Chapter 6

Who pays? Who profits?
The costs and impacts of forced migration

This chapter highlights the gap in understanding of the economic and financial aspects of forced migration. The social consequences of forced migration are a mainstream humanitarian concern, but it also produces *economic* costs. Despite the enormous global budget, there is little economic analysis of outcomes. No business would escape this scrutiny.

What are the costs? Who pays? Who benefits? Should we put a price on humanitarianism? There is a mass of data on numbers of refugees and internally displaced persons (IDPs), but little analysis of the funding of humanitarian programmes for forced migrants.

Between 2006 and 2010, 5 per cent (US$ 33 billion) of official development assistance (ODA) (excluding debt relief) from members of the Development Assistance Committee (DAC) of the Organisation for Economic Co-operation and Development (OECD) went to forced migrants and host communities. This grew from 4 per cent in 2006 to a high of 6.4 per cent in 2009, falling slightly to 6 per cent in 2010.

Humanitarian aid accounted for 43 per cent of total ODA funding (US$ 14.2 billion) for displaced populations between 2006 and 2010. In the same period, 13 per cent (US$ 4.3 billion) was spent on development activities.

The second-largest share of ODA for displaced populations does not leave donor countries: in 2006–2010, US$ 13.8 billion (41.8 per cent) supported refugees inside donor countries.

The top ten providers of ODA for displaced populations gave 86.6 per cent of the total in 2010, with the US accounting for over one third.

Donors mostly fund response to forced migration through multilateral organizations and UN agencies. Bilateral support accounts for the balance. Australia, the EU, Luxembourg, Japan and the US each dedicated at least 70 per cent of total support for displaced populations in 2010 in bilateral funding.

From 2006 to 2010, multilateral organizations were the largest recipients of humanitarian funding for displaced populations, receiving on average 68 per cent. But 80 per cent of this multilateral share in 2010 went to just three organizations: the UN refugee agency (UNHCR), the United Nations Relief and Works Agency (UNRWA), and the International Organization for Migration (IOM). Humanitarian NGOs and the Red Cross Red Crescent Movement received an average of 11 per cent and 9 per cent respectively between 2006 and 2010.

Sub-Saharan Africa, the Middle East and South and Central Asia received 87 per cent of total ODA funding for displaced populations between 2006 and 2010.

In 2006–2010, the top five recipient countries received almost half of the humanitarian and development funding for forced migrants. Palestine received 18 per cent, Sudan 12 per cent and Pakistan 8 per cent of the total.

The Inter-Agency Standing Committee (IASC) identifies 13 sectors used for reporting humanitarian funding: in 2006–2011 the 'multi-sector' category received 39 per cent on average; 'protection/human rights/rule of law', 30 per cent and 'shelter and non-food items', 25 per cent.

Many countries receiving humanitarian aid and hosting large displaced populations are also affected by social and economic disadvantages.

Total ODA channelled via UNCHR, UNRWA and IOM has increased by 76.4 per cent in the last five years, mainly due to bilateral contributions.

To counter continued aid shortfalls despite rising levels of funding, donors have focused on targeting money through 'good humanitarian donorship' and pooled funds like the Central Emergency Response Fund (CERF).

CERF, the largest humanitarian pooled fund, was launched in December 2005 as one of the IASC's pillars of reform. Now supported by 126 of the UN's 193 members, it exceeded its annual fund-raising target (US$ 450 million) and disbursed nearly half a billion US dollars in 2011.

Smaller pooled funds have been launched at country level for major crises.

DAC constitutes the principal funding source for humanitarian assistance to displaced populations, but funding streams are increasingly diverse, including private funding sources, corporate donors, trusts, foundations, private individuals, and other newly emerging donors (*see box*).

But challenges remain. Funding for displaced people is still in many cases below levels appealed for. Gaps are clearly observed in most displacement situations.

Also camps where displaced people are easier to count tend to be better funded. Weaknesses in overall coordination and problems with the allocation of responsibility for refugees and IDPs make it difficult to assess how best to fund integrated programmes for the displaced – a weakness of pooled funds, which tend to take a sectoral approach.

Migration is often a response to disruption or threats to livelihoods. Responding to migration as a 'crisis' often restricts migrants' movement, employment and access to basic services and rights. It is not sufficient to focus on saving lives and consider livelihood support only when the situation has stabilized.

Once displaced, people must find food, shelter, water and health care to survive. International assistance tends to focus on these kinds of needs. However, no assistance package ever provides everything that people need, so they need cash for other items and services.

Displacement can be liberating for women – it is they who often receive assistance, rather than men, and deliberate efforts are made to enhance their status and include them in consultation processes – but it also can have negative impacts.

Those providing protection and assistance often assume that the displaced population's systems have broken down, that people are helpless or that the situation closely resembles that before displacement. They may cause disruptions to local markets or labour dynamics by not adequately considering the effect of their programmes on the local economy.

Skilled migrants may bring their tools with them in order to work wherever they settle; others may learn new trades. Some aid agencies and governments treat as abuse survival strategies, like registering for multiple ration cards, selling rations, moving between camps and urban settings, used by migrants to overcome badly targeted, irregular or inadequate assistance.

Host countries often prefer to keep refugees in remote camps far from urban centres where interaction with the local population is limited, they can be policed, and exert minimal political and/or economic influence.

Despite host country resistance, refugees usually find ways of integrating the host economy, especially as many have ethnic ties to the local community. That they contribute to the host economy is only recognized too late.

Good livelihood programming builds on displaced people's resilience and complements the efforts they are making to adapt to their situation. It may include providing cash so that people can access local markets or start small businesses. It may also involve protection so that women can travel outside their camp or settlement to find water, firewood or other resources to sell.

Development plans must integrate livelihood support for forced migrants. The Women's Refugee Commission and the ICRC have developed practical guides for developing livelihood support for the displaced. The 'household economic security' teams of the British Red Cross have been providing livelihoods assistance to IDPs and disaster-affected people in countries including Angola, Bangladesh and Pakistan.

The IFRC and Sri Lanka Red Cross are providing support to help people displaced by conflict to reconstitute sustainable livelihoods. Where such support is missing, people remain vulnerable to displacement, food insecurity and destitution.

Forced displacement is also a development challenge, but how can developmental responses to it best be promoted? The UN Development Programme and UNHCR are currently attempting to address livelihood and development concerns in areas hosting displaced people in ways that benefit both displaced and local communities.

Development strategies are needed that maximize use of the displaced people's skills, entrepreneurship and human and economic capital, by integrating them into the wider economy. Urban economies offer greater opportunities than rural areas. This is why the displaced migrate to cities, despite poor environmental conditions and lack of humanitarian support.

Direct programming and investment strategies are needed to stimulate the local economy, and while many proposals are not new, a comprehensive approach has been insufficiently developed to date.

For host governments, the political challenge is greater. It means recognizing the legitimate needs, legal rights and aspirations of displaced people. It means flexible policies towards the settlement, mobility (internal and cross-border) and the citizenship of refugees and IDPs.

For donors and international actors, overcoming the divisive impact of separate humanitarian and development funding streams would go a long way toward harmonizing operational and policy tools.

BOX
'Emergent donors' change the humanitarian landscape

Humanitarian assistance has long been considered an enterprise dominated by Western nations, particularly by DAC members. That picture is changing, as aid from countries not part of this traditional donor community and from private sources has been increasing in recent years.

A major source of such funding comes from governments in Islamic countries. In 2010, Saudi Arabia was the largest donor, providing US$ 433 million and the United Arab Emirates second largest with US$ 272 million. Historically their assistance has been directed almost exclusively at countries with which they have close ties, but recently they have begun contributing to more countries and agencies.

In 2010 Saudi Arabia gave US$ 50 million to the Haiti earthquake response, nearly US$ 60 million to the Somalia famine appeal in 2011, and in 2008 US$ 500 million – the largest bilateral donation ever – to the World Food Programme.

Other important bilateral donors of humanitarian relief include China, India, Iran, Kuwait, Qatar and Turkey.

With some important exceptions, most funding from non-DAC donors is channelled through NGOs rather than UN agencies. The IFRC and National Red Cross Red Crescent Societies are often enlisted to deliver relief aid, particularly where the donor country does not have an operational presence.

Humanitarian aid from non-DAC donors is welcomed by many recipient countries which see this source as more sympathetic and attaching fewer strings. However, some operational agencies have expressed concern about the need for better coordination and technical capacity to maximize effectiveness.

Funding from private sources is also growing in significance. In response to the December 2004 Indian Ocean tsunami, an estimated US$ 3.9 billion in private funds was raised. As a share of global humanitarian response, private funding has increased from 17 per cent in 2006 to 32 per cent, or at least US$ 5.8 billion, in 2010. Private funding has been sustained in the face of the global economic downturn.

Private funds are important for National Societies, with 68 per cent of their total income deriving from private sources.

Humanitarian funding is becoming more common among large multinational corporations and their philanthropic branches. It is not only provided internationally. The commercial sector in Kenya, for instance, was involved in providing relief to people affected by the food shortages of 2011, and the Somali business community provided water, food and cash assistance to IDPs.

Diaspora funding is another important source of funds for humanitarian action. Many of the funds raised by diasporas go to grass-roots organizations.

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