



REFUGEE WELFARE: A GLOBAL PUBLIC GOOD

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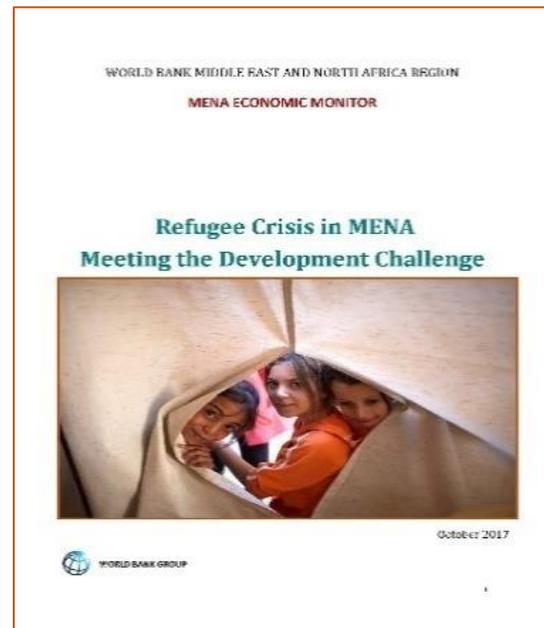
“The moment we settle down and start to feel stable our reality is ripped apart once again. My family and I came to Lebanon 5 years ago, and since then we have moved more than three times. Every time we lose everything and have to start over from scratch,” says Ali, a Syrian refugee from Lebanon’s Bekaa Valley.

Introduction: Migrants and refugees are different. Migrants choose their countries of destination mainly for economic reasons and cross borders to improve their earnings. Refugees escape violence and prosecution and go to the first country that they can reach, typically a neighbor of the conflict-ridden country. There are also Internally Displaced Peoples (IDPs) who flee violence within their own countries. Improving the welfare of large numbers of refugees is considered a global public good that goes beyond the responsibility of the hosting country. What makes refugee protection and well-being a public good? The stability and security implications of managing and hosting large refugee flows not only benefits the host country, but also benefits other nearby countries and those further afield who will be spared the political and social dislocations of having to accommodate such large inflows. According to the UNHCR, there are currently 65 million Displaced Persons globally with two thirds of them internally displaced and the rest refugees.

MENA and Syrian Refugee Crisis: The Syrian refugee crisis in MENA stands out as unprecedented, representing the worst such crisis since World War II. Registered Syrian

refugees grew exponentially in one year (between 2012 and 2013) from 647,000 to 1.9 million and then quintupled in March 2018 reaching 5.6 million (UNHCR). In addition, there may well be well over a million unregistered refugees in the region plus around a million or so asylum seekers in Europe. While Turkey has the single largest number of Syrian refugees at 3.6 million, many are hosted in the much smaller countries of Jordan and Lebanon. For every five Lebanese there is one refugee (excluding Palestinian refugees) in Lebanon.

A recent World Bank report [Refugee Crisis in MENA, Meeting the Development Challenges](#)



shows that refugees face four interlinked crises: limited or lack of access to, and poor quality of, *healthcare, education, employment, and livelihoods (HEEL)*. Targeting these challenges

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not only helps host communities deal with their development challenges but also prepares refugees for when they can return to their homelands. The average length of refugee's stay in host communities is estimated by the UNHCR to be approximately 26 years, demographically representing a single generation. Whether or not this is a lost generation depends on how host community policymakers and humanitarian and international development agencies respond to these challenges. If unmet and dealt with these challenges will become crises, fueling long-term problems and potentially threatening peace and stability worldwide.

Refugee flows can significantly alter the social and economic fabric of host communities, with the impact depending on initial conditions in labor markets, access to resources, demographics, labor laws, and the policy responses of host governments. Most refugees are concentrated in relatively fragile countries, many relatively small and economically vulnerable, including Kenya, Lebanon, and Jordan. The refugees' demands on these countries' have strained these economies and their already inadequate public services and infrastructure as well as exacerbating local unemployment. Even increased demand for food and services which may benefit the broader economy, often increases inflationary pressures that adversely affect the livelihoods of the poor.

Easterly and Levine (1998) show that regional economic integration and regional multiplier effects, these spillovers could push beyond close neighbors. The spillovers can include reduced trade, low investment, and increased capital flights. But refugee populations can also be a source of workers who have education, skills (language, etc.), experience, and specializations. A recent study finds that refugee supply shocks can adversely affect local, low-skilled workers, but that they can also provide a positive complementary effect. Refugees take on low-skilled jobs that native workers spurn, enabling locals to find better-paying jobs.

Refugee welfare and stability are a humanitarian as well as a development issue, their prolonged stay outside of their homeland have continuously

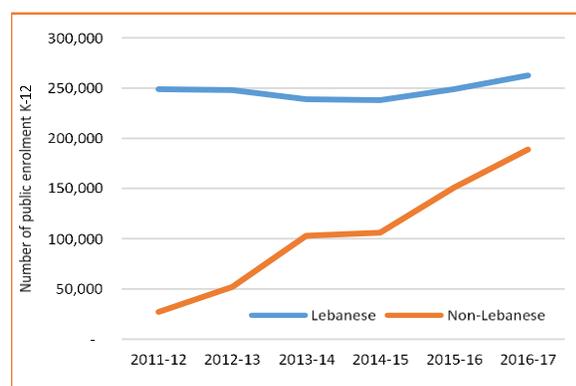
exposed them to four important interlinked challenges.

Health challenge: The Syrian crisis and resulting refugee influx have tremendously increased demand for health services in neighboring MENA countries. In Lebanon, in 2015, the country's Primary Health Care Center network recorded more than 1.5 million visits--more than double the 700,000 visits recorded in 2009 before the crisis began. Lack of adequate health coverage for refugees has led to the communicable diseases to reemerge. Moreover, a survey result shows that over 50 percent of Syrian refugees in Jordan cannot afford medications and half of pregnant women cannot afford transportation to health centers. Another [study, "Nutritional situation among Syrian refugees hosted in Iraq, Jordan, and Lebanon: cross sectional surveys"](#) indicates that while acute malnutrition is relatively low in the assessed Syrian refugee populations in Jordan, Iraq, and Lebanon, the prevalence of anemia suggests a serious public health problem among women and children. There is compelling evidence that disease and malnutrition contribute to a longer-term development problem, especially in education. The effect on refugees' children is larger because they have experienced violence and trauma and interrupted education. These experiences damage children's cognitive functioning, thus affecting their educational performance throughout adolescence and into adulthood.

The Education challenge: Estimates by UNHCR show that half of the registered Syrian refugees in two hosting countries in MENA are children ranging from approximately 51 percent in Jordan and increasing to 55 percent in Lebanon. To provide for refugee children education services, significant strains are put on the education sector of the hosting countries. These countries are forced to expand social services to refugees while maintaining education quality for both the hosting and refugee communities. Integrating refugee children in the formal education systems of the hosting community is a big challenge (Figure 1).

Overcrowding and language barriers impede learning by refugee children, especially when teachers have not been trained to manage these shocks. For example, in Lebanon, schools use French or English as a language of instruction for mathematics and science classes. Many Syrian refugees face serious challenges in understanding subjects taught in these languages.

Figure 1. Lebanon: Enrollment in Public Schools



Source: Lebanon Ministry of Education and Higher Education.

These challenges are exacerbated by the fact that refugees often reside in some of the most vulnerable localities, which have pre-existing challenges in delivering education and other services. In Lebanon, more than half of the Syrian refugees live in the 50 most vulnerable localities. The education systems of hosting countries need to undergo a major shift to respond well to the supply shock of catering to many students, many of whom require additional academic, language, and psychosocial support due to forced displacement. Financing for the sector will need to be increased too. The cost of not educating refugee children is a huge loss in building human capital that is needed for economic development; and for the long-term processes of peace, stability, and reconstruction. Studies have shown that the cognitive damage to children from receiving no education not only lowers their school performance but also cuts their future earnings. This will cause workers human capital to depreciate continuously.

The Employment challenge: The impacts of refugees on host country labor markets and

wages are difficult to assess. Before the Syrian conflict, labor regulations and active labor market programs in MENA countries had structural deficiencies. Domestic labor markets face a large pool of untapped young and educated human resources due to the high inactivity and unemployment rates. The lack of public sector jobs coupled with limited private sector formal job creation has pushed a growing number of workers into unproductive, subsistence-level activities, often in the informal economy. The massive influx of refugees has exacerbated the challenges in local labor markets because more than half of the refugees are in working-age groups. In Lebanon, the arrival of refugees from Syria has increased the size of the labor force by approximately 35 percent.

Many refugees work in the informal sector due to lower education levels, skill mismatch, and lack of work permits. Local youth are much more likely to compete occupationally with Syrian refugees in the labor market and are concentrated in sectors such as tourism and trade whose growth is most impacted by the crisis. Syrian refugees also accept lower wages than hosting unskilled community workers. The situation is worse for Syrian refugees residing in Jordan. Of approximately 1.3 million Syrian refugees, of whom only half are registered with UNHCR, only 40,000 hold a work permit as of Mid-2017 (see next section).

In Libya, the UNHCR estimates that about half of those fleeing to Libya from neighboring conflict-ridden countries are looking for jobs, but they end up fleeing to Europe to escape challenging economic conditions and instability in the labor market. The ongoing conflict in Yemen has displaced approximately 3 million people, the vast majority IDPs but also some fleeing to Djibouti, the Gulf countries, and Sudan. Yemen itself is hosting refugees from the Horn of Africa, including Ethiopia and Somalia, who are hoping to find better opportunities despite the ongoing conflict. Lack of decent job and low earning have contributed to increased child labor, and child marriage as families become more indebted and struggle to access livelihood options.

The Livelihoods challenge: Studies show that many refugees cannot establish or maintain their livelihoods, i.e. their "means of securing basic necessities -food, water, shelter and clothing - of life" because they cannot exercise the rights to which they are entitled under international human rights, humanitarian law, and refugee law. The external environment and uncertainty also influence the refugee's livelihood. Refugees not only have to cope with the often-traumatic experience of flight and displacement but too often end up with very limited or no resources due to loss of assets and capabilities. Uncertainty about obtaining work permits due to rapidly changing policies over renewals and the sectors to which permits apply can negatively influence refugees' livelihoods. The uncertainty makes it harder for refugees to make decisions and calculate the costs, benefits, and risks of various livelihood strategies. Conversely, international studies show that among refugees whom UNHCR assisted, the most successful refugee communities were those where refugees had been given choices: to live where they wanted with whom they wanted and to support themselves the ways they wanted.

Improving stability and welfare of refugees is a global public good. The 1951 Convention Relating to the Status of Refugees, itself based on the 1948 Universal Declaration of Human Rights, requires any signatory country to protect refugees who are on their territory. The burden-sharing obligation clearly states that the welfare of refugees has all the characteristics of a global public good. It is both non-rival and non-excludable: If one country contributes to a refugee's welfare, it does not diminish another country's satisfaction in seeing that refugee is better off. However, precisely for this reason, as with all public goods, there is the problem of "free-riding." Since the benefit to the refugee (and hence to everyone else) is a function of the sum of everyone's contribution, but the individual country bears the cost, there is an incentive for each country to cut its contribution and let others pay. If every country does this, there is no benefit to the refugee and hence no public good. Therefore, collective action is required to address these challenges. This could justify the international community's and policy-makers' extending economic and social services

to registered and unregistered children and adult refugees, regardless of gender or nationality.

World Bank Support to Lebanon and Jordan: To recognize the global public good that Lebanon and Jordan provided by opening their borders to Syrian refugees, in April 2016, the World Bank, the United Nations, and Islamic Development Bank, in close collaboration with the donor community and a range of international partners, launched the Concessional Financing Facility (CFF). The facility uses donor grants to reduce the cost of multilateral development bank loans to concessional levels for these two middle-income countries. The CFF focused on helping Jordan and Lebanon address the impact of Syrian refugees without having to increase their debt levels. These grants enable them to borrow more affordably for development projects that benefit both refugees and hosting communities. Despite the facility's continued focus on Lebanon and Jordan, whose needs are greatest, at the UN General Assembly in September 2016, partners expanded the CFF's scope to the global level so that it could help middle-income countries address refugee crises wherever they occur. As of April 2018, the renamed Global Concessional Financing Facility (GCFF) has leveraged more than \$2 billion concessional financing to Lebanon and Jordan for ten projects.

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