

Consolidated Project Report

Baseline Assessment of Socio-Economic Conditions of Afghan Refugee and Host Communities in Selected Urban Slums of Five Cities in Pakistan

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Table of Contents

Executive summary	ii
1. Introduction	1
1.1 Assessment objectives	1
1.2 Methodology	2
2. Findings	3
2.1. Socio spatial and economic isolation	3
2.2. The poverty trap	6
2.2.1. High dependency ratio	6
2.2.2. Education and human capital development.....	7
2.2.3. Livelihoods and employment	8
2.2.4. Household income	9
2.2.5. Wealth assessment.....	10
2.2.6. Gender dependency	10
2.3. The lacking in settlement development	Error! Bookmark not defined.
2.3.1. Housing and tenure security.....	12
2.3.2. WASH and health.....	13
2.3.3. Infrastructure and urban services	15
2.3.4. Mobility and accessibility	17
2.3.5. Public spaces and safety.....	18
2.4. Informality and urban governance	19
2.4.1. Informal service provision	20
3. Way forward: opportunities for inclusive development.....	20
3.1. Youth dividend	20
3.2. Women's economic potential	21
3.3. Local enterprises and informal economy	21
3.4. Community assets and social capital	21
3.5. Digital connectivity and future opportunities	22
3.6. Conclusion	23

Executive summary

The socio-economic baseline assessment of 30 refugee-host urban slum settlements across Karachi, Peshawar, Kohat, Haripur, and Quetta reveals a common development paradox. These settlements have existed for decades, developed permanent housing, active local economies, community institutions, and strong social networks, and in many cases these settlements have become physically absorbed into the expanding urban fabric. Yet their integration into the wider city remains incomplete. Refugee status and documentation barriers, insecure settlement and tenure arrangements, weak inclusion in formal planning, inadequate municipal investment, informal livelihoods, and intergenerational poverty continue to limit both household advancement and settlement development.

The assessment was undertaken between July 2025 and March 2026 using a mixed-methods approach. It combined 2,095 household surveys, 230 Key Informant Interviews (KIIs), field observations, and settlement/cluster- and city-level assessments. The analysis covered demographics, education, livelihoods, household economy, housing and land tenure, WASH, infrastructure, mobility, governance, social cohesion, safety, and institutional inclusion. The combined evidence demonstrates that the challenges facing these communities are interconnected and cannot be effectively addressed through isolated sectoral interventions.

The first and most fundamental issue is the structural exclusion associated with refugee status and documentation requirements. Despite living in Pakistan for over four decades, refugee households continue to face restrictions in accessing formal employment, banking and finance, business registration, property ownership, education, healthcare, and other formal urban systems. These restrictions have influenced not only household economic opportunities but also settlement patterns. Refugee households have historically concentrated in areas where access to land, housing, employment, and commercial opportunities involves fewer formal documentation requirements and where transactions are based on shared language, kinship, personal relationships, and established relations of trust.

The consequences of documentation barriers extend across generations. The assessment found this condition to be particularly severe in Karachi, where children may receive education through private or informal schools but face difficulties entering Board examinations because of the absence of required documentation, including birth certificates and B-Forms. This creates a break in the education pathway, where years of household investment in education may not translate into recognized qualifications, higher education, or formal employment. Access to education and healthcare appears comparatively less restrictive in Peshawar, Kohat, Haripur, and Quetta, demonstrating that the effects of refugee status also vary according to local institutional practices and historical relationships between refugee communities and provincial institutions.

The second major issue is the legal and planning status of the settlements themselves. Many of the surveyed settlements have existed for several decades. However, their physical permanence has not been matched by their integration into formal urban planning and municipal investment systems. Consequently,

infrastructure provision has remained fragmented and largely dependent on household investment, community action, informal providers, and occasional project-based interventions.

This exclusion from formal planning is reflected in the condition of urban services. Water supply, sewerage, drainage, solid waste management, roads, street lighting, and public spaces remain inadequate across many settlements. Although communities have demonstrated considerable capacity for self-help, the scale of infrastructure deficits is beyond the capacity of households and community organizations to address independently. Future development should therefore connect settlement upgrading with formal municipal planning, sectoral investment programmes, and public budgetary processes rather than depending exclusively on temporary or isolated development projects.

The third major issue is the persistent poverty trap affecting both refugee and vulnerable host households. Poverty in these settlements is not simply the result of low income. Large household sizes, high dependency ratios, limited educational attainment, informal and insecure employment, weak asset accumulation, and restricted economic participation of women interact to reinforce poverty across generations. Approximately 76 percent of the surveyed population comprises children and young adults, yet households are typically supported by only one- or two-income earners. The resulting dependency burden limits savings and reduces household capacity to invest in education, healthcare, housing improvement, and productive assets.

Breaking this cycle requires interventions that connect education, skills development, and employment generation. Traditional education alone will not be sufficient unless it is connected with vocational training, apprenticeships, market-relevant skills, enterprise development, and employment opportunities. Digital literacy is particularly important because of the predominantly young population and the potential for digitally enabled services, freelancing, marketing, and enterprise development. Particular attention is required for young women, whose economic contributions are currently substantially underrecognized.

Women constitute approximately 46 percent of the surveyed population, yet only around 4 percent are formally reported as economically active. However, the assessment indicates that this figure considerably underrepresents their actual contribution. Women participate in embroidery, tailoring, handicrafts, livestock management, food production, and family businesses, but their work is often considered part of household responsibilities because the final product is marketed and the income received by the household head or another male family member. Future interventions should therefore recognize existing forms of female economic participation and strengthen them through home-based enterprise support, vocational training, market linkages, financial inclusion, and locally acceptable spaces for women's education, training, and economic activity.

The fourth issue is the physical condition and development deficit of the settlements. More than two-thirds of households surveyed live in kutcha or semi-kutcha structures, while infrastructure deficiencies continue to affect environmental health and quality

of life. Although household toilet coverage is almost universal, supporting sewerage and drainage infrastructure remains inadequate. Solid waste collection is almost entirely absent, open spaces are frequently used for waste disposal, and the same spaces often serve as informal playgrounds for children. Roads, street lighting, drainage, and public spaces remain inadequate in many settlements.

Settlement upgrading should therefore be approached as an integrated development process rather than through isolated infrastructure projects. Improvements in housing, water, sanitation, drainage, solid waste management, streets, lighting, parks, and playgrounds can generate wider social and economic benefits. Improved environmental conditions can strengthen public health, increase mobility and safety, support local commercial activity, improve settlement perception, and encourage further household and enterprise investment.

The fifth issue concerns the social and institutional isolation of refugee settlements. Over time, the concentration of refugee populations, combined with localized economic networks and limited interaction with formal institutions, has contributed to the formation of relatively self-contained urban enclaves. Some settlements are perceived by the wider population as areas associated with crime, drugs, and insecurity. Such territorial stigma discourages interaction, employment, investment, and mobility and consequently reinforces both social and economic isolation.

Changing this perception requires interventions that increase constructive interaction between settlement residents and the wider city. Parks, playgrounds, sports programmes, youth clubs, vocational institutions, commercial linkages, and cultural activities can provide opportunities for interaction between refugee and host communities. Such interventions should be viewed not only as recreational investments but as mechanisms for building social networks, reducing territorial stigma, and connecting young people with opportunities beyond their immediate settlements.

Despite these vulnerabilities, the assessment identifies substantial development potential within the surveyed communities. The youth bulge is the most significant opportunity. A large young population, if supported through education, technical skills, digital literacy, apprenticeships, and enterprise development, can become the principal driver of household and settlement-level transformation. Without such investment, however, the same demographic structure risks reinforcing unemployment, dependency, and intergenerational poverty.

The second major potential is the strength of community networks and social capital. The settlements demonstrate strong internal relationships, community leadership, religious institutions, kinship networks, and established mechanisms for collective action and dispute resolution. These systems should not be treated as substitutes for formal governance, but they provide a strong foundation for participatory settlement development. Community institutions can support planning, implementation, maintenance, accountability, and local ownership of development interventions.

The third potential lies in existing entrepreneurial capacities and occupational skills. Refugee communities already participate in construction, transport, retail, tailoring, handicrafts, recycling, repair services, livestock-related activities, and home-based

production. Future programmes should strengthen these existing economic systems rather than introduce livelihood models disconnected from local skills and market realities. Access to finance, technical training, business development support, digital marketing, and connections with wider urban value chains can help existing enterprises move beyond localized and subsistence-level markets.

The overall findings demonstrate that the thirty surveyed settlements require a transition from fragmented humanitarian and project-based interventions towards integrated, place-based urban development. Settlements should be incorporated into city master plans, local development plans, and municipal investment frameworks. Infrastructure and services should be linked with the relevant government departments and budgetary processes, while livelihood development should involve partnerships with technical training institutions, enterprise development organizations, financial institutions, local governments, CAR, UN agencies, and the private sector.

Conclusively, the surveyed settlements and their communities possess considerable human, economic, and social potential, but they continue to face structural barriers and development deficits that are beyond the capacity of households and communities to address independently. Their next generations require pathways out of the poverty trap through education, skills, employment, enterprise development, improved living conditions, and greater access to formal urban systems. Development interventions that respond simultaneously to the socio-economic realities, spatial conditions, structural vulnerabilities, and existing community potentials can create a sustainable pathway towards more inclusive, productive, and resilient urban settlements.

1 Introduction

Pakistan has hosted refugee populations for more than four decades, with a significant proportion now residing in urban areas alongside host communities. Over time, many refugee-host settlements have evolved from temporary places of refuge into established urban neighborhoods that are socially and economically integrated within the broader urban fabric. Despite this transition, these communities continue to experience persistent challenges associated with poverty, inadequate infrastructure, insecure livelihoods, limited access to quality public services, and varying levels of institutional inclusion. Understanding these interconnected challenges is essential for designing development interventions that respond to the realities of long-term urban displacement while supporting inclusive and sustainable city development.

To strengthen the evidence base for future programming, UN-Habitat conducted a comprehensive socio-economic baseline assessment across refugee-host urban settlements in Karachi, Peshawar, Kohat, Haripur, and Quetta, between July 2025 and March 2026. The assessment examined the demographic, economic, social, and physical conditions of both refugee and host communities through a combination of quantitative and qualitative data collection methods. Rather than considering refugee communities in isolation, the assessment recognizes the shared urban environment in which refugee and host populations live, work, and access services, thereby providing a more comprehensive understanding of local development dynamics and community needs.

The report is intended to support government institutions, municipal authorities, UN-Habitat, and development partners in designing integrated, evidence-based interventions that strengthen urban resilience and improve the living conditions of both refugee and host communities. The findings reinforce the need to move beyond short-term humanitarian responses towards long-term, area-based urban development approaches that integrate refugee-host settlements into mainstream planning, infrastructure investment, local economic development, and municipal service delivery. In doing so, the report provides a practical evidence base for promoting more inclusive, resilient, and sustainable urban development across Pakistan's cities.

1.1 Assessment objectives

The socio-economic baseline assessment was undertaken to generate robust and comprehensive evidence based on the living conditions of refugee and host communities residing in selected urban settlements across Karachi, Peshawar, Kohat, Haripur, and Quetta. The assessment seeks to support evidence-based planning and decision-making by identifying the key socio-economic, physical, and institutional factors that influence the wellbeing, resilience, and development opportunities of these communities.

The specific objectives of the assessment were to:

- Generate reliable and desegregated socio-economic data on refugee and host communities residing in selected urban settlements.
- Assess key dimensions of household wellbeing, including demographic characteristics, housing and tenure security, livelihoods and income, education and health, urban services and infrastructure, mobility, governance, social cohesion, safety, and inclusion.
- Compare socio-economic conditions across refugee and host communities, different settlement typologies, and the five project cities to identify common trends, local variations, and priority development needs.
- Develop a standardized evidence base that supports planning and decision-making at settlement, city, and national levels while enabling future monitoring and evaluation of programme interventions.
- Identify the principal development challenges, opportunities, and strategic priorities that can inform integrated urban development programmes, inclusive service delivery, and long-term policy interventions for refugee-host urban settlements.

1.2 Methodology

The socio-economic baseline assessment adopted a mixed-methods research approach, combining quantitative household surveys with qualitative data collection to develop a comprehensive assessment of the socio-economic conditions of refugee and host communities across the five project cities. The methodology was designed to capture both measurable household characteristics and the broader social, economic, and institutional factors influencing community well-being. By integrating multiple sources of evidence, the assessment provides a robust analytical foundation for identifying development challenges and informing future urban interventions.

The quantitative component consisted of 2,095 household surveys conducted across 30 refugee-host urban settlements in Karachi, Peshawar, Kohat, Haripur, and Quetta. The survey collected standardized information on household demographics, housing and tenure, livelihoods and income, education, health, access to urban services, mobility, governance, social cohesion, safety, and inclusion. The use of a common survey instrument across all five cities enabled consistent data collection and facilitated comparative analysis at settlement, city, and national levels.

To complement the household survey, the assessment incorporated qualitative research through 230 Key Informant Interviews (KIs), and field observations. These methods provided contextual insights into local governance arrangements, infrastructure conditions, community dynamics, service delivery challenges, and development priorities that could not be fully captured through quantitative data alone. The qualitative findings also supported the interpretation of survey results by explaining the underlying factors shaping household experiences and settlement conditions.

The analysis presented in this Project Report draws upon evidence generated through household surveys, qualitative consultations, settlement, cluster, and city-level assessments, and the aggregated socio-economic baseline analysis. Rather than presenting findings independently for each city, the report adopts a comparative and

analytical approach that synthesizes evidence across multiple thematic areas to identify common development trends, settlement / cluster-specific, and city-specific characteristics, and strategic priorities for future programming. This integrated methodology enables the report to move beyond descriptive statistics and provide evidence-based insights that support inclusive urban planning and long-term development interventions.

Note: Unless otherwise indicated, all tables, figures, and statistical analyses presented in this report are derived from the UN-Habitat Socio-economic Baseline Assessment conducted across 30 refugee-host urban settlements in Karachi, Peshawar, Kohat, Haripur, and Quetta between July 2025 and March 2026.

2 Findings

The socio-economic baseline assessment indicates that the development challenges affecting refugee settlements extend beyond household-level poverty and are rooted in broader structural factors that have shaped their growth over several decades. Across the 30 settlements surveyed, the findings indicate that these areas largely fall within the category of slum settlements, characterized by deteriorated physical infrastructure, inadequate housing conditions, and limited access to basic services. This assessment is further supported by consistently low household income levels, which together with poor physical conditions reflect the typical socio-economic profile of slum settlements.

Although the surveyed settlements differ in location, population size, and urban context, they exhibit common patterns of social, physical, and political isolation, institutional exclusion, informal development, and constrained access to economic opportunities. These interconnected factors have influenced not only the quality of life of refugee and connected host communities but also the pace at which these settlements have become integrated into the wider urban systems of their respective cities.

The findings indicate that these settlements should no longer be viewed as newly established or temporary communities. Rather, they have evolved into permanent urban neighborhoods where many households have lived for several decades, contributing to the social and economic fabric of their respective cities. Despite this long-term presence, their development trajectory has remained markedly different from that of surrounding urban areas. Limited integration into formal planning processes, insecure tenure arrangements, inadequate public investment, and restricted institutional engagement have collectively constrained both settlement development and household socio-economic mobility.

2.1 Socio-spatial and economic isolation

Urban integration extends beyond the physical location of settlements and reflects the extent to which communities are connected to urban services, institutions, economic opportunities, and wider social networks. The assessment demonstrates that isolation within refugee settlements is multidimensional and operates through interconnected spatial, social, institutional, and economic processes.

Most of these refugee settlements were originally established in the peripheral areas of their respective cities. However, after more than four decades of urban growth, urban expansion has gradually reached these settlements resulting in varying levels of physical integration with the surrounding urban fabric. Many households are located within relatively short distance of schools, markets, health facilities, and employment centres. However, physical proximity does not always translate into effective access, as many settlements are still located more than 15–20 kilometers from the central business district, with these distances exceeding 30 kilometers in some cases.

Social integration also remains incomplete and varies across cities. Perceptions of belonging are generally stronger in Karachi, Kohat, and Quetta, while comparatively lower levels are reported in Peshawar and Haripur. Across the surveyed settlements, refugee identity remains an important factor contributing to social exclusion. This indicates that isolation is influenced not only by spatial location but also by legal recognition, identity, and public perception. The stigma associated with refugee settlements can also affect host communities living within or adjacent to these areas, as negative perception is often extended to the locality as a whole.

Over time, the concentration of refugee populations within spatially and socially distinct settlements has contributed to the formation of relatively self-contained urban enclaves. Localized economic networks, strong internal social ties, limited interaction with formal institutions, and persistent legal and social exclusion have reinforced the perception of some settlements as isolated urban silos or “ghettos.” In wider public discourse, such areas are often perceived as centres of crime, drug-related activity, and insecurity, regardless of whether these perceptions reflect the experiences of the majority of residents. Such territorial stigma can discourage employment, investment, mobility, and interaction with surrounding communities, thereby reinforcing both social and economic isolation.

The experience varies between cities. In Kohat, qualitative consultations highlighted strong negative perceptions of refugee settlements and their association with crime, drugs, and insecurity. In Karachi, the picture is more complex. Refugees are often perceived as hardworking entrepreneurs and active contributors to local markets, particularly through family-based businesses and community economic networks. At the same time, perceptions that undocumented businesses operate outside taxation and regulatory systems continue to reinforce perceptions of distinction between refugee communities and the wider urban population.

At the local level, relations between refugee and host communities are generally characterized by long-term coexistence and mutual dependence. Communities share markets, mosques, schools, neighbourhood institutions, and economic networks, while community elders and kinship systems provide important mechanisms for social support and dispute resolution. These strong local relationships, however, do not necessarily translate into broader acceptance at the city level.

Institutional isolation remains another major barrier to long-term integration. Residents rely heavily on community elders, religious leaders, and local representatives for dispute resolution, administrative support, utility connections, and

communication with government agencies. Nearly 63% of disputes are resolved through community leaders, while only around one-quarter involve the police or other formal institutions. Although these informal mechanisms demonstrate strong community capacity and resilience, they cannot substitute for inclusive, accountable and responsive municipal governance.

The legal status of both residents and settlements further reinforces institutional exclusion. Refugees face documentation-related barriers in accessing property registration, formal employment, banking, business registration, education, healthcare, welfare programmes, and administrative services. At the settlement level, many communities remain informal, occupy land through uncertain or undocumented tenure arrangements, or continue to be administered under a refugee camp framework despite having evolved into permanent urban neighbourhoods. This uncertainty limits household investment, constrains infrastructure development, and weakens the integration of settlements into municipal planning and public investment systems.

Documentation barriers also affect access to education and healthcare, although their severity varies between cities. These constraints were particularly acute in Karachi, where refugee children may attend private or informal schools but subsequently face difficulties registering for Board examinations because of the absence of required documents, including birth certificates and B-Forms. Consequently, years of investment in education may not translate into recognized qualifications, higher education, or formal employment. Access to education and healthcare appears comparatively less restrictive in Peshawar, Kohat, Haripur, and Quetta, indicating differences in local institutional practices and long-standing relationships between refugee communities and provincial institutions.

Economic isolation similarly characterized not by the absence of economic activity but by limited access to formal economic systems. Refugee settlements are economically active spaces connected to surrounding cities through daily wage labour, construction, transport, retail, waste recycling, domestic work, cross-border trade, handicrafts, and home-based production. Business ownership is concentrated in micro- and small-scale enterprises, including grocery shops, workshops, repair services, tailoring, food vending, transport, livestock trade, and household production.

However, enterprise development remains constrained by documentation barriers, insecure tenure, lack of collateral, limited access to formal financial services, and difficulties in business registration. Most enterprises depend on personal savings, informal borrowing, family networks, and community credit. Consequently, these enterprises remain concentrated within localized markets and have weak linkages to wider value chains, formal business support systems, and larger urban markets. Women's economic participation is particularly constrained by limited mobility, cultural norms, and weak market access, despite their substantial contribution to home-based production and family enterprises.

Overall, the assessment demonstrates that settlement isolation operates as a self-reinforcing process. Refugee status and documentation barriers restrict access to formal institutions, property, finance, employment, education, and public services.

These restrictions increase dependence on informal housing arrangements, localized markets, community networks, and systems of trust. While these systems have enabled communities to survive and develop considerable resilience, they have also reinforced spatial concentration and limited interaction with wider urban systems. The resulting pattern is therefore not one of complete isolation but of partial and uneven urban integration, in which refugee settlements are physically connected to the city while remaining socially, economically, and institutionally constrained.

2.2 The poverty trap

The socio-economic assessment demonstrates that poverty within refugee settlements is not simply the result of low household income but rather the outcome of multiple interrelated factors that reinforce one another over time. Large household sizes, high dependency burdens, limited educational attainment, reliance on informal employment, insecure incomes, and restricted opportunities for women collectively limit households' ability to accumulate assets, invest in education, or improve their living conditions. Although the severity of poverty varies across the five cities, the underlying mechanisms remain largely consistent: settlements with higher dependency ratios, lower educational attainment, and greater dependence on informal labour generally show lower household resilience and fewer opportunities for upward mobility, although such settlements demonstrate relatively better livelihood, these improvements remain insufficient to break the broader cycle of poverty. However, these improvements remain insufficient to break the broader cycle of poverty, indicating that these challenges interact to create a self-reinforcing poverty trap that has persisted across generations.

2.2.1 High dependency ratio

The demographic composition of the surveyed population presents both an opportunity and a challenge for long-term development. Approximately 76% of the population comprises children and young adults, indicating a predominantly youthful population with significant future economic potential. However, this demographic advantage has yet to translate into improved livelihoods due to limited educational opportunities, constrained labour markets, and inadequate investment in human capital.

Households are generally large, with the majority consisting of four to six members, while a considerable proportion contain seven or more members. Combined with the relatively small number of income earners, these household structures place substantial financial pressure on working adults. Across the five cities, households are typically supported by only one to two income earners, who must provide for between 4.4 and 4.9 dependents. The resulting dependency burden significantly reduces disposable income and limits household capacity to invest in education, healthcare, housing improvements, or productive assets.

Gender disparities in economic participation further intensify the household dependency burden. Although women constitute approximately 46% of the surveyed population, only around 4% are reported as being engaged in income-generating work. However, this figure does not fully capture women's actual contribution to household economic activity. In many households, particularly those engaged in home-based

production, handicrafts, embroidery, livestock management, and small family enterprises, women and other family members participate throughout the production process. Their contribution is often regarded as part of routine household responsibilities rather than recognized as formal employment, while the final product is sold and the income received by the household head or another male family member. Consequently, women's economic contribution remains largely unrecognized and statistically underreported, despite their active role in household production and family enterprises.

City	Avg. household size	Earners per household	Dependents per household	Dependency ratio (dependents per earner)
Karachi	6.3	1.8	4.4	2.4:1
Peshawar	6.5	1.8	4.7	2.6:1
Kohat	6.3	1.3	4.9	3.8:1
Haripur	6.3	1.5	4.8	3.2:1
Quetta	6.8	2.0	4.8	2.4:1

Table 1. Household earners and dependency ratio

The dependency ratio varies across cities, illustrating important differences in household vulnerability. Kohat records the highest dependency ratio (3.77 dependents per earner), followed by Haripur (3.20), indicating greater economic pressure on working household members. By comparison, Karachi (2.44) and Quetta (2.40) exhibit relatively lower dependency burdens because households generally have more income earners despite similar household sizes. Nevertheless, across all cities the dependency burden remains substantially higher than would typically be observed in economically secure urban households, reinforcing long-term household vulnerability.

Taken together, these findings suggest that the youthful demographic profile should be viewed not only as a development challenge but also as a significant opportunity. However, realising this demographic potential will require sustained investment in education, skills development, employment generation, and greater recognition and support for women's economic participation. Without such investments, the combination of high dependency burdens, limited employment opportunities, and underrecognized female economic contributions risks perpetuating intergenerational poverty rather than contributing to inclusive economic growth.

2.2.2 Education and Human Capital Development

Education is one of the most important determinants of long-term socio-economic mobility. However, the assessment indicates that educational outcomes remain insufficient to support meaningful economic advancement. While formal education has become increasingly common among younger generations, a significant proportion of adults continue to possess either limited formal schooling or only

religious education. These educational gaps restrict access to skilled employment and reinforce dependence on low-paying informal occupations.

Educational attainment	Karachi	Peshawar	Kohat	Haripur	Quetta	Total
Formal education only	31%	52%	50%	64%	47%	45%
Never attained any education	30%	16%	25%	18%	24%	23%
Religious education only	36%	28%	22%	17%	29%	29%
Too young for school / child	2%	4%	3%	1%	0%	2%
Total	100%	100%	100%	100%	100%	100%

Table 2. Educational attainment by city

The relationship between education and employment further illustrates the constraints on human capital development. Individuals with formal education are more likely to engage in skilled occupations, operate small businesses, or obtain salaried employment, whereas those with limited educational attainment remain concentrated in unskilled labour occupations. Nevertheless, even among educated respondents, opportunities for formal employment remain limited, reflecting broader structural weaknesses within local labour markets rather than education alone.

City-level variations indicate that Haripur and Peshawar demonstrate comparatively higher levels of formal educational attainment, whereas Karachi records a larger proportion of respondents with religious education, reflecting differences in educational pathways and historical settlement patterns. These variations influence labour market outcomes but do not fundamentally alter the overall pattern of economic vulnerability observed across all five cities.

Ultimately, the findings demonstrate that education alone has not been sufficient to lift households out of poverty. Without corresponding improvements in labour market opportunities, vocational training, and economic diversification, investments in education are unlikely to translate fully into improved household incomes.

2.2.3 Livelihoods and employment

Livelihoods across these slum settlements are characterized predominantly by informality. Employment opportunities are concentrated in unskilled labour, micro- and small-scale enterprises, transport services, construction, handicrafts, retail activities, waste segregation and recycling, and other informal occupations that provide limited income security and few opportunities for career progression. Formal salaried employment represents only a small proportion of total employment, reflecting both labour market constraints and barriers associated with legal status, documentation, and limited professional qualifications.

The assessment further indicates that employment opportunities also vary across cities. Karachi exhibits a comparatively more diversified labour market, while settlements in Kohat and Haripur remain heavily dependent on local informal economic activities. Across all five cities, however, informal employment continues to dominate, making household incomes highly vulnerable to seasonal fluctuations, economic downturns, and unexpected shocks.

Women's participation in the labour force remains limited and is concentrated primarily in home-based production, embroidery, handicrafts, domestic work, and small household enterprises. Cultural norms, mobility constraints, caregiving responsibilities, and limited market access continue to restrict women's economic participation, reducing the number of potential income earners within households and increasing dependence on male wage earners.

The findings suggest that employment insecurity represents one of the principal mechanisms sustaining the poverty trap. Even where households have access to employment, the predominance of low-paid and informal work restricts opportunities for savings, investment, and long-term economic mobility.

2.2.4 Household Income

Household economic conditions reflect the cumulative effects of demographic pressures, educational constraints, and informal employment. While household incomes vary across cities, expenditure patterns indicate that many families allocate a substantial proportion of their monthly earnings to essential needs, including food, healthcare, utilities, education, and transport. Consequently, opportunities for savings and productive investment remain extremely limited.

The assessment indicates that household with higher income also tend to report higher level of expenditure, particularly among larger households. Rising costs associated with food, housing, healthcare, and utility services place additional pressure on already constrained household budgets. Expenditure on water illustrates notable geographical differences, with households in Quetta incurring substantially higher costs because of dependence on private water suppliers, whereas many households in Peshawar access lower-cost public water systems.

Household Income	Kutchha %	Semi-kutchha %	Semi-pucca %	Pucca %	Total
Less than 20,000 PKR	2%	1%	1%	0%	3%
20,001–25,000 PKR	2%	1%	1%	0%	4%
25,001–30,000 PKR	2%	4%	1%	1%	8%
30,001–35,000 PKR	3%	5%	1%	1%	9%
35,001–40,000 PKR	3%	5%	1%	2%	11%
40,001–45,000 PKR	4%	4%	1%	1%	11%
45,001–50,000 PKR	4%	5%	1%	2%	11%
50,001–55,000 PKR	3%	4%	1%	3%	12%
55,001–60,000 PKR	2%	4%	1%	3%	11%
60,001 PKR and above	3%	6%	1%	10%	20%
Total	29%	38%	10%	23%	100%

Table 3. Relationship between housing condition and household income

2.2.5 Wealth assessment

Household asset ownership provides an additional perspective on economic wellbeing and reveals a clear relationship between income and material living standards. Across both refugee and host communities, ownership of productive and household assets generally increases with income. Ownership of vehicles, electronic appliances, and livestock become progressively more common among higher-income households, while ownership of higher-value assets such as cars, computers, and air conditioners remains concentrated largely within the upper-income groups.

The comparison indicates that household income alone does not fully explain differences in material wellbeing. At comparable income levels, host households generally demonstrate greater ownership of durable household goods and selected mobility assets. Refugee households show a similar upward pattern of asset accumulation with increasing income, but ownership levels are generally lower and more uneven across cities. This suggests that long-term economic security is shaped not only by current monthly income but also by accumulated household wealth, tenure stability, access to formal finance, and the ability to invest in durable assets over time.

Important geographical differences are also evident. Asset ownership is relatively higher among higher-income households in Quetta and Haripur, particularly for motorbikes and selected household appliances, while Karachi shows comparatively limited ownership of cooling appliances despite rising income levels. Peshawar demonstrates a more gradual increase in appliance ownership across income categories. These variations indicate that household consumption patterns are influenced by local climate, infrastructure availability, transport needs, energy access, and market conditions in addition to household income.

Overall, the asset ownership patterns reinforce the broader finding that many refugee households remain economically vulnerable even when they report moderate monthly incomes. Income gains appear to be associated with only gradual improvements in asset accumulation and improved material security, suggesting limited capacity for long-term savings and investment. The lower and less consistent ownership of productive and durable assets among refugee households, compared with host households at similar income levels, further indicates a deeper wealth and resilience gap that cannot be captured through income data alone.

2.2.6 Gender dependency

Gender inequalities and high dependency burdens further intensify household vulnerability. Across the surveyed settlements, economic responsibility is concentrated among a small number of working adults, while women, children, older persons, and persons with disabilities frequently depend on limited household incomes. This concentration of economic responsibility significantly reduces household resilience during periods of unemployment or illness.

Women continue to experience substantial barriers to labour force participation despite contributing to sustained household economies through home-based production, handicrafts, embroidery, petty trade, and domestic work. These activities often remain informal, poorly remunerated, and disconnected from larger commercial markets, thereby limiting their contribution to long-term household income growth.

Nature of Job	Karachi	Peshawar	Kohat	Haripur	Quetta	Total
Unskilled worker	9 (16%)	3 (3%)	1 (6%)	-	8 (10%)	21 (8%)
Animal herder / caretaker	1 (2%)	-	-	-	-	1 (0%)
Government officer	-	5 (6%)	-	-	6 (8%)	11 (4%)
Petty trader / small retailer	3 (5%)	1 (1%)	-	-	-	4 (2%)
Domestic worker	2 (4%)	3 (3%)	2 (12%)	1 (4%)	-	8 (3%)
Skilled worker	22 (39%)	23 (26%)	3 (18%)	2 (8%)	20 (26%)	70 (27%)
Handicraft artist	1 (2%)	13 (15%)	3 (18%)	2 (8%)	17 (22%)	36 (14%)
Farmer	-	1 (1%)	-	-	-	1 (0%)
Security guard	-	1 (1%)	-	-	1 (1%)	2 (1%)
Supervisor / officer	1 (2%)	2 (2%)	-	-	2 (3%)	5 (2%)
Embroidery	6 (11%)	21 (24%)	1 (6%)	4 (16%)	3 (4%)	35 (13%)
Clerical job	-	-	1 (6%)	5 (20%)	-	6 (2%)
Small shopkeeper / small enterprise	-	-	2 (12%)	-	-	2 (1%)
Businessman	-	-	-	1 (4%)	11 (14%)	12 (5%)
No response	3 (5%)	-	-	-	-	3 (1%)
Others	9 (16%)	14 (16%)	4 (24%)	10 (40%)	9 (12%)	46 (17%)
Total	57 (100%)	87 (100%)	17 (100%)	25 (100%)	77 (100%)	263 (100%)

Table 4. Women's participation in employment across selected slum settlements in five cities of Pakistan

The assessment also identifies persons with disabilities across all five cities, with mobility-related disabilities representing the most frequently reported category. These households often incur additional healthcare and caregiving costs while simultaneously facing reduced earning potential, further increasing the risk of persistent poverty.

Taken together, high dependency ratios, limited female labour force participation, and additional caregiving responsibilities substantially reduce household economic resilience. These factors reinforce the intergenerational transmission of poverty by limiting investment in education, health, and productive assets, thereby constraining opportunities for sustainable socio-economic advancement.

2.3 Settlement development deficits

The assessment indicates that the physical condition of these settlements is a direct reflection of the structural constraints discussed in the preceding sections. Although many settlements have gradually expanded and become embedded within the urban fabric of their respective cities, the provision of infrastructure and public services has not kept pace with population growth. Consequently, residents continue to experience significant deficits in housing quality, water and sanitation services, public infrastructure, mobility, and community facilities.

These deficiencies are closely interconnected. Inadequate housing contributes to poor health outcomes; inadequate drainage and poor solid waste increase environmental risks; unreliable infrastructure limits productivity and access to services; and poor public spaces reduce social interaction and community wellbeing. Rather than representing isolated sectoral challenges, these conditions reinforce one another, perpetuating the cycle of poverty and limiting opportunities for sustainable urban integration. The following sections examine the principal settlement-level development deficits identified across the five study cities.

2.3.1 Housing and tenure security

Housing conditions across the surveyed refugee settlements reflect decades of incremental, self-financed development. Although many households have established permanent residences, access to secure land tenure remains limited. As a result, housing quality remains closely linked to tenure security, household income, and the historical evolution of each settlement. Overall, 38% of dwellings are semi-kutcha, 29% are kutcha, and only 23% are pucca, indicating that more than two-thirds of households continue to live in temporary or semi-permanent structures despite the long-established nature of these communities.



Figure 1: Typical housing conditions in Ghamkol Settlement, Khyber Pakhtunkhwa.)

Housing conditions vary considerably across cities. Haripur records the highest proportion of pucca housing (50%), reflecting comparatively better housing consolidation, whereas Kohat remains the most vulnerable, with 57% kutcha houses

and only 17% pucca structures. Karachi is dominated by semi-kutcha housing (63%), illustrating gradual incremental upgrading rather than complete housing transformation, while Peshawar and Quetta display a more balanced mix of housing types. These differences reflect variations in settlement age, land tenure, and investment in housing improvements.

Housing condition	Karachi	Peshawar	Kohat	Haripur	Quetta	Total
Kutcha	19%	27%	57%	30%	29%	29%
Semi-Kutcha	63%	27%	19%	15%	37%	38%
Semi-Pucca	10%	13%	7%	6%	11%	10%
Pucca	8%	33%	17%	50%	24%	23%
Total	100%	100%	100%	100%	100%	100%

Table 5. Housing condition in selected slum settlements across five cities of Pakistan

Housing quality is further constrained by insecure tenure. Although ownership is relatively common, many households occupy land through informal or undocumented arrangements, discouraging long-term investment and limiting access to formal infrastructure. At the same time, 99.6% of surveyed households have a toilet within the dwelling, demonstrating substantial household investment in basic sanitation. However, this should not be interpreted as adequate living conditions, as deficiencies in sewerage and drainage infrastructure continue to pose significant environmental and public health risks.

Overall, the findings indicate that the principal housing challenge is no longer the availability of shelter but the quality, durability, tenure security, and servicing of housing. Refugee settlements have largely transitioned into permanent urban neighborhoods, yet continued informality and limited public investment have constrained their physical integration into the wider urban fabric.

2.3.2 WASH and health

Access to basic household sanitation has improved through the surveyed slum settlements, environmental health continues to be constrained by inadequate wastewater management, poor solid waste disposal, and limited municipal services. These challenges stem largely from the informal growth of these settlements, where infrastructure expansion has lagged population growth. As a result, communities continue to rely on household and community-led solutions that address immediate needs but do not adequately mitigate long-term environmental and public health risks.

Access to water varies considerably across the five cities. Overall, 55% of households rely on piped drinking water, while others depend on groundwater, community water points, or private tanker services. Quetta is a clear outlier, with approximately 62% of households relying on tanker water, reflecting severe limitations in the formal water supply network. While household toilet coverage is nearly universal (99.6%), supporting sanitation infrastructure remains inadequate. Only 28% of households are connected to covered sewerage systems, whereas 38% discharge wastewater into open drains and 23% use soak pits. Open drainage is particularly prevalent in Kohat (60%) and Peshawar (50%), while Haripur relies more heavily on soak pits.

Sources of Drinking Water	Karachi	Peshawar	Kohat	Haripur	Quetta	Total
a) Piped water	72%	54%	53%	47%	22%	55%
b) Filtered water (Purchased) from the filter plant	3%	0%	0%	0%	0%	1%
c) Purchase bottled water	0%			1%		0%
d) Community tap water	0%	14%	8%	28%	4%	8%
e) Ground water (Dug well / bore hole)	1%	28%	34%	22%	9%	16%
f) Tanker and suzuki water	23%	0%			62%	17%
g) Others	1%	4%	5%	2%	3%	3%
Total	100%	100%	100%	100%	100%	100%

Table 6. Sources of drinking water in selected slum settlements across five cities of Pakistan



Figure 2: Shared community tubewell in Bara Qadeem, Peshawar

Wastewater Disposal	Karachi	Peshawar	Kohat	Haripur	Quetta	Total
a) Connected to covered sewerage channel	45%	16%	9%	14%	40%	28%
b) connected with soak pit	22%	20%	23%	36%	18%	23%
c) connected with septic tank	9%	14%	9%	12%	9%	11%
d) connected to open drains outside	24%	50%	60%	32%	34%	38%
e) Other				6%		1%
Total	100%	100%	100%	100%	100%	100%

Table 7. Wastewater disposal mechanisms in selected slum settlements across five cities of Pakistan

Weak drainage infrastructure also contributes to recurring urban flooding. Overall, 28% of households reported experiencing flooding, with the highest incidence in Kohat (54%), followed by Haripur (37%) and Peshawar (37%). Institutional response remains limited, as 96% of affected households rely on self-help measures to manage flooding, while less than 1% receive government assistance. These findings highlight both the vulnerability of the settlements and the strong community capacity to respond during emergencies.

Solid waste management presents another major environmental challenge. Formal municipal collection reaches only 1.7% of households, forcing 94.3% to manage waste independently. Consequently, waste is commonly disposed of in open or vacant plots (59%), along road edges (13%), or in community bins (10%). Beyond degrading the environment, these informal disposal practices block drainage channels, increase flood risks, and expose communities, particularly children, to unsafe and unhygienic conditions, as many of these vacant plots also serve as informal play areas.



Figure 3: Open solid waste disposal in Wahid Ghari Settlement, Peshawar.

Overall, the assessment demonstrates that environmental health challenges are driven less by household practices than by inadequate settlement-level infrastructure and municipal service delivery. While communities have developed effective coping mechanisms, sustainable improvements will require investments in water supply, sewerage, drainage, and solid waste management to create healthier and more resilient urban neighbourhoods.

2.3.3 Infrastructure and urban services

Access to urban infrastructure varies across the surveyed settlements, while the quality, reliability, and coverage of services remain uneven. While electricity, healthcare, and cooking fuel are available to many households, service provision varies considerably between cities and often reflects the informal growth of settlements rather than planned urban development. As a result, residents continue to rely on alternative arrangements to compensate for deficiencies in infrastructure and urban and municipal services.

Electricity represents one of the stronger service indicators, with 81% of households connected to the formal electricity network. However, access does not guarantee reliability. Many settlements experience 10–12 hours of daily load-shedding, with outages extending to 18–20 hours in some areas, significantly affecting household well-being and economic activities. Approximately 10% of households continue to depend on informal connections or off-grid alternatives. City-level disparities are pronounced: Quetta records the highest formal electricity coverage (96%), followed by Karachi (91%), while Kohat has the lowest (55%), where solar systems and informal connections are more common.

Fuel for Cooking	Karachi	Peshawar	Kohat	Haripur	Quetta	Total
a) Firewood	32%	33%	64%	45%	18%	36%
b) Coal	-	-	-	0%	1%	0%
c) Piped gas	46%	20%	9%	19%	73%	35%
d) Dung cakes	1%	1%	1%	1%	1%	1%
e) Kerosene oil	0%	-	0%	-	-	0%
f) LPG cylinders	13%	28%	13%	34%	6%	18%
No response	8%	18%	13%	1%	1%	9%
Total	100%	100%	100%	100%	100%	100%

Table 7. cooking used in selected slum settlements across five cities of Pakistan

Household energy use also reflects unequal infrastructure provision. Overall, firewood (36%) and piped gas (35%) are the principal cooking fuels, followed by LPG cylinders (18%). While 73% of households in Quetta use piped gas, reliance on firewood remains high in Kohat (64%) and Haripur (45%), indicating both limited gas infrastructure and affordability constraints. At the neighbourhood level, street lighting is available in only 17% of settlements, leaving nearly 80% of streets unlit, which restricts mobility after dark, reduces public safety, and limits commercial activity.

Healthcare services are comparatively more accessible, with 40% of respondents using government hospitals for maternal healthcare, 22% relying on nearby hospitals or dispensaries, and 15% using private hospitals. However, 12% of respondents, predominantly in Karachi, continue to depend on traditional birth attendants (**Dais**), highlighting persistent barriers related to affordability, accessibility, and confidence in formal healthcare services.

Although access to basic services has improved through these slum settings, the quality, reliability and inclusiveness of those services remain inadequate. Although formal utility connections and access to healthcare have improved, unreliable electricity, dependence on biomass fuels, inadequate public lighting, and continued reliance on informal healthcare practices indicate that infrastructure development has remained fragmented. Addressing these service gaps will require investments that improve not only access but also the reliability, quality, and inclusiveness of urban infrastructure and public services.

2.3.4 Mobility and accessibility

Many of these slum settlements have become physically connected to expanding urban areas, but accessibility remains uneven and continues to influence residents' access to employment, education, healthcare, and commercial opportunities. Mobility depends not only on the availability of transport but also on road quality, settlement location, transport costs, and the spatial distribution of economic opportunities. As a result, many households remain physically connected to the city while facing constraints in accessing wider economic and social opportunities.



Figure 4: Typical local bazar / market within the surveyed settlements (Picture: Ghouseabad, Quetta)

Access to markets is comparatively favourable, with 46% of households located within 2 km of a market and a further 40% within 2–5 km, indicating reasonable proximity to commercial centres. However, this has not translated into stronger economic integration. As discussed in Section 2.1, commercial activity remains largely localized, with businesses primarily serving settlement residents rather than wider urban markets. Similarly, 16% of respondents travel less than 2 km to their workplaces, while 26% commute between 2 and 5 km. While these short commuting distances reduce transport costs, they also reflect the localized nature of livelihoods and limited access to higher-value employment opportunities elsewhere in the city.

Mode of transport	Karachi	Peshawar	Kohat	Haripur	Quetta	Total
a) Public transport	57%	72%	74%	39%	43%	59%
b) Private transport	27%	15%	22%	30%	49%	27%
c) Walking	17%	13%	4%	31%	8%	14%
Total	100%	100%	100%	100%	100%	100%

Table 8. Modes of transport used in selected slum settlements across five cities of Pakistan

Transport patterns illustrate differences in urban accessibility. Public transport is the dominant mode of travel (59%), followed by private transport (27%) and walking (14%). Reliance on public transport is highest in Kohat (74%) and Peshawar (72%), whereas Quetta records the greatest use of private transport (49%), reflecting greater travel distances and lower public transport availability. Haripur exhibits comparatively higher levels of walking, consistent with the proximity of settlements to local markets and employment centres.

Accessibility is further constrained by the quality of supporting infrastructure. Although most settlements are connected to the urban road network, secondary streets often remain untarred or poorly maintained, limiting movement during heavy rainfall and increasing travel time to schools, healthcare facilities, and workplaces. Combined with inadequate drainage and limited street lighting, these conditions disproportionately affect women, children, older persons, and persons with disabilities by restricting safe mobility, particularly during evenings and adverse weather.

Overall, the findings suggest that these slum settlements are no longer geographically isolated but remain functionally disconnected from the wider urban system. Improving accessibility, therefore, requires more than expanding transport infrastructure; it also requires strengthening connections to city-wide labour markets, public services, and commercial networks so that physical connectivity translates into meaningful social and economic integration.

2.3.5 Public spaces and safety

The assessment indicates that the quality of public spaces remains one of the weakest dimensions of settlement development. While housing and basic infrastructure have gradually improved, the provision of parks, playgrounds, community facilities, and safe public spaces has not kept pace with settlements growth and population needs. As a result, many of these slum settlements provide limited opportunities for recreation, social interaction, and community wellbeing, particularly for women and children.

Survey findings show that 82% of children play outside their homes, yet only 2.6% have access to formal parks, which are generally located outside their settlements. Instead, 56% play in streets, while 19% use open plots referred to as "playgrounds". Field observations confirmed that these are not formal recreational facilities but vacant pieces of land that have informally become children's play areas. This shortage of dedicated public spaces is compounded by poor environmental conditions. Nearly 59% of households dispose of solid waste in open or vacant plots, while municipal collection reaches only 1.7% of households. Consequently, many children play in the same spaces that are used for waste disposal, exposing them to environmental and public health risks.

Children playing outdoor	Karachi	Peshawar	Kohat	Haripur	Quetta	Total
a) Yes	73%	83%	85%	91%	90%	82%
a) Park	2%	0%	5%	4%	4%	3%
b) Street	47%	68%	60%	44%	65%	56%
c) Playground	22%	10%	19%	36%	16%	19%
d) Roadside	2%	5%	0%	3%	4%	3%
e) Others	-	-	-	4%	-	0%
b) No	28%	16%	14%	9%	10%	18%
Total	100%	100%	100%	100%	100%	100%

Table 9. Children's access to safe recreational spaces in selected slum settlements across five cities of Pakistan

Access to safe recreational spaces is even more limited for women. Only 26% of women identify parks as their primary recreational space, while 60% spend their leisure time visiting relatives or within residential areas, and over 27% report having no recreational space at all. In contrast, men make greater use of playgrounds (32%), tea shops (26%), and parks (18%), reflecting greater freedom of movement and access to public spaces. These differences become more pronounced after dark. Approximately 66% of women and children return indoors by 7:00 pm, whereas more than 70% of men remain outside beyond 10:00 pm. Correspondingly, 61% of respondents reported that women and children do not feel safe outside at night, a perception reinforced by the limited availability of street lighting, which is present in only 17% of settlements.

These findings demonstrate that the challenge extends beyond the absence of parks or playgrounds. Refugee settlements lack safe, functional, and inclusive public spaces that support recreation, social interaction, and healthy community life. Vacant land has consequently assumed multiple unintended functions, serving simultaneously as waste disposal sites, children's play areas, and informal gathering spaces. Improving the quality of the public realm through parks, playgrounds, community facilities, street lighting, and pedestrian-friendly streets should therefore be considered a core component of settlement upgrading, with direct benefits for public health, child development, gender inclusion, and overall urban livability.

2.4 Informality and urban governance

Despite decades of limited institutional integration, refugee settlements have developed a range of informal systems that enable communities to function and adapt to everyday challenges. Community-led service provision, informal economic activities, local leadership, and strong social networks have evolved to compensate for gaps in formal governance and public investment. These arrangements have strengthened settlement resilience but also reflect the continued dependence on informal mechanisms in the absence of fully integrated urban institutions.

This section examines how informality shapes service delivery, livelihoods, institutional engagement, governance, and community relationships across the

surveyed settlements. Understanding these systems is essential for designing development interventions that build upon existing community capacities while strengthening integration with formal urban governance structures.

2.4.1 Informal service provision

Inadequate municipal investment has resulted in refugee communities developing their own mechanisms for accessing and managing essential services. Across the surveyed settlements, households frequently rely on a combination of formal utilities, private providers, and community initiatives to meet daily needs. Community-led responses are particularly evident in water supply, drainage maintenance, solid waste management, and flood response, where residents often organize collective action to compensate for gaps in public service delivery.

While these informal arrangements demonstrate strong community resilience, they remain largely reactive and dependent on local resources. As settlements continue to expand, community-led initiatives alone cannot provide the scale, technical standards, or financial investment required for sustainable urban development. Future upgrading programmes should therefore strengthen municipal service delivery while recognising and building upon the existing capacities of local communities.

3 Way forward: opportunities for inclusive development

The assessment demonstrates that despite long-standing structural challenges, refugee settlements possess considerable human, economic, and social capital that can support more inclusive urban development. While previous sections highlighted the barriers limiting socio-economic mobility, the findings also reveal significant opportunities that can be leveraged through targeted policy interventions. The surveyed settlements are characterized by a predominantly young population, established local enterprises, strong community institutions, and increasing physical connectivity with surrounding urban areas. These existing assets provide a foundation upon which future development programmes can build, shifting the focus from humanitarian assistance towards sustainable urban inclusion.

Realising these opportunities will require integrated interventions that simultaneously strengthen education, livelihoods, infrastructure, institutional engagement, and market integration. Rather than creating entirely new systems, future programmes should build upon the capacities that already exist within refugee communities while removing the structural barriers that continue to constrain their development.

3.1 Youth dividend

The demographic profile represents one of the strongest development opportunities identified through the assessment. Approximately 76% of the surveyed population falls below 35 years of age, indicating a substantial future labour force. At the same time, refugee households are characterized by relatively large family sizes, averaging 6.2–6.8 persons per household, with only 1.3 to 2.0 income earners supporting between 4.4 and 4.9 dependents. This high dependency burden limits household savings and investment but also demonstrates the importance of preparing younger generations for productive employment.

If supported through improved education, vocational training, apprenticeships, and digital skills, this young population has the potential to become a significant driver of local economic growth. Without such investment, however, the demographic advantage identified in the assessment risks reinforcing the poverty trap through continued unemployment and dependency.

3.2 Women's economic potential

The assessment highlights significant untapped economic potential among women. Although formal labour force participation remains limited, many women already contribute to household incomes through embroidery, tailoring, handicrafts, food preparation, livestock management, and other home-based enterprises. These activities demonstrate existing entrepreneurial capacity that can be strengthened through targeted support.

The survey also indicates that women have limited access to recreational spaces and public life, with only 25.8% identifying parks as their primary recreational space, while nearly 60% rely on other informal spaces, primarily family visits within their communities. Expanding women's economic participation will therefore require not only livelihood programmes but also improved mobility, safe public spaces, childcare support, skills development, and access to finance. Supporting existing home-based enterprises offers a practical pathway for increasing household incomes while remaining consistent with local socio-cultural contexts.

3.3 Local enterprises and informal economy

Refugee settlements already support active local economies centered on construction, transport services, retail businesses, handicrafts, recycling, tailoring, and other specialized occupations. However, as demonstrated earlier, these enterprises operate primarily within localized markets where businesses serve neighboring households rather than wider urban consumers. Limited external investment, restricted access to finance, and weak commercial linkages prevent many enterprises from expanding beyond subsistence-level operations.

Despite these constraints, the assessment indicates considerable potential for enterprise development. The relatively short distance to commercial centres, with approximately 86% of households living within five kilometres of a market, provides a favourable basis for strengthening market integration. Improving access to microfinance, business development services, digital marketing, and city-wide value chains would enable existing enterprises to expand their customer base, increase productivity, and generate more secure employment for both refugees and host communities.

3.4 Community assets and social capital

One of the strongest assets identified through the assessment is the presence of well-established community institutions and strong social cohesion. Nearly 63% of disputes are resolved through community elders and local leaders, demonstrating a high degree of trust in community governance structures. Similarly, during urban flooding, over 95% of affected households relied on community self-help measures

rather than external assistance, highlighting the capacity of communities to organize collective action during emergencies.

These findings demonstrate that refugee settlements possess significant social capital that can support participatory planning and community-led development. Rather than creating parallel governance structures, future programmes should build upon existing community leadership, religious institutions, women's groups, youth organizations, and Commissionerate for Afghan Refugees (CAR) appointed community mobilizers to improve programme implementation, accountability, and sustainability.

3.5 Digital connectivity and future opportunities

The assessment indicates that improving digital connectivity presents an important opportunity for overcoming many of the structural barriers identified throughout this report. A predominantly young population, expanding mobile phone use, and increasing digital literacy provide favourable conditions for promoting digital entrepreneurship, online learning, financial inclusion, and improved communication between communities and public institutions.

Digital platforms also offer opportunities to strengthen existing local enterprises by connecting businesses with wider markets, facilitating access to financial services, and supporting skills development. Combined with investments in education and enterprise development, digital technologies can help refugee communities move beyond localized economic systems and participate more effectively in the wider urban economy.

In conclusion, the assessment demonstrates that the surveyed refugee settlements possess substantial human development potential despite persistent structural barriers. Unlocking this potential will require integrated, , place-based investments that strengthen human capital, women's economic participation, enterprise development, infrastructure, institutional partnerships, and digital innovation. By building existing community assets while addressing long-standing development

deficits, refugee and host communities can contribute jointly to more inclusive, productive, and resilient cities.

3.6 Conclusion

The assessment demonstrates that the challenges facing the settlements surveyed cannot be addressed through isolated sectoral interventions. Structural exclusion, documentation barriers, insecure tenure, poverty, weak human capital development, informal livelihoods, infrastructure deficits, and limited institutional participation reinforce one another. At the same time, the settlements possess significant assets in the form of a predominantly young population, established enterprises, occupational skills, strong community institutions, social capital, and increasing connectivity with surrounding urban economies.

Future development interventions should therefore adopt an integrated, place-based approach that simultaneously strengthens human capital, livelihoods, enterprise development, infrastructure, environmental management, institutional access, and participatory governance. Settlement upgrading should be linked with city master plans, local development plans, municipal service systems, and formal public investment frameworks rather than implemented through fragmented or temporary projects.

Particular attention should be given to transforming the youth bulge into a productive demographic dividend through education, technical and vocational training, apprenticeships, digital skills, and stronger connections with urban labour markets. Similarly, women's existing but largely unrecognised contribution to household production should be strengthened through locally appropriate skills development, enterprise support, market linkages, financial inclusion, and improved access to safe spaces and services.

Overall, the thirty surveyed settlements should increasingly be understood as established urban neighbourhoods requiring long-term development investment rather than temporary spaces requiring only humanitarian support. Their communities possess considerable human, economic, and social potential, but structural barriers and development deficits remain beyond the capacity of households and communities to address independently. Development interventions that respond simultaneously to socio-economic realities, spatial conditions, structural vulnerabilities, and existing community strengths can create pathways towards more inclusive, productive, and resilient urban settlements.