

Refugee Law Project Working Paper No. 7

REFUGEES IN KYANGWALI SETTLEMENT: CONSTRAINTS ON ECONOMIC FREEDOM



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REPORT SUMMARY

Refugees living in Kyangwali settlement in Hoima District are among the most self sufficient of Uganda's settlement refugees. Though the economy is diverse and complex, there are still a number of significant restrictions on the economic freedoms of these refugees. Limitations on movement and employment exclude the refugees from external goods and labour markets. The isolation of the settlement contributes to a weak internal market and unfavourable terms of trade for the refugees. Furthermore, the refugees face welfare-reducing taxes, and are politically unable to lobby for more economic freedoms.

This working paper is based on research gathered in Hoima and Kyangwali by Winifred Agabo, Emmanuel Bagenda, Elias Lubega, and Eric Werker from 5th – 10th August 2002. It was written by Eric Werker, Visiting Research Associate of the Refugee Law Project, and a doctoral student in economics at Harvard University. Comments from Zachary Lomo, Lucy Hovil, Karen Jacobsen, Emmanuel Bagenda, and Charles Cohen helped to shape the report. The author is grateful to the Mellon Inter-University Program on Non-Governmental Organizations and Forced Migration for funding assistance and to the Ugandan National Council for Science and Technology and the Office of the Prime Minister, Directorate of Refugees, for permission to conduct the research. In addition, the research team wishes to thank the staff at AAH Kyangwali and Kampala; the Catholic parish in Kyangwali; the staff at UNHCR Kampala; members of the local government in Hoima; and the offices of the settlement commander for facilitating our research. Most of all, we are indebted to the refugees in Kyangwali who shared their time and concerns with us.

GLOSSARY OF ABBREVIATIONS

AAH: Aktion Africa Hilfe

DRC: Democratic Republic of the Congo

GoU: Government of Uganda

LC: Local Council

RLP: Refugee Law Project

RWC: Refugee Welfare Council

SPLA: Sudanese People's Liberation Army

UNHCR: United Nations High Commissioner for Refugees

USh: Ugandan Shilling; approximately 1800/= per US dollar

1 INTRODUCTION

It is not controversial to claim that refugees deserve basic rights and freedoms, or that these rights and freedoms are compatible with a dignified and endurable quality of life. The most conspicuous of these rights, such as *non-refoulement*, exist to address egregious vulnerabilities on the part of people who find themselves in the rare situation of falling outside the protection of any state. However there are less salient rights and freedoms which, if violated, can still significantly damage a refugee's quality of life. Among these less salient rights, economic rights and freedoms are certainly not unique to refugees, yet the enjoyment of these rights is nonetheless crucial for refugees to enjoy dignified lives.¹

Moreover, institutions like the refugee camp that exist to manage and protect refugees can have very distorting effects on the ability of refugees to meet their basic economic needs in ways that are not well understood by refugee practitioners.² Thus, we can end up in a situation where a set of economic inefficiencies is created by well-meaning institutions focusing on non-economic problems. Even if these economic inefficiencies fall outside the radar screen of professionals working in the refugee field, their impact on the everyday lives of refugees is not diminished. By stepping back and taking a deliberate look at the economic situation of refugees, we can highlight some potentially easy and non-controversial ways to improve the quality of life of refugees.

This paper seeks to explore the economic freedoms enjoyed by refugees in Kyangwali Refugee Settlement, Uganda. Kyangwali is an ideal place for this study not because it has a poor reputation for economic integration, but rather precisely because it is one of the few settlements in Uganda that can reasonably claim a high level of refugee self-sufficiency. As described in the following section, most refugees in Kyangwali are able to grow their own food and sell their production to trade for other essential items. The land is of a high quality, and most refugees are not dependent on handouts for their livelihood. Given that the economic situation of refugees in most other settlements is inferior to Kyangwali, it is likely that restrictions on economic freedoms in Kyangwali will also be present in other settlements. Of course, other refugee-hosting areas in Uganda will have additional restrictions on economic behavior, such as poor access to fertile land and proximity to hostile groups, which will be of primary importance when determining how to improve economic freedoms.

¹ There is more than one justification of economic freedoms. In his influential *Development as Freedom*, Amartya Sen identifies two components to the relationship between the market mechanism and freedom. The first is procedural, focusing on the individual's right to make choices: "a denial of opportunities of transaction, through arbitrary controls, can be a source of unfreedom in itself." (Sen, 1999, p. 25) The second is consequential, and highlights the inferior outcomes that may result when individuals do not have proper economic freedoms: "deprivations can result when people are denied the economic opportunities and favorable consequences that markets offer and support." (Sen, 1999, p. 26) In other words, people should have economic freedoms because they are something free people have, and because exercising those freedoms allows them to obtain better lives than they would otherwise know.

² There is a small literature on refugees and development. See, for example, the edited volumes of Gorman 1993 and Adelman and Sorenson 1994.

This working paper finds that even with its envious economic position with respect to other refugee settlements in Uganda, Kyangwali has several key types of limitations on economic freedom. The first is bureaucratic and insecurity-related limitations on movement that prevent refugees from participating in goods markets outside the settlement. The second is limitations on working that effectively exclude the refugees from external labour markets. Third, the settlement is highly isolated through transportation and information costs. This does not help to expand the small market within the settlement, and it also results in higher prices on goods imported into the settlement and lower prices on goods exported from the settlement. Finally, the refugees in Kyangwali are found to be politically isolated, and as a result suffer from taxes that constrain the development of the economy.

This paper is organised as follows. Section 2 describes Kyangwali and gives a brief description of the economy there. Sections 3 and 4 focus on restrictions on movement and on employment. In Section 5, the isolation of the camp is explored; the refugees are found to be isolated on a variety of levels, from simple distance to political isolation. The paper concludes in Section 6, and interventions are proposed to increase the economic freedoms of the refugees.

2 BACKGROUND TO KYANGWALI

Kyangwali Refugee Settlement is located in Hoima District in Western Uganda on 91 square kilometres of land, approximately 80 kilometres from the town of Hoima. In July 2002, 6852 refugees were living in Kyangwali, including 5323 Congolese, 1384 Sudanese, 112 Rwandese, 20 Kenyans, 10 Burundians, and 1 Ethiopian.³ Of these, 54 per cent were male. Previously, the land was home to the refugees displaced from the conflict in Rwanda beginning in 1960. The majority of these repatriated in 1994-95, and the camp was vacant until 1997 when the crisis in eastern Democratic Republic of the Congo (DRC) flared up.⁴

With its location far from the Sudanese border, the settlement became a destination for Sudanese refugees who were considered security cases. Often, many of these were refugees awaiting resettlement in a third country, and Kyangwali acquired the reputation of being a “protection” or “resettlement” camp.⁵ This selection of more insecure Sudanese refugees into the settlement was made visible to the refugees through higher resettlement rates for Sudanese than Congolese refugees. This fact, combined with misinformation concerning the resettlement process, has led to bad feelings between the Congolese and Sudanese communities in Kyangwali, including an exchange of petitions between groups purporting to represent the communities.

The sole implementing partner conducting all of the programs is Aktion Africa Hilfe (AAH). The land in Kyangwali is plentiful (the settlement housed several times as many

³ Telephone interview with Kampala UNHCR Public Information Officer Bushra Jafar Malik, 30th July 2002.

⁴ Interview, Settlement Commander, Kyangwali. 9th August 2002.

⁵ Interview, Settlement Commander, Kyangwali. 9th August 2002

refugees during the height of the previous refugee influx, and the greater part of the area is presently unfarmed) and fertile. When refugees arrive, they are given a package of non-food items, including farming and cooking equipment, as well as a tarp and blankets. In addition to receiving a plot of land and seeds to plant, the new arrivals receive from two to four seasons of food rations. The refugees also receive free health care, primary education, water, and access to community service workers and income-generating programs.⁶

The economy in the settlement is fairly complex. Incomes are produced through a variety of means. Most refugees are either engaged in agricultural production or are receiving food rations from AAH. A minority of refugees have businesses in the settlement, ranging from small stalls at the weekly market to shops or teahouses in the main trading center. In most cases, the refugees acquired the capital to start these businesses from goods or money brought from home; loans (including from AAH, but also from one another); own-labour production; or remittances from abroad. Still some refugees rely mostly on remittances; this is probably more prevalent in Kyangwali than in other settlements because of the higher connection with the exterior through the higher rates of resettlement.⁷

The settlement has, or is close to, several weekly markets. The markets themselves are humble, containing agricultural products in small quantities; imported goods like matches and dishware; and some value-added products from the settlement such as fried breads and alcoholic brew. There is also a trading center with a couple dozen shops selling grains, imported goods, sodas, beer, and cigarettes. Regular trucks come from Hoima supplying these shops; in addition, traders from Hoima and as far away as Kampala and Arua come during harvest time to purchase the agricultural production of the refugees. The Local Council (LC) V representative of Hoima said of the refugees: “they are now the biggest food suppliers of the town.”⁸

The Ugandan government does not tax refugees living in the settlement. At the time of our visit, negotiations were underway to start a process through which the district would assume responsibility of the camp operations from the UNHCR.⁹ The district hoped to benefit from the refugees by integrating them into the district economy, by inheriting the infrastructure (including some automobiles) from the UNHCR and, presumably, by levying taxes on the refugees—treating them like any other citizen of the district.¹⁰ Such an outcome would reduce the limitations the refugees in Kyangwali currently face in exercising their economic freedoms, the most salient being freedom of movement and of employment.

⁶ Interview, AAH Administrator, Kyangwali. 6th August 2002.

⁷ Pérouse de Montclos and Kagwanja (2000, p. 216) find a demand for communication with the exterior in Kakuma Refugee Camp in Kenya, a refugee population also characterised by high resettlement.

⁸ Interview, Hoima. 6th August 2002.

⁹ Interview, LCV Hoima. 6th August 2002.

¹⁰ For an analysis of UNHCR’s withdrawal from Kiryandongo, see Kaiser, 2002.

3 RESTRICTIONS ON MOVEMENT

As Refugee Law Project (RLP) Working Paper No. 4 documents for Moyo district, refugees in Uganda do not enjoy perfect freedom of movement.¹¹ In Moyo, self-settled refugees tended to enjoy greater freedom of movement than the settlement refugees, where freedom of movement is defined as the permission and the ability to move within the wider area. The major restrictions on movement for the settlement refugees in Moyo were bureaucracy, dependency on humanitarian support, poor information regarding anything outside the settlements, and insecurity. The present working paper does not pretend to treat the issue in Kyangwali with the same depth. Certainly, these factors are all present in Kyangwali. This section will concentrate on instances of the above restrictions that have the greatest impact on the economic freedoms of the Kyangwali refugees.

3.1 Bureaucratic restrictions on movement

In order to travel outside the settlement, refugees require a permit issued by the settlement commander. This procedure, perhaps justifiable under interests of national security, creates hindrances on the economic activity of the refugees by: (1) preventing them from participating in more lucrative markets, (2) increasing uncertainty for participation in outside markets, and (3) increasing the time costs of participating in outside markets.

A refugee who has produced a sack of beans, for instance, has four options to sell the produce. She may sell the sack to a wholesaler in the settlement or outside the settlement, or she may sell small quantities from the sack in the settlement or outside the settlement. The bureaucratic restrictions on travel—namely, that permits longer than a couple of days are difficult, in practice, for the refugees to get—prevent most refugees from selling their beans in small quantities outside the settlement. Yet it is this method, perhaps in the public market in Hoima, that is often the most profitable for individual farmers. As one refugee commented, “We can get permits to leave the settlement and sell our produce in Hoima, but the duration of the permit is limited to a few days. This makes it difficult to sell all the produce.”¹²

The permit scheme also contributes to uncertainty for refugees, especially those whose livelihoods bring them into contact with outside markets. A Congolese man sums it up:

To go to Hoima, we need to get a permit from the camp commander and sometimes he refuses to give the permit. I don't know why he refuses the permit. Sometimes he gives, sometimes he refuses. For us who aren't farmers, that's a problem—it's a risk.¹³

For this man, a small trader, income depends on access to the outside market. Yet even for farmers wishing to plan their income for the upcoming season, the uncertainty of

¹¹ Hovil, 2002

¹² Interview, Kyangwali, 8th August 2002.

¹³ Interview, male refugee, Kyangwali, 7th August 2002.

market access prevents them from being able to plan properly. The costs of uncertainty are compounded by simple transaction costs, in the form of waiting and inflexibility.

To acquire a permit, refugees must visit the settlement commander's office on one of two scheduled days each week. The rigidity of this system—effective from a managerial standpoint, yet inefficient from an institutional perspective—increases the “costs” of participating in outside markets. First, refugees must travel from their homes to the office, a trip that could take over an hour. Second, refugees must wait at the office to see the commander. Third, refugees must have the foresight to plan ahead when exactly they will require access to an outside market. This may seem reasonable for refugees who receive handouts from the government and the UNHCR, yet if one considers an investment manager who is told on Sunday that he will have to know on Tuesday whether he wishes to make a trade on Friday, the inefficiency of such a system becomes apparent. As described by a refugee: “Getting a permit to leave the settlement is a problem since the camp commandant issues permits only two days a week. This creates delays in selling our produce.”¹⁴

3.2 Security restrictions on movement

As mentioned in Section 2, Kyangwali has a high incidence of refugees with legitimate security concerns. Many of these view the settlement as a secure place, and see the towns of Uganda as potentially threatening. One Sudanese woman places this insecurity at an equal level of importance with the bureaucratic difficulties of travel: “The problem of my insecurity makes me not to move around, and it is sometimes difficult to get a permit from the camp commander.”¹⁵ Another Sudanese refugee, a Sudanese People's Liberation Army (SPLA) deserter had specific security fears: “We are worried that if we go to Kampala and other major towns to sell our produce at favourable prices, the SPLA will abduct us.”¹⁶ This refugee highlights the link between physical insecurity and a missing economic freedom.

3.3 Movement and settlement business

The insecurity and bureaucratic restrictions are not limited to interactions between the settlement economy and the external economy. Indeed, the business climate inside the settlement is affected. This comes from the nature of an entire population who cannot freely interact with the outside. It seems logical that such a community would not develop in the same manner as an open community. One shop owner who arrived in Kyangwali with capital from his job in Sudan chose to run a shop as opposed to some other business:

¹⁴ Interview, male refugee, Kyangwali, 9th August 2002.

¹⁵ Interview, female refugee, Kyangwali, 8th August 2002.

¹⁶ Interview, Kyangwali, 9th August 2002.

This camp is not the same as other camps. Other businesses would involve going up and down. We have to design a business that is consistent with the protection regulations.¹⁷

Indeed, in all of the research team's time in Kyangwali, we did not come across any refugee business that involved more "going up and down" than one man on a rented truck with some sacks of produce. We did not learn of any enterprise that entailed coordinating refugees and nationals, certainly odd given the profit potential that could be exploited by drawing on the comparative advantages of each group. Yet this can partly be explained by limits to the economic freedoms of working in Kyangwali.

4 RESTRICTIONS ON WORK

Perhaps the greatest complaint that the refugees made regarding the economic situation was the lack of employment opportunities. Certainly, part of this is due to weak internal labour markets in the refugee settlements, but there are underlying institutional reasons that better explain the scarcity of satisfying jobs. The institutional explanations explored here are bureaucratic, financial, and linguistic. While each explanation may be restrictive in itself, the presence of two or more of these affecting a refugee may render employment outside of his parcel of land impossible.

4.1 Bureaucratic restrictions on work

As with freedom of movement, freedom to work comes with a price—even for refugees with no other apparent barrier. In order to work or run a business outside the settlement, refugees need to obtain a permit from the immigration offices of the government of Uganda (GoU) in Kampala.¹⁸ To obtain this permit, refugees would have to first obtain a travel permit from the settlement commander as outlined in Section 3.1, travel to Kampala, obtain the work permit, and travel back to the settlement before the travel permit expires. Indeed, as a University of Ghana scholar has written, for African refugee-hosting countries in general, "Registration for an employment permit is as demeaning and as bureaucratic and lengthy a process as obtaining refugee status."¹⁹

And the permits are, in practice, required. A hopeful refugee trader describes the need to have a trading license: "The price of maize is better in Hoima but the problem is that I need a trading license to sell produce in Hoima. Without it, the officials there will seize my produce regardless of the fact that I am a refugee."²⁰ Certainly, it is possible to work illegally outside the settlement; in the informal labour market, therefore, market outcomes should not be heavily affected by the bureaucratic restrictions. For instance, in times of crisis, one Congolese woman said, "we go to the nationals to work in their fields and get paid."²¹ This type of labour exchange occurs without formal contracting. But in

¹⁷ Interview, male refugee, Kyangwali, 9th August 2002.

¹⁸ Interview, AAH Community Services Director, Kyangwali. 9th August 2002.

¹⁹ Blavo, 1999, 37.

²⁰ Interview, male refugee, Kyangwali, 8th August 2002.

²¹ Interview, female refugee, Kyangwali, 7th August 2002.

the formal labour market, with paperwork and taxes, refugees without permits are excluded from positions for which they would otherwise be qualified.

4.2 Financial restrictions on work

The costs to obtaining a work or trading permit are not solely born in bureaucratic delay. To be sure, the process can be expensive as well. If one adds up the transportation costs to and from Kampala (around US\$ 14,000/= each way), the cost spent waiting and searching in Kampala (at least 20,000/=), and foregone agricultural labour in the settlement (say 5,000/=), the price would certainly exceed US\$ 50,000/= (approximately US\$28.00). To get a sense of the significance of this amount, the typical farming refugee with whom we spoke made around US\$ 45,000/= from selling a season's worth of produce. Moreover, traveling to and from Kampala does not guarantee a work permit. Nor does the US\$ 50,000/= include the cost of the permit itself which, according to an immigration official, costs US\$ 300,000/=.²² Thus, the work permit—already inconvenient by bureaucratic channels—is prohibitively expensive to many refugees. According to one young Sudanese man living in Kyangwali: “I tried to get employment as a teacher but failed because getting a work permit is costly and difficult.”²³

4.3 Linguistic restrictions on work

As the vast majority of the refugees in Kyangwali are from Francophone countries, those with professional qualifications may not find a market for their skills in Uganda. Even the leaders of the Congolese refugee community were uncomfortable expressing themselves in English, and required a French-English dictionary for technical terms. Moreover, few of the refugees speak the local languages in Hoima. Most do find common languages, such as Kiswahili, that they are able to use to communicate with some Ugandans, but on a whole these linguistic differences create barriers to finding both formal and informal employment in the hosting area.

These restrictions would not be as consequential if the market inside the refugee settlement were robust. Yet, as will be developed in the following section, refugees in Kyangwali are hindered by a small and isolated internal economy.

5 ISOLATION

The refugees' isolation in Kyangwali, both geographic and political, has far-reaching effects on their welfare. There are several channels through which this isolation restricts the economic freedoms of the Kyangwali refugees. The more than 80 kilometres of distance creates higher transportation costs and information costs. These contribute to a smaller internal market and inferior terms of trade for the refugees, where the latter is driven by monopsonist (single buyer) behaviour on the part of the produce buyers and monopolist (single seller) behaviour on the part of the goods sellers. Moreover, the

²² Verbal communication, 11th November 2002.

²³ Interview, male refugee, Kyangwali, 9th August 2002.

refugees are politically isolated, and they are unable to use the political process to foster a more advantageous economic environment.

5.1 Transportation costs

Though the road between Kyangwali and Hoima is well maintained, the sheer distance makes transporting goods or people between the two places extremely costly. We were unable to learn of a refugee living in the settlement who owned a car. The shared-taxi service between Kyangwali and Hoima costs approximately US\$ 4000/= per passenger; thus, a round trip would cost US\$ 8000/=, or 40 per cent of one month's rent of a typical shop in the trading centre.²⁴ Clearly then, the typical shop owner will not be able to travel personally to collect his merchandise; for refugees importing merchandise into the settlement through Ugandan middlemen, the transportation cost of goods is not insignificant. For instance, a crate of 24 sodas costs US\$ 1000/= to be delivered from Hoima to Kyangwali,²⁵ over 8 per cent of the retail price.

One enterprising refugee bought maize and beans in the settlement, paid a national to transport the sacks to Hoima, then resold them there. He was able to purchase beans at US\$ 20,000/= per sack and sell them in Hoima at US\$ 25,000/=, for a difference of US\$ 5000/= per sack. However, US\$ 3000/= per sack were paid to the Ugandan for transportation cost, leaving this refugee with 2000/= per sack.²⁶ Considering the difficulty and uncertainty of obtaining a travel permit and the risk of being caught by Ugandan authorities for not possessing a trading license, this business was hardly lucrative. All in all, transportation costs resulting from the physical isolation of the settlement were a real barrier keeping the refugees from participating in external markets.

5.2 Information costs

The physical isolation of the camp also resulted in higher costs to gathering information about the external economic situation. As the typical shop owner is unlikely to purchase his own merchandise in a market town, he will not be able to learn about prices, new goods, or alternative suppliers. Refugee labourers looking for work are less likely to find out about opportunities without paying the transportation cost of leaving the settlement. It is true that some of the refugees in Kyangwali do have mobile phones, but it is unclear whether or not they are using these phones for business purposes in Uganda. More likely, they are communicating with friends and relatives who have been resettled overseas.

The information costs do not only affect shop owners. Equally importantly, they affect farmers. Without knowing which crops are likely to fetch higher prices at harvest, which fertilizers (and quantities of fertilizer) are most effective, or who is growing what, refugees are hindered in their efforts to maximise the profits from their agricultural production. Such reasoning may partly explain the twin observations that: (a) many of

²⁴ Interview, Sudanese shop owner, Kyangwali trading centre, 9th August 2002.

²⁵ Interview, Sudanese shop owner, Kyangwali trading centre, 9th August 2002.

²⁶ Interview, male refugee, Kyangwali, 7th August 2002.

the refugees we spoke with could not get more than US\$ 3000/= per 100 kilograms of maize from the last harvest when other crops fetched over US\$ 20,000/= per 100kg sack, and (b) nearly all farming refugees grew maize. Every Kyangwali farmer seems to have bet with a loser, and lost.²⁷ As one Congolese put it: “We don’t know the information about the exterior; moreover, we do not have the means to purchase transport to see [the prices outside the settlement] for ourselves. The problem is that we don’t have enough contact.”²⁸

5.3 Market size

Economists since the time of Adam Smith have recognized the benefits of market size.²⁹ Larger markets allow people to specialize in the trades that they are best at—instead of having everyone grow their own food, build their own houses, grind their own grain, and mend their own clothes. Isolating a market is effectively equivalent to making it smaller. And if the market is poor and capital-starved to begin with, its isolation and small size will prevent its participants from specialising, which reduces overall productivity and purchasing power. Perhaps one female refugee understood this when she observed, “There’s no market for our produce within the settlement.”³⁰

The settlement’s small market size also has ramifications for the labour market. Section 4 outlined the restrictions on work; it would be reasonable to ask why the refugees can not simply work inside the camp. Of course they can, but the labour market outcomes are inferior for two reasons. One, the market size is smaller, so productivity and thus wages are lower. Two, what professional jobs do exist within the settlements naturally fall under the settlement’s main employer: AAH. Though there are qualified refugees living in Kyangwali, AAH does not remunerate those refugees it does employ at professional wages. The policy of AAH is not to hire refugees in the same way as Ugandan nationals are hired.³¹ Refugees are not paid a salary, but rather receive an “incentive” to work as community service workers, cooks, mechanics, etc.³² A Congolese social worker, for example, received US\$ 30,000/= per month while his Ugandan supervisors were earning at least several times that.³³

Thus the refugee settlement is denied healthy internal goods and labour markets. The small market reduces productivity, wages, and purchasing power, and the hiring policy of the implementing partner prevents the emergence of a professional class among the refugees who might stimulate the internal economy.

²⁷ Development economists have a variety of explanations for why a suboptimal group outcome might occur. See Banerjee 1992, Ellison and Fudenberg 1993, or Foster and Rosenzweig 1995 for some contrasting theories.

²⁸ Interview, male refugee, Kyangwali, 7th August 2002.

²⁹ See Smith 1776 (1998), p. 26.

³⁰ Interview, female refugee, Kyangwali, 7th August 2002.

³¹ Earlier research has identified this disparity. See Lomo (1999), for example.

³² Interview, AAH Community Services Director, Kyangwali, 9th August 2002.

³³ Interview, male refugee, Kyangwali, 7th August 2002.

5.4 Terms of trade

Terms of trade, in this situation, refer to the relative prices of the goods produced by the refugees but sold to those outside the settlement, and the goods produced outside the settlement but consumed by the refugees. The transport costs, information costs, and small internal market combine to produce a situation where the refugees in Kyangwali depend on a small number of traders from Hoima and Kampala to buy agricultural produce from the refugees and to sell goods to the refugees. Due to the transport costs and small market, trade will tend to be concentrated in the hands of a few traders, creating situations that are ripe for discriminatory pricing. On both the purchasing of imported goods and the selling of settlement-produced goods, this weakens the refugees' terms of trade, effectively decreasing the value of their labour inside the settlement.

In Kyangwali, because there are only a few traders selling the refugees matches, soap, and dishware, the refugees have to pay more than they would buying from wholesalers in a competitive market such as Hoima or Kampala (where prices would be lower due to competition between sellers). Even if the traders do not specifically collude to try and cheat the refugees, such a market can sustain higher prices much easier than in a city with many wholesalers. Likewise, with only a few buyers purchasing the maize and beans grown by the refugees, the refugees will get lower prices for their produce than they would get if they were in a more competitive market.

A 45-year old Congolese shop owner in Kyangwali (with no formal education) demonstrated her grasp of the situation:

Few traders come in from Hoima. They hike the price—they are not fair in pricing their stuff. They always like to take a lot of produce and when we compare the exchange with them it's unfair. They are doing it to us because we don't have means of looking for other markets.³⁴

This woman is essentially summing up this paper's argument thus far. Refugees face restrictions to movement and to work, which keeps them in the settlement. Once in the settlement, they are isolated from other markets because of transportation and information costs. This isolation, combined with a low level of capital, results in a small local market and exploitative links with the outside market. Which, as the shop owner said, is "unfair;" it is an infringement upon the refugees' economic freedoms.

5.5 Political isolation

The above situation would not be so troubling if the refugees had recourse to a political mechanism through which to change their fate. Even though the refugees possess a political institution mirroring the form of the local government's LC system, the Refugee Welfare Council (RWC), nearly all of the refugees in Kyangwali with whom we spoke felt remarkably politically disempowered. As one refugee said, "There is no freedom of

³⁴ Interview, female refugee, Kyangwali, 7th August 2002.

association or speech.”³⁵ Another refugee questioned his ability to protest this disempowerment:

Us refugees, when you are talking of the rights of the refugees, they will take you as a ringleader. They will send you to prison. . . around here, we have no rights to tell our grievances to the offices.³⁶

Such a refugee’s candidness was bold; on the whole, the research team encountered an atmosphere of fear amongst the refugees. Refugees were reluctant to be seen speaking with members of the research team, and many refused interviews entirely. When questioned why not, they expressed fear that they would be “implicated” or “transferred abruptly.” In the months prior to our visit, there had been a number of relocations to other refugee settlements of prominent refugees, where the specifics surrounding the transfers were unclear.³⁷

This restriction on political freedoms, heavily enforced, also results in the inability of the refugees to effect changes in the institutional environment that can benefit them economically. There is potential for multiple small changes that together would have a noticeable positive impact on the refugees’ economic situation, yet such incremental change is effectively discouraged by making the costs to political participation so high. It may be this lack of participation that explains a number of inefficient taxes levied on refugees that appear vehicles more for embezzlement than for community improvement.

We identified three types of taxes that were being levied on the economic activity inside the settlement. The first type was a market participation fee for market days held inside the settlement; approximately USh 200/= per seller per market day was being paid, supposedly to the RWC. The second type apparently also went to the RWC. This taxed the traders a certain amount per bag of agricultural produce that they had purchased from the refugees, and was administered upon the lorry’s departure from Kyangwali. The third type of tax was an annual fee of USh 10,000/= on each business being run inside the camp. According to the settlement commander, this “license fee” was being collected by the mayor of the business community, and it purportedly allows the business community to maintain the trading center, etc. The social impact of each of the three taxes will be analyzed in turn.

The first type of tax, on market participation, should result in three outcomes. One, there will be reduced market participation. This may take the form of fewer market appearances per seller, or of fewer sellers participating at all. Two, there will be higher prices on the products sold as sellers are forced to pass on some of the costs to the consumers. Three, there will be reduced profits for the sellers, as that which cannot be passed on to the consumers will be born by the sellers themselves. This last outcome

³⁵ Interview, refugee, Kyangwali, August 2002.

³⁶ Interview, refugee, Kyangwali, August 2002.

³⁷ Members of the refugee community would argue that the relocations were a result of self-preserving actions on the part of the settlement commander, whereas the settlement commander cites the “difficult” character and lack of guarantee for the safety of the individuals transferred as the justification. Interviews, Kyangwali, August 2002.

may be mitigated by less competition from the first effect, reducing the number of sellers, and increasing the price per unit sold. The relative costs born by the seller and the buyer depend on the slopes of the demand and supply curves, but in all likelihood each group will bear some of the costs.

The second type of tax, on traders purchasing produce from refugees, will most likely hurt the refugees the most. The administration of such a tax may seem like it is not harming the refugees, as the money is coming from the pockets of the traders, but the indirect harm through lower prices will impact the refugee farmers more than anyone. As detailed in Section 5.4, because of the isolation of the settlement, these traders tend to be price setters; if they have to pay US\$ 1000/= per bag of maize on exit, they can simply pay the refugees US\$ 1000/= less per bag at the moment of purchase.

The third tax, on refugee businesses, will have similar effects as the first. There will be fewer businesses, prices of the goods sold in these businesses will be higher, and there will be reduced profits for the businesses unless the license fee drives out competition sufficiently that existing businesses actually benefit. Regardless, the net loss to the community, both sellers and buyers, is real—unless the taxes are spent in such a way that provide a benefit to the community greater than the losses incurred from reduced selection, higher prices, and lower profits.

In a politically stifled environment, with UNHCR through AAH responsible for the welfare of the refugees, the collectors of the taxes do not face strong incentives to contribute to the community. Such a situation is obviously at high risk for embezzlement. Moreover, refugees are often accustomed to much more egregious violations of their human rights in their country of origin and hence are likely to tolerate small amounts of pocket lining. And with the barriers to political participation that already exist in the settlement, it is unlikely that the refugees in Kyangwali will be able to determine for themselves what economic policies should be.

6 CONCLUSION

In Kyangwali, there were three main categories where the refugees were specifically deprived of economic freedoms. One, refugees faced restrictions on their movement due to bureaucracy and insecurity; this limited participation in outside markets and weakened the business environment within the settlement. Two, refugees faced restrictions on their employment opportunities. These restrictions stemmed from bureaucratic, financial, and linguistic costs that nationals in a similar situation would not have to bear. Three, the refugees in Kyangwali were isolated by high transportation and information costs, which hurt economic outcomes through a smaller internal market and unfavourable terms of trade. In addition, the political climate inside the camp did not allow the refugees to address economic progress; meanwhile, the refugees were facing three types of taxes that appeared to be checking individual prosperity while creating opportunities for corruption.

Before discussing specific interventions that could benefit the refugees economically, it is worth mentioning evaluation. It would be incorrect to compare the refugees with the

population immediately surrounding Kyangwali for two main reasons. First, the refugees are not the same people as those around them; they have different education levels, motivations, and aims. The refugees arrived in Kyangwali through a very different process than that which brought their neighbors. Second, related to this point, the refugees did not choose to live in Kyangwali in the way that their neighbors did. It may be that the refugees have attained the same standard of living as the Ugandans in the area, but they did not choose to be excluded from external markets and physically isolated. A correct comparative measure would be the refugees in the absence of restrictions on their economic freedoms. With this in mind, the potential for interventions is evident.

The approach to interventions on restrictions of economic freedoms is rather simple. Refugees should be granted greater freedom of movement and freedom to work. These freedoms should be both effective as well as legal. By describing the areas where restrictions are most conspicuous, this working paper has highlighted some ways where greater freedoms in these areas could be achieved, especially by reducing the bureaucratic costs to refugees of obeying the rules. Moreover, to reduce the isolation of the refugees, they should have more control over where they choose to locate, both among refugee settlements and within Uganda as a whole.

Furthermore, the transportation and information costs that contribute to the high isolation of Kyangwali could be reduced through a three-pronged approach, increasing the flow of information, goods, and people. Information flows between the settlement and the outside should be subsidized, perhaps through coordination meetings with successful Ugandan farmers. To move goods and people better, refugees should have access to vehicles where the profits remain in the refugee economy, at present unfeasible due to the high fixed cost of purchasing a vehicle and the difficulty of coordinating such a purchase among many people. Financing a refugee venture to run a minibus and pickup truck between Kyangwali and Hoima or Kampala could have extra benefits as the isolation of the settlement is reduced. Finally, it is clear that the political institutions present in the settlement are not sufficiently responsive to refugee concerns; greater tolerance on the part of the Ugandan authorities as well as a more open dialogue on economic issues like taxes would be important first steps.

The most effective way to approach these interventions is through new refugee legislation. At present, Ugandan lawmakers are considering a refugee bill that would dramatically change the institutions that manage and provide for refugees in the country. It is imperative that this bill address the economic freedoms highlighted in this paper, and that it be adopted and implemented, in order that Uganda's refugee policy should closer match her obligations as a signatory to the international conventions on refugees.

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Appendix 1: Map of Uganda with refugee settlements ³⁸

³⁸ Courtesy of UNHCR.