

# Refugees: asset or burden?

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**Studying the impact that a refugee population has on its host country's economy is important when assessing and developing government refugee strategies, particularly in protracted refugee situations.**

Between 1993 and 2000, Tanzania was host to almost 1.5 million refugees. Since the late 1990s, greater efforts have been made to repatriate refugees but even today there remain some 320,000 refugees and asylum seekers in Tanzania. Even with the presence of international agencies supporting the assistance efforts, such a high volume of refugees has inevitably had an impact on Tanzania's domestic economic situation. The government has publicly announced its displeasure with the stretching of resources caused by the refugee presence as well as with the threats that they are thought to pose to domestic stability.<sup>1</sup> However, some counter these claims by outlining benefits that otherwise would not have occurred were it not for the presence of refugees. It is important to understand both claims and to use such knowledge to ensure that refugee policies support national economic growth.

## **Economic effects**

The Tanzanian government attests that the refugee population it hosts has become a burden to the nation's development by exacerbating, if not creating, a scarcity of resources. They assert that the quality of national programmes such as welfare and the national poverty reduction strategy

has been compromised by the reallocation of funds from government resources to refugee programmes. It is also argued that the sharing of common goods and infrastructure has strained not only resources but also relations between refugees and citizens who find themselves competing for those goods. This is most often seen in the use of grazing land, water sources and transport routes.

Contrary to the government's position, some researchers have claimed that the activity ensuing from the refugee population has stimulated the national economy. International organisations are said to have increased national financial capacity by providing funds to refugee projects as well as injecting much needed revenue via the tax and customs payments made for the aid and supplies brought into the country. Additionally, they have also invested in significant amounts of infrastructure development to enable efficient operations on the ground, thus further strengthening the services and infrastructure that are available to locals as well as refugees.<sup>2</sup>

Debate on this topic is further stimulated by the effect that refugees have shown on the labour sector and the pricing market. Refugees have

provided a supply of cheap labour which can crowd out their Tanzanian counterparts from the employment market.<sup>3</sup> Yet this has had a positive effect on opportunities for capacity building in communities, with a larger supply of workers for labour-intensive industries such as mining and agriculture.<sup>4</sup> Such a dichotomous effect is also evident in the prices of goods and services. The arrival of the refugees and the ensuing international relief agency workers caused an increase in the prices of staple foods and real estate, thus reducing the purchasing power of both refugees and locals. However, even with the rise in prices, the quality of social welfare also rose, thus allowing a relative improvement in the standard of living.<sup>5</sup>

## **A balance sheet**

Despite the limited quantifiable evidence available and the difficulty in determining exact costs and benefits of the refugees' presence, it is possible to understand their relative impact through the use of a balance sheet. By summarising the evidence for benefits and costs, then weighing the arguments against each other, a positive or negative score on the economic impact can be hypothesised. Using this approach, a balance sheet emerges suggesting that the refugee population in Tanzania creates a negative economic effect on domestic security as well as access to food and shelter, a positive effect on government finances and business,



and a neutral effect on labour, common resources and infrastructure.<sup>6</sup>

Although the balance sheet's overall score suggests that the refugees do not affect the Tanzanian economy, the importance of such an assessment is not the definitive measurement but rather the understanding that refugees influence specific aspects of the economy in different ways. In light of the vigorous movements towards repatriating refugees and the closure of the refugee camps, the assessment above has serious implications for current refugee strategies and programmes.

If the presence of refugees is negatively related to the economy, then the strategies in place may indeed address one of the causes of Tanzania's current development difficulties. However, if the underlying assumptions and assessments of the national strategies are wrong and refugees are in fact able to provide positive effects on the national economy, then the methods and speed at which refugees are being repatriated need to be addressed. Moreover, the causal relationship of the refugees on the economy may also influence the social programmes that would be necessary to mitigate societal shocks occurring within the local communities most affected by refugees and their relief agencies.

### Policy recommendations

In evaluating its repatriation programme and developing further refugee policies, the Government of Tanzania should consider the following four recommendations:

- **Greater monitoring efforts must be made** in order to document and understand the effects that refugees have on Tanzania's economy. Although it may be too late to assess the influx's impact, the economic changes that occur during the removal of refugees and the closing of the camps can signal the extent to which the refugees were integrated as well as the economic role that they played in the local communities.
- **Stronger and more holistic refugee policies must be created** in partnership with the countries of origin to ensure that repatriation and any other refugee migration is to the betterment of the refugees, the governments and the local communities where refugees live. Benefits offered to repatriating refugees should reflect their social and economic requirements upon return to the country of origin.
- **Regions in Tanzania that host refugee camps and significant populations of refugees must be supported.** Regardless of a negative or positive impact on the local area, the removal of refugees will cause changes in the dynamics of the area, especially in infrastructure and markets.
- **A return to Nyerere's Open Door Policy may mitigate any future negative impact** of refugees on Tanzania. Testimonials and studies of refugees who integrated into Tanzanian society of their own accord have not raised the same economic concern as

those placed into refugee camps. Therefore, a policy that would permit some refugee integration, as was the case prior to the 1990s, may ease the dynamics between locals and refugees in addition to promoting positive societal contributions from the refugees.

As Tanzania continues with its efforts to close refugee camps and reduce the refugee population within its borders, its government must consider the ramifications of its actions and policies given that the role of the refugees on the economy is not fully understood. If these actions are based on faulty premises and misinformation, the current strategies may be harming the economy rather than ensuring its stability. It is the thorough consideration of possible negative and positive influences that allows effective decision making for country policies and the future of its economy.

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2. Whitaker, B E (2002) 'Refugees in Western Tanzania: The Distribution of Burdens and Benefits Among Local Hosts' *Journal of Refugee Studies*, 15 (4).
3. Rutinwa, B (2003) op cit
4. Jacobsen, K (2002) 'Can refugees benefit the state? Refugee resources and African statebuilding' *Journal of Modern African Studies* 40 (4), 577-596.
5. Alix-Garcia, J (2007) 'The Effect of Refugee Inflows on Host Country Populations: Evidence from Tanzania', Working Paper Series: University of Montana Department of Economics [http://papers.ssrn.com/sol3/papers.cfm?abstract\\_id=836147](http://papers.ssrn.com/sol3/papers.cfm?abstract_id=836147)
6. For a fuller discussion, see P Ongpin 'Refugees in Tanzania – Asset or Burden?' in *Journal of Development and Social Transformation* <http://tinyurl.com/OngpinTanzania>