

From Displacement to Development

How Ethiopia Can Create Shared
Growth by Facilitating Economic
Inclusion for Refugees

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PREFACE

In most low- and middle-income countries, refugees and forced migrants face a range of legal, administrative, and practical barriers that prevent their economic inclusion. Removing these barriers would enable displaced people to become more self-reliant and to more fully contribute to their host communities.

Such efforts are even more important as the world looks to economically recover from COVID-19. While the pandemic has created unprecedented challenges for low- and middle-income countries around the world, it has also highlighted the importance of expanding economic inclusion. Refugees and forced migrants can, and do, play a crucial role within labor markets. Given the opportunity, they can help their host countries recover from this crisis.

This case study is part of the “Let Them Work” initiative, a three-year program of work led by the Center for Global Development (CGD) and Refugees International and funded by the IKEA Foundation and the Western Union Foundation. The initiative aims to expand labor market access for refugees and forced migrants by identifying their barriers to economic inclusion and providing recommendations to host governments, donors, and the private sector for how to overcome them. The primary focus is on refugees and forced migrants in Colombia, Peru, Kenya, and Ethiopia, with other work taking place at the global level.

To learn more about the initiative, please visit <https://www.cgdev.org/page/labor-market-access> and get in touch.

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ACRONYMS

ARRA	Agency for Refugee and Returnee Affairs
CGD	Center for Global Development
CRRF	Comprehensive Refugee Response Framework
DRDIP	Development Response to Displacement Impacts Project
EPP	Employment Promotion and Protection
IDP	internally displaced person
IFC	International Finance Corporation
IIED	International Institute for Environment and Development
ILO	International Labour Organization
LMICs	low- and middle-income countries
MOFEC	Ministry of Finance and Economic Cooperation
NCRRS	National Comprehensive Refugee Response Strategy
OCP	out-of-camp policy
OLS	ordinary least squares
SHARPE	Strengthening Host and Refugee Population Economies
SNNP	Southern Nations, Nationalities, and Peoples' Regional State
TPLF	Tigray People's Liberation Front
UNHCR	United Nations High Commissioner for Refugees

EXECUTIVE SUMMARY

Ethiopia has hosted substantial refugee populations since the 1980s. Due to the protracted nature of the conflicts in the refugees' countries of origin, it is unlikely that most of them will be able to return home any time soon.¹ In this context, it is imperative for the Ethiopian government to seek long-term solutions to hosting refugees, moving away from its long-standing system that restricts most refugees to camps with limited economic activity and toward a system that allows for greater refugee economic inclusion (defined as the achievement of income commensurate with one's skills and decent work). Such a system would improve the lives of refugees, reduce reliance on aid, and boost economic activity in hosting regions.

However, progress toward economic inclusion must now be made alongside an ongoing diplomatic and humanitarian response to the country's devastating internal conflict within the region of Tigray. As a result of this conflict, millions have been displaced to other parts of Ethiopia or into neighboring Sudan. Ethiopian forces, paramilitaries, and Eritrean troops have been responsible for serious abuses of human rights, including reported massacres, atrocities, widespread kidnapping and looting, food shortages, and lack of medical access. Humanitarian access remains severely limited, and Eritrean troops have been active among multiple camps of mostly Eritrean refugees in Tigray, in some cases terrorizing, raping, kidnapping, or killing them.

In this context, it is a top priority to maintain a robust diplomatic and humanitarian response focused on curbing abuses and violence and meeting basic needs, but there must also be a continued emphasis on facilitating development and economic inclusion for refugees elsewhere in the country. Ethiopia is home to about 800,000 refugees. Prior to the crisis in Tigray, about 150,000 refugees were in the northern regions of Tigray and Afar, and most of the remaining 650,000 were in the regions of Somali, Gambella, Benishangul-Gumuz, and Addis Ababa.² For refugees outside the main zone of conflict, there are still opportunities to build on recent progress and create an environment that leads to better economic outcomes for refugees and host communities alike.

Unfortunately, many challenges and barriers stand in the way of refugee economic inclusion in the country. Some of these challenges are related to the overall economic and political situation in the country. For one, even prior to the outbreak of violence in Tigray, political unrest and violence, linked to an ongoing democratic transition, had been spreading in various regions throughout the country. Second, like all other countries in the world, Ethiopia has been grappling with the outbreak of COVID-19, which has devastated health systems and the economy alike. Third, even prior to the pandemic, the country faced high rates of poverty and unemployment. Fourth, Ethiopia has been struggling with a variety of natural disasters, including locusts, floods, and droughts. And fifth, as a result of many of these challenges, the country hosts some 1.8 million internally displaced people, who struggle much like refugees to meet basic needs and achieve positive economic outcomes.³

¹ UNHCR, *Ethiopia Country Refugee Response Plan, 2020-2021*, <https://reliefweb.int/sites/reliefweb.int/files/resources/73571.pdf>.

² UNHCR, "Operational Portal: Ethiopia," accessed October 2020, <https://data2.unhcr.org/en/country/eth>.

³ IDMC, "Ethiopia," accessed April 2021, <https://www.internal-displacement.org/countries/ethiopia>.

In addition to these broader contextual challenges, refugees face several other barriers that prevent their progress toward economic inclusion, including these:

- **Policy barriers.** Currently, Ethiopian law dictates that most refugees, with relatively few exceptions, must live in the designated camps throughout the country, and very few refugees have been granted the right to work. Thus, most refugees lack freedom of movement and can only work informally in the limited markets in and around camps. Although most refugees worked in agriculture or pastoralism prior to being displaced, few have access to land. Moreover, unclear regulations inhibit refugees' access to financial services, and the few refugees that live outside camps have trouble accessing government services.
- **Political barriers.** A range of political forces in Ethiopia prevent or slow the removal of policy barriers. For example, the Agency for Refugee and Returnee Affairs (ARRA), Ethiopia's agency in charge of refugee management, faces disincentives to facilitating refugee economic inclusion, as doing so could negatively impact its relevance as an organization. Moreover, tensions related to a wide range of issues—including ethnic balance, competition over jobs and resources, crime, and perceived inequity in service delivery—limit political will to allow for greater refugee inclusion. In addition, national crises such as the outbreak of COVID-19 and the violence in Tigray have distracted from the refugee policy agenda.
- **Security barriers.** Intense ongoing conflict in the Tigray region may preclude the possibility of greater refugee economic inclusion in that region in the short term. Furthermore, violent conflicts in other regions may affect refugees' willingness and ability to work outside camps.
- **Discrimination.** Some employers discriminate against refugees in hiring, and others may be unwilling to work with refugees for fear of community backlash.
- **Economic barriers.** Many refugees live in host areas with limited economic opportunities. These economies have underdeveloped value chains, a lack of arable land, weak financial systems, and poor infrastructure. Refugees in urban areas, and especially in Addis Ababa, face labor markets with high rates of unemployment. In addition, most refugees have low levels of education and limited assets and social capital. Compounding these challenges, COVID-19 has caused a slowdown in economic growth that has further limited economic opportunities and also reduced support from international organizations on livelihoods activities.
- **Lack of coordination and appropriate government structures.** The government and its development and humanitarian partners have created a coordination structure as a part of the UN-supported Comprehensive Refugee Response Framework (CRRF), which is designed to assist refugees and host communities and develop refugee self-reliance. The coordination structure of the CRRF aims to manage interactions between various NGOs, international actors, and government agencies, but it is not currently operating. As a result, many government actors are not involved in the CRRF process of moving away from the camp-based approach to managing refugees; refugees, hosts, and the private sector have limited input into this process; there is a lack of strategic vision for carrying out the CRRF; and there is no clear platform for donor advocacy with the government.
- **Refugee aspirations.** Many refugees are unwilling to relocate from camps for work opportunities, and few are willing to relocate for industrial park jobs.

Fortunately, progress is being made on many of these dimensions—albeit somewhat slowly. Regarding the policy barriers, the Ethiopian government has begun to create pledges and implement policy changes to create more economic and social rights for refugees. For example, in 2017, Ethiopia agreed to be a pilot country for the CRRF, an approach to supporting refugees and host communities led by the United Nations refugee agency (the United Nations High Commissioner for Refugees, or UNHCR) that aims to create conditions for greater refugee self-reliance—by reducing encampment and increasing access to local economies and labor markets—while also providing increased support to hosting countries, expanding opportunities for resettlement, and fostering conditions for voluntary return.⁴

As part of this process, in 2019, the government issued a proclamation expanding refugees' rights to work, move freely, and access education. It has already begun to take steps to implement these changes by extending over 2,000 work permits to refugees (with plans to distribute thousands more) and expanding the number of freedom-of-movement permits from 19,633 in 2018 to 35,340 in 2019.⁵ However, most refugees have not benefited from these changes, and the status quo is still largely intact.

Efforts are also being made to address the political barriers. To reduce the political tensions that surround economic inclusion, donors are focusing on increasing efforts to ensure that support for refugees is accompanied by adequate assistance to refugee hosting communities. Donors are also implementing programs that mitigate sources of tensions between refugees and hosts. Moreover, to create greater political will for change, the World Bank and other funding partners created the Jobs Compact, a funding mechanism designed to finance Ethiopia's development priorities in exchange for policy progress related to refugee support and inclusion. It is believed that this funding has been the driving force behind the government's policy changes, but even with this funding, there is still a great deal of political reluctance to move quickly on policy changes.

There has been a robust international response to addressing economic barriers to refugee economic inclusion, such as the creation of irrigable land for use by refugees and hosts and the implementation of a large number of skills trainings and other livelihoods programs. Various international organizations also have plans to invest in public works programs in hosting areas and to subsidize private-sector investment around camps. Of course, as with the other barriers, there are still many challenges to creating economic opportunities in hosting areas.

This paper's analysis of the gaps in economic outcomes between refugees and hosts illustrates just how far refugees are from achieving economic inclusion. It shows that, on average, per capita household consumption is 109.4 percent higher for hosts than refugees (US\$3.29 per day for hosts and US\$1.57 per day for refugees). Similarly, there is a 37.6 percentage point difference in refugee and host employment rates (21.2 percent for refugees and 58.7 percent for hosts). The economic effects of COVID-19 have likely widened these gaps.

Achieving greater economic inclusion would lead to a wide range of benefits. For refugees, it would mean higher incomes, which would likely lead to lower rates of poverty, greater food security, less reliance on negative coping mechanisms such as prostitution, and increased self-reliance. For hosts,

⁴ UNHCR, "Comprehensive Refugee Response Framework," accessed October 2020, <https://www.unhcr.org/en-us/comprehensive-refugee-response-framework-crrf.html>.

⁵ Based on information given by ARRA at an NGO roundtable organized by ReDSS; UNHCR, *Ethiopia: 2019 Summary Pledge Progress Report*, July 2020, <https://data2.unhcr.org/en/documents/details/78981>.

greater refugee inclusion would likely amplify any of the benefits of hosting that have already been observed, including the large growth of markets and consumer demand around camps, which has led to new employment opportunities and increased revenues for businesses, the provision of new services by both the private sector and international organizations, and refugees' contributions to the economy as workers and employers.

With greater economic inclusion, refugees can contribute more fully to the economy, more livelihoods-focused programs that benefit both refugees and hosts may be implemented, private-sector investment may increase, and consumer demand may further rise due to increased refugee incomes. Given the economic distress caused by COVID-19, these benefits are needed now more than ever.

It is likely, however, that not all hosts will benefit from these changes, as some may lose work opportunities due to increased competition, and greater inclusion may also spark social tensions in some regions. However, research from other contexts shows the economic benefits of greater inclusion, and it is likely that the benefits for hosts would outweigh any negative effects.⁶ Still, for those hosts that are harmed by the changes, international organizations should be ready to provide economic support.

Governments, donors, international organizations, NGOs, and the private sector can take a wide range of actions to facilitate greater economic inclusion—but these actors must also maintain a focus on the crisis unfolding in Tigray. The United States and European countries have already taken steps to curtail economic support and security assistance to Ethiopia. World Bank funding may now also be in jeopardy. If the Ethiopian government continues to commit war-related atrocities in Tigray, other donors should be prepared to follow suit and suspend similar aid packages for the government of Ethiopia. However, this does not include humanitarian funding, which must continue unabated. Once the situation improves, the structural reforms noted below should be implemented to improve refugee access to the labor market.

Action Recommendations for the Government of Ethiopia

- **Revitalize and improve the CRRF coordination structure.** A functioning CRRF coordination structure is crucial to organizing effective approaches to improving economic inclusion. This structure already exists but is not being utilized. Moving forward, ARRA should revitalize the CRRF structure. This would involve reinitiating regular meetings of the steering committee and actively recruiting the participation of its members, including line ministries, other government agencies, NGOs, donors, development banks, and private-sector actors.
- **Encourage regional policy solutions.** Each hosting region of the country faces unique barriers and opportunities. Therefore, to maximize economic inclusion and minimize tensions between refugees and host communities, the Ethiopian government (and specifically ARRA) should tailor refugee policies to each region and continue moving ahead with progressive implementation.
- **Decentralize ARRA's decision-making power.** The government of Ethiopia, led by the Office of the Prime Minister, should decentralize ARRA's decision-making power to regional levels.

⁶ Michael Clemens, Cindy Huang, and Jimmy Graham, "The Economic and Fiscal Effects of Granting Refugees Formal Labor Market Access," CGD Working Paper 496, October 2018, <https://www.cgdev.org/publication/economic-and-fiscal-effects-granting-refugees-formal-labor-market-access>.

In the past, the centralized nature of ARRA may have been more appropriate, but now ARRA requires a more flexible and regional approach, as the refugee landscape grows increasingly complex—with a proliferating number of actors, rapid changes in programming and new policies responding to COVID-19, and the increasing need for regionally tailored solutions.

- **Standardize refugee work and residence permits.** The government (and ARRA, specifically) should grant the same work permits to refugees as to other foreigners. Doing so would prevent confusion and reluctance among potential employers, allowing refugees to easily switch from their “joint project” employers (i.e., employers found through government-sanctioned livelihoods programs involving the provision of work permits) to other businesses.
- **Issue directives to ensure that refugees have access to services promised in the 2019 Proclamation.** With refugees beginning to live and work outside camps, it is imperative that they have access to the same basic services as Ethiopian citizens, such as healthcare and education. These basic services and protections have been granted in the 2019 Proclamation, but little has been done thus far to ensure effective implementation. Therefore, ARRA should create directives, issued to relevant ministries, outlining refugees’ rights to services and labor protections.

Action Recommendations for Donors, NGOs, and International Organizations

- **Suspend security and economic assistance to the Ethiopian government until such time as government-led atrocities in Tigray have ended.** Donors should withhold these forms of support to the central government in line with recent steps taken by the United States and European Union. Where possible, they should reroute humanitarian and recovery aid away from the central government and towards local governments, NGOs, civil society and other actors not involved in the conflict in Tigray.
- **Ongoing assistance to refugees, IDPs and host communities should be linked to policy progress and improved outcomes.** The World Bank and other multilateral and bilateral donors should facilitate policy implementation and progress through continued funding conditionality. Following the example of the Jobs Compact, donors should continue to work together to tie funding to policy progress and implementation. To ensure that funding is incentivizing meaningful changes on the ground, donors should tie disbursements not only to initial policy changes but also to specific outcomes that indicate progress for refugees.
- **Directly involve regional and local governments and line ministries in the CRRF process—and demonstrate benefits to them.** Ideally, regional and local governments and line ministries would be involved in the CRRF process through the coordination structure. However, if this structure remains inactive, NGOs, donors, and international organizations should work to directly involve various government actors in their programming by consulting with these agencies during planning phases and involving them in implementation.
- **Focus on programming that mitigates refugee-host tensions.** In some regions of the country—most notably Gambella in western Ethiopia—tensions between refugees and hosts have led to insecurity and have reduced the feasibility of successful refugee economic inclusion. International organizations should scale up efforts to reduce tensions and improve relations between hosts and refugees, which could include more equitable service delivery or

programs that address sources of tensions, such as deforestation. This will be especially important as the millions fleeing Tigray seek refuge in other regions.

- **Prioritize women in livelihoods programming.** Refugee women typically face greater challenges than refugee men. In most hosting regions, refugee women have much lower rates of employment, and this gap has likely been exacerbated by the disproportionate effects of COVID-19. Similarly, host women face lower rates of employment than host men and have been more severely impacted by the pandemic. Thus, additional livelihoods support should be provided to both refugee and host women, and these programs should also be tailored to the specific challenges that women face.
- **Coordinate and respond to internal displacement.** The crisis in Tigray and heightening tensions in other regions have only intensified the need for assistance and protection for internally displaced persons (IDPs) in Ethiopia. Many regions remain very poor and cannot sustain new and older caseloads of IDPs. The international community must incorporate the internally displaced in their planning and programming as a complement to refugee and host community projects and initiatives.
- **Pursue improvements to standards in the informal economy.** International actors tend to focus more heavily on the formal economy, even though large numbers of refugees (and hosts, for that matter) tend to work informally. Ethiopia has a large informal economy, and the international community should more fully consider how to design programs that improve working conditions in the informal sector. Whether working in the formal or informal sector, refugees and hosts need job stability and improved implementation and enforcement of safety conditions at work.
- **Rigorously evaluate livelihoods approaches.** Livelihoods programs designed to help individuals achieve decent work and increase their income can have remarkable impacts, but these programs are highly inconsistent in their effectiveness. Funding should therefore be used to rigorously evaluate these programs—ideally using experimental methods—in order to ensure they are having their intended impact.
- **Maintain a focus on protection and humanitarian support even as economic inclusion accelerates—but shift these services to local providers.** With limited economic opportunities around camps, it will likely take a long time for economies to grow and for economic inclusion to be achieved, even if policy progress accelerates rapidly. In the meantime, refugees will continue to need support. To align with the CRRF approach and create more effective systems in hosting areas, donors and international organizations should sustain protection and humanitarian efforts even as they increasingly aim to integrate services and distribute support through local providers.

Action Recommendations for the Private Sector

- **Invest in refugee-hosting areas.** The most effective way for the private sector to support refugees in Ethiopia is through investment in hosting areas. Investment will create two key benefits. The first is job creation, directly supporting refugees and hosts. The second is a demonstration of the benefits to host communities of greater economic integration for refugees—and the associated perks. This demonstration can improve host-refugee relations

while also building buy-in from government actors for further progress on the CRRF agenda. Given the untapped market potential of camps, investments could also yield substantial returns for companies. As with other actors, private sector investors should avoid funding the government to avoid resources being used in the Tigray conflict.

- **Hire refugees.** The private sector can support the process of economic integration by directly hiring refugees for jobs that provide decent work in decent conditions. This would be an especially suitable option for companies that do not see an investment opportunity in camps but could benefit from the large supply of labor that refugee populations represent. To overcome the fact that many refugees do not have the right to work, companies should work with international organizations and NGOs to establish government-sanctioned joint projects (such as hiring programs for refugees that complete job trainings), which would allow refugees to obtain work permits.
- **Improve access to financing.** Refugees come with skills and ambitions, and research shows that one of the best ways to benefit from these skills and ambitions is to improve their access to formal lending instruments. Financial institutions (including microfinance organizations) can improve refugees' access to lending by setting up new branches or operations in and around camps and adjusting their procedures to allow refugees to open bank accounts with the documentation that the government provides.

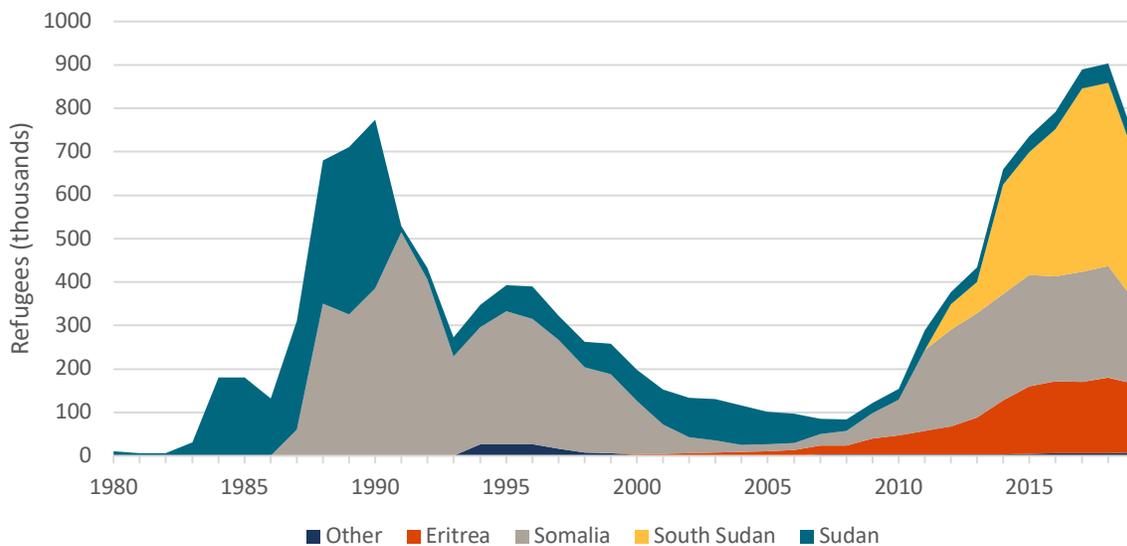
Ethiopia is facing a wide range of difficulties—from the pandemic, to internal conflict, to long-standing economic problems—which can distract from the issue of refugee economic inclusion. However, accelerating progress on this front can bring benefits to refugees and hosts alike and mitigate existing challenges. Given the importance of refugee economic inclusion for the country, the government and its partners must shift attention back to making progress on this agenda.

INTRODUCTION

Ethiopia is currently in crisis. The northern region of Tigray remains in conflict, with millions displaced, lacking sufficient humanitarian support, and facing a range of human rights violations. Some 60,000 people have fled to neighboring Sudan and millions more are internally displaced in Tigray and neighboring regions. The crisis is also exacerbating tensions in other parts of Ethiopia and beyond, and has the potential to reshape the region’s political, economic, and security dynamics.

Against this backdrop, Ethiopia has also been a place of refuge for some 800,000 refugees coming from outside its borders. It has hosted substantial refugee populations since the 1980s and maintained an open-door policy for refugees for years, allowing entry to all asylum seekers. Over the past decade, it has faced a large spike in arrivals, with tens of thousands of new refugees entering the country every year (see figure 1). In addition to those seeking refuge from elsewhere, at the end of 2019, Ethiopia was home to some 1.8 million internally displaced persons (IDPs).⁷ This figure has dramatically increased since the Tigray crisis broke in late 2020, with an estimated 1.7 million people displaced from Tigray alone as of March 27, 2021.⁸

Figure 1. The refugee population in Ethiopia over time



Source: Authors’ calculations using: UNHCR, “Refugee Data Finder,” accessed October 2020, <https://www.unhcr.org/refugee-statistics/download/?url=zlfx>

Due to the protracted nature of the conflicts in the refugees’ countries of origin, it is unlikely that most of refugees will be able to return home any time soon.⁹ In this context, it is imperative for the Ethiopian government to seek long-term solutions to hosting refugees by moving from their long-standing

⁷ UNHCR, *Ethiopia Country Refugee Response Plan, 2020-2021*, <https://reliefweb.int/sites/reliefweb.int/files/resources/73571.pdf>; IDMC, “Ethiopia,” accessed April 2021, <https://www.internal-displacement.org/countries/ethiopia>.

⁸ UNOCHA, “Ethiopia–Tigray Region Humanitarian Update,” accessed April 2021, <https://reports.unocha.org/en/country/ethiopia/>.

⁹ UNHCR, *Ethiopia Country Refugee Response Plan, 2020-2021*, <https://reliefweb.int/sites/reliefweb.int/files/resources/73571.pdf>.

system, which restricts most refugees to camps with limited economic activity, to a system that allows for greater economic inclusion of refugees (see box 1).

Despite a range of economic, political, and security challenges in the recent past—including long-standing ethnic tensions and widespread internal displacement, as well as high rates of poverty and urban unemployment—Ethiopia has made substantial progress toward greater economic inclusion for refugees. In recent years, prior to the outbreak of violence in Tigray, the country had received international attention for beginning to move toward more progressive policies and initiatives that promote refugee access to the labor market, including increased freedom of movement and access to formal employment.

However, even before the crisis in Tigray, significant work remained in the shift toward the creation and implementation of progressive policies. Most refugees are still required to live in camps and cannot legally work. Because of these restrictions, coupled with a range of other factors, refugees have much higher rates of poverty and lower rates of employment than Ethiopians in their host communities. An array of barriers stand in the way of overcoming these difficulties and allowing refugees to achieve greater economic inclusion (see box 1) and self-reliance. Moreover, each hosting region of the country faces specific barriers and opportunities for economic inclusion, implying the need to tailor solutions to each context.

Greater progress on refugee economic inclusion would bring a wide range of benefits, including higher incomes and standards of living for refugees, higher incomes and employment rates for host communities, economic development in some of the country's most impoverished areas, and reduced tensions between host communities and refugees. By working together, the Ethiopian government, international organizations, donors, and the private sector can help these benefits come to fruition.

However, policymakers and international organizations cannot ignore the dire humanitarian and human rights crisis that has unfolded in the region of Tigray. Abuses have occurred by Ethiopian troops, Eritrean troops, the Tigray People's Liberation Front (TPLF), and other armed actors, and diplomatic and humanitarian responses are desperately needed. International actors must now reevaluate how to protect fragile progress, and position long-term priorities and investments around the economic inclusion of refugees—a critical need for refugees who have been in Ethiopia for years—amid an unfolding humanitarian disaster.

Some donor states have gone so far to signal to Ethiopia that it is risking important relationships. The EU, for example, suspended some \$107 million dollars in budget support to Ethiopia in December 2020, insisting that Ethiopia would not receive any funding until humanitarian access was granted to Tigray. It also required Ethiopia to ensure that civilians were able to seek refuge in neighboring countries, work to stop hate speech and ethnically targeted acts against Tigrayans, take steps to monitor human rights violations in Tigray, and reestablish communication lines and media access in Tigray.¹⁰

Similarly, in May 2021, the United States announced visa restrictions and limitations on economic and security assistance to Ethiopia until the government takes steps to resolve the conflict in Tigray. The

¹⁰ Vince Chadwick, "EU to Dispatch humanitarian negotiator to Ethiopia after aid suspension," Devex, 19 January 2021, <https://www.devex.com/news/eu-to-dispatch-humanitarian-negotiator-to-ethiopia-after-aid-suspension-98934>.

Biden administration is also targeting World Bank and International Monetary Fund programs in Ethiopia, with the intention of forcing change in Ethiopia's behavior in Tigray.¹¹

Withholding economic and security funding sends a message to Ethiopia that it is risking important relationships by continuing its behavior in Tigray. Yet international actors must continue to provide urgent life-saving humanitarian assistance in Tigray and elsewhere in Ethiopia, and also respond to other ongoing crises, including needs created by COVID-19. Specifically, refugees and IDPs must be included in Ethiopia's vaccine rollout.

Recognizing that the humanitarian dimensions of the crisis in Tigray continue to unfold and affect opportunities for refugees in the country, this case study focuses on how to maintain progress on the economic inclusion of refugees in Ethiopia. It explores the issue of refugee economic inclusion in detail by providing in-depth analysis of the barriers to economic inclusion for refugees in Ethiopia, the extent of the gaps in economic inclusion between refugees and hosts communities, the benefits of greater inclusion, and recommendations for achieving greater inclusion. As background to these analyses, the following section provides context on the economic, political, internal displacement, COVID-19, and refugee situation in the country.

BOX 1. WHAT IS ECONOMIC INCLUSION?

Economic inclusion is defined in this paper as the achievement of income commensurate with one's skills and decent work as defined by the International Labour Organization (ILO).¹² To create the conditions necessary for economic inclusion, a wide range of barriers that refugees and forced migrants typically face—including legal, administrative, practical, and social barriers—must be lowered. These include the inability to obtain work permits, restricted freedom of movement, difficulty accessing financial services, a lack of job opportunities, poor access to childcare, and more. Some of these barriers apply to host populations as well, but the challenges are typically more acute and systematic for refugees and forced migrants.

CONTEXT

Current Political Situation

In November 2020, Ethiopia's northern Tigray region erupted in conflict. Millions have been displaced to other parts of Ethiopia or into neighboring Sudan, which has limited capacity to respond. Massacres, atrocities, widespread kidnapping and looting, food shortages, and lack of medical access are widely reported. Humanitarian access remains severely limited, and rights violations continue to occur at the hands of Ethiopian forces, the Tigray People's Liberation Front (TPLF), Eritrean troops,

¹¹ Robbie Gramer, "Biden Administration Plans Visa Restrictions on Ethiopian Officials Over Tigray," *Foreign Policy*, May 21, 2021, <https://foreignpolicy.com/2021/05/21/biden-visa-restrictions-ethiopia-tigray-conflict-eritrea-war-crimes-humanitarian-crisis/>.

¹² The ILO defines decent work as involving "opportunities for work that is productive and delivers a fair income, security in the workplace and social protection for families, better prospects for personal development and social integration, freedom for people to express their concerns, organize and participate in the decisions that affect their lives and equality of opportunity and treatment for all women and men." ILO, "Decent work," accessed October 2020, <https://www.ilo.org/global/topics/decent-work/lang--en/index.htm>.

and other armed actors. Eritrean troops have been particularly active among multiple camps of mostly Eritrean refugees in Tigray, in some cases terrorizing, raping, kidnapping, or killing them. Moreover, the conflict in Tigray could trigger internal conflict between Ethiopia's numerous ethnic groups, is likely to have devastating economic impacts, and could also destabilize other countries in the region.

Even before this crisis, conflict and political unrest had been spreading in Ethiopia, in large part due to a turbulent democratic transition. In 2018, Prime Minister Hailemariam Desalegn stepped down from power following years of protests against government repression, a lack of democracy, domination by a single ethnic minority, and a wide range of other factors. Shortly thereafter, Abiy Ahmed stepped into the role. The transition was consequential for at least two reasons. First, it represented a shift away from political control by Tigrayans (a group that accounts for just 6 percent of the population) and was the first time since 1991 that a member of the Oromo ethnic group (which accounts for about 35 percent of the population) held the position of prime minister. Second, Abiy initiated a wide range of reforms and progressive actions. He released thousands of political prisoners, enacted a peace treaty that ended a decades-long war with Eritrea, welcomed opposition groups into the political process, appointed an opposition figure to lead the electoral board, and loosened restrictions on civil society. He also promised to hold free and fair elections.¹³

While these actions represented major progress, they were linked to an increase in violence, which in turn led to backsliding on the democratic transition. Following the government's laudable renunciation of repressive tactics, there were renewed demands for ethnic self-rule and a substantial increase in violence between ethnic groups, which was driven by a range of complex underlying factors.¹⁴ In response, the government reverted to harsh and repressive tactics by retaliating with violence against separatist groups throughout the country, conducting summary executions, frequently shutting down the Internet, and re-jailing political dissidents.¹⁵ As a result, peace deals with rebel groups fell apart.¹⁶

National elections are scheduled for June 2021. These elections, while of course important for continued democratic progress in Ethiopia, have the potential to further stir ethnic tensions, thus exacerbating existing challenges. The elections may also distract from progress on politically sensitive agendas, including refugee economic inclusion.

Outbreak of COVID-19

The outbreak of COVID-19 has exacerbated many of Ethiopia's economic difficulties. Since the beginning of the pandemic, the Ethiopian government has maintained an aggressive response. Following the first confirmed case in the country, the government quickly shut down schools,

¹³ "The Promise and Peril of Ethiopia's Democratic Revolution," *The Economist*, December 2018, <https://www.economist.com/middle-east-and-africa/2018/12/08/the-promise-and-peril-of-ethiopias-democratic-revolution>; "Ethiopia's Most Repressive State is Reforming," *The Economist*, October 2019, <https://www.economist.com/middle-east-and-africa/2019/10/03/ethiopias-most-repressive-state-is-reforming>; Freedom House, "Ethiopia: Civil Society Proclamation Advances Essential Freedoms," press release, February 8, 2019, <https://freedomhouse.org/article/ethiopia-civil-society-proclamation-advances-essential-freedoms>.

¹⁴ "Ethnic Violence Threatens to Tear Ethiopia Apart," *The Economist*, November 2019, <https://www.economist.com/middle-east-and-africa/2019/11/02/ethnic-violence-threatens-to-tear-ethiopia-apart>.

¹⁵ "Ethiopia's Democratic Transition Is in Peril," *The Economist*, September 2020, <https://www.economist.com/middle-east-and-africa/2020/09/19/ethiopias-democratic-transition-is-in-peril>; "A Hidden War Threatens Ethiopia's Transition to Democracy," March 2020, <https://www.economist.com/middle-east-and-africa/2020/03/19/a-hidden-war-threatens-ethiopias-transition-to-democracy>.

¹⁶ "A Hidden War Threatens Ethiopia's Transition to Democracy," *The Economist*, March 2020, <https://www.economist.com/middle-east-and-africa/2020/03/19/a-hidden-war-threatens-ethiopias-transition-to-democracy>.

prohibited large gatherings, closed its borders, mandated the use of masks in public, and enacted a variety of other lockdown and social distancing measures. Furthermore, in April 2020, it declared a state of emergency that allowed it to take a variety of actions to support the economy, such as extending tax refunds to businesses, credit to small businesses, and financial support to banks.¹⁷ The country has also received substantial funds for the COVID-19 response from the international community, including over \$80 million from the World Bank.¹⁸

Despite these actions, the impacts of the outbreak and lockdown have been immense. Although Ethiopia has had far fewer cases per capita compared to the rest of the world, it was still recording about 12 new daily cases per million people as of April 26, 2021 (see figure 2), amounting to a total of 253,120 confirmed cases and 3,570 confirmed deaths from COVID-19.¹⁹ In addition, a recent Center for Global Development (CGD) analysis found that by overburdening and limiting access to the health system, the outbreak and lockdown will cause somewhere between 24,000 and 97,000 deaths from non-COVID-19 factors in Ethiopia, mostly due to communicable, maternal, neonatal, and nutritional diseases.²⁰ These impacts will likely disproportionately affect women, who suffer from a lack of access to maternal and neonatal care. Due to these and other factors (discussed in the following section, on Ethiopia's economy), the pandemic has had severe economic effects. It has also had substantial impacts on the economic lives of refugees, as the subsequent sections show.

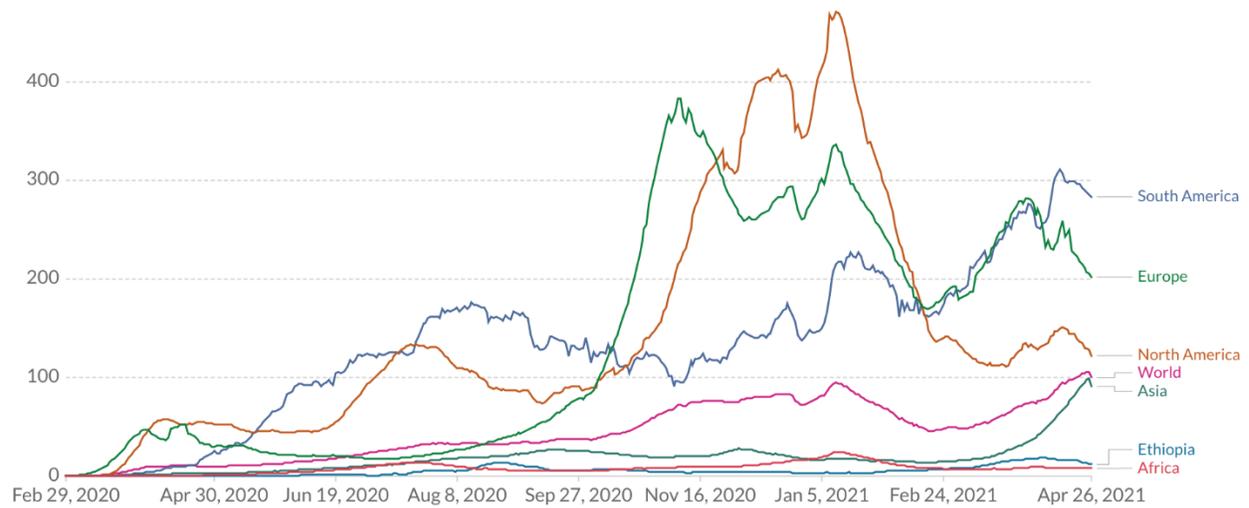
¹⁷ Kalle Hirvonen, *Economic Impacts of COVID-19 Pandemic in Ethiopia: A Review of Phone Survey Evidence*, IFPRI, August 2020, <http://ebrary.ifpri.org/utils/getfile/collection/p15738coll2/id/133947/filename/134155.pdf>.

¹⁸ World Bank, "Ethiopia COVID-19 Emergency Response," accessed October 2020, <https://projects.worldbank.org/en/projects-operations/project-detail/P173750>.

¹⁹ Our World in Data, "COVID-19 Data Explorer," accessed April 2021, <https://ourworldindata.org/explorers/coronavirus-data-explorer>.

²⁰ Damian Walker, Y-Ling Chi, Mahlet Kifle Habtemariam, Ole Norheim, and Kalipso Chalkidou, "Estimating the Indirect Health Impacts of COVID-19 in Ethiopia," *CGD Blog*, June 2020, <https://www.cgdev.org/blog/estimating-indirect-health-impacts-covid-19-ethiopia>.

Figure 2. Daily new confirmed COVID-19 cases per million people



Source: Our World in Data, “COVID-19 Data Explorer,” accessed April 2021, <https://ourworldindata.org/explorers/coronavirus-data-explorer>

Ethiopia’s Economy

Ethiopia is one of the most populous countries in Africa and is considered a political and economic leader in the region. It is home to the African Union and an important security and economic partner for many countries, including the United States, China, and the European Union. Nonetheless, Ethiopia faces many economic challenges, as a low-income country where almost one-third of its population lives in poverty and annual per capita income is just US\$790.²¹ Although it has experienced strong economic growth over the past couple of decades, with an annual GDP growth rate of 10.3 percent from 2006/07 to 2016/17, the growth rate began slowing in recent years.²² As a result of the pandemic, the growth rate has fallen even further, plummeting from a real GDP growth rate of 9 percent in 2019 to just 1.9 percent in 2020.²³ Unfortunately, if conflict in Tigray continues, this downward trend may persist. Economic analysts warn that if the country remains highly unstable, foreign investment will slow and economic growth in 2021 will be unlikely.²⁴

Ethiopia also faces high poverty rates. Although overall poverty rates have been falling (from 55 percent of the population living in poverty in 2000 to 30 percent in 2011 to 24 percent in 2016), there has been little progress in recent years for the country’s poorest.²⁵ Poverty reduction efforts have

²¹ According to World Bank data from 2015, 30.8 percent of the population was living on less than \$1.90/day. World Bank, “Poverty Headcount Ratio at \$1.90/day (2011 PPP) (% of population),” accessed October 2020, <https://data.worldbank.org/indicator/SI.POV.DDAY?locations=ET>; World Bank, “Overview—Ethiopia,” 2019, <https://www.worldbank.org/en/country/ethiopia/overview>.

²² World Bank, “GDP Growth (% annual)—Ethiopia,” accessed October 2020, <https://data.worldbank.org/indicator/NY.GDP.MKTP.KD.ZG?locations=ET>; World Bank, “Ethiopia: New World Bank Report Shows Mixed Outlook as Growth Leads to Overall Poverty Reduction,” 16 May 2019, <https://www.worldbank.org/en/news/press-release/2019/05/16/ethiopia-new-world-bank-report-shows-mixed-outlook-as-growth-leads-to-overall-poverty-reduction>.

²³ IMF, “The Federal Democratic Republic of Ethiopia,” accessed October 2020, <https://www.imf.org/en/Countries/ETH>.

²⁴ Samuel Getachew, “The Biggest Casualty of Ethiopia’s Brewing Conflict Will Be Its People, Then Its Economy,” *Quartz*, November 2020, <https://qz.com/africa/1932822/ethiopias-fast-growing-economy-will-a-casualty-of-tigray-war/>.

²⁵ World Bank, “Ethiopia Poverty Assessment: Poverty Rate Declines, Despite Challenges,” April 2020, <https://www.worldbank.org/en/country/ethiopia/publication/ethiopia-poverty-assessment-poverty-rate-declines-despite-challenges>; World Bank, “Overview—Ethiopia,” 2019, <https://www.worldbank.org/en/country/ethiopia/overview>.

continued to falter in the face of challenges related to an underdeveloped private sector, political disruption and social unrest, and limited competitiveness that constrains manufacturing and job creation.²⁶ Due to these and other factors (discussed below), some eight million people in Ethiopia were food insecure and required humanitarian assistance as of 2019.²⁷ Ethiopia is also stunted by low rates of educational enrollment, access to sanitation, and investments in health, safety, and education for women and girls.²⁸

Relatedly, Ethiopians face high rates of unemployment. The national unemployment rate prior to the pandemic was relatively low, at about 2 or 3 percent.²⁹ In urban areas unemployment rates were much higher, at about 17 percent nationally and 21 percent in Addis Ababa as of 2016, and were especially severe for the youth population (ages 15–24), which faced urban unemployment rates of about 25 percent in 2016.³⁰ Furthermore, with about two million additional people in the labor force each year, the labor force has doubled in the last 20 years, and demand for employment continues to rise, outstripping supply.³¹ Those in the labor force also confront difficulties in finding decent work, as the country has a large informal labor market, with the informal economy accounting for about 39 percent of GDP as of 2013.³²

The economic contraction caused by the pandemic has increased these labor market challenges and poverty rates. According to a July 2020 survey of poor households across 10 Ethiopian cities conducted by Oxford Policy Management, over 60 percent of respondents reported having reduced their work hours since the outbreak began.³³ Similarly, in a June/July 2020 survey of 2,500 Ethiopian youths (ages 19–25) conducted by Young Lives, 27 percent of respondents reported that at least one person in their household lost their job due to the pandemic.³⁴ It is therefore not surprising that a July 2020 survey of 584 households in Addis Ababa conducted by the International Food Policy Research Institute found that 64 percent of respondents said their incomes in the past month were lower or much lower than usual. As a result, food security among households is falling.³⁵

Women have been especially impacted by the outbreak. According to a survey conducted by the World Bank, as of April 2020, women accounted for 64 percent of those who lost their jobs following the outbreak, and 44 percent of female-headed households reported a loss of income as of May 2020,

²⁶ World Bank, “Overview—Ethiopia,” 2019, <https://www.worldbank.org/en/country/ethiopia/overview>.

²⁷ Mercy Corps, “The Facts: How We’re Fighting Hunger in Ethiopia,” June 2019, <https://www.mercycorps.org/articles/ethiopia/quick-facts-how-were-fighting-hunger-ethiopia>.

²⁸ World Bank, “Ethiopia Poverty Assessment,” 2015, <https://www.worldbank.org/en/topic/poverty/publication/ethiopia-poverty-assessment>.

²⁹ World Bank, “Unemployment, Total (% of Total Labor Force) (national estimate)—Ethiopia,” accessed October 2020, <https://data.worldbank.org/indicator/SL.UEM.TOTL.NE.ZS?locations=ET>.

³⁰ Ethiopian Central Statistical Agency, “2016 Urban Unemployment Survey,” August 2016.

³¹ World Bank, “Labor Force, Total—Ethiopia,” accessed October 2020, <https://data.worldbank.org/indicator/SL.TLF.TOTL.IN?locations=ET>; Abebaw Alemayehu, “Why Should Ethiopians Care about Urbanization? Jobs, Infrastructure, and Formal Land and Housing,” World Bank Blog, March 2019, <https://blogs.worldbank.org/african/why-should-ethiopians-care-about-urbanization-jobs-infrastructure-and-formal-land-and-housing>.

³² IMF, *The Federal Democratic Republic of Ethiopia*, Country Report 13/309, 2013, <https://www.imf.org/external/pubs/ft/scr/2013/cr13309.pdf>.

³³ Donna Harris, Alula Teklu, Girmay Medhin, Israel Mitiku, Biniyam Tadesse, and Mekdes Demissie, *The Effect of COVID-19 and Government Response Measures on Poor and Vulnerable Groups in Urban Areas in Ethiopia*, Maintains Programme, August 2020, https://maintainsprogramme.org/wp-content/uploads/GK-V00-FINAL-BRE-COVID-19-Urban-Study-Monthly-Report-1_June-July-2020-copy-edited_Final_with-Correction_13-08-20.pdf.

³⁴ Young Lives, *Listening to Young Lives at Work in Ethiopia: Second Call*, November 2020, https://www.younglives.org.uk/sites/www.younglives.org.uk/files/YOL-Ethiopia-Headlines-FirstPhoneSurvey-Aug20_0.pdf.

³⁵ Kalle Hirvonen, *Economic Impacts of COVID-19 Pandemic in Ethiopia: A Review of Phone Survey Evidence*, IFPRI, August 2020, <http://ebrary.ifpri.org/utils/getfile/collection/p15738coll2/id/133947/filename/134155.pdf>.

compared with 25 percent of male-headed households.³⁶ As a result of these increased difficulties and household tensions, it is likely that domestic abuse toward women and girls has been on the rise.³⁷

The violence in Tigray has no doubt also worsened poverty and employment challenges there. With supply chains and the harvest disrupted, many crops destroyed, markets and banks closed, and humanitarian support restricted, residents are unable to access basic needs such as food, water, and medicine. As a result, poverty and food insecurity in the region are skyrocketing, and regular economic activity is no longer possible.³⁸

Another challenge in the country stems from shortages of housing in urban areas and tensions over land. Ethiopia remains predominantly rural, but estimates show that it is urbanizing rapidly, with an urban population that is likely to triple by 2034, growing by 5.4 percent each year.³⁹ To keep pace with this growing demand, Ethiopia needs to create 400,000 new housing units every year, but that target is not being met.⁴⁰ At the same time, the government owns all land in the country and, taking advantage of this ownership, has carried out campaigns in recent years to demolish informal settlements and homes in peri-urban areas and displace residents.⁴¹ In this context, there is a high degree of tension around housing in urban areas, which often leads to ethnic clashes and violence.⁴²

³⁶ Christina Wieser, Menaal Ebrahim, and Girum Abebe Tefera, "Assessing Ethiopian Women's Vulnerability to the COVID-19 Pandemic," *World Bank Blog*, December 2020, <https://blogs.worldbank.org/african/assessing-ethiopian-womens-vulnerability-covid-19-pandemic>.

³⁷ UN Ethiopia, *Socio-economic Impact of COVID-19 in Ethiopia*, May 2020, <https://reliefweb.int/sites/reliefweb.int/files/resources/UN%2520Socio-Economic%2520Impact%2520Assessment%2520-%2520FINAL%2520DRAFT%2520%2520-%252014May20.pdf>.

³⁸ "After Two Months of War, Tigray Faces Starvation," *The Economist*, January 2021, <https://www.economist.com/middle-east-and-africa/2021/01/23/after-two-months-of-war-tigray-faces-starvation>.

³⁹ Abebaw Alemayehu, "Why Should Ethiopians Care about Urbanization? Jobs, Infrastructure, and Formal Land and Housing," *World Bank Blog*, March 2019, <https://blogs.worldbank.org/african/why-should-ethiopians-care-about-urbanization-jobs-infrastructure-and-formal-land-and-housing>.

⁴⁰ *Ibid.*

⁴¹ Tom Gardner, "'Better to Kill Us': Ethiopian Residents Fear Evictions from Satellite Towns," *Reuters*, April 2019, <https://www.reuters.com/article/us-ethiopia-housing-evictions-feature/better-to-kill-us-ethiopian-residents-fear-evictions-from-satellite-towns-idUSKCN1S113M>.

⁴² "How Land Disputes Erupt in Ethiopia," *The Economist*, August 2020, <https://www.economist.com/middle-east-and-africa/2020/07/30/how-land-disputes-erupt-in-ethiopia>.

Recently, the country's economic and housing challenges have been exacerbated by a series of natural disasters. Ethiopia often goes through cycles of droughts and floods, which cause both massive disruptions of livelihoods and internal displacement.⁴³ Most recently, the country has been devastated by floods, which have destroyed infrastructure, crops, and hundreds of thousands of homes throughout East Africa.⁴⁴ In Ethiopia, the problem is most acute in the southern part of the Somali region but has also taken a toll in other areas of Somali and in Afar and Oromia.⁴⁵ At the same time, the East Africa region has been overrun by the worst locust outbreak in 70 years, which has dramatically undermined agricultural livelihoods and food security.⁴⁶ Within Ethiopia, the problem has been most severe in the western part of the Somali region, the eastern part of the Oromiya region, and the Southern Nations, Nationalities, and Peoples' Region, or SNNPR (see map of regions in Ethiopia in figure 3).⁴⁷

Overview of the Refugee Population

Ethiopia is one of the most populous countries in Africa and hosts one of the largest refugee populations in the world, with some 800,000 refugees from Eritrea, South Sudan, Sudan, Somalia, Yemen, and other countries.⁴⁸ These refugees have fled violence, persecution, and instability in their countries, and other groups of migrants have come to Ethiopia fleeing drought, famine, and poverty.

As figure 3 shows, refugees in Ethiopia are spread throughout the country. As of October 2020, the largest concentration of refugees was in Gambella, followed by Somali, Tigray, Benishangul-Gumuz, Afar, and Addis Ababa. As discussed further in the "Economic Barriers" section of this case study, these areas are some of the least developed in the country, with high rates of poverty and limited economic opportunities.

⁴³ Pablo Cortés Ferrández, *No Matter of Choice: Displacement in a Changing Climate*, IDMC, December 2019, <https://www.internal-displacement.org/sites/default/files/publications/documents/201912-ethiopia-slow-onset.pdf>.

⁴⁴ Sarah Miller, Kayly Ober, and Stefan Bakumenko, "In East Africa, a Vexing Trifecta of Challenges: COVID-19, Locusts and Floods," *World Politics Review*, July 2020, <https://www.worldpoliticsreview.com/articles/28916/a-vexing-trifecta-of-challenges-in-east-africa-flooding-locusts-and-covid-19>.

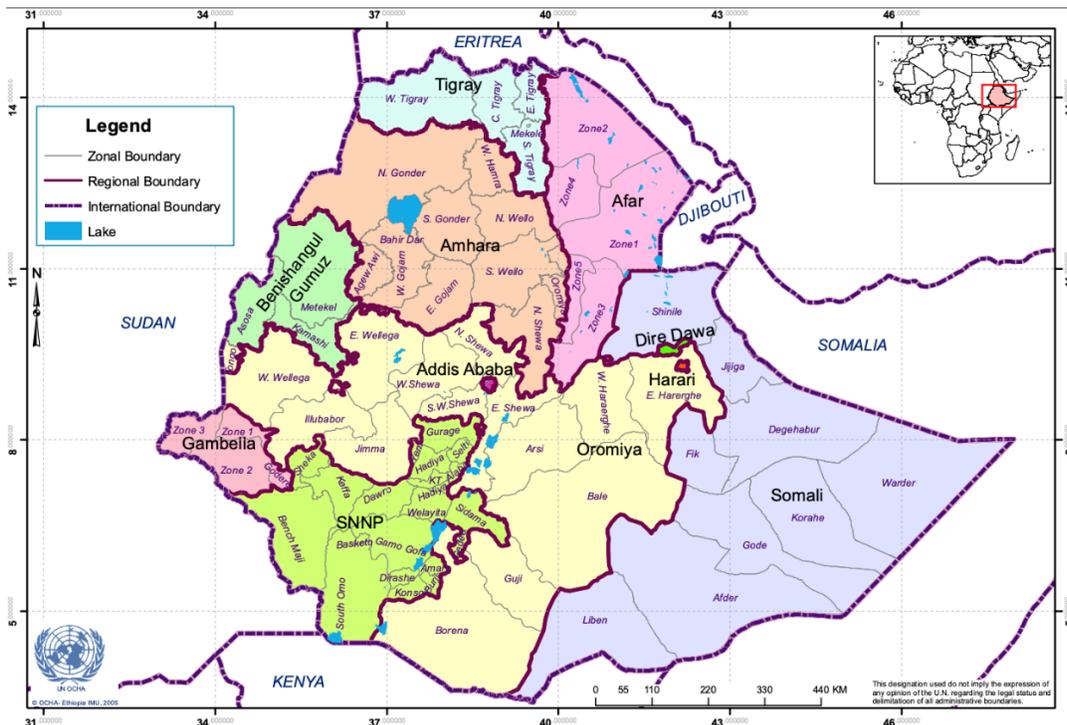
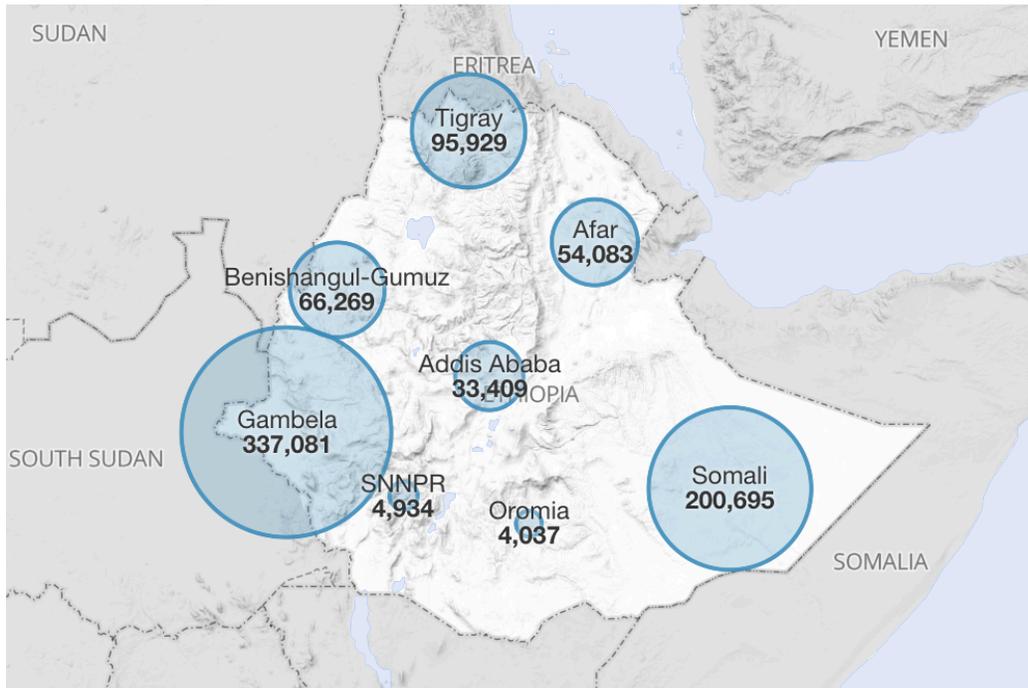
⁴⁵ UNOCHA, *Ethiopia: Floods: Flash Update*, May 2020, https://reliefweb.int/sites/reliefweb.int/files/resources/ethiopia_flood_situation_update_-_5_may_2020.pdf; Joint Government and Humanitarian Partners, *2018 Ethiopia Humanitarian Disaster Resilience Plan Mid-Year Review*, October 2018, https://reliefweb.int/sites/reliefweb.int/files/resources/2018_my_r_oct08j.pdf; Mark Yarnell, *The Crisis Below the Headlines: Conflict Displacement in Ethiopia*, Refugees International, November 2018, <https://www.refugeesinternational.org/reports/2018/11/14/the-crisis-below-the-headlines-conflict-displacement-in-ethiopia>.

⁴⁶ International Rescue Committee (IRC), *The Double Burden of COVID-19 and Locusts in East Africa*, 2020, <https://reliefweb.int/sites/reliefweb.int/files/resources/estafricalocustsoutbreak.pdf>; Sarah Miller, Kayly Ober, and Stefan Bakumenko, "In East Africa, a Vexing Trifecta of Challenges: COVID-19, Locusts and Floods," *World Politics Review*, July 2020, <https://www.worldpoliticsreview.com/articles/28916/a-vexing-trifecta-of-challenges-in-east-africa-flooding-locusts-and-covid-19>.

⁴⁷ FAO, "Desert Locust Risk Maps—2020," accessed October 2020, <http://www.fao.org/ag/locusts/en/archives/1340/2517/2518/index.html>; FAO, "Desert Locust Situation Update 3," March 2021, <https://reliefweb.int/report/ethiopia/desert-locust-situation-update-3-march-2021>.

⁴⁸ UNHCR, "Operational Portal: Ethiopia," accessed October 2020, <https://data2.unhcr.org/en/country/eth>.

Figure 3. Maps of Ethiopia: Refugee population and administrative boundaries as of 2020



Source: UNHCR, "Operational Portal: Ethiopia," accessed October 2020, <https://data2.unhcr.org/en/country/eth>; UN OCHA, "Administrative Regions of Ethiopia," 2005, <https://reliefweb.int/map/ethiopia/administrative-regions-ethiopia>

Note: Some changes have been made to administrative boundaries since the creation of the maps.

Refugee populations are largely grouped by nationality near their origin countries. Table 1 provides a breakdown of these locations for the most populous of the 26 refugee nationalities in Ethiopia.⁴⁹ As of 2017, about one-third of refugees were out of camps, and the rest were in over 25 camps throughout the country.⁵⁰ As discussed throughout this case study, each of the hosting locations and refugee populations faces unique challenges and opportunities.

Importantly, these figures are based on data gathered prior to the outbreak of violence in Tigray. With some refugee camps in Tigray entirely cut off from assistance and others decimated, many Eritrean refugees in the region have fled to other parts of Ethiopia and neighboring Sudan. As discussed below, a large proportion of those fleeing Tigray are internally displaced Ethiopians. At the same time, it is difficult for humanitarian organizations with a limited presence in conflict-affected areas to track changes in populations, and thus it is difficult to determine exactly how many Eritrean refugees remain in the region.⁵¹

Table 1. Locations and percentages of main refugee nationalities

Nationality	Locations	Percentage of total
South Sudanese	Mostly in the Gambella region in the West, concentrated in camps around the city of Gambella, with smaller populations in the Benishangul-Gumuz region and the SNNPR.	45
Somali	Mostly in Somali region, in three camps (Sheder, Aw-barre, and Kebribeyah) in the Fafan (Jijiga) zone in the northern part of the region, and five camps (Kobe, Melkadida, Hilaweyn, Buramino, and Bokolmanyoo) in the Liben zone in the southeast of the region (see figure 3 for the location of these zones)	26
Eritrean	Mostly in the northern part of the Tigray and Afar regions, accounting for 85% of the out-of-camp refugees and about two-thirds of the registered refugees in Addis Ababa.	22
Sudanese	Mostly in the Benishangul-Gumuz region, largely concentrated in the Asosa zone	6
Other	Includes Congolese, Yemenis, and eight other nationalities, spread throughout the country	1

Sources: UNHCR, "Refugee Data Finder," accessed October 2020, <https://www.unhcr.org/refugee-statistics/download?url=0Dbv1Q;> UNHCR, Ethiopia Country Refugee Response Plan, 2020-2021, <https://reliefweb.int/sites/reliefweb.int/files/resources/73571.pdf>; UNHCR, "Global Focus: Ethiopia," accessed October 2020, <https://reporting.unhcr.org/node/5738?y=2020#year>; Cindy Huang and Jimmy Graham, Are Refugees Located Near Urban Job Opportunities?, CGD policy brief, June 2018, <https://www.cgdev.org/publication/are-refugees-located-near-urban-job-opportunities>; Utz Pape, Benjamin Petrini, and Syedah Aroob Iqbal, Informing Durable Solutions by Micro-Data: A Skills Survey for Refugees in Ethiopia, World Bank, July 2018, <http://documents1.worldbank.org/curated/en/996221531249711200/pdf/128185-WP-PUBLIC-P162987-SkillsReport.pdf>

⁴⁹ UNHCR Ethiopia Country Refugee Response Plan, 2020-2021, <https://reliefweb.int/sites/reliefweb.int/files/resources/73571.pdf>.

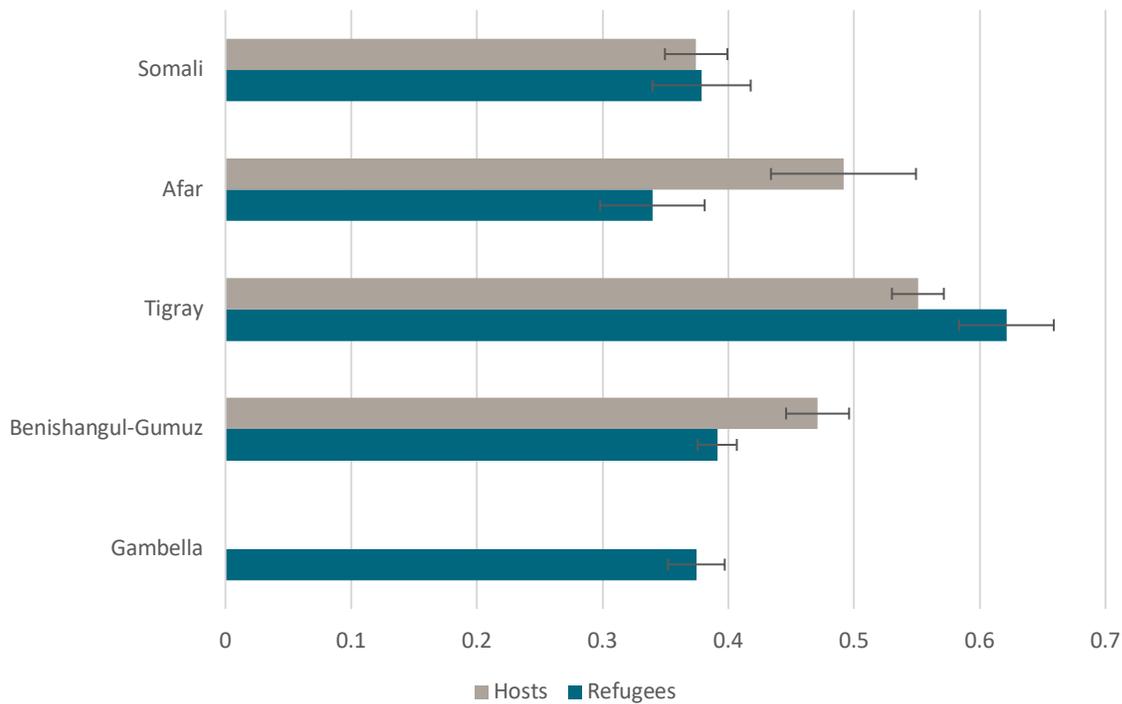
⁵⁰ Utz Pape, Benjamin Petrini, and Syedah Aroob Iqbal, *Informing Durable Solutions by Micro-Data: A Skills Survey for Refugees in Ethiopia*, World Bank, July 2018, <http://documents1.worldbank.org/curated/en/996221531249711200/pdf/128185-WP-PUBLIC-P162987-SkillsReport.pdf>; UNHCR, "Global Focus: Ethiopia," accessed October 2020, <https://reporting.unhcr.org/node/5738?y=2020#year>.

⁵¹ UNHCR, *UNHCR Ethiopia Operation: Tigray Situation Update, 21 January 2021*, January 2021, <https://reliefweb.int/report/ethiopia/unhcr-ethiopia-operation-tigray-situation-update-21-january-2021>.

Legally, most refugees are required to live in the camps, which are jointly run by UNHCR and Ethiopia’s Agency for Refugee and Returnee Affairs (ARRA). However, a limited number of refugees (about 20,000) have been granted permission to live outside camps, and others (roughly 11,000) are living outside of camps without legal authorization.⁵² Until 2020, very few refugees had the legal right to work. (For more details on refugee livelihoods and the restrictions refugees face, see the “Policy Barriers” and “Economic Barriers” sections of this case study.)

The working-age populations of both refugees and hosts are relatively small in most hosting regions, in many cases below 40 percent of the total population (see figure 4). By comparison, the working-age population in all of Ethiopia accounts for about 56 percent of the total population.⁵³ These figures suggest that it may be more difficult for refugees to achieve self-reliance, as many cannot work and those who can may need to support a large number of nonworking relatives. Across all regions, women account for about half of both the refugee and host populations.

Figure 4. Proportion of the population that is working age (15–64), by region and refugee status



Source: Authors’ calculations using Utz Pape, Skills Profile Survey 2017: A Refugee and Host Community Survey, World Bank, June 2019, <https://microdata.worldbank.org/index.php/catalog/3445>

Note: Error bars indicate a 95 percent confidence interval

⁵² UNHCR, *Ethiopia: 2019 Summary Pledge Progress Report*, July 2020, <https://data2.unhcr.org/en/documents/details/78981>; Alison Brown, Peter Mackie, Kate Dickenson, and Tegegne Gebre-Egziabher, *Urban Refugee Economies: Addis Ababa, Ethiopia*, IIED, March 2018, <https://reliefweb.int/sites/reliefweb.int/files/resources/10850IIED.pdf>.

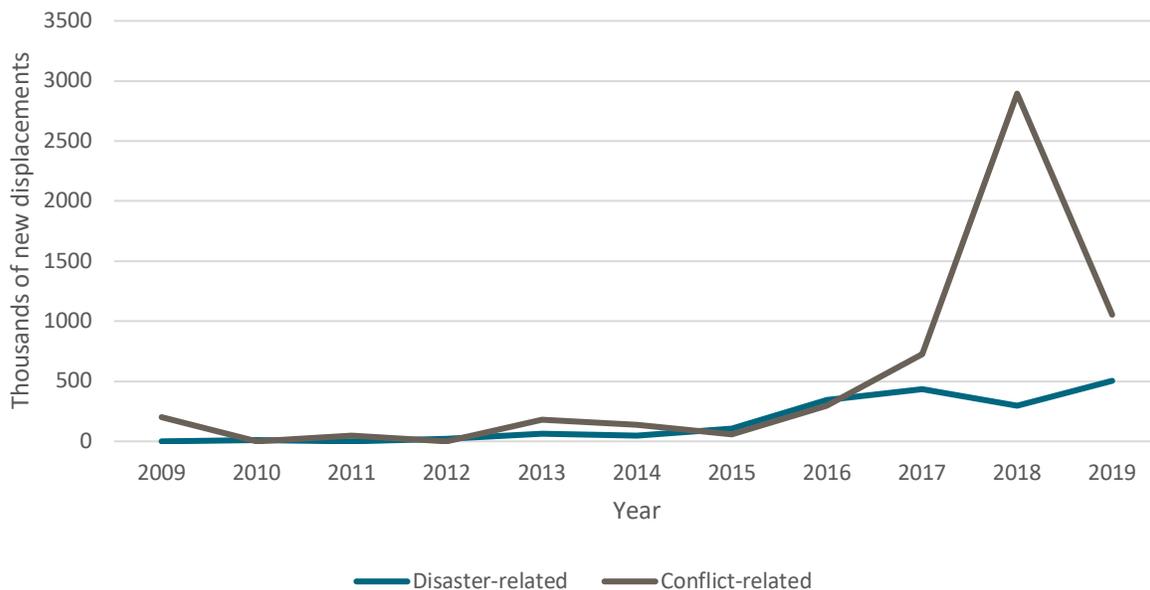
⁵³ World Bank, “Population Ages 15–64 (% of total population)—Ethiopia,” accessed October 2020, <https://data.worldbank.org/indicator/SP.POP.1564.TO.ZS?locations=ET>.

Internal Displacement and Ethiopian Refugees

Over the past few years, even prior to the outbreak of violence in Tigray, increases in violence and various natural disasters have driven huge numbers of Ethiopians to flee their homes. By the end of 2019, there were about 390,000 disaster-related internally displaced people (IDPs) and 1,414,000 conflict-related IDPs in the country. In the past few years, the rate of displacement has vastly surpassed previous rates over the past decade (see figure 5), a phenomenon that reflects the growing levels of violence and more extreme natural disasters, largely driven by climate change.⁵⁴

Due to the violence and restricted access to humanitarian support in Tigray, the number of IDPs in the country has grown at a rapid rate, while many Ethiopians have also fled the country into eastern Sudan. As of January 2020, the United Nations Office for the Coordination of Humanitarian Affairs estimated that over 400,000 individuals had been internally displaced from northern Tigray, and nearly 60,000 additional individuals had sought refuge in Sudan.⁵⁵ By March 2020, the regional Bureau of Labour and Social Affairs estimated that a total of 1.7 million people had been displaced from or within the region.⁵⁶ In addition, the locust outbreaks in the country are likely causing an increase in the number of disaster-related IDPs.

Figure 5. New conflict- and disaster-related displacements in Ethiopia over time



Source: IDMC, "Ethiopia," accessed April 2021, <https://www.internal-displacement.org/countries/ethiopia>

⁵⁴ Pablo Cortés Ferrández, *No Matter of Choice: Displacement in a Changing Climate*, IDMC, December 2019, <https://www.internal-displacement.org/sites/default/files/publications/documents/201912-ethiopia-slow-onset.pdf>.

⁵⁵ UNHCR, *UNHCR Ethiopia Operation: Tigray Situation Update, 21 January 2021*, January 2021, <https://reliefweb.int/report/ethiopia/unhcr-ethiopia-operation-tigray-situation-update-21-january-2021>.

⁵⁶ UNOCHA, "Ethiopia—Tigray Region Humanitarian Update," accessed April 2021, <https://reports.unocha.org/en/country/ethiopia/>.

Due to the widespread nature of violence in Ethiopia, most of which is unrelated to the war in Tigray, IDPs are located throughout the country, in both formal and informal settlements and communities.⁵⁷ Some of the largest concentrations are in Somali, in refugee camps around both Fafan (Jijiga) and Liban, as well as in and around Tigray, with smaller numbers living around the camps in Gambella and Benishangul-Gumuz.⁵⁸ Furthermore, although returns are common, many other IDPs are living in protracted displacement, such as pastoralists who lost their cattle and livelihoods in the droughts from 2015 to 2017 and have been living in displacement ever since, in a mix of IDP settlements and host communities.⁵⁹ Unfortunately, IDPs typically face difficult living conditions, often lacking access to food, healthcare, water, and other basic needs.⁶⁰ They also receive far less attention and assistance than refugees, despite the fact that they often live in close proximity to refugee populations and in some cases may blend with refugees and the host community.⁶¹ In addition, the government has often pushed for premature returns to places of origin, thus forcing IDPs back into precarious and dangerous situations.⁶²

BARRIERS TO GREATER ECONOMIC INCLUSION—AND EFFORTS TO OVERCOME THEM

In addition to the many challenges facing Ethiopia as a whole, refugees in the country face their own unique sets of barriers to economic inclusion. These include policy barriers, political barriers, security barriers, discrimination, economic barriers, a lack of coordination and appropriate government structures, and refugee aspirations that may not align with the available opportunities (see table 2). This section discusses these barriers in detail, and table 2 provides a summary.

⁵⁷ UNOCHA, *Ethiopia: IDP Situation Report*, May 2019, https://reliefweb.int/sites/reliefweb.int/files/resources/idp_situation_report_june_13_2019_final.pdf.

⁵⁸ IOM Displacement Tracking Matrix, *Ethiopia National Displacement Report 7*, April 2021, https://displacement.iom.int/system/tdf/reports/DTM%20Ethiopia%20National%20Displacement%20Report%207%20%28Compressed%29_0.pdf?file=1&type=node&id=11156.

⁵⁹ Pablo Cortés Ferrández, “No matter of choice: Displacement in a changing climate,” December 2019, <https://www.internal-displacement.org/sites/default/files/publications/documents/201912-ethiopia-slow-onset.pdf>; UNOCHA, *Ethiopia: IDP Situation Report*, May 2019, https://reliefweb.int/sites/reliefweb.int/files/resources/idp_situation_report_june_13_2019_final.pdf.

⁶⁰ IDMC, “Ethiopia,” accessed April 2021, <https://www.internal-displacement.org/countries/ethiopia>.

⁶¹ IOM, “Ethiopia Records More Than 1.8 Million Internally Displaced in 2020,” press release, September 2020, <https://www.iom.int/news/iom-report-ethiopia-records-more-18-million-internally-displaced-2020>; Interview with a representative from ReDSS.

⁶² Mark Yarnell, *The Crisis Below the Headlines: Conflict Displacement in Ethiopia*, Refugees International, November 2018, <https://www.refugeesinternational.org/reports/2018/11/14/the-crisis-below-the-headlines-conflict-displacement-in-ethiopia>.

Table 2. Summary of barriers to refugee economic inclusion

Category	Specific barriers
Policy barriers	<ul style="list-style-type: none"> • There are limited pathways to obtaining work permits, so most refugees do not have access to formal labor markets and face potential harassment, exploitation, and criminal charges working in the informal market. • Refugees receive a type of work permit that is not granted to other foreigners and which may not be accepted by most employers. • The vast majority of refugees do not have freedom of movement and are forced to seek informal work opportunities in the limited markets in and around camps or risk living illegally outside camps. • A lack of clarity around financial institutions' ability to serve refugees has restricted access to banking and loans for refugees. • Many refugees worked in agriculture and pastoralism prior to displacement, but few have access to land in Ethiopia. • There is a lack of clarity around whether refugees can access government services, which could inhibit their ability to live outside camps.
Political barriers	<ul style="list-style-type: none"> • ARRA, Ethiopia's agency in charge of refugee management, faces disincentives to facilitating refugee economic inclusion. • Political will for progress may be limited by a wide range of issues, including ethnic balance, competition over jobs and resources, the perception of refugees as lawbreakers, and perceived inequity in service delivery • National crises such as the COVID-19 outbreak and violence in Tigray have distracted from the refugee policy agenda.
Security barriers	<ul style="list-style-type: none"> • Intense ongoing conflict in the Tigray region may preclude the possibility of greater refugee economic inclusion in the short term. • Violent conflicts in other regions may affect refugees' willingness and ability to work outside camps.
Discrimination	<ul style="list-style-type: none"> • Some employers discriminate against refugees in hiring, and others may be unwilling to work with refugees for fear of community backlash.
Economic barriers	<ul style="list-style-type: none"> • Many refugees are living in host areas with limited economic opportunities. These economies have underdeveloped value chains, a lack of arable land, weak financial systems, and poor infrastructure. • COVID-19 has caused a slowdown in economic growth that has further limited economic opportunities and reduced support from international organizations for livelihoods programming. • Refugees in urban areas, especially Addis Ababa, face labor markets with high rates of unemployment. • Most refugees have low levels of education, and some do not speak the local language. • Refugees have limited assets and social capital.
Lack of coordination and appropriate government structures	<ul style="list-style-type: none"> • The coordination structure developed as a part of the Comprehensive Refugee Response Framework (CRRF)—the UN-supported effort designed to assist refugees and host communities and develop refugee self-reliance—is not operating. As a result, many government actors are not involved in the CRRF process, refugees and hosts have limited input into the CRRF process, there is a lack of strategic vision for CRRF programming, duplication of efforts is common, and there is no clear platform for donor advocacy with the government.
Refugee aspirations	<ul style="list-style-type: none"> • Many refugees are unwilling to relocate from camps for work opportunities, and few are willing to relocate for industrial park jobs.

Policy Barriers

For decades, Ethiopia has welcomed refugees into the country, maintaining an open-door policy since the 1990s.⁶³ The government currently considers Eritreans, Somalis from South and Central Somalia, South Sudanese, Sudanese, and Yemenis as *prima facie* refugees, meaning that asylum seekers from these countries are automatically granted refugee status.⁶⁴ It also regularly grants refugee status to asylum seekers from other countries.⁶⁵

However, until relatively recently, Ethiopia's refugee policy framework has not allowed for economic inclusion. The 1995 constitution includes no provisions for refugee integration, and the 2004 Refugee Proclamation entrenched this policy by enshrining the government's authority to restrict refugees' residence and movement to specific designated areas (i.e., refugee camps).⁶⁶ (For a timeline of key policy landmarks related to refugees, see figure 6.) Ethiopia has ratified the 1951 Convention and its 1967 Protocol related to the status of refugees, but it holds reservations on several articles that it does not legally support, including the right for refugees to engage in wage-earning employment (Article 17) and equal treatment in relation to elementary education (Article 22). Under this framework, the government enforced an encampment policy that required all refugees to live in designated camps; barred refugees from the labor market; and imposed restrictions on other key rights related to economic inclusion, including property ownership and the ability to access to financial services.

In 2010, to reduce reliance on the camp system, the government began to loosen some of the restrictions on refugees with the passage of an out-of-camp policy (OCP) that allowed refugees to apply for permits to live outside camps. The policy was originally meant only for Eritrean refugees due to their close cultural and social ties to Ethiopians and the perception that they posed little security risk compared with Somalis.⁶⁷ Although the OCP was later extended to other nationalities, it has in practice continued to be offered only to Eritreans.⁶⁸

⁶³ Cindy Huang, Sarah Charles, Lauren Post, and Kate Gough, *Tackling the Realities of Protracted Displacement: Case Studies on What's Working and Where We Can Do Better*, CGD and IRC, April 2018, <https://www.cgdev.org/sites/default/files/tackling-realities-protracted-displacement-case-studies-whats-working.pdf>.

⁶⁴ UNHCR, *Ethiopia Country Refugee Response Plan, 2020-2021*, <https://reliefweb.int/sites/reliefweb.int/files/resources/73571.pdf>.

⁶⁵ *Ibid.*

⁶⁶ Roger Zetter and Heloise Ruaudel, *Refugees' Right to Work and Access to Labor Markets—An Assessment: Country Cases Part II (Preliminary)*, KNOMAD, September 2016, <https://www.knomad.org/publication/refugees-right-work-and-access-labor-markets-assessment-country-case-studies-part-2>.

⁶⁷ Samuel Hall Consulting, *Living Out of Camp: Alternatives to Camp-based Assistance for Eritrean Refugees in Ethiopia*, commissioned by the Norwegian Refugee Council, 2014, <https://reliefweb.int/sites/reliefweb.int/files/resources/Living-Out-of-Camp-Alternative-to-Camp-based-Assistance-in-Ethiopia.pdf>.

⁶⁸ Tadesse Kassa Woldetsadik, Fasil Mulatu, and Jettu Edosa, "Ethiopia's Refugee Policy Overhaul: Implications on the Out of Camp Regime and Rights to Residence, Movement and Engagement in Gainful Employment," *Journal of Ethiopian Human Rights Law*, June 2019, https://papers.ssrn.com/sol3/papers.cfm?abstract_id=3406620.

To apply for an out-of-camp permit, refugees must be sponsored by a relative who is an Ethiopian citizen, signing an agreement with ARRA that they can cover the refugee's living expenses. For many refugees, the sponsor requirement is a major barrier.⁶⁹ After a sponsor is obtained, ARRA conducts a vetting process to verify the relative's ability to support the refugee as part of an application process that can last between six months and two years. OCP beneficiaries are given the right to reside outside camps, but they are still not granted the right to work and must therefore work informally, if at all.⁷⁰ In practice, informal livelihoods are tolerated—and recently even supported through government-sanctioned livelihoods programs.⁷¹ As of 2018, there were almost 20,000 OCP beneficiaries, about 2 percent of all refugees in the country at that time.⁷²

In 2016, Ethiopia took another major step toward a more inclusive refugee legal framework. In September of that year, at the Leaders' Summit on Refugees in New York, the government made nine pledges related to increasing the economic and social inclusion of refugees in the country (see box 2). These pledges represented a major policy shift and positioned Ethiopia as an emerging leader in progressive refugee policy.

BOX 2. THE NINE PLEDGES MADE AT THE 2016 LEADERS' SUMMIT ON REFUGEES

1. Expand the number of OCP beneficiaries to 10 percent of the total refugee population.
2. Increase school enrollment for refugees.
3. Provide work permits to refugees with permanent residence IDs.
4. Provide work permits to refugees in the areas permitted for foreign workers.
5. Make irrigable land available to 100,000 people, including refugees and host communities.
6. Build industrial parks and set aside a percentage of jobs in these parks for refugees.
7. Make more documentation available to refugees, including birth certificates and, possibly, driver's licenses. Allow refugees to open bank accounts.
8. Expand and enhance the provision of basic social services for refugees.
9. Allow local integration for refugees who have lived in Ethiopia for 20 years or more.

Source: ARRA, Ethiopia CRRF Roadmap, March 2018, <https://data2.unhcr.org/en/documents/details/62655>

⁶⁹ Samuel Hall Consulting, *Living Out of Camp: Alternatives to Camp-based Assistance for Eritrean Refugees in Ethiopia*, commissioned by the Norwegian Refugee Council, 2014, <https://reliefweb.int/sites/reliefweb.int/files/resources/Living-Out-of-Camp-Alternative-to-Camp-based-Assistance-in-Ethiopia.pdf>.

⁷⁰ Ibid.

⁷¹ UNHCR, *Ethiopia: 2019 Summary Pledge Progress Report*, July 2020, <https://data2.unhcr.org/en/documents/details/78981>.

⁷² UNHCR, "Refugee Data Finder," accessed October 2020, <https://www.unhcr.org/refugee-statistics/download?url=0Dbv1Q>; UNHCR, *Ethiopia: 2019 Summary Pledge Progress Report*, July 2020, <https://data2.unhcr.org/en/documents/details/78981>.

A driving force behind these pledges was the creation of the Jobs Compact, a program funded by the World Bank, the European Investment Commission, and the UK Department for International Development, which commits \$550 million in financing to support Ethiopia’s development agenda. Most of the funding is provided as budget support given directly to the government. However, some disbursements are tied to progress on certain issues, including the provision of work permits for refugees (with a goal of 30,000) and broader reforms (largely unrelated to refugees) concerning industrialization, improving labor standards in industrial parks, national job creation, infrastructure investment, improving the business climate, and increasing worker productivity.⁷³ The Compact was announced at the Leaders’ Summit and is scheduled to run through 2025.⁷⁴ The incentives created by the Jobs Compact have continued to play a role in driving policy progress after the initial pledges in 2016. In fact, none of the Compact funds could be disbursed until a new refugee legal framework was proposed. The creation of the 2019 Proclamation (discussed below) unlocked \$30 million in budget support, and \$80 million in funds will be incrementally disbursed as the government approaches the goal of 30,000 refugee work permits, which will provide full freedom of movement and work rights.⁷⁵

In 2017, Ethiopia agreed to be a pilot country for the Comprehensive Refugee Response Framework (CRRF). The CRRF is a UNHCR-led approach to supporting refugees and host communities that aims to create conditions for greater refugee self-reliance—by reducing encampment and increasing access to local economies and labor markets—while also providing increased support to hosting countries, expanding opportunities for resettlement, and fostering conditions for voluntary return.⁷⁶ For Ethiopia, the CRRF approach was essentially developed as a vehicle for implementing the nine pledges, in addition to other goals.

In August 2017, the Ethiopian government created a road map—the National Comprehensive Refugee Response Strategy (NCRRS)—for implementing the CRRF approach and the nine pledges, which remains in draft form awaiting approval by the government of Ethiopia’s Council of Ministers.⁷⁷ It also created a CRRF steering committee and a national coordination unit for guiding implementation. (For more details, see the subsection of this case study titled “Lack of Coordination and Appropriate Government Structures.”) One of the first concrete actions to move the CRRF agenda forward was an amendment to Ethiopia’s legal framework that allows for the registration of vital events for refugees—including births, deaths, and marriages—and the provision of related documents. Shortly after this amendment was passed, ARRA began issuing birth certificates for Ethiopian-born refugees.⁷⁸

⁷³ Cindy Huang, Sarah Charles, Lauren Post, and Kate Gough, *Tackling the Realities of Protracted Displacement: Case Studies on What’s Working and Where We Can Do Better*, CGD and IRC, April 2018, <https://www.cgdev.org/sites/default/files/tackling-realities-protracted-displacement-case-studies-whats-working.pdf>; Alemu Asfaw Nigusie and Freddie Carver, *The Comprehensive Refugee Response Framework: Progress in Ethiopia*, Overseas Development Institute (ODI), September 2019, <https://cdn.odi.org/media/documents/12941.pdf>.

⁷⁴ Alemu Asfaw Nigusie and Freddie Carver, *The Comprehensive Refugee Response Framework: Progress in Ethiopia*, ODI, September 2019, <https://cdn.odi.org/media/documents/12941.pdf>.

⁷⁵ Interview with a representative from the World Bank.

⁷⁶ UNHCR, “Comprehensive Refugee Response Framework,” accessed October 2020, <https://www.unhcr.org/en-us/comprehensive-refugee-response-framework-crrf.html>.

⁷⁷ ARRA, *Ethiopia CRRF Roadmap*, March 2018, <https://data2.unhcr.org/en/documents/details/62655>.

⁷⁸ Cindy Huang, Sarah Charles, Lauren Post, and Kate Gough, *Tackling the Realities of Protracted Displacement Case Studies on What’s Working and Where We Can Do Better*, CGD and IRC, April 2018, <https://www.cgdev.org/sites/default/files/tackling-realities-protracted-displacement-case-studies-whats-working.pdf>.

The government took another step forward in February 2019 with the creation of the 2019 Refugee Proclamation (No. 1110/2019), which, if passed into law with legislation, will replace the 2004 Refugee Proclamation (No. 409/2004). The 2019 Proclamation cemented the very significant shift in Ethiopia’s position on local integration and self-reliance of refugees and articulated Ethiopia’s commitments to “ensure that refugees benefit from and participate in infrastructural, education, health, and natural resource development.”⁷⁹ The proclamation put forth a wide range of provisions that could support greater economic inclusion, which include the following:

- All refugees will be granted work rights equal to those of the most favorable treatment available to other foreigners.
- Refugees selected to participate in special joint projects run by international organizations and ARRA will be given the right to work.
- All refugees will have the right to move freely about the country and to choose their place of residence. (ARRA will retain the right to designate specific areas where refugees may live.)
- All refugees will be given the same access as Ethiopian citizens to primary and secondary education and healthcare, as well as justice, banking, telecommunications, vital events registration, and certification services.
- All refugees will have the same rights to property ownership, association, and degree and skill certification as other foreigners.
- All refugees and asylum seekers will have the right to take assets with them when they leave Ethiopia.
- Refugees married to an Ethiopian or who have an Ethiopian child will be exempt from nationality-based restrictions on employment.
- Criminal charges or penalties for illegal entry into the country will be removed.

Furthermore, in December 2019, the government issued three directives—related to the right to work, freedom of movement, and grievances and appeals—to operationalize some of the new policies laid out in the proclamation. In the same month, it made four additional pledges at the Global Refugee Forum:⁸⁰

1. To create up to 90,000 economic opportunities for refugees and hosts through agricultural and livestock value chains
2. To provide skills training to 20,000 hosts and refugees
3. To provide sustainable energy solutions for three million hosts and refugees
4. To strengthen the asylum system and protection capacity

⁷⁹ Mehari Taddele Maru, “In Depth: Unpacking Ethiopia’s Revised Refugee Law,” *Africa Portal*, February 2019, <https://www.africaportal.org/features/depth-unpacking-ethiopias-revised-refugee-law/>.

⁸⁰ Ethiopian Embassy in the UK, “Ethiopia at the Global Refugee Forum,” December 2019, <https://www.ethioembassy.org.uk/ethiopia-at-the-global-refugee-forum/>.

Clearly, the sweeping legal and policy changes from 2016 to 2019 have transformed Ethiopia's refugee policy framework, but it remains unclear whether these legal changes have led to changes in practice. On the positive side, there are several recent examples of progress in practice:

- In September 2020, the government began issuing the first residence and work permits to refugees, some through a livelihoods program run by GIZ, Germany's aid agency.⁸¹ As of November 2020, the government claimed to have extended 2,600 permits, though this number has not yet been verified by the World Bank (a process that is required for Jobs Compact funds to be disbursed). The permits allow permit holders full freedom of movement and residence and access to the formal labor market, as well as freedom of movement and residence for their families. These refugees are granted the same labor protections as citizens and may return to camps if they desire. Importantly, the permits are not connected to employers, allowing refugees with permits to switch employers at will.⁸²
- In 2019, at least 13,960 refugees were able to open bank accounts—a reportedly large increase over 2018 (though exact numbers for 2018 are not available).⁸³
- The number of OCP beneficiaries increased from 19,633 in 2018 to 35,340 in 2019.⁸⁴
- By the end of 2019, about 1,100 hectares of new irrigable land had been made available to refugees and hosts, benefiting roughly 2,000 refugees and 1,500 host community members.⁸⁵
- The government continued with vital events registration for refugees, which included issuing birth certificates.

In addition to this concrete policy progress, the government has also expanded the availability of core services such as healthcare and education, which did not require policy changes and has benefited both hosts and refugees. To prepare for further policy changes, several assessments have been conducted, including data collection on refugees that have been in the country over 20 years, labor market assessments, a mapping of existing research related to refugees in Ethiopia, a synthesis study to inform the implementation of the Global Compact on Refugees commitments, and social and conflict sensitivity analyses.⁸⁶

Despite these changes, many barriers to economic inclusion have remained in place. So far, a relatively small number of work permits have been issued—around 2,600—representing only 0.3 percent of the overall refugee population. Furthermore, the right-to-work directive seems to imply that work permits will be available to refugees only through joint projects, defined as “an urban or rural development project designed with the support of the international community and the agreement of the Ethiopian government to economically benefit both recognized refugees and Ethiopian nationals.”⁸⁷ However, it is not clear to many international organizations which projects

⁸¹ Interview with a representative from GIZ.

⁸² Based on information given by ARRA at an NGO roundtable organized by ReDSS.

⁸³ UNHCR, *Ethiopia: 2019 Summary Pledge Progress Report*, July 2020, <https://data2.unhcr.org/en/documents/details/78981>.

⁸⁴ *Ibid.*

⁸⁵ *Ibid.*

⁸⁶ *Ibid.*; ReDSS, *Towards a Common Research Agenda: A Synthesis Paper to Inform Implementation of the Global Refugee Compact—2019, 2020*, <https://regionaldss.org/wp-content/uploads/2020/03/Towards-a-common-research-agenda-ONLINE-FINAL-1.pdf>; Varalakshmi Vemuru, Aditya Sarkar, and Andrea Fitri Woodhouse, *Impact of Refugees on Hosting Communities in Ethiopia: A Social Analysis*, World Bank, 2020, <https://openknowledge.worldbank.org/bitstream/handle/10986/34267/Impact-of-Refugees-on-Hosting-Communities-in-Ethiopia-A-Social-Analysis.pdf?sequence=6&isAllowed=y>.

⁸⁷ ARRA, *Directive to Determine the Procedure for Refugees Right to Work*, February 2019.

count as joint projects or how to establish joint projects with the government.⁸⁸ These restrictions make it difficult for development actors to link job creation to employment opportunities for refugees.

According to the right-to-work directive, refugees should technically be able to obtain employment outside of joint projects, in the same manner as other foreigners in the country. Specifically, refugees should be able to obtain wage employment through employers that are able to confirm that there are no Ethiopian citizens eligible for the job. In practice, however, the government has not established a clear process for this pathway, nor has it shown interest in establishing such a process. It is therefore unlikely to be a feasible pathway to employment and has so far not been utilized by refugees.⁸⁹ In addition, refugees are technically able to start formal businesses, but in order to legally do so they must invest at least US\$50,000 to start a business alone or at least US\$25,000 to start a business jointly with an Ethiopian—prohibitively high fees for most, if not all, refugees.⁹⁰

There are also some challenges with the permits themselves. On the positive side, permit holders can work for any employer without restriction, and the government has indicated that the permits will be renewable.⁹¹ However, the permits issued to refugees are created by ARRA and are unlike other work permits issued to foreigners. Therefore, with lessons from refugee experiences in other countries as a guide, it is unlikely that employers outside of joint projects will recognize the permits as valid. In other countries such as Colombia and Peru, employers have lacked information about refugee work permits and, wanting to avoid legal trouble, have been reluctant to hire refugees.⁹²

The vast majority of refugees do not hold permits and face the same work restrictions that they have faced for years, especially prior to the recent policy shifts. Specifically, they are unable to work in the formal market, but in practice, they do work informally both in and outside camps. In most areas, the labor market is almost entirely informal, but in larger cities, like Addis Ababa, where formal opportunities exist, refugees are at a distinct disadvantage. This problem is especially acute for more highly educated refugees, who could apply their skills most effectively in the formal market.⁹³ However, this lack of work rights remains a problem for refugees who would be unlikely to work formally if given the opportunity to do so. For example, refugees have claimed that even some informal employers refuse to hire refugees without work permits, and this lack of work rights also leads to exploitation. Many refugees who lack permits and bargaining power claim that employers pay them much less, or not all. For example, refugees working as gold miners in Benishangul-Gumuz report that, because they are not legally allowed to work, they are often robbed of their wages by local authorities and/or mine owners.⁹⁴ Informal workers also face a risk of imprisonment and police

⁸⁸ Interview with a representative from UNHCR.

⁸⁹ Interviews with a representative from an NGO.

⁹⁰ Tent Partnership for Refugees, *Refugee Entrepreneurship, Business Ownership, and the Right to Work in Host Communities: A Legal Comparative Analysis*, March 2021, <https://www.tent.org/resources/refugee-entrepreneurship-business-ownership-and-the-right-to-work-in-host-communities-a-legal-comparative-analysis/>.

⁹¹ Based on information given by ARRA at an NGO roundtable organized by ReDSS; Interview with a representative from GIZ.

⁹² Jimmy Graham, Martha Guerrero Ble, Daphne Panayotatos, and Izza Leghtas, *From Displacement to Development: How Colombia Can Transform Venezuelan Displacement into Shared Growth*, CGD, October 2020, <https://www.cgdev.org/publication/displacement-development-how-colombia-can-transform-venezuelan-displacement-shared>; Martha Guerrero Ble, Izza Leghtas, and Jimmy Graham, *From Displacement to Development: How Peru Can Transform Venezuelan Displacement into Shared Growth*, CGD, December 2020, <https://www.cgdev.org/publication/displacement-development-how-peru-can-transform-venezuelan-displacement-shared-growth>.

⁹³ Alison Brown, Peter Mackie, Kate Dickenson, and Tegegne Gebre-Egziabher, *Urban Refugee Economies: Addis Ababa, Ethiopia*, IIED, March 2018, <https://reliefweb.int/sites/reliefweb.int/files/resources/10850IIED.pdf>.

⁹⁴ Varalakshmi Vemuru, Aditya Sarkar, and Andrea Fitri Woodhouse, *Impact of Refugees on Hosting Communities in Ethiopia: A Social Analysis*, World Bank, 2020, <https://openknowledge.worldbank.org/bitstream/handle/10986/34267/Impact-of-Refugees-on-Hosting-Communities-in-Ethiopia-A-Social-Analysis.pdf?sequence=6&isAllowed=y>.

harassment. Some refugees in Addis Ababa say they have been sent to jail for working illegally, and others have been forced by police to stop engaging in basic self-employment activities such as shoe polishing or giving henna tattoos. It is also common for locals to call the police to report refugees working illegally.⁹⁵

Many barriers also remain to refugees' freedom of movement. Although the 2019 Proclamation promised full freedom of movement for all refugees, this is currently far from the case in practice, as refugees are still prevented from leaving camps. While the number of OCP beneficiaries has increased, this increase has been observed only for Eritrean refugees living in Tigray, Afar, and Addis Ababa—no refugees from camps in the Somali, Benishangul-Gumuz, or Gambella regions have benefited from the OCP.⁹⁶

Most refugees thus face the same restrictions on movement that have been in place for many years and are legally required to live in camps. In practice, some refugees without permits live outside camps in urban areas or villages, but because doing so is illegal, these refugees face the threat of harassment from officials and police and are ineligible to receive humanitarian support or to access services. Likely as a result of these restrictions, a relatively small number of refugees live outside camps without permission, estimated at about 11,000.⁹⁷ For refugees living in camps, government checkpoints prevent movement beyond the closest towns, which are usually small and provide few work opportunities.⁹⁸

These restrictions on movement severely limit employment opportunities, business growth, and other economic activities.⁹⁹ For example:

- In Somali, refugees that own informal businesses in camps are at a distinct disadvantage compared with business owners in the host community. Limited freedom of movement makes it difficult for them to engage in the cross-border trade that dominates the region, or even to travel to nearby towns to buy or sell goods.¹⁰⁰ As a result, they must rely on host community members to purchase inputs or carry out other basic functions, which results in high transaction costs that make it difficult for them to compete.¹⁰¹

⁹⁵ Alison Brown, Peter Mackie, Kate Dickenson, and Tegegne Gebre-Egziabher, *Urban Refugee Economies: Addis Ababa, Ethiopia*, IIED, March 2018, <https://reliefweb.int/sites/reliefweb.int/files/resources/10850IIED.pdf>.

⁹⁶ UNHCR, *Ethiopia: 2019 Summary Pledge Progress Report*, July 2020, <https://data2.unhcr.org/en/documents/details/78981>; UNHCR, Fafan Zone (Jijiga), *Somali Regional State, Ethiopia: 2019 Pledge Progress Report*, July 2020, <https://reliefweb.int/sites/reliefweb.int/files/resources/Jijiga%20ETH%202019%20Pledge%20Progress%20Report.pdf>; UNHCR, Benishangul-Gumuz, Asosa, *Ethiopia: 2019 Pledge Progress Report*, July 2020, <https://reliefweb.int/sites/reliefweb.int/files/resources/BGRS%20Assosa%20ETH%202019%20Pledge%20Progress%20Report.pdf>; UNHCR, Melkadida (Liban Zone), *Somali Regional State, Ethiopia: 2019 Pledge Progress Report*, July 2020, <https://reliefweb.int/sites/reliefweb.int/files/resources/Melkadida%20ETH%202019%20Pledge%20Progress%20Report.pdf>; UNHCR, Gambella, *Ethiopia: 2019 Pledge Progress Report*, July 2020, <https://reliefweb.int/sites/reliefweb.int/files/resources/Gambella%20ETH%202019%20Pledge%20Progress%20Report.pdf>.

⁹⁷ Alison Brown, Peter Mackie, Kate Dickenson, and Tegegne Gebre-Egziabher, "Urban Refugee Economies: Addis Ababa, Ethiopia," IIED, March 2018, <https://reliefweb.int/sites/reliefweb.int/files/resources/10850IIED.pdf>.

⁹⁸ Varalakshmi Vemuru, Aditya Sarkar, and Andrea Fitri Woodhouse, *Impact of Refugees on Hosting Communities in Ethiopia: A Social Analysis*, World Bank, 2020, <https://openknowledge.worldbank.org/bitstream/handle/10986/34267/Impact-of-Refugees-on-Hosting-Communities-in-Ethiopia-A-Social-Analysis.pdf?sequence=6&isAllowed=y>.

⁹⁹ Roger Zetter and Heloise Ruadel, *Refugees' Right to Work and Access to Labor Markets—An Assessment: Country Cases Part II (Preliminary)*, KNOMAD, September 2016, <https://www.knomad.org/publication/refugees-right-work-and-access-labor-markets-assessment-country-case-studies-part-2>.

¹⁰⁰ Varalakshmi Vemuru, Aditya Sarkar, and Andrea Fitri Woodhouse, *Impact of Refugees on Hosting Communities in Ethiopia: A Social Analysis*, World Bank, 2020, <https://openknowledge.worldbank.org/bitstream/handle/10986/34267/Impact-of-Refugees-on-Hosting-Communities-in-Ethiopia-A-Social-Analysis.pdf?sequence=6&isAllowed=y>.

¹⁰¹ Alexander Betts, Raphael Bradenbrink, Jonathan Greenland, Naohiko Omata, and Olivier Sterck, *Refugee Economies in Dollo Ado: Development Opportunities in a Border Region of Ethiopia*, Oxford Refugee Studies Centre, April 2019,

- In Gambella, restrictions on freedom of movement are problematic for the many women who make a living brewing and selling alcohol. The limited amount of movement that is informally permitted allows these women to travel to some nearby towns to sell their products. However, to extend their reach to other markets, they must sell their goods to middlemen in the host community who can resell the products in other towns, which reduces their profits. Other refugee traders in Gambella, including those who purvey aid rations and livestock, face similar problems.¹⁰²
- Before the conflict in Tigray, many refugees worked informally in wage work in nearby towns, but government checkpoints prevented them from accessing slightly more distant markets. As a result, over 50 percent of refugees in Tigray surveyed by Samuel Hall Consulting (a research organization) in Tigray stated that movement restrictions were an impediment on livelihoods.¹⁰³ Finally, many refugees engaged in agriculture report that it is difficult to travel to towns to purchase basic inputs for farming.¹⁰⁴

These anecdotes suggest that economic inclusion can be accelerated if greater movement around camps is permitted—even if the right to work and/or full movement throughout the country is not granted. Clearly, there are many opportunities for informal work around camps from which refugees could benefit if allowed to move more freely.

<https://www.rsc.ox.ac.uk/publications/refugee-economies-in-dollo-ado-development-opportunities-in-a-border-region-of-ethiopia>.

¹⁰² Varalakshmi Vemuru, Aditya Sarkar, and Andrea Fitri Woodhouse, *Impact of Refugees on Hosting Communities in Ethiopia: A Social Analysis*, World Bank, 2020, <https://openknowledge.worldbank.org/bitstream/handle/10986/34267/Impact-of-Refugees-on-Hosting-Communities-in-Ethiopia-A-Social-Analysis.pdf?sequence=6&isAllowed=y>.

¹⁰³ *Ibid.*

¹⁰⁴ Interview with a representative from Mercy Corps.

Other important policy barriers to economic inclusion also remain in place, and progress on some pledges has been slow. Most notably:

- Many refugees still lack financial access. Of the nearly 14,000 refugee bank accounts opened in 2019, only 30 were opened in Gambella, and the majority (over 9,000) were concentrated in Tigray.¹⁰⁵ Part of this disparity may be due to differences in the presence of financial institutions, but there is also a problem of uneven implementation of the law. Banks lack clarity regarding refugees' rights, leading banks in some areas to grant refugees access.¹⁰⁶ In Gambella, for example, most banks refused to acknowledge refugee ID cards as valid legal documents for opening accounts.¹⁰⁷
- Industrial park job creation has stalled. Although construction has begun in Tigray, no employment opportunities have been created by the parks, and progress will likely be further stalled by the conflict. Due to a range of factors—including a reluctance among refugees to work in distant parks, discussed below in the “Refugee Aspirations and Norms” section of this case study—policymakers have generally moved away from the idea that the parks will be an important source of employment for refugees.
- Land provision has progressed, but only slowly. Land has been provided to just 3–4 percent of the target number of refugees and host beneficiaries.¹⁰⁸
- Service provision has expanded for refugees,¹⁰⁹ but it is still not clear how easily refugees out of camps will be able to access services—and a lack of access to services would be a major impediment to out-of-camp self-reliance.¹¹⁰
- Assessments have examined the possibilities of integration for refugees in a protracted situation, but no concrete measures have yet been taken on the pledge to facilitate local integration for refugees who have lived in Ethiopia for 20 years or more.¹¹¹

Altogether, it is fair to say that there has been meaningful progress in refugee policy, but progress has been incremental. Considering the wide-reaching implications of such a comprehensive change in policy framework, this incremental approach is certainly understandable. Nonetheless, without continued policy progress, economic inclusion for many refugees will be highly limited. It is therefore important to understand the political barriers that may stand in the way of progress on this agenda.

¹⁰⁵ UNHCR, *Ethiopia: 2019 Summary Pledge Progress Report*, July 2020, <https://data2.unhcr.org/en/documents/details/78981>

¹⁰⁶ Based on information given by ARRA at an NGO roundtable organized by ReDSS; Interview with a representative from ReDSS.

¹⁰⁷ UNHCR, *Gambella, Ethiopia: 2019 Pledge Progress Report*, July 2020, <https://reliefweb.int/sites/reliefweb.int/files/resources/Gambella%20ETH%202019%20Pledge%20Progress%20Report.pdf>.

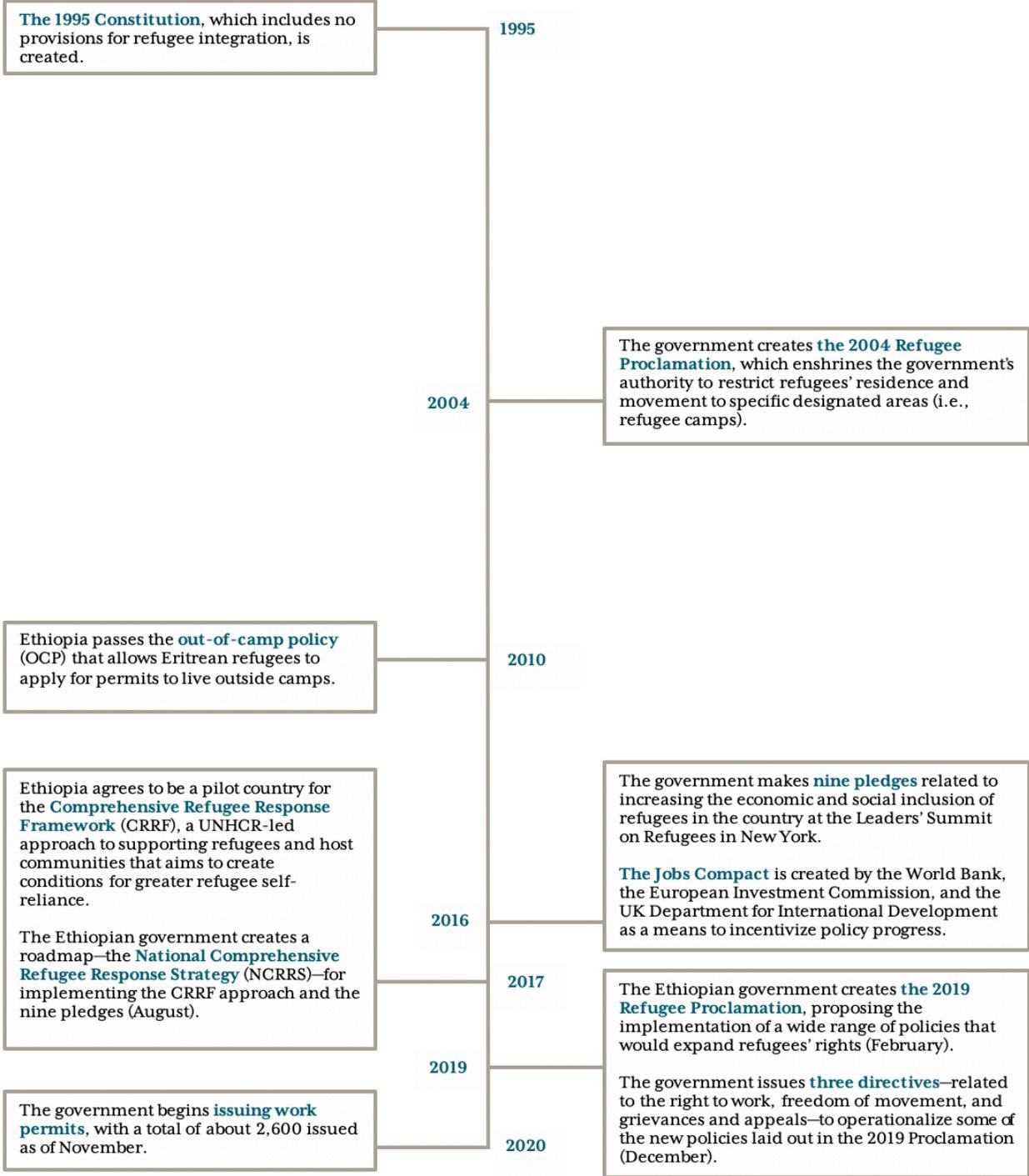
¹⁰⁸ UNHCR, *Ethiopia: 2019 Summary Pledge Progress Report*, July 2020, <https://data2.unhcr.org/en/documents/details/78981>.

¹⁰⁹ *Ibid.*

¹¹⁰ Interview with a representative from UNHCR.

¹¹¹ UNHCR, *Ethiopia: 2019 Summary Pledge Progress Report*, July 2020, <https://data2.unhcr.org/en/documents/details/78981>.

Figure 6. Timeline of refugee-relevant policy landmarks



Political Barriers

The incremental and limited implementation of the pledges and new policies around refugees can be understood only by recognizing that the CRRF process has largely been driven by external actors. Following the large wave of refugee arrivals around 2015, events such as the Leaders' Summit on Refugees in New York (mentioned above) drove a growing interest in solutions that would allow refugees to work and make a living in the low- and middle-income countries (LMICs) where most were already residing. This interest culminated in the creation of the CRRF and donor countries' encouragement of major refugee-hosting LMICs to sign on—including agreements like the Jobs Compact that incentivized Ethiopia's participation.

However, there is evidence that donor conditionality may be an effective incentive for progress only when there is preexisting political will.¹¹² It is therefore not surprising that domestic implementation in Ethiopia has been slow, as there are a wide range of factors limiting political will. One is the fact that ARRA, which is the main government actor in charge of CRRF implementation, faces internal disincentives to implementing the CRRF. In addition to its role in the CRRF, ARRA is mandated to work with UNHCR to manage refugee affairs within the country, including managing camps and delivering services within the camps. Because ARRA's budget (and, thus, the extent of its political power) is largely determined by the number of refugees directly under the mandate, the CRRF's goal to create self-reliance for refugees outside of the camp systems can be seen as an existential threat to ARRA.¹¹³

However, ARRA does not have complete control over decisions related to refugee policy, so it may be unfair to attribute the government's lack of progress solely to ARRA. Ultimately, these decisions are made by Parliament, and ARRA is accountable to the Ministry of Peace and, more indirectly, the Office of the Prime Minister.¹¹⁴

Indeed, several political forces may limit the interest in making progress on refugee policy for other political actors, including the national and regional governments. Most important, there are strong tensions—often along ethnic lines—between refugees and host community members in several regions. In some cases, these tensions could be exacerbated by greater economic inclusion or integration, or they may simply create a general antipathy toward refugees that undermines political will. Alternatively, greater economic inclusion could actually help to alleviate tensions. This section explores these possibilities and their potential effect on political willingness for policy change.

One issue that fuels these tensions is refugees' perceived potential for disrupting a region's political and ethnic balance. This issue is especially salient in Gambella, which is mostly composed of two ethnic groups: the Anuak and the Nuer. Even before refugees arrived, there were substantial conflicts between these two groups, largely over resource distribution and land.¹¹⁵ Because the two groups were roughly equal in size, regional political power—allocated based on population size—has fluctuated between the groups over time.¹¹⁶ In Gambella, there is a perception that refugees will upset the ethnic

¹¹² Paul Collier, *The Bottom Billion: Why the Poorest Countries Are Failing and What Can Be Done About It*, Oxford University Press, 2007.

¹¹³ Interview with a representative from the Dutch Embassy in Ethiopia; Interview with a representative from UNICEF.

¹¹⁴ Interview with a representative from the World Bank.

¹¹⁵ Hugo Genest, "The Impact of the United Nations Comprehensive Refugee Response Framework on Conflict Dynamics," *Accord*, March 2018, <https://www.accord.org.za/conflict-trends/the-impact-of-the-united-nations-comprehensive-refugee-response-framework-on-conflict-dynamics/>.

¹¹⁶ Varalakshmi Vemuru, Aditya Sarkar, and Andrea Fitri Woodhouse, *Impact of Refugees on Hosting Communities in Ethiopia: A Social Analysis*, World Bank, 2020, <https://openknowledge.worldbank.org/bitstream/handle/10986/34267/Impact-of-Refugees-on-Hosting-Communities-in-Ethiopia-A-Social-Analysis.pdf?sequence=6&isAllowed=y>.

balance, since refugees are largely from the Nuer ethnic group and account for roughly 40 percent of the total population of the region.¹¹⁷ In reality, only refugees that have been in the country for 20 years or more would have any chance of obtaining the citizenship that would factor into the distribution of political power, even if the 2019 Proclamation and pledges were fully implemented. Nonetheless, the arrival of refugees in the region has been followed by an increase in ethnic violence, perhaps due to misperceptions around the implications of the new laws or a general unease around shifting demographic balances.¹¹⁸ Furthermore, in response to the passage of the 2019 Proclamation, Anuak-led protests erupted in Gambella and Addis Ababa.¹¹⁹ These tensions indicate limited political will for increasing economic inclusion as fulfillment of the 2019 Proclamation.

Competition over land and natural resources represents another source of tension. As mentioned, in Gambella, intense ethnic tensions over land use—between the pastoralist Nuer and the Anuak cultivators—existed even before the arrival of refugees.¹²⁰ Now, refugees' dependence on firewood from nearby forests for fuel and a source of income has led to accelerating deforestation, which has heightened tensions over land use.¹²¹ Though perhaps not as contentious an issue as in Gambella, deforestation has also created tensions in Benishangul-Gumuz and Somali.¹²² Greater economic inclusion could actually reduce tensions around deforestation rather than increase them, as refugees with access to other livelihood opportunities would likely be less inclined to resort to gathering firewood, which has become a dangerous activity (see the “Security Barriers” section). Nonetheless, the tensions around the issue of deforestation may decrease political will for refugee inclusion.

The pledge to allocate land to refugees has also exacerbated tensions relating to land distribution. Indeed, if land grants were made in Gambella or other areas with conflicts over land, it would almost certainly increase tensions dramatically.¹²³ However, in reality, such land grants will likely be made only in regions and circumstances where land is a less contentious issue, such as in Somali around Dollo Ado or in areas where irrigation projects create new arable land.¹²⁴ However, because host populations have not been provided clear information about the CRRF process, this pledge has raised alarm.¹²⁵

¹¹⁷ There are about 200,000 Ethiopian citizens in Gambella and 333,000 refugees. UNHCR, “Operational Portal: Ethiopia,” accessed October 2020, <https://data2.unhcr.org/en/country/eth>; Mehari Taddele Maru, “In Depth: Unpacking Ethiopia’s Revised Refugee Law,” *Africa Portal*, February 2019, <https://www.africaportal.org/features/depth-unpacking-ethiopia-revised-refugee-law/>.

¹¹⁸ Mehari Taddele Maru, ““In Depth: Unpacking Ethiopia’s Revised Refugee Law,” *Africa Portal*, February 2019, <https://www.africaportal.org/features/depth-unpacking-ethiopia-revised-refugee-law/>.

¹¹⁹ Interview with a representative from ARRA.

¹²⁰ Hugo Genest, “The Impact of the United Nations Comprehensive Refugee Response Framework on Conflict Dynamics,” *Accord*, March 2018, <https://www.accord.org.za/conflict-trends/the-impact-of-the-united-nations-comprehensive-refugee-response-framework-on-conflict-dynamics/>.

¹²¹ Varalakshmi Vemuru, Aditya Sarkar, and Andrea Fitri Woodhouse, *Impact of Refugees on Hosting Communities in Ethiopia: A Social Analysis*, World Bank, 2020, <https://openknowledge.worldbank.org/bitstream/handle/10986/34267/Impact-of-Refugees-on-Hosting-Communities-in-Ethiopia-A-Social-Analysis.pdf?sequence=6&isAllowed=y>.

¹²² *Ibid.*

¹²³ Hugo Genest, “The Impact of the United Nations Comprehensive Refugee Response Framework on Conflict Dynamics,” *Accord*, March 2018, <https://www.accord.org.za/conflict-trends/the-impact-of-the-united-nations-comprehensive-refugee-response-framework-on-conflict-dynamics/>.

¹²⁴ Varalakshmi Vemuru, Aditya Sarkar, and Andrea Fitri Woodhouse, *Impact of Refugees on Hosting Communities in Ethiopia: A Social Analysis*, World Bank, 2020, <https://openknowledge.worldbank.org/bitstream/handle/10986/34267/Impact-of-Refugees-on-Hosting-Communities-in-Ethiopia-A-Social-Analysis.pdf?sequence=6&isAllowed=y>.

¹²⁵ Hugo Genest, “The Impact of the United Nations Comprehensive Refugee Response Framework on Conflict Dynamics,” *Accord*, March 2018, <https://www.accord.org.za/conflict-trends/the-impact-of-the-united-nations-comprehensive-refugee-response-framework-on-conflict-dynamics/>; Interview with a representative from ReDSS.

Competition over job opportunities has also created tension to a lesser extent. In Somali, for example, hosts and refugees have come into a small degree of conflict over construction jobs.¹²⁶ A World Bank survey indicates that there is a perception—which varies across host regions—that refugees limit job opportunities (see figure 7). In addition, there is some evidence that high unemployment (which Ethiopia faces in urban areas) and poor macroeconomic conditions (which are currently being observed due to the pandemic) can reduce favorability toward immigration and, by extension, refugee inclusion.¹²⁷

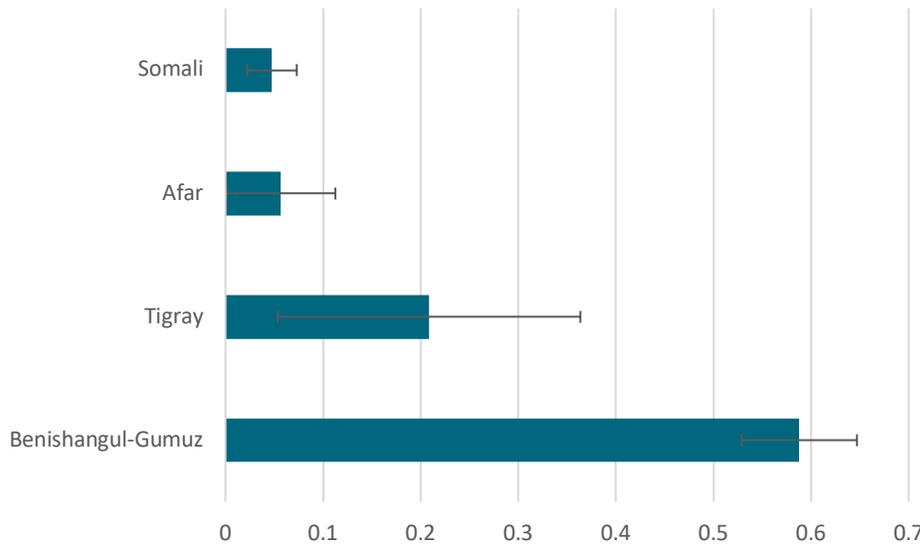
On the other hand, greater economic inclusion has the potential to reduce tensions. As discussed in the “Benefits of Greater Economic Inclusion” section of this case study, the arrival of refugees has led to economic development, and greater inclusion may create job opportunities for hosts rather than restrict them. In addition, most research suggests that the threat of labor market competition—which is a possibility for some groups of the host population—is not a strong predictor of negative attitudes toward foreigners, and greater exposure to foreigners tends to improve citizens’ attitudes toward them.¹²⁸ Despite this potential for improved attitudes, the current negative perceptions around potential job competition from refugees may still limit political will for inclusion. This is especially true since unemployment has been a driving force behind popular protests, particularly among the youth population, and the government may want to avoid actions it believes could further activate these resentments.

¹²⁶ Varalakshmi Vemuru, Aditya Sarkar, and Andrea Fitri Woodhouse, *Impact of Refugees on Hosting Communities in Ethiopia: A Social Analysis*, World Bank, 2020, <https://openknowledge.worldbank.org/bitstream/handle/10986/34267/Impact-of-Refugees-on-Hosting-Communities-in-Ethiopia-A-Social-Analysis.pdf?sequence=6&isAllowed=y>.

¹²⁷ Yvonne Markaki and Simonetta Longhi, “What Determines Attitudes to Immigration in European Countries? An Analysis at the Regional Level,” *Migration Studies* 1, no. 3 (November 2013): 311–337, <https://academic.oup.com/migration/article/1/3/311/950494>; Joachim Vogt Isaksen, “The Impact of the Financial Crisis on European Attitudes toward Immigration,” *Comparative Migration Studies* 7, no. 24 (June 2019), <https://comparativemigrationstudies.springeropen.com/articles/10.1186/s40878-019-0127-5>.

¹²⁸ Jens Hainmueller and Daniel J. Hopkins, “Public Attitudes toward Immigration,” *Annual Review of Political Science* 17 (February 2014): 225–249, <https://www.annualreviews.org/doi/pdf/10.1146/annurev-polisci-102512-194818>.

Figure 7. Proportion of hosts who agree or strongly agree with the statement, “The arrival of refugees has made it more difficult for people in this community to find work”



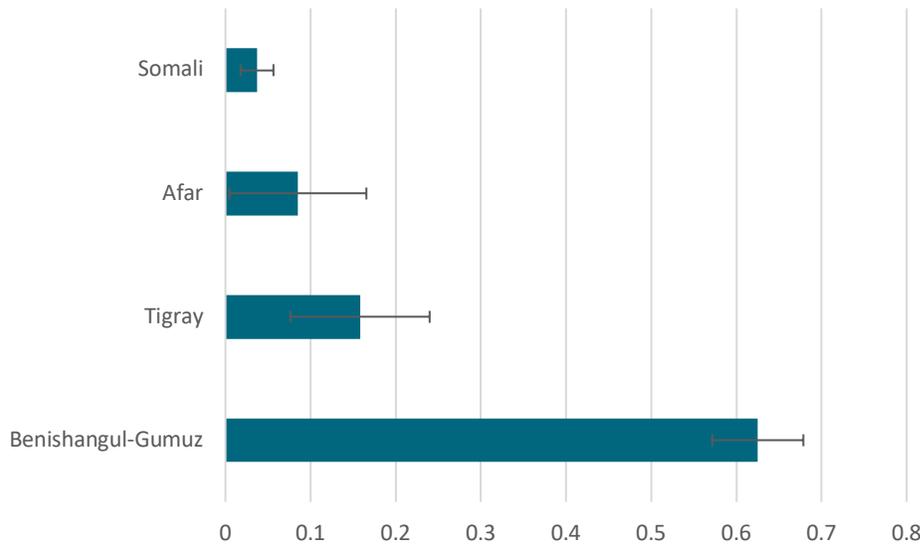
Source: Authors' calculations using: Utz Pape, Skills Profile Survey 2017: A Refugee and Host Community Survey, World Bank, June 2019, <https://microdata.worldbank.org/index.php/catalog/3445>

Note: Error bars denote 95 percent confidence intervals.

Another factor driving tensions is a perceived association between refugees and crime—especially theft. For example, in Benishangul-Gumuz, perceived petty theft by refugees is commonly seen as the biggest challenge facing refugee-host relations. And in Gambella, the perception that refugees are involved in cattle theft has become a rising source of conflict. In other regions, the perception of crime appears to be less of a problem (see figure 8). In fact, there are no data supporting high rates of crime perpetrated by refugees, and these perceptions of crime may not be linked to reality. However, despite the lack of solid evidence that refugees are engaging in crime at high rates, the negative perceptions present a difficulty for host-refugee relations. Of course, theft would likely decline if greater economic inclusion were achieved, as refugees would have access to alternative sources of income, a fact that some host communities have explicitly recognized.¹²⁹

¹²⁹ Varalakshmi Vemuru, Aditya Sarkar, and Andrea Fitri Woodhouse, *Impact of Refugees on Hosting Communities in Ethiopia: A Social Analysis*, World Bank, 2020, <https://openknowledge.worldbank.org/bitstream/handle/10986/34267/Impact-of-Refugees-on-Hosting-Communities-in-Ethiopia-A-Social-Analysis.pdf?sequence=6&isAllowed=y>.

Figure 8: Proportion of host respondents that agree or strongly agree with the statement, “The arrival of refugees has brought insecurity to the area”



Source: Authors’ calculations using: Utz Pape, Skills Profile Survey 2017: A Refugee and Host Community Survey, World Bank, June 2019, <https://microdata.worldbank.org/index.php/catalog/3445>

Note: Error bars denote 95 percent confidence intervals.

Perceived disparity in service delivery is another major point of contention. A common complaint among hosts is that they do not receive their fair share of humanitarian support and that refugees receive too much of this assistance.¹³⁰ Such resentments are easy to understand given that most refugees live in the four “emerging regions” of Ethiopia (Gambella, Safar, Benishangul-Gumuz, and Somali), which are characterized by weak government services.¹³¹ Although many international organizations ensure that a certain percentage of their funds are allocated to benefit host communities, there are still some clear instances of refugees receiving better services.¹³² With services such as healthcare and education often provided to refugees in parallel to local services, this disparity seems almost inevitable.

¹³⁰ ReDSS, *Towards a Common Research Agenda: A Synthesis Paper to Inform Implementation of the Global Refugee Compact—2019, 2020*, <https://regionaldss.org/wp-content/uploads/2020/03/Towards-a-common-research-agenda-ONLINE-FINAL-1.pdf>.

¹³¹ “Emerging Regions Development Programme (ERDP),” programme document, Government of Ethiopia Ministry of Federal Affairs, UNCDF, and UNDP, 2007, [https://info.undp.org/docs/pdc/Documents/ETH/00047309_Emerging%20Regions%20Development%20Programme%20\(00056833\).pdf](https://info.undp.org/docs/pdc/Documents/ETH/00047309_Emerging%20Regions%20Development%20Programme%20(00056833).pdf).

¹³² Varalakshmi Vemuru, Aditya Sarkar, and Andrea Fitri Woodhouse, *Impact of Refugees on Hosting Communities in Ethiopia: A Social Analysis*, World Bank, 2020, <https://openknowledge.worldbank.org/bitstream/handle/10986/34267/Impact-of-Refugees-on-Hosting-Communities-in-Ethiopia-A-Social-Analysis.pdf?sequence=6&isAllowed=y>.

Although these resentments are understandable, uneven service delivery is justified when refugees face higher rates of poverty and need more support. However, it is more difficult to justify disparities such as unequal access to quality education, and even in cases when refugees need more support, attempts to provide similar services to hosts may still be necessary in order to ease tensions.

In response to disparities in services, and as part of the CRRF process, organizations like UNICEF and the UK's Foreign, Commonwealth, and Development Office have been working to integrate refugee and local services. Greater economic inclusion accompanied by further progress in service integration could reduce tensions around disparate services.¹³³ However, perceptions of unfairness may grow even larger if progress on this agenda does not accompany economic inclusion.

The issue of disparities in service delivery also relates to Ethiopia's large population of IDPs who are also in need of humanitarian assistance, many of whom live in large concentrations around all of the refugee hosting areas.¹³⁴ In this context, a focus on refugees over IDPs may create resentment among Ethiopians, which may limit their political willingness for progress.

Because these sources of tension exist with varying levels of intensity across the different hosting regions, there are sharp differences in host-refugee relations across the different geographies, with Somali and Tigray reporting the best relations, followed by Benishangul-Gumuz, and finally Gambella (see figure 9). This variation is partly a product of differences in the levels of ethnic heterogeneity and in the number of years that refugees have had a presence in each region. For example, in Somali, decades of refugee presence have created close ties, social relations, and economic linkages.¹³⁵ In Somali, Tigray, and Afar, refugees and hosts share an ethnic identity. In fact, many Ethiopians in Somali report feeling more connected with refugees from Somalia than with other Ethiopians.¹³⁶ And in Afar, a common refrain alluding to the ethnic identity of Afari refugees from Eritrea is that "an Afar is an Afar no matter where they are from."¹³⁷ In contrast, there is some overlap but also a great deal of divergence in ethnicity between host and refugee populations in Gambella and Benishangul-Gumuz.

¹³³ Interview with a representative from FCDO.

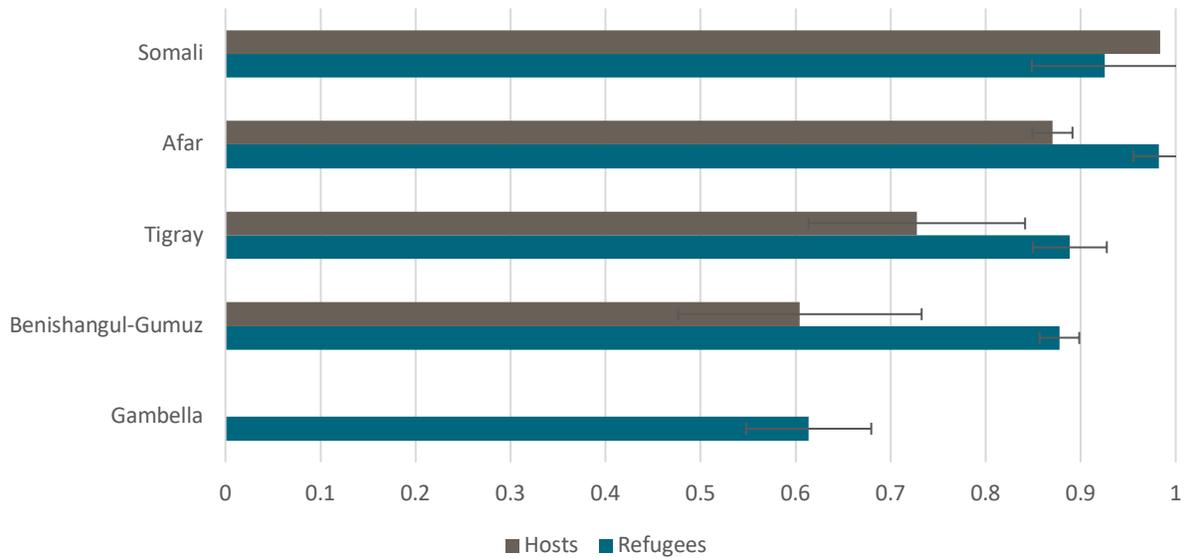
¹³⁴ IOM Displacement Tracking Matrix, *Ethiopia National Displacement Report 7*, April 2021, https://displacement.iom.int/system/tdf/reports/DTM%20Ethiopia%20National%20Displacement%20Report%207%20%28Compressed%29_0.pdf?file=1&type=node&id=11156.

¹³⁵ Varalakshmi Vemuru, Aditya Sarkar, and Andrea Fitri Woodhouse, *Impact of Refugees on Hosting Communities in Ethiopia: A Social Analysis*, World Bank, 2020, <https://openknowledge.worldbank.org/bitstream/handle/10986/34267/Impact-of-Refugees-on-Hosting-Communities-in-Ethiopia-A-Social-Analysis.pdf?sequence=6&isAllowed=y>.

¹³⁶ Ibid.

¹³⁷ Freddie Carver, *Refugee and Host Communities in Ethiopia: 2018–2019 Integrated National Study*, ODI and Danish Refugee Council (DRC), August 2020, <https://odi.org/en/publications/refugee-and-host-communities-in-ethiopia-20182019/>.

Figure 9. Proportion of respondents that agree or strongly agree with the statement, “Refugees and Ethiopians in this area have good relations with each other”



Source: Authors’ calculations using: Utz Pape, Skills Profile Survey 2017: A Refugee and Host Community Survey, World Bank, June 2019, <https://microdata.worldbank.org/index.php/catalog/3445>

Note: Error bars denote 95 percent confidence intervals. Hosts were not surveyed in Gambella.

Because of these differences in host relations, there may be much more political will for economic inclusion in some regions than others, and the best approaches to facilitating successful economic inclusion in each region will vary dramatically.

The conflict in Tigray and the turbulent political transition may further limit political willingness. The transition has heightened ethnic tensions and thus may have amplified a lack of political will for inclusion that was already present. Furthermore, with political attention understandably focused on the conflict in Tigray, there may be less political space for progress on the refugee agenda.

COVID-19 has presented similar challenges to progress on refugee economic inclusion. In addition to creating a general uncertainty, the outbreak has increased focus on humanitarian assistance, which has, in turn, stalled the implementation of refugee policy changes. At the same time, advocates and international actors have decreased their focus on pushing the economic inclusion agenda forward.¹³⁸

¹³⁸ Interview with a representative from ODI.

Despite these challenges, several efforts are already underway to alleviate tensions between host communities and refugees, which could pave the way for a more conducive political environment. For example:

- Studies, including a social analysis led by the World Bank, have been conducted to understand the sources of tensions between refugees and hosts.¹³⁹
- UNICEF has spent the past few years leading the Building Self-Reliance program to improve services for refugees and host communities and integrate service provision.¹⁴⁰
- The World Bank’s Development Response to Displacement Impacts Project (DRDIP), a 2016–2020 intervention implemented jointly with the Ministry of Agriculture and Natural Resources, was targeted mostly at host communities and was designed to improve services, environmental management, and livelihoods, thus addressing concerns around disparities in access to services, deforestation, and labor market competition.¹⁴¹
- Ongoing renewable energy projects in some camps may help reduce refugees’ reliance on firewood and alleviate deforestation.¹⁴²

Other ongoing efforts to reduce political barriers are targeted more directly at the government. For example, conditionality tied to the Jobs Compact could continue to be a means to incentivize progress, and international organizations such as UNHCR have made efforts to convey and demonstrate the benefits of the CRRF process to various government actors.¹⁴³

Security Barriers

As mentioned above, Ethiopia has experienced an increase in violent conflict over the past few years, further escalated with the current conflict in Tigray. While the widespread increase in violence is related to the ongoing political transition,¹⁴⁴ there are many underlying factors that help to explain the violence, such as conflict over land and natural resources,¹⁴⁵ high levels of poverty and a lack of

¹³⁹ For example, see: Varalakshmi Vemuru, Aditya Sarkar, and Andrea Fitri Woodhouse, *Impact of Refugees on Hosting Communities in Ethiopia: A Social Analysis*, World Bank, 2020, <https://openknowledge.worldbank.org/bitstream/handle/10986/34267/Impact-of-Refugees-on-Hosting-Communities-in-Ethiopia-A-Social-Analysis.pdf?sequence=6&isAllowed=y>.

¹⁴⁰ Interview with a representative from UNICEF.

¹⁴¹ World Bank, “Development Response to Displacement Impacts Project (DRDIP) in the Horn of Africa,” accessed October 2020, <https://projects.worldbank.org/en/projects-operations/project-detail/P161067>.

¹⁴² Alexander Betts, Raphael Bradenbrink, Jonathan Greenland, Naohiko Omata, and Olivier Sterck, *Refugee Economies in Dollo Ado: Development Opportunities in a Border Region of Ethiopia*, Oxford Refugee Studies Centre, April 2019, <https://www.rsc.ox.ac.uk/publications/refugee-economies-in-dollo-ado-development-opportunities-in-a-border-region-of-ethiopia>.

¹⁴³ Interview with a representative from UNHCR.

¹⁴⁴ “After Drought, Famine and War, Ethnic Conflict Now Plagues Ethiopia,” *The Economist*, May 2019, <https://www.economist.com/graphic-detail/2019/05/14/after-drought-famine-and-war-ethnic-conflict-now-plagues-ethiopia>.

¹⁴⁵ IDMC, “Ethiopia,” accessed April 2021, <https://www.internal-displacement.org/countries/ethiopia>.

economic opportunities,¹⁴⁶ border disputes,¹⁴⁷ and tensions over access to state resources.¹⁴⁸ These factors, and the resulting violence, create serious concerns for refugee communities.

As mentioned in the introduction, the security situation in Tigray may preclude the possibility for refugee economic inclusion in that region at this time. Due to intense conflict and restricted humanitarian access, many refugees are struggling to meet even their most basic needs. At the same time, with markets closed and supply chains disrupted, economic activity has been severely stunted.¹⁴⁹ Therefore, as long as the conflict continues, refugee support in the Tigray region should be focused on meeting immediate humanitarian concerns, but economic inclusion should still be a priority in the other regions of the country. When stability returns to Tigray, development actors should quickly turn their attention to accelerating economic inclusion the region.

Among the other refugee-hosting areas, violent conflict is by far the most prevalent in Gambella, where in 2018 UNHCR temporarily suspended all operations in refugee camps due to a series of fatal clashes in and around the camps.¹⁵⁰ And as of 2017, refugees in Gambella were much more likely than those in other regions to report feeling “very unsafe” in the camps at night (see figure 10). Although violence is less widespread in other areas, it is still present, as refugees near Jijiga have reported being reluctant to move between camps for fear of violent gangs, and some refugees in Benishangul-Gumuz have been the victims of violent attacks driven by concerns over deforestation.¹⁵¹ Furthermore, refugees have concerns with theft. As figure 10 indicates, these security challenges are more severe for women (though not significantly so), and a World Bank analysis found a high risk of rape for women who go to collect firewood outside the camp in Gambella.¹⁵²

¹⁴⁶ Varalakshmi Vemuru, Aditya Sarkar, and Andrea Fitri Woodhouse, *Impact of Refugees on Hosting Communities in Ethiopia: A Social Analysis*, World Bank, 2020, <https://openknowledge.worldbank.org/bitstream/handle/10986/34267/Impact-of-Refugees-on-Hosting-Communities-in-Ethiopia-A-Social-Analysis.pdf?sequence=6&isAllowed=y>.

¹⁴⁷ Mark Yarnell, *The Crisis Below the Headlines: Conflict Displacement in Ethiopia*, Refugees International, November 2018, <https://www.refugeesinternational.org/reports/2018/11/14/the-crisis-below-the-headlines-conflict-displacement-in-ethiopia>.

¹⁴⁸ “Ethiopia: Abiy’s First Year as Prime Minister, Review of Conflict and Internally Displaced Persons,” Human Rights Watch, April 2019, <https://www.hrw.org/news/2019/04/09/ethiopia-abiy-first-year-prime-minister-review-conflict-and-internally-displaced>.

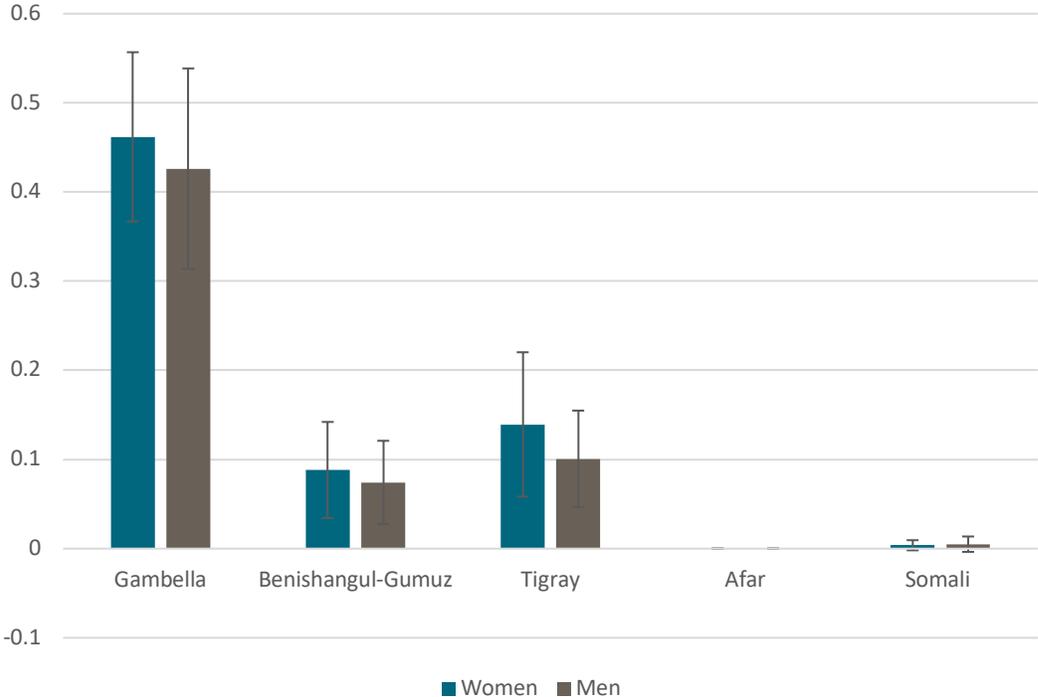
¹⁴⁹ “After Two Months of War, Tigray Faces Starvation,” *The Economist*, January 2021, <https://www.economist.com/middle-east-and-africa/2021/01/23/after-two-months-of-war-tigray-faces-starvation>.

¹⁵⁰ Varalakshmi Vemuru, Aditya Sarkar, and Andrea Fitri Woodhouse, *Impact of Refugees on Hosting Communities in Ethiopia: A Social Analysis*, World Bank, 2020, <https://openknowledge.worldbank.org/bitstream/handle/10986/34267/Impact-of-Refugees-on-Hosting-Communities-in-Ethiopia-A-Social-Analysis.pdf?sequence=6&isAllowed=y>.

¹⁵¹ *Ibid.*

¹⁵² *Ibid.*

Figure 10. Proportion of male and female refugees that report feeling “very unsafe” when walking around at night



Source: Authors’ calculations using: Utz Pape, Skills Profile Survey 2017: A Refugee and Host Community Survey, World Bank, June 2019, <https://microdata.worldbank.org/index.php/catalog/3445>

Note: Error bars denote 95 percent confidence intervals.

These conflicts pose worrying implications for refugee economic inclusion. As discussed above, tensions and associated conflicts between refugees and hosts may reduce the political feasibility of greater inclusion. In addition, it will be difficult for refugees to integrate into the labor market when security concerns restrict their movement and willingness to venture out of the camp for work. There is also a risk (especially in Gambella) that greater economic inclusion will result in ethnic tensions and greater violence—especially since there have been insufficient efforts to inform host communities about what economic inclusion would really mean.¹⁵³

There have been some limited efforts to contain the violence. Already, the government and other actors are conducting conflict sensitivity analyses to understand the implications for integration—especially in Gambella. The aforementioned actions to curb social tensions may also help curb violence, but the security institutions in Gambella are reportedly too weak to effectively contain

¹⁵³ Interview with a representative from ReDSS.

attacks and create a safer environment.¹⁵⁴ In this context, it is likely that insecurity will continue to be a substantial undermining factor.

Discrimination

Another potential outcome of tensions in hosting areas is discrimination in the labor market, which could in turn limit economic inclusion. Already, Eritrean OCP beneficiaries have reported facing discrimination in the informal labor market.¹⁵⁵ Some refugees in Addis Ababa have claimed that they are discriminated against in the labor market based on the color of their skin, and one reported that they were fired when their employer discovered that they were refugees.¹⁵⁶ According to the World Bank skills survey, 16 percent of refugees who said they would not want to relocate for a job in an industrial park listed fear of discrimination as one of their top three reasons.¹⁵⁷ Relatedly, some businesses have reported being reluctant to hire refugees because of their perceived links to terrorist groups.¹⁵⁸

This discrimination in turn affects the ability of large companies to work with refugees in Ethiopia. For example, a representative from the large clothing company H&M noted that the company's suppliers in the country were reluctant to make a concerted effort to hire refugees for fear of potential backlash from host communities.¹⁵⁹ This reluctance may deter not only hiring but also investments in hosting areas.

Discrimination may be a larger problem in some areas than others, as refugee-host relations are quite strong in most regions (see figure 9 above), and most businesses in Somali have expressed a very positive attitude toward refugees.¹⁶⁰ Still, for some refugees (especially in Gambella), discrimination may be a significant limiting factor in finding wage work.

Economic Barriers

In addition to policy barriers—and the political factors that keep those policies in place—refugees in Ethiopia face economic barriers to achieving economic inclusion. These barriers include limited economic opportunities in refugee-hosting areas (a problem that affects refugees and hosts alike), limited access to important inputs such as land and financial capital, and a lack of assets and relevant skills. These problems are reflected clearly in the World Bank skills survey, in which about 45 percent

¹⁵⁴ Varalakshmi Vemuru, Aditya Sarkar, and Andrea Fitri Woodhouse, *Impact of Refugees on Hosting Communities in Ethiopia: A Social Analysis*, World Bank, 2020, <https://openknowledge.worldbank.org/bitstream/handle/10986/34267/Impact-of-Refugees-on-Hosting-Communities-in-Ethiopia-A-Social-Analysis.pdf?sequence=6&isAllowed=y>.

¹⁵⁵ Samuel Hall Consulting, *Living Out of Camp: Alternatives to Camp-based Assistance for Eritrean Refugees in Ethiopia*, commissioned by the Norwegian Refugee Council, 2014, <https://reliefweb.int/sites/reliefweb.int/files/resources/Living-Out-of-Camp-Alternative-to-Camp-based-Assistance-in-Ethiopia.pdf>.

¹⁵⁶ Alison Brown, Peter Mackie, Kate Dickenson, and Tegegne Gebre-Egziabher, *Urban Refugee Economies: Addis Ababa, Ethiopia*, IIED, March 2018, <https://reliefweb.int/sites/reliefweb.int/files/resources/10850IIED.pdf>.

¹⁵⁷ Utz Pape, *Skills Profile Survey 2017: A Refugee and Host Community Survey*, World Bank, June 2019, <https://microdata.worldbank.org/index.php/catalog/3445>.

¹⁵⁸ Samuel Hall Consulting, *Living Out of Camp: Alternatives to Camp-based Assistance for Eritrean Refugees in Ethiopia*, commissioned by the Norwegian Refugee Council, 2014, <https://reliefweb.int/sites/reliefweb.int/files/resources/Living-Out-of-Camp-Alternative-to-Camp-based-Assistance-in-Ethiopia.pdf>.

¹⁵⁹ Interview with a representative from H&M.

¹⁶⁰ ILO, *Market Systems Analysis for Refugee Livelihoods in Jigjiga—Ethiopia*, March 2018, https://www.ilo.org/wcmsp5/groups/public/---ed_emp/documents/projectdocumentation/wcms_630983.pdf.

of unemployed refugees seeking work cited a lack of job opportunities and 22 percent cited a lack of skills or experience as the main challenge to finding work.¹⁶¹

As mentioned above, the vast majority of refugees are hosted in the so-called emerging regions of Ethiopia—Gambella, Benishangul-Gumuz, Somali, and Afar—which are generally characterized by poor infrastructure, weak service delivery, agricultural and pastoralist economies, and low levels of economic development.¹⁶² In other words, these regions are among the least developed in Ethiopia, and the host communities and camps in these regions are, in turn, typically in the region's least developed areas.¹⁶³ Although Tigray is not considered an emerging region, the northern areas where refugees live also face limited economic opportunities—especially now, given the devastating effects of the conflict.¹⁶⁴ As a result, the economic opportunities available to refugees in the markets surrounding the camps are usually quite limited.

The main limitations of these economies, which often affect both refugees and hosts, are the following:

- **A lack of wage work and formal labor markets.** In Ethiopia overall, as of 2013, only about 10 percent of workers (and 4 percent of rural workers) were wage workers, indicating that there is likely very little wage work in the largely rural hosting regions.¹⁶⁵ Indeed, much of the economic activity around camps is dominated by small informal businesses, agriculture, pastoralism, and small-scale forestry.¹⁶⁶ For example, in Gambella, some of the main nonagricultural sources of livelihoods around camps are the collection of firewood—which, as discussed, is a major point of contention—and small-scale alcohol brewing.¹⁶⁷ As a result of these limited opportunities, certain markets are highly saturated. In Jijiga, for example, there is an overabundance of microenterprises working in petty trading, thus allowing little room for growth or further entry.¹⁶⁸ The problem of oversaturation and potential economic

¹⁶¹ Utz Pape, Benjamin Petrini, and Syedah Aroob Iqbal, *Informing Durable Solutions by Micro-Data: A Skills Survey for Refugees in Ethiopia*, World Bank, July 2018, <http://documents1.worldbank.org/curated/en/996221531249711200/pdf/128185-WP-PUBLIC-P162987-SkillsReport.pdf>.

¹⁶² Emerging Regions Development Programme (ERDP), programme document, Government of Ethiopia Ministry of Federal Affairs, UNCDF, and UNDP, 2007, [https://info.undp.org/docs/pdc/Documents/ETH/00047309_Emerging%20Regions%20Development%20Programme%20\(00056833\).pdf](https://info.undp.org/docs/pdc/Documents/ETH/00047309_Emerging%20Regions%20Development%20Programme%20(00056833).pdf).

¹⁶³ Varalakshmi Vemuru, Aditya Sarkar, and Andrea Fitri Woodhouse, *Impact of Refugees on Hosting Communities in Ethiopia: A Social Analysis*, World Bank, 2020, <https://openknowledge.worldbank.org/bitstream/handle/10986/34267/Impact-of-Refugees-on-Hosting-Communities-in-Ethiopia-A-Social-Analysis.pdf?sequence=6&isAllowed=y>.

¹⁶⁴ Samuel Hall Consulting, *Living Out of Camp: Alternatives to Camp-based Assistance for Eritrean Refugees in Ethiopia*, commissioned by the Norwegian Refugee Council, 2014, <https://reliefweb.int/sites/reliefweb.int/files/resources/Living-Out-of-Camp-Alternative-to-Camp-based-Assistance-in-Ethiopia.pdf>; Alexander Betts, Raphael Bradenbrink, Jonathan Greenland, Naohiko Omata, and Olivier Sterck, *Refugee Economies in Dollo Ado: Development Opportunities in a Border Region of Ethiopia*, Oxford Refugee Studies Centre, April 2019, <https://www.rsc.ox.ac.uk/publications/refugee-economies-in-dollo-ado-development-opportunities-in-a-border-region-of-ethiopia>.

¹⁶⁵ Per Ronnäs and Aditya Sarkar, *An Incomplete Transformation: SDG 8, Structural Change, and Full and Productive Employment in Ethiopia*, ILO, December 2019, https://www.ilo.org/emppolicy/projects/sida/18-19/WCMS_735171/lang--en/index.htm.

¹⁶⁶ Alexander Betts, Raphael Bradenbrink, Jonathan Greenland, Naohiko Omata, and Olivier Sterck, *Refugee Economies in Dollo Ado: Development Opportunities in a Border Region of Ethiopia*, Oxford Refugee Studies Centre, April 2019, <https://www.rsc.ox.ac.uk/publications/refugee-economies-in-dollo-ado-development-opportunities-in-a-border-region-of-ethiopia>; Utz Pape, Benjamin Petrini, and Syedah Aroob Iqbal, *Informing Durable Solutions by Micro-Data: A Skills Survey for Refugees in Ethiopia*, World Bank, July 2018, <http://documents1.worldbank.org/curated/en/996221531249711200/pdf/128185-WP-PUBLIC-P162987-SkillsReport.pdf>; Varalakshmi Vemuru, Aditya Sarkar, and Andrea Fitri Woodhouse, *Impact of Refugees on Hosting Communities in Ethiopia: A Social Analysis*, World Bank, 2020, <https://openknowledge.worldbank.org/bitstream/handle/10986/34267/Impact-of-Refugees-on-Hosting-Communities-in-Ethiopia-A-Social-Analysis.pdf?sequence=6&isAllowed=y>.

¹⁶⁷ Varalakshmi Vemuru, Aditya Sarkar, and Andrea Fitri Woodhouse, *Impact of Refugees on Hosting Communities in Ethiopia: A Social Analysis*, World Bank, 2020, <https://openknowledge.worldbank.org/bitstream/handle/10986/34267/Impact-of-Refugees-on-Hosting-Communities-in-Ethiopia-A-Social-Analysis.pdf?sequence=6&isAllowed=y>.

¹⁶⁸ ILO, *Market Systems Analysis for Refugee Livelihoods in Jijiga—Ethiopia*, March 2018, https://www.ilo.org/wcmsp5/groups/public/---ed_emp/documents/projectdocumentation/wcms_630983.pdf.

integration is especially concerning in Gambella, where refugees outnumber Ethiopian citizens.¹⁶⁹

- **A lack of developed value chains and weak consumer demand**, which make it difficult for businesses to grow. For example, around Jijiga, livestock production is one of the more promising activities for refugees, including small businesses. However, the sector's growth is limited by a lack of key inputs and complementary services, such as medicines and veterinary services. Furthermore, since they are located in relatively isolated areas, businesses in the camps and hosting areas have limited customer bases and thus struggle to grow.¹⁷⁰ Underdeveloped value chains and weak demand also limit investments from larger companies. Indeed, most foreign direct investment in Ethiopia has gone to Addis Ababa and the Oromia region, and there is limited opportunity for investment in the emerging areas.¹⁷¹
- **A lack of arable land.** Prior to displacement, many refugees worked in agriculture, pastoralism, or other related activities. Of the 3,416 respondents from the 2017 World Bank skills survey who said they had worked prior to displacement as refugees, 49 percent reported that they had worked in the sector. At the time of the survey, only 6 percent did.¹⁷² This shift in occupation status is likely due to access to land: as of 2017, only 6 percent of refugees reported having access to land for agricultural use, compared with 53 percent of hosts.¹⁷³ Although the government has pledged to provide more land to refugees, the fact is that unused arable land is limited, and as mentioned above, disputed land rights are already highly contentious and a source of violent conflict. This problem could be addressed in part through irrigation projects (as discussed below, in this section), but such projects are expensive and may therefore not be a widely applicable solution. Thus, even with full work rights and freedom of movement, many refugees may find it hard to access land where they can apply their agricultural or pastoralist skills.

¹⁶⁹ Utz Pape, Benjamin Petrini, and Syedah Aroob Iqbal, *Informing Durable Solutions by Micro-Data: A Skills Survey for Refugees in Ethiopia*, World Bank, July 2018, <http://documents1.worldbank.org/curated/en/996221531249711200/pdf/128185-WP-PUBLIC-P162987-SkillsReport.pdf>.

¹⁷⁰ ILO, *Market Systems Analysis for Refugee Livelihoods in Jijiga—Ethiopia*, March 2018, https://www.ilo.org/wcmsp5/groups/public/---ed_emp/documents/projectdocumentation/wcms_630983.pdf.

¹⁷¹ Interview with a representative from the World Bank.

¹⁷² Authors' calculations using: Utz Pape, *Skills Profile Survey 2017: A Refugee and Host Community Survey*, World Bank, June 2019, <https://microdata.worldbank.org/index.php/catalog/3445>.

¹⁷³ *Ibid.*

- **Underdeveloped financial systems.** According to a recent market analysis of the Jijiga area, local businesses owners in the camps named access to finance as one of the main constraints to growth (along with a lack of freedom of movement), and aspiring entrepreneurs noted that a lack of financial capital was a major barrier to start-up.¹⁷⁴ Legal restrictions and uncertainties are part of the problem, as mentioned above, but there is also a limited presence of financial services in most hosting areas. For example, in the Dollo Ado area in southern Somali, few financial institutions are present, and both hosts and refugees have limited access to services.¹⁷⁵
- **Poor infrastructure,** which limits business development. For example, the camps near Jijiga are somewhat isolated and the roads connecting the camps and nearby towns are in poor condition, which makes the transportation of goods costly and thus reduces the competitiveness of traders. Furthermore, skilled artisans and carpenters face a risk of goods breaking on the bumpy roads.¹⁷⁶ The camps in southern Somali face similar problems. For example, the five camps near Dollo Ado are connected to the town by a single road that often becomes blocked by floods and collapsed bridges.¹⁷⁷ Aside from transportation infrastructure, camps and hosting areas in Somali, Gambella, and likely elsewhere suffer from weak storage, telecommunications, and irrigation infrastructure.¹⁷⁸

Within the general trend of weak economic opportunities around camps, the extent and types of opportunities certainly differ across regions and even within regions. Most camps are largely isolated from substantial urban markets, such as some camps in Tigray¹⁷⁹ and those in the Liben Zone of southern Somali,¹⁸⁰ but camps around Jijiga in eastern Somali are far more connected to urban areas and thus have greater opportunities for wage work, including construction and English tutoring.¹⁸¹ However, even the relatively strong markets of Jijiga have limitations, as poverty rates are still high and many hosts struggle to find opportunities.¹⁸² Another difference across regions is the feasibility of agriculture. For example, in Benishangul-Gumuz, agriculture is one of the main activities, and the

¹⁷⁴ ILO, *Market Systems Analysis for Refugee Livelihoods in Jijiga—Ethiopia*, March 2018, https://www.ilo.org/wcmsp5/groups/public/---ed_emp/documents/projectdocumentation/wcms_630983.pdf.

¹⁷⁵ UNHCR, *Financial Services Market Assessment in Dolo Ado, Ethiopia*, June 2020, <https://data2.unhcr.org/en/documents/details/77527>.

¹⁷⁶ ILO, *Market Systems Analysis for Refugee Livelihoods in Jijiga—Ethiopia*, March 2018, https://www.ilo.org/wcmsp5/groups/public/---ed_emp/documents/projectdocumentation/wcms_630983.pdf.

¹⁷⁷ Alexander Betts, Raphael Bradenbrink, Jonathan Greenland, Naohiko Omata, and Olivier Sterck, *Refugee Economies in Dollo Ado: Development Opportunities in a Border Region of Ethiopia*, Oxford Refugee Studies Centre, April 2019, <https://www.rsc.ox.ac.uk/publications/refugee-economies-in-dollo-ado-development-opportunities-in-a-border-region-of-ethiopia>.

¹⁷⁸ Interview with a representative from FCDO; Alexander Betts, Raphael Bradenbrink, Jonathan Greenland, Naohiko Omata, and Olivier Sterck, *Refugee Economies in Dollo Ado: Development Opportunities in a Border Region of Ethiopia*, Oxford Refugee Studies Centre, April 2019, <https://www.rsc.ox.ac.uk/publications/refugee-economies-in-dollo-ado-development-opportunities-in-a-border-region-of-ethiopia>.

¹⁷⁹ Two camps of mostly Eritrean refugees in northern Tigray were destroyed during the conflict.

¹⁸⁰ Samuel Hall Consulting, *Living Out of Camp: Alternatives to Camp-based Assistance for Eritrean Refugees in Ethiopia*, commissioned by the Norwegian Refugee Council, 2014, <https://reliefweb.int/sites/reliefweb.int/files/resources/Living-Out-of-Camp-Alternative-to-Camp-based-Assistance-in-Ethiopia.pdf>; <https://www.rsc.ox.ac.uk/publications/refugee-economies-in-dollo-ado-development-opportunities-in-a-border-region-of-ethiopia>.

¹⁸¹ Interview with a representative from Mercy Corps; Varalakshmi Vemuru, Aditya Sarkar, and Andrea Fitri Woodhouse, *Impact of Refugees on Hosting Communities in Ethiopia: A Social Analysis*, World Bank, 2020, <https://openknowledge.worldbank.org/bitstream/handle/10986/34267/Impact-of-Refugees-on-Hosting-Communities-in-Ethiopia-A-Social-Analysis.pdf?sequence=6&isAllowed=y>.

¹⁸² ILO, *Market Systems Analysis for Refugee Livelihoods in Jijiga—Ethiopia*, March 2018, https://www.ilo.org/wcmsp5/groups/public/---ed_emp/documents/projectdocumentation/wcms_630983.pdf.

climate is generally conducive to crop production.¹⁸³ In contrast, in Somali, the climate is more arid, and seasonal droughts and floods make farming unpredictable.¹⁸⁴ Nonetheless, across all regions, access to land remains a divisive issue.

Table 3 gives a breakdown of the industries of employment for host communities across the zones for which there are data, providing a general idea of the work opportunities that may be available to refugees in each area (see figure 3 for the location of zones, the administrative units below regions). The data on crop production and livestock are especially revealing, as there is great deal of variation across zones. For example, in Asosa, crops and livestock together account for about 75 percent of hosts' employment, while no hosts surveyed around Jijiga were involved in these sectors, instead reporting that they derived most of their income from casual labor. (However, the sample in Jijiga was small, and other analyses show that there is some degree of agricultural and pastoralist activity in the area.)¹⁸⁵ The consistent prevalence of salary work is a trend driven in large part by the presence of NGOs, which are among the main employers in some areas.¹⁸⁶ Relatedly, NGO and government donations (in the form of in-kind food aid or cash transfers, for example) account for the main source of income or consumption for many households in some zones, particularly in Afar's Zone 2. In many zones, wholesale and retail trade is another significant sector, which is likely occupied mostly by small business owners. Finally, the table shows that that formal work accounts for a small, though not insignificant, percentage of income, which may also be due in part to NGO employment.

¹⁸³ Utz Pape, Benjamin Petrini, and Syedah Aroob Iqbal, *Informing Durable Solutions by Micro-Data: A Skills Survey for Refugees in Ethiopia*, World Bank, July 2018, <http://documents1.worldbank.org/curated/en/996221531249711200/pdf/128185-WP-PUBLIC-P162987-SkillsReport.pdf>.

¹⁸⁴ Alexander Betts, Raphael Bradenbrink, Jonathan Greenland, Naohiko Omata, and Olivier Sterck, *Refugee Economies in Dollo Ado: Development Opportunities in a Border Region of Ethiopia*, Oxford Refugee Studies Centre, April 2019, <https://www.rsc.ox.ac.uk/publications/refugee-economies-in-dollo-ado-development-opportunities-in-a-border-region-of-ethiopia>.

¹⁸⁵ ILO, *Market Systems Analysis for Refugee Livelihoods in Jijiga—Ethiopia*, March 2018, https://www.ilo.org/wcmsp5/groups/public/---ed_emp/documents/projectdocumentation/wcms_630983.pdf.

¹⁸⁶ Alexander Betts, Raphael Bradenbrink, Jonathan Greenland, Naohiko Omata, and Olivier Sterck, *Refugee Economies in Dollo Ado: Development Opportunities in a Border Region of Ethiopia*, Oxford Refugee Studies Centre, April 2019, <https://www.rsc.ox.ac.uk/publications/refugee-economies-in-dollo-ado-development-opportunities-in-a-border-region-of-ethiopia>.

Table 3. Main source of income for host community households, as a percentage of all households in the Zone

	Asosa, B.G.	Tongo, B.G.	West Tigray	Zone 1, Afar	Zone 2, Afar	Jijiga, Somali	Liben, Somali
Salary	9.9	15.8	15.3	29.0	34.4	17.3	24.6
Casual labor	4.9	2.1	9.8	13.6	0.0	36.5	4.9
Crop production	57.2	44.2	17.7	5.4	0.0	0.0	22.0
Livestock	0.2	0.0	1.2	3.2	11.0	0.0	5.9
Crop and livestock (at comparable levels)	18.2	26.2	19.3	4.3	0.0	0.0	11.1
Manufacturing, construction, and mining (Formal)	0.4	0.2	0.2	0.0	0.0	0.0	0.0
Manufacturing, construction, and mining (Informal)	0.1	0.0	0.8	2.8	0.0	0.0	0.0
Wholesale/retail trade (Formal)	2.3	4.1	11.8	7.6	0.0	0.0	0.8
Wholesale/retail trade (Informal)	0.6	1.4	8.4	13.7	6.8	11.5	2.4
Services (Formal)	1.9	1.2	6.0	1.4	0.0	0.0	11.9
Services (Informal)	2.3	3.2	2.7	3.8	0.0	0.0	11.2
Renting of house, land, equipment, storage	0.4	0.0	1.9	1.0	0.0	0.0	0.2
Social Security	0.0	0.5	0.2	0.0	0.0	0.0	0.0
Donations from the government or NGOs	0.6	0.6	0.5	6.6	42.6	0.0	0.8
Remittances	0.8	0.1	3.6	7.3	5.3	34.6	3.2
Begging	0.0	0.0	0.3	0.0	0.0	0.0	0.0
Other	0.2	0.3	0.3	0.1	0.0	0.0	1.0

Source: Authors' calculations using: Utz Pape, Skills Profile Survey 2017: A Refugee and Host Community Survey, World Bank, June 2019, <https://microdata.worldbank.org/index.php/catalog/3445>

Note: B.G. = Benishangul-Gumuz

With intense violent conflict, disrupted supply chains, and widespread internal displacement, economic opportunities in the Tigray region are now even more limited, and the region's economy has been severely stunted. In the near term, economic opportunities will be highly limited for refugees, and the main concern will be ensuring their basic needs.

In addition to these general economic difficulties, refugee women must also face their own set of challenges that further limit self-reliance. For one, women are typically expected to take on more domestic work, which limits their ability to earn income. Second, it is reportedly more difficult for women to access financial services, perhaps due to social norms. Third, compounding these financial difficulties, it can be more difficult for women to invest in businesses as they face competing demands

over their income and financial capital, often because they need to purchase basic household necessities. Fourth, since women face informal, norm-based restrictions on movement (in addition to the formal, policy-based restrictions), they face additional obstacles to building the social networks that are necessary to achieve success in the labor market.¹⁸⁷

The outbreak of COVID-19 has further limited economic opportunities in hosting areas. Due to disruptions in supply chains as a result of the pandemic, prices for goods have risen and, correspondingly, consumer demand has fallen. This drop in demand has, in turn, hurt informal refugee businesses in the camps and limited informal work opportunities.¹⁸⁸ At the same time, funds have been reallocated away from livelihoods activities toward COVID-19 response, a shift that was necessary to meet humanitarian needs but has unfortunately stalled progress on economic inclusion.¹⁸⁹ As we discuss in the “Economic Outcomes” section of this case study, COVID-19 has already had a major negative impact on refugees’ livelihoods and well-being, which may continue for some time.

The limitations of host areas’ economies have several key implications. First, it may be unreasonable to expect refugees to be able to integrate rapidly into the local economies, even in the presence of few policy barriers. Second, even if rapid integration were possible, it may be accompanied by high tensions over scarce jobs and resources. As discussed below in the “Benefits of Greater Economic Inclusion” section, economic inclusion can lead to job creation and economic growth, but there still may be some job displacement and tension—especially over fixed resources like land. Third, there is a need to build markets in these regions by attracting private-sector investment and developing infrastructure. Fourth, it may be worthwhile to consider ways to making more distant labor market opportunities available and feasible for refugees, especially in regions like Gambella, where tensions are high and refugees outnumber locals.

Addis Ababa, which was hosting about 27,000 refugees as of March 2020,¹⁹⁰ is an important exception to the trends of limited economic opportunities seen in other regions. As the nation’s capital and center of economic activity, Addis Ababa has more wage employment opportunities, far superior infrastructure, and a greater supply of key services, including financial services.¹⁹¹ However, the city still faces economic challenges. According to a 2016 representative labor market survey, the unemployment rate in the capital is about 21 percent.¹⁹² As a result, job competition is fierce, and many less-educated workers are forced into low-paying, informal occupations.¹⁹³ These challenges are observed in urban areas across the country, as the overall unemployment rate for urban areas in

¹⁸⁷ ILO, *Market Systems Analysis for Refugee Livelihoods in Jigjiga—Ethiopia*, March 2018, https://www.ilo.org/wcmsp5/groups/public/---ed_emp/documents/projectdocumentation/wcms_630983.pdf.

¹⁸⁸ Interview with a representative from Mercy Corps; Interview with a representative from UNHCR.

¹⁸⁹ Interview with a representative from ReDSS.

¹⁹⁰ Varalakshmi Vemuru, Aditya Sarkar, and Andrea Fitri Woodhouse, *Impact of Refugees on Hosting Communities in Ethiopia: A Social Analysis*, World Bank, 2020, <https://openknowledge.worldbank.org/bitstream/handle/10986/34267/Impact-of-Refugees-on-Hosting-Communities-in-Ethiopia-A-Social-Analysis.pdf?sequence=6&isAllowed=y>.

¹⁹¹ *Ibid.*

¹⁹² Ethiopian Central Statistical Agency, “2016 Urban Unemployment Survey,” August 2016.

¹⁹³ Varalakshmi Vemuru, Aditya Sarkar, and Andrea Fitri Woodhouse, *Impact of Refugees on Hosting Communities in Ethiopia: A Social Analysis*, World Bank, 2020, <https://openknowledge.worldbank.org/bitstream/handle/10986/34267/Impact-of-Refugees-on-Hosting-Communities-in-Ethiopia-A-Social-Analysis.pdf?sequence=6&isAllowed=y>.

Ethiopia is about 17 percent.¹⁹⁴ In contrast, as of 2013, the nation's overall unemployment rate, including rural areas, was about 2.3 percent.¹⁹⁵

Clearly, refugees and hosts alike face difficult economic conditions throughout the country, and many refugees lack the relevant skills that will help them succeed in the labor market. As discussed above, many refugees have backgrounds in agriculture and related activities, yet often find limited opportunities in these sectors. Furthermore, refugees have relatively low levels of education (see figure 11), which could limit their opportunities in other sectors. Indeed, according to a 2018 Jijiga market analysis, refugee traders often identify a lack of business skills as an impediment to growth, those with lower levels of education have an especially difficult time securing wage work, and refugee artisans have a hard time competing with more skilled Ethiopians in town.¹⁹⁶ According to the World Bank skills survey, about a quarter of unemployed refugees reported that they lack the skills or experience necessary to find work.¹⁹⁷ Refugees' lack of marketable skills may make it difficult for them to connect with local opportunities as well as more distant opportunities with potential employers. Indeed, NGOs and international organizations have had a difficult time locating employers that want to engage in projects for refugee employment, perhaps due in part to the limited skill sets of many.¹⁹⁸

Language barriers can also create problems. In most regions, languages are shared by refugees and hosts, but for refugees in Addis Ababa, an inability to speak Amharic, the dominant language, is a major impediment to economic inclusion.¹⁹⁹

Many refugees also lack the assets and social capital that could help them succeed in the labor market. As mentioned above, few refugees have access to land. In addition, according to the 2017 survey, fewer than 20 percent own productive assets, such as farm equipment, carpentry equipment, vehicles, or refrigerators.²⁰⁰ Combined with the lack of access to financial services, this lack of assets severely limits refugees' ability to start productive enterprises in formal or informal sectors. In terms of social capital, responses to a refugee survey in Tigray indicated that most refugees do not have social networks outside of camps, and among those that do, very few are related to business or employment.²⁰¹ In addition, a lack of networks is a major obstacle to employment for newly arrived refugees in Addis Ababa.²⁰²

¹⁹⁴ Ethiopian Central Statistical Agency, "2016 Urban Unemployment Survey," August 2016.

¹⁹⁵ World Bank, "Unemployment, Total (% of total labor force) (national estimate)—Ethiopia," accessed October 2020, <https://data.worldbank.org/indicator/SL.UEM.TOTL.NE.ZS?locations=ET>.

¹⁹⁶ ILO, Market Systems Analysis for Refugee Livelihoods in Jijiga—Ethiopia, March 2018, https://www.ilo.org/wcmsp5/groups/public/---ed_emp/documents/projectdocumentation/wcms_630983.pdf.

¹⁹⁷ Utz Pape, Benjamin Petrini, and Syedah Aroob Iqbal, *Informing Durable Solutions by Micro-Data: A Skills Survey for Refugees in Ethiopia*, World Bank, July 2018, <http://documents1.worldbank.org/curated/en/996221531249711200/pdf/128185-WP-PUBLIC-P162987-SkillsReport.pdf>.

¹⁹⁸ Based on information given by ARRA at an NGO roundtable organized by ReDSS.

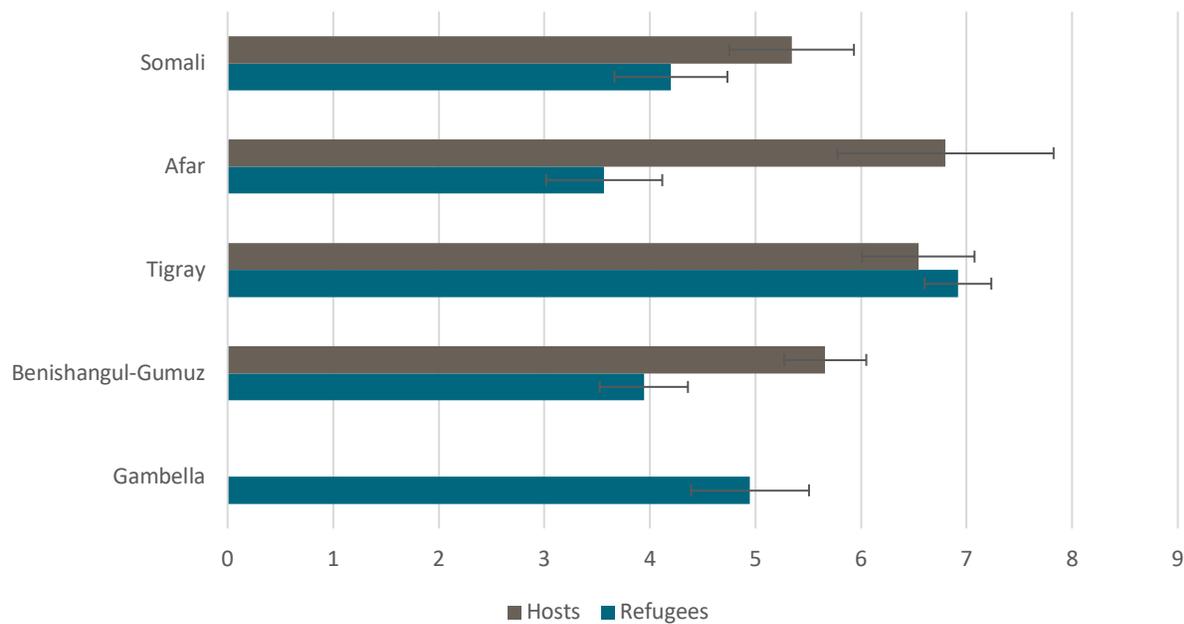
¹⁹⁹ Samuel Hall Consulting, *Living Out of Camp: Alternatives to Camp-based Assistance for Eritrean Refugees in Ethiopia*, commissioned by the Norwegian Refugee Council, 2014, <https://reliefweb.int/sites/reliefweb.int/files/resources/Living-Out-of-Camp-Alternative-to-Camp-based-Assistance-in-Ethiopia.pdf>.

²⁰⁰ Utz Pape, Benjamin Petrini, and Syedah Aroob Iqbal, *Informing Durable Solutions by Micro-Data: A Skills Survey for Refugees in Ethiopia*, World Bank, July 2018, <http://documents1.worldbank.org/curated/en/996221531249711200/pdf/128185-WP-PUBLIC-P162987-SkillsReport.pdf>.

²⁰¹ Samuel Hall Consulting, *Living Out of Camp: Alternatives to Camp-based Assistance for Eritrean Refugees in Ethiopia*, commissioned by the Norwegian Refugee Council, 2014, <https://reliefweb.int/sites/reliefweb.int/files/resources/Living-Out-of-Camp-Alternative-to-Camp-based-Assistance-in-Ethiopia.pdf>.

²⁰² Ibid.

Figure 11. Average years of education, by region and refugee status



Source: Authors' calculations using: Utz Pape, *Skills Profile Survey 2017: A Refugee and Host Community Survey*, World Bank, June 2019, <https://microdata.worldbank.org/index.php/catalog/3445>

Note: Error bars denote 95 percent confidence intervals. Hosts in Gambella were not surveyed.

Of course, there are exceptions to the trend of refugees' limited relevant skills, assets, and social capital. For example, Eritrean refugees in Afar tend to have more experience (and interest) in wage work than locals,²⁰³ 43 percent of South Sudanese refugees employed prior to displacement worked in wage employment,²⁰⁴ and Sudanese refugees in Benishangul-Gumuz have brought skills and experience in mining.²⁰⁵ (The ways in which these skills have supported host communities are further discussed in the “Benefits of Greater Economic Inclusion” section of this case study.)

²⁰³ Interview with a representative from ReDSS.

²⁰⁴ Authors' calculations using: Utz Pape, *Skills Profile Survey 2017: A Refugee and Host Community Survey*, World Bank, June 2019, <https://microdata.worldbank.org/index.php/catalog/3445>.

²⁰⁵ Freddie Carver, *Refugee and Host Communities in Ethiopia: 2018–2019 Integrated National Study*, ODI and Danish Refugee Council (DRC), August 2020, <https://odi.org/en/publications/refugee-and-host-communities-in-ethiopia-20182019/>.

There has been a robust response from international donors and NGOs to overcome the many economic barriers facing refugees and host communities. For example:

- The IKEA Foundation, in partnership with UNHCR, invested in the creation of 1,000 hectares of arable land for refugees and hosts around Dollo Ado.²⁰⁶
- The World Bank is planning to implement the Employment Promotion and Protection (EPP) project with the aim of creating employment opportunities for hosts and 30,000 refugees through various potential mechanisms, including job search support, business start-up support, increased access to finance, and other services for wage work and self-employment.²⁰⁷ Currently, EPP is seeking a service provider for pilot programs in two camps, projected to begin this summer. The pilot will be based on a pay-for-performance contract, with payment linked to success on certain outcomes, such as refugees obtaining employment.²⁰⁸
- The International Finance Corporation (IFC) is scoping opportunities to facilitate investment from large companies in hosting regions.²⁰⁹
- The European Union Trust Fund has committed significant funds aimed at stimulating economic opportunities and job creation for refugees and host communities in Ethiopia.²¹⁰
- The Strengthening Host and Refugee Population Economies (SHARPE) program—funded by the UK’s Foreign, Commonwealth, and Development Office—is working to develop markets, which includes incentivizing investment from medium-sized companies.²¹¹
- The PROSPECTS program—which is jointly funded and implemented by UNICEF, UNHCR, ILO, IFC, and the government of the Netherlands—will build skills among refugees and hosts and create economic opportunities in Somali and Tigray (though plans may have changed for investing in Tigray), chiefly through public works programs.²¹²
- GIZ is focusing on building Ethiopia’s vocational training infrastructure and connecting refugee and host graduates from Addis Ababa, Somali, and Benishangul-Gumuz with private-sector employers in urban areas.²¹³
- A variety of NGOs—including Mercy Corps, the Danish Refugee Council, Save the Children, and others—are taking a market-systems approach to developing economic opportunities around camps.

²⁰⁶ Alemu Asfaw Nigusie and Freddie Carver, *The Comprehensive Refugee Response Framework: Progress in Ethiopia*, ODI, September 2019, <https://cdn.odi.org/media/documents/12941.pdf>.

²⁰⁷ Ibid.

²⁰⁸ Interview with a representative from an NGO.

²⁰⁹ Interview with a representative from the IFC.

²¹⁰ Interview with a representative from ReDSS.

²¹¹ Interview with a representative from FCDO.

²¹² Interview with a representative from ILO.

²¹³ Interview with a representative from GIZ.

Despite these initiatives, the pandemic and the crisis in Tigray have recently created a shift away from development approaches and toward humanitarian relief, and it has been difficult for many organizations to carry out livelihoods programming. Therefore, many of these positive efforts have been stalled, but organizations are actively making plans to restart their economic programming when conditions allow.²¹⁴

These and other ongoing efforts have many strengths and are no doubt helping to confront the economic challenges faced by refugees and hosts. For example, several donors and implementers are linking training to job opportunities, building markets and value chains, and working with the private sector—approaches that are widely recognized as best practice.²¹⁵ But there are also shortcomings. For one, very few livelihoods programs for refugees are rigorously evaluated, and none have been rigorously evaluated in the camp context in Ethiopia (though there is one such ongoing evaluation, for the World Bank’s EPP project).²¹⁶ This lack of evaluation makes it difficult to know which approaches are most effective—or if any are working at all. Second, as discussed in the following subsection, coordination efforts have remained insufficient.

Lack of Coordination and Appropriate Government Structures

In 2017, with the creation of the NCRRS (the road map for implementing the CRRF), the government launched a framework for coordinating the CRRF response.²¹⁷ As depicted in figure 12, this framework included the following:

- A steering committee—involving UNHCR, ARRA, the Ministry of Finance and Economic Cooperation (MOFEC), line ministries, other government agencies, NGOs, donors, development banks, and private sector actors—which is responsible for providing direction and recommendations for implementation of the pledges and CRRF process
- Steering committee co-chairs—UNHCR, ARRA, and MOFEC—which act under the supervision of the Office of the Prime Minister and are tasked with leading the steering committee
- The national coordination unit, which is charged with ensuring effective coordination across actors
- Technical committees, which involve a wide range of actors and, under the supervision of the steering committee, provide technical support to various thematic areas of implementation

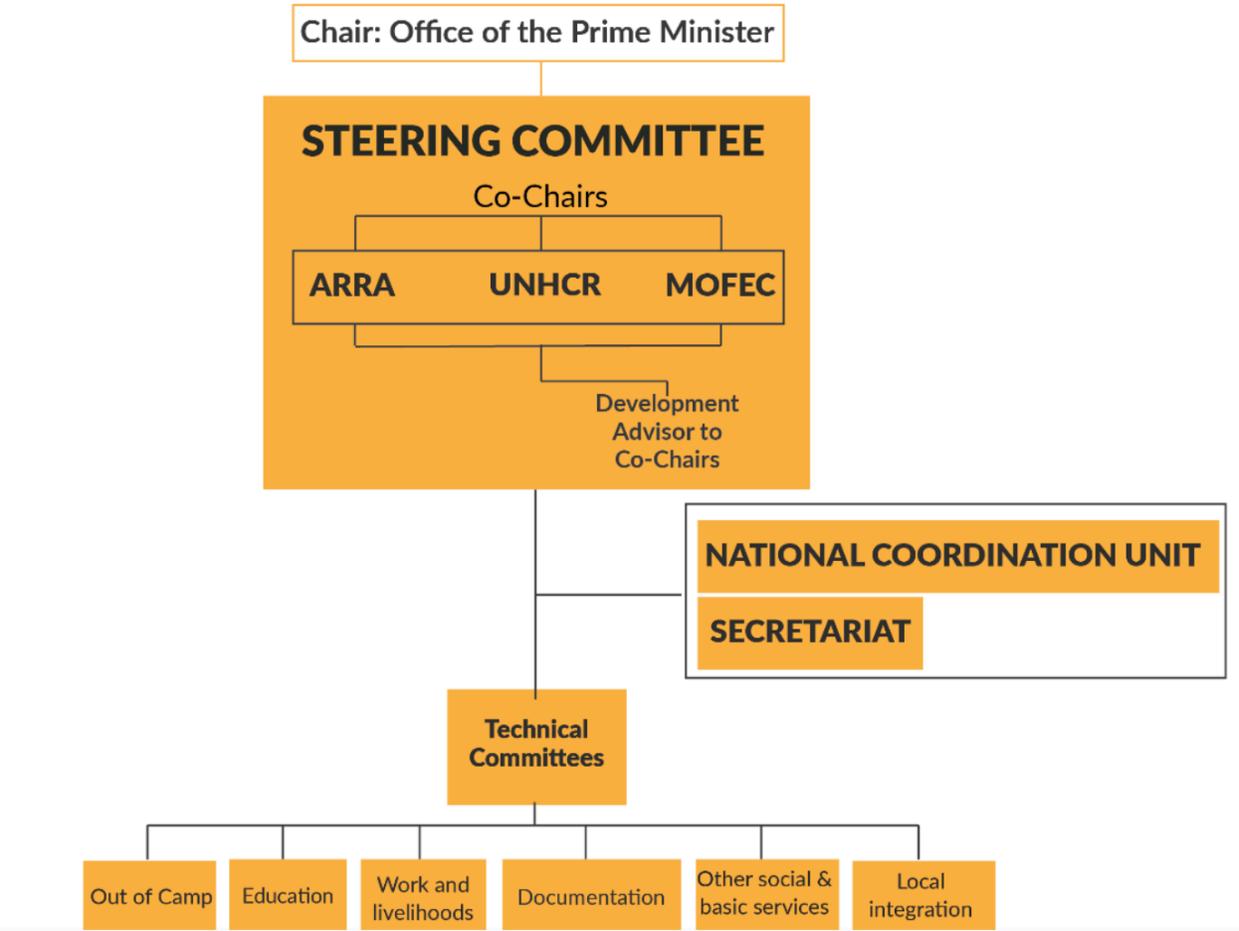
²¹⁴ Interview with a representative from FCDO.

²¹⁵ Interview with a representative from FCDO; Interview with a representative from ReDSS.

²¹⁶ Nessa Kenney and Laura Benrey, “Filling the Forced Displacement Evidence Gap: Taking Stock on World Refugee Day,” *Innovations for Poverty Action (IPA) Blog*, June 2020, <https://www.poverty-action.org/blog/filling-forced-displacement-evidence-gap-taking-stock-world-refugee-day>.

²¹⁷ ARRA, *Ethiopia CRRF Roadmap*, March 2018, <https://data2.unhcr.org/en/documents/details/62655>; ReDSS, *Towards a Common Research Agenda: A Synthesis Paper to Inform Implementation of the Global Refugee Compact—2019, 2020*, <https://regionaldss.org/wp-content/uploads/2020/03/Towards-a-common-research-agenda-ONLINE-FINAL-1.pdf>.

Figure 12. Ethiopia’s CRRF structure



Source: ARRA, Ethiopia CRRF Roadmap, March 2018, <https://data2.unhcr.org/en/documents/details/62655>

This framework represented a drastic change in the approach to managing the country’s refugee situation. Prior to the creation of this framework, ARRA, with support from UNHCR, oversaw coordination of all refugee-related activities. At the local level, various line ministries and city and local governments sometimes partnered in the refugee response, but in many areas, they had little or no formal role.²¹⁸ With the CRRF, far more actors are brought into the process of consultation, coordination, and decision making—at least, in theory.²¹⁹

²¹⁸ Alemu Asfaw Nigusie and Freddie Carver, *The Comprehensive Refugee Response Framework: Progress in Ethiopia*, ODI, September 2019, <https://cdn.odi.org/media/documents/12941.pdf>.

²¹⁹ ReDSS, *Towards a Common Research Agenda: A Synthesis Paper to Inform Implementation of the Global Refugee Compact—2019, 2020*, <https://regionaldss.org/wp-content/uploads/2020/03/Towards-a-common-research-agenda-ONLINE-FINAL-1.pdf>.

In practice, little has changed in terms of systematic national coordination. In 2018, the national steering committee began meeting on a monthly basis, but in July of that year, it met for the last time.²²⁰ Similarly, the national coordination unit has never functioned in practice, and government actors aside from ARRA have not been systematically involved in the CRRF process.²²¹ Thus, although the CRRF governance structures continue to exist on paper, they do not function in reality. ARRA continues to retain control and, reluctant to relinquish this control, has sought to maintain the status quo.²²²

Despite this dysfunction of the national CRRF coordination structure, there have been a few positive notes in terms of coordination. First, prior to the outbreak of COVID-19, a regional version of the CRRF structure was active in the Somali region. The structure involved an active CRRF steering committee that was chaired by ARRA, UNHCR, and the regional Bureau of Finance and Economic Development, and involved government ministries, international organizations, and other relevant actors. This coordination mechanism has also expanded to more local levels within the Fafan zone.²²³ As a result, coordination among actors toward common goals related to the CRRF has reportedly been more successful.²²⁴

Understanding why the Somali regional CRRF coordination structure has been successful is critical to replicating its success elsewhere. According to interviews with several NGO representatives, the most important factor is political will on the part of the regional government, driven by the possibility of increased funding for development projects. Because the Somali regional government understood that the CRRF process and associated development projects could lead to an increase in economic opportunities for refugees and hosts alike, it pushed for the implementation of the CRRF structure. And although ARRA is reluctant to embrace CRRF coordination at the federal level, it was unwilling to clash with the regional government over the issue and has, in fact, been actively engaged in CRRF coordination structures in the Somali region.²²⁵ This series of events illustrates that it is possible for the CRRF structure and process to be enacted, but it needs political support from powerful actors within the government.

A second area of successful coordination can be found in instances of ad hoc cooperation throughout the country among actors that have not traditionally been involved in refugee affairs—albeit outside of the CRRF coordination structure. For example, the World Bank’s DRDIP program is implemented in coordination with the Ministry of Agriculture; the Jobs Compact is implemented jointly with the Ethiopian Investment Commission; and ARRA has signed memoranda of understanding with various agencies, such as the Ministry of Labour and Social Affairs.²²⁶

A third positive example is that international organizations have coordinated among themselves in a more systematic fashion, though also outside of the official CRRF structure and only to a limited extent. Many international organizations, donors, and implementing organizations meet regularly within their respective regions to discuss and coordinate programming. However, while these meetings allow for updates among donors, they do not involve government actors and are not aligned around a unified strategy. Rather, the different organizations appear to be taking a variety of

²²⁰ Interview with a representative from ReDSS.

²²¹ Interview with a representative from ReDSS.

²²² Interview with a representative from ReDSS.

²²³ Interview with a representative from ILO; Interview with a representative from ReDSS.

²²⁴ Interview with a representative from ReDSS; Interview with a representative from the World Bank.

²²⁵ Interview with a representative from ReDSS.

²²⁶ Interview with a representative from UNHCR.

approaches all at once.²²⁷ This problem may be due in part to a lack of willingness among these organizations to relinquish control and adopt a more collaborative approach.²²⁸

Despite these relatively positive instances of coordination, the fact remains that the CRRF structure is defunct at the national level. The absence of this coordination structure has several problematic implications, which include the following:

- **Government ministries and local and regional governments are not involved in the CRRF process in a systematic way.** As a result, there is no direct way for development organizations to coordinate with the government ministries that are relevant to the CRRF process. Rather, organizations must work through ARRA to collaborate with other ministries—a process that currently slows cooperation and limits ministries from providing valuable consultation and insight. To be clear, ARRA should indeed be involved as a coordinating actor in managing refugee-related relationships between international organizations and ministries, but it should also be much easier for organizations and ministries to interact.
- **The lack of systematic involvement of other government bodies limits their buy-in to the CRRF process.** With more involvement, they would be more likely to see the benefits of the process—such as development funding for projects related to their mandate—and thus support continued progress. As an example, during an interchange between local governments officials from Dollo Ado and Gambella, when the Gambella officials were exposed to the benefits of CRRF-related irrigation projects in Dollo Ado, they reportedly became enthusiastic about the prospects of replicating such projects in Gambella.²²⁹ Formal CRRF structures could facilitate more such exchanges.
- **Refugees and host communities have limited input into the CRRF process.** With a more formal structure that includes regular meetings, these groups could have a more powerful voice. Currently, their involvement in decision making is ad hoc and limited to a more operational level.²³⁰
- **It is difficult for private-sector actors to be involved in the process.** If more involved, the private sector could provide valuable input on policy decisions, which could guide policies to be more conducive to private-sector investment and hiring in hosting areas. Furthermore, involving businesses more systematically could allow for more opportunities to involve them in joint projects, which would lead to the provision of more work permits.
- **There is a lack of strategic vision for CRRF programming.** Without a formal mechanism for coordinating across all implementing organizations, government bodies, host community and refugees groups, and other relevant actors, it is difficult to ensure that all actors are working toward a commonly shared set of goals. Instead, implementing organizations work toward individual goals rather than jointly defined objectives.

²²⁷ Interview with a representative from ReDSS.

²²⁸ Interview with a representative from UNHCR.

²²⁹ Interview with a representative from UNHCR.

²³⁰ ReDSS, *Towards a Common Research Agenda: A Synthesis Paper to Inform Implementation of the Global Refugee Compact—2019, 2020*, <https://regionaldss.org/wp-content/uploads/2020/03/Towards-a-common-research-agenda-ONLINE-FINAL-1.pdf>; Interview with a representative from UNHCR.

- **Duplication of efforts is common.** Without a formal coordinating body and supervisory oversight of activities, roles and responsibilities are not clearly defined, and donors and implementing organizations often duplicate activities such as market assessments, wasting valuable resources.²³¹ Given the rapid evolution of the refugee landscape in recent years, this duplication and confusion is almost inevitable without structured coordination.
- **There is no clear platform for donor advocacy with the government.** If the CRRF coordination structure were active, donors could more easily voice unified support for certain policies and the implementation of the government’s pledges and proposed policies. Likewise, the structure could potentially facilitate exchanges between donors and the government, with donors responding to government development interests and making investments in exchange for continued policy progress.

To contextualize these difficulties, it is important to acknowledge that the CRRF process—and with it a development rather than humanitarian approach to refugee management—is entirely new. Most government actors and ministries have had minimal exposure to refugee affairs, many international development actors are new to the country, and humanitarian actors are being asked to shift into new roles as development partners.²³² In this context, without systematic coordination and involvement, most government agencies will be left out of the process, and there will be confusion around the roles and responsibilities of various actors.

These coordination challenges are exacerbated by the centralized nature of ARRA, which is currently structured so that all policy and CRRF-related programmatic decisions are made by the deputy director general, with whom it is reportedly very difficult for international organizations to connect.²³³ As a result, progress is made slowly, coordination with ARRA is difficult, and the organization is not flexible in its response to regional realities.²³⁴

Refugee Aspirations

Aspirations and norms among refugees may also play a role in limiting their economic inclusion. For example, economic opportunities for refugees may be more plentiful outside of the main hosting areas, but refugees are often unwilling to relocate for work opportunities (typically for good reason). According to the 2017 World Bank skills survey, 48 percent of refugees reported not wanting to leave their location at some point in the future, suggesting a lack of interest in relocating for work.²³⁵

²³¹ ReDSS, *Towards a Common Research Agenda: A Synthesis Paper to Inform Implementation of the Global Refugee Compact—2019, 2020*, <https://regionaldss.org/wp-content/uploads/2020/03/Towards-a-common-research-agenda-ONLINE-FINAL-1.pdf>; Interview with a representative from UNHCR; Interview with a representative from ReDSS.

²³² Alemu Asfaw Nigusie and Freddie Carver, *The Comprehensive Refugee Response Framework: Progress in Ethiopia*, ODI, September 2019, <https://cdn.odi.org/media/documents/12941.pdf>.

²³³ Interview with a representative from the SHARPE project.

²³⁴ Interview with a representative from UNICEF.

²³⁵ Authors’ calculations using: Utz Pape, *Skills Profile Survey 2017: A Refugee and Host Community Survey*, World Bank, June 2019, <https://microdata.worldbank.org/index.php/catalog/3445>.

This reluctance to relocate could be due to several factors:

- Moving can be costly and, if work is not guaranteed, risky.
- Refugees may be reluctant to leave social networks and families. According to the World Bank survey, 30 percent of refugees who said they would not want to relocate for a job in an industrial park listed a lack of access to social networks as one of their top three reasons.²³⁶
- Because humanitarian aid is the main source of income for 82 percent of refugees, they may be averse to leaving camps and these associated benefits.²³⁷ Indeed, 13 percent of refugees who said they would not want to relocate for a job in an industrial park listed a lack of access to aid as one of their top three reasons.²³⁸ And according to a recent report by the UK's Overseas Development Institute, one refugee in Gambella stated, "If ARRA and UNHCR give us what we want, why would we want to live outside?"²³⁹
- Many refugees hope to be resettled in high-income countries and fear that they will lose that option if they leave the camps.²⁴⁰ According to the World Bank survey, 60 percent of refugees said they would want to be resettled elsewhere even if they had full freedom of movement and work rights in Ethiopia.²⁴¹ Similarly, a recent survey of refugees around Dollo Ado found that nearly 70 percent of respondents hoped to be living in a high-income country in three years, and almost none hoped to be living elsewhere in Ethiopia.²⁴² However, the likelihood of resettlement remains quite low, with approximately 2,000 refugees in Ethiopia resettled per year—less than 1 percent of the total refugee population.²⁴³
- Some refugees in Gambella have expressed concerns that integrating in Ethiopia could cause them to lose claims to their land in South Sudan.²⁴⁴

Despite these barriers, many refugees were willing to relocate for work, but few were willing to do so for the low wages that would likely be offered at industrial parks.²⁴⁵ The work in industrial parks also raises serious protection concerns.²⁴⁶

²³⁶ Ibid.

²³⁷ Ibid.

²³⁸ Ibid.

²³⁹ Freddie Carver, Fana Gebresenbet, and Dominic Naish, *Gambella Regional Report: 2018–2019 Refugee and Host Community Context Analysis*, ODI, December 2020, https://cdn.odi.org/media/documents/Gambella_regional_report_20182019_refugee_and_host_community_context_analysis.pdf.

²⁴⁰ Interview with a representative from the World Bank.

²⁴¹ Authors' calculations using: Utz Pape, *Skills Profile Survey 2017: A Refugee and Host Community Survey*, World Bank, June 2019, <https://microdata.worldbank.org/index.php/catalog/3445>.

²⁴² Alexander Betts, Raphael Bradenbrink, Jonathan Greenland, Naohiko Omata, and Olivier Sterck, *Refugee Economies in Dollo Ado: Development Opportunities in a Border Region of Ethiopia*, Oxford Refugee Studies Centre, April 2019, <https://www.rsc.ox.ac.uk/publications/refugee-economies-in-dollo-ado-development-opportunities-in-a-border-region-of-ethiopia>.

²⁴³ UNHCR, "Resettlement Data Finder," accessed October 2020, <https://rsq.unhcr.org/en/#Dul2>.

²⁴⁴ Freddie Carver, Fana Gebresenbet, and Dominic Naish, *Gambella Regional Report: 2018–2019 Refugee and Host Community Context Analysis*, ODI, December 2020, https://odi.org/documents/6205/Gambella_regional_report_20182019_refugee_and_host_community_context_analysis.

²⁴⁵ Utz Pape, Benjamin Petrini, and Syedah Aroob Iqbal, *Informing Durable Solutions by Micro-Data: A Skills Survey for Refugees in Ethiopia*, World Bank, July 2018, <http://documents1.worldbank.org/curated/en/996221531249711200/pdf/128185-WP-PUBLIC-PI62987-SkillsReport.pdf>.

²⁴⁶ Jennifer Gordon, *Refugees and Decent Work: Lessons Learned from Recent Refugee Jobs Compacts*, ILO Paper, February 2020, https://papers.ssrn.com/sol3/papers.cfm?abstract_id=3523247.

These barriers and research findings indicate that most refugees will not want to leave the camps without the assurance of decent work, but many will be willing to relocate if given the right opportunities. They also imply that some refugees may not want to leave regardless of the opportunities offered, highlighting the need to connect refugees with quality jobs while also building markets around camps. The data also suggest that the parks are not a promising option for facilitating economic inclusion.

The stated lack of interest in living and working in other parts of the country may also be partly due to a lack of knowledge regarding the possibility and potential benefits of doing so. Indeed, most refugees are unaware of the recent policy changes that have created the possibility of obtaining work permits and movement passes.²⁴⁷ Greater information provision to refugees on their rights and opportunities may therefore be a key aspect in facilitating economic progress.

ECONOMIC OUTCOMES: GAPS AND DRIVERS

As the previous section demonstrates, there are a wide range of factors that limit the economic inclusion of refugees. But questions remain: To what extent have these barriers translated to a gap in economic outcomes between refugees and host communities? And which of these barriers are the most important in explaining the gaps? To answer these questions, this section uses data from the 2017 World Bank skills survey to analyze the gaps and their drives. The survey included representation from refugee camps in Benishangul-Gumuz, Somali, Tigray, Afar, and Gambella (amounting to about 77 percent of the total refugee population), and of host communities living within 5 kilometers of camps in Benishangul-Gumuz, Somali, Tigray, and Afar.²⁴⁸ A clean version of the data used for analysis in this paper can be found [here](#).

Gaps in Economic Outcomes between Refugees and Hosts

The World Bank skills survey provides information on employment and household consumption, two key indicators that are useful for examining economic outcomes.²⁴⁹ The former can be used to examine employment rates across populations and the latter is useful in comparing rates of poverty.

Across the four hosting regions included in the survey, employment rates for working-age refugees are consistently far lower than for hosts (see figure 13).²⁵⁰ In Benishangul-Gumuz, 72 percent of hosts are employed but only 13 percent of refugees. Overall unemployment in Ethiopia tends to be higher in urban areas, and this trend appears to hold for refugees. A separate survey in Addis Ababa conducted by researchers from Oxford University found unemployment rates of 79 percent for Eritrean refugees

²⁴⁷ Varalakshmi Vemuru, Aditya Sarkar, and Andrea Fitri Woodhouse, *Impact of Refugees on Hosting Communities in Ethiopia: A Social Analysis*, World Bank, 2020, <https://openknowledge.worldbank.org/bitstream/handle/10986/34267/Impact-of-Refugees-on-Hosting-Communities-in-Ethiopia-A-Social-Analysis.pdf?sequence=6&isAllowed=y>.

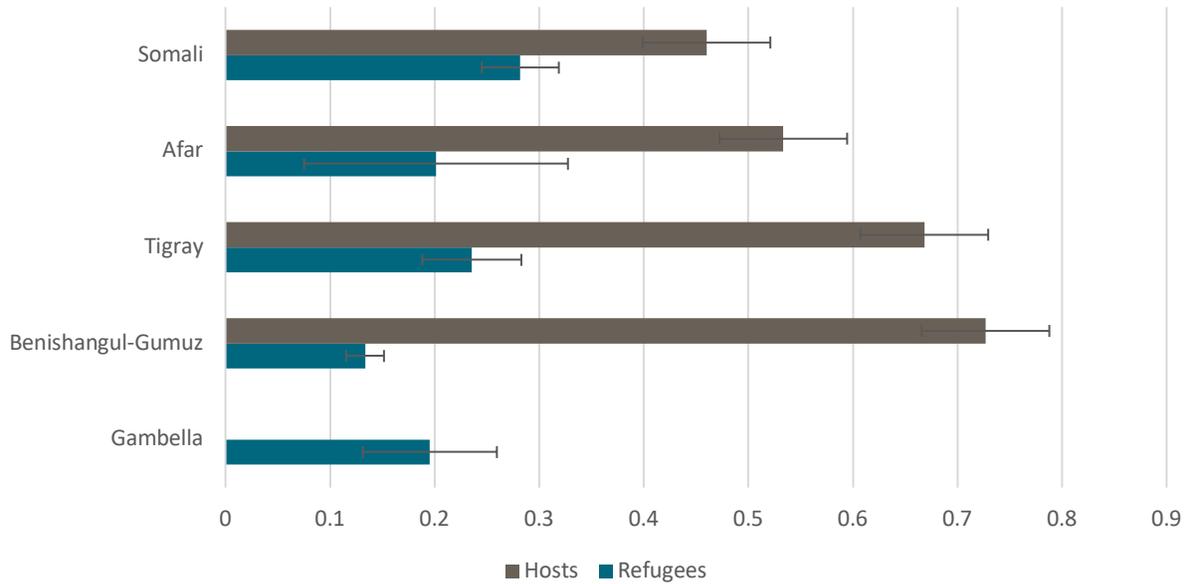
²⁴⁸ Utz Pape, Benjamin Petrini, and Syedah Aroob Iqbal, *Informing Durable Solutions by Micro-Data: A Skills Survey for Refugees in Ethiopia*, World Bank, July 2018, <http://documents1.worldbank.org/curated/en/996221531249711200/pdf/128185-WP-PUBLIC-P162987-SkillsReport.pdf>.

²⁴⁹ In this paper, the “imputed variable” calculated by the World Bank skills survey authors is used for statistics on household consumption. Utz Pape, Benjamin Petrini, and Syedah Aroob Iqbal, *Informing Durable Solutions by Micro-Data: A Skills Survey for Refugees in Ethiopia*, World Bank, July 2018, <http://documents1.worldbank.org/curated/en/996221531249711200/pdf/128185-WP-PUBLIC-P162987-SkillsReport.pdf>.

²⁵⁰ Working age is considered 15–64 in this paper.

and 93 percent for Somali refugees, compared with 43 percent for the surrounding host communities.²⁵¹

Figure 13. Employment rates by region and refugee status



Source: Authors' calculations using: Utz Pape, Skills Profile Survey 2017: A Refugee and Host Community Survey, World Bank, June 2019, <https://microdata.worldbank.org/index.php/catalog/3445>

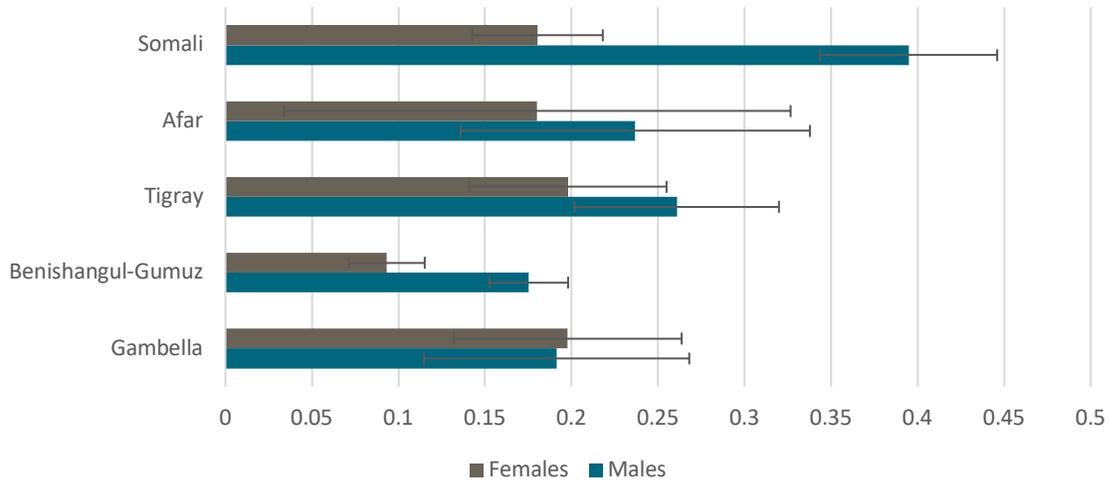
Note: Includes only working-age individuals (15–64). Error bars denote 95 percent confidence intervals. Hosts in Gambella were not surveyed.

Figures 14 and 15 show an employment gap between genders for both refugees and hosts (though it is not statistically significant in all cases), with especially large employment disparities between men and women in the Somali region. The gap is smaller in the western regions of Gambella and Benishangul-Gumuz, and refugee women are actually employed at higher rates than refugee men in Gambella.

²⁵¹ Alexander Betts, Leon Fryszer, Naohiko Omata and Olivier Sterck, *Refugee Economies in Dollo Ado: Development Opportunities in a Border Region of Ethiopia*, Oxford Refugee Studies Centre, April 2019, <https://www.rsc.ox.ac.uk/publications/refugee-economies-in-addis-ababa-towards-sustainable-opportunities-for-urban-communities>.

Figure 14. Employment rates for refugees by region and gender

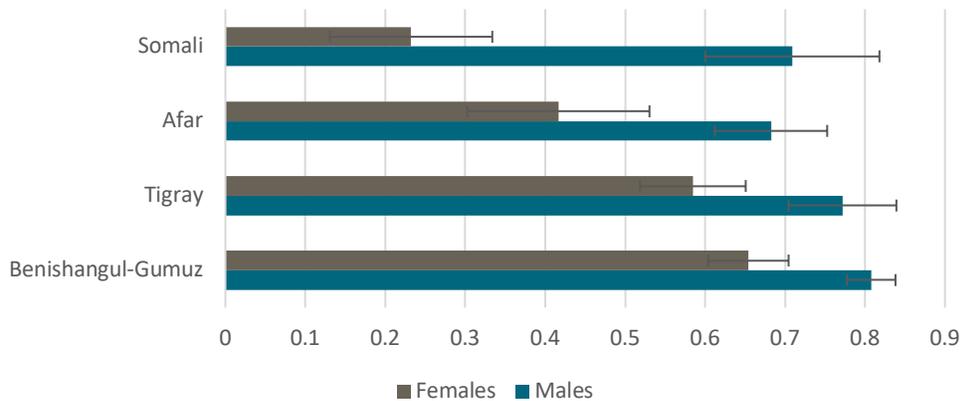
Source: Authors' calculations using: Utz Pape, Skills Profile Survey 2017: A Refugee and Host Community Survey, World Bank, June 2019,



<https://microdata.worldbank.org/index.php/catalog/3445>

Note: Includes only working-age individuals (ages 15–64). Error bars denote 95 percent confidence intervals.

Figure 15. Employment rates for hosts by region and gender



Source: Authors' calculations using: Utz Pape, Skills Profile Survey 2017: A Refugee and Host Community Survey, World Bank, June 2019,

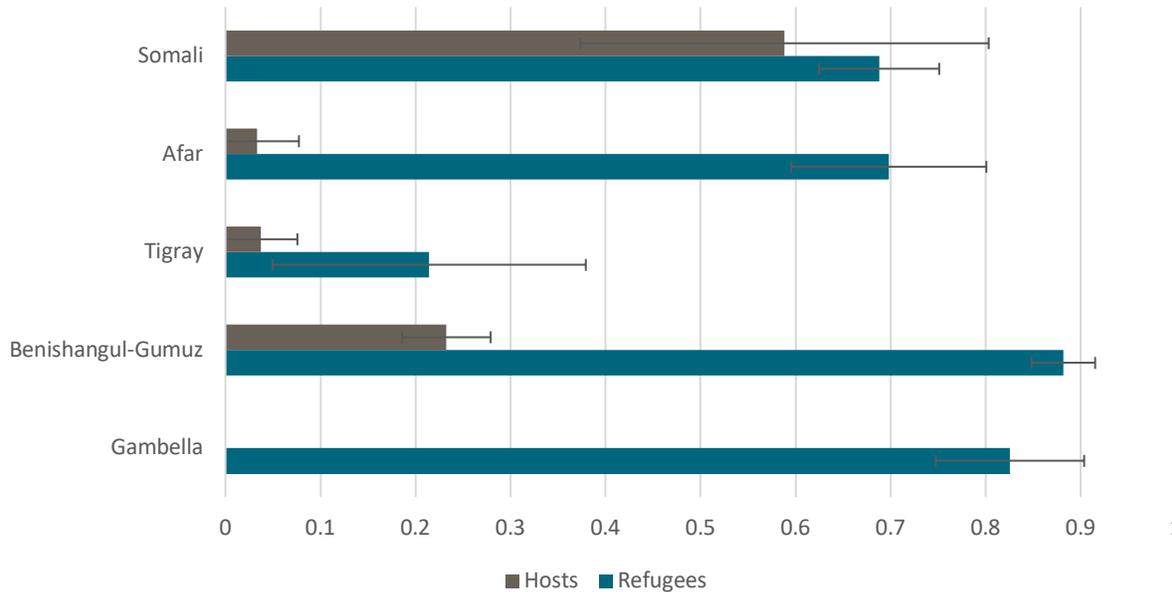
<https://microdata.worldbank.org/index.php/catalog/3445>

Note: Includes only working-age individuals (ages 15–64). Error bars denote 95 percent confidence intervals.

Low employment rates among refugees have translated into higher rates of poverty. As figure 16 shows, in every region but Somali, far more refugees than hosts are living in poverty (defined as less than US\$1.90/day). For example, in Benishangul-Gumuz, 81 percent of refugees are living in poverty, compared with 17 percent of hosts. Overall, roughly 26 percent of hosts are living poverty compared with 75 percent of refugees. Poverty among hosts is by far the most prevalent in Somali, where 69 percent of refugees and nearly 60 percent of hosts live in poverty. Average poverty rates for hosts

(excluding those in the Somali region) are nearly identical to the countrywide rate of about 26 percent.²⁵²

Figure 16. Poverty rates by region and refugee status



Source: Authors' calculations using: Utz Pape, Skills Profile Survey 2017: A Refugee and Host Community Survey, World Bank, June 2019, <https://microdata.worldbank.org/index.php/catalog/3445>

Note: Poverty rate is defined as (<\$1.90 2011 PPP / day). Error bars denote 95 percent confidence intervals. Hosts in Gambella were not surveyed.

NGOs and international organizations serve as a major source of employment and income in hosting areas—for refugees especially and for hosts to a much lesser extent. According to the World Bank skills survey, 82 percent of refugees and 2 percent of hosts rely on humanitarian support as their main form of income. This disparity illustrates that refugees can have much greater access to services and support than hosts—though justifiably so, given their higher rates of poverty. It also suggests that, in the absence of such support, one could expect lower rates of employment and higher rates of poverty.

High rates of poverty have led to a wide range of other negative outcomes and protection concerns for refugees. About 67 percent of refugees are food insecure, compared with 22 percent of hosts.²⁵³ Women and children in Gambella and the Dollo Ado area of Somali face high rates of malnutrition,²⁵⁴ and some

²⁵² World Bank, *Ethiopia Poverty Assessment: Harnessing Continued Growth for Accelerated Poverty Reduction, 2020*, <http://documents1.worldbank.org/curated/en/992661585805283077/pdf/Ethiopia-Poverty-Assessment-Harnessing-Continued-Growth-for-Accelerated-Poverty-Reduction.pdf>.

²⁵³ Utz Pape, Benjamin Petrini, and Syedah Aroob Iqbal, *Informing Durable Solutions by Micro-Data: A Skills Survey for Refugees in Ethiopia*, World Bank, July 2018, <http://documents1.worldbank.org/curated/en/996221531249711200/pdf/128185-WP-PUBLIC-PI62987-SkillsReport.pdf>.

²⁵⁴ UNHCR Ethiopia Country Refugee Response Plan, 2020-2021, <https://reliefweb.int/sites/reliefweb.int/files/resources/73571.pdf>.

refugee women in Addis Ababa have turned to survival sex.²⁵⁵ Other protection concerns facing refugees include a lack of access to water and adequate shelter.²⁵⁶ These challenges are driven not only by a lack of economic inclusion and but also by a shortfall in humanitarian funding.

The outbreak of COVID-19 has likely exacerbated gaps in economic outcomes. Although the pandemic has had devastating economic consequences for the country as a whole, refugees' livelihoods have likely been disproportionately affected. According to a recent joint analysis by CGD, Refugees International, and the International Rescue Committee, prior to the outbreak, about 46 percent of employed refugees were working in sectors of the economy that have been most impacted by the economic effects of the pandemic, compared with 32 percent of employed Ethiopians in host communities.²⁵⁷ Corroborating these findings, a recent survey of several hundred workers in Somali and Tigray found that refugee incomes have decreased by about 43 percent since the onset of the pandemic—slightly more than the decrease for hosts.²⁵⁸

The effects are likely the worst for refugee women, 62 percent of whom were working in highly impacted sectors. Moreover, as a result of the economic distress induced by the pandemic, there is concern that early marriage and gender-based violence is on the rise.²⁵⁹ As a result of these disproportionate impacts, refugees (and especially refugee women) likely face even higher rates of poverty and protection concerns relative to hosts.

The onset of violence in Tigray has also exacerbated poverty and other economic outcomes and protection concerns in the region. As discussed above, disruptions to the region have caused spikes in food insecurity and a lack of access to basic needs for Ethiopians as well as refugees.

²⁵⁵ Samuel Hall Consulting, *Living Out of Camp: Alternatives to Camp-based Assistance for Eritrean Refugees in Ethiopia*, commissioned by the Norwegian Refugee Council, 2014, <https://reliefweb.int/sites/reliefweb.int/files/resources/Living-Out-of-Camp-Alternative-to-Camp-based-Assistance-in-Ethiopia.pdf>.

²⁵⁶ UNHCR *Ethiopia Country Refugee Response Plan, 2020-2021*, <https://reliefweb.int/sites/reliefweb.int/files/resources/73571.pdf>.

²⁵⁷ Helen Dempster, Thomas Ginn, Jimmy Graham, Martha Guerrero Ble, Daphne Jayasinghe, and Barri Shorey, *Locked Down and Left Behind: The Impact of COVID-19 on Refugees' Economic Inclusion*, CGD, IRC, and RI, July 2020, <https://www.cgdev.org/sites/default/files/locked-down-and-left-behind-paper-71320.pdf>.

²⁵⁸ Presentation by Samuel Hall at a ReDSS-organized seminar.

²⁵⁹ Thalia Seguin, "The Impact of COVID-19 on Refugees: Focus on Ethiopia," UNESCO/International Institute for Educational Planning (news), 2020, <http://education4resilience.iiep.unesco.org/en/node/1266>.

Drivers of Disparities in Economic Outcomes

A wide range of barriers discussed above—including restrictive policy environments, education inequities, demographic factors, location, and more—may explain the gaps in consumption and employment between refugees and hosts. To explore which of these factors matter most, this section draws on a statistical analysis that estimates the relative importance of various predictors of labor market success, discussing the main findings and policy implications. (The methodology used for this analysis, as well as the detailed econometric results, are discussed in Appendix 1.)

The analysis explores the drivers behind gaps in both employment and consumption. For employment, it finds a difference of 37.6 percentage points in refugee and host employment rates (21.2 percent for refugees and 58.7 percent for hosts). Measurable factors—including education, age, gender, access to various resources, location, and perceptions of safety—account for only about 9.9 percentage points of the gap. Within these measurable factors, refugees' lower levels of education account for just 1 percentage point of the gap, and most of the rest of the gap is accounted for by a lower average age among refugees, since younger individuals tend to earn less. Other factors not measured by the survey account for 27.6 percentage points of the 37.6 percentage point gap, indicating that they are much more important in explaining the difference in employment rates. These other factors could include policy factors or discrimination, but we cannot definitively make this conclusion based on the analysis.

The analysis also finds that per capita household consumption is 109.4 percent higher for hosts than refugees (US\$3.29 per day for hosts and US\$1.57 per day for refugees). In this case, the measurable factors—including location, access to various resources, and household composition—account for only about only 38.7 percent of the gap, and 51 percent remains unexplained.²⁶⁰ The most powerful explanatory factors are refugees' larger household size, higher dependence ratio (i.e., the proportion of the household not of working age), disproportionate location in areas with higher poverty, and limited access to livestock. Again, we cannot confidently identify the other unexplained factors driving the gap, but policy factors are likely included.

Several important implications emerge from this analysis, which include the following:

- Education plays an important but limited role. Although skill deficits among refugees may play a meaningful role in curbing their success in the labor market, the overall effect is small compared with the size of the employment and consumption gaps. Because of this, in order to achieve substantial progress, policymakers should consider other approaches to supporting refugees in addition to livelihood trainings and other education programs.
- Location matters, as refugees and hosts in some areas consume more and are employed at much higher rates. This suggests there may be opportunities to provide refugees—at least the relatively small proportion that have expressed willingness to relocate—with the means to seek employment in areas outside their own hosting region.

²⁶⁰ To understand how these percentages add up, note that a 51 percent increase on top of a 38.7 percent increase is roughly equivalent to a 109.4 percent increase. Consider this example, where 1.57 is the refugee income, 3.29 is the host income, 2.094 represents the 109.4 percent increase, 1.51 represents the 51 percent increase, and 1.387 represents the 38.7 percent increase: $1.57 * 2.094 = 3.29$, and $1.57 * 1.387 * 1.51 = 3.29$.

- Dependency is a big factor in consumption among refugees. Refugees in large families with many children have a more difficult time earning enough to support themselves and their families. This suggests that, even if economic inclusion accelerates, refugees may still face higher levels of poverty and may need continued humanitarian support.
- Factors aside from individual and household characteristics account for most of the employment and consumption gaps between refugees and hosts. Although the analysis cannot be used to determine what these factors are, they may be related to the policy environment, discrimination, or other variables mentioned in the “Barriers” section not captured in the survey.

BENEFITS OF GREATER ECONOMIC INCLUSION

As the previous section showed, refugees in Ethiopia are clearly worse off economically than host communities, and a variety of barriers play a role in explaining this gap. This section explores the benefits of closing the gap by looking at the likely impacts for refugees of greater economic inclusion, the impacts of the refugee presence to date on host communities, and the likely impacts of greater inclusion on host communities.

Aside from the economic benefits of greater inclusion, there is an important humanitarian imperative to allowing refugees to live with dignity, and living with dignity involves the ability to engage in economic activities. This concept is acknowledged in one form or another by various widely recognized international documents and approaches to supporting refugees, such as the Global Compact on Refugees and the CRRF. Many refugees spend decades of their lives in displacement, and denying them the ability to obtain decent work and other basic rights imposes an enormous social and human cost. Of course, it is not only the responsibility of host countries to help refugees gain these rights. Rather, a wide range of other actors—including donors, NGOs, and the private sector—must play a large part. We outline below some key actions they can take.

Impacts for Refugees of Greater Economic Inclusion

The “Economic Outcomes” section showed that individual factors such as education explain only a small portion of the gap in economic outcomes between hosts and refugees. Unobservable individual factors may account for some of the gap, but it is also likely that other factors related to the barriers discussed above play a significant role. Thus, it is reasonable to assume that if greater economic inclusion were achieved—that is, if refugees were able to fully apply their skills in the labor market)—then refugees would earn much higher incomes.

To be clear, the process of lowering barriers and closing the income gap would require a wide range of efforts. In addition to removing policy constraints, policymakers and others would need to facilitate the creation of job opportunities, combat discrimination, and improve security for refugees. Even if only a few of these barriers were lowered, incremental progress on this agenda would certainly chip away at the employment and income gaps.

These economic gains would, in turn, likely translate into a range of positive outcomes for refugees (and, as discussed below, for hosts), including lower rates of poverty, greater food security, less reliance on negative coping mechanisms such as prostitution, and increased self-reliance.

However, increased income alone would not be sufficient for overcoming all protection concerns. For example, there are many unaccompanied children in camps who will continue to need support even if full economic inclusion is achieved. In addition, refugees will still need access to basic services—such as education and healthcare—whether living within camps or among host communities. And if refugees are living in host communities, they must have equal access to the services provided for hosts.

Impacts to Date on Host Communities

To analyze the potential impacts of greater economic inclusion on host communities, it is important first to understand the impact that refugees have had to date on host communities. As discussed above in the “Political Barriers” section, the arrival of refugees has created tensions in some areas, due in large part to deforestation, disputes over land use, changing ethnic composition, and perceptions around petty crime. In addition to creating these effects, the arrival of refugees has also transformed economies and services for host communities.

The most salient economic impact is the growth of markets around camps. For example, the areas surrounding the Aw Barre and Sheder camps in the Jijiga zone have undergone a complete transformation over the past decade from small agricultural villages to bustling economic zones with abundant trading opportunities, new businesses and products, and expanded settlements. Similar transformations have occurred around camps in Gambella, Benishangul-Gumuz, Dollo Ado, and the Bole Michael area of Addis Ababa.²⁶¹

A major factor driving this explosion of economic activity is the expansion of consumer demand due to the arrival of refugee consumers. In addition, purchasing power (and thus consumer demand) among refugees and hosts has been further expanded by three key factors that inject money into the local economy. First, humanitarian and development organizations provide cash transfers and other goods that can be resold, such as food aid. Second, these organizations also hire hosts and refugees directly. Third, many refugees—especially Somalis—receive substantial amounts of remittances.²⁶²

The growth of markets around camps has of course created economic benefits for host communities. Since market growth implies businesses growth, the most obvious beneficiaries are business owners. Indeed, in a 2018 survey of 195 small businesses in Addis Ababa conducted by the International Institute for Environment and Development.

(IIED), 90 percent of respondents reported that refugees contributed to local businesses as consumers.²⁶³ Furthermore, many new businesses have been established around camps, other business have been attracted to these areas, and existing businesses have expanded their products

²⁶¹ Alexander Betts, Raphael Bradenbrink, Jonathan Greenland, Naohiko Omata, and Olivier Sterck, *Refugee Economies in Dollo Ado: Development Opportunities in a Border Region of Ethiopia*, Oxford Refugee Studies Centre, April 2019, <https://www.rsc.ox.ac.uk/publications/refugee-economies-in-dollo-ado-development-opportunities-in-a-border-region-of-ethiopia>; Varalakshmi Vemuru, Aditya Sarkar, and Andrea Fitri Woodhouse, *Impact of Refugees on Hosting Communities in Ethiopia: A Social Analysis*, World Bank, 2020, <https://openknowledge.worldbank.org/bitstream/handle/10986/34267/Impact-of-Refugees-on-Hosting-Communities-in-Ethiopia-A-Social-Analysis.pdf?sequence=6&isAllowed=y>.

²⁶² Alemu Asfaw Nigusie and Freddie Carver, *The Comprehensive Refugee Response Framework: Progress in Ethiopia*, ODI, September 2019, <https://cdn.odi.org/media/documents/12941.pdf>; Varalakshmi Vemuru, Aditya Sarkar, and Andrea Fitri Woodhouse, *Impact of Refugees on Hosting Communities in Ethiopia: A Social Analysis*, World Bank, 2020, <https://openknowledge.worldbank.org/bitstream/handle/10986/34267/Impact-of-Refugees-on-Hosting-Communities-in-Ethiopia-A-Social-Analysis.pdf?sequence=6&isAllowed=y>; interview with a representative from ODI.

²⁶³ Alison Brown, Peter Mackie, Kate Dickenson, and Tegegne Gebre-Egziabher, *Urban Refugee Economies: Addis Ababa, Ethiopia*, IIED, March 2018, <https://reliefweb.int/sites/reliefweb.int/files/resources/10850IIED.pdf>.

and sales.²⁶⁴ As a result of these expansions, incomes for many hosts have certainly expanded, and many businesses have likely also expanded the number of employees they hire.

Another benefit of the expansion of markets is the arrival of new services delivered by the private sector, as a larger base of customers makes it more feasible even for large companies to set up operations in these areas. For example, some of the first money transfer and mobile money service agents have set up in the areas around camps.²⁶⁵

By bringing unique skill sets, refugees have also contributed to the economy as employees. For example, refugees in Somali with experience in construction, electrical maintenance, and plumbing have filled skill gaps in the region, thus providing key services as well as transferring skills to hosts.²⁶⁶ In Benishangul-Gumuz, refugees with gold-mining experience have also filled skilled labor shortages.²⁶⁷ In Afar, refugees (many of whom have a background in wage work) expressed more interest in seeking wage employment than hosts.²⁶⁸ And according to the IIED survey in Addis Ababa, 35 percent of businesses claimed that refugees contributed to businesses as a source of labor, and 23 percent said they contributed particular skills.²⁶⁹ Since refugees bring different skill sets than hosts, they serve as powerful complements in the economy, helping to make businesses more productive by filling positions that hosts cannot or do not want to do. Businesses owned by hosts can thus become more productive and may spend more money in the economy or hire more hosts for other positions. Refugee complementarity can thus create benefits for business owners and other employees from host communities.

Refugees also contribute to host employment directly as business owners. For example, according to the IIED survey in Addis Ababa, about half of refugee-owned businesses employ Ethiopians. Moreover, about 40 percent of Ethiopian-owned business knew Ethiopians that worked for refugees.²⁷⁰

Refugees also contribute to their local economies through their connections with international markets. For example, in Benishangul-Gumuz, refugees have helped expand trade to markets in Sudan.²⁷¹ And in Addis Ababa, 10 percent of businesses reported that refugees contributed to local

²⁶⁴ Alexander Betts, Raphael Bradenbrink, Jonathan Greenland, Naohiko Omata, and Olivier Sterck, *Refugee Economies in Dollo Ado: Development Opportunities in a Border Region of Ethiopia*, Oxford Refugee Studies Centre, April 2019, <https://www.rsc.ox.ac.uk/publications/refugee-economies-in-dollo-ado-development-opportunities-in-a-border-region-of-ethiopia>; Varalakshmi Vemuru, Aditya Sarkar, and Andrea Fitri Woodhouse, *Impact of Refugees on Hosting Communities in Ethiopia: A Social Analysis*, World Bank, 2020, <https://openknowledge.worldbank.org/bitstream/handle/10986/34267/Impact-of-Refugees-on-Hosting-Communities-in-Ethiopia-A-Social-Analysis.pdf?sequence=6&isAllowed=y>.

²⁶⁵ Varalakshmi Vemuru, Aditya Sarkar, and Andrea Fitri Woodhouse, *Impact of Refugees on Hosting Communities in Ethiopia: A Social Analysis*, World Bank, 2020, <https://openknowledge.worldbank.org/bitstream/handle/10986/34267/Impact-of-Refugees-on-Hosting-Communities-in-Ethiopia-A-Social-Analysis.pdf?sequence=6&isAllowed=y>.

²⁶⁶ Ibid.

²⁶⁷ Freddie Carver, "Refugee and Host Communities in Ethiopia: 2018–2019 Integrated National Study," ODI and Danish Refugee Council (DRC), August 2020, <https://odi.org/en/publications/refugee-and-host-communities-in-ethiopia-20182019/>.

²⁶⁸ Interview with a representative from ReDSS.

²⁶⁹ Alison Brown, Peter Mackie, Kate Dickenson, and Tegegne Gebre-Egziabher, *Urban Refugee Economies: Addis Ababa, Ethiopia*, IIED, March 2018, <https://reliefweb.int/sites/reliefweb.int/files/resources/10850IIED.pdf>.

²⁷⁰ Ibid.

²⁷¹ Varalakshmi Vemuru, Aditya Sarkar, and Andrea Fitri Woodhouse, *Impact of Refugees on Hosting Communities in Ethiopia: A Social Analysis*, World Bank, 2020, <https://openknowledge.worldbank.org/bitstream/handle/10986/34267/Impact-of-Refugees-on-Hosting-Communities-in-Ethiopia-A-Social-Analysis.pdf?sequence=6&isAllowed=y>.

businesses by creating international links, which help create trading networks and can lead to importing new products.²⁷²

Finally, refugees' presence has brought an influx of aid projects that benefit host communities. As mentioned, humanitarian and development aid has contributed to growing consumer demand and, as a result, growing markets. In addition, these projects have facilitated economic growth by developing land, supporting value chains, and providing key services. For example, the IKEA Foundation invested 75 million euros in the Dollo Ado area between 2012 and 2018. These investments, targeted at both hosts and refugees, were used in partnership with UNHCR to develop arable land, expand infrastructure, improve local education systems, create renewable energy sources, provide training opportunities, and more.²⁷³ Many other past or current projects (some of which are discussed in the "Economic Barriers" section) are bringing unprecedented levels of investment in the local economies around camps and hosting areas.

However, the economic effects of refugees' arrival have not been uniformly positive. Although there has undoubtedly been an overall growth in job opportunities around camps, employment opportunities for some individuals have diminished. For example, in Addis Ababa, some local business owners claim that refugee businesses are undermining their customer base (although these claims have not been substantiated by data-driven evidence).²⁷⁴ In Somali, competition has emerged over low-skilled construction jobs. And deforestation in some areas—especially in Gambella—undermines livelihoods relying on natural resources in these areas.²⁷⁵

Another challenge created by the arrival of refugees is the possibility of inflation, particularly in the housing market in Addis Ababa. There, locals complain that housing prices in hosting areas have increased substantially, as refugees are exploited by landowners and must overpay for housing.²⁷⁶ Again, these complaints have not been substantiated by data-driven evidence, but it does appear that these price increases have forced some residents of host communities to move to new neighborhoods.²⁷⁷

These potential negative effects highlight a common trend following the arrival of migrants and refugees to an area: the net effects are positive and benefit many, but some lose.

The effects of refugee arrivals are complex, involving political, social, and economic factors, and their impact can be assessed in several ways. Host perceptions, for example, vary by region. As shown in figure 9, perceptions toward refugees are generally very positive in Somali, Tigray, and Afar. Indeed, interview respondents to an Oxford-conducted survey in Dollo Ado typically expressed that the

²⁷² Alison Brown, Peter Mackie, Kate Dickenson, and Tegegne Gebre-Egziabher, *Urban Refugee Economies: Addis Ababa, Ethiopia*, IIED, March 2018, <https://reliefweb.int/sites/reliefweb.int/files/resources/10850IIED.pdf>.

²⁷³ Alexander Betts, Raphael Bradenbrink, Jonathan Greenland, Naohiko Omata, and Olivier Sterck, *Refugee Economies in Dollo Ado: Development Opportunities in a Border Region of Ethiopia*, Oxford Refugee Studies Centre, April 2019, <https://www.rsc.ox.ac.uk/publications/refugee-economies-in-dollo-ado-development-opportunities-in-a-border-region-of-ethiopia>.

²⁷⁴ Alison Brown, Peter Mackie, Kate Dickenson, and Tegegne Gebre-Egziabher, *Urban Refugee Economies: Addis Ababa, Ethiopia*, IIED, March 2018, <https://reliefweb.int/sites/reliefweb.int/files/resources/10850IIED.pdf>.

²⁷⁵ Varalakshmi Vemuru, Aditya Sarkar, and Andrea Fitri Woodhouse, *Impact of Refugees on Hosting Communities in Ethiopia: A Social Analysis*, World Bank, 2020, <https://openknowledge.worldbank.org/bitstream/handle/10986/34267/Impact-of-Refugees-on-Hosting-Communities-in-Ethiopia-A-Social-Analysis.pdf?sequence=6&isAllowed=y>.

²⁷⁶ Alison Brown, Peter Mackie, Kate Dickenson, and Tegegne Gebre-Egziabher, *Urban Refugee Economies: Addis Ababa, Ethiopia*, IIED, March 2018, <https://reliefweb.int/sites/reliefweb.int/files/resources/10850IIED.pdf>.

²⁷⁷ Varalakshmi Vemuru, Aditya Sarkar, and Andrea Fitri Woodhouse, *Impact of Refugees on Hosting Communities in Ethiopia: A Social Analysis*, World Bank, 2020, <https://openknowledge.worldbank.org/bitstream/handle/10986/34267/Impact-of-Refugees-on-Hosting-Communities-in-Ethiopia-A-Social-Analysis.pdf?sequence=6&isAllowed=y>.

benefits of refugee arrivals outweighed the costs.²⁷⁸ Perceptions also seem to be generally positive in Addis Ababa, where only 7 percent of businesses surveyed saw refugee businesses as a threat.²⁷⁹ However, perceptions are less positive in Benishangul-Gumuz and appear to be the least positive in Gambella.²⁸⁰

In addition to data on perceptions, rigorous quantitative research from other contexts suggests that the net economic effects of refugee arrivals in Ethiopia are likely quite positive. In a recent meta-analysis of 49 economic studies examining the impacts of inflows of displaced populations, Verme and Schuettler found that, depending on the estimates used, between 80 and 96 percent of studies indicated that inflows of displaced populations have positive or insignificant effects on hosts' well-being (measured by poverty, income, consumption, assets, output, or night luminosity). They also provide evidence that these positive outcomes extend to low-income countries most similar to Ethiopia, but there are also distributional effects. For example, they show that refugee inflows in Tanzania have had positive average wealth effects on host communities around camps, positive net effects on employment, and positive effects on employment for highly educated women, but they found negative effects on employment for less-educated women and on employment in wage work. The analysis also showed positive average consumption effects for hosts around camps and estimated that doubling the refugee population led to an average increase in consumption of 6 to 8 percent.²⁸¹ In combination with the evidence presented above, these findings suggest that refugees have likely had an overall positive effect in most host areas in Ethiopia, but they also underscore a need to focus on supporting hosts that may be worse off as a result of the inflows.

Impacts on Host Communities of Greater Economic Inclusion

The previous subsection showed that the limited economic inclusion of refugees in host communities to date has likely created substantial net economic benefits, though with distributional effects that have left some hosts worse off than before. Greater economic inclusion would likely create an increase in net economic benefits that would be accompanied by more distributional effects, which could also increase the potential for social tensions.

We have seen that refugees have already been significant economic contributors, as they have offered new skills, started businesses, created international linkages, and increased consumer demand. Greater economic inclusion would amplify these benefits. With the freedom to work and move, refugees would be able to apply their skills more widely in the labor market, thus benefiting local businesses that could, in turn, spend more in the economy and potentially hire more people. These freedoms would also increase refugees' ability to facilitate trade with their bordering home countries and to start formal (and larger) businesses, which could in turn hire locals. Higher incomes would also allow refugees to spend more in the economy, further benefiting local businesses. Moreover, these

²⁷⁸ Alexander Betts, Raphael Bradenbrink, Jonathan Greenland, Naohiko Omata, and Olivier Sterck, *Refugee Economies in Dollo Ado: Development Opportunities in a Border Region of Ethiopia*, Oxford Refugee Studies Centre, April 2019, <https://www.rsc.ox.ac.uk/publications/refugee-economies-in-dollo-ado-development-opportunities-in-a-border-region-of-ethiopia>.

²⁷⁹ Alison Brown, Peter Mackie, Kate Dickenson, and Tegegne Gebre-Egziabher, *Urban Refugee Economies: Addis Ababa, Ethiopia*, IIED, March 2018, <https://reliefweb.int/sites/reliefweb.int/files/resources/10850IIED.pdf>.

²⁸⁰ Varalakshmi Vemuru, Aditya Sarkar, and Andrea Fitri Woodhouse, *Impact of Refugees on Hosting Communities in Ethiopia: A Social Analysis*, World Bank, 2020, <https://openknowledge.worldbank.org/bitstream/handle/10986/34267/Impact-of-Refugees-on-Hosting-Communities-in-Ethiopia-A-Social-Analysis.pdf?sequence=6&isAllowed=y>.

²⁸¹ Paolo Verme and Kirsten Schuettler, "The Impact of Forced Displacement on Host Communities: A Review of the Empirical Literature in Economics," World Bank Policy Research Working Paper 8727, February 2019, <http://documents1.worldbank.org/curated/en/654811549389186755/pdf/WPS8727.pdf>.

benefits would likely occur without net job loss or average wage reductions for hosts, since the arrival of large numbers of refugees typically has null or positive effects on labor markets—even in areas with underdeveloped markets like those in the hosting regions of Ethiopia.²⁸²

In fact, greater economic inclusion may reduce job and wage competition, for two reasons. First, many refugees have suggested that, because they do not have work rights, informal employers are able to take advantage of them, paying them much less than locals.²⁸³ As a result, refugees may undercut wages, and this downward pressure on wages could be alleviated by granting refugees work rights. Second, although large arrivals of refugees to labor markets do not typically have negative average effects, some harmful effects may occur with an especially large concentration of refugees in certain sectors (such as the informal sector). Therefore, if refugees are allowed to work formally, the degree of concentrated competition will be reduced, which could lead to more positive labor market effects.²⁸⁴

In addition, greater economic inclusion will spur more of the same activities that have already benefited hosts: injections of cash, employment creation projects, and service integration. Already, most (or all) donors and implementing organizations have rules mandating that a certain percentage (usually at least 30 percent) of program beneficiaries in hosting areas must be hosts.²⁸⁵ Thus, hosts will continue to benefit from employment creation and economic inclusion efforts targeted at refugees, and these benefits will be even greater if policy barriers are lowered. Currently, some organizations may not pursue livelihoods programs because they are reluctant to explicitly support work for refugees within a legal context where work is not permitted. With restrictions removed, donors and implementers could more freely pursue programs that benefit hosts as well as refugees.²⁸⁶

Policy changes accompanying economic inclusion would likely also attract more private-sector investment. Some companies—such as digital finance providers—have already expressed interest in investing in and around camps, which would create new key services and job opportunities in hosting regions. However, companies have faced difficulty in gaining permission to operate in camps.²⁸⁷ Similarly, some companies that want to work in hosting areas may be unwilling to hire informally or invest in areas where most refugees do not have the right to work formally.

Given the economic slowdown created by the pandemic, the benefits of inclusion will be more important than ever. Struggling companies will need the boost in productivity offered by refugee workers. Rising unemployment makes it especially important that refugees not be restricted to the informal market, as such restrictions would increase overall job competition. Furthermore, the decrease in aggregate demand accompanying the recession could be mitigated by increases in purchasing power caused by higher incomes among refugees and injections of cash from international organizations.

²⁸² Michael Clemens, Cindy Huang, and Jimmy Graham, “The Economic and Fiscal Effects of Granting Refugees Formal Labor Market Access,” CGD Working Paper 496, October 2018, <https://www.cgdev.org/publication/economic-and-fiscal-effects-granting-refugees-formal-labor-market-access>.

²⁸³ Alison Brown, Peter Mackie, Kate Dickenson, and Tegegne Gebre-Egziabher, *Urban Refugee Economies: Addis Ababa, Ethiopia*, IIED, March 2018, <https://reliefweb.int/sites/reliefweb.int/files/resources/10850IIED.pdf>.

²⁸⁴ Michael Clemens, Cindy Huang, and Jimmy Graham, “The Economic and Fiscal Effects of Granting Refugees Formal Labor Market Access,” CGD Working Paper 496, October 2018, <https://www.cgdev.org/publication/economic-and-fiscal-effects-granting-refugees-formal-labor-market-access>.

²⁸⁵ Varalakshmi Vemuru, Aditya Sarkar, and Andrea Fitri Woodhouse, *Impact of Refugees on Hosting Communities in Ethiopia: A Social Analysis*, World Bank, 2020, <https://openknowledge.worldbank.org/bitstream/handle/10986/34267/Impact-of-Refugees-on-Hosting-Communities-in-Ethiopia-A-Social-Analysis.pdf?sequence=6&isAllowed=y>.

²⁸⁶ Interview with a representative from FCDO.

²⁸⁷ Interview with a representative from the SHARPE project.

To be sure, there would be distributional effects resulting from competition over scarce employment opportunities. That is, even if there is a net gain in employment opportunities for hosts (as there likely would be), some hosts—especially those who have skills most similar to refugees’ skills—may face greater competition for jobs.²⁸⁸ Furthermore, job opportunities are especially limited at the moment because of the economic slowdown caused by the pandemic, which may have increased these distributional effects in the short run.²⁸⁹ Although the large benefits of greater economic inclusion are more needed than ever, the negative effects may be more severe for some. For that reason, international organizations and donors must place a heavy emphasis on supporting hosts as well as refugees.

Aside from the economic impacts, there are certainly social impacts of greater economic inclusion, some of which would be positive. As part of the CRRF agenda, service integration will likely accompany economic inclusion, and improved services for hosts may, in turn, improve host-refugee relations. Likewise, an increase in economic opportunities for hosts may cause them to view refugees more favorably. Greater economic inclusion would also make refugees less reliant on activities that have created tensions, such as the collection of firewood. However, in some regions, greater inclusion would likely increase tensions. Particularly in Gambella, where tensions around ethnicity and demographics are already high, further integration of refugees into the economy could create a backlash from hosts.

In summary, greater economic inclusion of refugees would certainly result in both positive and negative impacts, but considering the large economic gains that would likely accrue, it is probable that the net effect for host communities would be positive.

RECOMMENDATIONS

Over the past year, Ethiopia has faced a range of challenges that have stunted progress on economic inclusion. During the COVID-19 outbreak, CRRF response to refugees understandably shifted from its former focus on development to a humanitarian response. With ongoing violence in Tigray, attention also shifted toward meeting the immediate needs of the newly displaced, along with diplomatic efforts to address the conflict and the attendant human rights abuses. As a result, the country will need to bolster a massive humanitarian operation in the north while continuing long-term development work that fosters economic growth for refugees and Ethiopians. The following recommendations offer potential paths for NGOs, international organizations, donors, government, and the private sector to foster economic inclusion alongside diplomatic, humanitarian, and development responses.

One important caveat to these recommendations is that donors and other actors should not provide any funding to the government as long as it continues to commit war-related atrocities in Tigray. Considering the fungibility of money—that funds provided for one activity can be easily used for others, including those related to conflict—any funding to the government could easily be used to support war efforts, and should therefore not be given. For this reason, as long as the crisis in the north continues, development and humanitarian actors should focus on improvements not linked directly

²⁸⁸ Michael Clemens, Cindy Huang, and Jimmy Graham, “The Economic and Fiscal Effects of Granting Refugees Formal Labor Market Access,” CGD Working Paper 496, October 2018, <https://www.cgdev.org/publication/economic-and-fiscal-effects-granting-refugees-formal-labor-market-access>.

²⁸⁹ Giovanni Peri, *The Impact of Immigrants in Recession and Economic Expansion*, Migration Policy Institute, June 2010, <https://www.migrationpolicy.org/research/impact-immigrants-recession-and-economic-expansion>.

to the government or support, through technical assistance, to government agencies not involved in the crisis.

Action Recommendations for the Government of Ethiopia

First and foremost, Ethiopia must immediately stop the fighting in Tigray, and take action to uphold human rights and ensure unfettered humanitarian access in the region. More generally, the government of Ethiopia must continue to respect non-refoulement, allowing people to flee to safety into Ethiopia or from Ethiopia to neighboring countries. In addition, it should continue to expand freedom of movement and work rights to refugees in Ethiopia, and provide protection in line with national and international norms and standards. More specifically, it should:

Revitalize and improve the CRRF coordination structure

As discussed in the “Lack of Coordination and Appropriate Government Structures” subsection of this case study, a functioning CRRF coordination structure is crucial to organizing effective approaches to improving economic inclusion. This structure already exists but is not being utilized. Moving forward, ARRA should revitalize the CRRF structure. This would involve reinitiating regular meetings of the steering committee and actively recruiting the participation of its members, including line ministries, other government agencies, NGOs, donors, development banks, and private-sector actors.

The first step in revitalizing the CRRF process should be for the Council of Ministers to pass the NCRRS, currently in draft form, which outlines the CRRF goals and structure. Passing the NCRRS could elevate a common vision of the government’s role and allow other actors to work collectively. Furthermore, leadership on the revitalization process should come from the Office of the Prime Minister, which supervises the steering committee, to help overcome a lack of political will for change from ARRA. In addition, UNHCR should strongly advocate for a revitalization of the CRRF process.

In addition to this revitalization at the national level, the CRRF structure should be introduced within those hosting regions where it is not yet in place. This process can be led by regional governments, with the support of UNHCR and ARRA. Through the leadership of the Somali regional government, the CRRF structure has already been successfully introduced in Jijiga. Other regions—and the national government—should learn from this success in adapting and introducing structures.

To ensure that refugees and hosts have meaningful input into the programming and policy decisions that affect them, the CRRF structures must create elevated roles for refugee and host leaders and organizations. While ARRA is clearly in the lead on refugee-related issues, the CRRF structures and meetings should include other government actors in addition to ARRA. Other branches of government must have a sense of ownership over some aspects of refugee issues, and each ministry has a role to play in improving refugee access to the labor market based on its expertise, including the Ministry of Health, Ministry of Finance, Ministry of Agriculture, Ministry of Urban Development, Ministry of Education, and Ministry of Labour and Social Affairs.

Encourage regional policy solutions

The “Barriers to Greater Economic Inclusion” section showed that each hosting region of the country faces unique barriers and opportunities. Therefore, to maximize economic inclusion and minimize tensions with host communities, the Ethiopian government (and specifically, ARRA) should tailor refugee policies to each region and continue moving ahead with progressive implementation.

For example, the Somali regional government (with approval from the federal government) should consider extending freedom of movement throughout the region for all refugees, allowing them to move to areas where they could earn more. The “Economic Outcomes” section highlighted that regional location can play an important role in explaining income gaps, and it may be that location within regions also plays an important role. As an alternative policy, the Somali regional government could create an easy process for business owners and/or employment seekers to apply for indefinite freedom of movement permits. Such a policy would help refugee business owners overcome the many movement-related obstacles to growth discussed in the “Policy Barriers” subsection, and it would also help refugees connect with employment opportunities outside of camps. Furthermore, because refugee-host relations in the region are generally positive, the policy could be enacted without fear of major backlash from host communities. It would also benefit hosts and refugees alike, as the “Benefits of Greater Economic Inclusion” section describes.

In Addis Ababa and the Afar region (and the Tigray region, when conditions permit), the government should extend work permits to the many refugees who are already living (and, in many cases, working informally) outside of camps. Doing so would allow some refugees to access formal work, which would lead to less concentrated labor market competition and greater productivity (see the “Benefits of Greater Economic Inclusion” section). It would also mitigate problems of harassment from authorities and reluctance from employers to hire refugees, even in the informal sector. Because many refugees in these areas are already working outside camps, the policy would likely have little impact on relations with host communities, but it could yield meaningful benefits for refugees as well as for host economies.

In Gambella, where relations between hosts and refugees are more tense, there may be greater political obstacles to providing widespread freedom of movement and work rights for refugees. However, policies can be implemented to overcome other region-specific barriers, such as banks’ reluctance to lend to refugees. For example, by issuing a directive related to financial access, the government may be able to mitigate concerns around a lack of refugee documentation.

The examples presented [here](#) illustrate possible policy solutions, some of which may be applicable to multiple regions. Ultimately, regional policy solutions can and should be devised and implemented by regional actors, including local governments, refugee and host organizations, and development organizations operating in the region.

To facilitate this process, regional action plans should be created for each hosting region. Initially, such plans were envisioned to complement the NCRRS, but they have not materialized.²⁹⁰ The government and leading international actors such as UNHCR and major donors should prioritize creating these plans through an inclusive process that brings in a wide range of actors from refugee and host communities, local governments, relevant ministries, donors, NGOs, private-sector actors, and others.

Because many solutions, including the examples presented above, could be in line with the 2019 Proclamation, the regional solutions would not require new laws but would instead be approaches to implementing existing laws.

Decentralize ARRA’s decision-making power

²⁹⁰ Interview with a representative from ReDSS.

As a complement to regional policy solutions, the government of Ethiopia, led by the Office of the Prime Minister, should decentralize ARRA's decision-making power to regional levels. As discussed in the "Lack of Coordination and Appropriate Government Structures" section, ARRA is currently highly centralized, with the Deputy Director General making all significant decisions for the organization. This centralization results in difficult coordination between international organizations and the government as well as slow decision making, which in turns delays programming, private-sector investment, and other potential progress.

The centralized nature of ARRA may have been more appropriate in the past, but ARRA now requires a more flexible and regional approach to manage an increasingly complex refugee landscape, with a proliferating number of actors, rapid changes in programming and new policies responding to COVID-19, and the need for solutions that cater to regional needs. To that end, ARRA should create a lead for each hosting region who can make decisions on significant matters (short of policy change), such as granting permission to private-sector actors to invest in camps, developing programming priorities with development and humanitarian actors, and heading local CRRF structures. To maximize the benefits of cooperation, the lead could coordinate closely with the regional government. Given ARRA's reluctance to change, this reform may need to be initiated by the Office of the Prime Minister.

Standardize refugee work and residence permits

The government of Ethiopia has taken a major step toward economic integration by beginning to grant residence permits to thousands of refugees. However, the design of the permits themselves can limit their effectiveness for refugees. For example, Peru and Colombia created special permits granting refugees the right to work, but many employers were still not willing to hire refugees because they were unfamiliar with the permits and afraid of breaking the law. In Colombia, even after extensive information campaigns to inform businesses of the legality of hiring refugees with these permits, a lack of knowledge among businesses remains a major barrier to hiring.²⁹¹

The Ethiopian government can avoid these difficulties—and the need to invest in information campaigns related to special refugee work permits—by granting the same work permits to refugees as to other foreigners. Doing so would prevent confusion and reluctance among potential employers, allowing refugees to easily switch from their joint-project employers to other businesses.

These permits should continue to be flexible, allowing refugees to switch freely from one employer to another, and information should be provided to refugees about this freedom to switch employers. Such flexibility will protect refugees from abuse by employers and allow them to fully contribute to the labor market.

Issue directives to ensure that refugees have access to services promised in the 2019 Proclamation

With refugees beginning to live and work outside camps, it is imperative that they have access to the same basic services as Ethiopian citizens, such as healthcare and education. Without these benefits, it will be difficult for many refugees to achieve self-reliance, and they may return to camps as a result.

²⁹¹ Jimmy Graham, Martha Guerrero Ble, Daphne Panayotatos, and Izza Leghtas, *From Displacement to Development: How Colombia Can Transform Venezuelan Displacement into Shared Growth*, CGD, October 2020, <https://www.cgdev.org/publication/displacement-development-how-colombia-can-transform-venezuelan-displacement-shared>; Martha Guerrero Ble, Izza Leghtas, and Jimmy Graham, *From Displacement to Development: How Peru Can Transform Venezuelan Displacement into Shared Growth*, CGD, December 2020, <https://www.cgdev.org/publication/displacement-development-how-peru-can-transform-venezuelan-displacement-shared-growth>.

These basic services and protections have been granted in the 2019 Proclamation, but little has been done so far to operationalize them. Therefore, ARRA should issue directives to relevant ministries outlining refugees' rights to services and labor protections and should work with these ministries to sensitize them to the changes. In addition, the line ministries should create implementation plans for extending services to refugees.

Action Recommendations for Donors, NGOs, and International Organizations

Broadly speaking, the international community must continue to seek ways of working together, particularly across development and humanitarian work. Stakeholders should prioritize ways of including refugees and host communities in decision making, planning, and execution of programs, as well as in leadership roles. Governments, donors, international organizations, NGOs, and the private sector can take a wide range of actions to facilitate greater economic inclusion. However, these actors must also maintain a focus on the crisis unfolding in Tigray. The United States and European countries have already taken steps to curtail economic support and security assistance to Ethiopia. World Bank funding may now also be in jeopardy. If the Ethiopian government continues to commit war-related atrocities in Tigray, other donors should be prepared to follow suit and suspend similar aid packages for the government of Ethiopia. However, this does not include humanitarian funding, which must continue unabated. Once the situation improves, the structural reforms noted below should be implemented to improve refugee access to the labor market.

Suspend security and economic assistance to the Ethiopian government until such time as government-led atrocities in Tigray have ended

Donors should withhold these forms of support to the central government in line with recent steps taken by the United States and European Union. Where possible, they should reroute humanitarian and recovery aid away from the central government and towards local governments, NGOs, civil society and other actors not involved in the conflict in Tigray.

Ongoing assistance to refugees, IDPs and host communities should be linked to policy progress and improved outcomes

The World Bank and other multilateral and bilateral donors should facilitate policy implementation and progress through continued funding conditionality. Following the example of the Jobs Compact, donors should continue to work together to tie funding to policy progress and implementation. Indeed, the Jobs Compact has demonstrated how donor funding can be used to incentivize policy progress and implementation. It led to the government's nine refugee pledges, the implementation of the 2019 Proclamation, and the ongoing provision of work and residence permits. However, even after the compact's funding is exhausted and its policy goals are (hopefully) met, there will likely still be room for a great deal of policy progress and implementation. For example, the Jobs Compact aims to incentivize the provision of only 30,000 work permits. This is a good start, but it leaves hundreds of thousands of other refugees without the right to work. Similarly, the government has granted freedom of movement to all refugees through the proclamation, but in practice, this benefit is available only to certain nationalities. Several other policies (discussed in the "Policy Barriers" section) have not yet been implemented, and the policy environment likely plays a large role in limiting refugee economic inclusion (as shown in the "Economic Outcomes" section).

Moving forward, donors—including the World Bank, other multilateral donors, and bilateral donors—should continue to find ways to facilitate policy implementation and progress. These could include a demonstration of the benefits of greater economic integration, such as economic growth and the

expansion of services (as discussed in the following subsection), as well as continued conditional funding and pooled funding. Following the example of the Jobs Compact, donors should continue to work together to encourage continued policy progress and implementation through funding. By pooling funds and using them collectively to achieve certain goals, donors can have more leverage in influencing the policy agenda. Moreover, the World Bank can link disbursements of funding from the International Development Association Window for Hosts and Refugees (a pool of funding designed to support refugee-hosting countries) to progress made on certain goals.²⁹²

To ensure that funding is incentivizing meaningful changes on the ground, donors should tie disbursements not only to initial policy changes but also to specific outcomes that indicate progress for refugees. For example, the World Bank could link funding to intermediate outcomes such as the provision of additional work permits. An even more effective approach would be to link funding to a certain number of refugees obtaining employment. As mentioned, the EPP project is already piloting this approach. If successful, it should be applied more broadly.

To be effective at influencing policy, pooled funds will need to fulfill goals of the decision makers in the ARRA and possibly the Office of the Prime Minister, which may include goals unrelated to refugees. For example, the Jobs Compact succeeded in creating policy progress partly because a large portion of the funds were granted as general budget support to facilitate the government's broader development and industrialization goals.²⁹³ Considering the large number of policy barriers that stand in the way of economic inclusion, donors should be open to disbursing funds for other government priorities in exchange for continued progress on policy implementation.

As mentioned above, any such funding to the government must be conditional upon the cessation of the conflict in Tigray. In fact, any ongoing financial commitments from donors directly to the government should be halted—including those under the Jobs Compact—even if doing so undermines progress on the refugee economic inclusion agenda. Donors and international organizations must not take part in financially supporting a government that is committing atrocities and creating new displacement crises.

Directly involve regional and local governments and line ministries in the CRRF process—and demonstrate benefits to them

Ideally, regional and local governments and line ministries would be involved in the CRRF process through the national and regional CRRF steering committees. However, if the steering committee remains inactive, NGOs, donors, and international organizations should work to directly involve various government actors in their programming. This could be achieved by consulting with these agencies during planning phases and involving them in implementation.

Some organizations have already made efforts to involve government actors in their CRRF-related efforts. For example, the World Bank's DRDIP project is implemented jointly with the Ministry of Agriculture, and the ILO is conducting workshops with the Ministry of Labour and Social Affairs to sensitize them to refugee issues and begin thinking about how to adapt their policies to accommodate

²⁹² Cindy Huang and Lauren Post, "World Bank's Refugee Policy Review Framework Brings Greater Understanding and Mutual Accountability," *Refugees International Blog*, September 2020, <https://www.refugeesinternational.org/reports/2020/9/2/world-banks-refugee-policy-review-framework-brings-greater-understanding-and-mutual-accountability>.

²⁹³ Interview with a representative from the World Bank.

the CRRF process.²⁹⁴ Other organizations should learn from these efforts and work toward involving even more government actors.

Working with government actors (in addition to ARRA) would bring several benefits. First, it could improve programming effectiveness by bringing in the expertise and contextual knowledge of relevant ministries. Second, it could allow for greater sustainability of efforts. For example, involving government education officials in education programming for refugees and hosts would allow planning for handover to begin at an early stage. Third, bringing in government actors can build buy-in for the CRRF process, providing an opportunity to demonstrate its benefits—especially if programming is linked to local or regional development plans or the mandate of line ministries. This demonstration could, in turn, lead to greater buy-in to the CRRF process, a demand for a reinvigoration of the CRRF coordination structure (in order to elevate its involvement), and greater political will for refugee-related policy progress and implementation.

The large investments by the IKEA Foundation around Dollo Ado have reportedly helped encourage the Ethiopian government to implement the 2019 Proclamation.²⁹⁵ By involving more government actors and demonstrating these benefits, international organizations can repeat this success and move toward greater implementation of the proclamation.

Focus on programming that mitigates refugee-host tensions

In some regions of the country—most notably Gambella—tensions between refugees and hosts have led to insecurity and created obstacles to refugee economic inclusion. International organizations should scale up efforts to reduce tensions and improve relations between hosts and refugees. This will be especially important as the millions fleeing Tigray seek refuge in other regions.

One way to reduce tensions is to ensure that programming consistently reaches both hosts and refugees. Already, most (if not all) implementing organizations work to ensure that hosts are involved in programming. However, as discussed above, there are still perceptions among hosts of inequitable service provision, despite the reality that refugees generally face far more difficult economic circumstances than hosts. Where there are disparities that risk creating inequities, implementers should be prepared to increase the proportion of programming that benefits hosts. Relatedly, building on the work led by UNICEF, donors and international organizations should maintain a focus on integrating their service provision. Moreover, implementers should take efforts to inform hosts that the benefits and services they are receiving are related to the refugee response. This approach is currently being tested in Uganda, with positive preliminary results.²⁹⁶

Implementers should also focus on addressing sources of tension. For example, to address conflict around deforestation, programming efforts should prioritize improving access to renewable sources of energy. Alternatively, if the greatest source of tension is job competition, international organizations should focus on connecting refugees that are willing to relocate with job opportunities outside the main hosting area. Since location is a significant factor in determining employment and

²⁹⁴ Interview with a representative from ILO.

²⁹⁵ Alexander Betts, Raphael Bradenbrink, Jonathan Greenland, Naohiko Omata, and Olivier Sterck, *Refugee Economies in Dollo Ado: Development Opportunities in a Border Region of Ethiopia*, Oxford Refugee Studies Centre, April 2019, <https://www.rsc.ox.ac.uk/publications/refugee-economies-in-dollo-ado-development-opportunities-in-a-border-region-of-ethiopia>.

²⁹⁶ IPA, “Can Development Aid Change Attitudes Toward Refugees? Experimental Evidence from Urban Microentrepreneurs in Uganda,” accessed October 2020, <https://www.poverty-action.org/study/can-development-aid-change-attitudes-toward-refugees-experimental-evidence-urban>; Interview with a representative from an NGO.

poverty rates (as shown in the “Economic Outcomes” section), facilitating movement for work could both mitigate tensions and improve economic inclusion. However, these approaches must ensure that refugees have clear expectations about the work for which they are relocating and that the work meets decent work standards. For that reason, industrial parks may not provide the best avenues for this approach, and international organizations may instead need to look for other opportunities and interested employers.

Programming should also draw on insights from research about effective methods to reduce prejudice and discrimination. One promising approach, based on “contact theory,” is to bring refugees and hosts together in a productive setting.²⁹⁷ This approach has the dual benefits of reducing discrimination and improving livelihoods. For example, public works programs or business trainings could bring refugees and hosts together while also supporting job creation.

²⁹⁷ Elizabeth Levy Paluck, Seth A. Green, and Donald P. Green, “The Contact Hypothesis Re-evaluated,” *Behavioural Public Policy* 3, no. 2 (2019): 129–58, <https://www.cambridge.org/core/journals/behavioural-public-policy/article/contact-hypothesis-reevaluated/142C913E7FA9E121277B29E994124EC5>.

International organizations can play an important role in mitigating tensions, but high-level political figures and other leaders may ultimately be responsible for encouraging support for policies of inclusion. Several recent studies have shown that the positions of party elites strongly influence those of same-party citizens.²⁹⁸ Thus, one of the most powerful ways to create more positive public opinion may be for the Ethiopian government—at local and regional levels—to adopt a positive stance toward refugees and their economic inclusion.

Prioritize women in livelihoods programming

As this case study has highlighted, refugee women typically face greater challenges than refugee men, as illustrated by the disparity in economic outcomes. The “Economic Outcomes” section showed that refugee women have much lower rates of employment in most hosting regions (and especially in Somali). This gap has likely been exacerbated by COVID-19, which has disproportionately affected the sectors in which refugee women were concentrated. Host women also face lower rates of employment compared with host men and have been more severely impacted by the pandemic.

These findings underscore the need to provide additional livelihoods support to both refugee and host women. At a minimum, NGOs and other implementers should ensure that women account for half of livelihoods program participants. These programs should also account for the specific challenges that women face in achieving economic inclusion, such as greater difficulty accessing financial capital, weaker social networks, informal restrictions on movement, and greater demands on their time. In addition, there should be quotas for work permit provision through the Compact ensuring that a certain percentage (ideally half) of beneficiaries are women.

Coordinate and respond to internal displacement

Given the crisis in Tigray and heightening tensions in other regions, IDPs in Ethiopia need assistance and protection, now more than ever, as many regions remain very poor and cannot sustain growing caseloads of IDPs. The international community must incorporate IDPs in their planning and programming, complementing refugee and host community projects and initiatives. This includes taking into account the protection needs of new IDPs, since many displaced by the conflict in Tigray need urgent humanitarian assistance. The IDP durable solutions working group should also be included in humanitarian and development coordination structures.

Pursue improvements to standards in the informal economy

International actors tend to focus more heavily on the formal economy, despite the fact that large numbers of refugees (and hosts, for that matter) work informally. Ethiopia has a large informal economy, and the international community should more fully consider how to design programs that improve working conditions in the informal sector. Whether working in the formal or informal sector, refugees and hosts need better safety conditions at work, job stability, and improved enforcement of conditions.²⁹⁹

Rigorously evaluate livelihoods approaches

²⁹⁸ Toby Bolsen, James N. Druckman, and Fay Lomax Cook, “The Influence of Partisan-Motivated Reasoning on Public Opinion,” *Political Behavior* 36, no. 2 (2014), 235–62, <https://link.springer.com/article/10.1007/s11109-013-9238-0>; James N. Druckman, Erik Peterson, and Rune Slothuus, “How Elite Partisan Polarization Affects Public Opinion Formation,” *American Political Science Review* 107, no. 1 (2013): 57–79, <https://www.cambridge.org/core/journals/american-political-science-review/article/how-elite-partisan-polarization-affects-public-opinion-formation/6CB23BCCFBFB4EA3879D91232CEEA59>.

²⁹⁹ Jennifer Gordon, “Refugees and Decent Work: Lessons Learned from Recent Refugee Jobs Compacts,” ILO Working Paper, February 2020, p. 31, https://papers.ssrn.com/sol3/papers.cfm?abstract_id=3523247.

Livelihoods programs designed to help individuals achieve decent work and increase their income can have remarkable impacts. For example, a program in Liberia that offered livelihoods and life-skills training to young women increased employment by 47 percent and incomes by 80 percent.³⁰⁰ However, these programs are highly inconsistent in their effectiveness. For example, nearly half of all experimental evaluations of vocational training programs have failed to produce statistically significant impacts on income or employment, undermining any confidence that they had any impact at all.³⁰¹

Even within Ethiopia, the effectiveness of programs has been mixed. To our knowledge, only three experimental studies of livelihoods programs (broadly defined) have been conducted in the country. In one study, researchers compared the effects of three different business training programs for female entrepreneurs in urban areas, finding that only one of the programs had significant effects on profits after one year, and none had significant effects after two years.³⁰² In a second study, researchers found that entrepreneurs throughout the country who received businesses training and a \$300 grant had a 33 percent increase in earnings relative to a control group after one year.³⁰³ The third study found that job fairs improved the probability of permanent employment for workers with low education levels, but had no impact on earnings.³⁰⁴

The uncertainty around program effectiveness is further exacerbated by the fact that refugees face different constraints on labor market success than members of the host community do, including limited access to capital, legal barriers to working, and fewer social networks.³⁰⁵ In addition, as discussed in the “Economics Barriers” section, few livelihoods programs have been rigorously evaluated in camp settings—much less in Ethiopian camps—which has made access to markets and legal restrictions more difficult.

Considering their potential for impact, livelihoods programs are certainly an important tool for facilitating economic inclusion for refugees and host communities, and they should therefore continue to be funded. But, given the inconsistency of these programs and the uncertainty around impacts for refugees and in camp settings, funding should also be used to rigorously evaluate these programs—ideally using experimental methods—in order to ensure they are having their intended impact. Once the most effective programs are identified through rigorous evaluations, they can be scaled up to maximize impact. Large organizations such as the ILO, UNHCR, and major NGOs should take the lead in evaluating their programs to provide evidence for what works to support displaced

³⁰⁰ Franck Adoho, Shubha Chakravarty, Dala T. Korkoyah Jr., Mattias Lundberg, and Afia Tasneem, “The Impact of an Adolescent Girls Employment Program: The EPAG Project in Liberia,” World Bank Policy Research Working Paper 6832, April 2014, <https://documents.worldbank.org/en/publication/documents-reports/documentdetail/610391468299085610/the-impact-of-an-adolescent-girls-employment-program-the-epag-project-in-liberia>.

³⁰¹ Louise Fox and Upasna Kaul, *The Evidence Is In: How Should Youth Employment Programs in Low-income Countries Be Designed?* USAID, September 2017, https://static.globalinnovationexchange.org/s3fs-public/asset/document/YE_Final-USAID.pdf.

³⁰² Salman Alibhai, Niklas Buehren, Michael Frese, Markus Goldstein, Sreelakshmi Papineni, and Kathrin Wolf, “Full Esteem Ahead? Mindset-Oriented Business Training in Ethiopia,” World Bank Policy Research Working Paper 8892, <https://openknowledge.worldbank.org/bitstream/handle/10986/31905/WPS8892.pdf?sequence=6>.

³⁰³ Christopher Blattman and Stefan Dercon, “Occupational Choice in Early Industrializing Societies: Experimental Evidence on the Income and Health Effects of Industrial and Entrepreneurial Work,” NBER Working Paper, September 2016, https://www.nber.org/system/files/working_papers/w22683/w22683.pdf.

³⁰⁴ Girum Abebe, Stefano Caria, Marcel Fafchamps, Paolo Falco, Simon Franklin, Simon Quinn, and Forhad Shilpi, “Matching Frictions and Distorted Beliefs: Evidence from a Job Fair Experiment,” *Gender, Growth, and Labour Markets in Low Income Countries Working Paper 49*, December 2020, <https://g2lm-lic.iza.org/2021/03/10/matching-frictions-and-distorted-beliefs-evidence-from-a-job-fair-experiment/>.

³⁰⁵ Kirsten Schuettler and Laura Caron, “Jobs Interventions for Refugees and Internally Displaced Persons,” World Bank Jobs Working Paper 47, June 2020, <https://openknowledge.worldbank.org/handle/10986/33953>.

Venezuelans and host communities in the Peruvian context. Donors should also commit to providing funding for rigorous evaluations.

Maintain a focus on protection and humanitarian support—even as economic inclusion accelerates—but shift these services to local providers

To achieve economic inclusion, funding will need to increase for activities that facilitate economic development in hosting areas and build refugees' and hosts' skills, but for a number of reasons, a focus must remain on protection and humanitarian priorities.

For one, as shown in the “Context” section, a large proportion of the refugee population is not of working age. Relatedly, the “Economic Outcomes” section showed that the high dependency ratio among refugee households accounts for a large portion of the economic gap between refugees and hosts. Thus, even if greater economic inclusion is achieved for working refugees, refugee households may still face lower incomes and consumption—implying the need for additional support. Second, with limited economic opportunities around camps, it will likely take a long time for economies to grow and for economic inclusion to be achieved, even if policy progress accelerates rapidly. In the meantime, refugees will continue to need support. Third, some refugees face unique protection needs, such as trauma counseling or other services, that may not be addressed by increased incomes.

Continued support for protection and humanitarian needs can be achieved through humanitarian organizations' continued service provision. However, to align with the CRRF approach and create more effective systems in hosting areas, donors and international organizations should increasingly aim to integrate services and distribute support through local providers.

Action Recommendations for the Private Sector

Invest in refugee-hosting areas

The most effective way for the private sector to support refugees in Ethiopia is through investment in hosting areas, which will create three key benefits. The first is the direct benefit of job creation for refugees and hosts. The second is the overall benefits and associated perks for host communities of greater economic integration. Demonstrating these benefits can improve host-refugee relations while also building buy-in from government actors for further progress on the CRRF agenda.

The third benefit is for companies themselves. Research from other contexts has shown that refugee camps can represent large markets, with considerable unmet demand for consumer products. For example, Kakuma camp in Kenya, with about 160,000 inhabitants, has aggregate annual consumption equating to about US\$56 million. It also has untapped potential in various sectors, including telecommunications and mobile banking.³⁰⁶ In Ethiopia, the largest camps are about a quarter the size of Kakuma,³⁰⁷ but many of these camps are clustered and together represent substantial markets. Indeed, we have seen how the arrival of camps has transformed local economies.

³⁰⁶ IFC, *Kakuma as a Marketplace: A Consumer and Market Study of a Refugee Camp and Town in Northwest Kenya*, 2018, <http://documents1.worldbank.org/curated/en/482761525339883916/pdf/Kakuma-as-a-Marketplace-A-Consumer-and-Market-Study-of-a-Refugee-Camp-and-Town-in-Northwest-Kenya.pdf>.

³⁰⁷ Pugnido camp in Gambella, for example, has only about 40,000 residents. See UNHCR, *Ethiopia: Camp Profile Gambella - Pugnido Refugee Camp*, June 2020, <https://reliefweb.int/report/ethiopia/ethiopia-camp-profile-gambella-pugnido-refugee-camp-may-2020>.

Camps also have untapped potential, with little investment to date.³⁰⁸ Therefore, investments in camps in Ethiopia may hold the potential for large financial returns for companies.

So far, private-sector investment in hosting regions by medium or large companies has been limited, but investment is increasing thanks to the efforts of international organizations and enterprising Ethiopian businesses. The SHARPE program has demonstrated that—by offsetting the risk of investing in the underdeveloped markets around camps—NGOs, multilaterals, and donors can create incentives for companies to make investments. Already, SHARPE is working with finance, agriculture, and livestock companies to support camp economies by establishing new branches, extending supply chains, and/or providing key inputs to small businesses.³⁰⁹

Moving forward, NGOs should continue to look for market opportunities and work with private-sector actors, including through subsidies, to expand into hosting regions. The IFC should also play a leading role in supporting larger companies to make investments in or near hosting areas. At the same time, companies should take note of the growing markets and supply of labor in hosting areas and look for opportunities to invest.

Hire refugees

The private sector can also support economic integration by directly hiring refugees. This would be an especially suitable option for companies that do not see an investment opportunity in camps but could benefit from the large supply of labor that refugee populations represent.

This kind of support would be especially useful in areas of the country where ethnic tensions are high and local economic integration is less feasible, such as in Gambella. By providing employment opportunities for refugees away from the hosting region, this approach could provide a low-conflict way of allowing refugees to contribute to the economy. Examples of industries that may benefit from this approach include commercial farming or low-skill manufacturing. As discussed in the “Refugee Aspirations and Norms” subsection, the number of refugees who reported being willing to relocate for work may be relatively small, but there may still be a substantial number who would be open to the opportunity.

Since relatively few refugees currently have the right to work, companies should work with international organizations and NGOs to establish joint projects (such as hiring programs for refugees that complete job trainings), which would allow refugees to obtain work permits. In doing so, companies would support refugees not only by creating work opportunities but also by helping them obtain the right to work.

Finally, the private sector could also partner with international organizations and NGOs to overcome the difficulties of hiring refugees living in camps. These organizations could facilitate the process of helping interested refugees and hosts relocate to areas away from camps, where companies may be more likely to hire them.

Improve access to financing

Refugees come with skills and ambitions, and research shows that one of the best ways to benefit from these skills and ambitions is to improve refugees’ access to formal lending instruments. Refugees need

³⁰⁸ Interview with a representative from the SHARPE project.

³⁰⁹ Interview with a representative from FCDO; Interview with a representative from the SHARPE project.

access to capital to start or expand businesses, invest in their own education or skills, and contribute to their livelihoods.

Financial institutions, including microfinance organizations, can improve refugees' access to lending in multiple ways. First, in line with the recommendation to invest in refugee-hosting areas, they can set up new branches or operations in and around camps, which would have the added benefit of creating employment opportunities.

Second, financial institutions can adjust their procedures to allow refugees to open bank accounts with the documentation they are provided by the government. To ensure they are complying with government regulations, banks can work with ARRA and other government agencies to conduct this process.

CONCLUSION

Ethiopia is an important case study on refugee economic inclusion. In many ways, the government has demonstrated openness to progressive policies and initiatives that promote refugee access to the labor market, including increased freedom of movement and access to formal employment. However, it has a long way to go to fully implement these policies. At the same time, Ethiopia faces a range of political and economic challenges, including an economic slowdown from COVID-19, high rates of urban unemployment, high rates of poverty, widespread internal displacement, and ethnic tensions and conflict throughout the country.

Moreover, recent conflict in the northern Tigray region poses significant risks for Ethiopia. The humanitarian situation is dire and worsening by the day. The conflict has the potential to destabilize other regions, as well as humanitarian and development programs underway in the country, including those that focus on livelihoods and refugee economic inclusion. In addition, the international community has pivoted its attention from investing in Ethiopia's refugee and host communities to promoting peace, addressing violations of human rights, and encouraging solutions for the millions who have been cut off from aid and are in desperate need of assistance. The conflict's regional consequences can be seen in the tens of thousands of refugees fleeing to Sudan, concerns over Somalia's stability, and the involvement of Eritrean troops.

Nonetheless, recent laws and policies—including the 2019 revised refugee law and the nine pledges made at the 2016 Leaders' Summit on Refugees—have demonstrated Ethiopia's commitment to improving refugee economic inclusion, and continued efforts to realize this commitment should be encouraged. Through the pledges and the new law, Ethiopia promised to expand its out-of-camp policy, provide work permits to refugees, facilitate local integration in instances of protracted displacement, earmark a percentage of jobs within industrial parks to refugees, and provide access to vital events documentation to facilitate increased access to basic and essential social services.³¹⁰

However, many of these pledges and laws have not yet been implemented, and as this case study has shown, a wide range of barriers stand in the way of greater economic inclusion for refugees. Currently, the vast majority of refugees lack the right to work and leave camps, and a variety of political obstacles

³¹⁰ UNHCR, *Ethiopia Country Refugee Response Plan, 2020-2021*, <https://reliefweb.int/sites/reliefweb.int/files/resources/73571.pdf>.

are stalling progress. As our analysis shows, the policy environment is likely a key driving force behind the high rates of poverty among refugees compared with hosts. At the same time, difficult economic, security, and social conditions would serve as obstacles to economic inclusion even in a conducive policy environment.

This study has also highlighted the potential benefits of economic inclusion of refugees in host communities. Indeed, greater economic inclusion has the potential to create an increase in net economic benefits, as refugees can offer new skills, start businesses, create international linkages, and increase consumer demand. Greater economic inclusion may even reduce job and wage competition, as it reduces the concentration of refugees in certain sectors and increases their bargaining power, mitigating downward pressure on wages. Since economic inclusion is associated with investments from international donors, it will bring injections of cash, employment creation projects, and service integration to underdeveloped hosting regions. More open policy environments would also allow for greater private-sector investment, supported by NGO subsidies, in hosting regions. The limited economic inclusion that has been achieved so far has already created these benefits, and further inclusion will only amplify them. Given the economic slowdown created by the pandemic, these benefits will be more important than ever. And although greater economic inclusion may create distributional effects that could negatively impact some hosts, the net effects would likely be positive, and international organizations could provide support to hosts who experience negative effects.

To bring about the many benefits associated with economic inclusion, the government of Ethiopia, donors, international organizations, NGOs, and the private sector should work together to confront the wide range of barriers to progress. In this case study, detailed recommendations for how this can be achieved have been provided.

Ethiopia is facing a wide range of difficulties—from the pandemic, to internal conflict, to long-standing economic problems—which can distract from the issue of refugee economic inclusion. However, accelerating progress on this front can in fact bring benefits to refugees and hosts alike and mitigate existing challenges. Given the importance of refugee economic inclusion for the country, the government and its partners must shift attention back to making progress on this agenda.

APPENDIX I: METHODOLOGY

The analysis in the “Drivers of Disparities in Economic Outcomes” subsection is based on data from the World Bank skills survey (described in the “Socioeconomic Outcomes” section). A clean version of the data used for the analysis can be found [here](#), along with the Stata do-file. Based on this data, the variables used in the analysis are the following:

- *Consumption*, which measures the per capita household income
- *Employment*, a dummy variable indicating current employment
- *Refugee*, a dummy variable indicating refugee or host
- *Education*, a continuous variable for years of education
- *Female*, a dummy variable for gender
- *Female-headed household*, a dummy variable indicating if a woman identifies as the head of the household
- *Household size*, which indicates the number of people in the household
- *Dependence ratio*, calculated as the number of people in the household who are younger than 15 or older than 64, divided by the total number of people in the household
- *Access to remittances*, a dummy variable indicating whether the household (or individual’s household) has received remittances in the past 12 months
- *Access to land*, a dummy variable indicating whether the household (or individual’s household) has access to any plot of land for agricultural use
- *Access to livestock*, a dummy variable indicating whether the household (or individual’s household) has raised any form of livestock in the past 12 months
- *Perceptions of safety*, a dummy variable indicating whether the individual feels moderately or very safe walking around at night
- *Zone of location*, a categorical variable indicating the zone in which the individual resides

These variables are used to conduct three types of regressions: Oaxaca-Blinder regressions, Poisson regressions, and probit regressions. For the Oaxaca-Blinder regression, coefficients from a pooled model are used as reference coefficients. For the model with employment as the dependent variable, a model adapted to probit is used, which is more appropriate for binary outcomes. For the consumption model, the natural log of consumption is used as the dependent variable and reports the exponentiated form. (These procedures are discussed in detail in a *Stata Journal* article by Ben Jann.)³¹¹

³¹¹ Ben Jann, “The Blinder–Oaxaca decomposition for linear regression models,” *The Stata Journal* 8, no 4 (2008): 453-479, <https://journals.sagepub.com/doi/pdf/10.1177/1536867X0800800401>.

For the probit regression, the outcome variable is employment. For the Poisson regression, the outcome is consumption. A Poisson model is used rather than an ordinary least squares (OLS) model with logged consumption for reasons discussed in a recent *Stata Blog* article,³¹² and because the Poisson model allows for simple transformation to non-exponentiated values.

For the regressions with employment as the dependent variable, the sample is restricted to working-age individuals (ages 15–64). For the regressions with consumption as the dependent variable, the unit of analysis is the household. The precise specifications for all regressions can be seen in the Stata do-file found [here](#).

Table 4 shows the results of an Oaxaca-Blinder regression that examines the extent to which various factors explain the gap in employment between refugees and hosts, using the World Bank skills survey data. First, it shows that there is a roughly 37.6 percentage point difference in refugee and host employment rates (the rates are about 21.2 percent for refugees and 58.7 percent for hosts). However, the variables included in the model (listed in the table) explain only 9.9 percentage points of the gap. The most important explanatory factor is age. This reflects the fact that working-age refugees are much younger on average, and younger workers tend to be employed at lower rates. The only other statistically significant factors (i.e., factors for which the observed relationship is not likely due to random chance) are education and access to livestock—though these are minor factors. The model suggests that the lower level of education among refugees accounts for only 1 percentage point of the difference in employment rates. After accounting for the variables included in the model, 27.6 percentage points of the gap (or 65 percent of the gap) are still unexplained. The results from an OLS regression with the same variables are qualitatively similar.

Table 4. Amount of employment gap between working-age refugees and hosts explained by observable factors

Percentage point difference in employment rates	
37.6***	
Percentage points of the difference explained by each variable	
Education	1.0*
Female	0.0
Age	4.0***
Access to remittances	0.1
Access to land	2.1
Access to livestock	2.1*
Perception of safety	1.9
Zone of location	-1.2
All variables	9.9***
Percentage points of the difference unexplained by the variables	
27.6***	

Note: *** = $p < 0.01$, ** = $p < 0.05$, * = $p < 0.10$.

³¹² William Gould, “Use Poisson Rather than Regress; Friend,” *The Stata Blog*, August 2011, <https://blog.stata.com/2011/08/22/use-poisson-rather-than-regress-tell-a-friend/>.

The Oaxaca-Blinder regression for consumption provides a similar story. Table 5 shows that average per capita household consumption is 109.4 percent higher for hosts than refugees (US\$3.29 per day for hosts and US\$1.57 per day for refugees), but only 38.7 percent is explained and 51.0 percent remains unexplained.³¹³ In this case, the most powerful explanatory factors are household size (since refugees have larger households on average), dependence ratio (i.e., the proportion of the household that is not of working age, which is higher among refugees), location (suggesting refugees are disproportionately located in areas with higher poverty), and access to livestock (which is higher among hosts). Land also plays a role, but in the opposite of the expected direction. The model suggests that, although refugees have much less land than hosts, they are expected to consume 7 percent more given the amount of land they have. The results from an OLS regression with the same variables are qualitatively similar.

Table 5. Amount of average per capita household consumption gap between refugees and hosts explained by observable factors

Percentage difference in average per capita household consumption	
109.4***	
Percentage difference explained by each variable	
Female-headed household	2.5**
Household size	11.9***
Dependence ratio	5.0***
Access to remittances	0.3
Access to land	-7.0**
Access to livestock	3.9**
Zone of location	18.7***
All variables	38.7***
Percentage of the difference unexplained by the variables	
51.0***	

Note: *** = p < 0.01, ** = p < 0.05, * = p < 0.10.

Based on outcomes from the probit and Poisson regressions, table 6 presents the marginal effects of changes in a range of variables on the probability of employment and expected consumption. In other words, it shows how employment and consumption are expected to change in response to changes in the variables (or vice versa, since one cannot be confident of the causal direction). Consistent with the Oaxaca-Blinder regressions, it reveals that, even after controlling for other factors that affect employment and consumption, refugees are far less likely to be employed and consume much less on average. One important finding from the analysis is the importance of location. The marginal effects in the table indicate the expected differences in employment and consumption between each zone and Jijiga, Somali. It shows that, after controlling for other factors, individuals are more likely to be employed and are expected to consume more in most zones than in Jijiga.

³¹³ To understand how these percentages add up, consider this example, where 1.57 is the refugee income, 3.29 is the host income, 2.094 represents the 109.4 percent increase, 1.51 represents the 51 percent increase, and 1.387 represents the 38.7 percent increase: $1.57 * 2.094 = 3.29$ and $1.57 * 1.387 * 1.51 = 3.29$.

Table 6. Marginal effects of changes in variables on employment probability and consumption

Variable	Marginal effect on probability of employment (change in percentage points)	Marginal effect on per capita household consumption (change in US\$ per day)
Refugee/refugee household	-28.2***	-1.0***
Education	0.7**	-
Female	-2.6	-
Female-headed household	-	-0.11
Household size	-	-0.21***
Dependency ratio	-	-0.91***
Age	1.2***	-
Access to remittances	-0.7	0.31**
Access to land	4.1	-0.28*
Access to livestock	5.0*	0.23*
Perception of safety	4.1	-
Zone (compared with Jijiga, Somali)		
Zone 1, Gambella	5.5	-0.09
Zone 3, Gambella	19.5***	-
Asosa, B.G.	7.3***	0.10
Tongo, B.G.	11.1***	0.32*
West Tigray	11.3***	1.10***
Zone 1, Afar	6.5**	0.61***
Zone 2, Afar	5.6	0.37**
Liben, Somali	8.8***	0.12

Note: *** = $p < 0.01$, ** = $p < 0.05$, * = $p < 0.10$. Marginal effects are based on a one-unit change in the independent variable (e.g., the effect of one more year of education, the effect of being a refugee rather than a host, or the effect of living in a certain zone rather than Jijiga).

Another important finding, not reported in the tables above, is that refugees are more likely to be employed if they have been in the country for more time. One prediction, based on a probit regression identical to the one in table 4 with the exception that it is restricted to refugees and contains a variable for months in country, is that, for each additional month in the country, refugees are 0.09 percentage points more likely to be employed (significant at the $p < 0.01$ level).

One final outcome worth mentioning is the relatively weak (or even negative) relationship between access to livestock or agriculture and employment or consumption. It is important to emphasize that these relationships are not causal (i.e., one cannot say that having less land leads to lower consumption). Rather, the relationship is likely driven by omitted variables. For example, it may be that farmers earn and consume less than others, and since farmers are more likely to have access to land, land has a negative relationship with consumption.



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COVER PHOTO CAPTION: Hanan Seif Hassan (left), a 32-year-old refugee from Yemen, prepares samosas in a cooking course at Nefas Silk Polytechnic College in Addis Ababa, Ethiopia on September 3, 2019. This course is part of a program for refugees and the host community to train together to improve job prospects. *Photo Credit:* © UNHCR/Eduardo Soteras Jalil.