Public Disclosure Authorized

Public Disclosure Authorized

Policy Research Working Paper 11254

From Policy to Practice

Lessons from the Implementation of the Refugee Work Rights Policy in Ethiopia

Ana Maria Perez
Sandra V. Rozo

WORLD BANK GROUP
Development Economics
Development Research Group
November 2025

Reproducible Research Repository
A verified reproducibility package for this paper is available at http://reproducibility.worldbank.org, click **here** for direct access.

Abstract

This paper examines the early implementation of Ethiopia's refugee work rights policy, with a focus on the issuance of permits that enable refugees to engage in economic activities. Building on significant legal and institutional advances under the 2019 Refugee Proclamation and subsequent directives, the analysis explores how these reforms are being operationalized in practice. Using a mixed-methods approach, combining document review, administrative data analysis, and semi-structured interviews, the paper identifies both progress and remaining challenges. Permit issuance has increased since the adoption of detailed operational guidance in 2024, reflecting the Government of Ethiopia's commitment to operationalizing its progressive legal framework and ensuring that refugees can exercise their right to work. However, take-up remains modest, with about 5.2 percent of the working-age population holding a permit. Preliminary evidence suggests that coordination gaps, limited subnational capacity, low awareness among refugees and employers, and disincentives to formalize in a largely informal labor market are contributing to the low take-up. The paper offers policy suggestions, grounded in the Ethiopian context and emerging evidence, to help translate legal commitments into improved labor market outcomes for refugees.

This paper is a product of the Development Research Group, Development Economics. It is part of a larger effort by the World Bank to provide open access to its research and make a contribution to development policy discussions around the world. Policy Research Working Papers are also posted on the Web at http://www.worldbank.org/prwp. The authors may be contacted at sandrarozo@worldbank.org. A verified reproducibility package for this paper is available at http://reproducibility.worldbank.org, click **here** for direct access.

The Policy Research Working Paper Series disseminates the findings of work in progress to encourage the exchange of ideas about development issues. An objective of the series is to get the findings out quickly, even if the presentations are less than fully polished. The papers carry the names of the authors and should be cited accordingly. The findings, interpretations, and conclusions expressed in this paper are entirely those of the authors. They do not necessarily represent the views of the International Bank for Reconstruction and Development/World Bank and its affiliated organizations, or those of the Executive Directors of the World Bank or the governments they represent.

Produced by the Research Support Team

From Policy to Practice: Lessons from the Implementation of the Refugee Work Rights Policy in Ethiopia

Ana Maria Perez[1] and Sandra V. Rozo[2]

Authorized for distribution by Dean Jolliffe, Research Manager, Development Research Group, World Bank Group

Keywords: Ethiopia, refugees, right to work, economic opportunities, take-up of permits

JEL codes: F22, J61, O15, J68

[1] Princeton University.
[2] World Bank Development Research Group, CEGA, IZA, and EGAP. Corresponding author: sandrarozo@worldbank.org
This paper benefited greatly from comments and suggestions from colleagues at the World Bank, including Cesar Cancho, Senidu Fanuel, Kristina Noelle Vaughan, Erina Iwami, Mohamed Khidir Abdel-Razig, Kiros Kinfe Gebrezgi, Gelila Woodeneh, Yehualashet Gebremedh Astera, Christina Wieser, Belay Mohammed Yimer, and Emmanuelle Brancati; from researchers Sarah Winton and Christian Meyer from the London School of Economics and Oxford University respectively; from officials at the Refugees and Returnees Services – Mulualem Desta, Anteneh Mekasha, and Ashenafi Demeke; and from Atinkut Mezgebu Wubneh from the United Nations High Commissioner for Refugees in Ethiopia. The findings, interpretations, and conclusions expressed in this paper are entirely those of the authors and do not necessarily represent the views of the World Bank or the governments they represent.

1 Introduction

Low- and middle-income countries that host refugees are increasingly transitioning from short-term humanitarian responses to development-focused refugee policies; yet evidence on how these policies are implemented remains limited. The reality of protracted displacement drives this shift: many refugees remain in the host countries for decades, as voluntary repatriation is unlikely due to continued instability in countries of origin, and resettlement options to third countries are scarce. In response, many governments have begun adopting legal reforms that enable refugees to access labor markets and services as a pathway to self-reliance. However, much remains unknown about how these reforms are being applied in practice and the outcomes they generate.

Ethiopia offers a case for understanding the implementation of refugee work rights within a low-income, fragile, and conflict-affected context. Ethiopia is Africa's third-largest refugee-hosting country,[3] home to more than 1 million refugees and asylum seekers. The Government of Ethiopia (GoE) has made significant legal and institutional advances, providing formal pathways for refugees to access economic opportunities. However, the country operates in a fragile institutional and conflict-affected context, characterized by labor market informality, which impacts the implementation of refugee inclusion policies. Moreover, these efforts unfold in a context of constrained fiscal space and declining international humanitarian and development assistance, recurrent conflict dynamics, and climate-related shocks, which further complicate the implementation of refugee inclusion policies.

This paper draws on preliminary evidence to assess early implementation progress and identify practical challenges and lessons learned. It is based on document review, administrative permit data, and interviews with government and development actors.[4] While not a comprehensive evaluation, the paper highlights key constraints and emerging opportunities for strengthening the inclusion of refugees in the labor market. In doing so, the paper seeks to underline the challenges of bridging the persistent gap between the de jure (legal rights and commitments) and de facto (practical realities on the ground) approaches to refugee inclusion.

Take-up of permits remains low, at approximately 5.2 percent nationally, with residence permits dominating, and implementation challenges rooted in both institutional and behavioral factors. While legal frameworks have established pathways for refugees to access economic opportunities,[5] most issued permits are residence permits, with significantly fewer work permits and business licenses being granted. Preliminary evidence suggests that coordination gaps, limited subnational capacity, and low awareness among both refugees and employers contribute to low take-up. Refugees also face disincentives to formalize due to the high level of informality and the

[3] Uganda and Chad host the largest refugee populations in Africa, with over 1.8 million and 1.2 million refugees, respectively (UNHCR 2024).
[4] A limitation of the analysis is that it did not include direct conversations with other stakeholders to understand some cultural, social, and local implementation dynamics (see Annex A for details).
[5] This encompasses all kinds of economic opportunities such as business licenses, self-employment for liberal professions, and wage employment.

limited perceived benefits. These findings underscore the need for targeted actions that address both operational inefficiencies and the broader incentives shaping refugee decisions.

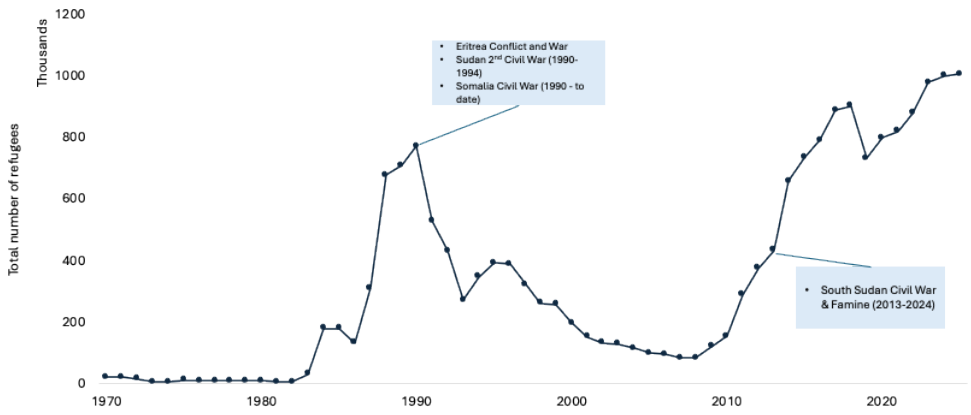
To support the GOE's ongoing efforts to translate legal commitments into improved labor market outcomes, this paper outlines potential policy recommendations grounded in the Ethiopian context and informed by emerging evidence. While Ethiopia has established an ambitious legal framework, translating commitments into practice remains challenging. The recommendations aim to help close the persistent gap between Ethiopia's ambitious legal framework and the practical challenges that limit refugees' ability to exercise their rights, by addressing both operational bottlenecks and the broader incentives that shape refugee and employer decisions. These include: 1) expanding livelihood programs for refugees that reflect Ethiopia's informal labor market dynamics, 2) introducing performance-based incentives to encourage service delivery innovation at the subnational level, 3) improving refugee mobility through a more flexible legal framework that enables movement to economic hubs, and 4) engaging community leaders and refugee committees to raise awareness of the benefits of obtaining permits.

2 Refugee Hosting Context and Legal Framework in Ethiopia

2.1 Characterization of the Refugee-Hosting Context

Ethiopia has historically played a central role in the Horn of Africa's displacement dynamics and maintained an open-door policy for refugees and asylum seekers. Initially a refugee-producing country due to conflict and famine, Ethiopia transitioned in the late 1980s into a major destination for refugees and asylum seekers from neighboring countries such as Eritrea, Somalia, and Sudan. The protracted Somali and Eritrean conflicts, combined with successive crises in Sudan and, more recently, the civil war in South Sudan, have driven continued inflows. The ongoing conflict in Sudan has further contributed to arrivals, underscoring Ethiopia's geographic position at the crossroads of fragile borders and regional instability (Figure 1) (World Bank 2020). In response, the GoE has maintained an open-door policy and has increasingly aligned this approach with broader development goals to benefit both refugees and host communities.

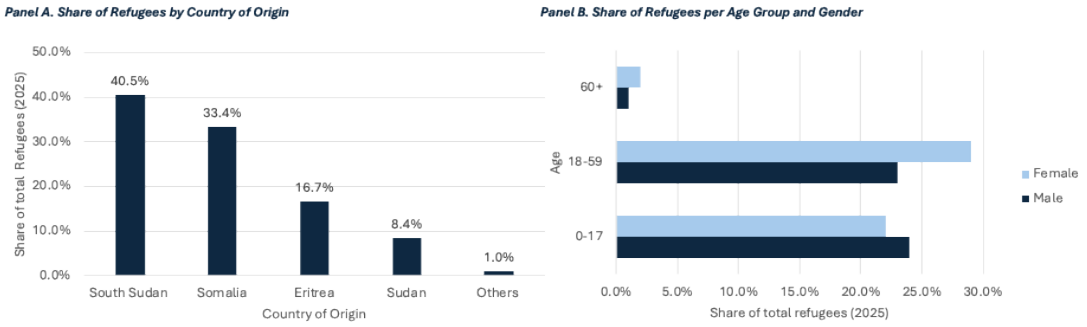
Figure 1. Trends in Refugee Population Hosted by Ethiopia (1970-2025)



Source: World Bank staff based on data from (UNHCR 2025b; World Bank 2025)

Ethiopia currently hosts over 1 million refugees and asylum seekers, primarily women and children from South Sudan, Somalia, and Eritrea, many of whom remain in the country for extended periods. As of May 2025, Ethiopia hosted approximately 1,079,460 refugees and asylum seekers.[6] The largest groups are from South Sudan (40.5%), Somalia (33.4%), and Eritrea (16.7%) (Panel A in Figure 2). Children account for 46 percent of the refugee population; adults, 51 percent; and the elderly, 3 percent, with females representing 52 percent overall (Panel B in Figure 2) (RRS-UNHCR 2025). Most live in protracted situations, with families often remaining for five years or more (World Bank 2020; 2024), highlighting the importance of long-term socioeconomic inclusion.

Figure 2. Refugees in Ethiopia by Country of Origin and Age-Gender Distribution (2025)



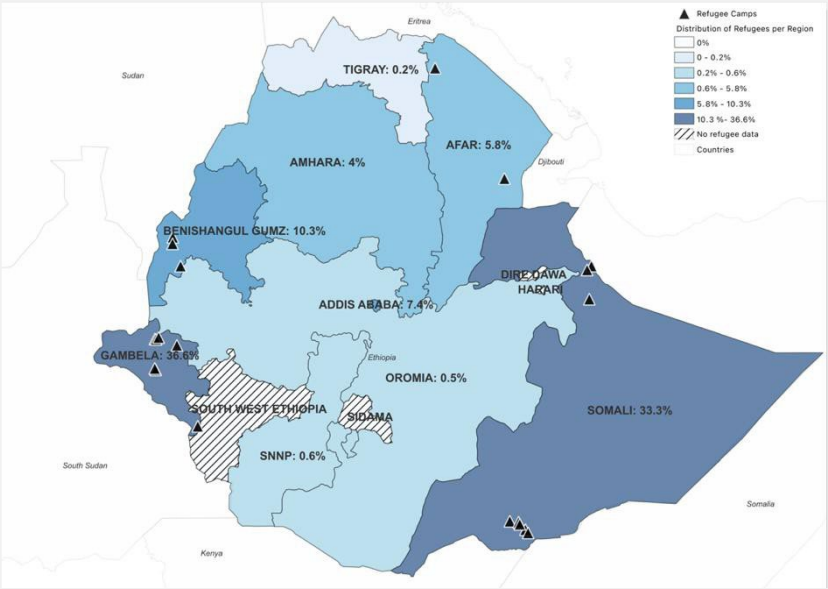
Source: World Bank staff based on data from (RRS- UNHCR 2025)

Most refugees reside in underserved regions, creating logistical and labor market integration challenges. Around 75 percent of refugees live in 27 camps and settlement sites located

[6] There were 1,008,356 refugees and 71,104 asylum seekers (RRS- UNHCR 2025). This figure represents 0.8 percent of Ethiopia's total population, which is 132 million (UN Population Division 2024).

In the border regions of Gambela, Somali, Benishangul-Gumuz, and Afar – some of the country's most remote and emerging areas. Another 17 percent of refugees reside in non-camp sites and settlements, while only 8 percent live in urban areas, such as Addis Ababa (Figure 3). This distribution reflects the Out-of-Camp Policy, which permits eligible refugees to reside outside camps under specific conditions.[7] Additionally, it considers the displacement caused by the conflict in Tigray (2020-2022), which disrupted camps and led to secondary movements toward cities and new settlements. While this arrangement facilitates humanitarian service delivery and cross-border management, it also limits access to economic opportunities and formal labor markets (World Bank 2020; 2024).

Figure 3. Geographic Distribution of Refugees Across Regions in Ethiopia (as of May 2025)



Source: World Bank staff, based on data from (RRS- UNHCR 2025).

Note: The map reflects Ethiopia's administrative boundaries as provided in the UNHCR dataset, which has not yet been updated to include the new regions. As of May 2025, UNHCR reported 14,638 refugees living in "Dispersed Locations" that are not included in the map. Ethiopia has 27 refugee camps and sites distributed across the following regions: Gambela (seven camps: Jewi, Kule, Tierkidi, Nguenyyiel, Pugnido, Pugnido 2, and Okugo; and one site: Akula), Somali (eight camps: Aw-barre, Sheder, Kebribeyah, Helaweyn, Buranmino, Bokolmanyo, Melkadida, and Kobe; and one site: Mirqaan), Benishangul-Gumuz (three camps: Sherloke, Tsore, and Bambasi; and one site: Ura), Afar (two camps: Aysaita and Barahle), Amhara (two sites: Alemwach and Aftit), and the sites in the cities of Mekele (Tigray region) and Addis Ababa. We recognize that

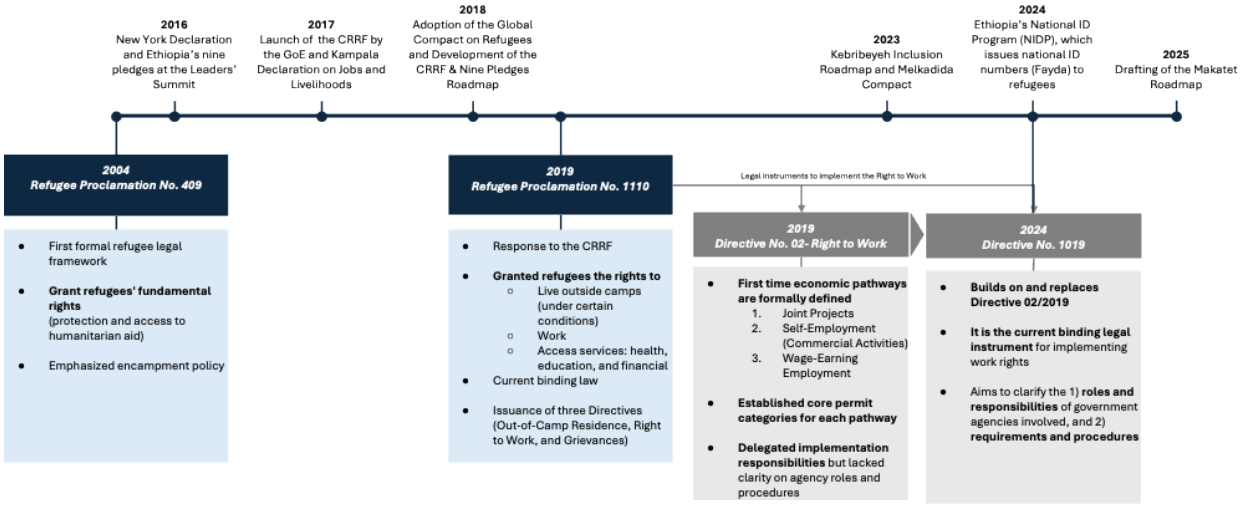
[7] This policy was formally established under the Directive to Determine Conditions for Movement and Residence of Refugees Outside of Camps (Directive No. 01/2019), but it was a procedure that existed prior to the Directive. Eligible refugees are typically those with relatives or means to support themselves outside camps.

refugee inflows are fluid and can change significantly within a given year; therefore, this information is based on the most up-to-date data to the best of our ability.

2.2 Evolution of the Refugee Legal and Policy Framework

Ethiopia has made significant legal strides to expand the rights of asylum seekers and refugees, promoting inclusion, and is supported by its commitments under the Comprehensive Refugee Response Framework (CRRF).[8] The country's legal framework has evolved significantly over the past two decades – from a basic protection regime in the early 2000s to a more progressive and inclusive system. Key legal instruments have anchored this progression: the 2004 Refugee Proclamation, the 2019 Refugee Proclamation, the 2019 Directive No. 2 on the Implementation of Refugees' Right to Work, and the 2024 Directive No. 1019 (Figure 4).

Figure 4. Key Milestones in the Evolution of the Legal and Policy Refugee Framework in Ethiopia



The 2004 Refugee Proclamation No. 409 laid the foundation for refugee and asylum seeker protection but maintained a predominantly camp-based model. It was the first comprehensive refugee law to define who qualifies as a refugee, grant protection against refoulement, and outline the rights and obligations of refugees and asylum seekers. It operationalized Ethiopia's commitments under the 1951 Refugee Convention, the 1967 Protocol, and the 1969 OAU Refugee Convention (Refugee Proclamation 2004). However, the policy remained focused mainly on humanitarian protection within a camp-based assistance model. While this law did not create the institutional authority, refugee management has since been entrusted to the Refugees and

[8] This is a global initiative under the 2016 New York Declaration for Refugees and Migrants that aims to improve refugee protection concerns and support host communities by promoting self-reliance, expanding access to rights and services, and fostering responsibility-sharing among stakeholders (UNHCR 2018). Ethiopia became one of the first pilot countries to roll out the CRRF in 2017, committing to a series of pledges at the Leaders' Summit on Refugees and the subsequent Global Refugee Forum.

Returnees Service (RRS), formerly known as the Agency for Refugee and Returnee Affairs (ARRA).[9]

The 2019 Refugee Proclamation No. 1110 marked a turning point by granting refugees the right to work under certain conditions. Adopted in the context of CRRF, the Proclamation broadened refugees' legal rights – including access to work under specified conditions, education and health services, a driver's qualification license, banking and financial services, and the acquisition and transfer of property on the most favorable terms accorded to foreign nationals – subject to applicable Ethiopian laws (Refugees Proclamation 2019). To operationalize these rights, the RRS introduced Directive No. 02, which outlined three economic opportunity pathways for refugees: 1) Wage-Earning Employment, 2) Self-Employment (also referred to as Commercial Activities), and 3) Joint Projects. Each path requires the following legal documents, respectively: work permits (WP), business licenses (BL), and residence permits (RP). For ease of reference, this paper uses the term *permits* to collectively refer to these three types of documents, unless otherwise specified. Permits are used in this analysis as the most concrete and measurable output of policy implementation.

The initial implementation under the 2019 Proclamation faced early procedural and coordination challenges**.** While the 2019 Refuge Proclamation and its accompanying Directives laid out the legal basis for refugees to access work and live outside camps, they fell short in practice due to the absence of clear templates, guidance on procedures, and inter-agency coordination mechanisms (World Bank 2020; 2024). As a result, permit take-up remained limited. According to administrative data, approximately 11,784 permits – about 41 percent of all permits issued between 2019 and 2025 – were issued during the period when the 2019 Directive was in place.[10]

The 2024 Directive No. 1019 replaced the 2019 Directive No. 02 and introduced more detailed operational guidance to address early implementation challenges. The new Directive responded to early bottlenecks by introducing standardized templates, clarifying institutional roles, and setting out more detailed steps for the issuance of RPs, WPs, and BLs[11] (Figure 5 and more details in Annex B) (Directive to Implement Recognized Refugees' and Asylum Seekers' Right to Work 2024). According to administrative data, in 2024 alone – following the introduction of the 2024 Directive – over 12,000 permits were issued,[12] representing around 43 percent of all permits issued between 2019 and 2025, indicating a marked improvement in operationalization. This

[9] RRS, formerly known as the Administration for Refugee and Returnee Affairs (ARRA), was re-established under Proclamation No. 1263/2021 with an expanded mandate to lead Ethiopia's national refugee response and coordinate integration efforts across government and partners. Its mandate was further strengthened under the Council of Minister Regulation No. 546/2024 (Refugees & Returnees Service 2023).

[10] The available data does not provide disaggregated figures by type of permit (i.e., WP, BL, and RP) per year. Therefore, this paper reports the aggregate number of permits issued. In 2021, 2,675 permits were issued. In 2022/23 9,109 permits were issued, of which 239 were BL.

[11] BLs and WPs are not legally restricted to camp-based activities. In principle, refugees who obtain them can engage in employment or business outside camps. In practice, however, refugees' ability to exercise the rights depends on their residence status – those authorized to live outside camps (e.g., through the Out-of-Camp Policy or residence permits) have broader opportunities, while camp-based refugees face significant practical barriers to working beyond camp boundaries.

[12] Directive No. 1019/2024 came into effect in August 2024. However, the administrative data groups all permits issued within calendar year 2024 (12,474 permits) and early 2025 (4,584 permits as of April). This paper assumes most permits in late 2024 and 2025 are likely under the new Directive.

policy reflects the GoE's continued efforts to bridge the gap between *de jure* legal rights and *de facto* outcomes for refugees. Complementing these legal instruments, the Makatet Roadmap[13] – currently under preparation and not yet finalized – serves as a non-binding but strategic framework to guide implementation, enhance coordination across institutions, and align refugee work rights with Ethiopia's broader jobs and self-reliance agenda.

Figure 5. Formal Economic Pathways for Refugees under Directive No. 1019/2024[14]

	Economic Pathway	Main Activity	Permit/License	Responsible Agency
01	Joint Projects	Jobs in development projects for refugees and host communities	Residence Permit (RP)	RRS
02	Self Employment (Commercial Activities)	Own business	Business License (BL) (with TIN)	MoTRI + MoR + RRS
03	Wage Earning Employment	Employment by firms	Work Permit (WP)	MoLS

3 Assessing the Implementation of the Refugee Work Rights Policy: Take-up of Economic Opportunity Permits

Permit issuance is highly concentrated in the Gambela and Somali regions, with residence permits being the dominant type. As of April 2025, the GoE had issued 28,842 permits to refugees. Most (73 percent) were residence permits, which enable participation in Joint Projects or authorize residence outside camps under certain conditions. In practice, a large share of these permits has been issued to refugees who continue to live in camps and are engaged in either informal activities or wage employment with agencies assisting refugees in camp settings (i.e., Joint Projects). Business licenses (23 percent) and work permits (4 percent) remain relatively uncommon, indicating that entrepreneurship and formal wage employment are still limited. The Gambela and Somali regions account for nearly 68 percent of all permits issued (Figure 6). This is consistent with population patterns, as these regions host a large share of the total refugee population.[15]

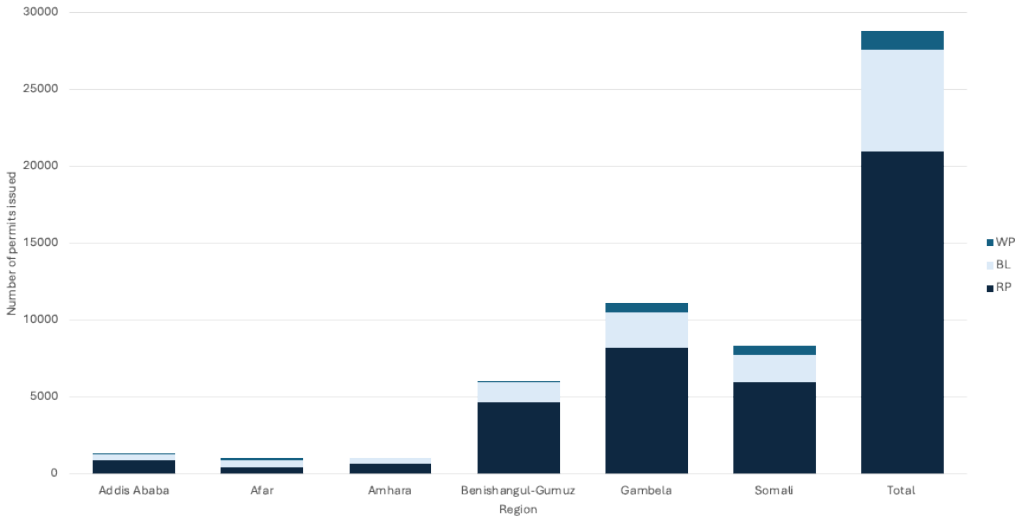
[13] Draft plan being prepared by the GoE to include refugees in its national systems. At the time this paper was written, the Roadmap was still under preparation and has not yet been finalized or formally approved.

[14] Under Directive No. 1019/2024, self-employment is operationalized through a Business License issued via the Ministry of Trade and Regional Integration (MoTRI) and a Tax Identification Number (TIN) issued by the Ministry of Revenue (MoR). Residence authorization (the RP) governs where a refugee may live, but it is not stated as a precondition for obtaining a BL in the 2024 Directive. The 2019 Directive No. 02, on the other hand, referenced RP more explicitly as a pre-requisite for self-employment or commercial activities.

[15] Permit issuance data from RRS reflect the administrative branch office where permits were processed, not necessarily the region where refugees reside or engage in livelihood activities. RRS has seven branch offices in major refugee-hosting regions and the capital city, Addis Ababa, where there is both an urban branch office and RRS Head Office. Additional liaison offices exist in other locations, but these are not the focus of this paper. For this analysis, regional-level data is presented, with the two Somali branch offices grouped together.

However, they may not offer the strongest economic opportunities, raising questions about geographic alignment between refugee settlement patterns and labor market demand.

Figure 6. Absolute numbers by permit type and region (2025)

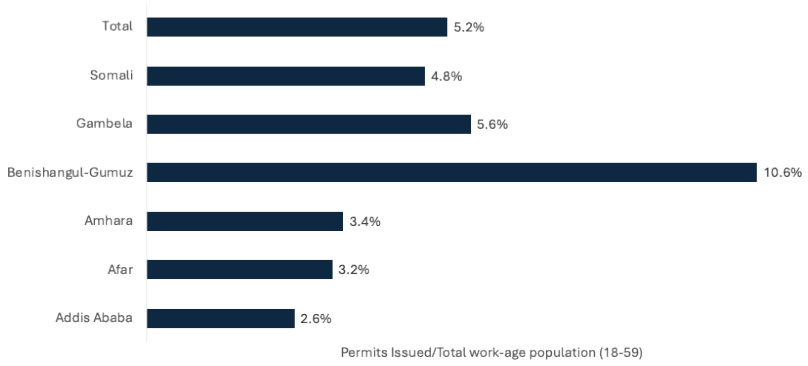


Source: World Bank staff based on data from (RRS 2025)

Take-up of permits remains low relative to the size of the working-age refugee population, with only 5.2 percent[16] of refugees aged 18-59 holding any permit nationwide, underscoring the limited reach of Ethiopia's work rights policy in practice. Regional take-up rates vary significantly: Benishangul-Gumuz stands out with 10.6 percent, followed by Gambela (5.6 percent) and Somali (4.8 percent), while all other regions fall below 4 percent (Figure 7). The comparatively high rate in Benishangul-Gumuz may be linked to its smaller refugee population, more open camp settings that allow greater mobility, and NGO-supported livelihood opportunities, as well as cross-border economic links with Sudan and South Sudan. These differences suggest that demand for permits is influenced not only by refugee population size but also by the local economic conditions, availability of formal employment, and the perceived costs and benefits of formalization. The following section provides an in-depth examination of the most likely reasons for low permit uptake.

[16] The working-age population is defined as refugees aged 18-59, based on UNHCR-RRS registration data (2025). The 5.2% figure is calculated by dividing the total number of permits issued as of April 2025 (28,842) by the estimated working-age refugee population (approximately 550,000 individuals). Similar estimations were made for Figure 7.

Figure 7. Take-Up of Work Permits as a Percentage of the Working-Age Population by Region

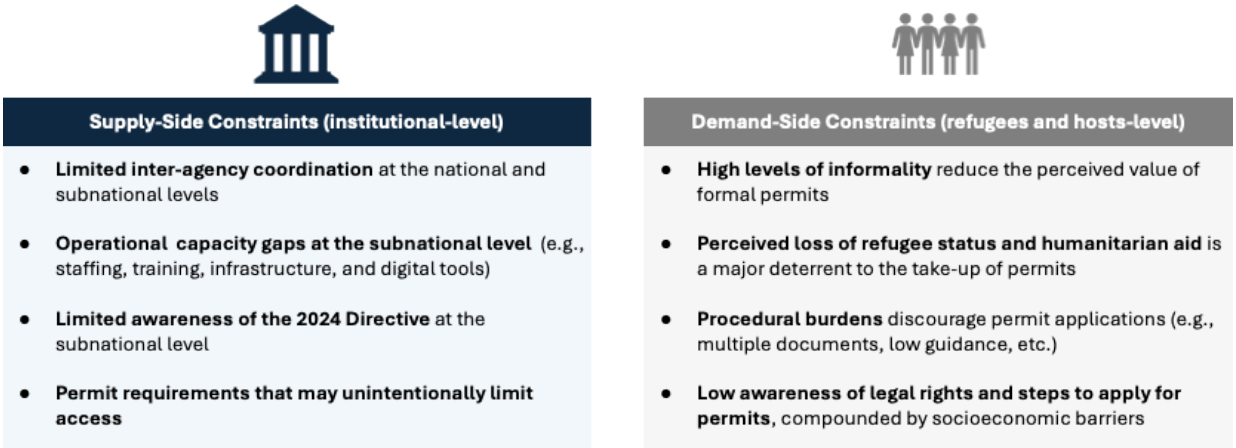


Source: World Bank staff based on data from (RRS 2025) and (RRS- UNHCR 2025)

4 Lessons Learned from the Implementation of the Refugees' Right to Work

The early implementation of Ethiopia's refugee work rights policy has revealed several supply and demand challenges that may be worth addressing to strengthen permit uptake and ensure meaningful access. Drawing on interviews, document reviews, and administrative data available to date, this section presents an initial reflection on the constraints that appear to shape the implementation environment. These constraints – while not exhaustive – may be considered in future discussions to inform efforts that are responsive to local conditions. They are grouped into supply- and demand-side challenges (Figure 8), recognizing that these interact with the informal nature of Ethiopia's labor market and its unique humanitarian governance model.

Figure 8. Key Implementation Challenges to Refugee Work Rights: Supply-and Demand-Side Constraints



4.1 Supply-Side: Institutional and Operational Challenges

Inter-agency coordination remains limited, slowing the operationalization of work rights. Directive 1019/2024 outlines the roles for the RRS, the Ministry of Labor and Skills (MoLS), the Ethiopian Investment Commission, the Ministry of Trade and Regional Integration (MoTRI), and the Ministry of Revenue (MoR), as well as mandates the establishment of a joint committee comprising these entities. However, evidence from program reviews and stakeholder interviews suggests that this committee has not translated into effective coordination on the ground. In particular, gaps remain in the inclusion of the MoTRI and MoR in the joint processes, such as TIN and business license issuance.[17] As a result, coordination among agencies remains limited, contributing to delays, inconsistent procedures across regions, and difficulties in operationalizing refugees' right to work (Refugees and Returnees Service (RRS) 2024; Ethiopian Investment Commission 2024). In addition, while the legal framework provides an ambitious basis for refugee economic inclusion, the transition toward a self-reliance model requires sustained alignment across governments at all levels and development partners. Early evidence suggests that organizational incentives and entrenched practices may sometimes hinder the shift from a humanitarian approach to a development-oriented model, contributing to the gap between policy commitments and actual permit take-up.

Subnational capacity gaps affect the consistency and efficiency of service delivery. Subnational-level offices – especially in remote regions – often lack the tools, staffing, and training necessary to process permit applications reliably (Ethiopian Investment Commission 2024). In some locations, staff are unfamiliar with permit procedures or unable to perform basic functions such as verifying documents or issuing printed permits. These constraints reduce the ability to deliver timely services and may contribute to geographic disparities in uptake.

Inconsistent implementation is reinforced by limited procedural clarity and low awareness among key actors**.** Despite national-level guidance, frontline implementation relies on subnational officials who often lack standardized guidance on how to apply it. This leads to discretionary practices and confusion. Interviews revealed that eligibility criteria and required documentation are sometimes used differently across regions. Moreover, employers – particularly those operating in informal or rural labor markets – may be unaware that hiring refugees is legally permissible, reducing the chances that permits are used even when granted (Refugees and Returnees Service (RRS) 2024).

Administrative requirements, while they have been essential milestones for inclusion, can still pose practical challenges for refugees. The legal framework rightly aims to integrate refugees into national systems, and measures such as the Fayda ID and Tax Identification (TIN) represent significant achievements toward equal treatment with Ethiopian nationals, supported by the GoE and partners. RRS also provides fee waivers for refugees based on financial need, further facilitating access. At the same time, in practice, the system often requires refugees to present a

[17] As shown in Figure 11 in the Annexes, the issuance of BLs requires approval from multiple government actors.

job offer or proof of self-reliance before receiving a WP or RP – effectively making employment a prerequisite for employability. Combined with the need to secure multiple documents, these requirements can remain complex in remote or resource-constrained settings, where limited awareness, administrative capacity, and transaction costs may discourage refugees from applying.

4.2 Demand-Side: Refugee-Level Challenges

In a predominantly informal labor market, many refugees see little added value in obtaining formal permits. Ethiopia is characterized by a very high level of informality, with estimates suggesting that more than 80 percent of workers are engaged in informal employment (von der Goltz et al. 2024). Despite legal reforms, most economic activities accessible to refugees remain informal and do not require documentation. According to the Socio-Economic Survey of Refugees in Ethiopia (SESRE) data, among the 25 percent employed in-camp refugees, 71 percent are self-employed, mainly in lower-skilled and informal occupations. Around 40 percent report working outside their designated camps without a permit (World Bank 2024). In this context, the perceived benefits of formalization – such as better jobs or legal protections – may not outweigh the costs or effort required.

The perceived loss of refugee status and humanitarian assistance is a major deterrent to the uptake of permits. Some refugees fear that applying for permits could expose them to legal scrutiny, status revocation, or jeopardize their prospects for resettlement.[18] Others prefer to remain within camp settings, where community ties and perceived safety are stronger. While the 2024 Directives do not explicitly state that refugees must forfeit humanitarian aid when obtaining an RP, WP, or BL, uncertainties remain around how permit holders are classified. Some local actors may interpret permit issuance as a signal of self-reliance, which could impact their perception of eligibility for assistance. For many refugees, the potential loss of this predictable support is a significant risk, particularly as 78 percent of in-camp refugees rely on humanitarian aid as their primary source of income (World Bank 2024). As formal employment opportunities remain scarce and income from informal self-employment activities is unstable, the possibility of losing essential aid can outweigh the perceived benefits of legal pathways to work, discouraging refugees from formalizing their economic activities. At present, a blanket of humanitarian assistance modality remains in place, though the draft Makatet Roadmap envisions a gradual transition toward a graduation model and targeted humanitarian support.

Complex procedures and limited support discourage refugees from navigating the formal permit system**.** Refugees often face difficulties understanding and completing the required steps to obtain an RP, WP, or BL. The need to secure multiple documents, combined with limited administrative assistance and high transaction costs, makes the process burdensome – particularly for individuals in remote camp settings (RRS & UNHCR 2025). Interviews suggest that many

[18] According to the Socio-Economic Survey of Refugees in Ethiopia (SESRE), most refugees express a desire to resettle in a Western country in the next three years, and one-third believes this outcome is realistic, despite resettlement rates being consistently below 2 percent globally (World Bank 2024).

refugees do not receive adequate guidance, which contributes to confusion, delays, and ultimately, disengagement from formal systems.

Limited awareness of rights and procedures, combined with structural disadvantages, constrain the take-up of permits. Interviews suggest that many refugees are unaware of the content of the 2024 Directive or are unclear about the process for obtaining a work, business, or residence permit. Misunderstandings around eligibility criteria, application steps, and the benefits of legal work authorization – such as freedom of movement – contribute to low demand. These information gaps are compounded by broader socioeconomic constraints: many refugees live in remote areas, have limited literacy, and face financial and mobility challenges that make it difficult to engage with formal systems (RRS & UNHCR 2025; World Bank 2024).

5 Policy Recommendations to Overcome These Challenges

Building on the Makatet Roadmap and other ongoing efforts, this paper proposes four interlinked potential policy recommendations. Together, they aim to i) strengthen coordination across national and subnational agencies, ii) foster community engagement and behavioral change, and iii) expand practical livelihood opportunities for refugees that reflect the structure of Ethiopia's economy. These interventions can serve as entry points for broader system-level reforms and help generate evidence to inform future scale-up. Strengthening administrative data systems – particularly for tracking permit issuance, renewal, and disaggregation by gender, age, location, and sector – will also be crucial for monitoring progress and guiding policy adjustments. Figure 9 summarizes the proposed policy levers.

Figure 9. Potential Policy Interventions to Boost Refugee Work Permit Take-Up and Economic Inclusion

Policy Recommendation	Rationale and Description
1. Expand livelihood and area-based economic development programs for refugees tailored to the labor market realities	**Rationale:** Traditional livelihood programs often assume wage employment, but in refugee settings – especially where informality is widespread- most income is generated through self-employment or small-scale entrepreneurship. Tailoring interventions to support microenterprise development, market integration, and access to financial services can make the application for permits more relevant for refugees.[19] At the same time, the GoE and partners could consider introducing a gradual transition to self-reliance, allowing refugees who obtain permits to retain some humanitarian assistance for a defined period. This would reduce the

[19] In displacement-affected, informal labor markets, self-employment and household enterprises are often the primary income sources for refugees – and programs tailored to those realities are more cost-effective and inclusive than formal wage-placement schemes (von der Goltz et al. 2024; Barberis et al. 2022). A randomized field experiment in Jordan found that job search assistance yielded only small employment gains for refugees, highlighting the limited effectiveness of formal labor market programs in highly informal, displacement-affected settings (Caria et al. 2023).

	immediate risk of income loss and encourage more refugees to formalize their economic activities. In parallel, Ethiopia's recent "human settlement" approach – locating newly displaced populations in more economically viable areas – offers an opportunity to better align refugee inclusion with local development. Broadening the focus from refugee-specific livelihoods to area-based local economic development that benefits both refugees and host communities can help reduce pressure on parallel systems and foster a more conducive environment for labor market integration. **Description**: Livelihood programs for refugees and host communities in Ethiopia could prioritize self-employment and informal-to-formal transitions. Even when further evaluation is needed, promising areas for adaptation include: • Link refugees to appropriate financial services beyond opening a savings account. • Target both urban and rural areas[20] to ensure inclusion of host communities and access to diverse markets • Coordinating with humanitarian agencies to pilot phased reduction of aid benefits for permit holders, rather than abrupt cessation, to ensure a sustainable transition to self-reliance
2. Introduce performance-based incentives for subnational governments	**Rationale:** Subnational governments are central to permit issuance but often face low incentives and capacity to prioritize refugee inclusion. In contexts of limited funding, performance-based approaches can help motivate local actors to improve performance and service innovation to drive faster permit uptake.[21] **Description:** To promote more equitable implementation, the federal government could launch a competitive incentive pilot for subnational governments. Regions that meet refugee permit issuance targets or successfully introduce service delivery innovation could receive technical or financial support. Incentives could be structured as additional funding or access to a revolving fund, with disbursements contingent on meeting agreed performance indicators. This approach could encourage decentralized ownership of refugee polices and strengthen accountability. Once tested, the pilot could be scaled to other regions based on impact.
3. Enable refugee mobility to	**Rationale:** Although permits provide movement flexibilities beyond camps, take-up remains very low – only about 5.2 percent of the working-

[20] Ethiopia's economy remains predominantly rural, with agriculture employing 66 percent of the workforce. Employment in rural areas is largely informal and dominated by self-employment, highlighting the importance of designing labor market interventions tailored to rural and informal contexts (Strollreiter and Traub-Merz 2023).

[21] Results-based financing is increasingly used in forced displacement contexts to promote service delivery innovation and accountability (GPRBA 2024). Uganda's Support to Municipal Infrastructure Development Program (USMID) demonstrates how Results-Based Financing can incentivize subnational governments. Disbursements to municipalities are given conditional on the achievement of indicators such as service delivery and infrastructure in refugee-hosting municipalities, rewarding high-performing localities with additional resources while reducing allocations to underperformers. This accountability framework helped strengthen local capacity and improve service provision in areas with large refugee populations.

economic zones	age refugee population holds a permit. As a result, most refugees continue to reside in camp settings. In practice, administrative hurdles, social dynamics, and limited economic opportunities outside camps reinforce this concentration. Evidence shows that refugees living closer to economic centers have significantly higher employment rates, suggesting that expanding legal and practical mobility could reduce geographic mismatched between refugee populations and labor demand, improving both economic outcomes and integration prospects.[22] **Description:** The GoE could gradually transition toward a more flexible legal and administrative regime that allows refugees to move more easily to economic centers. By addressing both low take-up of permits and existing settlement patterns, this approach could better align refugee locations with labor market opportunities.
4. Engage local community leaders to promote legal access to economic opportunities	**Rationale:** Refugee and host community leaders can serve as trusted messengers to increase awareness, address misinformation, and build confidence in formal processes. Community-based outreach is especially valuable in low-trust, resource-constrained settings where top-down information campaigns often fail to resonate.[23] **Description:** The GoE can pilot interventions where through targeted training and small-grants, community leaders can become agents of awareness-raising around the practical benefits of RP, BL, and WP (e.g., protection of labor rights, access to better wages, etc.).

6 Conclusion

Ethiopia's recognition of refugee work rights is a landmark reform, but implementation remains constrained by gaps between the de jure commitments and the de facto practical access. Despite the formalization of work, business, and residence permits, take-up remains limited due to a combination of institutional fragmentation, operational capacity shortfalls, and weak demand-side incentives. These challenges are compounded by broader structural factors, including a predominantly informal economy and longstanding humanitarian governance models.

Given the decline in humanitarian funding, adaptive and cost-effective innovations will be essential to sustain progress in the socioeconomic integration of refugees. As Ethiopia navigates shrinking aid budgets,[24] cost-effective and context-appropriate solutions will be fundamental. The

[22] SESRE results show refugees within 10km of zonal capitals have employment rates of 59% (men) and 47% (women), compared to approximately 34% and 23% at 100 km distance (World Bank 2024).

[23] In fragile settings, the inclusion of refugee representative and trusted community actors can enhance awareness, build trust, and improve access to services (UNDP 2018). Evidence from a regularization campaign targeting Venezuelan migrants in Colombia shows that digital nudges via WhatsApp were largely ineffective, suggesting that alternative approaches – such as more personalized or community-based outreach – may be better suited for low trust, hard-to-reach populations (Urbina et al. 2023).

[24] UNHCR reported that budget constraints have forced reductions in health, nutrition, and protection services, placing nearly 13 million displaced people at risk globally, including refugees in Ethiopia's Gambela and Somali regions, where the cuts have led to service shutdowns and rising maternal and newborn mortality (UNHCR 2025a). The World Food Programme has halted food aid to millions due to the funding crisis, citing resources exhaustion and increasing humanitarian needs in drought-affected areas (UN News 2025).

four policy recommendations proposed in this paper can offer actionable entry points to strengthen the implementation of the right to work policy. Further consultation, localization, and iterative adaptation will be crucial to ensuring context-sensitive interventions that can transform legal rights into meaningful economic opportunities for both refugees and host communities.

References

Barberis, Virginia, Laura Brouwer, Jan von der Goltz, et al. 2022. *Cost-Effectiveness of Jobs Projects in Conflict and Forced Displacement Contexts*. No. 72. Jobs Working Paper. The World Bank Group. https://openknowledge.worldbank.org/server/api/core/bitstreams/2e5477f6-c863-51e7-b9c8-6ae9010533e2/content.

Caria, Stefano, Grant Gordon, Maximilian Kasy, Simon Quinn, Soha O. Shami, and Alexander Teytelboym. 2023. "An Adaptive Targeted Field Experiment: Job Search Assistance for Refugees in Jordan." *Journal of the European Economic Association* 22 (2). https://doi.org/10.1093/jeea/jvad067.

Directive to Implement Recognized Refugees' and Asylum Seekers' Right to Work, Pub. L. No. Directive No. 1019/2024 (2024). https://www.refworld.org/legal/decreees/natlegbod/2024/en/148630.

Ethiopian Investment Commission. 2024. *Report on Key Achievements, Challenges and Lessons Learned in Implementing the Economic Opportunity Program*. Internal Document. Ethiopian Investment Commission.

Goltz, Jan von der, Kirsten Schuettler, Julie Bousquet, and Tewodros Aragie Kebebe. 2024. *The Labor Market Impact of Forced Displacement: Jobs in Host Communities in Colombia, Ethiopia, Jordan, and Uganda*. The World Bank. https://openknowledge.worldbank.org/entities/publication/98f29351-1fac-4aac-a0dd-1b6886941a0a.

GPRBA. 2024. *Using Results-Based Financing to Address Forced Displacement in Cities*. Global Partnership for Results-Based Approaches (GPRBA). World Bank.

Refugee Proclamation, Pub. L. No. Proclamation No. 409/2004, 54 Federal Negarit Gazeta 2660 (2004). https://data.unhcr.org/es/documents/details/62644.

Refugees & Returnees Service. 2023. "History of RRS." Government Official Website. FDRE Refugees & Returnees Service. https://rrs.et/history-of-rrs/.

Refugees and Returnees Service (RRS). 2024. *Lessons Learned from Implementing RRS's DLRs in the Economic Opportunities Program (EOP)*. Internal Document. Refugees and Returnees Service.

Refugees Proclamation, Pub. L. No. Proclamation No. 1110/2019, 38 Federal Negarit Gazette 11075 (2019).

RRS. 2025. *Implementation Status & Results of the Economic Opportunities Program*. Internal Document. RRS.

RRS & UNHCR. 2025. *Makatet Roadmap: Ethiopia's Multisectoral Roadmap for the Inclusion of Refugees and Host Communities*.

RRS- UNHCR. 2025. *Ethiopia: Refugees and Asylum-Seekers*. Data & Statistics, Population Profiling. Refugees and Returnees Service & UNHCR. https://data.unhcr.org/en/documents/details/116815.

Strollreiter, Susanne, and Rudolf Traub-Merz. 2023. *Working in the Shadows: Informal Employment in Ethiopia*. Friedrich Ebert Stiftung.

UN News. 2025. "Hunger Stalks Ethiopia as UN Aid Agency Halts Support amid Funding Cuts." *UN News- Global Perspective Human Stories*, April 22.

UN Population Division. 2024. "World Population Prospects 2024." https://data.worldbank.org/indicator/SP.POP.TOTL?locations=ET.

UNDP. 2018. *Improving Livelihoods and Economic Opportunites for Syrian Refugees and Host Communities*. UNHCR-UNDP Joint Secretariat. https://www.undp.org/sites/g/files/zskgke326/files/migration/arabstates/Livelihoods-Sector-Brochure-no-crop-marks.pdf.

UNHCR. 2018. *From Commitment to Action: Highlights of Progress Towards Comprehensive Refugee Responses Since the Adoption of the New York Declaration*.

UNHCR. 2024. "Refugee Data Finder." https://www.unhcr.org/refugee-statistics/download.

UNHCR. 2025a. *On the Brink: The Devasting Tool of Aid Cuts on People Forced to Flee*. https://www.unhcr.org/sites/default/files/2025-07/unhcr-on-the-brink-report-july-2025.pdf.

UNHCR. 2025b. "Streamgraph: EHAGL | IGAD- Refugees and Asylum Seekers By Country of Origin| 1970-2024." Data & Statistics. June 24. https://data.unhcr.org/en/documents/details/117157.

Urbina, Maria José, Andrés Moya, and Sandra V. Rozo. 2023. *The Fine Line between Nudging and Nagging: Increasing Take-Up Rates through Social Media Platforms*. World Bank Policy Research Working Papers.

World Bank. 2020. *Impact of Refugees on Hosting Communities in Ethiopia: A Social Analysis*. The World Bank. https://documents1.worldbank.org/curated/en/635601596178405461/pdf/Impact-of-Refugees-on-Hosting-Communities-in-Ethiopia-A-Social-Analysis.pdf.

World Bank. 2024. *Expanding Development Approaches to Refugees and Their Hosts in Ethiopia*. The World Bank. https://openknowledge.worldbank.org/entities/publication/90c4c9a2-dd96-46cc-ad6a-d1b1626802f7.

World Bank. 2025. "World Development Indicators (WDI) Database." July 3. https://datacatalog.worldbank.org/search/dataset/0037712.

Annexes

Annex A. Methodology and Interviews

The analysis employs a mixed-methods approach, combining document review, administrative data analysis, and qualitative interviews. The desk review includes legal texts, government implementation reports, and technical reports from the United Nations High Commissioner for Refugees (UNHCR), the World Bank, and researchers (see Figure 10). Quantitative data includes administrative records on the number and types of permits issued, as well as disaggregated figures available by year and geography. The data is triangulated with qualitative insights from semi-structured interviews with key stakeholders, including government officials, development partners, researchers, and in-country World Bank experts who identify operational bottlenecks and context-specific implementation challenges. This approach enables a comparative analysis of the *de jure* policy framework and the *de facto* realities of implementation on the ground.

Moreover, the analysis spans the period from 2004 to 2025 and draws on administrative data and stakeholder interviews conducted between June and July 2025. While informative, the analysis has limitations; interviews were primarily conducted with government and development partners, and did not directly capture the perspectives of refugees, civil society actors, private sector employers, or officials at the subnational level. As a result, some cultural and social dynamics, market realities, and implementation challenges at the local level could not be fully explored.

Figure 10. Summary of Key Informant Interviews

Organization	Position Type	Level	Number of interviews
World Bank	Technical staff	Global and country-level	6
Academic Institutions	Lead researchers	Global	2
Refugees and Returnees Service (RRS)	Government implementers	Country-level	3
UNHCR	Program and policy officer	Country-level	1

Note: This summary reflects 12 semi-structured interviews conducted between June and July 2025 with experts and officials working on refugee labor market integration in Ethiopia. The table is anonymized to preserve confidentiality.

Annex B. Employment Pathways for Refugees under Directive No. 1019/2024

Figure 11 summarizes the three main types of economic opportunity pathways for refugees under Ethiopia's Directive No. 1019/2024: 1) Joint Projects, 2) Self-Employment, and 3) Wage-Earning Employment. These three categories represent distinct economic opportunity pathways, each with its own eligibility conditions, procedural requirements, and administrative processes. While the Directive defines these pathways in terms of the type of economic activity (Article 4), in practice, they are operationalized through the issuance of specific permits – Residence Permits (RP), Work Permits (WP), or Business Licenses (BL)- depending on the pathway pursued.

For analytical purposes, this paper focuses on permit issuance data, as permits serve as the formal entry point into these pathways and are the most consistently recorded administrative metric. While economic pathways help frame the types of opportunities accessible to refugees, permit data offers a concrete measure of take-up and implementation progress under the current

regulatory framework. Figure 11 aims to clarify the requirements and distinctions among the three pathways.

Figure 11. Comparative Overview of Employment Pathways for Refugees under Directive No. 1019/2024

	1. Joint Projects	2. Self-Employment (Commercial activities)	3. Wage-Earning Employment
Document needed to access	Residence Permit (RP)	Business License (BL) + TIN	Work Permit (WP)
Definition	Jobs in development projects benefiting refugees and host communities. Economic benefits are created through external financing	Businesses operate individually or in groups of refugees	Jobs for an employer in a formal job in exchange for wages in both permanent and temporary forms.
Who applies?	Refugee, after being selected by RRS/project	Refugee, with RRS support letter	Employer or refugee
The institution to which refugees apply for a permit	RRS	Ministry of Trade and Regional Integration + Ministry of Revenue + RRS	Ministry of Labor and Skills
Process to get the permit	RRS selects a refugee → refugee submit application to RRS	Apply with a support letter → register business name + TIN + license	Submit application + ID +job contract + RRS letter
Requirements	To apply for the RP under this pathway, the following documents are needed: • Refugee ID • Application form • Photos • Project offer letter • Family documents (if needed)	To apply for the BL, the following documents are needed: • Refugee ID • Business name registration • Tax Identification Number (TIN) • RRS support letter	To apply for the WP, the following documents are needed: • Application form • Personal history form • RRS ID (refugee status) • Employer license • Contract
Renewal	Every 5 years	Per business license law	Annually
Permit restrictions	Tied to specific project and location	Tied to registered activity and location	Tied to specific employer and job
Exceptions	Refugees who are married to an Ethiopian national or have children with Ethiopian nationality do not need a work permit or residence permit.		

Source: Own creation based on (Directive to Implement Recognized Refugees' and Asylum Seekers' Right to Work 2024)