Policy Research Working Paper 10727

Responsibility Sharing and the Economic Participation of Refugees in Chad

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WORLD BANK GROUP

Poverty and Equity Global Practice

March 2024

Policy Research Working Paper 10727

Abstract

The Global Compact on Refugees recognizes the impor- tance of responsibility sharing for hosting, protecting, and assisting refugees, while emphasizing the potential of eco- nomic participation to reduce the cost of humanitarian assistance. This note explores the relative importance of aid in caring for refugees hosted in Chad and the importance of the incomes earned by the refugees. It finds that the combination of aid and self-earned incomes falls far short of a minimum standard of living (the poverty line) as a consequence of which the vast majority of refugees lives in abject poverty. It is also finds that although refugees are hosted in camps with relatively few economic opportunities, self-generated income covers 54 percent of the poverty line and aid only 14 percent. As Chad has adopted a policy of refugee inclusion and dispersion, the note then explores how much these progressive policies might increase the income earning potential of refugees. This is found to be substantial. Economic participation policies are estimated to reduce refugee poverty from 88 to 50 percent (thus increasing the self-sufficiency of refugees dramatically), while increasing the incomes generated by poor refugees by more than 50 percent. The greatest participation benefits will be realized when refugees move to areas with more economic potential.

This paper is a product of the Poverty and Equity Global Practice. It is part of a larger effort by the World Bank to provide open access to its research and make a contribution to development policy discussions around the world. Policy Research Working Papers are also posted on the Web at The authors may be contacted at jhoogeveen@worldbank.org.

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JEL (F35; F29; J49; J61)

1. Introduction

Since the start of the conflict in Sudan in mid-April 2023, large numbers of civilians have been forced to flee. Hundreds of thousands of people have moved into neighboring countries, notably to the Central African Republic, Chad, the Arab Republic of Egypt, Ethiopia and South Sudan.

In response to the crisis in Sudan, Chad is demonstrating tremendous solidarity and generosity. An impoverished country itself, Chad now hosts more than 1.3 million refugees (almost 8 percent of its population) including, as of February 2024, some 550,000 recent arrivals from Sudan with the number expected to increase further. Yet, doing so also forces the authorities to make tough choices in balancing its support towards refugees and its responsibilities to its own citizens. The international community's response and support to Chad have been rapid and substantial, which has helped ease some of the immediate emergencies.

However, situations end up being protracted (Devictor and Do 2017), and after an initial period, international funding for the refugee response tends to decline. (To illustrate, this note finds that aid covers only 14 percent of the cost of subsistence of existing refugees from Sudan.)

In the face of these empirical realities and with limited prospects for a voluntary and safe return of refugees to Sudan, the question arises, what might be a sustainable approach to hosting refugees, and how could the Government of Chad and the international community bring it about? Increasing the financial autonomy of refugees to minimize reliance on humanitarian assistance seems critical. Not only does such a policy enhance the dignity and autonomy of refugees, it also creates savings in the amount of assistance needed thus frees up resources to invest in host communities and to unlock the productive potential of refugees.

Figure 1: Countries hosting refugees from Sudan

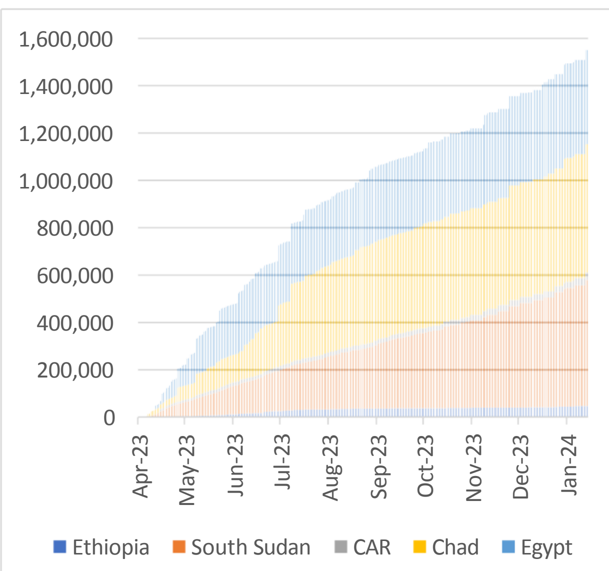
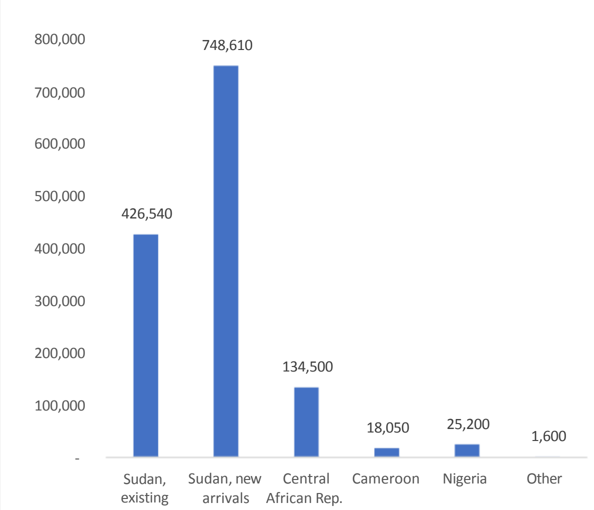


Figure 2: Stock of refugees in Chad



Source: UNHCR, February 2024.

The Government of Chad subscribes to this logic as evidenced by the application decree of Chad's Asylum Law signed in 2023,[1] and the National Response Plan to the Impact of the Sudanese Crisis which is under preparation. The Law and the Plan promote the local integration of refugees, aim to avoid settling refugees in permanent camps and promote self-sufficiency. They offer refugees the right to own land, to engage in formal employment and commercial activities, to move freely, and to access to banking services. While participation is the stated policy objective, the reality is that previous arrivals are almost exclusively living in camps, and that the new arrivals live in "organized sites" (as humanitarians now call them), presumably to cope with massive arrivals but with little concrete evidence for the onward movement of refugees.

This note explores the size of this four-way benefit (for refugees, hosts, the Chadian state and the international community) by estimating how much could be saved on aid for basic needs consumption by enabling refugees from Sudan to realize their economic potential.

For its empirical work the note draws primary on data from the ECOSIT4 survey.[2] In 2018–19, Chad became one of the first countries in Africa to capture refugees and host communities in its national household survey. The Refugees and Host Communities Household Survey expanded the national Household Consumption and Informal Sector Survey to include a representative sample of refugees and host communities, including Sudanese and host communities located in the east of the country.

The remainder of this note is organized as follows. Section 2 presents a short discussion of the literature on the economic participation of refugees. Section 3 compares the characteristics of newly arrived refugees from Sudan with previous arrivals for whom survey data is available, to find that both groups are highly comparable. Section 4 uses the existing data to explore how the basic needs refugees are covered from own-income. Sections 5 and 6 dig deeper by exploring econometrically the correlates of higher incomes of refugees. A discussion of the results and their policy implications follows in section 7, after which section 8 concludes.

1. Benefits of economic participation of refugees

Whether or not the arrival of Sudanese refugees in Chad contributes to economic growth is of limited immediate relevance as concerns about the safety of fellow humans drive the response. Nor does any decision maker suggest that hosting refugees is a development strategy Chad should pursue. But, given the presence of thousands of refugees in the country, the constrained fiscal space the authorities face, and the likelihood that international assistance for refugees will taper in the future, an imminent policy question is how to ensure that refugees can be hosted in a sustainable manner, without becoming a fiscal burden in the future.

The fear that refugees are (or might become) a fiscal burden is driven by a broadly held perspective about forcibly displaced persons in general, and refugees in particular, namely that they are humanitarian subjects, vulnerable and worthy of public assistance (Betts and Collier 2017). This perspective is not universal, however. The economic contributions of refugees have been extolled for years, from posters

[1]

[2] Enquête sur la Consommation des ménages et le Secteur Informel au Tchad. The survey was carried out jointly with the National Statistics Office (Institut national de la statistique, des études économiques et démographiques, INSEED) and the UNHCR in Chad.

reminding people that Albert Einstein was a refugee to campaigns calling on governments to allow refugees to work (Crawly 2017). Indeed, research on Syrian refugees who arrived in Europe from 2015 onwards by Aiyar et al. (2016) shows how their arrival led to modest increases in GDP growth in the short run. This growth, however, was mostly due to additional fiscal spending. The impact on medium and long-term growth is found to depend on how refugees are integrated in the labor market.

There are lessons to be learned from this European experience for Chad. Like in Europe it is plausible that the arrival of many new refugees and the associated inflows of donor resources increase economic growth in the short run. The long run impact is more uncertain, however, and depends on policy choices on how to treat refugees.[3] Considering refugees less as passive recipients of aid, and more as untapped resources that can economically contribute brings self-evident advantages. After all, refugee labor, skills and ingenuity are a resource which is better to be tapped than allowed to go to waste. It is preferable not to spend fiscal resources on food assistance and shelter when this can be avoided by allowing refugees to fend for themselves.

Participation of refugees in the economy reduces the need for humanitarian assistance but creates frictions too. Particularly when refugees compete for scarce resources such as food, land or jobs, decision makers may be hesitant to promote the economic participation of refugees.[4] Frictions arise when there is a zero-sum situation, meaning that more for one party implies less for the other. Such tensions are more likely when the refugee population is clustered in a small geographic area with limited resources and opportunities available. They also arise when there are winners, such as employers who profit from the supply of cheap labor and increase in demand, and losers such as unskilled labor which now has to compete with refugees for jobs. But economies are not zero-sum environments, especially not in the long run, and with the right policies the new human resources will add to the economy.

This is not to deny that when the economy adjusts to the shock of the arrival of many refugees, or when certain sub-populations are negatively affected, flashpoints arise which can easily lead to social tensions and possibly even undermine support for inclusive refugee hosting policies. Indeed, high food prices have been reported as among the main welfare shocks hosts and refugees face in Chad (World Bank 2021) and increased demand for food from newly arrived refugees poses a welfare risk to net buyers of food – typically the poorer households. But with the right policy response --World Bank (2021) proposes a gradual shift from in-kind food assistance to cash assistance -- greater local demand for food will stimulate agricultural production, enrich local farmers and thicken the market for food. Additional land can be brought under cultivation; new jobs can be created.

[3] Analysis by Engler et al. (2023) of refugee flows into emerging and developing countries, by contrast, does not find evidence of positive economic growth effects on the host country. While migrant labor to advanced economies features important complementarities with that of the native-born population (Alesina, Harnoss and Rapoport, 2016), refugees are typically different from "economic" migrants as they have little time or opportunity to best select their destination country. Their choice to migrate is driven by factors such as the risk of physical harm and vulnerability to persecution (Brell, Dustmann, and Preston 2020). When the match is strong and migrants' skills and attributes meet the needs of their destination country, the benefits can be significant (World Bank 2023). When this is not the case, the benefits disappear as Engler and colleagues suggest.

[4] The economic impact of refugee presence is often intertwined with the impact that the conflict in the country of origin is having on host communities by disrupting the country's supply chain and the flows of remittances, as is currently the case in Eastern Chad, which can exacerbate resentment towards refugees.

It is does not surprise, therefore, that the empirical literature finds a range of positive and negative effects associated with the inflow of refugees (Becker and Ferrara, 2019; Verme and Schuettler, 2021), but much depends on the policy response. Camps, once created, are rarely temporary and tend to trap refugees in humanitarian dependency. When many refugees are hosted in the same location, the impact on the local economy will be greater. When, instead, refugees are free to move and settle, not only are the effects spread spatially, but also the possibility of a productive match with refugee skills and preferences increases.[5]

If friction dissipates with time as the economy adjusts, it would be preferable to incur it early during a refugee emergency, when international resources are still relatively ample. Aware of the fact that most refugee crises are protracted, pro-active decision makers embrace economic participation early. Planning for economic participation covers many aspects, which can be summarized under three broad headings: *rights*: will refugees be given the same legal rights as citizens with respect to work, mobility, ownership and access to services; *protection* how are refugees who are particularly vulnerable protected –legal protections but also the assurance of personal security and a minimum standard of living; and *productivity*: what can be done to restore the productive capacity of people who lost most of their productive assets (physical, financial, but also social capital) when fleeing their country (Krishnan et al., 2020; Ibanez and Moya, 2010; World Bank, 2019). Beyond these refugee-focused priorities, economic participation is more likely to succeed if it is part of a broader policy to boost the economy in receiving areas at large and to better connect these areas with economic nodes. This is particularly critical in countries where refugees are hosted in remote border regions that are far or disconnected from centers of economic activity.

There is much to learn on this from the empirical literature, including from the region. Uganda's regulatory framework with respect to refugees for instance, has been found to lead to greater mobility, higher incomes, and more sustainable sources of employment (Betts et al. 2019). Uganda's land allocation model, in which refugees are offered a small piece of land to farm, is successful in that it leads to better food security outcomes. At the same time, the plots of land tend to be too small, or of too low quality to allow for full socio-economic autonomy. Refugees who have moved to cities do better economically, but also lose access to assistance programs.[6] Evidence from the Kalobeyei settlement in Kenya, which experimented with promoting refugee self-reliance in a camp located in a remote border area shows that refugee-autonomy increases while dependency on aid remains as jobs are created in shops accepting cash-based food assistance, or in NGO programs. Yet garden plots improved dietary diversity, and cash-for-shelter does stimulate the market for construction.

Living in camps is associated with higher inactivity in Türkiye (Kayaoglu and Erdogan, 2019) and greater aid dependency (Betts 2021); in Jordan refugees living in camps are also found to be more dependent on aid and to earn less than refugees who live in host communities (Hoogeveen and Obi 2024). Providing Venezuelans with a legal resident status increased their consumption and income and decreased their

[5] Results for policies to disperse populations of refugees geographically within high-income countries consistently show that not allowing refugees freedom of movement and settlement has negative impacts on their economic outcomes (Aksoy et al.,2020; Azlor et al., 2020; Fasani et al., 2022; Marten et al., 2019; Edin et al., 2003).

[6] Betts, Alexander, Imane Chaara Naohiko Omata Olivier Sterck. 2019. Refugee Economies in Uganda: Alexander Betts Imane Chaara Naohiko Omata Olivier Sterck What Difference Does the Self-Reliance Model Make? (Oxford: RSC).

food insecurity compared to those residing irregularly in Colombia (Ibanez et al., 2022). In Uganda the right to move and do business lowered transaction costs for economic activity by protecting refugees from extortion (Betts 2021). Social transfers can compensate at least in part for the loss of assets and income (Quattrochi et al., 2019). They allow households to cover their basic needs, invest in education and health, reduce child labor, and lift financial constraints that prevent them from searching for higher-quality jobs and taking more risks; they can foster social integration if administered correctly (Aygun et al., 2021; Caria et al., 2020; Chaaban et al., 2020; Lehmann and Masterson, 2014).

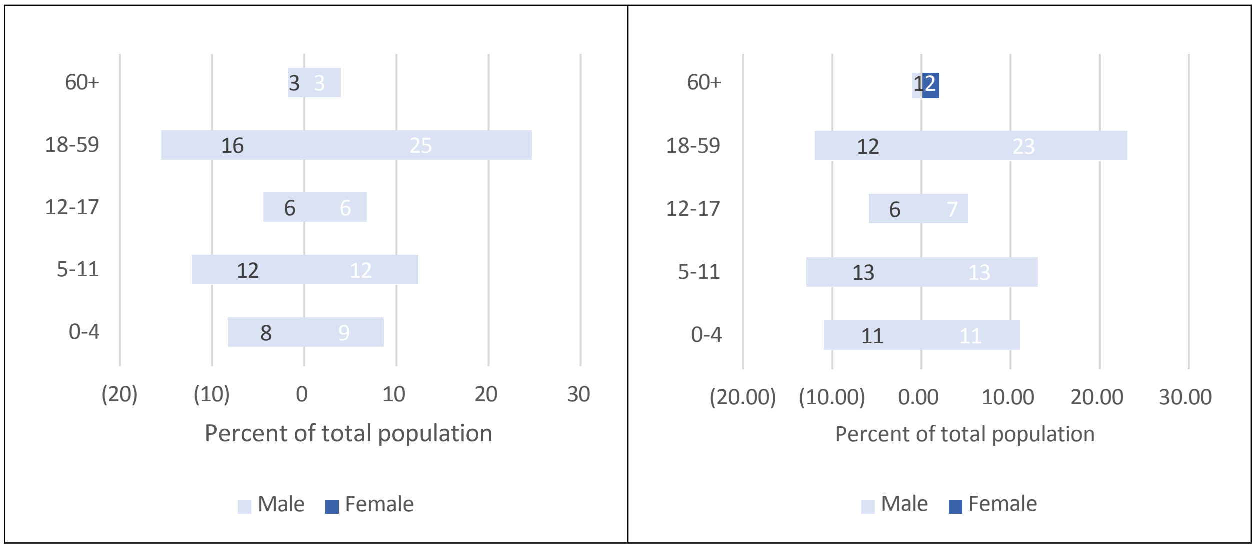
With the right policies and support from the international community, hosting refugees and enabling their financial autonomy is more likely to become a boon and less likely a fiscal burden. The objective of the remainder of this paper is to explore how this can be realized. The approach taken is to identify how much allowing refugees to work saves on assistance for basic needs under various scenarios of economic participation. These savings are not only substantial; they are also permanent and can benefit all parties involved. As such they can become the catalyst needed to align interests around the shared objective of refugee participation.

How might this work? In the short run during the initial phase of the crisis, international agencies are expected to finance the burden of assistance to refugees, while it is upon the Government of Chad to allow refugees the right to work. When their stay extends and refugees start to earn some income, their earnings make it feasible to reduce the amount of aid needed for consumption support. These savings, it is argued, should be used to invest in host communities to address any short-term frictions that may have arisen. And they should be used to accelerate the restoration of the productive potential of refugees, thus laying the foundation for even greater savings in the future. In the medium term, when the economy has adapted and frictions have dissipated and when refugees have become financially more autonomous, international agencies can reduce their financial support and align it with the remaining needs.

2. Comparing new and old refugees from Sudan

There exists limited information about recently arrived refugees in Chad, and the available data only pertains to those who registered with UNHCR. Based on what is known it seems safe to conclude that the characteristics of refugees who recently registered do not vary much from those already present in Chad. The age and gender pyramids are broadly similar. Both cohorts of Sudanese refugees have a surplus of women and children: women make up 56 percent of the recent arrivals, almost identical to the 55 percent among existing refugees. Children under 18 represent the majority of refugees, comprising 61 percent among the recent arrivals, and 53 percent for existing refugees. The fraction of people of working age, those between 18 and 59, makes up 41 percent among existing refugees and even less, 35 percent, among recent arrivals. Consequently, the dependence ratio is high: 2.7 dependents for every person of working age among the existing refugees and 3.2 among recent arrivals.

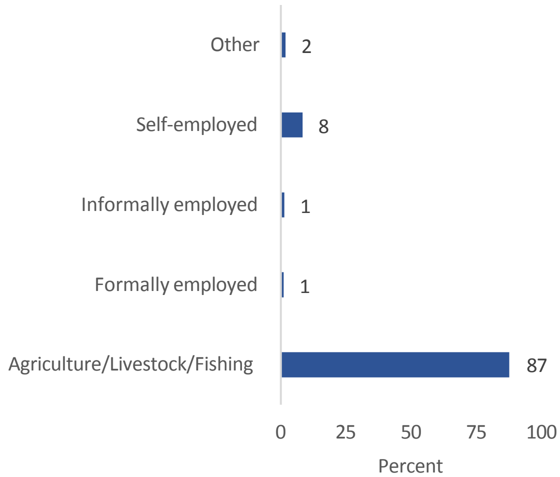
Figure 3: Age and Gender Pyramid of existing refugees	**Figure 4: Age and Gender Pyramid of newly arrived refugees**



Source: World Bank 2021; UNHCR December 2023

With respect to the sector of employment, recently arrived refugees from Sudan and those who already resided in Chad are broadly comparable too. Though categorizations differ between those included in the ECOSIT IV survey and those included in the ongoing UNHCR registration process, it is evident that the vast majority is engaged in the primary occupation of agriculture, livestock rearing or fishing. Of the existing refugees, 92 percent indicated to have this as their sector of occupation, against 87 percent of the newly registered refugees.

Figure 5: Sector of employment prior to arrival in Chad of newly registered refugees



Source: UNHCR December 2023.

In view of the likeness of recently arrived refugees and those who have stayed in Chad longer, the remainder of this paper extends the description of Sudanese refugees staying in Chad as captured by the ECOSIT IV survey, with a particular focus on differences between better and worse off refugee households.

3. Poverty, refugee income and assistance

When analyzing the potential fiscal burden refugees might present, poverty measurement takes on particular relevance, for at least three reasons.

First, the poverty line, the yardstick against which consumption is compared to determine whether a person is poor, presents an objective standard for the minimum level of consumption needed to assure a dignified life. In a global context, the International Poverty Line is used to cost Global Basic Needs (World Bank and UNHCR 2024). As this note focuses on Chad, the national poverty line of FCFA 684 per refugee per day is used as benchmark.[7]

Second, a straightforward way to estimate income earned by poor refugees is by deducting the (pre-assistance) poverty gap[8] from the poverty line. This difference reflects the average amount poor households consume net of humanitarian assistance and is a good proxy for the income earned by poor

[7] Typically, poverty lines consist of two parts. The first part covers a food allowance needed for adequate nutrition based on a minimum caloric intake (2,400 calories in Chad) using a locally relevant basket of goods. The second part covers a non-food allowance reflecting the cost of essential non-food items such as clothing, shelter and private expenses on health and education (Ravallion 1998). Those individuals who consume less than the poverty line are considered poor.

[8] The poverty gap is calculated as $g = (\frac{1}{N}) \sum_{i=1}^{H} (z - y_i)$ where *N* is the total population, *H* is the total population of poor refugees (who are living at or below the poverty line *z*) and y_i the consumption of the poor individual *i*.