make to their host cities by expanding markets, importing new skills, creating transnational linkages, rejuvenating communities. There is also evidence that women gain better income and more financial independence in urban areas.

An important rationale for development-led solutions is that urban economies are cash-based and so programmes for urban refugees and IDPs, such as cash-transfers, directly stimulate urban markets, whilst possessing reasonable capacity to absorb disequilibrium effects. A significant developmental opportunity in urban areas is shelter demand from urban based refugees and IDPs. This can destabilise housing markets; but it is also a significant developmental resource and economic multiplier with linkages to property development, construction and building materials industries that largely benefit the host economy and expand its productive capacity. Yet, the potential to provide links between humanitarian and development programmes in this sector is often ignored or underplayed.

**POLICY RECOMMENDATIONS**

In capitalising on the opportunities presented by displaced people in urban areas:

- humanitarian actors must engage with the wide range of urban/municipal and private sector interlocutors, many of which are development oriented;
- development actors should mainstream displaced populations in their development programmes;
- urban authorities and public agencies should build the needs and potential of refugees and IDPs into urban development and management and planning strategies.

The majority of displaced people now live in protracted displacement, another significant contextual change which highlights the pressing need for development-led strategies to provide longer run sustainable solutions. Promoting the economic development opportunities which refugees and IDPs present, and utilising their skills and resources to become more productive members of the host society can help to alleviate short and long run negative impacts. Self-reliant refugees are likely to be better prepared to go home and reintegrate if they have enhanced their skills and capacities and have built up some savings which they can take home.

## 2. EVIDENCE FROM THE FIELD

### Developmental responses and outcomes

There is compelling, though under-reported, research evidence of positive, aggregate developmental outcomes from displacement crises with benefits accruing to both refugees and their hosts; the impacts are most clearly discernable at the micro-economic level. These outcomes are usually spontaneous and not the result of planned development-led interventions. Studies of refugees and IDPs in camp and rural settings show positive aggregate economic effects for local populations and the displaced themselves.
For example, a 2010 study of Dadaab refugee camps in Kenya acknowledges negative impacts but also reveals positive economic impacts: annual benefits for the host community totalled US$ 82 million in 2009 through increased trading and business opportunities, camp-related employment, improved infrastructure.

A number of longitudinal studies of the economic impact of refugees (mostly from Burundi) in Western Tanzania demonstrate positive aggregate development outcomes and economic benefits for the hosts. Local and refugee businesses flourished, notably farm-based, rural households, more educated people, young adults and women. Conversely the presence of refugees exacerbated negative effects for non-farm and urban households and less skilled workers. Infrastructure investment significantly benefited the economic wellbeing of hosts and refugees – an example of refugees helping to rectify a development deficit. Crucially, the Burundian refugees had become self-sufficient and reasonably integrated after years in protracted exile.

Findings such as these are consistent with those from other contexts - Ethiopian and Eritrean refugees in Sudan, Mozambican refugees in Malawi. For example, Eritrean refugees penetrated nearly all the economic sectors in Kassala, displaying a high degree of integration into the city’s daily life despite being unregistered, largely unaided and subject to legal restrictions.

In the urban context, a 2006 study of Nairobi demonstrates how urban Somali refugee businessmen transformed Eastleigh suburb into a vibrant commercial hub. This is attributed to their pre-existing entrepreneurial knowledge and capital, pro-active engagement in the informal economy, the government’s neo-liberal trade liberalisation, and strong trading links to diasporic networks. Although highly integrated in the city, there are differential outcomes across demographic and socio-economic groups. Whilst a significant proportion is economically secure and self-sufficient, many refugees also live in poverty, are vulnerable and lack adequate protection. The aggregate benefits for the city as a whole are considerable: larger commercial enterprises are integrated into the formal urban economy, Kenyans benefit from the generally lower cost of goods, Somali businesses creating employment for Kenyans.

There are few studies of how **planned, development-led strategies** might mitigate negative impacts and promote positive developmental outcomes and their impacts. In response to the 1974 invasion of Cyprus by Turkey, the occupation of over one third of the island, and the forced displacement of 40% of the population, a Government-led macro-economic strategy (1975-86) successfully restored the economic productivity of the country within 10 years, using the displacement disaster as an economic development opportunity, housing and infrastructure reconstruction as the leading sector of economic recovery, and the refugees as a development resource.

**POLICY RECOMMENDATIONS**

In the longer run and in aggregate terms, refugees can become self-reliant economic actors and the negative impacts of refugees are usually compensated by market-led adjustments in the local economy. These outcomes have invariably been achieved with minimal humanitarian relief and protection or developmental assistance. Recognising these factors, humanitarian and development policy and programmatic interventions can play a crucial role in:

• accelerating the developmental gains, reducing the impact of market distortions and distributional imbalances for both the displaced and the host populations;
• capitalising on the wide range of development opportunities available in urban areas;
• facilitating planned developmental-led programmes which can enhance sustainable economic benefits and reduce the negative economic impacts of the refugees and IDPs.
Evidence from a planned, cash transfer programme for newly arrived IDPs and poor households in Mogadishu found that beneficiaries’ income levels and purchasing power were enhanced, debts were reduced, and alternative sources of income developed. Significantly, there were no changes in market prices.

3. DEVELOPMENT-LED SOLUTIONS - THE NEED AND THE POTENTIAL

This section demonstrates how strategies to tackle the economic costs and impacts of displacement and maximise developmental returns can be enhanced by more robust conceptual and methodological apparatus, a more systematic analytical framework, and by the application of appropriate metrics.

Public sector services experience the most pronounced negative impacts and costs of population displacement – increases in short run revenue costs, fiscal stress and longer term capital costs, decline in service quality because of supply inelasticity.

But there are public sector gains that may offset some of the negative impacts: revenue from service, property and user charges will increase, as will income and business taxes with rising economic productivity; donors and NGOs provide substantial inputs to cover additional public sector revenue and capital costs and this may benefit the local community at marginal cost; the opportunity costs for the host population from externally funded public services can be considerable; there may be development gains from infrastructure investments.

At the same time, different socio-economic and demographic groups will incur different direct or indirect costs. These distributional imbalances are frequently acknowledged, but rarely measured or compensated for. Thus the true public sector costs and impacts of displaced populations, who bares these consequences and how they are compensated for, remain unaddressed. This reinforces fiscal stress on the public sector and suboptimal investment by governments and donors because the potential benefits, distributional
objectives and economies of scale are not accurately accounted for.

The private sector gains, in aggregate, from the impact of refugees and IDPs, but there are disequilibrium effects and fluctuations.

The micro-economic impacts on the host populations yield differential outcomes for producers/suppliers and consumers and for rural and urban dwellers. Short-run price hikes for basic goods and services are more likely to impact the poor and landless rural households. Local labour markets may be adversely affected and wage levels depressed putting additional pressure on household livelihood vulnerability.

Conversely, producers and market traders in the host population may potentially benefit from rising prices and lower labour costs in the short run and rising demand and improved productivity, profitability and new infrastructure in the long run.

Given the importance of the urban economy, urban sector micro-level impacts are particularly significant and spread across a wider spectrum of economic sectors. Oversupply of labour benefits employers. Urban housing markets are particularly susceptible to the impacts of increasing refugee and IDP demand causing hikes in rent levels, penalising poorer urban dwellers in the host community. Conversely, increased demand benefits indigenous investors, land owners and developers, contractors, building materials merchants. This should enhance the long run productive capacity of the sector and the country’s overall economic output – a beneficial developmental output.

For the displaced populations, their economic assets – skills, capital, labour supply – are usually under- or un-utilised.

From a macro-economic perspective, displaced populations can have a positive impact on GDP, increasing demand and consumption for goods and services thus stimulating expansion of the productive capacity and output, improving productivity and increasing overall economic output. Refugees and IDPs may introduce new skills or skills in short supply. Significant positive impacts may be felt in investment and capital formation – for example housing, infrastructure, start-up of new businesses.

Leakage of investment capital and consumption expenditure by outgoing remittances from refugees will reduce the positive developmental impacts on the host economy. But incoming remittances add investment and purchasing power to the host economy.

Overall, there is a strong macro- and micro- economic case for promoting market and development-led responses to the presence of displaced populations, but the impacts and outcomes are neither socially nor economically optimal. Maximising the developmental benefits and correcting distributional imbalances require governments to take a much more proactive role in managing the ‘displacement impacted economy’, and for donors to take much fuller account of the opportunities and the constraints on their actions.

Externalities, the unpriced costs the impacts incurred by people or areas where refugees and IDPs settle, are a significant feature in displacement contexts. They produce negative developmental effects – e.g. environmental degradation, added urban congestion, a perceived decline in security. Negative externalities are usually long run, rarely compensated by public expenditure or humanitarian or developmental assistance.
POLICY RECOMMENDATIONS

Displaced populations become self-reliant economic actors, largely through spontaneous action rather than from humanitarian/development interventions. The economic concepts that underpin development praxis and field evidence indicate that there can be aggregate economic benefits from the presence of refugees and IDPs. However, whilst there is a strong micro- and macro- economic case for promoting development-led responses to the presence of displaced populations, there are substantial market imperfections such that the impacts and outcomes are neither socially nor economically optimal for the host and the displaced populations and they tend to be long run.

Accordingly, maximising the developmental benefits and correcting distributional imbalances requires that governments to take a much more proactive role in managing the ‘displacement impacted economy’, and that donors take much fuller account of the opportunities and the constraints on their programmes and policies to achieve sustainable development gains. Strategies for public sector investment, fiscal management and long run development policies should:

- minimise fiscal stress;
- maximise the short and long run developmental gains from investment in public sector services;
- encourage private sector investment in humanitarian and development programmes.

Fuller attention to public sector costs and impacts lies at the heart of development-led approaches in order that:

- the fiscal burdens and the benefits are appropriately calibrated for host governments;
- the developmental contribution of humanitarian actors to public services are articulated or measured;
- the potential contribution to public service delivery that developmental actors could make in providing humanitarian ‘investment’ is fully measured.

An important objective of economic policy is to use development-led solutions to maximise the utility of human and economic capital of displaced populations. This requires procedural, regulatory and legal reform to fully engage displaced populations in the economy. These policies can increase the potential of the displaced populations to: contribute to government revenue streams; become productive members of the host country’s economy; and enhance their own self-reliance, and to their ability to better reintegrate upon return.

The lack of systematic and appropriate economic and econometric analysis is a major shortcoming in current policy making. Comprehensive measurement and analysis of the costs, impacts, externalities and benefits from the presence of displaced populations are pre-conditions for achieving the developmental potential and opportunities present by displaced populations. A parallel requirement is to enhancing programmatic policies tools and approaches to promote economic development and engage displaced people in the host economy.

Mainstreaming development-led strategies for refugees and IDPs into national economic planning machinery can: ensure that forced migrants are better integrated into more sustainable development policies; underpin investment and financial initiatives that promote economic development; ensure more effective use of development resources and assets; maximise the scope for joint provision of public goods and services; alleviate tensions between host and displaced communities; mitigate negative externalities.
FURTHER READING


