

The Economic Impact of Refugees: A Case Study from Arbat Refugee Camp

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The average refugee spends 17 years in a refugee camp. That is a lifetime to be stuck in limbo with limited access to education, resources, or infrastructure. Yet, it is also enough time to have a family, cultivate a livelihood, and contribute to a host country. Given the more than 80 million displaced individuals globally, the lack of research on refugee economies is shocking. Most of the discussion around refugees is gathered and presented through a humanitarian lens. While a necessary part of the refugee crisis response, this approach neglects to address one of the main complaints about refugees: that they are an economic burden to their host country. Despite the widespread acceptance of this claim, there is little academic research that proves or disproves this statement.

My study asks whether protracted stay refugees contribute to their host country's economy. Given the infusion of jobs, increased presence of NGOs, and increased demand, I hypothesize that refugees positively contribute to their host economy when there are structures that allow it, including the legal right to work and freedom of movement.

This study relies on a combination of existing literature and primary fieldwork I conducted in Arbat Refugee Camp in Sulaymaniyah, Iraq. I use previous academic research, humanitarian reports, and government documents to provide quantitative and qualitative evidence surrounding the impact of refugees on Iraq's economy. However, I mostly rely on the evidence I collected through a series of interviews with refugees and local Kurds during my two weeks visit to Sulaymaniyah, Iraq. These interviews allowed me to understand employment, compensation, services, and economic interactions between refugees and locals.

I find that refugees do not burden Iraq's economy. When given the right to work, they work unpopular, low-wage jobs and rarely take employment opportunities from locals. They use

the money they earn to interact with the local economy by frequenting shopping malls and local restaurants, purchasing food outside the camp, and relying on locals for tailoring and haircuts. A refugee presence brings NGOs and other forms of aid to the region, providing services and high-paying employment opportunities for locals. Because Iraq is a middle-income country, NGOs pay for most services like school and medical care, which alleviates the government of the financial burden that may accompany a population increase.

Section I of this paper contextualizes the Syrian refugee crisis, the relationship between Iraq and Kurdistan, and the legal rights of refugees. Section II provides a literature review of the pre-existing research on refugee economies. Section III outlines my thesis that refugees contribute positively to their host country's economy and the theories that support this claim. Section IV provides the methodology behind my primary and secondary source research. Section V analyzes my research, which includes a discussion of findings and policy implications. Section VI concludes and summarizes the paper.

Section I: Background

The largest ongoing refugee crisis is the Syrian crisis. More than 6.8 million people have fled Syria since 2011 and another 6.9 million remain internally displaced.¹ Most Syrians sought refuge in a neighboring country: Türkiye, Lebanon, or Jordan. Refugees often enter a host country because of geographical convenience. However, some choose their host country because of factors like extended family, the level of acceptance amongst the host community, or ethnic lines. Many Syrians who are ethnically Kurdish chose to flee to the northwestern corner of Iraq, which is a semi-autonomous region called the Kurdistan Region of the Republic of Iraq (KRI).

¹ "Syria Refugee Crisis Explained." *USA for UNHCR*, UNHCR. 1

Iraq hosts roughly 295,000 refugees and asylum seekers, almost all of whom are in the KRI. The KRI is recognized by Iraq's constitution of 2005 as a semi-autonomous region with a formal Kurdish Regional Government that executes executive, legislative, and judicial powers and an independent security force called the Peshmerga.² Internally displaced Iraqis, Syrian refugees (90% of whom are Syrian Kurds),³ and ethnic Kurds mostly populate the region.

The terms “refugee,” “asylum seeker,” and “migrant” often are used interchangeably because they all describe people who have left their countries and crossed borders. However, there are critical differences between the three terms. A refugee is a person who fled their country in response to human rights violations or persecution and has a legal right to protection by the international community. Refugees living in exile for more than five consecutive years are classified as “protracted refugees.” An asylum seeker has also fled because of human rights violations but has not been legally recognized as a refugee and awaits a decision on their asylum claim. A migrant is someone who lives outside their country of origin for any reason beyond human rights violations, like prevailing poverty, political unrest, or a desire to work.

While the international community and NGOs classify Syrians living in Iraq as “refugees,” Iraq does not have a national law granting refugee status to any individual. Thus, the Syrians in the KRI are legal “asylum seekers.” This means they have fewer national protections than refugees, as Iraq is not beholden to international agreements like the Geneva Convention. It also means there is no pathway to citizenship. Despite their national status as “asylum seekers,” I will still refer to Syrians living in the KRI as “refugees” given their recognition by the international community.

² The World Bank Group, 2015, *The Kurdistan Region of Iraq: Assessing the Economic and Social Impact of the Syrian Conflict and ISIS*. 13

³ Adnan Amin Qadir. 2019, *Legal Status of Asylum Seekers and Refugees in Iraq and Kurdistan Region of Iraq*. 105

Although stripped of certain refugee-specific protections, the KRI grants Syrians the right to work and freedom of movement: they may live in traditional refugee camps or urban centers, can independently travel throughout the region, and can legally seek employment from private businesses. This is unique amongst host countries. While international law affirms the right to work and freedom of movement, most refugees live in countries that restrict these rights. About a quarter of refugees live in countries with inadequate legal protections and over half live in countries that significantly restrict their right to work.⁴ Existing literature on refugees' contributions further explores the connection between their legal rights and economic impacts.

Section II: Literature Review

Most research on refugees focuses on humanitarian, moral, and agency-specific issues. These works often outline the causes of migration, the journey of escaping, and general burdens placed upon the host country. The perception of refugees as a threat is a running theme throughout the literature, as institutions in the host country and greater international community generally see refugees as security threats and individuals perceive them as cultural threats. Aside from scholarly articles, which approach the issue from an academic lens, much of the literature is born out of need, like the World Bank's investigations on the impact of their investments or the UNHCR's reports on program interventions. Other reports focus on voluntary migration or the impact of violence on a region's economy, yet few explore the economic impact of forced migration.

There is little literature examining the impact of refugees on their host country's economy. This demonstrates the general neglect of refugees as economic actors and failure to

⁴ Thomas Ginn, et al. "2022 Global Refugee Work Rights Report." *Center for Global Development*. 1

recognize refugees as an entity that might affect the greater economy. Larger reports like books that dissect the entirety of the refugee experience often have a section on refugee economies, though they are usually brief. Most characterize refugees as an economic problem because of their disruption of markets: they are willing to work for less than natives because they are desperate for money and generate increased demand for goods which causes prices to spike. However, they also flood the market which can stimulate the economy and create opportunities for natives to engage in higher skilled labor. In recent years, scholars have begun to focus on refugee economies in greater detail. Jacobsen (2005) provides a high-level view at the ways refugees pursue livelihoods and depicts forcibly displaced peoples as legitimate economic actors. Betts (2016) builds on Jacobsen's work by enlisting empirical research to rethink the approach to refugee economies, finding ambiguous results on the economic impact of refugees because of the inefficiency in applying a single methodology to every country hosting refugees.

Along with the small sample of literature, studies are limited in scope because of the difficulty collecting data, which do not single out forced migrants. Thus, much of the evidence is based on arbitrary measures. No data sets compare pre-migration, refugee status, and post-resettlement information because of the surprising nature of violent crises that lead individuals to refugee status. At best, researchers can access data from two of these stages and must extrapolate the rest.⁵ Moreover, it is impossible to separate the impact of war and violence on individuals from the impact of migration alone.⁶ Thus, researchers cannot compare information about refugees to that of non-migrants who have endured the same amount of violence and trauma. The difficulty of finding information limits studies to geographic regions with large-scale resettlement and decent records: internal displacement in northern Uganda, internal displacement

⁵ Isabel Ruiz and Carlos Vargas-Silva. "The Economics of Forced Migration." *Journal of Development Studies*. 6

⁶ Isabel Ruiz and Carlos Vargas-Silva. "The Economics of Forced Migration." *Journal of Development Studies*. 6

in Colombia, refugees from Burundi and Rwanda to Tanzania, and forced migration from WWII. Despite the vastly different circumstances leading to and emerging from these situations, they are all viewed under the same umbrella.

The most cited negative effect of refugees on a host country's economy is that they take the jobs of natives. Öguz and Oğus Binath (2017) find the presence of Syrian refugees in Turkey increased unemployment and decreased employment for Turks in both formal and informal sectors. The density of refugees in specific regions was a more significant determinant of unemployment than the general presence of refugees, as the number of people informally employed decreased by 8500 as the intensity of Syrian refugees increased by a factor of 1.⁷ Another study in the same region by Del Carpio and Wagner (2015) finds extensive displacement of Turkish workers by Syrians: a 1% increase in the ratio of refugees to the population in a given region results in over a 1% decrease in Turkish employment.⁸ These findings are supported by research from the 1950s that found that a 10% increase in migration from East Germany resulted in a 3% decrease in employment for native West Germans.⁹ The Food and Agriculture Organization noted that the Syrian refugee population in Jordan decreased agriculture employment activities for natives, though they do not note the severity of the disruption.¹⁰ The increased unemployment may also impact wages, as men in Bosnia and Herzegovina saw between a 16-29% decrease in wages following an increase in refugee population.¹¹

⁷ Esen Öguz and Ayla Oğus Binath. "The Impact of Syrian Refugees on the Turkish Economy: Regional Labour Market Effects." *Social Sciences*. 10

⁸ Ximena V Del Carpio and Mathis Wagner. "The Impact of Syrian Refugees on the Turkish Labor Market." *World Bank Group*. 11

⁹ Isabel Ruiz and Carlos Vargas-Silva. "The Economics of Forced Migration." *Journal of Development Studies*. 19

¹⁰ Ali Fakih and May Ibrahim. "The Impact of Syrian Refugees on the Labor Market in Neighboring Countries: Empirical Evidence from Jordan." *Defence and Peace Economic*. 67

¹¹ Isabel Ruiz and Carlos Vargas-Silva. "The Economics of Forced Migration." *Journal of Development Studies*. 12

Refugees also place an economic burden on the host country, as their presence requires an increase in food supply, revamped infrastructure, accommodations in public schools, and other public goods and services. Ali and Ibrahim (2016) find that an influx of Syrian refugees in Jordan caused the Jordanian government to spend an additional 84.1 million USD to enroll Syrian children in school, 62 million USD annually to provide clean water to refugee camps, and 40.5 million USD annually on infrastructure like electricity and roads.¹²

While there is compelling evidence of refugees providing cheap labor, thus causing unemployment amongst natives, tracking unemployment while distinguishing between high skilled and low skilled labor paints a different picture. Del Carpio and Wagner find that refugees might displace informal, often unpaid workers, but their presence also generates demand for high-quality full time jobs that are filled by natives.¹³ In fact, monthly wages of Turkish workers increased between \$25 to \$50 following the arrival of refugees, likely because demand for highly skilled workers grew.¹⁴ The negative employment was also found to be entirely a result of female unemployment, which dropped 2.8%, while male employment was entirely unaffected by refugee presence, increasing .0004% following their presence.¹⁵ Ali and Ibrahim also found no relationship between Syrian refugees and unemployment in Jordan, largely because refugees participate in informal employment, are typically located in low income, low mobility areas with restricted access to labor markets, and are viewed as low-skilled laborers. This conclusion is in line with findings from similar studies conducted looking at refugees living in Sweden and Ghana.

¹² Ali Fakih and May Ibrahim. "The Impact of Syrian Refugees on the Labor Market in Neighboring Countries: Empirical Evidence from Jordan." *Defence and Peace Economic*. 66

¹³ Ximena V Del Carpio and Mathis Wagner. "The Impact of Syrian Refugees on the Turkish Labor Market." *World Bank Group*. 12

¹⁴ Ibid.

¹⁵ Ibid.

Another aspect of refugee presence that might bolster the host country's economy is the presence of aid organizations, which often increase demand for skilled workers. Ruiz and Vargas-Silva (2013) tracked the impact of refugees from Burundi and Rwanda in Tanzania and found that natives were heavily employed by NGOs.¹⁶ Those employed by aid organizations are paid high wages and engage in skilled work. Alix-Garcia (2022) also found that targeted food aid by NGOs increases consumption by the target population without affecting food prices in the host country.¹⁷ Still, this effect is dependent on the location of the aid and how well it is targeted.

Lastly, when refugees enter a new country, they flood the market by increasing demand and consumption. International assistance spending is injected into the country through cash assistance programs, food aid, and infrastructure development. Ferris (2016) looks at economic activity spurred by Syrian refugees bringing capital into new countries. The refugees created hundreds of businesses, mostly restaurants and factories, and used their wages to buy goods, pay rent, and employ workers. Betts posits that market-driven economies lead to an efficient allocation of resources and the institutions within those markets create different opportunities and constraints for participants, so the contributions or lack thereof of refugees to their host economies is dependent on the restrictions imposed upon them.

Existing research on refugee economies is limited in several ways. First, the scope of research limits the findings of each study. Few studies focus on Syrian refugees and even fewer that focus on Iraq. Meanwhile, we cannot assume a conclusion about refugees in Germany applies to refugees in Iraq given their divergent national policies, economies, and population makeup. Second, most studies rely on quantitative data. Given the difficulties tracking wage-

¹⁶ Ruiz, Isabel, and Carlos Vargas-Silva. "The Economics of Forced Migration." *Journal of Development Studies*. 20

¹⁷ Jennifer Alix-Garcia and David Saah. "The Effect of Refugee Inflows on Host Communities: Evidence from Tanzania." *The World Bank Economic Review*. 149

based employment, amount of informal economic activity, and data-altering tendencies of the governments in question, quantitative data is only partially reliable. Third, many previous studies fail to explore the host country's policies regarding refugees' right to work. Without an understanding of the legal and administrative barriers that allow or hinder refugees' ability to earn money, the intricacies of their economic contributions are lost. My research uses a human-centered approach to the question of refugee economies. While also reliant on essential quantitative data, I primarily use interviews to understand the local context. This allows me to critically view employment opportunities, economic interactions, social service options, and other components that influence refugees, locals, and the host country's economy. These factors shape my thesis that refugees make positive economic contributions to their host country.

Section III: Theory and Thesis

Refugees can contribute to their host country's economy by providing high-skilled job opportunities to locals, increasing aid presence, and flooding the market with more demand and consumption. These contributions rest on two theories: human capital theory and transnational migration theory.

Human capital theory is the collection of knowledge, skills, and attributes that, when combined, create economic value. It rests on the idea that individuals are the anchors of the economy. Moreover, each human's contributions are measurable through their capacity to perform labor, which yields economic value. An individual can increase their contributions by investing in education, high-skill talents, and job training. Therefore, everyone's economic value is measurable. Beyond their economic contributions, an individual can also contribute to a community's cultural, symbolic, or social capital.

Transnational migration depicts relationships between geographic borders as a function of globalization. It explains that the interconnectedness of society created networks that can be translated into financial and human capital. The theory claims that interactions between refugees and their host communities have far-reaching impacts. It focuses less on the destination of refugees and more on the interaction-based connections established between refugees and their host economy. The combination of these two theories provided the backbone for my primary and secondary research.

Section IV: Methodology

While there is limited research on the topic, I explored the literature that underpins refugee economies including quantitative employment data, information on employment, and NGO strategies that support refugees and local economies. I also visited literature on aid, refugee crises, and the economic policies of Iraq.

The bulk of my information comes from interviews I conducted during my two weeks in Iraq with members of the Arbat Camp community. I spoke with business owners, aspiring entrepreneurs, community leaders, NGO employees, high school students, Syrian refugees living in urban centers, and students at the American University of Sulaymaniyah Iraq to understand the ways refugees present a burden and a benefit to the national economy. I also spoke with a handful of local Kurds about their employment prospects, general opportunities, and attitudes towards refugees. By conducting interviews, I had the opportunity to understand the wants and needs of a specific refugee population while observing their daily economic activities. The questions, which are provided in Appendix A, seek to measure refugees' economic activities through their patterns of consumption and production. I asked refugees how they access services, where they work, and where they buy goods. I asked locals similar questions while weaving in

questions about their attitudes towards refugees. Each interviewee was given the same questions, but were able to guide the conversation as they saw fit and elaborate on topics that affected them.

Section V: Analysis

In this section, I lay out the evidence collected through primary and secondary research. I start by offering an economic overview of Iraq and the KRI to contextualize the region's economy. I organize the following evidence into two sections: Employment & Compensation and Services. In the former, I compare job opportunities for refugees, unemployment amongst locals, and compensation for both groups. In the latter, I explore public services, the role of NGOs, and taxation. Through these sections, I show that protracted stay refugees contribute positively to their host country's economy when granted the right to work.

Iraq is an oil-dependent economy with oil revenues accounting for more than 99% of the country's exports, 85% of the government's budget, and 42% of national GDP.¹⁸ The KRI is also oil-dependent, bringing in about \$2.3 billion in revenue in 2014.¹⁹ Additionally, Kurdistan received about \$7 billion in budget share from Federal Iraq, which accounted for 17% of the Iraqi government's budget.²⁰ The economic harmony between Federal Iraq and Kurdistan halted when Baghdad cut funding to Kurdistan following their creation of an independent oil pipeline to export oil to Turkey, which they were selling below OPEC prices. In 2013, Iraq took back Kirkuk's oil fields, slashing the KRI's oil revenues in half, and reduced their budget share to less than 13%.²¹ After this, private sector jobs decreased by 90%, with 730,000 private sector jobs in

¹⁸ "The World Bank in Iraq: Overview." *World Bank*, 2

¹⁹ Mohammed Hussein. "The Collateral Damage of the KRI's Economic Policy." *The London School of Economics and Political Science*. 3

²⁰ Mohammed Hussein. "The Collateral Damage of the KRI's Economic Policy." *The London School of Economics and Political Science*. 2

²¹ *Ibid.*

2013 to under 73,000 in 2017.²² While the KRI experienced financial hardship because of deteriorating relations with Baghdad, they were also exerting resources on fighting ISIS and experiencing an influx of internally displaced peoples from Federal Iraq and refugees from Syria.

Many individuals believe that a middle-income country like Iraq, and especially a financially unstable region like the KRI, is negatively impacted by a refugee population. This assumption rests on the idea that refugees give a little and take a lot. The thinking goes something like this: refugees cannot contribute to the economy through taxes or by earning a significant income and simultaneously suck up precious government resources. However, I will argue the opposite: refugees benefit their host country's economy when there are structures in place that allow it.

When refugees are denied basic rights like freedom of movement or the right to work, they are legally and practically restricted from being an economic player. They cannot work, so they cannot earn a living to buy goods from locals. Their inability to make money also restricts their ability to pay for services, so they are reliant on the government for longer and reap the benefits of taxation without paying into the system. Through my research, I find that refugees become legitimate economic actors, even when working low-wage jobs. This financial freedom allows them to contribute to the local economy. Moreover, in a middle-income country like Iraq, they increase NGO presence, which brings additional resources and opportunities to the region.

Employment and Compensation

One prevailing argument about refugees' economic impact on a host country is that they take jobs from locals. They are desperate for cash and willing to work random jobs at lower

²² Ibid.

wages than many locals, so it is often thought that they push local workers out of decent employment. In the KRI, most employment is informal, regardless of citizenship. Amongst locals, 39% of jobs are non-wage jobs, or jobs that are compensated through irregular, informal payments.²³ 20% of the labor force works in the private sector and 35% works for the government.²⁴ Government employment generates the most stable salaries, though the recent economic downturn (born from Federal Iraq's seizure of oil fields and slashing of budget share) pushed the Kurdish government into a cash deficit, leaving thousands of government employees waiting months for a paycheck. In 2018, 1.2 million Kurdish citizens received their salary 4 months late.²⁵

Despite the lack of opportunities for locals, there are even fewer options for refugees. Refugees are ineligible to work for the government and are rarely hired by private companies. Thus, they depend on irregular and unpredictable cash-based jobs in the informal sector. Many of those who have lived in Sulaymaniyah for upwards of ten years have worked dozens of jobs, while others have had somewhat consistent employment. It is common to work a job for a month or two, only to go unpaid. third month. When this happens, there are no labor protections to ensure future compensation.

Syrian refugees work in three main sectors: manual labor, low-level service, and Syrian-specific opportunities. Most young men do manual labor. Those working agriculture jobs typically work by the Iranian border, meaning they travel four hours round-trip and work odd hours to beat the heat. They can earn about \$10 working a half day or \$17 working a full day.²⁶

²³ Hansen, Michael L. et al. "Employment in the Kurdistan Region—Iraq." *Strategies for Private-Sector Development and Civil-Service Reform in the Kurdistan Region—Iraq*. 11

²⁴ Ibid.

²⁵ Mohammed Hussein. "The Collateral Damage of the KRI's Economic Policy." *The London School of Economics and Political Science*. 2

²⁶ Beinkampen, Kate, and Ahmad Ali. 25 July 2022.

Construction is also a common form of manual labor amongst refugees, though undesirable amongst locals because of the 120-degree heat throughout the summer months. Many refugees work in restaurants as waiters, hotels as bellhops, and schools as teachers. These are all considered high-achieving, well-paying, stable jobs amongst the refugee population.

Refugees typically work alongside locals but earn slightly less than they do. One Syrian woman has taught at the same school for five years but is still a “volunteer” because she is not an Iraqi citizen.²⁷ Thus, she earns roughly \$100 less than her local counterparts, is not guaranteed monthly pay, and is not eligible for a raise. This is common in many industries whereby refugees work alongside locals but earn lower wages. Some refugees provide Syrian-specific goods and services. These people are typically self-employed and sell their products to a third-party buyer, often a local business in Sulaymaniyah. One woman grows a special type of eggplant that is difficult to find in Iraq, but common in Syrian dishes.²⁸ She sells the vegetables to restaurants throughout the city. Another woman bakes bread exclusively for a restaurant in the town of Arbat.²⁹ These jobs are Syrian-specific and rarely take jobs away from locals, as locals do not fill the niche.

Refugees mostly work unpopular jobs and for less money than their local counterparts. There is no clear average income amongst the refugee population. Those working manual labor earn about \$200 a month. One man who works in a local tailor shop and can make up to \$24 a day.³⁰ Another man taught himself how to make furniture and sells it in Arbat Camp. His pay is inconsistent, but he can make up to \$30 in one day.³¹ One woman rents a greenhouse space from

²⁷ Beinkampen, Kate, and Najlaa Ismail. 19 July 2022.

²⁸ Beinkampen, Kate, and Aba Azizi. 20 July 2022.

²⁹ Beinkampen, Kate, and Aba Azizi. 20 July 2022.

³⁰ Beinkampen, Kate, and Yosef Nooraldeen. 20 July 2022.

³¹ Beinkampen, Kate, and Omar Nooraldeen. 20 July 2022.

the neighboring town and sells her produce to local restaurants and patrons. Though she does not earn much in the winter, she makes about \$1,200 in the summer months.³² Amongst local Iraqi Kurds, the average monthly salary is \$315. Mid-level public sector employees make roughly \$252 a month and private sector workers earn between \$189 to \$441 a month depending on the size of the enterprise.³³

Decent employment opportunities accompanied the migration of Syrians into the KRI because of the increase of nonprofit organizations seeking local employees. As of 2020, an estimated 3,800 NGOs were registered and operational in Kurdistan.³⁴ These are some of the most stable, high-paying jobs in the region, with an average monthly salary of \$890.³⁵ NGO work provides highly respectable employment because of its international scope, humanitarian focus, and ability to offer international labor protections that Iraqi businesses do not. NGOs employ both high-skilled, university-educated individuals to work as administrators, translators, and managers and low-skilled workers to carry out tasks like transportation and construction.

Despite the influx of humanitarian work, unemployment is high in the KRI. 24% of men and 69% of women are unemployed in the region.³⁶ The UN estimates between 43,000 to 54,000 new jobs need to be created each year to absorb the number of young people joining the labor force.³⁷ Many young people agree that workplace connections are necessary to secure stable, long-lasting employment and aspire to seek work in Europe.³⁸

³² Beinkampen, Kate, and Aba Azizi. 20 July 2022.

³³ “Salaries in Iraq.” *Salaries in Iraq: Average Salaries in 2022 and 2021*. 1

³⁴ “Civic Freedom Monitor: Iraq.” *International Center for Non-for-Profit Law*, 3

³⁵ “Salaries in Iraq.” *Salaries in Iraq: Average Salaries in 2022 and 2021*. 1

³⁶ Associated Press. “Lack of Jobs, Crisis Drive Young Iraqi Kurds to Migrate.” *KTAR.com*. 12

³⁷ *Ibid.*

³⁸ Beinkampen, Kate, and Nihad Mohammadi. 20 July 2022.

Iraq's economic downturn began around 2011 and the KRI's financial challenges began in 2013 when Baghdad slashed Kurdistan's federal budget share and cut off their access to oil fields. Following this, private sector jobs decreased by 90% and the government limited their quota on young employees, as they could not even afford to pay existing employees. This coincided with the Syrian refugee crisis, causing some to blame the high unemployment rate on refugees. However, if refugees were the catalyst for unemployment, the governorates hosting the largest portion of refugees would see the highest levels of unemployment. Of the 18 governorates in Iraq, Sulaymaniyah hosts the third most refugees with 13% of the total population.³⁹ As of 2021, the labor force participation rate in Sulaymaniyah was 46.3%, the second best in Iraq, and the unemployment rate in Sulaymaniyah was tied for fifth best at 11.9%.⁴⁰ While unemployment is high, this is the case throughout all of Iraq regardless of the refugee population. In fact, the three governorates with the highest unemployment numbers host no refugees.⁴¹

Refugees given freedom of movement and the right to work also stimulate the economy by buying goods and services from locals. There are somewhere between 50 to 75 businesses located inside Arbat Camp with essentials like food, clothing, and repair shops. However, refugees must leave the camp to buy goods that meet non-basic needs and to shop a broader range of services. The camp lacks social spaces, especially for teenagers and young adults, so refugees spend their time and money outside the camp at shopping malls, tea houses, and restaurants.

³⁹ "Iraq Labor Force Survey 2021." *International Labor Organization*, 13

⁴⁰ *Ibid.*

⁴¹ *Ibid.*

Another indicator of economic contributions is a bank account. With a bank account, individuals extend capital and demonstrate a willingness to save and borrow money over time. Refugees are not allowed to have bank accounts in Iraq because they are not citizens. A person must also have a formal job to apply for an Iraqi bank account. However, bank accounts are highly uncommon throughout the country with only 19% of Iraqi citizens having a bank account.⁴² The lack of banking is mostly related to the distrust in the government. Iraqi banks are also Islamic banks, meaning they cannot charge interest, do not speculate, and cannot invest in banned industry sectors.⁴³ Thus, there is little incentive to put money in a bank because it does not grow and is not protected.

Services

In most countries, citizens pay taxes which, in turn, pay for public services like education, healthcare, and infrastructure. Thus, many argue that when refugees enter a country, they reap the benefits of public services without paying for them. Taxation differs slightly between federal Iraq and the KRI. Iraq uses a progressive taxation system ranging from 3% to 15% with middle-income houses paying about 5%.⁴⁴ Taxation is applicable for both Iraqi residents and non-residents who have received an income from an Iraqi entity. In Kurdistan, there is a flat tax rate of 5% for both residents and non-residents with Iraqi income. Individuals receive a tax-free monthly allowance of 1,000,000 IQD, or roughly 684 USD, which is far more than the average resident of the KRI makes monthly.⁴⁵ Thus, refugees in the KRI do not pay

⁴² Asli Demirgüç-Kunt, et al. "Financial Inclusion, Digital Payments, and Resilience in the Age of COVID-19." *The Global Findex Database*, 195

⁴³ Thorsten Beck, et. al. "Islamic vs. Conventional Banking: Business Model, Efficiency and Stability (Digest Summary)." *CFA Institute Journal Review*. 4

⁴⁴ Deloitte, 2019, *Doing Business Guide: Understanding Iraq's Tax Position*, 10

⁴⁵ Deloitte, 2019, *Doing Business Guide: Understanding Iraq's Tax Position*, 11

taxes because they are not formally employed, though most earn so little they would not pay taxes regardless of employment status.

While some may argue that the lack of tax revenue coming from refugees places the burden on locals, Kurdistan has never relied on taxes as a sustainable source of revenue. Even businesses, which are taxed 15% on corporate income, notoriously underreport earnings and evade taxes - about half of all businesses in the KRI did not pay taxes in 2017.⁴⁶ They have traditionally relied on oil revenues, though this has posed an issue since Baghdad took back Kurdistan's oil fields. In the last decade, Kurdistan tried to enforce taxation on large purchases like homes and some basic services like water. Unsurprisingly, this is highly unpopular amongst locals, and they argue that they are paid so inconsistently by the government that they should not have to pay taxes.⁴⁷

Regardless of taxation, refugees are granted the same health and educational services as locals. Just over half of school-age children in Arbat Camp attend school.⁴⁸ While they are allowed to attend public schools in the city, there is a grammar school and high school inside the camp that most students attend.⁴⁹ Education used to be free to residents of the KRI (including refugees), but the economic downturn forced the government to charge roughly \$20 per enrolled student.⁵⁰ Many teachers in the schools in Arbat are Syrians, but they also employ a handful of locals. There is one health center in the camp that provides between 1 and 4 consultations per person per year, depending on their need.⁵¹ Its services were never paid for by the government.

⁴⁶ "Nearly Half of Kurdish Businesses Pay No Tax." *Rudaw*, 2

⁴⁷ Mohammed Hussein. "The Collateral Damage of the KRI's Economic Policy." *The London School of Economics and Political Science*. 2

⁴⁸ UN High Commissioner for Refugees, 2018, *Arbat Camp Profile, Syrian Refugees, Sulaymaniyah, Iraq*, 1

⁴⁹ *Ibid.*

⁵⁰ Beinkampen, Kate and Mohammad Fatih. 26 July 2022.

⁵¹ Beinkampen, Kate and Hamrin Ali, 18 July 2022.

Emergency NGOs funded the health center until 2017, when the camp shifted from an emergency location to a protracted location, and health services were handed over to the Directorate of Health, which still receives support from UN agencies.⁵²

While refugees may legally receive government services, most services they receive are paid for and provided by NGOs. Much of this is because Iraq is a middle-income country and would not be able to adequately support a refugee population. Thus, NGOs relieve Iraq from paying for refugee-related aid and services. There are 10 NGOs that operate in Arbat camp including UNHCR, World Food Programme, and the Red Crescent that pay for healthcare, water, protective services, education, food distribution, shelter, and other basic needs.⁵³ 5,507 people living in Arbat Camp, or a little over half the camp's population, are given food vouchers from NGOs totaling about \$18 monthly per individual.⁵⁴ The Food and Agriculture Organization (FAO) provides additional services to refugees living in urban areas like hens, drinking waters, and spickets.⁵⁵ As the refugee population has become protracted in Iraq, some NGO emergency services have diminished. While this presents an obstacle to some, the population is uplifted by their ability to work. This allows refugees to become more self-sufficient and enables them to pay for goods and services beyond those provided by NGOs.

NGOs do not only provide employment opportunities for locals but typically provide additional services for them. Most NGOs operate under the assumption that aid should be brought equally to the refugee and host country populations to reduce animosity between the two groups. For example, when an NGO brought broadband Wi-Fi to Arbat Camp, they installed the

⁵² UN High Commissioner for Refugees, 2018, *Arbat Camp Profile, Syrian Refugees, Sulaymaniyah, Iraq*, 1

⁵³ Ibid.

⁵⁴ UN High Commissioner for Refugees, 2018, *Arbat Camp Profile, Syrian Refugees, Sulaymaniyah, Iraq*, 1

⁵⁵ Regional Refugee & Resilience Plan 2017-2018, 2017, *Iraq: Syrian Refugee Stats, Locations*. 1

same Wi-Fi in the town of Arbat.⁵⁶ USAID and the WHO entered Iraq largely because of the refugee population but have since maintained a large presence in the country. In the past five years, they have provided \$122 million to vulnerable locals to cover the cost of primary care consultations.⁵⁷ Refugees may bring NGO presence to Iraq, but once in the region, NGOs work to provide services to the entire population.

Many countries with refugee populations encourage the refugees to leave after the emergency phase of the crisis. They typically do this by offering cash assistance for travel and resettlement. While these programs rarely encourage all refugees to leave, they mean to ease some of the burdens on the host country. Despite hosting Syrian refugees for almost a decade, Iraq is not encouraging refugees to leave through any program. Presumably, this is because the country reaps certain benefits from the refugee population, including NGO services and increased economic activity.

Findings

Arguments claiming that refugees present a burden to their host country rely on the fact that refugees take resources from the local people and institutions: they take jobs, resources, and services. However, I found that refugees, when given the right to work, fill niche sectors of the economy. Not only do they create a local economy within refugee camps that grants a level of sustainability, but they rely on economic interactions with people and businesses outside the camp to better themselves. They work unpopular jobs for low wages or find unique opportunities to use their skills, like farming rare vegetables or making furniture using Syrian techniques instead of Iraqi ones. Refugees flood the market with more demand, creating opportunities for

⁵⁶ Beinkampen, Kate and Mohammad Fatih. 26 July 2022.

⁵⁷ “WHO Marks Five Years of Strategic Partnership with USAID in Iraq.” *United Nations Iraq*, United Nations, 1

more profit for local businesses. In a middle-income country like Iraq, refugees pay government taxes just as much as most locals. Moreover, by bringing NGOs to the region, they provide locals with high-paying employment opportunities for workers of all skill sets and distribute essential services like better infrastructure throughout the region.

Policy Implications

The Syrian refugee population in Iraq demonstrates refugees' capacity to positively contribute to their host country's economy. Yet, there are obstacles to ensuring this effect amongst all refugee populations. Legal and operational barriers prevent refugees from working in dozens of countries and the quantity and severity of these barriers varies from country to country. Therefore, the international community might consider the following:

1) Ensure formal labor market access to refugee populations

While most countries that accept refugees are subject to international laws guaranteeing the right to work, many countries fall short in implementation. There are excessive barriers to entry for refugees who want to work in their host country, like the inability to obtain work permits, harassment from local officials, or restrictions on leaving refugee camps. Not only does this prohibit refugees from supporting themselves, but it restricts them from contributing to their host country's economy.

2) Evaluate refugee situations on a case-by-case basis

Many studies attempt to resolve the question of refugee economies in a holistic manner. A conclusion about one region is recognized and used to promote a policy in all host countries. Unfortunately, each refugee situation is vastly different. There are protracted refugees, emergency situations, and internally displaced peoples. Some host countries welcome refugees with open arms, while others impose barriers on the refugee population. Countries with vastly

different economic and political situations host refugees. The combination of these factors makes it nearly impossible to approach the refugee situation with a single approach. Each host country provides valuable insights to other countries with refugees or countries that will host refugees in the future. For example, my research can provide insights to other protracted refugee scenarios or middle-income host countries. However, institutions should refrain from implementing identical programs in various countries, as each situation is inherently unique.

Section VI: Conclusion

My research shows that refugees can and do positively contribute to their host country's economy. They work for locals and spend money in the local economy. They also bring additional NGO services to the region, providing decent employment opportunities to locals. The example of Syrian refugees in the KRI demonstrates that refugees are legitimate economic actors. Refugees' contributions hinge on the host country's policies regarding freedom of movement and the right to work. Without proper implementation of these policies, refugees are restricted. Thus, they cannot earn or spend money in the local economy and become entirely reliant on government and NGO services.

One limitation of my research is the lack of data in the region, mostly because of the complex relationship between the KRI and Iraq, the lack of accurate reporting, and COVID-related obstacles in recent years. It is difficult to find accurate quantitative data and policy updates for the region. From refugee-related policies to unemployment numbers, there is limited information and much of the available information is estimated.

Another limitation is that my research was collected in a single camp in the KRI. While I interviewed local Iraqi Kurds and Syrian refugees living in urban centers, I mostly spoke with the refugee population in Arbat Camp. Thus, there is a self-selecting bias in my research.

Moreover, there are dozens of refugee camps throughout the KRI and thousands of refugees in Kurdish cities. While I can confidently report on the economic contributions of certain refugees living in and around Arbat Camp, this may not be representative of the entire refugee population.

In the future, looking at the impact of refugees throughout the entire KRI would shed more light on my research question. This would paint a more holistic picture of the contributions refugees can make to a middle-income host country's economy.

Appendix A

Interview Questions:

- What do you do for work?
- How did you get your job?
- How much do you get paid?
- What local businesses do you use?
- What do most of your friends do for work?
- Do you have a bank account? Mobile money account?
- Where do you/your children attend school?
- How do you access healthcare?
- Where do you buy most of your goods and services?
- Do you employ people?

For Refugees:

- What did you do for work in Syria?
- Do you interact with locals? How often? In what context?
- What fees do you pay?
- If a business owner, do people living in the city use your business?

For Locals:

- Do you interact with refugees? How often?
- Do you work for an aid organization?
- What aid organizations do you know of?
- How much do you pay in taxes?

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