

## How to cope with a refugee population? Evidence from Uganda



### Introduction

More than three quarters of the world's refugees are hosted in developing countries (United Nations High Commissioner for Refugees, 2021), about one third of whom are hosted in Sub-Saharan Africa (SSA) (Ruiz & Vargas-Silva, 2017). Uganda hosts the most refugees in SSA (United Nations High Commissioner for Refugees, 2021). These are from its neighbouring countries including South Sudan and the Democratic Republic of Congo (DRC). For Uganda, the hosting of refugees started in as early as the 1940s (Watera et al., 2017). The continued production of refugees in SSA is mainly attributed to persistent conflict in the neighbouring countries (Verwimp & Maystadt, 2015). Hosting refugees, who usually stay for protracted periods in their countries of asylum, can have significant implications especially for countries such as Uganda which might still be grappling with their own economic limitations (Maystadt et al., 2019). The literature on the consequences, especially the economic effects, of hosting refugees is mixed, though generally highlighting positive effects on economic development for the hosting countries (Verme & Schuettler, 2021).

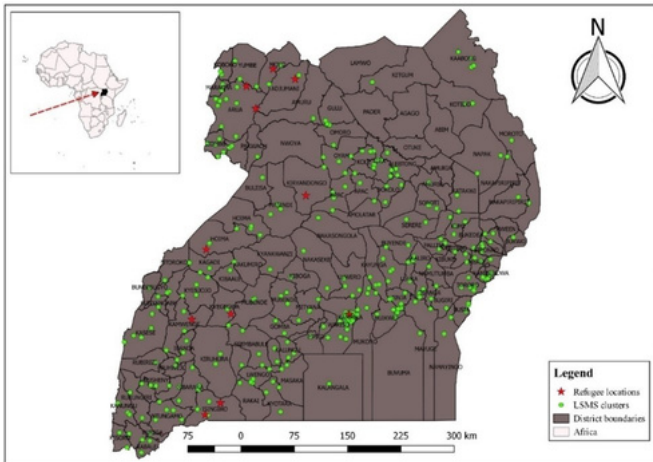
### About the study

We use geo-referenced refugee data, provided by the United Nations High Commissioner for Refugees (UNHCR), with information on the number of refugees recorded annually, from 2000 to 2016, in refugee settlements in 14 districts. We combine this with the LSMS-ISA<sup>1</sup> dataset for Uganda provided by the World Bank. We use 3 waves,<sup>2</sup> 2009–2010, 2010–2011, 2011–2012, of the LSMS-ISA data which is geo-referenced panel data with socio-economic and demographic household and individual-level information including household welfare measured by consumption aggregate per adult equivalent and indicators of participation and performance in the workforce within the agricultural and non-agricultural sectors. To assess the impact of the presence of refugees, we construct a refugee exposure index which is an aggregate of the total number of refugees in the closest refugee settlements divided by the distance from those settlements to the clusters of the host households. We then perform the analyses using an instrumental variable analysis method.

<sup>1</sup> Living-Standards Measurement Study – Integrated Studies on Agriculture

<sup>2</sup> The 3 waves form a complete balanced panel dataset with the least loss in data points across the years.

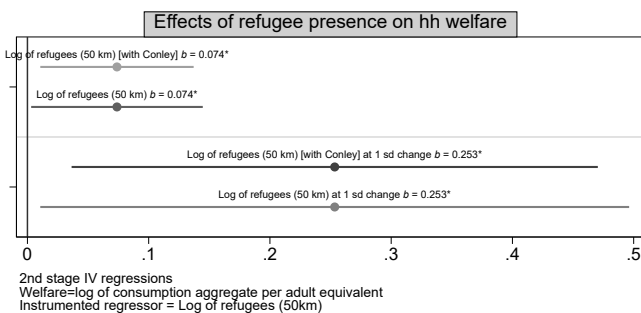
Figure 1: Map of Uganda showing the study locations



## Study Results

### Result 1: Living close to refugee settlements results in improved household welfare within the hosting community

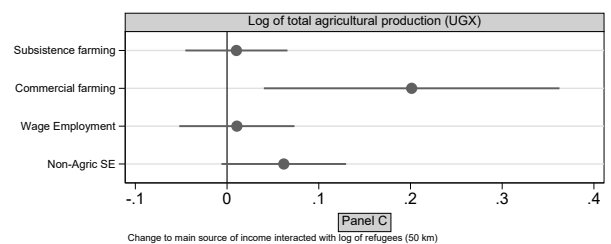
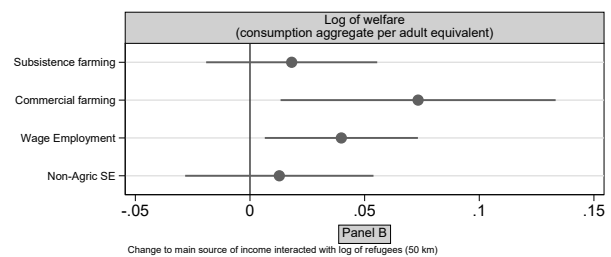
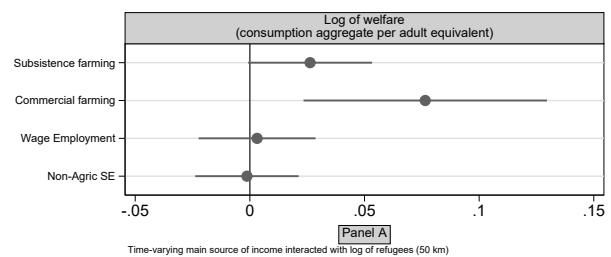
We find that the presence of refugees is positively correlated with household welfare represented by the consumption aggregate per adult equivalent. We find that doubling the presence of refugees would increase the consumption aggregate per adult equivalent by about 7.38% for households within 50 km of a refugee settlement. These results are robust to several adjustments in the analysis specifications including considering reduced buffers from 20 to 50 km from the refugee settlements, with 10 km intervals. On average, therefore, living closer to refugee settlements is beneficial to the host populations in Uganda. In the following key findings we look into possible explanations.



### Result 2: The presence of refugees is more beneficial to rural households that were initially involved in subsistence farming

We find that, on average, rural households closer to refugee camps experience a positive wealth effect. However, it is those who were initially mainly reliant on subsistence farming and have switched to commercial farming who benefit the most. These benefits may result from the production and supply of non-aid food products in response to increased demand and price shifts.

Our investigation reveals that households change occupation over time and thus subsistence farmers, who are mainly consuming what they produce and are relatively poor, perhaps respond to market dynamics presented by the influx of refugees by selling off their home production to diversify and improve their wellbeing. Notably, however, is the fact that these occupational categorizations are self-reported. Therefore, given our finding that it is households with smaller pieces of land rather than those with large pieces of land who benefit the most, it is likely that they considered themselves as commercial farmers solely based on their engagement in sale of their home produce.



### Result 3: The increase in total vegetable production could explain the differential benefits towards those who switch to commercial farming

The study shows that there is an overall increase in total agricultural production for households who switch from their initial occupation to commercial farming. Specifically, however, we find for this group a correlation between increased vegetable production and improved household welfare. Perhaps these households sell vegetables to refugees who are seeking to supplement or substitute their food aid baskets with preferred food items.

## Research article on which this policy brief is based

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## Key message and recommendations

### Key message

Proximity to refugee settlements is beneficial for Ugandan households. The households who were initially involved in subsistence agriculture benefit the most. Perhaps, in order to benefit from living close to refugee settlements, some of these households were able to change from subsistence agriculture to commercial farming and, to an extent, to earning pay in form of wages.

### Recommendation 1

Help subsistence farmers to monetize their farming endeavours through creation of farmer groups or cooperatives such that they can benefit from economies of scale.

### Recommendation 2

Encourage farmers to grow vegetables which can be sold to the refugee communities in the settlements. Lists of preferred vegetables to be grown can be given to the subsistence farmers.

### Recommendation 3

Support rural households as they strategize to have multiple sources of income by providing reliable market analysis information.

### Recommendation 4

Support further research which will make it easy to understand the way refugees and hosts interact especially in the market. This will clarify how to better assist some groups of people in order to increase their chances of benefiting and minimize chances of loss.

### Recommendation 5

Encourage further research into how households change from one occupation to the other. This will help to highlight what kind of help is needed by different groups in order to facilitate such transitions and ensure that they lead to gains and not losses. Further, this study focuses on the economic effects on the households of the refugee-hosting populations, that is, the Ugandan households. It does not cover what this means for the refugee households themselves. Effects on refugee households in Uganda can be investigated or highlighted in further research.