



# Forced Displacement Literature Review

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# South-south refugee movements: Do pull factors play a role?

Maoro Lanati and Rainer Thiele

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This paper **investigates the impact of destination country characteristics on south-south refugee movements.**

The authors build on a standard structural gravity model of international migration. The model incorporates time-invariant migration costs proxied by geographical factors, such as physical distance and a common border, as well as cultural links, such as a common language and common religion. Additionally, the model incorporates destination-specific pull factors, including: (1) growth rates and levels of GDP per capita as proxies for earnings potential; (2) population, to approximate the labor market size; (3) the unemployment rate as an indicator of job availability; (4) school enrollment rates and the number of hospital beds as indicators of social service availability; (5) a broad index of governance indicators as a proxy for institutional quality; and (6) per-capita foreign aid given to destination countries. The authors distinguish between aid for economic infrastructure and support for public services, further disaggregating the latter into governance aid, aid for education, and aid for health.

The empirical analysis focuses on a sample of 111 countries of origin and 117 countries of destination, which all are potential recipients of foreign aid. The period under consideration is 2004–2019.

Main findings:

- **Refugees tend to move to safe countries with which they share a common border.** There is a strong tendency of refugees to flee to neighboring countries. Additionally, the absence of conflict is also a relevant pull factor for refugee movement.
- **Once geographic proximity is accounted for, refugees respond to the opportunities available at potential destinations.** Several characteristics of destination countries are strongly associated with refugee movements including the existence of diasporas, a common religion, GDP per capita levels, and availability of education and health services. Sharing a common language is positively but insignificantly associated with refugee movements.
- **There is a positive and sizeable association between social sector aid and refugee movements, most notably for education.** However, economic and governance aid do not act as pull factors for refugees.
- Other potential pull factors such as large populations, high GDP growth, low unemployment, and high institutional quality do not have significant impacts on refugee movements.

The authors conclude that **refugees tend to choose safe neighboring countries as their destination. However, they also respond to local pull factors such as higher per-capita income levels and the availability of education and health services.** The authors suggest that donors can influence the direction of south-south refugee movements by investing in the social infrastructure of potential destination countries.

## Poverty Dynamics and Poverty Traps among Refugee and Host Communities in Uganda

Giulia Malevolti and Donato Romano

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Uganda is the largest refugee-hosting country in Africa, with 1.5 million refugees mainly from South Sudan and the Democratic Republic of the Congo. This paper **examines the poverty dynamics among refugee and host communities in Uganda.** The authors aim to answer two key questions: (1) how do the wealth dynamics differ between refugees and hosts? (2) Is there a poverty trap and, if so, for whom?

Poverty traps are self-reinforcing mechanisms that perpetuate poverty by limiting households' ability to accumulate assets. In the case of refugees, there are four main mechanisms that can contribute to poverty traps: asset loss (physical or social), trauma and psychological stress, geography, and institutional factors. These mechanisms can also affect host communities, potentially trapping them into poverty as well.

The analysis is based on data from the FAO-RIMA's Uganda Refugee and Host Communities Panel Survey, which covers refugees and host communities in more than 10 districts and 13 refugee settlements from 2017 to 2021. The authors construct a tradable asset index that includes durable assets and tools (radio, TV, bicycle, solar panel, cooker, box, table, chair, bed, mattress, animals, hoe, axe, shovel, pickaxe, sickle, slasher) as well as land size.

The data reveals that:

- Host households are, on average, larger in size, with older and slightly more educated heads compared to refugee households.
- Refugees have significantly smaller average land sizes than hosts, and tend to have fewer tradeable assets than hosts.
- Per capita expenditure and income are very low for both groups, but hosts report higher values on average. Formal transfers represent the primary income source for refugees, while hosts rely on enterprise, wage, and crop income. In 2019, refugees' average income exceeded that of hosts due to transfers.

- In 2021 both groups experienced a general deterioration in their conditions, including reduced land and livestock holdings, fewer assets, decreased enterprise activities, lower income per capita, reduced dietary diversity, and a higher coping strategy index, likely attributable to the COVID-19 pandemic.

Main findings from the empirical analysis:

- **A single low-level asset equilibrium exists for both host and refugee populations, indicating a structural poverty trap.**
- **Refugees and hosts tend to different single low-level equilibria, with hosts achieving a higher equilibrium than refugees.** The different equilibria can be explained by refugees' lower physical asset endowments: This means that refugees, owning fewer durables, agricultural tools, animals and smaller plots have a lower production capacity, less buffer resources to cope with shocks, less collateral, hence less capacity to make investments, not only in assets but also in human capital.
- **Disaggregating the population across various dimensions reveals the importance of geography and specific household characteristics.** The most important factors associated with asset growth for both refugees and hosts include household size and education. For refugees, other asset growth enabling factors include larger land size, self-employment, and not receiving transfers. Asset-reducing factors for refugees include displacement due to famine or natural hazards, experiences of violence, time spent in settlements, and weak social cohesion.
- **The channels affecting both hosts' and refugees' welfare are the labour market and market creation, with the agriculture sector playing a key role.** Households below the dynamic equilibrium are more involved in wage employment, with lower wages. Households above the equilibrium are more involved in market creation as evidenced by sales of products, purchase of agricultural inputs, and food purchases, with exchanges between hosts and refugees playing an important role. Additionally, households above the dynamic equilibria are more involved in enterprise business and commercial farming (crop sales) than those below the equilibrium.

The authors conclude that **refugees and host communities are in a structural poverty trap, which is more severe for refugees.** They suggest that while immediate assistance like cash and in-kind aid is important for addressing urgent food security needs, sustained, long-term improvements in living conditions require comprehensive structural reforms to raise the overall equilibrium. For refugees, this may involve addressing behavioral traps caused by psychological stress, trauma, and hopelessness, as well as reducing other factors that hinder households from accumulating assets. Both host and refugee populations are impoverished and stuck in low equilibria, making standard interventions in education, skills, and the labor force less effective due to limited economic opportunities. To be effective, policies need to expand economic opportunities for refugees and host communities, shifting the focus from solely providing social protection to fostering economic growth in hos areas.

# Transfers as a Means to Mitigate COVID-19 Impacts on Food Security: Evidence from Refugee and Host Communities Uganda

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This paper **investigates the effectiveness of food and cash transfers in mitigating adverse impacts of the COVID-19 pandemic on host and refugee communities in Uganda**. Uganda hosts more than 1.5 million refugees primarily from South Sudan and the Democratic Republic of the Congo. Since 2017, refugees have been receiving aid in the form of cash and food transfers, with 1.26 million refugees receiving food assistance by June 2020.

The authors employ a mixed-methods approach. Quantitative data was drawn from a unique panel dataset covering 13 refugee settlements and host communities in 10 districts between 2019 and 2021. The qualitative data was collected in 2022 through key informant interviews and focus groups discussions with refugees, hosts, and service providers in the settlements of Bidi Bidi, Kyangwali, Nakivale, and Kyaka II.

Main findings:

- **Only a minority of host (at most 4 percent) receive transfers.** The disparity in the aid received by hosts and refugees is a major source of frustration for many of the hosts.
- There was a shift over time from food to cash transfers, with substantial variation in the use of cash and food transfers across settlements. The share of refugee households receiving cash increased from 30 percent in 2019 to 48 percent in 2021.
- **The onset of COVID-19 in 2020 corresponded with a reduction in food security and resilience** in refugee and host communities and across settlements.
- A significant share of hosts and refugees reported being affected by COVID-19 in both 2020 and 2021 through staple and income shocks, with the reduction in aid for refugees and a decrease in job opportunities being the most common causes of income loss.
- Food transfers are associated with maintaining or increasing food security, while cash transfers are more closely associated with resilience. Food transfers seem to outperform cash transfers in responding to COVID-19, particularly when income loss due to COVID-19 is reported.

The authors conclude that **effectiveness of food and cash transfers in mitigating the impacts of COVID-19 is limited**. This is particularly true when the number of recipients or the size of the transfer are not scaled up in response to the shock. The author also highlights the limited capacity of an isolated social protection intervention as opposed to integrated

assistance that combines cash (or food) assistance with strengthened household capacities. **The authors suggest that the best response mechanism seems to be shaped around the provision of food or cash together with structured interventions for broadening the income generating options available to the families; in short, resilience building.**

## Young children's development after forced displacement: a systematic review

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*Child and Adolescent Psychiatry and Mental Health*, Volume 18, Issue 1 (2024), Pages 1-18  
<https://doi.org/10.1186/s13034-024-00711-5>

This paper **examines the impact of displacement experiences on young children's social-emotional and cognitive development.** Understanding the effects of forced displacement on young children's progression is important, as developmental difficulties are considered predictors of later health and academic problems.

The authors conducted a systematic review of quantitative studies examining social-emotional and cognitive outcomes in children under seven years of age who were directly exposed to forced displacement due to political violence. Initial searches identified almost 9,791 articles of which 32 met the eligibility criteria for the review. A total of 6,878 children aged 0-17 years were included in the reviewed studies, of which 5,858 were younger than seven years. Included studies were published between 1993 and 2023. Studies were conducted in Australia (5), Bangladesh (1), Bosnia-Herzegovina (1), Colombia (1), Denmark/Belgium (1), Eritrea (1), Germany (8), Iraq (1), Israel (3), Sweden (5), Turkey (4), and the US (1) and included children from the Middle East, Africa, Asia, Central and South America, the Western Pacific, and Eastern Europe.

Main findings:

- **Experiences of forced displacement were associated with poorer social-emotional outcomes in young children.** Experiences of forced displacement are associated with difficulties in young children's peer relations, disturbed play and appear to be linked to less pro-social behavior in displaced children. Several studies identified the co-occurrence of displacement experiences, disrupted family dynamics, and children's symptomatology. Poor family function, overdependency on caregivers and separation fears were prevalent, and the quality of child-caregiver relationships were correlated with children's symptom load.
- **Experiences of forced displacement were associated with poorer cognitive and language development.** A large proportion of displaced children performed poorly on cognitive measures. Learning performance, executive function, and early math abilities were all reported to be less developed in displaced children compared to control groups. Several studies detected limited speech capacities in displaced children that persisted up to three and a half years after settlement.

- **Repeated exposure to adverse experiences, separation from parents, parental distress, as well as duration and quality of resettlement in the host country are important risk factors for social-emotional and cognitive developmental problems.** Separation from one or both parents thereby emerged as one of the most important risk factors for social-emotional and cognitive developmental problems. Parental distress, mostly mother's symptoms, strongly affected displaced children's adaptation in the host country, socialization and play behavior. Follow-up studies suggested a decrease in developmental concerns within the first 3-4 years of settlement, while children's social adjustment improved over time

The authors conclude **young children's social-emotional, cognitive and language development is negatively affected by displacement experiences.** Risk factors for poor outcomes include cumulative exposure to war-experiences, prolonged stay in immigration centers, family separation and parental distress. This highlights the role of contextual variables during and after flight rather than solely the direct effects of pre-displacement and flight events. Protective factors like secure and stable living conditions help to promote children's development. Additionally, early integration with low-threshold access to health and educational facilities can help to mitigate the wide-ranging negative consequences of forced displacement on young children's development.

## **Keeping refugee children in school and out of work: Evidence from the world's largest humanitarian cash transfer program**

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This paper **investigates the effect of unconditional cash transfers on the incidence of child labor and school enrollment among refugee children in Turkey.** Turkey hosts the world's largest refugee population, including 3.6 million Syrians, half of whom are children. Since 2014, Turkey has allowed Syrian children to enroll in public schools. Enrollment rates for Syrian children aged 5-17 increased from 30 percent in 2014 to 64 percent in 2020.

Refugees in Turkey are supported by the world's largest cash transfer program for refugees, the Emergency Social Safety Net (ESSN). ESSN was rolled out in November 2016 and reached 1.8 million refugees by February 2021. For the average Syrian family with 6 members, the monthly payment is around US\$105, excluding quarterly top-ups, corresponding to more than a third of the average monthly consumption of refugee households.

The analysis draws on data from the third and fourth waves of the Comprehensive Vulnerability Monitoring Exercise (CVME) conducted by WFP. The survey includes information on household demographic composition, arrival profile, housing, income sources, consumption expenditures, food security and coping mechanisms, and health and special needs. It also includes information about market work and the schooling of children,



disaggregated by gender. The survey includes ESSN beneficiary households, non-beneficiary applicants, and households that did not apply for ESSN benefits.

The authors use a regression discontinuity design to compare households just below and above the eligibility threshold for the ESSN, that is, households with a ratio of dependents to working-age adults of 1.5 or more are eligible for the program. Being just above the 1.5 cutoff for eligibility increases the likelihood of receiving transfers by 38 percentage points.

Main findings:

- **The ESSN program leads to reductions in child labor and increases in school enrolment among both male and female refugee children.** Being a beneficiary household reduces the share of children working from 14 percent to 1.6 percent (a decrease of 88 percent) and the share of children aged 6 to 17 not in school from 36.2 percent to 13.7 percent (a reduction of 62 percent). The effect on school enrolment is strongest for children aged 12 to 14.
- **The beneficial effects of the ESSN program on children's outcomes are most pronounced among the most vulnerable households.** The impact on child labor and education is larger in magnitude for households with lower income and education level of the household head. In particular, the effect on child labor is much more pronounced among households in the lowest consumption quintile, and the effect on schooling is much stronger for households in the lowest two consumption quintiles.
- **ESSN cash transfers are an important source of income for beneficiary households, substantially lowering extreme poverty among refugees.** ESSN cash transfers become a significant part of a household's income, substantially alleviate extreme poverty, and reduce a family's need to resort to harmful coping strategies. There is also suggestive evidence of an increase in consumption and food consumption score.
- **The program addresses both the opportunity cost and direct cost of schooling, although the former channel is more important.** Beneficiary households are more likely to send their children to school because the transfers address the opportunity costs of schooling. There is also suggestive evidence that cash transfers increase schooling by addressing the direct costs of schooling.

The authors conclude that **the ESSN program has had substantial beneficial effects both on child labor and school enrollment.** Additionally, the effects on child labor and schooling are larger among lower-income households, implying that **the children who benefit most from the ESSN program are those in poorer families.** The results suggest that the program raises the likelihood of parents sending children to school primarily because it addresses the opportunity costs of schooling.

# Refugee influx and school enrollment among native youths in Jordan

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*Journal of Population Economics*, Volume 37, Issues 1 (2024), Page 33, Article 33

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This paper **estimates the impact of Syrian refugees on school enrollment rates in Jordan**. More than a million Syrian refugees fled to Jordan, causing the share of non-Jordanians in public schools to increase from 4 percent in 2012 to 13 percent in 2017. In response to this influx, Jordan has invested in educational infrastructure and teachers, increasing the number of classes within schools, and many schools began to operate on a two-shift system.

The author employs an instrumented difference-in-differences identification strategy to estimate the effect of the refugee influx on school enrollment among Jordanian students aged 16 to 21 who have already passed the compulsory schooling age, comparing governorates before and after the influx and using a distance-based instrument to address the possibility of refugees' selection in place of residence. Data for the analysis is drawn from the Jordanian Employment and Unemployment Surveys (EUS) for the years 2006–2016, which includes data on educational and labor market outcomes. The author uses a sample consisting of all Jordanians between the ages of 16 and 21. The author also draws on data on registered refugees from UNHCR and annual Jordanian population estimates reported by the Department of Statistics in Jordan.

Main findings:

- **The refugee influx led to a small decline in school enrolment among Jordanian youths, primarily among males and youths with less educated parents.** A 1 percentage-point increase in the share of refugees results in a 0.88 percentage-point (1.40 percent) decrease in the likelihood that young Jordanians enroll in school. The effect is concentrated among males and among youths with less educated parents.
- **The effect would have been larger in the absence of post-influx investments in educational infrastructure in the most impacted areas.** There is an increase in educational infrastructure in areas with more refugees. Estimates holding these investments constant suggest that the increase in refugees would have resulted in even larger decreases in school enrolment rates of natives had it not been for these investments.
- **The decline in school enrolment among the young native population was accompanied by an increase in their employment, suggesting that labor market forces played a role in youths' decision whether to stay in school.** The results show a 0.65 percentage-point (5.03 percent) increase in native youths' employment, primarily driven by employment in the public-services-and-defense sector.

The author concludes that **the Syrian refugee influx caused a small decline in school enrollments for Jordanian youths, and that the decline in enrollments would have been larger in the absence of investments in educational infrastructure as part of the refugee response**. The main mechanism for the decline in enrollments was increased employment opportunities for youths due to the boost in demand for goods and services arising from the influx of Syrian refugees. These employment opportunities provide an alternative to school enrollment.

## Refugee settlement induces accelerated land use/cover change in Northern Uganda

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*Annals of GIS*, Volume 30, Issue 1 (2024), Pages 137-149

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This paper **examines the impact of refugee settlements on land use and land cover changes in and around Bidi-Bidi refugee settlement in Uganda**. Uganda is currently the largest refugee-hosting country in Africa, with 1.45 million refugees and asylum seekers as of January 2021. Bidi-Bidi refugee settlement, located in the West Nile sub-region of Northern Uganda, was established in 2016 and is home to nearly 234,000 refugees. The host district of Yumbe has a population of almost 700,000 people.

Refugees impact land use/cover in several ways. They rely on biomass resources such as wood for fuel and construction materials, and clear woodlands for farming. In Bidi-Bidi refugee settlement, most of the refugees (97 percent) use firewood for cooking and wood poles for construction. Refugees travel a distance of up to 15 km from the demarcated settlement boundary in search of firewood and timber. The most visible form of environmental degradation is the loss of forest cover and vegetation within and around refugee-hosting areas. Moreover, Uganda's refugee policies promote refugee self-reliance by providing them with small plots of land for cultivation. As a result, a significant percentage (78 percent) of refugee households engage in subsistence agriculture, leading to an increase in land under cultivation. Refugees also enter into land leasing agreements with host communities, which further intensifies land use for farming.

The analysis is based on high-resolution Sentinel-2 images obtained from the European Space Agency (ESA). The study area was defined using a buffer of 15 km from the boundary of the Bidi-Bidi refugee settlement. Images were classified into eight land use/cover classes, including built-up areas, grasslands, open water, refugee settlements, subsistence farmlands, tree plantations, wetlands, and woodlands.

Main results:

- **The establishment of refugee settlements in Northern Uganda has led to significant changes in land use/cover types**. The settlements triggered an increase in built-up areas (0.6 percent), refugee settlements (4.1 percent), and subsistence

farmlands (7.0 percent) at the expense of woodlands (−0.3 percent), wetlands (−2.9 percent), and grasslands (−8.3 percent).

- **These changes are projected to continue in the future.** The projection results showed that in both 2030 and 2040, subsistence farmlands are expected to be the most dominant land use type in Bidi-Bidi refugee settlement, and woodlands are expected to be the least dominant. The spatial representation of the land use/cover projection for 2030 and 2040 showed an increased concentration of refugee settlements and an increase in built-up areas in neighbouring communities.
- **The most critical spatial drivers of these changes are population growth and increased temperatures,** followed by precipitation variation, distance to water sources, distance to roads, distance to police posts, and distance to trading centres.

The authors conclude that **the settlement of refugees in Bidi-Bidi has caused significant land use and land cover changes in the area.** The most significant changes were observed in grasslands, woodlands and tree plantations, with grasslands transitioning to farmlands and refugee settlements. These changes are projected to intensify in the next 20 years. Population growth and increased temperatures have been the primary drivers of these changes.

To mitigate the accelerated land use and land cover changes, the authors suggest incorporating buffer zones and green spaces in the spatial planning of refugee settlements. They also recommend training refugees and host communities in sustainable construction practices, promoting alternative sources of energy and livelihoods, and encouraging the planting of fast-growing trees.

## Economic Integration between Refugee Settlements and Host Communities

Lauren Oliver, Marco d'Errico, and Paul Winters

*The Journal of Development Studies*, Volume 60, Issue 3 (2024), Pages 360-379

<https://doi.org/10.1080/00220388.2023.2282363>

This paper **examines the economic and social integration between hosts and refugees in Uganda** and the effects on economic and welfare outcomes.

The authors employ a mixed-methods approach drawing on both qualitative and quantitative data. Qualitative data was collected between May and June 2022 in Bidibidi, Nakivale, Kyaka II, and Kyangwali refugee settlements. Qualitative data was collected from refugees and hosts, traditional and elected local leaders from the host and refugee communities, and refugee service providers in and around the settlements through semi-structured focus group discussions, and key informant interviews. Quantitative data was collected as part of the ongoing Resilience Index and Measurement Analysis (RIMA) study, undertaken in four waves in 2017/2018, 2019, 2020, and 2021.

Household wellbeing was evaluated by assessing households' income from crop sales, casual labor, and entrepreneurial activities, as well as households' estimated spending on food, their food consumption score (FCS), and resilience composite index (RCI). FCS is calculated using the frequency of consumption of nine different food groups consumed by a household during the 7 days before the survey. RCI captures access to basic services, productive and non-productive assets, social safety nets, and adaptive capacity.

Main findings from the qualitative research:

- **Inter-community trade between hosts and refugees is motivated by comparative advantage.** For hosts, refugees provide goods at lower prices than in nearby towns, either because they sell aid, or they have the cash and connections to buy in bulk from wholesalers for resale. Additionally, hosts can save the cost of transport to town markets by buying goods in the settlements. Hosts also benefit from leasing land to refugees and cheaper casual labor provided by refugees. For refugees, hosts offer better quality goods and services than those available in the settlements, and the opportunity to lease land for cultivation, often through informal land-sharing arrangements based on trust.
- **Social integration is closely related to economic integration.** Most hosts have positive relationships with refugees, and attitudes don't change with distance from the settlements. Positive relations promote strong intercommunity trust and friendship, which in turn facilitates further economic interaction amongst hosts and refugees. The relationships between hosts and refugees exist outside of economic interactions as well.
- **Geographic proximity facilitate integration between hosts and refugees.** Proximity encourages frequent, low-cost exchanges between refugees and hosts, that have a positive effect on social and economic interactions. Uganda's progressive refugee policies, which grant freedom of movement to refugees, enables this interaction to occur.

Main results from empirical research:

- **Proximity to refugee settlements has a negative effect on economic outcomes for hosts.** Proximity to refugee settlements results in lower participation in crop production, lower crop value, and lower wage earnings, possibly because refugees create a more competitive market and drive down prices and wages.
- **Proximity to refugee settlements is related to an increase in food expenditures,** suggesting a benefit to being close to refugees. This result would be consistent with refugees reducing food prices.
- **Distance from refugee settlements is positively associated with FCS and RCI.** Distance is linked to a higher FCS across most years, which could be due to greater focus on crop production in more distant areas. Results for RCI also point to a positive relationship between distance and resilience.

The authors conclude that there is significant integration between refugees and hosts that is widely perceived as positive. **Geographic proximity between refugees and hosts facilitates positive social and economic integration. However, economic interactions also create competition and potentially lower prices and wages, which affect**

**economic outcomes as well as welfare.** Results point to lower participation and earning from crop production and lower earnings from wages for hosts that are closer to refugees. However, proximity to refugees is also linked to higher food expenditures, a lower FCS and a lower RCI (indicating lower resilience), and the net welfare effect is ambiguous.

## Impact of Venezuelan Migration on the Informal Workforce of Native Workers in Colombia

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Economies, Volume 12, Issues 2 (2024)

<https://doi.org/10.3390/economies12020038>

This paper **investigates the impact of Venezuelan migration on the informal labor market in border departments of Colombia.** Between 2013 and 2019 over 2.3 million Venezuelans fled their country, with more than a quarter seeking refuge in Colombia. The migration flow initially concentrated in the capital cities of border departments and later expanded to urban centers with better employment opportunities. The Venezuelan migrant population was primarily composed of working-age groups and, on average, Venezuelan migrants had education levels similar to the Colombian population.

The authors employ a difference-in-difference empirical method to compare "treatment" departments with "control" departments before (2013-2015) and after (2016-2018) the arrival of Venezuelan migrants. The treatment group consists of border departments that experienced the first phase of Venezuelan migration, while the control group comprises departments that do not border Venezuela and so did not initially receive migrants, but have similar economic development and informality characteristics.

The impact of migration is estimated using three different definitions of the informal workforce: (1) the number of employed individuals in companies with fewer than five employees, (2) the number of employed individuals not contributing to the social security system, and (3) the percentage participation of the informal workforce in the total employed population, measured as the logarithmic gap between the informal workforce and total employment. The analysis is conducted at the departmental, metropolitan, and individual levels.

The data for the analysis is drawn from the Colombia Integrated Household Survey (IHS), which collects information on employment conditions and general characteristics of household members.

Main findings:

- **Venezuelan migration led to an increase in informal jobs for native workers.** There was an increase in the informal workforce, specifically in the number of individuals in informal conditions defined in terms of company size and social security contributions.
- **There wasn't any conclusive evidence of an increase in the relative participation of the informal workforce in total employment.** The findings suggest that there is an increase in employed individuals, which counteracts the increase in the informal workforce.

The authors conclude that **the influx of migrant workers from Venezuela has led to an increase in informal jobs for Colombian workers.** The authors theorize that Venezuelan migrants have reduced labor costs and increased productivity in the informal labor market, providing better conditions to increase informal jobs for native workers. Additionally, the return of Colombian nationals who lived in Venezuela has contributed to an increase in total employment, so that the proportion of informal workers to total employment has remained unchanged.

## Refugee Entrepreneurship: The Case of Venezuelans in Colombia

Dany Bahar, Bo Cowgill, and Jorge Guzman

*AEA Papers and Proceedings*, Volume 113 (2023), Pages 352–356

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This paper **explores the formation, capitalization and longevity of firms established by Venezuelan refugees and migrants in Colombia.** Colombia is home to approximately two million Venezuelan refugees and migrants, accounting for 3.6 percent of the country's population. Most arrived in Colombia after 2015, seeking refuge from the political, economic, and humanitarian crises in Venezuela.

The analysis is based on data from the Colombian business registry (*Registro Unico Empresarial y Social, RUES*). The dataset including information on approximately two million firms that were established between 2015 and 2021, and their annual self-reported assets and employment figures. The dataset also includes details of the type of identification provided by the owners of sole proprietorship firms and the legal representatives of firms registered as *sociedad* (limited liability company). A passport or alien resident identification document indicates that the owners are foreigners, with many likely to be Venezuelans. The authors analyze two aspects of these firms: their level of assets per employee and their survival rates.

Main findings:

- **The number of foreign-owned firms in Colombia grew significantly after 2015.** The share of firms owned by foreigners more than doubled from about 0.5 percent in 2015 to about 1.25 percent in 2021, reflecting the significant influx of Venezuelans into the country during this period.

- **Foreign-owned firms, primarily owned by Venezuelan immigrants and refugees, are better capitalized compared to firms owned by locals.** Firms owned by foreigners tend to be 10 to 20 percent more capitalized when founded compared to firms owned by Colombian citizens within the same industry, geographic location, and year of registration. The ability of immigrants to achieve higher capital utilization (reported assets per employee) may reflect entrepreneurial talent due to selection into migration or other unobserved factors related to the nature of the firms.
- **There isn't any significant difference in the likelihood of survival between foreign-owned and Colombian-owned firms within the same industry and geographic location.** Despite being more capital-intensive, firms owned by foreigners have similar survival rates to firms owned by locals. There isn't any significant difference in the likelihood of survival for the first two and three years of operation.

The authors suggest several reasons why foreign-owned firms with higher capitalization do not survive longer than locally owned firms with lower capitalization. Higher levels of debt, including personal debt and savings, can increase the likelihood of exit. More ambitious firms, which are known to grow faster, may also fail faster due to taking on riskier projects. In the case of foreign-owned firms, their inherent riskiness may stem from their unfamiliarity with the local market, requiring them to be more productive to achieve the same level of survival as local firms.