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The Syrian Refugee Crisis in the Medium-Term What next?

Draft 2 – 27 January, 2016

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Introduction

As the Syrian crisis enters its fifth year, the scale and complexity of its effects continue to spread within and beyond the region. Since 2011, the humanitarian response has addressed immediate and essential needs among the refugee and local populations in a manner that has surpassed previous emergency assistance programmes both in substance and design. Yet there are few signs that the situation has reached a manageable equilibrium. The clearest and most dramatic indications are provided by the ongoing irregular movements out of the region. Notwithstanding the evident risks and costs, large numbers of Syrian refugees continue to invest their future and those of their children in these journeys. Among the key drivers of these movements are the deteriorating circumstances within Syria itself and the deepening poverty among the refugee populations in the neighbouring states. Addressing these interdependent trends will require more substantial engagement from the international community that goes beyond the traditional short term reliance on humanitarian aid. A change in policy and institutional arrangements will be critical to the engagement of a broader range of longer term economic, commercial and development investments if current trends are to be stabilized and reversed. The present paper sets out a few key orientations that could contribute to meeting these challenges over the medium term.

Background

A recent welfare assessment of Syrians living in Jordan and Lebanon prepared jointly by the United Nations High Commissioner for Refugees (UNHCR) and the World Bank Group (WBG) has provided some useful insights into the well-being of refugees and the role of existing refugee policies (Verme et al., 2015). The report showed that Syrian refugees are not a random sample of the Syrian population but a group of people who experienced a sequence of shocks leading into refugee status. The first major displacement within Syria occurred before the civil conflict and because of a prolonged drought that affected the North-Eastern part of the country. It is estimated that over a million rural residents moved into the peripheries of the large cities during the years that led to the conflict. When the conflict started early in 2011, these same peripheries became the theater of heavy fighting which generated the displacement of millions of people within Syria. This internal displacement, in turn, resulted in some people finding shelter and security in other parts of the country and other people opting or being forced to leave the country altogether. And among those who fled the country, some would find a decent living and accommodation in other countries thanks to their own means and connections while others had no option but register as refugee to access assistance and legal protection. Each of these shocks contributed to progressively deprive people of their subsistence means and those who eventually registered as refugees were understandably expected to be in economic distress in addition to the psychological distress generated by conflict and instability.

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Indeed, the UNHCR-WBG report found refugees to be very poor and highly vulnerable with findings applying to both Jordan and Lebanon. In the absence of humanitarian assistance and if one considers the monetary threshold adopted by the UNHCR for targeting its cash assistance program, seven in ten refugees are considered to be poor. If one adopts the same poverty line used by the countries of Jordan and Lebanon respectively, nine in ten refugees are considered to be poor. The range of good predictors of welfare and poverty is rather narrow which is consistent with populations characterized by high poverty. Case-size, housing conditions and a few characteristics of the principal applicant explain about half of the variability in expenditure and these predictors are very consistent across countries and data sets. Vulnerability, defined as the probability of experiencing poverty in the short-term, is also found to be high among refugees and only partially overlapping with poverty. There is a layer of people who are not poor today but likely to experience poverty in the near future. Many refugees come in and out of poverty frequently adding to the phenomenon of economic insecurity.

This complex welfare situation essentially keeps Syrian refugees in a *poverty trap*. On the one hand, refugees spend a large amount of their time struggling to access basic services while they have very limited access to markets and economic opportunities. On the other hand, existing refugee policies such as cash assistance and food vouchers are effective in reducing poverty but they remain short of fostering transition to work or improved access to economic opportunities. Policy simulations show that typical development policies that invest in skills, education and employability are unlikely to succeed in improving welfare if they are not accompanied by more comprehensive measures aimed at creating proper economic opportunities. They indicate the limitations of the current approach to managing Syrian refugees and the implications and consequences of economic exclusion in Lebanon and Jordan.

Confronted with this poverty trap, the international community faces a clear dilemma. Keeping refugees in poverty is not beneficial to refugees, hosting governments, hosting communities or the future of Syria. Poverty is associated with negative outcomes in a variety of dimensions including health, education, crime and insecurity that cannot be in the interest of any stakeholder. On the other hand, continuing and expanding cash assistance and other support programs have their own challenges and limitations. Humanitarian funding invariably decreases after the emergency phase of a crisis. Cash transfers are more efficient in meeting essential needs, especially during the early phase of displacement. They provide greater dignity and flexibility to the recipients. But they have not yet featured as longer-term instruments for social protection and assistance objectives. There is a significant risk that without careful monitoring they might create dependency were they to be sustained over the longer term. Moreover, cash transfers in themselves do not enable a transition to better economic prospects and do not provide answers to the real questions of creating development opportunities for refugees and hosting communities and of fostering economic growth in the region affected by the crisis.

The international community is well equipped to manage humanitarian crises in the short-term and reasonably capable at managing repatriation and reconstruction operations in the long-term. It is less well equipped to manage prolonged refugee crises, what could be labeled as the “medium term”.² This paper contributes to fill this gap by focusing on policies and programs for the medium-term. We will not discuss, therefore, measures aimed at assisting refugees during the early stages of a crisis or issues related to repatriation and reconstruction. The proposed measures are not antipathetic to the objectives

² There is disagreement over the average length of time spent by refugees in exile. It is difficult to calculate because duration has been measured on a situational rather than an individual basis and therefore masks the degree to which refugees may move in and out of displacement. The Afghanistan refugee situation, which has witnessed repeated returns and arrivals over its thirty year duration is a good example. There is agreement that the overall trends signal displacement is becoming more protracted and that repatriation in 2014 was the lowest recorded since 1983.

of eventual return and repatriation. On the contrary, they could enable a smoother process of repatriation and reconstruction.

What are the alternatives to the current situation of refugees and what policies and programs could be imagined aside from cash transfers and food vouchers in the medium-term?

The findings of the UNHCR-WBG report indicate that economic inclusion of refugees is the way forward. However, economic inclusion cannot occur at the expense of host governments or host communities who are themselves affected by the crisis. This implies that economic inclusion has to come from overall *growth* of resources and associated opportunities as opposed to *redistribution* of existing resources. The focus of action should therefore be on *economic growth of areas in need and investment in human capital* as well as *social assistance of refugees and local communities, where appropriate*. For this to happen, humanitarian and developmental organizations engaged in the assistance to Syrian refugees require a different type of policy, legal, institutional and financial framework that would imply a new social contract between the international community and host country authorities.

A new social contract

The international legal instruments for refugees confer on UNHCR the responsibility for coordinating the delivery of protection, assistance and solutions throughout the displacement cycle in partnership with governments and aid providers. The scale and overall consequences of the Syrian crisis are clearly beyond the capacity both technically and financially of humanitarian assistance interventions alone. Moreover, countries and communities hosting refugees do not bear responsibility for the conflict and the refugee crisis. They are themselves affected by the spillover effects and require support. In the short-term, the humanitarian solidarity of hosting countries is essential. But any longer or medium-term decision in relation to refugees must also acknowledge and recognize the contributions of hosting countries to the global and regional public good of refugee protection. The international community should make provision to support their efforts. It is equally evident that any policy towards refugees implemented on the territory of a sovereign state must have the support of the government of that country and of the local communities directly affected by the crisis. Policies implemented in the absence of local governments' and local communities' agreements are unlikely to succeed.

Formally recognizing the role of hosting countries implies the establishment of a new social contract between the international community and countries hosting refugees. In very simple terms, this foresees hosting nations enabling economic inclusion of refugees through a package of measures financed by the international community that would assist refugees and hosting communities alike to prosper.

Objective

The main objective of the social contract is economic growth of areas affected by the presence of large numbers of refugees in an effort to encourage economic inclusion of refugees and economic opportunities for hosting communities. To clarify this objective, it is important to distinguish between economic and political inclusion and understand the relation between economic inclusion and economic growth. As is argued later in the paper, such policies can also contribute to future reconstruction and recovery efforts in Syria and in enabling solutions for refugees through repatriation and reintegration programmes.

Economic inclusion of refugees requires first and foremost the agreement of host governments and local communities. This provision cannot be on the basis of good will alone. We cannot expect to achieve economic inclusion at the expense of host governments and local communities via redistribution of

existing resources such as water and electricity, schools and health assistance, or jobs. Economic inclusion has to be demand driven and generated by a local economy that grows. Local economic growth should be seen as the priority objective of the new social contract and economic inclusion of refugees as a logical cause and consequence of this growth process. The overall goal should be to create opportunities to raise living standards for both populations beyond mere subsistence and dependence on external support. It should also be clear from the outset that economic inclusion does not imply local integration or any political rights and entitlements akin to citizenship.

Timeline

It is important here to distinguish between the short, medium and long-term horizons of refugee crises. In the short-term, it is largely understood that there are very few alternatives to humanitarian interventions. The protection and assistance that UNHCR and partner organizations typically provide in the immediate aftermath of a crisis remain vital requirements. UNHCR's role in searching for solutions for refugees throughout the displacement cycle is equally indispensable. Despite some organizational challenges, the international community is reasonably well equipped and experienced in responding to the immediate challenges posed by refugee crises. Beyond the need for greater involvement of local actors wherever possible, there is relatively little disagreement on the fact that humanitarian organizations should lead on this work. For the sake of this note, we can imagine the short-term as a period of one to two years.

With respect to the longer term, return is the preferred solution for resolving refugee situations, one that is traditionally favoured by all stakeholders, including refugee populations themselves. The international community has acquired substantial experience on post conflict repatriation and reconstruction. Ensuring peace and stability to enable durable recovery, reconstruction, and development processes is certainly challenging. It requires substantial coordination among political, peace-building, development and humanitarian interventions. But its success is central to the durable repatriation and reintegration of refugee populations. UNHCR has substantial experience with spontaneous and organized voluntary repatriation both within and outside formal peace agreements. Such operations have traditionally been well supported by the international community and development partners. Thus models exist for operationalizing and financing solutions to protracted refugee situations.

What is more problematic with respect to aid resources and delivery is the medium-term. Despite the fact that many displacement generating crises persist for many years or decades, most assistance provided to refugee situations continue to reflect short term, humanitarian objectives and funding arrangements. These do not lend themselves either to building greater self-reliance among the refugee populations or to capacitating their eventual repatriation. Moreover, they are largely insufficient to sustain fully fledged funding for a camp-based assistance model or to address the economic and social marginalization and consequences of urban refugee populations until the crisis is resolved.

In the medium term, the findings of the cited UNHCR-WBG report and the experience with other long-term refugee crises indicate that economic inclusion in hosting countries would be a more sustainable and productive option for refugees, hosting communities, governments and donors alike. However, the actual policies and programs that could foster economic inclusion of refugees remain unclear. From past experience, we know that the medium-term could be anything between two years and forty plus years. The international community lacks a model for managing refugee crises beyond initial stabilization and subsistence support. In what follows, we provide some initial pillars on which such a model could be

constructed including considerations on the legal framework, financial architecture, management structure and possible economic policies and programs.

Legal framework

A preliminary step to developing economic policies that include refugees is a national legal framework that defines their economic rights including securing access to the labor market, credit, investment opportunities and professional education. For example, in the aftermath of the Syrian refugee crisis, the Government of Turkey (GoT) issued a law on Foreigners and International Protection, which defined a Temporary Protection (TP) regime for the Syrian refugees.³ While this law filled an important vacuum, it fell short of providing simple access to work permits for Syrians. Similar to the situation in Jordan, only 6-7 thousand refugees have so far been granted work permits in Turkey during the first four years of the refugee crisis. This obliges most of those without authorized work opportunities into informal and illegal activities. In Lebanon, applying for residency on the basis of a UNHCR registration certificate requires Syrians to sign a notarized pledge not to engage in any income generating activities.⁴ This does not stop Syrians from taking up income generating activities while it confines them to informal and illegal activities. The combination of high poverty and scarce access to legal and formal occupations has also contributed to increased child labor. Policies designed for economic inclusion will evidently require a legal framework that allows refugees to access similar economic opportunities to those enjoyed by nationals. An important role for the international community could be to help host countries design an appropriate legal framework.

Financial architecture

A new social contract focused on economic growth and economic inclusion of refugees will require a suitable financial architecture. The question is how the new social contract between the international community and the countries hosting refugees should be developed and financed. One requirement in this respect is the availability of financial resources and instruments that would allow for the establishment of this new social contract. Among the key concerns of countries hosting Syrian refugees is that few financial resources beyond humanitarian assistance are available for managing the economic and social effects of the crisis. Such funds are mostly managed by international organizations and channeled directly to refugees.

It has also to be acknowledged that there are policy and legal obstacles that have impeded the mobilization of development resources for refugee situations. In general, multilateral and bilateral development financing from donors is subject to agreements that stipulate such funds are used to support the citizens of the recipient country. Moreover, middle-income hosting nations have objective difficulties in accessing concessional finance. An important prerequisite is to have in place financial instruments specifically designed to assist countries and areas hosting refugees and which are designed

³ The law “sets out how TP status is issued and the specific provisions for admission, registration and exit while under temporary protection in Turkey. It also outlines the rights and responsibilities of those under temporary protection; regulates the TP identification process; services to be provided to persons under TP; and outlines the coordination between national, local and international agencies involved in the response. The TP extends to all Syrian refugees whether or not they are registered” (World Bank, 2015a).

⁴ As noted in an Inter Agency document (2015): “The existing restrictions on legal access for women and men refugees from Syria to the labour market in fact contribute to (a) expanding the informal economy and an increasing downward wage pressure, (b) a sense of insecurity among refugees and Lebanese that is not conducive to harmonious relations between communities, (c) labour shortages in both agriculture and construction sectors resulting in negative effects for Lebanese businesses and d) the inability of refugees to meet any basic needs that is already leading to negative coping strategies.”

to create quickly the conditions for economic growth, something that is currently missing from the global financial architecture.

This new financial architecture could be managed through a multi-lateral management structure that would facilitate the provision of concessional financing to countries hosting Syrian refugees. Funding could be made available for budget support, investment projects in sectors impacted by high numbers of refugees, or grants to local administrations in affected municipalities. In addition, credit lines could be considered for small and medium local businesses, and funding could be provided for cash transfers for social protection of refugees and hosting communities. Government borrowing at concessional rates would allow hosting governments to increase their capacity to pursue long-term development goals while at the same time helping defray the additional cost of providing public services to an expanded, vulnerable population.

A first step in this direction was presented at the WB-IMF annual meetings in October 2015 in Lima and is outlined in World Bank (2015c). This document focuses on concessional financing for middle income countries that face refugee and IDPs crises. Donors would agree to establish a Financial Intermediary Fund (FIF) managed by the WB where financial contributions would be channeled. These funds would then be used to co-finance Implementation Support Agency (ISA) loans or prepayment of ISA loan principal amounts upon disbursement. These two mechanisms would effectively reduce the cost of finance for recipient countries and also increase the space for additional financing. The same umbrella fund could possibly be used to finance specific financial programs such as investment projects, credits for small and medium businesses, social assistance and insurance or labor market programs. In essence, it would provide a financial one stop hub for the policy and programs proposed further in this note.

Management structure

As referenced above, the Syrian refugee situation has generated a response that has broken new ground with respect to the volume of humanitarian resources mobilized and the addition of a resilience and development component. Led by the governments of Lebanon and Jordan, national response plans have been prepared to provide an over-arching framework within which development assistance and humanitarian interventions can be lodged. This encouraging arrangement has advanced the interface between development and humanitarian operations, though the latter has drawn the bulk of support to date. Despite these advances, planning, programming and budgeting processes remain distinct due to their different policy and legal requirements. Overcoming this traditional compartmentalization will require first and foremost a firm commitment on the part of donors to mobilize development resources and an acceptance by host governments that both refugees and local populations can benefit.

Assuming that the finance can be secured, the inclusion of medium and longer-term interventions as outlined in this paper would require a more comprehensive overall management, planning and implementation framework. It would need to accommodate a more complex set of programmes and projects requiring new management mechanisms both at central and local level. These should evolve towards the more conventional arrangements established for development cooperation as higher and more predictable levels of financing are mobilized and the need for high levels of humanitarian assistance declines.

New financing instruments would necessitate amendments to current joint management mechanisms to oversee the allocation of potentially increased resources for priority sectors and large-scale infrastructure projects. Donors could be encouraged to channel development oriented resources through

fewer Trust Fund mechanisms so as to permit more predictable and transparent planning for medium and longer-term programmes and projects. This would help to reduce the number of management processes and demands on national counterparts. With respect to implementation, agreement on responsibilities between central and local government, and between public and private sector operators would need to be defined for different sectors. As required, support to building capacities of local administrations to expand their implementing capabilities would also be desirable.

Achieving growth and enabling opportunities for sustainable livelihoods at local level will likely take some time. So arrangements for the coordination and delivery of humanitarian assistance to refugees will need to be maintained. Where possible, a transition to multi-year development programming should be encouraged. Greater support for sectors like health and education from development financing, for example, would allow more predictable and efficient use of resources. It would permit a reorientation of humanitarian assistance funding towards protection, vulnerability and social safety nets for the refugee and local populations.

A more complex set of programme interventions would also require all stakeholders to reach consensus on a common set of objectives within an agreed time-frame. At local level, the inclusion of refugees and host populations in participatory planning processes would be important in fostering greater social cohesion. Setting up key indicators and activating regular monitoring mechanisms over the medium would be vital to tracking progress towards objectives and to permitting the reallocation of resources between development and humanitarian interventions and across sectors.

Economic policies and programs

If the medium-term objective is economic growth and inclusion, what would it take to create the right incentives for local governments and communities to support economic inclusion of refugees? The answer to this question lies in investments, growth and economic development that benefit local governments and local communities. A massive inflow of people creates a demographic shock which has positive (increased consumption) and negative (increased use of public services and resources, higher fiscal costs, lower wages) economic and social consequences for local communities. It can also have security implications if sufficient attention is not devoted to ensuring social cohesion.

The key questions are how to create those local economic opportunities that would offset and mitigate the cost of economic inclusion of refugees, and how to do this with programs financed by the international community and agreed under the new social contract between the international community and countries hosting refugees. If the objective of the new social contract in the medium-term is economic growth, inclusion and cohesion, what programs could foster these objectives? We can think of several areas of action that together can provide the foundations for economic growth.

Address long-term development challenges of hosting countries. Growth policies designed to address the plight of refugees and hosting communities present an opportunity to address long-term development challenges of hosting countries. Boosting services can be seen as an opportunity to improve obsolete infrastructure and service delivery; investments and credits in neglected areas can help reduce chronic poverty; creating the right economic incentives and pricing policies for consumption goods can address the long-term distortions in energy consumption created by subsidies. If the long-term objectives of hosting countries are aligned with the medium-term objectives of economic integration of refugees, hosting countries would see economic inclusion as an opportunity to address long-term development challenges.

Boost regional trade and integration. One of the essential ingredients of peace is trade. The post-war reconstruction of Europe and the first building block of the European Union was the creation of a common economic area. Refugees are an opportunity in this sense. They bring new skills and economic ties with other areas in the region and they can contribute to boost regional trade expanding in this way the economic horizon of local businesses. Business expands through networks of individuals and the Middle East and North Africa region benefits from the use of a common language. Refugees are connected with refugees across hosting countries and they can maintain the business relations developed during a crisis once they repatriate. Even boosting trade with Syria while in conflict is one way to support those who could not flee. The World Bank has been active in supporting regional trade in the Mashreq region and elsewhere and including refugees in the process could be beneficial to all parties.

Build a business environment conducive to economic growth. Areas affected by refugee inflows require special treatment and legislation to create the conditions for growth. Special economic zones could be one way to address this issue. It is important to create the incentives to attract private investors. Refugees may bring in new skills which could be used to open new types of businesses, something that can be identified during the registration process. Low interest credits could be made available for new entrepreneurs, both local and foreign, and the creation of business incubators could help the establishment of new enterprises. The legal and fiscal framework for the creation of new activities should be simple and low cost and able to attract investors. These are very well known actions that are typically recommended to countries that wish to create a good business environment for small and medium businesses. From an economic perspective, building opportunities for entrepreneurs ensures a diverse allocation of investments, risk sharing, market competition and eventually a selection process that leads to the creation of stronger businesses.

Capture capital flight. A conflict generates human flight but also capital flight. It is important to create the right incentives for investors to channel capital towards investments in communities hosting Syrians. The special economic zones mentioned above could create the conditions to attract this form of capital during the initial phases of a crisis. Syrian refugees have prevalently settled in poorer areas of Jordan and Lebanon. This could be seen as an opportunity to channel fresh capital to these poor areas. From an economic perspective, capturing capital from fleeing Syrians enhances the investment potential in refugee areas while it fosters the social fabric among Syrians, increasing the likelihood of repatriation if conditions improve. For example, Syrians arriving in Turkey with assets have invested in sizable proportions: *“in 2014, 1,222 out of 4,249 foreign owned businesses in Turkey were established by Syrians”* (World Bank, 2015a). The main investors in Egypt in 2013 were wealthy Syrians, the same Syrians that could have invested in Lebanon and Jordan if given attractive opportunities.

Scale up services. Among the immediate needs during the initial phases of a crisis are to capacitate public services including education, health, housing, water or electricity. Lebanon, for example, at the time of the first influx of Syrian refugees already had shortages in electricity and water provision, which were aggravated by the refugee influx (World Bank, 2013). The international community can prepare with the financial resources and institutional infrastructure to scale-up services quickly. This process has somehow occurred in Jordan and Lebanon but is not complete and there are still severe supply constraints to be addressed in the provision of health, education or electricity services. About half of Syrian refugee children in these two countries are still not enrolled in school and access to health is constrained by the cost of services, particularly in Lebanon. If proper financial instruments were in place, these could be used to address these constraints early on. There are many good examples of how services can be scaled up providing the right incentives to both the supply and demand side. For example, in Lebanon donors support the existing school/parent fund with fixed transfers per pupil of

\$360 or \$600 depending if the pupil is enrolled in morning or afternoon shifts. This has expanded refugee access to schools via established mechanisms and with adequate funding resulting in reduced social tensions. Scaling up the provision of utilities such as water or electricity can also address chronic malfunctioning of these services and address long-term development challenges.

From an economic perspective, scaling up services has a beneficial effect to the local economy. It generates a first consumption led growth induced by the increase in both demand and supply of services paid for by public expenditure. This can be seen as a classic Keynesian approach of increased public spending during an economic shock, something that today is widely recognized as the best counter-cyclical action that governments can take during an economic crisis. The only difference is that this policy would be financed by the international community rather than single governments and focused on areas and sectors affected by a massive influx of refugees rather than entire countries.

Match existing labor demand and supply. Huge refugee arrivals necessarily produce imbalances between demand and supply in local labour markets. Scaling up services also implies creating new economic opportunities for doctors, nurses, teachers, drivers and other service workers, refugees and non-refugees. This implies a proper assessment of existing human resources among refugees and hosting communities that is still missing. Both Lebanon and Jordan have relatively high levels of unemployment and an excess of labor supply in many occupations. They also suffer from labor market mismatches in selected sectors where labor supply is insufficient to cover needs. These could be filled by refugees. In Lebanon, for example, various business syndicates have petitioned the Lebanese authorities to grant greater access to jobs for Syrian workers because of labor shortages in selected sectors such as agriculture and construction. This occurred in spite of the fact that Lebanon passed a specific decree to specifically allow Syrians working in these sectors. Due to the present lack of a proper inventory of skills and professions among refugees and local communities, it is unclear how refugees could contribute to fill these gaps and in what sectors. The international community can help host governments to set up labor market information systems to match refugees with existing jobs. These information systems already exist in countries like Jordan but they are not yet adapted to cater for foreign workers effectively.

Create a multi-lateral labor market information system. As discussed above, hosting countries could have an interest in employing refugees that could fill shortages in labor supply. In principle, this could also apply to possible third countries of destination of refugees. Currently, the emphasis for the limited number of formal resettlement places is on vulnerable categories of refugees. But the large number of refugees and asylum seekers that have entered the European Union (EU) outside regular channels has brought new challenges. There is no labour market information available to prospective employers that can match professions and skills among the refugee population to job opportunities. Moreover, as referenced above, the sudden surge in numbers creates an imbalance between the supply and demand. There are also important policy issues to be assessed in order to avoid greater numbers being tempted to undertake irregular and risky journeys. Nevertheless, the institution of a multi-lateral platform designed to match labor demands on the part of potential hosting countries and labor supply on the part of refugees would be an asset for all parties. From an economic perspective, labor matching helps to maximize the impact of public spending on household welfare. It ensures that all the new jobs created by increased spending on social services are occupied and they are occupied by the best qualified people maximizing in this way production and productivity of these services. It helps to maximize returns to public spending.

Upgrade human capital. Refugees suffer from traumas and dislocation and necessitate quick interventions to prevent traumas from becoming illnesses. Children and youth also require support to prevent prolonged breaks in education from becoming a permanent constraint to future economic

opportunities. This requires targeted interventions while services are scaled up. At the same time, refugees find themselves in a different economic environment and need to adapt quickly. This requires an assessment of existing skills and a plan for re-training and adapting to new possibilities. Similarly, this could be seen as an opening to improve the human capital of hosting populations and focus attention on the local shortfall in skills. In other words, refugees can function as a magnet to attract the attention of donors and governments to neglected areas of professional training. The European Union, for example, invests heavily in professional training in countries that are expected to join the Union. In the region, these sorts of programmes could also be deployed in areas from where future workers may originate.

Monitor prices. Prices provide essential information to the policy maker. They signal supply shortages or excess in demands. In a market that experiences a sudden increase in population, prices are expected to change quickly affecting livelihoods of host communities and refugees. For example, there is clear evidence in Jordan, Lebanon and Turkey that rents and food prices have increased and wages for unskilled labor have decreased in areas affected by refugee inflows. These three factors alone contribute to reduce living standards of those who do not own assets such as property or businesses. Monitoring prices provides an ideal mechanism to spot early on where these phenomena are occurring and where policies to address constraints are needed. In addition to the regular price surveys conducted by the central statistical agency, it is important to set up price surveys at key markets and at regular time intervals. The international community can help to establish and finance such system.

Manage selected rents and the minimum wage. While it is generally wise to avoid regulating prices, it may be necessary to manage certain prices under exceptional circumstances. Many countries regulate rents and it is equally common to establish and enforce minimum wage regulations. If enforced effectively, these measures can protect low income households and discourage financial speculation and human exploitation. This is particularly important for housing and jobs because scaling up housing and expanding labor demand is often more complex and time consuming than scaling up services. The key policy here is to establish a formally regulated standard contract for property owners and tenants that defines rights and responsibilities of both sides and to enforce existing minimum wage and workers' protection legislation. Minimum wage enforcement can also address the unfair competition between Syrian workers and locals, which is one of the major complaints voiced by local workers. The unfairness of the competition derives from excessively low wages that Syrians are willing to accept. This phenomenon occurs because Syrians who work do so almost exclusively in informal and illegal businesses. Legalizing work and enforcing a minimum wage would address in part this issue by protecting Syrian and local workers alike. Similarly, with the exception of locals who own properties for rent, one of the main complaints of local residents and refugees is the sudden increase in rental levels and the prevalence of informal contracts. This phenomenon can be mitigated by enforcing standard contracts in areas experiencing a refugee shock.

Enabling repatriation and reconstruction. A traditional concern of countries hosting refugees is that economic inclusion may represent an obstacle to future solutions, most notably repatriation. The more established Syrian businesses and the more included Syrian workers become, the less the incentives for repatriation. There are several reasons why this fear may not materialize, why Syrians would be better prepared for repatriation if they were effectively integrated into host countries' labor markets and why host countries may reap the benefits of this approach.⁵ If Syrians are kept in poverty where they currently find themselves, they will not have resources for repatriation and reconstruction. Moreover, if

⁵ UNHCR's experience with repatriation, most notably Afghanistan, indicates that refugees with skills, assets, and capital feature prominently in the early stages of major return operations.

the skills of Syrians are eroded during the time they spend abroad, they are more likely to become a net burden for host countries and less likely to be attracted back into Syria from emerging businesses.

Reconstruction and voluntary repatriation processes provide tremendous opportunities for growth, which is appealing for Syrians and host countries alike. The more ties host countries' businesses establish with Syrians in host countries, the easier will be for these businesses to contribute to the repatriation and reconstruction effort. Turkish businesses, for example, have greatly benefitted from post-war reconstruction in Iraq, particularly in Kurdistan, and they are expected to be an essential element of any reconstruction effort in Syria. Similarly, Lebanese, Jordanian and Iraqi businesses will have tremendous investment opportunities in Syria once reconstruction will be possible. The inter-personal networks established in host countries between Syrians and host communities will be the building blocks of the reconstruction effort in Syria. The international community could also foresee specific measures that privilege countries that hosted Syrian refugees in accessing reconstruction contracts in Syria. For host communities, building strong relations with Syrian refugees is the key to reap the benefits of the future reconstruction and voluntary repatriation processes in Syria.

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