

## Forced Displacement, Vulnerability, and Social Cohesion

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### Background

It is projected that over 1.2 billion people will have been forcibly displaced from their homes by 2050, pushed out by climate shocks and conflict events. Since less than 1% of all refugees have managed to return home or settle in another host country, pressure will continue to grow for refugees to integrate into neighboring host communities, particularly in the Global South where most displacement is taking place. This integration process raises enormous social and economic challenges for what are often fragile host economies. Even though refugees represent a small fraction of the population (often less than 2%), their presence is highly salient to host communities across the developing world as they are primary recipients of humanitarian aid. Perceptions of unequal access to social protection then create barriers to the socioeconomic integration of refugees, diminishing hosts' trust, their openness to foreigners, and their willingness to share resources and jobs with refugees.

And yet, a vast body of economic literature has documented how the degree to which individuals within a society feel connected through shared values, norms and beliefs is critical for promoting economic development and growth (Easterly et al., 2006). Social cohesion can encourage trust, strengthen social capital, and alleviate social tensions and conflict, among others. The literature to date has also highlighted two key constraints that can weaken social cohesion and augment

resentment and social friction: ethnic fractionalization (Alesina and Ferrara, 2000) and resource scarcity (Agneman et al., 2022). Given that ethnic fractionalization is hard to change in a refugee-host setting, we examine the importance of financial security in shaping social cohesion in a low-resource environment.

Financial security can affect the integration of social groups in different ways. Better off refugees and host community members are likely to have more time and income to socialize, to feel less marginalized and poor, and they are likely to be more tolerant of others (Michal et al., 2014). Importantly, scarcity may also be less top of mind, making them more willing to share resources with others.

### Strengthening Financial Security

To identify a causal relationship between financial security and socioeconomic integration in the context of forced displacement, our paper "Financial Security, Climate Shocks and Social Integration", tests the impact of a graduation-inspired program that provided significant financial and employment support to a randomly selected subset of both refugees and host community members. The 460 participants were randomly selected from eligible refugee and host community members who were ultra-poor and living in Nampula in Northern Mozambique. To identify the beneficiaries, we developed a poverty scorecard based on the Government of Mozambique's



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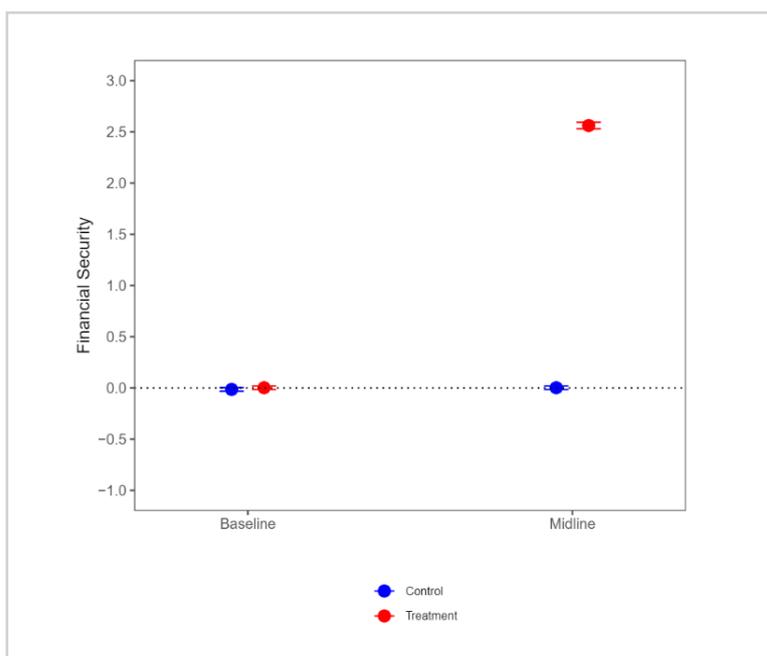
approach to identifying nationals as being eligible for social safety net programs. From the ultra-poor individuals who expressed an interest in participating, we randomly selected a subset of individuals to enroll in the graduation program, while another subset of individuals was placed on a waiting list and represented a comparison group for the analysis. Both groups were on average identical, with the only difference being that one group participated in the program and the other one did not. As such, any differences in financial security at the end of the program can safely be attributed to the impact of the intervention.

Maratane refugees live in a managed settlement and have freedom of movement, while the host community members are part of small agglomerations that, for the most part, pre-date the establishment of the refugee settlement. Host communities live within a 7-km radius of the refugee settlement, and they interact with refugees by sharing

education and health facilities inside the refugee settlement and they share the same local markets. The program boosted financial security by providing cash transfers,<sup>1</sup> language training and financial literacy, individual coaching, and support for either wage or self-employment. The program ran for 28 months from September 2019 to December 2021.

Our measure of financial security captured (i) participants' income levels; (ii) their ability to access money in an emergency; and (iii) the share of income saved in the previous month.

The program improved savings from income (by 100%), household income (by 66%), and the ability to pay a surprise bill (by 62%). Further, the program improved the type of employment, increasing beneficiaries' wages from employment by 14%. Overall, program participants experienced an increase in financial security of approximately 54%.



**Figure 1: Program impact on financial security**

*Note: The plot displays the level of financial security of refugees randomly chosen to participate in the intervention (Treatment) and those chosen not to participate (Control), before and after the intervention took place.*

<sup>1</sup> Depending on the employment track, different cash grants covered consumption support during the program, asset transfer for business grants for self-employment, and job support for transport for wage employment. Importantly, all different employment tracks received “equivalent” cash grants.

## Impact of Financial Security on Social Cohesion

We then explore the impact of increasing financial security on social cohesion. To measure social cohesion, we rely on three proxies: (i) trust; (ii) friendships and interactions with out-groups; and (iii) the willingness to share scarce resources such as jobs and government support with foreigners.

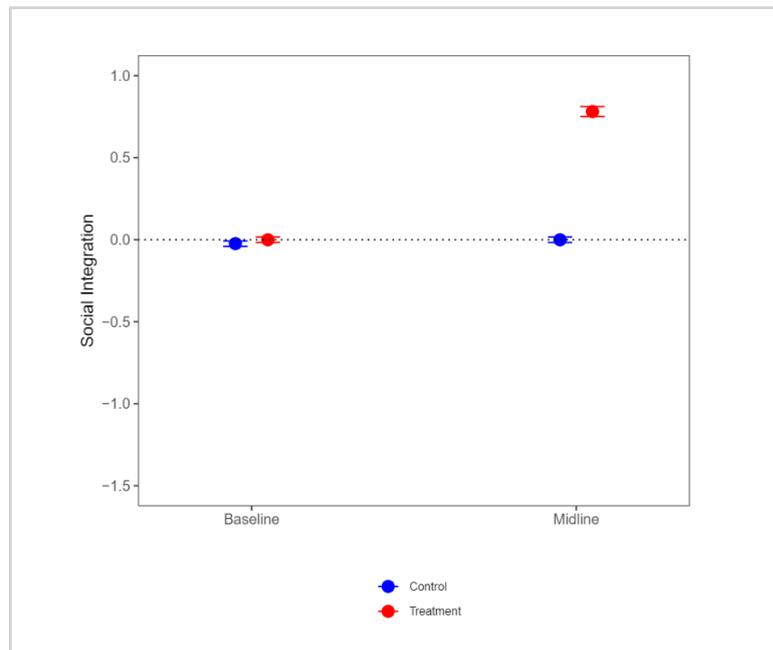
We find that the program increased trust in others by 21%, and Mozambican participants indicated that they were 20% more willing to share jobs and government support with refugees.

Improved financial security is also associated with increased feelings of belonging and job satisfaction, which we interpret as indicators of socioeconomic integration into the community. These effects are particularly pronounced for host community members living closer to the refugee community and among those who started with lower levels of financial security at baseline. Financial security appears to make less salient the competition for resources (both within and across groups) and, potentially, makes less salient differences between groups. This opens the door to more interactions with out-groups that result in friendships, and more overall trust.

Improved financial security thanks to the program led to increased socioeconomic integration into the community and higher trust between groups

**Figure 2: Program impact on social cohesion**

*Note: The plot displays the level of social integration of refugees randomly chosen to participate in the intervention (Treatment) and those chosen not to participate (Control), before and after the intervention took place.*



## **A natural experiment: a (perceived) negative shock to financial security threatened social cohesion**

The stronger social cohesion gained through the program proved to be fragile, and easily eroded by a subsequent negative climate shock. In March 2022, Tropical Cyclone Gombe hit the Nampula region. The cyclone path landed 5 kilometers from the refugee settlement, wreaking havoc on houses and crops. Those directly affected experienced severe damage to their houses and assets.

A survey conducted two to three months after the cyclone showed that after adjusting for the quality of housing, survey participants experiencing the largest drops in financial security due to the natural disaster also experienced the largest declines in social cohesion. However, social cohesion dropped disproportionately more than any reduction in financial security. In fact, participants in the graduation program were resilient to the shock in comparison to the control group, but the positive effects that the program had on social cohesion disappeared. Mozambicans who experienced the largest losses, were again less trusting of refugees and less willing to share resources with them. These results underscore a sobering reality: the strides made in social integration can swiftly unravel when financial conditions take a downturn. This challenge becomes even more pressing given the growing frequency of climate shocks across the developing world.

The gains in social cohesion due to the program proved fragile, and easily eroded by a subsequent negative climate shock

## **Policy implications**

Our findings suggest that an improvement in financial security opens the door to more interactions across refugees and host community members, which result in friendships and more overall trust. It also increases the willingness for hosts to share resources with refugees.

Investing humanitarian resources in cash and employment support programs for ultra-poor members of both host and refugee communities can therefore be an important strategy to promote social cohesion, alleviate social tensions and, consequently, pave the way for the economic and social integration of refugees into environments frequently characterized by resource scarcity.

Social protection programs need to build in adaptive features to achieve sustainable gains in the face of recurring shocks

However, our study also highlights the fact that the gains in social cohesion are fragile and (fully) reversed due to a negative climate shock: even a small deterioration in financial security caused by a climate shock reduced the gains in social cohesion that had been achieved through the income support program. This result underscores the significant impact climate change can have on the long-term effectiveness of development programs that support the ultra-poor, and the instability it can introduce to social cohesion. An important policy implication is that social protection program need to build in adaptive features to achieve sustainable gains in the face of recurring climate shocks.

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