

CGD NOTES

# Why Bangladesh Needs a Refugee Compact and Three Big Ideas to Make it Happen

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Last week, a UN official said that the recent violence against Rohingya has “[the hallmarks of a genocide](#),” underscoring why the plan to repatriate Rohingya refugees to Myanmar is shockingly premature. While it is far too soon to discuss returns, it is the right time to plan for the longer-term wellbeing of refugees and their host communities in Bangladesh. Cox’s Bazar, a district of about 2.3 million people, is now hosting [900,000](#) Rohingya, more than [688,000](#) of whom have arrived since August 2017. Based on historical experience and the posture of the Myanmar government, including the [denied entry](#) of the UN’s Special Rapporteur for human rights and the [burning down of villages](#) as recently as December, the vast majority of Rohingya refugees will and should remain in Bangladesh for the foreseeable future.

Key choices that Bangladesh and the international community make in the coming months could lead to very different futures. On the one hand, in 10 years (the [average length of time refugees](#) around the world have been displaced), Rohingya families could be contributing to the economy through the work they do, the businesses they start, and the goods they consume. Their children could be in school, learning alongside their Bangladeshi peers and getting the early support they need to thrive. On the other hand, Rohingya families could still be confined to settlements, dependent on aid agencies, but without meaningful opportunities to learn, work, and support their families. Cox’s Bazar could suffer from [intensified resource degradation](#) and accompanying [tension and instability](#). While there are scenarios in between, the experience of other settlements, such the camp complex in [Dadaab, Kenya](#), demonstrate how difficult it can be to change the established status quo.

Prime Minister Sheikh Hasina’s government has responded admirably by keeping the Bangladeshi border open and facilitating support for refugees’ basic needs amidst Bangladesh’s own domestic challenges. But 2018 is an election year for Bangladesh, increasing the risk that long-term solutions are mischaracterized as extending charity at the expense of citizens. In [balancing the messages](#) of generosity to fellow Muslims and recognition of increased pressure on land and other resources in Cox’s Bazar, the government has focused on repatriation in the near-term, despite [overwhelming evidence](#) that returns would be neither safe nor voluntary. There seems to be no political win in discussing the reality of protracted displacement.

However, it is possible to navigate these tricky political waters by crafting solutions that benefit Rohingya refugees and Bangladeshis, many who are themselves struggling to escape poverty and marginalization. Contrary to widespread misconceptions, refugees can quickly become [economic contributors](#) to their host countries. Even in the short-term, on average, influxes of refugees have [a minimal effect](#) on local wages and employment. While refugees pose some costs to host governments such as increased infrastructure wear-and-tear, upfront investments and policy reforms that enable self-reliance—like freedom of movement and the ability to work and access a quality education—help ensure that refugees are [“a boon not a burden.”](#)

A promising way forward is a [refugee compact](#) that brings together multi-year commitments from the host government and the international community to foster inclusive growth and opportunity for refugees *and* host communities. Designing such an agreement takes significant time, effort, and investment, but the payoff is improved wellbeing and social cohesion in the longer-term. Bangladesh and its partners should explore a compact and consider the inclusion of three ambitious ideas: European Union (EU) trade concessions, migrant worker opportunities, and partnership with China and the Asian Infrastructure Investment Bank. Each goes beyond traditional grant-based aid, which is increasingly dwarfed by other [public and private flows](#).

## How a refugee compact differs from traditional response

The scale of protracted displacement, and the Syrian crisis in particular, prompted donors and their partners to build on previous calls to bridge the humanitarian-development divide and forge a new compact approach. Compacts are agreements between the host government and donors that combine grants, concessional loans, and other incentives to support refugees and host communities with policy reforms that promote refugee wellbeing and self-reliance (such as the ability to obtain formal work and attend public schools).

The refugee [compact model](#), which is being tested in Jordan, Lebanon, and Ethiopia, goes beyond traditional humanitarian aid in three respects: it includes a multi-year commitment instead of an unpredictable yearly funding cycle; it focuses on longer-term development outcomes, and the policy reforms necessary to achieve them, instead of immediate basic needs; and it aligns international support with national leadership and development plans, instead of creating a parallel delivery system. Although their rollout so far has faced some challenges, compacts are putting into practice long-standing recommendations to improve responses to protracted displacement.

Bangladesh and its partners should come together to craft a compact that generates a sustainable response to the Rohingya refugee crisis. The compact should combine ambitious policy reforms, such as enabling refugees to move freely, attend school, and work, with significant incentives and support that generate growth and opportunities for both refugees and citizens. Donors should continue to provide

grants, especially for urgent needs, but must think beyond traditional short-term aid to achieve these goals.

In 2016, with the goal of supporting refugees and host communities, the World Bank began offering highly concessional loans to middle-income countries for the first time through the [Global Concessional Financing Facility \(GCOFF\)](#). It also allocated [\\$2 billion in additional concessional financing](#) for low-income countries through the International Development Association, its fund for the world's poorest countries. In October 2017, Bangladesh asked for [support](#) from this new financing sub-window to respond to the influx of Rohingya refugees. These funds, as well as potential financing from the Asian Development Bank, could be used to support the implementation of policy reforms that enable refugee self-reliance, strengthen infrastructure and service delivery for refugees and citizens, and create specific programs that help refugees gain skills and find decent work.

This concessional financing is an important start, and can serve as the anchor for a compact. But for a compact to reach the level of ambition that is necessary, Bangladesh and its partners should consider the following three big beyond-aid measures.

## 1. Expanding Bangladesh's trade preferences with the European Union

A major innovation of the Jordan compact was giving preferential access to the EU market for goods produced in Special Economic Zones (SEZs), if Syrian refugees comprised at least 15 percent of the workforce. Unfortunately, this component of the compact has suffered from significant [design and implementation challenges](#). For example, many refugees are unable to travel the long distances to the SEZs due to cost and safety concerns, and may also find the long and inflexible working conditions incompatible with their household and family responsibilities. Moreover, the deal's [reduction in tariffs](#) was small relative to a successful Jordan-US agreement, and insufficient to make many potential exports highly competitive. Nevertheless, the compact's inclusion of trade concessions represents an important policy innovation that has great promise when coupled with rigorous analysis of markets, labor needs, and refugee constraints and priorities.

As with the Jordan compact, there are opportunities to spur trade and investment through preferential agreements with the EU. As a least developed country (LDC), Bangladesh is included under the EU's Everything But Arms (EBA) framework, which gives duty-free, quota-free access for all products besides arms and ammunitions. [More than half](#) of Bangladesh's exports went to the EU in 2016, [about 90 percent](#) of which was textiles and clothing. However, Bangladesh is [expected](#) to cross the [threshold out of LDC status](#) in 2024, rendering it ineligible for these trade preferences after a three-year [transition period](#).

A compact could extend Bangladesh's eligibility for duty-free, quota-free access to the EU for a number of years after it graduates from LDC status. This would bring

significant benefits to Bangladesh, and as a continuation of the status quo, have no impact on the EU's fiscal situation. Despite important positive signs, Bangladesh's economic progress is [threatened](#) by weak export growth, sluggish private investment, decreased remittances, and the slow pace of market and institutional reforms—all impeding job creation. The loss of duty-free, quota-free market access in the EU would have a significant impact on export competitiveness, and thus GDP, employment, and poverty. Upon graduation from EU and other trade preferences based on LDC status, it is [estimated](#) that Bangladesh's export revenue could decline by well over 5 percent.

Another potential trade preference that could have more immediate impact is further relaxing rules of origin, the criteria that determines the national source of a product and thus its duties. While the EU already has [generous rules of origin](#) for LDCs (particularly in the [garment sector](#)), partners could explore additional opportunities, including in [emerging sectors](#) such as pharmaceuticals and agri-processing.

To ensure that benefits from expanded trade concessions reach refugees, compact partners should conduct an in-depth analysis of refugee skills and barriers and inclusive consultations. Beyond employment in export-oriented industries, partners should explore the full range of potential refugee engagement, including related services (e.g., catering at factories), home-based work, and supplying from refugee entrepreneurs. The Jordan compact ties trade preferences to directly employing refugees to make the export products; in addition, compact partners should consider trade preferences for Bangladesh in the context of broader policy reforms that enable refugees to contribute economically in multiple ways. And given the scale of abuse and exploitation in many industries such as the garment industry, any effort must include robust support to initiatives that secure decent working conditions and protections for refugees and host communities.

Beyond the EU, the compact could also include a similar [extension of preferential access](#) or relaxed rules of origin from Canada, while the UK could offer bilateral preferences as [Brexit negotiations](#) progress. In the future, there may be [opportunities](#) for special concessions from the US, which is Bangladesh's top export partner and currently imposes significant tariffs on garment imports.

## 2. Increasing opportunities for Bangladeshi migrant workers

A compact could break new ground by including provisions for greater numbers of Bangladeshi migrant workers in the Gulf and Southeast Asia. In 2015, [over half a million](#) Bangladeshis went to work in places including Saudi Arabia, Kuwait, and Singapore, where they can access significantly [higher wages](#). Labor migration is a fundamental component of Bangladesh's economy: in 2015, remittances accounted for about [8 percent](#) of GDP, the second-largest source of foreign income after garment exports. Evidence shows temporary worker programs can [deliver a triple win](#), benefiting migrants and host and origin countries. But given the exploitation and abuse that migrant workers experience, any compact should simultaneously seek to [strengthen protections for workers](#)—for example through pre-departure training,

ethical recruitment laws, and legal services (in Bangladesh and in the host country) in case of fraud or abuse.

The Gulf States and Singapore have a significant need for migrant workers, and raising quotas could help meet labor demand and increase earning opportunities for Bangladeshis—and potentially refugees as well. Refugees face significant barriers to participating in temporary migrant worker programs (such as lack of a “country of return” and ability to provide proof of financial resources), but [special programs and provisions](#) could help overcome these barriers and help ensure the protection of refugees. By participating in a compact, Gulf states can strengthen their nascent role in refugee response, building on their [contributions](#) to the Syrian crisis and [initial support](#) to Rohingya refugees. It would be an opportunity for Gulf states to help address a global challenge sustainably and on mutually beneficial terms.

### 3. Partnering with China and the Asian Infrastructure Investment Bank

Bangladesh is an important strategic and economic partner for China. More than a [third of Bangladesh's imports](#) come from China—and more importantly, Bangladesh is a critical link in China's Belt and Road Initiative (BRI). One of the six BRI [economic corridors](#) would connect Bangladesh, Myanmar, India, and China, including a potential [deep sea port](#) in Bangladesh. The Chinese-led Asian Infrastructure Investment Bank (AIIB) is playing an important complementary role, financing a natural gas production and distribution project in Bangladesh and working with the government on additional energy infrastructure.

China has played an unusually high-profile role in helping to [negotiate a solution](#) between Bangladesh and Myanmar, reflecting the economic and geopolitical importance of both countries and their role in BRI. Its three-step proposal includes economic development in Myanmar's Rakhine state, where the Rohingya fled from. Given the reality of protracted displacement in Bangladesh, China also has an incentive to invest in a solution that promotes inclusive growth and stability. China could enhance [current trade preferences](#) through granting zero tariffs to a greater proportion of Bangladeshi products. It could also accelerate or expand BRI and AIIB projects in Bangladesh. In addition to contributing to growth more broadly, these projects could require and encourage Rohingya employment in their implementation.

By becoming a partner in a refugee compact with other donors, China can assist a strategic partner, leverage its investments, promote greater collaboration between the World Bank and AIIB, and further expand its global leadership. This would fit with the increasing importance of [soft power](#) in China's foreign policy on other global challenges, like climate change and nuclear security.

Although refugees can become economic contributors with supportive policies and investments, the politics can be very difficult. A compact can offer a path forward by

creating a package of new and substantial development opportunities for citizens and refugees. This is not political expediency, but recognition that hosting refugees carries initial costs and that meaningful inclusion requires the support of local communities. At the same time, a compact must not be seen as a measure that reduces the international community's responsibility to resettle Rohingya refugees. Resettlement is a critical pillar of the humanitarian system and provides a lifeline for the relatively small number of refugees who cannot find safety and protection in a country of first asylum.

As part of a long history of persecution and marginalization, Rohingya have suffered from military crackdowns since the 1970s, and as recently as 2012 and 2016. Before the latest outbreak of violence and [ethnic cleansing](#) began last August, an estimated 300,000 Rohingya were already living in Bangladesh after fleeing these earlier waves of violence. The international community must quickly act on the fact that this crisis will be protracted—and should propose developing a compact with Bangladesh that unites diverse actors and transforms crisis into an opportunity for refugees and their hosts.

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