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Reframing Displacement Crises as Development Opportunities

Working paper and analytical background

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1. Preamble and overview

The displacement of refugees and IDPs is pre-eminently a humanitarian and a human rights challenge. This paper argues that large-scale displacement crisis should also be recognised as situations with significant development opportunities and challenges, in addition to the humanitarian needs and the 'humanitarian imperative'. Accepting that the negative development impacts are often more marked than the opportunities, the paper shows the value of developmental approaches in mitigating the adverse impacts and building on the opportunities. Using a political economy analysis, the paper

considers the developmental opportunities as well as the challenges that are often a result of forced displacement. It highlights evidence in favour of developmental approaches to assisting displaced populations and their hosts, and the opportunities these approaches offer for sustainable, durable solutions. It presents the arguments for why it is relevant and necessary to involve and make use of development actors and their capacities in displacement assistance. It promotes the case for governments to engage displaced populations in developmental responses.

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Three interconnected sections present the main argument:

- 1 outlining the momentum already shaping development-led praxis in displacement crises;
- 2 demonstrating the empirical evidence of economic development outcomes for the displaced and host populations;

Drawing on this evidence base and the lessons learned leads to the third section

- 3 the need to elaborate the underlying economic rationale - conceptual and normative - in order to better promote development-led, sustainable solutions to large scale population displacement.

A final section provides a short diagnosis of some of the principal difficulties, unresolved questions and ways forward.

The entry point for the paper is constituted by two deeply embedded precepts that dominate the paradigm of contemporary humanitarian praxis.

First, there is gathering momentum to bridge 'humanitarian-development' divide, as we shall see in the next section. Yet it remains a significant conceptual distinction and an enduring feature of crisis response (Buchanan-Smith and Maxwell 1994; Barnett and Weiss, 2008; Crisp, 2003; (IFRC 2012:144-175; Macrae and Harmer 2004; Oxfam 2008; Walker and Maxwell 2009). The primacy of humanitarian precepts, based on emergency assistance and protection, contrasts with the promotion of development-led interventions that could provide systemic and sustainable socio-economic change for the displaced and their hosts, based on economic precepts and, increasingly, neo-liberal market principles. Reconciling this approaches remains problematic

Second, more than thirty years ago ICARA 1 and ICARA 2² (1981, 1984) highlighted the developmental 'burden' that refugees and IDPs place on their hosts - imposing additional socio-economic costs and impacts on already hard-pressed public and

social welfare budgets, arresting economic growth, distorting markets, producing environmental degradation and causing political and security strains on often fragile governance and civil society structures³. The call for 'burden sharing' motivates, at least in part, the \$8.4 billion pa humanitarian assistance from OECD-DAC countries (ALNAP 2012:28-40; Development Initiatives 2012; IFRC 2012:175-6). Yet, predicated on the needs of the displaced, the dominant paradigm still tends to sideline the developmental impacts and opportunities for the host country and communities (see eg Thielemann and Dewan 2006).

The paper transcends these precepts and explains why development-led solutions offer a robust and sustainable response in situations of large scale and often protracted population displacement. Echoing the aspirations of the Transitional Solutions Initiative, the paper argues that, 'the perception that displacement challenges can only be addressed by humanitarian means is ill-conceived... The aim of the Transitional Solutions Initiative is to work towards including displacement needs on the developmental agenda for sustainability of interventions for refugees and IDPs and local community members' (UNDP, UNHCR and World Bank 2010:1).

Re-conceptualising the analytical frame places economic and developmental policies at the heart of responses to forced displacement. However, in advocating the primacy of economic aspects, this paper is predicated on, but does not elaborate, broader arguments in favour of development-led approaches - enhancing human rights, dignity, security and protection (see eg IDMC 2012), diminishing tensions between host communities and refugees, easing pressures for secondary movements, reducing the risk of recurrent conflict, providing the displaced with security and resources to improve their current situation and prepare for possible return (UNHCR 2001).

2) ICARA - International Conference on Assistance to Refugees in Africa.

3) More than 100 UN General Assembly or Economic and Social Council resolutions since 1985 reinforce these concerns (UN 2013).



Moreover, in focusing on the arguments for economic and developmental-led responses, the paper also recognises that it is not an either/or choice, but synergy between developmental and humanitarian paradigms that offers the most fruitful way to deliver sustainable solutions to large-scale, protracted, displacement.

2. Emerging Praxis: the momentum for development-led responses

Over the last five decades, the humanitarian relief model has evolved and developed into an increasingly complex, multi-sectoral regime to secure the lives, dignity and protection of forcibly displaced and disaster affected people. However, in recent years, there has been a discernable shift in the discourse, programming and operational tools of many of the stakeholders responding to the displacement impacts of humanitarian crises and natural disasters.

There is an increasing momentum for development-led praxis which follows three broadly defined axes. This section surveys these changes with the aims of: identifying the main parameters of development-led praxis; demonstrating the value of the experience already gained and the benefits this praxis provides; promoting the further consolidation of this praxis.

2.1 Market-led development praxis⁴

A number of innovative development initiatives and tools, designed to mitigate the negative consequences of forced displacement and disasters, serve to promote the positive economic contribution of refugees and IDPs and, indirectly, help to mitigate some of the negative impacts.

Three dimensions are considered here.

2.1.1. Cash transfer platforms and commodity vouchers

These promising tools have been deployed and expanded rapidly in the last few years as an effective alternative to assistance-in-kind. Designed by

humanitarian actors to provide more autonomy to, and reduce the dependency of refugees and IDPs, its potential as a development-led instrument for displaced populations and their hosts is no less significant (Bailey and Hedlund 2012; Hammond et al., 2011; Harvey and Bailey 2011; IFRC 2012, 195-196). Used in a diverse range of situations - UNRWA in Palestine, UNICEF programming in DRC, Save the Children in Daadab, in Mogadishu where humanitarian access to tackle food insecurity is impossible, in 2008 post-election violence in Nairobi, after the 2010 Haiti earthquake – the evidence suggests that cash and vouchers are a valuable economic tool in emergency situations and in promoting development activity in longer term displacement for both the displaced population and their hosts (Drummond and Crawford 2014; Dunn, Brewin and Scek 2013; Development Initiatives 2012; Harvey and Bailey 2011; NORAD 2011).

Cash- and voucher- based assistance gives agency to the displaced populations, reduces vulnerability and, from a developmental perspective, help to integrate them into local markets. It reduces supply side pressures on the local economy which can undermine the livelihoods and income of host communities since refugees are less likely to capitalise food rations and sell their labour at below market wage rates to raise cash. For host communities, cash transfers have developmental impacts by feeding directly into the local economy and markets, encouraging consumption and capital expenditure - for example investment in shelter (eg building materials) or micro-enterprises (tools, equipment, raw materials) - stimulating demand and thus expanding the productive capacity of the host country.

This is not to deny that there may be issues involved in cash programming that are core to humanitarian concerns, notably protection issues and risks. But it is also the case that humanitarian precepts such as restoring dignity, improving protection, reducing dependency and increasing empowerment are also promoted by using a humanitarian tool as a

⁴ This section focuses mainly in refugees. There is less literature on IDPs although in the main it highlights most of the same issues.

development resource which stimulates positive economic outcomes (UNHCR 2009).

2.1.2. *The displaced as actors*

The monetisation of humanitarian assistance resonates with another profound shift in humanitarian praxis which recognises the displaced as actors, not dependent 'victims' - an approach drawing on sociological concepts of agency and based, in operational terms, on the many variants and reconfigurations of the DFID Adapted Livelihoods Framework (Collinson 2003; DFID 1999). The displaced as actors are increasingly supported by humanitarian actors who frame interventions around securing livelihoods, reducing vulnerability, increasing resilience, and with attention to power relations (IFRC 2012: 46-79).

Nevertheless, this remarkable shift beyond the humanitarian imperative to recognise the agency of refugees and IDPs, has been driven neither by a developmental rationale nor economic principles, but by protracted critique from researchers and a fundamental re-evaluation of humanitarian precepts and principles⁵. Yet this transformation has vital significance in the present context. By placing them at the core of developmental as well as humanitarian praxis, the benefits and advantages of the displaced as economic actors engaged in sustainable and self-reliant development are widely documented – eg refugees in Mali (Oxfam 2013), Nairobi (DRC, UNHCR and FEG 2012), Malawi, Pakistan and Thailand (Phillips 2003), Kampala (Macchiavello 2003), IDPs in DRC (Oxfam 2008), examples cited in Jacobsen (2002).

A vast number of studies and evaluations document this transformation to actor/agent-based individuals and its positive impacts, and the following main section of the paper, on empirical evidence on development responses, highlights the evidence. Jacobsen's study of 'The Economic Life of Refugees'

(2005) provides a comprehensive account of the way refugees 'adapt their survival strategies and develop new ones to maximize all available resources and opportunities' (Jacobsen 2005:3). In camps and urban settings, moving between the local and the global perspective of transnational livelihoods, in conflict and in situations of protracted displacement, as economic consumers and producers, as diasporic societies facilitating the flow of remittances, she demonstrates the many dimensions of successful entrepreneurial activity which flow from supporting displaced people as agents of their own economic wellbeing.

Of course, promoting refugee 'agency', usually with small-scale enterprise development and livelihood programming is not without problems. Many NGO initiatives do not adequately take into account the economic constraints - limited demand, saturated supply by NGO projects replicating each other or not suited to the local economy, labour market limitations (IFRC 2012:131-133; ODI 2012). At the same time, most host governments and their citizens are resistant to refugees becoming 'economic actors'. Yet the fact that displaced people usually circumvent these legal and social restrictions, demonstrates their power of agency and their capacity to create enabling action from structural constraints⁶.

Increasingly drawn into a market-based environment and progressively recognised as agents responsible for their own well-being, the lives and livelihoods of refugees and IDPs are more and more determined by market-based principles and practices in which development-led initiatives have a powerful resonance.

2.1.3 *Private sector entrepreneurs and the business sector*⁷

Private sector entrepreneurs and the business sector have always played a role in supporting humanitarian efforts, mainly in disaster recovery, reconstruction

5) This research in refugee studies draws on wider sociological theorising on individual the recursive relationship of 'agency and structure' (see eg Giddens 1984).

6) Structuration theory, which explains how social and economic behaviour is a negotiated outcome between individuals and the social and political and economic structures in which they are embedded (Giddens 1984).

7) This section, whilst recognising the extensive role of local level, organically developed, bottom up entrepreneurial activity by displaced populations and their hosts in crises of mass displacement, focuses on the formal and corporate sector.



and rehabilitation and usually through local level contractors and suppliers (Lim 2003; Muller and Whiteman 2008; Thomas and Fritz 2006). And refugees and IDPs, as we have seen, are themselves economic actors and innovators, especially in protracted displacement (Bloom and Betts 2013).

But in a neo-liberal, market-based global economy, it is private corporate interests that are now expanding their role, not just as donors, pro bono contributors and out-sourced service providers⁸, but also as independent, commercial/entrepreneurial humanitarian-development actors in disasters (Binder and Witte 2007; Burke and Fan 2014; Drummond and Crawford 2014; Humanitarian Futures Programme 2012; Stoddard nd; Stoianova 2012; World Economic Forum/OCHA 2008) and in humanitarian crises involving large scale population displacement (ALNAP 2012:33-34; HIP 2014; Zyck and Armstrong 2014). These interventions follow the familiar IASC clusters⁹ – eg logistics, water and sanitation, shelter and construction – but also take place in less familiar production and service sectors where there are market opportunities: construction and contracting banking and mobile money services, internet, social media and communications, security, insurance and writing down risk where rapid and slow onset disasters, particularly climate change, constitute a fast expanding arena of commercial activity in the global south (AXA 2014; IFRC 2012: 185-6).

Several factors provide the impetus for this growing privatisation of humanitarian intervention. For the humanitarian sector, the introduction of new funding streams helps to bridge the widening gap in funding humanitarian operations from conventional donor channels and shortfalls in CERF, CHFs and emergency appeals (IFRC 2012:174-211). For the private sector the impetus springs from: the motivation and the financial benefits that derive from corporate social responsibility and philanthropic values; the capacity

to procure and deliver humanitarian assistance more quickly and more cheaply than NGOs and intergovernmental actors; and the commercial rationale of investment and profit seeking by developing new business opportunities.

Despite a growing presence in humanitarian operations in displacement crises, humanitarian actors know little about the interest of the private sector or the developmental potential it offers, and they have an uneasy relationship with a rent seeking actor expanding in its domain – how can it be acceptable to make a profit from great suffering and loss? It operates both inside and outside the powerful governance structure of the humanitarian regime, yet the complex accountability procedures of intergovernmental and non-governmental organisations often make it difficult to use private sector services and supplies (Zyck and Armstrong 2014).

Yet it is precisely as a developmental actor that the corporate sector is already making a significant contribution to market-based, development-led responses to displacement crises. As an actor in its own right and through collaboration with humanitarian actors, the sector has enormous, yet untapped, potential to improve the lives and livelihoods of both the displaced and their hosts (Benson and Clay 2006; Drummond and Crawford 2014; Galbraith and Styles 2006). At its simplest, the evidence shows that cash platforms have had transformative impacts for the private sector at the local level and for the displaced themselves. Beyond this, many countries hosting displaced populations have well-developed manufacturing and service sectors which provide the base for widening private sector engagement in longer-term development interventions. This would enable host governments, donors and humanitarian actors to better respond to the longer-term impacts of displacement crises, reduce the vulnerability of crisis-

8) For example, 30% of the \$1 billion Haiti relief effort came from private sector resources (ALNAP 2012: 33). In 2012 the IKEA Foundation committed to provide US\$ 95 million to UNHCR for shelter development and emergency relief for Syrian refugees – the largest ever corporate sector donation (UNHCR 2012).

affected people and would add to the productive capacity of the economy as a whole. For example, in Jordan, expansion of the pharmaceutical industry, clothing manufacture, and private health facilities have been identified as sectors that have capacity to respond to the Syrian refugee crisis (Zyk and Armstrong 2014).

As Drummond and Crawford observe ‘this is not about ceding humanitarian responsibility to the market, but instead about recognising that functioning markets will... bring opportunities that will reduce the need for humanitarian assistance and – when it is needed – make that assistance more efficient and cost-effective’ (2014:17). By engaging with the corporate sector, humanitarian actors can better sensitise it to humanitarian precepts and values.

2.2 International agency-led development praxis – the global policy agenda

Whilst NGOs have largely been at the forefront of programmatic market-led initiatives, intergovernmental humanitarian and development actors have opened up a second axis of development-led praxis. Here, there is growing evidence of a global policy agenda which is transforming the way international agencies both recognise the significance of developmental impacts and opportunities in the context of humanitarian crises, and the value of promoting development-led responses to mass displacement and disaster recovery.

2.2.1. The UN

Initiatives such as the One-UN and the creation of the Early Recovery Cluster in the 2005 HRR, marked the inception of this process and revealed a growing awareness of the potential need for development-led responses. It also demonstrated the need for convergence between multilateral development and humanitarian actors. Yet the concept, the need for coherence between actors and, especially, the operational dimensions of early recovery as a bridge to post-crisis development remained problematic¹⁰.

Nevertheless, against this background, the momentum amongst intergovernmental actors for engaging development-led responses to displacement crises started to gather pace and a critical mass began to be established. Currently progress is stronger in promoting and embedding an understanding of development-led solutions and in reshaping the institutional architecture, than in programmatic responses.

More widely in the UN and alongside a battery of governance, organisational co-ordination, planning and partnership initiatives, the 2011 Report of the UN Secretary-General on Durable Solutions in the Aftermath of Conflict, placed heavy emphasis on programming that stimulated economic and social recovery (UN 2011). Here, using the language of development-led approaches, the report noted the need for frameworks and strategies to articulate both demand-side and supply-side interventions that assist economic reintegration by stimulating local economic recovery through livelihood diversification and labour intensive activities to enhance employment opportunities for displaced persons and other vulnerable groups in the economy. The UNDP, as lead agency for early recovery through the CWGER, with the support of UNHCR-led Global Protection Cluster, have been tasked with leading the development and roll out of this framework on longer-term solutions to displacement. Although focused on reintegration of returning refugees and IDPs, the report equally recognised the relevance of economic recovery programming for other durable solutions such as local integration.

The UN has also been active in promoting development-led responses in other areas of its humanitarian activity. The IASC’s ‘Urban Strategy’ for example, notably Strategic Objective Five on restoring Livelihoods and Economic Opportunities (IASC 2010), outlined policy guidelines for strengthening response strategies and urban household livelihood recovery by, for example, stimulating shelter (re-)construction process, facilitating recovery of food supply chains

¹⁰) See, for example, the Transformative Agenda now being rolled out, (Steets et al., 2010).

¹¹) Now relabelled High Commissioner’s Dialogue
¹²) Emphases added



and distribution systems leveraging local suppliers and contractors.

2.2.2. UNHCR

Almost 10 years ago the UNHCR, embarked on a significant new direction at the limits of its mandate by recognised the importance of development-led responses to protracted refugee crises. The High Commissioner's Forum¹¹ of 2005 highlighted how the agency's Framework for Durable Solutions and the Convention Plus initiatives laid the foundations for methodologies for 'Development Assistance for Refugees' and 'Development through Local Integration'¹² (UNHCR 2005). The Forum promoted interventions that: encouraged adoption of comprehensive approaches to meeting the development needs of refugees or returnees and of their host communities; built on the productive capacity of refugees and returnees; promoted self-reliance; and urged donor countries to devote a share of development assistance to refugee-hosting states and countries of origin to include refugees and returnees in national development plans and poverty reduction strategies

Three years later in 2008 at ExCom, the UNHCR, reinforced its approach in dealing with protracted refugee situations (UNHCR 2008), deploying a three-pronged strategy for enhanced protection which included the objective of enabling refugees to engage in productive activities as the basis for sustainable livelihoods. The paper noted the centrality of development-related activities to managing protracted refugee situations (PRS) and in reducing the gap between humanitarian assistance and development efforts. Significantly the paper noted that it was 'of particular importance that the PRS initiative includes efforts to engage less traditional actors in the search for solutions, especially those in the development sector' (UNHCR 2008: 6-7). Since then, UNHCR has sought to roll out this approach in, for example, Eastern Sudan (UNHCR 2011), and Colombia (UNHCR 2011a)

2.2.3. UNDP

UNDP's response capability is reflected in its leadership of the Global Early Recover Cluster, the integral part that crisis prevention and recovery play in the 2014-2017 UNDP Strategic Plan and its role in the Tripartite Transitional Solutions Initiative with World Bank and UNHCR. UNDP has developed its capability through quicker and more decisive action to complex transitions through early recovery, recovery and area-based or community based reintegration programmes, and by institution and resilience strengthening. The focus of programing is on humanitarian/early recovery contexts, the aftermath of conflict for returning refugees and IDPs and supporting communities in situations of protracted displacement.

2.2.4. The World Bank

New actors in the humanitarian domain are asserting a much more direct engagement with development-led responses to the problem of displacement. There is a much stronger advocacy of the economic rationale for this approach. The World Bank has both followed and promoted this shift to development-led responses (World Bank 2009, 2010, 2012, 2012a). In this context, the World Bank's Global Programme on Forced Displacement (GPFDF) within the Social Development Department of the World Bank was established in 2009 as part of a broader programme on Social Cohesion and Violence Prevention. The objectives of the GPFDF are to identify and address opportunities to provide a more systematic contribution of the World Bank to developmental responses to forced displacement that support economically and socially sustainable solutions. GPFDF undertakes three interlinked activities: (i) support for operational work related to specific countries; (ii) thematic analytical work; and (iii) partnerships with UN agencies, bilateral donor agencies, NGOs, and research institutions. Active in a dozen countries currently affected by mass displacement of refugees or IDPs, (eg Great Lakes, Horn of Africa, countries bordering Syria) the GPFDF undertakes strategic analysis in support of World Bank teams

and implementing partners in promoting strategic developmental and economic interventions

2.2.5. The EU

Although not without self-interest both to protect its borders from irregular migration whilst promoting migration and mobility to sustain its economic competitiveness, the EU is another new actor developing its influence and role in development-led responses to refugee displacement.

In preparing its landmark Global Approach to Migration Management (GAMM) in 2012, the EU acknowledged the importance of the 'protection of refugees....in relation to development programmes [emphasis added]' (Council of the European Union 2011). A number of initiatives were promoted such as encouraging the incorporation of refugee protection into National Poverty Reduction Strategies and addressing linkages between refugees and local communities. Perhaps the most significant initiative is to strengthen Regional (Development) and Protection Programmes (RDPPs) as the lead instrument of the Third Pillar of the GAMM - Promoting international protection and enhancing the external dimension of asylum policy. Here the aim is to implement development-led programmes to offset the negative impacts of refugees' presence in hosting communities and support their positive impacts. The EU has implemented a number of RDPPs, for example in Belarus, Moldova and Ukraine, and in the Horn of Africa. The soon-to-be-adopted RDPP for the Syrian refugee crisis¹³ is a multi-million euro programme which place development objectives firmly in the centre of the programme. Two of the main objectives are to: enhance economic opportunities and general development of local host communities through social and economic measures aiming to mitigate the negative impacts and maximise the opportunities arising from the presence of refugees; and sustain and develop the livelihood capacity and self-reliance of refugees in urban and encamped settings.

In its contribution to the 2013 UN High-level Dialogue on Development and Migration, the EU reinforced this policy stance, strongly advocating recognition of the new opportunities and benefits for national and local economies through refugees' human capital, labour, skills and creating demand for goods and services that derived from the presence of refugees. It also noted that harnessing the potential of refugees to drive development also benefitted host countries (Council of the European Union 2013).

Two key challenges remain. The first is the demonstrable need for convergence between multilateral development and humanitarian actors and the formation of appropriate institutional structures if high level policy change is to be achieved. Second, is the need to develop programmatic and operational tools, at macro- and micro- scales, that mainstream, in a coherent and systematic way, development-led approaches. This is the agenda of DSI.

2.3 Context- and situation -led praxis

Market- and international institution- led development praxis are complemented by the opportunities for development-led responses provided by the changing contexts and situations of displaced populations. Two dimensions are explored here: the urban setting and protracted displacement.

2.3.1. Urban displacement

Urban displacement is not a new phenomenon but more than half the world's refugees and IDPs now live in urban areas (IDMC 2011; IFRC 2102:112-134; UNHCR 2009). Indeed, many originate from urban areas, such as Iraqi and Syrian refugees, or have been 'circular' migrants moving from camp to city and back again such as the Somali refugees in Kenya.

Humanitarian and development actors have begun to adapt their tools and strategies to urban locations. The UNHCR Policy on Refugee Protection and Solutions in Urban Areas (UNHCR 2009a), the IASC Urban Strategy (2010), the involvement of UN Human

13) Action Fiche for the Regional Development and Protection Programme for refugees and host communities in the Middle East (Jordan, Lebanon and Iraq)

14) Discussed in more detail in the next section



Settlements Programme (UN-Habitat), enhancing the strategic capacity of the Shelter and the Early Recovery Clusters in urban settings, the extensive mobilisation of new approaches and programming by NGOs in urban areas (see eg Jacobsen and Nichols 2011), have all gone some way in recognising the opportunities of the urban sector and the economic and developmental resources that urban-based refugees and IDPs offer.

While living conditions for the displaced in urban areas, like their hosts, may be unacceptably poor, and protection needs and vulnerability are always present, from an economic perspective the case for development-led solutions in urban settings is compelling.

Refugees and IDPs have many assets, skills, resources (and vulnerabilities), 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 (Jacobson 2006; Pantuliano et al., 2012), and in Nairobi¹⁴ (Campbell 2006). There is also evidence that women gain better income and more financial independence in urban areas (Gafaro et al., 2011; Ibáñez and Moya, 2009; Metcalfe and Haysom, 2012; Pantuliano et al., 2011).

An important rationale in support of development-led solutions is that urban economies are cash-based. Thus cash-transfer programmes and the demand for goods and services by urban refugees and IDPs help to stimulate urban markets, whilst the scale of these markets means that they can better absorb the potential disequilibrium effects of additional cash pumped into the economy from refugee demand.

The demand for shelter by urban based refugees and IDPs can destabilise housing markets. Yet, urban housing supply is also a significant developmental resource and economic multiplier with upstream linkages to building materials supply and land markets, for example, and downstream linkages to

construction employment. As the case of Cyprus, discussed in the next section, demonstrates (Zetter 1992), the demand and supply functions were harmonized by mobilising a large-scale housing programme for the refugees as the leading sector of economic recovery after the refugee crisis. In this way, the burden of supporting 40% of the population who were displaced was transformed to a development-led opportunity.

More generally, the private sector plays a crucial role in urban economies, yet the potential to provide links between humanitarian and development programmes is often ignored or underplayed. Where the flow of refugees and IDPs is large this can rapidly accelerate demand, stimulating expansion of the private sector as we have noted above: the challenge is to manage the short term disequilibrium effects on the host community and the refugees. In addition, 'localising' the supply side function in the production and supply of goods and services for displaced populations – eg in housing construction – would make a significant contribution to the host country economy.

The institutional environment of urban areas is both a constraint and a crucial resource in promoting development-led responses to displacement. In the urban setting, local and national authorities and public agencies play a central role in the response to displaced populations though their planning and service provision functions. Yet their stance to displaced people is often negative because of the added pressure on housing and labour markets and urban services. Moreover, until recently, humanitarian actors had little engagement with urban-based interlocutors and their capacities which explains why their urban-based interventions have been ad hoc and unsystematic. Conversely, development actors – urban economists, urban planners, public sector managers – are far more familiar with urban settings and the developmental potential they provide. Yet, they have not adequately addressed the needs of displaced populations in their development strategies.

Thus, as Pantuliano et al., point out, the key challenges are, first, to overcome the resistance of urban governments to recognise displacement as a development issue and to enhance the capacity for coherent strategic planning and service provision for both the host and the displaced populations (Pantuliano et al., 2012).

The second challenge is for humanitarian actors to link up with the wide range of urban/municipal and private sector actors, many of which are development oriented. The third challenge is for development actors to recognise the need to mainstream displaced populations in their development programmes. Identifying urban interlocutors and bridging the humanitarian-development divide are essential for meeting the needs, and capitalising on the opportunities presented by displaced people in urban area.

In summary, the development-led opportunities presented by displaced people in urban areas are now increasingly recognised. The transformation to an effective praxis that enhances delivery of coherent strategies and promotes sustainable interventions which minimise future urban vulnerabilities remains work in progress (Zetter and Deikun 2010).

2.2.2. *Protracted displacement*

Not only is the majority of displaced people found in urban areas but also in conditions of protracted displacement. Renewed attention was given to this Protracted Refugee Situations (PRS) in 2009 by the UNHCR Excom (UNHCR 2009b). The prominence now given to longer term sustainable solutions¹⁵ highlights the pressing need for developmental strategies. Put simply, beyond protection needs, protracted displacement is not a humanitarian challenge but a political, developmental and economic one.

How might development-led strategies alleviate the problems of protracted displacement? Many of the policy responses and initiatives already made in this paper address this issue: promoting the economic

development opportunities which refugees and IDPs present, utilising the skills and resources of displaced populations enabling them to become more productive members of the host society, and mitigating the short and long run economic impacts of refugees. Moreover, long term displacement can give the stability and time for development investment to take effect.

These proposals are reinforced by the findings of a recent study which investigated these challenges in three settings – Horn of Africa, Iraqi refugees in the Middle East, and Central America (RSC 2012). The study made a number of further recommendations on actions which host governments and international actors might take: more flexible policies towards mobility and the subsequent migration strategies of refugees and IDPs; relaxing the restrictive regulatory regimes on their economic activities; more flexible attitudes to cross border movements by refugees; more flexible policies on integration and conditional or contingent or progressive forms of citizenship.

The challenge here is not primarily developmental but political. Host countries are inevitably resistant to giving official recognition to long term displacement and, de facto, settlement of refugees, or often IDPs as well. Yet this resistance creates uncertainty and limits development potential.

A key argument in promoting development-led approaches in situations of protracted displacement is that that self-reliant refugees are likely to be better prepared to go home and reintegrate if they have: maintained or enhanced their skills and capacities; been allowed to retain rather than exhaust all their financial resources; and perhaps even build up some savings which they can take home when they return.

ECOWAS has experimented by enabling Sierra Leonean and Liberian refugees to remain in their host communities, taking advantage of existing agreements that provide West African citizens with regional employment and residency rights (Long

¹⁵) The term sustainable solutions has gradually replaced the traditional terminology of durable solutions



2011). In a different context, Brazil has granted five year residency and work visas to Haitian earthquake victims. This gives the displaced security to establish themselves in a high earning economy, and make substantial remittances to assist the reconstruction efforts. Policies such as these remain embedded in basic humanitarian precepts of protection, non-refoulement, and dignity, yet recognise developmental potential and opportunities.

2.4. Conclusions

This part of the paper has reviewed the shifting territory of humanitarian action and demonstrated that a 'moment' of transition exists in the way crises of large scale population displacement are framed in relation to precepts, actors and operational practices.

What are the main conclusions and lessons to be drawn from this momentum for development-led praxis?

- 1 the lives and livelihoods of refugees and IDPs are increasingly drawn into a market-based environment in which development-led initiatives have a powerful role to play;
- 2 there is substantial experience of development-led praxis in situations of mass displacement; humanitarian and development actors are increasingly designing and promoting policies, strategies and operational interventions which respond to and seek to capture the developmental potential and opportunities as well as mitigating the negative impacts that exist in the context of mass displacement;
- 3 a development-led dynamic is gaining increasing programmatic and institutional purchase but mainly through ad hoc operational responses;
- 4 engagement of private sector actors, skills and resources is expanding and substantial potential remains to be tapped;
- 5 a critical mass of humanitarian and developmental actors is now engaged with a development-led agenda at intergovernmental and operational levels;

- 6 the growing convergence between humanitarian and development approaches has yet to be reflected in strategic and operational co-ordination; effective mainstreaming; and firmer conceptual and methodological approaches;
- 7 the urban setting and the protracted situation in which the majority of displaced people now live offer significant conditions to promote development-led responses.

3. Empirical Evidence – Developmental responses and outcomes

This section builds on the discussion of development-led praxis by examining empirical evidence of macro- and micro- economic development impacts and outcomes in contexts of large scale refugee or IDP displacement¹⁶. It draws on a substantial, though scattered, research literature to highlight an evidence-base of these outcomes in camps and non-camp settings, rural and urban locations, for the displaced and host populations, and at macro- and micro-economic scales.

The aim of the section is to provide insights into: the scope of these outcomes; their contribution to the livelihoods of displaced populations and their hosts; the positive contributions that are made to the productive capacity of regional and national economies; and the negative impacts that require remedial intervention.

3.1. Micro-economic analysis

Several quantitative, micro-economic studies make a valuable contribution to understanding how complex emergencies have a positive aggregate economic impact on local populations who are often not targeted by relief operations.

3.1.1. Camps

A study of Dadaab refugee camps in Kenya acknowledges that there have been negative impacts,

¹⁶) This discussion does not review the very large number of small-scale project and programme evaluations that deal with short-term assessments of household livelihoods, micro-enterprise financing, self-reliance, skills development, local integration and the like. Important though they are as operational tools to promote development, the scope of these studies and the evaluation methodologies they deploy limit their relevance to the wider structural questions of economic impacts which this section examines.

notably on the environment, but also reveals the positive economic impact of the camps for the host community which, in aggregate terms outweighed the negative impacts. The total annual direct and indirect benefits for the local host community were estimated to be around US\$ 82 million in 2009, and projected to reach US\$ 100 million in 2010, about 25% of the per capita income of the province (GoK 2010; see also Perouse de Montclos 2002 and Horst 2006). Alongside the beneficial impacts of major local markets with sizable purchasing power that the refugee camps have created are income benefits to the host community which, from the sale of livestock and milk alone, were US\$ 3 million, while over 1200 local people benefited from refugee camp related employment or trade related work. Infrastructure investments benefitted the host community, trading opportunities also increased, while food and commodity prices dropped.

3.1.2. Rural settings

Western Tanzania has provided an important laboratory for research on the economic impact of refugees. Three complementary studies offer detailed accounts of wide ranging developmental outcomes. The study by Alix-Garcia and Saah (2008, 2010), measures the effects on market prices and household assets of the host population, resulting from the refugee inflows from Burundi and Rwanda in 1993 and 1994 – totalling almost 800,000 refugees at the 1997 peak. Their analysis highlights two outcomes.

Investigating the supply and demand effects on the market prices of various goods purchased by the host population, their evidence shows significant increases in the prices of non-aid food items (explained in part by the different dietary preferences between the two refugee populations as well as their hosts), and decreases in the prices of some aid-related food items as a result of downward pressure on prices. Price variations were shown to be greatest closer to refugee camps but decayed with distance away from the camps; and prices varied through time as the demand-supply function adjusted.

Examining the wider effects of food price variations on the household economies of the host population, the evidence suggests positive effects of the refugee camps on the wealth of farm-based, rural households located nearby; they earned extra money from selling home-produced agricultural products, profits from which they then invested in acquiring more assets. Conversely, for non-farm and urban households the impact of refugees exacerbated the negative effect on their purchasing power since they were more likely to be purchasing agricultural goods for consumption as well as participating in a wage labour market flooded with refugee competitors.

Maystadt and Verwimp's (2009) longitudinal micro-economic study (1991-2004) of the refugee impacts in western Tanzania uses a wider set of economic indicators. Their study finds an aggregate economic benefit for the hosts. On average the refugee presence had a positive impact on the host population's living standards, measured by household real consumption per adult, and increased the probability of Tanzanians getting out of poverty by about 11%. Using cheaper refugee labour, local farmers were reported, in some cases, to have doubled the value of local agricultural production. The depression of wages for the less skilled was countered by the opposite for more educated people. Business flourished in the refugee-hosting areas for both locals and refugees, whilst the US\$ 15 million infrastructure investment by international organisations significantly improved road, air and telecommunications access, also benefiting both populations. This is an important example for where the presence of refugees can help to overcome development deficits.

Whitaker's study (2002) provides a richly detailed qualitative account which describes, but does not measure, many of the findings subsequently demonstrated in these two econometric studies. She shows how Tanzanian host farmers reacted quickly to the new market opportunities - responding to price incentives by altering production patterns and using



cheap refugee labour to expand their farms and increase production. Moreover, the refugee arrival not only increased demand but, by decreasing distance to markets, further reduced costs since before the refugee influx, farmers had difficulty finding local markets for their harvests, and often traded across the border in Rwanda or Burundi. The NGO refugee relief operation increased employment opportunities for hosts.

The demographic, socio-economic and geographical distribution of costs and benefits was uneven. For example young adults, many of whom had been unemployed prior to the refugee influx, were most able to take advantage of business and other job opportunities. Many women benefitted from changing income-earning opportunities, hiring refugee labour which released them to pursue small-scale enterprise activity. More prosperous socio-economic groups expanded their asset base and invested in a range of business activities. Those harmed by the refugee presence tended to be day labour subsistence farmers and Tanzanians on fixed incomes, negatively affected by increases in the cost of living. Finally, confirming the findings of Alix-Garcia and Saah's study, there were markedly different impacts among the refugee-hosting districts attributable to a number of variables such as the refugee settlement patterns, the extent of refugee–host interactions and the location of NGO development projects.

The studies of the impacts of refugees on their Tanzanian hosts are paralleled by a UNHCR report on how the Burundian refugees, with the active support of the Tanzanian Government, have become self-sufficient after years in protracted exile (UNHCR 2011c). Families received land and over the years have engaged in subsistence and cash crop production contributing to the national economy. Viable livelihoods were complemented by other indicators of integration such as housing and interaction with the local population (Danida and UNHCR 2010). Consequently, about 170,000 Burundian refugees, from a residual refugee population of about 218,000,

opted to remain in Tanzania and accept naturalisation as Tanzanian citizens under the so called Tanzania Comprehensive Solutions Strategy (TANCOSS) in 2008, despite the controversial condition of resettlement within Tanzania.

Findings such as these in Tanzania are largely consistent with those from other contexts such as the impact of Ethiopian and Eritrean refugees in Sudan (Kok 1989; Kuhlman 1990, 1991, 1994), and Mozambican refugees in Malawi (Callamard 1994). However, beyond assessing impacts on the host populations, the added value of these studies is their focus on the developmental impacts of displacement on the refugees themselves. The refugee perspective is now explored, but the analysis is hampered by the fact that, unlike the case studies examined earlier, virtually all the research and evaluation tends to be qualitative and thus lacks the metrics necessary to provide conclusive accounts.

Kok (1989) provides an early example of the developmental impacts of displacement on refugees, highlighting how refugees, more especially Eritrean refugees, had penetrated nearly all the economic sectors in Kassala, displaying a high degree of integration into the city's daily life. And, as he observes, 'What stands out ... is that a remarkable number of self-settled refugees have been able to find a place and have survived within the difficult environment of Kassala region...who are unregistered and largely unaided...[and]...in spite of the precarious economic situation...[and]... the legal restrictions' (Kok 1989:436). He further observes, and this is a fundamental point to which we will return, these conditions 'bar an optimal integration into Sudanese economic life. Because of these restrictions, some of the development potential of the refugees is lost' (Kok 1989:436). Perhaps significantly, given the protracted refugee situation in Eastern Sudan, - some twenty years after Kok's fieldwork - the UNHCR and the Sudanese Commissioner for Refugees signed the 'Joint Solutions Strategy for the Protracted Refugee Situation in Sudan' in 2007, subsequently evolving

into a pilot region for the Transitional Solutions Initiative (UNDP and UNHCR 2012).

Overall these findings suggest that, in the longer term and in aggregate terms, the negative impacts of refugees were compensated by market-led adjustments in the local economy and that the presence of refugees may overcome pre-existing development deficits.

3.1.3. Urban settings

A study of Nairobi (Campbell 2006) demonstrates how urban Somali refugee businessmen have transformed Eastleigh from a residential community to a vibrant commercial hub offering a diverse range of retailing, transport, commercial and service activities. Campbell attributes the economic transformation to three factors. First, the Somali refugees were already successful businessmen bringing with them into exile entrepreneurial knowledge and capital. Second, deeply embedded in the informal economy, the Somali traders benefited from neo-liberal trade liberalisation and government deregulation policies that enabled them to import and export more easily with lower taxes and transaction costs. They were, as Campbell notes, the grassroots equivalent of the formal corporate and multi-national sector of the economy. Third, the refugees were in a strong position to capitalise on their diasporic networks and ethnic trading ties, allowing them to mobilise both capital for investment and import and export facilities.

Of course, as in the others studies, there are differential outcomes. Whilst there are wealthy Somali refugees who prosper and have no need of 'refugee protection', many are indeed living in poverty, highly vulnerable and with little or no access to protection¹⁷. In Nairobi, as observed in many studies, refugees, like their hosts are also economic winners and losers, often differentiated in the same way as their hosts across demographic and socio-economic groups, the type and location of settlement patterns, and the impact of assistance programmes.

For the city as a whole, the aggregate benefits are considerable: larger scale commercial enterprises are now integrated into the Nairobi's formal economy, Kenyans benefit from the generally lower cost of goods in Eastleigh, and Somali businesses have created employment for local Kenyans. The key outcome Campbell demonstrates, echoing Kok's study of Kassala and reinforced by a more recent study of refugee livelihoods in Nairobi (DRC, UNHCR and FEG 2012), is that the urban refugees are economically self-sufficient and highly integrated, despite extremely difficult living conditions and surviving largely without material assistance or legal protection. This challenges the official stance of the Government of Kenya (and it could be added most host governments), and the popular perception, that refugees are an economic burden.

Although studies such as these are often limited in their scope – for example they reveal little about other impacts such as health and education, household livelihood strategies, investment and funding strategies, macro-economic outcomes - they make a valuable contribution to understanding how complex emergencies and displacement impact the economic life of local populations, not targeted by relief operations, and refugees.

3.2. Macro-economic analysis

Turning to an assessment of developmental impacts deriving from planned, macro-economic strategies, as opposed to the spontaneous beneficial outcomes discussed so far, the evidence is very limited. This is hardly surprising given the relative novelty of the concept and the political and operational challenges.

3.2.1. Disaster as development opportunity

One of the only macro-economic studies to explore the consequences of a Government-led macro-economic strategy 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 (Zetter 1992). It found that within

17) In this context, an intriguing analysis of the time and money spent by refugees in Nairobi seeking assistance from UNHCR in 2010-2011, computed the cost of obtaining and maintaining a mandate involved the average family in visiting UNHCR 13.4 times at a cost of 4,500 Kenyan shillings (\$45 USD) and 21.1 adult days (Anderson 2012:5).



10 years, three multi-sectoral Emergency Economic Action Plans (1975-86) had restored the GDP to its pre-1974 annual 6% average growth rate, recovered the 70% of GDP estimated to have originated in the now-occupied north of the island, and eliminated a 30% unemployment rate. Moreover, this remarkable economic reconstruction was achieved in the reduced territorial entity of the 'unoccupied' two thirds of the island. Based on a large-scale refugee housing programme, a predominantly rural refugee population was co-opted into an urban-based economic development recovery strategy. Simply put, the Government of Cyprus successfully restored the economic productivity of the country in a decade 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. Specific conditions apply to this successful case, not least that the population displacement was, in effect, internal and the displaced belonged to the same linguistic, religious and cultural group. Yet there are valuable lessons in the development-led, macro-economic strategy that have wider applicability.

3.2.1. Cash Transfers and development

Other examples of planned, development-led responses to displacement exist, but they are usually micro-economic, project-scale interventions with limited objectives; and they lack the metrics to provide clear evidence of the economic impacts and outcomes. One exception is the evaluation of an ECHO funded Danish Refugee Council cash transfer programme and its developmental/income-generating impacts targeted to 5000 'newly arrived' IDPs and urban poor households in Mogadishu (DRC 2012). The evaluation found that a majority of the beneficiaries, who had lost their main source of income as a result of the famine or conflict, benefited from the project. The income level and the purchasing power of the beneficiaries were enhanced, both debt reduction and newly developed alternative sources of income, such as small trade, could be attributed to the cash programme.

The example is instructive in three respects. First, significantly, there were no changes in market prices immediately after cash distribution, and thus the project seemed not to have had any negative effects on the local economy. Second, the beneficiaries indicated a future preference for business grants over cash transfers suggesting a commitment to more productive and sustainable livelihood/economic opportunities. Overall, this evaluation indicates that fine-grained projects attuned to smaller and incremental population movements can provide the potential for sustainable development outcomes.

That both the Cyprus and the Somali cases are responses to internal displacement raises potentially important questions about the political-economy of development-led solutions which will be discussed in the final section of the paper.

3.3. Conclusions

What can we conclude from this assessment of empirical evidence on the developmental outcomes of large scale population displacement?

Eight conclusions are summarised:

- 1 there is compelling, though fragmented, evidence of positive, aggregate developmental outcomes from displacement crises with benefits accruing to both refugees and their hosts;
- 2 there are discernable micro-economic impacts: the lack of macro-economic evidence may simply reflect the focus of extant research;
- 3 there is insufficient evidence, in most cases, to determine whether or not the positive outcomes are transformative and sustainable or 'steady state';
- 4 the aggregate benefits conceal, possibly significant, disequilibrium effects across different socio-economic groups in both the host and refugee populations
- 5 the economic benefits that derive from the presence of displaced populations largely accrue to the private and commercial sectors of the economy and individual households, rather than the public sector¹⁸;

¹⁸) Potential benefits to the public sector in terms of tax revenues from growth in the economy are discussed below

- 6 developmental outcomes are usually unforeseen and unplanned, not the result of coherent economic strategy promoted by any of the main actors;
- 7 the presence of refugees may help to overcome pre-existing development deficits;
- 8 there are important methodological caveats to these conclusions: analytical approaches are still largely experimental (World Bank 2012a); exogenous variables need to be acknowledged; cause-effect relationships cannot be conclusive; metrics are limited; research and evaluation has largely focused on micro-economic rather than macro-economic conditions; time series data, needed to discern whether or not outcomes are sustainable, are lacking;

4. The conceptual and normative rationale for development-led solutions

The evidence base of development-led praxis and empirical analysis make a robust case for promoting development opportunities and using development-led instruments to mitigate the negative impacts of displacement crises. But, it is clear that major constraints to enhancing further progress in development-led solutions lie in:

- limited understanding of the conceptual and normative principles which underpin developmental responses to displacement crises; and thus
- limited capacity to develop these principles into comprehensive strategies and policies.

This section, therefore has three aims: to provide a more rigorous conceptualisation of the costs and impacts of forced displacement, emphasising economic and social variables as well as the more familiar fiscal/public sector expenditure claims; to offer a more systematic analytical and methodological framework for understanding these phenomena; and, consequently, the means to improve strategies to tackle the economic costs and impacts of displacement and maximise developmental returns from displacement.

Addressing the impacts and costs of displacement for the host country and the displaced population, and promoting development-led solutions requires three elements of the economy to be examined:

- the public sector costs and benefits and macro-economic performance
- the macro- and micro- economic costs and benefits to private sector – both the hosts and the displaced
- externalities (or spillover effects)

In addition both short and long run, and also equilibrium and redistributive effects must be taken into account, since it is these impacts that usually underpin the perception of refugees and IDPs as a burden.

How displaced populations impact these components of the economy, and the benefits and costs they generate, is little different in principle from the effects which migrants produce (Collier 2013) – whether internal or international. What is different is the speed and scale of the impacts which forcibly displaced people introduce.

4.1. Public sector - costs, impacts and benefits

4.1.1. Working principles

Evidence on the impacts and costs for the public sector shows that, all things being equal, displaced people are likely to have an aggregate negative impact on both revenue costs in the social and welfare sectors in the short term (by increasing demand for public services such as health, education, utilities), and in the longer term on capital costs arising from the need to enhance infrastructure investment to cater for additional demand. These negative impacts of increased refugee- IDP- derived demand are likely to be experienced by the host community in several ways, most likely a combination. In the short run there may be a decline in service quality provision because of supply inelasticity – without additional recruitment there is a fixed quantum of doctors or teachers per capita, or water supply pressure and service continuity may reduce since boreholes and

19) Taxation here means, an increase in user charges, or direct taxation, or indirect taxation for example by repaying and servicing a loan from an international development agency for a new hospital, school or water supply system.



pipes have fixed capacity. In the longer run, the impacts of fiscal stress are likely to be reflected in costs rather than quality: an increase in taxation to pay for expanded investment in capital assets such as medical centres, classrooms, road access to refugee camps¹⁹; taxes remaining constant but the host community thus foregoes investment in other lower priority public sector services in order to finance the most pressurised services; humanitarian donors fund services and infrastructure at low or minimal cost to the consumers.

Offsetting some of the additional public sector costs are the revenues that should, in theory, accrue to the public sector both from the displaced population as well as from rising output from the host population and economy. Consonant with their increasing role as economic actors, displaced people, like their hosts should be tax, service, property and user charge payers. If the productive capacity of the host country's economy increases, as some of the empirical evidence indicates, then this will feed through in higher public sector revenues – income and business taxes could be expected to increase for example.

The negative public sector costs may also be offset by additions to the capital stock of the country. For example Jacobsen (2002) cites evidence from the World Refugee Survey of 1996, that after the Mozambican repatriation from Malawi in 1995, UNHCR donated refugee facilities including schools, clinics and vehicles valued at \$35 million to the Malawi government, which also requested \$78 million from UNHCR for reforestation to offset the deforestation resulting from the refugee presence.

4.1.2. Implications

A number of observations warrant attention.

First, donors and NGOs usually provide substantial inputs to cover revenue costs, and often for the capital costs, incurred by the host government as a result of refugee and IDP demand – eg UNICEF funding of schools, IFRC/WHO/MSF funding medical

assistance and health centres, Oxfam building water supply systems. This investment in public goods and services for refugees thus offsets some of the negative public sector costs and impacts on the host government and population²⁰.

Second, where these services are shared with the local community, the hosts benefit from improved services and assets at marginal cost.

Third, the potential opportunity costs of public expenditure must be taken into account. Although the costs of services for the resident population may increase – through taxes or service charges – shared access and use of the additional assets may benefit the local community, for example improved health conditions resulting from expanded medical services or increased household income generated by enhanced access to markets from improvement to transport infrastructure. Where such improvements are funded by humanitarian donors then the value of the opportunity costs for the host population can be considerable.

Fourth, the aggregate impacts, as we have seen from some of the earlier evidence, conceal winners and losers. Different socio-economic and demographic groups will incur different direct or indirect costs. Although disequilibria are frequently acknowledged, these distributional impacts are rarely compensated for.

4.1.3. The need for systematic measurement – tackling disequilibria of fiscal stress

What this analysis tells us is that, from a developmental perspective, although many of these outcomes are frequently acknowledged they are very rarely systematically assessed or measured. Thus, the true costs and impacts of displaced populations on public sector finances, who bears these consequences and how they are compensated for, remain unaddressed. This reinforces fiscal stress on the public sector and the delivery of services on the one hand – in countries that for the most part are already struggling to provide basic welfare conditions

²⁰ In some situations NGO financial intervention may be limited. For example, an issue in South Sudan (and elsewhere) has been that UNHCR can fund capital costs for schools and clinics, but not operating costs.

for their populations - and suboptimal investment by governments and donors on the other hand, where potential benefits, distributional objectives and economies of scale are not accurately accounted for.

Also from a developmental perspective, the failure to review public sector finances systematically in the context of forced displacement, means that whilst humanitarian organisations and donors intuitively recognise that they may be acting as development agents, the full value or even the validity of this contribution is never properly articulated or measured in these terms. And for development actors and donors, the developmental benefits of humanitarian 'investment' are also rarely measured systematically – for example protecting the standards and quality of health and education provision to sustain the productive capacity of the host population (and refugees) and the achievement of a country's development targets. In short, the long run economic benefits for refugees and their hosts, of development infrastructure invested for humanitarian purposes, are not properly accounted for.

Finally for host governments, neither the fiscal burdens nor the benefits are appropriately calibrated: thus strategies for public sector investment, fiscal management and long run development policies will always remain inadequate.

4.2. Private sector – impacts, costs and benefits

In terms of the economic and developmental impacts of displaced populations on the private sector and the overall performance of the host economy, and the situation of the displaced themselves, the analysis is more intricate. Unlike the public sector which may be a net loser, the private sector gains in aggregate. For the displaced as well there are important economic reasons why they should be factored into analysis. But for both the hosts and the displaced, disequilibrium effects and fluctuations occur - mirroring those in the public sector - with winners and losers amongst different categories of the populations and different sectors of the economy. As with the public sector, the

lack of comprehensive measurement and analysis results in the failure both to establish accurate costs, impacts and benefits that arise from the presence of displaced populations and to appreciate and capitalise on the developmental potential and opportunities that may be presented. Several typical features are now explored to demonstrate the value of such an approach.

4.2.1. Micro-economic analysis

In terms of micro-economic impacts, we need to consider the impacts costs and possible outcomes for the hosts and the displaced.

For the host population, the presence of refugees affects the price of basic goods and services, but with differential impacts for producers/suppliers and consumers and for rural and urban dwellers: short run effects are more noticeable. The arrival of refugees may adversely affect local labour markets, as we have seen from earlier empirical evidence. Oversupply of refugees/IDPs entering the labour market (both formal and informal) is likely to depress wage levels and destabilise the skills balance.

In the short term, rising demand for goods and services may cause shortages and sharply rising prices for food and other basic commodities thereby increasing food insecurity for the host community as consumers. Conversely, the widely observed phenomenon of refugees trading food rations complicates this picture since this increases supply and should in theory reduce prices.

Who wins and loses? In purely economic terms, and discounting other factors, the displaced may be beneficiaries since humanitarian assistance can be considered as a subsidy which enables refugees and IDPs to under-price the value of their labour vis-à-vis hosts and sell commodities at sub-market rates. In terms of food security, impoverished and landless households in the host population will almost certainly lose out from short term spikes in food prices but may benefit from lower commodity prices caused



by the sale of refugee food rations. Competition for employment and declining wage rates put additional pressure on household income and livelihood vulnerability.

The host population producers and market traders may potentially benefit from rising prices and lower labour costs in the short run and, in the long run, from rising demand and improved productivity, as the empirical evidence confirms for commercial farmers in Tanzania. Local small holder farmers may incur reduced income levels and declining economic profitability, at least in the short run, as they will be compelled to reduce prices or production levels to compete with the sale of refugee food ration. But commercial farmers may be able to offset these impacts by using cheaper refugee labour. New transport infrastructure for refugee camp, generally improves access to markets benefitting local producers, traders and hauliers. By diversifying and expanding demand, refugees and IDPs stimulate an expansion in demand for other services and employment.

The positive and negative impacts are greater in rural areas with heavy dependency on food production and where the range of employment opportunities and the scope of labour markets to absorb a new influx are more constrained than in urban areas.

Turning to the urban sector similar micro-level impacts are likely, but they are less marked, given the size and dynamism of urban economies, and are spread across a much wider spectrum of economic sectors. Oversupply of labour benefits employers by depressing wage rates but much depends on the structure of the labour market. In Jordan anecdotal evidence suggests that, as economic theory would predict, the arrival of Syrians has produced an over supply of labour in the unskilled service sector and construction industry and is thus diminishing wage rates. But for Jordanians, a reduction in wages is beneficial because these sectors are dominated by migrant labour.

Housing markets in urban areas are particularly susceptible to the impacts of increasing refugee and IDP demand. Accelerated demand causes short run supply constraints and thus a hike in rent levels. This penalises poorer urban dwellers amongst the host community. They have to pay higher rents: for example, rent levels rose steeply in Syria with the arrival of Iraqi refugees a decade ago, as they have in Jordan with the arrival of Syrian refugees. Conversely, the arrival of Iraqi refugees stimulated an urban property boom in Jordan, benefitting indigenous land owners and developers, contractors, building materials merchants and, though less significantly, local building labour. However, much depends on the volume of demand and other variables such as where demand is distributed, the existence of spare housing capacity, the elasticity of the land market, the extent of co-occupancy amongst the displaced population.

More expensive capital costs (land, building materials and construction) likewise put pressure on the household budgets of host populations as renters and owners, and this may lead to a deterioration of their economic wellbeing. Conversely, as in rural areas, the disequilibrium effects favour others – investors, land owners, property developers and building contractors will all benefit from rising demand. As a result, this should enhance the long run productive capacity of the sector and the country's overall economic output – a beneficial developmental output. There may be other long run adjustments as producers respond by increasing supply: prices should fall benefitting the host community as refugees and IDPs. If producers anticipate that refugees will return home this may reduce their propensity to increase supply, one of many developmental impacts which should have a bearing on how governments respond to situations of protracted exile.

Turning to the displaced populations, as we have seen, the demand function can be a potentially significant development multiplier for the host economy but there are also negative impacts. However a balanced

economic analysis must consider the supply side. The key point to emphasise is that development interventions need to consider the utilisation of the human and economic capital which the displaced possess and the opportunities that may derive from supporting the self-reliance of refugees and IDPs. In economic terms in most displacement situations, they usually represent under- or un- utilised economic assets – skills, capital, labour supply. Yet, both the experience of development-led praxis and the research-based empirical evidence highlighted how displaced populations become self-reliant economic actors (often through spontaneous action not through humanitarian/development interventions), and the aggregate gains for them and their host communities.

In addition, as we have seen above, if the productive capacity of refugees and IDPs is increased then their potential contribution to government revenue streams can be enhanced. Consigning them into the informal sector means that governments are foregoing this revenue.

An important objective of economic policy then is to use development-led solutions to maximise the utility of the assets of displaced populations for their contributions to their own self-reliance, to the host country economy and to their ability to better reintegrate upon return.

Against the overall positive account of private sector impacts for the hosts and the displaced, the fluctuations in micro-economic performance and the uneven impacts distributed in time, space, across sectors of the economy and different occupational categories point to the need for intervention: by governments to manage the distributional impacts; and by donors, humanitarian and development actors to ensure that their programmes fully take into account the economic impacts, costs and likely benefits for hosts and the displaced.

4.4.2. *Macro-economic analysis*

Turning to macro-economic developmental impacts, refugees and IDPs can have a positive impact on GDP, generated by increasing demand and consumption for goods and services which: stimulates the expansion of production capacity and output; improves productivity through scale economies; may introduce and/or diversify demand; and increases overall economic output. Wider impacts on the labour markets may be beneficial. For example refugees and IDPs may introduce new skills or skills in short supply, whether it was Iraqi doctors in Syria or the trucking and logistics assets and expertise of Afghan refugees in NE Pakistan where they dominated the business, created new markets for transport and thus added to the productivity of the host country economy. Significant 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. On the other hand, evidence from Kenya in the Eastleigh study (Campbell 2006) and of Dadaab refugee camp indicates that Somali refugees also benefit from incoming remittances from their diaspora which adds investment and purchasing power to the host economy. For example remittances directly benefit up to fifteen percent of Somali refugees in Dadaab camps but also the broader displaced community, thereby strengthening and diversifying livelihoods (Horst 2006; Perouse de Monclos et al., 2000).

Overall, whilst there is a strong macro- and micro- economic case for promoting market and development-led responses to the presence of displaced populations, the impacts and outcomes are neither socially nor economically optimal. Maximising the developmental benefits and correcting distributional imbalances points to the need for 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 in this context.

4.3. Externalities

There are externalities, unpriced costs the impacts of which may have negative developmental effects. Most often, these effects are directly incurred by people or areas where refugees and IDPs settle. The most obvious spillover is the detrimental effect of refugees on the environment, depleting woodland for construction and firewood and causing loss of natural habitat (see eg Government of Malawi 1990; Long 1990; UNHCR 1994, 1995, 1998; Zetter 1995). In urban areas added congestion, further degradation of already environmentally precarious informal settlements, and a perceived decline in security may accompany the arrival of refugees and IDPs. These negative externalities are usually long term, rarely compensated by public expenditure and only partially compensated by humanitarian or developmental assistance.

Positive externalities of refugee impacted populations are less evident. One example might be locals registering as refugees and benefiting from food and cash handouts; another example might be joint provision of a school or medical centre provided for refugees but which locals can access, their benefit is at no direct cost (eg through taxation).

4.4. Conclusions

This analysis of the public and private sector costs, impacts and development potential arising from the presence of displaced people provides a strong case for mainstreaming development-led strategies for refugees and IDPs into national economic planning machinery. There are several advantages. This ensures livelihood support for forced migrants is better integrated into longer term and more sustainable development policies (IDMC 2012a). It enables more proactive investment and financial initiatives to be adopted that promote economic development to the advantage of both the displaced and the host country

economy. Integrating strategies for the displaced into the national economy as a whole ensures the most effective use of all the country's development resources and assets – for example the productive capacity of refugees such as skills, entrepreneurship and human and economic capital, demand and consumption, and tax revenues. It maximises the scope for planning joint provision of public goods and services, with attendant scale economies. And it provides the means to alleviate the tension between host and displaced communities – hosts often contending that assistance privileges refugees over their own needs. Finally, the development planning process provides a method to assess and mitigate the negative externalities introduced by refugees and IDPs.

Economic theory underpins the earlier evidence of development praxis and empirical studies that there is a compelling case, in aggregate terms, for governments and international actors to promote development-led responses to the impacts and opportunities presented by displaced people. There are long-run improvements to macro-and micro-economic performance in terms of productivity, productive capacity, investment, capital formation. At the same time it draws attention to the negative and, most often, short-run outcomes – the 'burden' - which dominate the discourse to the detriment of development-led approaches, partly because of the lack of rigorous and comprehensive economic analysis.

From a developmental perspective the main conclusions of this analysis are as follows:

- 1 for the economy as a whole there are aggregate benefits but these largely accrue to the private sector and, to date, they occur spontaneously not through planned or strategic management of the economy;
- 2 negative impacts predominate in the public sector - increasing operational, revenue and capital costs - but these effects can be compensated by short-run humanitarian and development assistance; revenue costs tend to be better compensated than longer run capital costs;

- 3 analysis of public sector costs and fiscal impacts presents a compelling case for ensuring that humanitarian and development assistance benefits hosts as well as refugees and that distributional imbalances are corrected;
- 4 there are discernable micro-economic impacts and these tend to be short run, and have direct impacts and are thus more evident;
- 5 macro-economic outcomes tend to be long run and, as a result, harder to detect; the lack of firmer macro-economic evidence may simply reflect the limited focus of extant research at this level;
- 6 the economic analysis indicates a strong case for encouraging markets to engage with displaced populations and for the displaced populations to engage with the markets;
- 7 development-led solutions by maximising the utility of the assets of displaced populations enhance their contributions to their own self-reliance, to the host country economy and to their ability to better reintegrate upon return;
- 8 notwithstanding the aggregate benefits, substantial disequilibria arise from the impact of displaced people on the behaviour of the host economy but these are rarely corrected;
- 9 there are negative externalities which are rarely compensated and few obvious positive externalities;
- 10 there is a compelling case for governments and donors to take a much more proactive role in managing the public and private sectors of the economy in order to maximise development opportunities and minimise negative impacts;
- 11 the lack of economic analysis as a whole, and econometric analysis of the macro-economic behaviour of host country economies in particular, are major shortcomings in current policy making.

5. Conclusions

Conflict and displacement create new economic typologies (Collinson 2003:7), and produce complex distortions to the functioning of an economy - impacts, costs, benefits and opportunities for the countries and the communities that host displaced people,

and for the displaced themselves. Humanitarian crises produce economic winners and losers and the negative impacts that are most evident.

This paper has argued three reasons why a development-led paradigm should sit alongside the humanitarian paradigm in response to situations of mass population displacement. It has outlined the main components of such a paradigm.

In making this case, the paper has argued that giving far greater weight to development-led responses is an essential and sustainable way both to address the negative impacts of the presence of refugees and IDPs, and also to capture the opportunities and potential that transpire from seemingly harmful economic situations. The paper has indicated the increasing recognition given by intergovernmental actors and NGOs, and the significant progress that has been made in constructing a development-led paradigm. And it has outlined some of the situations and policy instruments where positive outcomes have been observed.

In as much as the paper has stressed the rationale for and the progress made in realising a development-led approach, it is equally useful in highlighting the significant gaps that exist in the evidence-base and in mobilising econometric analysis and development-led solutions. Clearly for such an approach to be effective requires:

- a comprehensive analytical framework of how an impacted economy is functioning, how the negative outcomes can be mitigated, how the disequilibria can be compensated for, and how the positive opportunities can best be managed by appropriate interventions and actors. These metrics are critical.
- mobilising economic development strategies and policies that mainstream displaced populations into national economic development plans and Poverty Reduction Strategy Papers (PRSP) and place them more centrally in policies that build self-reliance and their capacity as economic actors.



- enhancing programmatic tools and approaches that promote economic development for the host country and the engagement of displaced people in the host economy.
- reform of the international funding architecture in order to improve the synergy between humanitarian and development actors.

In highlighting the saliency of a development-led approach, two final observations are made. Advocating for development-led solutions runs the risk of reinforcing the dichotomy rather than synergy between humanitarian and development actors. Rather, the paper has suggested that while the two approaches often rely on different norms, precepts, mandates and operating procedures, the crucial point is that they must be mutually reinforcing. However, the singular focus on economic analysis, must not diminish recognition of the pre-eminent humanitarian concerns for protection and rights-based risks stemming from displacement. In this context, vulnerability analysis, reliance programming and self-reliance constitute an arena where humanitarian norms meet development agendas. For synergy to increase, humanitarian actors need to better engage with national and local government authorities and their development agendas; development actors must better mainstream the development needs and potential of the displaced into development strategies.

The political economy analysis which underpins this paper points to a second critical conclusion. The most profound challenge is for the countries that are hosting displaced populations. As we have seen in section one, whilst intergovernmental agencies, NGOs and the business sector have engaged and supported the momentum for development-led praxis, host governments are largely absent. Section two highlighted how positive development-led outcome are usually achieved despite, rather than with, the support of host governments. That these governments are largely hostile to the presence of refugees and IDPs and the economic potential they offer reflects the negative impacts and fiscal stress on the public sector, the inability to capture the benefits that the presence of displaced people can provide, and the lack of effective means to compensate for the severe disequilibrium effects. For these countries to make the most of the opportunities requires procedural, regulatory and legal reform to facilitate engagement of displaced populations in the economy. But to do this requires a fundamental shift in the way humanitarian and development actors engage with each other and, most importantly, by countries whose economies and people are most impacted by the presence of refugees and IDPs.

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DISPLACEMENT CRISES AS DEVELOPMENT OPPORTUNITIES

WORKING PAPER AND ANALYTICAL BACKGROUND

REFERENCES



ROUNDTABLE ON SOLUTIONS

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