



Economic Participation and the Global Cost of International Assistance in support of Refugee Subsistence Needs

November 2024

A joint World Bank-UNHCR report

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South Sudan. Teresa, 60, returns to South Sudan with 12 family members and hopes to rebuild her life. © UNHCR/Sarah Velasco

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Foreword

The global refugee population has been growing at alarming rates. Over 43 million people are classified as refugees, marking a historic peak. A large majority of them are hosted in low and middle-income countries. The ongoing escalation of global conflicts coupled with the complexities of climate change will intensify the pressure on hosting countries, while the amount of donor financing available to address these challenges remains limited. This calls in to question the sustainability of current approaches and underpins the urgent need for more equitable burden-sharing and more cost-effective responses.

This report presents a joint effort by the World Bank and UNHCR to provide a reliable estimate of what it would cost to meet the subsistence needs of all refugees and how this could be best achieved. This work is in response to the UN omnibus resolution to “coordinate an effort to measure the impact arising from hosting, protecting and assisting refugees.” What is more, the findings inform the strategic dialogue on the need to adopt a sustainable approach to refugee situations which entails ensuring the sustainability of responses through inclusion, enhancing responsibility-sharing and financing, establishing supportive policy and regulatory frameworks, and strengthening national leadership and ownership.

Refugees are vulnerable and need assistance, and support to meet their subsistence needs in an important aspect of this assistance. Yet, refugees are not passive recipients of aid. Many are willing and able to work. As refugee income increases, the amount of assistance required to meet their subsistence needs falls. In fact, refugee income accounts for an estimated two-thirds of the benchmark cost of subsistence needs.

But refugees’ income earning opportunities largely depend on host country policies on economic participation. By allowing refugees to work, host countries contribute to the global public good by reducing the amount required in complementary assistance to around US\$22 billion, including administrative costs.

While this figure may seem high, the report shows that there is great potential to reduce the financing gap by strengthening economic participation policies and easing encampment policies or restrictions on movement. In a world in which refugees have the same earning opportunities as host nationals, the amount required in complementary assistance would fall to US\$6 billion. This is very much within our reach.

The report highlights that strengthening refugees’ economic participation could lead to a triple win. Refugees would be more self-reliant, the international aid-burden would be reduced, and part of these savings could be invested in the economic development of host countries to the benefit of hosts and refugees.

Realizing this triple win will be challenging. Strengthening economic participation of refugees and easing encampment policies is a massive structural and political undertaking. This will not be possible without strong leadership from host country governments and the international community alike. Yet, this has the potential to be transformational in how the world responds to refugee needs. This is the ambition that motivated UNHCR and the World Bank to prepare this report and this is the vision to which we are committed.



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Acknowledgments

This paper represents a joint effort by the World Bank Fragility, Conflict and Violence (FCV) Group and Poverty and Equity Global Practice and UNHCR. The core team was composed by Johannes Hoogeveen and Karishma Silva, under the guidance of Benu Bidani (Practice Manager, Global Unit, Poverty and Equity). The team benefitted from the leadership of Sajjad Malik (Director Division of Resilience and Solutions, UNHCR) and support from the UNHCR Economics Team including Betsy Lipmann, Theresa Beltramo and Craig Loschmann. The team is grateful for inputs from host country governments represented at the Fourth, Fifth and Sixth Technical Workshops on Measuring the Impact of Hosting, Protecting and Assisting Refugees held in January and December 2023 as well as May 2024, respectively.

Microdata used in this report to estimate refugee income poverty gaps were provided by: Agustin Arakaki, Aziz Atamanov, Juan Monroy Barragan, Mohamed Coulibaly, Maria Davalos, Alvin Etang, Arden Finn, Sebastian Leander, Vincenzo di Maro, Chinedu Obi, Aboutraahyme Savadogo, Ganesh Seshan, Nistha Sinha, Wondimagegn Tesfaye and Christina Wieser. The team greatly benefitted from comments from Xavier Devictor, Erwin Knippenberg, Kevin Carey, and Takaaki Masaki, and has built on earlier work by Nandini Krishnan and Silvia Redaelli. Support from various members of World Bank FCV Group, Caroline Sergeant, Ola Hisou and Jade Ndiaye is gratefully acknowledged as is feedback received from seminar participants on the fiscal incidence of hosting refugees held at the World Bank in March 2024. The World Bank team appreciates support from the Prospects Partnership programme, funded through the Multi-Donor Trust Fund for Forced Displacement (FDTF) administered by the World Bank and made possible by the generous support of the Ministry of Foreign Affairs of the Netherlands.

Executive Summary

This joint World Bank and UNHCR report is developed in response to the UN omnibus resolution to “coordinate an effort to measure the impact arising from hosting, protecting and assisting refugees.”¹ Following this resolution UNHCR, with assistance from the World Bank, led a participatory process to arrive at global cost estimates. This report provides an estimate of the benchmark costs of providing assistance to cover subsistence needs of all refugees in low- and middle-income countries. It complements similar costing exercises done for the education and health sectors. Together, expenses for health, education and subsistence, account for most of the fiscal costs borne by governments hosting refugees.

The objective of this exercise is to develop a simple, transparent methodology to estimate (i) the global benchmark cost of subsistence assistance; (ii) the global host country contribution to meeting this benchmark cost and (iii) the complementary assistance needed by the international community to make up the difference between the global benchmark and the host country contribution. These costs are estimated for various scenarios of economic participation.

To arrive at a benchmark cost, a minimum standard for subsistence coverage is set. This standard is found in the global poverty lines for LICs, LMICs and UMICs. These global poverty lines reflect that as countries become richer, the acceptable minimum standard of living rises as well.

The annual cost of subsistence needs is estimated by multiplying the number of refugees in each income category by the relevant global poverty line. This benchmark cost is adjusted for host population poverty such that hosts and refugees are equally well-off. Thus, the benchmark cost of subsistence needs for refugees in LICs and MICs is estimated to range between US\$56 billion and US\$62 billion a year.

When refugees do not earn any income, the amount of complementary assistance needed to meet basic needs is equivalent to the benchmark cost. But many refugees are able and willing to work. This report recognizes this explicitly, by considering that when refugees earn incomes they need less in the form of subsistence support.

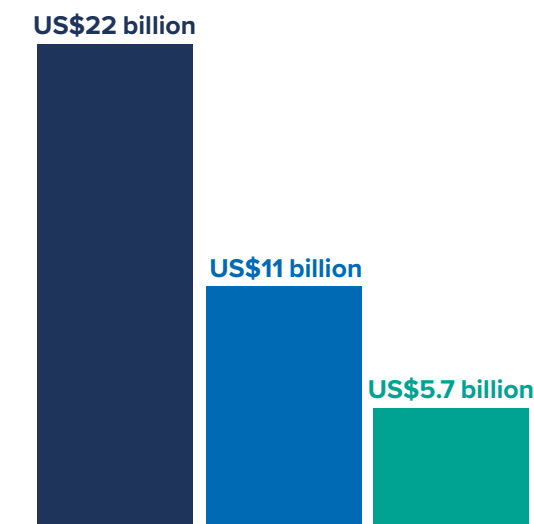
The reduction in the global cost for subsistence due to refugees’ ability to participate in the local economy is one of the ways host countries contribute to global burden-sharing. These participation savings (US\$41 billion per year) account for nearly two-thirds of the benchmark cost of subsistence needs.

¹ See UN omnibus resolution [A/RES/73/151](#).

The remaining one-third or US\$22 billion (including administrative costs) is required in complementary assistance. This figure is nearly double the total volume of official development assistance (ODA) for refugee situations in LICs and MICs which amounted to US\$12.7 billion in 2021. However, the report shows there is significant potential to reduce this figure by strengthening refugee economic participation and limiting encampment.

If labor market restrictions are eased to allow refugee incomes to increase by 25 percent, the amount of complementary assistance required annually would be halved: **from US\$22 billion to US\$11 billion.**

In a full economic participation scenario, where refugees earning is at par with that of the host population, the amount needed in complementary assistance falls to **US\$5.7 billion.**



Encampment tends to be far more prevalent in LICs and LMICs than in UMICs. Refugees residing in camp-settings tend to earn less income than those living elsewhere, increasing aid dependency. Further, over 90 percent of refugees living in camp-settings are in IDA or IDA-blend countries. In these countries, developmental financing can be leveraged to reduce dependence on encampment.

Where increased refugee economic participation leads to significant financial savings, (part of) these savings can be invested towards the economic development of host countries or towards supporting groups within the host population that may be negatively affected in the short-term by refugee inflows. Greater economic participation of refugees thus creates scope for a triple win – an increase in refugee earnings and subsequent fall in refugee poverty; a reduced burden of complementary assistance for both donors and host countries; and additional developmental aid for host countries to the benefit of host populations. The additional developmental aid for host countries can be used to stimulate economic activity and support job opportunities to the benefit of both host populations and refugees.

The figures in this report draw on limited data on refugee income poverty gaps. However, they provide a clear sense of the order of magnitude of the amount needed to meet refugees' subsistence needs, host country contributions towards the global public good of hosting refugees, and the potential savings that may be accrued as a result of strengthened economic participation policies in host countries. It further highlights the need for improved data on refugee poverty not only to strengthen these estimates but also to anchor country-level discussions around burden-sharing.

Introduction

The global refugee population has increased by over a third in the last three years. At the end of 2023, there were 43.4 million refugees with around 75 percent hosted in low- and middle-income countries.

The provision of protection to refugees – an obligation under international law – is a global public good that requires collective action by all countries.² Under the 2018 Global Compact on Refugees, the donor community committed to equitable burden- and responsibility-sharing to ease pressures on hosting countries. An important step towards operationalizing responsibility-sharing is to measure the impact of hosting and assisting refugees on host countries, using a simple, transparent, and commonly agreed methodology.

The Measuring Impact initiative in response to the omnibus resolution of December 2017 (A/RES/72/150) requests UNHCR to “coordinate an effort to measure the impact arising from hosting, protecting and assisting refugees, with a view to assessing gaps in international cooperation and promoting burden- and responsibility-sharing that is more equitable, predictable and sustainable, and to begin reporting on the results to Member States in 2018”. Following this resolution UNHCR, with assistance from the World Bank, led a participatory process to arrive at global cost estimates. Thus, the Global Cost of Inclusive Refugee Education was published in 2021 (UNHCR and WB 2021) and an update in 2023.

This report is a companion to the Education study. It addresses the Global Cost of meeting Refugee Subsistence Needs and how these costs depend on the socioeconomic inclusion of refugees in their host communities. In parallel, another report on the Global Cost of Refugee Inclusion in Health has been published. Together the global costs for health, education and subsistence needs reflect most of the fiscal costs associated with accommodating refugees.³

The basis for the global costings for health and education is the inclusion of refugees in national systems. Similarly, this report assumes that subsistence needs of refugees can be met by national social protection systems.

2 Per the 1951 Convention Relating to the Status of Refugees (also referred to as 1951 Geneva Convention), a refugee is a person who is outside the country of their nationality and is unable or, owing to a “well-founded fear” of being persecuted, unwilling to return and avail themselves of the protection of that country. The 1951 Geneva Convention also highlights the need for collective action by observing that “the grant of asylum may place unduly heavy burdens on certain countries, and that a satisfactory solution of a problem of which the United Nations has recognized the international scope and nature cannot therefore be achieved without international co-operation.”

3 Fiscal costs make up the bulk of recurrent costs assumed by host governments and humanitarian partners, and differ from investments needed to accommodate refugees and spillover costs such as increases in prices, or changes in security. Financing for investments, and the cost of measures to address spillover costs are not captured in this global methodology. However, they can be captured in more detailed country-level costings, for which an approach was developed in parallel with this global report. See Hoogeveen and Obi (2024), chapter 6, for an illustration in Jordan.



To arrive at a global cost, a minimum standard for subsistence coverage is set. This standard is the international poverty line which is the benchmark used for the Sustainable Development Goal 1.1 (eradicate extreme poverty). For low-income countries (LICs) this poverty line is used. For lower-middle income (LMIC) and upper-middle income (UMIC) countries, more relevant global poverty lines, also published by the World Bank, are used. These global poverty lines reflect that as countries become richer, the acceptable minimum standard of living rises as well.⁴

Refugees are vulnerable and need assistance, and support to meet their subsistence needs is an important aspect of this assistance. Yet the need for support should not reduce refugees to passive recipients of aid: many are able, and ready to work. Participation in the labor market as laborer, farmer or entrepreneur enhances refugees' financial autonomy and reduces the need for complementary assistance at the same time. The global cost for subsistence needs recognizes this relation explicitly, by considering that when refugees earn incomes they need less in the form of complementary subsistence support.

The reduction in the global cost for subsistence due to refugees' ability to participate in the local economy is one of many ways host countries contribute to global burden-sharing. The degree of economic participation varies and with it host country contributions. In situations where refugees face constraints on movement, for instance when they live in camps, when they reside in isolated areas with limited commercial activity, or when they are not allowed to work at all, the degree of economic participation will be limited, the country contribution small and the need for complementary assistance substantial. In situations where refugees are not confined to remote areas but settle in, for instance, urban areas where they have freedom of movement and are able to find work and profitable opportunities, or in situations where they are given the means to farm or herd livestock, economic participation tends to be greater.

⁴ Reliance on global poverty lines has the added benefit that it avoids the challenge posed by the vastly differing levels of coverage provided by national social protection systems.

Taking differences in economic participation into account, this report lays out an approach to estimate: (i) the global benchmark cost of subsistence assistance; (ii) the global host country contribution to meeting the benchmark cost and (iii) the complementary assistance needed by the international community to make up the difference between the global benchmark and the host country contribution.

The global cost estimates presented in this report draw on the complete set of micro data that exists globally on refugee income poverty gaps in low- and middle-income countries. Unfortunately, the number of countries for which such data are available remains small, which is a limitation of this study.⁵ Nevertheless, the study provides a clear sense of the order of magnitude of the amount needed to meet refugees' subsistence needs.

The determination of a best-effort projection for the order of magnitude for the cost associated with assuring refugee basic needs is the main contribution of this report. It allows to transform a principled discussion about burden-sharing, into an evidence-based one about financial contributions and the removal of obstacles to economic participation.

Based on 28.5 million refugees⁶ who at the end of 2022 resided in low- and middle-income (MIC) countries, the benchmark global cost of subsistence assistance ranges between US\$56 billion to US\$62 billion per year. Of this, the vast majority, approximately US\$41 billion or nearly 67 percent, is contributed by refugees themselves, as they are often economically active. These earnings are the result of host countries' policies allowing economic participation, and the 'participation savings' these policies generate represent a significant contribution by host countries to global burden-sharing, as well as the welfare of refugees. After accounting for administrative costs associated with delivering social assistance to refugees, about US\$16 billion to US\$24 billion is needed in complementary assistance to bring all refugees in LICs and MICs to the global poverty line.

This figure is nearly double the total volume of official development assistance (ODA) for refugee situations in LICs and MICs which amounted to US\$12.7 billion in 2021 (OECD 2023). However, the annual costs for complementary assistance falls if refugees have more opportunities to earn incomes. If poor refugees could increase their income by 25 percent, the amount of complementary assistance becomes US\$11 billion. If host countries took policy actions to allow full economic participation by refugees, the global cost could fall by nearly 75 percent to US\$5.7 billion.

As the cost for complementary assistance drops, the amount of participation savings rises to over US\$50 billion. These 'savings' by the international community could be used to incentivize and support fuller economic participation policies in refugee hosting countries by investing in economic opportunities for hosts and refugees alike.

5 This limitation underscores the need for improved data on refugee poverty, to enhance the robustness of these global cost estimates *and to anchor country-level discussions around responsibility-sharing.*

6 This exercise covers 72 low and middle-income countries that host 7,000 or more refugees under the UNHCR mandate. Estimates for the additional costs for delivering subsistence assistance to Palestinian refugees under the UNRWA mandate are included in Box 4.1.

Methodology

This section comprises three subsections. First, the focus is on defining a minimum standard of living for refugees which takes into consideration national differences in economic development. With a minimum standard defined, the next subsection discusses how the global benchmark cost of subsistence can be derived and its breakdown in host country contributions and the share to be covered through complementary assistance. The final subsection discusses how to account for administrative costs.

The International Poverty Line as minimum standard for subsistence needs

The point of departure for estimating the global cost of subsistence needs is the identification of an acceptable minimum standard of living that each refugee should attain in a given setting. A relevant question is how to define the amount needed for food, shelter, clothing, utilities, personal hygiene, and other critical expenses such as household contributions to the schooling of their children, or out of pocket payments for health care. And how to do this in a way that reflects differences in living standards between countries.

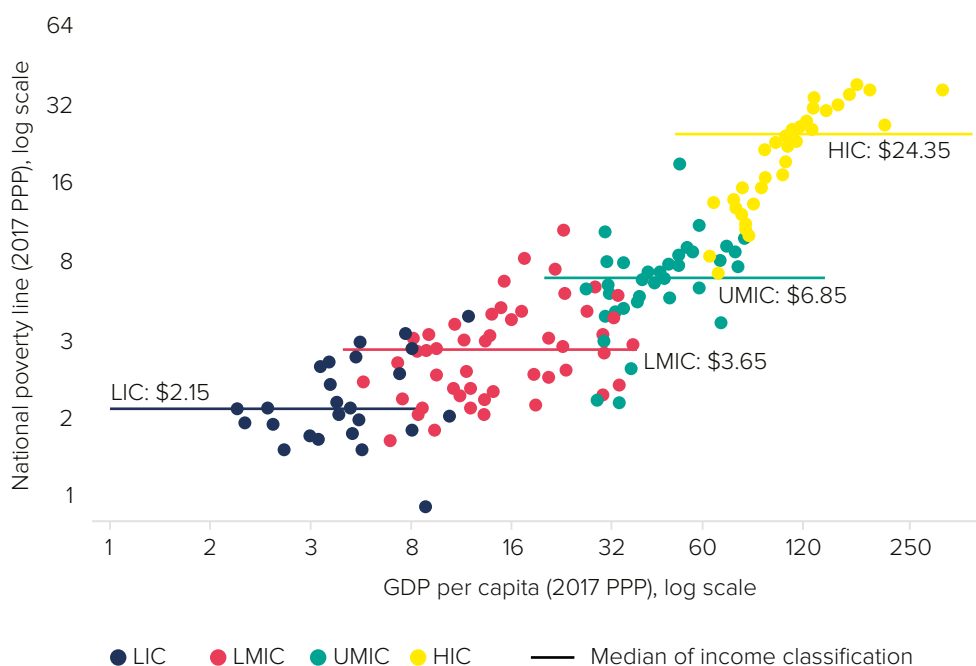
The necessity to identify a minimum acceptable standard is not unique to global refugee costing. Poverty measurement faced a similar challenge in the 1990s which it resolved by defining a 'poverty line'. Those consuming less than the poverty line are poor, those consuming more are non-poor. Poverty lines can be set in different ways, but typically they are anchored to nutritional requirements, a minimum caloric amount, and then complemented with the cost to satisfy non-food essentials (clothing, shelter, private expenditure on education and health, and so on). Poverty lines are derived using data from consumption surveys. As such they reflect actual consumption and the revealed preferences of households. Poverty lines are thus context-specific, reflecting that the consumption needs for achieving the minimum standard in a given society depends on what people generally consume in that society (Ravallion et al. 2008). The idea that the minimum standard of living varies by country is crucial in determining the global cost of subsistence for refugees, as it necessitates that these standards reflect the level of economic development in each country.

Global poverty measurement relies on the International Poverty Line (IPL) which is anchored to the national poverty lines of the world's poorest countries. The first international poverty line was presented in the World Development Report 1990: Poverty. It was based on research by Ravallion, Datt, and van de Walle (1991) and has since become the global standard. This first international poverty line was set a PPP\$ 1.02 per day per person and became known as the dollar-a-day poverty line.

Since the early 1990s the IPL has been updated with some regularity. The latest update was produced in 2022 following the release of the 2017 PPPs. In this iteration the IPL was defined as the median of the national poverty lines of 28 of the world's poorest countries and set

at PPP\$ 2.15 (Joliffe et al. 2022). SDG 1 uses it as benchmark for poverty eradication. With the 2017 PPP update came the recognition that the IPL may be too low to act as acceptable minimum standard of living for middle-income countries. Since that time international poverty measurement updates the IPL and publishes global poverty lines for lower-middle, upper-middle and even high-income countries (Figure 1).

Figure 1: Global poverty lines are anchored in national poverty lines expressed in PPP dollars



Source: Joliffe et al. 2022.

In this document the three global poverty lines of PPP\$ 2.15, PPP\$ 3.65 and PPP\$ 6.85 per person per day are used to estimate the global cost of subsistence needs. The global poverty line for high income countries is ignored as the focus is on refugee costing for low- and middle-income countries. All calculations convert these 2017 PPP dollars in current US dollars using an exchange rate of 1.23 current US dollars for every PPP dollar (January 2024).

Cost of subsistence needs, complementary assistance, and host country contribution

The benchmark cost of subsistence needs for refugees can be determined by multiplying the number of refugees in a country with the relevant poverty line for that country, and then scaled from a daily number (global poverty lines are per capita per day) to an annual number.

Subsistence needs can be financed from, broadly speaking, two sources: income earned by refugees (including any remittances they receive) and assistance provided to them. The amount of complementary assistance required per refugee in a given setting can be calculated by subtracting income earned from the relevant global poverty line. When this is summed over all

refugees, the total amount of complementary assistance required in each host country follows. The amount of complementary assistance thus equals the amount needed to top-up the income of refugees such that it brings them to the relevant global poverty line. Where refugee income is above the global poverty line, the amount of complementary assistance required is zero.

The cost of subsistence needs is graphically presented in Figure 2, which also indicates that if refugees earn no income at all, the amount of complementary assistance needed equals the benchmark cost of subsistence needs.

Figure 2: Benchmark cost of subsistence needs for a refugee and its breakdown in the host country contribution and complementary assistance

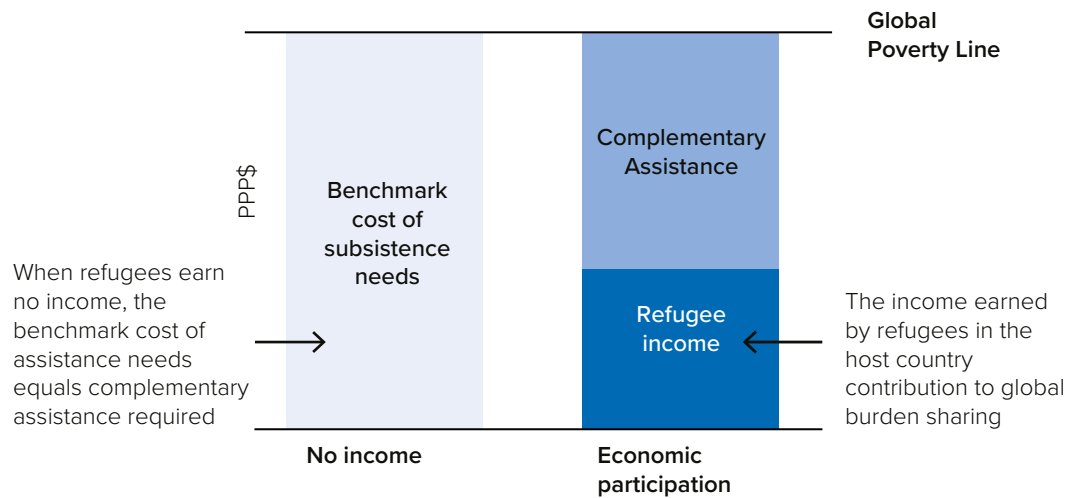


Figure 3: Refugee income and complementary assistance are communicating vessels

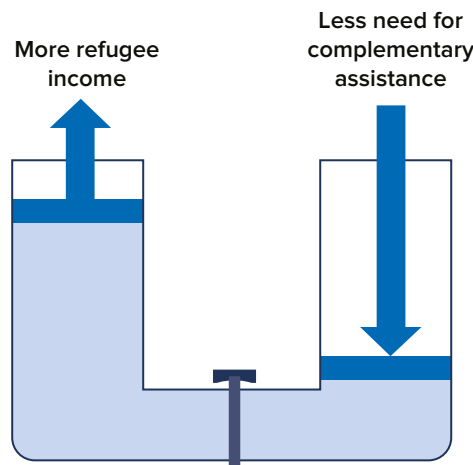


Figure 3 reflects the important concept that assistance and refugee income are communicating vessels. More refugee income reduces the need for complementary assistance and vice versa.

The difference between the income earned by poor refugees (excluding assistance) and the global poverty line can also be thought of as the shortfall in income from the poverty line. When

this difference is expressed relative to the global poverty line, it is called the (pre-assistance) income poverty gap. The cost of complementary assistance can also be derived by multiplying the benchmark cost of subsistence needs with the thus defined income poverty gap (see box 1).

Finally, the host country contribution comes in the form of cost savings to the amount of complementary assistance required. It is determined as the difference between the benchmark cost of subsistence needs and the amount of complementary assistance. Host country contributions do not represent actual costs to host governments but rather their contribution to reducing the amount of complementary assistance required to meet refugees' subsistence needs by allowing them to participate in their economies. Host country contribution can thus be thought of as 'participation savings'.

Box 1: Determining the cost of subsistence needs, complementary assistance, and the host country contribution (participation savings)

The benchmark cost of subsistence needs per refugee per day equals the global poverty line applicable to that country, z_c . For country c with R number of refugees, the benchmark cost of subsistence needs can then be presented as:

$$\text{Cost of Subsistence Needs (CSN)} = \sum_{i=1}^R (z_c) \quad (1)$$

which is equivalent to multiplying the number of refugees and the relevant poverty line: Rz_c .

The cost of subsistence needs can be financed from two sources: income earned by refugee i , y_i , and complementary assistance (Figure 2). If one takes into account the income earned by refugees, then the amount of complementary assistance needed per day can be expressed as:

$$\text{Complementary assistance} = \sum_{i=1}^H (z_c - y_i) \quad (2)$$

where H is the number of refugees that live under the global poverty line.

When the amount for complementary assistance is expressed as per refugee and the complementary assistance is expressed relative to the poverty line, then the formula for the income poverty gap follows:

$$\text{Income poverty gap} = \left(\frac{1}{R}\right) \sum_{i=1}^H \frac{(z_c - y_i)}{z_c} \quad (3)^7$$

The income poverty gap is a number between 0 and 1. It reflects the fraction of the poverty line needed on average to eliminate poverty. It follows that the cost of complementary assistance can be derived by multiplying the benchmark CSN (Rz) with the poverty gap. In the results section this approach is followed.

The host country contribution or participation savings, finally, is defined as:

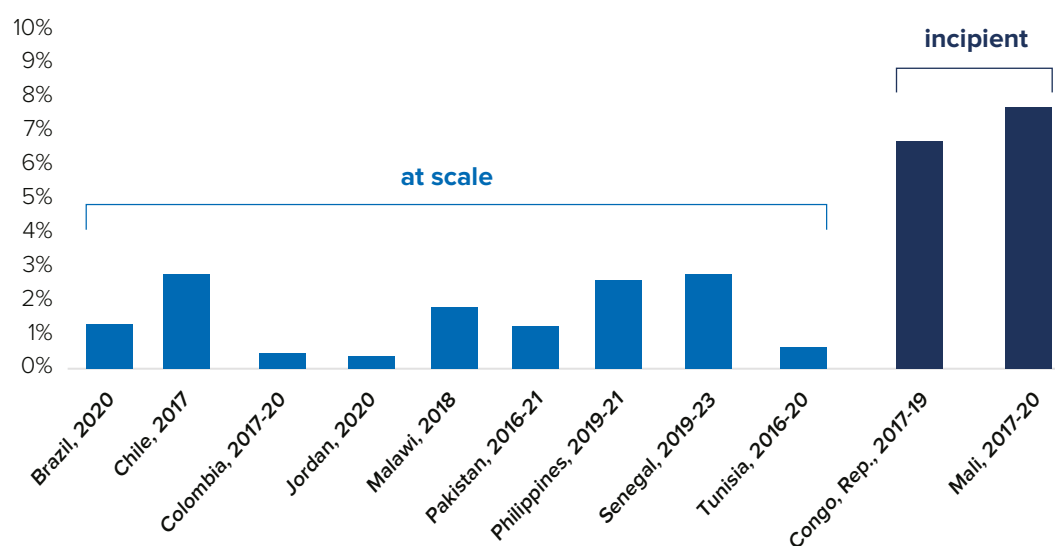
$$\text{Host country contribution} = \text{CSN} - \text{Complementary assistance} \quad (4).$$

7 See Foster, James; Joel Greer; Erik Thorbecke (1984).

Administrative costs

An administration coefficient is added to the cost of subsistence needs to support operational costs essential to delivering assistance through national systems. These costs can be significant as they cover program design, planning, and coordination; eligibility determination and recertification activities; information to clients, public relations, and appeals; payment of benefits; maintenance of beneficiary databases; and audits, monitoring, and evaluation. The precise costs depend on the characteristics of the program, but a markup of between 2 and 8 percent is realistic as illustrated in figure 4 (Tesliuc et al. 2014; Grosh et al. 2022). The lower estimate is more applicable to systems that draw on existing administrative data and the upper bound more suited for incipient systems built from scratch. Administrative costs are set at the upper bound of 8 percent in this report.

Figure 4: Ratio of the unit cost of a social registry versus the annual benefit of the largest program served



Source: Grosh, Margaret, Phillippe Leite, Matthew Wai-Poi, and Emil Tesliuc 2022.

Data

Data are obtained from a combination of international and national sources.

Refugee numbers are from UNHCR's Global Trends database as at the end of 2022. Refugees are defined in this report as those categorized by UNHCR as refugees, people in refugee-like situations, asylum-seekers, or other people in need of international protection.⁸ The report focuses on the cost of subsistence needs for refugees in LICs and MICs and includes 72 countries that collectively account for around 95 percent of all refugees in these countries. The share of refugees living in camp settings is also obtained from UNHCR's Global Trends database. Refugees residing in planned or managed camps, collective centers, self-settled camps, or reception or transit camps, are categorized as living in camp-settings, and the rest in non-camp settings.

The relevant global poverty lines are obtained from the World Bank and depend on the country's income classification as at the end of 2022. The global poverty lines for LICs, LMICs and UMICs are respectively PPP\$ 2.15, PPP\$ 3.65 and PPP\$ 6.85. Poverty gap estimates for host countries are obtained from the World Bank's Poverty and Inequality Platform (PIP). They are country-specific and use the applicable global poverty line.⁹ Country's income classification is based on World Bank data as per the end of 2022.

Table 1: Microdata sets used to estimate refugee income poverty gap

Country	Survey Name	Survey Year
Bangladesh	Cox's Bazar Panel Survey	2023
Chad	4th National Harmonized Survey on Households' Consumption and Informal Sector	2018
Colombia	Gran Encuesta Integrada de Hogares (GEIH) Survey ; Encuesta Pulso de la Migracion	2021
Costa Rica	Encuesta Nacional de Hogares (ENAHO)	2021
Ethiopia	Socioeconomic Survey of Refugees in Ethiopia (SESRE)	2023
Jordan	Vulnerability Assessment Framework (VAF) survey for refugees	2018

⁸ See UNHCR's definitions at [Refugee Data Finder](#).

⁹ Data on host country poverty gaps is missing for three countries – Afghanistan, Libya and Somalia.

Country	Survey Name	Survey Year
	Kalobeyi Socioeconomic Survey	2019
Kenya	Kakuma Socioeconomic Survey	2021
	Kenya Integrated Household Budget Survey	2016
Lebanon	Lebanon Vulnerability Assessment Panel (LVAP)	2022
Niger	Enquête Harmonisée sur le Conditions de Vie des Ménages (EHCVM)	2018
Palestine	Palestine Expenditure and Consumption Survey	2023
Uganda	Refugee and Host Communities Household Survey	2018

Income earned by refugees is derived from representative household survey data (refer to Box 2). Data sets which allow making such estimates are relatively few – a total of 11 were identified. Fortunately, their number is increasing rapidly, not in the least thanks to the efforts of the World Bank-UNHCR Joint Data Center on Forced Displacement. Future updates of this report should be able to draw on a larger set of country data.



Box 2: Measuring income for refugees through household surveys

The approach used to determine the global cost of subsistence needs outlined in this paper uses survey data to estimate income earned by refugees. Income is measured either directly, or indirectly by deducting assistance received from consumption.

Measuring income or consumption amongst refugees is a rapidly evolving field with specialist knowledge to address challenges unique to surveying forcibly displaced populations. Sampling refugees, for instance, requires special techniques especially when people move or when registers are not up-to-date or incomplete.¹⁰ Often UNHCR's registries are used as a sampling frame and when doing so one needs to account for the fact that UNHCR registers 'cases', people who have arrived together, who are different from 'households' as typically defined in surveys.

To account for language issues, refugee surveys are ideally administered by enumerators with similar language and cultural backgrounds as respondents. Survey respondents may have incentives to underreport their income or consumption, especially if they are aid-dependent and believe that their responses affect future aid allocation. Kaplan, Walsh and Pape (2018) show how a combination of nudges, (truth) primers and additional survey controls, can reduce this.

There are also conceptual challenges when measuring the income or consumption of refugees. Refugees, for instance, may live in camps where shelter and utilities are provided free of charge, making it hard to value these items. Hand-outs such as food should be recorded as income, but survey respondents often do not consider them as such. This apart from the fact that refugees may receive various forms of in-kind and cash assistance varying from household items such as blankets and kitchen items to food vouchers and cash assistance.

With well trained enumerators and adequately designed surveys these items can be captured adequately.

Income is difficult to estimate precisely through any household survey (Deaton 1997; Carletto 2022), particularly when much of it is earned informally, or through self-employment in for instance agriculture. Yet over time much experience has been gained in measuring income accurately and in Latin America there is now a tradition of using income approaches to the measurement of poverty. For Bangladesh, too, income measures are used. In most instances in this report, however, refugee income is approximated by deducting humanitarian assistance received from refugee consumption. For the latter to proxy income, one needs to assume that refugee (net) savings are negligible. Also note that any remittances received are included in the proxy measure for income.

The measurement of income and consumption of refugees using surveys continues to evolve and an increasing number of high-quality microdata sets is becoming available. These inform interventions, and, as in this report, are used to estimate country contributions to the global public good of hosting refugees and to identify the need for complementary assistance. Hosting countries thus have reason to close the 'refugee data gap'.

Specialized support to collect microdata on refugees or to embed refugees into national statistics can be obtained from by the International Expert Group on Refugee, IDP and Statelessness Statistics (EGRIS) as well as from the World Bank-UNHCR Joint Data Centre (JDC) whose mission is to improve the data infrastructure for refugees and other displaced persons.

Source: Adapted from Utz and Verme 2023.

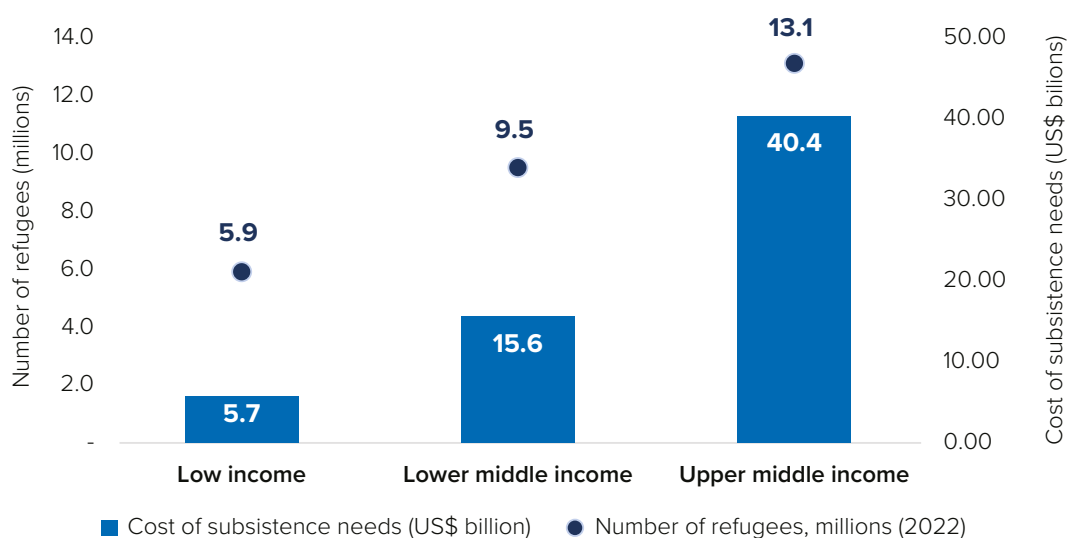
¹⁰ A discussion of different approaches for sampling displaced population and addressing other challenges associated with data collection in fragile country settings can be found in Hoogeveen and Pape (eds) 2020, especially part II on methodological innovations.

Results

Benchmark cost of subsistence needs

At the end of 2022, there were approximately 28.5 million refugees in LICs and MICs. Around 46 percent were in UMICs, a third in LMICs, and the rest in LICs. The annual cost of subsistence needs is estimated by multiplying the number of refugees in each income category by the relevant global poverty line. Thus, the benchmark cost of subsistence needs for refugees in LICs and MICs is estimated to be US\$61.6 billion, of which less than 10 percent is in LICs, 25 percent in LMICs and 65 percent in UMICs (Figure 5). This reflects not only the higher share of refugees hosted in MICs, but also the relatively higher minimum welfare standard in MICs compared to LICs.

Figure 5: Estimated annual benchmark cost of subsistence needs (US\$ billion)

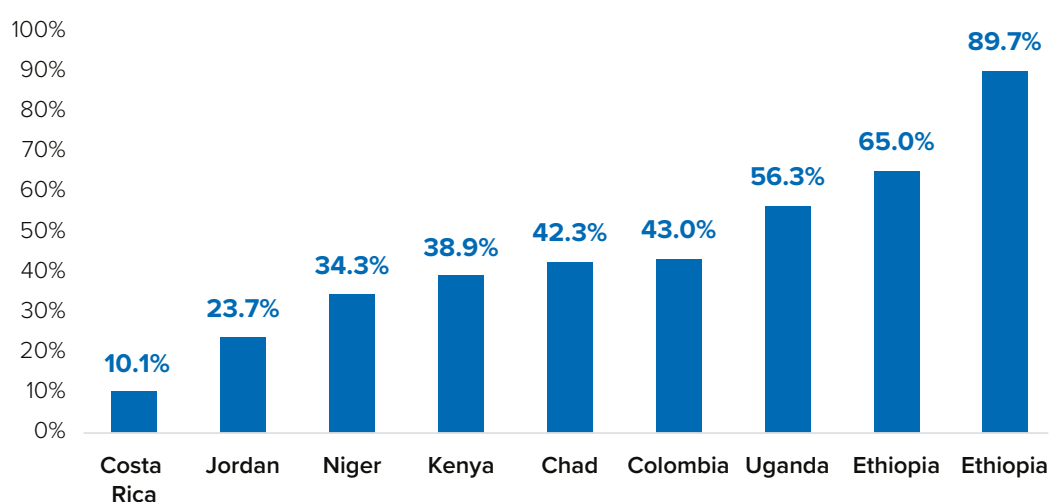


Estimating the need for complementary assistance

The benchmark cost of subsistence needs estimated above represents an upper bound because refugees are assumed to not be earning any income. In reality, refugees are economically active and do earn incomes, implying that the complementary assistance needed to take them to an accepted minimum welfare standard, like the global poverty line, is less. As was demonstrated in Section 2, the complementary assistance needed per refugee is measured by the income poverty gap. Figure 6 below shows these income poverty gaps among refugees for countries where microdata is available.

Usable primary data on refugee income poverty gaps is available for 9 countries¹¹, and assumptions have to be made to obtain results for all refugees (for countries for which point estimates exist, these are used). A straightforward way to extrapolate the refugee income poverty gap is to calculate the weighted average of the per capita poverty gap for refugees based on data from the 9 countries where it is available and scale it to the remaining countries. This results in an estimated refugee income poverty gap of nearly 50 percent and an estimated US\$32 billion in complementary assistance required.

Figure 6: Income poverty gap for refugees (as percentage of the applicable global poverty line)



However, using the weighted average of per capita poverty gap does not account for differences in host country economic participation policies, level of economic development and, by implication, refugees' socioeconomic characteristics. Therefore, an alternate approach is proposed in this paper which accounts for these differences by taking a regional approach. A regional approach recognizes that most refugees live in host countries neighboring their country of origin – countries in Latin America & the Caribbean host refugees in response to the Venezuelan crisis; those in Europe & Central Asia host Ukrainian refugees; those in the Middle East & North Africa region, including Türkiye, primarily host Syrian refugees; countries in South Asia and East Asia & Pacific host refugees in response to the Afghanistan and Rohingya crises; and countries in Sub-Saharan Africa host refugees in response to conflict and insurgency in

11 Palestine is treated separately because refugees in West Bank and Gaza fall under the responsibility of UNRWA (refer to box 4.1). While survey data for Lebanon is available from the 2022 Vulnerability Assessment Panel, there are large variations in refugee poverty gap estimates ranging from 0.6 percent using the LMIC poverty line (PPP\$ 3.65) and 7.2 percent using the UMIC poverty line (PPP\$ 6.85) to 45.8 percent using the national poverty line. As Lebanon became a LMIC in July 2022, the first estimate should apply, even though, since Lebanon only recently became a LMIC a case could be made for using the UMIC poverty line. Yet even the income poverty gap estimate derived for the UMIC line is very low, certainly in comparison to other countries in the region such as Jordan. Lebanon's low PPP conversion factor which leads to low poverty lines is behind this. For instance, the UMIC poverty line is only 38 percent of the national poverty line, whereas it is about 70 percent of the national poverty line in Jordan. Given this large uncertainty, data from Lebanon is excluded from further analysis until the PPP conversion factor issue has been resolved.

West Africa, Central Africa and the Great Lakes region, Sudan and the Horn of Africa. By taking a regional approach it is assumed that refugees within a given region have broadly comparable pre-displacement socioeconomic characteristics that affect their ability to earn an income.

Refugee income levels are affected by the host country's level of economic development. Refugees hosted in low-income countries whose livelihoods depend on primary occupations and who lost their land and livestock are likely to have a higher poverty gap than those hosted in middle-income countries whose income earning opportunities are more determined by (portable) human capital. Further, the international poverty line differs by country income group, such that for a given income poverty gap the amount required to reach minimum living standards in UMICs is higher than in LMICs and LICs. This implies that if the number of refugees is the same in a UMIC and LMIC, the cost of subsistence needs will be higher in the UMIC than in the LMIC.

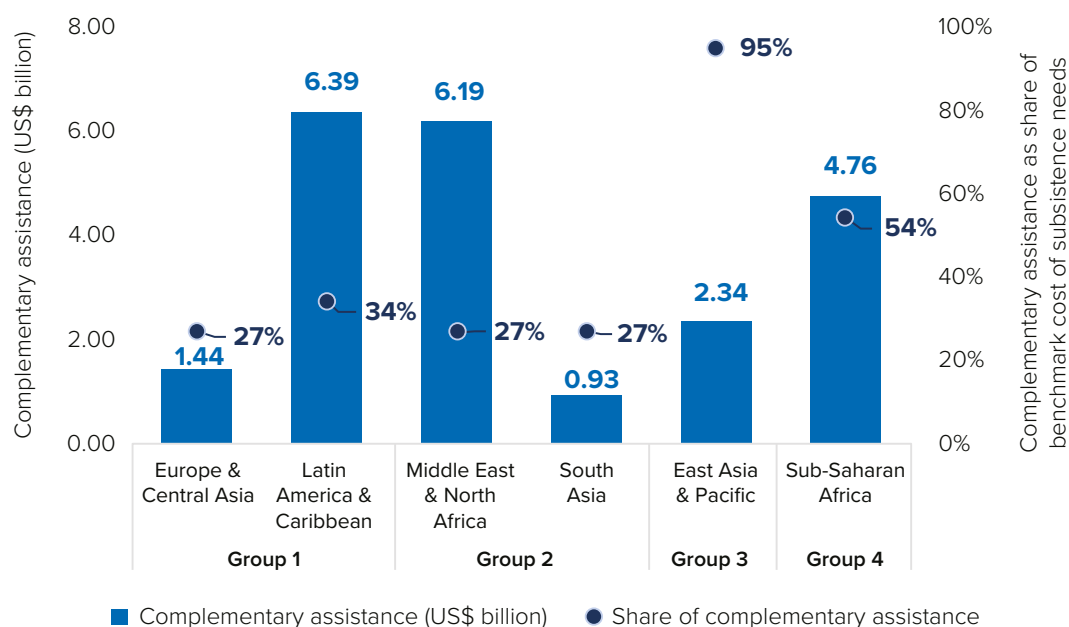
Table 2: Estimated refugee poverty gap by crisis and region

Group	Crisis	Region	Number of low-income host countries in region	Average de facto access to work score (out of 3, three reflecting good access)	Estimated refugee poverty gap	Justification
Group 1	Venezuelan and Central American crisis	Latin America & the Caribbean (LAC)	0	2.6	25%	Based on data from Costa Rica and Colombia
	Ukrainian crisis ¹²	Europe & Central Asia	0	2.8	25%	Similar regional characteristics as LAC
Group 2	Syrian crisis	Middle East & North Africa, including Türkiye	2	1.8	25%	Based on data from Jordan
	Afghan crisis	South Asia	1	1.4	25%	Similar regional characteristics as MENA
Group 3	Rohingya crisis	East Asia & Pacific, including Bangladesh	0	1.0	85%	Based on data from Bangladesh as well as similar restrictions on economic participation of refugees within the region
Group 4	Sudan; Western Africa; Central Africa and Great Lakes region; Horn of Africa	Sub-Saharan Africa	15	2.2	50%	Based on data from Uganda, Chad, Kenya, Ethiopia, and Niger. While access to work score is high, level of economic development in the region is relatively low

12 This analysis is limited to Ukrainian refugees hosted in middle-income countries and does not include those hosted in high-income countries.

Refugee income earning opportunities depend on the ability to work in their host country. Data on refugees' de facto access to work is obtained from the UNHCR's Global Survey on Livelihoods and Economic Inclusion (UNHCR 2023), allowing countries to be divided into three groups.¹³ Those where (1) refugees have access to work with no significant restrictions; (2) refugees have access to work with some restrictions; or (3) refugees have limited or no access to work. These groupings are found to largely overlap with geographical location. With some exceptions, countries in Latin America & the Caribbean and Europe & Central Asia fall in the first category; countries in the Middle East & North Africa (including Türkiye), Sub-Saharan Africa and South Asia fall in the secondary category; and countries in East Asia & Pacific (including Bangladesh) fall in the third category.

Figure 7: Annual complementary assistance required by group and region



Taking these factors into consideration, and informed by the data in Figure 7, the average refugee income poverty gap is set at 25 percent for countries in Latin America & the Caribbean and Europe & Central Asia; at 25 percent for countries in the Middle East & North Africa (including Türkiye) and South Asia; at 85 percent for countries South Asia (including Bangladesh); and at 50 percent for countries in Sub-Saharan Africa (Table 2). When income or consumption surveys allow for the estimation of refugee poverty gap, survey data is used. Where this data is unavailable, regional estimates as described above are used. These estimates are likely to become more accurate as more host countries include refugees in national poverty surveys.

13 The survey covers 132 countries and is largely qualitative. Data on refugees' access to work was unavailable for four out of the 72 countries in this report – Papua New Guinea, Senegal, Togo, and Uzbekistan.

Following this regional approach, the weighted refugee income gap is 36 percent and the total complementary assistance required is estimated to be US\$20 billion (36 percent of the benchmark cost of subsistence needs). It illustrates the important burden-sharing role of economic participation by refugees which ‘saves’ about two-thirds (64 percent) of the benchmark costs. A mark-up of 8 percent is added to this figure to account for administrative costs necessary for delivering social assistance to refugees, bringing the total complementary assistance required up to US\$22 billion.

The amount of complementary assistance required to bring refugees to the global poverty line is highest in the Latin America & Caribbean region, in response to the Venezuelan crisis, amounting to US\$6.4 billion, and in the Middle East & North Africa region, including Türkiye, in response to the Syrian crisis, amounting to US\$6.2 billion. These crises combined account for nearly 57 percent of the total complementary assistance required. This reflects the relatively high number of refugees hosted in these regions as well as the higher relative minimum welfare standard as most host countries in these regions are MICs. In the Sub-Saharan African region, complementary assistance required is US\$4.8 billion, accounting for another 22 percent of the total complementary assistance required. The share of complementary assistance required to bring refugees to the global poverty line is highest in Bangladesh reflecting the limited opportunities of Rohingya refugees to earn an income.



Box 3: The cost of subsistence needs and complementary assistance for Palestinian refugees

In West Bank and Gaza live approximately 2.6 million refugees. These refugees have a special status and do not fall under the remit of UNHCR. For this reason, they are discussed separately.

The 2023 Palestine Household Expenditure and Consumption Survey (PECS) was completed before Hamas' attack on October 7th 2023. It estimates the refugee income poverty gap for those residing in West Bank and Gaza at 1.7 percent and 23.5 percent, respectively. Based on these estimates, the annual benchmark cost of subsistence needs for Palestinian refugees is US\$7.9 billion, of which approximately US\$1.4 billion is required in complementary assistance to bring all refugees to the global poverty line.

Since the start of the conflict, the ability of people in West Bank and Gaza to earn an income has changed dramatically. In addition to the massive loss of lives, there is acute food insecurity and an impending famine. The destruction of vital infrastructure, including agricultural land, factories, and commercial establishments, and restriction on movement, have led to massive loss of livelihoods and

widespread unemployment. Moreover, the psychological toll of living in a conflict zone will impede Palestinians' capacity to earn a living. The war will likely result in a significant drop in overall human development owing to diminished educational attainment and access to healthcare, undernourishment, lower life expectancy and a decline in per capita income. Economic impacts are likely to diminish the already limited fiscal space reducing the efficiency and coverage of existing social protection programs and leaving an increasingly vulnerable population without adequate support to cope in the aftermath of the conflict (UNDP 2023).

The table below presents three scenarios: low impact, where the poverty gap increases by 50 percent; medium impact, where the poverty gap doubles; and high impact, where the poverty gap in Gaza increases to 80 percent and that in West Bank increases to 10 percent. These scenarios demonstrate that as a result of the war, the cost of bringing all Palestinian refugees to the international poverty line will increase from US\$1.4 billion to anywhere between US\$2.1 billion to US\$4.8 billion per year.

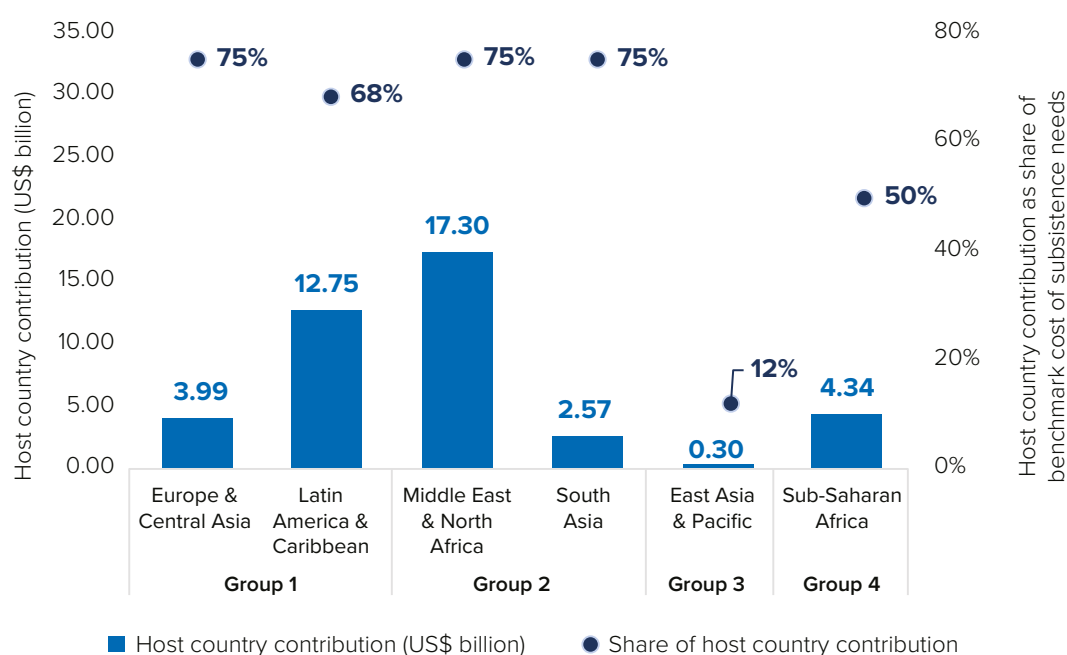
	Refugee income poverty gap	Complementary assistance (US\$ billions)
Pre-war	Gaza: 23.5% West Bank: 1.7%	1.4
Low impact	Gaza: 35.3% West Bank: 2.5%	2.1
Medium impact	Gaza: 47.1% West Bank: 3.4%	2.8
High impact	Gaza: 80.0% West Bank: 10.0%	4.8

Host country contributions

As seen above, the cost of assistance to meet refugee subsistence needs depends on the economic participation policies of the host country. When refugees do not participate economically as in the benchmark calculations, the costs for assistance are highest. When refugees work but are somehow restricted, the need for complementary assistance is less but more than it would be in a situation where refugees are fully participating in the economy.

Host country contributions to responsibility-sharing are thus made in the form of economic participation policies that allow refugees to earn an income. This contribution is referred to as *participation savings*. These host country contributions do not represent actual costs to host governments, but reflect the amount saved on complementary assistance for subsistence needs. The total host country contribution in terms of savings is estimated at US\$41 billion, or nearly 67 percent of the benchmark cost of subsistence needs after accounting for administrative costs. This indicates that host countries contribute the lion's share towards burden-sharing.

Figure 8: Host country contribution to the benchmark costs of subsistence needs by group and region



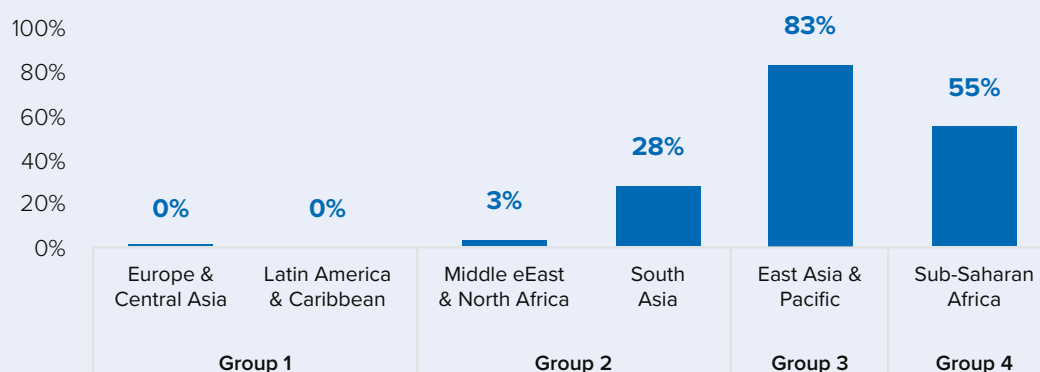
For countries in Group 1, where host country policies allow for the greatest refugee economic participation, host country contributions or participation savings account for 68 to 75 percent of the benchmark cost of subsistence needs. Similarly, for Group 2 countries where economic policies are less inclusive, but the cost of meeting minimum living standards is lower, this share is 75 percent. It falls to around 12 percent for countries in East Asia & Pacific in Group 3 where countries have limited or no economic participation of refugees and to 50 percent in Group 4 in Sub-Saharan Africa where economic development levels are relatively low.

Box 4: Encampment limits economic participation and increases the need for complementary assistance

Encampment tends to be far more prevalent in LICs and LMICs than in UMICs. Over half (52 percent) of encamped refugees are in

LICs and another 43 percent in LMICs. Only 5 percent of encamped refugees are in UMICs.

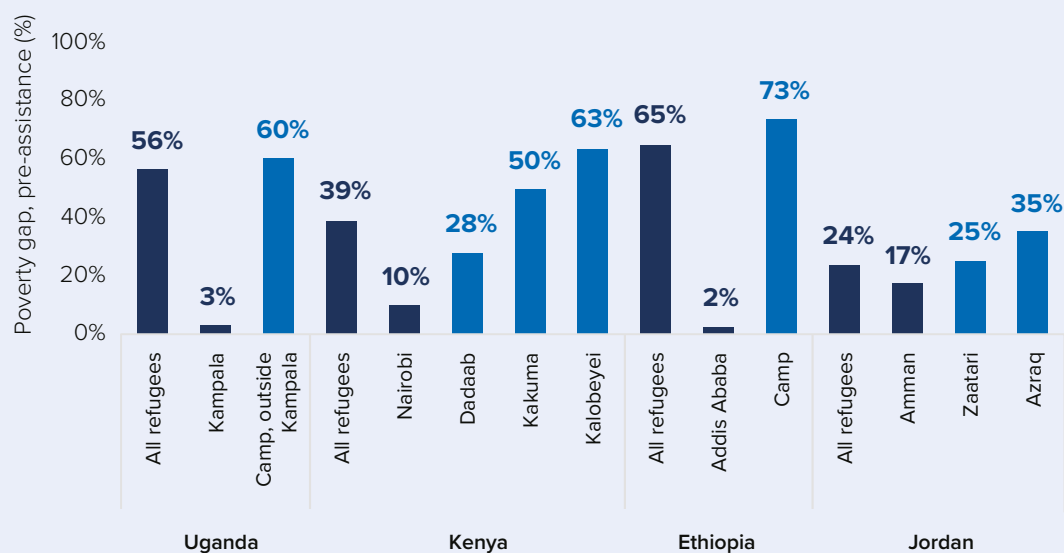
Figure 9: Share of refugees living in camp-settings by group



Refugees residing in camp-settings tend to earn less than those living elsewhere. In Uganda, refugees living in camp-settings have a far larger (pre-assistance) income poverty gap (60 percent) than refugees living in Kampala (3 percent). Similarly in Kenya the income poverty gap among refugees in Nairobi is around 10 percent compared to between 28 percent and 63 percent in camp-settings. In Ethiopia, the poverty gap for refugees in Addis Ababa is only 2 percent

compared to 73 percent for those residing in camps. Likewise, in Jordan, the poverty gap for refugees in Amman is only 17 percent compared to between 25 percent and 35 percent for refugees in camp-settings. There is also significant variation in income poverty gap between camps as evident in Kenya and Jordan, with refugees living in camps in more remote areas earning less income and having larger income poverty gaps.

Figure 10: Refugee income poverty gap by location



These in-country variations in refugee income poverty gaps highlight the potential and the importance of freedom of movement. For instance, if refugees in Ethiopia were to move outside camps and had similar levels of income as those in Addis Ababa, the amount of complementary assistance required annually would fall by nearly US\$600 million to around US\$18 million. If refugees in Kenya moved to Nairobi, the amount of annual

complementary assistance required would fall from US\$395 million to US\$100 million. Even if freedom of movement restrictions were only partially lifted and refugees in camps in isolated regions could move to camps closer to Nairobi (using the average income poverty gap from Dadaab), the amount of complementary assistance would fall by over US\$100 million annually.

Robustness checks

The estimates for complementary assistance and host country contributions are based on extrapolations which assume perfect targeting and, post transfers, no poverty amongst refugees. This section considers alternative scenarios, by allowing poverty amongst refugees to be at par with that amongst hosts, and testing the robustness of the results for different levels of refugee encampment and economic participation. Results show that the annual benchmark cost of subsistence needs lies between US\$56 billion and US\$62 billion, and the annual amount needed in complementary assistance ranges from US\$16 billion and US\$24 billion.

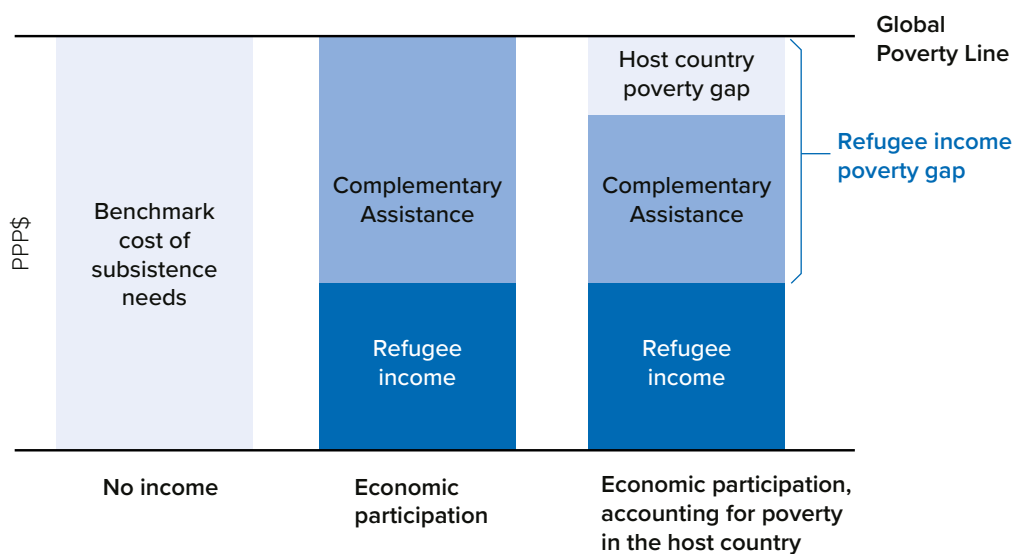
ADJUSTING FOR HOST COUNTRY POVERTY

If all refugees receive the complementary assistance needed to bring their income up to the poverty line, and assistance is perfectly targeted, then poverty amongst refugees is zero. Amongst hosts by contrast, poverty is typically non-zero, so that the introduction of complementary assistance would make refugees better off than their hosts. This may not be acceptable for many hosting countries.

In practice the assumption of perfectly targeting assistance to refugees is not very realistic. Even the most advanced social protection systems provide assistance to ineligible beneficiaries (mistargeting), or provide beneficiaries with more in assistance than they should (waste). As inefficiencies will occur when refugee transfer systems are implemented, and as these inefficiencies imply that some refugees end up in poverty as there will not be sufficient resources to bring all refugees to the poverty line, the notion that there will be less poverty amongst refugees than amongst hosts seems less grounded.

Nevertheless, it is feasible to estimate the cost of subsistence needs such that the income shortfall of hosts and refugees is the same, ensuring that both groups are equally well-off.

Figure 11: The amount of complementary assistance needed reduces when poor refugees are on average as well off as poor hosts

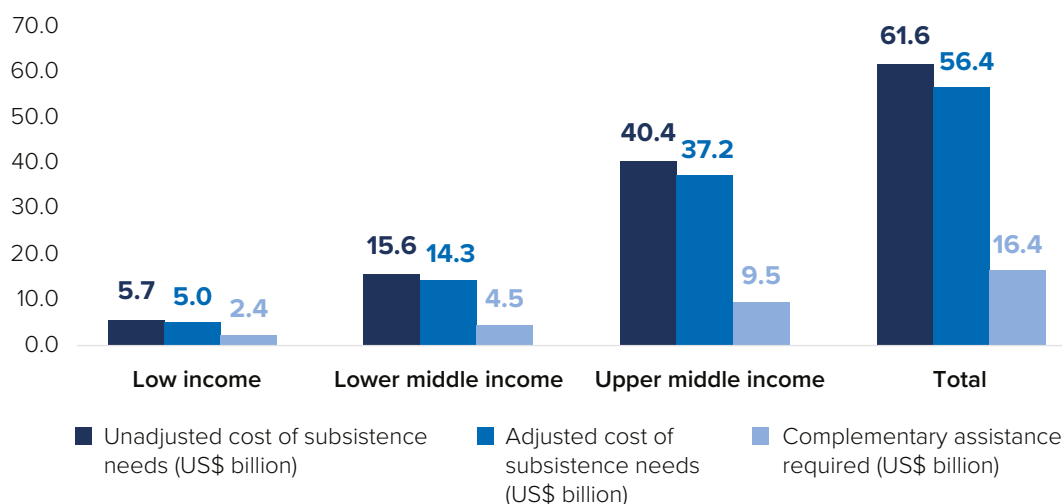


Operationalizing this concept is straightforward, because rather than complementary assistance being the difference between the global poverty line and the income of poor refugees (i.e. complementary assistance equals the refugee (pre-assistance) income poverty gap), complementary assistance is the difference between the global poverty line and refugee income plus the host country poverty gap. This is illustrated in Figure 11.

The World Bank publishes the poverty gap index measured at the global poverty lines regularly in its Poverty and Inequality Platform. With this in hand, it is straightforward to calculate the cost of complementary assistance that ensures refugees are on average as well off as their hosts, by deducting the host poverty gap from the international poverty line. For instance, if the poverty gap index for a low-income country is 15 percent or 0.15 then the complementary assistance can be calculated using an adjusted poverty line of $0.85 * \$2.15 = \1.83 . Multiplying this adjusted global poverty line by the number of refugees gives an adjusted benchmark cost of subsistence, where refugees are no better and no worse off than hosts.

Applying this calculation to all host countries, the total adjusted annual benchmark cost of subsistence for refugees falls by about 10 percent from US\$62 billion to US\$56 billion. The amount of complementary assistance (including 8 percent for administrative costs) required to bring all refugees to the adjusted international poverty line falls accordingly from US\$22 billion to approximately US\$16 billion. In other words, adjusting for host country poverty reduces the amount of complementary assistance required by around 24 percent.

Figure 12: The cost of subsistence needs measured at the adjusted international poverty line

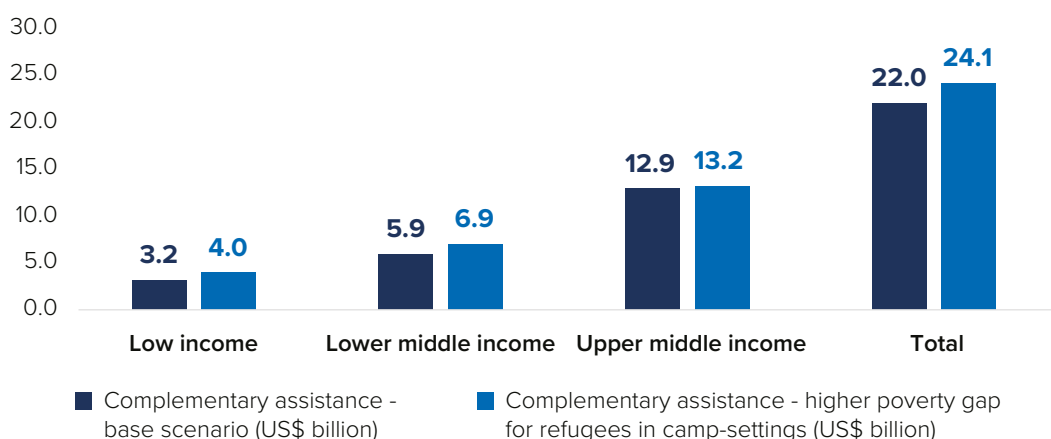


ACCOUNTING FOR HUMANITARIAN JOBS FOR ENCAMPED REFUGEES

As seen in Box 4, encampment is associated with lower economic participation among refugees with higher poverty gaps as a result. Moreover, many jobs in camp-settings are provided by international organizations and NGOs, implying that a large share of refugee income in camp-settings originates as humanitarian aid. Betts et. al (2019) find that while refugees in Kakuma Camp (Kenya) have higher rates of employment than those in Nakivale (Uganda), many of those jobs are provided by international organizations and NGOs. In Kakuma, over 80 percent of employed Congolese and 40 percent of employed Somalis are employed by international organizations or NGOs, compared to less than 5 percent of Congolese and Somalis in Nakivale. This within-camp job market is financed with humanitarian aid.

Taking this into consideration, this scenario assumes that half of the income of refugees in camp-settings is funded by international organizations or NGOs. It is accordingly counted as complementary assistance. The total annual benchmark cost of subsistence for refugees remains the same at US\$62 billion. However, the amount of complementary assistance required to bring all refugees to the international poverty line increases from US\$22 billion to approximately US\$24 billion.

Figure 13: Complementary assistance adjusting for share of refugees in camp-settings



Box 5: Factors driving refugee income in Uganda and Chad

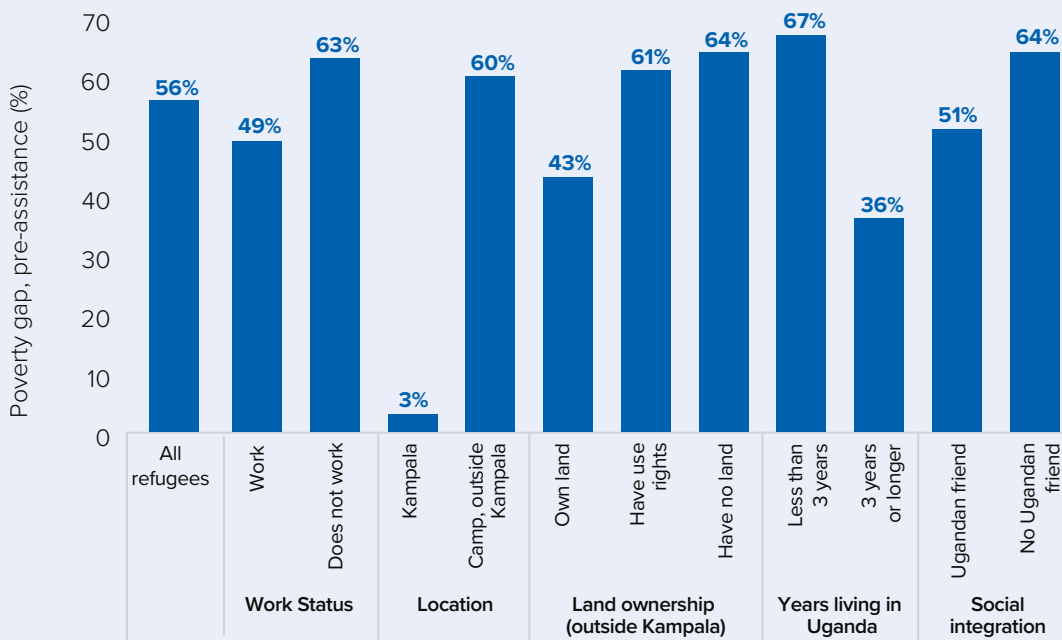
Papers on refugee economic participation in Uganda and Chad provide insights into the factors critical to the ability of refugees to earn an income.

Regression analysis to explain the income poverty gap of refugees living in camps in rural Uganda shows that owning land is associated with higher incomes. Also, those who have stay in Uganda for three or more years, those who are social integrated (proxied by whether refugees' children have a Ugandan friend), and households with a

better educated household head, have smaller income poverty gaps.

Given the global attention paid to Uganda's model of refugee economic inclusion which provides refugees access to land to cultivate, the reduction in the income gap that can be ascribed to land ownership seems small. An explanation for this is that refugees in Uganda have access to relatively small plots of land. This is almost inevitable in camp settings as the land available within walking distance is simply too little to offer everybody a decently sized plot.

Figure 14: The refugee income poverty gap in Uganda, and its correlates



A paper on economic participation by refugees living in camps in Chad sheds further light on this. When considering factors that contribute to greater economic participation, the authors find no evidence that access to land or the ownership of livestock increases the income of poor refugees (reduces the pre-assistance income poverty gap). Only human capital as well as social relations with

hosts contribute significantly to increase the earnings of refugees. Yet a scenario analysis that matches Sudanese refugees to their hosts shows that if refugees were given comparable access to land and other productive assets as their hosts, then the income poverty gap would reduce considerably.

The authors explain this by pointing to the limited economic opportunities available. Camps in Chad are located in remote areas where even Chadian hosts have difficulty to eke out a living (poverty amongst hosts is 70 percent). Moreover, despite living rural areas access to land is a challenge. Whereas 90 percent of the members of host communities own at least one plot of land, the share among Sudanese refugees is only 4 percent. Even among these lucky few, the plots are significantly smaller. As a consequence, only 50 percent of refugees engage in farming, and of those who do, 90 percent rent their plot of land, thus foregoing an important part of the profits associated with agriculture.

Lacking opportunities in agriculture, Sudanese refugees engage in other sources of employment, notably wage labor. About 40 percent of Sudanese refugees work for a daily wage, compared with 15 percent of residents in host communities. Yet the average hourly wage for Sudanese refugees is about half that in host communities, mostly because refugees can only access casual low-skill occupations that pay the worst wages.

Together these papers suggest that for refugees in rural areas asset ownership and access to markets are critical for successful economic participation. Yet, considering that land provision is often contentious for social and political reasons, complementary approaches to raise refugee income in rural environments will need to be explored as well.

Source: Atamanov et al. 2023; Coulibaly et al. 2024.



Increased economic participation of refugees

When refugees participate more actively in the host country economy, their incomes increase which in turn reduces the need for complementary assistance to meet their subsistence needs. This section explores how much the need for complementary assistance would decline under two scenarios. First an upper bound is explored, by assuming ambitiously that all refugees participate in host country economies as if they are locals. This is the full participation scenario. In addition, a less extreme, more gradualist scenario is presented in which refugees are allowed to earn 15 to 25 percent more than they presently do resulting in refugees' income poverty gap falling by 30 percent and 50 percent. In these scenarios of full or strengthened economic participation, it is important to consider that economic inclusion does not occur in a vacuum. Investments will be necessary in the economic development of host countries, job creation, and crowding-in of private sector investments, coupled with support to refugees' human capital, skills, and productive physical assets.

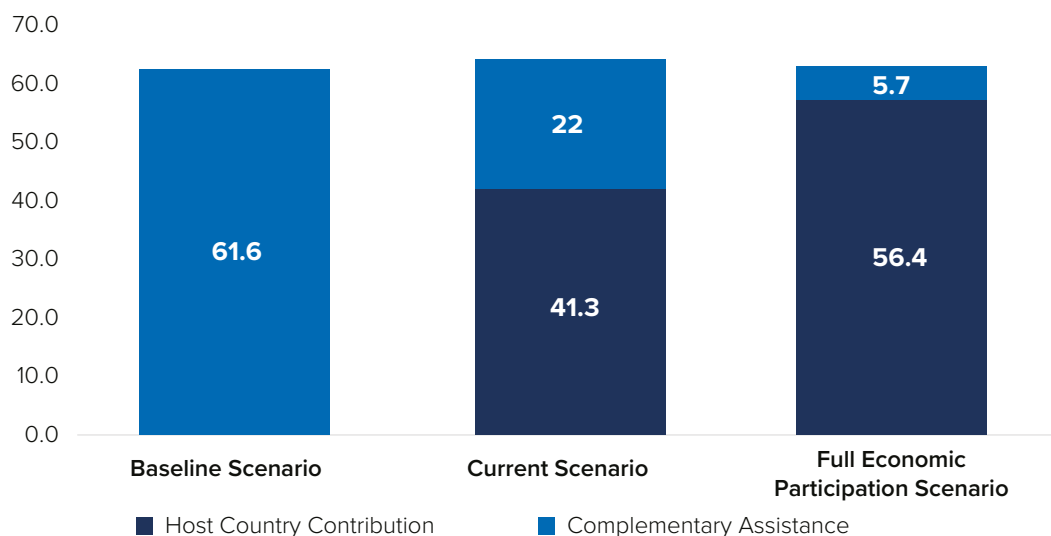
Complementary assistance under full economic participation

Full economic participation implies that refugees are as economically active as their hosts. By using the host income poverty gap to approximate what the refugee income poverty gap could be under a full participation scenario, one can estimate the amount of complementary subsistence assistance needed in this situation. This is reflected in Figure 15. It shows that if refugee economic participation is at par with that of their hosts, the income earned by refugees increases from US\$41.2 billion to US\$56.4 billion.

The benchmark cost, where refugees do not participate in labor markets remains unchanged and cost for refugee subsistence assistance remains at US\$62 billion. Yet the cost for refugee assistance falls from US\$22 billion to US\$5.7 billion, including administrative costs.

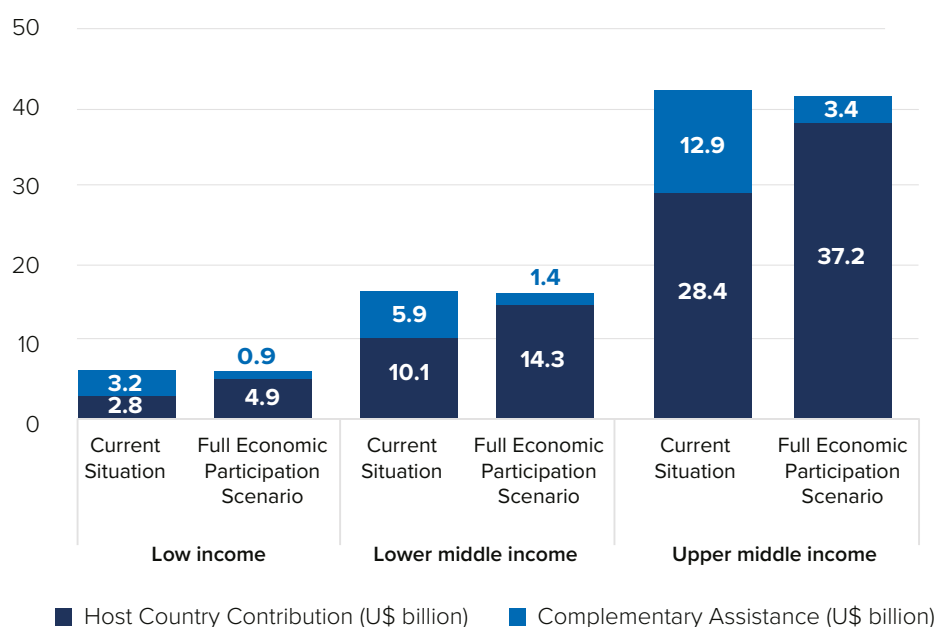
Allowing refugees to have full economic participation would thus lead to annual savings on complementary assistance of US\$16 billion. In other words, the cost of restrictive policies on refugee economic participation is US\$16 billion per year. Policy changes supporting full socioeconomic inclusion that allow for complete economic participation for refugees lower the amount of complementary assistance required in LICs, LMICs and UMICs by around 75 percent.

Figure 15: Costs for refugee subsistence under various economic participation scenarios



Note: Complementary assistance in the current scenario and the full economic participation scenario includes the additional administrative costs, resulting in total figures higher than the total benchmark cost in the baseline scenario.

Figure 16: Costs for refugee assistance by income group and participation scenario



These full participation estimates need to be interpreted carefully. For instance, when benchmarking to the host poverty gap, income implicitly includes any social assistance received by the host population, which under this scenario would have to be extended to refugees and borne through complementary assistance.¹⁴ In addition, there are many reasons why under a full participation scenario, refugee income gaps will be different from those of hosts. For instance, the human capital (education, professional experience) and personal characteristics (age, gender, disability) of refugees may differ from the host population. Even if there are no differences in this respect, refugees may have fewer physical assets which hinder their productive capacity. And finally, even when there exist no differences in these respects, refugees may be treated unequally, and earn less than someone from the host country for the same effort.

In all likelihood, only in the best of circumstances is it likely that refugees attain a poverty gap comparable to that of hosts. Yet at times differences are remarkably small. In the data used for this report, the difference in income poverty gap between refugees and hosts in Nairobi is negligible (9.8 percent versus 9.4 percent for hosts); in Costa Rica the income poverty gap is 6.6 percent for hosts and 10.1 percent for refugees and in Addis Ababa the income poverty gap of refugees is smaller (2.1 percent) than that of their hosts (3.9 percent).

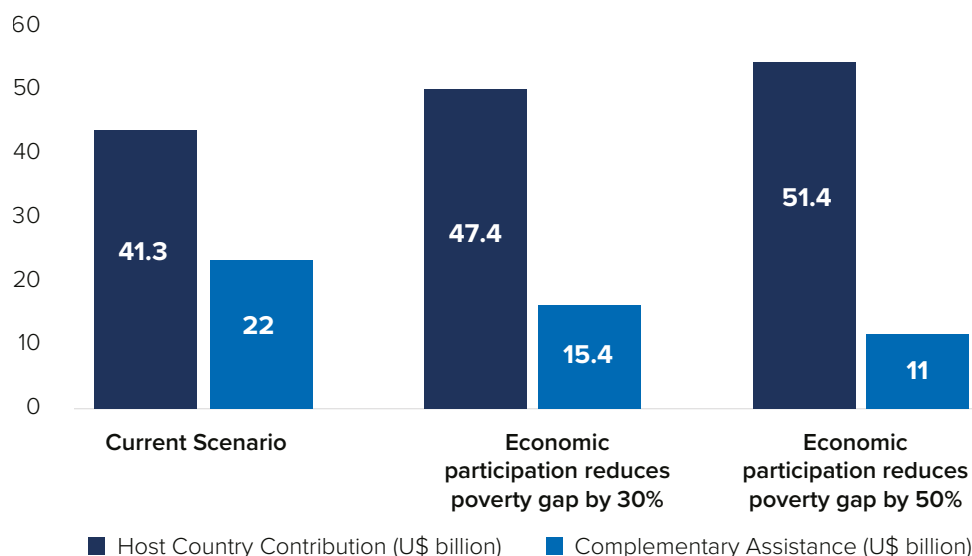
Complementary assistance with strengthened economic participation

The full participation scenario presents an interesting case, but may not be very realistic in the short run. But what if poor refugees are given more opportunities to earn an income? What if labor market restrictions were eased somewhat and refugees would be allowed to earn an additional 15 to 25 percent of income?

In this scenario, it is assumed that easing economic participation restrictions results in refugees' income poverty gap falling by 30 percent and 50 percent. In the former case, the income earned by refugees increases from US\$41.2 billion to US\$47.4 billion (a 15 percent increase) and subsequently, the amount of complementary assistance required falls by US\$6.6 billion. In the case where refugees' income poverty gap falls by 50 percent, refugee earning increase to US\$51.4 billion (a 25 percent increase) and the amount of complementary assistance required is only US\$11 billion.

14 ASPIRE (2024) is the World Bank's premier compilation of Social Protection and Labor (SPL) indicators gathered from administrative program-level data and nationally representative household surveys to analyze the scope and performance of SPL programs. Its data can be used to approximate how much social assistance refugees might receive under this scenario. ASPIRE estimates that the poorest 20 percent in low, lower-middle and upper-middle income countries receive respectively 13.9, 12.6 and 22.8 percent of their welfare (consumption) in the form of assistance. Using these numbers, and assuming that even with full participation policies the fraction of poor refugees would be 40 percent in low and lower-middle income countries and 20 percent in upper middle income countries (based on the World Bank's estimates of global poverty), then an estimated US\$ 3.4 billion a year would be needed for social assistance to refugees.

Figure 17: Costs for refugee subsistence following increased economic participation



Financing complementary assistance

The annual cost of subsistence needs is estimated at US\$62 billion. Of this, nearly 67 percent is contributed by host countries in the form of savings on the cost of complementary assistance required to bring all refugees to the relevant global poverty line. The remaining 33 percent, or US\$22 billion, including administrative costs, is required in complementary assistance. In 2021, the total volume of official development assistance (ODA) for refugee situations in LICs and MICs amounted to US\$12.7 billion (OECD 2023). This financing is expected to cover not only subsistence needs but also education, health, and other expenses. Further, the amount of ODA for refugee situations has been relatively stagnant or even falling in recent years (it was US\$13.7 billion in 2020), while the number of refugees has been consistently increasing. It is thus unrealistic to assume that ODA alone can finance the costs of refugee assistance. An increase in the volume of ODA is critical but should be combined with greater efficiency of spending and embracing more sustainable responses.

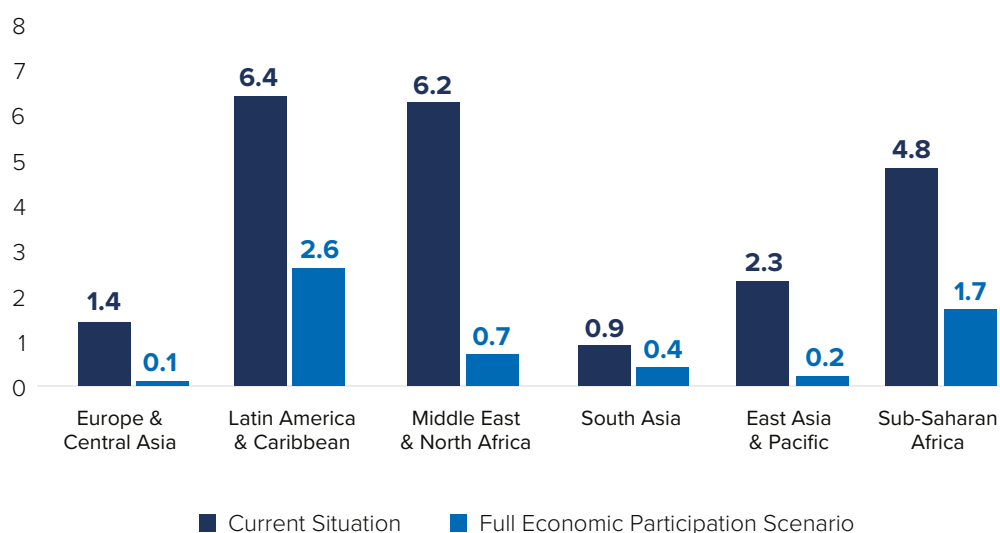
The costs of complementary assistance can potentially be financed in two ways: (1) host country financial contributions; and (2) international assistance or donor financing. The cost of subsistence needs for refugees hosted in high-income countries does not feature in this report as it is expected that host countries cover it. In addition, the need for complementary assistance can be reduced increased economic participation by refugees.

In low-income countries, where host government finances are already stretched, it is expected that donor financing will fully cover the cost of complementary assistance. But host governments can contribute as well by easing restrictions on refugee’s economic participation. Doing so could potentially lower the annual costs of complementary assistance from US\$3.2 billion to US\$850 million. Thus, a combination of policy actions and international assistance offers a more sustainable and cost-effective response.

In middle-income countries, it is unclear what share of the costs of complementary assistance should be covered by host governments and what share by the international community. It will be context-specific and depend largely on the host country's level of economic development, number of refugees, share of refugees in the population, and political commitment to refugee inclusion. A critical next step will be for the international community and host countries, particularly MICs, to engage on the degree of responsibility-sharing.

Taking a regional approach, more inclusive economic policies in the Middle East and Africa region (including Türkiye) in response to the Syrian crisis, can reduce the costs of refugee assistance from US\$6.2 billion to US\$700 million per year. Similarly, increased economic participation in Sub-Saharan Africa can reduce the costs of refugee assistance from US\$4.8 billion to US\$1.7 billion. Host countries in Latin America and the Caribbean already have a conducive policy environment for refugee economic participation and more economic development is needed to lower the income poverty gaps for hosts as well as refugees.

Figure 18: Costs for refugee subsistence by region and participation scenario

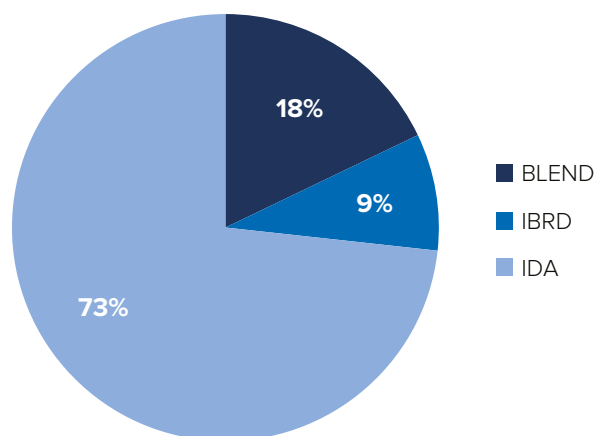


Policies to strengthen refugees' economic participation go beyond labor market policies. As seen in Box 4.2, residing in camp-settings and in remote locations is associated with higher refugee income poverty gaps and fewer economic opportunities. By contrast, refugees living in capital cities tend to have much smaller income poverty gaps. Gradually transitioning away from encampment policies and allowing refugees to move more freely will bolster their ability to earn an income without significant restrictions. Further, over 90 percent of refugees living in camp-settings are in IDA or IDA-Blend countries (Figure 19). In these countries, developmental financing can be leveraged to promote economic inclusion and invest in jobs for refugees as well as hosts.

Further, the impact of these policy actions can be strengthened by supporting investments in refugees' human capital, skills, and productive physical assets. The latter is particularly important among refugee groups that are traditionally farmers or pastoralists. Rebuilding

refugee assets will require short term investments in land, livestock, and productive tools. How to finance such investments, and whether to pass on the cost of these investments to refugees by offering access to credit, or by offering assets on a lease basis, needs to be explored.

Figure 19: Encamped refugees by host country lending category



Investing in participation savings

Refugees are generally understood to have a net positive impact on host economies as they raise demand and contribute their labor and skills.¹⁵ Yet certain groups within the host population may benefit less than others, and some may experience losses. For instance, employers may profit from cheap labor, and landlords from greater housing demand. But less-skilled nationals may face additional competition in the job market and experience downward pressure on their wages, and refugees may compete with locals for low-cost housing or land to cultivate.

When considering the distributional consequences of policy changes like enhancing refugee economic participation, economists often use the concept of pareto efficiency, with which they mean that if the winners would compensate the losers and still be better off, then a proposed reform is a 'pareto improvement' and worth pursuing. In practice winners often do not compensate losers, and even the most advanced state will find it hard to tax the windfall of winners and to effectively compensate losers. Aiming for pareto improvements is a theoretical construct and leaders who have to decide about whether to enhance the economic participation of refugees, will be less swayed by any positive impacts and be mostly concerned with minimizing negative spillovers.

So, when the discussion on burden-sharing touches on enhancing the economic participation of refugees, national leaders will want to know what the possible negative spillovers might be for access to land or for competition in the housing or labor market. These concerns will be situation specific. The impact on competition in the labor market may be negligible if the economy is dynamic and growing. This is presently the situation in Europe where many

¹⁵ See Verme and Schuettler's (2021) review on the impact of forced displacement on host communities.



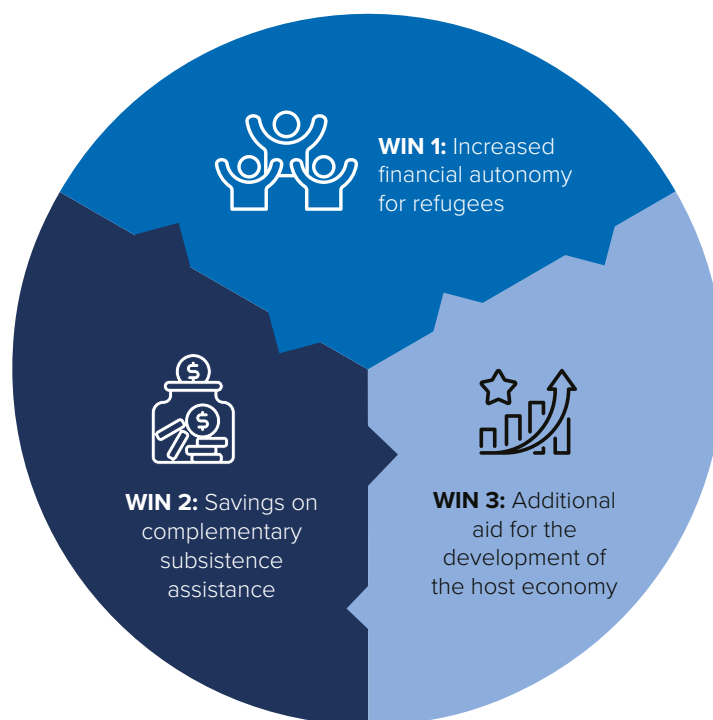
refugees from Ukraine readily find jobs that would otherwise go unfilled. In Jordan, by contrast, Syrian refugees do compete for jobs, but not with Jordanians it turns out, but with immigrant labor (Malaeb and Wahba 2023). Spillovers will also be time-bound and diminish over time as economies adapt: increased demand for consumer goods and housing will be followed by a supply response.

How negative spillovers should be addressed is also situation specific. Increased demand for low-cost housing, for instance, can be addressed in a myriad of ways including increased construction of social housing by the state, rent control, or an easing of zoning laws to induce additional construction by the private sector. Increased competition for jobs may be eased by attracting additional foreign direct investment or by improved access to foreign markets. The 2016 Jordan Compact followed this logic. It sought to promote economic development to the benefit of Jordanian nationals and Syrian refugees alike by attracting new private sector investments and creating jobs by capitalizing on the preferential access granted, under the Compact, to the European Union market through simplified rules of origin. Additional grants and concessional financing to support Jordan's macroeconomic framework were also part of the Compact.

The Jordan Compact illustrates how negative spillovers associated with enhanced refugee economic participation can be compensated through additional aid and growth enhancing policies. This logic is applicable to all situations in which enhanced economic participation generates negative spillovers as well as participation savings. By channeling part of these savings into measures to address negative spillovers, a triple win can be created in which

refugees increase their financial autonomy (win 1), the amount of complementary subsistence assistance is reduced (win 2) and part of the savings are invested in addressing negative spillovers in the host country (win 3).

Figure 20. Increased refugee economic participation can create a win-win-win



There is thus scope for a mutually beneficial bargain between international donors and refugee hosting countries. Under this bargain international donors realize savings on assistance thanks to enhanced refugee economic participation and make part of these savings available for investments in jobs and economic development to offset negative spillovers and to support host country economic progress.

The details of such a bargain will be country specific as the amount of participation savings, the negative spillovers that need to be addressed and the approaches to offset them vary from country to country. Because of their specificity, they fall outside the scope of this global refugee costing study whose strength lies in providing rough estimates to the international community to help move principled discussions about burden-sharing into concrete ones about financing. Country refugee costings, by contrast, can address country specifics and are suited to inform country level bargains. Country costings are also more complete. They capture costs for subsistence, health and education, amongst others, but also aspects not covered by a global approach such as investments needed to host refugees. Country costings are also able to identify negative spillovers and cost the solutions to address them.

Conclusion

The estimated benchmark cost of subsistence needs or the cost of bringing all refugees in LICs and MICs to the global poverty line is between US\$56 billion and US\$62 billion per year. In this baseline scenario, it is assumed that refugees do not earn any income. However, in most situations refugees do earn an income, and this reduces the amount of financing required to meet subsistence needs. This report estimates that refugees already cover 67 percent of the benchmark cost of subsistence needs through their own economic activity, equivalent to US\$41 billion per year. These earnings are realized thanks to host countries allowing economic participation. The ‘participation savings’ this generates is considered the host countries contribution. The balance, including administrative costs, comes to US\$22 billion. This is the annual financing gap which needs to be supported through complementary assistance.

This financing gap is nearly double what is available through ODA for refugee situations. While advocacy for additional international financing remains important, the immediate challenge is to strengthen the efficiency of available financing. Analysis from this report shows that the most effective strategy is to strengthen refugees’ economic participation in line with the Global Compact’s commitment to improve refugee self-reliance. As refugees earn more income, they become less aid-dependent, and the amount of complementary assistance required falls. Policies to strengthen economic participation could be complemented by investments in the earning capacity of refugees, such as upskilling programs, access to capital or credit, or the restoration of the productive asset base of refugees.

Further, freedom of movement or easing encampment policies can result in greater economic opportunities for refugees further enhancing their earning potential. Given that a large share of refugees lives in IDA countries, there is significant potential to leverage developmental financing to incentivize greater socioeconomic inclusion.

Where increased refugee economic participation leads to significant financial savings, (part of) these savings can be invested towards the development of host countries or towards supporting groups within the host population that may be negatively affected in the short-term by refugee inflows. Greater economic participation of refugees thus creates scope for a triple win – an increase in refugee earnings and subsequent fall in refugee poverty; reduced burden of complementary assistance for both donors and host countries; and additional developmental aid for host countries. The additional developmental aid for host countries can be used to stimulate economic activity and support job opportunities to the benefit of both host populations and refugees.

The cost estimates in this report represent a best-effort projection based on the available data. Further efforts are essential to establish regular and systematic data collection on poverty among refugees and their host communities. Such data are crucial for designing effective social assistance programs, as they would enhance targeting, reduce inefficiencies, and potentially introduce beneficial conditionalities. Additionally, this data could be instrumental in estimating host countries’ contributions to the global public good of hosting refugees and identifying the financing gap. It would shift discussions on responsibility-sharing from abstract principles to more evidence-based, targeted deliberations.

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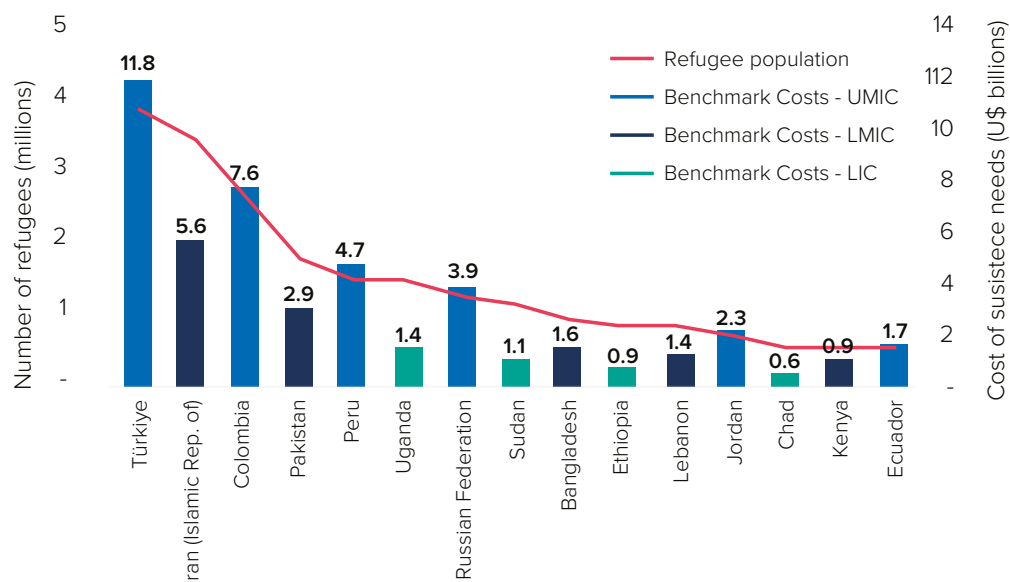
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Annexes

Annex 1: Benchmark costs, complementary assistance and participation savings in the top 15 refugee hosting countries

The top 15 refugee-hosting countries host over three-quarters of all refugees in LICs and MICs and account for US\$48.3 billion or 79 percent of the total annual benchmark cost of subsistence needs. Of these host countries, six are UMICs, five are LMICs and four are LICs. Türkiye, Lebanon, and Jordan, in response to the Syrian crisis, account for the largest share or US\$15.5 billion of the total annual cost. Colombia, Peru and Ecuador, which host mainly Venezuelan refugees and migrants, account for another US\$14.0 billion of the total annual cost. Uganda, Sudan, Ethiopia, Chad, and Kenya collectively host around 4.7 million refugees and account for US\$4.9 billion of the total annual cost (Figure 21).

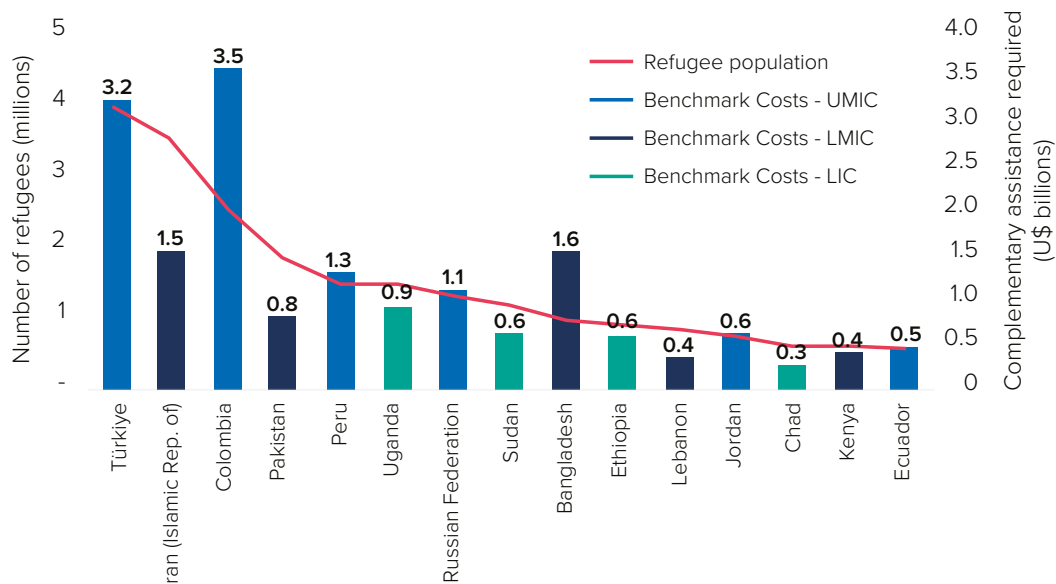
Figure 21: Top 15 host countries – refugee population and annual benchmark cost of subsistence needs



The top 15 refugee-hosting countries account for US\$17 billion or 77 percent of the total annual complementary assistance required to bring all refugees to the international poverty line. Colombia, Peru and Ecuador, which host mainly Venezuelan refugees and migrants, account for US\$5.3 billion of the total assistance required. Türkiye, Lebanon, and Jordan, in response

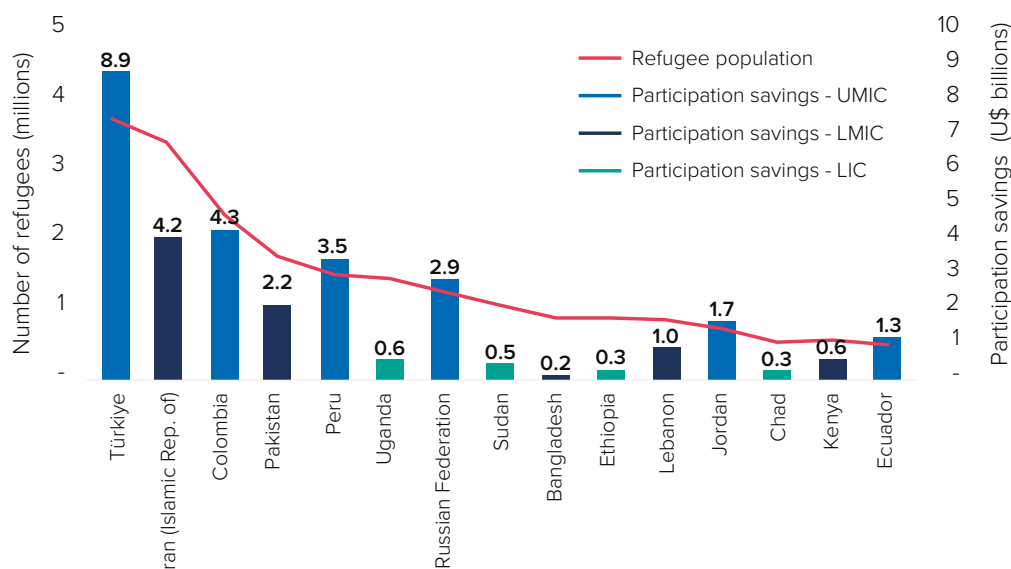
to the Syrian crisis, account for over US\$4 billion of the total assistance required. Uganda, Sudan, Ethiopia, Chad, and Kenya collectively host over 4.7 million refugees and account for US\$2.7 billion of the total assistance required (Figure 22).

Figure 22: Annual complementary assistance required for top 15 host countries



The top 15 refugee-hosting countries account for US\$33 billion or 79 percent of the total participation savings.

Figure 23: Host country contribution (participation savings) generated by the top 15 host countries

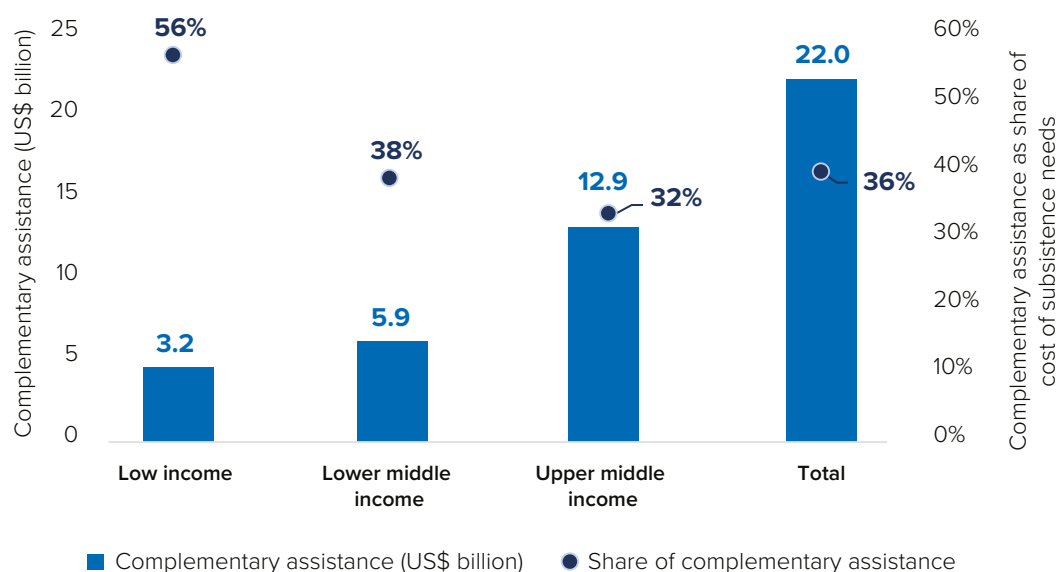


Annex 2: Benchmark costs, complementary assistance and participation savings for LICs, LMICs and UMICs

The benchmark cost of subsistence needs for refugees in LICs and MICs is estimated to be US\$61.6 billion, of which less than 10 percent is in LICs, 25 percent in LMICs and 65 percent in UMICs. This reflects not only the higher share of refugees hosted in MICs, but also the relatively higher minimum welfare standard in MICs compared to LICs.

In LICs, the approximate annual cost of bringing all refugees to the international poverty line is US\$3.2 billion or only 15 percent of the total amount required in complementary assistance (Figure 24). In LICs, the share of complementary assistance required is more than half of the benchmark cost of subsistence needs. In LMICs and UMICs, complementary assistance as a share of the unadjusted cost of subsistence needs is 38 percent and 32 percent, respectively.

Figure 24: Annual complementary assistance required by income group



In LICs, host country contributions account for around half of the benchmark cost of subsistence needs. In LMICs and UMICs, host country contributions account for 65 percent and 70 percent of the benchmark costs of subsistence needs, respectively.

Figure 25: Host country contribution to costs of subsistence needs by income group

