

# The macro-economic impacts of Syrian refugee aid

Tobias Schillings

**A new study on the effects of humanitarian assistance in response to the Syria crisis finds significant positive impacts for regional economic growth and job creation.**

With currently 5.6 million registered Syrian refugees being hosted by neighbouring countries and over six million internally displaced within Syria, creating economic opportunities has become a central component of the resilience approach in response to the crisis. Acknowledging the destructive impact of the conflict on livelihoods and economic resources, the international community committed to creating 1.1 million jobs for refugees and host communities by the end of 2018. This ambitious goal, announced at the London

Conference for Supporting Syria and the Region in February 2016, is complemented by commitments from the affected national governments neighbouring Syria (to open up their labour markets and improve their regulatory environment), the international community (to strengthen job creation through access to concessional financing and external markets) and the private sector (to foster economic growth by providing new investments).

The core response of the international community is the Regional Refugee and



UNHCR/Scott Nelson

Syrian refugees sell soaps and detergents in their shop in Alexandria, Egypt. UNHCR supported this and other job creation projects in Egypt.

Resilience Plan (3RP)<sup>1</sup> which is based on plans developed under the leadership of the relevant national authorities – namely, Egypt, Iraq, Jordan, Lebanon and Turkey. The 3RP combines humanitarian and development elements, spans eight different sectors, including livelihoods, and is supported by a total annual funding appeal of US\$5.6 billion for 2018. A recent study of the macro-economic impacts of the 3RP (undertaken in cooperation with the UN Development Programme’s Sub-Regional Response Facility for the Syria Crisis)<sup>2</sup> demonstrates its noticeable contribution to economic growth and job creation in the region – a contribution that has mostly been overlooked in public discourse yet offers a powerful narrative for policymakers in fostering social cohesion among host communities.

### The qualitative evidence

In many host communities, the economic impact of Syrian refugees and humanitarian

assistance has been the subject of significant debate. The Syrian crisis has clearly had an overall negative impact on many neighbouring countries’ economies by affecting trade flows, GDP and growth, and could threaten regional stability. However, as over 90% of refugees live outside camps, they have become important customers for local goods and services, paid for with savings, labour income, remittances and humanitarian assistance. Local businesses also benefit from humanitarian assistance programmes as they get contracted as suppliers for non-governmental organisations (NGOs) and humanitarian agencies. Furthermore, the arrival of Syrian refugees’ private capital and expertise has accelerated business growth in countries such as Egypt, Jordan and Turkey.<sup>3</sup> Syrian businesses have become an important engine for refugee job creation and represent a premier example of the ‘growing the pie’ approach in host communities.

### The quantitative evidence

To further support these qualitative statements, the new study uses an economic framework to estimate fiscal stimulus and employment effects of the 3RP. As a first step, we estimate the potential GDP impact based on 'fiscal multipliers'. Public investments generate higher economic effects than their initial value, as the economy benefits from spillover effects. For example, building a refugee camp creates income not only for the construction company but also for the suppliers of materials and labour. This income is then spent on other goods and services which in turn create additional economic effects. Fiscal multipliers capture these spillover effects. In a 2015 study of Lebanon, UNDP and the UN Refugee Agency (UNHCR) found that each dollar spent of their US\$800 million refugee aid package generated an additional 0.6 dollars of revenue, making the multiplier 1.6.<sup>4</sup>

The second step of the analysis is to quantify the potential for job creation. By using historic data (including data that captures recent national developments) to quantify the relationship between changes in unemployment and output at the macro-economic level for each country, it is possible to translate the national GDP impact into expected job creation.<sup>5</sup>

It is important to note that the study's final estimate is a projection for the general job creation potential in each country. It does not distinguish between refugees and host nationals, nor does it claim the kinds of jobs that are created. This micro-level impact will depend on 3RP programme implementation, targeting and national economic policies. Especially with regard to refugees, labour market barriers must be taken into account. Refugees experience much stronger economic, legal and social restrictions to employment than do citizens of host countries. As long as these barriers exist, refugees will not be able to benefit fully from the estimated expansion of economic opportunities. It is therefore up to the international community and host governments to target their programmes and policies in such a way as to promote inclusive growth.

The study's results indicate the potentially significant impact of the 3RP programming on host countries. With a total spending over 2017 and 2018 of about \$9 billion, the response plan creates a much larger fiscal stimulus. The short-term effects account for a projected GDP impact of about \$17–25 billion, while the associated job creation impact adds up to an estimated 75,000–110,000 jobs.<sup>6</sup>

The relative effect for each country depends mostly on the size of its economy and the amount of funding received, with Lebanon and Jordan being the largest recipients. With a relatively small market, these countries are expected to experience a much stronger momentum in economic growth due to the large inflow of humanitarian assistance. However, even large economies such as Turkey and Egypt are expected to contribute between 12,000 and 23,000 jobs to the London target. Emphasising the positive economic impacts of refugee aid, this research advocates a fully funded 3RP. Although the job target seems unlikely to be achieved by the resilience response alone, the 3RP represents a significant contribution to expanding economic opportunities for refugees and supports long-term growth by fostering resilience in host communities.

**Tobias Schillings** [tobiasschillings@gmail.com](mailto:tobiasschillings@gmail.com)  
MPhil in Economics candidate, University of Oxford, and Economic Consultant, UNDP Sub-Regional Response Facility for the Syria Crisis  
[www.economics.ox.ac.uk/graduate-students/tobias-schillings](http://www.economics.ox.ac.uk/graduate-students/tobias-schillings)

1. 3RP (2018) *Regional Refugee and Response Plan 2018-2019: Regional Strategic Overview* <http://bit.ly/3RPStrategicOverview2018-19>
2. Schillings T (2018) 'Jobs Make the Difference – Estimating job creation potential of the 3RP Regional Refugee & Resilience Plan', Issam Fares Institute for Public Policy and International Affairs Working Paper No. 44, American University of Beirut <http://bit.ly/Schillings-3RP-2018>
3. See for example Ucak S, Holt J and Raman K (2017) 'Another Side to the Story: A Market Assessment of Syrian Businesses in Turkey', *Building Markets* <http://anothersidetothestory.org/>
4. UNDP/UNHCR (2015) *Impact of humanitarian aid on the Lebanese economy* <http://bit.ly/UNDP-UNHCR-Aid-Impact-Lebanon-2015>
5. The full explanation of the framework and results is available at <http://bit.ly/Schillings-3RP-2018>
6. This projection assumes that the 3RP is fully funded. Given the significant funding gap in recent years, especially with regards to the livelihoods sector, achieving these results will require further financial support by donors.