

REFUGEES IN DEVELOPING COUNTRIES: BURDEN OR BENEFIT?

BY

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ORDER OF PRESENTATION

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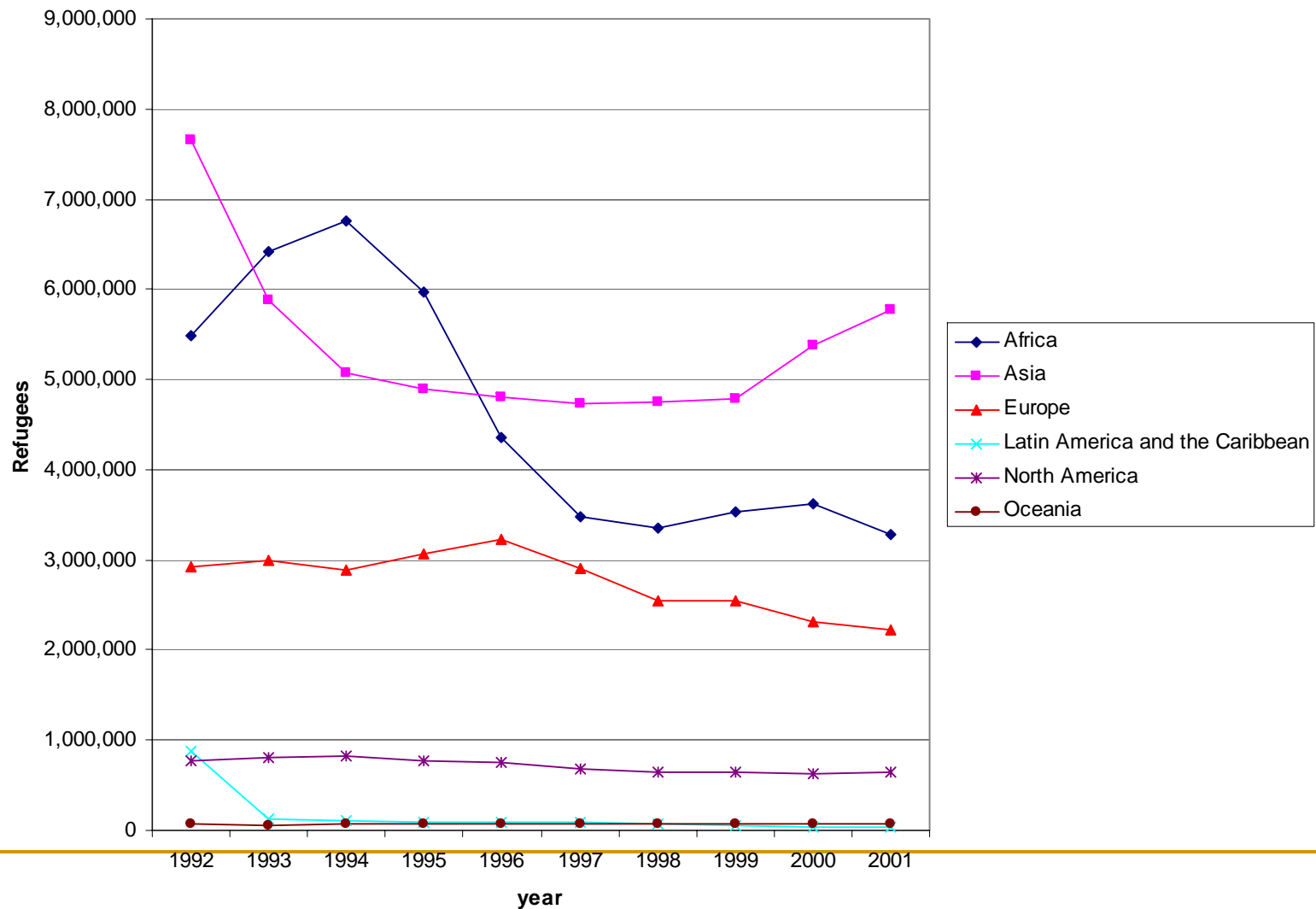
MOTIVATION

- The insensitivity of African scholarship to the traumas and deprivation that millions of Africans are undergoing by political events that in the majority of cases are none of their own making, and the reluctance to investigate the impact of a large number of refugees both on the national economy of the country of origin and country of asylum is indeed unjustifiable (Kibreab, 1985).
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- The poorest countries have provided asylum and shelter for almost three quarter of the world's refugees over the past decade.
 - **Less developed countries are both the major source and destination of refugees.** “From 1992-2001, 86% of the world's refugees originated from developing countries, while at the same time these countries were providing asylum to 72% of the global refugee population” (**UNHCR, 2002**)
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Trend in refugee flow

■ Refugee population by region of asylum, 1992-2001 (thousands)



BRIEF LITERATURE REVIEW

- The literature on refugee impact on national, regional and local economic and social infrastructures reveals two discernible views:
 - the perception of refugees as an economic and social burden on the host countries, and
 - The other which portrays refugees as representing an opportunity for social progress and improved welfare.
 - Most scholars are exponents of the view that refugees constitute both a burden and an asset.
 - The two opposing views above confirm that it could be difficult to state the economic effects of hosting refugees.
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Theoretical debates on refugees and economic growth

- Diversion of domestic and international funds
- Increase in market size and money supply
- Attraction of international assistance
- Exploitation of environmental resources
- Social relations, culture, national politics, international relations and security situation
- Associated principle governing the refugee regime: *“burden sharing”*

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- Economies are diverse; therefore, the effects of refugees can vary considerably from region to region, and, even from country to country.
 - Although the development process depends on a complex of socio-economic variables (population, resources, infrastructure, capital formation, trade, political stability, skill level, work ethic, etc.), it is expected that the effects of refugees on a country's economy will partly be determined by its stage and rate of economic development.
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Methodology and Data

- The Solow growth model and its relevance for this study
 - refugees human capital
 - refugees increasing population growth
 - increase physical capital

Data

- Sample of 72 countries:
- 4 North Africa
- 40 SS Africa
- 14 Asia and
- 14 Latin America and the Caribbean
- Time period 1990 to 2000
- Variables

Empirical Results

Table 1.1 : The refugee burden and its effect on countries

Variable	Percentage of Refugees						
	Two way split		Three way split				
	≥ 0.7	< 0.7	≥ 1.8	< 1.8	$> 0 < 0.5$	$> 0.5 < 1$	> 1
gdpgr	0.304 (1.57)	-3.234 (-2.05)	0.187 (0.64)	-2.102 (-2.81)	-2.983 (-2.86)	-0.849 (-0.41)	0.314 (1.24)
Constant	-1.186 (-1.31)	1.129 (3.37)	-0.352 (-0.19)	1.138 (3.37)	1.230 (3.46)	1.150 (2.85)	-1.22 (-0.98)
N.	18	54	7	65	57	47	15
R ²	0.04	0.09	0.03	0.14	0.11	0.01	0.04

**Table 1.2 : The effects of refugees on economic growth
(Dependent variable is growth of per capita GDP)**

Variable	(1)	(2)	(3)	(4)	(5)	(6)
Loggdp	-0.287 (-0.87)	-1.164*** (-2.60)	-0.991** (-2.04)	-1.159** (-2.37)	-1.280*** (-2.83)	-0.873* (-1.81)
popgr	-1.175** (-2.52)	-0.797* (-1.71)	-1.322*** (-2.90)	-0.742 (-1.42)	-0.831* (-1.80)	-0.565 (-1.15)
grcapfom	0.182*** (5.06)	0.159*** (4.50)	0.146*** (4.29)	0.167*** (3.72)	0.159*** (4.53)	0.168*** (4.50)
Perref	-0.079 (-0.41)	0.036 (0.19)	-0.128 (-0.53)	0.038 (0.20)		-0.006 (-0.03)
Conf dum	-0.798* (-1.63)	-0.768 (-0.64)	-0.933** (-2.10)	-0.805* (-1.63)	-0.766* (-1.70)	-1.119** (-2.06)
loglixp		6.270*** (2.77)	7.400*** (2.63)	6.363*** (2.68)	5.868*** (2.66)	3.654 (1.23)
Illitini			0.031** (2.13)			
openess				-0.005 (-0.42)		
govcons				0.015 (0.30)		
absref					2.520 (0.04)	
lalockt					-0.799 (-1.44)	
Constant	2.147 (0.64)	-16.913** (-2.23)	-22.401** (-2.22)	-17.49** (-2.23)	-14.128* (-1.90)	-8.095 (-0.78)
N	71	71	67	71	71	71

Regional effects of refugees and conflict on economic growth (Dependent variable is growth of per capita GDP)

Variable	Sub-Saharan Africa				Asia				Latin America			
	(1)	(2)	(3)	(4)	(6)	(5)	(8)	(7)	(9)	(10)	(11)	(12)
loggdp	-0.227 (-0.47)	-0.327 (-0.76)	-0.607 (-0.98)	-0.782 (-1.25)	-2.557 (-3.40)	-2.507 (-3.26)	-2.463 (-2.31)	-2.355 (-2.20)	-1.763 (-1.39)	-2.17 (-1.68)	-2.804 (-1.33)	-4.395 (-2.30)
popgr	-0.510 (-0.67)	-0.515 (-0.69)	-0.518 (-0.68)	-0.547 (-0.73)	-1.616 (-1.89)	-1.618 (-1.84)	-1.725 (-1.41)	-1.801 (-1.45)	-2.044 (-1.91)	-1.830 (-1.86)	-2.029 (-1.83)	-2.091 (-2.24)
grcapfom	0.170 (4.40)	0.188 (4.15)	0.182 (3.84)	0.167 (3.44)	0.080 (0.70)	0.087 (0.72)	0.070 (0.49)	0.070 (0.48)	0.263 (2.62)	0.261 (2.64)	0.168 (0.90)	0.071 (0.45)
perref	-0.080 (-0.32)		0.002 (0.01)		0.345 (1.45)		0.335 (1.25)		1.462 (1.22)		1.157 (0.87)	
absref		-2.120 (-0.97)		-2.230 (-1.08)		4.900 (1.29)		4.690 (1.12)		0.00002 (1.36)		0.00002 (1.75)
Conf dum	-1.067 (-1.52)	-0.126 (-1.65)	-0.775 (-1.01)	-0.886 (-1.25)	-1.095 (-1.21)	-1.046 (-1.13)	-1.143 (-1.10)	-1.129 (-1.06)	-2.151 (-1.21)	-3.414 (-2.51)	-1.901 (-1.01)	-2.332 (-1.60)
loglixp			3.927 (0.98)	4.298 (1.15)			-0.682 (-0.14)	-1.153 (-0.23)			9.768 (0.63)	19.386 (1.50)
Constant	-0.540 (-0.12)	0.545 (0.12)	-13.053 (-0.96)	-12.534 (-1.02)		23.008 (3.84)	26.134 (1.31)	27.391 (1.35)	15.89 (1.32)	19.981 (1.64)	-14.832 (-0.30)	-129.44 (-2.18)
Number	40	40	40	40	13	13	13	13	14	14	14	14
	0.47	0.47	0.47	0.49	0.78	0.77	0.79	0.77	0.63	0.65	0.65	0.73
	0.38	0.39	0.38	0.40	0.62	0.60	0.56	0.54	0.40	0.42	0.35	0.50

Estimated using OLS, (t-statistics are in parentheses)

**Table 1.4 The effects of refugees on rich and poor countries
(Dependent variable is growth of per capita GDP)**

Variable	(1) ≤2705	(2) ≥2705	(3) ≤2935	(4) ≥2935	(5) ≤1500	(6) ≥1500
Gdpini	-0.0004 (-0.67)	-0.0004*** (-3.08)	-0.0003 (-0.49)	-0.0004*** (-2.77)	-0.003 (-1.33)	-0.0001 (-1.20)
popgr	-1.163* (-1.67)	-2.027*** (-4.23)	-1.188* (-1.69)	-2.006*** (-4.07)	-1.351 (-1.16)	-1.272*** (-2.86)
grcapfom	0.200*** (4.35)	-0.066 (-1.00)	0.199*** (4.37)	-0.062 (-0.92)	0.162*** (2.71)	0.168*** (3.32)
perref	-0.153 (-0.59)	0.181 (0.80)	-0.158 (-0.61)	0.191 (0.82)	-0.921* (-1.63)	0.097 (0.59)
Conf dum	-0.672 (-0.92)	-2.420*** (-4.18)	-0.656 (-0.91)	-2.424*** (-4.10)	-0.739 (-0.72)	-0.804* (-1.57)
Constant	0.194 (0.08)	10.411*** (3.64)	0.112 (0.04)	10.166*** (3.41)	3.882 (0.93)	0.918 (0.43)
No. of Obs.	46	26	46	25	28	43
R ²	0.44	0.64	0.44	0.65	0.47	0.49
Adj	0.36	0.56	0.37	0.55	0.35	0.43

Estimated using OLS. t-statistics are in parentheses below the coefficients indicating significance level as: * 10%, **5% and ***1%.

Limitations

- Measurement error: self-settling, improper registration, duration of refugees and demographic data of refugees
- Direct observation of refugees activities and where they reside
- GDP per capita is not a sufficient indicator of economic situation
- Economic situation of 'sending country'
- Omitted variable bias:
 - measure of international support for refugees
While the average African refugee receives \$22 per annum, the refugee in the other parts of the world receives \$56 (Kibreab 1985).
 - population composition effect

conclusion

- The first thing to note about the study is that refugees hurt poorer countries most as the study found out that the effect of refugees depends on the economic situation of host countries. Countries with much lower per capita GDP and lower growth rates suffer most when they host refugees.
- This main finding in this study is analogous to the findings in the growth literature on the effect of population growth on economic growth. The results suggest that the effect of population growth on economic growth depends on several other factors and that population and economic growth influence each other. In a similar vein, the flow of refugees and the economic growth might be seen influencing each other. Wherein low economic growth is a breeding ground for the flow of refugee usually through the increasing probability of conflict as a result of low economic growth and vice

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- It has become clear that the results have significant economic effects, even if not robust ones. Several authors have noted that econometric simplification may account for the lack of robustness. The number of omitted variables may also lower significance levels. Further, coefficient estimates may reflect the interacting effects of a range of underlying variables rather than its individual effects on the dependent variable. However, the growth regression literature is well known for its lack of robustness (e.g Levine and Renelt (1992), Sala-i-Martin (1997)). One under-appreciated source of this fragility is inconsistencies in data availability as O'Connell and Ndulu (2000) noted. As much as this is not a unique problem for this study, results could be said to be as insightful as most results in growth regressions.
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