

The Socio-Economic Impact Of Syrian Refugees on Jordan

Turning Challenges Into Opportunities



Jordan Independent Economy Watch



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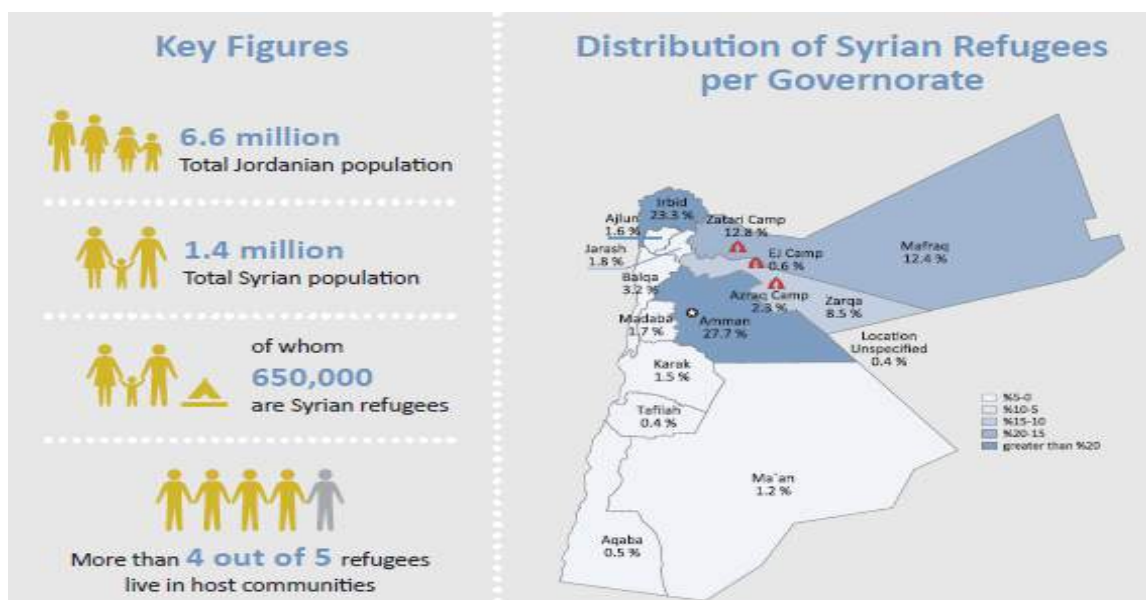


I. Introduction

The protracted conflict in Syria and the associated deterioration in the security situation inside Syria, has resulted in a massive unprecedented refugee crisis over the past four years, where it is estimated that over 4 million Syrian refugees have fled to neighboring countries by July, 2015¹. This has in turn led to a large inflow of refugees into Jordan over this period, entailing large and significant costs for the Jordanian government and host communities, including rising costs of public services and high pressures on the domestic labour market. The Syrian refugee crisis in Jordan has also some positive outcomes in some aspects of the macroeconomy.

In spite of the generosity demonstrated by host communities for new arrivals through sharing scarce resources and accepting their needs to access health and education services within the community, the protracted nature of the crisis is increasing costs and pressures to unsustainable levels. Furthermore, the spillover effects of the Syrian refugee crisis are taking a heavy toll on the Jordanian economy, especially on the most vulnerable segments of the population in the northern part of the country, where over half of Syrian refugees currently reside.

The Government of Jordan, in its 'Jordan Response Plan 2015' (JRP 2015), estimates the total number of Syrian refugees to be around 1.5 million, almost 650,000 of which are registered as refugees. According to the Office of the United Nations High Commissioner for Refugees (UNHCR), more than 520,000 (around 80% or 4 out of every 5 refugees) are living in Jordanian host communities outside camps (mainly in Irbid, Zarqa, Mafraq and Amman).



Source: JRP 2015

¹ UNHCR Press Release (Jul 2015) "Total Number of Syrian Refugees Exceeds Four Million for First Time"



Most of the Syrian refugees have settled in Jordan's northern and central governorates. The governorates of Irbid and Mafraq alone (including camps) are hosting around 35% of all registered Syrian refugees in Jordan. Amman and Zarqa are hosting 27.7% and 8.5% respectively. Syrian refugees constitute more than 50% of the total population of Mafraq, with nearly half living in communities outside the refugee camps. In Irbid and Amman, Syrian refugees constitute 12% and 7% of the total population of these governorates respectively.²

This report aims to shed light on the socio-economic impacts caused by the Syrian Crisis on the kingdom of Jordan. The next section will provide an overview of Jordan's response and resilience plans to the Syrian refugee Crisis, followed by the third section which provides an account of the various costs incurred by Jordan as a result of the refugee crisis. The fourth section investigates the positive economic impacts of the Syrian refugee, while the fifth and last sections conclude.

II. Response and Resilience Plans

In an effort to address the challenges induced by the Syrian refugee crisis, Jordan has prepared response and resilience plans in order to organize and coordinate the different activities and projects needed to address and respond to the refugee crisis. Other than this important coordinative role, the plans also act as fundraising instruments to be directed to the international community in order to obtain financial assistance and other forms of support. The burden of any refugee crisis is foremost the responsibility of the international community, and no country should bear the costs alone. This rationale has been repeated by senior government officials who continuously indicate that the costs of the Syrian refugee crisis should be borne by the international community rather than by one country.

National Resilience Plan (NRP)³

The NRP (2014 – 2016) is a 3-year program formulated by the Ministry of Planning and International Cooperation (MoPIC) with the support of development and humanitarian agencies operating in Jordan. The plan is considered to be a blueprint of high-priority investments and activities required to address impacts of the Syrian crisis on the country and host communities and the proposed priority responses to mitigate such impacts. The NRP points out that critical investments are needed in a number of sectors and public services including health, education, water & sanitation, livelihood & employment, energy, housing, and social protection, as well as other public services.

Through the NRP, Jordan is planning to increase the level of aid (mainly financial) to its national and local institutions and communities to mitigate the adverse consequences of the Syrian crisis. The total programmatic support the NRP aims to obtain is \$2.41 billion, distributed over 2014, 2015, and 2016 with \$731.2 million, \$941.5 million and \$732.9 million respectively. The NRP

² Based on latest UNHCR data.

³ MoPIC (2014) "2014-2016 National Resilience Plan" Supported by UN Agencies in Jordan



seeks to garner support to existing development programs in addition to humanitarian support where implementation capacity for service delivery is present or can be quickly catalyzed. It focuses on providing assistance based on three main principles: coping, recovering, and sustaining the benefits during the response time frame.

Sector	2014 (USD)	2015 (USD)	2016 (USD)	All Years (USD)
Education	110,250,000	126,500,000	158,000,000	394,750,000
Energy	35,300,000	44,840,000	30,000,000	110,140,000
Health	154,207,600	162,217,000	167,702,000	484,126,600
Housing	1,913,000	1,714,000	1,629,000	5,256,000
Livelihoods & Employment	50,150,000	53,800,000	36,800,000	140,750,000
Municipal Services	79,834,800	72,895,000	53,124,000	205,853,800
Protection & Social Protection	113,533,136	114,483,136	85,994,549	314,010,821
WASH	186,036,000	365,018,000	199,670,000	750,724,000
Sub Total: NRP Programmatic Response	731,224,536	941,467,136	732,919,549	2,405,611,221
Sub Total: Subsidies for Syrian Refugees	208,000,000	250,000,000	300,000,000	758,000,000
Sub Total: Security Support	291,650,000	320,815,000	352,896,500	965,361,500
Grand Total	1,230,874,536	1,512,282,136	1,385,816,049	4,128,972,721



Jordan Response Plan (JRP)⁴

In parallel to the development of the NRP, the Jordan Response Platform for the Syria Crisis (JRPSC) has developed the Jordan Response Plan for the year 2015 which was launched in December of 2014, in order to operationalize the NRP. The JRP 2015 is a one-year program that provides a detailed plan to respond to and mitigate the effects of the Syrian refugee crisis on Jordanian host communities. The JRP aims at consolidating and integrating all major national and international efforts to address the Syria crisis within the framework of a coordinated broad-spectrum response. The Plan has 11 sector strategies focusing on the following sectors: education, energy, environment, health, justice, livelihoods and food security, local governance and municipal services, shelter, social protection, transportation, water and sanitation.

The plan outlines almost \$3 billion in financing needs for implementing all aspects of the programme, where around 38% of this amount is needed for budget support and the remaining 62% is needed to implement the JRP 'programmatic response'. In order to coordinate donor contributions in accordance with the plan, the government and the UN in Jordan signed a launching agreement of the Jordan Resilience Fund (JRF) to act as a unified channel through which donor contributions will be coordinated.

The JRP estimates that in order to accommodate the needs of refugees and host communities, the budget needs to cover all related expenses as illustrated in the following diagram:

Sector	Resilience Response Budget Requirements (USD)	Refugee Response Budget Requirements (USD)	Grand Total Budget Requirements (USD)
Education	177,672,696	79,230,750	256,903,446
Energy	65,905,000	68,101,100	134,006,100
Environment	7,300,000	Not Applicable	7,300,000
Health	177,834,600	55,689,446	233,524,046
Justice	9,810,000	2,280,967	12,090,967
Livelihoods and Food Security	66,670,000	230,426,664	297,096,664
Local Governance and Municipal Services	81,707,458	Not Applicable	81,707,458
Shelter	1,958,000	83,535,000	85,493,000
Social Protection	106,210,000	282,384,603	388,594,603
Transport	42,200,000	Not Applicable	42,200,000
WASH	219,360,000	87,390,000	306,750,000
Management	Not Applicable	Not Applicable	1,304,000
Sub Total: JRP Programmatic Response	956,627,754	889,038,530	1,846,970,284
Subsidies for Syrian Refugees			417,786,616
Security Support			318,700,000
Accelerated Infrastructure Depreciation			244,000,000
Income Loss			164,280,000
Sub Total: Direct Budget Support			1,144,766,616
Total JRP Budget Requirement			2,991,736,900

Security costs for activities directly related to the refugee operation including those provided by the military, civil defense, gendarmerie, and police services

Subsidies on food, gas, water and electricity

Income losses on transport and labor permits

Accelerated infrastructure depreciation

⁴ MoPIC (2014) "Jordan Response Plan 2015" Prepared by MOPIC in cooperation with UN agencies, NGO's and line ministries in Jordan, through the Jordan Response Platform for the Syrian Crisis.



Similar to the NRP, the JRP aims at providing support to existing development programs and humanitarian support through engaging national and international response partners. The support is needed to cope with and overcome the challenges Jordan is facing due to the crisis, and to sustain the level and quality of public services. Three main principles or functions underpin the JRP:

- Mitigate the impact of the Syrian refugee crisis on host communities
- Sustain socio economic stability
- Safeguard the development gains made in recent years.

III. Socio Economic Costs of Syrian Refugees Crisis

One of the main aspects of the Syrian refugee crisis is the large costs involved in hosting a large number of refugees in Jordan is the sheer costs involved, which is the main source of the crisis. The Jordanian economy is originally resource-poor and suffers from an energy crisis since 2011, and therefore, a sudden increase of a minimum of 10% of the estimated population is expected to induce large costs and expenses which were previously unaccounted for. Official statements repeatedly mention how the hosting of such a large number of refugees is placing a critical pressure on the country's economic, institutional and national resources.

The estimated 1.5 million Syrians in Jordan have undoubtedly increased competition for access to public utilities, schooling, health services, infrastructure and jobs. The main socio-economic impacts can be summarized as follows:

- Increasing costs of various sectors such as education, health, shelter, water, energy and housing
- Increasing pressure on public finances
- Exacerbating vulnerabilities for the poorest segments of the Jordanian population
- Threatening the sustainability of quality service provision in the most affected governorates

Macronomic Impact

The recent unfolding of turmoil and instability in the region at large and in the neighboring countries of Iraq and Syria in specific is the major source of shocks which are limiting the extent of economic growth. The closure of border crossing and the associated disruption in trade routes have severely impacted the export sector. The unstable regional environment has also curtailed the level of foreign direct investments into Jordan, and reduced the level of tourism revenues. All these effects, coupled with the burden of hosting Syrian refugees, have limit the rate of economic growth in Jordan, as is illustrated in the adjacent figure.

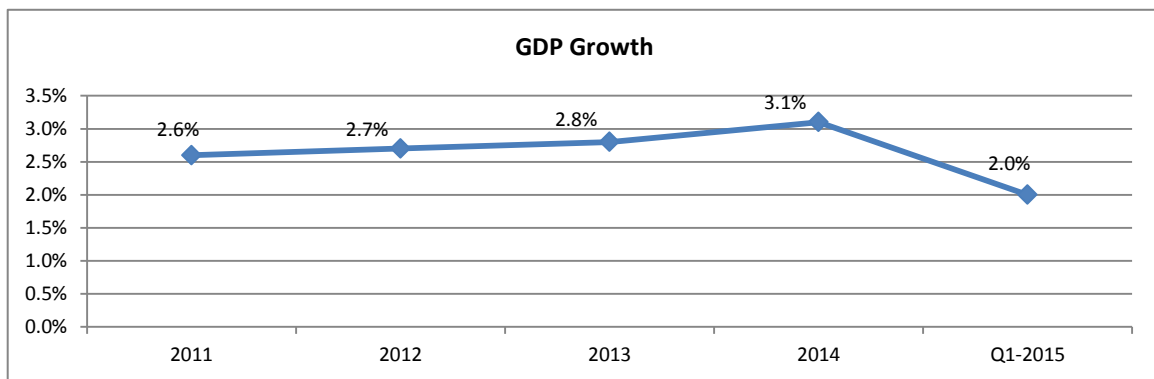
Having said that, it is important to distinguish between the effects of the Syrian conflict itself and the effects of the Syrian refugee crisis in Jordan. While hosting a large number of refugees increases government expenses across different sectors, the major economic problems for



Jordan stem from the insecure and instable regional environment as well as from the ailing domestic energy sector.

According to a statement made by the Minister of Planning and International Cooperation during the third International Conference on Financing for Development, the direct and indirect impact of hosting Syrian refugees since 2011 has cost Jordan \$7.9 billion. The Minister added that this is excluding the cost of humanitarian or resilience interventions, and accounts for the additional expenditures in education, healthcare, subsidies and income losses borne by the government since the beginning of the crisis.

A number of earlier studies made an attempt to monetize the costs associated with Syrian refugee crisis. However, most of these reports fail to isolate the impact of hosting Syrian refugees, from the overall impact of the protracted crisis and conflict in Syria. In other words, the Syrian refugee crisis is only one result of the overall Syrian conflict and crisis. One of the most cited figures is by the Central Bank of Jordan, which estimates that the Syrian crisis (not only refugee crisis) has reduced Jordan's GDP growth by 2% in 2013.



Source: DOS

Moreover, a study prepared by the Economic & Social Council in late 2012⁵ found that the estimated total cost of the Syrian refugee crisis in 2011 and 2012 amounts to JD590.2 million, making up around 3% of GDP according to the study. A more recent and comprehensive study⁶ tried to analyse the costs of the refugee crisis through utilising a cost-benefit framework.

However, according to some experts, the methodology used in these and other reports to calculate the costs of the Syrian refugee crisis is not robust, and the figures stemming from these studies are only estimations that might be far away from the reality. This is because the studies were based on a number of normative assumptions to calculate spillover costs, including subsidies, opportunity costs and allocations spent on refugees. Moreover, the second approach

⁵ Wazani, K. (2012) "Socioeconomic Impact of Syrian Refugee Crisis on Jordanian Host Communities" The Economic & Social Council in Jordan. Published in Arabic

⁶ Wazani, K. (2014) " The Socio-Economic Implications of Syrian Refugees on Jordan: A Cost-Benefit Framework" Konrad Adenauer Stiftung



used in the studies involves measuring the difference in expenses before and after the crisis. But as mentioned above, it would be incorrect to assume that changes in all economic variables that took place from 2011 until 2014 are a direct result of hosting refugees, since there were larger forces involved related to the overall regional environment and instability, and from the energy crisis that inflicted Jordan beginning in 2011. Also, one of the comprehensive studies actually formulated forecasts for 2014 based on the assumption that the rate of increase of Syrian refugees in Jordan for 2014 would be the same or more than their increase in 2013, which in reality turned out to be false.

In short, the invalid assumption that most these studies make is 'ceteris paribus' which means 'all other things equal'. This assumption is usually used in economic theory to examine the relationship between two variables by fixing all other variables in the economy. Some other invalid assumptions used in these studies include well-known economic pitfalls or fallacies⁷ such as:

- The fallacy of Ceteris Paribus: the invalid assumption that all other variables remain constant.
- The fallacy of composition: the invalid assumption that what is true for one individual is true for all others.
- The Post Hoc fallacy or association fallacy: the invalid assumption that if event B takes place after event A, it means that that event B must have been caused by event A

All these fallacies, coupled with researchers' normative estimations, can lead to largely inaccurate conclusions/estimations. Similarly, any research study based on estimations will be at risk of falling into these fallacies and result in misestimations by a large margin. This is why this study will not make an attempt at quantifying all costs involved with the Syrian refugee crisis to come up with one single figure, due to the complicated nature of such an estimation process, which requires a large-scale primary research project involving all stakeholders. Rather, the study will present the different costs involved according to estimates based on secondary research, and will also try to measure the positive gains the Jordan may have benefitted from due to the refugee crisis, which will be tackled in the next section.

Regarding official government figures, the Ministry of Planning has been closely studying the situation and trying to estimate the costs associated with the Syrian refugee crisis with the support of UN agencies in Jordan. The outcomes of such estimations are represented in the annual Jordan Response Plans as well as in the more comprehensive National Resilience Plan. But it should be noted here that many of the costs estimated by the government include costs of upgrading infrastructure, education, energy among other costs that cannot be attributed to the refugee crisis alone. While it is widely acknowledged that the hosting of refugees is certainly placing additional pressures on these public services and infrastructure, the costs involved should

⁷ All text books on economic theory provide an account of economic fallacies. See for example: Gwartney, J. , Stroup, R., Sobel, R., Macpherson (2014) *Macroeconomics: Private and Public Choice*



ideally be partially attributed to the Syrian refugee crisis, because Jordan will ultimately have to implement these upgrades and improvements, regardless of the presence of refugees. It is also worth mentioning that the deterioration in many of the macroeconomic indicators of Jordan are a result of the energy crisis that have inflicted the country starting in 2011, the same year in which Syrian refugees began to flow into Jordan.

According to official figures and statements, Jordan received foreign assistance worth \$854 million in 2014, making up 37% of the total financial demands estimated at \$2.3 billion in the JRP 2014. With regards to the financing needs of almost \$3 billion in the JRP 2015, the government stated that up until the third quarter of 2015, only 5.5% has been financed by donors, equivalent to around \$165 million.

A considerable amount of data and figures exist with regards to the aid needed by the Jordanian Government to cope with regional tensions' effects on the country. The UN has estimated the cost of hosting the Syrian refugees in Jordan for 2013 and 2014 at \$5.3 billion. In 2013, the UNHCR has estimated the needs to cover refugees' expenses at \$976.6 million where around \$736.6 million was received, making a coverage rate of around 75%. However, the ministry of planning has shown a 46% deficit in costs for hosting Syrian refugees in Jordan during the same year.

The MoPIC has estimated that the government of Jordan incurred over USD 518 million for the provision of basic needs in the form of subsidies and current expenditures for Syrians in host communities in 2013. This was only partially offset by donor contributions and grants. This figure has increased in 2014 and 2015 due to the continuous inflow of Syrian refugees through the northern borders on daily basis.

Before presenting the different costs associated with Syrian refugees, it is worth mentioning that this study is not trying to underestimate the large costs involved, but rather, to shed light on the fallacies and inaccuracies that different studies suffer from, making their outcomes unreliable and at some times, far from reality. This study acknowledges that indeed, the presence of Syrian refugees have indeed incurred large and unsustainable costs for the Jordanian economy.

The different cost estimations are outlined next.

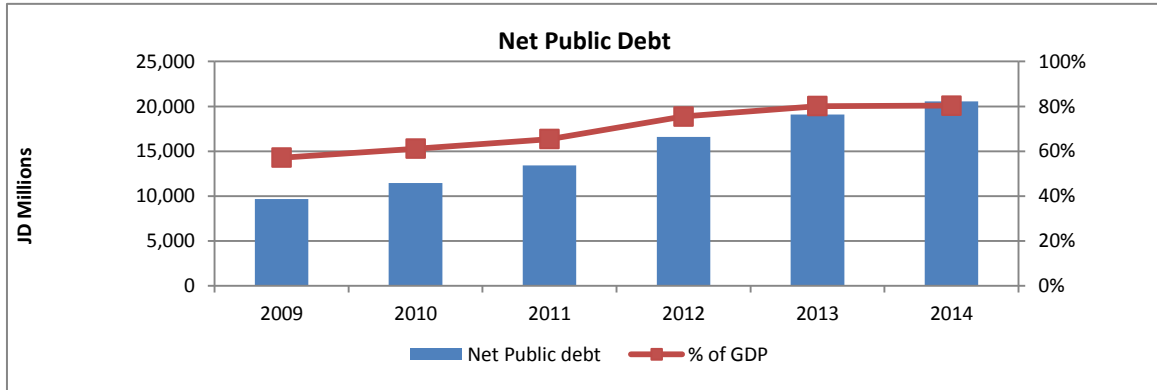
Public Finance

Probably the largest cost cited from the Syrian refugee crisis is its impact on government revenues and expenditures. According to a joint MoPIC & UN study that attempted to assess the costs involved in hosting Syrian refugees⁸, the large costs involved in hosting Syrian refugees has forced the government to shift expenditures from capital investment to current expenditures. However, upon further investigation of data by the Ministry of Finance, it was found that capital expenditures made up around 31.5% of total expenditures in 2009, before falling to 20.3% in

⁸ Ministry of Planning, UN (2013) "Needs Assessment Review of the Impact of the Syrian Crisis on Jordan"



2010 (before the beginning of the refugee crisis). Actually, there is more evidence that points toward the energy crisis as the major cause of the shift from capital to current expenditures, especially that GCC countries dedicated a \$5 billion grant to Jordan for capital expenditures, of which only 37% has been spent since its endorsement in 2012 until May 2015.



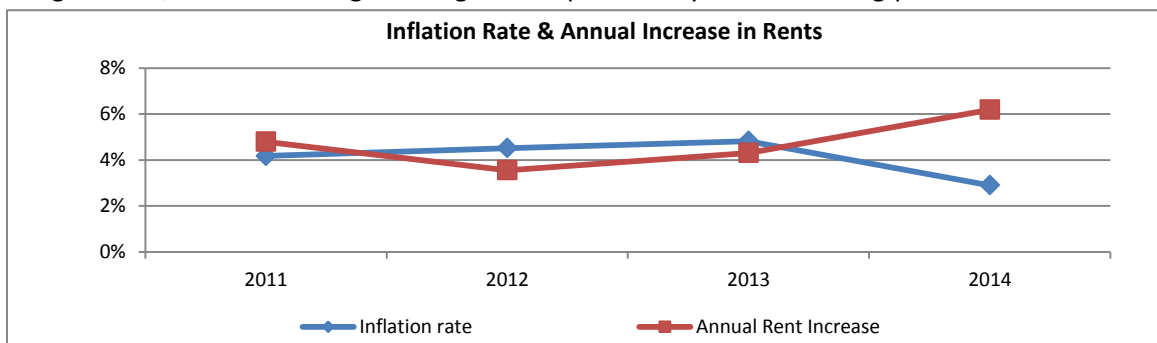
Source Ministry of Finance

Moreover, many previous studies or statements attribute the large increase in debt over the past couple of years to the large inflows of Syrian refugees to Jordan. Looking at the adjacent debt figure, it can be noted that the largest increase in debt, as a share of GDP, took place in 2012, the year in which the energy crisis reached its peak and the same year in which refugees began to flow into Jordan. Moreover, the losses of the National Electric Power Company (NEPCO), associated with the energy crisis, amounted to around 35% of the annual increase in debt in 2012, which illustrates the large influence of the energy crisis on rising debt levels. The hosting of refugees is also believed to have contributed to this increase, but to a lesser extent.

According to MoPIC, the refugee burden has exacerbated pressures on public finances, increasing government expenditure on subsidies for bread, water, electricity and gas, and further inflating the budget deficit.

Inflation

The increase in population resulting from the influx of Syrian refugees has also driven up demand for basic commodities (notably housing/rents), while simultaneously contributing to rising **inflation**. However, the inflation rate remained under the 5% mark throughout the years of the refugee crisis, but the hosting of refugees has particularly raised housing prices and rents which



Source: DOS



climbed by as much as 300% in some areas. The adjacent figures illustrate the inflation rate over the period as well as the "rents" sub index which has a weight of around 15.6% in the overall consumer price index (CPI). The divergence which can be observed in 2014 is due to the impact of lower oil prices. In fact, average rents increased by over 20% from before the crisis in 2010 until 2014. The average annual increase in rents amounted to around 4.7%.

Economic Sectors⁹

Education

The Syrian crisis has had a profound impact on the education sector, in particular on public schooling. The Government of Jordan granted Syrian refugees access to free education in the Kingdom's public education system. This has led to heavy pressures on the education system, such as (i) overcrowding in public schools especially in high population density areas, (ii) introduction of double shifts for teachers which is reducing the time available in both shifts and places stress on teachers, and (iii) the recruitment of new teaching staff which puts an additional burden on public finances. All of these factors are pushing down the overall quality of education and teaching in the Kingdom. According to the NRP, public spending on education increased by JD 200 million since the beginning of the crisis in 2010.

Education	
MoE Budget 2015	JD 1.274 billion
Total number of students in public schools	1,265,148
Total number of Syrian students in public schools	125,000
Cost per Syrian Student (MoE)	1544
Total cost of Syrian students in public schools (2015)	JD 193 million
<i>Source: JRP</i>	

At the end of the 2013/2014 school year, over 120,000 refugee children were enrolled in schools throughout the country, including some 100,000 in host communities and 20,000 in camps. This represents an increase from 2013 which indicates positive trends in enrolment rates¹⁰ (according to the JRP 2015). It is estimated that the total number of Syrian students in public schools in 2015 amounts to 125,000 and the cost per Syrian student is estimated to be around JD 1,544, according to the Ministry of Education. This means that the estimated total costs of Syrian students in public schools amount to JD 193 million for 2015. The additional number of Syrian children eligible for formal and informal education has exacerbated the levels of overcrowding in schools. Countrywide, 41% of Jordanian public schools are now crowded, compared to 36% in 2011. About 80 schools had to work double shifts in order to enroll over 95,000 Syrian children (excluding camps).

⁹ Most of the data and information in this subsection has been obtained from the different response and resilience plans mentioned in the preceding section.

¹⁰ Increase as compared to 2013 as measured by the Joint Education Needs Assessment in 2013 and 2014, and based on MOE records of enrolment of Syrian children in host communities in Jordan



Health

Health	
Ministry of Health Budget 2015	JD 897 million
Cost per Syrian	JD 220
Total estimated health costs for Syrians	JD 220 million
<i>Source: JRP</i>	

The health and medical sector in Jordan is traditionally known for its high quality and standards. There are a couple of important implications of the Syrian crisis on this sector: increased risks of prevalence of diseases in host communities, more demand on services and infrastructure, more demand on medicine, drugs, operations, consultations and medical equipment. According to the Jordan Response Plan 2015, the health sector urgently requires the continuation of humanitarian assistance to cope with the immediate health needs of refugees, while simultaneously strengthening systems to maintain and restore quality and extend coping capacity for future inflows. Staff and facilities have been struggling to accommodate tens of thousands of additional consultations, admissions, surgical operations and deliveries. At the same time, Jordanians seeking health care in these governorates have to cope with the resulting congestion and longer wait times.

In the northern governorates of Irbid and in Mafraq, Syrian patients represent 10.45% and 9.59% of total patients, respectively, with the percentage as high as 18% in some locations. As a consequence, the ratio of health specialists per population has decreased in all categories, as has the ratio of hospital beds per habitants. According the Ministry of Health, the total health cost of Syrians for the year 2015 is estimated at JD 220 million, and cost per Syrian around JD 220. All this, and the escalating costs involved, has pushed the government to stop providing free healthcare of Syrian refugees as of December of 2014

Food

The demand for food and other commodities has increased significantly due to the increasing number of Syrian refugees entering the country each day. This led to a considerable price rise in Jordan's local markets which has somewhat affected the local citizens. In addition, the amount of food subsidies has also increased as well. It is estimated that the total food subsidy cost for Syrians excluding those in camp amounted to around JD54.3 million in 2015, according to the Jordan Response Plan 2015.

Food Subsidies	
Total wheat, barley, and yeast subsidy estimated cost in 2015	JD 342 million
Per capita subsidy	JD 41.8 million
Total number of Syrians excluding Syrians in camps	1.3 million
Total subsidy cost for Syrians excluding those in camps	JD 54.34 million
<i>Source: JRP</i>	



However, data of the Ministry of Finance shows that the total amount of food subsidies provided by the government in the first five months of 2015 amounts to JD71.6 million. Assuming the same monthly subsidy cost for the rest of 2015 (i.e. JD14.3), the total cost of food subsidies for 2015 is estimated to reach JD171.8 million. The JRP 2015 estimates that the total subsidy cost for Syrians living in host communities will reach JD54.34 million in 2015, or around 31.6% of the total cost of subsidies estimated based on data for the first five months of the year. This shows how much of these estimations have been exaggerated, since it is not rational that Syrians in Jordan consume 31.6% of the total food subsidy, or of the total produce of bread in Jordan.

Shelter and Housing

It is estimated that, since 2012, there is the need for an additional 120,000 housing units to accommodate Syrian refugees. The supply of housing before the crisis was pressured by the inflow of refugees. The increased demand has led to increased rental prices, sub-division of existing units, and conversion of outbuildings into rental accommodation. With more than 80% of the refugees living in host communities, competition for affordable and decent housing has become a leading source of tension between Syrian refugees and host communities, and has placed pressures on existing supply which will take time to increase and meet the additional sudden demand.

Water

The water infrastructure, accessibility and quality have been strongly hit by the Syrian crisis. The amount and delivery frequency of water for Jordanians living in some area of the Kingdom have worsened as a result of the increased demand, and households have to supplement their supply by purchasing water. The crisis has put more pressure on the already limited sewage and communal waste systems, which only cover 62% of the Jordanian population. This Ministry of Water and Aggregation has estimated that cost of water per Syrian at around JD 373.8 in 2015, and the total of water costs for Syrians in Jordan around JD 506.5 million for the year 2015.

Water	
Net cost per Syrian	JD 354.5
Total water cost for Syrians	JD 506.5 million
<i>Source: JRP</i>	

According to a 2014 report on the impact of the Syrian refugee crisis on the water sector in Jordan¹¹, the amount of water lost nation-wide could satisfy the needs of 2.6 million, more than a third of Jordan's current estimated population. Water theft, and broken pipes, account for a large share of the annual water lost. It is therefore estimated that water theft and loss is costing the Kingdom more than the cost of supplying refugees with water.

¹¹ Mercy Corps (2014) "Tapped Out: Water Scarcity and Refugee Pressures in Jordan"



It is worth mentioning here that the Syrian refugee crisis also has evident environmental effects on host communities. There are four most evident environmental impacts: deforestation and firewood depletion; land degradation; unsustainable groundwater extraction; and water pollution. Such environmental impacts can affect the long-term livelihood opportunities of both refugees and host communities.

Energy

After the Iraq war in 2003, Jordan has been increasingly relying on Egyptian natural gas for most of its electricity generation needs. The continuous disruptions in energy imports from Egypt coupled with the increased energy demand from Syrian refugees has increased the cost of imported energy from US\$2.67 billion in 2009 to US\$5.74 billion in 2014. According to the Energy ministry (MEMR), 17% of the losses incurred by the National Electricity Power Company (NEPCO) is attributed to the hosting of Syrian refugees. Moreover, it is estimated that the total subsidy cost of liquefied petroleum gas (LPG) (i.e. gas cylinders) for Syrian is JD 17.61 million for the year 2015.

Energy	
Electricity company operational loss (MEMR)	JD 1.5 billion
Per capita share of loss	JD 183.6
Total share of loss attributed to the Syrians	JD 262.5 million
Subsidy per LPG cylinder	JD 1.4
Per capita consumption	8.8 cylinder/year
Per capita subsidy	JD 12.32
Total LPG subsidy for Syrians	JD 17.61 million
<i>Source: JRP</i>	

Nevertheless, it is worth noting here that it is extremely difficult to isolate the impact of the Syrian refugee crisis on NEPCO's losses. This is because the main driver behind the losses is the shift in the kinds of fuel used for electricity generation, and not the refugee crisis. Refugees might have exacerbated the losses due to their contribution to increasing energy demand in Jordan, but Jordan's energy crisis is not a result of hosting refugees.

Costs on Public Services and Infrastructure

It is estimated that Jordan's hosting of Syrian refugees has induced a sudden 20% increase in the total population of the country, with the majority of refugees living in urban communities. This means that most of the refugees are competing with Jordanians for the access of public services and infrastructure use. According to the various studies, this is posing serious threats on the quality of public services and the ability of the government to meet the needs of the population.



In a recent official statement, the planning minister indicated that the following public services have been harshly affected due to the Syrian crisis:

1. **Public education:** the number of Syrian refugee schoolchildren has increased from 121,000 at the beginning of 2015 to around 141,000 in June 2015 (16.5% increase). Public schools are suffering from shortages of qualified teachers, and there are concerns about declining quality.
2. **Public health services:** Over 707,000 Syrian refugees accessed MoH's clinics and hospitals in 2014. Many hospitals in the north have recorded 100% occupancy rates and an increase in daily workload by up to 50%. Public health services are stretched to their limits and some medicines and vaccines are running short. In addition, some long-eradicated diseases are reappearing in host communities. The increased demands placed on health services, infrastructure and medicine supplies has put considerable financial pressures on the government to cope with situation.

It is important to mention that over 80% of the Syrian refugees have settled in urban areas, with many living in some of the country's poorest towns and cities. This has put enormous pressures on the respective municipalities and sub-national governance systems hosting them, revealing the different deficiencies in the capacities and quality of services provided to the hosting communities. Besides the limited financial capacity, the National Response Plan (NRP) has pointed out these deficiencies:

- Limited attention to services delivery performance, standards and outcomes
- Outdated equipment and logistical means to ensure delivery and maintenance of services
- Insufficient capacities underpinned by a freeze in public recruitment
- Limited attention to unplanned urban growth resulting in increased informal settlements
- Outdated financial management practices and systems
- Inadequate civic engagement

At the municipal level (especially in Irbid and Mafraq), the sudden increase population (almost doubled in Mafraq) has placed **solid waste management** as a prominent problem due to the consequent increase in waste tonnage as well as the aging vehicles, lack of maintenance, insufficient or broken-down containers, pollution and lack of labor. In Qasabat Irbid municipality, daily waste collection has increased from 300 to 500 tons after the Syrian influx while in Mafraq Municipality, it increased from 80-90 tons up to 200-250 tons per day. This exceeds the collection capacities in both municipalities. As a result, these municipalities had to request help from the Jordanian Armed Forces.

Water distribution networks and sewage systems are also becoming inadequate and need urgent maintenance and upgrading to increase the capacity of new geographical areas which became more densely populated after the settlement of refugees. In some areas water is becoming contaminated, and the quality is considerably deteriorating. However, large amounts

of funding is pouring into water projects being implemented by the Ministry of Water in order to upgrade, rehabilitate, and construct new water systems.

Infrastructure and public service in host communities in general have been strongly affected by the Syrian influx. The road networks are in serious need for maintenance especially those that are immediately affected by the Za’atari camp traffic as well as the international road leading to the camp. Street lightening also needs maintenance and expansion to cover new geographical areas. A UNDP report assessing the municipal needs and impact of Syrian crisis has pointed out that the municipal indebtedness reached around JD 100 million (out of which Irbid alone boasts around JD 20 million and Mafraq another JD 6 million)¹².

Capital expenditures allocation (million JDs)			
	2010	2015	Change 2010 – 2015 (%)
Mafraq	23.4	47.4	102%
Irbid	46.6	81.7	75.3%
Zarqa	28.8	63.9	121.8%

Source: General Budget Department

Average
change 100%

It is worth mentioning that the government of Jordan has increased its capital expenditure allocation in the Irbid, Mafraq and Zarqa by around 100% during the period 2010 – 2015. This substantial increase can be attributed to the increase in demands for public services and associated costs borne by the government. However, most of the increase in capital expenditures after 2012 has been financed by the \$5 billion grant provided to Jordan by the countries of the Gulf Cooperation Council, even though this grant is not counted among the aid inflows allocated for the Syrian refugee crisis.

IV. Challenges of Syrian Refugees Crisis for Jordan’s Labor Market

The socio economic impact of the Syrian refugee crisis inflicting Jordan can be most noticed in the domestic labour market trends over the past four years. The most pressing challenge arising from the Syrian refugee crisis is the competition on new jobs being created every year, which is by itself is underperforming. This is despite the fact that according to Jordanian laws, Syrian refugees are prohibited from working in the country. Therefore, most of the Syrian refugee labourers in urban environments are currently working illegally, without having a valid work permit.

Labour force participation, Employment and Unemployment

The below table illustrates the economic activities, employment, and unemployment of Jordanians and Syrian refugees in the four governorates of Mafraq, Irbid, Zarqa, and Amman,

¹² UNDP (2014) "Municipal Needs Assessment Report: Mitigating the Impact of the Syrian Refugee Crisis on Jordanian Vulnerable Host Communities"



during the third quarter of 2013.¹³ The data for Jordanians is based on employment & unemployment data issued by the Department of Statistics¹⁴, while Syrian refugee data is based on refugee registration data from UNHCR, and economic activity estimates from an assessment survey conducted by Care International Jordan¹⁵.

	Economic participation rate	Unemployment rate
Jordanians	36.5%	12.8%
Syrian Refugees (excluding Za'atari)	48.5%	64.8%

As can be noted, the labour market or economic participation rate of Syrian refugees is significantly higher than the economic participation of Jordanians, which is in accordance with evidence from other surveys and studies carried out inside Syria prior to the onset of the crisis. Moreover, the findings from a number of assessments and studies done on the economic participation rates of Syrians in Jordan show a high rate for Syrian men. According to the Care assessment, around 90% of able-bodied males indicated that they were seeking employment opportunities, while the study done by CHF International implies that about 42% of their survey respondents had found work in Jordan. Most of these assessments indicate that Syrian workers are accepting salaries that are below the minimum wage.

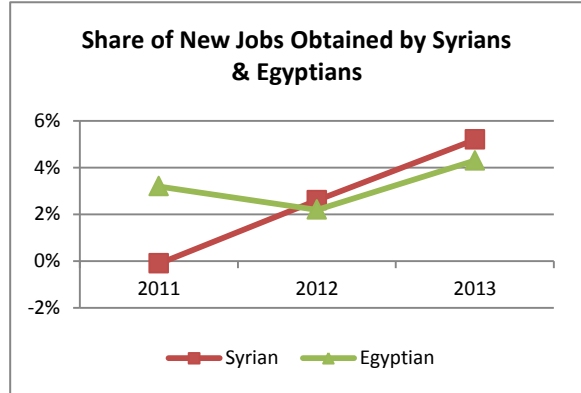
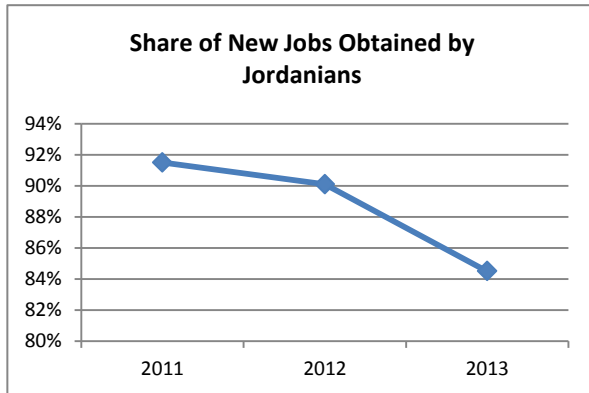
According to the table above, the unemployment rates of Syrians is much higher than that of Jordanians, mostly due to the large obstacles facing Syrians in finding employment opportunities, given its violation to Jordanian laws. All in all, Syrians are estimated to constitute a maximum of about 7.4% of the total active labour force in the four governorates, making up 3.5% of all employed individuals, and as much as one-third of all the unemployed.

An investigation into official data issued by the Department of Statistics reveals a striking trend. In the three years between 2011 and 2013, the share of net new jobs obtained by Jordanians fell from 91.5% in 2011 to 84.5% in 2013. Alternatively, the share of net new jobs obtained by Syrians increased drastically over this period, rising from -0.1% in 2011 to 5.2% in 2013, reaping a total of 2,539 jobs from the net new jobs generated in 2013. The share of jobs obtained by Egyptians also rose over this period, but to a lesser extent, from 3.2% in 2011 to 4.3% in 2013.

¹³ Data & analysis excludes refugees residing in Za'atari camp; for them, moving out of the camp and searching for work is severely constrained.

¹⁴ Department of Statistics (quarterly) 'Employment & Unemployment Survey'

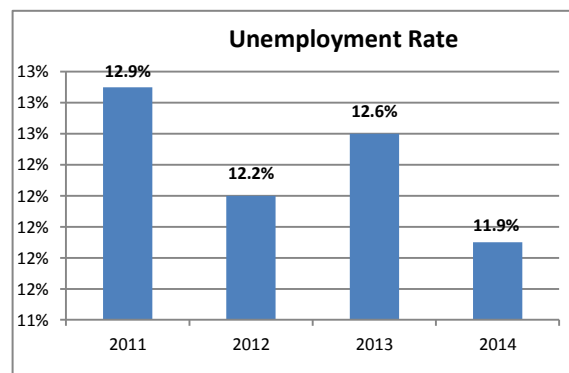
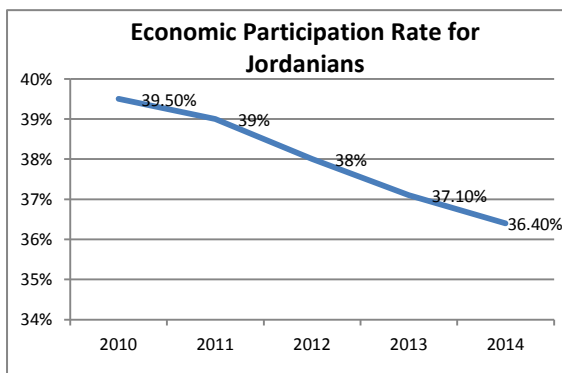
¹⁵ Care Jordan (2013) Syrian Refugees in Urban Jordan: Baseline Assessment of Community-Identified Vulnerability Among Syrian Refugees Living in Irbid, Amman, Mafraq, and Zarqa"



Source: DOS

The further restrictions and greater number of inspection campaigns carried out by the Labour Ministry starting in 2013 is aiming to reverse this trend. Data for the first half of 2014 revealed that Jordanians obtained almost 87.9% of new jobs in 2014, up from 84.5% in 2013. Also, Syrians reaped 4.9% of net new jobs in the first half of 2014, slightly lower than the 5.2% in 2013.

This trend indicates that a large share of Jordanians are being discouraged from looking for jobs, as the share of jobs reaped by all Jordanians is now less than before despite the entry of large numbers of Jordanians graduates into the labour market every year. Discouraged workers actually decrease the labour force participation rate.¹⁶ The below figure charts the Jordanian labour force participation rate.



Source: DOS

¹⁶ Ceteris Paribus, a fall in the economic participation rate entails an improvement (or decline) in the unemployment rate.



As expected, the labour force participation rate for Jordanians fell consistently from 39.5% in 2010 to 36.4% in 2014, more than 3 percentage points. A main driver of this fall is the increasing number of discouraged workers who have stopped looking for work in the formal labour market. In fact, data by DOS indicates that the share of discouraged workers from the total Jordanian labour force has risen over the past few years to reach 2.8%. This means that including discouraged workers raises the Jordanian unemployment rate in 2014 from 11.9% to 16.2%.

Sectors

Various assessments and surveys undertaken over the past period indicate that the majority of Syrian refugees are working in the informal agriculture, construction, food services, and retail trade sectors. The recent ILO report¹⁷ on the impact of Syrian refugees on Jordanian labour market found that more than 40% of employed Syrians outside camps in Amman, Irbid, and Mafraq work in the construction sector, 23% work in the wholesale and retail trade & repair sector, 12% in manufacturing, and 8% in the accommodation and food. An interesting finding stemming out from the study was the change in industrial occupations among Jordanians. The study found that around 30% of workers who used to work in the construction and agriculture sectors just before the crisis, do not work in these industries today. The corresponding percentages in all other sectors are between 0% and 20%.

Moreover, the share of Jordanian male workers employed in the construction sector has decreased from 9 to 7% from 2011 to 2014. The share of total Syrian refugee workers in the construction sector has increased substantially which indicates that some crowding out of Jordanians has taken place over the past few years. In the wholesale and retail trade sector, the same trend can be observed indicating another crowding out effect in this sector.

The report concludes that the Syrian refugee crisis has lowered the opportunities available in newly emerged low skill jobs, that there is increasing unemployment and competition for existing jobs, and that there are serious future risks relating to significant crowding out in the labour market.

Social Aspects¹⁸

It is important in this analysis to describe the social aspects of Syrian refugee workers, as compared with their Jordanian counterparts. One important aspect is that the majority of Syrian refugees residing in Jordan come from rural areas in Syria, and have a considerably lower education level compared to Jordanians, where around 60% of Syrians above the age of 15 have never completed basic schooling, and only about 15% of refugees have completed secondary education, compared to 42% of Jordanians above the age of 15. This also helps explain why school enrollment rates for Syrian children are very low compared to their Jordanian counterpart.

¹⁷ Erik, S.S. & Hillesund, S. (2015) "Impact of Syrian Refugees on the Jordanian Labour Market" The International Labour Organisation

¹⁸ Information and data in this subsection has been obtained by the above mentioned ILO Study - IBID



Regarding background and previous work experience, more than 60% of the Syrian refugee population covered by the study participated in the labour market in Syria before the onset of the crisis, a time in which the unemployment rate was 17%. Before becoming refugees, the Syrian currently living in Amman, Irbid, and Mafraq worked in a number of sectors inside Syria, including the construction sector (23%), wholesale and retail trade (23%), manufacturing (16%), transportation and storage (10%), and agriculture (9%). With regards to their occupations before the start of the Syrian crisis, 39% worked as craft and related trade workers (39%), service and sales workers (22%), plant and machine operators and assemblers (12%), and skilled agriculture workers (7%). On the other hand, most employed Jordanians worked in the public administration and defense sector (25%), 18% worked in the wholesale and retail trade & repair sector, 11% in the education sector, and 11% in the manufacturing sector. This current distribution of Jordanian workers according to sector is almost identical to what it was prior to the Syrian crisis.

Furthermore, the study found that informally employed Syrians are generally being paid less to work more hours with poor contracts, than their Jordanian counterparts. The report concluded with assertion that a likely explanation of this is that Syrian refugees are willing to work or lower wages than Jordanians. A final social aspect to note is the phenomenon of child labour in Jordan, where a recent report showed that higher rates of child labour exist among Syrian refugee children, significantly less than child labour rates among Jordanian children.

It is particularly important to understand the demographic characteristics of the Syrian refugee population in Jordan to comprehend their interactions with the Jordanian labor market. A summary is illustrated in the below table.

Characteristics	Jordanians	Syrians outside Camp	Syrians in Zaatari Camp	Comments
Origin	Various (rural, urban)	58% come from rural areas	87% come from rural areas	Vast majority of Syrian Refugees come from rural areas in Syria
Young population share (under 15 years)	35% ¹⁹ of total population	45%	49%	Syrian refugee population constitute a relatively young population compared to the Jordanian host population
Marital status (percentage of single population)	40%	30%	24%	Jordanians stay longer in the educational system compared to the Syrian refugees.
Household size (10 members of more)	4%	1%	14%	
Educational attainment (Secondary education completion)	42%	15%	15%	Jordanians are much better educated than Syrian refugees
Education enrollment (age 6-17)	95% girls 94% boys	65% girls 59% boys	70% girls 59% boys	

Source: ILO 2015 "Impact of Syrian Refugees on the Jordanian Labour Market"

¹⁹ Share of population living in the three main host communities (Amman, Irbid and Mafraq)

²⁰ The formal education of Syrian refugees residing outside camps varies across governorates, and the tendency is identical to that in the Jordanian host population: those who have settled in Amman are better qualified than those in Irbid, who again are better qualified than people residing in Mafraq governorate.



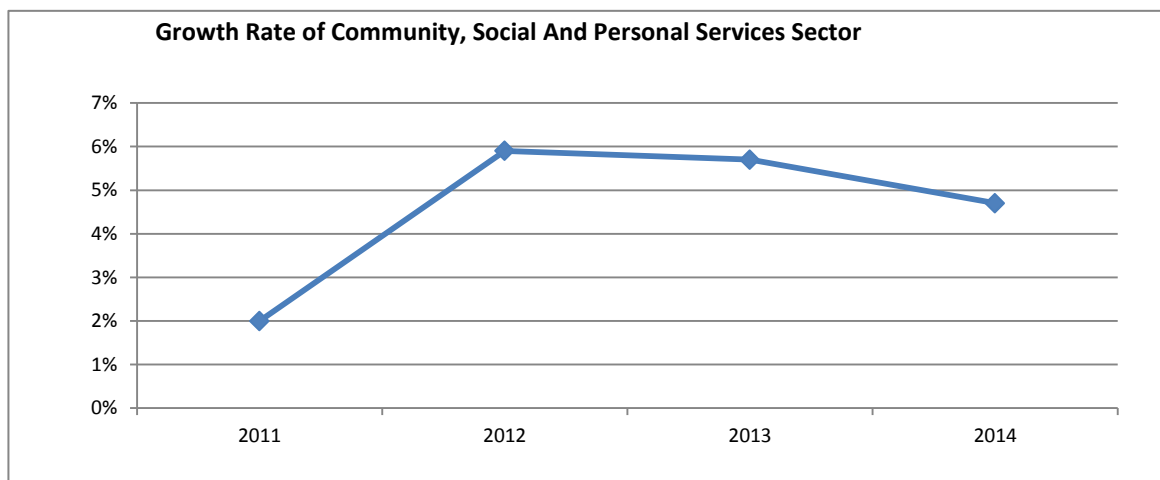
V. Advantages Stemming from the Syrian Refugee Crisis

In spite of the economic and social challenges imposed by the hosting of a large number of Syrian refugees in Jordan, there have been some positive advantages stemming from the refugee crisis, which have been often overlooked by analysis and studies done on this issue. This section will focus on the positive impacts of the refugee crisis on the GDP growth, public revenues, and the flow of Syrian investments to Jordan.

GDP Growth & Sectoral Impacts

As explained in previous sections, Jordan's GDP growth has been limited over the past few years as a result of a number of factors including the lingering effects of the global financial crisis, the country's energy crisis, and the regional instability and insecurity in neighboring countries. The government's fiscal reform programme, characterized by austerity, is also considered to have limited economic growth over the past two years, as lower government spending means that less public funds are injected into the economy. There is no doubt that the Syrian crisis itself has greatly limited the extent to which GDP can grow, but this is more related to trade and investment challenges, rather than the hosting of refugees.

An investigation of final accounts data actually reveals a positive effect from the hosting of Syrian refugees in the kingdom. The most prominent impact can be observed from the "Community, Social and Personal Services" which embodies the assistance received by Jordan and provided to Syrian refugees either directly or indirectly. The growth rate of this sector climbed from 2% in 2011 to a staggering 5.9% in 2012, bolstered by the beginning of a large number of humanitarian projects which provide assistance to Syrian refugees. The growth rate of the sector remained high in 2013 and 2014 registering 5.7% and 4.7%, well above the growth rate of the whole economy. These growth rates represent the real increase in the production of this sector. Considering nominal increases (without excluding price effects) yields very high growth rates: climbing from 3.9% in 2011 to 12.4% in 2012, equivalent to an increase of JD86.5 million.



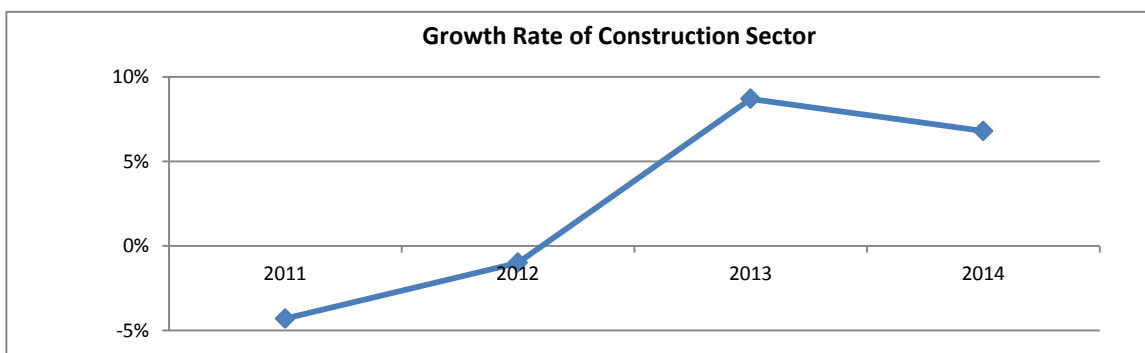
Source: DOS



The high rate of growth for this sector is due from the direct impact of providing Syrian refugees with humanitarian services and emergency cash assistance. Thousands of Syrian refugee families have been receiving cash assistance from the UNHCR and different international and national NGOs, as well as receiving a range of in kind services and goods from different humanitarian stakeholders. The indirect effect of all of this is much more difficult to measure because it is contingent on how much do Syrian spend out of the assistance they receive. Given the vulnerability associated with refugee status, it is expected that most cash assistance received by refugees gets spent on a various range of goods and services, contributing significantly to overall GDP growth via a multiplier.

For example, the World Food Programme (WFP) estimated that the planned value of WFP's food voucher transfers alone is estimated at 0.7% of GDP. The programme has already led to around \$2.5 million investment in physical and infrastructure by the participating retailers, and generated over \$6 million in tax revenues for the Jordanian government. In terms of the indirect effects, the WFP study found a multiplier in the range of 1.1 for its programme, meaning that for every \$1 WFP spends in Jordan, \$1.1 will be the total result for the economy.²¹

Another sector which was boosted partly a result of hosting Syrian refugees was the construction sector, and the associated investments in real estate. The previous sections described how the large number of refugees have been placing significant pressures on housing supply, and as a consequence, rents increased significantly in some parts of the country. The direct effect that Syrian refugee are having over this sector can be observed when looking at the growth rates of the construction sector, which amounted to -4.3% in 2011, the time in which the construction sector was experiencing a significant slump. The sectors growth rate improved continuously after 2011, registering a high of 8.7% growth in 2013. The indirect benefits stemming can be noted in the surge of real estate investments witnessed over the past few years, and also from the increase in rents obtained by Jordanian landlords.



Source: DOS

²¹ Husain, A. Bauer, J., Sandstorm, S. (2014) "Economic Impact Study: Direct And Indirect Impact of the WFP Food Voucher Programme in Jordan" World Food Programme



Other than these two sectors, the hosting of Syrian refugees has positively affected some other sectors, including the agriculture sector which has seen exports surge in the past two years. This is related to the considerable share of Syrian refugees working in the informal agriculture sector in Jordan, who are skilled with this work. The wholesale and retail trade sector has also been positively affected, especially in 2012, but has slumped afterwards mainly due to trade route disruptions resulting from the regional turmoil.

Public revenues & Aid

The positive impact on different sectoral growth rates also posits indirect benefits and gains. For example, for every one JD a Syrian spends from the assistance they receive, a certain share of this one JD is reaped by the government in the form of taxes. Public revenues have also been accrued from non-tax gains, a large part of which is in the form of work permit fees. According to the Ministry of Labour, around JD85 million in work permit fees alone was generated in 2014, and JD72 million was generated in 2013, putting the total government revenues from work permit fees at around JD157 million in 2012 and 2013. More recently, the Ministry of Interior have begun a campaign to oblige all Syrian refugees residing in Jordan to have service ID cards, which cost JD35 each. This is expected to generate a large amount of public revenues in 2015.

A comprehensive study²² done on the impact of Syrian refugees on the Jordanian economy, estimated that public revenues accrued by the presence of Syrians in Jordan have risen from around JD209 million in 2012 to JD780 million in 2013. The study also estimates that the total public revenues accrued from the hosting of refugees would cumulatively reach around JD2 billion.

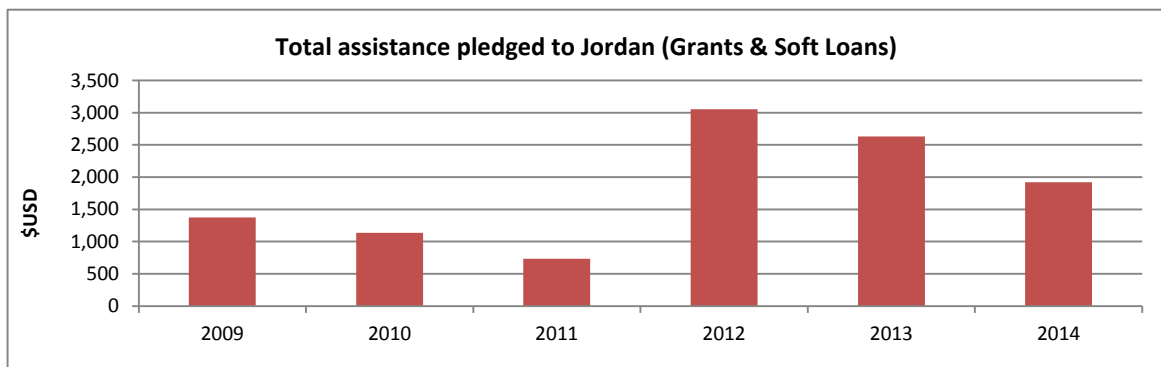
Furthermore, large amounts foreign aid has been received by the international community to help Jordan cope with the hosting of Syrian refugees. Unfortunately, and due to the plethora of assistance received by Jordan, determining an exact figure for the aid received because of the refugee crisis is impossible. For example, official figures by the Ministry of Planning and International Cooperation indicate that donor assistance pledged to Jordan for shouldering the burdens of hosting Syrian refugees amounted to \$23.8 million in 2012, and \$465.4 million in 2013.

However, it is widely acknowledged that Jordan has received considerably more than what is stated by official sources, but due to the fact that donating countries have not required that their assistance is spent only for Syrian, these aid inflows have not been counted in official figures. According to some reports, Jordan received around \$1.5 billion in 2012 rising to \$2.1 billion in 2013, to help the country combat the adverse effects of the Syrian refugee crisis. However, much of this assistance has been allocated to Jordanian host communities, and are therefore not included in official figures, despite them being motivated by the Syrian refugee crisis.

²² Wazani, K. (2014) " The Socio-Economic Implications of Syrian Refugees on Jordan: A Cost-Benefit Framework" Konrad Adenauer Stiftung



According to official data by MoPIC, the total amount of foreign assistance (grants and soft loans) provided to Jordan has increased substantially in the period of the refugee crisis. Between 2012 and 2014, foreign assistance pledged to Jordan amounted to \$ 9.47 billion, which is more than double the amount the Kingdom was receiving before the Syrian refugees crisis (2009 – 2011). The growth in foreign assistance was most noted in 2012, the year in which assistance more than tripled compared to 2011. In 2010, Jordan received \$ 733.3 million of foreign aid. In 2012 the kingdom experienced a jump in aid of more than 300% and received \$ 3.05 billion, continuing its high level in 2013 with \$ 2632.1 million and in 2014 with \$1919.8 million. It should be noted however that part of this overall increase in assistance stems from the IMF programme to which Jordan committed itself in 2012 and after.



Source: Ministry of Planning & International Cooperation

It is worth noting here that the actual assistance received throughout this period has helped the country's foreign reserve to reach unprecedented levels, allowing for a comfortable safety.

Investments

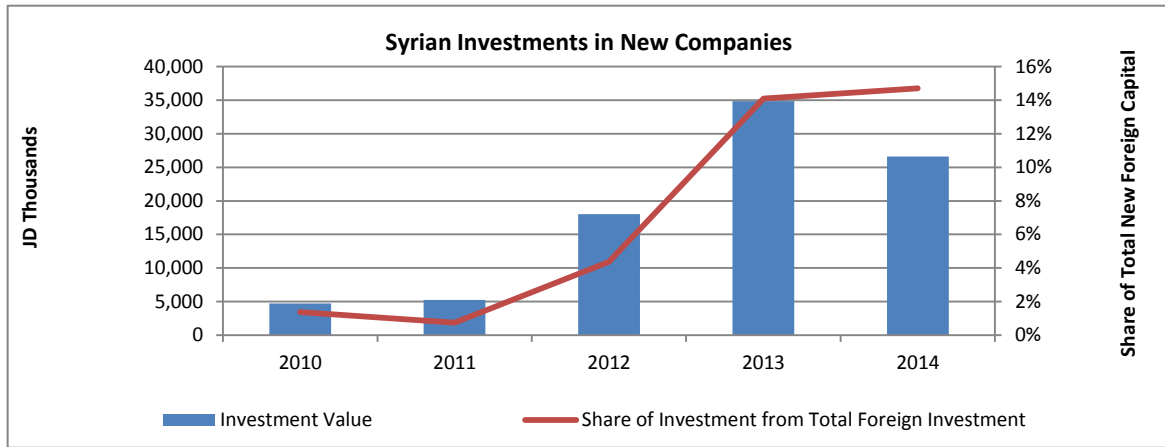
While the government of Jordan views the presence of Syrian refugees in Jordan purely as a negative phenomenon, private sector representatives, including chambers of industry and commerce, regard them as an important source of new investments that can have a positive impact on the overall economy, and on local communities.

For example, many industrialists in the northern governorates of Irbid and Mafraq see that attracting Syrian investors, and promoting small and medium-sized industries, especially in the food industry could bring considerable benefits to the economy. The city of Irbid currently has around 12 factories specialized in food manufacturing that have relocated from Syria since the crisis. These plants have been in constant contact with local farmers in order to cultivate Jordanian products viable for processing and export, which reflected positively on the agricultural and industrial sectors in the Kingdom.²³

²³ According to the Chamber of Industry in Irbid

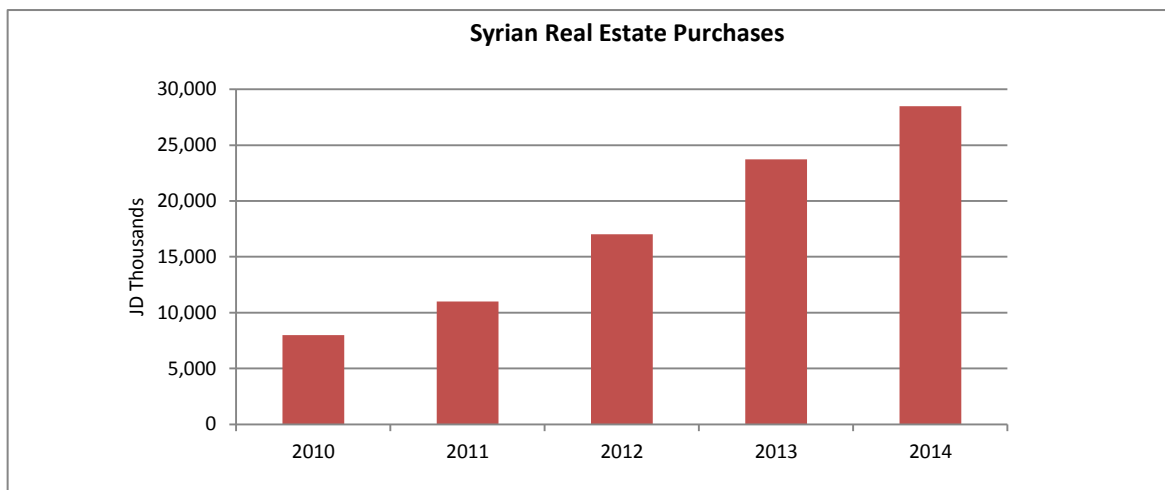


Syrian investments in almost all categories of FDI have been on the rise until end of 2013. Due to the protracted nature of the Syrian conflict, more and more Syrians are looking to other countries for their investments.



Source: Companies Control Department

Syrians in Jordan were active in investing in new companies during the period between 2011 and 2013. Out of the total foreign capital invested in new companies, the share of Syrian capital climbed from 0.7% in 2011 to 14.1% in 2013 via an increase of 563% (JD29 million) in the value of Syrian investments in 975 new companies during 2012 and 2013. The value of Syrian capital in new companies almost doubled from 2012 to 2013 to reach JD34.8 million in 2013. Syrian investments benefitting from the Investment Promotion law also grew from a meager JD3.5 million in 2011 to JD110.9 million in 2012. The value of Syrian investments fell in 2014, but their share from total foreign capital kept rising to reach 14.7%. In cumulative terms, the value of Syrian investments in new companies amounted to JD79.5 million in the three years between 2012 and 2014.



Source: Department of Lands & Surveys



Some analysts have suggested that the decline in Syrian investments in 2014 was due to different security measures introduced by authorities in response to concerns that the instability in neighbouring countries would pose considerable risks to the stability in Jordan. Such restrictions placed on Syrian investors have driven them away to invest in other countries in the region, including Egypt and Turkey, which offer a more suitable investment environment with minimal restrictions. Nevertheless, the government responded in the same year of 2014, by introducing some other measures aimed to re-attract and boost Syrian investments. Such measures include a new investor ID card designated only for Syrians, allowing Syrian investors to hire higher shares of Syrian labour than previously allowed, and providing other incentives to ensure that Syrian investments into Jordan are facilitated.

In terms of real estate investments, the value of lands and apartments purchased by Syrians climbed by 256% from almost JD8 in 2010 to JD28.5 million in 2014, with apartments purchased more than land. In 2014, Syrians invested JD28.5 million in real estate, constituting 6% of non-Jordanian investment in this sector. While Syrians ranked 6th among foreigners purchasing apartments in 2010 with an invested value of JD3.9 million, their position climbed to 3rd in 2014.



VI. Turning Burdens into Opportunities

"To date, there has been very little research into the economic lives of refugees. Refugees have a range of different occupations and trades to offer, with some being successful entrepreneurs. They often benefit the economy of the country where they settle, yet it is commonly assumed that refugees are passive individuals who only rely on aid"

Alexander Betts, Associate professor of Refugee and Forced Migration Studies at the University of Oxford.

The previous sections have discussed the costs and benefits of the refugee crisis. In particular, it was shown how previously existing burdens on macroeconomic indicators have intensified after the inflow of large numbers of refugees into Jordan, while at the same time, some often overlooked advantages coming from the hosting of refugees were presented and supported with evidence. This section will therefore focus on how to best make use of the status quo, by transforming the challenges associated with hosting refugees into opportunities for advancing the economy of the hosting country.

One of the most important opportunities that the hosting of refugees presents is their impact on the domestic economy. Refugees increase consumer markets and create new ones, they bring in new skills, provide employment opportunities, and a way to fulfil the unmet labor demands of the host country. The additional demand coming from the refugee population raises the aggregate demand of an economy, and thus raises its growth rate. Moreover, refugees are spending the aid they receive in local markets, meaning that a large amount of money is being injected into the local economy, thereby stimulating economic growth. Another opportunity is the rehabilitation and development of infrastructures and basic services by external donors, actions that are set to benefit both the refugee population and host communities.

While authorities have often highlighted the adverse impact of refugees on the economy, evidence from other parts of the world (including Africa, Australia, and Canada) have shown that refugee populations can provide a positive economic stimulus for a country, especially in cases of protracted conflicts²⁴. Some of the contents of this section have been inspired by the experiences of these countries and others in hosting refugees.

²⁴ For examples on positive socioeconomic impacts of refugee populations on host countries, see: UNHCR (1997) "Social and Economic Impact of Large Refugee Populations on Host Developing Countries" EC/47/SC/CRP.7



In Tanzania, a large array of international organisations have entered the country to respond to the Tanzanian refugee crisis of the 1990s, thereby increasing national financial capacity by providing funds to refugee projects as well as injecting much needed public revenues, via tax and customs payments made to the country. These organisations have also invested significantly in the country's infrastructure to enable efficient operations on the ground, benefitting both refugee and host populations.

In Uganda, the skills, talents, and capabilities of refugees have enormously contributed to the national economy of Uganda, a country where refugees have more rights than in many other host countries. For example, some trades currently operating in the Uganda economy would not have existed without the presence of refugees who have become both customers and distributors of certain items. The Ugandan enabling legislative environment has contributed to this positive impact.

These experiences are not exclusive to Uganda and Tanzania, as many other countries have also experienced positive socioeconomic effects resulting from hosting refugees. However, reaping these benefits is contingent on governments taking concrete steps towards providing an enabling environment that guarantees the rights and freedoms of refugees.

While the refugee crisis in Jordan differs from that of other countries, common elements do exist. For example, a large number of international humanitarian and development organisations have established a presence or increased their operations in Jordan, thus raising the level of aggregate demand in the economy. These organisations have injected considerable amounts of foreign money into the economy providing an outlet for increased economic activities across the Kingdom, and greatly developed community and social services.

These developments in community and social services have become a major source of employment for Jordanians. Data provided by the Department of Statistics shows that the net number of jobs generated by "International organisations" and filled by Jordanians, grew from 315 net new jobs in 2012 (0.7% of total new jobs) to 869 net new jobs in 2013 (2.1% of total new jobs), as the sector expands to cater to the needs of refugees and host communities.

Another challenge repeatedly cited by Jordanian officials is the large increase in labour supply resulting from the refugee crisis and the pressures it is exerting on the local job market. While this is viewed purely as a negative outcome of the refugee crisis, it may present an important opportunity to expand economic growth, given the enactment of suitable policies and measures. The increase in labour supply due to the inflow of refugees provides a larger pool of worker for

Brima, E. (2013) "How Refugees Stimulate the Economy" La Trobe University

Ongpin, P. (2008) "Refugees: Asset or Burden to Tanzania" Journal of Development & Social Transformation.

Betts, A., Bloom, L., Kaplan, J., Omata, N. (2013) "Refugee Economies, Rethinking Popular Assumptions" Refugee Studies Centre, University of Oxford



labour-intensive sectors that are currently not being occupied by Jordanians. Examples are the agriculture and construction sectors. Syrian refugees skilled in farming or construction may provide businesses with an inexpensive input resource, thereby maximising production and profits for Jordanian employers. Moreover, this is not only limited to the private sector, but also to the public sector where many investments required to upgrade infrastructure and services may employ Syrians rather than other foreigners, thereby limiting the costs associated with such investments that are usually financed from external sources that share with Jordan the financial burden of hosting refugees.

For example, an assessment conducted by Care International in Jordan and Silatech²⁵ outlined the opportunities available to youth in Azraq Refugee Camp to improve their livelihoods. The assessment showed how there is high need for work by refugees living in the camp, many of whom are skilled. Skills of camp refugees included farming, carpentry, food production, teaching, and hair-dressing. One recommendation is to allow Syrians to establish businesses in camps. While this has already been done in Za'tari, it is currently informal and unregulated.

Syrians in Jordan have also begun investing and establishing businesses in Jordan. As was illustrated in the preceding section, Syrian investments in Jordan surged during 2013, the year in which the inflow of refugees was at its highest. Such businesses generate job opportunities for both Jordanians and Syrian refugees, thereby increasing the number of new jobs created. Given the relatively advanced industrial sector in Syria, the majority of investors have established industrial ventures. Data obtained from the Amman Chamber of Industry and the Jordan Industrial Estates Corporation illustrate how factories established by Syrians in Jordan during 2013 generated the majority of jobs created by new investments in Jordanian industrial zones. According to the International Institute of Finance (IFF), Syrian investments in Jordan contributed to around 1% of GDP in 2013.

One example is the plastics factory that was relocated from Syria to the King Abdullah II Industrial Estate in Sahab in late 2012. By mid 2013, the factory employed 50 workers, and is expected to employ 300 workers once it is fully operational. Furthermore, the factory is not only providing employment opportunities but is also training those employed on related technical expertise that they were initially rare to find in the Jordanian labour force. Another example is Durra, a large company operating in the food sector. Durra relocated its headquarters and production base from Syria to Jordan at the beginning of the crisis, opening two new factories at the Al-Hassan Industrial Estate and employed more than 400 staff by the end of 2013.²⁶

A recent report by the Humanitarian Innovation Project at the University of Oxford underlined the large potential of innovation among refugees in different parts of the world. The report

²⁵ Care International & Silatech (2015) "Baseline Assessment of Skills & Market Opportunities for Youth in Azraq Refugee Camp in Jordan"

²⁶ The Economist (Aug 2013) "Syrian Businesses in Jordan: A Bittersweet Opportunity"
7iber (2013) "Presence of Syrians in Jordan Stimulates Domestic Economy"



mentioned how the innovation and entrepreneurship potential of refugees have often been neglected. The report presented a number of examples of 'bottom-up innovation' among different refugee populations residing in both rural and urban environments, thus highlighting the great reserve of capabilities and energies that is often left unexploited.

The Jordanian private sector has already begun noticing the positive impact created by the presence of Syrian refugees in Jordan. In 2014, the president of the Irbid Chamber of Industry highlighted the need to take advantage of the opportunities presented by the presence of Syrian refugees in Jordan, through attracting investors and promoting SMEs, which Syrian industrialists are known for, especially in the food industry. According to the Chamber, 12 factories specialised in food manufacturing alone have been established in Irbid by the beginning of 2014. These factories have been in constant contact with local farmers in order to cultivate Jordanian products viable for processing and export.²⁷

Moreover, the president of al-Mafraq Chamber of Commerce explained that the governorate has witnessed a proliferation of new shops in 2013 and 2014, and a rise in demand for various commodities. He added that the governorate of Mafraq has become one of the most economically booming provinces in Jordan due to the high number of refugees residing there. The Jordanian retail sector in the governorate benefited greatly from the World Food Program, which mandated the purchase of goods directly from shops in Mafraq.²⁸

The time has come for authorities to shift their perception of Syrian refugees from posing a burden on the country to an opportunity for socioeconomic advancement. After some relocations of Syrian investors to neighbouring countries, mainly Egypt and Turkey, a few measures were taken during 2014 to facilitate Syrian investments in Jordan. However, more effort is needed to create the enabling environment that would allow refugees to end their dependence on aid, and to actively contribute to the Jordanian economy. This requires a comprehensive strategy of integration and resilience-building to guide future measures and policies pursued by the government to capitalize on the opportunities presented by the hosting of Syrian refugees. Such a strategy must contain the suitable tools need to uphold the social and economic freedoms of refugees and to formulate an enabling legislative environment to maximise the benefits accrued from refugees and minimize costs.

The creation of an enabling environment necessitates many policy developments. The private sector can have a very large role to play in supporting Syrian refugees and host communities, while at the same time creating a net positive benefit for itself as well as for the government. Another area that needs to be addressed is the regulation and formalisation of the labour market, which can yield very important information, that can help the government in regulating the labour market through introducing policies and measures based on evidence rather than speculation.

²⁷ ARIJ (2014) "Syrian Refugees in Jordan: Economic Risks and Opportunities"

²⁸ Ibid



Authorities need to introduce key changes to legislations and regulations that govern the presence and activities of Syrian refugees. This can lead to authorities directing Syrian labourers to some specific sectors which may be opened up further for refugees (e.g. construction, agriculture), while at the same time constricting the entry of foreign labour into sectors in which Jordanian graduates are abundant (e.g. engineering, health). But any such measure or policy should be introduced as a part of an overall strategy on how to make the best use of the fact that Jordan is hosting a very large number of refugees.

Finally, it is worthwhile recalling how the various waves of refugees that flowed into Jordan over the course of its history have had a major positive impact on the Jordanian economy. The numerous waves of Palestinian refugees that came to Jordan in the past have eventually formed the backbone of the Jordanian private sector, and greatly stimulated economic growth over the history of the Kingdom. Also, the inflow of Iraqi refugees after the 2003 war provided huge amounts of Iraqi foreign investment in Jordan that supported the economic boom that Jordan experienced in the years after 2003. Similarly, Syrian refugees hold a large potential to provide a huge positive impact on the domestic economy and business environment. But this can only materialise, if the government shifts its attitude towards refugees, and works on establishing the suitable legislative and business environment.



Conclusion

This study has made an attempt at providing an account and analysis of the costs and benefits associated with the Syrian refugee crisis, acknowledging that quantifying these costs and benefits would lead to an estimate that is at high risk of being inaccurate and far from reality. This report has also made a very important distinction: that the effects of the Syrian refugee crisis should be isolated from the overall effects of the Syrian conflict and regional instability. While making this distinction is difficult and sometimes impossible, the analysis of the effects of Syrian refugees will not be robust or accurate if other irrelevant indicators are analysed, such as the disruption in regional trade routes, and plummeting investments. Therefore, this study focused on the impact of hosting Syrian refugees only.

The study finds that the most significant cost on the Jordanian economy is associated with increased pressures by refugees on the domestic labour market, in addition to the pressures placed on the country's infrastructure and public services which require significant investments to be upgraded. Large inflows of assistance has flowed into Jordan to support the country in coping with the Syrian refugee crisis, aiming to help both the refugee population in Jordan as well as the Jordanian host communities. On the other hand, the report presented a range of different benefits that may be attributed to the Syrian refugee crisis, including positive contributions to a number of economic sectors, leading to a positive effect on overall GDP levels. Syrians have also become a major source of foreign investments in Jordan. Such benefits also contributed positively to a number of macroeconomic indicators including those related to public finances and foreign reserves.

Looking forward, it can be expected that most Syrian refugees will remain in the country for many years to come, due to the absence of any political solution in Syria. Therefore, authorities and Jordanians alike may begin investigating how to reap the most positive benefits from hosting such a large number of Syrian refugees. The report has illustrated how the challenges often cited by authorities and official statements can be actually viewed as opportunities for the socioeconomic advancement of Jordan. Jordan's historical experience with refugees is evidence of such opportunities. The waves of Palestinian refugees that came to Jordan over the course of its history have eventually formed the backbone of the Jordanian private sector. Similarly, Iraqi refugees that came to Jordan after the 2003 war brought with them significant amounts of resources which were invested in the Jordanian economy and which acted as a precursor for the economic boom that Jordan experienced in the following years.



However, in order to convert the challenges often associated with hosting refugees into opportunities for Jordan, authorities need to formulate a comprehensive integration and resilience building strategy to guide future measures and policies aimed at utilising the status quo of Jordan and its hosting of refugees. Such policies may include the formalisation and regulation of the domestic labour market, further facilitating Syrian investors, and creating an enabling legislative framework that grants refugees socioeconomic rights and freedoms. However, in order to move forward in this direction, the government needs to shift its attitude and perception of Syrian refugees from being a burden on the economy and society to being a resource that can contribute to the socioeconomic advancement of Jordan and Jordanians.



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