

SYRIAN CRISIS
DISCUSSION PAPER
SERIES

REGIONAL TRENDS IN THE IMPACT OF THE SYRIA CRISIS ON LIVELIHOODS AND OPPORTUNITIES

A SOCIO-ECONOMIC STUDY
OF IMPACTS AND OPPORTUNITIES



OCTOBER 2015



Copyright © 2015
Published by the UNHCR-UNDP Joint Secretariat
Amman, Jordan

Design by Alessandra Blasi
Cover photo credits of UNDP © 2014

Opinions presented in this paper are those of the authors,
not UNHCR, UNDP or the Joint Secretariat, unless otherwise stated.

SYRIAN CRISIS
DISCUSSION PAPER
SERIES

REGIONAL TRENDS IN THE IMPACT OF THE SYRIA CRISIS ON LIVELIHOODS AND OPPORTUNITIES

A SOCIO-ECONOMIC STUDY
OF IMPACTS AND OPPORTUNITIES



OCTOBER 2015

- 1 INTRODUCTION, AIMS AND OBJECTIVES**
- 2 ECONOMIC AND SOCIAL IMPACTS OF REFUGEE CRISES: STATE OF THE ART**
- 3 CONTEXT AND BACKGROUND**
- 4 REVIEW OF SHOCKS AND TRENDS**
- 5 STRATEGIES AND GAPS**
- 6 SOURCES**

FOREWORD

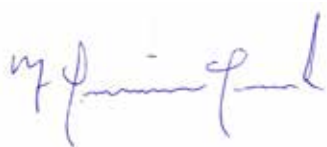
The vast scale of displacement created by the Syria crisis is unparalleled in recent decades. Today, in mid-2015, over 3.9 million Syrian refugees have been forced to flee to neighbouring countries and further afield, and 7.6 million Syrians have been displaced within the country. As the crisis stretches into its fifth year, host countries affected by the massive influxes of displaced persons have generally retained restrictive practices and legislation regarding residency, access to employment and services, and inclusion in national or sub-national social safety-net schemes. And yet, each policy or practice towards refugees has socio-economic and political consequences for the host country that requires careful attention.

With 84 percent of Syrian refugees living in host communities, the pressures on resources, labour markets and social services are limiting refugees' access to livelihoods. As the crisis lengthens, the negative micro-economic impacts and costs of the refugee crisis are generally growing. However, employment generation has not kept pace with the demographic shocks, and wages and growth have therefore been pulled down, affecting host communities and refugees alike.

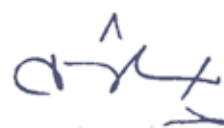
The UNHCR-UNDP Joint Secretariat has launched a discussion paper series which tackles questions about legal and policy frameworks, economic and demographic analysis, and livelihoods and social cohesion. These are questions and issues which directly concern communities dealing with the consequences of the Syria Crisis. The series is an opportunity to discuss the issues and share insights. Each discussion paper presents an in-depth exploration of a particular issue or set of issues, supported by research and analysis.

This discussion paper – *Regional Trends in the Impact of the Syria Crisis on Livelihoods and Opportunities* – examines the economic impact of the crisis, the micro-economic costs in markets and livelihoods, and how the evidence about impact can inform new resilience-led strategies to generate more development and to spark growth in the midst of the refugee crisis. The author, Professor Roger Zetter, an expert on the economics of refugee crises, has drawn on his research and field experience measuring the micro-economic impact of refugees, in both this region and elsewhere. The strategies and recommendations which he sets out involve a multi-sector approach, ranging from protection to the private sector, and they aim to drive policy towards a more equitable solution for the displaced and a path that delivers more growth for the affected host countries.

Amin Awad
Director
UNHCR Middle East
and North Africa Bureau



Gustavo Gonzalez
Subregional Development Coordinator
(Syria related-crisis)
Regional Bureau for Arab States (RBAS)



1. INTRODUCTION, AIMS AND OBJECTIVES

This is the first of three Discussion Papers commissioned by the UNHCR-UNDP Joint Secretariat. The purpose of the papers is to explore and analyse core issues that are affecting communities – both refugees and their hosts – confronting the consequences of the Syria Crisis.¹ The series is intended to create a space for debate on the main issues concerning these communities, and the opportunities and implications for UNHCR and UNDP's work on these issues in the context of the crisis. The studies will be used to create and inform policy debate within the relevant governments and international humanitarian and development institutions.

This Discussion Paper is prepared within the context of the *Regional Refugee and Resilience Plan (3RP), 2015-2016*,² the *Comprehensive Regional Strategic Framework for the Syrian Crisis, 2014*,³ *A Resilience-based Development Response to the Syria Crisis*⁴ and the *UNDP-UNHCR Regional MOU*.⁵ The analysis covers the principal recipient countries, Jordan, Lebanon, Turkey, Egypt and Iraq. Far less data and analysis is available for Egypt, and to a lesser extent Turkey: Iraq stands apart from the other four countries because it is impossible to disaggregate the impacts of Syrian refugees from those attributable to the vast scale of internal displacement and populations affected by the civil war.⁶

The social and economic impacts of the extraordinarily large number of Syrian refugees on neighbouring countries are profound, widespread and well documented. The pattern and incidence of the macro economic shocks and the extent of fiscal stress are consistent features across all the countries, with some variation contingent on pre-existing economic and human development circumstances and the specific underlying sectoral weaknesses in their economies.

At a household level, the impacts on living standards and livelihood conditions of the refugees themselves have been devastating. Living conditions for host populations, especially the poorer socio-economic categories and the deprived neighbourhoods where the refugees have mainly settled, are diminishing under the triple impact of capacity-stressed public services, escalating prices for basic goods, food and services, and diminishing income levels in overheated labour markets. Increasing pressure on national safety nets is symptomatic of rising levels of vulnerability and poverty amongst the host populations in communities that already exhibited high levels of deprivation before the crisis. Alongside the vulnerability of the refugees, their protection needs are paramount and the protection capacity of the host countries has been put under enormous strain.

To date the Syrian crisis has necessarily driven a large scale humanitarian assistance and protection programme to mitigate the acute threats to lives and livelihoods for both refugees and host communities. Now, there is growing recognition that the economic, social and environmental impacts, as well as the protracted displacement of millions of refugees, require a strategy which is development-oriented.

The foundations of such a response are being put in place through the resilience-based development strategy for the region.⁷ The strategy covers six thematic areas of which three are critical to this discussion paper: economic recovery, job creation and livelihoods; housing and habitat; local governance.⁸ The regional strategy is paralleled, at a national level, by the *National Resilience Plan 2014-16* for Jordan, which outlines priorities for addressing the medium and longer-

¹ The subjects for the three Discussion Papers are: i) socio-economic analysis of the impact of the crisis on regional livelihoods and opportunities impacts – the current paper; b) legal and policy frameworks; c) livelihoods and social cohesion.

² <http://arabstates.undp.org/content/dam/rbas/doc/SyriaResponse/3RPbrochure-draft-AB-FINAL-lowres.pdf>

³ UNOCHA, <http://syria.unocha.org/content/comprehensive-regional-strategic-framework-syria-crisis-framework>

⁴ <http://arabstates.undp.org/content/dam/rbas/doc/SyriaResponse/A%20resilience-based%20development%20response%20to%20the%20Syria%20crisis.pdf>

⁵ http://arabstates.undp.org/content/dam/rbas/doc/SyriaResponse/MOU_UNDP_UNHCR_Regional_Cooperation_Syria_Iraq.pdf

term impact on host communities, and the *Lebanon Roadmap of Priority Interventions for Stabilization from the Syrian conflict* which articulates a three track, short, medium and long-term, approach to the needs of affected populations. Turkey and Egypt do not yet have such strategy but, Turkey is at an early stage of collaborating with the World Bank on analytical work which could form the basis for a similar strategic instrument.

In line with these trends, the overall **objectives** of the present paper are to:

- Build on existing literature and research on the social and economic impacts of refugee crises to provide original analysis about how the impacts of the crisis have developed in the unique context of the Syrian situation.
- Consider how strategies can be targeted to strengthen economic and social resilience of refugees and host communities.

The **aims** of this paper are to:

- Review the social and economic consequences of the demographic and economic shocks that host communities and the refugees, affected by the prolonged crisis of the Syrian civil war, are encountering in receiving countries at national and sub-national levels.
- Examine the micro and macro-economic trends that affect the refugees and their host communities - inter alia livelihoods, labor market access, social service availability, productive capacity of the national economies, socio-economic impacts at household levels - and the strategies being adopted by the affected populations to cope with the crisis.
- Identify the gaps that humanitarian and development support can fill and the possible collaborative solutions to respond to those gaps.

2. ECONOMIC AND SOCIAL IMPACTS OF REFUGEE CRISES: STATE OF THE ART

Although the scale and complexity of the Syrian refugee crisis is exceptional amongst recent and contemporary humanitarian emergencies, it is not unique. Large scale refugee displacement such as this produces substantial negative impacts on the macro and micro- economic structure of host countries and creates severe disequilibria in their economic performance. Familiar conditions such as these, together with the inability of the three classic durable solutions to unlock protracted displacement, have encouraged intergovernmental, humanitarian and

⁶ Although proportionately Lebanon is the most impacted of the four countries with more than 25% of the total population comprising Syrian refugees, Iraq stands out with an exceedingly complex picture of internal population upheaval and refugees comprising an 'affected population' of over 5.2 million from a national population of 33.4 million – 215,000 Syrian refugees, 1.8m IDPs, 1.5m affected population, and 1.7m in AOG territory.

⁷ Regional Refugee and Resilience Plan (3RP), 2015-2016, the Comprehensive Regional Strategic Framework for the Syrian Crisis, 2014, and A Resilience-based Development Response to the Syria Crisis.

⁸ The three remaining policy areas are: education and health services; social cohesion and rule of law; natural resource management.

development actors and donors, as well as the private sector, to pay increasing attention to the underlying structural and longer term economic consequences of forced displacement - on refugees, IDPs and on their hosts - and the developmental challenges and potential opportunities that such displacement presents.⁹

Acknowledging the extensive impacts, there is now a growing body of empirical research, set within a political economy framework, that investigates the longer term development needs (eg access to services, livelihoods and employment, property and housing, social cohesion and governance) of refugees and their hosting communities. Likewise, this research draws attention to the positive developmental opportunities (macro- and micro- economic, commercial, business and informal sectors) that humanitarian crises may create and indicates the scope this offers for sustainable responses, especially in urban settings.¹⁰ The evidence applies to both displaced populations and their hosts.

This analytical work is paralleled by emergent, though piecemeal, policy experience in promoting 'development-led' and resilience programming in protracted refugee situations that can ease the negative impacts and provide a basis for more sustainable outcomes for the displaced populations and their hosts. A development-led, resilience approach does not replace but sits alongside, and should be jointly programmed with, humanitarian assistance. The aim is to guide short and medium term interventions that: reverse the vulnerabilities of both refugees and host communities by generating sustainable livelihoods; mitigate or reduce the impacts on public sector services and budgets; and stimulate wider economic development benefits.¹¹

This discussion paper is predicated on this significant progress in analytical experience and policy development. Likewise this progress underpins the principles and ambitions of the resilience-based development strategy now being rolled out for the region.

3. | CONTEXT AND BACKGROUND

The Syria crisis continues to have overwhelming national and regional impacts which will unfold for many years. This situation delineates a number of parameters for this discussion paper, these are:

The scale of emergency assistance needs is unprecedented: as of April 2015, there are just under 4.0 million 'people of concern' of whom 3.977 million are registered refugees; over 2.7 million people in refugee-hosting communities are affected; 12.2 million people are affected inside Syria and in need of humanitarian assistance, over 7.6 million of whom are IDPs; and more than 210,000 people have been killed in the war. As the conflict intensifies

⁹ see eg: Solutions Alliance; World Bank Global Programme on Forced Displacement and the World Bank's analytical work in Lebanon, Jordan, the Horn of Africa; EC-DEVCO Regional Development and Protection Programmes (RDPPS); UNDP 3RP.

¹⁰ Roger Zetter, *Reframing Development Crises as Development Opportunities*, DSI Policy Brief, Roundtable on Development Solutions, (Copenhagen: Danish Ministry of Foreign Affairs), April 2014; Steven Zyck and Randolph Kent, *Humanitarian crises, emergency preparedness and response: the role of business and the private sector*, (London: Humanitarian Policy Group, Overseas Development Institute), 2014. On development impacts and gains see e.g. Omar Dahi, 'The refugee crisis in Lebanon and Jordan: the need for economic development spending growth' *Forced Migration Review* 47, (Refugee Studies Centre University of Oxford), pps. 11-13, 2014; and Anubha Sood and Louisa Seferis, 'Syrians contributing to Kurdish economic growth', *Forced Migration Review* 47, (Refugee Studies Centre University of Oxford), pps. 14-16, 2014.

and mutates the displaced population outside Syria is projected to rise to 4.27 million, with 2.9 million affected people by the end of 2015. Beyond immediate and continuing humanitarian and protection needs, the magnitude of livelihood and socio-economic development impacts of this mass forced displacement is profound.

More than 80% of the refugees from Syria have settled spontaneously in the cities and communities of neighboring countries, not in refugee camps - a trend consonant with other refugee crises. But accelerated urban growth, and the search for housing and livelihood opportunities in and around 'host cities', has dramatically shifted the demographic balance in many localities. Moreover, in excess of one quarter of refugees live in substandard accommodation. These outcomes have placed excessive demand on the public sector resources and the supply of basic services – education, health and municipal infrastructure – as well as private sector capacity such as the housing stock and labour markets, with consequentially severe impacts on social cohesion.

The crisis is becoming protracted: for example over 500,000 refugees have now been in exile for two years and almost 1.6 million for 18 months. As the political and security situation in Syria and the region continues to deteriorate, further accelerating the increase of refugee numbers and the scale of devastation to the economic, social, political and physical fabric of Syria, the prospects of return even in the medium term are rapidly diminishing. The scale and the duration of the impacts have placed enormous and continuing pressure on the neighbouring countries receiving refugees and the international donor community.¹² Thus, beyond humanitarian needs, these conditions call for the immediate harnessing of sustainable responses that build on the resilience of the refugees and their host communities and countries and address the developmental impacts and costs.

The negative macro-economic and fiscal impacts of the crisis are becoming more pronounced and systemic in nature. Government budgets are under stress in coping with the rising demand for public services from refugees, investor confidence is declining, GDPs are contracting and the national deficits are widened. The capacity of the countries' economies to absorb the systemic and cumulative nature of these shocks is progressively more limited without structural assistance. This is a dominant theme of this discussion paper.

The affected countries are all middle income economies (MICs) and societies with established economic and social capital, reasonably diverse economic and productive capacity and labour markets, effectively functioning government and governance structures, and established public sector infrastructure, municipal services and social welfare systems¹³. These conditions offer some capacity for sustainable responses that can help to absorb the medium and longer term impacts of the displacement.¹⁴ Nevertheless, without appropriate support and assistance, underlying 'pre-crisis' economic instability, combined with the economic slowdown and highly asymmetric income and wealth distribution, render these countries especially vulnerable to the negative socio-economic and human development impacts of the large number of refugees¹⁵.

Whilst **evidence of sporadic development gains** from the crisis far from offset the predominantly negative impacts,

¹¹See e.g. footnote 9 and 10 above.

¹²For example, in addition to the combined SHARP and RRP budget for 2014 of US\$6.5bn, it is estimated that by 2014 the Government of Turkey had already invested more than \$2 billion in refugee camps, the Government of Jordan had expended more than \$1.2 billion, and the Government of Lebanon had committed \$1.6 billion.

¹³As above, Iraq stands apart from these summary conditions.

¹⁴In this context the National Resilience Plan 2014-16 for Jordan and the Lebanon Roadmap of Priority Interventions for Stabilization from the Syrian conflict outline strategies and priorities for addressing the medium and longer-term impact on host communities.

¹⁵See footnote 4.

it indicates the potential that could be harnessed to capitalise on economic opportunities that the crisis, perhaps paradoxically, generates¹⁶.

Taken together these parameters indicate the need to **build coherence between traditional humanitarian and development responses** which enables, in the words of the CRSF, 'humanitarian, resilience/development and macro-fiscal interventions to collectively and simultaneously contribute to the shared goals of: meeting immediate protection and assistance needs; building the resilience of households, communities and systems; strengthening national leadership and ownership; and supporting regional stability'.¹⁷

4. REVIEW OF SHOCKS, IMPACTS AND COSTS AND TRENDS

A review of the extensive assessment of the socio-economic impacts of the Syrian refugee crisis reveals a diversity of information sources, methods of analysis and diagnostic tools, varying scales of inquiry (household, urban, rural, national, macro- and micro- economic), and a mixture of time series and indicators. Not surprisingly, given the enormous pressures on receiving countries, the data and analysis are concentrated, almost without exception, at national and sub-national levels: there is little comparative analysis of the impacts between countries and across the region as a whole.

Notably lacking at present is an overarching framework for this evidence. The need for such a framework is critical, since it would deliver a systematic and comprehensive account of the economic and social costs, impacts and trends, and provide the basis for a more methodical and robust approach to policy formulation.

To this end, four parameters are deployed to highlight and synthesise the evidence: macro- and micro- economic performance, public sector budgets and fiscal stress, and externalities.

4.1 MACRO-ECONOMIC PERFORMANCE

Whilst there is widespread acknowledgement of the regressive macro-economic impacts stemming from the Syrian crisis, there is little hard data and analytical evidence (with the exception of Lebanon) with which to provide an accurate indication of the vulnerability of national economies to the economic and demographic shocks. Moreover, the cumulative effects of the impacts takes time to manifest themselves in indicators such as GDP, investment, trade, capital formation and the like.

¹⁶For example, falling production in Syria has created substitution opportunities for Lebanese farmers – with modest food trade surpluses – and a 13.5% increase in industrial exports between June 2012 and June 2013. Income from tourism in Lebanon increased by 15% over the same period. Syrian investment in Jordanian industrial zones amounted to JD 9.3 billion (more than US\$ 13 billion) and created almost 700 new industrial jobs. Hiring Syrian (refugee) labour reduces production costs, though with significant social costs to refugees themselves and the hosts.

¹⁷Comprehensive Regional Strategic Framework for the Syrian Crisis, 2014, p. 3.

¹⁸World Bank (2013) Lebanon: Economic and Social Impact Assessment of the Syrian Conflict, (Washington DC: World Bank, 2013), <http://documents.worldbank.org/curated/en/2013/09/18292074/lebanon-economic-social-impact-assessment-syrian-conflict>.

At the macro-economic level the presence of the large numbers of refugees has, overall, had negative impacts on the economic performance and prospects of the host countries. Lebanon's economy has been most affected, although the detailed evidence-base from the World Bank study of Lebanon, on which this conclusion is widely reported, is lacking for the other countries.

Investor, FDI and consumer confidence has declined in all the countries with the probable exception of Turkey. The destruction of Syria's role as the regional economic hub has depressed and disrupted neighbouring countries' trading patterns and trade balances, although there is some evidence that economies are adjusting to this instability. But continuing insecurity and uncertainty generated by the conflict exacerbates the unstable economic and political situation in all the countries, conditions which inevitably militate against sustainable medium and long investment strategies.

The 2013 World Bank study on Lebanon's economy¹⁸ provides some details of the impact of the crisis on the macro-economic structure and performance. GDP contracted by 2.85% pa between 2012 and 2014 and the national deficit widened to \$2.6 billion. The Syrian conflict will have cost Lebanon \$7.5 billion in cumulative economic losses (declining revenue collection due to fall in GDP, decline in domestic economic activity for example declining revenue from tourism, lost trade and investment, additional costs incurred for borrowing to support increasing demand for public services adding to the deficit and increasing public debt) between 2012 and 2014. Approximately \$1.4-1.6 billion is required until the end of 2014 to stabilise and restore the quality of health, education and social safety nets to pre-conflict levels, predominantly in urban locations. Lebanon has also experienced a sharp drop of almost 50% in FDI.

In the absence of detailed data for the other countries it is not possible to be precise about the macro-economic impacts. The shrinkage of the Jordanian economy is likely to be broadly in line with the Lebanese experience though less pronounced. For example, Jordan's FDI decreased by 40% from 2009-2012, a decline from 11% to 5% of GDP, attributable to the crisis¹⁹. In the case of Iraq it would be impossible to separate the impact on macro-economic performance of the continuing turmoil within the country from the wider impacts of the Syrian refugee crisis. Turkey and Egypt are likely to be exceptions given their larger economies and the proportionately smaller number of refugees. Despite the accumulated costs \$4.5 billion for constructing and maintaining the camps for refugees from Syria, the evidence suggests that the country has weathered the macro-economic impacts so far. For example, Turkey's overall exports to Syria reached \$1.6 billion in 2011, fell to \$497 million in 2012 and reverted to \$1 billion in 2013.²⁰

Nevertheless, whilst the negative impacts of these dramatic economic shocks are easily anticipated, at the same time economies adapt to the new market conditions and seek to redress the disequilibrium effects. Thus, this overall picture of regressive impacts is mediated by some patchy evidence of the positive outcomes in Jordan, Iraq and Lebanon as the economies adjust to the influx of Syrian refugees.

¹⁹ Lozi B. M. (2013) The Effect of Refugees on Host Country Economy: Evidence from Jordan, *Interdisciplinary Journal of Contemporary Research in Business*, 114 5:3, July 2013.

²⁰ Soner Cagaptay Impact of Syria's Refugees Southern Turkey, *Policy Focus* 130, July 2014, The Washington Institute for Near East Policy pps. 23-27.

The arrival of refugees has been a boon for commercial agriculture, but harmful to small holders and local farm labour, as we shall see in the analysis of micro-economic impacts. Moreover the arrival of refugees has particularly benefitted landlords, local traders, business and retailers, contractors in the construction industries. These sectors have benefitted from the increasing availability of cheap (especially unregulated, informal sector) labour, and rising demand and consumption derived from refugees. Suppliers of goods and commodities to the vast humanitarian programme (such as prefabricated refugee shelter, food, water equipment and so on) will also have benefitted. In Erbil, in Iraq, the arrival of Syrians has bolstered the labour market by bringing in new skills and capacities. The incomers include educated professionals such as engineers and doctors, in addition to skilled construction and craft workers.

Individuals also benefit from the refugee influx as the arrival of aid agencies has injected money into the local economy and created job opportunities across both the professional and unskilled labour market.

Moreover, as the productive capacity of Syria diminishes as a result of the war, there is some evidence that Lebanese and Jordanian exports have replaced some Syrian exports. Thus in Lebanon industrial exports increased by 13.5% between in the year June 2012-2013. Revenues for the Port of Beirut increased by 26% in 2013, as regional traders increasingly relied on Lebanese merchants and infrastructure. There is some evidence that the influx of Syrian refugees has accentuated, albeit temporarily and in a small scale, the growing KR economy of the KR-I. Outcomes such as these are attributable, at least partially, to the crisis.

Alongside these direct shocks on the local rural economy, the regional dimensions of the Syrian crisis have had more general impacts on rural livelihoods. Paradoxically, whilst, the Lebanese economy appears to have ridden the negative effects of the collapse of the Syrian agricultural sector, Jordan experienced a 25% decline in agricultural exports to Syria and a 30% decline in agricultural imports from Syria in 2011 – 2012. These impacts have accentuated the marginality of agricultural production and thus the livelihoods supported by the sector.

A somewhat contradictory picture emerges, therefore, with both positive and negative impacts occurring. This should not be unexpected and can be explained analytically in terms of the different sectors that are examined (some respond positively some negatively), the different time scales used for analysis (different sectors respond to market shocks at different speeds and according to production capacity for example), and different scales of analysis (market opportunities in one city may be different from another).

What is clear is that positive development outcomes from the Syrian crisis certainly exist. However, overall, poor economic performance, already constrained by the global economic downturn and structural adjustment policies in countries such as Jordan, has further deteriorated in these countries, severely so in the case of Lebanon.²¹ These factors have significantly reduced or reversed modest development gains and GDP growth of the last decade, generating a fall in living standards for the majority of the population and creating a very unstable environment in which to plan economic strategy. Moreover, an adverse knock-on impact of the economic downturn is the reduction

²¹Iraq, of course, stands apart from this summary of economic and fiscal impacts.

of government revenues at a time when increased public expenditure is required to offset the rapidly expanding demand for public services from refugees, an outcome further accentuating the potential for social and political instability.

In time, the impacted economies in the region would likely adjust to the economic shocks of large scale population displacement. However, unconstrained adjustment to new market conditions would produce subsequent disequilibria in the macro-economic structure of the countries, further distort their economic development strategies, and undermine development aspirations of reducing social inequalities and social injustice.

These circumstances and the largely negative impacts of the refugee crisis highlight the imperative of a resilience-led response that: can better manage the means to absorb the continuing macro-economic shocks of the refugee crisis; capitalise on the macro-economic development opportunities; and places economic stability and modest growth at the core of the strategy. Given the structural weaknesses of the economies and the potentially adverse outcomes of a 'free-market' adjustment model, external assistance is needed to underpin these strategic requirements in terms of enhanced FDI, budget support, project financing, loans and grants.

Whilst there are broadly similar impacts, the resilience-led strategies must be tailored the specific macro-economic structure of each of the five countries.

More flexible, multi-year funding is needed to reinforce the sustainability of financial programming.

4.2 MICRO-ECONOMIC IMPACTS AND COSTS

Though fragmented and unsystematic, there is a wealth of evidence on the micro-economic impacts and costs and the disequilibrium effects of the Syrian crisis: it is fruitful to consider three micro-economic variables which demarcate the main dimensions of the impacts and indicate key policy making priorities – employment incomes and livelihoods, the associated household economy and vulnerability impacts, and housing markets and accommodation.

Employment, Income and Livelihoods²²

All the host countries have long-standing, though varying, structural weaknesses in their employment markets and persistently high levels of unemployment despite the high rates of GDP growth over the last decade. These weaknesses have been aggravated by the scale and speed of the Syrian refugee influx and the fact that the refugees

²²For more detailed analysis of micro-economic costs and impacts, see Roger Zetter The Syrian displacement crisis and a Regional Development and Protection Programme: Mapping and meta-analysis of existing studies of costs, impacts and protection, January 2014, section 3.1 pps. 14-18, data.unhcr.org/syrianrefugees/download.php?id=4780

duplicate, rather than diversify, the make-up of the labour market. There is strong evidence that labour market conditions significantly worsened between 2012-2013 and these effects will almost certainly have intensified in 2014 with the addition of one million more Syrian refugees in the region and the cumulative strain on the host economies. Employment generation has not kept pace with the dramatic increase in labour supply resulting in rising rates of un- or under- employment, triggering the depression of wage rates and earnings and, consequentially, severe and growing sectoral and spatial impacts on the livelihoods and vulnerability of both host and refugee populations.

Of the national labour markets, it is the Lebanese market that appears to have been hardest hit by changes in labor force participation: the proportionately high number of refugees has dramatically increased labour supply – variously estimated at between 30/50 % - yielding an estimated increase in unemployment from 8.1% in 2010 to 13% in 2013-14 (an additional 100,000 workers), and pushing an additional 170,000 Lebanese into poverty in this period. One million Lebanese, a quarter of the population, already live below the national poverty datum and almost 30% of the population live on less than \$4 a day: rising unemployment and depressed wage rates are accentuating their vulnerability.

In Jordan, some evidence suggests that unemployment has increased in northern governorates, which host the majority of the refugees, and that wages have fallen here. This evidence would be consistent with other reports suggesting that Syrian refugees accept 1/2 to 2/3rds the daily wages for unskilled Jordanian workers and as little as half the rate accepted by Jordanian counterparts for skilled work; comparable ratios are evident in Lebanon. However, aggregate unemployment does not appear to have increased significantly up to and including 2013, although sectoral impacts are evident. That unemployment has not risen steeply may be explained by several factors. First, the Jordanian labour market accommodates a substantial volume of migrant labour in the unskilled and service sectors of the economy. There is widespread anecdotal evidence that it may be migrants who have been squeezed out of employment by lower waged Syrian refugees, rather than Jordanians. Second, with falling wage rates, employers may be rent- seeking by increasing their labour input at minimal cost. Third, Jordanians may be accepting lower wages rather than unemployment or the risk of finding alternative employment in a highly competitive labour market.

A recently completed ILO/FAFO study, may provide an up to date assessment of these dynamics. In general terms it suggests that the labour market and employment rates have not, in overall terms and given market adjustments that have inevitably taken place, been as severely impacted as might be expected.

In both countries it is important to recall that the impacts on employment take place against already high underlying unemployment trends. It is against this backcloth, together with the cumulative effective of the refugees on the labour markets, that the World Bank estimates that unemployment rates might rise to as much as 20% from their current 10-12% levels in both countries in the near future.

As regards Turkey and Egypt, beyond anecdotal evidence, there is to date little quantitative micro- (or macro-) economic analysis of the impacts of the Syrian refugees on labour markets, wage levels, business behaviour and sectoral changes. This may be because these two countries have much larger and more robust economies than the neighbouring host countries and, accordingly, a superior capacity to absorb the shocks of the refugee influx. At the same time the impacts may be less evident to date because the refugee population is proportionately much smaller and the build-up has been slower than in Lebanon and Jordan. However, it is likely that the Syrian refugees will increasingly seek employment as the sale of valuables and assets and access to resources in Syria - the coping mechanisms used by the refugees in the past in Lebanon and Jordan - are depleted. Already there is substantial secondary migration of refugees from the southern provinces and camps to Turkey's larger cities in search of better livelihood opportunities and employment more commensurate with pre-existing skills and experience.

Thus, the increasing reference to micro-economic impacts that are not dissimilar to those in Jordan and Lebanon, and the early stages of collaboration between the Government of Turkey and the World Bank, indicate growing concern to assess in more detail the effects and the policy implications.

The labour markets for the service and agricultural sectors have been particularly affected in all the countries, notably in Jordan and Lebanon. Wage rates for the service sector have decreased by almost 50% in the last two years in Jordan. That Jordan relies quite heavily on migrant labour, may mask the full impacts of this decline. However, in Jordan's rural areas, competition between Jordanians and Syrian refugees has driven down seasonal farm wages rendering already marginal livelihoods, in small-scale farming and livestock, even more precarious. The reduction of employment opportunities in Jordan's agricultural sector is especially problematic since this is the primary source of income for over 60% of the population who live in rural areas and small market towns.

As competition in the labour market increases this inevitably leads to deskilling and downward socio-economic mobility for both the refugees and hosts where pre-existing structural weaknesses, especially in the skilled and professional sectors, were already problematic. These dynamics might accentuate social tensions with refugees. No systematic assessment of these likely processes has been found.

Alongside these direct shocks on the local rural economy, the regional dimensions of the Syrian crisis have had more general impacts on rural livelihoods. Paradoxically, whilst, the Lebanese economy appears to have ridden the negative effects of the collapse of the Syrian agricultural sector, Jordan experienced a 25% decline in agricultural exports to Syria and a 30% decline in agricultural imports from Syria in 2011 – 2012. These impacts have accentuated the marginality of agricultural production and thus the livelihoods supported by the sector.

All five target countries have large informal sector economies, estimated at over 40% of all employment in Jordan for example²³ and 26% of the GDP compared to 30% of Lebanon's GDP²⁴. It is reasonable to assume that the influx of Syrian refugees will have had an even more dramatic impact on the informal sector (IS) than on the formal labour

²³In 2013 total employment for Jordan stood at 1.073 million suggesting that the informal sector may have comprised almost 400,000 jobs. (Source GoJ National Statistics http://www.dos.gov.jo/owa-user/owa/emp_unemp.show_tables1?lang=E&year1=2013&round=1&t_no=23).

market especially in small scale manufacturing, construction, transportation and seasonal agricultural work where the IS is predominantly concentrated. Whilst a number of factors are at play here, the understandable desire to restrict the refugees' rights to work in the recipient countries likely encourage a large proportion of refugees to work illegally²⁵. Indeed ILO estimated that 160,000 Syrians worked in Jordan's informal sector in 2012, adding more than 30% to the 'informal' labour force. The growth of the IS is likely to have had adverse consequences on the host country economies, crowding out host country participants in the sector and entailing the loss of tax revenues that might have been gained from registered enterprises.

Another consequence, for which there is again only anecdotal evidence, are exploitative working conditions in the IS which entail unsafe environments, long hours, lack of payment or very low wages. These conditions, typical of the IS, impact refugees with particular severity since they have no legal rights or other remedies that are open to indigenous workers.

Whilst intuitively all these trends seem likely, detailed and scientific analytical studies of the impacts of the refugees on the informal sector economy of the host countries are a significant gap.

These current and emerging trends in employment, income and livelihoods reinforce the value of a resilience-led policy agenda. Clearly, major investment is needed in supporting the expansion and diversification of employment opportunities to ease the intense pressure on the labour market in all the countries. Such a strategy which, of course, has to be linked to macro-economic growth strategies, will satisfy multiple objectives. It will help to arrest the decline in household incomes for host populations; it will help to arrest the deskilling of hosts and refugees in the labour market; and it will help to curtail expansion in the IS which is sub-optimal from a national perspective.

Expanding employment opportunities will render refugees less dependent on assistance, which is already stretched to breaking point and, in the longer term, self-sufficiency will provide refugees with resources, capacity and skills that will facilitate reintegration and rebuilding of the Syrian economy when they return.

Host governments are reluctant to allow refugees to enter the labour markets given the pre-existing weaknesses and the current burden which the refugees present. Critical, therefore, to the micro-economic viability of a resilience-led strategy is the extent to which the four host governments can ease access to employment by allowing the right to work.

²⁴IMF 2011 study cited in www.dailystar.com.lb/Business/Lebanon/2011/Nov-02/152829-imf-lebanons-informal-economy-30-percent-of-gdp.ashx

²⁵Conditions vary but, in general Syrians require work permits in all the target countries. In Turkey, for example, only Syrians with a residence permit have the right to formal employment. Regardless of the rights, work permits are difficult to obtain, are costly (approximately \$400 in Jordan) and require frequent renewal, guarantors and sometimes proof of financial assets.

²⁶See WFP, UNHCR and UNICEF, 2013, Vulnerability Assessment of Syrian Refugees in Lebanon (VASyr).

Household Economy and Vulnerability

The previous section has already introduced some assessment of the ways in which the refugee influx has impacted the changing structure of livelihoods of the host population and for the refugees themselves. This section develops this discussion, exploring how these trends have prompted increasing household vulnerability. Whilst in general terms both refugee and host households are exposed to similar vulnerabilities, there are differential effects.

For the refugee households their vulnerability is becoming entrenched by the lack of livelihood options and the depletion of household resources. The main challenges are the search for income generating activities, housing with the concomitant problem of the financial burden of paying rent, and food costs. And of course, it is these two issues which are the points of greatest tension between host communities and the refugees since the declining wages and employment opportunities and rising housing costs are impacting the host households.

Refugees in all the host countries remain heavily dependent on humanitarian assistance such as UNHCR cash support, food and non-food items (NFIs), although the assistance is insufficient to cover household needs: estimates vary and the household income-expenditure gaps encompass a wide range, but on average there is approximately a 50% shortfall. In general only 30% of the working age refugee population are in any kind of paid, sporadic, employment. Thus negative coping mechanisms are adopted as the only way to supplement income to bridge the income-expenditure gap. Amongst these coping strategies are: using family savings and selling valuables and assets such as jewellery gold, property in Syria, household goods; borrowing money; reliance on social networks; selling donations from CBOs and rations from humanitarian agencies; decreasing food intake; reducing other expenditure; taking children out of school either to work or to save on supplementary costs; marrying girls and young women early and engaging in transactional sex; moving (often a number of times) to smaller and cheaper housing, and/or moving in with friends or extended family, sometimes in overcrowded, insecure, or unhygienic conditions.

Clearly, these coping strategies are finite and unsustainable. They are becoming more risky and subject to increasing strain as the number of refugees increases and opportunities for employment generated income and wage rates diminish. Extensive reliance on savings leads to their rapid depletion and indebtedness is both widespread and increasing, according to a number of studies. In 2013 some 72% of urban refugee households in Jordan were in debt, with an average household debt of just over JD500 (US\$700), whilst a study in Lebanon found broadly similar impacts with some 77% of households in debt with an average debt US\$454. The exhaustion of accessible assets and savings, and rising debt levels are accelerating the impoverishment of the refugee households, increasing their dependency on assistance and their vulnerability. A recent assessment in Jordan concluded that some 40-45% of households were 'extremely vulnerable', whilst a vulnerability assessment of Syrian refugees conducted in mid-2013²⁶ indicated that 70 percent of Syrian refugees in Lebanon are 'food insecure'.

The micro-economic shocks of the crisis have also exacerbated existing household vulnerabilities for the host

communities in the affected countries which are widespread and increasing. This is the outcome of three interacting variables: the effect of rising costs of living and decreasing wages and employment opportunities, as experienced by the refugees; the declining quality of social protection prompted by the growing pressure on public services from refugees; and the fact that many of the main locations hosting refugees (e.g. Mafraq and Irbid in Jordan and the North and Bekaa in Lebanon) are amongst the more economically deprived areas pre-dating the refugee crisis.

The spatial distribution of variations in the impacts is particularly significant because it is the communities hosting the refugees that are most directly impacted by competition for employment, access to public services, and affordable housing. High refugee densities combine with high poverty rates to damage livelihoods of already poor and vulnerable households. It is these localities where the human development outcomes are most comprehensively impacted by the crisis. For example, mapping poverty against refugee densities reveals over 200 localities of acute vulnerability amongst the 1600 localities where refugees are dispersed in Lebanon. In some areas of Lebanon, the ratio is close to 2:1 (2 refugees: 1 Lebanese). In Jordan, the ratio exceeds 1:5 in most governorates that host refugees whilst in Amman, in the localities which accommodate the 25% of Jordan's poor the ratio exceeds 1:2.

For both refugees and the indigenous populations particularly acute impacts and vulnerabilities are experienced by women and youth. Competition between Syrian and poor Jordanian women in home-based informal activities for example is significant, whilst evidence suggests that Lebanese women are also being affected by the competition for jobs brought about by the refugee crisis. Income losses exclude women from contributing to household finances which then exacerbates gender relations within the household, reducing the ability of women to influence household and family decisions. The harmful effect of these dynamics is compounded by the strain on basic household services such as water and resources food supply, which adversely affect women, along with the perception of increasing personal insecurity.

For young people two distinct socio-economic vulnerabilities stand out. For school age children, the rising incidence of refugee child labour is widespread as their households resort to more desperate measures to diversify income sources and stave off destitution. One study in Lebanon reports that 15% of households surveyed cited child labour as their primary source of income. Syrian girls in particular are more likely to work when they are very young. In conditions of protracted displacement, the situation of the 'lost generation' of children who are compelled to work constitutes a major challenge both now and when they return perhaps as young adults to Syria with little or no education, skills or civic awareness.

For young refugees of working age, and their hosts as well, the challenge confronting governments and humanitarian and development actors is a microcosm of the wider picture of the lack of employment opportunities or widespread underemployment given the structural weaknesses in the host countries' labour markets. The likely outcomes are a growing sense of social marginalisation and alienation of young people.

Underlying these sectoral shocks and the turbulent labour market effects, is a series of more disturbing systemic socio-economic impacts. One indicator of these systemic impacts is the way in which competition for employment and declining income levels, resulting from saturated labour markets, are increasing livelihood vulnerability which is perceived to precipitate the growing tension in intercommunity relations between refugees and host communities. Another indicator of the systemic impacts caused by the disruption of agricultural livelihoods and rising food prices, is the declining food and nutritional security of both host and refugee households with harmful longer term impacts on health and human development indices. The systemic impacts of reduced employment opportunities on household dynamics and gender roles in decision making as well as for young people have also been noted; whilst the link between the burgeoning refugee informal sector set against the restrictions on participation in the formal economy, further demonstrate the inextricable links between micro-economic dynamics and wider social and political policy agendas.

It is these systemic impacts that, as much as the specific sectoral changes in employment and wages, have the potential to destabilise social and community relations, especially where there is already a delicate ethnic, religious and social balance: these conditions have the propensity to create political unrest.

Thus structural interventions in the economies of host countries – for example, expanding micro-enterprise and SME activity, targeted support for income generation for host communities and refugees, stabilising labour markets and expanding employment opportunities, supporting and investing in the productive capacity of the host economies - are a vital part of the resilience strategy.

A resilience-based development strategy must also ensure that indigenous households have access to safety nets - such as healthcare, education and energy and water, infrastructure – since they are a vital source of support for poor households whose vulnerability has deteriorated as a result of the impacts of the crisis. Thus humanitarian and development actors must factor in provision for poverty reduction strategies and safety net support in the resilience-based strategy.

Housing Markets and Accommodation

Alongside the strains on employment and household livelihoods, the equally profound micro-economic impacts on housing markets constitute the second main cause of vulnerability and demarcate another arena where sustainable, longer-term resilience-based strategies are required.

Although refugee camps are provided in Turkey, KR-I and Jordan²⁷, the vast majority of refugees have spontaneously settled in urban areas or peri-urban areas across the region. The Lebanese government has a deliberate policy of not encamping refugees: of the 870,000 registered refugees in Turkey only a quarter reside in camps and

²⁷Data on refugee camp populations taken from Regional Analysis Syria SNAP@ACAPS.org,Q3 2014 acaps.org/img/reports/q-snap-ras-quarterly-oct-2014.pdf

increasing numbers of the estimated 1.3 million refugees are self-settled whilst in Jordan only 15% of 620,000 registered Syrian refugees are encamped. In KR-I, by contrast, almost 50% of the 215,000 registered refugee population is encamped.

However, in all the affected countries, but especially in the urban areas of Jordan and Lebanon, and more locally in the affected provinces of southern Turkey, the majority of refugees reside in host communities, almost without exception in rented accommodation. Typically between 60-75 % of Syrian refugees are living in rented apartments and approximately 50% of refugees share their accommodation, a proportion that is increasing with rising number of refugees and scarcity of available property. A significant minority of Syrian refugee share accommodation with host populations.

Not surprisingly such large scale self-settlement has had profound socio-economic impacts on the refugees and host communities.

In all four countries there is consistent, though limited quantified evidence, and a wide public perception, that rent levels have at least doubled since the arrival of the Syrian refugees. Bigger increases are reported in some localities where there are higher densities of refugees and rental housing has become scarcer due to escalating demand. Negatively impacting both local populations and the refugees, there is increasing evidence that poorest Lebanese and Jordanians are unable to afford current rent levels or rent property when they marry, and are being forced to leave areas to make space for refugees. Refugees are often able to pay higher rents because several families are prepared to share overcrowded or unsatisfactory accommodation. These outcomes compound pre-existing housing shortfalls and structural weaknesses in the housing markets, mirroring similar conditions in the labour market.

At the same time, there is evidence of declining quality of accommodation and the housing stock. Two factors are at play here. First, overcrowding is rising steeply. Second, the supply shortage means that more and more refugee households rent unfinished accommodation or rent non-residential buildings to house themselves. Moreover, few refugees are protected by formal tenancies or rental contracts since there is no effective regulation, nor are they in a position to challenge exploitative landlords, for example where rent levels or deposit requirements are exorbitant.

More generally, the negative impacts on urban development, and the lack of effective spatial planning strategies to manage the growth now taking place, are becoming increasingly apparent. In Lebanon, for example, informal settlements are mushrooming, from 250 in June 2011, to over 1,400 three years later in September 2014. Most of these settlements are on private land. Random patterns of development like this mean that the settlements have no proper serviced infrastructure – compounding the problem of poor housing quality – and introduce high economic externalities.

Clearly the housing markets in the affected countries are in crisis, intensifying existing structural weaknesses, and imposing severely detrimental impacts on host populations and the refugees. The saturated housing market underpins growing tension between host communities and refugees, further accentuating the strain caused by the increasing livelihood vulnerability which the two populations experience.

A resilience-led strategy to tackle the crisis in the housing market should aim to increase housing supply in order to reduce market pressure and over-crowding. Inter alia the strategy would include: capital injection into the land and property markets through for example innovative financing measures to stimulate the private sector concessionary interest rates and loan conditions; scaling up building materials industries and housing construction capacity; enhancing land supply and strengthening urban planning capacity; developing policies to address 'informal settlements,' enhancing urban management capacity and co-ordination with infrastructure delivery.

In contrast to resilience-led strategies to tackle employment and livelihoods, housing market interventions such as these cannot be mobilised so quickly, are more difficult to target to vulnerable populations, and take longer to remedy supply shortfalls. Moreover, careful management is needed to avoid the potentially negative economic impacts from a rapid scaling up of housing supply. On the other hand, housing and construction is both a leading sector of economic development and also a significant upstream and downstream economic multiplier in all the affected countries: harnessing the housing industry to the steeply rising demand thus offers an opportunity to accelerate the productive capacity of the national economies whilst mitigating the negative impacts currently evident in the housing markets.

4.3 PUBLIC SECTOR IMPACTS AND FISCAL STRESS

The Syrian refugee crisis has not only seriously impacted the macro- and micro- economic growth of the affected countries; the demographic and economic shocks have had, and continue to have, a dramatic, negative effect on public sector finances. Across the region, demand for basic public services and infrastructure has surged, requiring short term solutions to support communities, municipal authorities and utility providers to maintain minimum service levels. But, in addition to these temporary interventions, investment is also needed to expand existing national and municipal level systems and infrastructure to meet the accelerating demand of affected populations, both refugees and hosts.

This additional heavy burden placed on public spending generated by the refugees' access to public services²⁸, combined with the negative impacts of the economic slowdown on national revenues, is severely straining their fiscal circumstances in all four countries, most notably Lebanon and Jordan. Fiscal deficits are increasing which threaten to lift the public debt as a percentage of GDP to unsustainable levels, at least in the case of Lebanon of over 130% in 2012. In the case of Jordan, the severity of the strain on public sector finances at a time of flat-lining

²⁸Principally health, education, and municipal services such as water supply and solid waste management.

or declining revenue is accentuated by blanket subsidies on bread and household energy and water supply which of course the refugees also access: here the debt ratio exceeded 80%. NGO assistance and donor development funding partly offset these short term fiscal impacts; but substantially more funding is required to prevent the already identified gaps widening still further and to redress the decline in the capacity, quality and access to public services which host populations have experienced.

Often, however, these interventions are piecemeal, reflecting donor priorities rather than systematic and coordinated investment in public services, institutional capacity and structural support to achieve public sector fiscal stability. More worrying is the longer term impact. Public accounts are now marked by an adverse tradeoff between capital and current expenditures – in other words capital expenditure is sacrificed to shore up revenue expenditure on staffing and system maintenance – a sacrifice that will intensify pressure on service capacity and quality in the medium term as investment increasingly fails to keep pace with rising demand.

Not only do national service providers and municipal authorities need fiscal support and investment capital in equipment and infrastructure to safeguard the quality of provision in the face of the demographic shocks. It is also clear that already rather weak administrative and maintenance systems at the local/municipal level, as well as professional capacity, are extraordinarily stretched. Substantial support is needed to buttress and increase the capacity of human capital and resources in public services at the point of service delivery and implementation.

In short, without major intervention to alleviate these pressures, the condition of public sector finances is and will continue to deteriorate. The interventions so far such as World Bank facilities for Lebanon have not, as yet, stabilised the volatile condition of public finances. The potential for development partners to expand lending to host Governments (and the municipal/urban government service providers) exists, but burden sharing of this nature is limited by the 'siloed' humanitarian and development funding regimes, and the constrained ability of host Governments to repay. In these circumstances, increased grant funding and multi-donor trust fund facilities, are urgently required.

Of course, easing the short term fiscal stress caused by the demographic shock of the refugee crisis, and restoring medium to long term investment in public sector services transcend the need to ensure economic and fiscal stability. Necessary though they are, these interventions are proxies for the more immediate and pressing manifestation of the crisis for the host countries. This is to arrest the decline in public services and restore them to pre-crisis levels of access and quality for host communities – increasingly frequent power cuts, water shortages and insufficient water supply to maintain satisfactory hygiene standards in hospitals, overstretched sanitation and solid waste management systems with the risk of disease and pollution, extended waiting times for medical care, overcrowded school classes. Without fiscal support and investment to sustain public services, the propensity for the decline to reinforce the tensions between host and refuge communities, already endemic in competition in the labour and housing markets, will intensify. Ensuring equality of access to public services (in terms of availability and affordability) for refugees and host communities is also critical to support social cohesion.

²⁹The costs of stabilisation, the amount needed to restore the quality of services to pre-refugee influx levels, are estimated to be US\$1.4-1.6 billion in Lebanon and US\$1.68 billion for Jordan in 2013. This excludes expenditure envisaged in Jordan's 'National Resilience Plan' and Lebanon's 'Roadmap'.

The current SRRP and national plans aim to facilitate short-term solutions whilst strengthening national capacity in delivering public services. However, beyond the immediate priorities of supporting overall fiscal stabilisation and the maintaining the quality and scope of public sector services²⁹, the resilience-led strategy is necessary to tackle many of the current shortcomings in financing public sector services (at both national and local/urban/municipal levels, to reshape donor priorities and programming towards a longer term, more coherent and coordinated investment strategies in these services.

4.4 EXTERNALITIES

Externalities are the unpriced costs and benefits that are incurred from activities in an economy. They are a significant feature in refugee displacement contexts – eg environmental degradation or a perceived (or actual) decline in security - and the negative developmental effects primarily effect the host communities, are usually long run, and rarely compensated by public expenditure or humanitarian or developmental assistance.

Of the four main economic themes under review, there is remarkably little analysis of externalities arising from the Syrian crisis although these must be significant. Two examples that are indirectly reported are the extreme pressure on already strained water sources and energy supplies.

The impact on water resources is severe in Jordan. Whilst short term shortages resulting from the refugee crisis are being addressed by increasing supply and tackling issues of pricing, it is the long term impact of depleting aquifers, in one of the most water stressed countries in the world, which is a major concern. This can be conceived as an externality effect of the crisis – an unpriced medium to long term effect, enduring long after the emergency.

A second type of externality arises in the context of overstretched solid waste management and local sanitation systems. In Lebanon, for example, solid and sewage waste disposal is reportedly found in water courses. Untreated wastewater increases the risk of contamination and associated health risks of waterborne diseases. Because local authorities lack the capacity to manage the exponential accumulation of large volumes of solid waste this burden has led to illegal dumping and burning of waste, which pollute the air, water and ground soil. Environmental degradation such as this is an archetypical externality. Moreover, the lack of enforceable national environmental protection and waste management protocols and regulations compounds these difficulties and thus accentuates the externality effects.

Externalities such as depleted water supply and poor waste management indirectly threaten the longer term efficacy of the resilience-led strategy, notably the transformative stage because they impose costs which will reduce health standards and create enduring water shortages which will effect economic output in the future.

To date the externality impacts created by the Syrian refugee crisis are substantially under-reported. Significantly greater consideration needs to be paid to the regressive impacts and the costs being borne by local communities.

5. STRATEGIES AND GAPS

The foundations for a resilience-led development strategy are being put in place. Building on the analytical review of the economic shocks and trends of the Syrian refugee crisis on the impacted countries in the region, this section highlights a number of critical policy areas, analytical and operational gaps and priorities which require discussion and further development. When addressed, they can buttress the socio-economic aspirations of the strategy.

5.1 ROLE OF THE PRIVATE SECTOR

The private sector (at all levels from micro enterprise to SMEs to national level corporates as well as international companies), has a key role to play as the leading sector for the second and third components of the resilience-based strategy - the recovery and the transformative agendas.³⁰ Economic recovery lies at the heart of these agendas and, ultimately feeds into the household level to reduce vulnerability.

Recovery from the economic shocks, restoring the national economic development trajectories of the impacted countries, capitalising on the development opportunities, increasing absorptive capacity of economy, and expanding employment which the crisis offers, can only be achieved with and by the commercial and private sectors of the economy. The sector also has a vital role to play in the restoration of public services that have been badly hit by the crisis - provision of health and education, water and sanitation services reducing food insecurity. Moreover, by accelerating economic growth, this will help governments to cope with the rising demand for public services by restoring the revenue bases which have been badly hit by the economic slow-down precipitated by the refugee crisis.

Although the role of the private sector is critical, at least four structural issues require attention.

First, the capacity and potential of the private sector has not been fully enlisted or exploited in the context of the Syrian refugee crisis. This is because, inevitably, the humanitarian response is dominated by governmental and non-governmental agencies and international and intergovernmental actors: the private sector does not, although it should, feature, as a major player at this stage. But as the programme shifts to the resilience mode of 'recovering' and 'transforming', the role of the private sector is imperative in providing the economic platform for development and in supporting the provision of public services. Embedding the private sector in these processes requires effective outreach by host governments and international actors to representatives of the private sector - chambers of commerce and trade, employers' organisations, trade unions etc.

Second, with the exception of Turkey, the private sector in other host countries has rather limited capacity to scale-up investment, to diversify productive capacity, and to create more employment. Pre-existing structural problems such as obstacles in access to credit and investment, marketing and so on have been exacerbated by the current crisis. Resolving these shortcomings requires coordinated interventions by governments, international partners (including foreign businesses and investors), the World Bank and civil society to provide an environment which is conducive for economic development, investment incentives and so on.

³⁰The costs of stabilisation, the amount needed to restore the quality of services to pre-refugee influx levels, are estimated to be US\$1.4-1.6 billion in Lebanon and US\$1.68 billion for Jordan in 2013. This excludes expenditure envisaged in Jordan's 'National Resilience Plan' and Lebanon's 'Roadmap'.

Third the strategies for private sector must operate to scale and critical areas of demand: that is, targeted solutions are needed. These might include micro-finance initiatives to enable the growth of small and medium size enterprises since this scale of operations can quickly inject cash into the household economy. Stimulating local economic development through capitalising small and medium sized enterprises will generate employment for the refugees and the affected populations which, as we have seen is critical to reducing household vulnerability. But significant policy and financial incentives are needed at the large scale as well, for example, to encourage the construction industry to address the enormous housing and infrastructure shortfalls.

Fourth, different mechanisms to enlist the private sector in public service provision need to be explored; as well as direct service provision other instruments such as public private partnerships offer the means to form strategic and operational partnerships between the public and private sectors to address pressing demands for health and educational infrastructure (health centres and schools), and service provision.

Fifth, critical to ameliorating the social tension between hosts and refugees, is to ensure equality of access to financing mechanisms.

5.2 CASH-BASED TRANSFERS (CBTS)

One of the most fruitful approach to tackling household vulnerabilities in recent humanitarian crises, has been the widespread adoption of cash-based transfers (both unconditional and conditional) (CBTs). There is compelling evidence that CBTs improve economic resilience and are a valuable support mechanism for social protection for vulnerable individuals and families.

CBTs are now widely used to deliver humanitarian assistance in the region. However there are gaps and issues that require review and improvement

The extensive use of CBTs could be better harmonised and consolidated across humanitarian and development actors to increase efficiencies for agencies and beneficiaries. By consolidating the programmes across the sectors and agencies could help to increase efficiency and impact and reduce costs.

More assessment is needed of the impact of CBTs on local markets, for example on prices and availability of food, building materials and basic needs, and their effectiveness in reducing household vulnerability and expanding income generation.

Sharing experience and impact assessments and evaluations of CBTs between agencies is needed to enhance the design and better targeting of the instruments. Sharing this information across agencies and sectors will help to link this form of assistance with other livelihood support programmes and safety net instruments.

The resilience-led strategy can be enhanced by better synchronisation between humanitarian and development actors in the use of CBTs: currently this linkage is weak and limits the scope of the transformative stage of the strategy.

5.3 FUNDING AND BUDGET MANAGEMENT

If the resilience-led programme is to have traction, and if the countries hosting the Syrian refugees are to re-establish sustainable development strategies, then mobilising the availability, predictability and timely disbursement of flexible, multi-year, humanitarian and development funding is critical. The expansion of public sector investment is vital to reduce the severe pressure on government budgets, to cope with fiscal stress, and to enable them to recover from the impacts of the crisis. Achieving these objectives at a regional and country level requires the implementation of an innovative portfolio of strategic and operational policies and instruments to manage the funding.

Key gaps and priorities in enhancing public sector financial management to maximise the effective use of all financial resources and to support the resilience-based strategic planning and sectoral and community-level investment in key public service sectors are as follows.

Strengthen the budgeting, financial management and co-ordination, and aid management capacity of central and local/municipal governments and civil society organisations.

Realign existing programme and project funding mechanisms to serve the resilience-based development strategy and national resilience plans (eg in Jordan and Lebanon).

Expand pooled funds and multi-donor trust funds for budget support to underpin resilience-led development needs at central and local government levels.

Provide policy and budget support to enable host governments to access international donors and financial institutions for budget support for central national and local levels.

Encourage donors and humanitarian and development actors to expand funding for stabilisation programmes that bridge humanitarian and development strategies and support refugee and host communities: programmes such as conflict mediation and human rights programmes play an important role in helping to build social cohesion

Support national and municipal/local governments with the technical assistance to mobilise private sector finance, public-private sector partnerships.

Support for short and longer term initiatives to enhance professional/human resource expertise in core public service areas (health, education, housing, water and sanitation, solid waste management).

Tackle technical gaps in public service delivery including urban land management and development planning, information management, coordination of service delivery, collection of financial charges and dues, service-level agreements.

Particular efforts are needed to strengthen municipal/local government level capacity because this is where co-ordination of sectoral programmes and front line service delivery to support and sustain affected populations and refugees, has critical impact. In this way vulnerable host communities will benefit from improved access to and delivery of essential services and thus enhanced community-level protection.

5.4 PROTECTION

Refugee protection has been and remains a central pillar of the humanitarian and governments' response to the Syrian crisis, although only Turkey is a signatory to the 1951 'Geneva Convention' and none of the four countries is a signatory to the 1967 Protocol. Beyond the legal and normative provisions, the principles and practice of refugee protection have been extended to critical related areas such as GBV, safeguarding the 'lost generation' of young people, and urban refugees within the context of the UNHCR's 2009 Policy Framework.

However strengthening socio-economic protection systems and programmes to expand their capacity and effectiveness among refugee and host community households also has an important, if indirect role, to play in promoting the objectives of the resilience-led development strategy.

By safeguarding the rule of law and by buttressing key 'rights-based' needs of refugees and host populations, protection is an important instrument in underpinning key aspects of the resilience-based response, particularly in the first stage of the strategy, reducing vulnerability in the coping phase.

Volatile housing markets under the kind of extreme demand pressures noted in section 4, tend to reduce the legal and bargaining rights of tenants vis a vis landlords and increase tenants' vulnerability. Therefore, enhancing rights protection of tenants, for example in terms of legally secure leases, agreed deposit and rental levels, protection from arbitrary eviction, dispute resolution at housing tribunals are ways in which exploitation can be reduced and vulnerability of large numbers of households mitigated.

Similar disequilibria exist in the highly pressurised labour market. In this context, rights protection and the rule of law can help to ensure that employees are not subject to exploitative working conditions, such as excessively long working hours, low pay or withholding of wages, and that basic health and safety conditions are adhered to. Measures such as these will help reduce vulnerability both in the work place and, by helping to protect incomes have the potential to reduce household vulnerability.

Basic rights socio-economic rights protection machinery in these and other sectors exist in the four countries but it is under enormous pressure. Thus, in parallel to the substantial capacity building of the refugee protection machinery that has taken place, capacity strengthening is also essential in the field of socio-economic protection to underpin the resilience-led strategy. In this context, the objective is to ensure that the host governments' legal and regulatory apparatus that administers socio-economic rights is sufficiently robust and fit for purpose and can cope with the excessive demands now placed on them.

5.5 INFORMATION AND DATA GAPS

Whilst anecdotal evidence of impacts is voluminous and there are literally hundreds of agency- specific evaluation and situation reports, there remain very significant deficiencies in the availability and quality of data and information on the impacts for many of the socio-economic sectors that form the resilience-based strategy: systematic and robust analysis are lacking. This is surprising since socio-economic ‘impact’ – on refugees and communities - is the variable of fundamental concern to all stakeholders and is core to mitigation, coping and transforming objectives. Notable gaps are in:

- the use of quantitative methodologies
- the quality of data
- the lack of reliable, comprehensive multi-sectoral coverage tackling human development challenges,
- the lack of mapping and information on private sector interests and capacities to scale-up investment and output, and
- the piecemeal nature of much of the analysis which fails to link local specificities to national level characteristics.

These shortcomings diminish the capacity of policy makers and stakeholders to identify, inform and prioritise policy and programme design and implementation that can enhance the efficacy of the strategy.

Indicative of the gaps relevant to this discussion paper on the economic dimensions of the resilience -led strategy are the following

Limited evidence and analysis of macro (especially fiscal) impacts and the implications for development financing and resilience-based economic development strategies.

Sectoral level labour market assessments, employment generation, wage levels, and business formation by refugees and hosts.

Housing market assessments – supply and demand, rent levels, quality of stock, occupancy levels

Demand for municipal services, and actual impact on household poverty levels.

In addition, very little hard data exists on other soft dimensions of the crisis including social cohesion and governance issues.

6. SOURCES

- ACAPS (2014) Regional Analysis Syria SNAP@ACAPS.org,Q3 2014 acaps.org/img/reports/q-snap-ras-quarterly-oct-2014.pdf
- Sarah Bailey and Veronique Barbalet (2014) Towards a Resilience-based Response to the Syria Refugee Crisis: a Critical review of vulnerability criteria and frameworks, London: ODI-HPG.
- http://www.arabstates.undp.org/content/dam/rbas/doc/SyriaResponse/ODI_Resilience_Syria_Crisis_Revised_July_14.pdf
- Soner Cagaptay (2104) 'Impact of Syria's Refugees Southern Turkey', Policy Focus 130 July 2014, The Washington Institute for Near East Policy, Washington DC,
- http://www.washingtoninstitute.org/uploads/Documents/pubs/PolicyFocus130_Cagaptay_Revised3s.pdf
- Omar Dahi (2014) 'The refugee crisis in Lebanon and Jordan: the need for economic development spending growth' Forced Migration Review 47, Refugee Studies Centre, University of Oxford, pps. 11-13, 2014;
- Danish Ministry of Foreign Affairs (2014) The Syrian displacement crisis: Mapping and meta-analysis of existing studies of costs, impacts and protection, Copenhagen, Danish MFA, (report prepared by Roger Zetter),
- www.data.unhcr.org/syrianrefugees/download.php?id=4780
- Government of Jordan (2014) National Resilience Plan 2014-16, <http://un.org/jo/sites/default/files/NRP.pdf>
- Government of Jordan (2014) Jordan Response Plan 2015: Concept Note
- http://static.squarespace.com/static/522c2552e4b0d3c39ccd1e00/t/542ce686e4b03fadb040f926/1412228742018/JRP_Concept+Note.pdf
- Government of Lebanon (2013) Roadmap of Priority Interventions for Stabilization from the Syrian conflict,
- http://www.unesco.org/new/fileadmin/MULTIMEDIA/HQ/PCPD/pdf/lebanon_roadmap.pdf
- IMF (2011) study cited in www.dailystar.com.lb/Business/Lebanon/2011/Nov-02/152829-imf-lebanons-informal-economy-30-percent-of-gdp.ashx
- Basem. M. Lozi (2013) The Effect of Refugees on Host Country Economy: Evidence from Jordan, Interdisciplinary Journal of Contemporary Research in Business, 114 5:3, July 2013.
- Anubha Sood and Louisa Seferis, (2014) 'Syrians contributing to Kurdish economic growth', Forced Migration Review 47, Refugee Studies Centre University of Oxford, pps. 14-16,2014.
- UN (2014) 2014 Syria Regional Response Plan Strategic Overview: Mid-Year Update
- <http://www.unhcr.org/syriarrp6/midyear/>
- UNDP (2012) The Panoramic Study Of The Informal Economy In Jordan 18 Jan 2012,
- http://www.jo.undp.org/content/jordan/en/home/library/democratic_governance/The_Panoramic_Study_Of_The_Informal_Economy_In_Jordan/
- UNDP (2013) A Resilience-based Development Response to the Syria Crisis
- http://www.undp.org/content/dam/rbas/doc/SyriaResponse/Syria_Resilience_Brochure_final_Eng_v3_Jan_14.pdf
- UNDP (2013) Position Paper : A Resilience- Based Development Response to the Syria Crisis, Draft, December 2013,
- http://www.undp.org/content/dam/rbas/doc/SyriaResponse/Amman_Donor_Meeting/Position%20Paper%20-%20Resilience-Based%20Development%20Response%20to%20Syrian%20Crisis%20%28Dec%2010%29.pdf
- UNDP (2014) A Resilience-based Development Response to the Syria Crisis: Position paper,
- <http://arabstates.undp.org/content/dam/rbas/doc/SyriaResponse/A%20resilience-based%20development%20response%20to%20the%20Syria%20crisis.pdf>
- UNDP (2014) Regional Refugee and Resilience Plan (3RP), 2015-2016
- <http://arabstates.undp.org/content/dam/rbas/doc/SyriaResponse/3RPbrochure-draft-AB-FINAL-lowres.pdf>
- UNDP (2014) Municipal Needs Assessment Report: Mitigating the Impact of the Syrian Refugee Crisis on Jordanian Vulnerable Host Communities

- <http://www.mz.undp.org/content/dam/jordan/docs/Poverty/needs%20assessment%20report.pdf>
- UNDP (2014) Regional Refugee and Resilience Plan (3RP) Roadmap 1 September 2014,
- http://www.iq.undp.org/content/dam/iraq/docs/cpr/UNDP-IQ_3RPRoadmap-1September2014.pdf
- UNDP (2014) The Syrian Crisis, Tracking and Tackling Impacts on Sustainable Human Development in Neighboring Countries: Insights from Lebanon and Jordan, Draft report,
- UNOCHA (2014) Comprehensive Regional Strategic Framework for the Syrian Crisis, 2014,
- UNOCHA, <http://syria.unocha.org/content/comprehensive-regional-strategic-framework-syria-crisis-framework>
- UNDP-UNHCR (2014) Regional MOU
- http://arabstates.undp.org/content/dam/rbas/doc/SyriaResponse/MOU_UNDP_UNHCR_Regional_Cooperation_Syria_Iraq.pdf
- UNHCR-INGO Forum (2014) Jordan Refugee Response: Inter-agency Coordination Briefing Kit,
- <http://data.unhcr.org/jordan/CoordinationGuide.pdf>
- World Bank (2014) MENA Quarterly Economic Brief, January, Washington DC: World Bank, <http://www.worldbank.org/content/dam/Worldbank/document/MNA/QEBissue2January2014FINAL.pdf>
- World Bank (2013) Lebanon: Economic and Social Impact Assessment of the Syrian Conflict, Washington DC: World Bank, 2013, <http://documents.worldbank.org/curated/en/2013/09/18292074/lebanon-economic-social-impact-assessment-syrian-conflict>.
- UNHCR, WFP and UNICEF (2014) Vulnerability Assessment of Syrian Refugees in Lebanon (VAsyr),
- <http://reliefweb.int/sites/reliefweb.int/files/resources/LebanonInter-agencyUpdate-VASyR8August2014Final.pdf>
- UNHCR, UNICEF, WFP, and UNICEF (2014) Joint Assessment Review of the Syrian Refugee Response in Jordan, <https://data.unhcr.org/syrianrefugees/download.php?id=4309>
- Roger Zetter (2014) Reframing Development Crises as Development Opportunities, DSI Policy Brief, Roundtable on Development Solutions, Copenhagen: Danish Ministry of Foreign Affairs, April 2014.
- <http://www.rsc.ox.ac.uk/files/publications/other/pn-reframing-displacement-crises-2014.pdf>
- Steven Zyck and Randolph Kent (2014) Humanitarian crises, emergency preparedness and response: the role of business and the private sector, London: Humanitarian Policy Group, Overseas Development Institute,
- <http://www.odi.org/sites/odi.org.uk/files/odi-assets/publications-opinion-files/9078.pdf>

The UNHCR-UNDP Joint Secretariat would like to thank the author, Professor Roger Zetter, for his expertise and ground breaking work on livelihoods in the context of crisis.

For further information, please contact:

**Michael Moroz, Project Coordinator,
UNHCR-UNDP Joint Secretariat
michael.moroz@undp.org**



