

## WHEN THE POOR WELCOME THE PERSECUTED

Recognizing the economic potential of refugee reception in low-income host countries

*Author: Ada Sophia Hahn*

### **Abstract**

While a ‘burden narrative’ dominates the popular and political discourse regarding the economic impact of refugees, scholars increasingly recognize their economic potential. One such scholar is economist Philippe Legrain who argues that welcoming refugees constitutes “a humanitarian investment that yields economic dividends” (Legrain, 2016, p.1). This paper investigates the validity of such claim in the context of low-income host countries via a comparative analysis of Tanzania and Uganda. The hypotheses derived of Legrain’s work confirm that low-income countries benefit economically as refugees improve market conditions by spurring demand, trade, and entrepreneurialism. Certain policies can strengthen such potential if prioritizing the right to work, freedom of movement and assistance programs encouraging entrepreneurialism. Doing so allows refugees and hosts to mutually benefit rather than to compete for economic opportunities.

## **1. Introduction**

### **1.1 Introduction**

Of the 26.3 million refugees worldwide, 86 percent are hosted by low- and middle-income countries (UNHCR, 2020a). Within popular and political discourse, the common understanding persists that refugees constitute an economic burden to host societies highlighting why refugee reception in poorer countries is considered particularly troubling (Steinbach, 2019). This understanding is incorporated in various policies such

as the idea of global burden-sharing originating with the 1951 Refugee Convention (Inder, 2018; Newland, 2011). In contrast to this ‘burden narrative’, some scholars increasingly recognize the economic potential of refugees. The economist Philippe Legrain (2016) stands out arguing that – in high-income countries (HICs) – receiving refugees can function as a “humanitarian investment that yields economic dividends” (Legrain, 2016, p. 1). While he makes an important case, only 14 percent of the global refugee population resides in HICs, while the overwhelming majority finds refuge in economically poorer countries (UNHCR, 2014). Thus, this paper investigates the important dynamic between the economic lives of refugees and their low-income host countries, examining whether Legrain’s claim holds true in the context of low-income countries (LICs). This research paper asks: Do low-income host countries benefit economically from the reception of refugees and, if so, in what ways?

This question is answered by testing four hypotheses that were derived from Legrain’s (2016) thesis as the conceptual framework. The comparative research design, moreover, allows for a discussion of favourable policy conditions as the two countries under analysis, Tanzania and Uganda, practice different policies regarding the reception of refugees. Investigating the dynamic between refugee reception and their economic impact is socially and academically relevant. First, LICs are characterized by structural socio-economic impediments such as high unemployment and scarce public resources (Steinbach, 2019). When such countries receive high numbers of refugees, it comes with the risk that hosts are unable to provide newcomers with an adequate standard of living while locals must compete for scarce resources and employment opportunities. Second, Legrain’s work shows that research regarding forced migration generally and its economic impact specifically is disproportionately conducted in HICs. This article thus provides insights into the yet understudied LIC context through an interdisciplinary lens offering a combination of economic and humanitarian perspectives on the topic. The findings ultimately confirm that LIC hosts can benefit economically from the refugee presence primarily due to a positive effect on demand, trade, and entrepreneurialism. Such economic potential is strengthened through governance which grants the right to work and freedom of movement and overall fosters refugee self-reliance and entrepreneurialism.

## 1.2 Key concepts

The meaning of three terms central to the research question are clarified in the following. First, ‘refugees’ are defined as persons who reside outside their country of nationality due to a well-founded fear of persecution as per the 1951 Refugee Convention (UNHCR, 2020b). Thus, this research conceptualizes refugees as distinct from other migrants such as internally displaced persons and asylum seekers (Amnesty International, 2020). This is because refugees face challenges and opportunities during their economic integration that are unique to those of other migrants. Second, the term ‘low-income countries’ (LICs) refers to one of four categories used by the World Bank to describe the economic wealth and development of states (Steinbach, 2019). Being the lowest, a LIC classification entails a per capita gross national income (GNI) lower than \$1025 per year (World Bank, 2019). The countries analysed in this research, Uganda and Tanzania,<sup>1</sup> both classify as LICs and are contrasted with HICs, so-called high-income countries (Steinbach, 2019). Third, ‘economic benefits’ refer to tangible transformations within the economic development of the host country. On the macroeconomic level, this includes an increase in the growth rates of the gross domestic product (GDP) and the GNI. On the meso- and micro-level, it includes positive changes in magnitude of trade, consumption, the wealth of certain citizens, usage of labour, change in costs of certain goods, and overall participation in the market. These effects are further operationalized within the hypotheses and coding framework used for the analysis (section 3.2).

## 2. Literature review

### 2.1 State of the literature

While the developmental effects of labour migration are well studied, less is known about the economic impact of forced migration on host countries, particularly LIC hosts (Khoudour & Andersson, 2017). Nevertheless, refugees are increasingly recognized in their active roles as “consumers, producers, buyers, sellers, borrowers, lenders and

---

<sup>1</sup> In the most recent World Bank Global Economic Prospects Report 2020, Tanzania transitioned in its status from LIC to LMIC due to an increase in its GNI (World Bank, 2020a). However, as the Tanzania country studies used in this research only cover the time frame 2002-2014, LIC remains the appropriate category.

entrepreneurs” (Betts & Collier, 2017, p. 154) beyond their frequent portrayal as passive persons in need of protection.

Generally, the literature agrees that hosting refugees simultaneously produces costs and benefits. One of the earliest economic analyses, offered by Adelman and Sorenson (1994), highlights that benefits outnumber costs when hosts and aid agencies favour refugee self-sufficiency and participation in the productive sector over mere social services. Refugee governance which involved refugees in decision- and policy-making schemes generally proved fruitful while systems which fostered dependence and paternalism created negative developmental effects. Ultimately, it was concluded that economic benefits are created by entrepreneurial empowerment and deterred by passive reception of aid (Adelman & Sorenson, 1994). Moreover, Omata and Weaver (2015) problematize the highly contextualized and short-term nature of the majority of economic impact assessments in the field which impedes holistic claims – a limitation which is addressed through the multi-study, comparative nature of this paper. Moreover, Omata and Weaver’s work highlights that micro- and meso-economic impacts are often distributed unequally across the local population. Similarly, Chambers (1986) affirmed that relatively poor locals face higher risks of bearing the costs whereas wealthier ones such as landowners might benefit more easily from refugee populations.

## 2.2 Conceptual framework: Legrain’s thesis

Within the literature, Legrain’s (2016) thesis stands out arguing that the reception of refugees in HICs creates eight dividends which, considered together, explain how refugees function as a “humanitarian investment that yields economic dividends” (p. 1). Specifically, he argues that refugee reception yields these economic dividends under two conditions. For one, if the host makes an initial investment that re-allocates public funds to refugees and, two, allows refugees to join the local workforce (Legrain, 2016). If these conditions are met, eight dividends bring about economic benefits.

First, Legrain (2016) explains that refugees create a *demand dividend* due to stimulated consumption which triggers a supply and investment response in various sectors. Second, refugees are more likely than locals to take on employment that is “dirty, difficult, relatively dangerous, and dull” (p. 4) creating a so-called *4D-dividend* which frees locals to take on higher-skilled and better-paid labour. Similarly, higher-skilled

refugees can bring about a third *deftness dividend* which occurs when refugees' skills are complementary to those of the local workforce. In Germany, for instance, labour shortages persist in the healthcare and STEM sectors which refugees have successfully filled in the past. Fourth, a *dynamism dividend* results from the circumstance that refugees are more likely to be entrepreneurial and stir international trade. Such makes the host economy more dynamic and adaptable and boost overall trade and investments. Legrain explains a fifth *diversity dividend* to be the result of refugees' unique perspectives and experiences which have shown to disproportionately foster patenting and innovation. Sixth, a *demographic dividend* occurs as ageing societies benefit from the reception of younger working-age refugee populations. Seventh, refugees are net contributors to their hosts' public finances through for instance taxes, creating a *debt dividend* which allows the host to spread the burden of debt-paying over a larger population (Le grain, 2016). While Legrain (2020) also conceptualized an eighth *development dividend* which is created through refugee remittances, this is beyond the interest of this paper as it addresses the impact on the origin country not the host.

Le grain (2016) furthermore explains that refugees' ability to contribute economically depends not only on their own socioeconomic characteristics but also on the host's policy attitudes towards refugees. While a degree of refugee autonomy is crucial particularly in access to and flexibility within the labour market, successful contribution also requires some form of social assistance at minimum in the form of an 'initial investment' which helps refugees to fulfil basic needs such as housing, food, and language training upon arrival (Le grain, 2020). Similar to what other scholars argue (e.g., Adelman & Sorenson, 1994), Legrain (2020) thus emphasizes that a balance needs to be struck between assistance and autonomy. Too much assistance can create dependency while too much autonomy runs the risk of leaving refugees to fend for themselves entirely. Although Legrain (2020) establishes these clear-cut arguments about the economic impact of refugees, they are limited to HIC hosts. Accordingly, the subsequent section discusses the specific socioeconomic characteristics of LICs generally and Tanzania and Uganda specifically to formulate a set of hypotheses regarding the applicability of these dividends to the low-income context.

### 2.3 The socioeconomics of LICs

Two general observations are made regarding the socioeconomics of LICs: First, the populations of LICs tend to be younger and have higher fertility rates than those of HICs (Lee & Mason, 2012). This is important as what Legrain (2016) calls the demographic dividend, results from an imbalance between working-age citizens in relation to care-dependent citizens such as children and elderly. The demographics in LICs, however, look very different with an average fertility rate of 4.9 children opposed to an average of 1.7 in HICs (UNDESA, 2015). Consequently, there is no demographic imbalance which refugees could address. Second, refugee reception in LICs is different from that in HICs through the large-scale financial and organizational involvement of international organizations (IOs). These IOs give aid to hosts which takes the form of services as well as cash or in-kind assistance for refugees (Miller, 2018). This has three effects. For one, new employment is created relating to the reception of refugees, often funded by the IOs, and exercised by locals. Secondly, the IO-provided financial or in-kind resources are used as a basis for trade or consumption and increase demand in local markets. Thirdly, the presence of IOs translates into investment in infrastructures surrounding camps for example by improving road access between camps and cities (Miller, 2018).

Like other LICs, Tanzania and Uganda coincide regarding their main economic sectors. Accordingly, agriculture accounts for an important part of the economy: 29% of the GDP and 65% of the labour force within Tanzania (Deloitte, 2017) and 24 % of the GDP and 70% of the labour force in Uganda (Plecher, 2020; World Bank, 2020b). Moreover, many of these agricultural labourers work on a subsistence basis, i.e. without generating surplus farming goods (Deloitte, 2017). Other important contributors to economic growth are industrialization and manufacturing, service provision and private consumption (Deloitte, 2017; Plecher, 2020).

Regarding the governance of refugees, Tanzania and Uganda differ significantly. Tanzania's refugee population stems primarily from a sudden, large-scale influx of roughly 250,000 Burundian refugees in 1993 and an additional 250,000 Rwandans in 1994 due to the civil conflicts in both countries (Chaulia, 2003). This sudden influx also transformed Tanzania's hosting approach from an Open-Door-policy prior to the 1990s to more restrictive policies (Chaulia, 2003). The Refugees Act of 1998 reaffirmed this

tendency obliging refugees to reside solely in ‘designated areas’ and discouraged participation in economic activities outside of camps (UNHCR, 2005). While Tanzania formally grants a right to work, refugees must apply for permits which in practice proves difficult. Despite the de-facto restrictions on movement, refugees participate in various informal economic activities outside the camps, mainly in agriculture and on subsistence basis (UNHCR, 2005). In contrast, Uganda practices a unique hosting approach centred in the Self-Reliance Strategy (SRS) making the country stand out among hosts globally. The SRS provides for a system of land distribution among refugees, freedom of movement and the right to work (Kaiser, 2005). The SRS provides that registered refugees have access to land in designated settlements for the purpose of both homestead and agriculture (UNHCR Kampala, 2004). While refugees are permitted to reside in cities, they can only seek housing and most humanitarian services if they are registered in a formal camp (Kaiser, 2005). This stark contrast in refugee governance renders Tanzania and Uganda appropriate case studies for a comparative analysis of the economic impact on LICs.

## 2.4 Hypotheses

Considering the background information offered above, two of Legrain’s (2016) dividends can be ruled out entirely. First, the demographic dividend is unlikely to be represented since LICs have younger populations and do not have to cope with the same problems as aging societies. Second, a substantial portion of local and refugee employment in both Tanzania and Uganda occurs in the informal sector or on a subsistence basis. Hence, the occurrence of a debt dividend is unlikely as refugees do not necessarily increase the tax-paying population. Regarding the remaining dividends, the following four positive impacts are hypothesized.

First, *the presence of refugees stimulates demand within local markets and refugee networks (H1)*. Similar to Legrain’s (2016) ‘initial investment’, refugees in LICs are provided with either cash or in-kind aid via IOs or the government. In line with the idea of a demand and dynamism dividend, these resources are thus hypothesized to spur demand of locally produced goods and services. The fact that private consumption is an important economic contributor in LICs (Deloitte, 2017) further underlines the likelihood of such effect.

Secondly, *refugees engage in entrepreneurialism (H2)*. This hypothesis stems from Legrain's (2016) remarks on refugees' dynamism and diversity according to which they tend to be more innovative compared to locals and diversify economies. Accordingly, refugees' diversity – i.e., their unique experiences and knowledge - can foster innovation in the business sector, for instance, by recognizing market gaps through familiarity with their home economy. Similarly, refugees are dynamic economic agents, thus, more likely to initiate trade and investments in host communities. Policies such as the SRS directly incentivizes refugees to become entrepreneurial. Two forms of entrepreneurialism can be distinguished: one is refugee self-employment describing work that only sustains the worker themselves (such as subsistence farming) and refugee-led businesses, describing innovative work creating additional employment.

Third, *the presence of refugees improves the employment prospects of locals and the overall labour market (H3)*. Picking up Legrain's (2016) 4D- and deftness dividend, it is hypothesized that refugees have a positive effect on the local labour market. As refugees are likely to take on low-skilled, 4D-employment, locals are freed to take on higher-skilled labour, thus, increasing occupational mobility. In addition, refugees can add 'deftness' to the labour market if their skill set is unique from and complementary to that of locals. Lastly, the labour market is likely to benefit from the overall need for additional services relating to refugee reception (e.g., construction of camps).

And fourth, *the presence of refugees translates into improvement of and investment in local infrastructures (H4)*. It is thus hypothesized that economic benefits reach the local community when the host government or IOs invest in local infrastructures in the context of refugee governance. This can occur by improving road access between camps and neighbouring cities, to create accommodation for humanitarian staff or through investments in the health sector enabling it to better cope with a higher number of patients.

### **3. Methodology**

#### **3.1. Data collection**

Testing the validity of these hypotheses occurred based on eleven country studies, i.e. scholarly works which assess the economic impact of refugees on any of the two



respective LICs. All country studies have been selected systematically through a thorough search of relevant academic journals and Google Scholar. Relating thereto, the researcher followed the recommended steps laid out by Gray (2014) for shaping the selection of secondary data in qualitative research via parameters. These parameters constituted key words within the research question and relevant synonyms thereof (e.g., “refugees” and “forced migrant”). The search was complemented via a snowball approach reviewing the bibliographies of selected articles that appeared particularly relevant. The choice to work with Tanzania and Uganda as the countries of analysis was made as most country studies generated by the search were conducted in these two countries. All country studies retrieved from the search were, thus, included in the analysis. Moreover, forced migration literature recommends that future research on this topic focuses on a comparative analysis of different governing systems (i.e., open versus restrictive) which applies to Tanzania and Uganda (Betts, Bloom, Kaplan, & Omata, 2014).

All eleven countries studies have been allocated a working number which has been used throughout the analysis. The five Tanzania country studies are the following: Art. 1 refers to Alix-Garcia and Saah (2009), Art. 2 to Landau (2004), Art. 3 to a study by Maystadt and Verwimp (2014), Art. 4 by Maystadt and Duranton (2018) and Art. 5 is the work of Whitaker (2002). Six Uganda country studies were analysed: Art. 6 is a research article by Betts et al. (2014), Art. 7 by Betts, Chaara, Omata, and Sterck (2019), Art. 8 refers to Betts, Omata, and Bloom (2017), Art. 9 to Bjørkhaug (2020), Art. 10 to Kreibaum (2016), and lastly, Taylor et al. (2016) refers to Art. 11.

### **3.2. Data analysis**

As means of data analysis, a comparative case study analysis was conducted working with hypothesis-testing and a coding framework. A comparative analysis of secondary data is preferable for research aiming to produce generalizable findings regarding a certain dynamic while paying particular attention to the specific conditions of success (Goodrick, 2014). Such is the case for this research as it investigates the positive economic impact of refugee reception within LICs, asking not only for confirmation of such impact but moreover for the conditions of success. Utilizing secondary data for this

research is moreover cost- and time-efficient and entails a degree of detachment from the data which allows for greater objectivity in the analysis (Gray, 2014).

Specifically, a coding framework was used to test the hypotheses via the country studies. A 'code' here refers to a label that is attached to a given piece of data within these studies assigning symbolic meaning to the information contained (Elliott, 2018). The development of the coding framework followed the rough guidelines set out by Creswell (2018) and Elliott (2018), according to which the codes were predetermined in line with the purpose of hypothesis-testing. Thus, each of the four hypotheses was cut down into smaller components allowing for a systematic and straightforward analysis of the country studies - an overview of which is offered in table 1 below. Accordingly, each code offers evidence which either supports or undermines the confirmation of the hypothesis in question. The country studies were then systematically analysed and all evidence relevant for hypothesis-testing recorded, the results of which are listed in table 2 and 3.

Hypothesis	Codes
H1: The presence of refugees stimulates demand within local markets and refugee networks.	<ul style="list-style-type: none"> <li>• Evidence of stimulated consumption within local markets</li> <li>• Evidence of depressed consumption within local markets</li> <li>• Evidence of locals consuming goods within refugee networks</li> </ul>
H2: Refugees engage in entrepreneurialism.	<ul style="list-style-type: none"> <li>• Evidence of increased trade within local markets</li> <li>• Evidence of decreased trade within local markets</li> <li>• Evidence of trade within refugee networks</li> <li>• Evidence of no trade within refugee networks</li> <li>• Evidence of refugees engaged in international trade</li> <li>• Evidence of refugee self-employment</li> <li>• Evidence of refugee-led businesses</li> </ul>
H3: The presence of refugees improves the	<ul style="list-style-type: none"> <li>• Evidence of additional employment opportunities for locals</li> <li>• Evidence of fewer employment opportunities for locals</li> </ul>

employment prospects of locals and the overall labour market.	<ul style="list-style-type: none"> <li>• Evidence of refugees engaging in 4D-employment</li> <li>• Evidence of increased local occupational mobility</li> <li>• Evidence of decreased local occupational mobility</li> <li>• Evidence of refugee skill complementarity (deftness)</li> <li>• Evidence of refugee skill competitiveness (no deftness)</li> </ul>
H4: The presence of refugees translates into improvement of and investment in local infrastructures.	<ul style="list-style-type: none"> <li>• Evidence of improvement of local infrastructure</li> <li>• Evidence of deterioration of local infrastructure</li> <li>• Evidence of IO investment in local infrastructure</li> <li>• Evidence of increased government investment in local infrastructure</li> <li>• Evidence of decreased government investment in local infrastructure</li> </ul>

Table 1: Coding framework (own illustration)

### 3.3. Findings

The following two illustrations offer a tabulated overview of the results of the coding process. Table 2 describes the findings for the Tanzania country studies and table 3 the findings for the Uganda country studies.

Country study	Research background	Relevant codes
Art. 1	<ul style="list-style-type: none"> <li>• Country: Tanzania</li> <li>• Research focus: the impact of refugees on prices in nearby markets</li> <li>• Populations: Burundian and Rwandese refugees hosted in the Ngara (Kagera) and Kibondo (Kigoma) districts</li> <li>• Research period: 1993-94</li> </ul>	<ul style="list-style-type: none"> <li>• Evidence of stimulated consumption within local markets (H1)</li> <li>• Evidence of refugee self-employment (H2)</li> </ul>
Art. 2	<ul style="list-style-type: none"> <li>• Country: Tanzania</li> </ul>	<ul style="list-style-type: none"> <li>• Evidence of stimulated consumption within local markets (H1)</li> </ul>

	<ul style="list-style-type: none"> <li>• Research focus: the impact of the humanitarian influx (i.e., refugees and aid) and whether it engendered a significant economic transformation of local markets</li> <li>• Populations: Burundian and DRC refugees in the Kasulu (Kigoma) district</li> <li>• Research period: 1999-2000</li> </ul>	<ul style="list-style-type: none"> <li>• Evidence of increased trade within local markets (H2)</li> <li>• Evidence of trade within refugee networks (H2)</li> <li>• Evidence of additional employment opportunities for locals (H3)</li> <li>• Evidence of refugees engaging in 4D-employment (H3)</li> <li>• Evidence of increased local occupational mobility (H3)</li> <li>• Evidence of improved infrastructure (H4)</li> </ul>
<b>Art. 3</b>	<ul style="list-style-type: none"> <li>• Country: Tanzania</li> <li>• Research focus: the differentiated impact of the refugee influx on the welfare of the local population via their occupations</li> <li>• Populations: Burundian and Rwandese refugees hosted in Kagera</li> <li>• Research period: 1991-1994 &amp; 2004</li> </ul>	<ul style="list-style-type: none"> <li>• Evidence of stimulated consumption within local markets (H1)</li> <li>• Evidence of increased trade within local markets (H2)</li> <li>• Evidence of trade within refugee networks (H2)</li> <li>• Evidence of refugees engaged in international trade (H2)</li> <li>• Evidence of refugee self-employment (H2)</li> <li>• Evidence of additional employment opportunities for locals (H3)</li> <li>• Evidence of increased local occupational mobility (H3)</li> <li>• Evidence of IO investment in local infrastructure (H4)</li> </ul>
<b>Art. 4</b>	<ul style="list-style-type: none"> <li>• Country: Tanzania</li> <li>• Research focus: the long-term welfare effects of temporary refugee inflows to Tanzania investigating various channels of transmission</li> <li>• Populations: Burundian and Rwandese refugees hosted in Kagera</li> <li>• Research period: 1993-1994, 2004 &amp; 2010</li> </ul>	<ul style="list-style-type: none"> <li>• Evidence of stimulated consumption within local markets (H1)</li> <li>• Evidence of additional employment opportunities for locals (H3)</li> <li>• Evidence of improved infrastructure (H4)</li> <li>• Evidence of IO investment in local infrastructure (H4)</li> <li>• Evidence of increased government investment in local infrastructure (H4)</li> </ul>

<b>Art. 5</b>	<ul style="list-style-type: none"> <li>• Country: Tanzania</li> <li>• Research focus: variations in the benefit and cost distribution of refugee influxes along dimensions of class, gender, sector, and region</li> <li>• Populations: Rwandese, Burundian, and DRC refugees hosted in the districts Karagwe, Ngara, Kibondo, and Kasulu (Kigoma)</li> <li>• Research period: 1996-1998</li> </ul>	<ul style="list-style-type: none"> <li>• Evidence of stimulated consumption within local markets (H1)</li> <li>• Evidence of locals consuming goods within refugee networks (H1)</li> <li>• Evidence of increased trade within local markets (H2)</li> <li>• Evidence of trade within refugee networks (H2)</li> <li>• Evidence of refugee self-employment (H2)</li> <li>• Evidence of additional employment opportunities for locals (H3)</li> <li>• Evidence of refugees engaging in 4-D employment (H3)</li> <li>• Evidence of increased local occupational mobility (H3)</li> <li>• Evidence of IO investment in local infrastructure (H4)</li> <li>• Evidence of deterioration of local infrastructure (H4)</li> </ul>
---------------	---	---

Table 2: Coding results for Tanzania country studies (own illustration)

Country study	Research background	Relevant codes
<b>Art. 6</b>	<ul style="list-style-type: none"> <li>• Country: Uganda</li> <li>• Research focus: Refuting common misconceptions regarding refugee economies (i.e., the resource allocation system related to displaced populations)</li> <li>• Populations: DRC, Somali, Rwandese and South Sudanese refugees hosted in the Nakivale and Kyangwali settlements and the capital, Kampala</li> </ul>	<ul style="list-style-type: none"> <li>• Evidence of stimulated consumption within local markets (H1)</li> <li>• Evidence of locals consuming goods within refugee networks (H1)</li> <li>• Evidence of increased trade within local markets (H2)</li> <li>• Evidence of trade within refugee networks (H2)</li> <li>• Evidence of refugees engaged in international trade (H2)</li> <li>• Evidence of refugee self-employment (H2)</li> </ul>

	<ul style="list-style-type: none"> <li>• Research period: 2013</li> </ul>	<ul style="list-style-type: none"> <li>• Evidence of refugee-led businesses (H2)</li> <li>• Evidence of additional employment opportunities for locals (H3)</li> <li>• Evidence of refugees engaging in 4-D employment (H3)</li> <li>• Evidence of skill complementarity (deftness) (H3)</li> <li>• Evidence of improved infrastructure (H4)</li> </ul>
<b>Art. 7</b>	<ul style="list-style-type: none"> <li>• Country: Uganda</li> <li>• Research focus: How different elements of the SRS impact welfare outcomes form refugees and hosts in Uganda (compared with Kenya)</li> <li>• Populations: DRC and Somalian refugees hosted in Nakivale and Kampala</li> <li>• Research period: 2017-2019</li> </ul>	<ul style="list-style-type: none"> <li>• Evidence of stimulated consumption within local markets (H1)</li> <li>• Evidence of locals consuming goods within refugee networks (H1)</li> <li>• Evidence of increased trade within local markets (H2)</li> <li>• Evidence of trade within refugee networks (H2)</li> <li>• Evidence of refugees engaging in international trade (H2)</li> <li>• Evidence of refugee self-employment (H2)</li> <li>• Evidence of refugee-led businesses (H2)</li> <li>• Evidence of additional employment opportunities for locals (H3)</li> <li>• Evidence of refugees engaging in 4-D employment (H3)</li> <li>• Evidence of refugee skill competitiveness (no deftness) (H3)</li> <li>• Evidence of improved infrastructure (H4)</li> </ul>
<b>Art. 8</b>	<ul style="list-style-type: none"> <li>• Country: Uganda</li> <li>• Research focus: Explaining how refugees' unique institutional situations shape their economic lives in three varying regulatory regimes</li> <li>• Populations: DRC, Somali, Rwandese refugees hosted in Kampala and the settlements Nakivale, Kyangwali and Rwamwanja</li> </ul>	<ul style="list-style-type: none"> <li>• Evidence of stimulated consumption within local markets (H1)</li> <li>• Evidence of locals consuming goods within refugee networks (H1)</li> <li>• Evidence of increased trade within local markets (H2)</li> <li>• Evidence of trade within refugee networks (H2)</li> <li>• Evidence of refugees engaging in international trade (H2)</li> </ul>

	<ul style="list-style-type: none"> <li>• Research period: n.d.</li> </ul>	<ul style="list-style-type: none"> <li>• Evidence of refugee self-employment (H2)</li> <li>• Evidence of refugee-led businesses (H2)</li> <li>• Evidence of additional employment opportunities for locals (H3)</li> </ul>
<b>Art. 9</b>	<ul style="list-style-type: none"> <li>• Country: Uganda</li> <li>• Research focus: explaining how the SRS creates economic profit for some and poverty for others</li> <li>• Populations: Somali, Rwandan and DRC refugees hosted in the Nakivale settlement</li> <li>• Research period: 2013</li> </ul>	<ul style="list-style-type: none"> <li>• Evidence of stimulated consumption within local markets (H1)</li> <li>• Evidence of locals consuming goods within refugee networks (H1)</li> <li>• Evidence of refugee self-employment (H2)</li> <li>• Evidence of refugee-led businesses (H2)</li> <li>• Evidence of fewer employment opportunities for locals (H3)</li> <li>• Evidence of refugees engaging in 4D-employment (H3)</li> <li>• Evidence of skill competitiveness (no debt) (H3)</li> <li>• Evidence of deterioration of local infrastructure (H4)</li> <li>• Evidence of improved infrastructure (H4)</li> </ul>
<b>Art. 10</b>	<ul style="list-style-type: none"> <li>• Country: Uganda</li> <li>• Research focus: the long-term impacts of refugee presence in terms of consumption and public service provision among hosts</li> <li>• Populations: DRC, Somali, Rwandese refugees hosted in the settlements Kyangwali, Nakivale and Kyaka II</li> <li>• Research period: 2002-2010</li> </ul>	<ul style="list-style-type: none"> <li>• Evidence of stimulated consumption within local markets (H1)</li> <li>• Evidence of refugees engaging in 4D-employment (H3)</li> <li>• Evidence of IO investment in local infrastructure (H4)</li> <li>• Evidence of improved infrastructure (H4)</li> <li>• Evidence of decreased government investments in local infrastructure (H4)</li> </ul>
<b>Art. 11</b>	<ul style="list-style-type: none"> <li>• Country: Uganda</li> <li>• Research focus: Local economy wide impact evaluation controlling for cash versus food aid assistance</li> </ul>	<ul style="list-style-type: none"> <li>• Evidence of stimulated consumption within local markets (H1)</li> <li>• Evidence of locals consuming goods within refugee networks (H1)</li> <li>• Evidence of increased trade within local</li> </ul>

<ul style="list-style-type: none"> <li>• Populations: DRC and South Sudanese refugees hosted in Rwamwanja and Adjumani settlement and the local area surrounding the settlements in a 15-kilometer radius</li> <li>• Research period: 2016</li> </ul>	<p>markets (H2)</p> <ul style="list-style-type: none"> <li>• Evidence of trade within refugee networks (H2)</li> <li>• Evidence of refugee self-employment (H2)</li> <li>• Evidence of refugee-led businesses (H2)</li> <li>• Evidence of additional employment opportunities for locals (H3)</li> <li>• Evidence of refugees engaging in 4D-employment (H3)</li> </ul>
---	---

Table 3: Coding results for Uganda country studies (own illustration)

## 4. Analysis

### 4.1. Discussion of findings

Following the above tabulated description of the coding results, this section discusses those findings in light of the research question. Accordingly, each of the hypotheses is discussed separately allowing for a direct comparison of the two case studies, Tanzania and Uganda.

*H1: The presence of refugees stimulates demand within local markets and refugee networks.*

Both case studies exhibit strong evidence of an increase in demand and consumption due to the refugee presence. Two distinctions were discovered between both cases: First, within Tanzania, a substantial amount of consumption and demand is stemming from IO staff who have a higher purchasing power and create demand of novel goods. Within Uganda, the demand stemmed primarily from refugees. Secondly, a higher rate of locals consuming goods produced or sold by refugees was found within Uganda. Likely, this is due to Tanzania's tighter controls of movement in and out of refugee camps discouraging local buyers from accessing refugee vendors. Nevertheless, the evidence allows us to confirm H1, but with the caveat that there is limited evidence of locals consuming goods within refugee networks. Thus, the effect on demand which Legrain (2016) describes is similarly present in the LIC context.

*H2: Refugees engage in entrepreneurialism.*



Regarding refugees' engagement in entrepreneurialism both case studies exhibited substantial evidence of an increase in trade and refugee self-employment. However, evidence of refugee-led businesses was limited to Uganda. Both case studies exhibited solid evidence of extensive trade as well as self-employment among refugees usually occurring when refugees sell either their aid goods or surplus farming produce. Evidence of two effects were largely limited to Uganda, namely instances of international trade and refugee-led businesses, thus, entrepreneurialism characterized by innovation and additional employees. Examples of the latter included numerous Ethiopian restaurants and a Somali-initiated international trading business. Accordingly, what Legrain (2016) labels dynamism and diversity appears to be much stronger within Uganda. Thus, H2 can partially be confirmed as there is substantial evidence of refugee self-employment and trade, but again the occurrence of refugee-led businesses is limited to Uganda.

*H3: The presence of refugees improves the employment prospects of locals and the overall labour market.*

Both case studies exhibit substantial evidence of a positive effect on the local labour market. While both case studies showed evidence of additional employment opportunities, the comparison highlights an interesting difference. Tanzania's job opportunities stem solely from IOs which hire locals for administrative or logistical work inside the camps. In the case of Uganda, however, employment opportunities are additionally created by refugee-led businesses – a dynamic to which the discussion regarding policy conditions will return. Moreover, an increase of occupational mobility was limited to Tanzania where such effects occurred primarily in the context of IO employment which paid better than local employers. The occurrence of refugee skill complementarity, on the other hand, only occurred in Uganda, however, instances of skill competitiveness were also recorded in agricultural production. Lastly, 4-D employment of refugees occurred in both countries, again with stronger evidence in Uganda. Accordingly, H3 can be confirmed as sufficient evidence was generated confirming a refugee-induced improvement of employment opportunities, but a positive effect on occupational mobility and skill complementarity is only partially confirmed.

*H4: The presence of refugees translates into improvement of and investment in local infrastructures.*

Satisfactory evidence was found regarding the refugee presence's positive impact on local infrastructures. Both case studies reported general improvements as well as IO

investment in local infrastructures specifically. Such improvements primarily concerned the accessibility and quality of roads and the service provision inside and surrounding the refugee settlements. While both cases exhibited a single instance of deterioration of infrastructure, these were limited to specific contexts, thus not ruling out a general improvement of the infrastructure. In Tanzania, such deterioration occurred in the emergency context following the large-scale refugee influx 1994-95 and in Uganda such was limited to government-initiated evictions. Accordingly, the fourth hypothesis can be confirmed wherein the presence of refugees translates into improvement of local infrastructures.

#### **4.2. Policy conditions**

After having established that LICs do in fact benefit from the refugee presence this section takes a closer look at the policy conditions under which the economic potential of refugees can be utilized best. Special attention is given to those cases in which certain effects occurred only in one of the two countries highlighting several conducive policy trends.

First, the analysis highlighted the importance of granting refugees freedom of movement. Doing so allows for greater economic interactions between refugees and locals, thus, fostering trade and consumption within both communities. This was highlighted by the Uganda case as its policy environment allows refugees and locals to move freely between settlements and villages and offers the option to self-settle in cities. As a result, Uganda has higher trends of trade (including internationally) as well as higher rates of locals buying goods within refugee networks thus increasing market activity. Similarly, the refugee presence has a greater impact on consumption in more economically integrated areas as Art. 6, for instance, reported that consumption of local goods is 30% higher within Kampala compared to settlements (p. 16). Lastly, freedom of movement enables refugees to move their labour capacity where needed and prevents skill competition around settlements reportedly those areas where local farmers competed with refugees.

Second, the right to work is indispensable for advancing refugees' economic potential. The comparative analysis highlighted that Uganda has higher rates of refugee entrepreneurship as well as 4D-employment. If these labour dynamics are pushed into

the informal sector, benefits for hosts decrease. This is especially true for refugee-led businesses and innovation which were limited to Uganda. By encouraging rather than limiting refugees' entrepreneurial activities it was shown that locals benefit, for instance, through an increase in employment opportunities. This is important as employment in those businesses is likely to be more sustainable than employment opportunities in IOs which are dependent on external donor support.

Third, refugee assistance ought to focus on infrastructure investments as well as enabling conditions for refugee entrepreneurship. First, investments in local infrastructure and service provision ought to reach refugees and locals alike. Both cases highlighted that locals benefit greatly when IOs and the host government improve road networks as well as education and health services. Better road infrastructures have the additional benefit of lowering transportation costs and thereby making locally produced goods more competitive within the national economy (Art. 4). Secondly, refugees that engage in entrepreneurialism have certain skills and characteristics which can be fostered through IO assistance. The Uganda case study highlighted that Somalis engage in business and trade at higher rates than other nationalities (Art. 8). Reportedly, this is since Somalis were able to rely on substantial financial resources (via remittances and community-based redistribution mechanisms) and organizational support via transnational networks. The latter became also visible in the context of Ethiopian gastronomy as the number of Ethiopian restaurants increased after refugees learned the trade from each other (Art. 6). Accordingly, refugee entrepreneurship can be fostered by offering independent financial support – e.g., through micro loans – and by facilitating skill-sharing between refugees, for instance, through initiatives such as business incubators.

Fourth, aid programs which distribute cash instead of food aid are economically more beneficial. Cash aid grants refugees more freedom in the type of demand they create while food aid limits it. Moreover, food aid has the potential of creating price suppression of aid-related goods due to an oversupply of these products (Art. 1). While it could be assumed that food aid creates additional demand of locally produced farming goods, the country studies rather highlighted that most aid goods are imported from outside the country, thus spurring production elsewhere. Cash aid, however, gives refugees greater purchasing power benefitting local markets (Art. 11).

## 5. Conclusion

This research paper investigated whether low-income countries benefit economically from refugee reception using Tanzania and Uganda as case studies. Hypothesis-testing confirmed that refugees can create various benefits: their presence increases trade and demand within local markets, creates entrepreneurialism and innovation, and improves the employment opportunities of locals. Moreover, their presence improves local infrastructures in the fields of road access and service provision. From a policy perspective, it was shown that the right to work and freedom of movement are crucial in strengthening refugees' economic potential. Moreover, governmental and IO-led assistance ought to focus on the sustainability of its assistance programs (e.g., infrastructure investments) and the financial and organizational support of refugee entrepreneurialism.

These findings highlight the relevance of Legrain's thesis for the LIC context. Accordingly, several of his dividends can be recognized in LICs, particularly the demand, diversity, 4D- and dynamism dividends. Nevertheless, further research is required to better understand the impact and potential of millions of refugees welcomed in poorer host countries. While the comparative research design was conducive in highlighting beneficial policy condition, it similarly limited the generalizability of the findings as the two countries analysed represent almost opposing poles on the spectrum of refugee governance. Then again, Tanzania and Uganda are geographically and culturally relatively similar, thus, future research on the topic is encouraged that assesses a wider variety and higher number of LICs. Further research is especially important as the economic dimension of forced migration is often linked to other dynamics such as attitudes of locals towards refugees. While not attempting to put a price tag on a human life, these economic insights into forced migration are of utmost importance at times when humanitarian arguments increasingly appear to fail.

## References

- Adelman, H., & Sorenson, J. (1994). *African refugees: Development aid and repatriation*. Westview Press.
- Alix-Garcia, J., & Saah, D. (2009). The Effect of refugee inflows on host communities: Evidence from Tanzania. *World Bank Economic Review*, 24(1), 148-170.  
<https://doi.org/10.1093/wber/lhp014>
- Amnesty International. (2020). *Refugees, asylum-seekers and migrants*. Retrieved December 12, 2020, from  
<https://www.amnesty.org/en/what-we-do/refugees-asylum-seekers-and-migrants/>
- Betts, A., Bloom, L., Kaplan, J., & Omata, N. (2014). *Refugee economies: Rethinking popular assumptions*. Refugee Studies Centre, University of Oxford.  
<https://www.rsc.ox.ac.uk/publications/refugee-economies-rethinking-popular-assumptions>
- Betts, A., Chaara, I., Omata, N., & Sterck, O. (2019). *Refugee economies in Uganda: What difference does the self-reliance model make?* Refugee Studies Centre, University of Oxford.  
<https://www.rsc.ox.ac.uk/publications/refugee-economies-in-uganda-what-difference-does-the-self-reliance-model-make>
- Betts, A., & Collier, P. (2017). Rethinking assistance: Restoring autonomy. In A. Betts & P. Collier (Eds.), *Refuge: Transforming a broken refugee system* (pp. 140-162). Penguin.
- Betts, A., Omata, N., & Bloom, L. (2017). Thrive or survive? Explaining variation in economic outcomes for refugees. *Journal on Migration and Human Security*, 5(4), 716-743. <https://doi.org/10.1177/233150241700500401>
- Bjørkhaug, I. (2020). Revisiting the refugee–host relationship in Nakivale refugee settlement: A dialogue with the Oxford Refugee Studies Centre. *Journal on Migration and Human Security*, 8(3), 266-281.  
<https://doi.org/10.1177/2331502420948465>
- Chambers, R. (1986). Hidden losers? The impact of rural refugees and refugee programs on poorer hosts. *International Migration Review*, 20(2), 245-263.  
<https://doi-org.eui.idm.oclc.org/10.2307/2546034>

- Chaulia, S. S. (2003). The politics of refugee hosting in Tanzania: From open door to unsustainability, insecurity and receding receptivity. *Journal of Refugee Studies*, 16(2), 147-166. <https://doi.org/10.1093/jrs/16.2.147>
- Creswell, J. W. (2018). *Research design: qualitative, quantitative & mixed methods approaches* (5th edition, International student edition). SAGE.
- Deloitte. (2017). Tanzania economic outlook 2017: Joining the dots. Retrieved December 18, 2020, from <https://www2.deloitte.com/content/dam/Deloitte/tz/Documents/tax/tz-budget-economic-outlook-2017.pdf>
- Elliott, V. (2018). Thinking about the coding process in qualitative data analysis. *The Qualitative Report*, 23(11), 2850-2861. <https://doi.org/10.46743/2160-3715/2018.3560>
- Goodrick, D. (2014). Comparative case studies. *Methodological briefs: Impact evaluation 9*, UNICEF Office of Research, Florence.
- Gray, D. E. (2014). *Doing research in the real world*. SAGE.
- Inder, C. (2018). The origins of 'burden sharing' in the contemporary refugee protection regime. *International Journal of Refugee Law*, 29(4), 523-554. <https://doi.org/10.1093/ijrl/eex047>
- Kaiser, T. (2005). Participating in development? Refugee protection, politics, and developmental approaches to refugee management in Uganda. *Third World Quarterly*, 26(2), 351-367. <https://doi.org/10.1080/0143659042000339155>
- Khoudour, D., & Andersson, L. (2017). Assessing the contribution of refugees to the development of their host countries. *Organisation for Economic Co-operation and Development: Development Centre*. Retrieved from [https://www.oecd.org/officialdocuments/publicdisplaydocumentpdf/?cote=DEV/DOC\(2017\)1&docLanguage=En](https://www.oecd.org/officialdocuments/publicdisplaydocumentpdf/?cote=DEV/DOC(2017)1&docLanguage=En)
- Kreibaum, M. (2016). Their suffering, our burden? How Congolese refugees affect the Ugandan population. *World Development*, 78, 262-287. <https://doi.org/10.1016/j.worlddev.2015.10.019>
- Landau, L. B. (2004). Challenge without transformation: Refugees, aid, and trade in western Tanzania. *The Journal of Modern African Studies*, 42(1), 31-59. <https://doi.org/10.1017/S0022278X0300449X>

- Lee, R., & Mason, A. (2012). Lower-Income countries and the demographic dividend. *National transfers accounts. Understanding the generational economy*.  
[https://scholarspace.manoa.hawaii.edu/bitstream/10125/27046/1/ntabulletin005\\_1.pdf](https://scholarspace.manoa.hawaii.edu/bitstream/10125/27046/1/ntabulletin005_1.pdf)
- Legrain, P. (2016). *Refugees work: A humanitarian investment that yields economic dividends*. TENT.  
[http://www.opennetwork.net/wp-content/uploads/2016/05/Tent-Open-Refugees-Work\\_V13.pdf](http://www.opennetwork.net/wp-content/uploads/2016/05/Tent-Open-Refugees-Work_V13.pdf)
- Legrain, P. (2020). Refugees are not a burden but an opportunity. *OECD Forum 2020*. Retrieved November 24, 2020, from  
<https://www.oecd.org/forum/oecdyearbook/refugees-are-not-a-burden-but-an-opportunity.htm>
- Maystadt, J.-F. o., & Duranton, G. (2018). The development push of refugees: Evidence from Tanzania. *Journal of Economic Geography*, 19(2), 299-334.  
<https://doi.org/10.1093/jeg/lby020>
- Maystadt, J.-F. o., & Verwimp, P. (2014). Winners and losers among a refugee-hosting population. *Economic Development and Cultural Change*, 62(4), 769-809.  
<https://doi.org/10.1086/676458>
- Miller, S. D. (2018). *Assessing the impacts of hosting refugees*. Centre for International Governance Innovation, World Refugee Council Research Paper (4). Retrieved from  
<https://www.cigionline.org/static/documents/documents/WRC%20Research%20Paper%20no.4.pdf>
- Newland, K. (2011). *Cooperative arrangements to share burdens and responsibilities in refugee situations short of mass influx*. United Nations High Commissioner for Refugees. Retrieved December 20, 2020, from  
<https://www.unhcr.org/en-us/4ef332d29.pdf>
- Omata, N., & Weaver, N. (2015). *Assessing economic impacts of hosting refugees: Conceptual, methodological, and ethical gaps*. Working Paper Series No. 111. Refugee Studies Centre, University of Oxford.  
<https://www.rsc.ox.ac.uk/publications/assessing-economic-impacts-of-hosting-refugees-conceptual-methodological-and-ethical-gaps>

- Plecher, H. (2020). Distribution of gross domestic product (GDP) across economic sectors in Uganda 2019. Retrieved December 20, 2020, from <https://www.statista.com/statistics/447716/uganda-gdp-distribution-across-economic-sectors/>
- Steinbach, R. (2019). Growth in low-income countries. Evolution, prospects, and policies. In *Policy Research Working Paper 8949*. World Bank Group. Retrieved December 10, 2020, from <https://documents1.worldbank.org/curated/en/578111564491745775/pdf/Growth-in-Low-Income-Countries-Evolution-Prospects-and-Policies.pdf>
- Taylor, J., Zhu, H., Gupta, A., Filipski, M., Valli, J., & Gonzalez, E. (2016). *Economic impact of refugee settlements in Uganda*. World Food Programme (WFP). Retrieved December 19, 2020, from <https://documents.wfp.org/stellent/groups/public/documents/communications/wfp288256.pdf>
- UNDESA. (2015). World fertility patterns 2015. Retrieved December 20, 2020, from <https://www.un.org/en/development/desa/population/publications/pdf/fertility/world-fertility-patterns-2015.pdf>
- UNHCR. (2005). Identifying gaps in protection capacity - Tanzania. *Strengthening protection capacity project*. Retrieved December 19, 2020, from <https://www.refworld.org/docid/472896f50.html>
- UNHCR. (2014). Statistical yearbook 2014. *United Nations High Commissioner for Refugees*. Retrieved December 15, 2020, from <https://www.unhcr.org/56655f4e0.html>
- UNHCR. (2020a). Refugee population statistics database. Retrieved November 29, 2020, from <https://www.unhcr.org/refugee-statistics/>
- UNHCR. (2020b). What is a refugee. Retrieved November 29, 2020, from <https://www.unhcr.org/en-us/what-is-a-refugee.html>
- UNHCR Kampala. (2004). *Self-reliance strategy (1999-2003) for refugee hosting areas in Moyo, Arua and Adjumani districts, Uganda: Report of the mid-term review (RLSS mission report 2004/03)*. Retrieved December 10, 2020, from <https://www.unhcr.org/protection/operations/41c6a4fc4/self-reliance-strategy-1999-2003-refugee-hosting-areas-moyo-arua-adjumani.html>



- Whitaker, B. E. (2002). Refugees in western Tanzania: The distribution of burdens and benefits among local hosts. *Journal of Refugee Studies*, 15(4), 339-358.  
<https://doi.org/10.1093/jrs/15.4.339>
- World Bank. (2019). Global economic prospects, January 2019: Darkening skies. World Bank. Retrieved November 28, 2020, from  
<https://openknowledge.worldbank.org/handle/10986/31066>
- World Bank. (2020a). Country classification: World Bank country and lending groups. Retrieved December 15, 2020, from  
<https://datahelpdesk.worldbank.org/knowledgebase/articles/906519-world-bank-country-and-lending-groups>
- World Bank. (2020b). The World Bank in Uganda: Overview. Retrieved December 20, 2020, from <https://www.worldbank.org/en/country/uganda/overview>