



Thematic Team on “Rigorous Impact Evaluation”

Economic integration into host communities in times of crisis

How to ease the impact of Covid-19 on displaced populations in low- and middle-income countries

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Access to the labour market plays an essential role in allowing displaced populations¹ to sustain their livelihoods and integrate into the host community. Long-term displacement situations and a decline in resettlement have spurred the quest for local integration (UNHCR, 2019). This includes economic integration, building on the idea that the displaced, if entitled and empowered, can be actors that can sustain themselves, thereby contributing to the social and economic development of local communities. The majority of displaced populations are hosted by neighbouring low- and middle-income countries (LMICs), where the Covid-19 pandemic places additional strain on scarce resources and thus increases the risk of social and political unrest.

However, evidence shows that displaced people face specific challenges in integrating into the labour market of host countries. In many countries the displaced do not have the unrestricted right to work, move freely, own property or access financial services and are confronted with discrimination (Zetter and Ruaudel, 2016). Due to the experience of displacement, they often face the loss of assets and struggle with impacts on their physical and mental health. As those forcibly displaced do not

KEY MESSAGES

- The Covid-19 pandemic aggravates existing challenges faced by displaced populations in economically integrating into the host country.
- Cash and in-kind transfers as well as Covid-19-adapted public works programmes are promising tools to ease immediate adverse impacts.
- Integrated approaches that cut across sectors are key to addressing the multiple adverse impacts on the displaced.
- Virtual forms of training and mental-health programmes can foster employability. Particularly here, but also more generally, digital infrastructure should be enhanced.
- During economic reopening, (self-)employment should be supported through one-off grants or credits and innovative matching formats.

¹ The brief covers all those forcibly displaced by conflict, violence, persecution and human rights violations but focuses on those displaced internationally.

choose their destination primarily based on labour market needs and typically have less time to prepare for their move, they are more likely to lack the skills, language, social networks and information required in the host labour market (Schuettler and Caron, 2020).

The Covid-19 pandemic further aggravates these challenges. Most displaced work in the informal economy without job security, health insurance or access to social safety nets. Further, they are more often than the host population employed in sectors that are highly impacted by the pandemic, such as manufacturing, accommodation and food services (Dempster et al., 2020). Early evidence from Syrian refugees in Jordan and Lebanon shows that they are more likely to lose their jobs due to Covid-19 than nationals (Kebede et al., 2020a; Kebede et al., 2020b). Covid-19 is therefore likely to lead to widespread loss of livelihood and an increase in poverty among this population. In light of the increasing nationalist and xenophobic tendencies also spurred by the economic downturn, it is likely to be even more difficult for the economic inclusion of displaced populations to achieve popular support. Covid-19 is likely to undermine policy reforms which facilitate labour market access. However, precisely due to the adverse impact of the current situation on their lives, efforts to expand economic participation and inclusion for displaced populations are of utmost importance and more relevant than ever. This policy brief suggests interventions to ease the impact of the Covid-19 pandemic on their livelihoods, in the short term during lockdowns and in the medium and longer term under remaining restrictions and a changed economic structure.

PHASE 1: IMMEDIATE SUPPORT MEASURES TO PROTECT THE DISPLACED FROM THE NEGATIVE IMPACTS OF COVID-19

Cash and in-kind transfers to displaced households can avoid further spiralling into poverty. Due to the often unplanned nature of their flight, many displaced persons lose access to their assets such as land and livestock without being able to sell them beforehand, must pay for their journey to safety, and have no income for a prolonged period. A crisis such as the current pandemic puts them at additional risk of further depleting any remaining

assets and savings, pushing them further into poverty. Cash or in-kind transfers to displaced populations are an effective tool to counter this vicious cycle by reducing the need to sell assets and potentially allowing the displaced to save. These interventions have also been shown to reduce the pressure to work in precarious and hazardous conditions and to improve mental health outcomes. Furthermore, they allow beneficiaries to invest in education and health. Overall, transfers have hence been proven to indirectly also impact employment outcomes (Lehmann and Masterson, 2014; Giordano et al., 2017; Chaaban et al., 2020).

Labour-intensive public works and cash-for-work programmes can be scaled up and adapted to counter the job impacts of Covid-19. Public works have become popular in the context of forced displacement as they can be implemented even in very fragile and poor environments, and where the displaced face legal obstacles to integrating into the labour market. They can be adapted to Covid-19 by taking “social distancing” into account within existing activities, developing virtual activities (such as digitization of physical assets) and contributing to public health through the types of work selected (e.g. production of face masks) (Carranza et al., 2020). Rigorous evidence confirms that they can confer important short-term benefits comparable to cash or in-kind transfers; however, medium- to longer-term effects on employability and income appear less promising (Lombardini and Mager, 2019; Gehrke and Hartwig, 2018). Benefits need to be weighed against costs, which are usually higher for public works than for cash transfers or training alone. However, the social benefits (such as building networks or the feeling of being of value) and the higher social acceptance compared to simply handing out cash need to be considered.

Integrated approaches are key. As displaced populations usually face multiple barriers to entering the labour market, the evidence for integrated interventions that tackle several constraints at once (such as lack of skills, mental health, and financial assets for self-employment) seems promising (Schuettler and Caron, 2020). To ease the immediate impact of Covid-19 on displaced populations, programmes need to further cut across sectors combining employment- or

livelihood-focused projects with public health and food security interventions.²

With regard to growing nationalist and xenophobic tendencies, projects should also be targeted to fostering social peace and cohesion. Irrespective of the current additional challenges due to Covid-19, all programmes should continue to always target displaced and host communities when applicable to ensure the “do no harm” principle is met. A focus on women and girls is key, as they usually work in more heavily affected sectors, and domestic violence tends to spike during times of crisis, placing them at additional risk.

PHASE 2: FOSTER EMPLOYABILITY THROUGH ADAPTED TRAINING AND MENTAL HEALTH MEASURES

Training needs to adapt to the specific constraints of those displaced, taking Covid-19 into account.

While the track record of “skills only” interventions is not promising, activities that simultaneously address other existing labour market barriers, such as economic inclusion programmes, seem more promising (Ayoubi and Saavedra, 2018; McKenzie, 2017). Training programmes in the displacement context also need to be tailored to skills that fit existing economic opportunities, which were limited due to restrictions to the right to work even before Covid-19 (e.g. if the displaced are allowed only to work in specific sectors, or not at all) or if they are located in geographically remote areas and not allowed to move to or settle where economic opportunities exist. Qualitative and descriptive evaluations show positive results for IT skills such as coding, even if the potential for scaling up programmes teaching these kinds of skill needs to be proved (Hatayama, 2018; Francis, 2019; Mason, 2018). Early evidence, mainly from high-income countries, indicates that language training can also be helpful to improve employment opportunities, if it is adapted to different educational levels and linked to job opportunities, and does not delay labour market entry (Capps et al., 2008; Auer, 2018; Clausen et al., 2009; Lochmann et al., 2019). If the infrastructure exists,

both types of training could be provided virtually during restrictions linked to Covid-19.

Interventions addressing the psychological and mental health effects of forced displacement are very promising and – if infrastructure allows – can continue to be implemented virtually during Covid-19. Rigorous evidence shows that different forms of therapy have had significant positive effects on the mental well-being of displaced populations in different LMICs (Neuner et al., 2004; Acarturk et al., 2016). There is also evidence that the use of lay counsellors with limited training can be effective in environments with a lack of professional counsellors and psychotherapists (Neuner et al., 2008; Bolton et al., 2014). Emerging evidence also shows that virtual interventions can be effective: confirming results from high-income countries, a randomized evaluation with war-traumatized patients in Iraq showed that web-based cognitive behavioural therapy can have significant positive effects (Knaevelsrud et al., 2015).

PHASE 3: DURING ECONOMIC REOPENING, SUPPORT (SELF-)EMPLOYMENT WITHIN THE CHANGED ECONOMY

Larger one-off grants or credits specifically supporting the start of new economic activity or to adapt an existing activity to the new realities and restrictions of Covid-19 are promising in displacement contexts. Cash and other capital-based support has an encouraging track record in increasing self-employment, also in fragile and conflict-prone environments (Blattman and Ralston, 2015; von der Goltz and Mavridis, 2020). Using these tools to support new or Covid-19-adjusted economic activities (e.g. face mask or sanitizer production, virtual products, retail and delivery services) of displaced populations seems promising. Evidence is, however, scarce in the displacement context, and uncertainty about length of stay and restrictive legal frameworks for displaced persons might lower impacts. Using micro-finance or other forms of loan instead of grants for these population groups faces additional challenges, due to the perceived higher risk of non-repayment, lack of collateral and credit histories,

² For more details see [other policy briefs](#) from this series

and the requirement for identification (Easton-Calabria and Omata, 2016; Jacobsen, 2004). Often combined with larger transfers and training, humanitarian and development actors increasingly implement interventions in the context of forced displacement aiming to develop or strengthen links along value chains and facilitate access to markets, (Nutz, 2017). Such interventions seem promising and could help ease disruptions due to Covid-19, but rigorous evaluations are needed.

While classical public matching services appear less promising in displacement contexts in LMICs, job search subsidies, the building of social networks and individualized coaching are worth further testing. Interventions such as transport and housing subsidies which allow the displaced to move or commute to where economic opportunities exist seem promising and should be investigated further (McKenzie, 2017). A cash transfer labelled to cover costs associated with looking for work had positive impacts on employment rates of Syrian refugees in Jordan after two and four months (Caria et al., 2020). The displaced also need support to build up social networks. During restrictions linked to Covid-19, innovative virtual formats need to be explored to help build networks between the displaced and their hosts. In addition, initial evidence shows that intensive coaching and individualized assistance can have positive effects on labour market outcomes even in LMICs, but these types of assistance tend to be more costly (CWS, 2018).

THE WAY FORWARD: USE EXISTING EVIDENCE BASE FOR INTERVENTIONS, ADAPTED TO COVID-19 AND THE SPECIFIC DISPLACEMENT CONTEXT, AND EXTEND RESEARCH IN PROMISING AREAS

It is important that new interventions are designed taking into account the existing evidence and adjusted to ease the impact of Covid-19. In light of the current pandemic, it is particularly relevant to assess if and how existing interventions need to be adjusted. This note suggests three phases to ease the impact of the Covid-19 pandemic on livelihoods of displaced populations. In the short run, interventions should aim to sustain livelihoods by reducing the need to sell assets and provide income sources through e.g. financial

transfers or public works programmes. In particular, during this phase integrated approaches that take account of the impact complexity of this crisis are key. In the medium term, employability should be fostered. Here, IT and language training as well as mental health programmes are particularly promising, as they can be delivered virtually. To support longer-term access to (self-)employment, one-off grants or credits and innovative forms of matching as well as value chain approaches are promising.

Throughout all phases, the specific displacement context needs to be taken into account. It is important to consider contextual factors such as the socio-economic characteristics of the displaced population (e.g. age, gender, educational level), their location (e.g. camp or urban setting) and legal situation (e.g. refugee status or internally displaced and limitations to rights related to labour market access). Contexts with predominantly displaced families constitute a potentially interesting case for an integrated approach to reduce domestic violence, while this is less relevant in a situation with predominantly young displaced men. Furthermore, interventions relying on digital tools will only be successful if access to needed equipment and the internet is ensured. More generally, access to virtual spaces and digital infrastructure should be enhanced to allow for innovative formats that take the challenges of Covid-19 into account. This might be more easily provided in camp settings with dedicated infrastructure and responsibilities. The prospect of staying and the aspiration of moving to a third country are also relevant to the motivation to engage in longer-term economic integration.

Overall, more rigorous quasi-experimental or experimental evidence is needed on jobs interventions for displaced populations and how they can be adapted to the Covid-19 context. Existing evidence is scarce and mainly focused on high-income countries. In particular, evidence on larger transfers, innovative forms of matching, and value chains is urgently needed to support (self-)employment. Digital formats, particularly relevant in the context of Covid-19, should be tested and evaluated across the board for interventions.

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The thematic team on “Rigorous Impact Evaluation” is contributing to a more systematic integration of rigorous impact evaluations and the use of their results in German Development Cooperation. Evidence-based policy and program design is crucial to increasing the effectiveness of German Development Cooperation and thus to promoting sustainable development. To this end, the thematic team brings together experts from BMZ, evaluation, academia and governmental as well as civil society implementing organizations.

Short explanatory video on the subject of "rigorous impact evaluations" (in German):

<https://youtu.be/2iVqBhooeA8>