EXPANDING DEVELOPMENT APPROACHES TO REFUGEES AND THEIR HOSTS IN ETHIOPIA

CHRISTINA WIESER, WONDIMAGEGN MESFIN, FIKIRTE, GIRMACHEW, JEREMEY AARON LEBOW, AND MANEX BULE YONIS

Abbreviations

ARRA	Administration for Refugee and Returnee Affairs
CBHI	Community Based Health Insurance
CPI	Consumer Price Index
CRRF	Comprehensive Refugee Response Framework
CSB	Corn Soy Blend
DICAC	Development and Inter-Church Aid Commission
EA	Enumeration Area
EMIS	Education Management Information System
EOP	Economic Opportunities Program
ESDP	Education Sector Development Programme
ESS	Ethiopian Statistical Service
EUAA	European Union Agency for Asylum
FDRE	Federal Democratic Republic of Ethiopia
GCR	Global Compact on Refugees
GDP	Gross Domestic Product
GER	Gross Enrollment Rate
GIZ	German Agency for International Cooperation
GoE	Government of Ethiopia
GRF	Global Refugee Forum
HoWStat	Household Welfare Statistics Survey
IOM	International Organization for Migration
IPCC	Intergovernmental Panel on Climate Change
ISCO	International Standard Classification of Occupations
JDC	Joint Data Center
LFPR	Labor Force Participation Rate
LFS	Labor Force Survey
LoC	Locus of Control
LSMS	Living Standards Measurement Study
MoE	Ministry of Education

MoLS	Ministry of Labor and Skills
MoLSA	Ministry of Labor and Social Affairs
MoR	Ministry of Revenue
MoTRI	Ministry of Trade and Regional Integration
MoU	Memorandum of Understanding
MPI	Multidimensional Poverty Index
NEET	Not in Employment, Education or Training
NER	Net Enrollment Rate
NGO	Non-governmental Organization
OAU	Organization of African Unity
OCP	Out-of-Camp Policy
PPP	Purchasing Power Parity
RRS	Refugees and Returnees Service
SESRE	Socio-economic Study of Refugees in Ethiopia
TVET	Technical and Vocational Education and Training
UNHCR	The United Nations Refugee Agency
UNICEF	The United Nations International Children's Emergency Fund
UPSNJP	Urban Safety Net and Jobs Project
WFP	World Food Programme
WHO	World Health Organization

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Executive Summary

Introduction

Ethiopia, with its long history of hosting refugees, is grappling with the complex challenges of accommodating close to 1 million refugees and asylum seekers. These come primarily from neighboring countries like South Sudan, Somalia, Eritrea, and Sudan housed in camps in mostly rural areas spread around the country near border areas.

While Ethiopia has adopted progressive refugee policies, including the Comprehensive Refugee Response Framework (CRRF), challenges persist in translating these policies into tangible socioeconomic outcomes for refugees. Despite Ethiopia's efforts to shift from a camp-based approach to a more inclusive model promoting self-reliance and integration, refugees live largely in camps, are reliant on humanitarian aid, and face barriers to accessing employment and education. The country's new Refugee Proclamation grants refugees the right to basic services, work, and freedom of movement, but implementation delays hinder their realization.

To address these challenges and achieve better development outcomes for both refugees and host communities, a shift towards supporting refugees' self-reliance and economic integration is essential. This involves enabling refugees to move toward economic opportunities, facilitating their access to the labor market through self-employment, wage-employment, and special projects, and integrating refugee children into the education system. Though refugees in Ethiopia still face significant barriers to accessing employment and education, hampering their long-term integration and exacerbating their vulnerability, initiatives are on the way to improve socioeconomic outcomes.

The Socio-Economic Survey of Refugees in Ethiopia (SESRE) plays a crucial role in informing policy decisions by providing comprehensive data on the socioeconomic dimensions of refugees and host communities. By highlighting socioeconomic interactions and outcomes, SESRE aims to guide development interventions and facilitate refugee integration. The survey covers various aspects, including demographic profiles, livelihoods, welfare patterns, and social cohesion, offering valuable insights for policymakers and humanitarian actors.

SESRE is a separate but integrated survey alongside the Ethiopian Household Welfare Statistics Survey (HoWStat),[1] the national household survey to measure poverty and other socio-economic outcomes. Like most national poverty surveys, HoWStat excludes displaced populations—Internally Displaced People (IDPs) or refugees—including in Ethiopia. To have up-to-date information on the socio-economic outcomes and poverty levels of refugees and to allow comparison to Ethiopian host communities, the SESRE applied the same questionnaire and data collection methods as the HoWStat, with some modifications. The World Bank, Ethiopia's RRS, Ethiopia's Statistical Service, and UNHCR collaborated to implement SESRE and was the first of its kind.

This report uses data from the SESRE extensively to analyze the Ethiopian refugee situation and to devise policy directions. The SESRE covers three types of groups: (i) refugees in camps; (ii) refugees out-of-camps in Addis Ababa; and (iii) host communities; all of which require a distinct sampling procedure**.** The sampling frame for refugee camps is based on UNHCR's proGRES database. SESRE is a representative

[1] Formerly the Household Consumption and Expenditure Survey and Welfare Monitoring Survey.

survey of the refugee population of Eritrean, South Sudanese, and Somali origin living in camps in Ethiopia, refugees living in Addis Ababa, and their respective host communities. Host communities are defined as Ethiopian non-displaced households living enumeration areas adjacent to the refugee camps. SESRE data was collected from November 2022 to January 2023, from a nationally representative sample of 3,452. The following represents a summary of findings stemming from the SESRE data and associated statistical regression work using this data.

Sociodemographic

Ethiopia is a second home for close to one million refugees who predominantly originate from South Sudan, Somalia, and Eritrea. Around 88 percent of refugees live in camps, and the rest reside in urban areas under the Out-of-Camp Policy (OCP) regime. Refugees fled from their country mainly due to conflict and violence. After they arrive in Ethiopia, refugees stay, on average, 15 years.

Refugees and hosts share similar demographic characteristics regarding age and gender. However, in-camp refugees have a higher share of children and youth, with a significantly higher number of second-generation born in Ethiopia compared to OCP refugees, the majority being within a working age group.

The refugee policy granted refugees the right to access basic services, including primary education and healthcare services in camps and secondary education and health services under the national system.

Education: Educational attainment is low among refugees and hosts, but the majority of refugees have no education or attend below primary education. This is worse for in-camp refugees. OCP refugees (Eritreans in Addis Ababa) have better education before they arrive in Ethiopia. School attendance and primary school enrollment rates are similar between refugees and hosts, but secondary school enrollment rates are much lower among refugees. Inadequate school infrastructure, the need to support family income, and families unwilling to send children to school are some main reasons for the low secondary school enrollment. Refugee children are also much more likely to not attend education at the appropriate age. Providing sufficient, appropriate, and sustainable support from all responsible actors can overcome some of these challenges.

Health: The prevalence of illness and getting medical assistance are similar between refugees and hosts, with child nutritional problems of stunting, underweight, and wasting challenging for both refugee and host children.

Basic infrastructure: Refugees and hosts have similar access to WASH facilities and access to electricity. However, housing conditions are worse for in-camp refugees, who mainly live in shelters, whereas OCP refugees live in rented housing of better quality.

Jobs and Livelihoods

In-camp refugees mainly rely on humanitarian aid as they have low employment rates and few opportunities to generate income. Labor market outcomes show high inactivity and unemployment rates for in-camp refugees. If refugees earn income, they are less likely than hosts to earn from agriculture, livestock, and non-farm business. Given low education, employed refugees tend to work in low-skill jobs, though there is a disparity in the occupation types among refugees by country of origin: Eritrean refugees work in crafts and related trades, while South Sudanese refugees are engaged in elementary occupations, and Somali refugees work in a mix of services, sales, and skilled agriculture. Besides low employment,

refugees' ownership of assets such as agricultural land, livestock, and productive assets is lower than that of hosts.

Working outside of camps helps improves refugees' livelihoods. A significant proportion of in-camp refugees work outside camps despite not having work permits, earning more than those working inside camps. For employed in-camp refugees, hourly and monthly earnings are lower than for hosts. However, having lower wages is not associated with education level or experience**.** Having higher educational attainment and experience increases the likelihood of employment and income levels for hosts, not for refugees. Refugees receive returns from education and experience only when working outside camps. Likewise, reliance on assistance for in-camp refugees declines when a household member works outside the camp.

Similar to in-camp refugees, OCP refugees heavily rely on remittances. Selection criteria for OCP refugees allow refugees to get OCP permits based on self-reliance or support from others. Hence, Eritrean refugees in Addis Ababa also had better educational attainment, indicating that they were relatively well-off before displacement and continued having support from their families after displacement. Few OCP refugees work but if they work, they face occupational downgrading regardless of demographic characteristics, and all refugees are less likely to be employed in high-skill jobs than hosts despite completing secondary education.

Female refugees have high employment rates—as high as men's—and their high work participation rate makes a critical contribution to refugee household incomes. On average, in-camp refugee women and men are equally likely to be employed (around 25 percent), while among hosts, men are twice as likely to be employed (62 percent compared to 37 percent for women). Like men, refugee women are more likely than host counterparts to be self-employed and less likely to be in high-skill occupations.

Refugee Aspirations

Despite low resettlement rates, most refugees unrealistically aspire to go to a Western country in the next three years (Figure ES.1). Even when asked where they would realistically be in the next three years, one-third of refugees believe that they will live in a Western country (Figure ES.2). The intention to migrate abroad is higher for youth. Refugees also perceive they have less control over their lives than hosts, a result driven by South Sudanese refugees. These intentions to migrate combined with low "locus of control" (LOC) may limit refugees' investment in improving their livelihoods or to integrate.

Figure ES.1: Desired location in three years

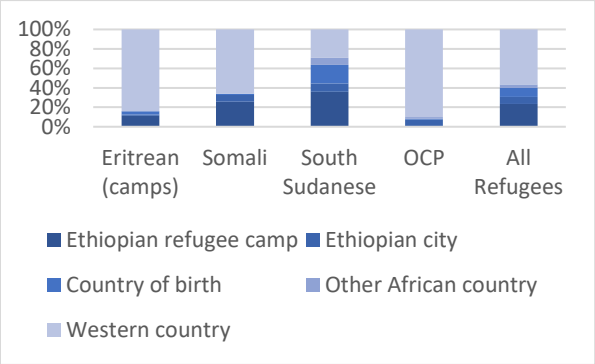
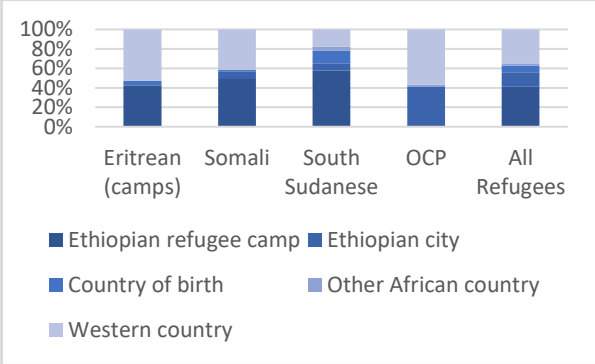


Figure ES.2: Expected location in three years

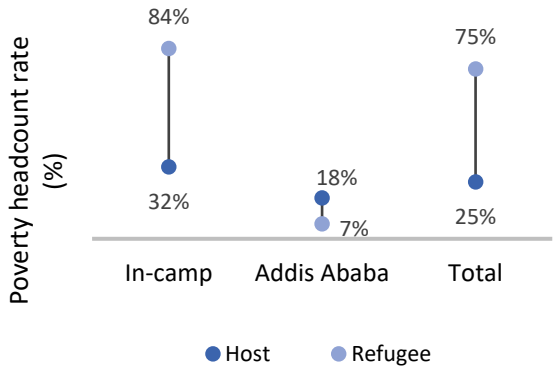


Source: World Bank Staff based on SESRE 2023.

Welfare and Equity

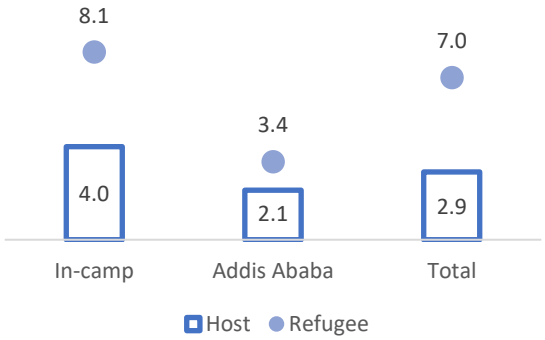
In-camp refugees are poorer than their hosts. While monetary poverty appears to be high in refugee-concentrated areas, it is more prevalent among in-camp refugees than their hosts or OCP refugees (Figure ES.3). Welfare varies significantly over the different groups of refugees in Ethiopia, with Eritrean refugees having the lowest poverty incidence and South Sudanese refugees the highest. Although poverty incidence is higher for refugees, the high poverty rates among hosts imply that refugee host communities are themselves severely resource-constrained; this calls for the urgent need of place-based developmental investment in the area to benefit both refugees and host communities.

Figure ES.3: Poverty incidence



Source: World Bank staff based on SESRE 2023.

Figure ES.4: Food insecurity scale



Source: World Bank Staff based on SESRE 2023.

Besides losses refugees have endured, welfare and economic disparities between refugees and host communities in Ethiopia are due to limited access refugees have to livelihood opportunities and legal restrictions on their employment. Legal restrictions (i.e., not having work permits) and location often prevent refugees from working, which limits their ability to generate income and improve their economic situation. As a result, many refugees rely on food aid and have limited access to necessities such as housing and electricity.

Multidimensional poverty tends to be high among refugees. Low living standards and low education primarily drive multidimensional poverty. Standard of living indicators, low-quality cooking fuel, inadequate housing and low asset ownership, contribute half to non-monetary poverty. Moreover, deprivation in education and child malnutrition also contribute most to multidimensional poverty among refugees.

Refugee households tend to have worse food security than hosts. In-camp refugees have less diverse diets, suffer food insecurity, and have low consumption status compared to hosts (Figure ES.4). Broadly, there is a need to enhance the economic self-sufficiency and food security of in-camp refugees and host communities by improving their livelihood opportunities.

For in-camp refugees, consumption (expenditures) tends to increase with certain characteristics. These include higher education, access to mobile phones, owing a non-farm business, possessing a bank account, and being closer to a market town or and *Woreda* capitals. Education (of the household head) and

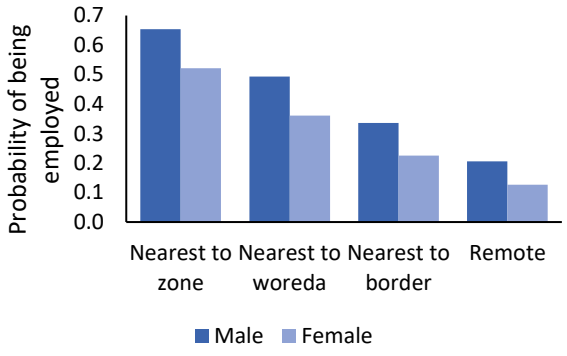
employment strongly correlate with higher household expenditures, providing evidence again that improved access to education and labor markets would reduce poverty among refugees.

Policies that limit formal employment and mobility of in-camp refugees contribute to their economic exclusion. We analyzed economic aid needed for each refugee under three scenarios: (i) no economic opportunities, (ii) current level of integration, and (iii) full integration. Under the hypothetical scenario of "no economic opportunities"—where refugees are not allowed to work but solely depend on aid or assistance—the annual cost of basic needs per refugee would be approximately US$378. The "current" level of economic integration scenario, where refugees can find opportunities to earn money or work—assuming that assistance is the gap between the consumption of refugees to the poverty line— reduces the cost by 44 percent to an annual US$221 per person. Further, the cost of basic needs could decrease to an estimated US$78 per year if the country adopts a "full inclusion" scenario where in-camp refugees have equal opportunities as hosts. The results show that refugee integration has considerable potential to save money, creating an "economic-inclusion dividend" that could be allocated to other interventions.

Markets and Opportunities

Ethiopia's 24 refugee camps[2] are spatially dispersed, and location matters significantly in terms of refugee's ability to work. About 88 percent of refugees in Ethiopia remain in camps (based on SESRE data). The different camp areas have different geographic, social, and economic contexts, and are in different ecological zones, with different ethnic and language linkages between the refugees and local host communities. Refugees overall have lower employment rates and incomes and are more likely to engage in the informal sector than their hosts, but spatial disparity in labor market access and outcomes among refugees exists. The local labor market structure, proximity to resource hubs (Zone capitals, *Woreda* cities), and market connectivity significantly explain the differences in refugee labor market outcomes, highlighting the importance of refugees' locations in terms of providing opportunities for self-reliance (Figure ES.5).

Figure ES.5: Refugee employment and proximity to resource hubs



Source: World Bank Staff based on SESRE 2023.
Note: Predicted marginal probabilities of being employed based on proximity to resource, tabulated by gender.

[2] Although there are approximately 30 refugee camps in Ethiopia, this report refers to the 24 camps included in SESRE.

The local labor market structure affects the possibility of refugees finding jobs. Naturally, the better the local labor market, the easier for refugees to find employment. High local unemployment reduces refugees' job prospects, regardless of the gender of the refugee. The structure of sectoral employment in the local market also affects the odds of refugee employment; the higher the share of employment in the trade and services, the better the likelihood of employment for refugees. Refugees are more likely to work where most land is used for non-agriculture (built-up and shops). Overall, results indicate the importance of agglomeration effects, as refugees perform better in labor markets with urban characteristics.

Proximity to resource hubs and connectivity help refugees to work, regardless of gender. Refugees in well-connected areas have better prospects of being employed. The gender gap persists at any level of market access but is more pronounced with decreased accessibility. Refugees are also more likely to work in agriculture in areas with poor market access, while more connectivity encourages service sector work.

Social Cohesion

Hosts display a generally positive attitude towards refugees (Figure ES.6 and Figure ES.7). Cultural and linguistic proximity and perception of improvement of local infrastructure are related to hosts' positive attitude and trust towards refugees. Positive attitudes are stronger among Somali refugees and hosts and weaker between South Sudanese refugees and hosts. Even though both Somali and South Sudanese refugees are culturally similar to their hosts, the socio-political tension in the Gambella region weakens host attitudes toward South Sudanese refugees of Nuer ethnicity.

Hosts tend to support refugees' right to work and move to locations with better economic opportunities. Hosts support increasing refugees' economic opportunities in Ethiopia, but some perceive that refugees increase insecurity and are taking their land. Hosts' perceptions of adverse effects from refugees are low, but they indicate the impact on economic competition, price increases, deforestation, and security issues.

Trust between refugees and hosts is similar, with refugees being more trusting. Refugees are more likely to trust a host if they are culturally similar. Cultural proximity and positive perceptions of economic benefits improve the co-existence of refugees and hosts. Still, additional effort is required to improve the social integration of refugees for enhanced economic integration.

Figure ES.6: Host response to "Refugees are good people"

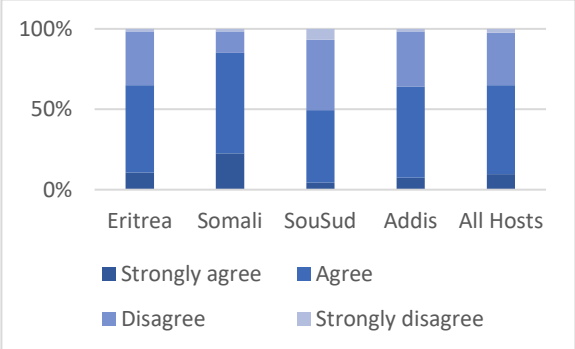
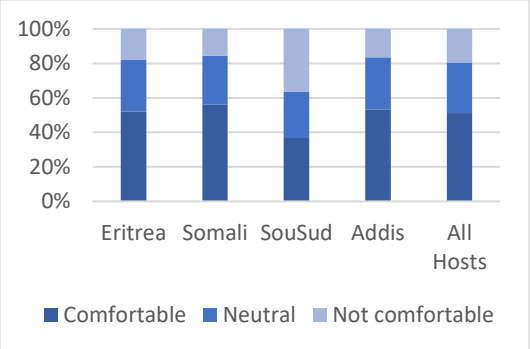


Figure ES.7: Host response to "Would you feel comfortable having a refugee as a neighbor?"



Source: World Bank Staff based on SESRE 2023.

Policy Recommendations

Addressing challenges refugees face in Ethiopia requires a concerted effort to promote their self-reliance, economic integration, and access to education and health. By leveraging data from initiatives like SESRE and adopting a comprehensive approach that considers the needs of both refugees and host communities, Ethiopia can maximize the benefits from hosting refugees while minimizing associated costs. The Government of Ethiopia has committed to a significant shift in its refugee management policies and most recently in its pledges and commitments made at the 2023 Global Refugee Forum to improve the socio and economic opportunities for refugees through an agenda to transform camps to human settlements as well as for inclusion into national services for education, including secondary education as well as health (UNHCR, 2024). The recommendations below advance these commitments backed by the findings in this survey.

Key policy recommendations stemming from this analysis are:

Promote refugee self-reliance:

- Enable mobility for refugees to access areas with higher economic opportunities.
- Facilitate labor market access for refugees by easing restrictions and providing work permits.
- Integrate refugee children into national education system to improve their long-term prospects.
- Strengthen inclusive healthcare systems to address the health needs of refugees.

Focus on place-based interventions:

- Invest in refugee hosting areas to benefit both refugees and host communities.
- Direct additional educational resources to districts hosting refugees to support integration.
- Expand access to social safety nets for vulnerable refugees and hosts.

Continue implementation of progressive policies:

- Implement concrete actions to fulfill Government pledges and proclamations to move away from encampment toward mobility based on economic opportunities.
- Harmonize national and sub-national laws to support the full implementation of refugee protection.
- Coordinate efforts among stakeholders to track progress and share best practices.
- Redesign the out-of-camp policy (OCP) to encourage mobility to realize greater socioeconomic opportunities for refugees while accelerating and automating issuance of work authorizations to enable sustainable improvements in refugees' lives.
- Address challenges in accessing business licenses for refugee self-employment, including access to finance.

Improve cooperation and coordination

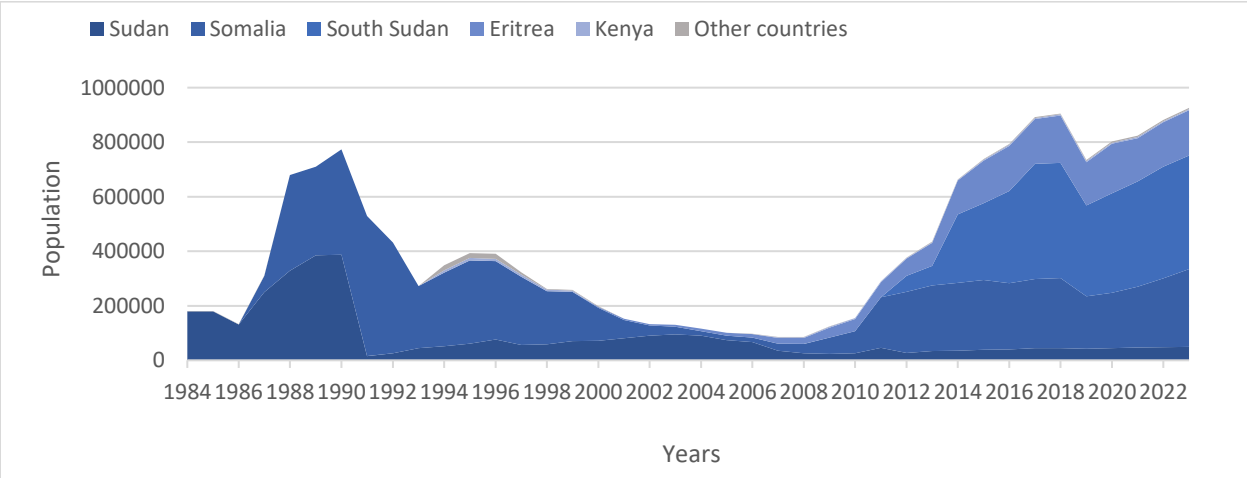
- Invest in and accelerate inclusive approaches to economic opportunities and self-reliance to support the GoE in implementing the Refugee Proclamation of 2019.
- Define better coordination and engage line ministries to achieve better outcomes for refugees and their hosts.
- Improve the coverage, accuracy, reliability, quality, and comparability of data to provide the analytical underpinning for policy decisions.

1 Introduction

Conflict, political unrest, environmental disruption, and economic instability has forcibly displaced millions of people globally (Ferris, 2010; Black, 2001). Over the last decade, the number of forcibly displaced persons has continuously increased. In mid-2023, there were 36.4 million refugees worldwide (UNHCR, 2023d). As development reduces global poverty, extreme poverty is increasingly concentrated among vulnerable groups; refugees are among these vulnerable groups (World Bank, 2017). Therefore, the plight of the forcibly displaced poses significant challenges to broad development efforts to eradicate extreme poverty and achieve the Sustainable Development Goals (SDGs).

Ethiopia has a long history of hosting refugees and has one of the largest refugee populations in Africa. The refugee situation in Ethiopia is characterized by both complex humanitarian emergencies and protracted refugee status. Forced displacement is a pressing issue in the country, a result of conflict, drought, flood, economic instability, and political instability in neighboring countries (Martin, 2010; UNHCR, 2020d; IPCC, 2019). As of year-end 2023, more than 922,000 refugees and asylum seekers were seeking refuge in Ethiopia, with the majority originating from South Sudan (420,000), Somalia (280,000), Eritrea (170,000), and Sudan (49,000). Ethiopia is a signatory to the 1951 UN Convention on the Status of Refugees and its 1967 Protocol, with an obligation to protect refugees and asylum seekers. Most refugees (92 percent) are living in approximately 30 camps and sites located in Afar, Amhara, Benishangul-Gumuz, Gambella, Somali, and Tigray regions, with an increasing number of refugees living in the capital city of Addis Ababa (70,000) (UNHCR, 2023e). The camps are in different locations with ethnic and language linkages between the refugees and the host community. They are spatially dispersed, have different geographic, social, and economic contexts, and are in different ecological zones. For example, about 38 percent of refugees live in drought-prone lowland and pastoralist areas, whereas 60 percent of refugees are in humid reliable lowland areas.

Figure 1.1: Refugees and asylum seekers in Ethiopia by country of origin, 1984-2023



Source: UNHCR Refugee Data Finder 2024.

Ethiopia made significant progress articulating a more progressive and comprehensive refugee response.[3] The Government of Ethiopia (GoE) made a groundbreaking shift in its refugee policies over the last few years, especially since 2016, shifting its refugee policies from an encampment approach toward greater socio-economic inclusion. The GoE has adopted several national laws and policies to protect refugees and ensure respect for their rights. The Refugee Proclamation—the primary legal framework that governs refugee protection and management in Ethiopia—was enacted in 2004[4]. In 2017, Ethiopia became the first country to fully adopt the Comprehensive Refugee Response Framework (CRRF), a global framework for a comprehensive response to refugee situations. After endorsing the Global Compact on Refugees (GCR) in 2018, Ethiopia continued its commitment by adopting a new, progressive Refugee Proclamation in January 2019.[5]

Despite these groundbreaking legal and policy actions, many refugees in Ethiopia remain poor and depend heavily on humanitarian aid. This report highlights that Ethiopia's progressive policy framework has not yet translated into tangible socioeconomic outcomes for refugees. Refugees are mainly living in camps, and few refugees benefit from the progressive policy framework. Delays in implementing policies makes it difficult for refugees to encourage mobility to access better economic opportunities or to access land or finance, or get a work permit to work in the labor market outside of refugee camps.

The GoE has a clear long-term vision to address the refugee situation in Ethiopia through gradual transformation of the existing refugee response model into a more comprehensive approach. Until recently, Ethiopia's refugee response model has focused on protecting and assisting them in camps, where services are delivered through parallel systems typically financed externally. In many refugee-hosting areas in Ethiopia, except for a few areas such as Addis Ababa, refugees and host communities share cross-border cultural and economic connections, common ties of kinship, language, and ethnicity, and relatively fluid attachments to national identity (see Annex A for more details). The refugee camps and sites in the country span a broad range of protractedness[6] and some camps are in locations with few economic opportunities, making refugees dependent on humanitarian assistance for years and often decades. As one of the champions of the CRRF, GoE aims to enhance the self-reliance and resilience of refugees and host

[3] Annex B summarizes the evolution of refugee policies in Ethiopia.

[4] In 2004, the country enacted its first national refugee proclamation that granted restricted rights to refugees. The Refugee Proclamation #409/2004 was not comprehensive enough to improve protection and assistance, promote sustainable solutions for refugees, and support host communities per international standards. The previous refugee law did not reflect the recent policy commitments of the Government and did not confer legal standing to their implementation. For a long period of time, it has had a limitation, particularly in terms of the various privileges that are newly accorded by the revised refugee law to both asylum seekers and refugees, whether as equal to that of foreigners residing in the country or the same as Ethiopian nationals. These include rights to access services, work, move freely, and locally integrate.

[5] To complement the Proclamation three directives came into effect on 30 December 2019 namely: Directive to Determine the Conditions for Movement and Residence of Refugees Outside of Camps, Directive No.01/2019; Directive to Determine the Procedure for Refugees Right to Work, Directive No. 02/2019; and Refugees and Returnees Grievances and Appeals Handling Directive, Directive 03/2019. These secondary legislations will have huge contribution to the proper interpretation and implementation of the country's refugee law.

[6] The oldest camp has operated for 31 years (Kebribeyah refugee camp in the Somali region), the newest (*Alemwach* in the Amhara Region) was established only in as a response to the war in Tigray.

communities and prepare them for durable solutions by supporting their socio-economic integration and strengthening their contribution to the country's socio-economic development[7].

Across the world, including Ethiopia, refugees tend to be poorer than most host populations. In Uganda, for example, 46 percent of refugees lived in poverty, compared to 17 percent of hosts, in 2018 (World Bank, 2019). In Kalobeyei Settlement in Turkana County in Kenya, more than half of refugees are poor (58 percent), higher than the national poverty rate of 37 percent, lower than the poverty rate in Turkana County but comparable to the average poverty rate of the 15 poorest counties in Kenya (UNHCR and World Bank Group, 2020). About 72 percent of registered Venezuelans in Brazil live in extreme poverty, compared to 48 percent of Brazilians (Shamsuddin et al., 2021). Similarly, this report finds that poverty rates in Ethiopia's refugees in camps are much higher than for host communities.

Yet, refugee inflows can significantly affect host communities. Governments have been preoccupied with whether the arrival of large numbers of people in specific locations creates risks or opportunities for decades. Experience has shown that opportunities typically result if the influx of refugees is managed well and brings benefits to host communities similar to those of voluntary migrants. A recent review of the literature on refugee effects on host communities showed that most studies find a positive or non-significant effect of forced displacement on hosts' employment, wages, and household well-being. This finding is contrary to popular perceptions (Verme and Schuettler, 2021). In some exceptional cases, a refugee influx creates challenges for host communities, typically related to exacerbating existing imbalances, negative outcomes for specific groups who directly compete with refugees in the labor market, and overburdening public infrastructure or services (Hanafi et al., 2021).

Deteriorating economic conditions and soaring inflation rates exacerbate the already challenging conditions for refugees and host communities. The country is grappling with a complex array of emergencies, with increasing needs for solutions for refugees. These challenges were intensified by an economic downturn marked by persistent inflation, which has consistently outpaced the Sub-Saharan African regional average over the past decade. The persistent inflation is driven by various factors, including supply-demand imbalances, unrest, high global commodity prices, and relaxed monetary and fiscal policies. In 2022, the average inflation rate stood at 34 percent. The surge in prices has rendered necessities unaffordable for many, hitting marginalized populations the hardest, including refugees. The economic turmoil is further fueled by ongoing conflict and instability, adding complexity and uncertainty.

Refugees in Ethiopia have been severely affected by ongoing conflict and unrest across Ethiopia. The country has dealt with multiple crises, including rampant inflation, a devastating war, and frequent droughts and floods. SESRE data collection was carried out between November 2022 and January 2023,

[7] The Ethiopian Refugees and Returnees Service (RRS, formerly the Administration for Refugee and Returnee Affairs (ARRA)) is responsible for implementing this long-term strategy and coordinating country-level refugee assistance and protection programs. ARRA was first established in 1992 as the main government department responsible for refugee affairs, housed within the former National Intelligence and Security Services (NISS). The former ARRA was elevated to an agency level in accordance with Proclamation No. 1097/2018, which defines the Powers and Duties of the Executive Organs of the Government and established the Agency for Refugees and Returnees Affairs (ARRA) under the Ministry of Peace in 2018. In 2021, a new government announced through the Definition of Powers and Duties of the Executive Organs Proclamation No. 1263/2021, during which it reestablished ARRA as Refugees and Returnees Service (RRS). The RRS became one of the executive organs accountable to the NISS which is accountable to the Prime Minister's Office and oversees the Immigration and Citizenship Service other than RRS.

marked by drought, inflation, and insecurity, posing significant threats to the livelihoods of refugees and host communities in an already fragile economy. The conflict in Northern Ethiopia continued until 2022 and disrupted the socio-economic conditions in the North Gondar Zone, home to over 20,000 refugees. The November 2022 peace agreement between the federal government and Tigrayan authorities offered a glimmer of hope for ending the war in Northern Ethiopia. Still, tensions in other parts of Ethiopia continued. Additionally, following the outbreak of fighting in the Amhara region in 2023, refugees in the *Alemwach* camp in the Amhara region faced attacks by unidentified armed groups. Moreover, food assistance for refugees has been unstable due to funding shortfalls, resulting in reduced food rations for hundreds of thousands of refugees for several months in 2022 and 2023. Insecurity in the Gambella and Benishangul-Gumuz regions not only undermined refugee and host community livelihoods but also heightened tensions between them. The intensification of conflict in Western Oromia further disrupted humanitarian operations in Eastern Benishangul-Gumuz, blocking the transport of relief and commercial supplies and affecting 76,000 refugees.

The concerning economic outlook in Ethiopia is exacerbated by the prolonged and recurrent drought the country has seen in decades, affecting vast swathes of the southern and eastern regions, including refugee-hosting areas. This prolonged drought has heightened vulnerabilities, leading to widespread food insecurity and increased exposure to diseases, including multiple outbreaks of waterborne diseases. The impact of these drought and flood events on food security is particularly acute among refugee-hosting communities, notably in the Somali and Afar regions. The drought has destroyed agricultural production, leading to severe food shortages for refugees and host communities. In the Somali region, the Fafan and Siti Zones have been hit hard by drought events. Amhara region—the most severely affected North Gondar Zone—has also suffered from below-average rainfall, causing crop failures, livestock deaths, and worsening food insecurity. Similarly, the drought has impacted around 250,000 people across five districts in the Central Gondar Zone, resulting in a significant decrease in water availability with dire consequences for the health and nutrition of the population. Overall, the effects of the drought have been particularly pronounced in regions that host refugees.

Challenges related to hosting refugees can be overcome through national development strategies that keep both host communities and refugees in mind. Host communities have their own development priorities and needs. Supporting them in managing these new circumstances to facilitate their poverty reduction can create a more accepting environment for refugees. In Ethiopia, among the major refugee-hosting regions, four—Afar, Benishangul-Gumuz, Gambella, and Somali—are designated as "emerging regions," and Tigray is considered post-conflict. These regions are the least developed regions in the country, characterized by harsh weather conditions, poor infrastructure, low administrative capacity, high poverty, and poor development outcomes. The arid environment in the Afar and Somali regions, and the small and scattered nomadic populations, make it more challenging to provide services. Focusing on development interventions that benefit both communities can foster improved socioeconomic outcomes and social cohesion.

1.1 How can we achieve better development outcomes for all?

The GoE has recently bolstered development-oriented initiatives to complement humanitarian interventions and improve the lives of refugees and host communities. Yet, most refugee responses in

the country remain humanitarian-focused. Better integration and increased attention to easing the pressure on host communities can further support refugees and their hosts. But how can this be achieved? Development approaches are most successful when they focus on building self-reliance—including offering refugees secure terms of stay, mobility to access better economic opportunities, and access to the labor market—and supporting refugees' pursuit of economic opportunities while simultaneously supporting refugee-hosting communities (Betts et al., 2014; Clements et al., 2016; Krause and Schmidt 2020). This not only can improve refugees' outcomes, it can also reduce the burden on host communities by reaping economic benefits from refugees' presence. The path of self-reliance includes, at a minimum: (i) encouraging mobility within the host country to access better economic opportunities; (ii) enabling and incentivizing labor market participation; and (iii) providing access to education for refugee children.

Many refugees do not enjoy mobility in their host territories, including choice of residence.[8] Globally**,** one-third of refugees are prevented from moving freely (UNHCR, 2022e). About 27 percent of the refugee population is contained in camps, leading to a situation in which they cannot be self-reliant and thereby improve their economic opportunities to reduce their dependence on support from their hosts and the international community (World Bank, 2017). In Ethiopia, 88 percent of refugees live in camps. Denying refugees mobility to settle where they would like comes at a cost, as the choice of location within the host country matters for refugees' labor market outcomes. Therefore, development approaches centering around mobility within the host country enable refugees to move where economic opportunities are highest and allow them to contribute to the local economy more productively.

While refugees in Ethiopia face challenges accessing the labor market, the GoE has taken positive steps to support their economic integration and self-reliance. Restrictions on the right to work affect refugees in many countries. Only 75 out of the 145 signatories to the Refugee Convention grant the right to work (Zetter and Ruaudel, 2016). Even countries that grant access to the formal labor market in the same way as nationals—Burkina Faso, Cameroon, Democratic Republic of the Congo, Djibouti, Mauritania, Niger, and Rwanda—often restrict access in practice by requiring certain identification documents, the country employers are reluctant to hire refugees (World Bank Group, 2021), or restrictions exist, such as wait periods, limited mobility, owning property, or accessing finance. In other countries—Burundi, Chad, Uganda, and Ethiopia—access to the labor market is limited by regulations, such as requiring work permits, caping the percentage of foreign workers, or restricting work to certain sectors of employment (World Bank Group, 2021). In addition to wage employment, self-employment can be an important avenue, but in many countries, access to self-employment is restricted for refugees, including in Ethiopia where refugees require business licenses.

Overall, while the GoE has made progress in creating a legal framework for refugees to obtain work permits, refugees still face significant challenges accessing employment, contributing to their overall vulnerability and lack of self-reliance. As this report shows, few refugees in Ethiopia work, and those who do work mostly inside camps. Research indicates that extended periods of forced unemployment negatively affect refugees' longer-term labor market participation (Hainmueller et al., 2016; Hvidtfeldt et al., 2018; Brell et al., 2020), thereby also hampering the host society through larger expenditure on assistance and forgone taxes (Marbach et al., 2018; Fasani et al., 2022). Enabling refugees' labor market

[8] As granted under Article 26 of the 1951 Geneva Refugee Convention.

participation outside of refugee camps as early as possible is key to achieving their integration (Fasani et al., 2022; Slotwinski et al., 2019) by limiting long-term scarring effects, such as long-term unemployment or inactivity.

Integrating refugee children into education soon after arrival avoids loss of valuable years of education and harm to human capital accumulation that hinders future prospects. Globally in 2019, almost half of all refugee children were out of school (UNHCR, 2020d). Of those attending school, most do not make it past basic education; gross enrolment in primary education stood at 77 percent in 2019. Yet, the contrast between primary and secondary school enrolment remains stark, and only 31 percent of refugee children were enrolled in secondary school, much below the global average of secondary school enrolment. A recent study of refugee children in Kakuma refugee camp in Kenya, for example, found that literacy and learning outcomes for refugee children were significantly lower than in immediate host community or the rest of Kenya (Piper et al., 2020). This report shows that education outcomes for children in Ethiopia are low across all population groups and ages but particularly for refugee children. COVID-19 exacerbated this situation for many refugee children (Wieser, 2020).

1.2 How does Socio-Economic Survey of Refugees in Ethiopia (SESRE) contribute to the debate on policies?

The Socio-Economic Survey of Refugees in Ethiopia (SESRE) is a representative survey of the refugee population in Ethiopia and their host communities, the first of its kind[9]. Ethiopia made significant progress over the past few years in articulating more progressive and comprehensive refugee responses. In 2023, the GoE included new pledges and commitments made in the 2023 Global Refugee Forum, including a significant shift in its refugee management policies. This includes improving the socio and economic opportunities for refugees through an agenda to transform camps into human settlements and including refugees in national services for education, including secondary education and health (UNHCR, 2024). Systematically collecting high-quality data on refugees *and* their hosts in one survey is pertinent to inform the GoE's roadmap and programs to address the development needs of refugees and hosts. The national household survey of Ethiopia–Household Welfare Statistics Survey (HoWStat)—excludes the majority of displaced populations (Internally Displaced People [IDPs] or refugees) from its sample of households. Thus, we have limited in-depth information on the socio-economic outcomes—including on poverty—for refugees across all camps in Ethiopia to compare with Ethiopian hosts.

SESRE collected data from November 2022 to January 2023, from a nationally representative sample of 3,452 refugee households and their hosts. The SESRE covers all currently operating refugee camps of major refugee groups: Eritreans, South Sudanese, and Somalis, as well as the out-of-camp refugees of Addis Ababa and their respective host communities. The survey was aligned with the HoWStat methodology, allowing comparability between refugees and their host communities. The World Bank, Ethiopia's RRS, Ethiopia's Statistical Service, and UNHCR collaborated to implement SESRE[10] and was the first of its kind, building on the "Skills Profile Survey 2017, A Refugee and Host Community Survey" conducted in Ethiopia in 2017. The SPS 2017 was conducted in refugee camps and host communities in

[9] See Annex C for detailed information on survey design and methodology.

[10] Financial support was provided by the World Bank and UNHCR Joint Data Center on Forced Displacement

four regions in Ethiopia. The survey was used to draw a profile for skills and potential opportunities for refugees and host communities to design a better mix of approaches that could help the government in designing livelihood opportunities for these communities. Due to differences in scope, sampling design, and methodology, results based on the SPS cannot be directly compared with those of SESRE. Box 1.1 summarizes the similarities and differences between SPS 2017 and SESRE 2023.

Box 1.1: Comparison of SPS 2017 and SESRE 2023

The Skills Profile Survey (SPS), conducted in 2017, is a household survey focused on collecting data on refugees from South Sudan, Somali, Eritrea, and Sudan living in camps in Ethiopia, as well as from host communities. The sample frame for the survey was derived from the list of all refugee camps, sites, and locations provided by UNHCR-Ethiopia as of January 2017, covering the four main regions that host refugees: Tigray, Afar, Gambella, Benishangul-Gumuz, and Somali. The SPS specifically excludes refugee households living out of camp, thereby making it representative of the refugee population residing in camps in Ethiopia. In contrast, SESRE, carried out in 2023, expanded its data collection to include out-of-camp refugees living in Addis Ababa.

The SPS and SESRE both utilized stratified sampling designs but with different methodologies and definitions of the host households. The SPS employed a multi-stage stratified random sampling approach, dividing refugee camps into EAs of 150 by 150 meters using GIS technology. The number of EAs selected from each camp was proportional to the size of the camp, ensuring all camps in the sample frame were surveyed. In this way, all the camps in the sample frame were selected in the sample and were surveyed. For host households, areas within 5-kilometer radius of the camps were divided into EAs of 300 by 300 meters, with only residential EAs as per Open Street Maps included in the sample frame. SESRE, on the other hand, used a stratified, two-stage cluster sample design. Initially, camps were divided into EAs, and pseudo EAs were created from the proGRES database by grouping 150-200 households consecutively. EAs and households within those EAs were then selected. For host households, EAs adjacent to refugee camps were used as the sampling frame. While the definition of host households differed between SPS and SESRE, both surveys shared similarities in the selection of EAs and the random sampling of households within those EAs. In SPS, all households within the selected EAs for host community sampling were listed, and 12 households were randomly chosen and surveyed per EA. SESRE also selected 12 refugee and host households per EA, treating EAs as the Primary Sampling Unit and households as the Secondary Sampling Unit.

(i) The distinct sampling designs and objectives of the two surveys render challenges in comparing findings from the two surveys. Moreover, the two surveys are not comparable in other ways, including:
(ii) Surveyed population: SESRE includes out-of-camp refugees living in Addis Ababa, while SPS does not.
(iii) Survey scope: The methodology to sample and definitions of host communities varied between the two surveys.
(iv) Survey design: SESRE's questionnaire aimed at comparability with the national poverty survey, while SPS aimed at comparability across countries. This rendered differences in the contents of the surveys, where the SESRE employed the same survey instrument as the national poverty survey, while the SPS used an instrument specific to the survey.
(v) Differences in consumption: SESRE includes a full consumption module while SPS relied on the Rapid Consumption methodology. Moreover, there are differences in the recall period for food consumption data collection. While SPS used the past 7 days recall period, SESRE collects food consumption data through two visits—last 3 days and past 4 days—that leads to considerable difference in consumption aggregates.

(vi) Differences in poverty estimation: The poverty measurement methodology is distinct for each survey with SESRE applying the same methodology as HoWStat.

Despite the difference in methodology used in the Skills Profile Survey (SPS) and SESRE, we find similar patterns in some of the indicators common in both surveys among in camp refugees such as demographic composition, primary and secondary net enrollments, housing condition, access to basic infrastructures, employment and attitude of hosts toward refugees. Moreover, both surveys find that in camp refugees in Ethiopia are much poorer than host community households and poverty rates are heterogenous across refugee groups: South Sudanese refugees have the highest incidence of poverty, while Eritrean refugees have the lowest poverty incidence amongst the refugees. However, different poverty estimation methodologies and different poverty lines are used. Likewise, both surveys indicate that refugees are more food insecure than the host community. Annex F, Table F.1 shows a summary of these findings.

Source: Pape, U. J., Petrini, B., and Iqbal, S. A. (2018). Informing Durable Solutions by Micro-Data: A Skills Survey for Refugees in Ethiopia.

This report uses SESRE data to describe the socioeconomic dimensions of refugees and their host communities. By highlighting socioeconomic outcomes of refugees and hosts in Ethiopia, we aim to provide analytical underpinnings for development interventions in Ethiopia. The analysis focuses on aspects such as economic activity, livelihoods, welfare patterns, as well as on social dynamics and longer-term socioeconomic viability of refugee host areas. Focusing on socioeconomic interaction, social inclusion, and relations among refugees and between refugees and their host communities, this work aims to inform policies and operations (humanitarian actors, development partners, and government) to facilitate refugee integration and their lives, along with hosting communities.

This report's eight chapters aim to comprehensively provide an overview of SESRE results, with the final chapter highlighting policy implications. This Chapter 1 introduces the refugee situation in Ethiopia. Chapter 2 presents the sociodemographic profile of refugees and their hosts, including demographic characteristics, education, health, and living conditions. Chapter 3 provides an in-depth profile of jobs and livelihoods of refugees and their hosts, covering labor market outcomes for refugees inside and outside of camps and those of hosts living in the vicinity of refugees, as well as a subsection on labor market outcomes of youth. Chapter 4 dives deeper into refugees' future aspirations and their feeling of personal control over their lives. Chapter 5 describes the welfare situation of refugees and their hosts by: (i) understanding different dimensions of welfare, such as monetary poverty, inequality, multidimensional poverty, food security, and shocks; and (ii) understanding determinants of welfare and estimating the cost to meet basic needs through a combination of assistance and some economic inclusion of refugees into national systems. Chapter 6 aims to understand how the location of camps determines labor market outcomes, highlighting the importance of refugees' location as part of the development strategy for refugees in Ethiopia. Chapter 7 looks at social cohesion by showcasing attitudes between refugees and hosts and the level of social integration of refugees. Chapter 8 highlights policy directions based on the conclusions of the report to maximize the benefits of hosting refugees while minimizing the costs.

2 Sociodemographic Profile

This chapter presents results on sociodemographic outcomes of refugees and hosts. It provides the context for refugees and their hosts, covering demographic characteristics, human capital, living conditions, and displacement experience, which are crucial to understand refugees' context in Ethiopia. These results are presented across the eight domains: Eritrean, Somali, South Sudanese, and refugees in Addis Ababa and their hosts, as well as broad categories between in-camp and out-of-camp refugees and hosts.

2.1 Demographic Characteristics

In the SESRE sample, most refugees are from South Sudan, accounting for 53 percent of all refugees.[11] South Sudanese refugees reside in camps in Gambella and Benishangul-Gumuz regions. Somali refugees living in camps in the Somali region constitute 30 percent of the refugee sample. Eritrean refugees who reside in camps in the Amhara and Afar regions and Addis Ababa under the Out-of-Camp Policy (OCP) constitute 5 and 12 percent of the sample, respectively (Figure 2.1). More than 30 percent of refugees in camps are born in Ethiopia (Figure 2.2). Somali refugees have a higher share of refugees born in Ethiopia (38 percent). According to UNHCR estimates (2023)[12], around 1.9 million children were born as refugees between 2018 and 2022 globally.

Figure 2.1: Refugees by survey domain

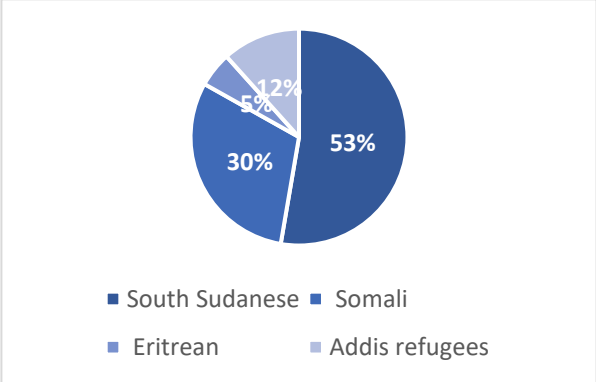
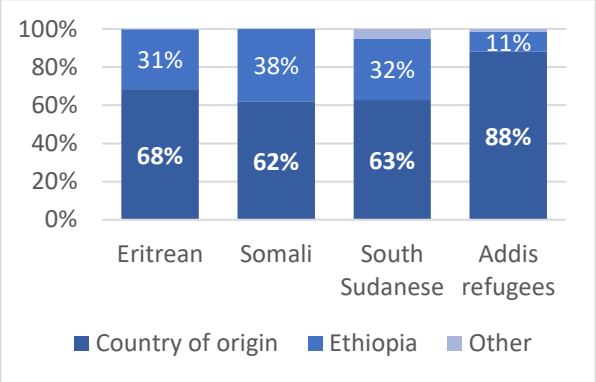


Figure 2.2: Country of birth



Source: World Bank Staff based on SESRE 2023.

Overall, Ethiopia's refugee situation is protracted; refugees have been in Ethiopia for an average of about 14 years. Refugees differ by country of origin. For example, Eritrean refugees have been in Ethiopia for average of slightly more than 16 years, Somalis for just under 16 years, and South Sudanese for roughly 15 years. On the other hand, refugees in Addis Ababa arrived nine years ago, on average (Figure 2.3a). Globally, the number of refugees in protracted situations—at least 25,000 refugees from the same country who lived in exile for more than five consecutive years—increased over time, accounting for 40 percent of

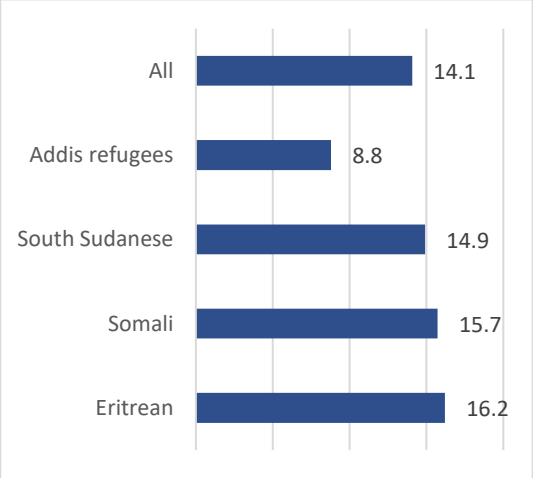
[11] According to UNHCR mid-2022 statistics, South Sundanese, Somali and Eritrean refugees constitute 46, 29 and 18 percent the total refugee populations in Ethiopia. (https://www.unhcr.org/refugee-statistics/download/?url=2bxU2f)
[12] https://www.unhcr.org/refugee-statistics/insights/explainers/children-born-into-refugee-life.html

all refugees in 2021 (World Bank, 2023). In Ethiopia, 95 percent of all refugees live in a protracted situation, according to SESRE data.

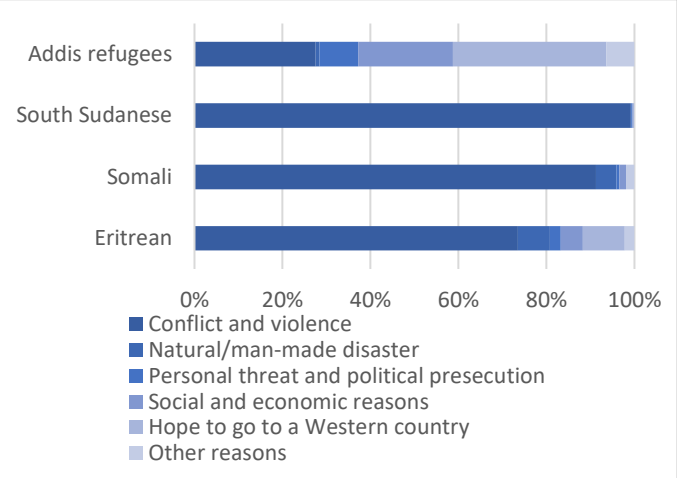
Refugees fled from their country of birth mainly due to conflict and violence. Almost all South Sudanese refugees, or 99 percent, left their country because of conflict and violence, as did 91 percent of Somalis, and 73 percent of Eritrean refugees. On the other hand, OCP[13] refugees came to Ethiopia with the hope of going to a Western country (35 percent), to escape from conflict and violence (28 percent), and for social and economic reasons (22 percent) such as education, health problem, marriage or family reunification, and employment (Figure 2.3b). Eritrean refugees live in Addis Ababa under OCP, which requires refugees to cover their cost of living without support from the international community.

Figure 2.3: Refugees arrival in Ethiopia (15 years and above)

a) Years since arrival



b) Reasons for leaving the country of birth

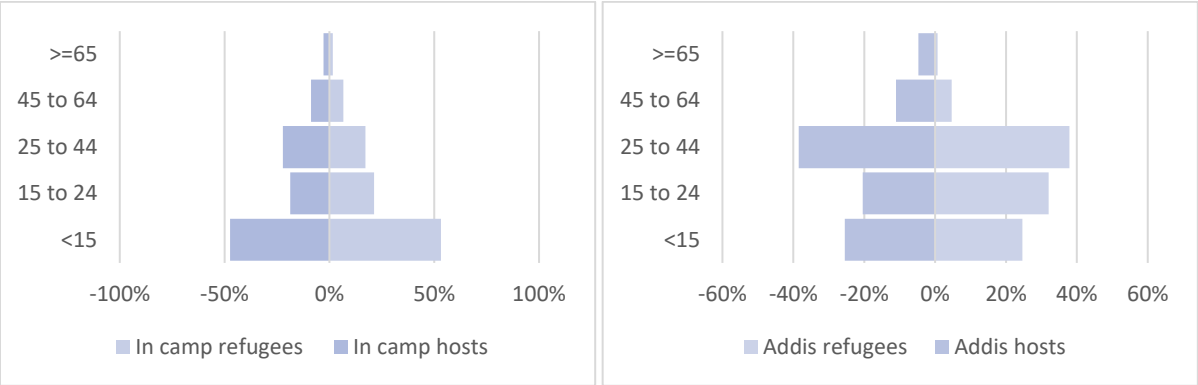


Source: World Bank Staff based on SESRE 2023.

Age structure is similar between hosts and refugees, but we see differences in age structure for in-camp and OCP refugees. While the majority of in-camp refugees are children (below age 15) and youth (ages 15 to 24), most OCP refugees are between the ages of 15 and 44 (Figure 2.4). In camps, about 53 percent of refugees are children under age 15. This is slightly higher than the 47 percent of hosts under age 15. In Addis Ababa, however, refugees are less likely to be children, with roughly 70 percent of refugees and 59 percent of hosts between the ages of 15 and 44.

[13] For details on OCP refugees, please see Box 2.2

Figure 2.4: Age structure



Source: World Bank Staff based on SESRE 2023.

There is no major difference between hosts and refugees in gender composition. The share of female hosts and refugees is higher for both in-camp and OCP refugees and their hosts. Moreover, the gap between the percentage of females and males is larger among hosts and refugees in Addis Ababa compared to in-camp counterparts. Across refugees, South Sudanese (54 percent) and the OCP (55 percent) have a higher share of female refugees (Annex D, Table D.4). The proportion of married individuals aged 18 and above is higher among refugees than hosts, except for refugees in Addis Ababa. Hosts have a relatively higher percentage of married individuals. In Addis Ababa, 60 percent of refugees are unmarried.

Figure 2.5: Gender composition

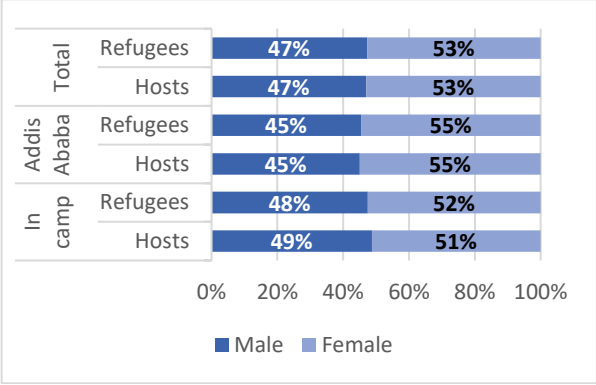
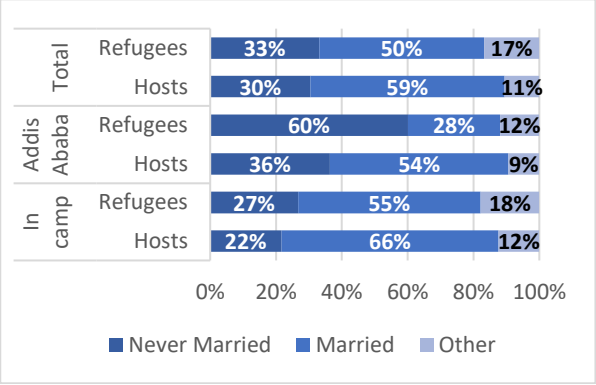


Figure 2.6: Marital status (18 years and above)



Source: World Bank Staff based on SESRE 2023.

Refugees have larger households, younger heads, and a higher proportion of female heads than hosts. Household size is higher among in-camp refugees compared to hosts. Across in-camp refugees, South Sudanese refugees have the highest number of household members, averaging roughly seven members per household. The dependency ratio—the ratio of dependents of those under age 15 and above age 64—to working members in a household, is also higher for in-camp refugees relative to hosts and highest among South Sudanese refugees. OCP refugees have the smallest average household size and the lowest dependency ratio. Refugee households are more likely to be headed by women. The share is exceptionally high for South Sudanese refugees, where 84 percent are female-headed (Annex D, Table D.4). This reflects a large share of women (71 percent) aged 25 to 44 among South Sudanese refugees (Annex D, Figure D.1).

Refugees have younger household heads than hosts, except for Somali refugees, with the youngest household heads in Addis Ababa.

Table 2.1: Household characteristics

	In camp		Addis Ababa		Total	
	Hosts	Refugees	Hosts	Refugees	Hosts	Refugees
Household size	5.2	6.2	3.5	2.7	4.2	5.4
Dependency ratio	1.1	1.5	0.5	0.4	0.7	1.3
Female-headed	44%	73%	45%	58%	44%	69%
Head's age	42.3	39.6	42.0	30.9	42.1	37.6

Source: World Bank Staff based on SESRE 2023.

2.2 Education

Integrating refugee children into educational programs soon after arrival[14] avoids the loss of valuable years of education and human capital accumulation that can hinder future prospects. Integrating refugees into national education systems can improve future outcomes for refugee children and their hosts (UNHCR, 2020; Piper et al., 2020; Abu-Ghaida and Silva, 2020; Crawford et al., 2015; Bilgili et al., 2019). Investment in human capital development can enable refugees to contribute to local economies to benefit refugees and hosts alike, and it can contribute to the recovery of countries of origin and the hosting communities. Despite the positive externalities of integrating refugees into public-school systems, a large influx of refugee children can exacerbate existing inefficiencies. Where there are large inflows, the national education system might require additional human and financial resources to integrate newly arrived children. Increasing the supply and improving the quality of schools in affected areas, supported by external assistance and financing, can avoid tension between refugees and host community populations over competition for access to education.[15] Support is particularly needed in remote areas—where refugees are often hosted—where educational services are already strained for local children (Abu-Ghaida and Silva, 2020).

An inclusive education system can benefit both refugees and native children. Research has shown that an inclusive education system has positive externalities for host community children (Abu-Ghaida and Silva, 2020). A Rwanda study showed that local Rwandan children's school attendance is higher among communities within a 10-kilometer radius of a refugee camp. Other countries have also integrated refugee children into the national education system (Bilgili et al., 2019). In Colombia, about 333,000 Venezuelan children were enrolled in government schools in 2020 (about 3.4 percent of the total student population in Colombia) (UNHCR, 2021a). In Turkey, the government is supporting the transition of Syrian refugee children into the national school system, redirecting resources to locations with high concentrations of refugees (Abu-Ghaida and Silva, 2020), resulting in nearly 80 percent of Syrian primary school-aged refugee children being enrolled in education programs by 2020/2021 (UNHCR, 2021). In addition to

[14] In an emergency setting, it is recommend to provide refugees with access to educational programmes within the first 3 months of arrival in the hosting country.

[15] Moreover, access to education services is often tied to having identification documents. Enabling refugees to receive identification documents is critical, not only for accessing education but also other services such as health or financial services.

benefiting refugee children, high school enrolment and learning outcomes increased for local Turkish students (Tumen, 2019; 2021).

Box 2.1: Education system for refugees in Ethiopia

According to Ethiopia's Refugee Proclamation 2019, refugees are granted access to pre-primary and primary education in the same way as nationals. Whereas, secondary education, higher education, technical and vocational education and training, and adult and non-adult formal education is provided with available resources. At all levels, refugees receive the same education as nationals in terms of curriculum, access to national examinations, and accredited certificates.

Yet, the administration of primary schools in camp settings follows a parallel system. For refugees, the RRS administers primary education for in-camp refugees in partnership with UNHCR[16]. Primary education is also provided in partnership with an NGO (Plan International) in refugee camps in Gambella, Benishangul-Gumuz, and Amhara regions. For hosts, meanwhile, management of primary public schools falls under the responsibility of the Ministry of Education (MoE) and Regional Education Bureaus. Primary education is delivered by a combination of national and refugee incentive teachers.[17] It is important to note that all national teachers are qualified, but some refugee incentive teachers receive training to build their capacity. Moreover, there are not enough female teachers in camps, with the majority of teachers being male. Refugee schools also face high turnover of teachers as they take on better-paid jobs (UNHCR, 2017).

Secondary education, on the other hand, is provided for refugees in camp-based refugee schools and in government administered public schools, with support from UNHCR's NGO partner (Development and Inter-Church Aid Commission, DICAC). This relies on qualified national teachers exclusively. UNHCR and partners are working towards progressive transfer of secondary school administration from DICAC to Regional Education Bureaus. The MoE is responsible for managing refugee and national education for higher education. However, enrollment of refugees in higher institutions is low due to low absorption capacity of higher education institutions (UNHCR, 2020a). At the same time, the Ministry of Skills and Labor (MoLS) is responsible for managing Technical and Vocational Education and Training (TVET).

OCP refugees receive education at the same levels as nationals through the national education system. Refugee education data is integrated into the MoE's Education Management Information System (EMIS) (UNHCR, 2020), and a separate chapter on refugee education is included in the annual education statistics report of the MoE. The GoE included expanding primary and secondary education for refugees in the national five-year Education Sector Development Programme VI (ESDP), covering 2020 to 2025, but little progress has been made.

Educational attainment is low among both hosts and refugees, especially in camps. About 73 percent of in-camp adult refugees and 59 percent of adult hosts (aged 18 and above) either did not attend school or did not complete primary education. South Sudanese refugees have the worst educational attainment. Refugees in Addis Ababa have relatively better educational attainment compared to their hosts, with a higher percentage of refugees in Addis Ababa completing primary (45 percent) and secondary (27 percent) education (Figure 2.7). Although more educated, even youth's (age 15 to 24) educational attainment is

[16] In January 2024, RRS handed over the management of refugee primary education to DICAC, Plan International, and EDUKANS in a transition process to eventually transfer responsibility of refugee primary education to the Ministry of Education and the Regional Education Bureaus.

[17] Incentive teachers are refugees who teach in return for a small stipend. They may be qualified teachers but at a minimum received training.

low, with large differences by survey domains. Many youth refugees and hosts have not completed primary education (Figure 2.8). While the percentage of youth who completed primary education is close to 50 percent for hosts, it is only 35 percent of in-camp refugee youth. Moreover, there are large differences by location, with only 22 percent of Eritrean refugee youths in camps having completed primary school compared to 37 percent of in-camp Somali youth. On the other hand, refugee youth in Addis Ababa have similar levels of education compared to their hosts (Annex D, Table D.5).

Figure 2.7: Education level (18 years and above)

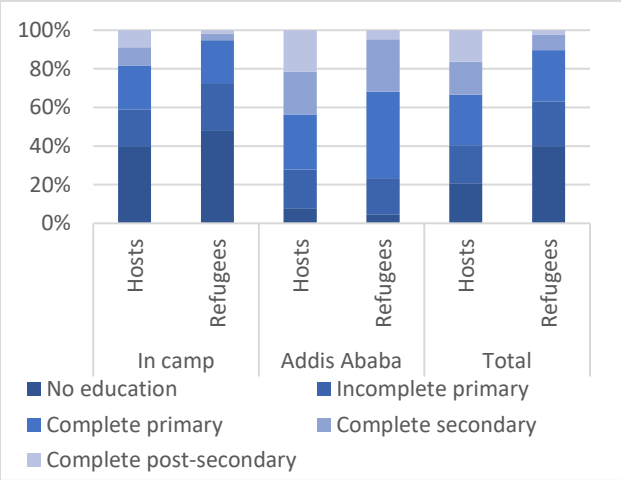
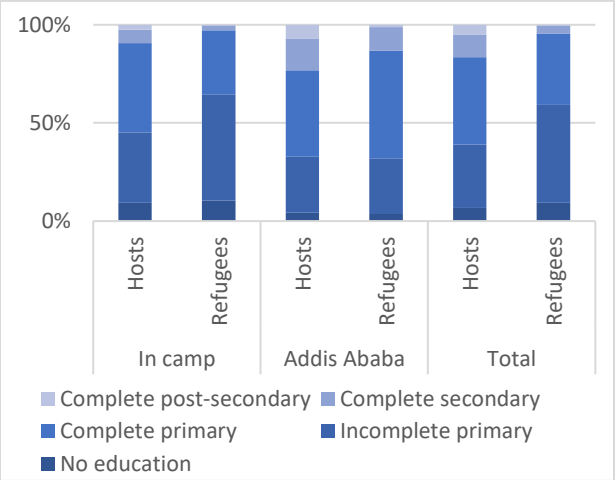


Figure 2.8: Youth (15 to 24) education level



Source: World Bank Staff based on SESRE 2023.

OCP refugees attended education outside of Ethiopia and have relatively better educational attainment. One reason why OCP refugees have higher educational attainment compared to other refugees (especially other Eritreans) could be related to being relatively better off in their countries of origin (qualification for OCP requires having some resources other than international aid); thus, they are more likely to have received education at home. A much higher proportion of adult refugees in Addis Ababa (89 percent) attended education outside of Ethiopia than refugees in camps (49 percent). Despite high school attendance rates outside of Ethiopia, only 23 percent of adult refugees in Addis Ababa have education documents, and only 15 percent of those with education documents were able to verify the documents through the responsible Ethiopian authority (Annex D, Figure D.2). Concerning educational level, most in-camp refugees had education below primary level. In contrast, most OCP refugees completed primary and secondary education before moving to Ethiopia, highlighting a systematic difference in the selection of OCP refugees.

Box 2.2: Refugees under the Out-of-Camp Policy (OCP)

The GoE introduced the Out-of-Camp Policy (OCP) in 2010 to give refugees opportunities to live in Addis Ababa and other non-camp locations of their choice (RRS, 2017). In 2019, the RRS introduced a directive for implementing the OCP, enabling refugees to establish residence outside the camp to broaden employment opportunities and achieve self-reliance. Refugees who live for more than one month in a camp can apply for a regular OCP residency permit. To be eligible for OCP residency, a refugee should be able to prove they can cover the cost of living or provide a sponsor and receive a work permit. OCP residency permit rules exempt refugees with special conditions (orphaned children, with medical issues, single mothers, elderly, and with urgent overseas

travel). Refugees who are no longer beneficiaries of the urban assistance program can also get the permit if they meet the requirements of the OCP residency permit (RRS, 2019).

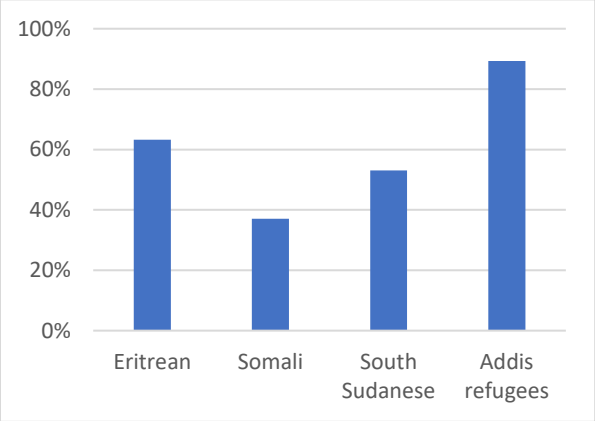
Arrival before and after November 2020

The Tigray region of Ethiopia used to host Eritrean refugees in four camps before the outbreak of conflict between the regional and the Federal government in November 2020.[18] Consequently, refugees in the region fled to neighboring Afar and Amhara regions and Addis Ababa.[19] Hence, the RRS granted out-of-camp residency for those refugees who arrived in Addis Ababa due to the conflict. As of April 2023, Eritrean refugees relocated from Tigray to Addis Ababa constitute 36 percent of the total Eritrean population in Addis Ababa (UNHCR, 2023a).

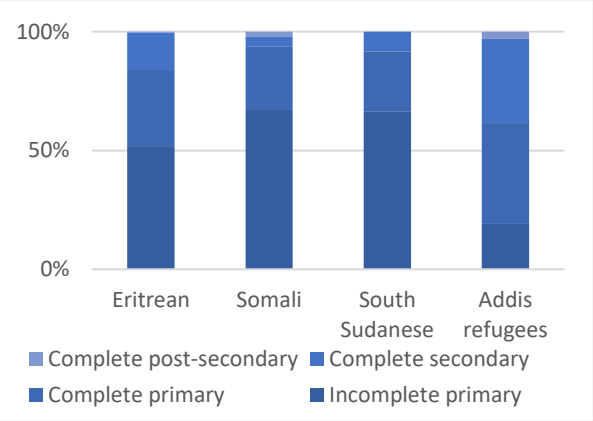
OCP refugees who arrived before and after November 2020 have similar sociodemographic characteristics except age, education, and child health outcomes. Refugees after November 2020 are younger and less educated compared to refugees before November 2020. Moreover, child health problems in terms of nutritional indicators, underweight, stunting, and wasting are higher among refugees moved from camps relative to refugees who were in Addis Ababa for a longer time.

Figure 2.9: Refugees' education outside of Ethiopia (18 years and above)

a. Attended education



b. Education level



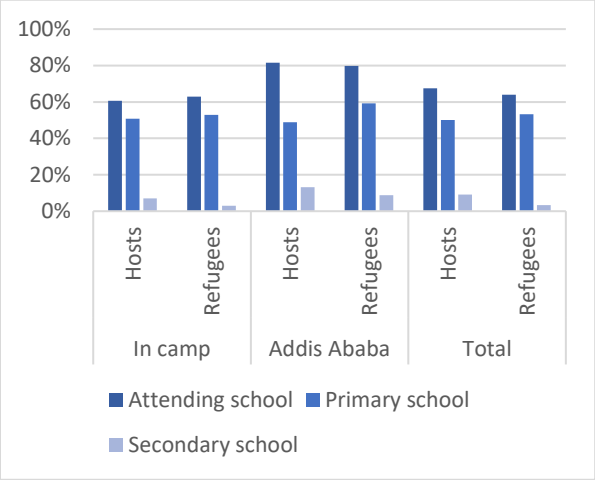
Source: World Bank Staff based on SESRE 2023.

The percentage of primary school-age children attending primary education is similar for hosts and refugees. A more liberal education policy towards refugee education in Ethiopia increased the likelihood of attending school (World Bank, 2023c). In-camp refugees and hosts are less likely to receive education than OCP refugees and hosts; in camps, 63 and 61 percent of refugee and host children attend school, while 80 and 82 percent of OCP refugee and host children attend school (Figure 2.10a). On the other hand, refugee children and youth are half as likely to go to secondary school (22 percent) compared to hosts (44 percent) (Figure 2.10b). There is no difference in primary education attendance between boys and girls in refugee and host communities, but refugee and host secondary school-age girls are less likely to attend secondary school than boys (Annex D, Figure D.4).

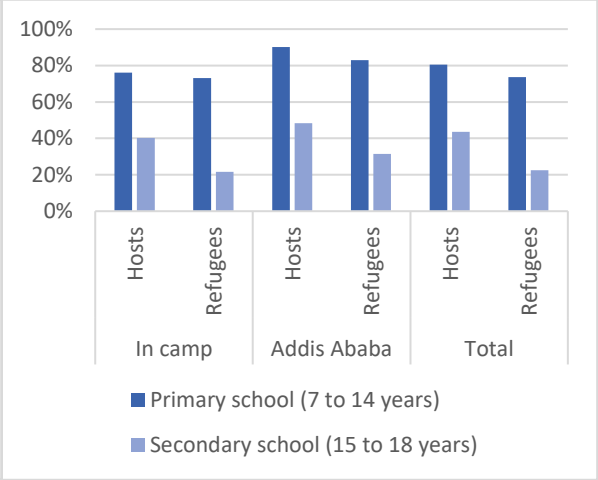
[18] https://www.unrefugees.org/news/ethiopias-tigray-refugee-crisis-explained/
[19] https://www.hrw.org/news/2021/09/16/ethiopia-eritrean-refugees-targeted-tigray

Figure 2.10: Children currently attending school

a. All children



b. School-age children



Source: World Bank Staff based on SESRE 2023.

Primary and secondary school enrollment rates vary between hosts and refugees; refugee primary education rates are higher than secondary enrollment. The Primary Gross Enrollment Rate (GER)[20]—which shows the share of children going to school—is similar between hosts (98 percent) and refugees (97 percent). For South Sudanese and Somali refugees, primary GER are higher than their respective hosts. However, the primary Net Enrollment Rate (NER)[21]—which shows whether children attend education at the right age—is higher for hosts (76 percent) compared to refugees (70 percent), though the gap is small. Across camp-based refugees, primary NER is higher among South Sudanese refugees (80 percent) compared to Eritrean (65 percent) and Somali (62 percent) refugees.

Despite similar enrollment rates in primary compared to their hosts, refugees struggle to attend secondary education. Secondary GER[22] and NER[23] for refugees are almost half those of hosts. For example, only 23 percent of secondary school-aged refugee children and youth attend secondary school. This share is higher (41 percent) for hosts. Refugee Secondary NER also is very high compared to the national 5 percent in 2021/22 (MoE, 2022). By country of origin, Somali refugees have higher secondary NER (32 percent) compared to South Sudanese (17 percent) and Eritrean (14 percent) refugees. In Addis Ababa, 83 percent of primary-aged refugee children attend primary school, but only 31 percent of secondary-aged refugee children attend secondary school (Annex D, Figure D.3). Following the revision of the Refugee Proclamation in 2019, the Ministry of Education (MoE) and RRS have tried to provide primary education to refugee children in the same circumstances as nationals. However, transition from primary to secondary

[20] The Primary Gross Enrollment Rate (GER) is the ratio of the number of children enrolled in primary school irrespective of age to the number of children of primary school age (age 7 to 14).
[21] The Primary Net Enrollment Rate (NER) is the ratio of the number of children of primary school age enrolled in primary school to the number of children of primary school age (age 7 to 14).
[22] The secondary Gross Enrollment Rate (GER) is the ratio of the number of children enrolled in secondary school irrespective of age to the number of children of secondary school age (age 15 to 18).
[23] Secondary Net Enrollment Rate (NER) is the ratio of the number of children of secondary school age enrolled in secondary school to the number of children of secondary school age (age 15 to 18).

school remains very low among refugees due to, among other things, limited available schools, lack of adequate infrastructure, and examination bottlenecks[24] (UNHCR, 2020a).

Figure 2.11: Gross Enrollment Rate (GER)

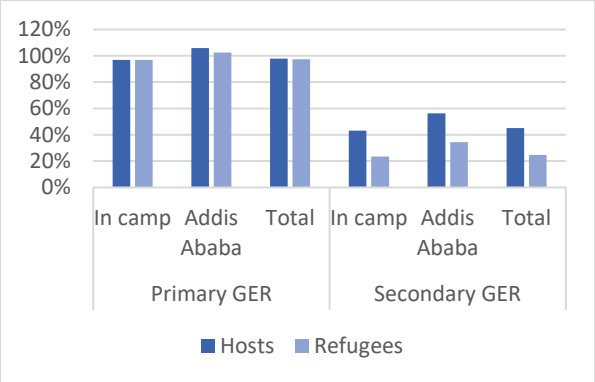
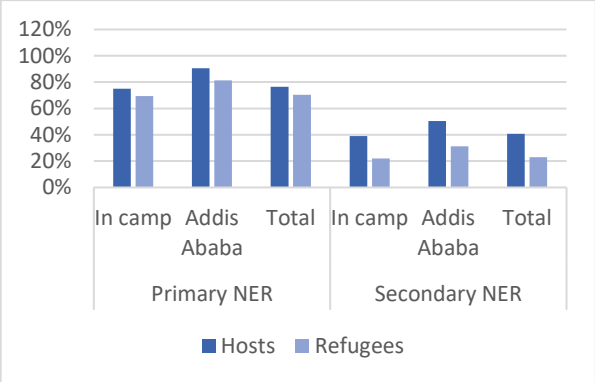


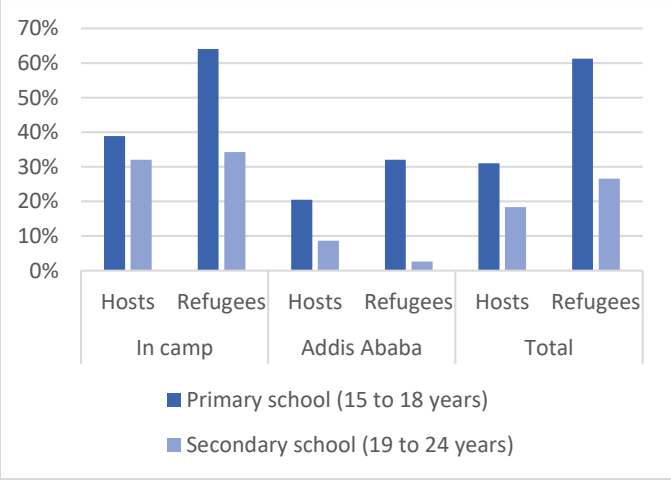
Figure 2.12: Net Enrollment Rate (NER)



Source: World Bank Staff based on SESRE 2023.

Refugee children face challenges in attending education at the appropriate age. This is also demonstrated by the fact that many children and youth participate in primary or secondary education despite being much older. Among youth aged 15 to 18, 61 percent of refugees (driven by South Sudanese refugees) and 31 percent of hosts attend primary education. In South Sudan, 70 percent of children are out of school (UNICEF, 2021). Hence, limited access to education in the country of origin contributes to late school entry among South Sudanese refugee children. In Somali refugee camps, parents want their children to attend Quranic schools before attending primary schools, which could contribute to delaying school attendance. Regarding secondary education, 27 and 18 percent of refugees (mainly South Sudanese and Somali refugees) and hosts aged 19 to 24 are still in secondary schools (Figure 2.13).

Figure 2.13: Share of children and youth above school age in education

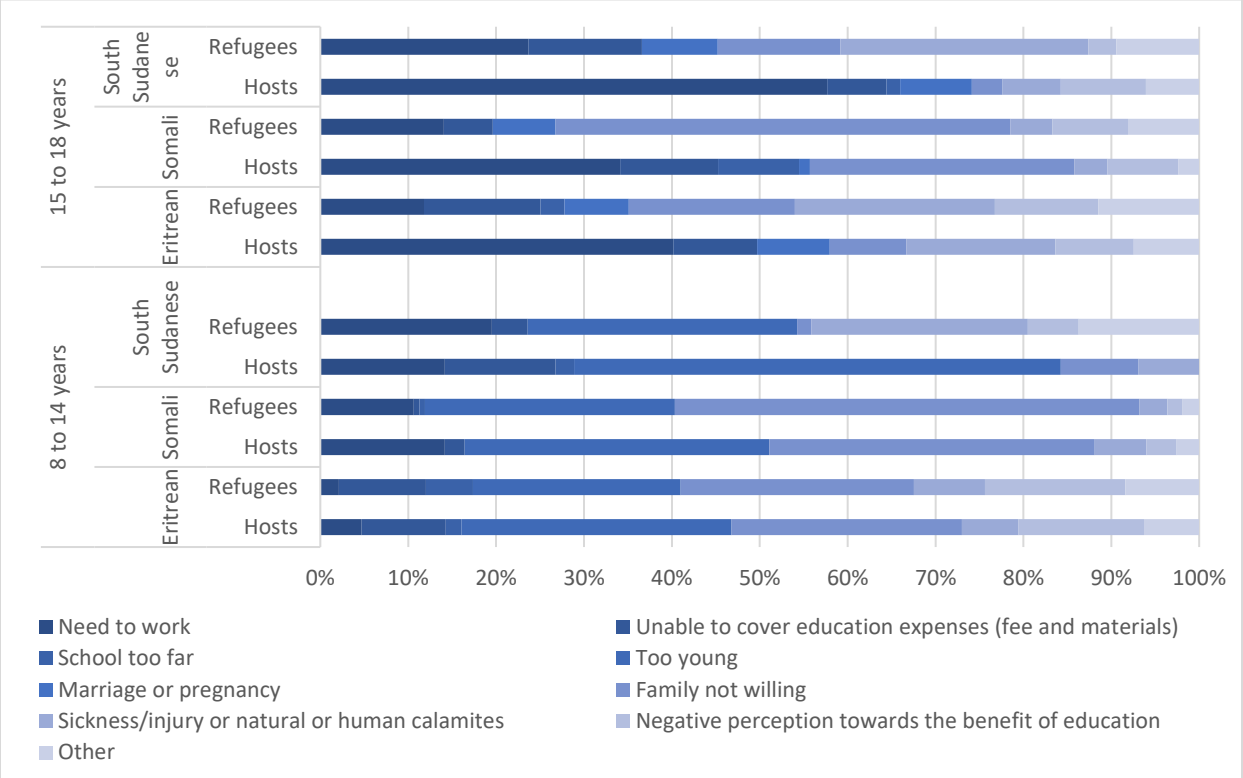


Source: World Bank Staff based on SESRE 2023.

[24] Grade 12 national examinations for refugees and host communities are administered in nearby government public universities—a long distance for refugees based in remote locations—impacting the performance of the refugee students.

Reasons for not attending school differ among children of primary and secondary school age. Most children who do not attend primary school do so because their families think they are too young or unwilling to send them to school. This is similar for hosts and refugees. For secondary school-age children, the reasons for not attending school differ between refugees and hosts and across refugee domains. Reasons related to need to work is higher among hosts (47 percent) compared to refugees (17 percent), whereas family unwillingness is higher for refugees (33 percent) than hosts (16 percent). Being unable to attend school due to need to work is higher among host boys than girls, while family unwillingness is higher among refugee girls compared to boys (Annex D, Figure D.5). Refugee parents are less likely to send their children to secondary school in part because the opportunity cost of schooling becomes higher since children going to school cannot help support the family (UNHCR, 2020a). Across refugees, Somali refugee children of secondary school age do not attend school due to family unwillingness (52 percent). On the other hand, sickness/injury or natural or human-caused disasters, such as drought or violence, hinder children from going to school among South Sudanese and Eritrean refugees (Figure 2.14). Studies show that refugee children also face challenges to attend school due to a lack of academic records, mental health issues and (Thomas, 2016), and language barriers (Reddick and Chopra, 2021).

Figure 2.14: Reasons for not currently attending school



Source: World Bank Staff based on SESRE 2023.

Given that the international community provides education in camp settings, refugees spend less on education compared to hosts. The average annual expenditure on education per school-age child among in-camp refugees is much lower than among hosts (Annex D, Figure D.6). On the other hand, refugees in Addis Ababa spend less on education than their hosts, likely reflecting a much lower share of refugee

children who attend private education. Almost half of all host children, and 27 percent of refugee children, attend private schools.

2.3 Health and Nutrition

Experiences before, during, and after displacement can have stark consequences on the health of refugees. Before displacement, refugees often live in countries experiencing economic turmoil and humanitarian crises. During their flight, refugees face harsh and uncertain conditions. Refugees often struggle to integrate and feel accepted when they arrive at their new destinations. All of this can severely affect their physical and psychological wellbeing. Yet, many refugees face barriers to accessing health services they need—including accessing health providers and getting medicines or medical supplies—due to distance, safety, language, policy, or financial constraints. Good health is an essential requirement to rebuild refugees' lives after displacement. Refugees, like any other population, have varied health-related issues, including noncommunicable and communicable diseases and trauma from injuries and violence. Research shows that conflict inflicts extensive psychological harm on many refugees, particularly youth and children, which often remain unaddressed (Simpson, 2018; Bosqui and Marshoud, 2018; Dong, 2018). Refugee women are specifically vulnerable to sexual and other forms of gender-based violence and require specialized care and access to sexual and reproductive healthcare.

Access to essential health services when and where refugees need them is crucial for allowing them to restart their lives. Refugees need access to treatment and preventive care during health emergencies, the importance of which manifested during the COVID-19 pandemic. Aligned with the GCR, refugees should be able to access essential health services through the national health systems of the host countries at affordable costs and sufficient quality. Ethiopia provides access to healthcare for refugees through health centers in camps, with referrals to services outside of camps for complicated cases or for secondary and tertiary healthcare. UNHCR, in partnership with the RRS and other operational partners, provides primary healthcare services for in-camp refugees. For refugees in settlement sites,[25] healthcare service is provided by government health centers, through Regional Health Bureaus, and through UNHCR partners. In the case of medical conditions that cannot be addressed by treatment received in health centers, refugees are referred to nearby zonal and regional hospitals for secondary care and to hospitals in Addis Ababa for tertiary care. Refugees with complicated health problems, or needing long-term regular checkups, are granted OCP residency. They receive assistance through the urban assistance program, which covers their medical expenses. Other OCP refugees can access public or private health services but must pay for their own medical costs.

Receiving health care

No significant difference exists between hosts and refugees regarding prevalence of illness and receiving medical assistance. The proportion of refugees facing health problems in Ethiopia is slightly higher for in-camp refugees (19 percent) compared to OCP refugees (14 percent). Yet, significant differences exist across survey domains. A much larger proportion of South Sudanese refugees (25 percent) and their hosts (29 percent) faced health problems in the two months before their survey interview compared to any other

[25] Currently, there is only one refugee settlement site in Ethiopia: *Alemwach* in the Amhara region.

group. Of the South Sudanese refugees and hosts that had health issues, 65 percent of refugees and 59 percent of hosts were ill due to malaria. Somali refugees and their hosts have the lowest share of illness (Annex D, Table D.6). Of the ill, most hosts and refugees received the necessary treatment in health institutions. However, in-camp refugees (91 percent) are more likely to get treatment than OCP refugees (71 percent).

Figure 2.15: Faced any health problem

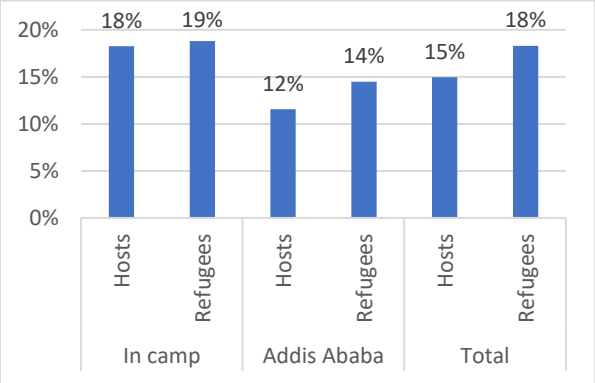
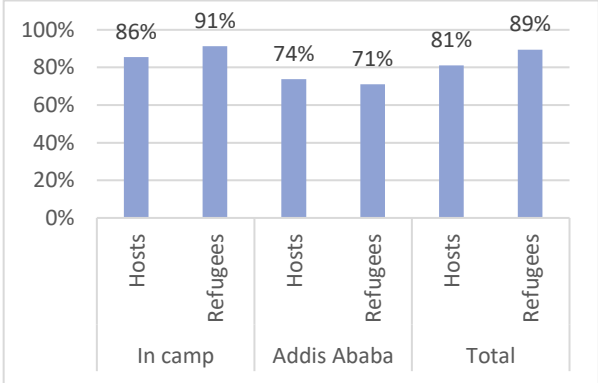


Figure 2.16: Received medical assistance when faced with health problem



Source: World Bank Staff based on SESRE 2023.

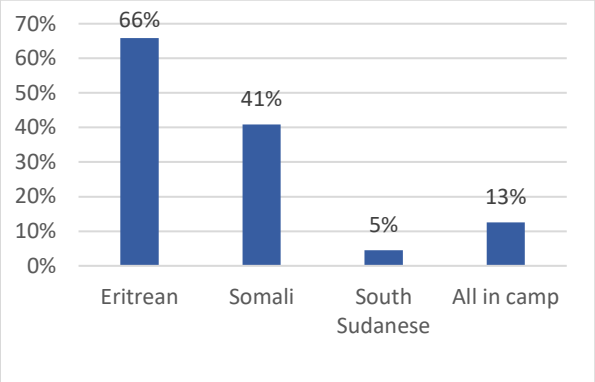
Refugees access medical services in health institutions located inside and outside of camps. Most in-camp refugees get medical assistance in health centers and health institutions implemented by RRS or NGOs within and outside camps. Refugees in Addis Ababa—who, due to their OCP, have to access healthcare without support from the international community—get medical services from private sources (58 percent) and government health institutions (40 percent) (health centers and hospitals) (Annex D, Figure D.7). Both refugees and hosts face problems concerning service delivery of health institutions, which is higher for in-camp refugees and hosts compared to OCP refugees and their hosts. Problems mainly relate to shortage or unavailability of medicines and long wait times to get services in camps (Annex D, Figure D.8). Refugees use health facilities outside of the camp, but 66 percent of Eritrean refugees[26] and 41 percent of Somali refugees have better usage of out-of-camp healthcare services compared to South Sudanese (5 percent). Overall, in-camp refugees with chronic[27] illnesses tend to receive treatment in health institutions located outside of camps compared to those with non-chronic diseases (Figure 2.17b). Refugees receive follow-up treatment for tuberculosis and antiretroviral therapy (ART) for HIV/AIDS in camp health facilities and also get treatment for common illnesses such as asthma, diabetes, hypertension, epilepsy, and mental issues.

[26] Driven by Eritrean refugees in *Alemwach* camp who do not have a health facility inside the refugee site and get medical services from government health facilities outside the camp.

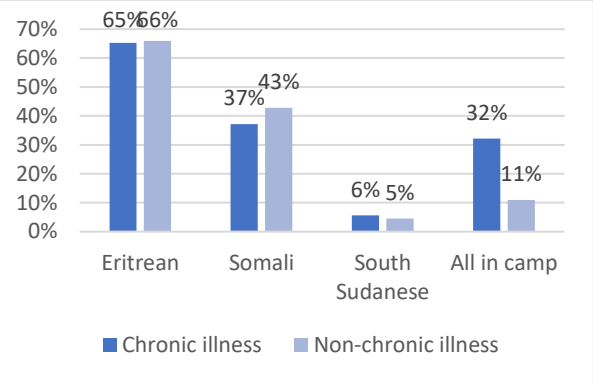
[27] Chronic illness: tuberculosis, hepatitis-B, asthma, uric acid, blood pressure, diabetes, HIV/AIDS, kidney problem, epilepsy, cancer, mental illness

Figure 2.17: Use of the national healthcare system when faced with health problems

a) Overall



b) By type of illness



Source: World Bank Staff based on SESRE 2023.

OCP refugees spend more on health compared to hosts. OCP refugees can no longer rely on international aid sources for healthcare, and do not have health insurance. However, OCP refugees who get out-of-camp residency permits due to health problems receive medical services free of charge under the urban assistance program. UNHCR is working with the GoE tow include OCP refugees in the Community Based Health Insurance (CBHI) Scheme. Of the total refugee households living under OCP, 10 percent moved to Addis Ababa to access basic social services, such as education and health. Thus, some refugees from the above may receive medical services free of charge. Based on SESRE data, most OCP refugees (58 percent) rely primarily on private healthcare services, while 40 percent access healthcare through the national system (Annex D, Figure D.7). This can help explain why OCP refugees' average annual per capita expenditure on health is almost twice that of hosts. In-camp refugees have access to healthcare through the international community, so their out-of-pocket spending on health is thus very low and much lower than hosts' out-of-pocket health expenditures. The difference in per capita health expenditure is large between Eritrean and South Sudanese refugees and their hosts but low among Somali refugees and their hosts (Annex D, Figure D.12).

Child Nutrition and Health Outcomes

Child nutrition and health represent a significant challenge for both hosts and refugees. The nutritional status of children under age five is based on anthropometry measures; that is, stunting, underweight, and wasting. A child is identified as "stunted", "underweight", or "wasted" if height-for-age, weight-for-age, and weight-for-height "z-scores[28]" are more than two standard deviations below the 2006 World Health Organization (WHO) Child Growth Standard medians for these measures.

Child stunting is a major child health problem for both hosts and refugees, but stunting rates are largest for refugee children. Stunting is the impaired growth and development children experience from poor nutrition, inadequate maternal health, and repeated infection during the critical first 1,000 days of a child's life. Stunting has long-lasting consequences such as impaired cognitive development, health issues,

[28] z-scores are calculated as (X-m)/SD, where X is child height, weight or age, m and SD are the mean and standard deviation value of the distribution corresponding the reference population (2006 WHO Child Growth Standards).

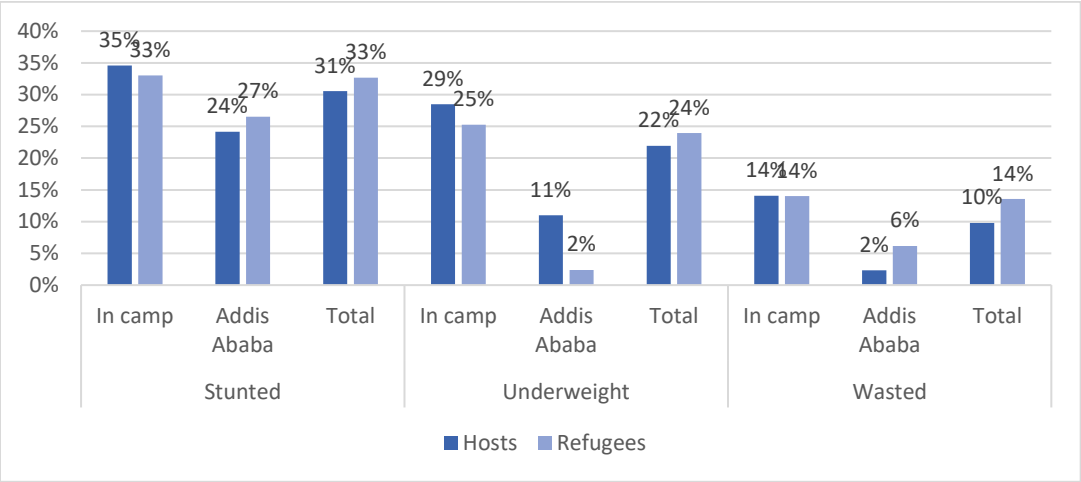
increased mortality, and reduced earning potential in adulthood. SESRE results show high stunting rates for both hosts and refugees, with regional differences. The prevalence of stunting is higher among Eritrean refugees (52 percent) and their hosts (43 percent), followed by Somali refugees (47 percent) and their hosts (37 percent). Children in the South Sudanese domain show the lowest stunting rates, yet 26 percent of refugees and their host children are too short for their age. Children in Addis Ababa have lower shares of stunting, but stunting rates are still high for OCP refugees (27 percent) and their hosts (24 percent) (Annex D, Table D.6). Overall, stunting rates are higher for boys than girls among both refugees and hosts (Annex D, Figure D.9), which is also confirmed by studies using the demographic and health survey in Ethiopia (Tasic et al., 2020; Gebreegziabher and Regassa, 2019; Gebru et al., 2019).

Being underweight is another large challenge related to nutrition among children under age five in Ethiopia. In-camp refugees and hosts have a higher percentage of underweight children (25 and 29 percent) compared to OCP refugees and hosts (2 and 11 percent). Across refugees, the proportion of underweight children is higher among Eritrean and Somali refugees compared to their hosts. At the same time, it is lower among South Sudanese and OCP refugees compared to hosts. In-camp refugee and host children also suffer from wasting. The percentage of wasted in-camp refugee children (14 percent) is higher compared to OCP refugee children (6 percent). Somali and OCP refugees have a higher proportion of wasted children than their hosts, whereas the wasting rate is lower among South Sudanese refugees compared to their hosts (Annex D, Table D.6).

Refugees in camps have better access to health institutions for child delivery than hosts. Access to healthcare during childbirth is crucial for the health of mothers and newborns. In camps, 87 percent of refugee mothers give birth to children in health institutions (health centers and hospitals), while 75 percent of host mothers give birth in health institutions. As a result, 91 percent of births among in-camp refugees are assisted by skilled health personnel, while the rate is only 77 percent among hosts. For OCP refugees and hosts, more than 90 percent of children are born in health institutions, and all births are attended by professional or trained health workers (Annex D, Figure D.10).

A significant share of both in-camp refugees and hosts have no registration of births for their children. Birth registration provides legal identity for children and ensures protection and access to essential services such as health, education, and justice (UNICEF, 2019). Yet, 51 percent of refugees and 56 percent of host children have no birth evidence (either vaccination card or birth certificate). Availability of birth evidence is better for Somali refugees (67 percent) compared to other refugees and hosts (38 percent). In Addis Ababa, birth documentation is available for over 90 percent of refugee and host children born there (Annex D, Figure D.11).

Figure 2.18: Child nutritional indicators



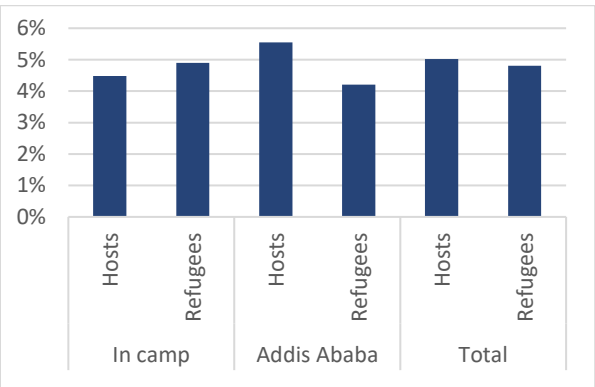
Source: World Bank Staff based on SESRE 2023.

Disability

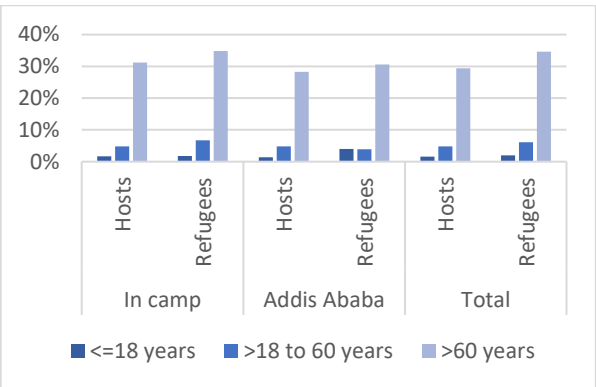
Disability rates are similar for hosts and refugees. The proportion of individuals with a disability[29] is comparable between refugees and hosts, except for Eritrean refugees. The percentage of persons with disabilities is higher among Eritrean refugees (8 percent) compared to hosts (5 percent). At the national level, and estimated 9 percent of the population lives with at least one disability, according to 2016 national survey results (UNICEF, 2018). Disability is more prevalent among elderly refugees and hosts who above age 60 compared to adults and children. Refugees and hosts mainly face disabilities related to seeing, walking, or climbing steps (Annex D, Figure D.13).

Figure 2.19: Presence of any disability

a) Overall



b) By age group



Source: World Bank Staff based on SESRE 2023.

2.4 Living Conditions

Housing differs drastically between refugees and their hosts, with in-camp refugees living in UN or NGO shelters, and refugees in Addis Ababa residing in rented houses. Most Eritrean refugee households (61

[29] At least having difficulty with seeing, hearing, walking, remembering, selfcare or communicating.

percent) live in temporary[30] shelters provided by the UN or NGOs, whereas 50 percent of Somali refugee households and 71 percent of South Sudanese refugee households live in UN or NGO-provided permanent[31] shelters. In Addis Ababa, 97 percent of refugee households live in rented houses. SESRE data also show that OCP refugees pay higher rents than hosts; on average, refugees pay roughly ETB 31,600 per year per adult equivalent, while hosts pay slightly less than half of that (ETB 18,700) (Annex D, Figure D.14). Refugees do not qualify for government housing schemes (such as Kebele housing). OCP refugees thus tend to rent in the private housing market, typically more extensive and better quality, but which increases the cost of renting. High rents are a large challenge for OCP refugees, with rent expenditure taking the highest share of their total non-food expenditure (56 percent), compared to only 37 percent for host households in Addis Ababa.

Figure 2.20: Dwelling type

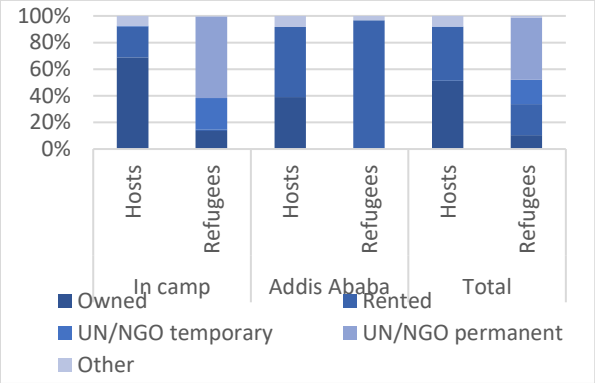
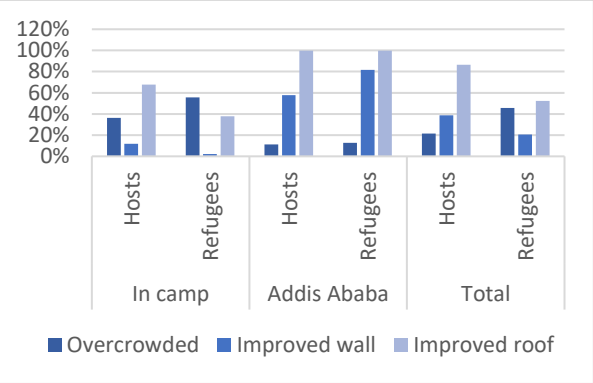


Figure 2.21: Housing quality



Source: World Bank Staff based on SESRE 2023.

Housing quality varies across camps. Housing quality is measured using three indicators: overcrowding, quality of the wall, and roof construction materials. Both in camps and in Addis Ababa, refugee households live in more overcrowded[32] conditions compared to hosts. Overcrowding is highest among Eritreans, with 66 percent of refugee households living in dwellings with more than three people per room. Most in-camp refugees and their respective host households live in homes with low-quality walls,[33] with only 2 percent of in-camp refugee households live in dwellings with an improved wall. In Addis Ababa, the percentage of refugee households living in houses with good quality walls is 82 percent, even higher than hosts at 58 percent. This is related to the fact that refugees cannot access public housing schemes, such as Kebele housing, often of lower quality. Regarding the quality of roofing, more than half of refugee and host households live in dwellings with improved roofs,[34] except for South Sudanese refugees which have 8 percent. Housing conditions in terms of wall and roof construction materials is worst for South Sudanese refugees, none of which live in a house with an improved wall, with only 8 percent of households having an improved roof (Annex D, Table D.7).

[30] Temporary shelters have walls mainly made of tent, plastic cover, and irons sheet.
[31] Permanent shelters have walls mainly made of wood, mud, non-plastered blocks.
[32] Overcrowding occurs when if more than three people live per room (UN-Habitat)
[33] Improved wall is made of stone & cement, blocks-plastered with cement or bricks.
[34] Improved roof is made of corrugated iron sheet or concrete/cement.

Refugees have better access to drinking water compared to hosts since the international community provides water, sanitation, and hygiene (WASH) services. The share of in-camp refugee households with access to safe drinking water[35] is higher than for host households. This is not surprising considering that the international aid sources prioritize access to drinking water when setting up camps. South Sudanese hosts have relatively lower access to safe drinking water. Despite good access to drinking water in camps, the proportion of in-camp refugee households with improved bathing facilities[36] is low, especially among Somali refugees and their hosts. In addition, few refugee and host households have a place or item designated for hand washing in their dwellings. Availability of water or detergent for hand washing is low, especially among refugees (Annex D, Figure D.15). Regarding rented homes, OCP refugee households live in houses with better bathing facilities (82 percent) than hosts (66 percent). Also, around 80 percent of refugee and host households in Addis Ababa have a place for hand washing, and more than half of refugees and hosts have water or soap.

Figure 2.22: Access to drinking water and hygiene

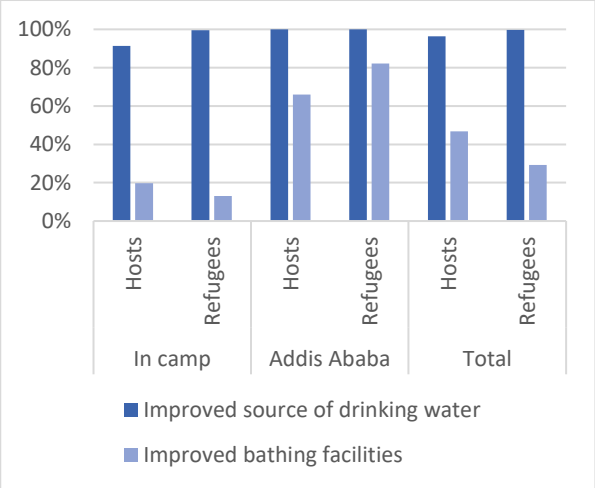
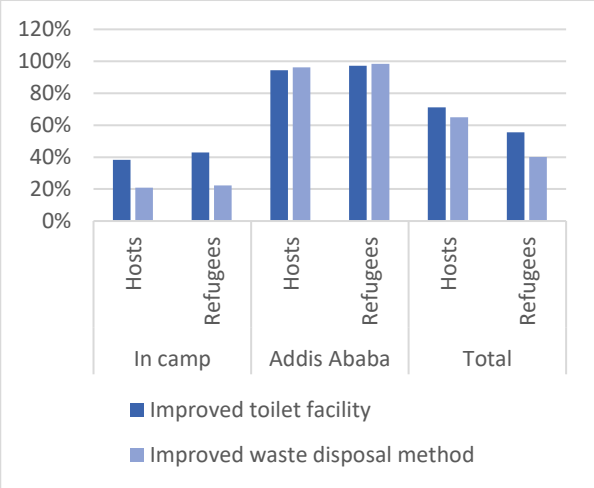


Figure 2.23: Access to toilet facility and waste disposal



Source: World Bank Staff based on SESRE 2023.

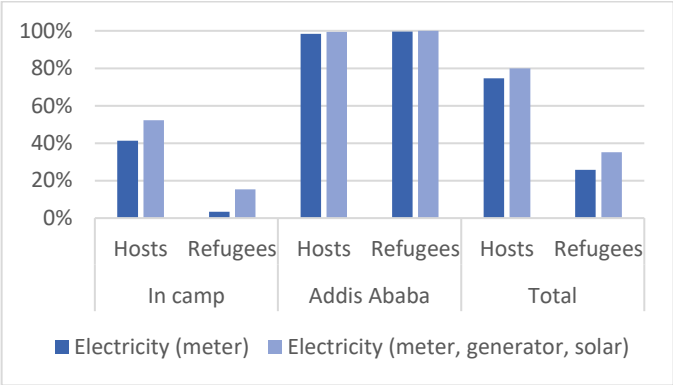
Refugees' access to improved sanitation facilities is similar to hosts. Refugees' access to improved toilet facilities[37] is the same as hosts, or even better in some cases. Eritrean, Somali, and OCP refugees and their hosts have similar toilet facilities. Even though the percentage of households with access to improved toilet facilities is lower among South Sudanese refugees than other refugees, it is higher compared to their hosts. Moreover, refugees have higher access to improved waste disposal methods[38] than hosts.

Both refugee and host households have low access to electricity, except for hosts of Eritrean refugees. Hosts around Eritrean refugees have better access to electricity (meter private or shared) for lighting (74 percent). The use of solar energy is common among Eritrean refugees, with 78 percent of Eritrean refugee households get lighting from solar energy. Almost all South Sudanese refugee households have no access

[35] Improved sources of drinking water are piped, bottled, sachet, or tanker water.
[36] Improved bathing refers private or shared bathtub, shower, separate room for bathing.
[37] Improved toilet facility includes toilets flush to septic tank/pit latrine/piped sewer system, pit latrine with slab, or composting toilet.
[38] improved waste disposal refers waste not thrown to field or yard, into river and burnt.

to electricity either from meter or solar sources. All refugees in Addis Ababa use electricity for lighting, similar to their hosts.

Figure 2.24: Source of lighting



Source: World Bank Staff based on SESRE 2023.

3 Jobs and Livelihoods

This chapter presents findings on labor market outcomes and livelihood choices of refugees and hosts. It discusses how sociodemographic characteristics such as age, gender, education level, and location of residence relate with labor market outcomes.

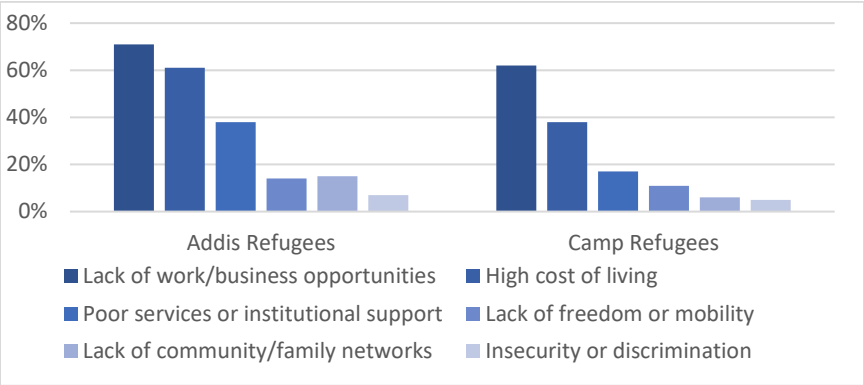
Ethiopia has experienced steady economic growth for much of the last two decades, but even before the country's concurrent crises, economic growth did not transform the labor market structure. Between 2004 and 2020, Ethiopia's GDP annual growth averaged 10 percent, helping to reduce the poverty by about ten percentage points. But during this period, the distribution of workers across sectors and geographies shifted very little. According to newly released 2021 Labor Force Survey (LFS) data, about 80 percent of Ethiopians live in rural areas, where roughly 75 percent work in agriculture. In urban areas, approximately 70 percent of people work in services. Nationally, self-employment accounts for about half of jobs, with unpaid family work second most common and wage work a distant third. Again, the urban context is different: wage employment is prevalent but often poorly paid.

Over the last decade, negative repercussions from the concurrent overlapping crises have threatened this marginal progress. In 2020, the COVID pandemic closed markets, albeit relatively briefly, and this immediately decreased job opportunities. While most reentered the labor market, many changed their work situation, and some permanently exited the workforce or reduced working hours.

At the same time, more and more people—rural women in particular—are unemployed or out of the labor market altogether. Nationally, unemployment doubled between 2013 and 2021, and it tripled in rural areas. Women and youth both saw particularly sharp increases in unemployment. There was also a decrease in the labor force participation rate (LFPR), from 86 percent in 2013 to 74 percent in 2021, following a long period of steady LFPR in the two previous LFS surveys. Like for unemployment, LFPR was much more affected in the rural labor market, and these trends are particularly striking for women.

Within this challenging context, vulnerable populations—including refugees—face unique barriers to accessing quality work. On average, rural women, urban youth, people with disabilities, and rural-urban migrants are more likely to be inactive and less likely to have improved their livelihoods over the last two decades. In this context, it is unsurprising that refugees cite "lack of economic opportunity" as one of their most critical challenges. In all domains, when refugees are asked to list the top three challenges they face as refugees in Ethiopia, the most common responses are lack of work or business opportunities and high cost of living. To refugees, these are much more important than poor services, lack of community networks, or insecurity and discrimination. This highlights the severity of the labor market challenges refugees face in Ethiopia.

Figure 3.1: Top 3 difficulties with being a refugee



Source: World Bank Staff based on SESRE 2023.

Inclusion, rather than marginalization, can benefit both refugees and host communities. Defining development approaches and better situating them within the agenda of international protection and national, regional, and local development plans can enable refugees and their hosts to fulfill their potential. Development approaches are most successful when they focus on building self-reliance—including offering refugees secure terms of stay, mobility to access better economic opportunities, and access to the labor market—and supporting refugees' pursuit of economic opportunities while simultaneously supporting refugee-hosting communities (Betts et al., 2014; Clements et al., 2016; Krause and Schmidt, 2020).

Refugees endure trauma and loss of assets and livelihoods resulting from their flight. Stabilizing their livelihoods, improving their economic opportunities, and placing them on a path of self-reliance can help refugees overcome these conditions and avoid short-term survival strategies that have negative long-term consequences, such as putting children to work, early marriage of children, or selling remaining assets (World Bank, 2017). Development approaches enabling and incentivizing refugees' self-reliance can improve refugee outcomes and reduce the burden on host communities by reaping economic benefits from refugees' presence.

Refugees are forced to suddenly leave their countries and settle in foreign lands without necessarily selecting their destination or having favorable employment prospects. Compared to economic migrants, refugees often arrive without connections to employers or time to invest in applicable human capital, language, or other skills (Brell et al., 2020). Nonetheless, many refugees have valuable skills and experience to contribute to local economies (World Bank, 2023; Lebow, 2023). Strengthening refugees' human capital during displacement—that is, strengthening their skills, knowledge, and experience and the ability to apply them in the host country setting—is essential to enable refugees to realize their potential, become productive members of society, and achieve self-reliance.

Upon arriving in the host country, the first few years have an outsized effect on economic opportunities and wages. Enabling refugees' labor market participation from a very early stage is critical to achieving positive long-term integration as it limits long-term scarring effects, such as long-term unemployment or inactivity (Fasani et al., 2022; Slotwinski et al., 2019). Refugee employment after arrival depends on policies in the host country concerning work permits and mobility (Fuller, 2015; World Bank, 2017). On

the other hand, arrival of refugees may have a complex range of positive and negative effects on local labor markets in host communities, including on sectoral employment, wages, and prices. Studies in Ethiopia show that refugees may decrease employment among hosts in rural areas (Ayenew, 2021), while other studies find no effect on employment and increases in consumption (von der Goltz, 2023) and product diversification and livestock sales (Walelign et al., 2022) as refugees increase consumer demand for agricultural products, with variations in effects across the different regions of Ethiopia.

Most refugees in Ethiopia do not move to locations with better economic opportunities and live in camps. About 88 percent of refugees in Ethiopia are living in camps, where they cannot take advantage of economic opportunities to be self-reliant and thereby improve their economic opportunities to reduce their dependence on support from their hosts and the international community (World Bank, 2017). Denying refugees mobility to settle where they would like comes at a cost, as the choice of location within the host country affects refugees' labor market outcomes. Placing refugees in areas of lower economic opportunity while unable to relocate to better areas makes it hard for them to work (Azlor et al., 2020; Eckert et al., 2020; Fasani et al., 2022). Therefore, development approaches promoting refugees' mobility to where economic opportunities are highest are most likely to contribute to local economies.

While the GoE has made commendable steps towards granting refugees the right to work, most refugees do not have work permits for wage or self-employment. Technically, refugees in Ethiopia have a right to participate in the labor market. However, this has not been implemented in practice due to a lack of clarity on what "most favorable treatment accorded to foreign nationals" means. Though progress is made by clarifying the legal framework and issuing work permits for different employment pathways, such as for joint projects, wage-employment, and self-employment (see Annex B for details on pathways of employment), few refugees have obtained work permits or business licenses. Instead, refugees typically work in the informal sector in surrounding communities or the camps., this may include selling aid rations on the local market, informal trade, and economic exchange, or working for local NGOs and UN agencies (ReDSS, 2018). Extensive research has shown that not being able to enter local labor markets legally is detrimental to refugees' ability to earn for their families, and for them to find an occupational match that maximizes the benefits they contribute to Ethiopia (World Bank, 2023).

Box 3.1: Eritrean refugee sample in the SESRE

Because of conflict, the SESRE data collection could not include refugees in the Tigray region in Ethiopia, where most Eritrean refugees were hosted before the conflict. Since outbreak of the conflict in November 2020, many Eritrean refugees moved to Addis Ababa, and many fled from the Mai Ani and Adi Harush refugee camps in Tigray to the newly established refugee hosting site of *Alemwach*, Dabat in the Amhara region. Between February and July 2022, over 15,000 refugees relocated from the Tigray camps to *Alemwach*, and an additional 7,000 refugees were resettled in November 2022 following the cessation of hostilities (UNHCR, 2022).

Before the conflict, 64 percent of all Eritrean refugees were hosted in camps in Tigray and 36 percent in camps in Afar (UNHCR, 2020b). Refugees going to either Tigray or Afar are distinct culturally and linguistically. Eritrean refugees in Afar are Muslim and speak Afar, as do the Ethiopian hosts in Afar. Many Eritrean refugees in Tigray—and thus the ones who moved to Amhara during the conflict—are Orthodox Christians and speak Tigrinya. The SESRE sample, therefore, includes in-camp Eritrean refugees in two regions: Afar (216 households) and Amhara (216 households). This means that Eritrean refugees in Amhara, representing half of the Eritrean refugee sample, were displaced from Tigray only a few months before the SESRE was implemented, thus have had less time to

integrate into the surrounding community and labor market. Among Eritreans in Afar and Amhara, the share working is 43 percent and 9 percent, respectively. Among workers, Eritreans in Amhara are three times as likely to work for NGOs or RRS, and very few work outside the camp.

Ethiopia relies on a camp-based model, with 88 percent of refugees hosted in camps. As outlined, in-camp refugees generally do not have work permits or business licenses and largely depend on work inside the camp or informal work outside the camp. On the other hand, the GoE introduced an out-of-camp policy (OCP)[39] in 2010 that provides refugees the opportunities to live in Addis Ababa and different non-camp locations of their choice. Roughly 71,000 Eritreans were under the OCP regime as of 2022, with over 90 percent living in Addis Ababa. In practice, most of those approved for the OCP have family and friends in Ethiopia who support them with remittances—fewer than 1,500 OCP work permits were issued by 2022. The permit allows refugees to freely move and establish residence in all areas of the country except restricted areas.

OCP refugees are systematically different from in-camp refugees, as seen in their livelihood strategies. Therefore, the remainder of this chapter divides the analysis between in-camp refugees and OCP refugees.

Box 3.2: OCP Refugees under the Amnesty Program

During the conflict in Ethiopia's Tigray region, many Eritreans fled Tigray and moved to Addis Ababa without OCP documentation. Given the needs, Ethiopia's Refugee and Returnee Service (RRS) implemented an "amnesty" program, providing OCP documents to all refugees who came to Addis Ababa after November 2020. Between November 2020 and 2022, approximately 43,000 Eritreans migrated to Addis Ababa. These represent 27 percent of Addis Ababa refugees in the SESRE sample.

The Eritreans who migrated after November 2020 are slightly less educated and, given they have had less time to integrate into the Addis Ababa labor market, are less likely to be employed (10 percent relative to 19 percent for Eritreans who came before November 2020). These households are also more likely to rely on remittances as their primary source of income. Throughout this chapter, we will keep Eritreans who arrived to Addis Ababa before and after November 2020 combined for analysis.

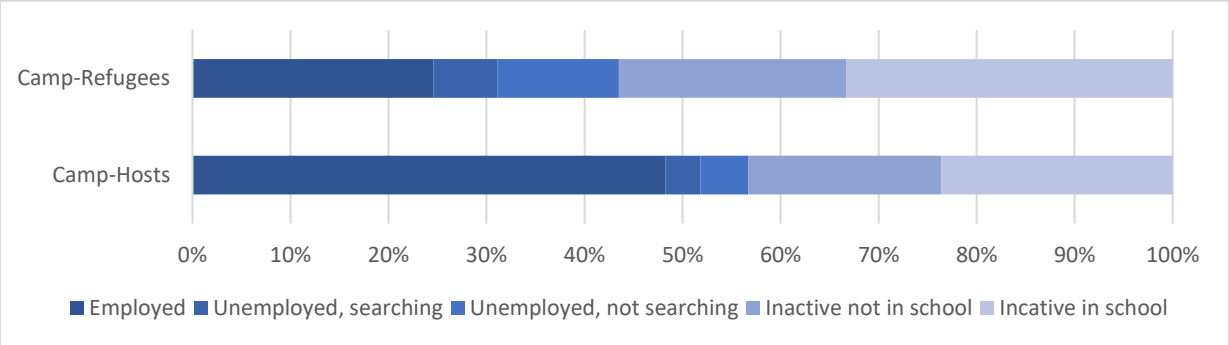
3.1 Labor market outcomes of in-camp refugees and their hosts

In-camp refugees have high inactivity rates (not working or unemployed) and low labor force participation. Table 3.1 shows that only 31 percent of all in-camp refugees aged 15-64 **"**participated" in the workforce (in the week before the survey), meaning they were employed or available to work and actively searching (strict unemployment). This compares to 52 percent for hosts. This figure increases to 43 percent for refugees and 57 percent for hosts if you include all available to work regardless of whether they are searching (relaxed unemployment). The remaining 57 percent of refugees are inactive, and just over half are currently in school, leaving 23 percent of refugees neither working nor studying, compared to 20 percent of hosts.

[39] For a more detailed description of OCP see Box 3.2.

In-camp refugees have high unemployment rates relative to hosts. Figure 3.2 shows that only 25 percent of in-camp refugees performed paid work in the week before the survey, compared to 48 percent for hosts. At the household level, only 54 percent of refugee households have any workers, relative to 86 percent for hosts. The strict unemployment rate is 21 percent for refugees and 7 percent for hosts, while the relaxed unemployment rate is significantly higher at 43 percent for refugees and 15 percent for hosts. Across camp domains, Eritreans have the highest rate of relaxed unemployment at 55 percent, while it is 45 percent and 40 percent for Somalis and South Sudanese, respectively. South Sudanese have the highest rates of inactive workers remaining in school, reflecting that they have a younger population and that more young adults stay in school (mainly primary) after age 15.[40]

Figure 3.2: Work status



Source: World Bank Staff based on SESRE 2023.

Table 3.1: Labor force statistics

	Camp-Hosts	Camp-Refugees
Labor force participation rate (strict)	52%	31%
Unemployment rate (strict)	7%	21%
Labor force participation rate (relaxed)	57%	43%
Unemployment (relaxed)	15%	43%
Employment-to-population ratio	48%	25%

Source: World Bank Staff based on SESRE 2023.

Note: Labor force participation ratio is the share of working-age people who are engaged in the labor market, either employed or unemployed. Unemployment is the share of people participating in the labor force who are not employed. The "relaxed" definition of labor force participation includes anyone who is available to work. The "strict" definition of labor force participation includes only those who are available to work and also actively searching for work. Employment-to-population ratio is the share of working-age people who are employed.

Working in-camp refugees tend to work in lower-skill jobs than hosts, and many rely on employment with NGOs, international organizations, and RRS. In-camp refugees are more likely than surrounding hosts to be self-employed (71 percent) or work in private households (6 percent), and 15 percent rely on work with NGOs, international organizations, or RRS.[41] Refugees are less likely to be in high-skill

[40] Refer to the Annex D Table D.8 for statistics broken down by survey domains.

[41] In Ethiopia, in-camp refugees can work as incentive workers, with standardized pay scales according to their skills, in different organizations, including RRS, a government entity. Thus in-camp refugees who indicated that they work in the public sector were assumed to be incentive workers under RRS.

occupations, which include managerial or professional jobs (based on ISCO-2008 classifications), and more likely to be in elementary occupations, crafts, and services. This largely reflects the fact that in-camp refugees have lower education than hosts. Notably, refugees are much less likely to work in agriculture, even though many households previously relied on agriculture in their home country, reflecting refugees' lack of access to land.

Figure 3.3: Work type

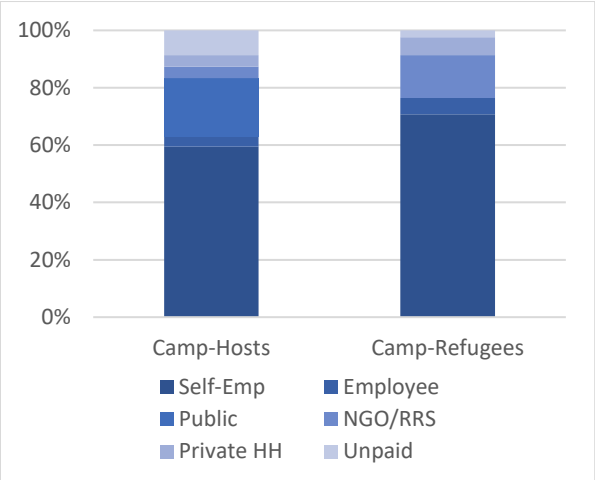
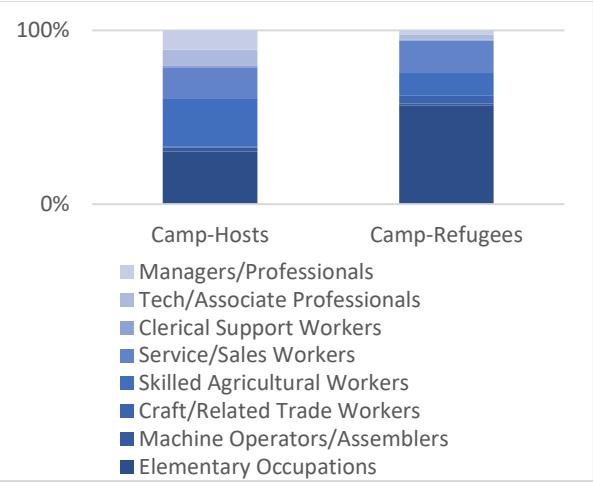


Figure 3.4: Occupation



Source: World Bank Staff based on SESRE 2023.

These patterns mask important variations across refugee domains. While the share of in-camp working refugees does not vary by country of origin, Eritrean refugees are more likely to work in crafts and related trades (49 percent; see Annex D, Figure D.18). South Sudanese refugees are likelier to be in elementary occupations (77 percent). As a result, Eritreans concentrate more in the industrial sector and less in services. Somali refugees stand out because they work more in services and sales (29 percent) and skilled agricultural (24 percent) with higher livestock ownership relative to other domains. Somalis are also more likely to work for private households, including household services, construction, and agricultural work.

Figure 3.5: Work status by gender

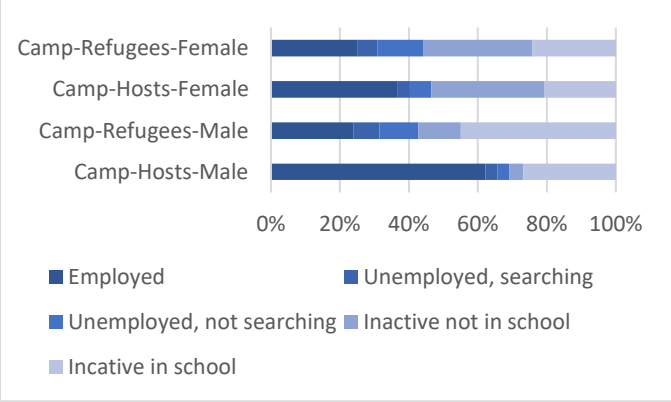
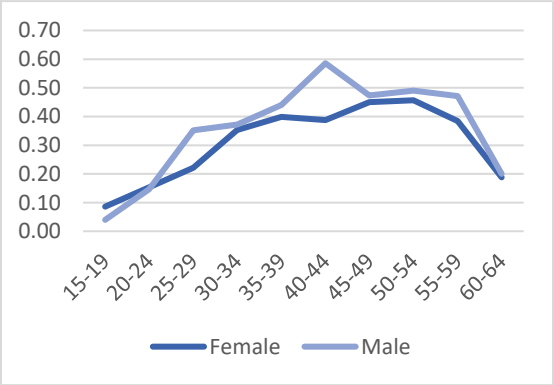


Figure 3.6: In-camp refugee share employed by age

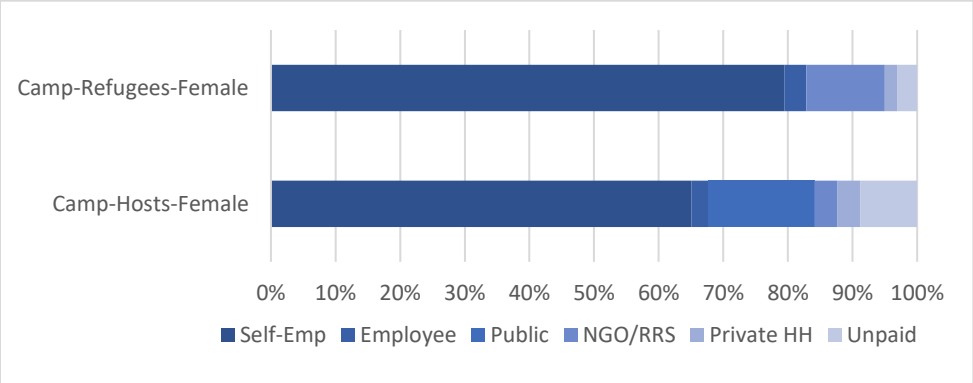


Source: World Bank Staff based on SESRE 2023.

Female refugees have high employment rates relative to male refugees of all ages and make a critical contribution to refugee household incomes. Figure 3.5 shows that, on average, in-camp refugee women

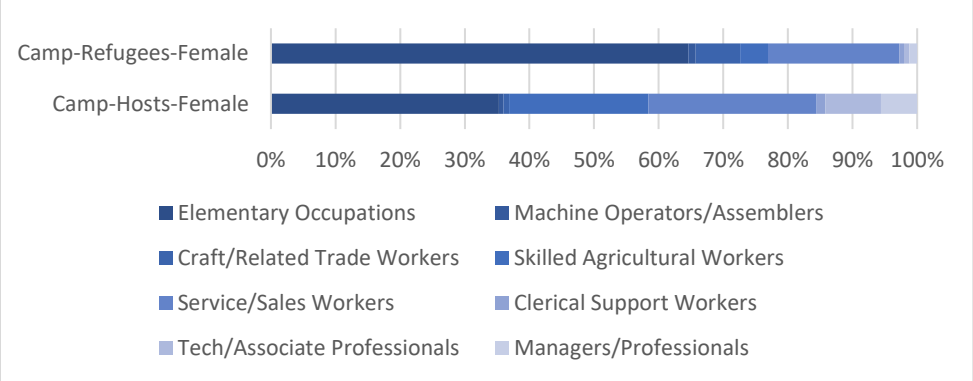
and men are equally likely to be employed (around 25 percent), while among hosts, men are twice as likely to be employed (62 percent compared to 37 percent for women). Like men, refugee women are more likely than host counterparts to be self-employed and less likely to be in high-skill occupations.

Figure 3.7: Female work type



Source: World Bank Staff based on SESRE 2023.

Figure 3.8: Female occupations

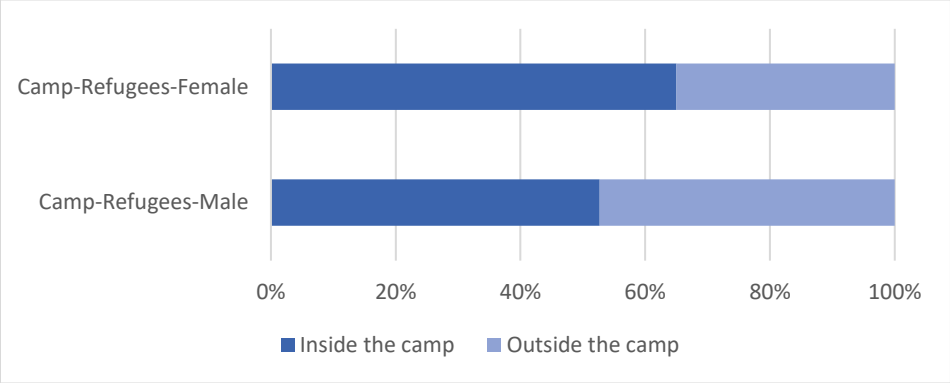


Source: World Bank Staff based on SESRE 2023.

Despite not having work permits, many in-camp refugees work outside the camps, which presents many more income-generating opportunities than working in camps. On average across refugee camps, 40 percent of working refugees work outside the camp. This rate is 42 and 44 percent in Somali and South Sudanese camps, respectively. It is only 10 percent for Eritrean refugees, but this low number is a result of the Amhara camps, where refugees were more recently displaced due to the conflict in Tigray; in Amhara, the rate is 5 percent relative to 34 percent in Afar. Out-of-camp work is primarily a mix of elementary occupations, skilled agricultural work—especially among Somalis, for whom it accounts for 51 percent of work outside the camp—and, to a lesser extent, services and sales. As the next section shows, these workers earn much more than inside the camp, highlighting the greater income-generating opportunities outside the camp. This demonstrates the importance of allowing refugees to work outside of camps to support their self-reliance; access to the labor market outside of camps is a critical element of sustainability—both financially and socially—to reduce dependence on host government assistance (World Bank, 2023). Finally, Figure 3.9 shows that, while women are less likely than men to work outside

the camps, they still do so at relatively high rates—35 percent of working women work outside of camps, compared to 47 percent of men.

Figure 3.9: Refugee work location



Source: World Bank Staff based on SESRE 2023.

Not only are refugees less likely to work, but those who do also have lower earnings than hosts. Figure 3.10 shows that, on average, camp-based refugees' hourly earnings are 57 percent lower than hosts' hourly earnings, and this gap is higher for women at 68 percent. For both men and women, the hourly earnings gap is largest in the South Sudanese domain (77 percent) and lowest in the Somali domain (52 percent). Because refugees work fewer hours on average, the average monthly earnings gap is even larger at 62 percent.

Figure 3.10: Hours per week

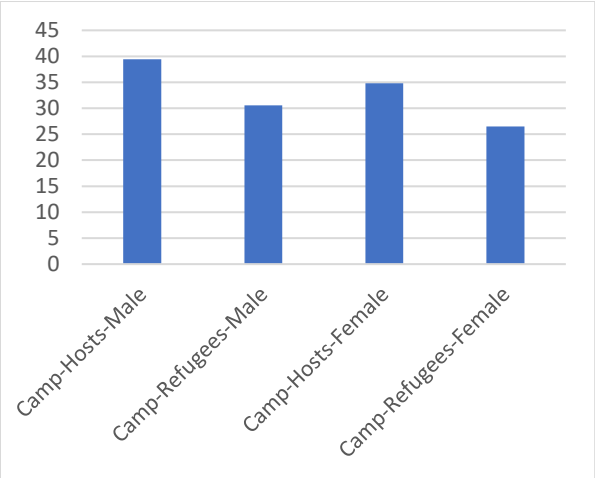
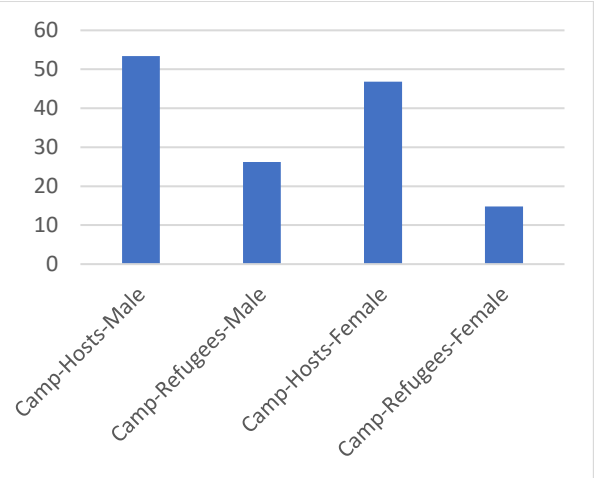


Figure 3.11: Hourly earnings



Source: World Bank Staff based on SESRE 2023.
Note: Hourly earnings are past-month earnings in the main occupation in Birr divided by the typical hours worked in a month over the past year.

Lower wages for refugees are not explained by differences in education, demographics, occupation, or sector. We can demonstrate this statistically by using a regression analysis to compare the earnings of refugees and hosts and how this wage gap changes after adjusting for the effects of demographic and job characteristics. Column 1, Annex D, Table D.9 shows that, after controlling for the domain, monthly

earnings is 70 percent lower for refugees than for hosts. After controlling for age, gender, and education in Column 2, this earnings gap remains at 64 percent. This means that, after adjusting for any differences explained by age, gender, and education, refugees still earn significantly less than hosts. Column 3 indicates that refugees face this same earnings gap even after adjusting for differences explained by occupation and industry. Only after restricting the analysis to refugees who work only outside the camp does this wage gap fall to 41 percent, indicating that policies to allow refugees to work outside the camp are crucial for improving refugees' ability to generate income, though they still face significant disadvantages in the labor market even after adjusting for their age, gender, and education.

Compared to hosts, camp-based refugees' employment depends little on education and increases less with age. Among hosts, those who completed secondary are much more likely to work across all ages, while people who completed primary are more likely to work if they are older; among hosts who completed primary education, the share who are employed rises to 89 percent by age 45-54 compared to 69 percent for hosts without primary. However, for refugees, employment does not depend on education. Similarly, employment increases dramatically with age for hosts in all education groups, but this is less the case for refugees. A regression analysis (Appendix D Table D.10) confirms these patterns after controlling for country of origin, gender, and years spent in Ethiopia – hosts enjoy greater increases in earnings as they age or if they are better educated compared to in-camp refugees. This may partly explain why many refugee households are unwilling to send their children to school, as highlighted in Chapter 2.

Figure 3.12: Share employed by age – camp refugees

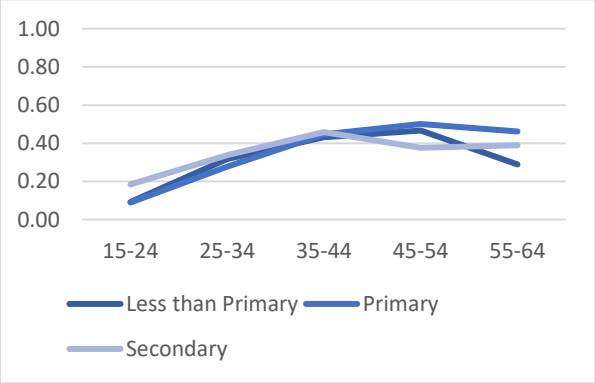
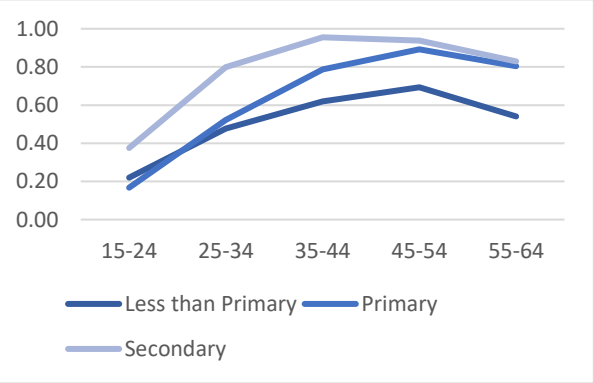


Figure 3.13: Share employed by age – camp hosts



Source: World Bank Staff based on SESRE 2023.

Education and experience are also more associated with working in a high-skill occupation for hosts than for refugees, though there is a positive relationship between refugee education and working in a high-skill occupation. Regression results (see Annex D, Table D.10) also confirm that, for hosts, older and more educated people are, in addition to having higher monthly earnings, more likely to work in a high-skill occupation (managerial or professional occupations). For refugees, older and more educated people are no more likely to work outside the camp. Yet, refugees with higher levels of education are more likely to be in a high-skill occupation when they are able to find work.

Only refugees working outside of camps start to see earnings improve with schooling. Working outside the camp is associated with a 42 percent increase in earnings. Most importantly, the relationship between completing secondary and post-secondary schooling and wage earnings becomes significant only when

the refugee sample is restricted to workers outside the camps (see Annex D, Table D.10). This indicates that refugees only benefit from education and are incentivized to invest in education if they can access work outside the camps. This highlights the importance of refugees' access to the labor market without restrictions, particularly outside the camps, as a critical component to achieving positive long-term effects.

Refugee outcomes in the labor market do not improve over time in Ethiopia. Annex D, Table D.10 also shows that, after adjusting for domain and demographic characteristics, there is a slight increase in the probability of working for each year that a refugee is in Ethiopia, by around one percentage point per year, but no change in the likelihood of being in a high-skill occupation, likelihood of working outside the camp, or in monthly earnings.

Agriculture is an important source of livelihood for host households, but refugee households have low agricultural holdings, reflecting their inability to own land legally. Refugee households are less than half as likely as hosts to report an agricultural holding with crops (19 percent versus 41 percent of host households, Figure 3.14). Refugee livestock ownership is similarly low (22 percent of households own livestock versus 48 percent for host households) but average livestock ownership is higher for Somali households (41 percent) (Figure 3.15).

Figure 3.14: Household owns crops

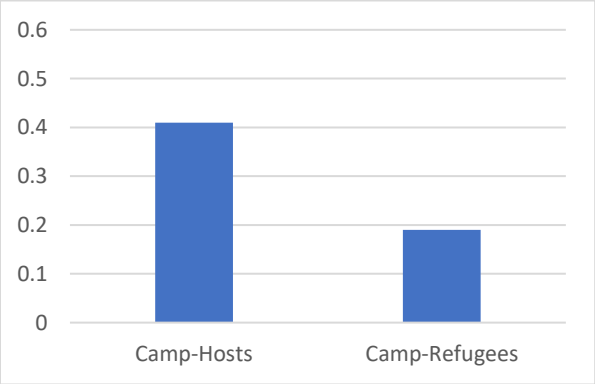
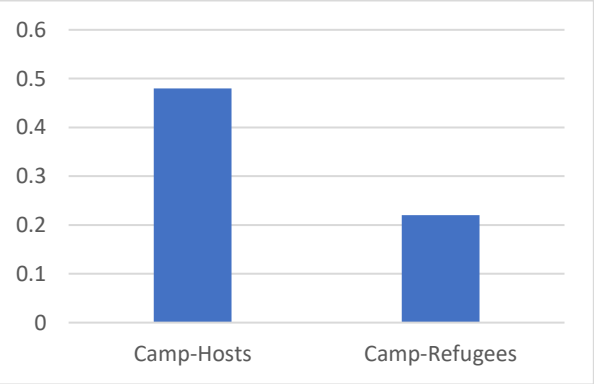


Figure 3.15: Household owns livestock



Source: World Bank Staff based on SESRE 2023.

When refugees own livestock, the value and flock size of this livestock is low. Somali refugees mostly own sheep, goats, and donkeys, and compared to Somali hosts, they have smaller flock sizes and lag them in terms of cattle ownership. As Figure 3.17 shows, the lower value of livestock in refugee households also reflects lower reported monetary value of equivalent livestock (per Tropical Livestock Unit). For the most part, however, it reflects the lower value of the type and number of livestock refugees own.

Figure 3.16: Total value of livestock

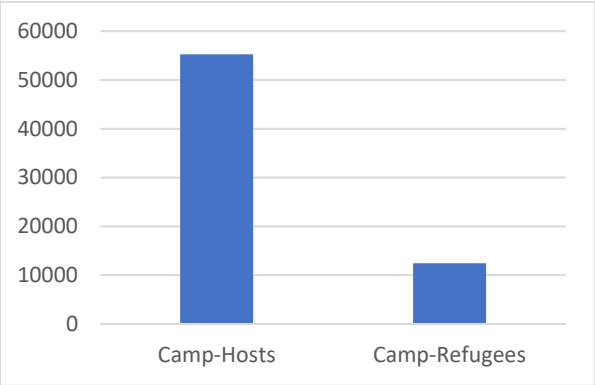
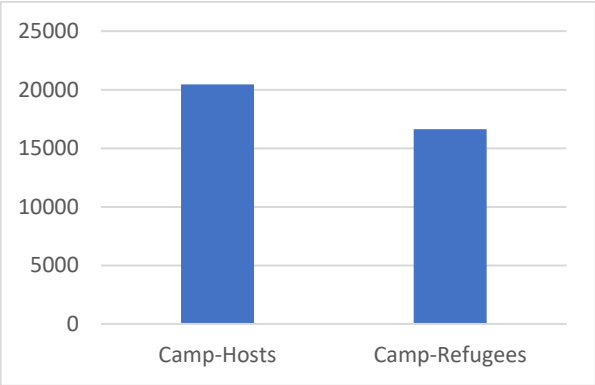


Figure 3.17: Value per tropical livestock unit



Source: World Bank Staff based on SESRE 2023.

In Eritrean and Somali camps, refugees and hosts report a similar rate of non-farm business ownership; but the value of productive assets in refugee businesses is low, indicating they are primarily small-scale and low-income. The exception is Somali refugees, partially driven by ownership of animal-drawn carts. Across all domains, refugees have a lower value of productive assets such as farming tools and construction equipment. They are also less likely to own commercial cars, motorcycles, or *Bajaj*, a cause of a significant portion of the gap in total value of assets between refugees and hosts.

Figure 3.18: Household has non-farm business

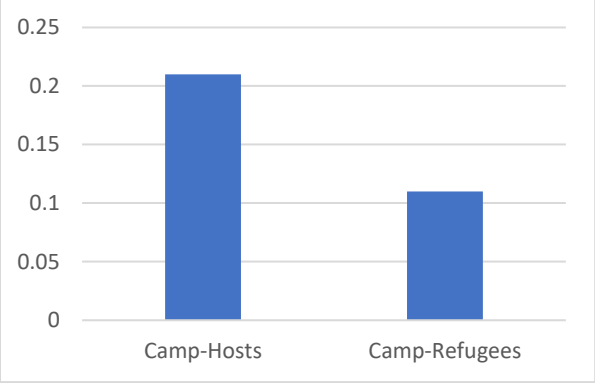
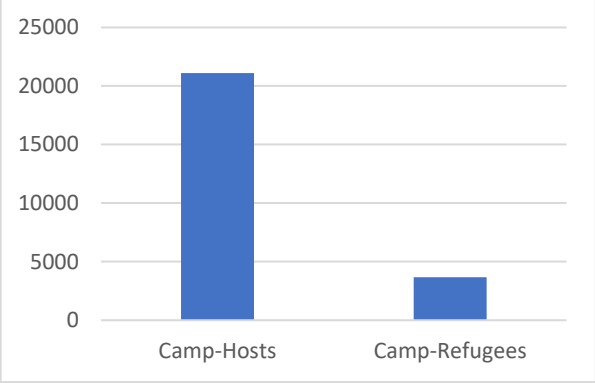


Figure 3.19: Value of productive assets among households with non-farm business

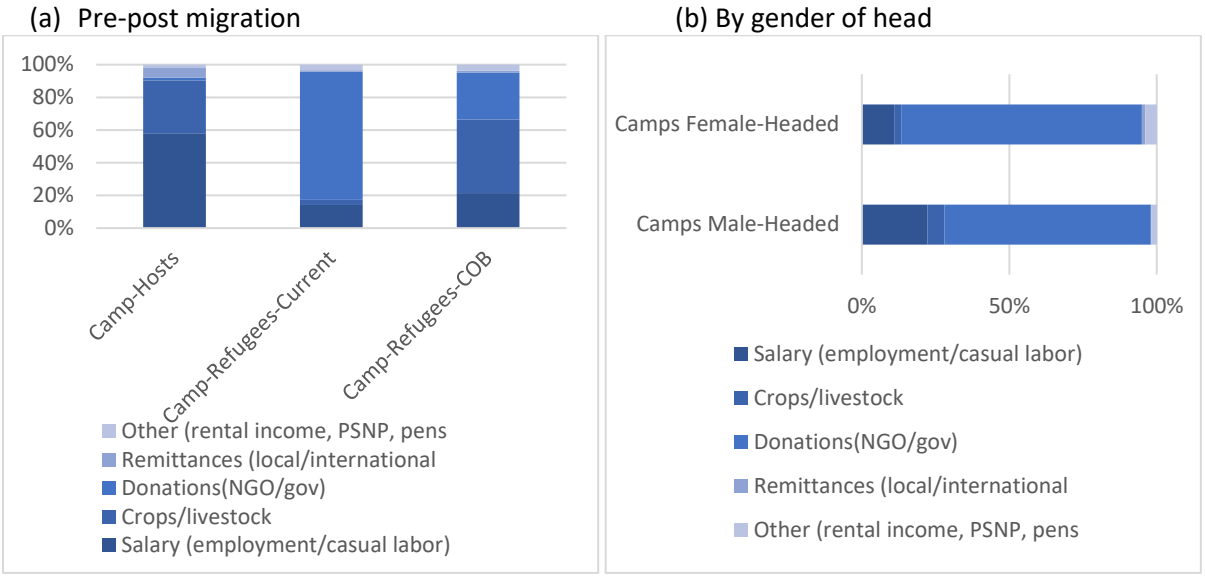


Source: World Bank Staff based on SESRE 2023.
Productive assets include the subset of assets with production value, such as farm tools and water pumps, sewing and building equipment, and commercial cars. Outliers are treated, and values are adjusted for inflation.

With low employment rates, earnings, and value of household income-generating activities, in-camp refugee households rely heavily on aid. Expanding refugee access to agricultural land, livestock, and legal work outside of camps are vital for refugees to maintain their livelihoods without depending on donations. On average, 78 percent of in-camp refugee households report that NGOs or government donations are their primary source of income (Figure 3.20), increasing to 88 percent for South Sudanese households. On the other hand, their host counterparts rely most on employment, and 32 percent rely on agricultural income compared to only 3 percent of refugee households. This contrasts with refugees' previous

livelihoods in their country of birth, where they relied on traditional income sources, especially agriculture and remittances, along with a smaller amount of aid.

Figure 3.20: Household primary income source



Source: World Bank Staff based on SESRE 2023.
Note: "COB" refers to livelihood strategies in their country of birth.

Reliance on aid is even larger for female-headed households, which are larger and have more children. While female refugees have comparable employment rates to men, they are more likely to work in elementary occupations, more likely to work inside the camp, and earn substantially lower hourly earnings. Female-headed refugee households are half as likely to rely on salary as their primary source of income (11 versus 22 percent for male-headed households) and instead rely more on aid and donations (Figure 3.20b). Female-headed households are also larger, on average, and have more children under age 15, highlighting the importance of creating livelihoods opportunities for these households.

As with labor market outcomes, household reliance on donations improves little over time in Ethiopia but improves once a household member works outside the camp. The regression in Annex D, Table D.11 shows that, after adjusting for household demographic characteristics and education, households with at least one member working outside the camp rely much less on donations as the primary source of income—specifically, 8 percentage points less overall and 34 and 18 percentage points less in Eritrean and Somali camps, respectively. There is little benefit to working outside the camp to reduce aid reliance in South Sudanese households. On the other hand, years spent in Ethiopia are only associated with a gradual decrease in dependence on donations, with only a 1 percentage point reduction for every year spent in the country.

The lack of employment outcomes contrasts with other refugee-hosting countries in East Africa, highlighting the lack of labor market access for Ethiopian refugees. Evidence suggests that refugees arrive in Uganda with few assets, in a state of high poverty, and with similarly low employment rates. However, unlike Ethiopia, employment rates for refugees in Uganda improve over time, approximately doubling after

five years or more (World Bank, 2023b). Uganda is also notable for providing work rights to refugees in practice (Ginn et al., 2022).

Box 3.3: Refugee Vocational Training and Cooperatives

Refugees across all regions of Ethiopia have benefited from livelihood training interventions provided by RRS, domestic and international NGOs, and humanitarian organizations. For example, the Ikea Foundation, through UNHCR, invested around US$100 million in the Dollo Ado camps in Somalia between 2012 and 2019. Much of this funding supported economic development and livelihood opportunities for refugees and the host community, including creating livelihood cooperatives in agriculture, livestock value chain, energy, firewood, and microfinance (Betts et al., 2020). In the north of the country, UNHCR worked with various partners to provide Eritrean refugees with vocational skills training, tools, and start-up capital for crafts, such as leather products, weaving, and tailoring. UNHCR records indicate that more than 8,000 Eritrean refugees received such training, which could explain the high share of Eritreans working in crafts and related trades in the SESRE. As another example, the German Agency for International Cooperation (GIZ) has a multi-million-dollar program to improve quality and access to vocational training for refugees and Ethiopians across all refugee-hosting regions (Giordano et al., 2021). World Bank programs include the Economic Opportunities Program (EOP) and the Urban Safety Net and Jobs Project (UPSNJP), which provide economic opportunities for Ethiopians and refugees through various social protection and labor market interventions like public works employment and job search assistance.

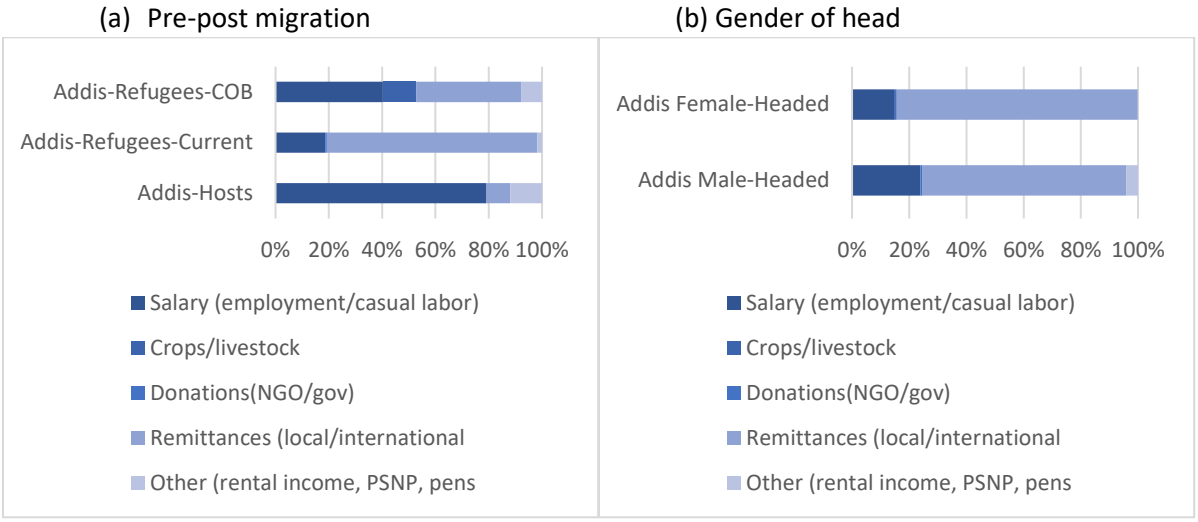
How effective have these livelihoods and vocational training programs for refugees been in Ethiopia? This question is difficult to answer due to lack of consolidated information on programs, the number of beneficiaries, and the economic outcomes of beneficiaries. Case-study evaluations indicate that vocational training programs have helped to increase incomes, diversify income sources, and, in some cases, promote local infrastructure development. However, these income increases are often modest, and trained individuals and cooperatives often fail to become self-sustainable in the long term and continue to rely on external inputs, especially in more remote camps with poor market linkages (Betts et al., 2020; Giordano et al., 2021; Holzaepfel, 2015). This is consistent with the results of the SESRE finding that, despite the scale of livelihood training investments across the country, most working-age refugees still do not work, and most refugee households rely on aid as a primary source of income. Given the protracted nature of refugee hosting in Ethiopia, it is essential to better understand how vocational training programs and cooperatives can become self-sustainable, especially in the more remote border regions with poor market linkages.

3.2 Labor market outcomes of OCP refugees and their hosts

Refugee households in Addis Ababa rely heavily on remittances as their primary source of income. This reflects the fact that the Eritrean OCP refugees who move to Addis Ababa must provide proof of formal employment or guarantor to support them. Figure 3.21a shows that only 19 percent of refugee households in Addis Ababa rely on employment income, compared to 79 percent of hosts. Almost all of the remaining 81 percent of refugees in Addis Ababa rely on remittances. As in the camp domains, remittance reliance is even higher for female-headed households (84 instead of 72 percent for male-headed households). The refugee households in Addis Ababa are also used to relying on remittances; 45 percent relied on remittances even before migrating to Ethiopia, and only 12 percent relied on crops or livestock. This contrasts with the Eritreans in camps, who previously relied primarily on agricultural and labor income, and demonstrates the large differences between Eritrean households that could and could not acquire

OCP status. This, coupled with the finding that OCP refugees have much higher levels of education compared to in-camp Eritrean refugees (as highlighted in Chapter 2), again indicates that OCP refugees were relatively well-off before displacement, and they still have family members or other support systems.

Figure 3.21: Household primary income source



Source: World Bank Staff based on SESRE 2023.
Note: "COB" refers to livelihood strategies in their country of birth.

In line with high reliance on remittances, labor force participation and employment rates among OCP refugees are low, with rates similar for male and female refugees. Table 3.2 presents labor force participation (LFP) data; among those aged 15-64, LFP is 46 percent for refugees and 66 percent for hosts. This increases to 67 and 72 percent when you use the relaxed definition of unemployment, reflecting the large number of OCP refugees who say they are ready to work but are not actively searching. The unemployment rate is an astonishing 63 percent for refugees relative to 12 percent for hosts, and it increases to 75 percent under the relaxed definition. Only 17 percent of OCP refugees work, and 23 percent are inactive and not in school. Female refugees have similarly large rates of inactivity and unemployment, and the total share working is similar to male refugees. Female refugees also have high rates of self-employment relative to female hosts.

Table 3.2: Labor force statistics

	Addis-Hosts	Addis-Refugees
Labor force participation rate (strict)	66%	46%
Unemployment rate (strict)	12%	63%
Labor force participation rate (relaxed)	72%	67%
Unemployment (relaxed)	19%	75%
Employment-to-population ratio	58%	17%

Source: World Bank Staff based on SESRE 2023.
Note: Labor force participation ratio is the share of working-age people who are engaged in the labor market, either employed or unemployed. Unemployment is the share of people participating in the labor force who are not employed. The "relaxed" definition of labor force participation includes anyone who is available to work. The

"strict" definition of labor force participation includes only those who are available to work and also actively searching for work. Employment-to-population ratio is the share of working-age people who are employed.

Figure 3.22: Work status by gender

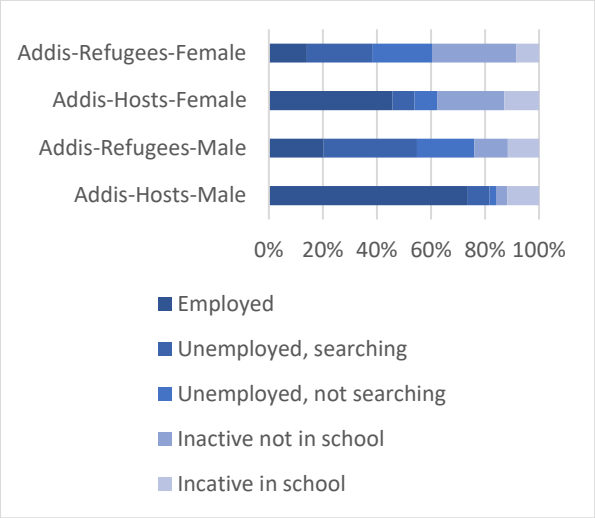
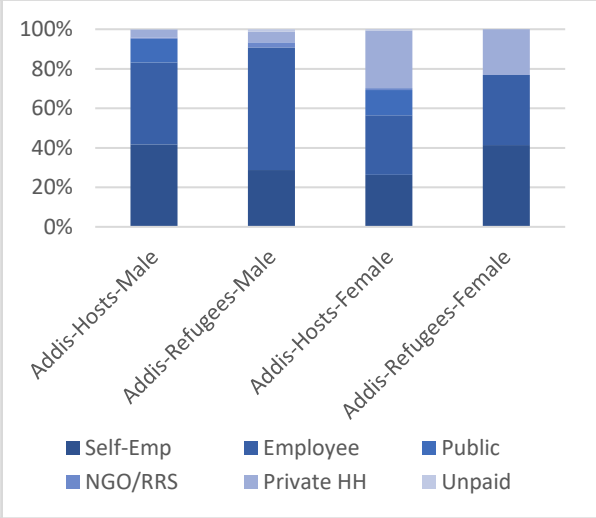


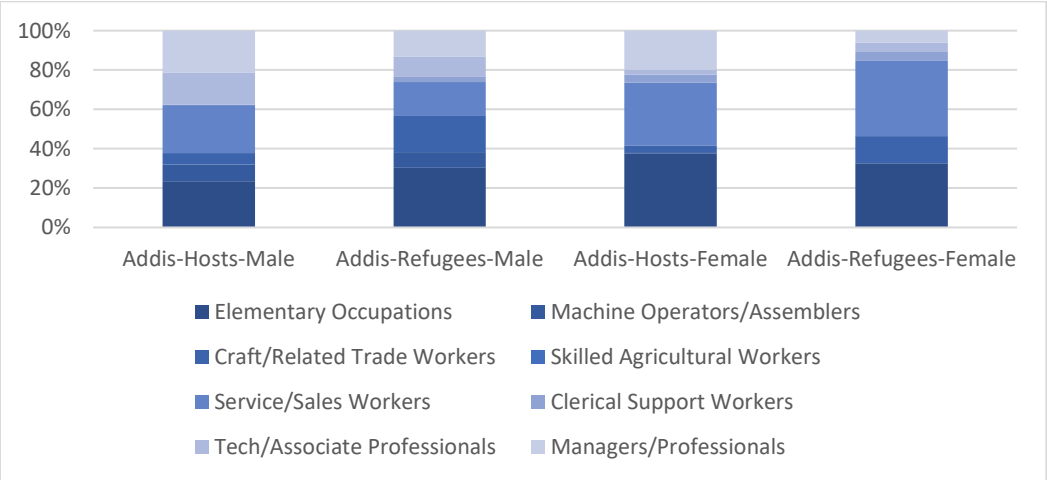
Figure 3.23: Work type by gender



Source: World Bank Staff based on SESRE 2023.

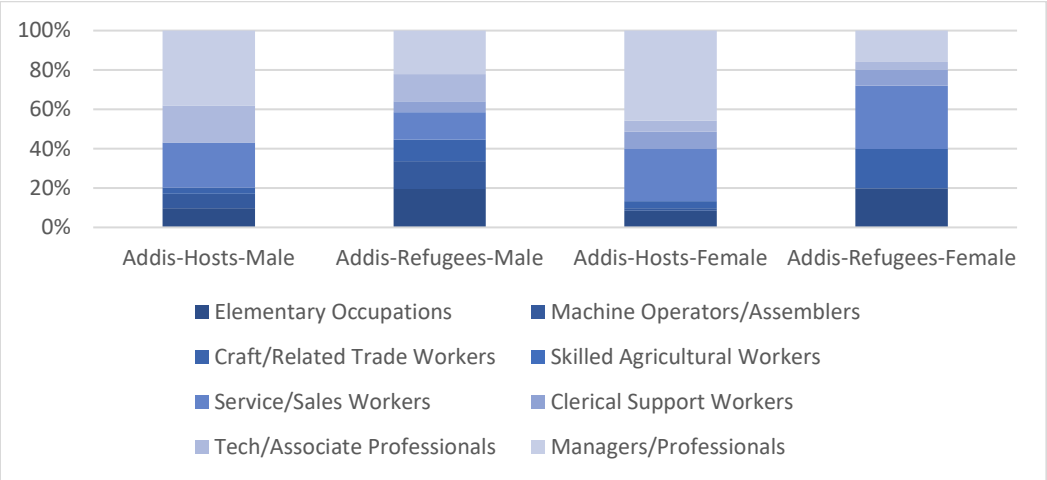
Among the 17 percent of working-age OCP refugees who are working, many have completed secondary schooling; yet, they face considerable occupational downgrading relative to hosts, and this is especially severe for female refugees. While refugees in Addis Ababa are less likely than hosts to have a post-secondary degree (4 percent versus 20 percent for hosts), many of them have completed secondary (25 percent versus 21 percent for hosts). Yet, Figure 3.24 shows that refugees are less likely than hosts to be in a high-skill occupation, which includes managers, professionals, and technical and associate professionals. This gap increases further when restricted to workers with completed secondary education. Among workers with completed secondary, 30 percent of refugees and 50 percent of hosts are in high-skill occupations (Figure 3.25). Among only women, these numbers are 20 percent and 50 percent, respectively. Instead, refugee men and women in Addis Ababa are over-represented in crafts and related trades (typically classified as medium-skill occupations).

Figure 3.24: Occupation



Source: World Bank Staff based on SESRE 2023.

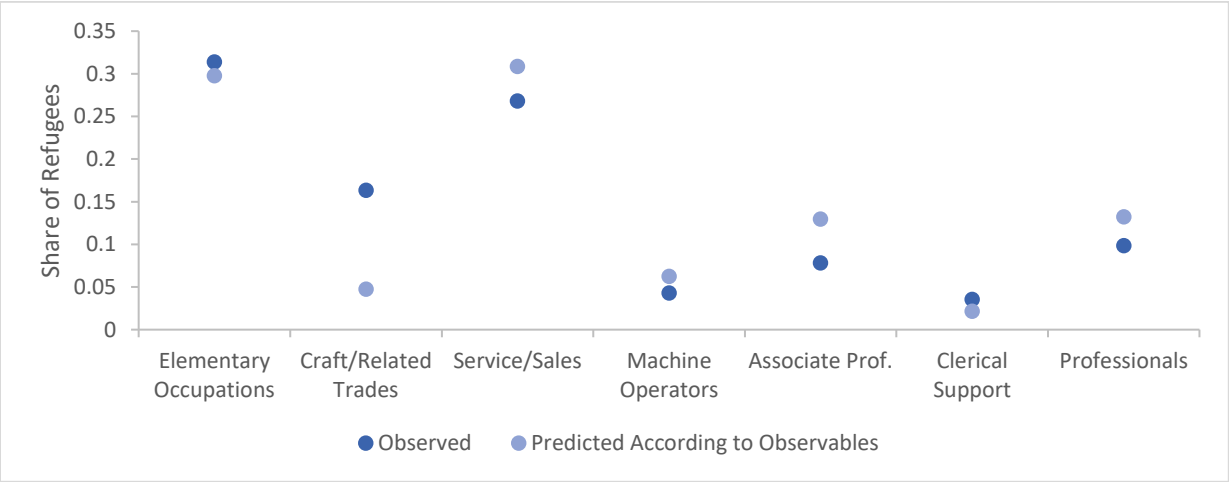
Figure 3.25: Occupation among completed secondary or more



Source: World Bank Staff based on SESRE 2023.

Occupational downgrading among the small share of OCP refugees who work is not explained by education, gender, and age. Another way to visualize the scale of occupational downgrading among refugees in Addis Ababa is to calculate how they should be distributed across occupations if they were in the same occupations as hosts within their education, gender, and age group. For example, suppose that among male hosts under age 25 with primary education, 70 percent work in elementary occupations and 30 percent in crafts and related trades. Imagine taking all male refugees under age 25 with primary education and assigning 70 percent of them to elementary occupations and 30 percent to crafts and related trades – to represent their occupational concentration *if they worked the same occupations as hosts* – and repeating this for all demographic groups. The final share of refugees in each occupation now represents the occupational concentration of refugees if they were in the same occupations as hosts with their same demographic characteristics. If the actual share of refugees in an occupation is different from this predicted share, then it is due to other factors not related to education, gender, and age. The results in Figure 3.26 show that refugees are under-represented in high-skill occupations and services and sales relative to what we would expect based on their age, gender, and education, and substantially over-represented in crafts and related trades.

Figure 3.26: Refugee Occupation Concentration



Source: World Bank Staff based on SESRE 2023.

Among employee workers, OCP refugees also earn less than hosts, though the wage gap is smaller than for in-camp refugees. Annex D, Table D.12 shows that refugees in Addis earn 25 percent less than their hosts. Even after adjusting for demographic characteristics, occupation, and sector of work, this wage gap remains at around 19 percent.

These results indicate that the OCP model is not ideal for refugees' labor market inclusion. Few refugees primarily enroll through an existing formal employer; thus, the OCP is mainly open to refugees with networks that can support them with remittances, and this makes these households less likely to work in Addis Ababa. Therefore, refugee labor market outcomes in Addis Ababa would be very different if all refugees had the possibility to move in response to economic opportunities. In fact, households without an existing support system are precisely those who can benefit most from access to labor markets and will contribute the most economically. However, the occupational downgrading and lower wages among Ethiopia's OCP refugees who work show that challenges persist even after refugees are granted access to urban labor markets. This has been well-documented in many other settings around the world (Lebow, 2023; World Bank, 2023).

Solutions that integrate refugees and host communities throughout the displacement cycle have proven most promising for achieving good development outcomes (World Bank, 2023). This requires safeguarding refugees from harm while integrating them as workers, students, and neighbors. Despite Ethiopia's goodwill towards refugees, and the global recognition that responses to forced displacement need humanitarian and development responses, too few efforts exist to better integrate refugees within host communities. Instead of keeping refugees in camps, it is vital to allow them to realize their potential and thus benefit host communities as productive members of society.

3.3 Refugee Youth

Refugee inactivity and unemployment are high among youth (aged 15-24) in Addis Ababa. Table 3.3 shows that, in Addis Ababa, the youth participation rate is 60 percent for refugees, just higher than the 54 percent rate for hosts. However, this falls to 37 percent for refugees and 48 percent for hosts under the

"strict" definition, reflecting the large number of refugee youth who are available to work but not actively searching. Of the 60 percent of refugee youth who are available to work, 82 percent are unemployed, compared to 21 percent for hosts. As a result, only 11 percent of refugee youth work relative to 43 percent of hosts. Also, while the inactivity rates are broadly similar, refugee youth in Addis are half as likely to be in school (21 percent relative to 40 percent among hosts). The lower schooling among refugees in Addis Ababa only emerges after age 18, indicating a lower probability of attending post-secondary when they instead enter inactivity or unemployment. Youth participation and employment rates are also lower for refugees than hosts in the camp domains, though this difference is starker in Addis Ababa. The share who are not in employment, education, or training (NEET) in Addis Ababa is 19 percent for refugees and 6 percent for hosts, and in the camps is 13 percent for refugees and 12 percent for hosts.

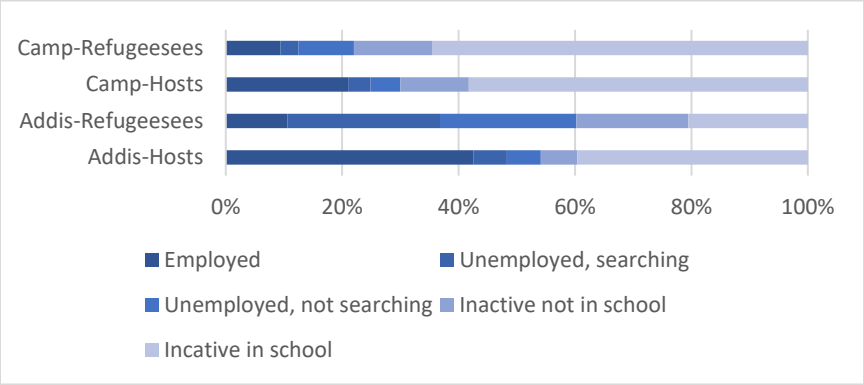
Table 3.3: Youth labor force statistics (age 15-24)

	Camp-Hosts	Camp-Refugees	Addis-Hosts	Addis-Refugees
Participation (strict)	25%	12%	48%	37%
Unemployment (strict)	15%	25%	12%	71%
Participation (relaxed)	30%	22%	54%	60%
Unemployment (relaxed)	30%	57%	21%	82%
Employment-to-population ratio	21%	9%	43%	11%

Source: World Bank Staff based on SESRE 2023.

Note: Labor force participation ratio is the share of working-age people who are engaged in the labor market, either employed or unemployed. Unemployment is the share of people participating in the labor force who are not employed. The "relaxed" definition of labor force participation includes anyone who is available to work. The "strict" definition of labor force participation includes only those who are available to work and also actively searching for work. Employment-to-population ratio is the share of working-age people who are employed.

Figure 3.27: Youth work status



Source: World Bank Staff based on SESRE 2023.

In Addis Ababa, refugee girls—like boys—are much less likely than host counterparts to work or attend school, and they are more likely to be unemployed or NEET. They are even less likely than refugee boys to be in school and more likely to be NEET (23 percent for girls relative to 15 percent for boys—Figure 3.28). In camps, refugee girls look more like their host counterparts regarding schooling and labor force participation. However, among those in the workforce, their relaxed unemployment rate is much higher

(55 percent for female refugees and 36 percent for female hosts). Boys in camps have higher schooling rates (75 percent relative to 65 percent for hosts), reflecting their higher propensity to stay enrolled in primary or secondary schooling after the typical completion age, especially in South Sudanese camps where 84 percent of boys aged 15-24 are in school. The relaxed unemployment rate is high among boys in the workforce, as it is for girls (60 percent for male refugees and 24 percent for male hosts).

Figure 3.28: Male youth work status

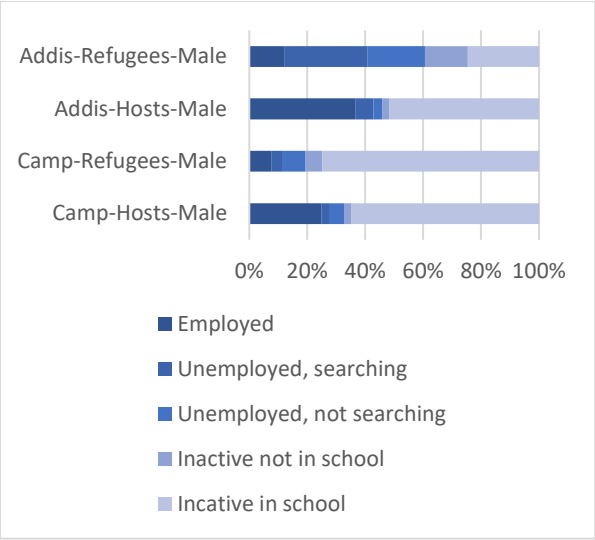
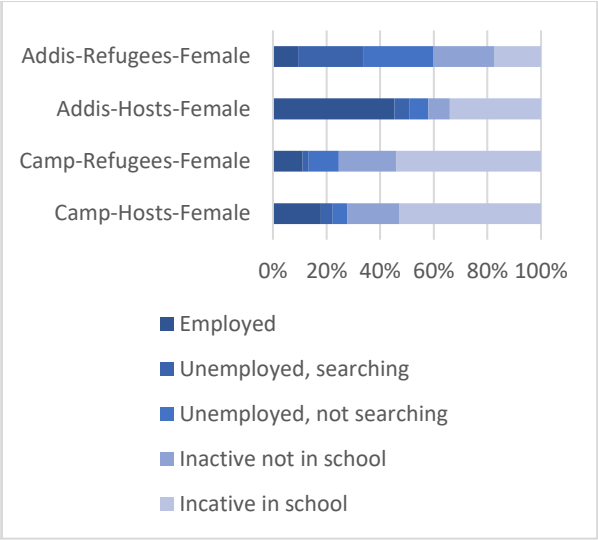


Figure 3.29: Female youth work status



Source: World Bank Staff based on SESRE 2023.

4 Refugees' Aspirations

This chapter looks at how low sociodemographic and labor market outcomes shape how refugees perceive their future prospects and aspirations.

While "resettlement" to a high-income country is an attractive solution, the share of refugees resettled globally is marginal. Resettlement is considered one of the three "durable solutions" for refugee protection under the 1951 Refugee Convention, alongside naturalization and return. Yet, the share of refugees resettled globally—including private sponsorship and other complementary pathways of refugee admission to third countries outside of UNHCR processes—was below 2 percent over the past twenty years (World Bank, 2023). According to government statistics, there has also been a downward global trend in the number of resettlement opportunities, fluctuating from 99,000 in 2010 to just 34,000 in 2020, even as the number of forcibly displaced persons increases globally. In Ethiopia, resettlement numbers are similarly low; in 2022, only 309 refugees departed for resettlement (UNHCR, 2022).

Most refugees hope to go to a Western country in the next three years. When asked in the SESRE where they would like to live in three years, most refugees say they would like to live in a Western country. This rate is highest among OCP refugees (90 percent) and Eritreans in camps (83 percent), lower in Somali camps (66 percent), and lowest in South Sudanese camps (29 percent). More Somalis and South Sudanese hope to stay in Ethiopian refugee camps than Eritreans. South Sudanese refugees stand out in that almost 20 percent hope to return to their country of birth in the next three years, while this rate is meager for other groups.

Figure 4.1: Desired location in three years

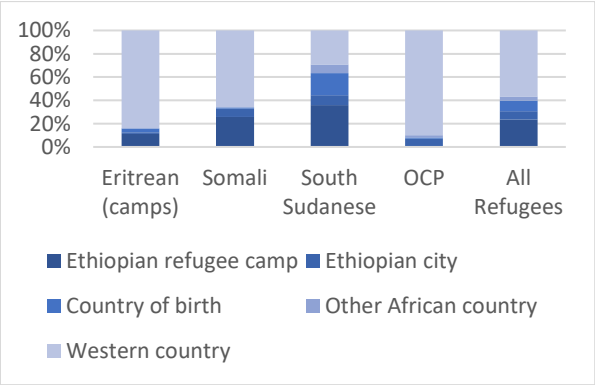
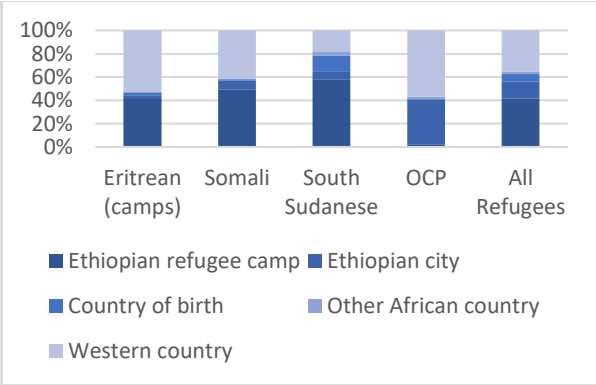


Figure 4.2: Expected location in three years



Source: World Bank Staff based on SESRE 2023.
Note: Household respondents' responses to the questions "Where do you hope to be living in 3 years?" and "Realistically, where do you think you will be living in 3 years?"

Despite the low probability of being resettled, refugees hold an unrealistically high belief that they will migrate to a Western country in the next three years. To distinguish between desires and expectations of reality, in addition to asking households where they hope to live in three years, the SESRE also asks where they "realistically" think they will be living in three years. One-third of all refugees indicated they realistically believe they will be resettled to a Western country, which is in stark contrast to the low resettlement numbers worldwide and in Ethiopia. As with aspirations, the share who expect to be in a Western country is highest among OCP refugees (57 percent), similarly high for Eritreans in camps (53

percent), lower for Somalis (42 percent), and lowest for South Sudanese (18 percent). While these numbers may be higher than true beliefs if they reflect a response bias, they are so high that they strongly indicate an over-optimism about relocation. Most of those who do not believe they will be in a Western country believe they will remain where they are. Many South Sudanese (13 percent) also think they will return to South Sudan.

While the intention to migrate abroad is lower for older refugees, on average, it does not differ widely depending on gender or education, and persists across most subgroups, including youth. Intention to migrate abroad is lower by around 8 percentage points for refugees over age 45 (Annex D, Table D.13).[42] However, it does not depend on gender. Only in Eritrean camps is intention to migrate abroad lower, by 5 percentage points, among those with completed secondary education. Intention to migrate abroad also does not vary with time in Ethiopia.

Refugee aspirations and expectations for resettlement may be important determinants of how much they will invest in their skills and socio-economic integration. Evidence from various settings shows that when migrants expect to spend more time in a country, they invest more in their skills and socio-economic and labor market integration (Adda et al., 2022). For example, this could include investing in language proficiency, starting a business, acquiring legal work documents, or studying for an occupational license. It could also mean building social networks in Ethiopia, which needs to improve considering, for example, the tiny share of refugees who report having an Ethiopian friend (as will be discussed in Chapter 7).

Better alignment of refugees' expectations for resettlement with reality could improve socio-economic outcomes. Based on evidence of resettlement over the past ten years, better-aligning expectations with reality could be essential to encourage refugees to make more significant investment in skills and socio-economic integration. Humanitarian organizations have long understood the importance of managing resettlement expectations (UNHCR, 2023b). Better understanding the reasons for unrealistic expectations in Ethiopia, and the role that policymakers and the international community play in this, could support refugees' long-term trajectory.

"Locus of control" (LOC)—a feeling of personal control over events in one's life—is significantly related to willingness to invest in one's future and has been shown to improve refugees' socio-economic integration. LOC is a psychological concept indicating the degree to which people believe that they, as opposed to external forces, have control over the outcomes of events in their lives (Rotter, 1966). For example, if a harvest is good or bad, a farmer with low LOC is likelier to attribute it to chance or external forces than their skill. Higher LOC has been shown to affect schooling decisions, occupational choice, and savings (Cobb-Clark et al., 2016; Heckman et al., 2006). In Ethiopia, higher LOC has been shown to predict farmer adoption of modern agricultural technologies (Taffesse and Tadesse, 2017). In refugee populations, low LOC also correlate with depression, anxiety, and psychological distress (Schlechter et al., 2023; Tsionis et al., 2022). Higher LOC has also been found to improve employment and socio-economic integration among immigrants and refugees in Germany (Hahn et al., 2019; Thum, 2014).

[42] This analysis is based on an individual-level question regarding intention to migrate abroad, which has rates similar to the question to the household head discussed above.

Compared to hosts, South Sudanese refugees perceive less personal control over their lives and destinies. Based on SESRE data, the index used to construct a measure of personal control over one's life is an unweighted average of 10 LOC-related questions. The index (Likert scale) ranges from 1—"little control over one's life"—to 4—"more control over one's life". The index is 0.12 points (.25 standard deviations) lower for refugees than hosts indicating they feel they have lower control over their lives and destinies, and this difference is statistically significant. This difference, however, is driven by South Sudanese refugees. When comparing LOC by country of origin, we find that there is only for South Sudanese there is a significant difference between refugees and hosts on perception of control over their lives. LOC for South Sudanese refugees is 0.15 points (0.33 standard deviations) lower than that of hosts, highlighting that they feel that they have less personal control over their lives and destinies than their hosts.

When considering different dimensions, we find that refugees' LOC is driven by a feeling of lower internal control over the future. LOC can be grouped into three categories: a sense of internal control, the role of chance or fate, and the role of "powerful others" (Levenson, 1981). Lower LOC among refugees is driven mainly by a feeling of lower internal control over fate, as opposed to a greater sense of chance or the role of other individuals (though in South Sudanese camps, the role of chance and powerful others is more important). LOC increases with higher levels of education for both hosts and refugees. Still, it has little relationship with age or gender, or how much time refugees have spent in Ethiopia, nor their aspirations to go abroad.

Figure 4.3: Locus of control

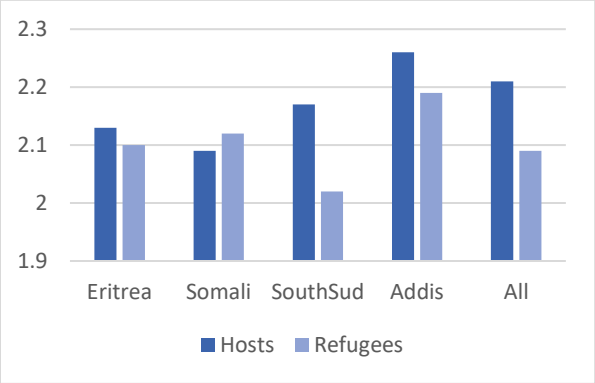
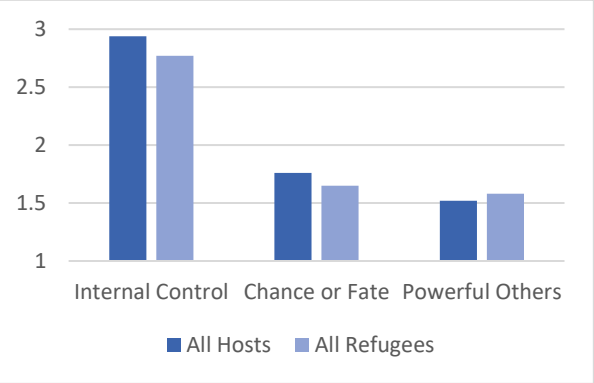


Figure 4.4: Locus of control by type of control



Source: World Bank staff based on SESRE 2023.

Note: This index is the unweighted average of 10 questions about feelings of control over one's fate. The index ranges from 0 to 4, where more positive indicates greater control. The internal control index uses four questions regarding personal control over destiny. The chance index uses five questions regarding the role of chance or determinism. The role of the powerful others index is 1 question on whether others determine fate.

5 Welfare and Equity

This chapter examines the state of welfare and poverty levels of refugees and host communities in Ethiopia. The emphasis on refugees and host communities acknowledges both groups' mutual—and sometimes interdependent—development needs.

We assess multiple dimensions of welfare and poverty of refugees and hosts in Ethiopia using household-level consumption data. The data presents a comprehensive set of social and economic indicators to determine poverty incidence, food security, and standard of living. In addition to refugees overall, we look at welfare differences across refugee groups—Eritreans, Somalis, and South Sudanese—and compare differences in contexts and situations. In more detail, we analyze (i) poverty incidence and inequality, (ii) expenditure patterns, (iii) multidimensional poverty, and (iv) food security, perception of standard of living, and shocks. The chapter also provides a poverty profile and determinants of the welfare of refugees and host community households and estimate of the cost of basic needs for refugees. Insights on poverty drivers and living conditions contribute to deeper understanding of displacement dynamics and point to specific potential policies to help refugees and their hosts.

5.1 Welfare dimensions

5.1.1 Monetary Poverty and Inequality

In-camp refugees have lower welfare outcomes than their hosts. In-camp refugees have significantly higher monetary poverty based on strikingly low average expenditures. A staggering 75 percent of refugees live below the international poverty line of US$2.15 in 2017 Purchasing Power Parity (PPP) per day per capita. Though still high, host communities have a relatively lower poverty rate of 25 percent (Figure 5.1). Considering in-camp refugees and their hosts only, we find higher poverty incidence; roughly 84 percent of in-camp refugees and 32 percent of hosts live in poverty. Although poverty incidence is higher for refugees, the high poverty rates among host communities also imply that they live in severely resource-constrained conditions. This calls for development approaches that invest in refugee-hosting areas in a manner that benefits both refugees and hosts alike (Annex D, Table D.14 presents detailed poverty rates by refugee domains).

Refugees in Addis Ababa are less poor than their hosts, as well as in-camp refugees and their hosts. Poverty incidence in Addis Ababa for refugees living under the OCP is lower (7 percent) than their hosts (18 percent).[43] This difference is driven primarily by the high rent expenditures of refugees since they cannot benefit from public housing schemes, increasing their overall consumption expenditure. As discussed in Chapter 2, about 97 percent of refugee and 39 percent of host households in Addis Ababa live in rented houses. The data show that Addis Ababa refugees pay higher rents (ETB 31,600 per year, per adult equivalent) than hosts (ETB 18,700 per year, per adult equivalent). Moreover, rent expenditures make up 56 percent of refugees' non-food expenditure.

[43] For details on the OCP policy, see Box 3.2.

Figure 5.1: Poverty incidence

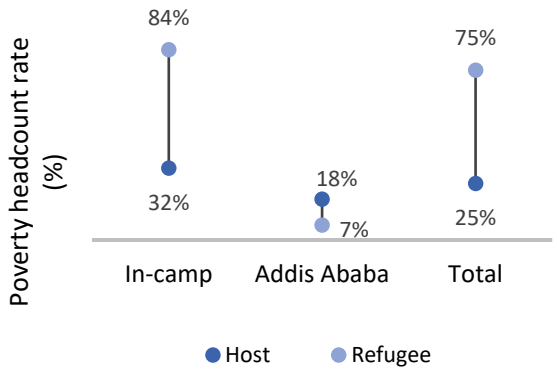
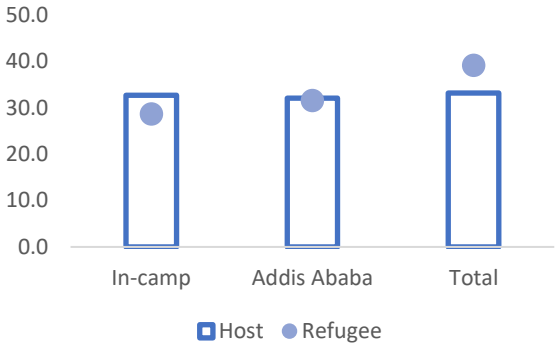


Figure 5.2: Income inequality, Gini index



Source: World Bank staff based on SESRE 2023.

In-camp refugees in Ethiopia are much poorer than their hosts, but because everyone suffers from similarly low expenditures, inequality is also low for refugees. As measured by the Gini index, income inequality averages 28.7 for in-camp refugees and 32.7 for their hosts (Figure 5.2). While welfare is generally unevenly distributed in Ethiopia, inequality tends to be lower among refugees than hosts, except in Addis Ababa. Yet, when looking at the whole sample (in-camp and OCP), inequality is very high among refugees (39.2), much higher than their hosts (33.2). This result is driven by the stark welfare disparity between in-camp and OCP refugees (Figure 5.3). Moreover, differences in employment opportunities, and mobility create an uneven playing field for in-camp refugees and OCP (see Chapter 3).

Box 5.1: Consumption aggregation and poverty measurement

Most of the analysis presented in this chapter is based on detailed consumption data from the Socioeconomic Survey of Refugees in Ethiopia (SESRE) conducted between October 2022 and February 2023. All consumption of food and non-food items is included, regardless of whether these items are purchased on the market, come from own production, or received as gifts. For own-consumption and gifts, the quantities consumed are valued at prevailing prices in the enumeration area. Although consumption is expressed annually, the reference period used during data collection varies based on the nature of the items. For example, questions related to information on food and food-related items was asked by visiting households twice a week using the "last three days" and "last four days" as reference periods. For house rent, durable goods, clothing, health and education expenditures, and some other categories, the survey questions used the "last three months" and "last 12 months" as references. Imputed rent for owner-occupied houses is calculated by the Ethiopian Statistical Service (ESS) team and is included in the consumption expenditure data shared with the Bank team.

Spatial and temporal price deflators adjust for price variations across time and space. First, nominal consumption is adjusted for price differences across survey domains using spatial deflators calculated using the Household Welfare Statistics (HoWStat 2021) survey data. Second, spatially-deflated consumption levels are expressed in December 2022 prices using the food and non-food Consumer Price Indexes produced and provided by the ESS. Finally, to adjust for variations in household size and composition, the spatially and temporally adjusted consumption expenditure is divided by household size. This is because the poverty rates presented in this chapter are calculated using the international poverty line of USD 2.15 per capita in 2017 PPP. The US$2.15 poverty line was converted to local currency in 2017 using the PPP conversion factor, and then the value was inflated to December 2022 prices using the national CPI. Given that international poverty estimates reported at the global

level are based on consumption aggregates not spatially deflated, the poverty reports presented in this report are not strictly comparable to global poverty rates.

5.1.2 Expenditure Patterns

Average consumption expenditures for in-camp refugee households is nearly half of hosts. Average annual expenditure per capita is around 45,600 Birr for host households and 27,700 for refugees (Figure 5.3). The average food and non-food expenditure (such as utilities and supplies, clothing and footwear, and rent) for refugees is more than half that of their hosts, except for refugees in Addis Ababa, where the average expenditure of OCP refugees is considerably higher than that of hosts. The strikingly low average expenditure for refugees could be related to measurement errors (See Box 5.2 for additional information). Food expenditure shares are higher for refugees, indicating a high dependence on food associated with higher poverty. Except for Addis Ababa, the share of expenditures on food is slightly higher for refugees than hosts; about 68 percent of all expenditures of in-camp refugees are spent on food, while hosts spend 61 percent on food, consistent with lower poverty rates in host communities (Figure 5.4).

Figure 5.3: Expenditure components (in birr)

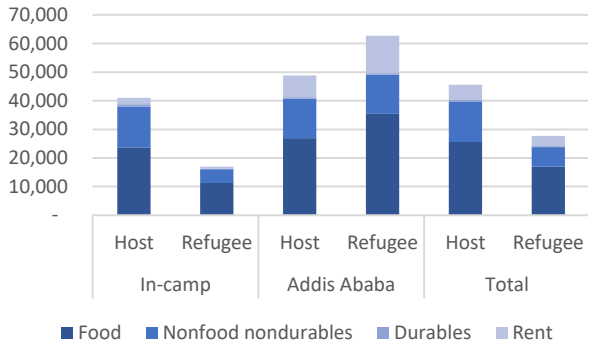
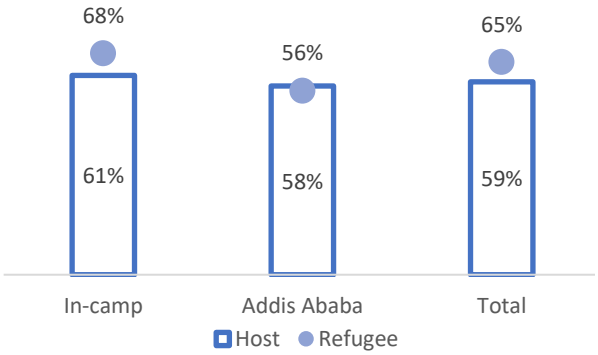


Figure 5.4: Shares of food expenditure



Source: World Bank staff based on SESRE 2023.
Note: The expenditures are in December 2022 values.

Box 5.2: Disparity between refugee ration aid and reported consumption quantities

Expenditures for in-camp refugees is almost half that of hosts, despite the sizeable food aid and cash transfers (in selected camps) the WFP and UNHCR provide. The significantly lower expenditures (food and non-food) among refugees compared to host populations led to higher poverty rates. The team cross-checked the food aid received by in-camp refugees based on administrative data from the UNHCR and WFP and food consumption data from SESRE.

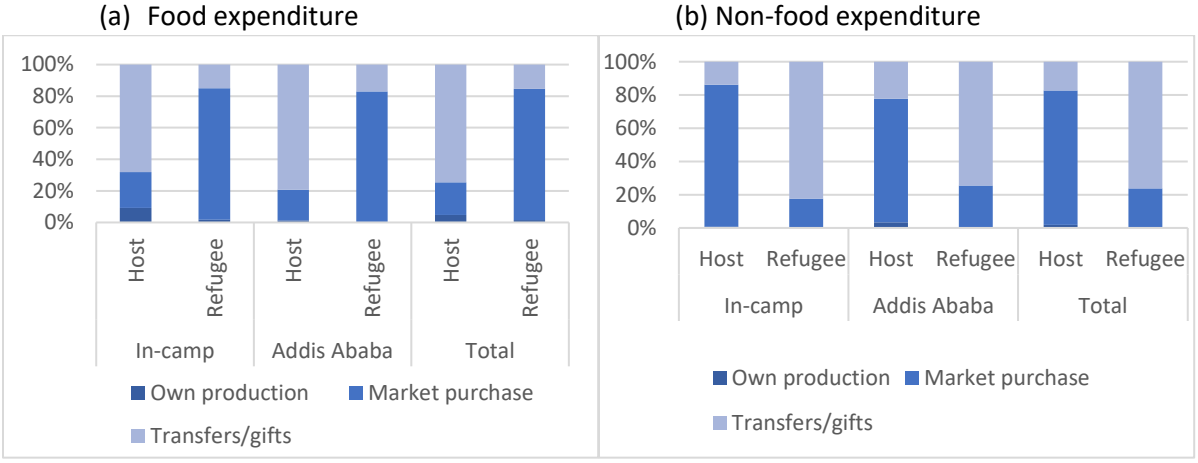
The information received from UNHCR on food aid provided to refugees in each camp includes quantities per food item per month and cash transfers per person per month for each camp and period. The food items include cereal, wheat, maize, rice, sorghum, CSB/famex (CSB+), pulse, biscuit, date biscuit, dates, oil, vegetable oil, salt, and cash (see Annex E for detailed information). Food aid information received from WFP includes five food items and their quantities distributed to refugees: cereal (mainly wheat but in some camps rice), pulses (mostly yellow split peas), CSB+, vegetable oil, and salt. We have computed the per person, per month in-kind aid quantities into annual values using the same prices as other food items based on SESRE data, mapping them to the closest food item in

SESRE (this was not straightforward as the items are different). We further considered the changes in quantities of food rations that took place across survey months due to funding shortages, which can significantly affect the overall wellbeing of refugees in Ethiopia.

Based on this information, we compare items refugees should have received with what refugees reported regarding food consumption. The results show that refugees reported quantities lower than UNHCR food aid admin data for every item except biscuits. Refugee households still report lower quantities, even when valuing the food ration quantities indicated as sold in markets. Possible explanations for lower food quantities are that food rations are only received once a month, which may not coincide with the interview date. Moreover, SESRE asks what food people consumed (not based on a pre-set list of food items), not food received as aid. Refugees may sell more than indicated. Valuing quantities of food aid with prices from SESRE suggests that if UNHCR food aid quantities were received/reported by refugees, refugees' food expenditures would be much more comparable to those of hosts. Using WFP food aid information, we found a picture similar to UNHCR's. Quantities consumed in SESRE are lower than food aid, as reported by WFP, except for CSB+ and salt (See Annex E for details of the disparity in food aid between the admin data disparity SESRE report).

Stark differences in food and non-food expenditures exist between refugees and hosts, with in-camp refugees receiving most of their food and non-food expenditures as transfers. Refugees rely on aid. While 83 percent of the in-camp refugees depend on transfers and gifts to cover their food consumption needs, more than two-thirds of the host community households depend on market purchases for their food consumption (Figure 5.5a). Similarly, most refugees depend on transfers or gifts for non-food consumption, while their hosts depend on market purchases (Figure 5.5b). A large share of refugees in Addis Ababa also rely on transfers or gifts driven by remittances.

Figure 5.5: Food and non-food expenditures shares by sources

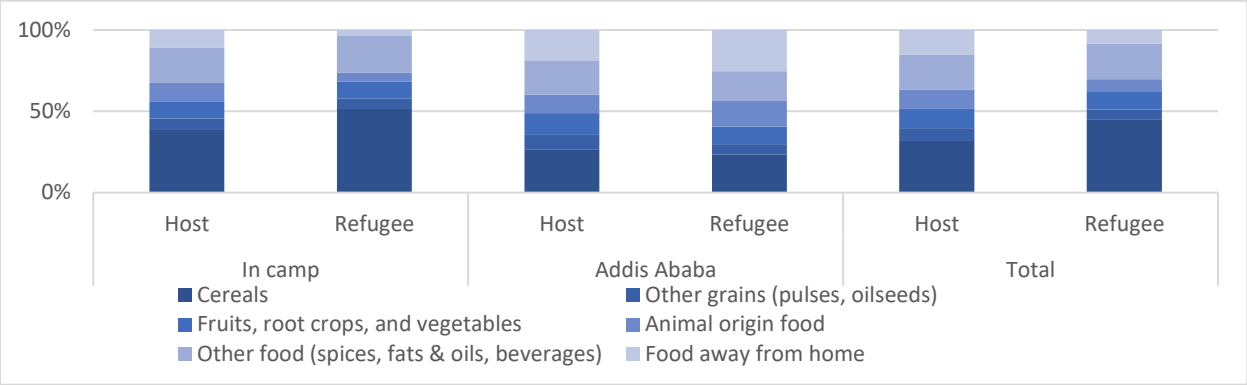


Source: World Bank staff based on SESRE 2023.

Expenditure patterns vary by refugee domain and in-camp and OCP refugees. Analysis of expenditure patterns helps to understand differences in dietary preferences that affect food poverty and well-being. With increasing income, more affluent households are more likely to spend a greater share of their budget on high-value food items such as animal-origin diets, processed food, and food away from home, as well as on non-food items. Except for Addis Ababa, food consumption patterns, as indicated by expenditure shares, differ by food groups (Figure 5.6). Overall, refugees expenditures are higher on cereals and less on

animal-origin food items associated with the types of food aid provided. This could be because refugees receive assistance for cereals/grains, not animal-origin food items. Food away from home is lower for refugees than hosts, except in Addis Ababa.

Figure 5.6: Food expenditure shares by food groups

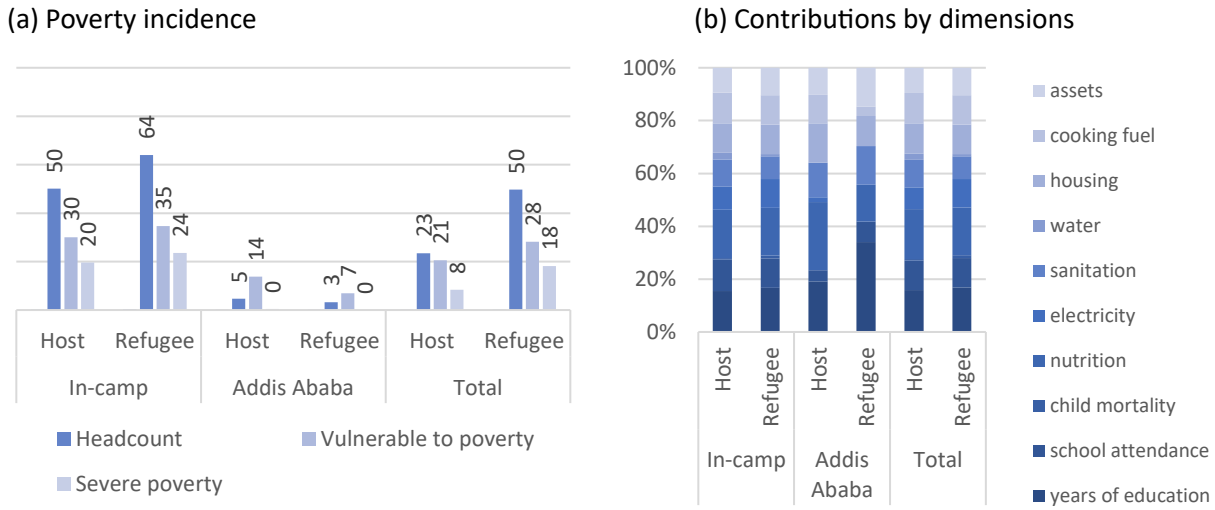


Source: World Bank staff based on SESRE 2023.

5.1.3 Multidimensional Poverty

Refugees are more vulnerable to multidimensional poverty than hosts. The multidimensional poverty rate is relatively high among refugees, driven primarily by low living standards and poor access to education. Trends in monetary poverty are mirrored using the Multidimensional Poverty Index (MPI)—an index measuring deprivations across three dimensions of well-being: education, health, and standard of living (see Box 5.3). MPI provides a general picture of the extent of deprivation (Alkire et al., 2021). The results show that 50 percent of refugees and 23 percent of hosts are multidimensionally poor (Figure 5.7). Looking at in-camp refugees and their hosts, multidimensional poverty is 64 percent for refugees and 50 percent for hosts. Unlike monetary poverty, multidimensional poverty as measured here appears to be relatively lower for refugees. This reflects improvement and ease of providing public services in high-density areas with high-refugee concentrations. There is a considerable correlation between monetary and multidimensional poverty for in-camp refugees. About 56 percent of in-camp refugees and 24 percent of their hosts are both monetarily and multidimensionally poor. The picture differs for OCP refugees, less than 2 percent are poor in both monetary and non-monetary dimensions. The percentage of households who are multidimensionally poor but not monetarily poor stands at 10 percent for refugees living in camps and 32 percent for the communities hosting them.

Figure 5.7: Multidimensional poverty incidence, severity, and vulnerability



Source: World Bank Staff based on SESRE 2023.

Box 5.3: MPI methodology

Refugee and host communities could differ in multiple dimensions over and above consumption. The Multidimensional Poverty Index (MPI) explores this multiple deprivation, capturing differences across three dimensions of well-being: health, education, and living standards (Alkire et al., 2021). MPI provides a general picture of the extent of deprivation. In this context, deprivation in education is assessed using school attendance for school-age children and years of schooling among adults. Health is proxied by the presence in the household of a stunted child or death of a child in the last 12 months before the survey. Living standards are assessed by access to electricity, improved water, sanitation, cooking fuel source, housing, and economic assets.

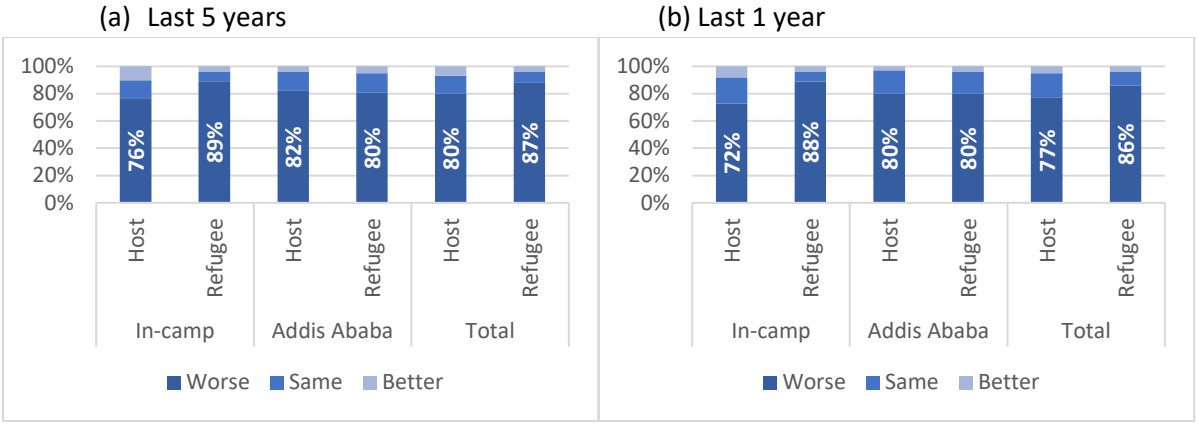
The MPI ranges from 0 to 1, with 1 representing a high level of deprivation. It is the product of two partial indices: the headcount ratio (H) and the intensity of poverty (A) i.e. (MPI = H*A). The headcount ratio is the share of poor people in the population, while the intensity shows how much deprivation poor people experience on average. A cut-off point of 0.33 is used for the multidimensional poverty headcount ratio; that is, a household is multidimensionally poor if the MPI is greater than 0.33. The population vulnerable to poverty is defined as those who experience 20-32.9 percent intensity of deprivation, and the population in severe poverty are those with an intensity of 50 percent or higher (that is, if the MPI is 0.50 or higher).

Low living standards and low educational attainment drive deprivation for all refugee groups. Low living standards due to low-quality cooking fuel, poor housing, and low asset holdings contribute more than 50 percent to non-monetary poverty, followed by education. For in-camp refugees, the contribution of education, health, and living standards to overall non-monetary poverty is 30, 18, and 52 percent, respectively. Few years of schooling and child malnutrition are the dimensions that contribute most to poverty (Figure 5.7). However, child mortality and access to improved water contribute less to multidimensional poverty across all refugee groups. There is a similar pattern for the host community around the refugee camps. Low education, together with limited access to electricity, housing, assets, sanitation facilities, and drinking water, mean that low living standards contribute more to overall poverty among refugees.

5.1.4 Food Security

Refugees and hosts perceive that household living standards have deteriorated over time. To capture subjective well-being, the survey asks if the living standard of the household or their community has improved or worsened in the past five years (Figure 5.8a) and in the past 1 year (Figure 5.8b). Overall, most households feel that their living standards have deteriorated. While in-camp refugees are more pessimistic about the changes in their households' living standards, there is no significant difference in perceptions among OCP refugees in Addis Ababa and their hosts. The considerably high negative perception about changes in household living standards indicates that well-being has been worsening for everyone over the past few years, but even more so for refugees in camps.

Figure 5.8: Perceived changes in household living standards

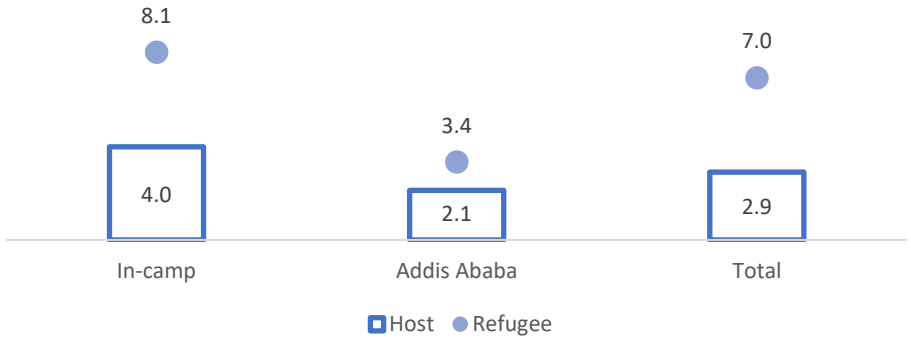


Source: World Bank Staff based on SESRE 2023.
Note: The survey asks how the household living standard has changed compared to last year and the last five years.

Refugees, on average, have poor food and nutrition security outcomes compared to their hosts. The extent of food insecurity measured by the food insecurity scale[44] is significantly higher for refugees than hosts, both for in-camp and for out-of-camp refugees (Figure 5.9). While the food insecurity scale gap between refugees and hosts is higher for in-camp refugees, the gap is relatively narrower for Addis Ababa refugees. The average food insecurity scale for in-camp refugees is "8" and for their hosts it is "4" out of 10; that is, in-camp refugee households experienced about eight food insecurity events while host households experienced about 4 in the past year. Consistent with other welfare indicators discussed, food insecurity tends to be more severe among in-camp refugees than their hosts or OCP refugees.

[44] Food insecurity experience is measured based on a scale that ranges between 0 and 10 and calculated by adding household's experience related to the following events in the past year: (i) worried about having enough food, (ii) unable to eat healthy/nutrition food, (iii) only ate a few kinds of food, (iv) had to skip a meal, (v) adults ate less, (vi) ran out of food, (vii) adults were hungry but did not eat, (viii) went without eating for a whole day, (ix) restricted consumption so kids could eat, and (x) borrowed food or relied on friend/relative for help.

Figure 5.9: Food insecurity scale for refugees and host

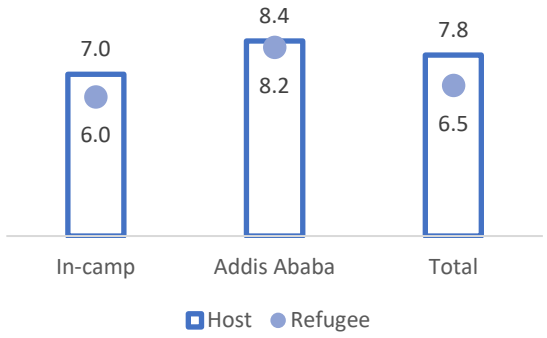


Source: World Bank Staff based on SESRE 2023.

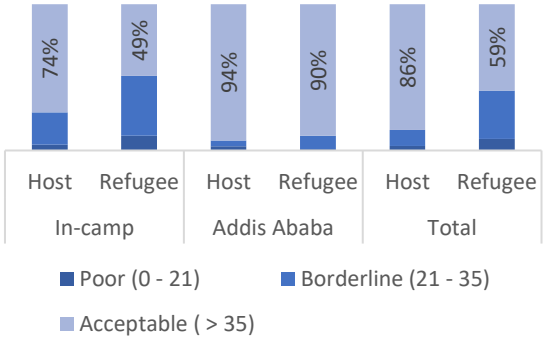
In-camp refugees have less diverse diets and poor food consumption status compared to their hosts. The average household dietary diversity score—the number of food groups consumed out of twelve—is 7.5 for hosts and 6.5 for refugees (Figure 5.10a). Overall, the average dietary diversity score is alsos lower for in-camp refugees than their hosts. The share of households with acceptable food consumption status—food consumption score of 35 or above—is considerably lower among in-camp refugees (49 percent) than their host (74 percent). The relatively lower dietary diversity could be due to refugees having limited access to diverse food as they depend on aid. Most Addis Ababa refugees and their hosts have an acceptable food consumption status (Figure 5.10b).

Figure 5.10: Dietary diversity and food consumption status

a) Dietary diversity score (out of 12 groups)



b) Food consumption status



Source: World Bank Staff based on SESRE 2023.
Note: Dietary diversity score is calculated as the total number of food groups (out of 12) consumed by the household in the last seven days before the survey. The food groups are cereals, roots and tubers, vegetables, fruits, meat (including poultry and offal), eggs, fish and seafood, pulses and legumes and nuts, milk and milk products, oils and fats, sugar/honey, and others. Food consumption status is determined based on food consumption score.

5.1.5 Shocks and Coping Strategies

Market-related shocks are common, but refugees are exposed to more diverse shocks than their hosts. While Ethiopian households face a plethora of risks that affect their livelihoods—risks to assets, income, and food supply (Dercon et al 2005; Woldehanna et al 2008)—market shocks related to rising food prices, food shortage, and health shocks appear to be most prevalent (Figure 5.11). High food prices drive the

market shocks. Food shortage seems to represent a crucial economic shock among refugees—roughly 31 percent of in-camp refugees are affected by food shortage—but not for their host communities. Moreover, insecurity and displacement-related shocks are common for Eritrean refugees, with 14 percent having experienced a recent displacement event. This result is driven by refugees in the *Alemwach* refugee hosting site, all of whom moved to the refugee site within a few months before the survey as a result in the conflict in Tigray, and would have reported a recent displacement event.

Figure 5.11: Type of shocks experienced

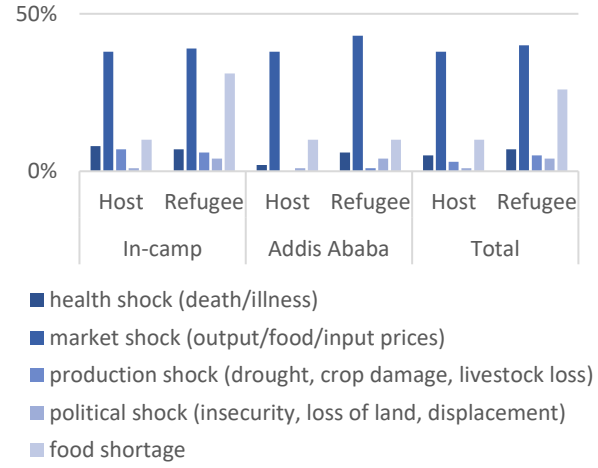
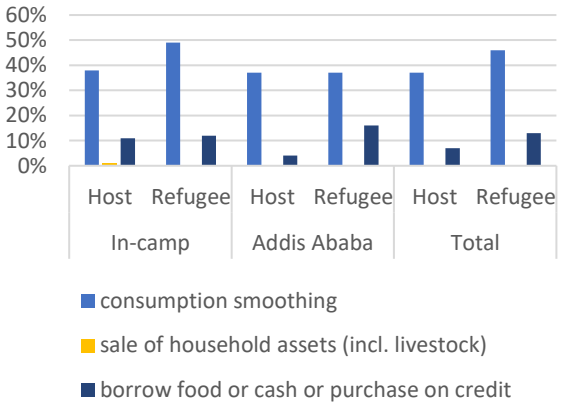


Figure 5.12: Shock coping strategies



Source: World Bank Staff based on SESRE 2023.

Both refugees and host communities use "consumption-smoothing" to cope with the various shocks they face. Households utilize a mix of coping strategies to mitigate harm to their welfare that shocks cause. "Consumption smoothing", among the major risk coping strategies, mainly involves relying less on preferred food and more on less expensive food (diet changes) and reducing the number of meals eaten daily (negative food intake). Borrowing food or cash from friends and relatives and purchasing food on credit second represent the second and third most common coping strategies. Refugees in camps and in Addis Ababa are more likely to rely on these coping strategies than their hosts (Figure 5.12). The results further show that both refugee and host households do not engage in adverse coping strategies, such as the sale of (productive) assets that would make them vulnerable to poverty. This could be because either they do not have enough assets to sell or because the strategies they utilize are enough to cope with the effects of shocks.

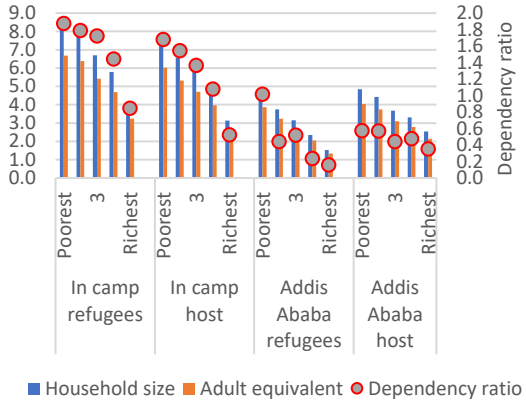
5.2 Determinants of Welfare

The poverty profile in this section compares the characteristics of poor compared to non-poor people. The previous section presents refugees' and host communities' poverty and welfare patterns. This section substantiates the earlier discussions on poverty levels by describing the demographic, geographic, and socioeconomic characteristics by expenditure quintiles for each refuge and host group separately, along with the poverty headcount rate across grouping variables (see Annex D, Table D.14). The descriptive statistics are substantiated by results from a regression analysis examining correlates of poverty while holding other things constant. The dependent variable is the natural logarithm of consumption per capita.

That is, we compare level of consumption to other variables to identify characteristics that correlate to a household being poor. Table D.15 and Table D.16 in Annex D show the full results of the regressions on the determinants of consumption per capita separately for in-camp and out-of-camp refugees and hosts.

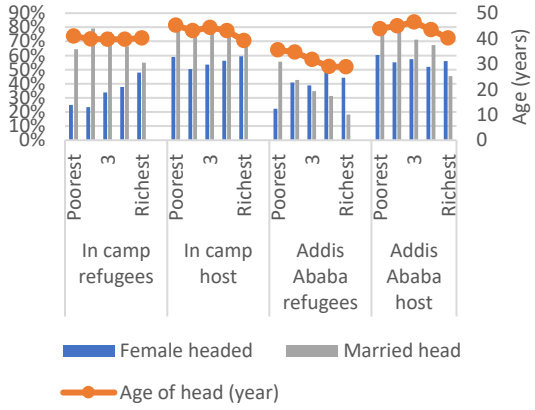
Poor in-camp refugees have higher household sizes, dependency ratios, and male heads. The poorest refugee and host households have significantly larger household sizes and dependency ratios than the richest counterparts (Figure 5.13). The average household size of the poorest in-camp refugee and host households is more than double that of the richest households (Figure 5.13). Larger household sizes for the poor are mainly driven by a larger number of children (under age 15). The data further show that the poorest refugees and hosts are more likely to have married and older household heads compared with the richest counterparts (Figure 5.14). Richest in-camp and out of camp refugee households are more likely to have female-headed households compared to the poorest. There is no difference in the gender of the household head among the poorest and richest host households (Annex D, Table D.14).

Figure 5.13: Household composition by quintiles



Source: World Bank Staff based on SESRE 2023.
Note: Primary axis labels represent household size/adult equivalent.

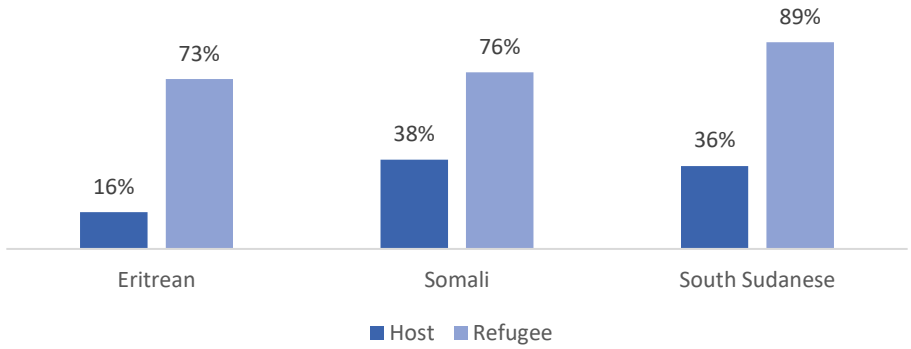
Figure 5.14: Demographic characteristics by quintile



Note: Primary axis labels represent gender and marital status.

Location is an essential determinant of monetary poverty. Monetary poverty is highest among South Sudanese refugees (89 percent) (Figure 5.15). There is a significant difference in poverty rates between in-camp refugees and their hosts, the gap being the highest in the Eritrean domain. As discussed in Chapter 2, refugee households have larger household sizes than hosts, except in Addis Ababa. In light of the discussion above, the highest poverty incidence among South Sudanese refugees could be associated with their high dependency ratio and high number of female-headed households. In-camp refugees working inside the camp tend to exhibit lower poverty incidence (81 percent) than those working outside the camp (88 percent).

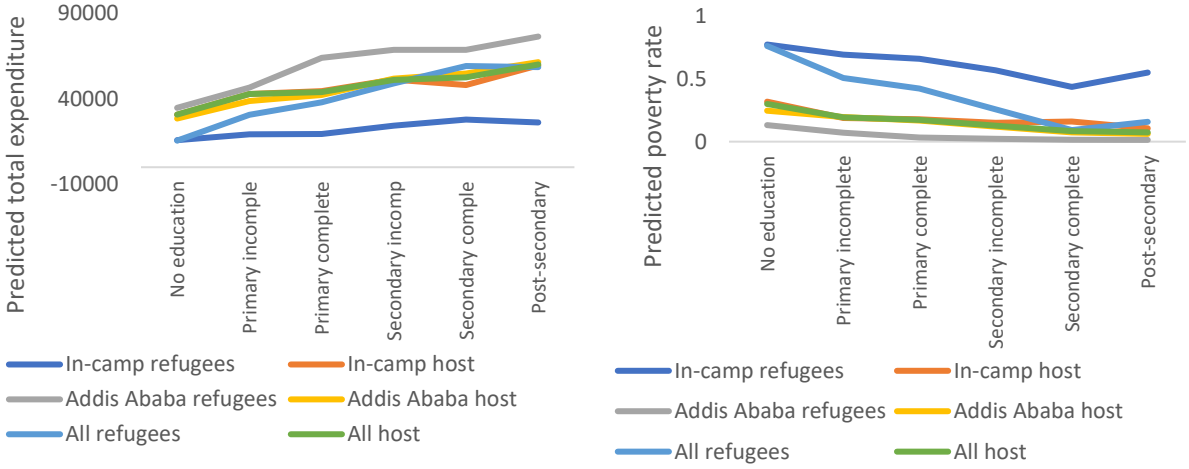
Figure 5.15: Poverty headcount rate for in-camp refugees and their hosts, by domain



Source: World Bank Staff based on SESRE 2023.

The poor tend to live in households headed by individuals with limited education. This trend is evident among both refugees and hosts, where a lower level of educational attainment by household heads and members correlates with increased poverty. While building human capital represents an essential pathway out of poverty, there appears to be low human capital among refugee and host households, as indicated by the household head and members' low education. The data reveals that poverty incidence is more prevalent among households with no or minimal education (Annex D, Table D.14). Conversely, poverty incidence tends to decline with increased education level of the household head and members. These findings underscore the critical role of education as a means to alleviate poverty among refugees and host communities in Ethiopia. The regression results also indicate that increasing years of schooling of the household head is associated with increased household consumption (Annex D, Table D.16); average household expenditures linearly increase, and poverty headcount decreases, as the education level of the household head increases. This is only the case for Addis Ababa refugees and hosts (Figure 5.16). However, for in-camp refugees, there appears to be no response to expenditure on an additional level of education of the household head compared to other refugees. In-camp host community households are higher, on average, than for in-camp refugees, and returns to the education level of the household head for these households appears to be slowly increasing.

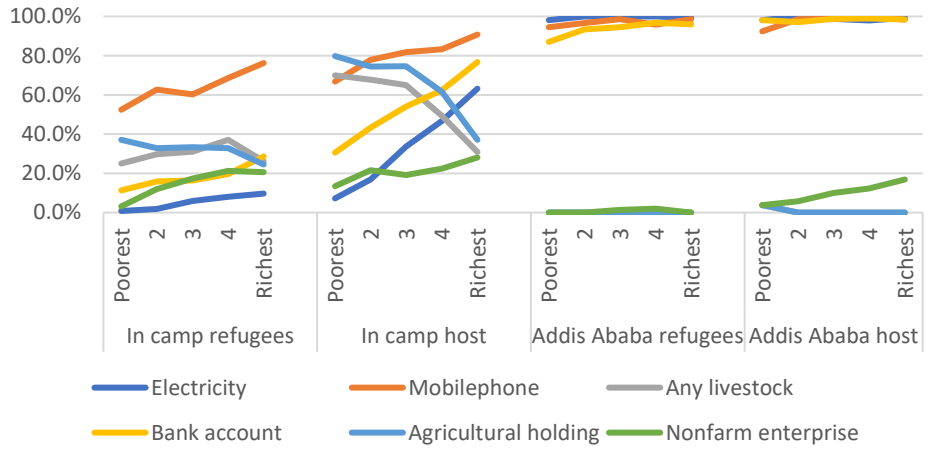
Figure 5.16: Poverty incidence decreases with education of the household head



Source: World Bank Staff based on SESRE 2023.

Household welfare is linked to possession of certain assets or access to services. We assessed a number of indicators, including whether the household has access to electricity; possesses livestock; has a mobile phone; owns agricultural land; runs a non-farm enterprise; or has bank accounts. These "wealth" indicators show stark differences between the poorest and richest in-camp refugees and their hosts. The poorest in-camp refugees and their hosts tend to have limited access to electricity, mobile phones, bank accounts, and non-farm enterprises (Figure 5.17). Livestock and agricultural holding do not show a clear pattern among the poorest and the richest. For Addis Ababa refugees and hosts, there tends to be increased access to electricity, ownership of mobile phones, bank accounts, and non-farm enterprises across expenditure quintiles. Regression results show that possessing a bank account, a mobile phone, and access to electricity positively correlate with consumption for in-camp refugees and host households (Annex D, Table D.16). Mobile phone ownership and ownership of a nonfarm enterprise positively correlate with household welfare for out-of-camp refugees and hosts. Ownership of a non-farm enterprise also appears to correlate positively with welfare for in-camp refugees.

Figure 5.17: Household wealth indicators by expenditure quintiles



Source: World Bank Staff based on SESRE 2023.

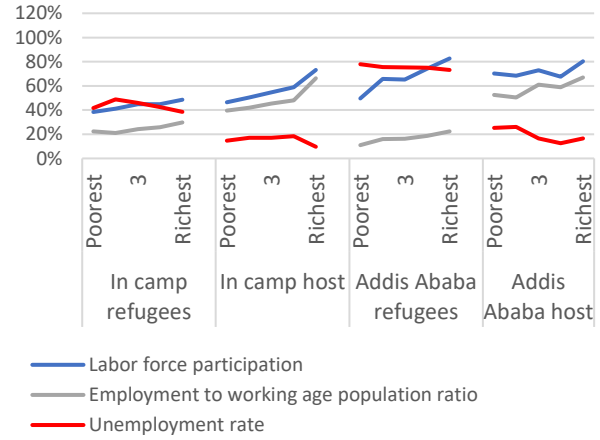
The poorest refugees and hosts tend to have worse labor market outcomes than the richest. Figure 5.18 summarizes labor market outcomes by expenditure quintiles for in-camp and Addis Ababa refugees and their hosts. Labor force participation and employment-to-population rates increase with welfare, and unemployment rates fall with increasing welfare (Figure 5.18a). This underscores the critical role labor market participation or employment plays for poverty reduction among refugees and their hosts. Looking at the sectoral distribution of employment, the poorest refugees—in- and out-of-camp—tend to be employed in the service sector. While employment in the industry sector is low for refugees, the poorest are less likely to be employed in the industry sector than the richest. The poorest hosts of in-camp refugees are more likely to be employed in agriculture, and the richest appear to be employed in the industry or service sectors (Figure 5.18b). Not surprisingly, the poorest hosts of in-camp refugees and the poorest refugees work in low (or medium)-skilled occupations, while the richest are employed in high-skill occupations (Figure 5.18c).

A larger proportion of refugees work inside the camp across the distribution. Yet, better-off refugees are more likely to work inside the camp. Regarding location, although working outside the camp is shown to have significant wage effects (see Chapter 3), the data show that the poorest in-camp refugees are more likely to work outside the camp than the richest (Figure 5.18d), an effect apparently driven by refugees from South Sudan and Somalia, who are poorer overall. Regression results show that an increase in the share of employed household members is associated with increased household expenditure for in-camp refugees, their hosts, and out-of-camp refugees (Table D.15 in Annex D). The predicted poverty rate decreases with the share of employed household members, indicating that employment is essential to lowering poverty for in-camp refugees (Figure 5.19).

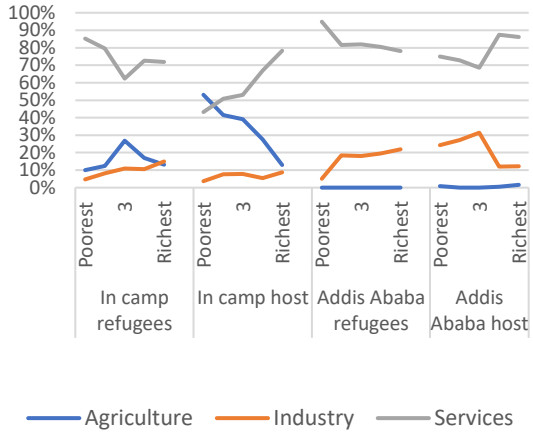
Poverty relates to lack of access to markets for in-camp refugee households. Families with better access to essential resources such as education, healthcare, clean water, and stable employment are more likely to experience improved economic stability and well-being. Access to these services provides a foundation for building a more secure financial future, enabling households to invest in their growth and development. Consequently, communities with better access to resources tend to have lower poverty incidences, as these critical assets empower individuals to break free from the cycle of economic hardship. For analysis, resource access is proxied by remoteness or proximity to resource hubs and market accessibility. Descriptive statistics show that poverty rates are higher in medium market-accessibility areas and lowest in high-market accessibility areas (Annex D, Table D.14). Poverty incidence also tends to be lower in areas closer to *Woreda* capitals. Results from regression analysis for in-camp refugees show that consumption expenditure per capita negatively correlates with distance to a *Woreda* capital; with a 1 percent increase in mean distance to the capital reducing consumption expenditure per capita by 0.09 percent, holding other factors constant (Annex D, Table D.16). Moreover, living in high market-accessibility areas is associated with a 0.24 percent increase in consumption expenditure per capita.

Figure 5.18. Labor market outcomes by expenditure quintiles

a) Key labor market indicators

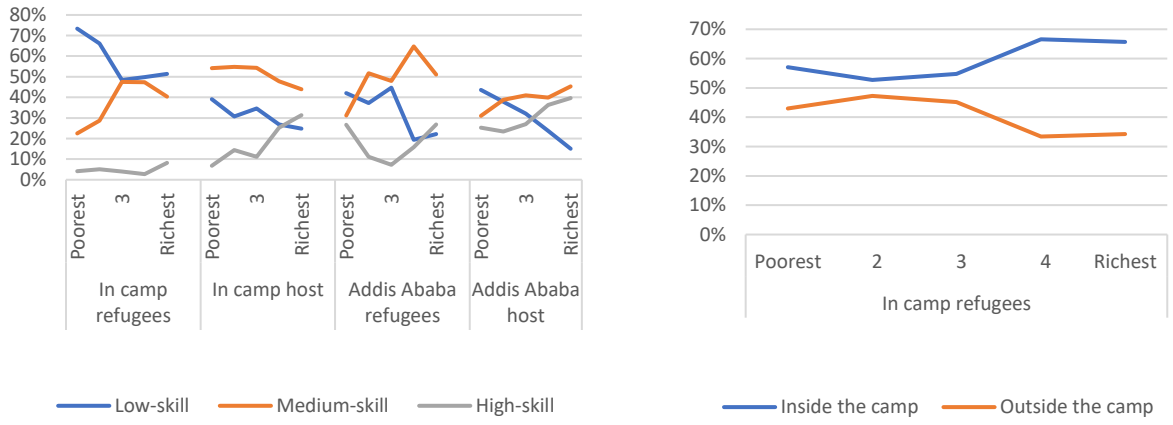


b) Employment by sector



c) Employment by skill (occupation-based)

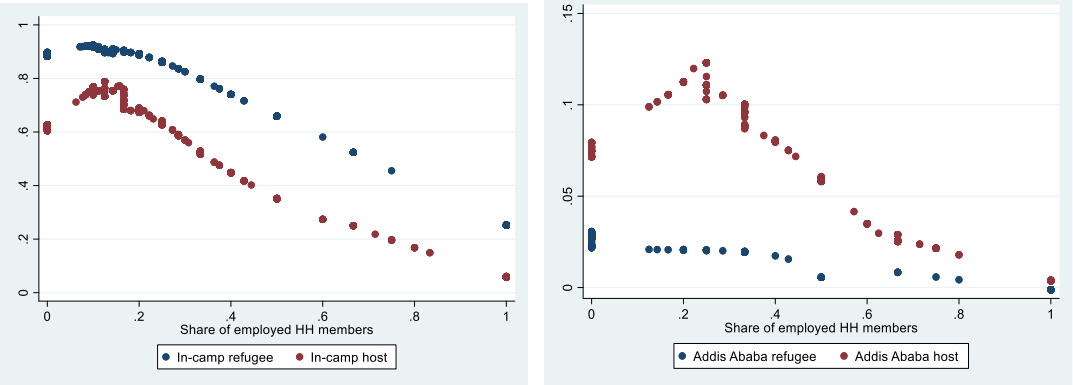
d) Work location for in-camp refugees



Source: World Bank Staff based on SESRE 2023.

Market and political shocks harm the welfare of refugees and host communities. As mentioned, refugee households in Ethiopia are vulnerable to various shocks, including market shocks that harm their well-being. Poor households are more likely to experience shocks; concurrently, they are less equipped to devise coping strategies. Market shocks, often manifested through escalated food prices, seem to predominantly harm host communities, while refugees are less affected (Annex D, Table D.16). This disparity may stem from refugees' heavy dependence on food assistance and remittances, coupled with the international community's concentrated efforts on enhancing refugee livelihoods. A significant observation is that political shocks, closely linked to displacement and insecurity issues, consistently result in adverse welfare outcomes for out-of-camp refugee and host community households (Annex D, Table D.16).

Figure 5.19: Poverty rates and employment for refugees and host



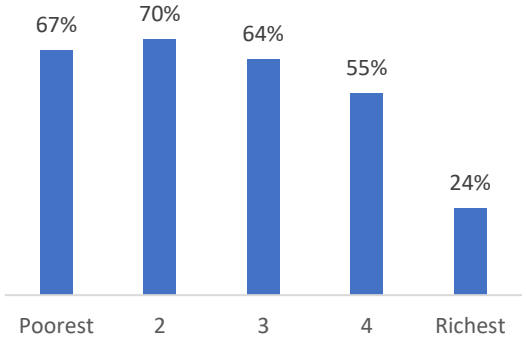
Source: World Bank Staff based on SESRE 2023.
Note: Predicted marginal probabilities of poverty based on the share of employed members after controlling for other factors.

5.3 Cost of Basic Needs for Refugees

This section estimates the cost of basic needs for in-camp refugees in Ethiopia and analyzes the determinants of these costs. This section identifies how much it costs to meet basic needs through aid. It

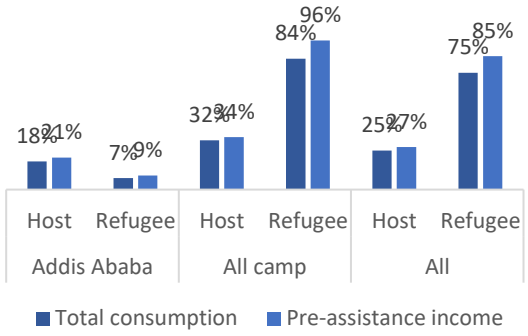
also shows how the need for assistance depends on the degree of economic inclusion of refugees, following the work of Atamanov et al. (2023). Basic needs are defined using monetary poverty lines. The approach captures the cost of a minimum standard of living, grounded in a well-established methodology. (see Box 5.4**Error! Reference source not found.** for in-depth explanation of the methodology used). On average, in-camp refugees receive about 56 percent of total consumption from aid or assistance (Figure 5.20). The share is substantially higher for refugees from the bottom quintile (67 percent) than those from the top quintile (24 percent).

Figure 5.20: Share of consumption provided in-kind or for free by consumption per capita quintiles among in-camp refugees



Source: World Bank Staff based on SESRE 2023.
Note: Quintiles are constructed for in-camp refugees only.

Figure 5.21: Poverty incidence at consumption and pre-assistance consumption levels



Source: World Bank Staff based on SESRE 2023.
Note: Poverty rates are calculated based on $2.15 in the 2017 PPP line using total consumption and pre-assistance income

We estimate poverty levels for refugees and host communities using the standard consumption aggregate and the pre-assistance consumption aggregate. We present poverty rates separately for camp and out-of-camp refugees (Figure 5.21). Notably, poverty headcount for refugee camps is markedly higher when considering pre-assistance consumption; that is, consumption after deducting aid or assistance received (96 percent) as opposed to total consumption (84 percent). However, for refugees living outside of camps and for host communities, the changes in poverty rates are not large. A similar trend is observed with the poverty gap. These findings underscore humanitarian aid's vital importance for refugee camps. The lack of substantial change in poverty among out-of-camp refugees is due to their greater reliance on remittances rather than direct aid.

Box 5.4: Estimation of the cost of basic needs for refugees

In addition to their own resources, refugees rely on humanitarian aid to cover their expenditures on food, sanitation, hygienic products, and essential non-food items. “Successful” integration and economic inclusion—that is, earning sufficient income to be no longer poor and to consume more than the (international) poverty line—of refugees bring higher self-reliance and less reliance on humanitarian assistance. This opens two tracks for investigation:

(i) First, how much aid would be needed if the policy objective were to bring refugee consumption up to the poverty line. The answer to this question is found by identifying the poverty gap for refugees.

(ii) Explore the factors that determine, or at least are associated with, the size of the poverty gap.

In Ethiopia, the policy on living out-of-camp is somewhat unique in that refugees who live in camps are eligible for humanitarian assistance; all refugees receive the complete package. However, that package regularly changes when funding gaps arise. Refugees who live out-of-camp forego any assistance. Still, they can access education and health services. Regarding selection for the OCP, only those who are "better off"—that is, they can rely on remittances—qualify and are selected for OCP. This implies that the OCP refugees have a vastly different profile from those living in camps.

The focus of this section is first to identify how much it would cost if basic needs were met through aid alone, and next, how the need for assistance depends on the degree of economic inclusion of refugees. For this purpose, basic needs are defined using monetary poverty lines (Atamanov et al., 2023). Monetary poverty lines are used because they both capture the cost of a minimum standard of living and follow a well-established methodology combining: (i) a food allowance for adequate nutrition/minimum caloric intake using a national basket of goods, and (ii) a non-food allowance that captures the cost of essential non-food items such as clothing, shelter, and private expenses on health and education (Ravallion, 1998). The preferred poverty line was $2.15 per capita per day in 2017, and PPP converted to Ethiopian Birr in December 2022. The first step in estimating the cost of basic needs for refugees is the calculation of pre-assistance income or refugees—a proxy for income earned by refugees. The pre-assistance income for in-camp and out-of-camp refugees are calculated separately. For in-camp refugees, this involves deducting assistance from total consumption, including humanitarian assistance and housing—a proxy for gifts received from (international) donors. For those out-of-camp, only humanitarian assistance is deducted. The information about food and non-food consumption provided in-kind or free to households provides a measure of the role of existing humanitarian assistance. We assume that aid organization and the government provide these food and non-food products and services. The expenditure sources mapped to humanitarian aid to calculate pre-assistance income are consumption use of donation items from government or NGOs, sale of donation items from government or NGOs, donations in cash from government or NGOs, and imputed value of owned or subsidized dwelling units for in-camp refugees.

The cost of basic needs for refugees is assessed using three scenarios:

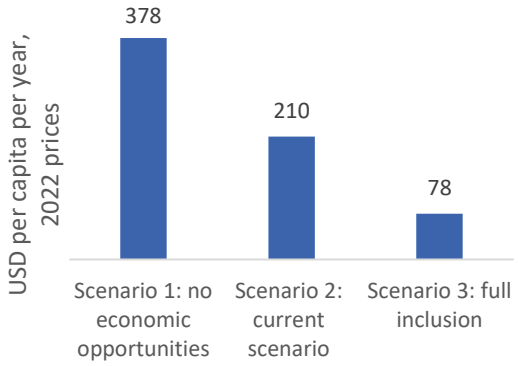
(i) "No economic opportunities"—the costliest scenario that assumes that refugees do not earn any income and need aid to cover all their basic needs. In this baseline scenario, the poverty line's full value is used as a proxy for costs.

(ii) "Current"—based on the premise that, in practice, refugees find opportunities to earn money, even in the most restricted environments. By allowing refugees to work, the assistance needed to cover basic needs is lower. This could be a stringent assumption in light of Ethiopia's refugee policy that does not facilitate swift access to work permits and refugee mobility within camps. The cost of basic needs under this current scenario is measured by removing humanitarian aid from total household consumption, then taking the difference between the poverty line and pre-assistance consumption. This difference indicates how much assistance is needed to bring the consumption of refugees to the poverty line. The value is lower than the costs under the "no economic opportunities" scenario, with the savings viewed as an economic inclusion dividend made possible by Ethiopia's prevailing refugee policies.

(iii) "Full inclusion"—uses the current poverty gap of Ethiopian hosts as a proxy for basic needs costs, where an "average" refugee resembles an "average" Ethiopian in terms of human capital, access to productive assets, and economic opportunities. The "no economic opportunities" and "full economic inclusion" scenarios are hypothetical and only serve as upper and lower bounds for aid necessary to cover the costs of basic needs.

Compared to the "no economic opportunities" scenario (see Box 6.4), Ethiopia's "current" economic integration model reduces costs by 44 percent to an annual cost of US$210 per capita. Figure 5.22 shows the yearly costs of basic needs per refugee to cover, depending on economic inclusion across the three scenarios. Under a "no economic opportunities" scenario—in which refugees do not work and must rely solely on aid or assistance, the annual cost of basic needs per refugee is approximately US$378. Under the "current" scenario—where refugees can find opportunities to earn money or work—the amount of assistance needed to cover basic needs reduces annual costs by 44 percent to US$210 per capita. The saving can be viewed as an economic-inclusion dividend made possible by Ethiopia's prevailing refugee policies. Under a hypothetical "full inclusion" scenario—where in-camp refugees have equal opportunities as hosts—the cost of basic needs decreases further to only US$78 per refugee, per year.

Figure 5.22: Costs of basic needs per refugee per year under different scenarios



Source: World Bank Staff based on SESRE 2023.
Note: The costs are in December 2022 prices.

6 Markets and Opportunities

Refugees must be able to engage in local markets to find better livelihoods and sustainable economic opportunities. Local labor markets shape the employment trajectories of refugees. Restrictions on land access for refugees restrict their access to rural labor markets, primarily shaped by agricultural activities. Livelihood activities in cities or work similar to that found in urban areas are most promising for refugees to utilize their labor and skills. Yet, many refugee camps are in more agrarian locations, and local labor market characteristics and connectivity drive refugees' labor market outcomes (Hedberg and Tammaru, 2013; Kalter and Kogan, 2014; Kogan and Kalter, 2020; Schuettler and Caron, 2020; Dorian and Burmann, 2023).

The GoE vision to create sustainable livelihood opportunities and build refugees' self-reliance and resilience has yet to be fully implemented; roughly 88 percent of refugees in Ethiopia remain in camps based on SESRE data. Globally, approximately one-quarter of all refugees live in camps, a proportion that varies widely by country income status. Roughly half of refugees hosted in low-income countries live in camps (UNHCR, 2022b), but this share is much higher in Ethiopia (88 percent). Long-term encampment policies leave refugees isolated with limited or no economic rights, a situation that wastes their human capital and capacity for work (World Bank, 2017; Ibáñez et al., 2022). Although it may appear practical to keep refugees in camps from the perspective cost, the speed of setting-up, delivering services, identifying individuals, and other reasons, refugees in camps (or specific hosting areas) live unproductive, unfulfilled lives that do not contribute to the local economy (World Bank, 2017). Usually, the only option for economic participation these refugees have is to work or in the informal sector in surrounding host communities.

In Ethiopia, refugees live in 24 camps located across different regions[45]. Refugee camp locations are diverse. Some camps are part of *Woreda* cities, some are close to *Zone* capital cities, some are remote, some are near a border to their home country, some are in the lowlands and some in the highlands. They are spatially dispersed, have different geographic, social, and economic contexts, and are in different ecological Zones. For example, about 38 percent of refugees live in drought-prone lowland and pastoralist areas, whereas 60 percent live in humid reliable lowland areas (Annex D, Figure D.31). In many refugee-hosting areas in Ethiopia, except for a few places such as Addis Ababa, refugees and host communities share cross-border cultural and economic connections; and common ties of kinship, language, and ethnicity (Vemuru et al., 2020).

Location greatly affects socio-economic outcomes, economic activities, and livelihood opportunities, and poverty levels vary profoundly by location in Ethiopia. Livelihood activities vary throughout the country and the refugee-hosting zones. Rural labor concentrates in the agricultural sector, with low non- and off-farm employment in rural areas and small towns (Pimhidzai et al., 2022), while work in the service

[45] In Ethiopia, the refugee camps are located in Tigray, Afar, Amhara, Somali, Benishangul-Gumuz, and Gambella regions. Eritrean refugees who speak *Tigrigna* are basically located in Tigray region, though they moved to Amhara region following the *North Ethiopia Conflict* (IOM, 2023). Refugees who speak the Afar language from Eritrea are settle in Afar region. Refugees from Somalia are located in different parts of the Somali region. Sudanese refugees live in Gambella region, whereas the South Sudanese settled in Benishangul-Gumuz.

and manufacturing sectors concentrates in urban centers[46]. Livestock production and sale represent the main livelihoods in lowland pastoral areas. Poverty rates are higher among households in the drought-prone lowlands, and the likelihood of escaping poverty is higher for households in lowland pastoral areas than those in moisture-reliable highlands (World Bank, 2020). Refugees in camps can neither choose nor participate in the local agricultural economy, so disparities in livelihood opportunities depending on location matter for refugees. For example, employment rates differ depending on the hosting zones, helping to explain the different labor market outcome of refugees' experience across the country.

This chapter aims to better understand how camp locations determine labor market outcomes and highlights the importance of refugees' location as part of the development strategy for refugees in Ethiopia. First, we define refugees, resource hubs, connectivity, and local markets, and highlight differences in refugee communities depending on location. Second, we identify in-camp refugees' performance in the labor market and investigate if there is a spatial disparity in such outcomes among refugees. We discuss refugees' spatial disparity in labor market access and outcomes based on their proximity to Zone capital cities, *Woreda* cities, and the nearest international border. In addition, we investigate their level of accessibility to the given market where they are located. Third, using an econometric model, we assess to what extent refugees' group differences in terms of labor market outcomes correlates with several variables: local factors, proximity to resource hubs, and connectivity.

6.1 Spatial disparities in refugees labor market access and outcomes

To better understand refugees' spatial disparities, we look at their remoteness—measured as proximity to the nearest Zone capital cities, *Woreda* cities, and the international border—as well as their market accessibility. We selected the capital city of each Zone as it is a resource and market hub for surrounding *Woredas* and *Kebeles* (Box 6.1). Usually, these cities serve as a commerce center for agricultural goods and manufacturing products and provide better employment opportunities. Moreover, Zone Capital and *Woreda* cities offer better education and health services and improved transportation and communication infrastructure. In addition to cities and towns, people often use border areas to trade and purchase goods at better prices.

Box 6.1: Measurement of proximity and market access index in Ethiopia

The analysis measures the nearest Zone and *Woreda* capital cities and the closest international border from refugee camps using straight-line distance in a projected coordinate system (Euclidean distance). The study indexed refugees' proximity to resource hubs by classifying their presence to a combination of distance to cities and borders. Level one is the presence of refugees within a radius of 20km from a Zone capital city. Level two is 10km away from a *Woreda* city but not within a radius of 20km from the Zone capital city. Level three is for refugees located 30km from the nearest international border but not within a radius of 20km from the Zone capital city and 10km from *Woreda* city. Wel classify level four as "remote"; that is, not located 30km from the nearest international border, not within a radius of 20km from the Zone capital city, and not 10km from Woreda city.

The market access indicator in Ethiopia is measured at the *Woreda* level. Accessibility for a *Woreda* is estimated as the sum of the travel time of the weighted population to the destination *Woredas*. With *Woreda*-to-*Woreda*

[46] Labor Force and Migration Survey 2021

origin-destination matrices, we calculate market accessibility by the following equation (Donaldson and Hornbeck, 2016; World Bank, 2019b):

$$MA_o = \sum_{o \neq d} \tau_{od}^{-\theta} N_d$$

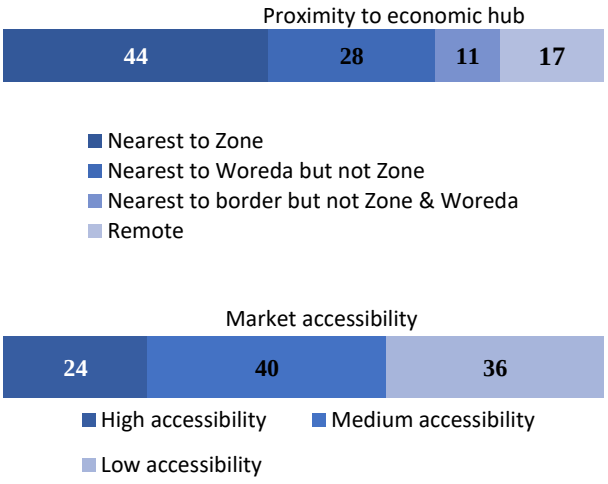
where MA_o is market access at Woreda "o", τ_{od} is the trade cost between two *Woredas* "o" and "d", N_d is the population of *Woreda* "d", and θ is the trade elasticity. Trade costs between two *Woredas*, τ_{od} is defined by $\tau_{od} = \exp(\lambda time_{od})$ with $\lambda = 0.02$ and $time_{od}$ the optimal travel time between *Woredas* using the transport network of 2020. The trade elasticity, θ has a value of 8.28 (Eaton and Kortum, 2002).

In Ethiopia, refugees' locations differ vastly in terms of proximity to resource and economic hubs. About 37 percent of refugees live within 10 kilometers of the nearest *Woreda* city and another 43 percent live within 10 to 20 kilometers. Zone capital cities are farther away, but almost half (45 percent) of in-camp refugees live within 20 kilometers of the nearest Zone capital city (Figure 6.1a). Borders seem farther, with 18 percent of refugees living within 30 kilometers of the nearest border. When defining mutually exclusive location categories to measure proximity to resource hubs, we see that 44 percent of refugees live closest to the nearest Zone capital city. Another 28 percent live closest to a *Woreda* City, which is not a Zone capital city. About 11 percent live close to a border but not the Zone capital or *Woreda* city, and 17 percent of in-camp refugees live in remote areas far from a Zone capital city, *Woreda* city, or a border. When looking at accessibility, as defined by a market accessibility index, more than one-third of the refugees are located in areas with low market accessibility (Figure 6.1b).

Figure 6.1: Refugee incidence

(a) Against distance to cities and borders

(b) By market accessibility, proximity to resource hub



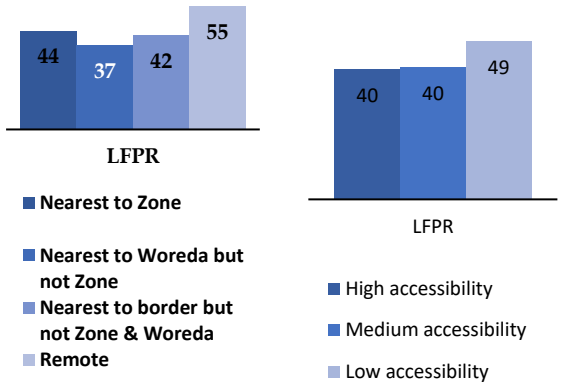
Source: World Bank Staff based on SESRE 2023.

Note: High, medium, and low accessibility refers to the level of market access, with >0, [-0.5, 0], and <-0.5 standard deviations from the average, respectively.

Labor market outcomes[47] differ by proximity to resource hubs and connectivity. The labor force participation rate for refugees is highest in remote locations and areas with poor connectivity (

Figure **6.2**). Yet, most refugees in the labor force in remote and low-connected locations are unemployed, highlighting challenges for those who want to work to find employment opportunities (Figure 6.3a and Figure 6.3b). In contrast, refugees near borders and Zone capitals have the highest employment rates. (Figure 6.3a and Annex D, Figure D.32). Refugees benefit from being close to Zone capital cities as the cities are resource hubs, creating many positive economic and social spillover effects on surrounding areas. For example, the employment rate increases by 14 percentage points for refugees closer to Zone capitals and with higher market accessibility (Figure 6.3b).

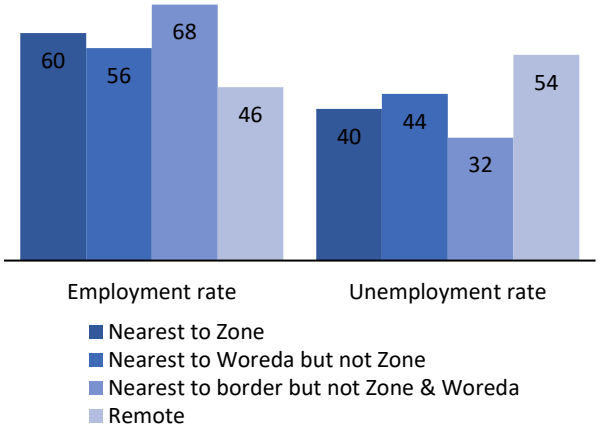
Figure 6.2: Labor force participation rate by proximity to resource hub, market accessibility



Source: World Bank Staff based on SESRE 2023.
Note: High, medium, and low accessibility refers to the level of market access, with >0, [-0.5, 0], and <-0.5 standard deviations from the average, respectively.

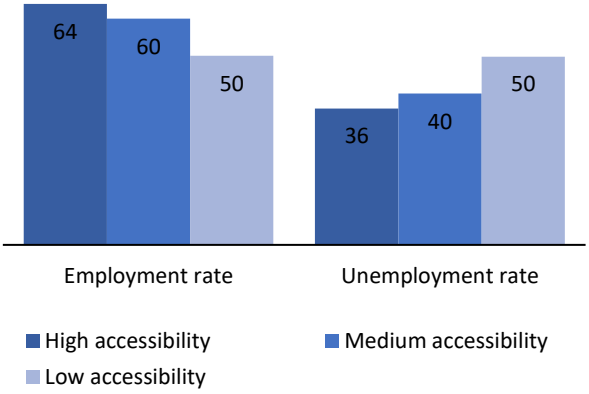
Figure 6.3: Refugees' labor market outcomes

(a) By proximity to resource hub



Source: World Bank Staff based on SESRE 2023.

(b) By market accessibility



Note: High, medium, and low accessibility refers to the level of market access, with >0, [-0.5, 0], and <-0.5 standard deviations from the average, respectively.

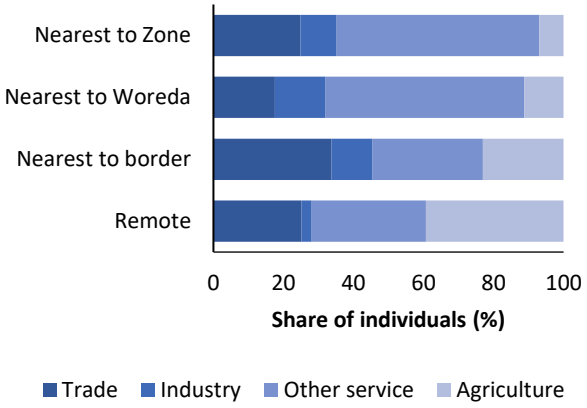
The likelihood of refugees working in the agriculture sector increases with remoteness. The share of employed refugees in agriculture rises from 7 percent in camps nearest Zone capital cities to 40 percent in remote camps (Figure 6.4a). Similarly, refugees in areas with low market accessibility have a higher share of employment in the agriculture sector (Figure 6.4b). The labor market in remote and less connected areas is predominantly agrarian,[48] providing worse employment opportunities for refugees other than the

[47] This analysis uses the relaxed definition to measure the current employment status of the host community and refugees.
[48] As the previous chapter highlighted, most of refugees engaged in agriculture activity are livestock holders (see Chapter 3).

agriculture sector. Yet, they do not have easy access to land to work in agriculture. As a result, a higher share of the economically active working-age refugee population in these areas remains unemployed (54 percent).

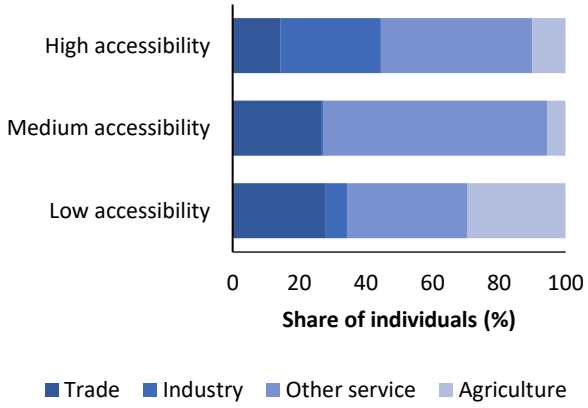
Figure 6.4: Sectoral employment

(a) By proximity to resource hub



Source: World Bank Staff based on SESRE 2023.
Note: We classified the service sector as trade and another service, aiming to shed light on refugees' engagement in trade activity.

(b) By market accessibility level



Note: High, medium, and low accessibility refers to the level of market access, with >0, [-0.5, 0], and <-0.5 standard deviations from the average, respectively.

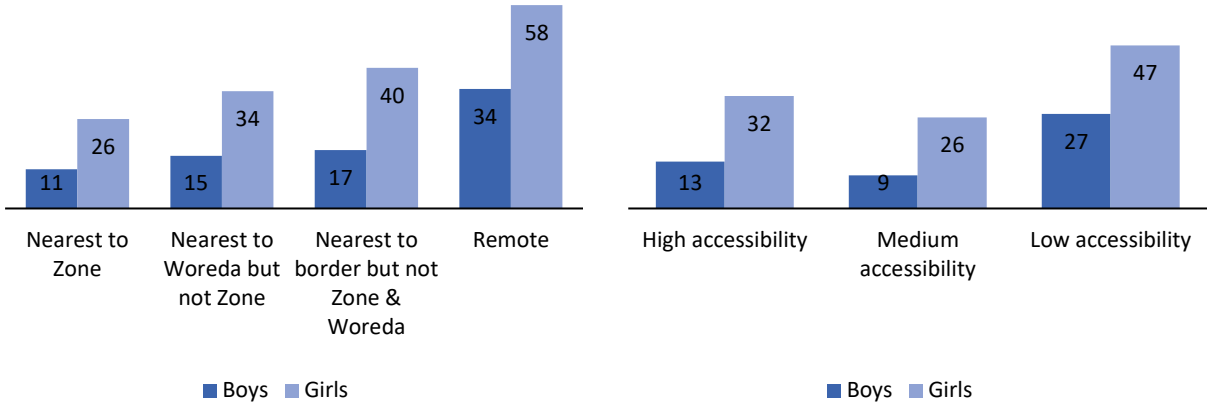
Proximity to resource hubs and better accessibility increase the likelihood for refugees to work in non-agriculture sectors. For example, in the camps nearest to Zone capital cities, 27 percent of the employed workers engage in trade activity and 62 percent work in other service sectors (Annex D, Figure D.33). Since refugees are not better positioned to work in the formal private or public sector, their participation in trade and service relates to economic activities inside camps or in the informal sectors in surrounding areas, such as construction, small shops, and street trades. The likelihood of engaging in the industry sector is higher (30 percent) for refugees in highly-accessible areas, highlighting that refugees can participate in different employment sectors as long as their location is well-connected to markets.

The prevalence of youth refugees not in employment, education, or training (NEET) increases with remoteness and poor connectivity. Youth without employment, education, or training decreases their future labor market outcomes and lifetime earnings (Zanfrini and Giuliani, 2023). About 38 percent of the working-age refugee population is between ages 15 and 24, and one-fifth of these youth is NEET. Spatial inequalities in NEET are significant, with more girls being NEET in any area. About 58 percent of young women and 34 percent of young men in remote camps are NEET, but only 26 percent of young women and 11 percent of young men in camps nearest to Zone capital cities are NEET (Figure 6.5a). Similarly, a higher share of young women (47 percent) and young men (27 percent) are NEET in low-connected areas compared to others (Figure 6.5b).

Figure 6.5: The share of refugee youth who are NEET

(a) By proximity

(b) By market accessibility



Source: World Bank Staff based on SESRE 2023.

Note: High, medium, and low accessibility refers to the level of market access, with >0, [-0.5, 0], and <-0.5 standard deviations from the average, respectively.

6.2 Effects of local factors on refugees' labor market outcomes

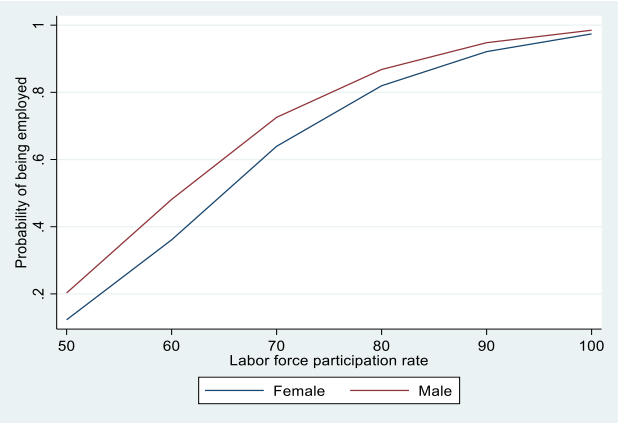
This section estimates the effect of local factors on refugees' employment outcomes. It shows how local factors matter for employment opportunities by looking at refugees aged 18 to 64 not currently studying. More specifically, it sheds light on the importance of accessible locations and proximity to economic and resource hubs for refugees to perform better in local labor markets and to access sustainable economic opportunities. The analysis uses household and individual information from SESRE data and geospatial information. The estimation applies logistic regressions to predict the effects of the various indicators on the probability of being employed and working in different sectors of employment (see Annex D, Table D.17). Annex D, Table D.19 shows the average marginal effects of the explanatory variables. We discuss the results using predicted marginal probabilities of being employed based on various local factors.

The local labor market structure affects[49] the possibility of refugees finding jobs. Consistent with existing evidence (Andersen et al., 2023), the study reveals that in a local economy where most of the working-age host population is in the labor market, refugees have a higher prospect of employment. Across all model specifications, men are more likely to be employed than women. For example, in a local market where only 50 percent of the working-age population is active, employment prospects are 12 percent for female refugees but 22 percent for male refugees (Figure 6.6). However, this difference in the probability of employment between male and female refugees disappears in local labor markets where more of the working-age population is active. The finding implies that refugees will perform better in a labor market with better employment prospects. Moreover, local unemployment levels affect the odds of being employed for refugees, regardless of the gender of the refugee. The higher the unemployment rates in

[49] The analysis proxies the local labor market by the aggregate market of urban areas of each Zone where refugee camps are located. Seven Zones host refugees; this study calls them *hosting Zones*. North Gondar Zone hosts Eritreans in *Alemwach* camp. Awsi (Zone 1) hosts Eritreans in Asayita camp. Liben Zone hosts Somali refugees in Bokolmanyo, Buramino, Hilaweyn, Kobe, and Melkadida camp. Fafan Zone hosts Somali refugees in Aw-barre, Kebribeyah, and Sheder camp. Agnuak Zone hosts refugees from South Sudan in Pinyudo 1 and 2, Jewi and Okugo camp. Itang Special Zone hosts refugees from South Sudan in Tierkidi, Kule, and Nguenyyiel. Assesa hosts refugees from South Sudan in Bambasi, Sherkole, and Tsore.

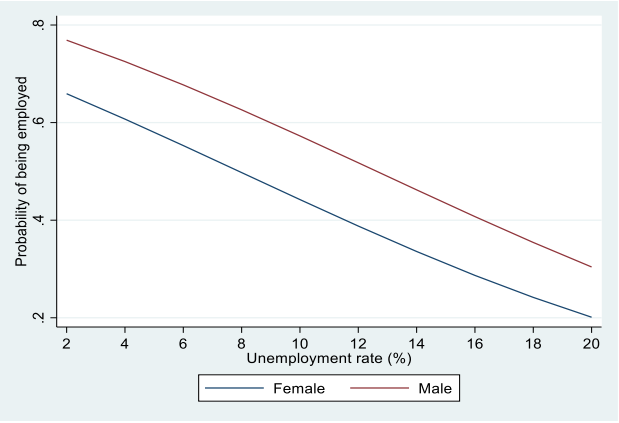
local area, the lower the refugees' chance of obtaining jobs (Figure 6.7), consistent with existing evidence (Azlor et al., 2020).

Figure 6.6: Local labor supply effect of refugee's odds of employment



Source: World Bank Staff based on SESRE 2023.
Note: Predicted marginal probabilities of being employed based on the labor force participation rate of the local market, tabulated by employment experience.

Figure 6.7: Local unemployment level matters to obtain jobs



Note: Predicted marginal probabilities of being employed based on the unemployment rate of the local market, tabulated by gender.

Proximity to resource hubs increases refugees' chances or working, regardless of gender. In all of our proximity measurements, refugees nearest to the Zone capital cities have a higher chance of being employed (Annex D, Table D.18). Only about 34 percent of male and 23 percent of female refugees living 100 kilometers from a Zone capital city are employed. In contrast, the chance of obtaining a job increases to 59 percent for male refugees and 47 percent for female refugees living within 10 kilometers of a Zone capital city (Figure 6.8). Overall, proximity to resource hubs leads to better employment outcomes for refugees. The chance of being employed is higher for male refugees proximate to resource hubs by 41 percentage points compared to those living in remote locations (Figure 6.9).

Figure 6.8: Distance to the nearest city and the chance of obtaining a job for refugees

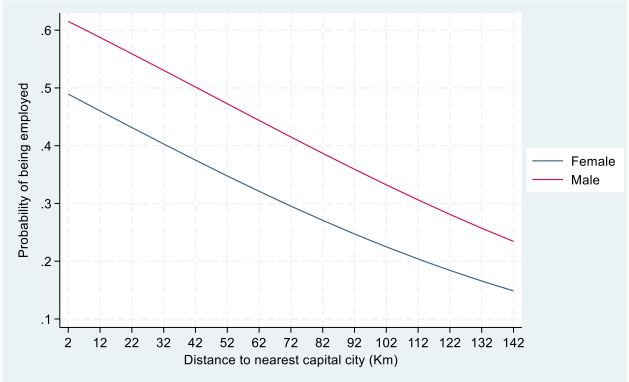
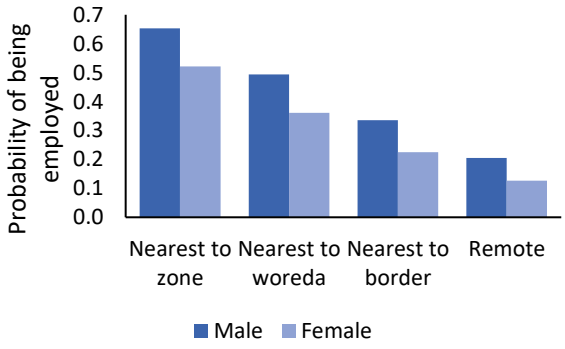


Figure 6.9: Employment and proximity to resource hubs



Source: World Bank Staff based on SESRE 2023.
Note: Predicted marginal probabilities of being employed based on the distance to the nearest Zone capital city, tabulated by gender.

Note: Predicted marginal probabilities of being employed based on proximity to resource, tabulated by gender.

Irrespective of distance to economic hubs, the gender employment gap persists, with female refugees having lower chances of being employed. However, the employment gap between male and female refugees narrows as the location gets more remote. Female refugees are 8 percentage points less likely to be employed then male refugees in remote areas, but 13 percentage points in locations near Zone capital cities (Figure 6.9).

7 Social Cohesion

Social cohesion is vital for refugees' ability to integrate and contributes to social development. While social cohesion is often defined differently in different contexts, we define it here as "a sense of shared purpose, trust, and willingness to cooperate" (Barron et al., 2023). To be socially sustainable, communities must work together to overcome challenges, provide public goods, and allocate resources fairly, and social cohesion has long been seen as critical for solid institutions and economic growth (Easterly et al., 2006). This is often challenging in a refugee context, where refugees not only experienced traumatic shocks to their social, economic, and emotional wellbeing, but they also face host communities' concerns regarding how refugees affect the local labor market, the availability of goods and services, and the environment (World Bank, 2023a). These challenges are even more significant when refugee camps are in underdeveloped and underserved regions of the country, where there is greater competition over scarce resources, livelihood opportunities, and services.

Despite challenges, forced displacement does not always lead to poor social cohesion between refugees and hosts. Social cohesion can actually improve due to the benefits refugees bring to host communities, and with positive interactions between refugees and hosts. In remote areas, refugees often increase local economic development by increasing the availability of labor and demand for products and services. Aid inflow accompanying refugees can also promote economic development in the host community. Across the world, studies show that refugees are more likely to have positive, rather than adverse, economic effects on the host community. Economic studies of refugee camps in East Africa tend to find benefits for local economic development (Verme et al., 2021; Alix-Garcia et al., 2018; Maystadt et al., 2014). In Ethiopia, Walelign et al. (2022) find that refugees increase income diversification and livestock product sales for hosts and increase local market activity. Similarly, in Uganda, Zhou et al. (2022) found that increased refugee inflows improved local access to health, education, and roads, and had no detectable effect on hosts' attitudes toward refugees. Other evidence from Uganda finds that interactions between hosts and refugees may help improve hosts' attitudes (Betts et al., 2023). In some contexts, refugee inflows have been found to harden in-group identification and increase support for ideological extremes. This was the case with refugee inflows in Denmark, for instance, but only in rural areas (Dustmann et al., 2019). On the other hand, refugees hosted in Austrian municipalities for extended periods, as opposed to those who passed through, were found to *reduce* support for anti-immigrant parties, pointing to the benefits of refugee-host interactions (Steinmayr, 2021). All-in-all, there is little evidence that refugee hosting tends to worsen attitudes toward refugees in the Global South (World Bank, 2023b).

7.1 Attitudes between refugees and hosts

SESRE data show that, while some hosts have negative attitudes towards refugees, most attitudes are generally positive. Sixty-five percent of hosts agree that refugees are friendly and good people, and only 20 percent are uncomfortable with having a refugee neighbor. This is an important finding, highlighting the potential for integration policies. Host attitudes are generally most favorable in the Somali region and most negative around South Sudanese camps; the share not comfortable with having a refugee neighbor increases to 37 percent in the South Sudanese domain.

Figure 7.1: Host response to "Refugees are good people"

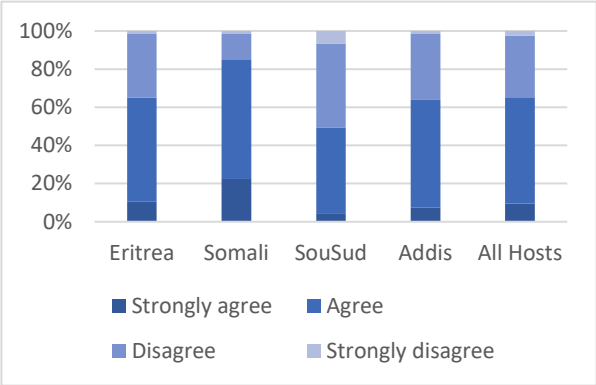
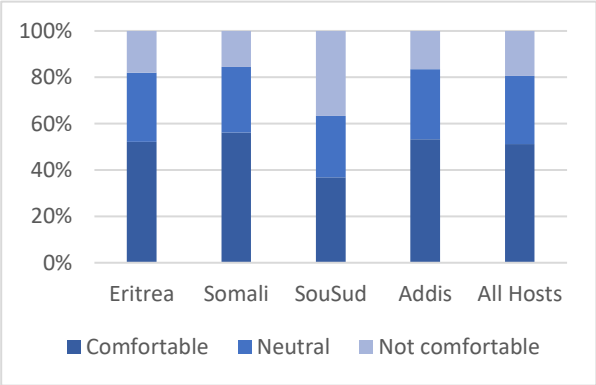


Figure 7.2: Host response to "Would you feel comfortable having a refugee as a neighbor?"



Source: World Bank Staff based on SESRE 2023.

The greater degree of cultural and linguistic overlap between Somali refugees and their Ethiopian hosts may explain why attitudes are generally better in the Somali domain and worse in the South Sudanese domain, but socio-political tensions over ethnic composition in the Gambela region is also a factor (see Box 7.1**).** Evidence from many settings show that host attitudes and propensity for positive host-migrant contact increase with cultural proximity between migrants and hosts (World Bank, 2023b; Hainmueller et al., 2014; Betts et al., 2023). As an historical example, political backlash during the U.S. age of mass migration (between roughly 1850 to 1910) was more significant against immigrant groups that were more culturally distant (Tabellini, 2020). In East Africa, the relationship between refugee-host interactions in Uganda and positive attitudes was higher when there was greater cultural overlap (Betts et al., 2023). In Ethiopia, Somali refugees and hosts benefit from speaking a common language and having a common religion, which is not always the case in the South Sudanese domain. However, most South Sudanese refugees still think they are culturally similar to hosts (Figure 7.16). The worse attitudes towards refugees in the South Sudanese domain are also related to socio-political tensions over ethnic composition described in Box 7.1.

Box 7.1: Socio-political tensions in the Gambella Region

The South Sudanese population is ethnically and culturally diverse, with more than sixty cultural and linguistic groups. The South Sudanese refugees in Ethiopia mainly speak five languages—Nuer, Juba-Arabic, Dinka, Murle, and Luo—and the majority are ethnic Nuer, who in South Sudan are pastoralists (UNHCR, 2023c; Peters and Golden, 2019). Over 90 percent of South Sudanese refugees in Ethiopia are in the Gambela region, a multi-ethnic region dominated by two ethnic groups: the agro-pastoralist Anywaa (Anyuak) and pastoralist Nuer (Hagos 2021). While these groups have a long history of peaceful coexistence, they also have a history of conflicts over land and water resources and political representation (Vemuru et al., 2020; Hagos, 2021). The Anywaa were the majority of the population until the mid-1980s, when an influx of South Sudanese refugees shifted the demographic composition towards Nuer (Feyissa, 2015). This trend continued with the influx of more South Sudanese refugees in 2013, creating a sense of marginalization among the Anywaa in terms of changes in demographic composition, widening educational disparities, and increasing insecurity (Vemuru et al., 2020). The struggle between these two ethnic groups in the Gambela region has created socio-political tensions and influenced South Sudanese refugees' social integration (ReDSS, 2018).

Attitudes among male and female hosts are similar, but female hosts have slightly more positive attitudes, especially in the Somali domain. Female hosts are more likely to agree that refugees are good people (66 compared to 63 percent for males), and this gap is largest in the Somali domain (where it increases to 89 compared 76 percent for males). A similar pattern is observed regarding being comfortable with having a refugee neighbor.

Figure 7.3: Host response to "Refugees are good people" by gender

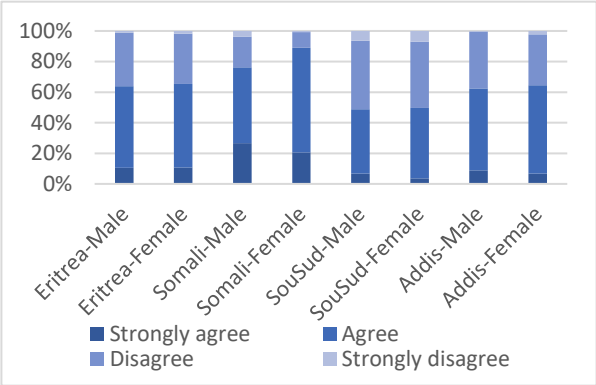
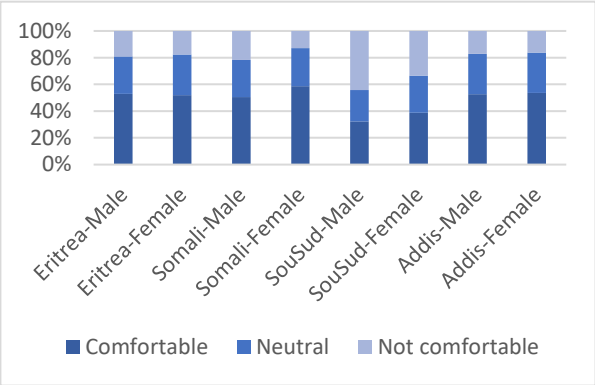


Figure 7.4: Host response to "Would you feel comfortable having a refugee as a neighbor?" by gender



Source: World Bank Staff based on SESRE 2023.

Most Ethiopian hosts want refugees to have access to free primary education and healthcare and the right to work, and to live where they choose. Eighty-seven percent of hosts believe that refugees should have the right to free primary education and healthcare, increasing to 95 percent in Somali areas, and falling to around 80 percent in the South Sudanese domain. Rates are similarly high regarding the right to work and to internal mobility. While there is more skepticism in the South Sudanese domain, still 63 percent of Ethiopian hosts agree that refugees should have the right to work and 51 percent agree that refugees should have the right to move and settle freely in Ethiopia.

Figure 7.5: Share of hosts who agree refugees should have access to...

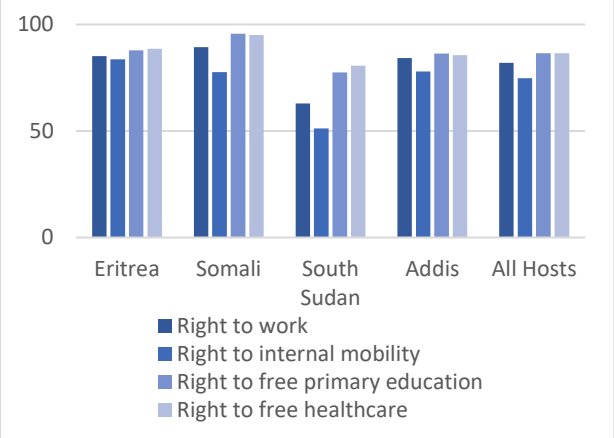
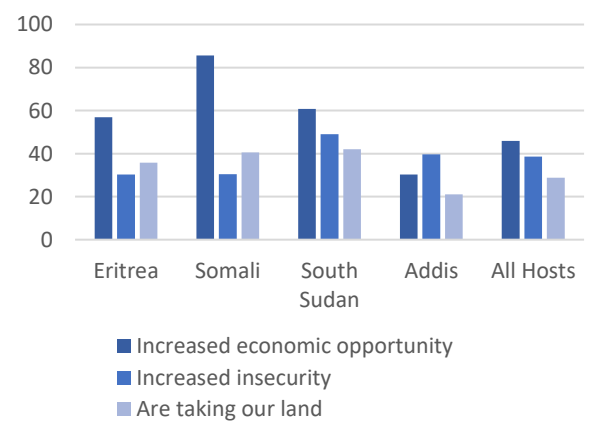


Figure 7.6: Host beliefs about refugee impact in Ethiopia



Source: World Bank Staff based on SESRE 2023.

Social acceptability for integration of refugees in high; almost half of all hosts agree that refugees have add to economic opportunities in Ethiopia. Walelign et al. (2022) similarly find that refugees' positively contribute to hosts' income diversification. Fewer think that refugees increase insecurity or are taking their land, yet these concerns exist for many. Among hosts in the Somali, Eritrean, and South Sudanese domains, 86, 57, and 61 percent, respectively, think that refugees have increased overall economic opportunities, though this rate is lower (30 percent) in Addis Ababa. Fewer than half of hosts in all domains believe refugees are increasing insecurity or taking land, though security concerns are moderately higher (49 percent) in the South Sudanese domain. These questions refer to hosts' perspectives on the effects of refugees in Ethiopia generally, not specifically towards them and their communities.

Most hosts do not think they have experienced adverse effects from refugees. However, a sizeable minority are concerned about the effects on employment, inflation, security, and deforestation in their communities, with significant differences across domains. The most consistent perceived effects are economic competition and price increases. Across domains, 29 to 39 percent of hosts think they have experienced either wage or employment competition due to refugees.[50] Beliefs that refugees have increased prices are especially prevalent in the Eritrea and Addis Ababa domains (70 and 81 percent, respectively), possibly reflecting concerns over housing costs in Addis Ababa. Other studies have shed light on this phenomenon in more detail. In rural areas, Ayenew (2021) finds that hosting refugees increased prices of food and agricultural inputs. Deforestation is a concern in the Somali and South Sudan domains (47 and 35 percent, respectively), where refugees and hosts rely on firewood for cooking fuel. Tesfaye (2021) also shows that hosts perceive negative environmental impact in terms of deforestation and loss of wildlife of South Sudanese refugees in Bambasi *Woreda*. Security concerns are highest at 34 percent in the South Sudanese and Addis Ababa domains. Fewer than 15 percent of hosts in each domain think refugees are deteriorating infrastructure (not presented).

Some hosts think refugees have improved local infrastructure and access to health and education services. Thirty-eight percent of Somali hosts believe refugees have improved local infrastructure, and 36 percent think they have improved local services. In the South Sudan domain, these rates are 16 and 18 percent.

[50] The numbers are combined here, but mainly measures employment competition since very few are concerned about wage competition.

Figure 7.7: Negative experiences due to refugees

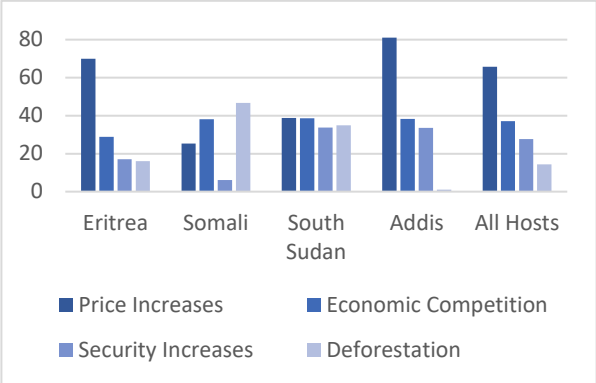
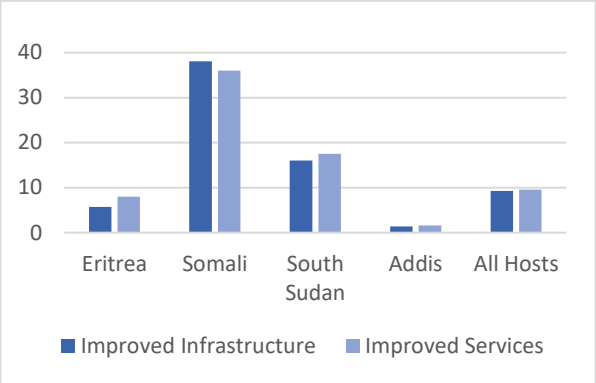


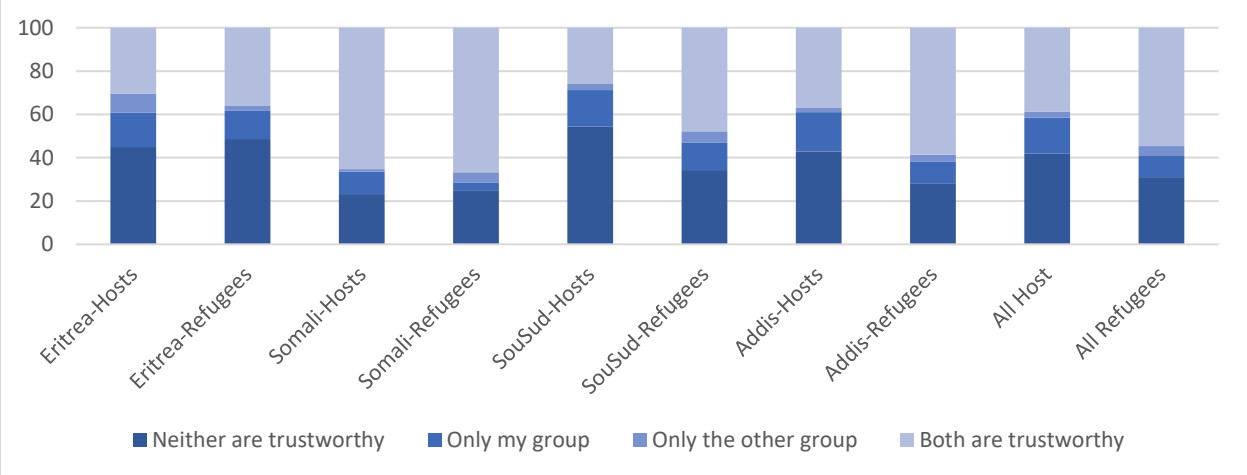
Figure 7.8: Positive experience due to refugees



Source: World Bank Staff based on SESRE 2023.

Overall, hosts and refugees show similar trust rates in each other; still, refugees are generally more trusting. Questions about the trustworthiness of hosts and refugees reveal that most people either trust both (hosts and refugees) or neither group. Only 17 percent of hosts trust other Ethiopians but not refugees, and only 10 percent of refugees trust other refugees but not Ethiopians. In comparison, 39 percent of hosts and 55 percent of refugees trust both groups. Once again, hosts' trust towards refugees is highest in the Somali domain (67 percent) and lowest in the South Sudanese domain (29 percent). On the other hand, refugee trust towards hosts is lowest in the Eritrean camps (38 percent).

Figure 7.9: Are most Ethiopians/refugees in Ethiopia trustworthy?



Source: World Bank Staff based on SESRE 2023.
Note: Combines two questions regarding trust in Ethiopians and refugees, with identical wording to both Ethiopians and refugees.

Results of combining the survey answers into an index echo our prior findings; attitudes toward refugees are better in Somali areas, worse in South Sudan areas, and slightly better among women. The above questions on attitudes and trust towards refugees, the rights refugees should have, and the effects refugees have had on Ethiopia can be combined into an index. To construct the index, we average the response to the ten questions examined above, rescaled to range from 1-4. The index is highest in the Somali domain (.46 standard deviations above the mean) and lowest in the South Sudan domain (.48

standard deviations below the mean). It is higher for female than male hosts in both domains, by .14 standard deviations from average in the Somali domain and .19 standard deviations in the South Sudan domain.

Figure 7.10: Host Attitudes Index

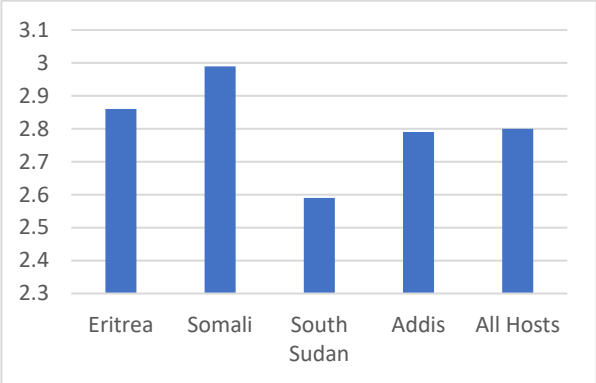
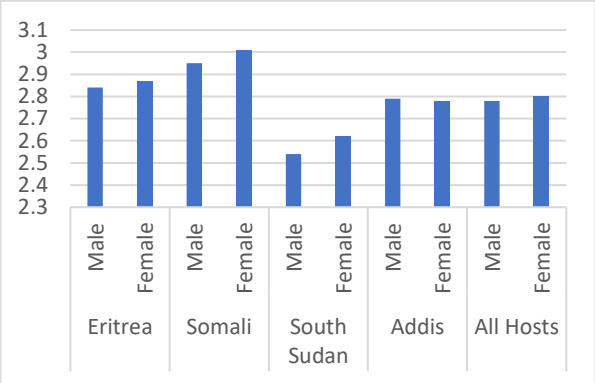


Figure 7.11: Host Attitudes Index by Gender



Source: World Bank Staff based on SESRE 2023.
Note: This index is an average of ten questions regarding beliefs about refugees' character, the rights they should receive, and their impact on the host community. The scale ranges from 1-4, where more positive indicates better attitudes.

The difference in attitudes between male and female hosts is not statistically significant, and inter-group attitudes vary little by age or education. We can study the characteristics associated with attitudes by putting this index into a regression framework. This is presented in Annex D, Table D.21. While attitudes are less positive for men, as we have seen, this difference is not statistically significant after controlling for age and education. There is no clear pattern in attitudes by age and education.

Based on regression analysis, the most significant predictor of positive host attitudes and trust is whether they think the presence of refugees has improved local infrastructure or services. This hints at the importance of local service delivery in driving host attitudes. On average, controlling for other characteristics and regions, hosts who think refugees have improved local infrastructure and service delivery score .41 standard deviations higher on the Attitudes Index and are 12 percentage points more likely to feel hosts are trustworthy. This is consistent with extensive evidence that service delivery and aid inflows are crucial in improving social cohesion between hosts and refugees (World Bank, 2023a). From a policy perspective, this points to the benefits of ensuring that aid and programs to support refugees also benefit hosts (Baseler et al., 2021).

Host trust for refugees does not significantly depend on gender, age, or education, and it does not increase with time in Ethiopia. While trust of refugees is higher for women and less-educated refugees, these differences are not statistically significant. There is little relationship between trust and time in Ethiopia. This may result from the lack of integration into Ethiopian society and social interaction with Ethiopians (discussed later in this section).

However, refugees are more trusting if they believe they are more culturally similar to their hosts. Refugees responding positively to the question, “Do you agree that you are culturally similar to the host

community?" are 20 percent more likely to believe Ethiopians are trustworthy. This is true after controlling for gender, age, education, and time in Ethiopia. Importantly, it also controls for domains, so this implies that variations in cultural proximity within the domain drive this result. This indicates that cultural similarity plays a role in facilitating social cohesion. On the other hand, we see that cultural similarity explains some but not all of the high trust in Somali camps relative to other domains.

7.2 Social interactions

Social and community integration is fundamental to refugees' ability to improve their livelihoods, support systems, and economic integration. Having friends in the host country is a valuable resource for refugees; Ethiopian friends can provide valuable information, employer connections, assistance with language, and countless other types of social and economic support. This can also promote more positive attitudes between groups. Social integration has improved well-being, health, and educational achievement for refugee adolescents across various settings (Boda et al., 2023).

Despite the generally positive attitudes described, social integration—measured by the friends and family refugees have in Ethiopia—is low. Only 7 percent of refugees report having family in Ethiopia, and 25 percent report having an Ethiopian friend outside the refugee camp. This rate is slightly higher among OCP refugees in Addis Ababa but still relatively low at 11 for having family and 31 percent for having a friend. The share with Ethiopian friends is higher for men, but similar across age groups (though lower for refugees over age 64). This masks some variation across domains; refugees under age 30 are likely to have friends than older refugees in the Eritrean and South Sudan domains. In contrast, refugees under age 30 are less likely to have friends in Addis Ababa.

Figure 7.12: Share with family or friends in Ethiopia

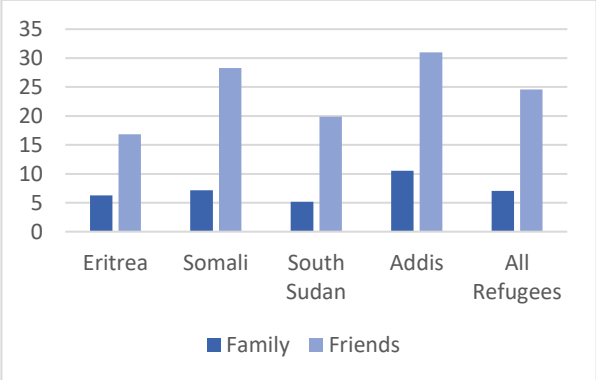
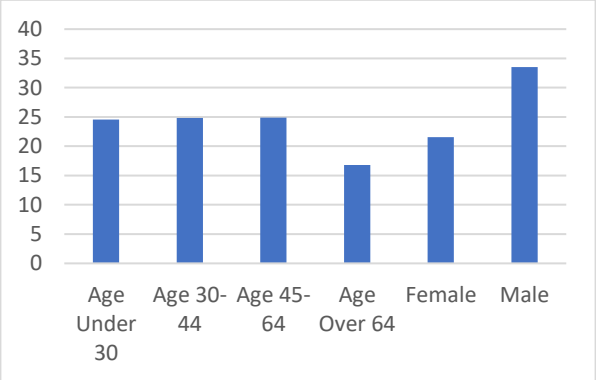


Figure 7.13: Share with friends in Ethiopia by demographic group



Source: World Bank Staff based on SESRE 2023.

Many refugees report that social interactions and sharing resources with hosts is "not easy," especially in the South Sudanese domain. Overall, 30 percent of refugees say it is not easy to have social interactions with hosts, and 34 percent report that it is challenging to share resources such as water and food. These rates fall to 21 for social interaction and 15 percent for challenge in sharing resources in the South Sudan domain. On the other hand, refuges do not report that it is difficult to conduct market interactions.

Figure 7.14: Share of refugees who think interactions with hosts are "easy to do"

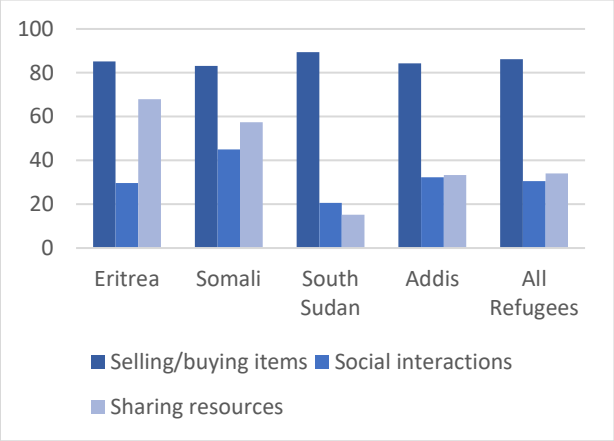
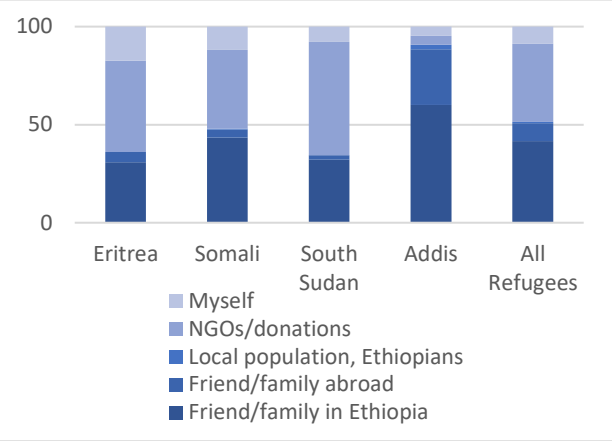


Figure 7.15: Who do refugees rely on in times of need



Source: World Bank Staff based on SESRE 2023.

Country-wide, the relationship between integration outcomes and demographic characteristics is complex. More-educated male refugees are more likely to have Ethiopian friends, but this does not appear to improve ease the creation of social interactions or sharing resources with hosts. The results in Column 2 of Annex D, Table D.22 show—controlling for other characteristics, including region and year of arrival—that refugee men are 6.7 percentage points more likely to have an Ethiopian friend than refugee women, and those who completed secondary education are 22 percentage points more likely to have an Ethiopian friend. However, no significant difference exists in the ease of which these groups find it to have social interactions with hosts. Men are notably worse in terms of their reported ease of sharing resources.

As time passes, Ethiopian refugees become more likely to have Ethiopian family and friends and find market interactions more accessible; but this occurs slowly and only translates into greater ease of socializing or sharing resources. A refugee who has spent an additional ten years in Ethiopia is only six percentage points more likely to have an Ethiopian friend and 8 percentage points more likely to find market interactions easier. Still, there is no effect on ease of social interactions or sharing resources.

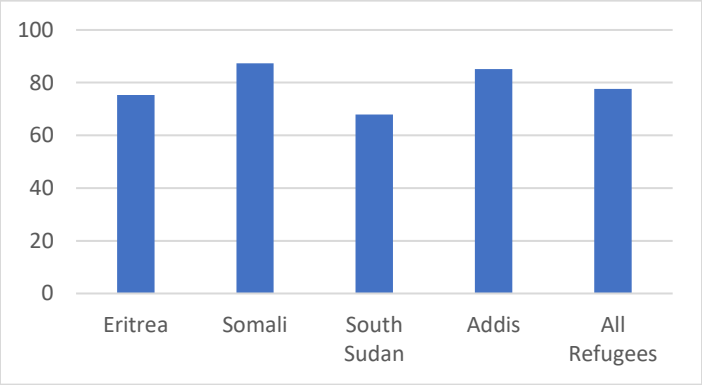
Because of low social integration, refugees rely little on the local population in times of need. When refugees are asked, "Who is most reliable in a time of need?" almost none respond with the local population. Instead, refugees heavily rely on donations and their family and friends in Ethiopia, while 9 percent of refugees respond that they would depend on themselves. Only 0.2 percent of refugees in camps and 2.3 percent in Addis Ababa rely most on the local population in times of need.

Refugees with Ethiopian friends are more likely to be employed and to work in high-skill occupations. Annex D, Table D.23 uses another regression framework to study the relationship between labor market outcomes and various social integration outcomes, controlling for domain, gender, age, education, and years in Ethiopia. For the regression, the social integration outcomes are: "having an Ethiopian friend and family", whether they find social interactions with hosts "easy to do," and their perceived cultural similarity to hosts. The results show that having an Ethiopian friend is associated with a 6 to 7 percentage point increase in the probability of refugee employment and, among those who are employed, a 4 to 5 percentage point increase in the likelihood of being in a high-skill occupation (manager, professional, or

associate professional). The variables for having an Ethiopian family and finding social interactions easy are positive (not statistically significant). In contrast, the variable for cultural similarity is both large, at around 8 percentage points, and statistically significant, highlighting the continued importance of cultural similarity for employment outcomes. Among refugees in camps, working outside of the camp appears to be relatively unrelated to all these characteristics. It is important to remember that none of these relationships are necessarily causal; they merely show that having an Ethiopian friend and sharing cultural similarity with hosts are the social integration measures most closely related to improved labor market outcomes. However, they do not necessarily explain who can, or does, work outside the camp.

Low levels of refugee social integration is not due to lack of cultural similarity with Ethiopian hosts. While this is undoubtedly a challenge in some cases, notably among South Sudanese, refugees generally believe they are culturally similar to their hosts. This rate averages 78 percent for all refugees. It is lowest in South Sudanese camps at 68 percent and highest in Somali camps at 87 percent. Many of these refugees who say they are culturally similar to their hosts respond that they have no Ethiopian friends and that social interactions with Ethiopians are complex.

Figure 7.16: Share of refugees who agree they are "culturally similar to hosts"



Source: World Bank Staff based on SESRE 2023.

Low refugee social integration is not because they have a low willingness to engage with their communities. Refugees have an extremely high rate of involvement in refugee community representative bodies. This includes participation in refugee central committees, refugee outreach volunteers, refugee community leaders, and leaders in women and youth associations. Sixty percent of refugees participate in an organization like this, the lowest in Eritrean camps at 32 percent. On average, these rates are similar across age and gender groups.

Figure 7.17: Share or refugees involved in a community representative body

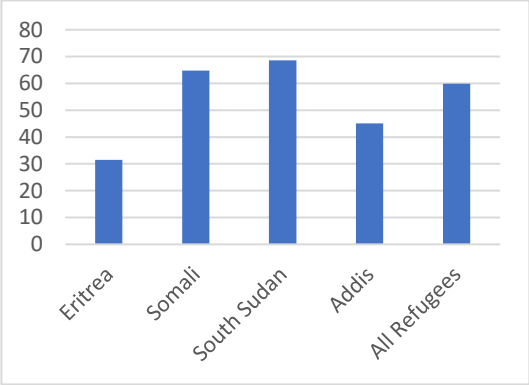
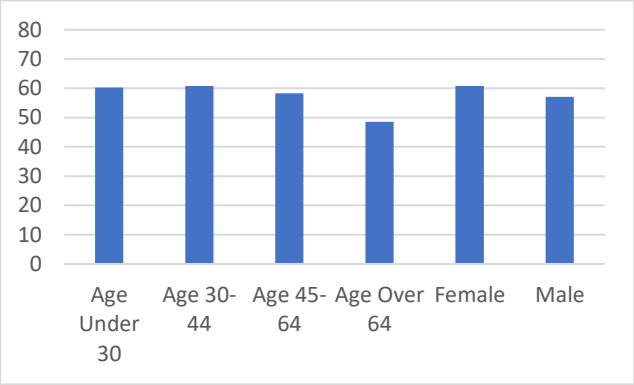


Figure 7.18: Share or refugees engaged in a community representative body by demographic group



Source: World Bank Staff based on SESRE 2023.

Main immediate refugee integration challenges are: (i) to expand involvement outside of refugee communities, and (ii) to better understand the social integration barriers refugees in Ethiopia face. In principle, the positive attitudes among many hosts towards refugees, the high degree of cultural similarity between groups, and the willingness of refugees to be engaged in their community are all promising signs for social integration. Yet, even in the Somali domain, where cultural similarity and host attitudes are greatest, more than two-thirds of refugees do not have an Ethiopian friend, and more than half do not find social interactions with hosts easy. Better employment outcomes for refugees with Ethiopian friends indicate the benefits of facilitating social integration for refugee livelihoods and economic integration.

Figure 7.19: Discrimination and harassment

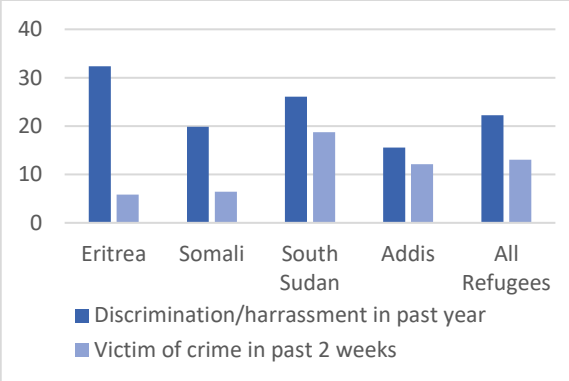
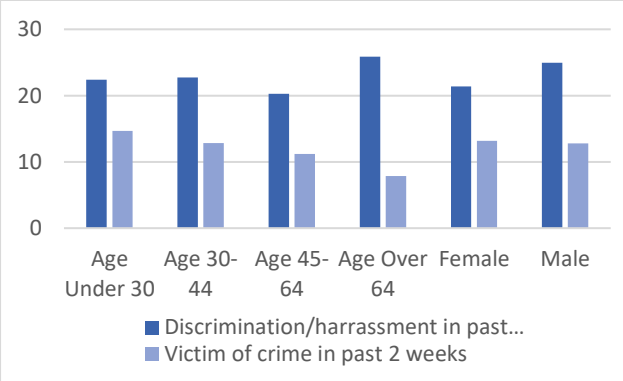


Figure 7.20: Discrimination and harassment by demographic group



Source: World Bank Staff based on SESRE 2023.

8 Policy Recommendations

Addressing the challenges refugees face in Ethiopia requires a concerted effort to promote their self-reliance, economic integration, and access to education. By leveraging data from initiatives like SESRE and adopting a comprehensive approach that considers the needs of both refugees and host communities, Ethiopia can maximize the benefits of hosting refugees while minimizing associated costs.

The GoE has proven its strong commitment to protecting refugees, but the progressive policy framework has not yet translated into tangible socioeconomic outcomes for refugees. The encampment model previously followed in Ethiopia neglected how refugees affect socio-economic and environmental conditions of hosting communities, including the untapped potential for refugees to contribute to the local economy. Despite strong improvements in Ethiopia's underlying legal framework to benefit refugee inclusion, and a strong international aid response, refugees still face various challenges accessing services and improving their socioeconomic outcomes. Refugees are unable to move to locations with better economic opportunities and require a work permit (which is difficult to get for work outside of refugee camps) to legally access the labor market. As a result, refugees in Ethiopia remain poor and depend heavily on humanitarian assistance.

Concerted effort and policy interventions are necessary to better integrate refugees and improve the well-being of both refugees and host communities. The existing cultural and ethnic-based affiliation between refugees and their hosts is critical in facilitating and enhancing socio-economic integration. As highlighted in Chapter 7, the context for an integrated solution is favorable: social cohesion is high, creating a supportive context for policy rollout. Sixty-five percent of hosts agree that refugees are friendly and good people, and only 20 percent are uncomfortable with having a refugee neighbor. Moreover, the social acceptability for integrating refugees is high; almost half of all hosts agree that refugees have increased economic opportunities in Ethiopia.

Improvements can be achieved by focusing policy attention on three areas:

(i) Providing refugees with a path to self-reliance.
(ii) Implementing place-based interventions to alleviate the pressures for refugees and hosts.
(iii) Continuing to implement the progressive policy framework for refugees.

Path to self-reliance

Pursue development approaches that enable and incentivize refugees' self-reliance in Ethiopia to improve refugees' outcomes and reduce burdens on host communities. Host communities can reap economic benefits from refugees' presence. In Ethiopia, the path of self-reliance includes, at a minimum: (i) encouraging mobility to access areas with better economic opportunities, (ii) facilitating labor market access for refugees by easing restrictions and providing work permits, (iii) integrating refugee children into national education system to improve their long-term prospects, and (iv) strengthening inclusive healthcare systems to address the health needs of refugees.

Encourage refugees to move where economic opportunities are highest, which can also benefit local economies. As outlined in Chapter 6, denying refugees mobility to settle where they would like comes at

a cost, as the choice of location within the host country matters for refugees' labor market outcomes. Placing refugees in areas with lower economic opportunities without the ability to move makes it difficult for them to work (Azlor, Damm, and Schultz-Nielsen 2020; Eckert, Hejlesen, and Walsh 2020; Fasani, Frattini, and Minale 2022). Therefore, development approaches that allow refugees to move to areas with high economic potential can provide refugees with more job opportunities and boost demand in local economies. Increased economic demand can pull (host) people out of agriculture and contribute to rural transformation, a prerequisite for achieving structural transformation in Ethiopia.

Promote improved refugee access to labor markets to provide sustainable economic opportunities, improved labor outcomes, and better prospects for long-term self-reliance (Muna, 2019). As highlighted in Chapter 3, not all refugees have favorable labor market outcomes and benefit from national economic opportunities. In-camp refugees mainly rely on assistance, have low employment rates, and few opportunities to generate income. Some refugees work outside camps but without work authorization. This limits wages and job security. Easing restrictions on access to the labor market outside of camps and accelerating and automating issuance of work authorizations will have lasting effects in improving refugees' livelihoods in camps. Given the importance of labor market participation for self-reliance, efforts to strengthen the human capital of refugees during displacement can have large payoffs. Strengthening their skills, knowledge, and experience could enable them to realize their potential and become productive members of society.

Build inclusive education systems. Integrating refugees into functioning national education systems can improve future outcomes for refugee children and their hosts (UNHCR, 2020; Piper et al., 2020; Abu-Ghaida and Silva, 2020; Crawford et al., 2015; Bilgili et al., 2019). As Chapter 2 highlighted, more than half of all refugees are children under the age of 15. Although over 70 percent of primary school age children attend primary education, they do not make it past primary education. Integrating refugee children into educational programs soon after their arrival in Ethiopia avoids the loss of valuable years of education and human capital accumulation, hindering prospects. It is critical to address the obstacles that hinder children from transitioning to secondary schooling, such as challenges in accessing school records, language barriers, or distance to schools. Supporting Regional Education Bureaus could increase the accessibility of secondary schools to camp refugees.[51] To improve the educational attainment of refugee children, the focus should be on increasing the number of qualified teachers in primary education, increasing the currently low compensation to incentive teachers with similar qualifications as nationals, improving primary-to-secondary transition rates, and reducing classroom overcrowding.

Build an inclusive health system. Good health is an essential requirement to rebuild refugees' lives after displacement, but as highlighted in Chapter 2, refugee children are particularly prone to stunting and other nutritional challenges. Refugees have, as any other population, varied healthcare needs, including non-communicable diseases, infectious diseases, trauma from injuries, and violence. Research shows that

[51] It may be noted that, through the General Education Quality Improvement Program for Equity (GEQIP-E) mainly funded by the World Bank, the progressive transfer of refugee camps' secondary schools from DICAC to Regional Education Bureaus has started. For instance, in Gambella region, secondary schools in Jewi and Pinyudo I refugee camps have been taken over by Gambella REB in September 2023 although Gambella REB still requires support to cover all existing needs in concerned schools (i.e., Gambella REB covers education and administrative personnel's salaries but cannot afford additional construction/maintenance of these schools' facilities, teachers' transportation and accommodation, teaching and learning materials, etc.).

conflict has extensive psychological impacts on refugees, particularly youth and children, which are often not addressed (Simpson 2018; Bosqui and Marshoud 2018; Dong 2018). Aligned with the GCR, refugees should be able to access healthcare and essential health services through the national health systems of the destination countries at affordable costs and sufficient quality. Services should consider the challenges refugees face, such as lack of familiarity with administrative procedures, uncertainty about the future, and psychological distress. This requires strengthening and expanding service delivery in the national health sector. This could, for example, be achieved by increasing the enrollment of refugees in the Community-Based Health Insurance (CBHI) scheme.

Place-based intervention

Pursue place-based development approaches complementing regional development policies to benefit both refugees and hosts. Place-based interventions are strategies or programs that address issues in a specific geographic location or community. Place-based interventions focus on the unique characteristics, needs, and resources of the particular area; they leverage local assets to address local challenges with the active participation of community members. In Ethiopia, investments in refugee hosting locations should benefit refugees and hosts. Development partners and the GoE should align their development plans to expand opportunities for refugees and host communities sustainably. Leveraging development resources to increase investment in refugee areas can support social cohesion by demonstrating to host communities that the presence of refugees can create new livelihood opportunities for all local people.

Direct more educational resources to refugee-hosting school *woredas*. Despite the positive externalities of integrating refugees into the public-school systems, a large influx of refugee children can exacerbate challenges in local schools where refugees are hosted. Where there are large inflows, the national education system might require additional resources to integrate newly-arrived children. Increasing the supply and improving the quality of schools in affected areas, supported by external assistance and financing, can avoid tension that may arise over competition for access to education services. Better coordination between humanitarian and development actors can support efforts to expand and strengthen national education systems to benefit all students. Support is particularly required in remote areas—where refugees are often hosted—where educational service is strained, even for local children (Abu-Ghaida and Silva, 2020).

Expand refugee access to social safety nets. The most vulnerable refugees and hosts may not be able to reap benefits from better development approaches. Social protection (SP) systems can alleviate pressures and safeguard against risks for vulnerable populations. Social protection encompasses a wide-ranging set of policies and programs to protect people against poverty and risks to their livelihoods and well-being. Implementing place-based SP approaches that allowing the most vulnerable hosts *and* refugees to participate in national programs—such as done under the Urban Safety Net and Jobs Project—can support social cohesion and integration.

Continue implementing the progressive policy framework regarding refugees

Implement concrete actions to realize pledges and proclamations. Action is needed to continue implementing Ethiopia's progressive framework in refugee inclusion, service integration, and right to work. These relate to transforming camps into human settlements, which facilitate socio-economic

opportunities for refugees to absorb the refugee camp into the local population, encouraging mobility to achieve self-reliance, accelerating and automating work authorization by virtue of status to engage refugees in three avenues of job opportunities (joint projects, wage-employment, and self-employment), expanding possibilities for access to land, and improving secondary legislation.

Harmonize national and sub-national laws and policies to support the full implementation of the Refugee Proclamation. Although the Refugee Proclamation has provisions to protect refugees, some enabling regulations and directives to facilitate full implementation of the GoE pledges are still lacking. The absence of these regulations is delaying the implementation of most of the rights set out in the Refugee Proclamation. Secondary legislation is still required to provide additional guidance on the meaning and scope of the rights granted, to harmonize relevant national and sub-national laws and policies, and to clarify the roles and responsibilities of government agencies in their implementation.

Better identify and document best practices and lessons to better coordinate and implement the Global Compact of Refugees and the CRRF. This includes establishing a system to track progress regularly in implementing the government pledges. To realize Government commitments, close coordination among many stakeholders is vital, including between RRS, line ministries, and humanitarian and development actors at all levels (federal, regional, *woreda*, and *kebele*). It may be necessary to leverage development resources to accomplish this.

Redesigning the OCP to encourage mobility to realize greater socioeconomic opportunities for refugees while accelerating and automating the issuance of work authorizations can enable sustainable improvements in refugees' lives. The current system of work authorizations is not implemented effectively. Though definitions for work permits have been improved, few work permits are issued, and restrictions to both wage-employment and self-employment around the areas of work exist. Accelerating and automating the issuance of work authorizations can achieve sustainable improvements in refugees' lives.

Reduce challenges refugees face in accessing business licenses for self-employment. Regarding self-employment, automate the existing procedural requirements that restrict refugees more than the most favorably treated foreign nationals, including a requirement for an investment permit subject to capital requirements. Moreover, the lack of access to finance and lack of credit—from financial service providers, including microfinance institutions, which are not yet able to give credit to refugees—are among the key challenges refugees who want to open businesses face.

Improved cooperation and coordination

In order to make commitments for sustained support to refugees, the GoE needs to have predictable support and streams of resources. The GCR and the CRRF represent a significant step towards improving the current system by providing a renewed architecture for collective action. The GCR is underpinned by the principles of greater international solidarity and responsibility-sharing. Yet, current development approaches to support refugees and their hosts in Ethiopia are still limited and lack specific mechanisms for sharing the responsibility of hosting refugees more equitably.

Humanitarian and development actors need to swiftly invest in and accelerate inclusive approaches. Mobility to accelerate economic opportunities and self-reliance can support the GoE in implementing the Refugee Proclamation of 2019, while encampment undermines achieving the goals set out in the Proclamation. The GoE pledged to transform camps into settlements and facilitate mobility for refugees to take advantage of opportunities in the labor market and increase work authorization to allow for the formalization of working conditions. Humanitarian and development partners should strongly support this pledge by swiftly investing in and accelerating inclusive approaches through the engagement of line ministries. Yet, large gaps in financing remain to fill the needs of refugees and host communities.

Better coordination and engaging line ministries can achieve better outcomes for refugees and their hosts. Implementing an overarching coordination mechanism across line ministries to track investments and progress on refugee inclusion could leverage the existing humanitarian resources to deliver the first mile investment into inclusive development approaches, led by development actors. Improved communication, collaboration, and connections between RRS and line ministries could support initiatives seeking to mainstream refugees into existing governance structures. Encouraging these collaborative efforts of departments and agencies of the GoE can achieve a successful implementation of development solutions.

Efforts to improve the coverage, accuracy, reliability, quality, and comparability of data can provide the analytical underpinning for policy decisions. Better data enables better planning (and decisions). Integrating refugees as part of the national household survey system could provide high-quality data on a regular basis. This would include the ability to disaggregate data to a subset of the population surveyed and compare refugees with other population groups. This requires strengthening data collection and dissemination mechanisms at all levels. The GoE pledged to include refugee data in national statistics. This would ensure that systems are systematically built to serve all people in a particular “place” regardless of status. This includes the need for a full population count (including refugees) across Ethiopia’s territory to inform decisions such as the size of schools to ensure progress toward inclusive systems that support refugees and their hosts can be made. Strengthening the use of statistics includes facilitating access to data and disseminating results. The SESRE is an excellent start to this initiative. Yet, the need to systematically integrate refugees in every round of the national household surveys and other data collection activities is key to allowing for evidence-based policy making.

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Annex A: Description of Refugees by Country of Origin

Ethiopia hosts refugees from some 24 countries. By far the largest groups are refugees from South Sudan, Somalia, and Eritrea. Each of these groups is described below, including a short description of host communities around the camps where refugees are hosted.

South Sudanese Refugees

Following the outbreak of hostilities in parts of South Sudan in December 2013, a massive influx of refugees in Ethiopia led to the establishment of new refugee camps. The South Sudanese are the largest refugee population in Ethiopia. Currently, South Sudanese refugees are sheltered in nine camps located in the Gambella (seven camps) and Benishangul-Gumuz (two camps) regions of the country. Two refugee camps in the Benishangul-Gumuz region, namely Tongo and Gure-Shombola, were impacted by the clashes in the region, and the refugees were relocated to another camp called, Tsore, situated in the same region.

In 2023, Ethiopia hosted 416,660 registered South Sudanese refugees, which is as high as the local population in the Gambella region and the largest refugee population in the country (UNHCR, 2023d). Despite ongoing international and regional peace efforts, including by the South Sudanese factions, Ethiopia continues to receive new arrivals from the country, mainly in dire need of food assistance, indicating limited opportunities for voluntary return and reintegration.

Somali Refugees

The Somali refugee inflow to Ethiopia started in early 1990s, with people seeking safety and protection. As of 2023, Ethiopia hosted 283,111 refugees from Somalia who were forced to flee their homes as a result of insecurity, political instability, conflict, and famine (UNHCR, 2023d). The Somali refugee population is currently supported in two Zones in the Somali Region: Fafan Zone (three camps) and Liben Zone (five camps). The population of Somali refugees in the Jigjiga area (Fafan Zone) is expected to increase modestly mainly because of natural population growth. In the case of the Dollo Ado area (Liben Zone), some new arrivals are anticipated due to the security situations and the prevalence of climate-change-induced drought in Somalia. Some of those residing in the Jigjiga area have been assisted in Ethiopia for over three decades, while the majority of individuals in Dollo Ado have been in the region for eight years.

In the Ethiopian Somali Region, the armed group of Al-Shabab based in Somalia perpetrated several attacks in Afder, Liban, and Shabelle zones in July 2022. The attacks prompted all aid partners to suspend movements and operations along the affected areas temporarily affecting the drought response in the region.

Even with sluggish implementation, the Intergovernmental Authority on Development (IGAD) Special Summit on Durable Solutions for Somali Refugees and Reintegration of Returnees in Somalia, the related Nairobi Declaration, and the accompanying Plan of Action are still expected to provide impetus for delivering durable solutions. The Nairobi Declaration is a declaration by the Heads of State and Government of the IGAD Region on durable solutions for Somali refugees and reintegration of returnees in Somalia adopted in Nairobi, Kenya on 25 March 2017 at the Special Summit on protection and durable solutions for Somali refugees and reintegration of returnees in Somalia.

Eritrean Refugees

Since 2000, Ethiopia has received and hosted thousands of Eritrean refugees fleeing persecution. As of 2023, Ethiopia hosted 165,793 registered Eritrean refugees (UNHCR, 2023d) in six camps, and under the out-of-camp policy in Addis Ababa. The five refugee camps are located in Tigray (two), Afar (three), and Amhara (one) regions of the country. Unlike other refugee groups, many Eritrean refugees leave their camps due to various pull and push factors to pursue onward movement to urban centers within Ethiopia, including Addis Ababa, and other countries, primarily Europe.

Fighting initially broke out in the Tigray region of Ethiopia in November 2020 between Tigrayan forces and the Federal Government. Two refugee camps in Tigray (Hitsats and Shimelba) were destroyed due to the conflict in November 2020. The refugees who previously resided in these camps were relocated to Mai-Ayni and Adi-Harush refugee camps in the region as well as to Addis Ababa. A new refugee site (*Alemwach*) was established in June 2021 in the Northern Gondar Zone, Dabat *Woreda* of the Amhara region to shelter Eritrean refugees relocated from Mai-Ayni and Adi-Harush refugee camps. The spreading of the conflict in Northern Ethiopia into the Afar region also caused the destruction of the Berhale refugee camp, previously hosting 20,639 Eritrean refugees in the Afar region (UNHCR, 2022d). The refugees who fled Berhale and surrounding areas were relocated to a new refugee site called Serdo, 40 kilometers from the regional capital Semera.

Sudanese Refugees

The arrival of Sudanese refugees in Ethiopia started in 1997, and their number has significantly increased in 2011. Since 2011, the conflict in the Blue Nile State has forced many Sudanese to flee to Ethiopia. As of 2023, Ethiopia hosts 48,709 registered refugees from Sudan (UNHCR, 2023d), who are assisted in four camps in the Benishangul-Gumuz Region. While some refugees have resided in Sherkole camp for more than two decades, the majority of the Sudanese refugee population has recently arrived and sheltered in the other three camps. In addition to refugees with Sudanese nationality, refugees from the African Great Lakes region are also sheltered in Sherkole refugee camp in the Benishangul-Gumuz region.

Refugees in the Benishangul-Gumuz region have also experienced the effects of internal conflict. Two refugee camps (Tongo and Gure-Shobola) became inaccessible to humanitarian actors as a result of attacks by armed groups, forcing refugees to self-relocate and to be relocated to Tsore refugee camp, also in Benishangul-Gumuz.

Host Communities

Except Harari and Sidama regions, the remaining regional states of Ethiopia host hundreds of thousands of refugees in camps and camp-like settlements. Most refugee-hosting areas are found in remote locations bordering major refugee-producing countries such as South Sudan, Somalia, Eritrea, and Sudan. The great majority of the refugee hosting communities not only share common socio-economic practices but also have similar cultures and ethnicities with refugees from neighboring countries. Despite cultural and ethnic-based commonalities, the overall level of socioeconomic integration between refugees and host communities varies across the refugee-hosting areas in the country due to several factors, including historical and resource-related tensions and perceptions towards refugees.

In most of the refugee hosting regions, there is a huge competition over the meager natural resources between refugees and host communities, which not only depletes the resource base but sometimes results in local-level conflicts. For instance, Gambella's social and political context is exceptionally complicated due to a long history of conflict among groups over land and political power. The presence of refugees is a significant component of these dynamics. Host communities access some services provided within the refugee camps. In some operational areas, refugees have better access to basic and social services than host communities. Relationships between refugees and hosts are generally largely amicable, except in Gambella. In Benishangul-Gumuz and in the Somali Region, incidences of community-wide violent conflict between refugees and hosts are rare. A long history of displacement, shared ethnic identity, and shared cultural ties, along with other structural factors have fostered some solidarity between the groups.

Among the major refugee-hosting regions, four regions—Afar, Benishangul-Gumuz, Gambella, and Somali—are designated as “emerging regions,” and Tigray is considered post-conflict. These regions are the least developed regions in the country, characterized by harsh weather, poor infrastructure, low administrative capacity, high poverty, and poor development outcomes. The arid environment in the Afar and Somali regions and the small and scattered nomadic populations make it more challenging to provide services. Many parts of the four regions are inaccessible with poor or no roads.

Annex B: Refugee Policies in Ethiopia

Ethiopia ratified the first national Refugee Proclamation in 2004 (FDRE, 2004) to effectively implement international and regional conventions of the 1951 UN Convention relating to the Status of Refugees and its 1967 protocol and the 1967 OAU (Organizatin of African Unity) Convention Governing the Specific Aspects of the Refugee Problem in Africa. According to Article 21 of the proclamation, refugees have the right to stay in Ethiopia and are provided with identity cards and travel documents. Moreover, Article 21 (3) states refugees are entitled to the same rights and duties as foreigners concerning the right to education and work in wage-earning employment. Even though the proclamation states refugees are entitled to other rights and duties contained in the Refugee Convention and the OAU Refugee Convention, it does not exhaustively address refugees' rights to access basic services, right to work, mobility to access better economic opportunities, and grounds for local integration.

Four factors mainly drove the need for a new refugee policy. First, the nature of the refugees' situation in Ethiopia made it difficult to provide sustainable solutions to refugees only through humanitarian assistance and a camp-based approach. Second, the increase in refugees entering the country due to unresolved crises and emerging conflicts from neighboring countries was not accompanied by financial support from the international community. Third, the predominantly urban background of refugees made their accommodation in remote camps challenging, leading to illegal migration to cities. Finally, Ethiopia's participated in the 2016 New York UN Summit on Addressing Large Scale Movement of Refugees and Migrants, followed by an agreement to implement nine pledges made at the Summit as part of the practical application of the Comprehensive Refugee Response Framework (CRRF) (Kassa et al., 2019).

In 2016, the GoE made pledges to improve the rights and well-being of refugees following the adoption of the New York Declaration and initiation of the CRRF at the UN Summit. The GoE made pledges on nine thematic areas: out-of-camp, education, work and livelihoods, documentation, social and basic services, and local integration (Table B.1) (RRS, 2017). Moreover, in 2019, at the first Global Refugee Forum (GRF), Ethiopia made four additional pledges on Jobs and Livelihoods, Education, Protection, and Energy (Table B.2) (RRS & UNHCR, 2021). As a result, a new refugee proclamation was adopted in 2019, Refugee Proclamation No. 1110/2019 (FDRE, 2019), replacing the 2004 proclamation, which was not exhaustive and up to date with developments and progress made in refugee protection. The 2019 Refugee Proclamation made major improvements concerning the rights and obligations of asylum-seekers, and recognized refugees under part four of the proclamation. These include the right to access basic services (education, health, banking, telecommunication, vital event registration), right to work, right to acquire and transfer property, special protection to vulnerable individuals (women, children, refugees with special needs), local integration and naturalization, and right to association, freedom of movement, and access to justice. Subsequently, three directives were implemented to implement refugees' right to movement and residence outside of camp, right to work, and grievances and appeals handling.

The first directive, Directive to Determine the Conditions for Movement and Residence of Refugees Outside of Camps, No.01/2019 (RRS, 2019), was issued to enable refugees to establish residence outside of camp to broaden employment opportunities and achieve self-reliance. The directive sets conditions for refugees to be eligible for out-of-camp regular residency and provides guidelines to obtain, renew, and terminate a residence permit. Regular out-of-camp residency permits allow refugees to freely move and

establish residence in all areas of the country except Refugees and Returnees Service (RRS, formerly Agency for Refugees and Returnees Affairs) restricted areas, for the interest of refugees' safety and to access basic protection and services. The directive also includes provisions that allow refugees to benefit from the urban assistance program. Temporary movement outside of refugee camps is also granted to refugees through the issuance of pass permits at refugee camps, the Zonal Coordination Office, and the RRS Head Office.

The second Directive to Determine the Procedure for Refugees' Right to Work, No. 02/2019 (RRS, 2019a) provides detailed working procedures to implement Article 26 of the 2019 Refugee Proclamation, the right to work for refugees to improve living condition and ensure economic benefits. Article 26 of the proclamation states recognized refugees and asylum-seekers have the right to engage in wage-earning employment, agriculture, industry, small and micro-enterprises, handicrafts and commerce, and professional work (liberal professions) in the same circumstance as the most favorable treatment accorded to foreign nationals under relevant laws. Refugees married to Ethiopian nationals, or who have children in possession of Ethiopian nationality, are exempted from restrictions imposed on the employment of foreign nationals.

In line with the proclamation, the directive covers detailed guidelines regarding refugees' participation in joint projects, wage-earning employment, and self-employment. The joint project approach works through projects funded by the international community, either through the government or NGOs, based on the agreement made with the government. The projects, however, need to create economic opportunities for refugees and host communities. Refugees get equal treatment as Ethiopian nationals concerning participation in joint projects—rural and urban projects designed by the government and international community to benefit refugees and Ethiopian nationals. The second approach—wage-earning employment—is defined in the directive as "the performance of professional or manual work by a refugee who is employed permanently or temporarily in consideration for a wage." Refugees are allowed to be employed in areas that Ethiopian nationals cannot cover. Under the third approach, self-employment, refugees are allowed to work, individually or in a group, in areas such as agriculture, industry, medium and small enterprise (MSME), handicraft, and commerce, and in sectors open for foreign nationals upon obtaining the appropriate license according to national laws. The requirements to engage in joint projects, wage employment, and self-employment are illustrated in Box B.0.1.

Issuance of work permits or business licenses to refugees is put into practice with a limited scope due to a lack of clarity related to what "most favorable treatment accorded to foreign nationals" refers (World Bank, 2023d). For instance, the requirement for a work permit does not clearly state whether refugees should be exempted from certain requirements, such as the minimum business investment amount of US$150,000 and the need to present an employer letter that justifies that their skills cannot be found among Ethiopian nationals. According to current practice, the Ethiopian Diaspora, Djiboutians, and Rastafarians are exempted from these requirements. Thus, this created an implementation lag in issuing work permits or business licenses by the Ministry of Labor and Skills (MoLS, formerly Ministry of Labor and Social Affairs) or the Ministry of Trade and Regional Integration (MoTRI) (World Bank, 2023d).

Moreover, the 2020 Investment Proclamation of Ethiopia provided a long list of areas[52] exclusively reserved for Ethiopian nationals, including small businesses that would have been of interest to refugees (FDRE, 2020). Hence, it allows many business activities to go beyond the reach of refugees.

A draft MoU signed between RRS and MoLS/MoTRI/MoR proposed exceptional treatment of refugees engaged in business due to their vulnerability. According to the MoU, refugees can own a business in agriculture, manufacturing, services, small and medium enterprises, handicrafts, and trade sectors through establishing private limited companies or cooperative societies. Hence, refugees can obtain a business license as a private business or association by providing proof of refugee ID, support letter from RRS on the type of business, source of capital, utilization of profits, qualification certification (depending on the sector), and tax identification number. A business license renewal requires a valid refugee ID, tax clearance, and audit report for a limited liability company.

Following the signing of the MoU between MoLS and RRS, a procedure on technical and vocational training, work permits, and job creation and livelihood improvement for refugees was ratified in September 2023. This authorizes RRS to issue work permits for refugees. The procedure tasks the RRS and MoLS to ensure that refugees get proper information and services to have a work permit and to create employment opportunities for refugees. To get a work permit, refugees must present a work permit application form, renewed refugee ID, and proof of employment from employers. A work permit is issued for three years for a specific field of work. The renewal of a work permit requires a renewal application request, prior work permit, proof of employment or business license, and tax payment verification. The procedure also includes provisions for replacing a lost work permit and canceling a work permit.

Regarding wage employment, a directive by MoLS states that foreigners could only be employed in Ethiopia where there are no qualified nationals available for the job position in question, jobs in a Non-Governmental Organization (NGO), an organization headquartered abroad, and employment because of a bilateral or multilateral agreement concluded by the government (MoLSA, 2019). Hence, the law does not grant refugees the right to engage in gainful employment on par with nationals, and refugees are forced to compete with other foreigners for similar job opportunities. Thus, the law seems to have only eased the challenges of a few qualified refugees without addressing the needs of the broader and largely unskilled refugee community.

The third directive, Refugees and Returnees Grievances and Appeals Handling Directive, No. 03/2019 (RRS, 2019b), provides procedures for refugees to submit grievances and appeals concerning any matters related to RRS services. RRS is responsible for organizing a grievance and appeal handling unit at all levels of operation with the mandate to receive and address refugees' complaints.

In the Global Refugee Forum 2023, Ethiopia made six pledges on climate action, human settlement, the inclusion of refugees into existing national systems (GBV prevention, National ID, secondary school, and TVET), private sector engagement, access to irrigable land, and access to documentation (UNHCR, 2024). A part of the National ID program, the government started a pilot to issue a digital ID in March 2024 with a plan to reach 77,000 refugees in Addis Ababa. The digital ID is expected to give refugees better access to

[52] Restaurants, tearooms, coffee shops, bars, nightclubs, catering services, producing bakery products and pastries, barbershop and beauty salon services, smithery, tailoring, sawmilling, timber manufacturing, brick and block manufacturing, quarrying, laundry services, translation secretarial services, security services, brokerage services, and attorney and legal consultancy.

services such as healthcare, school enrollment, financial services, and business registration (UNHCR, 2024a).

Box B.0.1: Employment pathways of refugees

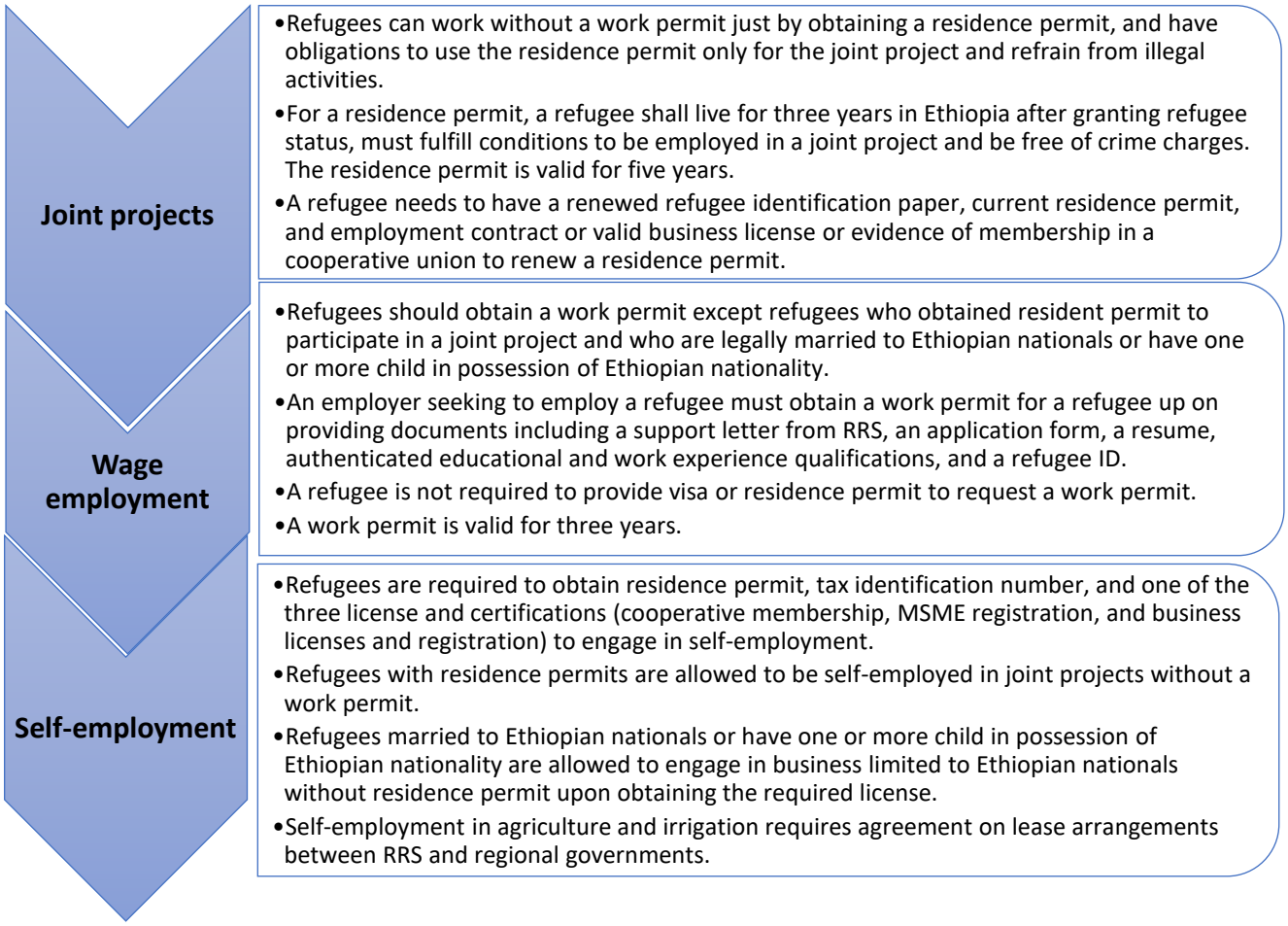


Table B.1: Pledges made at 2016 UN Leaders' Summit and progress

Pledges	Progress as of 2019
Out-of-Camp Policy (OCP)	
The GoE introduced OCP in 2010 for Eritrean refugees giving opportunities to live in Addis Ababa and other non-camp location of their choice. Expand OCP to all nationalities hosted by Ethiopia, which will benefit 10% of the refugee population. Refugees who live for more than one month in a camp can apply for a regular out-of-camp residency permit. To be eligible for out-of-camp residency, a refugee should be able to prove that he/she can cover the cost of living or provide a sponsor and receive a work permit. Out-of-camp residency permits can be issued with exceptions for refugees with special conditions (orphaned children, with medical issues, single mothers, elderly, and with urgent overseas travel). Refugees who are no longer beneficiaries of the urban assistance program can also get the permit if they meet the requirements of an out-of-camp residency permit.	• 5 % of the total refugee population are registered to benefit from OCP, with regional high regional variation, 83% and 28% in Addis Ababa and Afar, respectively. • Enacted directives on out-of-camp residence and rights to work.
Education	
Increase school enrollment • Pre-primary, from 44% to 60% • Primary school, from 54% to 75% • Secondary school, from 9% to 25% • Tertiary education, 1600 to 2500 students	Gross Enrollment Ratio (GER) improved at all school levels, pre-primary (51%), primary (67%) and secondary (13%, 19% for grades 9 to 10 and 6% for grades 11 to 12). • Male GER is higher than female GER, gap widens for primary and secondary levels • GER shows variation across regions and camp sites • Primary and secondary school GER is higher for hosts compared to refugees in most of refugee-hosting regions
Work and Livelihood	
Provide work permits for refugees with permanent residence ID and refugee graduates based on the relevant domestic laws and in areas permitted to foreign workers, both for in-camp and out-of-camp refugees.	Revision of the Refugee Proclamation (No. 1110/2019) incorporating improvements on the right to work (Article 26), and endorsement of implementation directive (Directive to Determine the Procedure for Refugees Right to Work, 02/2019).
Avail 10,000 hectares of irrigable land for crop production to refugees and local communities with a plan to benefit 20,000 households or 100, 000 individuals.	1,103 hectares of land have been made available, and 1,765 refugees and 1,463 hosts benefited, with the majority being from the Somali region.

Pledges	Progress as of 2019
Create job opportunities through the development of the infrastructure for industrialization.	4,412 refugees benefited from other livelihood opportunities (income-generating activities startup support, technical and vocational skills, livestock support)
Social and basic services	
Strengthen, expand, and enhance refugees' access to basic social services such as health, nutrition, immunization, reproductive health, HIV, and other medical services.	• Refugees are included in national service provision programs related to TB, RH, HIV, mass immunization, and responses to disease outbreaks. • Health services provided in camps and health facilities through collaboration between RRS, Regional Health Bureaus, and NGOs. • Refugees have access to health posts and health centers within camps and hosting woredas, and referral hospitals.
Local integration	
Permit local integration of refugees who have lived for prolonged period (over 20 years) in Ethiopia.	• The 2019 refugee proclamation gave RRS the mandate to facilitate the local integration of refugees who lived in Ethiopia for a prolonged period upon their request. • Positive developments were observed regarding socio-economic integration (skills and entrepreneurial training, access to farming land and peaceful coexistence)
Documentation	
Provide services such as issuance of birth certificates to refugees' children born in Ethiopia, opening bank accounts and obtaining a driving license	Vital event registration service has been made available to all refugees. • 8,080 events registered in 2019, with the majority being births (7,150), with variation across regions Opening a bank account is allowed by the 2019 Refugee Proclamation. • 13,960 bank accounts opened by refugees, where the majority (67%) in Tigray.

Source: Ethiopia Pledge Progress Report 2019 (UNHCR, 2020)

Table B.2: GRF pledges and implementation progress

Pledges	Progress as of 2023
Jobs and livelihoods	
"Create up to 90,000 economic opportunities through agriculture and livestock value chains that benefit refugee and host communities in an equitable manner."	• A total of 129,449 individuals (38,621 refugees and 90,828 hosts) directly and indirectly benefited, respectively, from agriculture, livestock, market system development, and financial inclusion-related services and training. • Major activities include providing irrigable land in Dollo Ado and implementing projects involving agricultural and livestock activities in Gambella, Assosa, and Jijiga. • Inclusion of refugees in urban social safety net program.
Education	
"Expand government TVET system and facilities to provide quality and accredited skills training that is linked to labor market demand to 20,000 hosts and refugees by 2024."	• The Qualification and Employment Perspectives (QEP) initiative was implemented in the Addis Ababa, Tigray, Benishangul-Gumuz, and Gambella regions to integrate refugees in national TVET systems and strengthen the self-reliance of refugees and hosts. • Accredited skills training linked to the labor market is provided for 5,253 refugees and 6,696 hosts. Moreover, 13 TVET colleges are supported. • The government, UNHCR, and GIZ are working together to develop a national roadmap for including refugees in the national TVET system.
Protection/Capacity	
"Strengthening Asylum System and Social Protection: (i) Refugee Status Determination (RSD), refugee registration, civil documentation, and permits; (ii) National social protection system in refuge hosting areas-particularly for vulnerable individuals."	• The 2019 Refugee proclamation improved provisions related to registration, documentation, and protection of refugees and asylum seekers as well as refugee status determination, and three implementation directives adopted. • RSD procedures are simplified for asylum seekers from Syria and Sudan. • Refugees are included in a Civil Registration and Vital Statistics Systems (CRVS) and the National Social and Behavior Strategy (awareness raising about the need for vital events registration). • A backlog of birth registration of 120,000 refugee children is cleared, and 72,286 vital events (62,816 birth, 8,177 marriage, and 757 divorce) have been registered since 2017.

Pledges	Progress as of 2023
	• 890,825 refugees enrolled in the Level 3 Registration and Biometric Identity Management System (BIMS). Refugee ID cards and proof of registration are issued to 55 and 98 percent of refugees, respectively. Out-of-camp Permit is issued to 48,346 refugees. • One-stop shops have been established in 13 refugee camps (14 are under construction) to provide one-center registration, documentation, and protection services. • The National Strategy on Violence Against Women and Children (2021 -2026) recognizes refugee women and children. Also, refugees are included in the national Gender Based Violence (GBV). • Digital Request and Compliant System (DRCS) is established and implemented as part of the digitization of refugee protection services. • Refugees are getting mobile courts and free legal aid services.
Energy/Environment	
"Provide market-based sustainable, reliable, affordable, culturally acceptable, environmentally friendly clean/renewable energy solutions for 3 million people.	• A National Cooking Fuel Strategy is developed by EEWG[53] to guide and define camp-specific cooking energy options. • In Afar, Gambella, and Melkadida, more than 382,000 refugees and 85,000 hosts have access to alternative cooking fuels and market-based clean electricity from solar-mini grids. • More than 1,739,726 seedlings were planted, 160m3 check dams were built, and 8 km of soil stone band were built to rehabilitate degraded land.
Additional GoE GRF Pledges 2023	
Climate Action: Protect and restore the environment, manage natural resources, afforestation of degraded lands, and expand renewable energy solutions for the benefit of both refugees and host communities. Recognize vulnerability of women to climate change, and prevent violence against women in all environmental policies and programs, and empower women to have agency and influence in environmental stewardship and adaptation to climate.	
Human Settlement: Transform selected refugee camps into sustainable urban settlements by enhancing the quality and availability of shelter, infrastructure, and public services, such as roads, electricity, water, sanitation, health, and education by aligning them with adjacent towns' masterplan, by 2027.	
Inclusion of refugees into existing national systems: Enhance the capacity of GoE to include 1,000,000 refugees into the national Central Statistics Service (CSS), the national Gender-Based Violence (GBV) prevention and	

[53] The Energy and Environment Working Group (EEWG), jointly led by RRS, UNHCR and GIZ, oversees energy strategies and other initiatives in humanitarian settings.

Pledges	Progress as of 2023
response programs, 814,000 refugees into the national ID program, refugee secondary schools into the national system and 30,000 refugees and host communities in the TVET systems with 70% job opportunities by 2027.	
Private Sector Engagement: Improve the enabling environment for private sector engagement and investment to foster socio-economic development and to boost productivity of refugee and hosting communities.	
Access to Land: Provide access to 10,000 hectares of irrigable land through lease arrangements and promote climate-smart agriculture and livestock value chain contributing to improved food security and socio-economic empowerment of refugees and host communities of which at least 50% being women and 30% refugees.	
Access to documentation: Enhance digital infrastructure in refugee hosting areas to facilitate refugee inclusion to the digital economy including digitally enabled livelihood opportunities and financial inclusion as well as to foster their access to socio-economic e-services, including standardized travel documents.	

Source: Ethiopia GRF Pledge Progress Report (RRS & UNHCR, 2021 and 2023)

Annex C: Survey Design and Methodology

SESRE is a separate but integrated survey alongside the Ethiopian Household Welfare Statistics Survey (HoWStat),[54] the national household survey to measure poverty and other socio-economic outcomes. Like most national poverty surveys, HoWStat excludes displaced populations—Internally Displaced People (IDPs) or refugees—including in Ethiopia. To have up-to-date information on the socio-economic outcomes and poverty levels of refugees and to allow comparison to Ethiopian host communities, the SESRE applied the same questionnaire and data collection methods as the HoWStat, with some modifications. Training of the enumerator team and implementation arrangements of the survey followed the same standards and procedures as the HoWStat. SESRE data was not collected alongside HoWStat due to security concerns at the time of data collection for HoWStat, especially in the refugee areas.

The SESRE aimed to solve two problems: (i) gaps in data on the socioeconomic dimensions of refugees, and (ii) gaps in analytical studies presenting the socioeconomic outcomes of refugees and hosts. Lack of up-to-date evidence is a significant obstacle to designing effective policies and support for refugees and host communities. To this end, the availability of the data helps to analyze refugee hosting areas' social dynamics and longer-term socioeconomic viability by focusing on the: (i) social impact of refugees on host communities, (ii) socioeconomic interaction, (iii) social inclusion, and (iv) social relations among refugees and between refugees and host communities. The data provides valuable information to development partners and governments to inform policies to facilitate refugees' integration and improve their lives, along with refugee hosting communities.

The SESRE covers all current major refugee camps: Eritreans, South Sudanese, and Somalis, as well as the out-of-camp refugees in Addis Ababa. In addition, the survey covers the respective host communities around the camps, including the host communities of Addis Ababa. Due to the conflict in the Tigray region of Ethiopia between 2020 and 2022, Eritrean refugees living in camps in Tigray could not be included in this survey. To avoid exclusion of Eritrean refugees in Ethiopia, we included Eritrean refugees living in camps in the Afar region and the newly established refugee hosting zone *Alemwach*. Eritrean refugees who were in the Tigray region prior to the conflict are included in this survey in two ways: we sampled (i) refugees from *Alemwach*, where most of the refugees previously located in Tigray moved after conflict broke out and (ii) from Addis Ababa, namely those refugees who arrived in Addis Ababa after November 2020. Data collection took place between November 2022 and January 2023.

Sample population

The SESRE covers three types of groups, all of which require a distinct sampling procedure:[55] (i) refugees in camps; (ii) refugees out-of-camps; and (iii) host communities. This section discusses the sampling frames of each group.

(a) Refugees in Camps

[54] Formerly the Household Consumption and Expenditure Survey and Welfare Monitoring Survey.

[55] Prior to the sampling process, the survey team conducted a pre-sampling assessment by visiting the camps to verify on-the-ground conditions.

The sampling frame for refugee camps is based on UNHCR's proGRES database. The refugee camps were grouped into three domains based on the concentration of refugees from the three major origin countries: South Sudan, Somalia, and Eritrea.[56] The first sampling stage divided each camp into enumeration areas (EAs). Based on the proGRES database, we created pseudo EAs by taking 150-200 households in a row from the list; that is, 50-200 HHs grouped as EA1 and the next 150-200 households grouped as EA2, and so on. EAs and households from each sampled EAs were selected.

(b) Refugees in Addis Ababa

We used a slightly different approach for refugees in Addis Ababa because of the difficulty of obtaining a reliable, complete list of locations for refugees living there. The refugee sampling frame in Addis was based on UNHCR's proGRES registration data, sorted by location. The UNHCR list has information about how many refugee households live in each *Woreda* in Addis Ababa, their contact details, location, and other information. We developed pseudo-EAs from the list by location (sub-city and *Woreda*); some EAs covered more than one *Woreda*, and multiple EAs were in a single *Woreda*. We selected a sample of EAs and households from each EAs in collaboration with UNHCR. Finding refugees in Addis Ababa was challenging, as they change their location frequently. To minimize the burden of searching for selected refugees, representatives of the selected households were contacted before the survey to ask them to come to a UNHCR center to collect preliminary information, including their current residential address. Since many Eritrean refugees in Addis Ababa had fled from the conflict in Tigray, out-of-camp refugees in Addis Ababa were stratified into two domains: refugees who arrived before the start of the conflict in November 2020, and those who arrived after November 2020.

(c) Host Communities

Populations around the refugee camps under each domain were meticulously identified in consultation with UNHCR and RRS. We used the ESS EA maps to assess the settlement of communities around camps, ensuring a precise fit to the definition of a "host community". The assessment highlighted that using the list of EAs obtained from the new cartographic frame[57] meets the definition of host community In the SESRE, host community members are defined as those who live adjacent to a refugee camp but within a radius of 5km. We use the updated Ethiopian Statistics Service 2018 cartographic database of enumeration areas (EAs) to define them. An EA is a defined area where 100-150 households live in rural areas, while in urban areas, it is an area where 150-200 households live. The first stage of sampling for the host community involved using simple random sampling to select EAs—the primary sampling unit—from the list of EAs that are adjacent but within a radius of 5km.

Following EA selection, a fresh list of households was prepared at the beginning of this survey, which was used as a frame to choose sampled households from each sample EA. In Addis Ababa, a separate host domain was developed as refugees spatially concentrate in a few sub-cities and *Woredas*. We applied the ESS EA maps around the area where refugees in Addis Ababa are located. We selected EAs in the first stage and then conducted a complete listing.

[56] Refugees from Sudan were not included in SESRE as, at the time of sampling, there were less than 50,000 Sudanese refugees in Ethiopia and inclusion was not deemed cost effective.

[57] The cartographic map (frame) was prepared in 2018 for the upcoming Population and Housing Census

Sampling design

The sample for this survey was 3,456 households from eight domains, with data was collected from 3,452 households (Table C.3).[58] There are three domains for the three largest in-camp refugee groups—Eritreans, Somalis, and South Sudanese—three for host communities of these major refugee groups, and one for refugees and one for host communities in Addis Ababa. In all categories, a stratified, two-stage cluster sample design technique was used to select EAs and 12 households per EA, whereby the EAs were considered a Primary Sampling Unit and the households as the Secondary Sampling Unit. The SESRE is designed to estimate demographic, socioeconomic, welfare, and refugee-specific indicators of the eight domains.

Table C.3: The distribution of sampled and surveyed households by domains

	EA		HH	
Domain	Sampled	Covered	Sampled	Covered
Eritrean refugee domain	36	36	432	432
Somalian refugee domain	36	36	432	432
South Sudanese refugee domain	36	36	432	432
Eritrean host domain	36	36	432	430
Somali host domain	36	36	432	431
South Sudanese host domain	36	36	432	432
Addis Ababa refugee domain	36	36	432	431
Addis Ababa host domain	36	36	432	432
Total	288	288	3,456	3,452

Note: We have three segmented EAs in Somali host domain.

Sample size estimation

(a) First Stage Sampling

In the first stage sampling, each domain is considered an explicit sampling domain. We used the list of all EAs as a sampling frame and their estimated population as a Measure of Size (MoS). A sample is selected with Probability Proportional to Size (PPS). The sample size is evaluated regarding the expected precision of the key indicator for the SESRE, the national household survey to measure poverty as the percentage is 0.235 (2016 Household Consumption and Expenditure). In the calculation, values for the measuring poverty rate (P) and design factor (deft) 1.5, the expected Relative Standard Error (RSE) of 4.63%, and finally, an adjusted Response Rate of 99% at a 95% Confidence level used to represent the expected precision is acceptable at the domain level. To select a representative sample from this population, first, the initial sample size was determined by using the following scientific formula:

$$n = deft^2 \frac{(1/p - 1)}{\alpha^2}$$

[58] See Annex C for sample size estimation.

where the *deft* is the design factor defined as the ratio between the square root of standard error using the given sample design and the standard error resulting from a simple random sample used. Based on the above scenario, total sample size $n = 3{,}456\ Households$, and $EAs = 288$.

An equal allocation method was used to ensure that the survey precision was comparable across domains, where 36 EAs were selected from each domain. Based on a fixed sample take of 12 households per cluster,

Equal Allocation formula

$$n_j = \frac{n}{j} \quad j = 1,2,3,\dots,8\ (number\ of\ domains)$$

Where:

$n =$ total number of sample households and $n_j =$ Number of sample households allocated to stratum j

(b) Second Stage Sampling

In the second stage sampling , we selected 12 households per selected EA. The probability of p_{hij} of selecting a household in segment hij of EA hi of domain h is given by

$p_{hij} = \frac{k_h n_{hi}}{N_h} \frac{s_{hi}}{S_{hi}} \frac{m_{hij}}{M_{hij}}$, where

- k_h is the number of EAs in the domain's sample,
- n_{hi} is the estimated population of the EA,
- N_h is the estimated population of the domain,
- s_{hi} is the number of segments listed in the EA (normatively always 2, or 1 if the EA is not segmented),
- m_{hij} is the number of households visited in the EA (normatively always 12), and
- M_{hij} is the total number of households listed in the EA.

There are 36 EAs per domain. With 8 survey domains, and 12 households per EA, a total of 3,456 households in the sample.

(c) Replacement of Households

We implemented a two-layer replacement strategy: First, in each EA, 12 additional households were sampled to serve as replacement households. We sampled the replacement households in the sample allocation and sample size determination stage. As part of the data collection protocol, each household needs to be visited at least three times before replacing a household from the list of replacements. The list of replacement households was only provided to the enumerators upon demonstrating that three visits were attempted. In the case of in-camp refugees, if the enumerators, together with the focal person from RRS and UNHCR, could not identify the selected household within the camp, they were provided with a list of replacements. Second, in case of missing to identify even the replaced sampled households, the enumerators were requested to go back to the original sampled household and skip ten households using a counterclockwise rule to find a new replacement household.

(d) Implementation Plan

The survey implementation plan involved collaboration with the Ethiopian Statistical Service (ESS), World Bank, UNHCR, and RRS. The ESS was responsible for administering the pre- and post-fieldwork implementation and management, including fieldworkers' recruitment, training, field tests, data collection, data quality assurance, and data management The UNHCR supported in engaging refugee communities and leaders. The RRS facilitated access to all camps for the survey teams; this is the first time that the RRS facilitated access to all camps for such an extensive survey. Notably, the UNHCR and RRS facilitated the collaboration of the field workers with refugee leaders in each camp and Addis Ababa to support the teams in identifying sampled households and maintaining the safety of the field workers, and the sampled households during the entire survey period. The World Bank team led the collaboration between ESS, UNHCR, and RRS and provided technical support to the ESS since the project's inception.

The SESRE used a logistics plan similar to HoWStat. Six ESS branches were responsible for administering the survey: the Asayita, Gondar, Jigjiga, Negele, Gambella, Assosa, and Addis Ababa branches. Twenty-four field teams carried out the fieldwork, each consisting of one statistician, one team supervisor, and four enumerators. All field staff involved in the SERSE participated in the HoWStat survey. Enumerators were knowledgeable about local cultures and languages and could detect inconsistencies and misunderstandings during interviews to ensure high-quality data. Supervisors were additionally trained on how to troubleshoot standard technical issues with tablets. The supervisors conducted reinterviews, consistency, spot-checking, and data syncing to the head office. Also, the statisticians from ESS branch offices were with the team all the time to support and monitor the fieldwork. The data collection system consisted of encrypted Android devices for prolonged usage in the field equipped with the chosen survey application and a GPS tracking application for EA delineations. Electronic data files were transferred daily to the ESS central office in Addis Ababa via the secured link. The core team from ESS undertook field supervision and was responsible for the day-to-day field management. Also, the World Bank team undertook field supervision, providing on-time and on-the-spot guidance for the field teams whenever and wherever they encountered a challenge.

(e) Challenges faced and lessons learned

The SESRE served as a learning experience for including refugees in future rounds of the official household survey (HoWStat). Given the unique feature of refugees compared to Ethiopians, the sampling methodology for the SESRE is unique for sampling refugees. Therefore, SESRE successfully tested the feasibility of sampling refugees and their hosts. To ensure the successful implementation of the sampling procedures, the ESS implemented a pilot sampling methodology before data collection started to ensure that all systems and processes were functioning. The ESS and World Bank teams conducted field visits for this pre-test in Afar and Addis Ababa. The field visits included discussions with camp community leaders, including the refugee community leaders, about the upcoming survey to understand better any sensitivities that may arise. The field visits helped to understand the camp administrative structure and environment of the teams facilitating the camp and to test the accessibility of sampled refugee households inside the camp, in Addis Ababa, and the identification of the host. ESS provided detailed feedback on the fieldwork procedures and adjustments made before the fieldwork began. For instance, in Afar (*Asayita*), the visit helped to identify challenges in tracing sampled refugee households and to take the necessary

corrective measures. Likewise, in Addis Ababa, the visit assisted in designing an appropriate strategy to select host communities.

The survey created a good opportunity for a collaborative effort between different government institutions and development partners. This collaboration allowed the sharing of experiences across institutions and knowledge for ESS to implement such unique surveys in the future. The survey process, from preparation to implementation, focused on ensuring data quality for refugee data collection. During preparation, ESS translated the survey instrument into different main languages and undertook an in-depth training of supervisors and enumerators for enumerators to understand better the concepts of the questions related to the refugee context. Moreover, a close follow-up and coordination in the field helped to get better quality data and provided timely responses to challenges faced during data collection.

During the survey implementation period, the main challenge was tracking sampled refugee households in all refugee domains. One of the Eritrean camps, *Alemwach* Camp, was newly established at time of data collection. Tracing the originally sampled and backup households initially took a lot of work. The issue of missing households in *Asayita* camp was severe during the second data collection phase. Moreover, some camps were very large; for example, there were more than 100,000 refugees in one camp, creating challenges for field workers in tracing the sampled households. Refugees in Addis Ababa live in rented houses; the team faced challenges in tracing some refugees due to changes in their residential locations. Challenges related to identifying the eligible sample households were also observed due to outdated names of the household heads in UNHCR lists, and UNHCR's registration of names which is not consistent with the Ethiopian context[59]. Thus, these challenges required additional effort by the team to ensure that sampled households and replacements were traced, identified, and interviewed. Another challenge was that some refugees were not willing to provide their current location due to personal security reasons, but these situations were resolved by reaffirming the confidentiality of the survey.

[59] UNHCR register names starting with last name, whereas, in Ethiopia names starts with first name.

Annex D: Descriptive Statistics and Regression Results

Results on Sociodemographic Profile

Table D.4: Demographic characteristics by survey domains

	Eritrean		Somali		South Sudanese	
	Hosts	Refugees	Hosts	Refugees	Hosts	Refugees
Age group						
<15	39%	46%	54%	50%	47%	56%
15 to 24	19%	19%	17%	22%	21%	21%
25 to 44	26%	25%	21%	17%	21%	16%
45 to 64	13%	8%	7%	9%	8%	5%
>=65	4%	2%	2%	2%	3%	1%
Gender						
Male	48%	51%	50%	49%	48%	46%
Female	52%	49%	50%	51%	52%	54%
Marital Status						
Never Married	22%	27%	21%	30%	22%	25%
Married	62%	56%	69%	52%	66%	57%
Other	16%	17%	10%	18%	12%	18%
Household characteristics						
Household size	4.3	4.7	5.7	6.0	5.4	6.5
Dependency ratio	0.8	1.1	1.5	1.4	1.1	1.7
Female-headed	38%	43%	43%	61%	51%	84%
Head's age	45.4	39.3	41.0	43.6	40.7	37.1

Source: World Bank Staff based on SESRE 2023.

Table D.5: Education outcomes by survey domains

	Eritrean		Somali		South Sudanese	
	Hosts	Refugees	Hosts	Refugees	Hosts	Refugees
Education level						
No education	38%	49%	52%	56%	31%	43%
Incomplete primary	20%	30%	13%	20%	24%	27%
Complete primary	20%	17%	21%	18%	27%	25%
Complete secondary	12%	4%	6%	4%	10%	3%
Complete post-secondary	10%	0%	9%	2%	8%	2%
Education level (youth -15 to 24 years)						
No education	4%	17%	20%	18%	4%	6%
Incomplete primary	29%	59%	27%	41%	48%	62%
Complete primary	50%	22%	48%	37%	41%	31%
Complete secondary	11%	1%	4%	4%	6%	2%
Complete post-secondary	5%	0%	2%	1%	1%	0%
Children currently attending school (<=18 years)						

	Eritrean		Somali		South Sudanese	
	Hosts	Refugees	Hosts	Refugees	Hosts	Refugees
All	68%	51%	50%	51%	68%	70%
Primary school	53%	43%	42%	44%	59%	59%
Secondary school	11%	2%	7%	5%	5%	2%
Primary school (7 to 14 years)	82%	64%	67%	61%	82%	81%
Secondary school (15 to 18 years)	49%	15%	48%	30%	28%	18%
Attending school above school age						
Primary school (15 to 18 years)	31%	49%	28%	49%	54%	73%
Secondary school (19 to 24 years)	34%	11%	30%	32%	32%	38%
Enrollment rates						
Primary NER	81%	65%	65%	62%	82%	80%
Secondary NER	47%	14%	44%	32%	28%	17%
Primary GER	101%	86%	79%	84%	114%	116%
Secondary GER	54%	14%	47%	36%	31%	18%

Source: World Bank Staff based on SESRE 2023.

Table D.6: Health outcomes by survey domains

	Eritrean		Somali		South Sudanese	
	Hosts	Refugees	Hosts	Refugees	Hosts	Refugees
Faced any health problem	21%	20%	6%	7%	29%	25%
Received medical assistance	86%	85%	85%	85%	85%	93%
Child Nutrition						
Stunted	43%	52%	37%	47%	26%	26%
Underweight	28%	37%	31%	38%	26%	19%
Wasted	10%	10%	14%	19%	17%	12%
Disability						
Seeing	2%	3%	1%	2%	3%	3%
Hearing	1%	3%	1%	1%	2%	2%
Walking or climbing steps	2%	2%	1%	2%	3%	2%
Remembering or concentrating	1%	2%	1%	1%	1%	2%
Difficulty with self-care	1%	1%	1%	1%	1%	2%
Communicating	0%	1%	1%	1%	1%	1%
Any disability	5%	8%	3%	4%	6%	5%

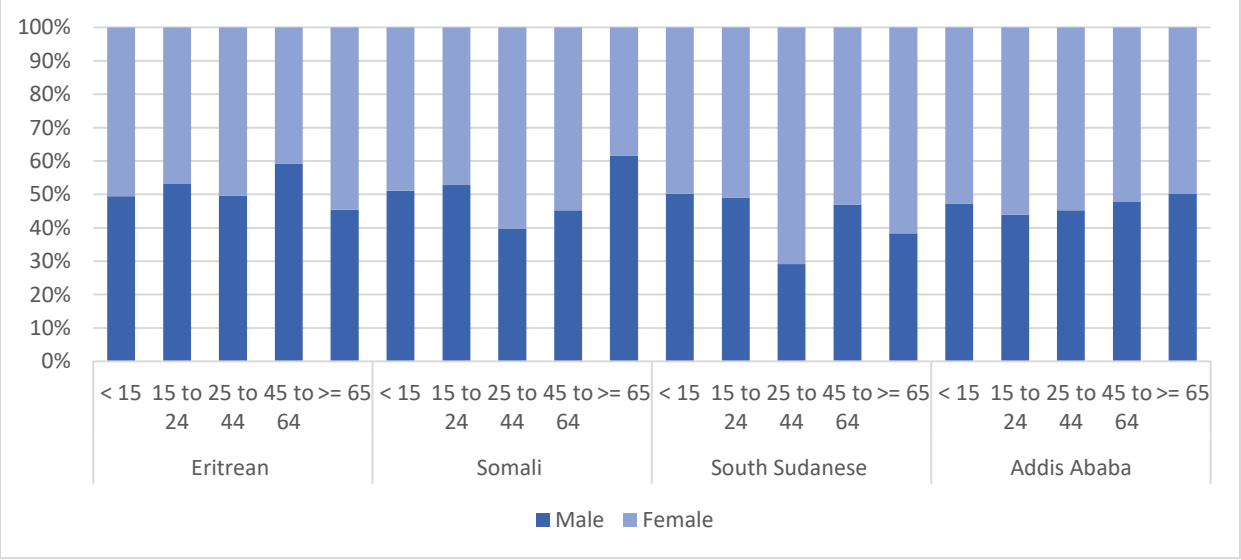
Source: World Bank Staff based on SESRE 2023.

Table D.7: Living conditions by survey domains

	Eritrean		Somali		South Sudanese	
	Hosts	Refugees	Hosts	Refugees	Hosts	Refugees
Dwelling type						
Owned	57%	0%	77%	21%	72%	11%
Rented	36%	2%	13%	0%	22%	2%
UN/NGO temporary	0%	61%	0%	28%	1%	16%
UN/NGO permanent	0%	36%	0%	50%	1%	71%
Other	7%	0%	10%	1%	4%	0%
Housing quality						
Overcrowded	22%	66%	44%	53%	42%	56%
Improved wall	16%	7%	16%	5%	4%	0%
Improved roof	72%	64%	75%	81%	58%	8%
WASH						
Improved source of drinking water	80%	99%	97%	99%	64%	79%
Improved bathing facilities	30%	28%	5%	9%	25%	14%
Improved toilet facility	38%	39%	60%	59%	18%	34%
Improved waste disposal method	24%	64%	30%	37%	10%	8%
Source of lighting						
Electricity (meter)	74%	13%	25%	5%	29%	1%
Electricity (meter, generator, solar)	89%	91%	38%	17%	34%	4%

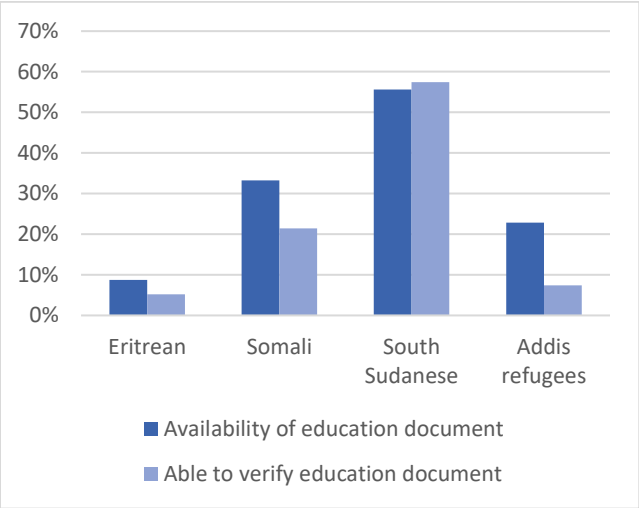
Source: World Bank Staff based on SESRE 2023.

Figure D.1: Age group by gender



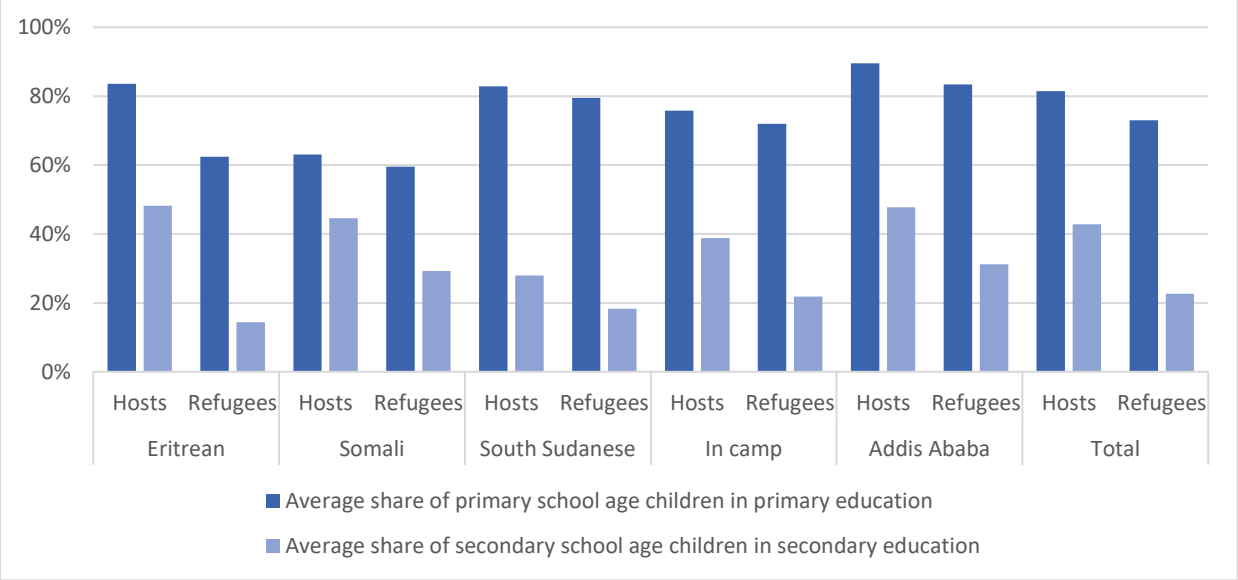
Source: World Bank Staff based on SESRE 2023.

Figure D.2: Refugees' education document



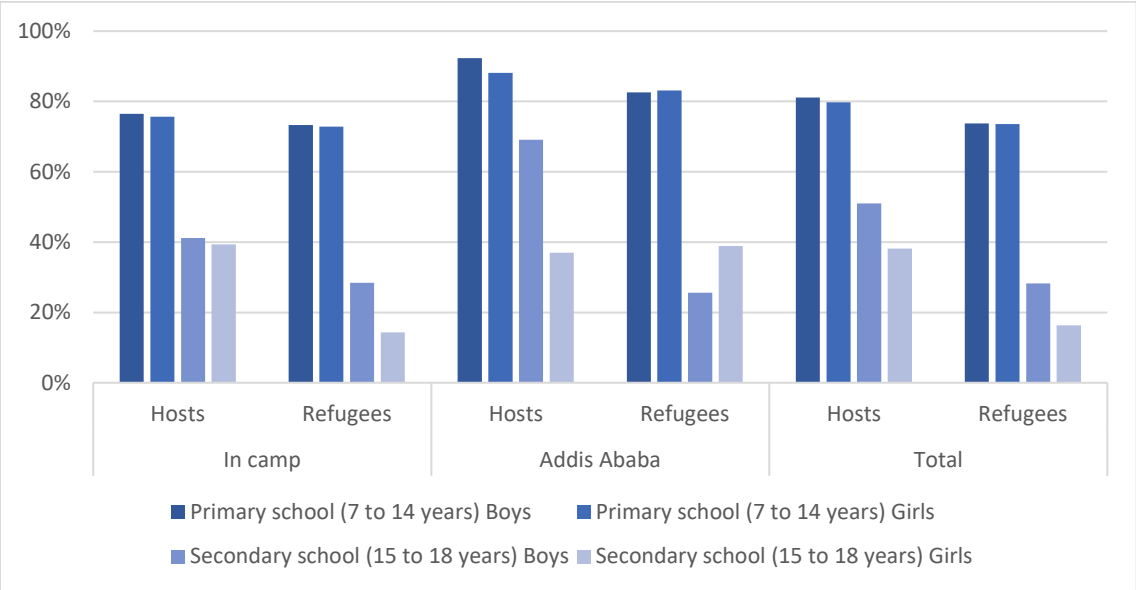
Source: World Bank Staff based on SESRE 2023.

Figure D.3: Share of school-age children in education per household



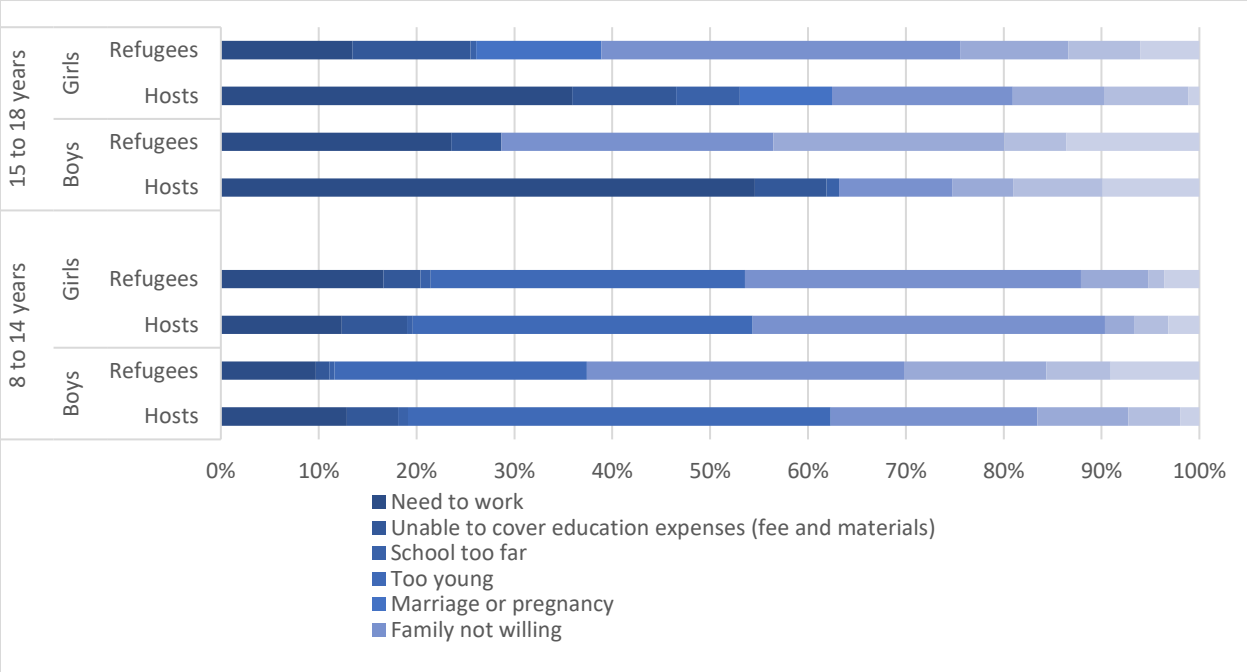
Source: World Bank Staff based on SESRE 2023.

Figure D.4: School-age children currently attending school by gender



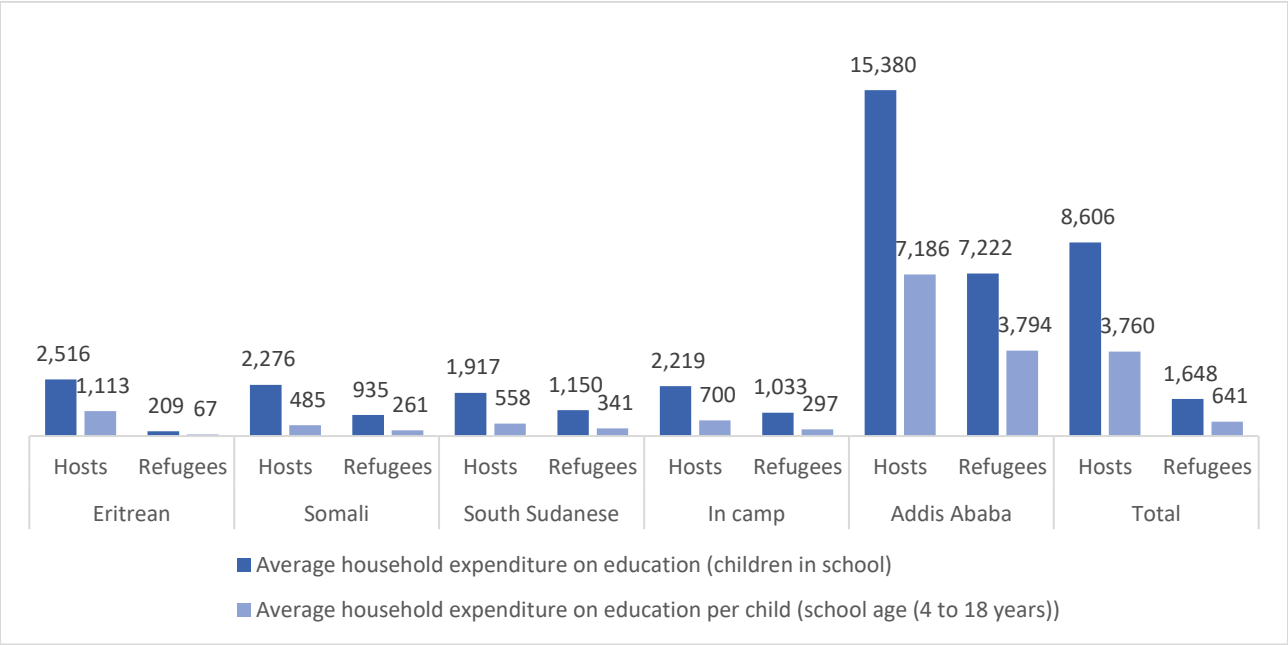
Source: World Bank Staff based on SESRE 2023.

Figure D.5: Reasons for not currently attending school by gender



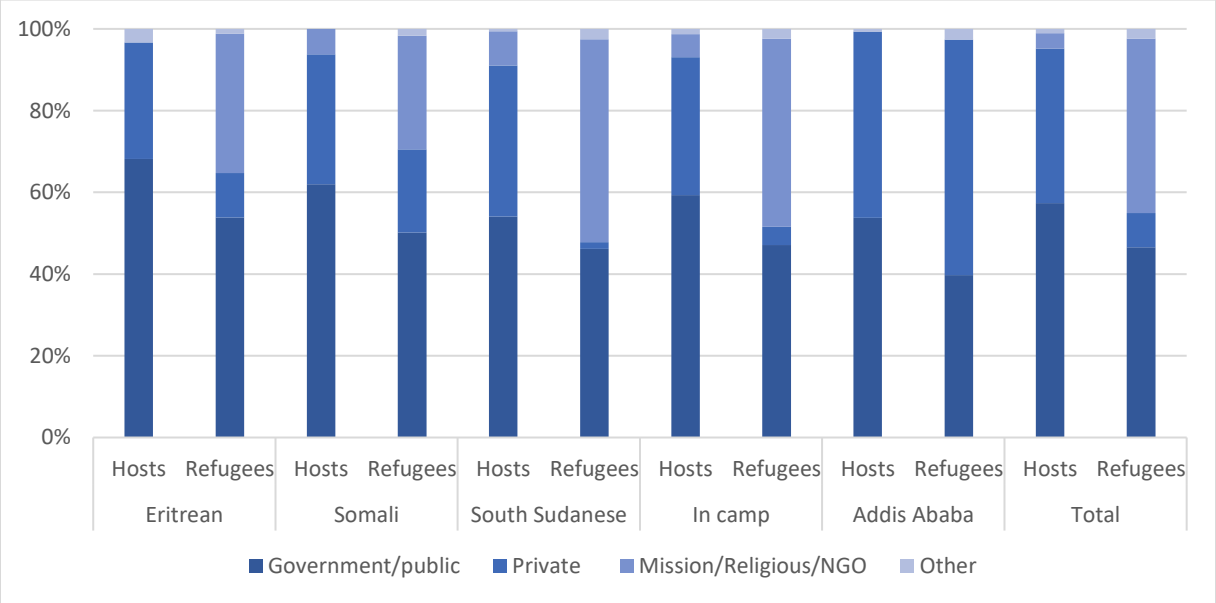
Source: World Bank Staff based on SESRE 2023.

Figure D.6: Average annual household education expenditure (in ETB)



Source: World Bank Staff based on SESRE 2023.

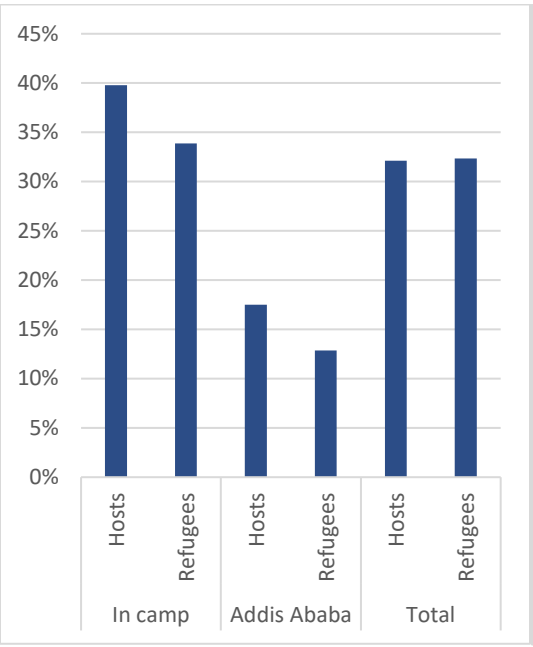
Figure D.7: Type of health institutions



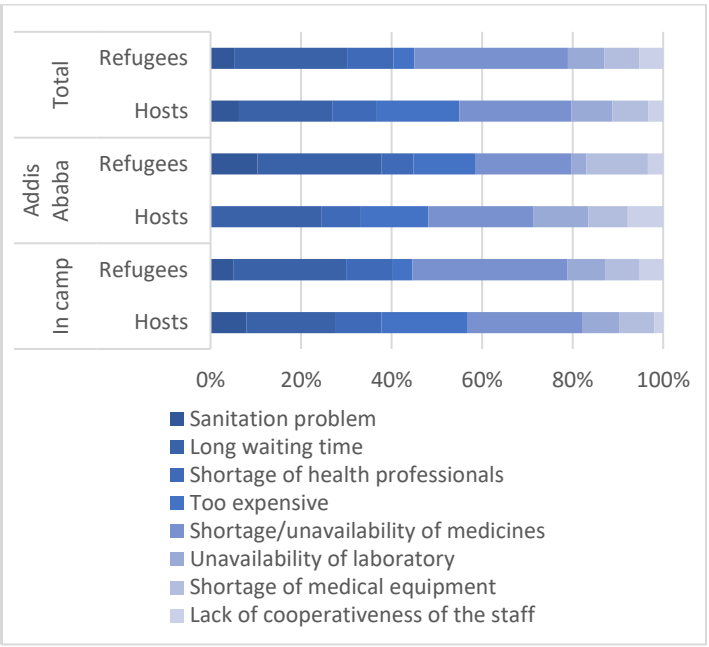
Source: World Bank Staff based on SESRE 2023.

Figure D.8: Problems faced in health institutions

a) Faced any problem

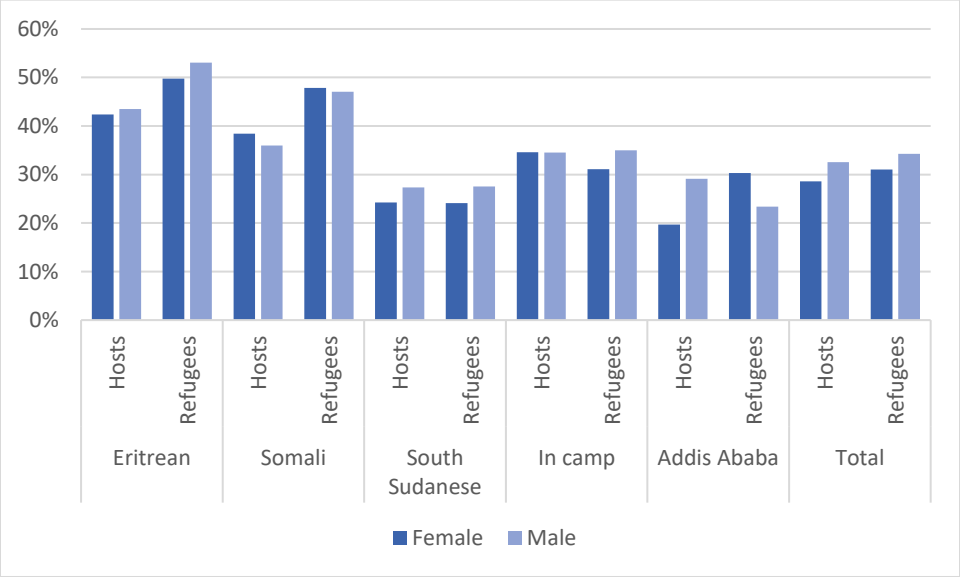


b) Types of problems faced



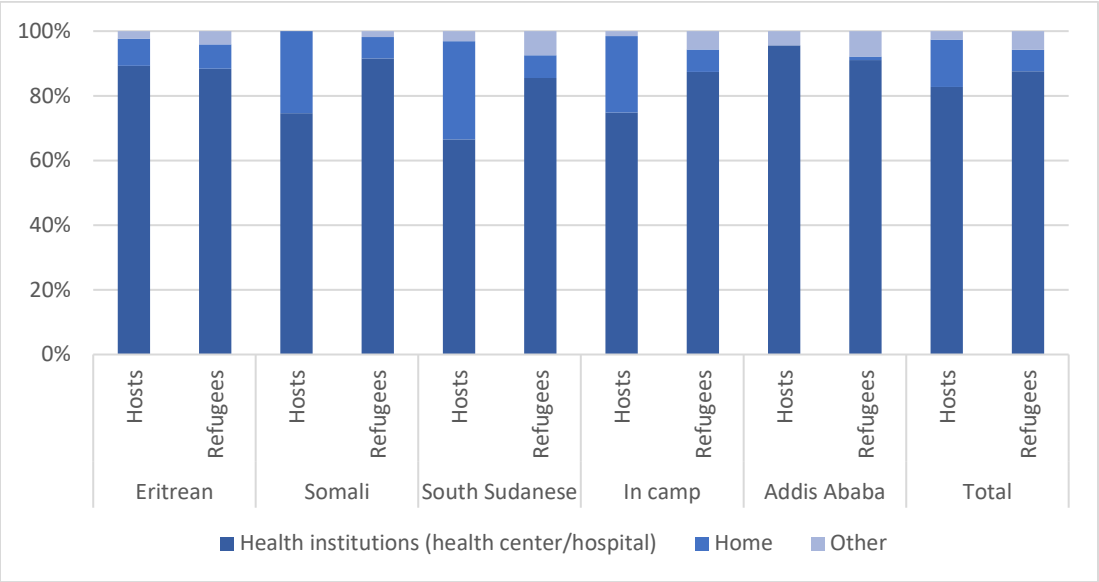
Source: World Bank Staff based on SESRE 2023.

Figure D.9: Stunting by gender of children



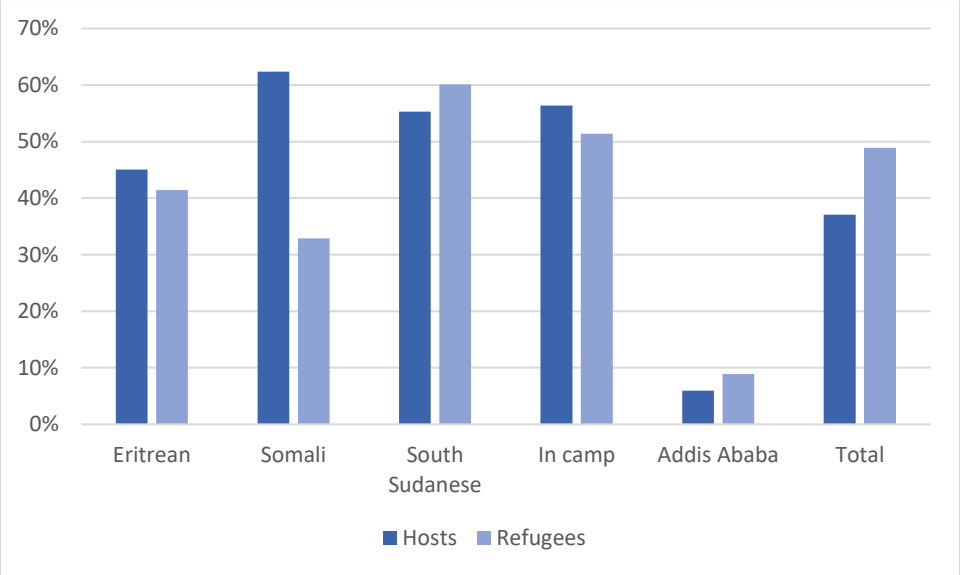
Source: World Bank Staff based on SESRE 2023.

Figure D.10: Childbirth in health institutions (children under five years)



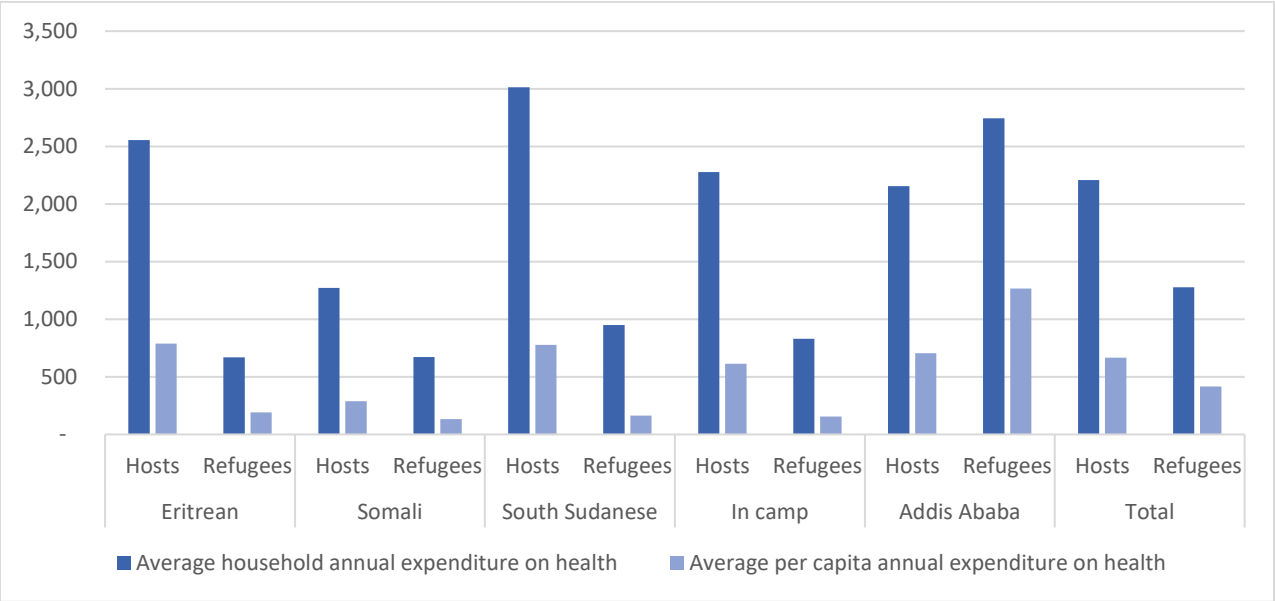
Source: World Bank Staff based on SESRE 2023.

Figure D.11: No birth evidence available (children under five years)



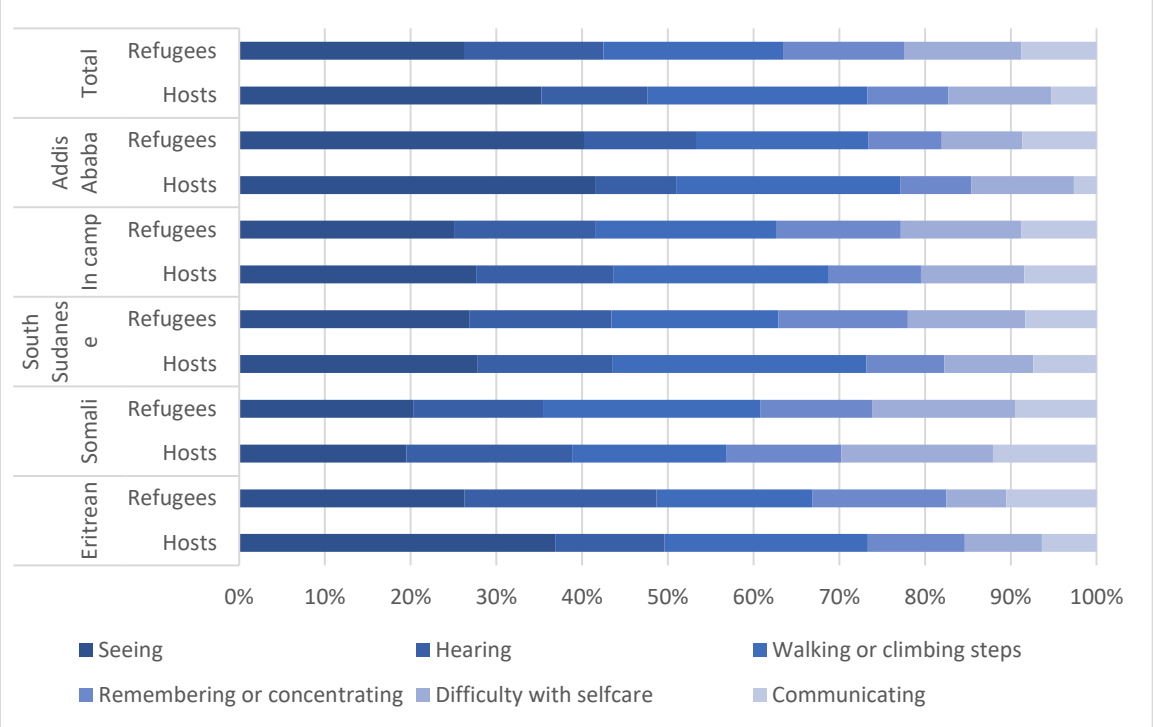
Source: World Bank Staff based on SESRE 2023.

Figure D.12: Average annual per capita health expenditure



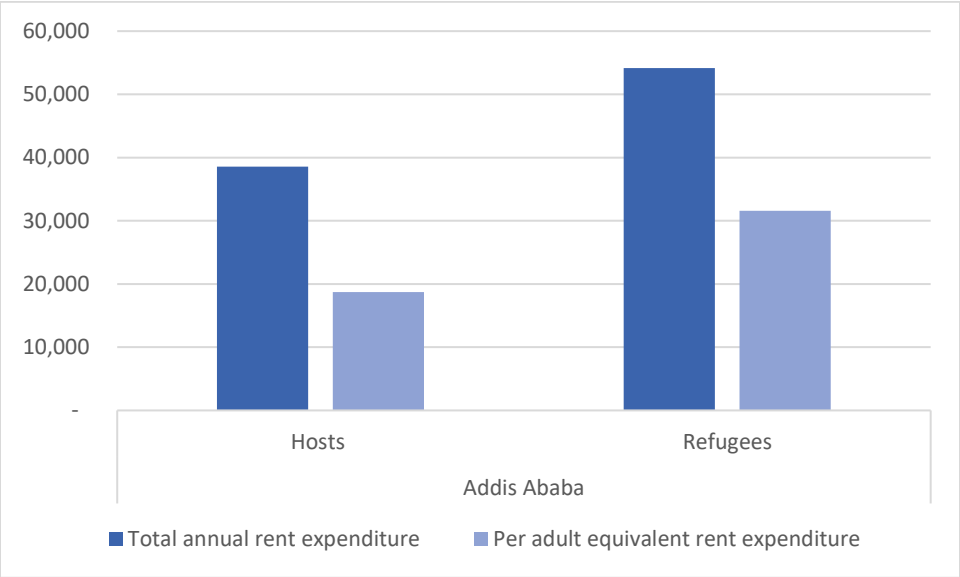
Source: World Bank Staff based on SESRE 2023.

Figure D.13: Types of disability



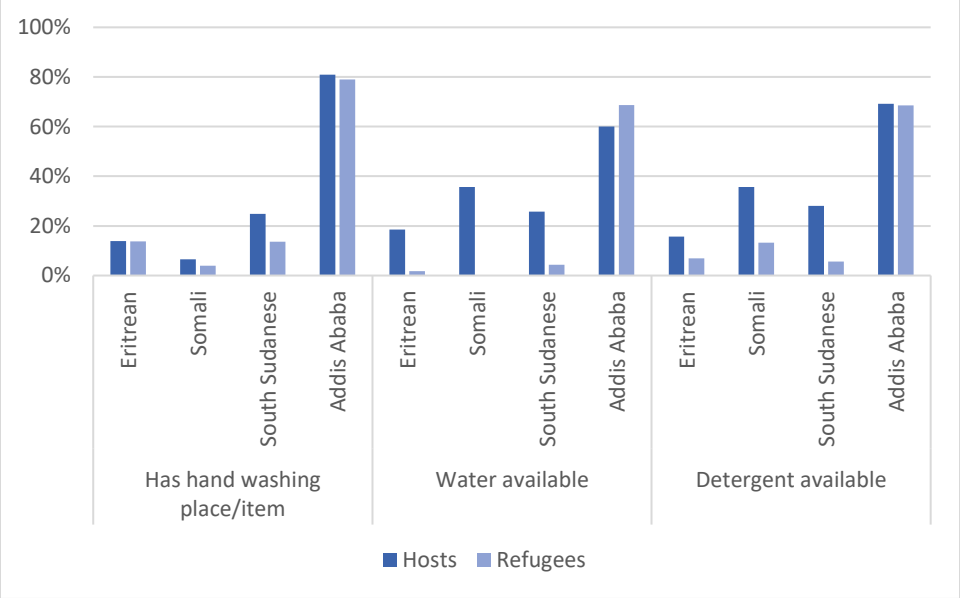
Source: World Bank Staff based on SESRE 2023.

Figure D.14: Rent expenditure (Refugees and hosts in Addis Ababa)



Source: World Bank Staff based on SESRE 2023.

Figure D.15: Hand washing facility



Source: World Bank Staff based on SESRE 2023.

Results on Jobs and Livelihoods

Table D.8: Labor force statistics by survey domains

	Eritrean		Somali		South Sudanese	
	Hosts	Refugees	Hosts	Refugees	Hosts	Refugees
Participation (strict)	57%	38%	44%	35%	55%	28%
Employment (strict)	89%	72%	94%	77%	96%	82%
Unemployment (strict)	11%	28%	6%	23%	4%	18%
Participation (relaxed)	62%	60%	51%	49%	57%	38%
Employment (relaxed)	81%	45%	81%	55%	91%	60%
Unemployment (relaxed)	19%	55%	19%	45%	9%	40%

Source: World Bank Staff based on SESRE 2023.

Table D.9: Determinants of refugee-host earnings gap

	(1) Earnings	(2) Earnings	(3) Earnings	(4) Earnings
Refugee (% difference from hosts)	-69.8***	-63.7***	-62.1***	-40.7***
	(0.077)	(0.123)	(0.122)	(0.126)
Control: Region	Yes	Yes	Yes	Yes
Control: Demographics		Yes	Yes	Yes
Control: Occupation/Sector			Yes	Yes
Sample: Working outside camp				Yes
Sample Size	743	742	742	572

Source: World Bank Staff based on SESRE 2023.

Note: Monthly earnings are collected for employees only (including work for government, NGOs, and private households). Log earnings are winsorized at the 1st and 99th percentile within the domain. Regression coefficients are transformed to percent change interpretation using $100 * (e^{\beta} - 1)$.

Standard errors clustered at the EA level. * $p < 0.10$, ** $p < 0.05$, *** $p < 0.01$

Table D.10: Determinants of employment outcomes

	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
		Hosts				**Refugees**		
	Working	High-Skill	Ln Income	Working	High-Skill	Work Outside	Ln Income	Ln Income
Male	0.235***	0.030*	0.270***	0.033	0.031*	0.172***	0.506***	0.876***
	(0.021)	(0.018)	(0.061)	(0.033)	(0.017)	(0.049)	(0.101)	(0.226)
Age	0.067***	0.008**	0.064***	0.045***	0.004	-0.005	0.007	-0.043
	(0.004)	(0.004)	(0.017)	(0.005)	(0.003)	(0.013)	(0.028)	(0.046)
Age Sq.	-0.001***	-0.000*	-0.001***	-0.001***	-0.000	0.000	-0.000	0.001
	(0.000)	(0.000)	(0.000)	(0.000)	(0.000)	(0.000)	(0.000)	(0.001)
Educ: < Primary	-	-	-	-	-	-	-	-
Educ: Primary	-0.028	0.058***	0.127	-0.042*	0.077**	-0.104	-0.172	0.121
	(0.020)	(0.021)	(0.107)	(0.022)	(0.032)	(0.069)	(0.122)	(0.361)
Educ: Secondary	0.115***	0.506***	0.700***	-0.045	0.460***	-0.200**	0.098	0.849***

	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
		Hosts				**Refugees**		
	Working	High-Skill	Ln Income	Working	High-Skill	Work Outside	Ln Income	Ln Income
	(0.031)	(0.046)	(0.100)	(0.045)	(0.107)	(0.080)	(0.212)	(0.311)
Educ: Post-sec	0.231***	0.716***	0.812***	0.004	0.493***	-0.073	0.222	0.528**
	(0.024)	(0.037)	(0.078)	(0.117)	(0.121)	(0.149)	(0.367)	(0.232)
Years in Ethiopia				0.009***	0.001	0.001	0.003	0.006
				(0.003)	(0.002)	(0.004)	(0.012)	(0.015)
Work outside camp							0.352***	
							(0.128)	
Region Fixed Effects	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Restrict to workers outside camp								Yes
N	3321	1626	494	3069	830	975	238	73

Source: World Bank Staff based on SESRE 2023.
Note: Columns 2 and 5-6 are restricted to working respondents. Columns 3 and 7-8 are restricted to employees. High-skill occupations include managers, professionals, and associate professionals. Ln Earnings is the log of monthly earnings winsorized at the 1st and 99th percentiles. All other models are linear probability models. Standard errors clustered at the EA level. * $p < 0.10$, ** $p < 0.05$, *** $p < 0.01$

Table D.11: Refugee Household Reliance on NGOs/Donations

	(1)	(2)	(3)	(4)
	All	Eritrea	Somali	South Sudan
Years in Ethiopia	-0.007**	-0.017**	-0.011**	-0.001
	(0.003)	(0.006)	(0.005)	(0.005)
Member works outside the camp	-0.080**	-0.335***	-0.180***	-0.001
	(0.035)	(0.099)	(0.051)	(0.041)
Region Fixed Effects	Yes	No	No	No
Demographic Controls	Yes	Yes	Yes	Yes
N	1252	423	412	417

Source: World Bank Staff based on SESRE 2023.
Note: Each column is a linear probability model where the outcome is a binary indicator of whether the household relies primarily on donations for income. Demographic controls include the household size and the share within each age and education group.
Standard errors clustered at the EA level. * $p < 0.10$, ** $p < 0.05$, *** $p < 0.01$

Table D.12: Determinants of refugee-host earnings gap

	(1)	(2)	(3)
	Earnings	Earnings	Earnings
Refugee (% difference from hosts)	-24.9**	-22.4**	-18.5*
	(0.137)	(0.115)	(0.114)
Control: Demographics		Yes	Yes
Control: Occupation/Sector			Yes

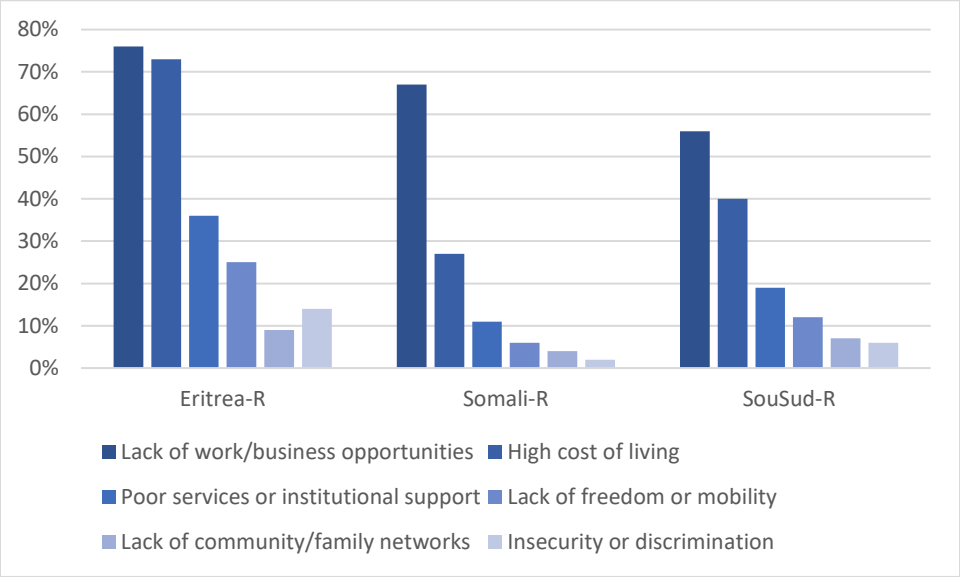
N	503	503	503

Source: World Bank Staff based on SESRE 2023.

Note: Monthly earnings are collected for employees only (including work for government, NGOs, and private households). Log earnings are winsorized at the 1st and 99th percentile within the domain. Regression coefficients are transformed to percent change interpretation using $100 * (e^{\beta} - 1)$.

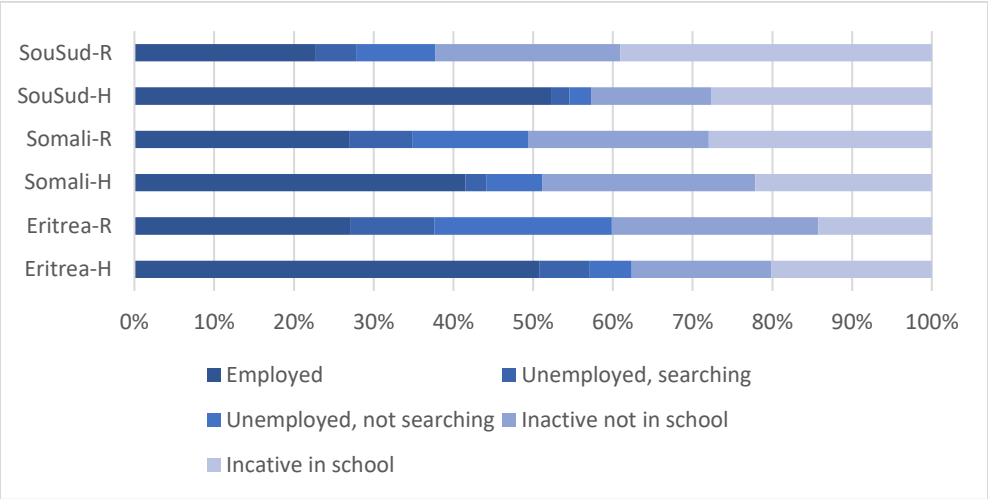
Standard errors clustered at the EA level. * $p < 0.10$, ** $p < 0.05$, *** $p < 0.01$

Figure D.16: Top 3 difficulties with being a refugee by survey domains



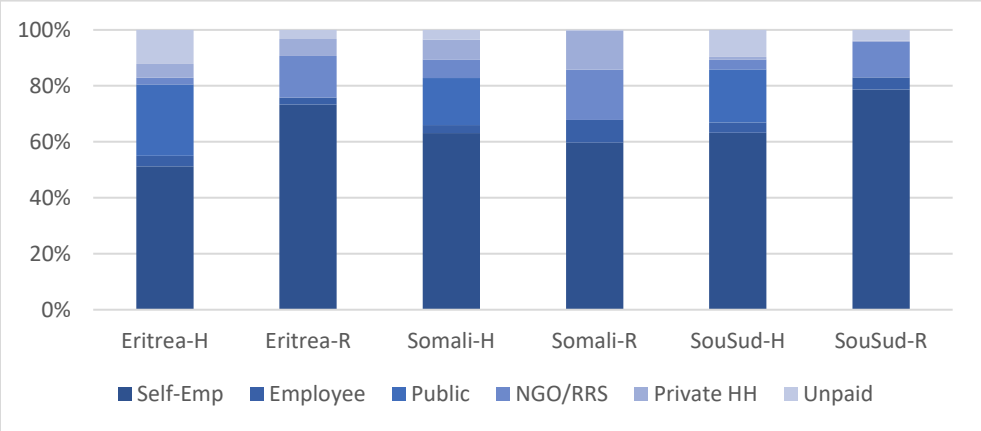
Source: World Bank Staff based on SESRE 2023.

Figure D.17: Work status by survey domains



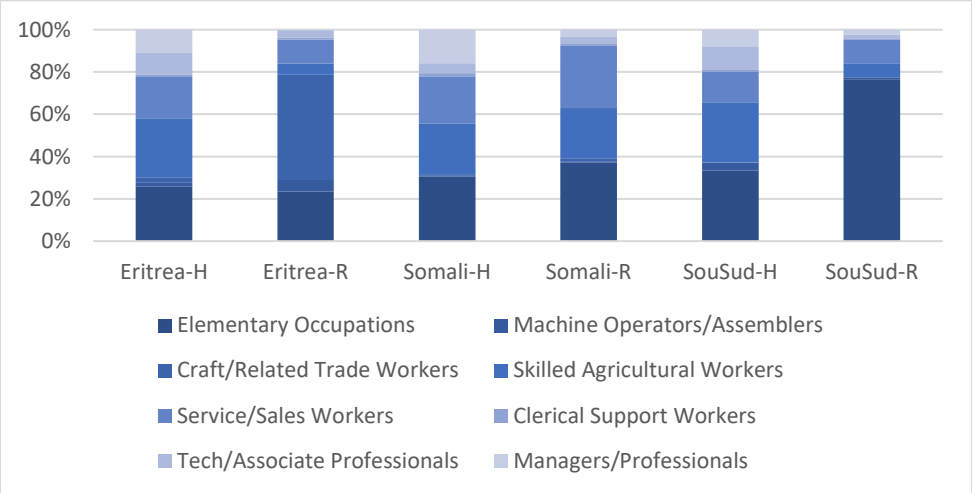
Source: World Bank Staff based on SESRE 2023.

Figure D.18: Type of work by survey domains



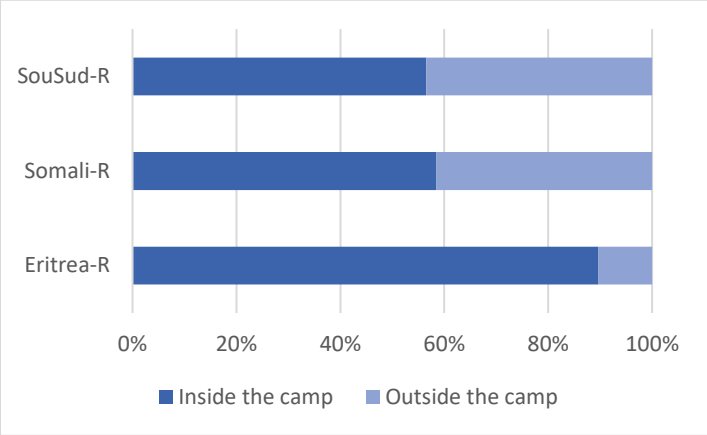
Source: World Bank Staff based on SESRE 2023.

Figure D.19: Occupation by survey domains



Source: World Bank Staff based on SESRE 2023.

Figure D.20: Work location by survey domains



Source: World Bank Staff based on SESRE 2023.

Figure D.21: Hours per week by survey domains

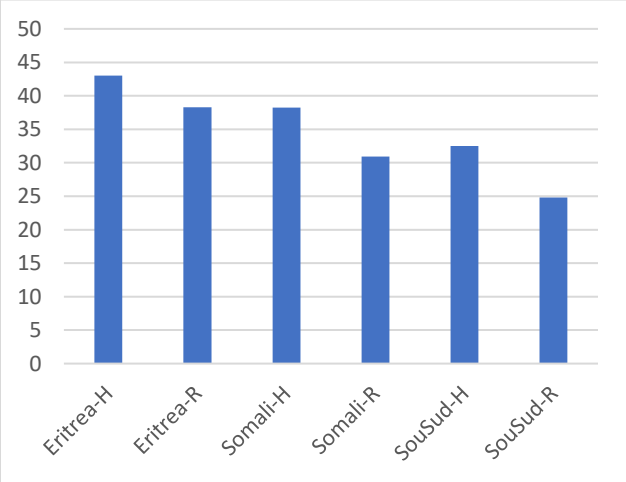
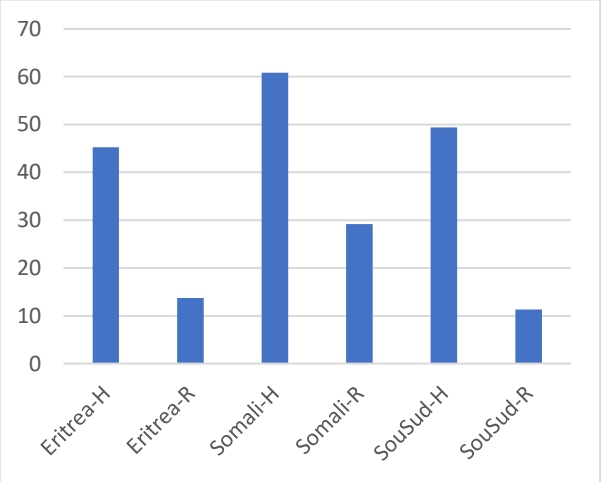


Figure D.22: Hourly earnings by survey domains



Source: World Bank Staff based on SESRE 2023.

Figure D.23: Household owns crops

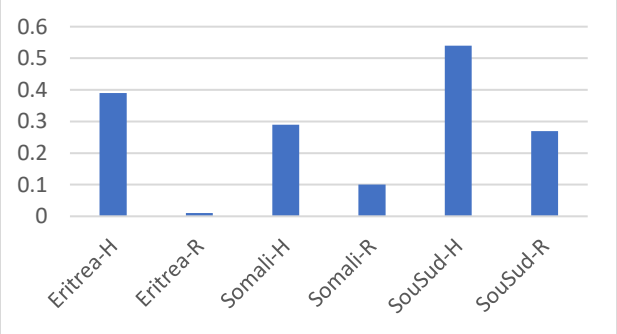
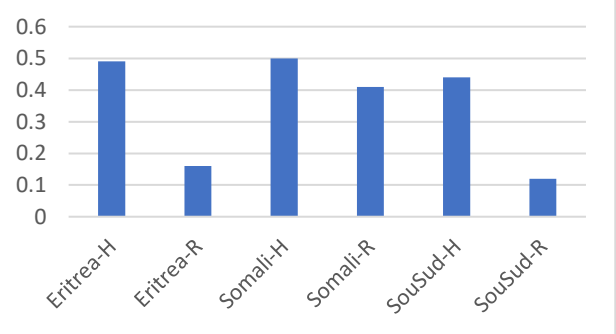


Figure D.24: Household owns livestock



Source: World Bank Staff based on SESRE 2023.

Figure D.25: Total value of livestock

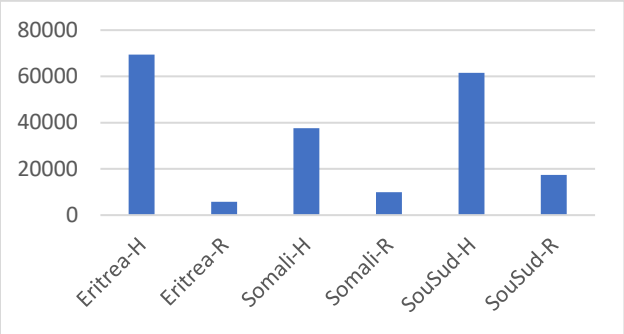
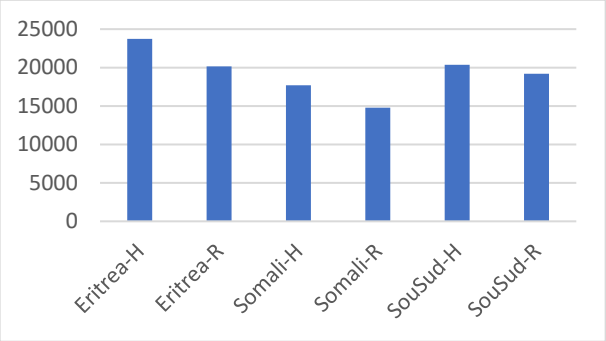


Figure D.26: Value per tropical livestock unit



Source: World Bank Staff based on SESRE 2023.

Figure D.27: Household has non-farm business

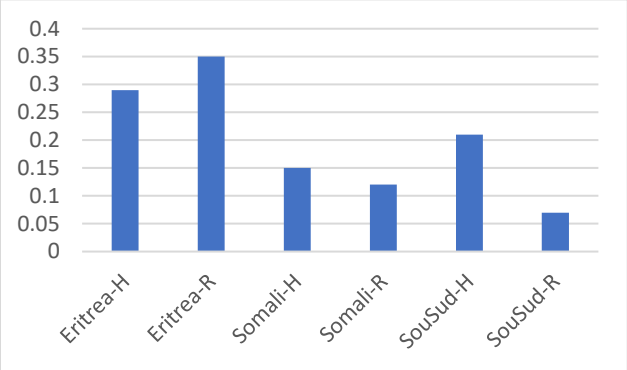
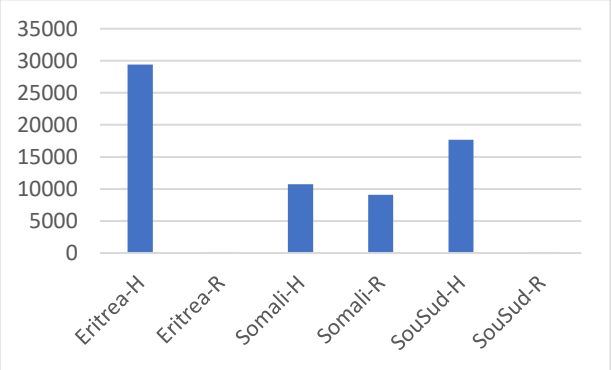
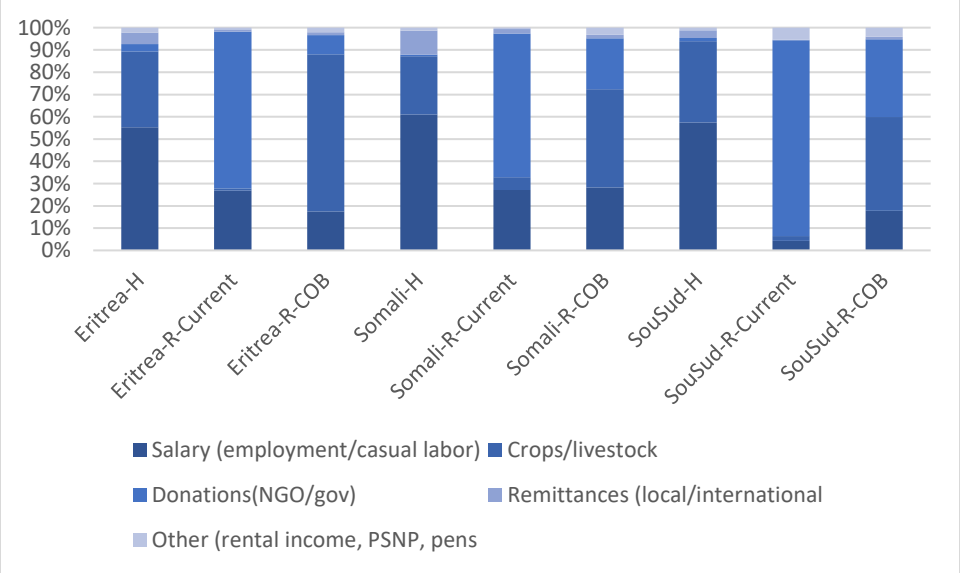


Figure D.28: Value of productive assets in households with business



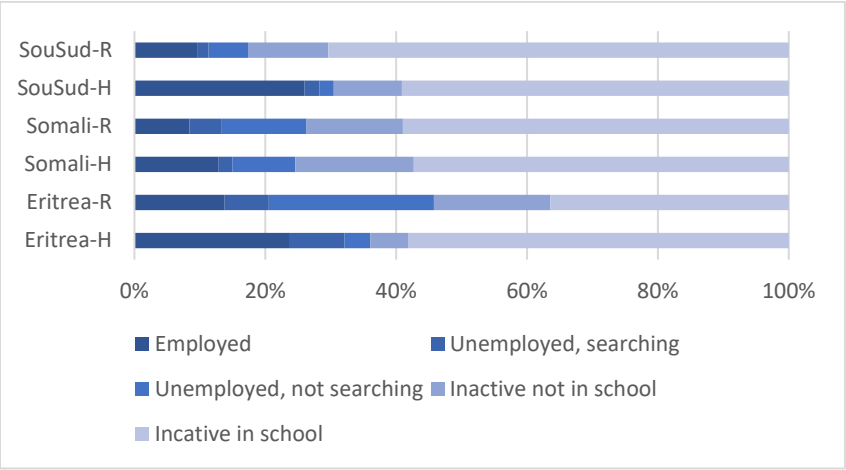
Source: World Bank Staff based on SESRE 2023.

Figure D.29: Primary source of income pre-post migration by survey domains



Source: World Bank Staff based on SESRE 2023.

Figure D.30: Youth work status by survey domains



Source: World Bank Staff based on SESRE 2023.

Results on Refugees' Aspirations

Table D.13: Refugee intention to migrate abroad

	(1) Camp-Based Refugees	(2) OCP Refugees
Male	0.022	-0.001
	(0.019)	(0.008)
Age Under 30	-	-
Age 30-44	-0.000	-0.007
	(0.020)	(0.008)
Age 45-64	-0.082***	-0.088**
	(0.027)	(0.036)
Educ: Primary incomplete	-	-
Educ: Completed primary	-0.008	0.004
	(0.036)	(0.009)
Educ: Completed secondary	0.016	0.006
	(0.064)	(0.009)
Educ: Completed post-secondary	-0.016	-0.010
	(0.067)	(0.034)
Years in Ethiopia	-0.000	-0.000
	(0.004)	(0.001)
Region Fixed Effects	Yes	No
N	3,069	830

Source: World Bank Staff based on SESRE 2023.

Note: The outcome positively responds to the question, 'Do you intend to migrate abroad?'. The sample includes all refugees aged 15 or over who were born abroad.

Standard errors clustered at the EA level. * p < 0.10, ** p < 0.05, *** p < 0.01

Results on Welfare and Equity

Table D.14: Poverty headcount rate by subgroups

Characteristics	Subgroups	In-camp		Addis Ababa	
		Host	Refugee	Host	Refugee
Location or domain	Eritrean	16%	73%		
	Somali	38%	76%		
	South Sudanese	36%	89%		
	Addis Ababa			18%	7%
Sex of head	Female	34%	87%	16%	10%
	Male	30%	74%	19%	3%
Head education	No education	38%	87%	35%	16%
	Primary incomplete	30%	81%	26%	13%
	Primary complete	29%	79%	14%	6%
	Secondary incomplete	24%	65%	14%	5%
	Secondary complete	16%	63%	14%	3%
	Post-secondary	19%	68%	12%	0%
Sector of head's employment	Agriculture	44%	87%	76%	
	Industry	24%	75%	17%	0%
	Service	23%	84%	17%	8%
	Unemployed	35%	84%	18%	8%
Main livelihood source	Salary	21%	62%	20%	6%
	Casual labor	45%	66%	37%	20%
	Crop/livestock farming	40%	87%		
	Manufacturing	13%	65%	0%	
	Trade and services	19%	67%	15%	0%
	Safety nets or aid	33%	87%	27%	0%
	Remittances	40%	53%	0%	7%
	Others	66%	85%	8%	0%
Market accessibility	Low accessibility	34%	78%		
	Medium accessibility	45%	92%		
	High accessibility	16%	77%		
Proximity to resource hubs	Nearest to zone	34%	93%		
	Nearest to woreda	24%	72%		
	Nearest to border	37%	81%		
	Remote	33%	78%		

Source: World Bank Staff based on SESRE 2023.

Table D.15: Determinants of welfare (total expenditure per capita)

	(1) In-camp ref	(2) In-camp host	(3) OCP ref	(4) OCP host
Female headed	0.00	0.03	-0.01	0.02
	(0.03)	(0.03)	(0.04)	(0.05)
Age of head (year)	0.00**	0.00	-0.00	-0.00
	(0.00)	(0.00)	(0.00)	(0.00)
Household size	-0.12***	-0.09***	-0.20***	-0.16***
	(0.01)	(0.01)	(0.01)	(0.02)

Head years of schooling	0.02***	0.01***	0.03***	0.03***
	(0.00)	(0.00)	(0.01)	(0.00)
Mobile phone	0.10***	0.19***	0.39***	0.17
	(0.03)	(0.03)	(0.11)	(0.15)
Household has electricity	0.15***	0.22***	0.14	0.19
	(0.04)	(0.03)	(0.27)	(0.13)
HH owns any livestock	0.04	0.03		-0.42*
	(0.03)	(0.04)		(0.25)
HH member has bank account	0.13***	0.13***	0.07	0.16
	(0.03)	(0.03)	(0.10)	(0.26)
HH has agricultural holding	-0.02	-0.08*		-0.47*
	(0.03)	(0.04)		(0.24)
HH operates a nonfarm enterprise	0.07**	-0.00	-0.05	0.26***
	(0.03)	(0.03)	(0.10)	(0.07)
Share of employed members	0.35***	0.57***	0.14**	0.06
	(0.08)	(0.06)	(0.06)	(0.08)
Health shock	0.07	-0.02	-0.04	-0.20
	(0.06)	(0.06)	(0.10)	(0.18)
Market shock	-0.01	-0.09***	-0.04	-0.19***
	(0.02)	(0.03)	(0.04)	(0.05)
Employment shock	0.01	-0.11	-0.06	-0.07
	(0.07)	(0.11)	(0.31)	(0.18)
Drought shock	-0.03	0.08	0.24	
	(0.05)	(0.09)	(0.32)	
Political shock	-0.05	-0.23*	-0.23**	-0.06
	(0.05)	(0.12)	(0.11)	(0.38)
Constant	10.05***	10.22***	10.58***	10.49***
	(0.07)	(0.09)	(0.32)	(0.36)
Survey domain	Yes	Yes	Yes	Yes
Survey time	Yes	Yes	Yes	Yes
Observations	1286	1287	432	430

Source: World Bank Staff based on SESRE 2023.

Note: Dependent variable is the log of total per adult equivalent consumption expenditure. All regressions include fixed effects for the survey domain and time (year and month) to account for locational and temporal differences. Standard errors in parentheses; * $p < 0.10$, ** $p < 0.05$, *** $p < 0.01$

The regression specification used is:

$$\log(expenditure) = \beta_0 + \beta_i X_i + \epsilon_i$$

where X_i is the vector of control variables that include demographic characteristics (sex of household head, age of household head, family size, years of schooling completed by the head), assets and wealth (mobile phone ownership, livestock ownership in tropical livestock units, land ownership, bank account, non-farm business ownership, electricity access), employment (share of employed members), resource and market access (market accessibility and proximity to resource hubs), and shocks (health, market, employment, drought, political). The regression also controls for survey domain and survey time (month) fixed effects to account for the effects of location and time on welfare.

Table D.16: Determinants of welfare for in-camp refugees

	(1) In-camp refugees
Head years since refugee status (from 2022)	0.00
	(0.00)
Head wants to go back to own/parents	0.02
	(0.03)
Ration change	-0.43***
	(0.10)
Head: has any relative in own/parents' COB	0.05
	(0.04)
HH received humanitarian food aid in past 12 months	-0.00
	(0.04)
Distance to woreda capital (log)	-0.10***
	(0.01)
Distance to border (log)	-0.03
	(0.02)
Medium market accessibility	-0.02
	(0.06)
High market accessibility	0.29***
	(0.05)
Constant	11.10***
	(0.34)
Survey domain	Yes
Survey time	Yes
Observations	1,266

Source: World Bank Staff based on SESRE 2023.

Note: Dependent variable is the log of total per capita consumption expenditure. All regressions include the controls in Table D.15. This table provides the results for the additional independent variables of interest.

Standard errors in parentheses; * p < 0.10, ** p < 0.05, *** p < 0.01;

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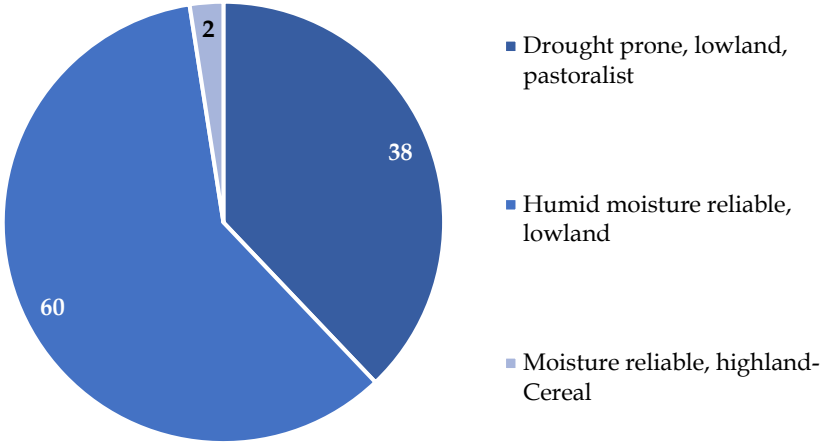
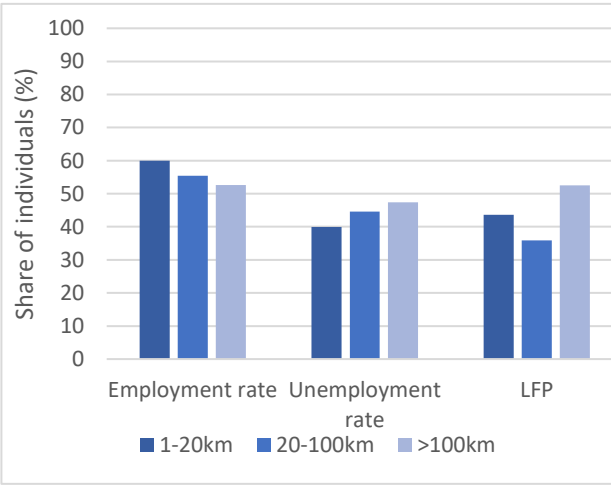
Figure D.31: In-camp refugee locations by ecological Zone



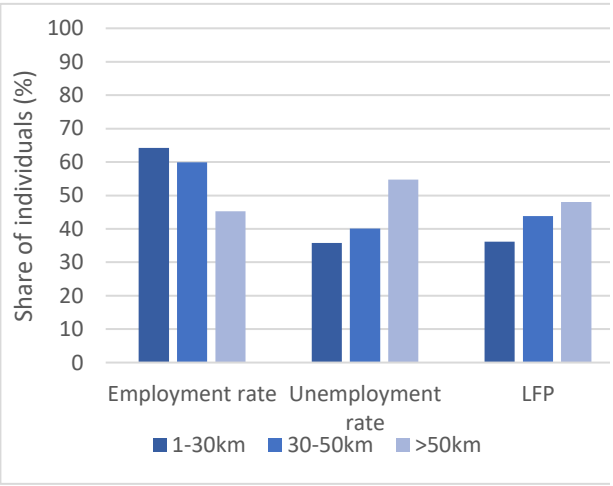
Source: World Bank Staff based on SESRE 2023 and Ethiopia Ecological Zone Classification from ESS.

Figure D.32: Refugee's labor market performance

(a) By distance to *Zone* city

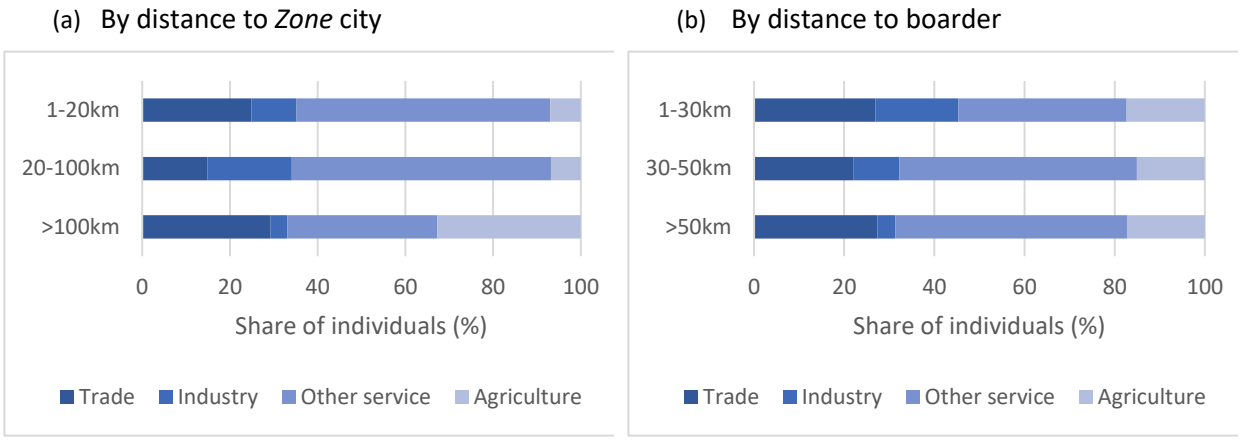


(b) By distance to border



Source: World Bank Staff based on SESRE 2023.

Figure D.33: Economic sector



Source: World Bank Staff based on SESRE 2023.

Table D.17: Variables used to estimate employment outcomes

INDICATORS TYPE		VARIABLES	DATA SOURCE
INDIVIDUAL CHARACTERISTICS		Age, sex, education, language skill, years in exile	SESRE
HOUSEHOLD CHARACTERISTICS		Gender of household head, household size, head education level, access to electricity, productive asset ownership, food insecurity experience	SESRE
COMMUNITY CHARACTERISTICS	Community economic development status	Predominant land cover in the community	SESRE
LOCAL FACTORS	Remoteness	Distance to towns and cities, distance to the nearest international border	Ethiopian shapefile and Refugee geospatial from ESS
	Local labor market	LFPR, unemployment rate, the share of wage employment, the share of employment by economic sector	LMS, 2021
	Market access	Market accessibility index	Ethiopia transport network layer, 2020 (ERA) & gridded population (GPWv4)

Notes: *For logistic regression, we assume local factors are exogenous in the model as refugees do not select their location.* Since refugees' residential location is not self-selected, they do not choose their respective camps to maximize their utility. Instead, they come across the border and are either assigned to camps close to where they crossed or a new camp is established. Our model compares refugee employment status by local factors in the hosting Zones and community:

$$Y_{ic} = \beta X_{ic} + \gamma H_{ic} + \alpha LF_c + \delta C_c + \varepsilon_{ic}$$

where subscripts denote i: individual and c: camp. LF refers to local factors; X represents personal and H presents household characteristics; C refers to the characteristics of the community. The model includes control for refugee camps.

Table D.18: Factors determining the odds of obtaining a job for refugees: logit model

Variables	Basic Model	Local Market		Proximity		Market access
		Model I	Model II	Model I	Model II	
Individual feature						
Male	0.1372***	0.1372***	0.1372***	0.1372***	0.1291***	0.1372***
	(0.0283)	(0.0283)	(0.0283)	(0.0283)	(0.0269)	(0.0283)
Age	0.0521***	0.0521***	0.0521***	0.0521***	0.05459***	0.0521***
	(0.0075)	(0.0075)	(0.0075)	(0.0075)	(0.0069)	(0.0075)
Age squared	-0.0006***	-0.0006***	-0.0006***	-0.0006***	-0.0007***	-0.0006***
	(0.0001)	(0.0001)	(0.0001)	(0.0001)	(0.0001)	(0.0001)
Some primary	0.1172**	0.1172**	0.1172**	0.1172**	0.08619*	0.1172**
	(0.0384)	(0.0384)	(0.0384)	(0.0384)	(0.0364)	(0.0384)
Speaks additional language	-0.0459	-0.0459	-0.0459	-0.0459	-0.04978	-0.0459
	(0.0343)	(0.0343)	(0.0343)	(0.0343)	(0.0327)	(0.0343)
>15 years in exile	0.0857**	0.0857**	0.0857**	0.0857**	0.1048***	0.0857**
	(0.0317)	(0.0317)	(0.0317)	(0.0317)	(0.0307)	(0.0317)
Household feature						
Male head	-0.0458	-0.0458	-0.0458	-0.0458	-0.02736	-0.0458
	(0.0308)	(0.0308)	(0.0308)	(0.0308)	(0.0290)	(0.0308)
Head: primary education	-0.0375	-0.0375	-0.0375	-0.0375	-0.001520	-0.0375
	(0.0389)	(0.0389)	(0.0389)	(0.0389)	(0.0378)	(0.0389)
Head: secondary education	-0.0919	-0.0919	-0.0919	-0.0919	-0.04109	-0.0919
	(0.0628)	(0.0628)	(0.0628)	(0.0628)	(0.0595)	(0.0628)
Head: post-secondary education	0.2333+	0.2333+	0.2333+	0.2333+	0.2705*	0.2333+
	(0.1318)	(0.1318)	(0.1318)	(0.1318)	(0.1115)	(0.1318)
HH size: member age [15,29]	-0.0233*	-0.0233*	-0.0233*	-0.0233*	-0.01886*	-0.0233*
	(0.0095)	(0.0095)	(0.0095)	(0.0095)	(0.0093)	(0.0095)
HH size: member age (30,44]	-0.0792***	-0.0792***	-0.0792***	-0.0792***	-0.07340***	-0.0792***
	(0.0220)	(0.0220)	(0.0220)	(0.0220)	(0.0220)	(0.0220)
HH size: member age (45,64]	-0.0363	-0.0363	-0.0363	-0.0363	-0.02057	-0.0363
	(0.0254)	(0.0254)	(0.0254)	(0.0254)	(0.0256)	(0.0254)
HH access electricity	0.0961+	0.0961+	0.0961+	0.0961+	0.1081*	0.0961+
	(0.0550)	(0.0550)	(0.0550)	(0.0550)	(0.0551)	(0.0550)
HH own cart	0.0953*	0.0953*	0.0953*	0.0953*	0.09562*	0.0953*
	(0.0421)	(0.0421)	(0.0421)	(0.0421)	(0.0423)	(0.0421)
HH ran out of food[a]	-0.0859**	-0.0859**	-0.0859**	-0.0859**	-0.09167**	-0.0859**
	(0.0304)	(0.0304)	(0.0304)	(0.0304)	(0.0300)	(0.0304)
Local demography and economy activity						
Most land cover: agriculture[b]	-0.0798+	-0.0798+	-0.0798+	-0.0798+	-0.07447	-0.0798+
	(0.0475)	(0.0475)	(0.0475)	(0.0475)	(0.0482)	(0.0475)
Distance to bank	-0.0400	-0.0400	-0.0400	-0.0400		-0.0400
	(0.0250)	(0.0250)	(0.0250)	(0.0250)		(0.0250)
Internal migration: Rural-Urban[c]		-0.0876***	-0.0391*			
		(0.0262)	(0.0157)			
Local labor market						
LFPR		0.0337*	0.0370***			
		(0.0139)	(0.0091)			
Share of wage employment		0.0427+				
		(0.0239)				
Unemployment rate		-0.0290**				
		(0.0106)				
Share of employment in the service sector			0.0429**			
			(0.0077)			

Share of employment in the trade sector			0.0665***			
			(0.0147)			
Share of employment in the manufacturing sector			0.0269			
			(0.0237)			
Share of employment in the agriculture sector			0.0206			
			(0.0131)			
Proximity and access to market						
Level two				-0.3414**		
				(0.1143)		
Level three				-0.3308**		
				(0.1127)		
Level four				-0.2098**		
				(0.0814)		
Distance to Zone city (Km)					-0.0030*	
					(0.0013)	
Market accessibility indicator						0.4056**
						(0.1381)
Observations	2024	2024	2024	2024	2205	2024
Chi-square test	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000
R2	0.1373	0.1373	0.1373	0.1373	0.1172	0.1373

Source: World Bank Staff based on SESRE 2023.

Note: Average marginal effects are estimated. *a* refers whether a household ran out of food in the last 12 months. *b* refers if most of the land is covered in the community by agriculture activities i.e., less built-up and shops. *c* refers recent (5 years) internal migrants from rural to urban centers. Distance to the nearest bank variable is excluded from proximity model II, as it is captured by effect of distance to the nearest zone city. The left side for years in exile, Head education level, HH size, most land cover, and proximity level is less than 15 years, Head with no education, non-working age members, most land cover by built-up and shops, and nearest to Zone capital city, respectively. All estimates are controlled for refugee camps.

Standard errors in parentheses. +p<0.10, * p<0.05, ** p<0.01, *** p<0.001

Table D.19: Proximity and market accessibility effects on engagement in agriculture activity: logit model

Variables	Proximity		Market access
	Model I	Model II	
Individual feature			
Male	0.1979***	0.2016***	0.1998***
	(0.0289)	(0.0286)	(0.0297)
Age	-0.0307***	-0.0294***	-0.0296***
	(0.0083)	(0.0081)	(0.0088)
Age squared	0.0004***	0.0004***	0.0004**
	(0.0001)	(0.0001)	(0.0001)
Some primary	-0.1403***	-0.1436***	-0.1484***
	(0.0305)	(0.0298)	(0.0307)
Household feature			
HH size: member age [15,29]	-0.0157	-0.0171	-0.0186
	(0.0118)	(0.0113)	(0.0117)
HH size: member age (30,44]	0.0422*	0.0414*	0.0320+

	(0.0179)	(0.0178)	(0.0185)
HH size: member age (45,64]	0.0187	0.0278	0.0314
	(0.0221)	(0.0226)	(0.0237)
HH access electricity	-0.2980**	-0.2655**	-0.2658**
	(0.0929)	(0.0884)	(0.0974)
Proximity and market access			
Level two	0.2065***		
	(0.0607)		
Level three	0.2358**		
	(0.0788)		
Level four	0.3559***		
	(0.0769)		
Distance to Zone city (Km)		0.0022***	
		(0.0006)	
Market accessibility indicator			-0.0792*
			(0.0330)
Observations	742	737	742
Chi-square test	0.0000	0.0000	0.0000
R2	0.2517	0.2435	0.2128

Source: World Bank Staff based on SESRE 2023.

All estimates are controlled for regions. Standard errors in parentheses.

+p<0.10, * p<0.05, ** p<0.01, *** p<0.001

Table D.20: Proximity and market accessibility effects on engagement in service sector: logit model

Variables	Proximity		Market access
	Model I	Model II	
Individual feature			
Male	-0.2151***	-0.2199***	-0.2153***
	(0.0309)	(0.0304)	(0.0312)
Age	0.0368***	0.0331***	0.0340***
	(0.0089)	(0.0089)	(0.0096)
Age squared	-0.0005***	-0.0004***	-0.0004***
	(0.0001)	(0.0001)	(0.0001)

Some primary	0.1561***	0.1636***	0.1683***
	(0.0333)	(0.0334)	(0.0344)
Household feature			
HH size: member age [15,29]	0.0217+	0.0226+	0.0248*
	(0.0121)	(0.0117)	(0.0119)
HH size: member age (30,44]	-0.0664***	-0.0657***	-0.0553**
	(0.0197)	(0.0195)	(0.0205)
HH size: member age (45,64]	-0.0146	-0.0232	-0.0248
	(0.0246)	(0.0258)	(0.0269)
HH access electricity	-0.0637	-0.0571	-0.1051+
	(0.0489)	(0.0499)	(0.0559)
Proximity and market access			
Level two	-0.3000***		
	(0.0713)		
Level three	-0.3988***		
	(0.0821)		
Level four	-0.4862***		
	(0.0832)		
Distance to Zone city (Km)		-0.002*	
		(0.0008)	
Market accessibility indicator			0.0897**
			(0.0307)
Observations	787	782	787
Chi-square test	0.0000	0.0000	0.0000
R2	0.2871	0.2738	0.2538

Source: World Bank Staff based on SESRE 2023.

Standard errors in parentheses. All estimates are controlled for regions.

+p<0.10, * p<0.05, ** p<0.01, *** p<0.001

Results on Social Cohesion

Table D.21: Regression analysis of host and refugee attitudes

	(1) Hosts: Attitudes Index	(2) Hosts: Trusts Refugees	(3) Refugees: Trusts Hosts

Male	-0.021	-0.025	-0.029
	(0.060)	(0.036)	(0.039)
Age	0.004	0.003	-0.003
	(0.009)	(0.005)	(0.006)
Age Sq.	-0.000	-0.000	0.000
	(0.000)	(0.000)	(0.000)
Educ: Primary incomplete	-	-	-
Educ: Completed primary	-0.094	-0.040	-0.009
	(0.066)	(0.050)	(0.052)
Educ: Completed secondary	-0.003	0.033	-0.083
	(0.098)	(0.055)	(0.066)
Educ: Completed post-sec.	-0.074	-0.073	-0.055
	(0.103)	(0.050)	(0.106)
Agrees on improved local services	0.408***	0.116**	
	(0.103)	(0.055)	
Years in Ethiopia			0.002
			(0.005)
Agrees hosts culturally similar			0.215***
			(0.055)
Region Fixed Effects	Yes	Yes	Yes
N	1724	1666	1613

Source: World Bank Staff based on SESRE 2023.

The Attitudes Index is the average of 10 questions regarding beliefs about refugees' character, the rights they should receive, and their impact on the host community, standardized to a mean of 0 and SD of 1, where positive indicates better attitudes. Trusts Refugees is the binary response of hosts to "Do you think most refugees in Ethiopia are trustworthy?" and Trusts Hosts is the binary response of refugees to "Do you think most Ethiopians are trustworthy?". Standard errors clustered at the EA level.

* $p < 0.10$, ** $p < 0.05$, *** $p < 0.01$

Table D.22: Regression analysis of social integration outcomes

	(1)	(2)	(3)	(4)	(5)
	Has in Ethiopia:		**Easy to do:**		
	Family	Friend	Market Interactions	Social Interactions	Sharing Resources
Male	0.007	0.067**	0.033	0.010	-0.076**
	(0.017)	(0.033)	(0.027)	(0.036)	(0.035)
Age Under 30	-	-	-	-	-
Age 30-44	-0.030	0.033	0.007	0.004	-0.048*
	(0.021)	(0.025)	(0.025)	(0.029)	(0.028)
Age 45-64	-0.041	0.024	0.002	0.011	0.012
	(0.025)	(0.038)	(0.038)	(0.050)	(0.041)
Age Over 64	-0.009	-0.062	0.100**	0.041	0.046
	(0.046)	(0.058)	(0.043)	(0.089)	(0.073)
Educ: Primary incomplete	-	-	-	-	-
Educ: Completed primary	-0.004	0.121***	0.008	0.028	0.063**
	(0.027)	(0.033)	(0.035)	(0.041)	(0.032)
Educ: Completed secondary	-0.026	0.218***	-0.020	0.061	0.060
	(0.028)	(0.054)	(0.051)	(0.060)	(0.057)
Educ: Completed post-sec.	0.003	0.238*	0.100**	-0.020	0.238
	(0.045)	(0.131)	(0.040)	(0.095)	(0.155)
Years in Ethiopia	0.003**	0.006*	0.008***	-0.001	0.006
	(0.002)	(0.004)	(0.003)	(0.004)	(0.004)
Agrees hosts culturally similar	0.021	0.047	0.020	-0.010	-0.030
	(0.016)	(0.039)	(0.037)	(0.051)	(0.036)
Region Fixed Effects	Yes	Yes	Yes	Yes	Yes
N	1667	1667	1667	1667	1667

Source: World Bank Staff based on SESRE 2023.

Standard errors clustered at the EA level. * $p < 0.10$, ** $p < 0.05$, *** $p < 0.01$

Table D.23: Regression analysis of social integration and labor market outcomes

	(1)	(2)	(3)	(4)	(5)	(6)
	Working		High-Skill		Work Outside	
Has Ethiopian friend	0.069*	0.062*	0.046*	0.044*	-0.085	-0.095
	(0.037)	(0.037)	(0.024)	(0.024)	(0.066)	(0.068)
Has Ethiopian family	0.051	0.041	0.026	0.024	0.149	0.139
	(0.057)	(0.057)	(0.035)	(0.036)	(0.120)	(0.116)
Social interactions easy		0.053		0.010		0.050
		(0.033)		(0.019)		(0.073)
Agrees hosts culturally similar	0.078*	0.079*	0.034**	0.034**	0.122	0.125
	(0.046)	(0.046)	(0.017)	(0.017)	(0.079)	(0.079)
Region Fixed Effects	Yes	Yes	Yes	Yes	Yes	Yes
Individual Controls	Yes	Yes	Yes	Yes	Yes	Yes
N	1625	1625	524	524	445	445

Source: World Bank Staff based on SESRE 2023.

Note: Columns 3-4 are restricted to workers, and Columns 5-6 are restricted to workers in camps. High-skill occupations include managers, professionals, and associate professionals (around 7% of refugees).

Standard errors clustered at the EA level. * $p < 0.10$, ** $p < 0.05$, *** $p < 0.01$

Annex E: Robustness Checks of Refugees' Consumption

This Annex discusses assessing the disparity between refugee ration aid and reported consumption quantities. This is reported as a robustness check. As discussed earlier, the expenditure of in-camp refugees is almost half that of hosts despite sizeable food aid and significant investments made by the WFP and UNHCR in cash transfers (in selected camps). The significantly lower expenditures (food and non-food) among refugees compared to the host population led to higher poverty rates. The team cross-checked the food aid received by in-camp refugees based on administrative data from the UNHCR and WFP with food consumption data from SESRE. The analysis looks at both separately for information provided by UNHCR and WFP. While WFP is not responsible for distributing non-food items such as mattresses, cooking, feeding utensils, etc., UNHCR provides non-food items; maybe mattresses were distributed in *Alemwach* since it is a relatively new camp. WFP's food and cash assistance targets all individuals in refugee households.

The information received from UNHCR on food aid provided to refugees in each camp includes quantities per food item per month and cash transfers per person per month for each camp and period. The food items include cereal, wheat, maize, rice, sorghum, CSB/famex (CSB+), pulse, biscuit, date biscuit, dates, oil, vegetable oil, salt, and cash (Table E.24). We have computed the per person per month in-kind aid quantities into annual values using the household size and prices from SESRE and mapped them to the closest food item in SESRE (this was not straightforward as the items are different) considering food ration change periods. The food ration scaling factor is 50 percent vs. 84 percent.

Table E.24: Food aid data/information received from UNHCR

Item	Remark	Assumptions
Cereal	Not clear	Other cereals
Wheat	Matched	
Maize	Matched	
Rice	Matched	
Sorghum	Matched	
CSB/famex (CSB+)	Not in SESRE	Average of other cereals/pulses
Pulse	Not clear	Peas
Biscuit	Matched	
Date biscuit	Not in SESRE	Merged with biscuits
Dates	Matched	
Oil		Merged with edible oil
Vegetable oil		Merged with edible oil
Salt	Matched	
Cash	-	-

Source: UNHCR

Based on this information, we compare how the distribution list shared what refugees should have received to what they reported regarding food consumption. The results show that refugees reported quantities lower than UNHCR food aid admin data for every item except Biscuits. Refugee households still report lower quantities, even correcting for shares indicated as sold.

Table E.25: Food aid and consumption comparisons

	Quantity (per capita/year)			Expenditure (per capita/year)	
	SESRE	UNHCR			
Items	Nonzero	All	Net of sold ration*	SESRE	UNHCR
Cereals/other cereals	23.2	186.1	175.5	493	12404
Wheat	60.5	133.2	116.6	1427	4710
Maize	39.6	125.5	118.3	312	4267
Rice	21.3	48.5	39.8	560	3392
Sorghum	12.7	132.8	125.7	4	5652
Pulses	7.1	18.9	17.5	248	1514
Vegetable oil/oil	3.7	9.7	8.9	627	1774
Salt	1.6	7.9	7.7	57	232
Biscuits	5.4	4.5	4.4	16	112
Dates	0.0	4.2	3.7	0	.
CSB+	19.3	15.0	14.0	36	532
Other food	565.9	-	-	2558	
Peas	5.7	-	-	137	
All cereals	78.2	-	-	2994	
All pulses	8.2	-	-	385	
Aggregate ration/month	**46.7**	-	-		

Source: UNHCR and World Bank Staff based on SESRE 2023.

Valuing food aid quantities with prices from SESRE suggests that if UNHCR food aid quantities were received/reported by refugees, refugees' food expenditures would be much more comparable to those of hosts (Based on this information, we compare how the distribution list shared what refugees should have received to what they reported regarding food consumption. The results show that refugees reported quantities lower than UNHCR food aid admin data for every item except Biscuits. Refugee households still report lower quantities, even correcting for shares indicated as sold.

Table E.25).

Table E.26: Aggregate food expenditures

	Value/year (per capita)	Value/year (per adult)
Food expenditure (all) [A]	11,412	13,898
Food expenditure (UNHCR items only) [B]	3,528	4,335
Food expenditure (UNHCR in-kind) [C]	11,313	13,933
Food expenditure (UNHCR in-kind + cash) [D]	16,179	19,965

Source: UNHCR and World Bank Staff based on SESRE 2023.

Note: Food expenditure (all): aggregate food expenditure.

Food expenditure (UNHCR items only): aggregate food expenditure from UNHCR items only

Food expenditure (UNHCR in-kind): aggregate food expenditure from UNHCR items valued using SESRE prices
Food expenditure (UNHCR in-kind + cash): aggregate food expenditure from UNHCR items valued using SESRE prices plus the cash equivalent transfers

Food aid data received from WFP

Food aid information received information from the WFP includes five food items and their quantities distributed to refugees: cereal (mainly wheat but in some camps rice), pulses (mostly yellow split peas), CSB+, vegetable oil, and salt (Table E.26). The per person per month aid (in-kind) are converted into annual values and mapped them to closest food item in SESRE (this was not straightforward as the items are different). We assumed a 50 percent ration until November 2022 (for our Oct/Nov sample) and an 84 percent after Dec 2022 (Dec, Jan, and Feb sample). The WFP data are converted to annual values using household size and prices from SESRE. The data source is the "Revised cash transfer value from Oct 2022_refugee camps" file received from the WFP document that helps to get information regarding the changes in cereal cash equivalent – data on cereal cash equivalent for cash camps which is used to calculate cereals provided in those camps and cash transfer value per year. Based on this information, we compare how the list shared with us on what refugees should have received to what they reported regarding food consumption.

Table E.27: Food aid data/information received from WFP

Item	Remark	Assumptions
Cereal	Not clear	Mapped to wheat*
Pulse	Not clear	Mapped to peas*
Vegetable oil		Mapped to edible oil
CSB/famex (CSB+)	Not in SESRE	Average of other cereals/pulses
Salt	Matched	
Cash	-	-

Source: UNHCR
Note: Rice was distributed for some months in Afar and Somali Dollo area camps, though wheat remained the main cereal distributed.
YSP (Yellow Split Pea) was the main pulse distributed among refugees and their best-preferred pulse.
CSB is a corn soya blend with added essential micronutrients and vitamins called super cereal.

Based on this information, we compare how the distribution list shared what refugees should have received to what they reported regarding food consumption. The results show that refugees reported quantities lower than WFP food aid admin data for every item except for CSB+ and salt (Table E.27). Even when correcting for shares indicated as sold, refugee households still reported lower quantities. Using the WFP food aid information, we found a picture similar to UNHCR's.

Table E.28: Food quantity and expenditure comparisons

	Quantity (per capita/year)			Expenditure (per capita/year)	
	SESRE	WFP			
Items	Nonzero	All	Net of sold ration*	SESRE	WFP
Cereals		82.0	77.9		2,179

Wheat	60.5			1,427	
Pulse		17.1	15.6		1,366
Peas	5.7			137	
Vegetable oil	3.7	5.4	5.0	627	967
CSB+	19.3	11.1	10.1	36	394
Salt	1.6	1.8	1.7	57	63
All cereals	76.9	-	-	2,994	
All pulses	8.3	-	-	385	
Aggregate ration/month	**46.7**	xx	-		

Source: WFP and World Bank Staff based on SESRE 2023.
Note: *Net of sold ration = quantity*share of ration sold (we asked the share of ration sold in SESRE)

Table E.29: Aggregate food expenditures

	Value/year (per capita)	Value/year (per adult)
Food expenditure (all) [A]	11,414	13,898
Food expenditure (WFP items only) [B]	2,226	2,741
Food expenditure (WFP in-kind) [C]	4,968	6,165
Food expenditure (WFP in-kind + cash) [D]	7,653	9,440

Source: WFP and World Bank Staff based on SESRE 2023.

Average food expenditures from SESRE (13,898 birr) are higher than valued in-kind food aid reported by WFP (6,165 birr). Valuing quantities of WFP food aid with prices from SESRE suggests that if food aid quantities were received/reported, refugees' food expenditure would be 9,440 birr slightly above the values we get in SESRE of 13,898 birr, but still low compared to hosts at 28,324 birr. The level of disaggregation of food items matters. The more disaggregated, the higher the food aggregates.

To summarize, food rations received are lower than admin data suggests, regardless of the data source. Possible explanations for lower food quantities include. First, SESRE only asks one aggregate question: "How much on average of your food ration do you sell in the market"? Second, food rations are only received once a month, which may not coincide with the interview date. Yet, SESRE asks about what food they consumed (not even a list of food items), not about food received as aid. Third, refugees might carry over food aid in the future.

Annex F: Comparison of results from Skills Profile Survey and SESRE

Table F.1: Results on common indicators from SPS 2017 and SESRE 2023

		Skills Profile Survey 2017		SESRE 2023 (In camp)	
		Hosts	Refugees	Hosts	Refugees
Country of origin	South Sudanese		23%		53%
	Somali		24%		30%
	Eritrean		25%		5%
	Sudan		28%		
Demographics	Female headed	35%	66%	44%	73%
	Children (0 to 14)	55%	61%	47%	53%
	Youth (15 to 24)	13%	17%	19%	21%
	Adults (25 to 64)	29%	22%	31%	24%
	Elderly (>=65)	2%	1%	3%	2%
Education	Net primary enrollment	74%	79%	75%	69%
	Net secondary enrollment	35%	13%	39%	22%
Living conditions	Own a house	72%	5%	69%	14%
	Overcrowding	32%	59%	36%	56%
	Improved sources of water	96%	98%	91%	100%
	Access to electricity (grid)	46%	8%	41%	3%
	Improved toilet facility (shared/not shared)	51%	69%	38%	43%
Employment	Employed	61%	22%	48%	25%
	Unemployed	2%	6%	9%	19%
	Inactive, not in school	23%	44%	20%	23%
	Inactive, in school	14%	27%	24%	33%
Poverty incidence	US$1.9 per capita per day	27%	65%		
	National Poverty line			32%	84%
Food security	High food insecurity	26%	67%		
	Food insecurity scale			4.0	8.1
Social cohesion	Economic competition	33%		49%	
	Increased insecurity	37%		39%	

Source: Pape et al. (2018) and World Bank Staff based on SESRE 2023.