

Investing in refugees: building human capital

Lili Mottaghi

Investing in refugees' well-being is a global public good, and the international community should work to reduce malnutrition and increase access to education for refugees in order to help build human capital and achieve better economic outcomes for all.

The protracted nature of forced displacement worldwide has brought to the fore not only refugees' humanitarian needs but also the development challenges they face. These daunting challenges emerge in four critical and interlinked areas.¹ Refugees – in particular, refugee children – face tremendous hardship in meeting their basic nutritional, educational, health and livelihoods needs. Recent studies by the UN Refugee Agency, UNHCR, have found acute malnutrition in many refugee camps in Kenya, Sudan, Sierra Leone and Chad where refugees have been displaced for protracted periods of time. Another study indicates that while acute malnutrition is relatively low in the assessed Syrian refugee populations in Jordan, Iraq and Lebanon, the prevalence of anaemia suggests a serious public health problem among women and children.² The economic costs of malnutrition are very high, with poor nutrition prolonging the cycle of poverty and impeding growth in two main ways.

Firstly, poor physical health leads to low productivity and high rates of disease. Women, the elderly and children under five, in particular, are at higher risk of respiratory and communicable diseases due to overcrowded shelters, lack of nutritious food, safe drinking water and poor hygiene. They can also suffer from mental stress after displacement, which affects their general well-being. Secondly, there is evidence that malnutrition contributes to a longer-term development problem, especially in education. Studies have shown that malnutrition causes stunting and wasting in children and is linked to a wide range of cognitive deficiencies. Poor cognitive development leads to missed years of schooling in childhood and lost years of employment in adulthood.

Development challenges worsen for refugee children entering the education

system of the host country where the official language taught at school differs from their home language. Many students who excelled in their home countries cannot follow the course materials in host countries due to language barriers. The challenging environment of learning can impede their academic success and increase frustration. These negative experiences and the trauma they have already experienced damage children's cognitive functioning, affecting their educational performance throughout adolescence and into adulthood. Evidence shows that low levels of education reduce productivity and income, which makes breaking the cycle of poverty more challenging. Cognitive damage to children from receiving no or low-quality education in crisis-affected settings not only has an impact on their well-being but also cuts their future earnings.

Sustainable job opportunities are not readily accessible to refugees residing outside their home country. Consequently, refugees are less likely to be employed, and the longer refugees are unemployed, the more their chances of finding a job diminish as they lose skills and find themselves dependent on State support. Many of these refugees work in the informal sector due to their lower education levels and lack of work permits. Refugees tend to accept lower wages than unskilled host/local workers, and lower incomes not only mean poorer nutrition but also weaken an individual's resilience to further shocks. Lack of decent jobs and low earnings contribute to increased child labour and child marriage as families become more indebted and struggle to access livelihood options. In other words, they are caught in a vicious circle.

Poor educational learning outcomes and poor health translate into massive social costs not only for the host country but also

for the global community. The cost of lack of access to quality education,³ lack of decent jobs, malnutrition and uncertainty about the future is high. The resulting loss in human capital formation in terms of the knowledge and skills that are crucial for enhancing labour productivity has consequences for economic growth, regional economic development and the long-term processes of peace, stability and reconstruction.

Investing in refugees is a global public good and goes beyond the responsibility of the hosting country. Therefore, collective action is required to address these challenges. Investing in health and education for refugees, especially women and children, will benefit not only the host country and other nearby countries but also those further afield. It will also help prepare refugees for return, laying the foundation for economic development and inclusive growth in their homeland.

The international community and policymakers need to do more to provide an opportunity for refugees to thrive and grow. Increasing access to health care, nutrition and safe water and facilitating the participation of refugees in the labour market

(by investing in skills through strengthening childhood and adult education and vocational training) are equally important. The economics literature has found strong links between education and human capital, and between human capital and long-term growth and productivity. These links should encourage the international community and policymakers to extend quality education and job skills training to registered and unregistered children and adult refugees, regardless of gender or nationality.

Lili Mottaghi lmottaghi@worldbank.org

Senior Economist, Chief Economist Office, Middle East and North Africa Region, The World Bank
www.worldbank.org

1. See Devarajan S and Mottaghi L (2017) *Refugee Crisis in MENA: Meeting the Development Challenge*, Middle East and North Africa Economic Monitor, World Bank
<https://openknowledge.worldbank.org/handle/10986/28395>
2. Moazzem Hossain S M, Leidman E, Kingori J, Al Harun A and Bilukha O O (2016) 'Nutritional situation among Syrian refugees hosted in Iraq, Jordan, and Lebanon: cross sectional surveys', *Conflict and Health* 10:26
www.ncbi.nlm.nih.gov/pmc/articles/PMC5111203/
3. The February 2019 issue of FMR will include a major feature on Education. Call for articles at:
www.fmreview.org/education-displacement



UNHCR/Georgina Goodwin

Girls at Paysannat L school in Mahama refugee camp, eastern Rwanda. Eighty per cent of the students are Burundian refugees and 20 per cent come from the Rwandan host community.