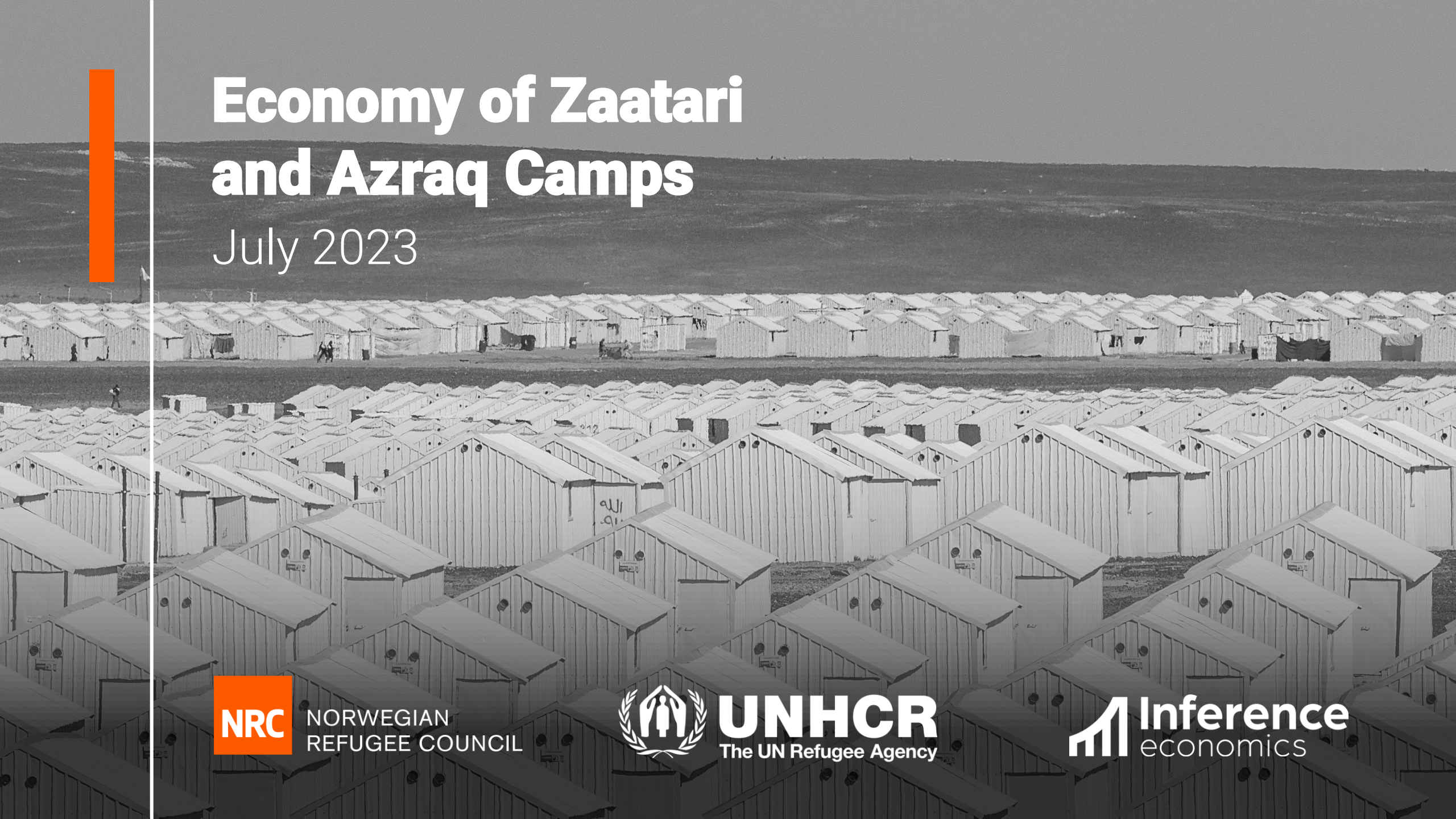
Economy of Zaatari and Azraq Camps

July 2023



NRC NORWEGIAN REFUGEE COUNCIL

UNHCR The UN Refugee Agency

Inference economics

Purpose of Study

What issues are constraining the growth of camp economies?

What can be done to increase agency and freedom of camp residents?

How to improve the economic lives of refugees in camps while having a net positive impact on surrounding communities?

Methodology: Observational Framework

Macro

Macroeconomic

- Regulatory and administrative policies
- Physical location (isolation) of camp
- Humanitarian assistance structure
- Infrastructure and governance
- Access to finance, access to outside markets

Market

Camp Market Outcomes

- Variety and prices of goods in the camp
- Profitability of camp-based businesses
- Demand conditions

Impact on the surrounding communities

- On local employment and goods markets
- On infrastructure and public goods

Micro

Microeconomic: livelihoods

- Camp-based and outside-the-camp employment and entrepreneurship barriers and strategies
- Access to non-work livelihoods

Microeconomic: entrepreneurship

- Knowledge and resources to start and run a business
- Choice of product/service market
- Target customer segments
- Differentiating value proposition

Macroeconomic Setting of the Camps

Economic outcomes for camp-based Syrian refugees are influenced by the macroeconomic setting of Zaatari and Azraq. These include:

- The policies of the Government of Jordan
- The policies of the Humanitarian Community
- The geographic location of the camps

Macroeconomic setting

Access to labour markets outside the camps: Employment outside of the camps is constrained to a few low-wage sectors that have been dominated by foreign workers prior to the Syrian crisis, *creating missing labour markets and barriers to skilled and educated Syrians to reach their productive potential.*

Labour market conditions: *Syrian refugees face barriers to accessing decent work outcomes* due to low salaries, poor working conditions, and discrimination in the sectors they are permitted to work.

Permit challenges: Difficulties associated with obtaining permits (both work and leave) *create transaction costs* and are a barrier to Syrian refugees participating in the Jordanian economy and labour market.

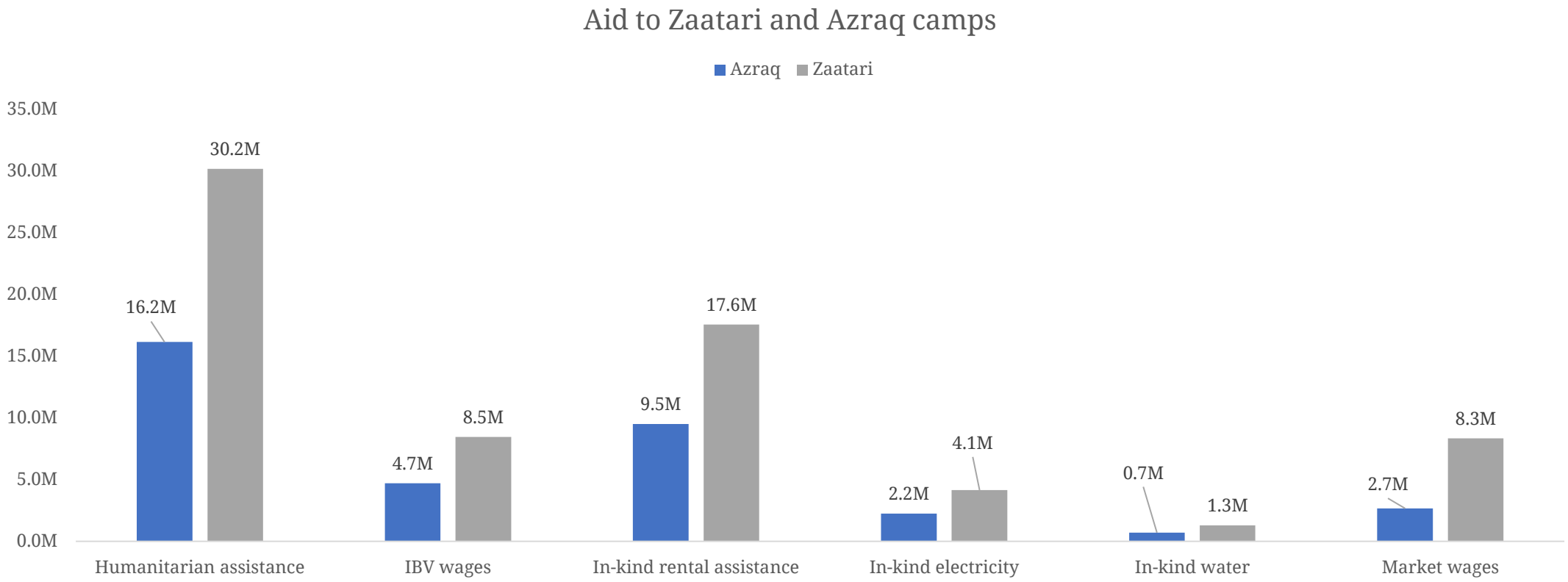
Macroeconomic setting

Business environment within the camps: Restrictions at the camp border, missing product and capital markets, and limited access to finance create challenges for refugee entrepreneurs, however few operating regulations inside the camps make business easier.

Distance to local markets: Zaatari's location means that camp residents have an easier time accessing job opportunities and markets for goods and services, while Azraq's leads to high transportation costs and is a barrier to accessing labour markets.

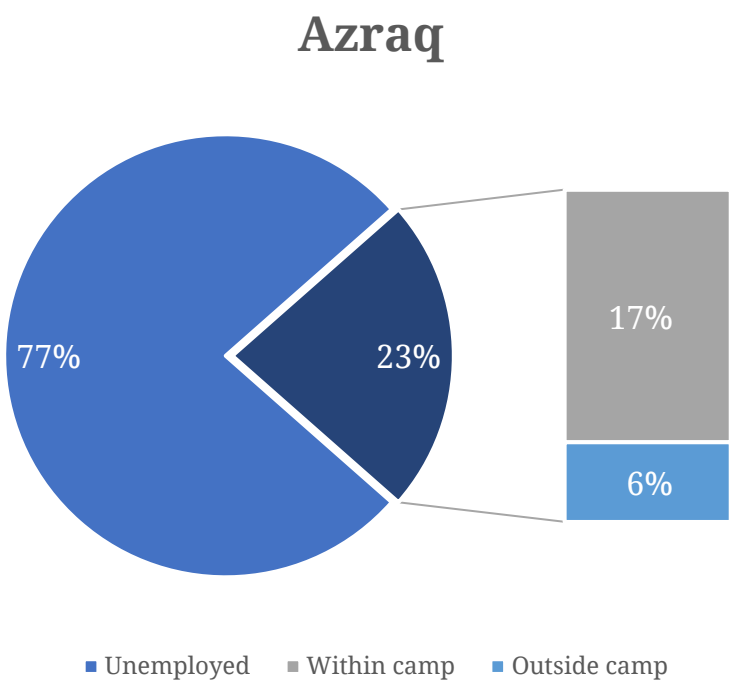
Role of humanitarian aid: Refugees in both camps remain heavily reliant on humanitarian aid, which additionally replaces some market activity.

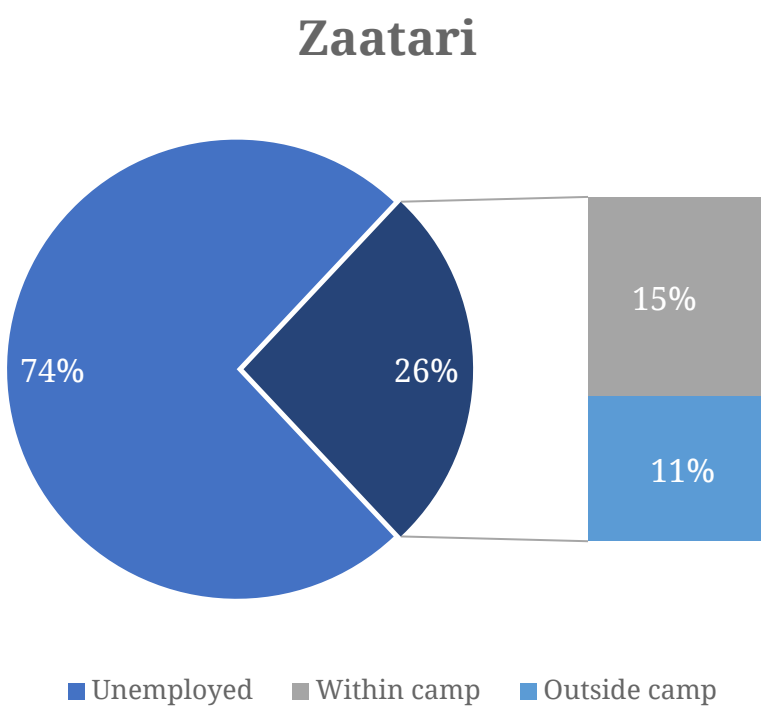
Role of Humanitarian Aid



Estimated total annual value of assistance in Azraq and Zaatari to be **16.15 million JOD** and **30.19 million JOD** respectively. This represents 45% and 43% of each camps' economy

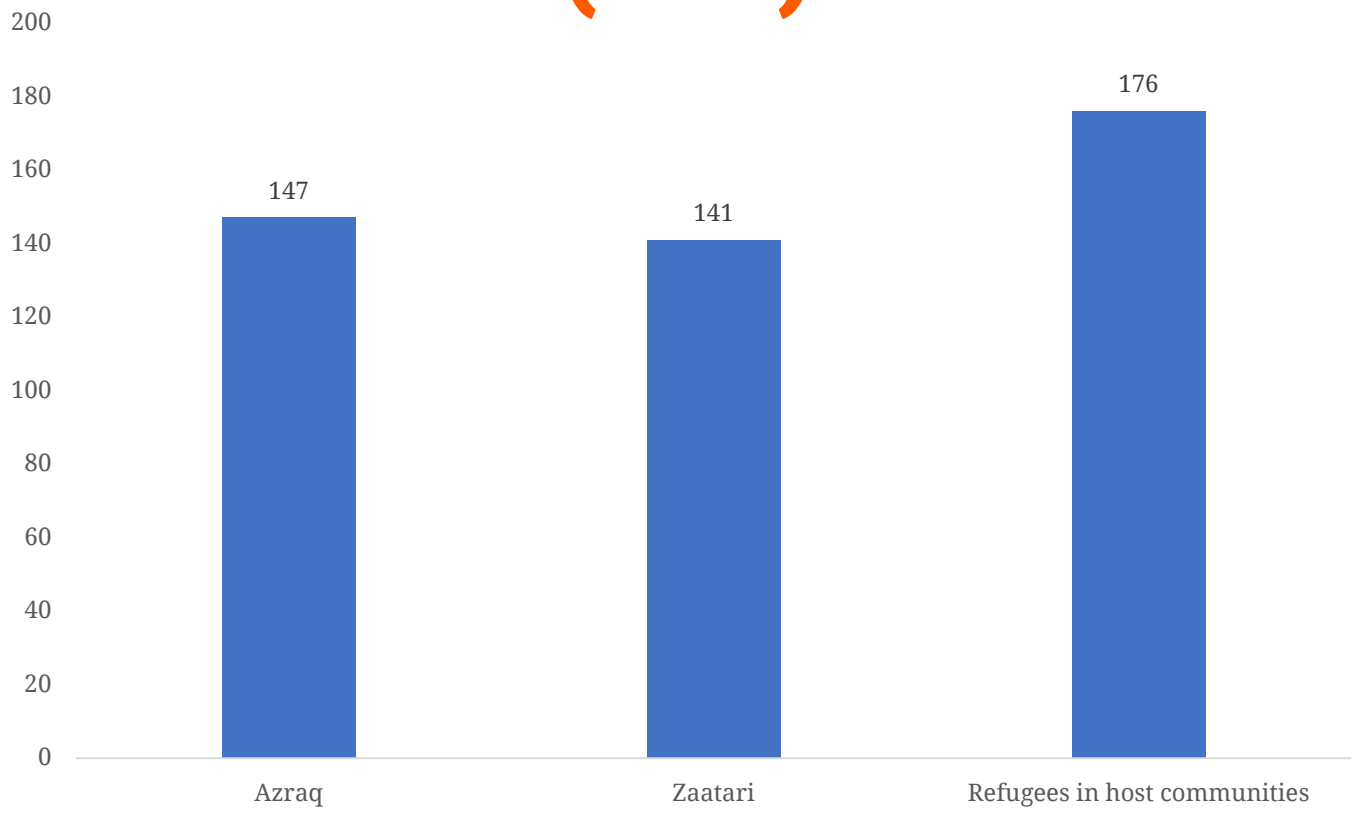
Microeconomics
Livelihoods



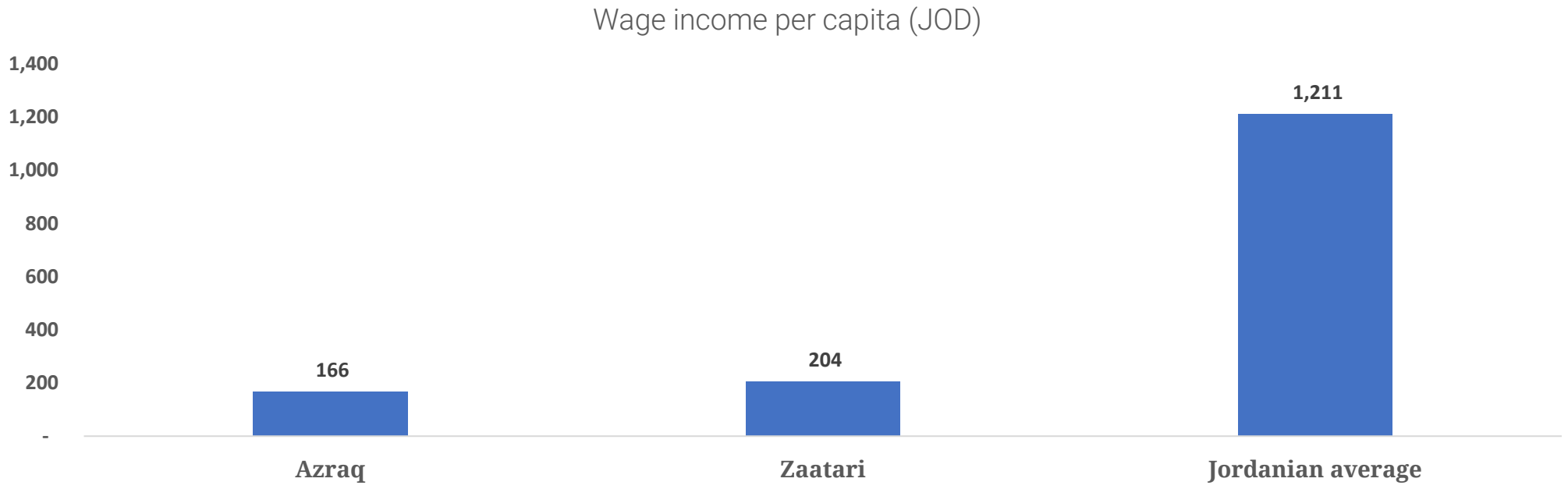


Three-quarters of refugees in camps are unemployed

Average Monthly Income (JOD)



Wage Income per Capita



The annual sum of labour income earned by all camp residents in **Azraq was estimated at 7.37 million JOD**, while in **Zaatari it was 16.8 million JOD.**

On a per capita basis, the comparable average Jordanian workers' wages is **1,211 JOD.**
In comparison, **residents of Azraq reach 14% and residents of Zaatari 17%**

Entrepreneurship and Market Employment

	% of in-camp workers in Azraq	% of in-camp workers in Zaatari
Home based businesses	2%	3%
Employment in market shops	10%	10%
Market shop ownership	5%	5%

Entrepreneurship

Entrepreneurship within the camps shaped by the following

Resources and capabilities: Business owners rely on friends and family for funds and have different levels of experience. No access to formal financing.

Capital accumulation: Limited avenues to create enterprise value and otherwise accumulate capital.

Customer segments: Low-income camp residents who rely on mutual trust with business owners.

Value proposition: Transaction costs and missing markets limit ability to enter lucrative parts of the value chain or create differentiated offerings.

No official transfer of ownership: Businesses in Zaatari have no formal title

Market outcomes in the camps

- A low-income customer base in both camps leads to businesses competing on prices, while communal relationships between businesses allow some price fixing or smoothing.
- Seasonal changes in demand are centred around aid distribution.
- No “exports” and limited production.

Fit-for-purpose markets that meet camp residents needs

While many of the causal chains and explanatory models identified camp economies' shortcomings, there is one strikingly positive finding of the camp economies: the market that emerges inside the camp is tailored to the needs of the refugees.

Consequences of transaction costs

The isolation of the camps and the permit system leads to higher “transaction costs” in labour, goods, and capital markets.

Physical isolation + regulations/policies

Transaction costs

Cost/benefit decision of economic actors

Less labour market participation + uncompetitive parts of value chain

Less labour market + entrepreneurial economic activity

Consequences of missing markets

Restrictions and regulations and the humanitarian assistance structure lead to missing markets for labour, for goods and services, and for capital

Regulations/policies + humanitarian assistance structure

Missing markets

Limited return to education + less investment

Less productive economic activity

Low wages + reduced capital accumulation

Recommendation Principles

The following recommendations are rooted in the macroeconomic, microeconomic, and market outcomes analysis

Principles that the recommendations adhere to, recognising that any “sustainable” changes to the camp economies, must also be able to retain political support at the local and national levels:

- Refugees being productive, not a burden.
- Joint gains for Jordanians and refugees.
- Job creation, not division of opportunities.

Recommendations

The following recommendations are addressed to the Government of Jordan

Regarding missing markets:

- Open up job-producing sectors in the Jordanian labour market to participation by Syrian refugees.
- Permit investment and title outside the camp for job-creating businesses owned by refugees.
- Explore opportunities for refugees to access third countries for labour market opportunities through complementary pathways

Recommendations

The following recommendation is addressed to the Government of Jordan:

Regarding transaction costs:

Incentivise private sector growth and facilitate the establishment of a Jordanian-owned producer, located at the periphery of the refugee camp

Recommendations

The following recommendations are addressed to the camp administrators Syrian Refugees Affairs Directorate

Regarding missing markets

Allow private participation in camp markets for the provision of electricity and high-speed, reliable internet.

Regulate the official and tradable registration of, and title to, camp-based businesses.

Recommendations

The following recommendations are addressed to the camp administrators Syrian Refugees Affairs Directorate

Regarding transaction costs:

Facilitate more transparency, predictability, hours, and variety of goods in and out of the camps.

Provide pathways for technology assisted travel/work permits and/or scheduling of appointments.

Recommendations

The following recommendations are addressed to the **humanitarian community**

Regarding humanitarian aid delivery

Move the World Food Progamme's voucher system to cash distribution

Establish a forum to connect with community and business leaders in the communities proximate to the camps to identify ways to share gains from job creation, and shared infrastructure

Recommendations

The following recommendations are addressed to the **humanitarian community**

Regarding humanitarian aid delivery

Recast business aid from its current focus on market entry to specialized business and skill development

Establish a multi-stakeholder working group with a mandate to review the IBV system and make recommendations for its future

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