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The American University in Cairo

School of Global Affairs and Public Policy

THE EFFECTS OF SYRIAN REFUGEES ON JORDAN'S ECONOMY: A CRITICAL CASE  
STUDY

A Master's Project Submitted to

Department of Public Policy and Administration

in partial fulfillment of the requirements for the degree of Master of Arts in Global Affairs

by Michael Philips

under the supervision of Dr. Ibrahim Awad  
February/2016

The American University in Cairo

The Effects of Syrian refugees on Jordan's Economy: A Critical Case Study

A Master's Project Submitted by  
Michael Maurice Prince Philips

To the Global Affairs Program

February/2016

In partial fulfillment of the requirements for  
The degree of Master of Arts in Global Affairs

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## **DEDICATION**

I dedicate this work to my mother Moza, brother Badaba, sister Cherry, and my friends Barsoum Farag, Hany Khella, and Malak Fahim, without whose constant support this project would not have been completed.

## ACKNOWLEDGEMENTS

I would like to express my gratitude to my supervisor, Dr. Ibrahim Awad. For more than a year, Dr. Awad helped me refine my research interest, narrow down the research questions and, more importantly, develop my conceptual framework. His was not an easy task, especially since I immigrated to a new country shortly after the beginning of the research and we had to carry out our conversations online. Still, Dr. Awad carefully read the drafts I sent him and pointed out many areas in need of development until I finished this work.

I would like also to thank my readers Dr. Allison Hodgkins and Dr. Magda Shahin, who agreed to be my readers despite their very busy schedules.

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Finally, I extend my appreciation to the Atlantic Council of Canada, for the considerable support they gave me and allowing me to access their network of databases as a research analyst at the Council.

## **ABSTRACT**

This project discusses the effects of Syrian refugees on the economy of the Hashemite Kingdom of Jordan. It aims at determining whether Syrian refugees have had an effect on GDP, unemployment levels, and price indexes (inflation). It also investigates whether they have had costs and benefits on Jordan and whether the benefits have outweighed the costs. It shows that Syrian refugees have had mixed effects on GDP, unemployment, and inflation, and that they have been mainly benefit to Jordan's economy.

## **DESCRIPTION OF THE CLIENT**

This project targets a hypothetical client. The client is a UN-affiliated think tank conducting research on the impact of refugees on host countries' economies. The hypothetical scenario in which this study is being requested of the author is as follows: The UNHCR has asked the aforementioned think tank to conduct multiple studies on Syrian refugees in Jordan and their impact on the kingdom's economy. The author of this research has been assigned a critical case study about the impact of Syrian refugees on Jordan's economy.

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## Chapter One: Introduction

### 1.1 Overview

The Syrian Civil War erupted in spring 2011, and ever since more than 635,000 registered Syrian refugees have taken refuge in the Hashemite Kingdom of Jordan.<sup>1</sup> The challenges these refugees present to the Kingdom's economy are substantial. On the one hand, Syrians have competed with Jordanians over jobs and caused significant increases in price indices, especially in sectors like food and housing.<sup>2</sup> They have also strained public services, overcrowding schools and health facilities and eliciting shortages in equipment, personnel, and resources.<sup>3</sup> The outcome is that Syrians have been the subject of repeated accusations of being burden to Jordan's economy. Jordan has repeatedly complained that the refugees have overburdened the financial resources of the country and that the amount of international assistance Jordan receives to provide for the refugees falls short of need. On the other hand, Syrians have brought many 'refugee resources'<sup>4</sup> to Jordan that are under-researched in academic literature on the topic. These resources include international assistance, investments, and cheap, diverse, and skilled labour. Some economists have challenged the mainstream belief that Syrians are burden to Jordan and confirmed that the refugees have actually been benefit to the kingdom's economy, thanks to these resources they have brought to the table.

This research aims at assessing the impact of Syrian refugees on Jordan's economy by using five variables: GDP, unemployment rates, price indexes, costs (in education, health, and multiple subsidies, and Benefits (investments by refugees, international assistance, and human capital).

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<sup>1</sup> Syria Regional Refugee Response. (2016, January 19). Retrieved from <http://data.unhcr.org/syrianrefugees/country.php?id=107>

<sup>2</sup> REACH Initiative. (2014). *Evaluating the Effect of the Syrian Refugee Crisis on Stability and Resilience in Jordanian Host Communities: Preliminary Impact Assessment*. Amman, Jordan.

<sup>3</sup> Abisaab, J., Balsari, S., Siam, Z. A., Fuller, A., Hamill, K., & Leaning, J. (2014). *Syrian Refugees in Jordan: Urgent Issues and Recommendations*. Harvard School of Public Health. Retrieved from [http://fxb.harvard.edu/wp-content/uploads/sites/5/2014/12/Jordan\\_2014-final.pdf](http://fxb.harvard.edu/wp-content/uploads/sites/5/2014/12/Jordan_2014-final.pdf)

<sup>4</sup> Jacobsen, K. (2002). Can Refugees Benefit the State?: Refugee Resources and African Statebuilding. *Journal of Modern African Studies*, 40(4), p. 578.

## ***1.2 Literature Review***

### *1.2.1 Overview*

The impact of refugees on host countries' economies is controversial among scholars. A review of the literature available on the topic reveals two main views on the topic. One, the view that refugees are burden to host states. Proponents of this view see that refugees overstretch public services in host states and compete with locals on resources, jobs, and accommodation. Refugee livelihoods, and the contributions they make to host states' economies, do not equal the burden of hosting the refugees. Two, the view that refugees are benefit to host states, since they bring 'refugee resources.'<sup>5</sup> Proponents of this view hold that international assistance, investments, and skilled, cheap, and diverse labour refugees bring to the host states overcompensate host states for hosting the refugees.

### *1.2.2 The View That Refugees Are Burden to Host States*

Fatmata Lovetta Sesay's work attributes much more negative economic outcomes to hosting refugees than benefits. In her dissertation *Conflicts and Refugees in Developing Countries*<sup>6</sup>, as well as in her presentation *Refugees in Developing Countries: Burden or Benefit*<sup>7</sup>, Sesay examines the relationship between refugees, conflict, and economic growth in developing countries. Examining 72 developing countries, Sesay finds that refugees coming from conflicts to developing countries typically increase labour supply but, owing to competition with the locals, decrease the wages. Refugees also overburden public services and limit access to them. Sesay maintains that although refugees bring assets to host countries, poor developing countries do not benefit from these assets in the long run. She also suggests a relationship between the fall of real GDP per capita in sub-Saharan Africa in the preceding four decades and the influx of refugees in the region. She views high population growth caused by the flow of refugees, in

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<sup>5</sup> *Ibid.*

<sup>6</sup> Sesay, F. L. (2004). *Conflicts and Refugees in Developing Countries*. Ludwig Maximilian University, Munich.

<sup>7</sup> Sesay, F. L. (2005). *Refugees in Developing Countries: Burden or Benefit?* MIT. Retrieved from [http://web.mit.edu/cis/www/migration/dec05workshop/presentations/Sesay\\_dec10\\_2005\\_CIS.pdf](http://web.mit.edu/cis/www/migration/dec05workshop/presentations/Sesay_dec10_2005_CIS.pdf)

itself, as detrimental to the economic growth in host countries regardless of real GDP per capita. The presence of conflict is another major factor in afflicting the host country's economy, according to Sesay, since countries sharing borders with countries of origin of the refugees (where conflict is the cause of the refugee movement) have much weaker economies than host countries distant from the conflict.

Sarah Meyer's study *The 'Refugee Aid and Development' Approach in Uganda: Empowerment and Self-Reliance of Refugees in Practice*<sup>8</sup> is in favour of the view that refugees are burden to the host states. The study criticizes self-reliance of refugees in Uganda as tantamount to making the refugees suffer. It examines the outcomes of the Self-Reliance Strategy (SRS) in Uganda to induce the self-empowerment of refugees in the early 2000s. The Self-Reliance Strategy sprang out from the refugee aid and development approach (RAD) developed by the UNHCR in the 1980s. RAD aimed to self-empower refugees in the light of long-term consequences of protracted refugee situations. It encouraged refugees to take more action toward contributing to host countries' economies. SRS was one example how RAD was implemented. SRS started as a partnership between the UNHCR and the government of Uganda in 1999. It entailed cutting back on direct assistance given to refugees in order to induce them to independently sustain their own livelihoods and join the host labour market. It targeted the West Nile region of Uganda since it hosted nearly 72 percent of all refugees at the time. Policymakers also favoured this region for the wider benefit of a community ridden with conflict, underdevelopment, and poverty. SRS entailed giving refugees government-approved allotments of land in order to be used for farming instead of direct handouts by the UNHCR. Part of UNHCR's direct aid was rerouted to strengthen Ugandan public institutions offering services to both Ugandans and refugees. Both the UNHCR and the Ugandan government reported positive outcomes of their joint strategy, where refugees became more self-sufficient and beneficial to the wider community. A UNHCR 2003 report stated that SRS 'clearly represents one of the best attempts by UNHCR to put in place a comprehensive and multi-sectorial approach to refugee economic self-reliance.'<sup>9</sup> However, Meyer claims that SRS led the refugees to suffer in an alien environment and blames both the international community and the government of Uganda for

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<sup>8</sup> Meyer, S. (2006). *The "Refugee Aid and Development" Approach in Uganda: Empowerment and Self-Reliance of Refugees in Practice*. United Kingdom: UNHCR. Retrieved from <http://www.unhcr.org/4538eb172.html>

<sup>9</sup> *Ibid*, p. 5.

having the wrong impression about the outcomes of the strategy. Meyer bases her criticism on the self-reliance of refugees in Uganda on her belief that refugees are burden to host communities that must be directly assisted. She suggests that the underlying reasons for the UNHCR to develop RAD in the first place was actually the perception of refugees as burden, where RAD would be an effort to relieve the burden of refugees on host states and transform them ‘from being a “burden” to a “benefit.”’<sup>10</sup> One piece of evidence the author’s claim was the repetition of the term ‘burden-sharing’ in the literature of the International Conference on Assistance to Refugees in Africa (ICARA) in the early 1980s, years before RAD would be developed by UNHCR.

In their study *The Effect of Refugee Inflows on Host Communities: Evidence from Tanzania*<sup>11</sup>, Jennifer Alix-Garcia’ and David Saah’s attribute negative impacts on the socioeconomic structure of local communities by hosting refugees. The study discusses the impact of two groups of refugees in Tanzania, Burundian refugees in 1993 and Rwandans in 1994. In 1993, the assassination of the first elected Burundian president Melchior Ndadaye, who was a Hutu, led more than 700,000 Hutus to flee Burundi and take refuge in western Tanzania, mainly in the Kagera and Kigoma regions. These effects of the refugees were doubled by another major event. In 1994, the Rwandan president died, with his Burundian counterpart, in an airplane crash. This led to massive violence and chaos in Rwanda, where more than one million people were killed. The upshot was the fleeing of more than a million and three hundred thousand Rwandans into northwestern Tanzania in a very short period of time. This massive movement of people was one of the biggest in human history. In 2000, UNICEF documented that nearly forty percent of residents of Ngara in Kagera were refugees. These refugees lived first among Tanzanians and were integrated in the local communities. Later on, however, the Tanzanian government allowed the establishment of many refugee camps under the supervision of the UNHCR. A business and transportation network soon formed around those camps. The Tanzanian economic map was beginning to change. There were many differences between the Burundian and Rwandan refugees in Tanzania. Rwandan refugees were found to be better off compared to Burundians. They brought money and other assets that they directly invested into

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<sup>10</sup> *Ibid*, p. 14.

<sup>11</sup> Alix-Garcia, J., & Saah, D. (2009). The Effect of Refugee Inflows on Host Communities: Evidence from Tanzania. *The World Bank Economic Review*, 24(1), 148–170. <http://doi.org/10.1093/wber/lhp014>

the Tanzanian market. Two types of food aid were presented to the refugees, international and domestic. Despite the fact that the World Food Programme and the Red Cross provided food aid to the refugees, the Tanzanian government had to provide many staples to maintain food prices stable. In 1994, the Tanzanian government infused 23,000 tons of food into the camps. Most of the food aid was in the form of maize, sorghum, and rice. The refugees did not like these foods and sold most of it to the locals in order to buy sweet potatoes, plantains, and cassava, their favourite staples in their home countries. This led the prices of these commodities to hike. The regions near to the refugee camps witnessed unprecedented increase in the prices of non-aid staples. The millions of refugees led only to wider repercussions on the socioeconomic structure of Tanzania. Farmers who grew and sold foods in high demand to refugees gained some wealth, while other Tanzanians fell victims to the changed demographics. This was most evident when ratios of bike and cement floor ownership among Tanzanians showed that rural households had more floors, and were generally better off, than the rest of Tanzanians, who struggled under increasing prices.

### 1.2.3 The View That Refugees Are Benefit to Host States

Alexander Betts, Louise Bloom, Josiah Kaplan, and Naohiko Omata call the view that refugees are burden to host countries a ‘myth’ in their joint study *Refugee Economics: Rethinking Popular Assumptions*<sup>12</sup>. The study is one out of many to gainsay Meyer’s about refugee livelihoods in Uganda. The study of refugees in Uganda is important since Uganda, like Jordan, has accepted large numbers of refugees over recent decades. In this study, we read a detailed research of the livelihood of refugees in three Ugandan regions: two refugee settlements, Nakivale and Kyangwali, and Uganda’s capital Kampala, where most self-settled refugees live. The authors deconstruct many myths about refugee economics, mainly that refugees are economically isolated and that they are burden to the host countries’ economies. They write: ‘[Our] research findings reveal that refugees’ economic lives in Uganda do not exist in a vacuum shut off from the wider economic structures of their host country.’<sup>13</sup> Refugees in

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<sup>12</sup> Betts, A., Bloom, L., Kaplan, J., & Omata, N. (2014). *Refugee Economics: Rethinking Popular Assumptions* (Academic). University of Oxford. Retrieved from <http://www.rsc.ox.ac.uk/files/publications/other/refugee-economies-2014.pdf>

<sup>13</sup> *Ibid*, p. 10.

Uganda take part in both a national and global business networks. At the national level, Ugandans are important customers and distributors to refugees. Ugandans travel to refugee settlements to buy goods on daily basis from cities as diverse as Hoima, Mbarara, and Kampala. When asked to name their most important customers, 26 percent of the refugees in Nakivale and Kyangwali mentioned an Ugandan. Ugandans are also the main distributors of maize, one of the main crops produced by the refugees, and thanks to them maize finds its way to wider markets in Uganda and even in Sudan, Tanzania, and Rwanda. At the global level, the authors highlight that refugees take part in global business networks, where they function as vital nodal points in global value chains, using their religious and clanship ties to further their trades. One example is Somali refugees in Uganda. Base Camp 3, in Nakivale, hosts around 11,000 Somali refugees. Although they were given allotments of land to use for farming, Somalis are not farmers by nature and favour trade. By selling their allotted lands to others, Somali refugees have successfully started multiple small businesses, usually in the form of shops. These shops are usually very well-stocked and active, carrying goods as diverse as culinary tools, electronics, and perfumes. Somali refugees have used their contacts and relatives in Dubai, China, and Kenya to import goods for their shops. The import of canned tuna, for example, explains how these global chains work, since it is Base Camp 3's best-selling item. Although Lake Nakivale is located at a short distance from the camp, Somali refugees do not favour Ugandan fish and prefer tuna. In order to meet the high demand on tuna, Somali shop owners import a certain brand of canned tuna. This brand is being produced in Thailand and exported to Dubai. In Dubai, Somali traders transport the cans to Kenya, and then from Kenya to Kampala, and then from Kampala to Nakivale, where tuna cans are being sold at a tiny shop at the refugee camp. The authors give two further examples of global value chains. One is Rwandan street vendors in Kampala, who use their relatives and business contacts in North America, Europe, and China to import second-hand clothes and shoes. The other is Congolese female refugees in Kampala, who vend *bitenge* (a bright kind of fabric) and jewellery imported from a wide range of countries, including India, China, Dubai, and the Democratic Republic of Congo (DRC). Along the same lines, refugees participate in more naturally globalized activities such as brokerage between their home and host countries. Burundian refugees in Uganda, for instance, broker construction material. Congolese refugees also broker plastic products, such as jerry cans, buckets, and basins, from Uganda to DRC. The authors refute the 'myth' that refugees are

burden to host states' economies by attributing positive economic impacts to the arrival of refugees in Uganda. Refugees are important buyers of products and services in Uganda. In Kyangwali and Nakivale, according to the study, about 68 percent of refugees purchase their daily needs from Ugandans. In Kampala, some 97 percent of refugees buy their necessities from Ugandans. Ugandan merchants and vendors also make regular visits to the camps to sell their products and make business deals. Even when refugees buy items from other refugee-owned shops, the shops always lead to Ugandan traders and distributors. The authors underline Nile Brewery, a famous Ugandan beverage trademark, as a perfect evidence to prove their claim. Products of Nile Brewery are very popular among the refugees in Kyangwali, the authors write, and refugees buy it from local refugee-run shops. Those shops, however, do not procure the products from the company's headquarters. Instead, an Ugandan distributor in Hoima sends trucks to the camp twice a month to sell between 300-400 crates of beverage to the shops. In addition to being customers to natives, refugee businesspeople provide employment opportunities to host communities. The researchers mention that by the time they conducted their study, 14 percent of people working at the refugee camps were Ugandans. In Kampala, 40 percent of labour at refugee-run businesses was Ugandan. Furthermore, refugees enrich the market by bringing affordable, diverse, and unique labour. According to the study, 24 percent of the refugees in Nakivale and Kyangwali are hired by Ugandans. 43 percent of the self-settled refugees living in Kampala work for Ugandans. Refugees in Uganda are a rich mix of multiple nationalities and background, and with them they have brought versatile skills. With the exception of Somalis, many refugees in the settlements are skilled farmers and work for Ugandan farmers for competitive wages. Many refugees were also tradesmen in their home countries and teach these skills to Ugandans. In Kampala, for example, many have been taught tailoring from Congolese refugee tailors.

In *Can Refugees Benefit the State?: Refugee Resources and African Statebuilding*<sup>14</sup>, Karen Jacobsen stresses the economic opportunities refugees bring to host countries. Jacobsen identifies two categories of 'refugee resources'<sup>15</sup> of economic nature: international refugee assistance and economic activities of the refugees. The international aid is either food or non-

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<sup>14</sup> Jacobsen, K. (2002). Can Refugees Benefit the State?: Refugee Resources and African Statebuilding. *Journal of Modern African Studies*, 40(4), 577-596.

<sup>15</sup> *Ibid*, p. 578.



food. It can be delivered bilaterally (i.e., through intergovernmental agreements), internationally (by international organizations such as the UNHCR), or it can be collected by NGOs. Jacobsen mentions five benefits of international refugee assistance to host communities. One, assistance in the form of food or non-food items usually enrich the local economies by being traded in the local markets. Two, many international donors provide assistance to local communities in order to boost the hospitality to refugees. The UNHCR Handbook for Emergencies mentions giving aid to local populations as one of the measures to contain hostilities arising between the local communities and the refugees. The UNHCR Refugee Affected Areas programmes have provided assistance to local communities in Zambia, Tanzania, and Uganda, by strengthening the infrastructure of transport, health, and education. In the Western Province of Zambia, the UNHCR launched an assistance initiative in transport, health, and agriculture, to persuade the Lozi people to be more welcoming to tens of thousands of Angolan refugees. In Uganda, about 40 percent of the UNHCR aid provided to the Kibanda district was directed to local populations in areas surrounding the Kiryandongo refugee settlement in order to decrease ethnic tensions. In Tanzania, an agreement between the UNHCR and the Prime Minister resulted in the Special Programme for Refugee Affected Areas. According to the programme, the UNHCR provided assistance to local populations as well as government institutions in the regions of Kigoma and Kagera. The objective of the programme was to assist the Tanzanian government to fulfill its commitments to the Burundian and Rwandan refugees and guard against ethnic tensions. The third benefit to local communities from international refugee assistance is that oftentimes the international donors allocate special aids to deal with negative effects caused by the refugees. This is most common when the refugees lead to environmental drawbacks. In 1998, the UNHCR provided assistance to the Tanzanian region of Kigoma to guard against environmental degradation similar to the one that had taken place in Kagera in 1994 after the influx of Rwandan refugees. The UNHCR also provided environmental aid programmes to many other countries, including northeastern Kenya and Guinea. Furthermore, whenever refugees overburdened health services, the UNHCR steps up to provide aid to the health sector. This has been evident in eastern Zaire, Guinea, Sierra Leone, and Liberia. The fourth benefit to local communities owing to international refugee assistance, that Jacobsen identifies, is that after the refugees become integrated or relocated, the services and facilities built by international donors remain to serve the local populations. An

example is what happened in Malawi after the repatriation from Mozambique. The UNHCR gave Malawi many schools, health facilities, and vehicles previously allocated to refugees, with a net worth of about \$35 million. The UNHCR environmental aid programmes usually continue years in host countries after the departure or relocation of refugees. In Malawi, the UNHCR provided environmental aid of about \$78 million to treat the deforestation caused by refugees. In Sierra Leone and Guinea, the World Food Programme and the U.S. government provided funding to treat the environmental side effects resulting from tens of former refugee camps in the Parrot's Peak area. The fifth benefit to local communities is that international aid agencies boost employment in host communities by giving jobs to the local population. The second category of economic refugee resources Jacobsen identifies is the economic contribution of refugees in host countries. Jacobsen mentions many types of contributions by refugees. For example, entrepreneurship by refugees is a major source of contribution. Many refugees turn into businesspeople that invest in the local market, providing services, and adding revenues. An example is what happened in Ghana by Liberian refugees. The refugees noticed there was shortage in the telephone and water networks, in addition to housing, in areas surrounding the Buduburam refugee camp and turned these shortages into thriving businesses for them. The second example of economic contribution by refugees is the refugee camps themselves as markets. These markets interact with the local communities. They provide rare and foreign commodities, buy merchandise from local merchants, and offer services to the communities. They oftentimes host coffee shops, clinics, and restaurants. Sometimes these camps provide support to local communities in times of financial crises. For example, in the 1990s, refugee camps in Ethiopia provided perfect shelters to thousands of locals and helped them survive the draught. The third example of contribution by refugees is that refugees provide cheap, skilled, and diverse labour to the market, leading to significant expansion of host countries' economies. Examples include how eastern Sudan, western Zambia, and western Tanzania boosted their agricultural infrastructure thanks to refugee labour force.

Eric Werker discusses the challenges to refugee contributions in host countries in his article *Refugee Camp Economics*.<sup>16</sup> He criticizes host states for stifling the large potentials of refugees

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<sup>16</sup> Werker, E. (2007). Refugee Camp Economics. *Journal of Refugee Studies*, 20(3), 461–480.  
<http://doi.org/10.1093/jrs/fem001>

and holds host states responsible for any negative outcomes to hosting refugees. The burden of refugees, in Werker's opinion, is the result of mishandling the refugees' cases by host states owing to unfounded fears or mere bureaucracy. Along with a team of researchers, Werker examined these problems at the Kyangwali Refugee Settlement in Uganda. Food in the camp comes either from agricultural activities by the refugees or as aid. The businesses refugees set up ranged from small stalls, to shops, to teahouses. In many cases, refugees had to possess assets to be able to start businesses. When the refugees did not have assets, they resorted to selling their aid items for money, working for locals, or relying on remittances from abroad. A full picture of the camp is described as follows:-

The settlement has, or is close to, several weekly markets. The markets themselves are humble, containing agricultural products in small quantities; imported goods like matches and dishware; and some processed products from the settlement such as fried breads and alcoholic brew. There is also a trading centre with a couple dozen shops selling grains, imported goods, sodas, beer and cigarettes. Regular trucks come from Hoima supplying these shops; in addition, traders from Hoima and as far away as Kampala and Arua come during harvest time to purchase the agricultural production of the refugees.<sup>17</sup>

Werker outlines two types of restrictions that limit the capacity of refugees to run thriving businesses: restrictions on movement and restrictions on employment. In the camp of his study, refugees were required to obtain a permit from the settlement commander in order to be able to go outside the camp, which was not always granted and took many days to issue. This resulted in substantive limitation on movement for, which affected the refugees' contribution to the market for three reasons. One, it increased the time cost for running an industry at the camp, since a refugee businessperson would not be certain they would be able to sell their merchandise outside the camp. Two, it increased the uncertainty of refugee entrepreneurs to embark on bigger projects, since there was a dearth of information on the needs of the outside markets. Three, it increased the uncertainty of native business partners to engage in business deals with the refugees, since it was not guaranteed that the refugees would be able to deliver in time. This led to wider repercussions. Restriction of movement meant less access to outside suppliers and distributors. This was exhibited in the monopoly of few suppliers and distributors, leading to business deals where the refugee entrepreneurs were usually taken advantage of. For

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<sup>17</sup> *Ibid*, p. 464.

example, refugees paid much more than the market price for soap and matches in Kyangwali because few merchants were accessible. Few buyers also bought the refugees' products of maize and beans, forcing the refugees to lower their prices in order to make a deal. Secondly, restriction on movement virtually meant the isolation of the refugee market. Werker here concludes that isolating the refugee markets negatively affect the wider national market since cutting off part of the market is tantamount to making the national market in the host country smaller. The second type of restrictions refugees in Kyangwali fell victims to, according to Werker's study, was the restriction on employment. In order for a refugee to work legally in Uganda, they had to obtain a work permit from the Ugandan government offices in Kampala. As for refugee businesspeople, in order for them to run their trades legally, they had to obtain a trading license, also from the capital, Kampala. Given that the movement of refugees was already restricted, a refugee in Kyangwali seeking employment or trade in Uganda had to go through a very long bureaucratic process wherein they went to the settlement commander, applied for a travel permit, waited for the permit to issue (if it did), travelled to Kampala, applied for a work permit or trading license, waited for it to issue (if it did), and then returned to their settlement before the travel permit expired. That process was very time consuming that many refugees avoided employment or trade altogether, especially that permits and licenses were also very expensive. Werker suggests that all these restrictions were deliberately put into effect in order to limit the refugees' competition with Ugandans in the market. He points out that humanitarian assistance in Uganda was insufficient and that both refugees and Ugandans would have benefited from allowing refugees more latitude.

#### 1.2.4. Summary

Study of the two opposing opinions regarding refugees impact on host countries' economies reveal the following:

On the one hand, some scholars claim that refugees increase labour supply, but at the same time decrease the wages, they overburden public services, lower GDP, and even if they bring assets to the market, this is not effective in the long run. Moreover, scholars of this view also claim that refugees often disturb the socioeconomic structure of host countries through their economic

impact. An example of that latter concern is what happened in Tanzania, where farmers who traded food products with refugees became better off than their urban countrymen.

On the other hand, other scholars call the view that refugees are a burden to host countries' economies a 'myth.' They propose that host countries' populations benefit from the flow of refugees by engaging with them in trade, becoming trade associates with, distributors of, employees by, or customers to refugees. Furthermore, these scholars highlight two types of refugee resources that should be taken into account whenever discussing refugees' impact on host countries' economies: the economic activity of refugees (as discussed above) and the international assistance.

Before we embark on discussing the available literature on Syrian refugees in Jordan, it is important to take the above points into consideration. Not all of them would be necessarily applicable to the case of Syrian refugees in Jordan, but at least they will prepare us to extract our variables, as explained below in the conceptual framework.

#### 1.2.5 Syrian Refugees in Jordan

To better understand the refugees' situation in Jordan, we need to start by looking at the refugees themselves. In *Forced Migration of Syrians to Jordan: An Exploratory Study*<sup>18</sup>, Mohamed Olwan joins Ahmed Shiyab in analyzing 'the capability of Jordan in dealing with Syrian refugees there.'<sup>19</sup> For the purpose of this study, the authors conducted 150 interviews with Syrian refugees in four Jordanian governorates: Amman, Mafraq, Irbid and Balqa. The interviewees answered a 55-question questionnaire and the results were analyzed. The authors found that most Syrian refugees in Jordan were married males in their thirties, previously self-employed, and suffering from low income. Most chose Jordan because of the presence of a family member or economic ties, or because Jordan had a history of welcoming refugees. In fact, most interviewees stated that they would not have sought any country but Jordan. About 20 percent of interviewees had arrived in Jordan illegally, and only 24 percent of interviewees

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<sup>18</sup> Olwan, M., & Shiyab, A. (2012). *Forced Migration of Syrians to Jordan: An Exploratory Study*. European University Institute.

<sup>19</sup> *Ibid*, p. 2.

applied to asylum through UNHCR. The majority of refugees said they were working on bringing more family members to Jordan. The authors expected the number of refugees to rise, especially that it had already risen significantly in 2012. The study showed that Syrians overstretched public services in Jordan and were themselves suffering the consequences. Schools were overcrowded with students, and hospitals with patients. The authors put the unemployment rate of Syrians in Jordan at 80 percent at the time of the study. Syrian refugees, for that reason, had no other source of income but the aids they received. Housing Syrians was also a major challenge. The Jordanian government had not settled refugee camps by the time the authors conducted their study and therefore Syrians were struggling with finding reasonable accommodation. The authors state that:

These results amply demonstrate that Syrian refugees are in serious need of services such as housing. The Jordanian government has not yet decided whether to build formal refugee camps, particularly in border governorates such as Mafraq and Irbid "Ramtha". Some Syrian refugees depend on their relatives and friends in Jordan in addition to the charitable contribution of NGOs and individuals.<sup>20</sup>

Olwan and Shiyab additionally describe the position of Syrians in the Jordanian legal system. Jordan is not a signatory to the 1951 Geneva Convention Relating to the Status of Refugees, and therefore Syrian refugees are treated as foreign nationals under the domestic law, which does not address refugees directly. However, Jordan allowed Syrian refugees to cross the border providing they possessed valid passports. UNHCR has taken charge of determining the legal refugee status for applicants. According to the Memorandum of Understanding of 1998 between the Jordanian government and UNHCR, Jordan is expected to respect the principle of non-refoulement, regardless of the legal status of the refugee and way of entry. As a result, Jordan cannot draw away Syrian refugees under international law whether their presence is legal or illegal. Since now the camps have already been established, this is expected to lower Jordan's burden toward the refugees.

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<sup>20</sup> *Ibid*, p. 4.

The REACH Initiative study *Evaluating the Effect of the Syrian Refugee Crisis on Stability and Resilience in Jordanian Host Communities: Preliminary Impact Assessment*<sup>21</sup> does not deny the negative economic consequences to the arrival of Syrian refugees in Jordan, but it ascribes them to structural reasons predating the Syrian refugee crisis. The authors write:

‘One key finding is that many of the drivers of tension between Syrian refugees and their host communities are structural vulnerabilities within the Jordanian population which predate the Syrian crisis, and are being exacerbated by the large numbers of Syrians who sought refuge in Jordan. Addressing tensions should therefore be considered as part of a wider agenda of addressing structural vulnerabilities in Jordan, to strengthen social cohesion and resilience of host communities.’<sup>22</sup>

According to the study, Syrian refugees have been associated with rising rents and prices, especially in border governorates. They have been accused of flooding the labour market, increasing unemployment levels among Jordanians, and lowering wages. They have also competed with Jordanians over scant resources, such as water, and overstretched public services. The refugees’ impact on the performance of public services is by far the most noticeable factor, according to the study. Both the Jordanian government and UNDP hold the belief that overstressing public services is ‘undeniably the main current threat to social cohesion’<sup>23</sup> Lack of social cohesion, rising unemployment levels, and the negative portrayal of Syrians in Jordanian media could also fuel serious social tensions in Jordan, the study finds. However, the study confirms that Syrian refugees are not to be held responsible for these negative effects, but the Jordanian government.

Syrian refugees’ impact on Jordan’s economy is thoroughly analyzed in Basem Lozi’s article *The Effect of Refugees on Host Country Economy: Evidence from Jordan*.<sup>24</sup> The article was written early in the crisis, and the author uses three indicators to investigate the economic impact of Syrians: inflation (esp. in food prices), the volume of foreign investment, and unemployment rate. Lozi has found that Syrian refugees have significantly impacted inflation

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<sup>21</sup> REACH Initiative. (2014). *Evaluating the Effect of the Syrian Refugee Crisis on Stability and Resilience in Jordanian Host Communities: Preliminary Impact Assessment*. Amman, Jordan.

<sup>22</sup> *Ibid*, p. 2.

<sup>23</sup> *Ibid*, p. 8.

<sup>24</sup> Lozi, B. (2013). The Effect of Refugees on Host Country Economy: Evidence from Jordan. *Interdisciplinary Journal of Contemporary Research in Business*, 5(3), 114–126.

(esp. in food prices) and unemployment rates in Jordan, but they have had no substantial effect on the size of foreign investments in the Kingdom. The author attributes more than 70 percent of inflation in latter years to increasing food prices. The arrival of thousands of Syrian refugees in Jordan has augmented the demand for food. Imported food rose by 11 percent from 2008 to 2012. Before the Syrian crisis, the Jordanian government used to lower prices by giving wide subsidies and control the prices of main staples. After the Syrian crisis and the influx of refugees, the government nearly stopped controlling prices and kept subsidies to a minimum and only to citizens with severe financial needs. Food prices make up about 40 percent of the Consumer Price Index (CPI). As a consequence, inflation rose from -0.7 percent in 2009 to nearly 5 percent in 2012. Moreover, housing prices were not totally out of the question. With the increasing demand for housing by Syrians, housing prices rose. ‘The CPI sub-sector specifically for housing and related expenses has grown at a relatively steady annual average of 1.7 percent per year from 2005-2012,’<sup>25</sup> adding half a point of inflation every respective year. As for fuel prices, Lozi writes:

‘CPI fuel costs rose more than 10% in 2012. Macroeconomic challenges intensified in the first half of 2012. The budget accounts came under further pressure, largely as a result of higher oil prices, lower than-expected grants, and rising outlays for hosting Syrian refugees. At the same time, balance of payment pressures increased—new sabotages of the gas pipeline in February and April reduced gas inflows even more compared with 2011, further increasing imports of expensive fuel for electricity generation and, with it, NEPCO’s losses [ NEPCO is National Electric Power Company]. Such pressures resulted in a decline in the central bank’s reserves, which was exacerbated in May by an increase in deposit dollarization, reflecting depositor nervousness. The large public financing needs—including for NEPCO—further pushed up public debt and also crowded out the private sector.’<sup>26</sup>

Lozi also finds a relationship between an increase in unemployment rate and the mass arrival of Syrian refugees. He begins by describing the mechanism of obtaining a work permit for foreign nationals in Jordan. The government publishes a list of jobs approved for foreigners. Other than the jobs listed, only a willing Jordanian employer is can offer work permits to foreigners. The process takes a long time and is complicated that most Syrians do not go through it. At the time Lozi conducted his study, 320,000 work permits for foreigners were issued by the Ministry of

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<sup>25</sup> *Ibid*, p. 118.

<sup>26</sup> *Ibid*, p. 118-119.



Interior, 200,000 of which were to Egyptians. That is to say, most Syrian refugees in Jordan preferred to work informally. In 2012, unemployment rate in Jordan reached 15 percent. The author finds no direct relationship between the arrival of Syrian refugees and the size of foreign investments in Jordan in recent years. He ascribes the drop in real GDP and FDI in 2011 and 2012 to the Arab Spring and uncertainties on the Jordanian political scene. However, the situation improved in 2013. Syrian investments in Jordan rose 197 percent in January and February 2013, amounting to a volume of nearly JD5 million. Iraqi investments also increased over the same period, adding ‘with a total capital of JD8.2 million.’<sup>27</sup>

In *Syrians and Business in Irbid City: Jordanian Stability and Refugees: A Qualitative Study*<sup>28</sup>, a study published by the Canadian Centre of Science and Education, Khaled Alafi investigates the effects of Syrian refugees on the economy of one refugee-hosting Jordanian city, Irbid. Alafi gives us the aim of his study in the first few lines. He writes:

‘Against Jordan’s historical and economic background, the question of the effects on business of Syrian refugees’ fleeing the civil war and their demand for accommodation and business purchase in Irbid, a northern city, is investigated. The hope was to link these local social and economic problems and their effects to nationwide demands, more prevalent in the south, for socio-economic improvement for business opportunity and increased political freedom.’<sup>29</sup>

The author conducted 33 interviews with people of interest in Irbid to reach his conclusions. Alafi has found that Syrian refugees have had unfavourably impacted the economic welfare of Jordanian citizens of lower socioeconomic status, while impacting Jordanian businesspeople in a favourable way. The explanation for this dichotomy Alafi presents as:

‘Two types of Jordanians already existed, a minority of very rich and the majority who were poor.

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<sup>27</sup> *Ibid*, p. 121.

<sup>28</sup> Alafi, K. (2014). *Syrians and Business in Irbid City: Jordanian Stability and Refugees: A Qualitative Study*. *International Journal of Business and Management*, 9(6), 115–125. <http://doi.org/10.5539/ijbm.v9n6p115>

<sup>29</sup> *Ibid*, p. 115.

‘The few rich people, part of the elite, who had invested their money in commerce or real estate made an increased profit in the booming market resulting from increased consumers in Irbid City, and the continuing demand for accommodation drove up prices of their properties and rents.’<sup>30</sup>

According to the study, rich Syrians have caused a boom in the real estate market and other markets in Irbid. Banks are overcrowded with affluent Syrians depositing their money in them and Jordanian realtors are not short of affluent Syrian customers to sell their properties to. Even less affluent Syrians have caused a revival in the retail and consumer business, especially food. This has caused a general increase in prices that is not making less affluent Jordanians, who are no realtors nor retail business owners, happy. Alafi quotes one of his interviewees:

‘Dealing with Syrians such as renting apartments is easier, because they can pay three times more than Jordanians, with the money they receive from their relatives and international organizations indicated by crowded money exchange shops. Syrians seem to live very well on their better incomes. This shortage of rentals leads Jordanians on limited incomes with no supplements to feel very resentful.’<sup>31</sup>

Then he claims:

‘The majority of limited income people became worse off than before because they could no longer rent even a small apartment. This was particularly hard on the younger people just starting out. Those already or newly married were forced into divorce because they could not pay the increased rent comparing what they could afford to rentals offered by richer Syrians.’<sup>32</sup>

Alafi proposes that the Jordanian government is partly to blame here. The reason is that the Jordanian government has failed to draw up a strategic plan to accommodate the mass influx of Syrians into Irbid, at least half of whom are wealthy and the others receive stipends from international organizations and NGOs that are 3-4 times the average income of Jordanians with limited income. Alafi expects political turmoil in Irbid should the prices keep to rise and the government not to take action.

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<sup>30</sup> *Ibid*, p. 120.

<sup>31</sup> *Ibid*.

<sup>32</sup> *Ibid*.

In *Coping With The Crisis: A Review of the Response to Syrian Refugees in Jordan*<sup>33</sup>, Musa Shteivi, Jonathan Walsh, and Christina Klassen discuss how the Syrian refugee crisis impacted Jordan. In that sense, the study perceives of the refugees as burden. According to the study, for instance, Jordan witnessed a downgrading in its Moody sovereign credit rating in 2013 because of the budget imbalance caused by high refugee-related expenditure. The authors explain their perspective:

Jordan is particularly water scarce, and the refugee crisis threatens all Jordanians' access to decent water and sanitation services. Services such as education, electricity, and healthcare have deteriorated because of the crisis, especially in Jordan's northern governorates and the Capital Amman. Finding work has also become increasingly challenging, as competition between Syrian refugees and working-class Jordanians has raised unemployment and depressed wages.<sup>34</sup>

The study highlights that the main portal of international aid in regard of the Syrian refugee crisis in Jordan is the UNHCR's Sixth Regional Response Plan (commonly referred to as RRP6). The authors criticize RRP6 for targeting Syrians, while ignoring Jordanians affected by the refugee crisis. In addition, other UNHCR programs that target both Syrians and Jordanians usually focus on 'abstract'<sup>35</sup> issues unrelated to economic repercussions of the crisis, such as 'information-sharing, public outreach campaigns, [and] awareness-building.'<sup>36</sup> The Jordanian government had to bridge that gap by offering its own initiative. The National Resilience Plan (NRP) is Jordan's own aid plan to face the consequences of the Syrian refugee crisis. NRP is supervised by the Host Community Support Platform (HCSP), which is a special governmental entity created by the Jordanian Ministry of Planning and International Cooperation (MOPIC). NRP is a three-year program that bridges the aid gap by focusing primarily on Jordanians affected by the refugee crisis. In that sense, Jordan provides relief to its own citizens affected by the influx of refugees by endeavouring to maintain public services, prices, and unemployment at relatively acceptable levels. NRP functions through a network of five Task Forces and three

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<sup>33</sup> Shteivi, M., Walsh, J., & Klassen, C. (2014). *Coping With The Crisis: A Review of the Response to Syrian Refugees in Jordan*. Amman, Jordan: Center for Strategic Studies.

<sup>34</sup> *Ibid*, p. 16.

<sup>35</sup> *Ibid*, p. 24, para. 3.

<sup>36</sup> *Ibid*.

Reference Groups that target special sectors, in addition to an unclassified ‘Food Security Sector.’<sup>37</sup>

The Education Task Force came as a response to the influx of Syrian children into Jordanian schools, with the objective to maintain ‘quality educational services for all.’<sup>38</sup> The authors, however, conclude that the level of services currently available is nowhere near the objective of the task force. Public schools are overstrained not only by Syrian children, but by children of impoverished Jordanian parents who had to pull their children out of private schools. As a consequence, reforms in education were delayed, new teachers are sent quickly into practice with very short training, and performance of students deteriorated on a national scale.

The Health Task Force came as a response to the Syrian refugee crisis, with the objective to maintain the quality of service by providing physical plants (facilities), equipment, and professionals in order to absorb the shock of the refugees. The authors conclude that the aid is technically lost, while health services are still impaired. Facilities are overcrowded and equipment is in shortage. There is severe shortage in health professionals to accommodate the massive increase in patients’ numbers, especially in mental health, and the ones available are overworked. The projects the Ministry of Health had for improving the service were all frozen since the beginning of the refugee crisis. Both Syrians and Jordanians suffer from undertreatment and have become more liable to communicable diseases.

The Livelihoods and Employment Task Force is concerned with supporting Jordanians affected by the refugee crisis in their livelihoods and employment. It aims at creating more jobs, improving food security, and encouraging micro and small entrepreneurs. The authors conclude that despite these efforts, the task force’s objectives remain unfulfilled. The authors claim that the Jordanian economy was severely affected by the refugee crisis and that it shows ‘signs of stagnation.’<sup>39</sup> They attribute inflation, underemployment and rising unemployment, declining wages, and the straining of agricultural and other food resources to the arrival of large numbers of refugees. They add that unemployment alone has become a “structural” problem (i.e., one that cannot be solved without serious, far-reaching economic reforms).<sup>40</sup>

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<sup>37</sup> *Ibid*, p. 26, para. 1.

<sup>38</sup> *Ibid*, p. 33.

<sup>39</sup> *Ibid*, p. 35.

<sup>40</sup> *Ibid*.

The Municipal Services Task Force is geared toward countering the bureaucratic changes arising from the arrival of Syrian refugees. In that sense, it aims at maintaining local governments functioning and active in cities and towns with large refugee populations. The authors, however, find that the task force has not been able to fulfill its objectives. Beside straining local governments by inducing them to take large amounts of debt, Syrian refugees have also affected ‘even communities that do not have large refugee populations due to the demands [they place] on national-level resources.’<sup>41</sup> The Water and Sanitation Task Force is responsible for expanding the infrastructure of water services to meet the recent skyrocketing demand by refugees and Jordanians. The authors think that the task force is up against a very dangerous situation since Jordan is very water scarce. Despite the funding, quality of service has noticeably declined since the beginning of the refugee crisis, and that there are serious gaps and losses within it.

The Social Protection Reference Group receives funding from the Jordanian government to ensure social protection of women and children affected by the refugee crisis as well as address social tension between many frustrated Jordanians and the refugees. The Housing Reference Group is the Jordanian government’s response to housing challenges posed by Syrian refugees. Its main aims are to ensure Jordanians have access to decent housing despite hiking real-estate prices and rents owed to Syrian refugees. The authors write that despite the efforts of the group, many Jordanians families are liable to homelessness because rents are increasing in areas with condensed refugee populations. The Energy Reference Group addresses the problems arising by increased demand on electricity, natural gas, and oil caused by Syrian refugees. They aim at maintaining energy prices reasonable to Jordanians despite the challenges of the Syrian refugees. According to the study, Jordan is short of enough aid to meet the challenges of the refugee crisis. Both RRP6 and NRP are ‘chronically underfunded,’<sup>42</sup> and therefore ‘Jordanian authorities remain unable to implement the full spectrum of necessary relief programs.’<sup>43</sup>

Svein Erik Stave and Solveig Hillesund discuss the impact of Syrian refugees on Jordan’s labour market in the International Labour Organization’s study *Impact of Syrian Refugees on*

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<sup>41</sup> *Ibid*, p. 36.

<sup>42</sup> *Ibid*, p. 13, para. 1.

<sup>43</sup> *Ibid*.

*the Jordanian Labour Market*.<sup>44</sup> This study is recent. The authors explain that since the beginning of the Syrian civil war, more than 500,000 Syrian refugees have been living in Jordan outside the camps, out of a total of 616,000 refugees at the time of the study, posing serious challenges to the labour market. The authors conducted a series of household surveys between February-March 2014. The surveys included about 3,800 families Amman, Irbid and Mafraq. The study found that about 51 percent of the Syrian men and 7 percent of women living outside camps take part in the Jordanian labour market. 40 percent of employed refugees outside the camps work in construction. 23 percent work in wholesale and retail stores. 12 percent work in manufacturing. 8 percent work in the food and accommodation industries.

The Syrian refugees have had an impact on unemployment level in Jordan. Before the refugee crisis, the labour force participation among Jordanians stood at 67 percent for men and 18 percent for women. Unemployment level among all segments of the population was over 14 percent. After the refugee crisis, while total labour market participation among Jordanians remained the same, unemployment level rose to nearly 22 percent, especially among young and uneducated Jordanians. Before the refugee crisis, the largest sector of employed Jordanians, nearly 36 percent, worked for the government, namely in public administration, defense, and education. 18 percent worked in retail, wholesale, and repair trades, and 11 percent were in manufacturing. After the refugee crisis, the above figures remained almost the same. The only noticeable change to the labour map in Jordan after the influx of refugees has been, the authors point out, that nearly 30 percent of Jordanians who used to work in construction changed their careers to something else. Between 2011-2014, the percentage of male Jordanians working in construction declined from 9 to 7 percent. The authors highlight the fact that most Syrian refugees in Jordan work informally as the possible culprit behind the above changes. Only 10 percent of Syrian refugees have legal work permits in Jordan, according to the authors. The vast majority of Syrian refugees (90 percent) work informally, accept lower wages, even compared to informal Jordanian workers, and spend longer hours at work.

### ***1.3 Conceptual Framework***

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<sup>44</sup> Stave, S. E., & Hillesund, S. (2015). *Impact of Syrian Refugees on the Jordanian Labour Market*. International Labour Organization. Retrieved from [http://www.ilo.org/wcmsp5/groups/public/---arabstates/---ro-beirut/documents/publication/wcms\\_364162.pdf](http://www.ilo.org/wcmsp5/groups/public/---arabstates/---ro-beirut/documents/publication/wcms_364162.pdf)

The literature review is the basis upon which the conceptual framework has been built. The literature has pointed out three economic variables that refugees have affected in host states, and therefore we will add them to our list of variables: Gross Domestic Product (GDP), unemployment rates, and price indices (inflation). Sesay's dissertation as well as her presentation assumes a relationship between refugee inflows and a drop in GDP per capita in Sub-Saharan Africa; moreover, government spending on refugee-related costs is liable to affect GDP. Unemployment, as a variable affected by the influx of refugees, has been mentioned in a number of studies, including Mohamed Olwan and Ahmed Shiyab's study, The REACH Initiative's study, Basem Lozi's article, and the International Labour Organization's study. Inflation, as a variable affected by refugee influx, has been highlighted in many studies in the literature review, including Jennifer Alix-Garcia' and David Saah's study, Eric Werker's article, The REACH Initiative's study, Basem Lozi's article, Khaled Alafi's study, and Musa Shteivi's, Jonathan Walsh's, and Christina Klassen's study. In addition to the above three economic indicators, the controversy among scholars upon the impact of refugees on host countries' economics (burden vs. benefit) has given rise to the first two categories of variables that will be used in the research: costs (concerned with the burdening costs for hosting the refugees) and benefits (concerned with the economic benefits refugees bring to host countries). When dissecting the nature of the first category of variables, costs, the literature singles out healthcare and education as the sectors most affected by refugees in host states; it also highlights the obligation by host states to provide food, water, and energy at relatively affordable prices both to their native populations and, in some cases, to the refugees. The second category of variables, benefits, will follow the literature's focus on three sub-categories of variables: international assistance, refugee investments, and human capital (labour supply in the form of cheap and diverse labour). The entire literature review has been used as basis for extracting those variables, but in particular the following studies: Karen Jacobsen's, Sarah Meyer's, Jennifer Alix-Garcia' and David Saah's, Alexander Betts', Louise Bloom', Josiah Kaplan', and Naohiko Omata's, and The REACH Initiative's study.

The conceptual framework, therefore, contains three economic indicators (GDP, unemployment rates, and price indices) as well as two separate categories for costs and benefits. Costs include

healthcare and education costs and subsidies for food, water and energy. Benefits include international assistance, refugee investments, and human capital (cheap and diverse labour).

The variables are listed below:-

1. Gross Domestic Product (GDP)
2. Unemployment rates
3. Price indices (inflation)
4. Costs: costs for healthcare and education, and subsidies for food, water, and energy
5. Benefits: international assistance, refugee investments, and human capital

#### ***1.4 Research Problem***

The problem to research is the extent to which Syrian refugees have impacted Jordan's economy. Syrian refugees could be a burden and an opportunity to Jordan's economy. They have burdened the financial resources of the country, but have also brought investments, human capital, and international assistance to the table. Their impact on Jordan's economy will be expressed in GDP, unemployment levels, inflation, and the costs and benefits for hosting them.

#### ***1.5 Research Questions***

My research will be structured to answer the following questions:-

Q1: How have the flows of refugees affected GDP, unemployment rates, and inflation in Jordan?

Q2: What were the costs and benefits to Jordan in terms of expenditure and revenues owed to Syrian refugees?

#### ***1.6 Hypotheses***

I propose to test the following propositions-



H1: The performance of GDP, unemployment rates, and inflation was mixed over time and cannot all only attributed to the flows of refugees.

H2: There were costs for hosting the refugees, but the revenues were more than the costs.

### ***1.7 Methodology***

This is a desk research based on literature review and online research, owing to my inability to travel in person to Jordan to conduct field work. Resources vary according to the referenced fact. They include studies, articles, media, official declarations, and many other examples. For a comprehensive view of the sources, please refer to the Bibliography. Because the bulk work of this research was done in 2014-early 2015, the research mainly targets the time period 2011-2014 in Jordan, but it avails of many 2015 sources and references whenever relevant or thoroughly authenticated.

## Chapter Two: Syrian refugees and the Economy of Jordan

### 2.1 Overview

The purpose is to find out what effect Syrian refugees have had on GDP, unemployment, and inflation.

To these ends, we will investigate the following economic variables:-

1. Gross Domestic Product (GDP)
2. Unemployment rates
3. Price indices (inflation)
4. Costs: costs for healthcare and education, and subsidies for food, water, and energy
5. Benefits: international assistance, refugee investments, and human capital

Data on the above indicators were available in multiple currencies. To clear any confusion, below are the 2014 exchange rates between the Jordanian dinar and other major currencies:-

- 1 JD = 1.4 \$
- 1 JD = 1.26 EUR
- 1 JD = 0.9 GBP (British Pound)<sup>45</sup>

Additionally, most of the numbers have been rounded up or down to the nearest figures.

### 2.2 Gross Domestic Product (GDP)

Syrian refugees have been accused of overburdening Jordan's economy.<sup>46</sup> Did Jordan's GDP, then, plummet since Syrian refugees arrived in Jordan? A simple reality check contradicts the

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<sup>45</sup> Current and Historical Rate Tables. (2014, January). Retrieved from <http://www.xe.com/currencytables/?from=JOD&date=2015-08-29>

allegation. In fact, Jordan's GDP has increased significantly since 2011. It went from \$29 billion in 2011, to \$31 billion in 2012, to \$33.5 billion in 2013, to \$36 billion in 2014.<sup>47</sup> GDP Per Capita (GPP) has also risen from \$11,000 in 2011, to \$11,500 in 2012, to \$11,700 in 2013, to \$12,000 in 2014.<sup>48</sup> Since GDP rose over the years Jordan has hosted the refugees, refugees cannot be accused of lowering the country's GDP, because the GDP did not plummet to begin with.

### **2.3 Unemployment Rates**

Syrian refugees have been accused of increasing unemployment rates among Jordanians.<sup>49</sup> Two questions arise here. One, have unemployment rates really arisen since 2011. Two, if yes, how far could the refugees be held accountable?

The answer to the first question is in positive. To begin with, unemployment among youth in Jordan (ages 15-24) rose in the period from 2011-2013, with only a temporary decrease in 2012. In 2011, unemployment among Jordanian youth stood at 31.6%; in 2012 at 31.3%; in 2013 at 33.7%.<sup>50</sup> The most recent government records in Jordan show that in the first quarter of 2015, total unemployment among all Jordanians stood at 12.9%, an increase of 0.6% over 2014. Females had an unemployment rate of 22% compared to 11% for males, which accounted for an increase of 3% for females and 0.1% for males. University graduates were also most affected, reaching an unemployment rate of 18.7% higher than the less educated. The most affected age-groups by unemployment were found to be 15-19 (35.8%) and 20-24 (30.4%).<sup>51</sup>

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<sup>46</sup> The impact of Syrian refugees on Jordan's economy. (2013, September 15). Retrieved from <http://www.oxfordbusinessgroup.com/news/impact-syrian-refugees-jordan%E2%80%99s-economy>

<sup>47</sup> World Development Indicators. (n.d.). Retrieved from <http://databank.worldbank.org/data/reports.aspx?source=2&country=JOR&series=&period=>

<sup>48</sup> GDP per capita, PPP (current international \$). (n.d.). Retrieved from <http://data.worldbank.org/indicator/NY.GDP.PCAP.PP.CD>

<sup>49</sup> Syrians grab 91% of jobs created by private sector — study. (2014, October 28). *The Jordan Times*. Retrieved from <http://www.jordantimes.com/news/local/syrians-grab-91-jobs-created-private-sector-%E2%80%94-study>

<sup>50</sup> Unemployment, youth total (% of total labor force ages 15-24) (modeled ILO estimate). (n.d.). Retrieved from <http://data.worldbank.org/indicator/SL.UEM.1524.ZS>

<sup>51</sup> The Hashemite Kingdom of Jordan. (2015). *12.9% The Unemployment Rate during the first quarter of 2015*. Retrieved from [http://dos.gov.jo/dos\\_home\\_e/main/archive/Unemp/2015/Emp\\_2015-q1.pdf](http://dos.gov.jo/dos_home_e/main/archive/Unemp/2015/Emp_2015-q1.pdf)

The answer to the second question is in negative. Although Syrian refugees are responsible for adding more competitiveness to the job market, they are not the sole reason for the increase in unemployment rates. According to then Jordanian Planning and International Cooperation Minister Ibrahim Saif, unemployment in Jordan is ‘a result of some factors such as the demographic shifts and lack of matching between the outputs of the various education stages and labor market requirements, as well as the competition between migrant labor and local labour force.’<sup>52</sup> Syrian refugees have increased competitiveness in the market by working informally, for lower wages than Jordanians, and being willing to accept harsher work conditions. That has been evident in cities with larger concentrations of refugees, such as Amman, Irbid, and Mafraq, where unemployment among youth increased from 14.5% in 2011 to 22.1% in 2014. In these cities, more than 99% of employed refugees work informally compared to only 50% of Jordanians. The refugees also work longer hours and get paid less. Compared to only 15% of Jordanians who earn below 200 dinars a month, the figure among refugees is as high as 44%.<sup>53</sup>

Other factors account for unemployment in Jordan. One is that Jordanians, especially females, prefer to work in the public sector because of the stability and benefits it provides.<sup>54</sup> Since Syrian refugees would not compete with Jordanians over public positions, most of whom are Jordanian women, we cannot claim Syrian refugees are responsible for any increase in unemployment amongst Jordanian females. A second is bad transportation, which has weakened the employability of the private sector.<sup>55</sup> A third is that the economic growth Jordan has witnessed in recent years has been in low-wage sectors, such as construction, which Jordanians eschew and informal migrant workers dominate.<sup>56</sup>

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<sup>52</sup> Naamat, N. (2014, December 16). Jordan aims to reduce unemployment. *Al-Monitor*. Retrieved from <http://www.al-monitor.com/pulse/politics/2014/12/jordan-unemployment-policies.html#>

<sup>53</sup> Stave, S. E., & Hillesund, S. (2015). *Impact of Syrian refugees on the Jordanian labour market*. International Labour Organization. Retrieved from [http://www.ilo.org/wcmsp5/groups/public/---arabstates/---ro-beirut/documents/publication/wcms\\_364162.pdf](http://www.ilo.org/wcmsp5/groups/public/---arabstates/---ro-beirut/documents/publication/wcms_364162.pdf)

<sup>54</sup> Assaad, R. (2014). *The Jordanian Labour Market in the New Millennium*. Oxford University Press, p. 157.

<sup>55</sup> Transportation dilemma. (2014, November 10). *The Jordan Times*. Retrieved from <http://www.jordantimes.com/opinion/yusuf-mansur/transportation-dilemma>

<sup>56</sup> Naamat, N. (2014, December 16). Jordan aims to reduce unemployment. *Al-Monitor*. Retrieved from <http://www.al-monitor.com/pulse/politics/2014/12/jordan-unemployment-policies.html#>

The conclusion is that Syrian refugees have been associated with increased unemployment in Jordan and have increased the competitiveness of the market. However, there are other reasons for unemployment that are not related to the flow of refugees.

#### **2.4 Price Indices (Inflation)**

Inflation in Jordan rose steadily between 2011-2013, only to slow down in 2014. The consumer price index (CPI) rose 4.4% in 2011 over 2010, 4.8% in 2012 over 2011, 5.5% in 2013 over 2012, and 2.8% in 2014 over 2013.<sup>57</sup> In 2014, the commodities and services most affected by inflation were rents (6.9%), tobacco and cigarettes (13.9%), clothes and footwear (9.9%), education (4.5%), and healthcare (6.9%). The ones least affected were energy (0.8%), dairy products (0.2%), and vegetables (2.8%).<sup>58</sup>

Are Syrian refugees, then, the inherent reason for inflation in Jordan? Refugees have mainly burdened the real-estate, food, education, and healthcare markets in Jordan.<sup>59</sup> It is true that rental prices have tripled in border governorates since 2011 due to the increased demand by refugee families.<sup>60</sup> The high demand on education and healthcare, by refugees, has also increased the prices in these sectors.<sup>61</sup> The increases in the prices of fuel and electricity, on the other hand, are so minimal that they cannot account for the overall inflation in the market. Moreover, it is found that prices in food products are least affected by the overall inflation. This suggests that the underlying reason for inflation in Jordan lies not in the high demand by refugees, but elsewhere.

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<sup>57</sup> Inflation, consumer prices (annual %). (n.d.). Retrieved from <http://data.worldbank.org/indicator/FP.CPI.TOTL.ZG>

<sup>58</sup> The Hashemite Kingdom of Jordan. (2015). *2.8% the Annual Inflation Rate for 2014 compared with 2013*. Retrieved from [http://www.dos.gov.jo/dos\\_home\\_e/main/archive/inflation/2014/CPI\\_2014.pdf](http://www.dos.gov.jo/dos_home_e/main/archive/inflation/2014/CPI_2014.pdf)

<sup>59</sup> Lozi, B. (2013). The Effect of Refugees on Host Country Economy: Evidence from Jordan. *Interdisciplinary Journal of Contemporary Research in Business*, 5(3), p. 118.

<sup>60</sup> REACH Initiative. (2014). *Evaluating the Effect of the Syrian Refugee Crisis on Stability and Resilience in Jordanian Host Communities: Preliminary Impact Assessment*. Amman, Jordan.

<sup>61</sup> Achilli, L. (2015). *Syrian Refugees in Jordan: A Reality Check*. European University Institute. Retrieved from [http://cadmus.eui.eu/bitstream/handle/1814/34904/MPC\\_2015-02\\_PB.pdf?sequence=1](http://cadmus.eui.eu/bitstream/handle/1814/34904/MPC_2015-02_PB.pdf?sequence=1)

In the second half of 2013, Jordan released its draft budget for 2014. In it, about JD6 billion were to be collected in the form of various taxes and fees.<sup>62</sup> The expenditure of the government, however, as coverage for foreign grants and loans, was allotted at near JD8 billion.<sup>63</sup> That is to say, the Jordanian government was to infuse about JD2 billion into the market with no parallel increase in productivity. Another was the increase in salaries and pensions over the past few years, which has in turn increased the prices. Faced with public discontent during the early days of the Arab Spring, Jordan spent \$283 million on raising salaries and pensions of government employees and services in 2011. The monthly wage increased \$28, in consequence.<sup>64</sup> In February 2012, Jordan raised the minimum wage to JD190 per month.<sup>65</sup> In 2013, Jordan raised pensions by 4.1%; in 2014, by 5.6%, which amounted to a monthly increase of about JD20.<sup>66</sup> Between 2011-2013, salaries rose by 6% a year.<sup>67</sup> The resulted expansionary budget policy was found to be one of the main reasons for inflation in Jordan, according to the source.

The above findings demonstrate that the underlying reasons for inflation in Jordan are not Syrian refugees in themselves only, but also expenditures on wages and pensions. The refugees have increased demand, but their presence in itself has only revealed an underlying malady.

## **2.5 Costs**

### **2.5.1 Healthcare Costs**

Expenditure on the healthcare service for refugees rose from JD52 million in 2013 to JD85 million in 2014.<sup>68</sup> From 2011-2014, Jordan granted Syrian refugees free access to healthcare. In

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<sup>62</sup> *Jordan: Second Review Under the Stand-By Arrangement, Request for Waivers of Nonobservance of Performance Criteria, and Modification of Performance Criteria*. (2013). International Monetary Fund.

<sup>63</sup> Fanek, F. (2013, December 8). Reasons behind Jordan's high inflation. *The Jordan Times*. Retrieved from <http://www.jordantimes.com/opinion/fahed-fanek/reasons-behind-jordan%E2%80%99s-high-inflation>

<sup>64</sup> Jordan raises salaries, pensions in face of public discontent. (2011, January 21). *Ahram Online*. Retrieved from <http://english.ahram.org.eg/News/4503.aspx>

<sup>65</sup> The minimum wage increase in Jordan from 1st of February 2012. (2011, December 31). Retrieved from <http://www.fair-wage.com/en/fair-wage-observatory/new-legal-provisions/109-the-minimum-wage-increase-in-jordan-from-1st-of-february-2012.html>

<sup>66</sup> Pension rise by 5.6%. (2014, May 20). Retrieved from <http://www.jordanembassyus.org/news/pensions-rise-56>

<sup>67</sup> Fanek, F. (2013, December 8). Reasons behind Jordan's high inflation. *The Jordan Times*. Retrieved from <http://www.jordantimes.com/opinion/fahed-fanek/reasons-behind-jordan%E2%80%99s-high-inflation>

<sup>68</sup> Nasser, R., & Symansky, S. (2014). *The Budget Impact of the Syrian Refugee Crisis on Jordan*. USAID.

November 2014, however, Jordan declared refugees were no longer entitled to free healthcare and were required to pay the same fees of non-insured Jordanians, about 35-60% of the full fees.<sup>69</sup>

### 2.5.2 Education Costs

Expenditure on education for the refugees rose from JD26.73 million in 2013 to JD41.95 million in 2014.<sup>70</sup> According to UNHCR, Jordan has waived all education fees for refugee children from Syria, and by 2013 more than 83,000 refugee children were enrolled in Jordanian schools.<sup>71</sup> By 2014, the number rose to more than 120,000 children, including 20,000 children from the camps.<sup>72</sup> In consequence, classrooms have become overcrowded with students and many schools work double shifts. That has led the government to hire new teachers and build new schools.<sup>73</sup>

### 2.5.3 Other Subsidies Costs

Food subsidies costs related to refugees rose from JD1 million in 2012, to JD16 million in 2013, to JD24 million in 2014, the main staple subsidized being bread. In the energy sector, although the overall liquid-gas-petroleum (LGP) subsidies shrank between 2011-2014 as a measure against deficit, subsidy costs for refugees rose from JD740,000 in 2011, to JD3 million in 2012, to JD6 million in 2013. Additionally, despite the fact that Syrian refugees are considered low-end electricity consumers, and that the UN purchases electricity for the camps at a rate higher than net cost, it is found that electricity subsidy costs for refugees increased

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<sup>69</sup> World Health Organization. (2015). *Regional Situation Report, January 2015: WHO response to the Syrian crisis*. Retrieved from [http://www.who.int/hac/crises/syr/sitreps/syria\\_regional\\_health\\_sitrep\\_january2015.pdf](http://www.who.int/hac/crises/syr/sitreps/syria_regional_health_sitrep_january2015.pdf)

<sup>70</sup> Nasser, R., & Symansky, S. (2014). *The Budget Impact of the Syrian Refugee Crisis on Jordan*. USAID.

<sup>71</sup> The Challenge of Education. (2013). Retrieved from <http://unhcr.org/FutureOfSyria/the-challenge-of-education.html>

<sup>72</sup> UNICEF. (2014). *Syria Crisis: Monthly humanitarian situation report*. Retrieved from [http://www.unicef.org/appeals/files/UNICEF\\_Syria\\_Crisis\\_Situation\\_Report\\_13Oct2014\\_.pdf](http://www.unicef.org/appeals/files/UNICEF_Syria_Crisis_Situation_Report_13Oct2014_.pdf)

<sup>73</sup> Abisaab, J., Balsari, S., Siam, Z. A., Fuller, A., Hamill, K., & Leaning, J. (2014). *Syrian Refugees in Jordan: Urgent Issues and Recommendations*. Harvard School of Public Health. Retrieved from [http://fxb.harvard.edu/wp-content/uploads/sites/5/2014/12/Jordan\\_2014-final.pdf](http://fxb.harvard.edu/wp-content/uploads/sites/5/2014/12/Jordan_2014-final.pdf)

gradually from JD5.8 million in 2012, to JD91 million in 2013, to JD127 million in 2014. Subsidy for water for the refugees rose from JD107 million in 2013 to JD254 million in 2014.<sup>74</sup>

#### 2.5.4 Summary

Only 20% of Syrian refugees live in the four refugee camps under UNHCR's auspices: the Zaatari, Marjeeb al-Fahood, Cyber City, and al-Azraq. The remaining 80% live in Jordanian cities among Jordanians.<sup>75</sup> Jordan has provided for both sides in a variety of ways. It has provided the refugees with free access to many public services, it has pumped money into the market to subsidize energy as well as the main staples, and it has taken on the responsibility of providing security to the camps. According to an official study by the Jordanian Ministry of Finance, in association with USAID, the costs of hosting Syrian refugees rose from about 1.8% of GDP in 2013 to 2.4% of GDP in 2014. In 2013, Jordan spent about JD442 million on refugee-related costs, and in 2014 JD617 millions. 40% of those costs were aimed at maintaining the public services, in particular healthcare and education, while 60% of the expenditures were on subsidies and other related costs.<sup>76</sup>

### **2.6 Benefits**

This section will comprise three types of benefits Jordan has received due to hosting Syrian refugees. First, I will discuss the direct investments made by refugee businessmen in Jordan. Second, I will discuss the human capital gains from the refugee workforce. Third, I will discuss the international and other aids Jordan has received to provide for Syrian refugees.

#### 2.6.1 Direct Investments by Refugee Businessmen

The size of businesses owned by refugee businessmen from Syria has grown significantly since the beginning of the Syrian Civil War. The early businesses by refugees were small and medium-sized textile and food and beverage companies. By 2013, big Syrian companies, such

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<sup>74</sup> Nasser, R., & Symansky, S. (2014). *The Budget Impact of the Syrian Refugee Crisis on Jordan*. USAID.

<sup>75</sup> Jordan. (2014, August). Retrieved from [http://syrianrefugees.eu/?page\\_id=87](http://syrianrefugees.eu/?page_id=87)

<sup>76</sup> Nasser, R., & Symansky, S. (2014). *The Budget Impact of the Syrian Refugee Crisis on Jordan*. USAID.



as Nafisa Patisserie and Bakdash Ice Cream, became entrenched in the Jordanian market while maintaining their Syrian headquarters. Others, such as Durra (a food products company), relocated completely to Jordan, employing hundreds of Jordanians.<sup>77</sup> According to the Jordan Investment Board (JIB), Syrian refugees invested some JD114 million in Jordan in 2012, compared to only JD3 million in 2011. In the first half of 2013 alone, another JD49 million poured into Jordan from refugee businessmen from Syria.<sup>78</sup> According to chairman of the Free Zones Investors in Jordan Nabil Rumman, by 2014, investments by refugee businessmen in the free zones of Jordan were JD50 million and included 385 facilities owned by 135 businessmen.<sup>79</sup> That was a considerable increase over only 113 businesses in 2011.<sup>80</sup> According to the Jordanian economist Yusuf Mansour, more than 5,000 business were operating in Jordan by September 2014.<sup>81</sup> Raed Samara, president of the Chamber of Industry in Irbid, stated in 2015 that Irbid alone hosted 12 factories that had relocated from Syria in the aftermath of the war. Abdullah Shdeifat, president of Mafraq Chamber of Commerce, confirmed that in the same year some 160 stores were owned by Syrian refugees.<sup>82</sup>

### 2.6.2 Gains Due to Refugee Workforce

Syrian refugees have proven to be an opportunity to the Jordanian labour market. According to Arab Reporters for Investigative Journalism (ARIJ), between 2011-2014, 38,000 Syrian refugees were employed in Irbid, which represented more 40% of the addition to the labour force in the Mafraq governorate.<sup>83</sup> This new labour from Syria has brought diversity and versatility to the Jordanian market. Beside the size of money pouring in Jordan from the

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<sup>77</sup> A bittersweet opportunity. (2013, August 1). *The Economist*. Retrieved from <http://www.economist.com/blogs/pomegranate/2013/08/syrian-businesses-jordan>

<sup>78</sup> *Ibid.*

<sup>79</sup> Syrians' Investments in Jordan Exceeded 70 Million Dollars Dispersed Across 385 Facilities. (2014, April 24). Retrieved from <http://www.syrianef.org/En/2014/04/syrians-investments-in-jordan-exceeded-70-million-dollars-dispersed-across-385-facilities/>

<sup>80</sup> Ghawi, S. (2013, March 9). Data shows upsurge in investments by Syrian businessmen in Jordan. *The Jordan Times*. Retrieved from <http://www.jordantimes.com/news/business/data-shows-upsurge-investments-syrian-businessmen-jordan>

<sup>81</sup> Whitman, E. (2014, September 12). In Pictures: Syrian food finds Jordanian home. Retrieved from <http://www.aljazeera.com/indepth/inpictures/2014/09/pictures-syria-food-jordan-restau-2014997523750342.html>

<sup>82</sup> Freihat, M. (2015, July). Syrian Refugees in Jordan: An Unforeseen Economic Upswing. *In Perspective*. Retrieved from <https://goo.gl/yZCigi>

<sup>83</sup> Syrian Refugees in Jordan: Economic risks and Opportunities. (2014, January 26). Retrieved February 14, 2015, from <http://en.arij.net/report/syrian-refugees-in-jordan-economic-risks-and-opportunities/>

refugees (explained above), two additional benefits to the presence of the refugee workforce stand out.

First, refugees have taken on jobs that Jordanians generally avoid. According to the International Labour Organization (ILO), more than 99% of the refugees work on an informal basis, compared to only 50% of Jordanians.<sup>84</sup> This informal basis of employment have activated certain job markets that had been dormant for years. The refugees accept work as labourers, cleaners, bodyguards, and waiters, unlike most Jordanians. As one Jordanian businessmen puts it in an interview, ‘Jordanians have finally accepted to be waiters. Are they willing to sweep floors, are they willing to be a guard in an apartment building, are they willing to wash dishes? No.’<sup>85</sup>

Second, refugees have brought more diversity to the Jordanian labour market. The types of business Syrian refugees have started up in, or moved into, Jordan include industries Syrians have excelled in for years, such as textiles and foods and beverages, as well as tech entrepreneurship. Since 2011, the food and beverage industry has bloomed in Jordan thanks to the influx of Syrian refugees. Big food companies such as Nafisa, Bakdash, and Durra are growing in Jordan.<sup>86</sup> Fast food restaurants owned by Syrian refugees have become very common in the Jordanian street.<sup>87</sup> In addition to the many textile factories that have moved into Jordan, the tech industry has also bloomed in Jordan. Oasis500, for example, is a Jordanian initiative that gives refugee entrepreneurs from Syria the platform to explore ideas within the technology industry.<sup>88</sup>

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<sup>84</sup> Stave, S. E., & Hillesund, S. (2015). *Impact of Syrian refugees on the Jordanian labour market*. International Labour Organization. Retrieved from [http://www.ilo.org/wcmsp5/groups/public/---arabstates/---ro-beirut/documents/publication/wcms\\_364162.pdf](http://www.ilo.org/wcmsp5/groups/public/---arabstates/---ro-beirut/documents/publication/wcms_364162.pdf)

<sup>85</sup> Arraf, J. (2013, October 12). Will Syrian refugees transform or threaten Jordan’s economy? *The Christian Science Monitor*. Retrieved from <http://www.csmonitor.com/World/2013/1012/Will-Syrian-refugees-transform-or-threaten-Jordan-s-economy>, para. 18.

<sup>86</sup> A bittersweet opportunity. (2013, August 1). *The Economist*. Retrieved from <http://www.economist.com/blogs/pomegranate/2013/08/syrian-businesses-jordan>

<sup>87</sup> Whitman, E. (2014, September 12). In Pictures: Syrian food finds Jordanian home. Retrieved from <http://www.aljazeera.com/indepth/inpictures/2014/09/pictures-syria-food-jordan-restau-2014997523750342.html>

<sup>88</sup> Curley, N. (2013, August 30). Syrian entrepreneurs flee war-torn country to save their tech ideas. *The Washington Post*. Retrieved from [http://www.washingtonpost.com/business/syrian-entrepreneurs-flee-war-torn-country-to-save-their-tech-ideas/2013/08/30/3a60d3ba-101e-11e3-85b6-d27422650fd5\\_story.html](http://www.washingtonpost.com/business/syrian-entrepreneurs-flee-war-torn-country-to-save-their-tech-ideas/2013/08/30/3a60d3ba-101e-11e3-85b6-d27422650fd5_story.html)

### 2.6.3 Revenues Due to International Aid

Although there has not yet been a government statement to about the value of assistance Jordan has received to provide for Syrian refugees, available data sources put the value of aids at much a greater level than the official records of expenditures on the refugees. According to UNHCR, Jordan has taken on the responsibility of providing security to the refugee camps, but UNHCR bears all the other costs. UNHCR's budget for Jordan has increased from \$63 million in 2010, to 2014 \$353 million in 2014, to \$404 million in 2015.<sup>89</sup>

The total value of aid, including monetary and other kinds of aid, the Kingdom received between 2011-2013 reached about JD7 billion. From 2011-2014, Jordan received donations through NGOs of about \$66 million, and aid from Arab donors of \$187.5 million, according to the 2014 study *Howkama* (Governance), a collaboration between Thomson Reuters Foundation and Arab Network for Investigative Journalism (ARIJ) network.<sup>90</sup> Between 2012-2014, the United States of America alone gave Jordan \$445 million to support Syrian refugees.<sup>91</sup> The European Union has also given Syrian refugees and their countries of refuge with considerable assistance. Since the beginning of the Syrian Crisis, the EU has spent €4 billion on Syrian refugees, including a €100-million aid in 2015 to Lebanon, Jordan, Turkey, and Iraq.<sup>92</sup> Moreover, the *Save the Children* has financially supported more than 16,000 refugee children and their families in Jordan since 2014.<sup>93</sup>

## **2.8 Summary**

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<sup>89</sup> 2015 UNHCR country operations profile - Jordan. (2015). Retrieved from <http://www.unhcr.org/pages/49e486566.html>

<sup>90</sup> Syrian Refugees in Jordan: Economic risks and Opportunities. (2014, January 26). Retrieved February 14, 2015, from <http://en.arij.net/report/syrian-refugees-in-jordan-economic-risks-and-opportunities/>

<sup>91</sup> United States Announces Additional Humanitarian Assistance for Syria Crisis. (2014, September 12). Retrieved from <http://www.state.gov/r/pa/prs/ps/2014/09/231552.htm>

<sup>92</sup> European Commission. (2015). *Syria Crisis*. Retrieved from [http://ec.europa.eu/echo/files/aid/countries/factsheets/syria\\_en.pdf](http://ec.europa.eu/echo/files/aid/countries/factsheets/syria_en.pdf)

<sup>93</sup> *Ibid.*

Jordan has witnessed rising inflation and unemployment levels since the beginning of the refugee crisis, but inflation has slowed down, and the Jordanian GDP and GPP have been in continuous growth since 2011.

Jordan has received benefits in billions of dollars owing to international assistance, direct investments by refugee businessmen, and the cheap and skilled labour the refugee have brought to the market. The gains to the economy owed to the presence of the refugees outweigh the burdens of hosting them, and therefore the overall impact of the refugees on the economy of the Kingdom has been favourable.

## Chapter Three: Conclusion

### 3.1 Overview of Findings

My research has investigated the impact of Syrian refugees on the economy of the Hashemite Kingdom of Jordan. I used five parameters: Gross Domestic Product (GDP), unemployment rates, price indices (inflation), costs: costs (for healthcare and education, and subsidies for food, water, and energy), and benefits: international assistance, refugee investments, and human capital.

The study has found that Syrian refugees have associated with the following economic changes:-

- I. An increase Jordan's GDP: from \$28.8 billion in 2011, to \$31 billion in 2012, to \$33.6 billion in 2013, to \$35.8 billion in 2014.<sup>94</sup> GDP Per Capita (GPP) has also risen from \$11,000 in 2011, to \$11,500 in 2012, to \$11,800 in 2013, to \$12,000 in 2014.<sup>95</sup>
- II. An increase in unemployment rates. Although unemployment rates have generally increased in the Kingdom since 2011, and Syrian refugees have increased the competitiveness in the informal section, there are other reasons for unemployment that are not related to Syrian refugees. These include 'the demographic shifts and lack of harmony between the outputs of the various education stages and labor market requirements,'<sup>96</sup> the fact that many Jordanians prefer working in the public sector, bad transportation that has affected the employability of the private sector, and the fact that the recent economic growth in Jordan has been in low-wage sectors that Jordanians avoid.

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<sup>94</sup> World Development Indicators. (n.d.). Retrieved from <http://databank.worldbank.org/data/reports.aspx?source=2&country=JOR&series=&period=>

<sup>95</sup> GDP per capita, PPP (current international \$). (n.d.). Retrieved from <http://data.worldbank.org/indicator/NY.GDP.PCAP.PP.CD>

<sup>96</sup> Naamat, N. (2014, December 16). Jordan aims to reduce unemployment. *Al-Monitor*. Retrieved from <http://www.al-monitor.com/pulse/politics/2014/12/jordan-unemployment-policies.html#>

- III. An increase then recent drop in inflation in Jordan. Despite the fact that prices have increased in recent years, they declined in 2014 and inflation is found to relate to state policies. Namely, Jordan's expansionary budget policy.
- IV. Jordan has spent considerably to host the refugees. About 1.8% of GDP in 2013 went to support Syrian refugees, which rose to 2.4% of GDP in 2014. In 2013, Jordan spent JD442 million on the refugees, and in 2014 JD617 million. Most of the costs were on subsidies and other related costs, while the remaining were to maintain decent services in education and healthcare.<sup>97</sup>
- V. The revenues have greatly exceeded the costs. Refugee businessmen from Syria have brought with them hundreds of new factories and thousands of new work opportunities. In 2012 and the first half of 2013 alone, Jordan received about JD200 million from Syrian investments, compared to only JD3 million in 2011.<sup>98</sup> Refugee workforce has also proven to fill in the gaps in the Jordanian market. Syrian refugees have excelled in certain industries (such as food and beverages, textiles, and technology), and the informal refugee labour has taken on jobs that Jordanians do not prefer. Furthermore, the amount of international assistance Jordan has received to care for Syrian refugees exceeds all declared cost figures and estimates. Between 2011-2013, Jordan received a total aid of nearly JD7 billion. From 2011-2014, NGOs collected about \$66.2 million for Jordan, and Arab donors gave Jordan \$187.5 million.<sup>99</sup> According to the official website of the U.S. Department of State, the United States gave Jordan a total aid of \$444.8 million between 2012-2014 in care of Syrian refugees.<sup>100</sup> The European Union has spent €3.9 billion on Syrian refugees since 2011, in 2015, it gave a €100-million aid to countries of refuge including Jordan, its initiative *Save the Children* has supported 16,000 refugee children and families in Jordan since 2014.<sup>101</sup>

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<sup>97</sup> Nasser, R., & Symansky, S. (2014). *The Budget Impact of the Syrian Refugee Crisis on Jordan*. USAID.

<sup>98</sup> Syrians' Investments in Jordan Exceeded 70 Million Dollars Dispersed Across 385 Facilities. (2014, April 24). Retrieved from <http://www.syrianef.org/En/2014/04/syrians-investments-in-jordan-exceeded-70-million-dollars-dispersed-across-385-facilities/>

<sup>99</sup> Syrian Refugees in Jordan: Economic risks and Opportunities. (2014, January 26). Retrieved February 14, 2015, from <http://en.arij.net/report/syrian-refugees-in-jordan-economic-risks-and-opportunities/>

<sup>100</sup> United States Announces Additional Humanitarian Assistance for Syria Crisis. (2014, September 12). Retrieved from <http://www.state.gov/r/pa/prs/ps/2014/09/231552.htm>

<sup>101</sup> European Commission. (2015). *Syria Crisis*. Retrieved from [http://ec.europa.eu/echo/files/aid/countries/factsheets/syria\\_en.pdf](http://ec.europa.eu/echo/files/aid/countries/factsheets/syria_en.pdf)

### ***3.2 Answering Research Questions***

We have two research questions at hand. Q1, the effect of Syrian refugees on GDP, unemployment, and inflation in Jordan. Q2, the costs and benefits to Jordan in terms of expenditure and revenues owed to Syrian refugees. I have proposed two propositions on the above questions: H1, that the flows of Syrian refugees was mixed. H2, that Syrian refugees have had costs and benefits, but the benefits outweigh the costs.

The results of my study suggests that H1 does holds true because not all three variables have been equally affected in recent years. GDP and GPP have both increased since 2011. Unemployment rates have increased, and so is inflation, although the latter has dropped recently. On further investigation, the study suggests that Syrian refugees albeit been associated with negative effects on unemployment and inflation, a causation between them and those negative effects is hard to prove. Moreover, there are many factors leading to increased unemployment and inflation in Jordan, which are independent of the flow of refugees, that need to be taken into consideration.

The study has also found that Syrian refugees have had costs and benefits to Jordan and that the benefits outweigh the costs for hosting them, therefore affirming H2. As explained above, whether at the level of foreign investments by refugee businessmen, human capital, or international assistance, the flow of refugees into the Kingdom has definitely paid off for the costs.

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