The Cost of Living Crisis for Urban Displaced People in East Africa: The Role of Inclusive Social Protection

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Executive Summary

The ongoing cost of living crisis is pushing people into poverty globally, with the East Africa region particularly affected by food scarcity and price inflation due to high food import dependency and a severe drought. Among those most affected are vulnerable host communities and displaced populations in urban areas, who are affected by rising cost of services, transport and food. Displaced people in particular are at risk of being deprived of assistance. The International Rescue Committee (IRC) and its partners witnessed their clients in Nairobi and Kampala suffering from the effects of high inflation, rising debt and food insecurity and inability to meet basic needs.

Shock responsive social protection systems are crucial to support vulnerable populations during this economic crisis. However, while access to this support is a human right, urban displaced populations tend to be excluded from national social protection systems. In Kenya and Uganda, national social protection is focused largely on citizens. Ideally, humanitarian assistance in the form of cash transfers would be deployed to fill the gaps of national safety nets, however, so far this kind of support has been insufficient and largely confined to camps or rural settlements. Few donors directly support city authorities and urban communities that host refugees. These structural gaps were highlighted by the COVID-19 crisis response which was a missed opportunity to meaningfully shift social protection approaches to become more inclusive.

The lack of safety nets to protect refugees and vulnerable host residents from the impact of the crisis undermines achieved or planned development gains. As governments, bilateral and multilateral donors establish a response to support affected populations in East Africa, they should draw lessons from the COVID-19 response and ensure assistance is provided without discrimination based on refugee status or location. While inclusive social protection systems are being set up, immediate multi-purpose cash assistance should be scaled for the urban displaced who have been chronically underfunded.

We therefore recommend that:

- Humanitarian and development donors rapidly increase funding to scale and ensure inclusion of the urban displaced in humanitarian cash and social protection measures.
- Donors and humanitarian frontline responders should coordinate closely with national and city governments, to support targeting and last mile delivery of social protection services that ensures the inclusion of urban displaced populations.
- Host governments should ensure the urban displaced populations can meet the eligibility criteria of registration processes for social protection.
- Private sector and host governments should remove barriers to access affordable financial and digital services to ensure that humanitarian and social cash transfers are inclusive of and effective for urban refugees.
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1. Urban poor disproportionately affected by the cost of living crisis

Long term economic impacts from the COVID-19 pandemic coupled with supply chain disruptions and price spikes in key commodities resulting from the conflict in Ukraine have had a detrimental impact on the cost of living globally. People in low-income countries who were already impacted by a vicious cycle of conflict and climate shocks face increasing poverty and hunger. Among those most affected by the current cost of living crisis are the urban poor, including urban refugees and asylum seekers. The IRC’s programme monitoring finds the rising cost of services, transport and food, coupled with exclusion from humanitarian assistance and social protection measures, have exacerbated the impact of the crisis in Kampala and Nairobi (see Box 1) particularly for displaced people.

Globally, the crisis has pushed 71 million people into poverty in developing countries and these numbers continue to grow. The East Africa region is particularly affected, as it relies on Russia and Ukraine for 90% of its wheat imports, and drought - the longest and most severe in decades - is further exacerbating food scarcity and price inflation. The drought is also driving more people towards urban areas, capitals as well as secondary cities, increasing pressure on already limited resources.

Kenya is one of the top 10 countries at risk of facing the highest poverty impacts of increased energy and food prices. Kenya experienced an inflation rate of 9.2% percent in September 2022 with more than a 50% price increase on basic foods over the last one year. 60% of Nairobians live in slums or informal settlements which are also the areas where urban refugees reside and are characterised by poor wages and unstable incomes. Those living in informal settlements pay more money for low quality housing and access to basic services. Urban poor households often remain indebted to money lenders as they send remittances to rural households in their home areas.

In Uganda, prior to the current crisis and as a result of the Covid-19 pandemic, communities in slums had already experienced worsening food security and increased health risks, with 51% having experienced limited access to clean drinking water. Refugees in particular were vulnerable to hunger as a result of the lockdowns, and struggled with Kampala’s high cost of living. These challenges have been compounded by the cost of living crisis with Uganda’s annual inflation rate reaching 10% in September 2022 - the highest reading since 2012, with inflation on food products as high as 18%. 
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Box 1: Host communities and refugees are suffering in Kampala and Nairobi

The International Rescue Committee (IRC) and its partners in the Re:Build “Refugees in East Africa: Boosting Urban Innovations for Livelihoods Development programme”\textsuperscript{14}, are working to improve economic self-reliance for 20,000 urban refugees and host communities in Kampala and Nairobi. Programme monitoring finds that Re:Build clients are heavily impacted by the current crisis and both urban refugees and hosts’ vulnerability continue to increase. Based on the Self Reliance Index\textsuperscript{15} (SRI), IRC and its partners found that in both Nairobi and Kampala, clients were experiencing increasing indebtedness and difficulties in paying rent. Food insecurity has increased in Nairobi as clients reduce the number of meals per day and size of their meals. Over 40% of female clients in Nairobi and 34% in Kampala have had to sell household assets to buy food (up from 28% at the start of the programme).

Figure 1: Coping Strategy Index (CSI)\textsuperscript{1}

This is confirmed by feedback from clients who dropped out of Re:Build’s services in both cities as they could no longer afford to participate in the programme due to for example high transportation costs to training centres and programme locations. “I attended 3 times and dropped out because I failed to get transport. We usually get reimbursement after completing the month but how do I travel with the high fares yet I must buy food to feed my family” (IRC client in Kampala). Generally, most clients are suffering from effects of high inflation and rising debt and increasing inability to meet basic needs. Re:Build addressed this by increasing transportation stipends and frequency of client feedback mechanisms to ensure drop outs are avoided.

In Nairobi, urban refugee saving and loan groups supported by Re:Build experienced diminishing savings and repayment of loans between March 2022 and June 2022. Within the five savings groups, average monthly member contributions decreased from KES 200 to KES 100 per month. Most saving group members were also unable to consistently contribute due to low purchasing power. This is attributed to an increase in food prices which lead to income diversion with little or no surplus to save or pay debt.\textsuperscript{16}

The situation is made worse for forcibly displaced people in both cities due to policy and practice barriers that exclude them from humanitarian assistance and social protection. It is therefore vital that any response designed to support crisis affected countries in East Africa is a coordinated effort between bilateral and multilateral donors, the national and municipal governments with responsibility and humanitarian organisations to include vulnerable displaced urban populations.

\textsuperscript{1} The Livelihood Coping Strategy Index (LCSI) is an indicator of a household’s food security assessing the extent to which households use harmful coping strategies when they do not have enough food or enough money to buy food. The findings are based on the client’s outcome survey conducted at baseline upon joining service and 3 months after completion of service. The programme has conducted 962 baseline surveys (Uganda 497, Kenya 455); and 149 3-month surveys (Uganda 83, Kenya 66).
2. Exclusion of urban poor and displaced from national social protection

Falling short of international obligations

Everyone has a human right to social protection irrespective of their nationality and legal status. The 1951 Convention Relating to the Status of Refugees and international agreements, such as the UN’s Agenda 2030 and the 2016 New York Declaration for Refugees and Migrants stipulate refugees should have access to social protection. The 2018 Global Compact on Refugees (GCR) promotes self-reliance of refugees and supports inclusion in national planning and services.

However in practice, few low or middle-income countries hosting large numbers of refugees provide access to national social protection systems. Even where refugees are granted partial access, full access is often limited due to restrictive legal frameworks. A recent UNHCR review of social protection systems in the East Africa region, finds that levels of refugee inclusion in social protection systems are at different stages but at best it is only partial inclusion or inclusion at policy level that is not operationalised. The level of inclusion also depends on the maturity and scale of the system, which can be underdeveloped covering only a limited percentage of vulnerable populations in certain low income countries particularly when the need for services is rapidly expanded.

In Kenya, while the Constitution affirms that the State shall provide appropriate social security to all who are unable to support themselves and their dependents, national social protection systems focus only on citizens, with on average 25% of Kenyans covered while refugees remain excluded. The criterion for registration is the National Identification document which refugees do not have. Urban refugees and asylum seekers - about 16% of Kenya’s refugee population - can have access to the health insurance scheme, as it is subsidised by UNHCR. Re:Build’s policy evaluation found that urban refugees were unaware of the concept of social protection as something that they would
be entitled to from the government. Most of them were only familiar with humanitarian assistance funded by foreign donors. 

The new Kenyan Refugee Act (2021) provides for the inclusion of refugees in national development plans and the implementation of this law should result in the inclusion of refugees in national social safety nets. However the government is citing resource constraints as reasons not to include them. Funding from donors is required for the government to consider setting up broader, more inclusive systems and UNHCR is working with the government on options for including refugees in social protection systems in the future.

In Uganda, national social protection systems and policies are nascent and do not include refugees. Social assistance measures covered only 1% of the population in 2018-19 with slightly higher coverage by the end of 2020 with most covering northern Uganda. A National Health Insurance Scheme is under development with parliament passing a bill creating the scheme in April 2021. Refugees are not mentioned as beneficiaries however.

The Ugandan Jobs and Livelihoods Integrated Refugee Plan 2020/21-2024/25 (JLIRP) provides for the creation of a roadmap (funded by the World Bank) for the development of a national, shock-responsive social protection system which includes refugees and host communities.

However the JLIRP is mostly focused on rural settlement-based refugees neglecting refugees in urban areas. Other World Bank funded social assistance programmes such as the Development Response to Displacement Impacts Project (DRDIP) are implemented in refugee hosting districts outside Kampala.

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### Box 2: Lessons from the COVID-19 crisis

As part of the pandemic response, many governments took steps to introduce or expand social protection to limit hardships in the face of lockdown. Refugees, especially women, were particularly vulnerable and disproportionately impacted by the economic downturn, however programmes with specific provisions for refugees were limited in high refugee hosting countries. Factors excluding refugees include requirements such as nationality (National ID), having a valid work permit or being formally employed. Women refugees were particularly at risk given that they are less likely to be registered, and by the nature of their jobs (in sectors more likely to have high rates of informality). The pandemic also highlighted the lack of coverage of the urban population and the levels of urban poverty and vulnerability.

Donors are increasingly supporting the expansion of these safety nets especially during times of crisis. The World Bank through the COVID-19 Fast Track Facility supported developing countries to implement health and social protection responses. According to an IRC review of these World Bank funded responses in 13 refugee-hosting countries, only 2 had response plans that explicitly and fully integrated displaced populations. For instance, in some countries refugees are included in the health response, but not economic relief projects. This was largely a missed opportunity to set the basis for more inclusive systems. In Kenya, the government mobilised 10 billion KES to support the vulnerable poor but only targeting citizens.

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3 Bangladesh, Burkina Faso, Burundi, Cameroon, Chad, Colombia, Democratic Republic of the Congo, Ethiopia, Jordan, Lebanon, Niger, Pakistan and Uganda
3. Skewed displacement financing

Support from the international donor community for host governments is crucial to encourage more inclusive national social protection. The Global Compact on Refugees calls for international responsibility sharing that includes financial support to refugee populations alongside host communities. However, host governments and development donors usually look to humanitarian actors to fill the gaps of national social assistance programmes and provide support for refugees. In practice, the humanitarian system is systematically underfunded to be able to provide sufficient support, and refugees residing in urban areas are largely excluded from humanitarian assistance which is mostly confined to camps.

During the pandemic this structural gap became clear. Both in Kenya and Uganda, refugees received some support from WFP but this was confined to those living in camps. This exclusion led to more vulnerability for urban refugees, who in both countries already mostly relied on solidarity from community members, and on family and friends’ financial support for their daily survival and the coverage of basic expenses. In Kampala, support for registered urban refugees and asylum seekers was limited to one-off cash assistance from UNHCR in 2020.

This exclusion is not just a pandemic-related issue, but points to a more structural problem of skewed financing in line with the assumption urban refugees should be self-reliant. IRC surveys with donors in Kenya during September 2022 found that their refugee investments largely focus on camps and settlements. The humanitarian sector has not sufficiently adapted to rapid urbanisation with systems set up to serve clients in camp settings not fit-for-purpose for serving refugees in urban contexts.

Moreover, the assumption that urban-based refugees are better connected to job and entrepreneurship opportunities and therefore do not need to rely on social assistance, remains an oxymoron as both economic and social systems exclude them from pursuing self-reliance. Even in countries where refugees have the legal right to work, accessing formal work is challenging as these laws are not widely implemented. As a result, many urban refugees work in the informal sector or in precarious industries which exclude them from employment linked to social security schemes.

What is more, they may not have the necessary ID documents, bank account or access to the internet or mobile money to enable access to conditional or humanitarian cash transfers. In Kenya, for example, urban refugees cannot access the widely used mobile money system MPESA as refugee documentation is not valid for accessing SIM cards.

Urban refugees’ self-reliance is therefore unattainable without increased investment by donors in urban areas as well as inclusive social protection systems. Though the pandemic was a missed opportunity to meaningfully shift national social protection approaches for refugees, research found that where some barriers to access were removed, this was the result of improved collaboration between humanitarian, development, and government actors, as well as the availability of external funding to facilitate the inclusion of refugees. Funding from the World Bank under the IDA refugee subwindow instrument has helped incentivize governments to facilitate the inclusion of refugees in certain low-income countries.

Lessons should be learnt from the pandemic response as the international community is setting up a response to address the current crisis. Development donors such as the World Bank should increase their efforts to work with governments to enhance inclusive national responses while coordinating with humanitarian actors to ensure urban displaced populations are not left behind. This should include coordination with and support for city authorities and urban communities that host refugees.
4. Social protection and cash for urban displaced facing a cost of living crisis

Globally, the number of social protection measures announced or implemented in response to the cost of living crisis is increasing since April 2022. However the majority of responses as tracked by the World Bank focus on subsidies such as food and fuel subsidies, with social assistance programmes, such as cash and in-kind transfers, constituting just 21% of the response. There are no mentions of inclusion of refugees in social assistance programmes as listed by the World Bank's analysis so far.52

Humanitarian cash transfers and social safety nets are proven interventions to mitigate the effects of a cost of living crisis. UNDP has found that targeted cash transfers could effectively mitigate poverty and are fiscally more effective than using blanket energy subsidies.53 But in addition to often having non-inclusive existing social protection systems, developing countries are facing resource constraints to develop additional crisis responses, as they are struggling with shrinking fiscal space and high debt service payments. However, leaving increasing vulnerability and poverty unaddressed further reduces economic productivity and government incomes. The lack of safety nets to protect refugees and vulnerable host residents from the impact of the crisis undermines already achieved or planned development gains. The Re:Build programme (see Box 1) had to redirect some of its funding to multi-purpose cash assistance to prevent worsening of vulnerabilities that would endanger longer term objectives of the programme.

Bilateral and multilateral donors should therefore step up support and work with governments to ensure inclusive social assistance is set up and scaled. While the Kenyan government for example is in the process of setting up new safety nets through cash transfers to address the crisis, they should be supported to broaden their target to include the displaced in urban areas.54

The World Bank is already planning support to governments to address the food security and cost of living crisis, which includes $3.3 billion for social protection. In addition, existing World Bank projects’ undisbursed funds include $4.9 billion in support to social protection across the globe, with a majority of these funds going to Africa and the Middle East. In the East Africa Region in particular, the World Bank activated its Contingent Emergency Response Component (CERC) in a number of projects to scale up support on food security, including through social protection schemes.55 This represents a huge opportunity to learn from the pandemic and significantly improve the inclusiveness of these responses. The World Bank has demonstrated a robust commitment to supporting refugees and refugee hosting countries; its resources and expertise in advancing refugee inclusion should be applied in its response to the current crisis.

Since setting up inclusive national social protection systems takes time, humanitarian actors should step up and plug gaps in reach and scale, including for the urban displaced who have been chronically underfunded and are suffering the consequences of the current economic crisis. Investments in multi-purpose cash assistance should be increased in the immediate term. This assistance should, where possible, be linked to national social protection systems to support their development, demonstrate the benefits and build capacity with governments. Linking humanitarian cash and social protection is being advanced through ongoing investments by bilateral donors and the UN through research, sharing good practices and development of guidance for policy makers and practitioners.56
5. Recommendations

As the interest in funding social safety nets in forced displacement contexts grows among external stakeholders, notably as a potential exit strategy from humanitarian assistance, humanitarian and development actors will benefit from aligning efforts with host and city governments. Displaced people in urban areas currently risk being excluded from crucial assistance to address the cost of living crisis, leaving them vulnerable to a negative spiral of increasing debt, food insecurity and poverty.

As urban populations increase and refugees increasingly reside in cities, donors and governments need to make structural changes to ensure humanitarian assistance and social protection effectively reach those in need in urban areas.

We urge host governments and the international community to implement the following recommendations to reach those at risk of exclusion:

**Donors and hosts governments** should provide humanitarian assistance and national social protection on the basis of a human right without discrimination based on refugee status and location.

**Humanitarian and development donors** should rapidly increase **funding** to ensure inclusion of the **urban displaced** in humanitarian and social protection measures.

- Humanitarian donors should release immediate funding for frontline agencies to provide multi-purpose cash assistance targeting urban displaced populations and vulnerable hosts to ensure basic needs are met in the immediate term and to prevent worsening vulnerability. This should be linked with national social protection systems where possible.

- The World Bank should accelerate the deployment of its crisis financing and ensure it is used urgently to support countries affected by displacement while supporting the long term expansion of inclusive social protection programmes.

**Donors and humanitarian frontline responders** should **coordinate** closely with **national and city governments**, to support targeting and last mile delivery of social protection services that ensures the inclusion of urban displaced populations.

- **Governments should leverage the expertise of humanitarian actors and civil society** to identify and address unmet needs of displaced and crisis affected populations and build inclusive social protection services.

- **Linkages between cash assistance delivered by humanitarian actors and government social protection systems should be strengthened**, ensuring better coordination in response analysis, preparation, sharing of tools and allocation of roles between agencies.

**Host governments** should ensure the urban displaced can meet the eligibility criteria of registration processes for social protection, e.g. in terms of the documents required to register.

**Private sector and host governments** should remove **barriers to access** affordable financial and digital services (mobile money ownership, internet access and bank accounts) to ensure that humanitarian and social cash transfers are inclusive of and effective for urban refugees. This includes reviewing regulatory identification, credit and asset ownership requirements.
Endnotes

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