

RESEARCH PAPER SUMMARY OF FINDINGS

THE SOCIOECONOMIC INTEGRATION OF REFUGEES IMPROVES WHEN REFUGEES AND HOSTS ARE MORE FINANCIALLY SECURE¹

HIGHLIGHTS AND KEY MESSAGES

- Informed by the scientific evidence that the Graduation Programme can improve livelihoods,² UNHCR, the World Bank, and a coalition of NGOs formed the [Poverty Alleviation Coalition](#) as part of the 2019 Global Refugee Forum to expand programmes using the Graduation Approach for refugees and host communities. The current target is to reach 160,000 households in 26 countries by the end of 2023. As part of that effort, funded by the [U.S. Bureau of Population, Refugees and Migration \(BPRM\)](#), UNHCR implemented the Graduation Programme for refugees and hosts in and around the Maratane refugee settlement in Northern Mozambique. The programme was implemented from September 2019 to December 2021. To assess the graduation programme's impact, economists at UNHCR and the London School of Economics (LSE) oversaw an impact evaluation — the first evaluation of its kind in refugee settings — with 460 refugees and host community members.
- An extensive literature in social sciences suggests that feeling financially secure can breed trust and increase social interactions. Financial security may be particularly important in settings characterized by scarce resources and high social fragmentation, such as when refugees are trying to integrate into host communities. The impact evaluation finds that the Graduation Programme participants increased their monthly savings by 600%, their household income by 66%, and their overall financial security by 62% compared to the control group.³ Further, the evaluation shows that as financial security improves, hosts are more trusting, are more likely to have refugee friends, and are more willing to share scarce resources such as jobs and government support with foreigners (20% increase).
- The findings suggest that investing humanitarian resources in graduation programmes that include ultra-poor refugee and host community members may be an important strategy to achieve the twin goals of improving financial security and promoting social cohesion, and thus pave the way for the integration of refugees into environments defined by significant scarcity of resources.
- However, these gains in social cohesion are fragile and subject to change when confronted with shocks. In March 2022, just three months after the graduation programme ended, Northern Mozambique was affected by a devastating Category 3 cyclone. A survey conducted just after Tropical Cyclone Gombe shows that those benefitting from the programme continue to have higher levels of financial security after the cyclone, but the programme's positive effects on social cohesion dissipated. Mozambicans who had their homes and crops destroyed were again less trusting of

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² The Graduation programme targets the poorest members in a village and provides a productive asset grant, training and support, life skills coaching, temporary cash consumption support, and typically access to savings accounts and health information or services. (Banerjee et. al, 2017, "A multifaceted program causes lasting progress for the very poor: Evidence from six countries." [Science. Vol. 348. Issue 6236](#)).

³ This impact is calculated using a standard difference-in-difference approach which divides the point estimate from the regression by the control group mean at baseline.

refugees and less willing to share resources with them. Thus, while targeted cash and employment support programmes can help the ultra-poor become financially resilient to shocks of this nature, the social cohesion gains that can come with these programmes can disappear when the ultra-poor are exposed to adverse climate shocks.

Why socioeconomic integration among refugees and hosts is essential for long-term solutions

By 2050, it is projected that over 1.2 billion people will have been forcibly displaced from their homes, driven out by a combination of conflict and climate shocks. Given that 74% of refugees are currently in a situation of protracted displacement and relatively few – less than 1% of all refugees – have felt safe to repatriate home or been offered the opportunity to resettle abroad, the socioeconomic integration of refugees into host communities is a critical pathway for solutions for refugees.

An extensive economic literature has documented how the degree to which individuals within a society feel connected through shared values, norms and beliefs is critical for promoting economic development and growth (Easterly et al., 2006). Social cohesion can encourage trust, strengthen social capital, alleviate social tensions and conflict, boost human capital and drive innovation through enhanced cooperation.

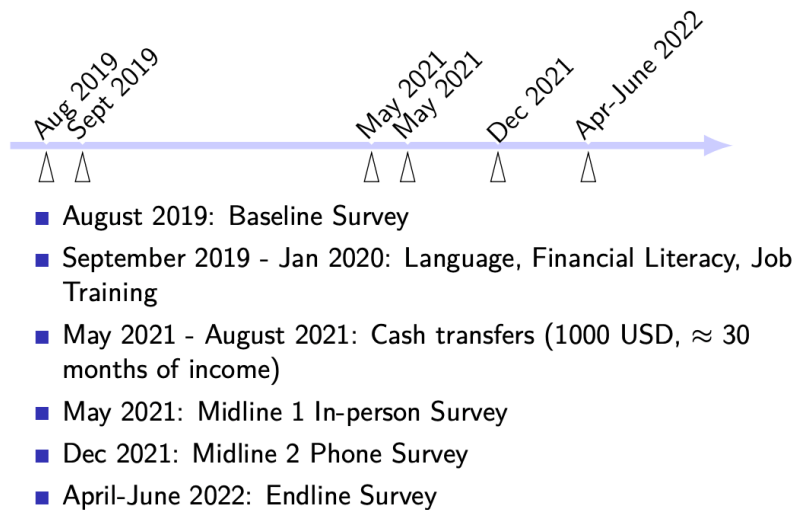
The literature to date has highlighted two key constraints that can weaken social cohesion and augment resentment and social friction: ethnic fractionalization (Alesina and Ferrara, 2000) and resource scarcity (Agneman et al., 2022). Given that ethnic fractionalization is hard to change in a refugee-host setting, we examine the importance of financial security in resource-scarce environments. Financial security can affect social integration in different ways (Brandt et al., 2015; Ananyev and Guriev, 2018; Bruckner et al., 2021). Better off individuals are likely to have more time and income to socialize, feel less marginalized and poor, and are likely to be more tolerant of foreigners (Michal et al., 2014). Scarcity may also be less top of mind, making them more willing to share resources with others.

Description and impacts of the Graduation (inspired) Programme on host and refugee beneficiaries

To understand if there is a causal relationship between financial security and socioeconomic integration in the context of forced displacement, we conducted an impact evaluation of the [Graduation \(inspired\) Programme in Mozambique](#) funded by BPRM and implemented by UNHCR. We studied the programme's effect on financial security and social cohesion among beneficiaries.

The programme ran for 28 months from September 2019 to December 2021. Due to constraints imposed by COVID-19, the planned consumption support, which typically is provided in frequent small instalments from the beginning of the programme, was instead provided in two large lump-sum transfers clustered in the second year of the programme (60% of the total payment was made in May 2021 and the remaining 40% in August 2021). Figure 1 summarizes key project milestones and evaluation surveys.

The 460 participants were randomly selected from eligible refugee and host community members who were all ultra-poor and living in Nampula in Northern Mozambique. To identify the beneficiaries, we developed a poverty scorecard based on the Government of Mozambique's approach to identifying and enrolling nationals into social safety net programmes in the region (Beltramo et al., 2022). From the ultra-poor individuals who expressed an interest in participating, we randomly selected a subset of individuals to enroll in the Graduation Programme, while another subset of individuals was placed on a waiting list and represented a comparison group for the analysis. Both groups were on average identical, with the only difference being that one group participated in the programme and the other one did not. As such, any differences in livelihoods at the end of the programme can safely be attributed to the impact of the programme.

Figure 1: Timeline of programme

The refugees live in a managed settlement and have freedom of movement, while the host community members are part of small agglomerations that, for the most part, pre-date the establishment of the refugee settlement. Host communities live within a 7 km radius of the refugee settlement, and they interact with refugees by sharing education and health facilities inside the refugee settlement and participating in the same localized product and labour markets.

The programme provided assistance aimed at strengthening participants' economic self-reliance and financial security. The main programme components include cash transfers,⁴ classes in language and financial literacy (including village savings and loans), vocational training, individual coaching, and support for either wage or self-employment.

The baseline survey revealed that refugees and hosts were similar in age (37 versus 35, respectively). Refugee beneficiaries were 65% male versus 45% of hosts, with about half of the refugee participants being single compared to 23% of hosts at the beginning of the programme. Host participants came from slightly larger families (4.8 vs 4.3) and were just as likely to speak Portuguese (49 % versus 48%). The refugees tended to have more years of education than hosts (five years versus two years, respectively).

Our measure of financial security captures participants' income levels, their ability to access money in an emergency and the share of income they saved in the previous month. To measure the impact of financial security on social integration, we use four proxies to measure social cohesion: (i) trust, (ii) friendships and interactions with out-groups, and (iii) the willingness to share scarce resources such as jobs and government support with foreigners.

To calculate the overall percentage impact of key variables measured in our programme, we use a difference-in-difference design where the percent impact equals percent change in the Treatment Group minus percent change in the Control Group, and additionally account for possible confounders. Under this evaluation method, we find that the programme improved savings from incomes (by 100%), household income (by 66%), and the ability to pay a surprise bill by 62%.

⁴ Depending on the employment track different cash grants covered consumption support during the programme, asset transfer for business grants for self-employment, and job support for transport for wage employment. Importantly, all different employment tracks received similar cash grants.

Figure 2: Average Total Savings (Meticais) before and after treatment

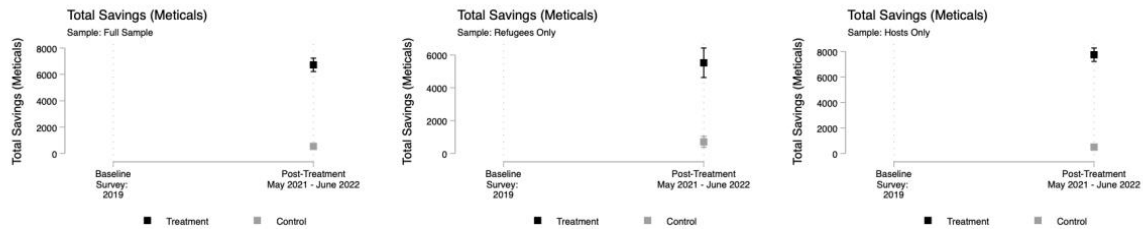


Figure 3: Average Financial Security Index before and after treatment

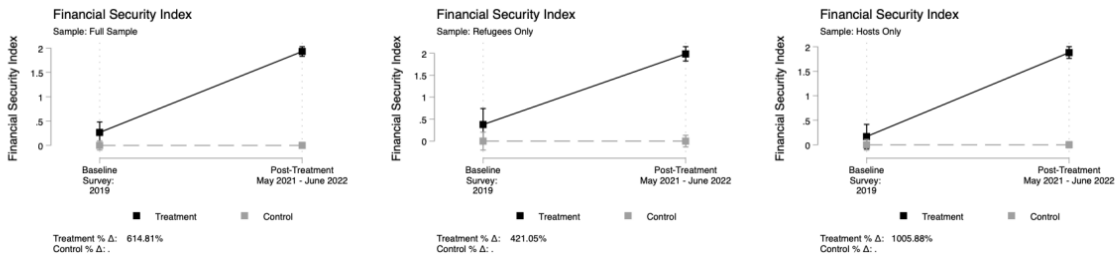
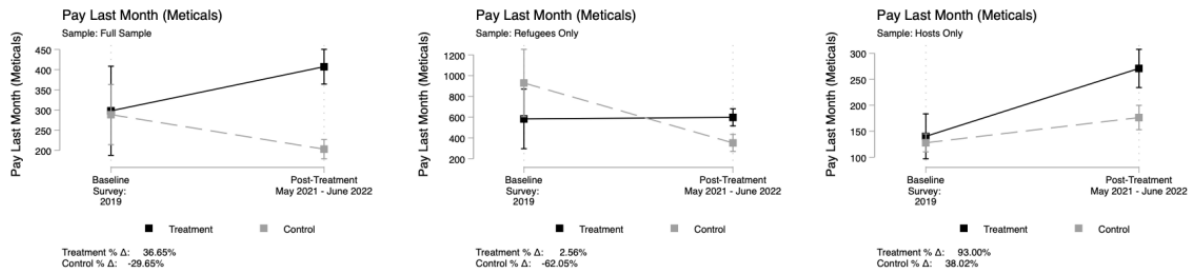
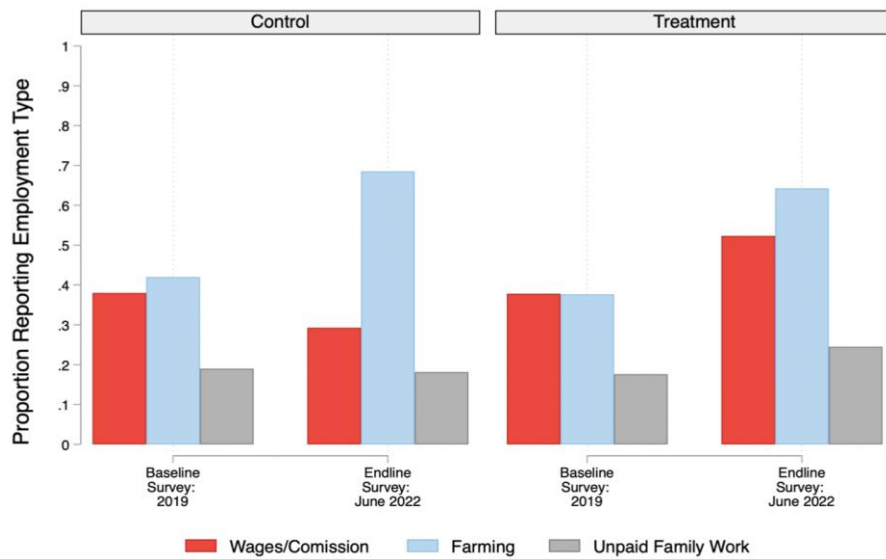


Figure 4: Average Pay Last Month (Meticais) before and after treatment



Further, the programme improved the type of employment, increasing beneficiaries' wages from employment by 14%. The treatment group goes from 0.38 to 0.53, while the control group goes from 0.38 to 0.29 (-9%). For both groups, income from farming increases while unpaid family work stays relatively constant (Figure 5).

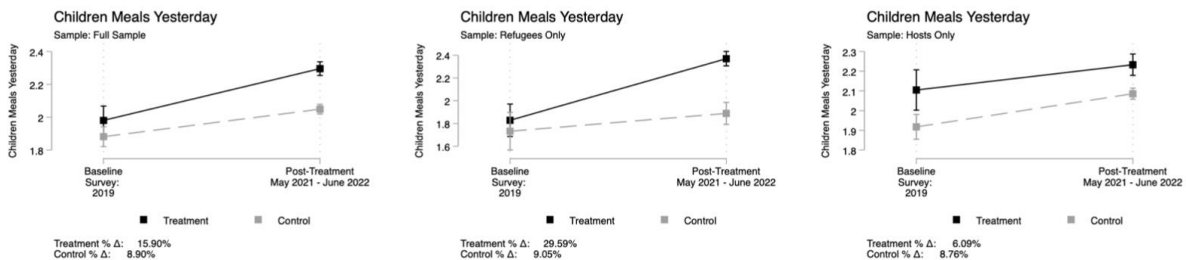
Figure 5: Programme impact on employment outcomes



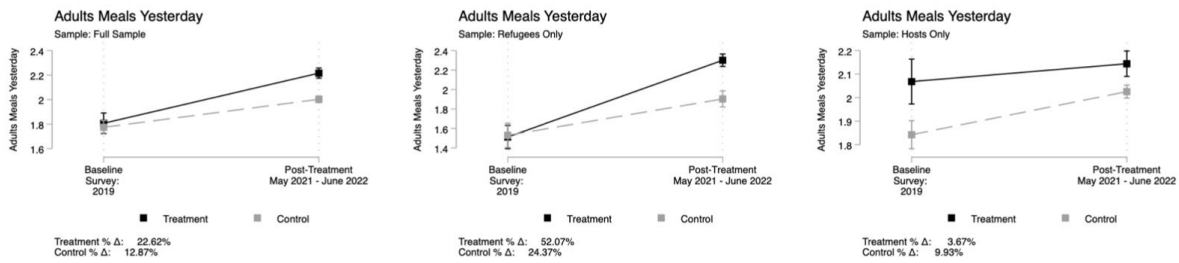
Overall, we observed that children and adults in the treatment group experienced improved food security which is measured by average meals eaten the day before our survey — by 15.9% and 22.6%, respectively (Figure 6A, 6B). While hosts were slightly more food secure than refugees before the start of the programme, refugees report bigger improvements by the end of the programme. Female refugees report slightly higher food security when compared to male refugees and hosts. The programme also increased trust in others by 19% (Figure 6C), and Mozambicans benefitting from the programme indicate that they were 20% more willing to share jobs and government support with refugees (Figure 6D). Both refugee and host households report higher levels of trust in each other. In our difference-in-difference design, we find that the corresponding percentage impacts on food security, trust, and willingness to share jobs are 10%, 21%, and 18%, respectively. This reveals that the programme went a long way towards increasing food security and improving social cohesion.

Figure 6: Programme impact on food security and social cohesion

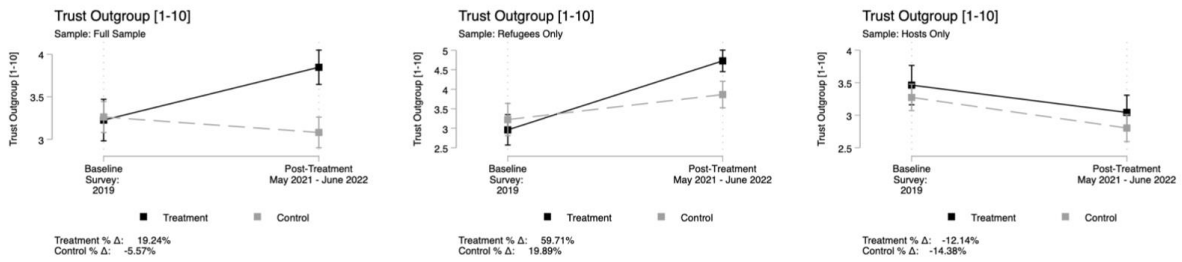
Panel A: Average *Children Meals Yesterday* Before and After Treatment



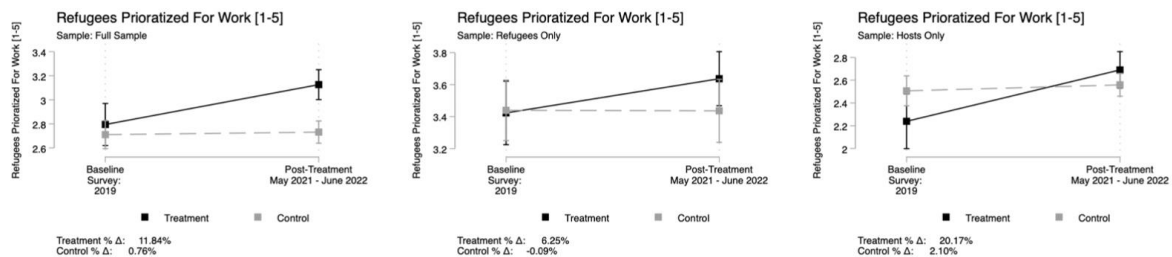
Panel B: Average *Adults Meals Yesterday* Before and After Treatment



Panel C: Average *Trust Outgroup [1-10]* Before and After Treatment




Panel D: Average *Refugees Prioritized For Work [1-5]* Before and After Treatment



Improved financial security is also associated with increased feelings of belonging and job satisfaction. These effects are particularly pronounced for host community members living closer to the refugee community and among those who started with a lower level of financial security at baseline. These findings suggest that an improvement in financial security makes less salient the competition for resources (both within and across groups) and also makes less salient differences between groups. This opens the door to more interactions with out-groups that result in friendships, and more overall trust.


Figure 7: Summary of programme outcomes on social cohesion



TRUST

Both Mozambique nationals and refugees report **higher levels of trust across the two communities**.

Mozambican nationals in the surrounding host community report a **higher share of refugee friends** at the end of the programme.



EQUITY

Mozambican nationals are **less likely** to think that **Mozambicans should have prioritized access to jobs and resources relative to foreigners**.

A natural experiment: negative shock to financial security threatens social cohesion

However, for refugees and host communities, these stronger feelings of social cohesion are fragile and easily eroded by large negative shocks. In March 2022, Tropical Cyclone Gombe hit the Nampula region. The cyclone path landed 5 kilometers from the refugee settlement, wreaking havoc on houses and crops. Those directly affected experienced severe damage to their houses and assets, compromising their financial security.

A survey conducted two months after the cyclone showed that after adjusting for the quality of housing, survey participants experiencing the largest drops in financial security due to the natural disaster also experienced the largest declines in social cohesion. However, social cohesion dropped disproportionately more. In fact, while participants in the graduation programme were resilient to the shock in comparison to the control group, the positive effects that the programme had on social cohesion disappeared. Mozambicans who had their homes and crops destroyed were again less trusting of refugees and less willing to share resources with them. These results suggest that improvements in social integration can be quickly reversed as financial conditions deteriorate. This is particularly problematic as climate shocks are expected to become increasingly frequent.

Policy implications

These findings suggest that an improvement in financial security increases social cohesion between refugee and host communities, improves attitudes towards redistribution of resources between refugees and hosts, and makes less salient differences between groups. This opens the door to more interactions across refugee and host communities that result in friendships and more overall trust.

The findings imply that investment of humanitarian resources in graduation programmes for ultra-poor members of both the host and refugee community is an important strategy to promote social cohesion, alleviate tensions and consequently pave the way for the economic and social integration of refugees into environments frequently characterized by a significant scarcity of resources.

However, these findings also highlight the fact that the gains in social cohesion are fragile and (fully) reversed due to a negative climate shock: even a small deterioration in financial security caused by the shock reduced the gains in social cohesion that had been achieved through the Graduation (inspired) Programme. This result underscores the significant impact climate change can have on the long-term effectiveness of development programmes that support the ultra-poor, and the instability it can introduce to social cohesion. It is therefore important that refugees and host communities are specifically targeted in adaptive social protection programmes that can mitigate the effects of climate shocks.