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Policy Paper

October 2017

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PP-17/11



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*. This paper was commissioned by the World Bank's Fragility, Conflict and Violence Department. I am grateful for comprehensive and very useful comments received from Xavier Devictor, Mona Niebuhr, and the peer reviewers, Naila Ahmed, David Kipp, and Hans Timmer. Caroline Bahnson, Rebekah Smith, and Paolo Verme also provided comments on previous drafts. Bingying Wu provided excellent research assistance.

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Abstract

According to the European Union over a million asylum rejected asylum seekers have been ordered to return to their country of origin from Europe alone, or will be soon. To these could be added refugees that have been given temporary shelter but who could be asked to return once conditions in their home country improve. The debate on returning asylum seekers and refugees is nearly always cast in political, legal and humanitarian terms. This paper looks at the question of return strictly from the economic perspective in the advanced countries that receive refugees: is return in their economic interest? Considering all the main economic dimensions – fiscal, economic growth and labor market impact – the answer, for most advanced countries is no. The costs of hosting refugees are front-loaded, while the benefits of hosting them, which are considerable, only accrue over time.

The paper also argues that – on economic grounds alone – mass voluntary return of refugees to their country of origin is highly unlikely even when conditions improve. Development agencies can help countries that are the largest source of refugees recover once conflicts abate and help prevent new refugee crises occurring in the future. However, the expectation that they will promote the return of refugees is unrealistic. Development agencies should not place refugee return as a central objective of their efforts.

The Economic Effects of Refugee Return and Policy Implications

The recent surge in the number of forcibly displaced persons¹ who cross international borders in search of protection has prompted interest in evaluating policies that achieve the possible “end points” of the phenomenon. As envisaged by United Nations High Commissioner for Refugees (UNHCR²), these are the integration of the forcibly displaced persons in the country of destination, relocation in a third country, and return to the country of origin. The focus of this paper is on the third aspect, namely the appropriate conduct of return policy viewed from the perspective of the host country.

The importance of the return issue is underscored by a recent report of the European Commission. According to the latest EU Action Plan on Return (2017), during 2014-2015 just over 1 million irregular migrants were ordered to leave the European Union. In 2015/2016, the EU received around 2.6 million asylum applications for refugee status³, of which less than 60% were accepted in the first instance, implying that perhaps as many as 1 million asylum seekers could be ordered to return. According to the latest World Bank migration brief (2017) in the EU, the number of potential returnees – those denied asylum and other detected undocumented migrants – rose from 1.4 million in 2011 to over 5 million in 2016. In the United States, the stock of potential returnees rose from around 1.5 million in 2011 to 3 million in 2016.

At the same time, actual return rates remain well below mandated return. For example, less than 40% of failed asylum seekers ordered to return actually returned in recent years. Of course, return policy is not limited to the forced return of failed asylum seekers, as asylum seekers and refugees sometimes return voluntarily, and are routinely encouraged to do so. Countries also sometimes accord provisional asylum status, which can be withdrawn when return to the country of origin is deemed to be safe again. Though not the main object of this paper, return policy also deals with large numbers of immigrants who arrive irregularly for economic or family reunification reasons and do not apply for asylum, and extends to the return of economic migrants who arrive legally but whose visas expire or whose services are no longer needed.

Over and beyond the fraught politics, appropriate policies towards asylum seekers and refugees – of which return policy is part – entail three types of consideration: humanitarian, legal, and economic. This paper will

1. “Non-refoulement”, a norm agreed in Article 33 of the 1951 UN Refugee Convention requires that “no contracting state shall expel or return a refugee in any manner whatsoever to the frontiers of territories where his life or freedom would be threatened.” As stated in the World Bank’s “Forcibly Displaced” 2017 report, “the 1951 Convention Relating to the Status of Refugees defines refugees in terms of their vulnerability due to the denial or loss of state protection. ‘A refugee is a person who is outside his or her country of nationality or habitual residence; has a well-founded fear of being persecuted because of his or her race, religion, nationality, membership of a particular social group, or political opinion; and is unable or unwilling to avail him or herself of the protection of that country, or to return there, for fear of persecution. Refugee status is not accorded to those who flee intolerable economic conditions, poverty, famine or environmental catastrophes (unless these are consequences of or related to persecution)’ Refugees include individuals recognized under the 1951 Convention relating to the Status of Refugees; its 1967 Protocol; the 1969 OAU Convention Governing the Specific Aspects of Refugee Problems in Africa; those recognized in accordance with the UNHCR Statute; individuals granted complementary forms of protection; or those enjoying temporary protection. Since 2007, the refugee population also includes people in a refugee-like situation. Asylum-seekers are individuals who have sought international protection and whose claims for refugee status have not yet been determined, irrespective of when they may have been lodged. UNHCR also refers to internally displaced people – i.e. people forced to leave their homes but remain in their country of origin - as forcibly displaced: they are not, however, the object of this paper.

2. See UNHCR 2016 for an overview of recent displacement trends

3. See Annex 1 for definitions

focus mainly on the economic implications of return while recognizing that the legal and humanitarian are an integral part of decisions. More specifically, the main question I address is whether it is in the economic self-interest of host countries to return forcibly displaced persons.

The vast majority of refugees end up in developing countries such as Lebanon, Jordan, Pakistan and Turkey, a subject treated in recent World Bank reports (Devictor 2016; Verme et al 2015). This paper instead aims to address the return policy of advanced countries that have seen a surge in the arrival of asylum seekers, such as Austria, Germany, Greece, Italy, and Sweden. While the United States is also a host to many forced migrants, the majority are resettled, i.e. their asylum applications are decided upon while they are in the country of origin or in a third country, so the issue of returning failed asylum seekers is less pressing. In the United States, the issue of return is just as politically prevalent, but it relates mainly to irregular economic migrants who infiltrate the Southern border or overstay their visas⁴, and even to the U.S.-born children of those immigrants, but not to asylum seekers or refugees.

The weaknesses of data on the return of immigrants are well known: “If the data on international migration are generally poor, the recording of return migration is far worse” (Lucas 2005). The scarcity of analytical examinations of the forced displacement phenomenon is also well known. For example, a recent IMF report titled “The Refugee Surge in Europe: Economic Challenges” contains some 65 bibliographic references, of which nearly all deal with immigration generally and only about five deal mainly with refugees. (Aiyar et al. 2016).

Despite these lacunas, I believe that the available evidence and analyses as set out below allow this paper’s main conclusion, namely that the costs of hosting asylum seekers and refugees are front-loaded, while the benefits accruing from their integration into the labor market and the host economy typically take years to materialize. It follows that from the economic perspective their return after a short stay may represent a costlier option than continuing to invest in their successful integration. Countries with a flexible labor market, strong investment climate, and a welcoming attitude to immigrants tend to see the economic benefits of refugee inflows materialize faster.

The paper also develops the following messages:

- The economic and demographic situation across advanced countries⁵ varies, as do the number and attributes of asylum seekers who reach their shores. While some generalizations are possible, there is no “one size fits all” return policy, just as there is no single optimal immigration policy. However, all nations are defined by who lives within them, their laws and control of borders. So, there is a strong legal case for rejecting asylum applications that are clearly specious. This is necessary not only for retaining control of immigration policy but also to preserve the integrity and political viability of the asylum system.

4. Tight immigration restrictions exist both across the EU and in the United States, and they are extreme in the case of unskilled workers. In both the US and EU the result has been large numbers of undocumented immigrants. For example, the IOM estimated that 3 million illegal immigrants resided in the EU in 2000, double the number of ten years earlier, representing about ¼ of the official non-EU population. The INS estimated that 7 million illegal immigrants resided in the US in 2001. In the US, approximately as many illegal workers entered the US as did under official temporary work visas (Lucas, 2005). In the US, while efforts have been directed at attracting skilled immigrants and denying official entry to unskilled immigrants, the effect has been that unskilled immigrants have continued to represent a high proportion, but illegally.

5. These are the “high-income countries” as identified by the World Bank using an income criterion.

- In many advanced countries today the purely economic case for returning migrants, as distinct from the legal case – whether they are asylum seekers, failed asylum seekers, refugees, or irregular economic migrants – is weak. This conclusion is drawn from a careful examination of the macroeconomic, fiscal and labor market impacts on the advanced host country of the inflow of immigrants. The bottom line is that the aggregate economic effects of migration, including those of refugees, in most instances are beneficial.
- More specifically, the overall fiscal impact of refugee flows is likely to be small. It is negative at first due to the high cost of relocating refugees and hosting them until they find jobs and learn the language. Since most refugees are young, studies suggest that their fiscal impact becomes positive on a cash-flow basis a few years after arrival and positive on a present value basis a few years after arrival. Because asylum seekers are often left in limbo for protracted periods, and the permission to work is delayed or denied, the fiscal cost of hosting them is higher and their contribution to the host economy is smaller than it could be.
- Most refugees are low-skilled. The benefit of refugee arrival on their employers, on firms generally, on the price of many non-tradable products and services, and on the vast majority of native workers who do not compete directly with them and who are complementary to them in production, are likely to be felt at about the pace that refugees are allowed to and find work. Immigration generally, including of refugees, tends to be supportive of long-term economic growth. The dampening effect on the wages of low-skilled native workers of refugee arrival is likely to be small. Some crowding out of public services may occur in refugees concentrated localities. However, this is less likely in contexts where the population is declining or has slowed down markedly.
- The economic effects of refugee return are only a part of the economic effects of immigration, whether for work, family or protection reasons. While there are important considerations that distinguish forcibly displaced persons from others, policies regarding the return of refugees must be framed with broader policy towards immigration in mind.
- In light of the obligation to host refugees, return policies must also recognize that, as shown below, few asylum seekers or refugees return voluntarily from an advanced country to a developing country. When viewed from the standpoint of the forcibly displaced persons, in most instances the financial case for return is very weak indeed, as the disparity in expected earning between staying and returning is big, even when the country of origin is safe. It follows that truly voluntary return (as distinct from what some might call “soft deportation”) can only be expected in specific instances or where personal considerations, such as family ties to the home country, prevail. The available literature suggests that migrants that retain strong family and emotional connections with their country of origin and that have built up savings or developed needed skills during their stay abroad are the most likely to return voluntarily. Financial considerations alone will rarely play a determinant role in spurring return.
- Few refugees return also because conflicts appear to have become more protracted and most, though not all, countries that are the origin of large numbers of asylum seekers are patently unsafe and also incapable of affording the returning migrant a livelihood. Return under unfavorable conditions may only result in renewed attempts at emigration.
- The expectation that humanitarian assistance or development tools (grants, loans, policy advice) can

play a significant role in promoting the return to countries in conflict is unrealistic. Countries of origin that are unsafe today, however, could become safe in the future, as conflicts are resolved. In that case, the return flow of forcibly displaced persons is possible, even though – in most instances – voluntary return from advanced countries to a poor location is unlikely to be large. For example, Syrian refugees housed precariously in Lebanon are more likely to return than those based in Sweden. Development policy can help returnees resettle successfully, accelerate reconstruction, and reduce the likelihood of recurrence of humanitarian crises. Returning refugees can play a role – even if it is likely to be a modest one - in the reconstruction and development effort in the right circumstances, and also build bridges between the country of origin and the host, creating business opportunities for both.

The political debate over welcoming refugees is fraught, and actual policy decisions will, in the final analysis, have to navigate these difficult waters. However, our purpose here is to address the issues, insofar as possible, from a technical standpoint – i.e. to help inform the political debate with facts and analysis rather than engaging in it.

There is a clear and crucial legal distinction between asylum seekers and refugees. Once an asylum seeker's case has been approved and his status as a refugee has been recognized, there is a legal obligation to host him or her. (see Footnote 2 and Annex 1). For this reason, this paper goes to some length to clarify whether the unit of analysis is an asylum seeker or a refugee whenever there is the possibility of confusion.

In addressing the question of whether it is in the economic self-interest of the host country to encourage refugee return, four ancillary issues are to be addressed:

- The macroeconomic impact of refugees and of their return
- The labor market impact of refugees and of their return
- The fiscal impact of refugees and of their return
- How return policy should be formulated and executed

Before discussing these issues, it is useful to review the evidence on the prevalence of return.

Prevalence of Return

Return is a well-established feature of migration, and so is the fact that return rates vary greatly depending on country of origin and destination. However, truly voluntary return from a rich country to a poor one is a rare phenomenon⁶. Even when turned down for asylum and officially expected to leave, most asylum seekers do not in fact do so. (see below) Article 3 of the 1951 Convention prohibits expulsion, return, or refoulement of persons to countries where there is a substantial risk that they will face torture, inhuman or degrading treatment. The voluntary return of refugees is even less common. According to UNHCR, there were 19.5 million refugees in 2014 and only 126,800 returned to their country of origin. These are predominantly refugees that found precarious asylum in Afghanistan, Sudan and Iraq and returned to neighboring countries of origin. The numbers of returnees saw little increase in 2015 and approached

6. Return of migrants from a more developed to a less developed country is not always low. Many developing countries have established modest programs to attract back students who go abroad and skilled emigrants, but they have had limited success. An interesting exception is China, a safe and large middle-income economy (per capita income higher than \$13,000, PPP adjusted in 2015) that has experienced the world's highest sustained growth rate in recent decades. According to the most recent report of the Chinese Ministry of Education about 80% of Chinese students abroad returned to China in 2016.

500,000 in 2016, mainly due to returnees to Afghanistan under pressure to leave neighboring Pakistan⁷.

A recent World Bank report “Sustainable Refugee Return” (2015) examined 8 case studies of large-scale refugee return, namely return to Afghanistan, Angola, Bosnia-Herzegovina, Burundi, Cambodia, Iraq, Liberia, and South Sudan. In all these cases, except Bosnia-Herzegovina, refugees were hosted mainly in nearby developing countries – often in a precarious condition and under pressure to leave. Approximately 350,000 Bosnian refugees found shelter in Germany, however, they were never granted permanent status. Furthermore, in the wake of the Dayton Peace Accords, they were under strong pressure to leave, being denied of rights and support. Some 250,000 did so, returning to Bosnia or resettling in third countries⁸.

These statistics on the return of refugees contrast strongly with those relating to economic migrants among relatively advanced countries. It is estimated, for example, that about 30% of migrants to the United States during the great age of migration 1890-1914, returned, and that return rates varied from around 5% of those originating from Russia, Ireland, and Scandinavia, to about 50% of those originating from Italy. Post-World War II, guest worker programs helped to facilitate large-scale migration within Europe and from countries such as Morocco, Turkey, and Tunisia. These programs collapsed in the wake of the first oil shock in 1973-75, and return/circular migration has been a prominent feature in Europe ever since. For example, in 1975-1985 the outward flow of the foreign population in Germany exceeded the inflow. In subsequent years, net migration resumed, and circular migration did not stop the migrant stock from increasing, as the foreign population in Germany increased from less than 1 million in West Germany in 1960 to 3 million in 1970, 4.5 million in 1980, to 7.5 million in unified Germany in 2000.

Unlike the United States, Europe never encouraged permanent settlement. Over 1990-2003, the foreign population outflow to inflow ratio was 73% in Germany. In Belgium, the ratio was 49%, in Denmark and Sweden it was 25% and in the Netherlands, it was 19%. Among the most accurate estimates of return are from social registers available for Finland and Sweden, which enable a longitudinal monitoring of individuals and a reliable sorting by country of origin and by the nature of migration. Some 30% of the 1990 immigrant cohort in Finland had left within 10 years. While 60% of those whose country of origin was the OECD returned, only 20% returned to Estonia and only 15% of those originating from Russia. Only 15% of those who came in as refugees, typically low-income countries, returned. A similar picture is obtained in Sweden. Over 1970-1990, 25% of the immigrant cohort had left within 5 years, with the return more common to Nordic countries or other OECD countries and least common among refugees and immigrants from low-income countries.

The data shows that return is more likely the shorter the distance, the shorter the permanence and the wealthier is the country of origin. Financial incentives for return appear to have played only a minor role (Dustmann 1996). Based on a survey of 273 returnees to 8 origin countries, Kuschminder and Koser concluded: “returnees who migrated for economic reasons were more likely to be reintegrated than those who migrated for other reasons; returnees who both had a sense of belonging to the community prior to migration and returned to the same community after migration were more likely to be reintegrated” (Kuschminder and Koser, 2015)

7. According to Crisp and Long (2016) “the last 10 years are best described as “a decade of protracted emergencies.” Millions of new refugees have been created as a result of intense violence in Burundi, Central African Republic, Iraq, Nigeria, South Sudan, Syria, Ukraine, and Yemen. At the same time, longstanding conflicts in countries such as Afghanistan, the Democratic Republic of Congo, Myanmar, Somalia, and Sudan have gone unresolved. As a result of these developments, refugee numbers have jumped to an all-time high, while repatriation levels have dropped to an historic low.”

8. <http://www.dw.com/en/refugees-reloaded-lessons-from-germanys-approach-to-bosnian-war/a-19021249>

The fact that very few asylum seekers and refugees return home to a developing country is confirmed by the most recent UNHCR and Eurostat statistics – imperfect and incomplete as they are. (Table 1 and 2)

Table 1: Refugees, Asylum-Seekers, And Return Refugees by Country/Territory of Asylum, in 2016
(A dash («-») indicates that the value is zero, not available or not applicable. All data are provisional and subject to change.)

Country/territory of Asylum	Refugees	Asylum seekers (pending cases)	Returned refugees (to country of origin, during 2016)
Turkey	2,869,421	245,955	-
Pakistan	1,352,560	4,856	7
Lebanon	1,012,969	13,745	-
Iran	979,435	91	11
Uganda	940,835	41,880	1,192
Ethiopia	791,631	1,964	1
Jordan	685,197	35,615	-
Germany	669,482	587,346	-
Dem. Rep. of the Congo	451,956	1,327	13,223
Kenya	451,099	43,764	4
Sudan	421,466	16,052	37,215
Chad	391,251	1,909	28
China	317,255	668	-
France	304,546	62,771	-
Tanzania	281,498	8,539	6
United States of America	272,959	542,649	-
Yemen	269,783	9,097	1
South Sudan	262,560	1,792	1
Iraq	261,888	11,458	157
Russian Federation	228,990	3,039	56
Egypt	213,530	49,877	-
India	197,851	9,219	-
Afghanistan	59,711	128	383,951

Source: UNHCR 2016

Data on return from EU countries compiled by Eurostat is more comprehensive but does not distinguish between the return of economic migrants – which is plausibly the larger number - and refugees, and therefore represent at most an upper bound on the return of refugees. Even so, the number of returnees – whether forced or voluntary – is small except for Germany and the United Kingdom which house a large population of economic migrants, and, in the case of Germany, of large numbers of asylum seekers from countries in the Balkans.

Table 2: Types of Return from EU Member States in 2015

	Persons returned	Voluntary return	Enforced return	Type of return unknown
Germany	55,340	-	-	55,340
UK	50,590	-	-	50,590
France	18,245	5,920	12,325	0
Greece	14,390	-	-	14,390
Spain	13,315	2,355	10,960	0
Poland	12,930	12,080	850	0
Sweden	9,830	7,285	2,545	0
Netherlands	8,620	-	-	8,620
Hungary	5,975	210	5,765	0
Belgium	5,835	3,310	2,525	0
Austria	5,275	-	-	5,275
Italy	4,670	1,015	3,655	0
Finland	3,365	-	-	3,365
Denmark	2,655	170	2,480	0
Romania	1,995	1,810	180	0
Croatia	1,940	1,250	690	0
Cyprus	1,840	-	-	1,840
Lithuania	1,720	-	-	1,720
Czech Rep.	1,715	-	-	1,715
Slovakia	1,230	670	560	0
Latvia	1,030	695	340	0
Slovenia	840	90	110	640
Bulgaria	735	180	555	0
Luxembourg	720	545	175	0
Portugal	610	240	370	0
Estonia	560	475	85	0
Malta	465	285	180	0
Ireland	365	115	250	0
TOTAL	226,800	38,700	44,600	143,495

Source: EuroStat, cited by ESI 2017

Data on the actual return of those who are ordered to leave is incomplete. Where data is available, the indication is that while many asylum applications are rejected, only small numbers of those with orders to leave actually leave the country. For instance, in 2011, Ireland issued in total 940 orders to return due to failed asylum applications, but only 381 returned, of whom 152 benefited from Assisted Voluntary Return (AVR) and 52 returned voluntarily without AVR⁹. Starting in 2011, Germany made increasing use of deportation, from less than 8,000 in 2011 to over 20,000 in 2015, but the reason for deportation is

9. Returning Rejected Asylum Seekers: Challenges and Good Practices in Ireland, July 2017 <https://www.esri.ie/pubs/RS65.pdf>

not specified. In 2015, 35,514 voluntary returns were approved for funding, but nearly $\frac{3}{4}$ of these were nationals of the Balkans: Albania (about 32%), Kosovo (about 23%), and Serbia (about 18%)¹⁰, and relatively few were from developing countries outside of Europe.

Asylum seekers resort to multiple strategies to avoid the return, including “procedure shopping”, defined as “the simultaneous, parallel or successive introduction of several similar or different procedures (asylum, humanitarian regularization and medical regularization)”.¹¹ As reported based on a recent European Migration Network conference¹², there are many challenges confronting the return of rejected asylum seekers: “public resistance to return and political pressure not to implement removals; strong individual resistance to return; greater difficulties in obtaining travel documents, compounded by the fact that asylum seekers are more frequently undocumented than other third-country nationals; and greater prevalence of medical cases among rejected asylum seekers than among other returnees.” Additionally, there are challenges in terms of the security situation in countries of origin, the possibility of lodging late-stage appeals and judicial reviews, combined with difficulty in establishing contact with the authorities of countries of origin before the asylum procedure is closed. The actual return of asylum-seekers is contingent upon all those factors mentioned above.

The cost of implementing forced return is often overlooked. An EUobserver¹³ probe of some 100 joint return flights coordinated by the EU’s border agency Frontex, calculated that on average, it costs €5,800 to deport one individual. The price depends on the destination of the flight, its route, and the number of escort personnel needed. For instance, deporting to Albania from Germany may cost around €1,000, while forced returns to Nigeria may cost up to €9,000. Unexpected circumstances may “lead to last-minute changes like returnees absconding, changed medical conditions, new asylum claims or other legal challenges¹⁴.” In extreme cases, costs can spiral out of control, as in a case where Swiss authorities decided to reroute a flight boarded by migrants from Togo, spending close to €90,000 for each person returned to Togo. A report by the American Immigration Council (2013) estimated that the United States spends nearly \$ 2 billion a year on immigration detention¹⁵ and that the direct fiscal cost of removing some 9 million illegal immigrants could stretch into the hundreds of billion dollars, not accounting for the adverse impact on the broader economy.

Contrary to common belief, the granting of refugee status is not irreversible. According to Article 1C of the 1951 Convention relating to the Status of Refugees, refugee status shall cease to apply to a person under certain conditions (“the Cessation Clause”), including if he or she has voluntarily re-availed himself of the protection of the country of his nationality or if “He can no longer, because the circumstances in connection with which he has been recognised as a refugee have ceased to exist, continue to refuse to avail himself of the protection of the country of his nationality...”. Thus, many developing country hosts

10. Migration, Integration, Asylum- Political Developments in Germany 2015 https://ec.europa.eu/home-affairs/sites/homeaffairs/files/what-we-do/networks/european_migration_network/reports/docs/annual-policy/annual-policy-11a_germany_apr_part2_en.pdf

11. An in-house study of the Belgian Immigration Office involved examination of 86,000 people who on average introduced an asylum application 1.55 times between 2010 to 2012. Taking all applications of these persons into considerations, on average each person applied 3.48 times. 45.5% of people applying for regularization on humanitarian or medical grounds in 2012 had previously lodged an asylum application.

12. http://www.bamf.de/SharedDocs/Anlagen/EN/Publikationen/EMN/emn-tagungsband-rueckkehr-2017.pdf;jsessionid=F32B96A388AD9CA9DEF211C9162499B8.2_cid294?__blob=publicationFile

13. 15EUobserver, Skyrocketing costs for returning EU migrants, <https://euobserver.com/migration/137720>

14. <https://euobserver.com/migration/137720>

15. American Immigration Council, The Cost of Immigration Enforcement and Border Security <https://www.americanimmigrationcouncil.org/research/the-cost-of-immigration-enforcement-and-border-security>

have treated the acceptance of refugees as a temporary phenomenon pending the end of conflicts, and this is also formally the position of countries such as Denmark, Germany and the United Kingdom today.

But is return beneficial in the first place – more specifically, is it in the economic self-interest of the host country? To address this question, we need to consider the counterfactual, which is the effect of integrating refugees. These issues are considered in the next three sections.

The Effect of Refugees (and of Return) on the Macro-Economy¹⁶

It should be stated at the outset that the economic implications of integrating refugees are not unconditional. They depend crucially on policies that the host countries pursue, especially whether and how soon host countries allow refugees to work and the support given to them to enable them to find jobs. The arrival of large numbers of refugees can stimulate demand in the short term and contribute to an acceleration of long-term economic growth in the right circumstances. Even when policies in the host country are strongly supportive of their rapid integration in labor markets, refugees take longer to make their contribution felt than economic migrants. Their cost to the economy (transfers from natives) is front-loaded, while their contribution to GDP (value added) is back-loaded.

It is evident that the economic effect on the host and on the origin country of returning refugees cannot be seen simply as the mirror image of their first departure and arrival. Not only are the costs that the host country incurs in absorbing refugees heavily front-loaded. The typical estimate is that it costs about \$10,000 to support a refugee in the first year. These costs are higher in Europe where the vetting process tends to be done in loco than in the United States, where refugees arrive having been cleared in third countries and resettled (Legrain 2016). In subsequent years, the net cost of hosting refugees depends crucially on their ability to work. Refugees themselves are profoundly transformed by their experience. The country they return to is often very different from the country they left. Nevertheless, if one is to analyze the effect of return, one must compare it to the counterfactual, which – except in instances where the refugee is resettled in a third country – is that he or she stays and becomes integrated in the host economy.

Refugees are concentrated in developing countries (see below), and relatively few settle in advanced countries. Lebanon, Jordan, and Turkey have seen cumulative net refugee inflows that exceed 16%, 7% and 3.6% of their population respectively. Although some advanced countries have seen comparably large inflows of refugees in the past, and coped successfully with the challenge¹⁷, over 2015-2016 most OECD countries received small annual inflows of asylum seekers and refugees, and the total stock typically represents less than 0.5% of their population. In most instances, in advanced countries, the macroeconomic and labor market effect of refugees is small, and that of return, far smaller still.

16. Parts of this section draw on Dadush and Niebuhr (2016) and Dadush (2014)

17. Germany absorbed nearly 12 million ethnic German and other refugees in the wake of World War 2; West Germany saw a very large inflow of refugees after the fall of the Berlin Wall in addition to the inflow of around 2 million workers from East Germany. The city of Miami saw an inflow of Cuban refugees amounting to about [7%] of its population over a six-month period in 1980 (see discussion below). Immigration rates (including all immigrants) have been much higher during some periods than they are today. For example, immigration to Argentina added 29% to the population in 1901-1910. During that decade, Canada received immigrants adding 17% to its population, and the United States 10% (Hatton and Williamson 1998).

Table 3: Refugees Hosted As A Share Of Native Population (Table continue on next page)

Country	Refugee (2016)	Percentage of population
Australia	69,497	0.3%
Austria	139,761	1.6%
Canada	97,311	0.3%
France	304,507	0.5%
Germany	669,408	0.8%
Greece	46,381	0.4%
Italy	147,302	0.2%
Japan	2,512	0.0%
Portugal	1,129	0.0%
Spain	12,943	0.0%
Sweden	230,103	2.3%
United Kingdom	118,913	0.2%
United States of America	272,898	0.1%
Jordan	685,178	7.2%
Lebanon	1,012,954	16.9%
Turkey	2,869,379	3.6%

Source: Source: UNHCR, Refugees, including refugee like situations

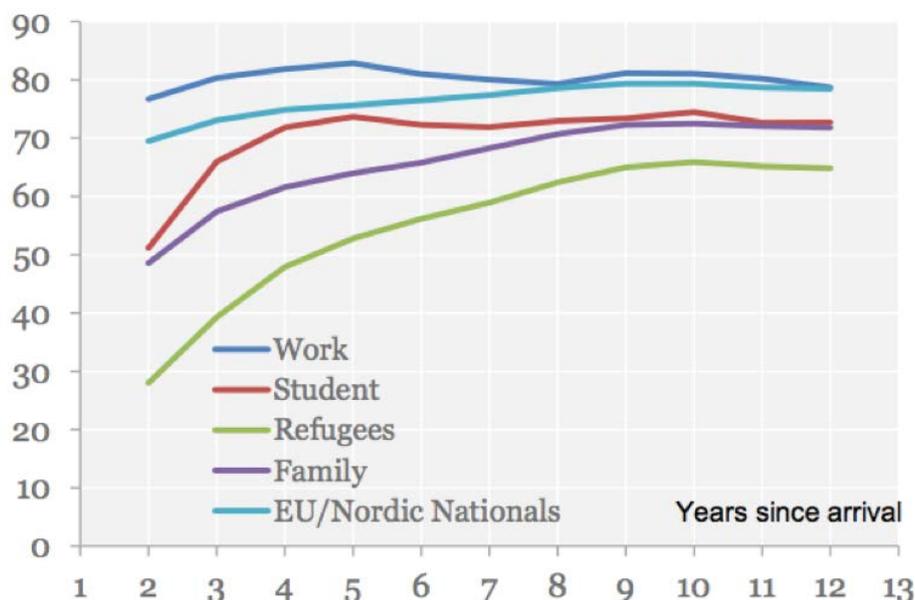
Table 4: Asylum Seekers Hosted As A Share Of Native Population

Country	Asylum Seekers (2016)	Percentage of population
Australia	29,467	0.12%
Austria	76,362	0.87%
Canada	23,856	0.07%
France	62,719	0.09%
Germany	587,283	0.71%
Greece	3,993	0.04%
Italy	99,876	0.16%
Japan	18,801	0.01%
Portugal	805	0.01%
Spain	20,360	0.04%
Sweden	83,010	0.84%
United Kingdom	43,436	0.07%
United States of America	439,833	0.14%
Jordan	35,570	0.38%
Lebanon	13,709	0.23%
Turkey	245,896	0.31%

Source: Source: UNHCR, Refugees, including refugee like situations

There are, nevertheless, good reasons to explore these effects, over and beyond the standard argument that economic effects must be analyzed at the margin. First, a few advanced countries do receive large numbers of refugees in some years. Second, even those advanced countries that do not receive many refugees often attract large numbers of economic migrants and, over a span of several years, the macroeconomic and labor market effects of refugees become similar to those of other migrants, and also act in combination with those of other migrants in complex ways. For example, Chart 1 shows that, in Sweden, the share of employed among male refugees increases sharply with the time of stay and is 15 percentage points lower than that of work migrants and of natives even after 12 years. By contrast, Chart 5 shows that the employment rate of refugees in the United States surpasses that of natives within just 8 years.

Chart 1: Percentage Of Employed, By Duration Of Residence In Sweden, Men, Cohort Arriving 1997-99



Source: Swedish Public Employment Service (Arbetsformedlingen)

Third, while inflows of refugees are triggered by conflict and persecution in the country of origin, and are to some degree exogenous events in the country of destination¹⁸, there is much evidence that economic migration is endogenous, in the sense that economic migrants respond to demand for their services and to competition from other workers¹⁹. So, where immigration is believed to have positive macroeconomic and labor market effects, promoting the return of refugees at considerable financial and human cost only to have them replaced by economic migrants may not make sense. Policies relating to refugees need to account for the fact that - depending on the human capital they bring and that they build during the time they reside in the host country - refugees can be substitutes or complements to both native workers and other migrants. Thus, while refugee policies are highly specific, (they must account for the special legal

18. Refugees leave the country of origin to escape danger but then sometimes have the option to decide where they move to, so refugee inflows are not entirely exogenous.

19. The endogeneity of migration and in particular its responsiveness to demand in the host countries has been demonstrated in numerous studies (See Dadush 2016, for a summary) and is a well-recognized feature of migration to the United States as far back as the 19th century. (Hatton and Williamson 1998)

status of refugees, and for the humanitarian dimension of accepting refugees) the economic implications of integrating refugees cannot be simply separated from those of other migrants.

The macroeconomic impact and labor market impact of refugees will only be significant where the flow of refugee is large enough – which, in advanced countries, is the case of Sweden and Germany in recent years. In the first instance, the spending dedicated to absorbing a large flow of refugees can be a source of economic stimulus to demand. For example, recent OECD and IMF reports estimate that the demand increase related to the refugee inflow in Europe was about 0.1% of GDP in 2016 (OECD 2015; Aiyar et al. 2016).

Where the economy is already at full employment, the effect of spending on refugees could be inflationary at first but – assuming refugees are allowed to work – they eventually expand the economy’s productive capacity. While the demand-expanding effect of refugee inflow may be temporary and depends on its intensity over short periods and the stage of the business cycle, the supply-expanding effect are expected to be long-lasting, and to cumulate if the refugee inflow is sustained over many years.

As refugees find jobs, they have effects like those of economic migrants, which is to stimulate increased capital formation. Investment is needed to equip the new workers with machines, as well as to house them. Refugees are likely to induce expansion of sectors such as construction and utilities (electricity, water, etc.), which are among the most capital intensive (See, for example, UK Office for National Statistics, 2013 and 2016). The increased capital formation can be financed from increased domestic savings or from increased capital flows from abroad, as in the United States in the second half of the 19th century (Hatton & Williamson 1998).

In today’s Germany and Sweden, which are near full employment and run large structural current account surpluses, the increased domestic capital formation is most likely to be financed by domestic savings, implying reduced current account surpluses or, equivalently, reduced capital outflow. To give a sense of the magnitudes involved, if the new refugee flow adds 1% to the labor force and – assuming that in the long run, the capital/labor ratio is constant²⁰ and that investment reacts fairly quickly²¹– that prompts a proportional 1% addition to the capital stock over, say, 5 years. By the end of the 5 years, the national output is 1% higher, implying an acceleration of the average annual growth rate of 0.2% a year until the adjustment is completed. Assuming an incremental capital output ratio of 4 – near the average for advanced countries²² – the arrival of refugees would imply increased net domestic investment equal to 0.8% a year for 5 years until the adjustment is completed.

Of course, if the flow of refugees is sustained at 1% a year of the labor force over a period of years, then further output growth is possible and new additions to the capital stock are required each year. For example, a 1% a year increase in the labor force each year over 3 years, requires increased net investment amounting to 2.4% of the initial level by the end of year 3 and implies that, by then, the growth rate of output is higher by 0.6% a year, and so on. The message is that the cumulative effect of refugee arrival on

20. The assumptions that the capital-output ratio is fairly constant, and that the capital stock and the labor-force to grow tend to grow at similar rates over very long periods are long- established empirical regularities (Harrod 1939).

21. Recent research in advanced countries suggests that domestic investment is quite quickly stimulated by a migration surge, so that within a few years the capital-labor ratio tends to return to its prior level in the face of a labor market shock. This conclusion is supported by studies such as Ottaviano and Peri (2008) for the US, Brücker and Jahn (2011) for Germany, Cohen and Hsieh (2000), and Ortega and Peri (2009) in a study of 14 OECD countries.

22. UK Office of National Statistics 2013

economic growth is potentially significant, especially in slow-growing mature economies.

The arrival and on-streaming of large numbers of inexpensive laborers is politically controversial, but its potential positive effect on long-term economic growth is well established in development thinking. The insight that the inflow of abundant labor can raise the rate of return to capital and - under certain conditions - generate a virtuous circle of growth is most closely associated with the Nobel Prize-winner W. Arthur Lewis. Although the Lewis model is usually thought to apply to the movement of workers from the countryside to the cities and factories in poor countries, its relevance is more general. According to the Harvard economic historian Charles Kindleberger, the Lewis model helps explain much of Europe's post-war economic miracle in the 1950's and early 1960's and, also (as he accurately predicted) the subsequent slowdown. He wrote: "...the most important factor shaping the remarkable economic growth since 1950 has been the availability of a large supply of labor. The labor has come from a high rate of natural increase (the Netherlands), from transfers from agriculture to services and industry (Germany, France, Italy), from the immigration of refugees (Germany), and from the immigration of unemployed or underemployed workers from the Mediterranean countries (France, Germany and Switzerland)". (Kindleberger 1967)

Kindleberger underlines the fact that while the increased supply of labor can help foster economic growth, it is not per se sufficient. In post-war Europe, the needs of reconstruction and pent-up consumer demand during the war years provided the sufficient conditions. Today's post-financial crisis advanced countries vary greatly in terms of their underlying dynamism and need/ability to absorb new workers. It is perhaps not surprising that a country such as Germany, which has low unemployment, is aging rapidly, is competitive and growing smartly, runs a balanced budget and a large current account surplus has been more open to the prospect of receiving refugees than others, while struggling Italy has not, despite exhibiting even more unfavorable demographic trends than Germany (see chart 3).

It should be noted that, while the inflow of refugees can promote faster GDP growth, that will not be necessarily reflected in the higher growth of GDP per capita, which many would consider to be the more relevant measure of welfare. However, the expansion of the capital stock implied by the arrival of new workers may not be the only way that immigration boosts economic growth. Micro-level studies suggest that migrants may also induce accelerated productivity growth by providing a disproportionate share of entrepreneurs and innovators, by taking on jobs or moving to localities where native workers are reluctant to go, and by providing a source of labor services that respond more readily to the business cycle (Orhan & Senyücel 2015). None of these benefits – except for the initial demand-expanding stimulus to demand – are likely to accrue if the refugee is forced or encouraged to return early in the cycle of his or her economic integration.

As has been extensively argued in OECD, World Bank and IMF reports, policies in advanced countries towards immigration, including towards refugees, should also take into account the degree to which immigration can help offset unfavorable demographic trends. This consideration is especially important in Europe, where the population is aging rapidly. The old-age dependency ratio – the ratio of people over 65 and those of working age – is projected to rise rapidly from 30 in 2015 to 55 in 2050. Charts 2 and 3 (from IMF 2016) show projected population and net migration for the EU28 and for Italy, where population aging is advancing most rapidly, and where the natural change in the population turned negative back in 2010. According to United Nations Population Division projections (medium variant), Italy's 20-64 cohort, the population of working age, will decline by 10% (!) over 2015-2030.

Chart 2 EU 28 Population Changes (Millions)

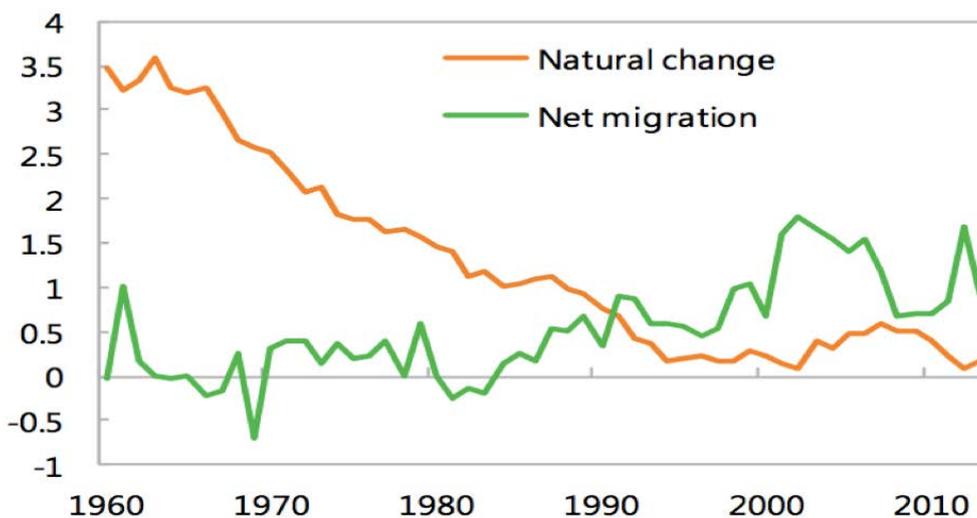
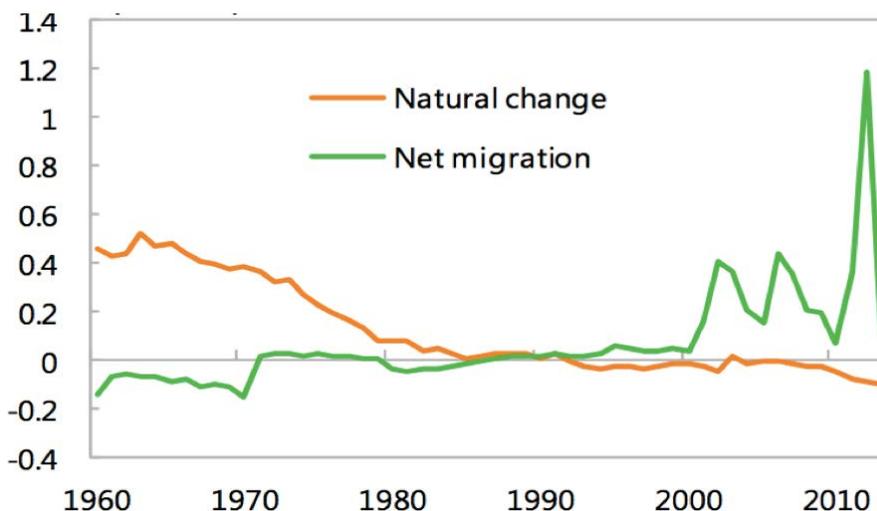


Chart 3 Italy Population Changes (Millions)



The Effect on Wages of Unskilled Workers, Employment, and Unemployment

The 1951 Convention relating to the Status of Refugees requires states to accord refugees «the most favorable treatment» accorded to any non-nationals of a foreign country in the same circumstances, with regard to the right to engage in wage-earning employment, and refugees must be allowed to start businesses and practice liberal professions equally with other non-nationals. However, a recent study by the World Bank’s KNOMAD initiative of practices in 20 countries (including Germany, Italy, the United Kingdom and the United States) hosting 70% of the world’s refugees found that “remarkable diversity in legal provisions and constraints on refugees’ right to work. A restrictive approach to the right to work prevails, and most states are reluctant to ease these restrictions. The majority of refugees work in the informal sector, but under much less satisfactory and more exploitative conditions compared with nationals” (Zetter & Ruadel

2016). Assessing the effect of refugees on labor markets in the host country must recognize this reality.

Moreover, the vast majority of studies on the impact of migration on host country labor markets relate to economic migrants, and refugees differ in a number of respects from economic migrants. Refugee flows tend to be more concentrated than those of economic migrants in time and space, and are less linked to labor market opportunities. In advanced countries, economic immigration may be more high-skilled than refugees, and, as already indicated, tends to be more circular. However, as refugees find jobs and become integrated into the labor market of host countries, their economic effects tend to become more similar to those of economic migrants.

As is generally the case of low-skilled economic migrants, refugees, even when they arrive in large numbers, are unlikely to have a significant impact on the wages of native low-skilled workers or on their job prospects in an advanced country²³. Even though it takes longer for them to find jobs, like economic migrants, refugees can stimulate the return to capital and contribute to higher real wages among natives, especially those of the vast majority of natives with whom they do not compete directly.

Many refugees are unskilled²⁴ and the fear that large inflows of unskilled migrants from the South will take jobs away from unskilled natives in the North is widespread. The literature on migration deals with this issue extensively, and it examines episodes of large inflows of economic migrants as well as of refugees. Consider the effect of the inflow of large numbers of predominantly unskilled migrants on the native skilled and unskilled workers. As discussed in the previous section, the inflow of migrants tends to expand final demand and to stimulate investment, raising the demand for all workers through those channels. Skilled natives, who are complementary to the unskilled immigrants, will tend to end up better off in the new steady state because of increased investment and because they have more unskilled workers to work with. However, the effect on unskilled natives is a priori indeterminate, since, while they, too, benefit from increased investment, they will confront increased competition from the unskilled migrants. Which of these effects dominates will depend critically on the extent, to which the unskilled migrants are close substitutes for domestic unskilled workers, a question that has been extensively studied.

Most – though not all - studies of the effect of unskilled migration on the wages of unskilled workers find only small negative effects. The early literature on the subject typically concluded that a 1 percent increase in the immigrant share in the population causes no decline in wages or a decline of 0.1 percent. These “area studies” attempted to exploit the variation in migration incidence across countries, or more typically, across localities in the United States²⁵.

However, as Borjas pointed out in a landmark contribution, the area studies often failed to contend with a serious endogeneity problem, since the intensity of migrants in a specific locality is itself influenced by wage and employment opportunities, tending to bias the estimated effect of migration on wages severely downwards (2003). The additional criticism on studies that correlate the variation in immigration intensity

23. This conclusion does not necessarily apply in countries such as Jordan and Lebanon, which have received far larger numbers of refugees relative to their population, the refugees speak Arabic, and they compete directly with native low-skilled laborers. (Dadush, 2015)

24. Germany’s Federal Service for Migration and Refugees (BAMF) released a study “Asylum applicants: social structure, qualifications and employability” in 2015. According to the study, 18% asylum seekers in Germany has a university degree, while 20 percent have attended a high school, approximately one-third a secondary school and 22 percent a primary school. Seven percent of migrants have no formal education at all. <https://www.rt.com/news/343753-germany-refugees-males-statistics/>

25. A partial list of these studies includes Altonji and Card (1991), Butcher and Card (1991), LaLonde and Topel (1991), and Schoeni (1997)

across localities in the United States with wages is that natives (and other migrants) compensate for increased migration by moving elsewhere.

Borjas' critique gave rise to many studies that tried to get around the endogeneity problem. For example, Ottaviano and Peri (2008) estimated a production function including groups of workers classified by education, experience, gender and origin to evaluate the degree to which immigrants substitute for other workers. They reach the conclusion that unskilled immigrants and natives are imperfect substitutes in the United States, and similar studies reached the same conclusion in the UK and Germany²⁶. Immigrants who do not speak the language, often cannot read and write in Latin script, have scant social networks, and relatively low expectations, tend to get and do different jobs than unskilled natives, so compete with them only indirectly. Many of today's refugees, hailing from Syria, Afghanistan, and parts of Sub-Saharan Africa conform to this description.

Another solution to the endogeneity problem, which also turns out to be highly relevant to the study of forced migration, was to examine instances of mass migration which are prompted by political or other external events and therefore are not plausibly in response to labor market conditions in the receiving country.

The first of these studies was David Card's classic analysis of the influx of Cuban migrants to Miami during the 1980 Mariel Boatlift (named after the port in Cuba where the boatlift took place) (1990). Card found that, although many of the Mariel immigrants were unskilled and they increased the labor force of the Miami metropolitan area by 7 percent in less than one year, they had virtually no effect on the wage rates or unemployment levels of less- skilled non-Cuban workers, including blacks and other Hispanics. Effects on previously resident Cuban workers were also very small.

Instead, Card's study finds that the Miami economy was able to rapidly absorb the flood of predominantly low-skilled, Cuban immigrants. He speculates that two factors may help account for the rapid absorption of the Mariel immigrants: presence of industries in Miami, such as garments, able to expand and employ unskilled migrants, and a compensatory reduction in the rate of migration into Miami from the rest of the United States following the influx of the Mariel immigrants. Following Card, many other instances of sudden migration surges have been analyzed and yielded comparable results (see Hunt 1992; Carrington & De Lima 1996) though some found somewhat greater effects on native wages, in the range of 1-2%. The debate around the Mariel boatlift has recently been reignited by a new attempt by Borjas to estimate its effects, which concludes that they were sizable, and whose results were again convincingly refuted by Clemens and others²⁷.

Current flows of asylum-seekers in advanced countries are not large enough to have significant effects on the wages of the unskilled, with the possible exception of a few countries. The United States, for example, has admitted a cumulative total of just over 1 million refugees since 2000, mostly through resettlement schemes, and many of whom are now naturalized, an annual average that represents less than 1/50 of 1% of its population in 2017. Refugees admitted since 2000 also represent less than 3% of the foreign-born population in the United States. Over 2014-2016, when the number of asylum seekers in advanced countries surged, only Hungary, Germany and Switzerland saw asylum seekers exceed 1% of the population, and only Sweden saw them exceed 2% of the population.

26. Studies have reached similar conclusions in other countries: Manacorda et al. (2006) for the UK, and for Brücker and Jahn (2011), D'Amuri and Peri (2011) and Felbermayr et al. (2010) for Germany

27. Clemens and Hunt 2017, Peri & Yasenov 2017, Pritchett, 2017 and Borjas 2017

As is most clearly seen in developing countries receiving large numbers of refugees, such as Jordan, Lebanon and Turkey, the concentration of refugees in specific localities can “crowd out” public services such as schools and hospitals, or cause the transport infrastructure to become congested. In advanced countries, where the infrastructure is well developed and the refugee inflow is much smaller relative to the native populations, these effects can be observed in specific neighborhoods, typically in low-income areas. Mitigating these concentration effects while at the same time avoiding the temptation of encouraging refugees to settle in distant locations where it is difficult to find work and people do not want to stay poses a genuine challenge to policy-makers.

At the same time, it is clear that unskilled migrants can reduce the price of many market services and also reduce the cost of many public services (e.g. unskilled migrants help clean streets). An important benefit that natives - whether they are skilled or unskilled - derive from unskilled migrants, and one that until recently was largely neglected, is that they help reduce the prices of non-traded goods and services that natives use intensively, such as home care, food preparation, gardening, and construction. Cortes (2008) finds that the surge in immigration in the United States during 1980-2000 may have reduced the prices of these services by about 10 percent. By contrast, as argued further below, the arrival of refugees can put upward pressure on housing in localities where they are concentrated. This can make low-income housing less affordable even as it represents a net wealth gain for the native population that owns housing.

Since many advanced countries, most notably in Europe, experience high and persistent unemployment over many years, even when growth is near or above long-term potential, the worry that increased immigration will simply make the structural or cyclical unemployment problem worse resonates widely. Brucker and Jahn (2011) consider an economy where collective bargaining predominates in some “rigid” sectors and where the labor market is very flexible in others. They find that migration can increase unemployment in the rigid sector, while having a relatively small negative effect on wages in the rigid sector, and reduces the wage in the flexible sector where unemployment remains low by definition.

In the long run, Brucker and Jahn find, these effects tend to dissipate as investment responds. Thus, the model that assumes perfect labor markets tends to overestimate the impact of migration on average wages and to underestimate the effect on unemployment. Brücker (2011) conducted a meta-analysis of studies examining the effect of immigration on unemployment in the U.S. and Europe and found that in general, an increase in immigration by 1 percent of the population leads to an increase in unemployment of no more than 0.3 percent.

In contrast, studies of the U.S. labor market, which is among the most flexible, have found no significant effect of immigration on employment opportunities for native workers (Peri 2012), including low-skilled native workers, between 1990 and 2007. Peri and Sparber (2008) report that migrants induce task specialization of natives. They found that, among less-educated workers, those born in the United States tend to have jobs in manufacturing or mining, while migrants tend to have jobs in personal services and agriculture, providing an explanation for why low-skilled migration has a limited impact on employment.

In fact, the share of migrants among the less-educated is strongly correlated with the extent of U.S.-born worker specialization in communication tasks. In states with a heavy concentration of less-educated migrants, U.S.-born workers have shifted toward more communication-intensive occupations. Those jobs pay higher wages than manual jobs, and so such a mechanism has stimulated the productivity of workers born in the United States and generated new employment opportunities.

The main point that emerges from this brief review is that return policy cannot abstract itself from immigration policy more generally or even from labor market policy. Countries that have more flexible labor markets, for example, are better able to absorb refugees and will be less inclined to press for their return. We now consider the effects of refugees on the public purse, an issue that has been the object of extensive political debate.

The Fiscal Impact of Refugee Flows

The overall fiscal impact of refugee flows is likely to be small. It is negative at first as they are costly to house and support when they first arrive and it takes time for them to learn the language and find work, when they are allowed to work. Since most refugees are young, studies suggest that their fiscal impact becomes positive on a cash-flow basis in less than a decade and positive on a present value basis a few years later. Like economic migrants, refugees that are more skilled tend to have a more favorable fiscal profile than the less skilled²⁸. However, at least one study reviewed below suggests that less-skilled refugees once settled and started working, have a more favorable fiscal profile than low-skilled natives because they draw less on social benefit programs.

Many studies of the fiscal impact of immigration exist, while very few analyze the fiscal impact of refugees. Statistics relating specifically to the employment of refugees, the taxes they pay and benefits they receive, and especially those that do so over the lifetime of refugees, are scarcely available: "...what refugee literature does exist tends to concern very specific populations, uses very small samples, relies on data from a small number of countries with high refugee totals, or focuses on very short-term outcomes" (Evans and Fitzgerald, 2017). Studies of the fiscal impact of general immigration, which include immigration for work, to reunite families, as well as refugees, help shed light on that of refugees – even though there are major differences between the groups.

Fiscal Impact of General Immigration and of Refugees in Particular

The assessment of the fiscal impact of immigrants depends crucially on the methodology used and on the precise question being asked. Thus, the fiscal impact can be measured in a given year as is most commonly done, or over the lifetime of the immigrant, and accounting or not for the debt incurred by current and future generations of natives, and accounting or not for the general equilibrium effects on the economy, including the impact of immigration on economic growth, i.e. on investment, labor participation by natives and on total factor productivity. Different methods can and do yield different answers, not only quantitatively but also directionally.

Still, the academic consensus on the fiscal impact of immigration can be pithily summarized as by Lee and Miller (AER, 2000) in a study of the United States: "it is clear that the consequences of immigration can only be assessed over very long time horizons. Some U.S.-born children of immigrants arriving today will still be alive 130 years from now" and "the overall fiscal consequences of ...immigration [are] quite small and should not be a major consideration for policy...100,000 more immigrants per year would initially raise taxes for nonimmigrants, and later reduce them, by amounts less than 1 percent of current tax levels". That number of immigrants, by the way, represents about 0.33% of the US population in 2000 – a proportion

28. United States Academy of Sciences Report on Immigration, 2017

similar to the annual immigration flow in most advanced countries today.

An international survey of the annual fiscal impact of immigrants, including economic migrants, family reunification and refugees (OECD, 2013) in 2007-2009 concluded that there is considerable variation across countries, depending on the composition of the immigrant population, their participation in the labor force, the structure of taxes, and the nature and extent of social benefits provided. The net fiscal impact of immigrants across the OECD sample in 2007-2009 is on average slightly positive (0.35% of GDP), but ranges from positive 2% in Switzerland (which hosts many skilled immigrants) to negative 1% of GDP in Germany (which hosts many unskilled and older immigrants). Excluding outliers such as Switzerland, there is no correlation between the share of immigrants in the population and the fiscal impact, underscoring the fact that other factors than the number of immigrants are at work (IMF, 2016), such as age structure of the immigrant stock, time since arrival, etc.

With this as background, we now turn to the fiscal impact of refugees. A rigorous examination of the fiscal impact of refugees requires the identification of refugees. Since historical statistics on refugees are not sufficiently reliable, or are not available, estimations must use indirect methods to identify refugees that combine various sources and make many assumptions. Typically, this is done by including in the refugee count all immigrants from countries known to have been the origin of large numbers of refugees during years of conflict or persecution. Below, we examine examples of three types of study, relating to a given year, relating to the long-term, and relating to a specific locality.

Short-term fiscal impact of refugees

The Swedish case examined by Ruist is especially interesting because Sweden accepts large numbers of refugees, and, since its welfare state is among the most developed, social spending in support of refugees is especially generous. The refugee population in Sweden is estimated at 5.1% of the population²⁹: “If all 15 pre-2004 EU members would have had the same rate of refugee immigration per capita as Sweden in 2005-2014, total refugee immigration in these countries would have been 5.9 million instead of the actual 740,000.” (Ruist, 2015) His assessment of the net transfer to refugees from the rest of the Swedish population in 2007 (a year chosen because it is the last year where the needed data is available) amounted to 1% of Swedish GDP. Of this transfer, about 20% reflects the greater draw of refugees on social support expenditures, including integration grants, language training, diverse types of social assistance and individual grants, and expenditure on crime and justice. Although refugees draw less on pensions, disability, and education spending, their disproportionate cost on the former services dominates.

The lion’s share of the transfer to refugees -80%-, however, reflects their lower contribution through taxes, which is due in turn to the lower share of refugees that are employed, estimated at 56.5% as compared to 78.5% among natives, and the lower earnings of refugees that are employed, estimated to be 40% less than those of natives. However, policies towards refugees must also recognize that time since arrival matters. As the chart below shows, unlike natives, refugees in Sweden cannot quickly integrate into the labor market in part because they do not speak Swedish. Eventually, they do, even though their participation remains less than natives. It is clear from the Swedish example and that of other countries that refugees or asylum seekers that are left in legal limbo and are not allowed to work cost the economy

29. This number differs from UNHCR statistics- presumably because it is based on estimates of refugees arriving in prior decades, many of whom have been accorded some form of permanent residence status or have been accorded Swedish citizenship.

and the taxpayer dearly³⁰.

A crucial assumption made by Ruist, and which is also the most controversial, is that refugees incur the full cost of pure public goods, including defense, infrastructure, and public administration, as natives. If instead, the assumption is that the cost of providing these public goods does not change materially with the arrival of refugees, the net transfer from the rest of the Swedish population to refugees is reduced to 0.2% of GDP.

Another caveat is that the fiscal impact of refugees in 2007 may not be representative of other time periods. In 2007, over 2/3 of the Swedish refugee population had been in the country less than 15 years, and over 1/3 less than 10 years, and it would be reasonable to assume that the fiscal impact of these relatively recent refugees would become more beneficial over time.

Comparing the effect of refugees on the economy with that of natives or economic migrants at just one point in time as is often done, can be misleading. If such comparisons are done early on after the arrival of refugees, as is the case in many countries today, they are bound to exaggerate the costs and underestimate the benefits of integrating them. If on the other hand, comparisons are done many years after they arrive, they underestimate the costs and exaggerate the benefits of hosting refugees. Instead, comparisons must be carried out over the lifetime of the refugee phenomenon, i.e. over one or two generations, and considering the time value of money. This is the method employed by a recent study of refugees in the United States, the object of the next section.

Long-Term Fiscal Impact of Refugees

As mentioned previously, the fiscal impact of Refugees depends crucially on the speed with which they start work. Clearly, the initial costs of receiving them will be higher if they remain in limbo as asylum seekers for long and are not allowed to work, which is often the case in European countries, for example. By contrast, in the United States, most refugees are resettled once their application has been cleared and they can work almost immediately upon arrival. Evans and Fitzgerald (2017) examine the experience of 19,298 refugees aged below 65 that entered the United States before the age of 45. The study, which covers a 20-year period to 2010-2014, may not be representative of other countries, but is worth examining since it represents perhaps the most comprehensive attempt to examine the fiscal impact of refugees over an extended period.

They find that refugees who enter the U.S. before the age of 14 graduate from high school and college at the same rate as the U.S. born. Holding educational attainment constant, there is no difference in economic outcomes between refugees who arrive as children and the U.S. born. They also find that even refugees who entered the U.S. as teens tend to achieve a similar educational standard as the U.S. born, although it takes them longer to complete their studies. They suggest that, therefore, the economic decision to invest in the education of refugee children is unlikely to differ significantly from the decision to invest in the education of natives.

30. One report estimated that Canada spends over \$129 million annually on government transfers to those who are deemed as protected persons by Immigration and Refugee Board in Canada but still face numerous obstacles and delays before they could enjoy rights as permanent residents. (Coates & Hayward 2005) If automatic landing were implemented, the government transfer would decrease with an estimated savings of over \$101 million. This research also shows that due to barriers in the labor market, refugees lose in total over \$344 million in forgone income.

Refugees who entered as adults (18-45) had lower educational attainment than U.S. born adults at the time of the survey in 2010-2014: 67% have a high school degree and 23% have a college degree, compared with 91% and 37% among natives; and their labor earnings are \$23,000 compared with \$ 35,000 for natives. Refugees have much lower English language skills. Moreover, 9.3% are on welfare and 39% are on SNAP (food stamps) compared to 3% and 4.8% of natives. However, 68% of refugees are employed, a slightly higher rate than natives, 67%. Controlling for age, gender and education, refugees attain higher labor participation and employment rates than the U.S. born after about ten years in the country.

Chart 5: Outcomes of Refugees that Entered the U.S. at Ages 18-45 as a Function of Years in the U.S., Compared to U.S. Born Adults, 18-65



(Source: Evans and Fitzgerald 2017)

Evans and Fitzgerald estimate that the fiscal cost of resettling a refugee initially is approximate \$10,000. (2007) To this cost are added those of various social safety nets, which average about \$6,000 a year over the first 8 years and decline gradually thereafter. The refugee typically finds work after a brief period and contributes minimally to the tax take (sales, real estate, social security, Medicare and income taxes) from the first year, with the tax take exceeding \$6,000 each year, by year 8 after arrival. After year 8, the refugee is budget-positive on a cash-flow basis and has 'paid-back' by year 13 or so. Using a discount rate of 2%, the authors estimate that those who enter the country between ages 18-45 pay on average \$21,000 more in taxes than they receive in benefits over a 20-year period.

Because of data limitations, no comparable calculation is carried out for immigrants entering after the age of 45. Given the time it takes for refugees to integrate and their closeness to retirement (drawing on Medicare, social security, etc.), the net fiscal impact of older refugees is certain to be less favorable. However, the vast majority of refugees that entered the United States from 1990 to 2014 were under the

age of 45 at the time of entry.

The IMF estimates that, on current trends, the arrival of refugees could lead to a decline of 0.75% of GDP of pension spending in 2030, as refugees will contribute to GDP but draw proportionally little on the pension system in coming years. Healthcare costs as a share of GDP would also be expected to decline.

The Australian government is the only one known to systematically monitor and project the fiscal impact of refugees compared to other visa categories employing a model over a 20-year period. While immigrants across all visa categories other than “parent” and “humanitarian” make a positive fiscal contribution within a year or two of arrival, that of refugees is negative, especially over the first 3 years, and only turns positive after 20 years. It is notable that the employment rate of Australian born and of those born in mainly English-speaking countries is essentially the same. It is also notable that migrants born in a mainly English-speaking country are more likely to be employed than those born in not English speaking countries and that the difference is especially pronounced among the female population.

Table 5 - Employment status of civilian population aged 15 years or more, by birthplace, 2010–11

Category	Employment rate (%)	Unemployment rate (%)	Participation rate (%)
Australian born males	71.1	5	74.8
Australian born females	59.2	5.1	62.4
Australian born	65.1	5	68.6
MESC (Mainly English Speaking Countries) born males	71.7	3.9	74.6
MESC born females	58.5	5	61.6
MESC born	65.3	4.4	68.2
NESC (Not English Speaking Countries) born males	63.5	4.9	66.8
NESC born females	47.6	6.6	51
NESC born	55.3	5.6	58.6
Total	63.3	5.1	66.6

Source: Labor Force, Australia (6291.0), Australian Bureau of Statistics, Cited by Trends in Migration: Australia 2010–11

Fiscal Impact at the Local Level

The previous sections have dealt with the fiscal impact of refugees at the national level, but refugees settle in specific localities. What happens to the budget when refugees arrive in large numbers at the local level? One example comes from Hagstrom’s examination of the Mohawk Valley (2000). This example may not be representative of situations where the refugees’ arrival is unplanned and refugees are still to be vetted, it is nevertheless instructive. Between 1975 and 1999 the Mohawk Valley (which includes Oneida County and within it the city of Utica in New York State), resettled 8,759 refugees, mainly from Bosnia, the former Soviet Union, and Vietnam, accounting for about 3% of the county’s population. Over 1977 to 1999,

the total population of Oneida County declined by 32,000, from 327,000 to 295,000. The refugee inflow replaced only a part of departures. Closures of manufacturing businesses due to international competition and closure of a large Air Force base severely affected the region's economy. Despite these setbacks, the region's economy grew modestly and the unemployment rate declined to low levels.

Hagstrom's evaluation considers only the effect of refugees on the county's fiscal balance so that refugee costs borne by the federal and state governments and taxes paid by refugees to the federal and state governments are excluded from the analysis. The cost of the local authority of settling a refugee household (on average consisting of 3.22 people) is \$4,413, consisting mainly of education, nutrition support, and healthcare. The cost of nutrition support drops quickly as refugees found jobs, and of education, as children leave school, while health-care costs (Medicaid) persist. The education of refugee children is estimated to cost less than average because of that, given the county's declining population including children, there is spare capacity in the classroom.

Only 3.7% of refugees are over 65 on arrival and most refugees find low-wage jobs (\$7.18 an hour) that require little skill and knowledge of English. After a few years, a small number of refugees have found higher paying jobs such as school teachers or accountants. There is little evidence that refugees have hurt the job prospects of native workers. Despite the decline in population, employment in Oneida County did not decline, reflecting both increased labor force participation and sharp reductions in unemployment.

The primary fiscal benefit accruing from refugees stems from their employment, consumption of local goods and services (sales taxes) and the significant boost to local property markets, including on housing prices (property taxes). Without the arrival of refugees, many houses might have remained unoccupied.

Hagstrom's simulations suggest that, based on a discount rate of 4%, the net fiscal impact of a refugee household becomes positive after 13 years and is positive thereafter, assuming that the household remains in the region. Under a scenario of a constant stream of 750 refugees a year, net annual benefits for the county become positive after 15 years, while the cumulative benefits (considering the cost of settling new waves of refugees every year) become positive after 23 years.

Though Hagstrom's analysis does not account for nationwide fiscal impact, it is useful in illustrating the importance of refugee inflows at the local level in a context of declining population. The analysis also highlights the potential of regional resettlement policies. Such policies must, however, be realistic, i.e. encouraging refugees to settle in localities where they can find jobs and are likely to want to settle in the long term.

The previous sections have shown that, in most instances, the economic and fiscal impact of refugees is typically small. It is negative at first and tends to become positive with time. Advanced countries need immigrants, including refugees, though some are better placed today to absorb them than others, especially on account of their labor market policies. The next section considers what happens when refugees return voluntarily or are forced to return, and tries to draw some lessons for return policy.

Return Policies

As argued above, return policies should be set with broader economic and immigration objectives in mind. Voluntary return of refugees from an advanced to a poor country is unlikely to become a large-scale phenomenon, not only on account of security risks but also of the big differences in earning capacity between the countries of origin and destination. In this section, I will argue that the development dimension of return policy matters and should be pursued but is very unlikely to yield quick results.

The overall objective of return policy should be to foster inclusive economic growth in the host country, development of the country of origin, and enhance the welfare of the forcibly displaced. In practice, the return policy is more often motivated by legal and political considerations than by broader economic objectives. For example, according to European Commission's report on Return of Rejected Asylum Seekers, "an effective return policy is of crucial importance for the maintenance of trust in the EU's asylum system as a system providing protection to those who need it, while ensuring the return of those who do not" (EC 2016). This section addresses three questions: What should be the instruments of return policy? Is voluntary return possible? How can development policy and return policy work hand in hand?

Instruments of Return Policy

Viewed through the narrowest prism, a return policy has two dimensions – encouraging voluntary return by providing financial incentives and other forms of resettlement assistance, and establishing the legal and enforcement mechanisms for deportation when necessary. To return irregular migrants (including failed asylum seekers, as well as those residing in a country illegally), countries implement voluntary return programs. These programs are recognized as potentially the most effective (in terms of financial cost, expenditure of political capital, reduced friction, the welfare of the returnee and the impact on the country of origin) as a means to return irregular migrants. Host countries have Assisted Voluntary Return Programs (AVRP) that help third country nationals return to their country of origin and resettle. Countries mostly encourage rejected asylum seekers to return voluntarily, but coercive methods are used if the rejected asylum seekers refuse to cooperate. Measures of deportation range from detention to enforced removal through surprise raids, etc.

In reality, a far broader and less obvious set of measures can be adopted and are adopted to encourage return. To start with, countries of destination exercise considerable discretion on whether they grant asylum, as can be seen, for example, in the case of Afghan or Syrian refugees. In the case of asylum seekers from Syria, positive decisions to grant refugee status range from 96% or above in most EU member states to less than 60% in Hungary, Italy, and Romania. (ESI 2017) Official pronouncements stating the number of refugees countries are willing to admit provide an important signal to asylum seekers as to the likelihood that their application will succeed. Under their non-refoulement UN agreement obligations, countries are committed to sheltering all those that enter their border and which they recognize are refugees. Yet most host countries set specific targets of how many they will admit.

Countries also decide on the duration and complexity of legal procedures governing the granting of asylum and, if in the final instance, it is not granted and the migrant does not leave of their own accord, on the alacrity with which the decision to deport is implemented. Though across the host countries many deportation decisions are implemented within days or weeks, that is far still from a uniform practice. For example, per a recent report by the SWP think tank in Berlin, it is estimated that over 215,000 people

officially obliged to leave were living in Germany at the end of July 2016; of those about 2/3 were rejected asylum applicants and another 1/4 were irregular migrants who had overstayed their visas. About 3/4 of those technically obliged to leave had obtained “toleration status”, so their repatriation had been suspended due to obstacles of some kind³¹.

Countries also decide on whether the recognition of refugee status is temporary and contingent or whether it is permanent. For example, the United Kingdom’s granting of refugee status includes a 5-year review, in accordance with the cessation clause, allowing for its withdrawal if the situation in the country of origin improves. In some countries, e.g. the United States, the granting of permanent residence (Green Card), paves the way to citizenship. In many European nations granting refugee status and even permanent residence status, it does not.

Among the most important measures that influence the decision to return is the granting or withholding of a work permit. As already mentioned despite the refugees’ right to work as mandated under the 1951 convention, which stipulates that they should have the same right to work as other non-nationals, practices vary widely. For example, per the OECD, in the five years following the outbreak of the Syrian crisis, only 18,200 work permits, 15,300 student residence permits and 72,000 family-reunification permits were granted to Syrians in the 35 OECD member states³². In addition to work permits, the extent of assistance in providing the refugees and asylum seekers with food, shelter, health services and education for children are also part of the policy instruments can either to “push” them to return or to “pull” them in, encouraging them to stay.

While most countries recognize that there are legal obligations and moral imperative to treat asylum seekers and refugees humanely and try to do so within limited means, there are very large differences in their treatment. Some of these differences are objective, in the sense that they reflect affordability and labor market conditions, as is most obvious when comparing relatively poor country hosts such as Jordan and Lebanon – which receive by far the largest share of refugees – and advanced country hosts. However, as differences in treatment across advanced countries also show, they can reflect policy decisions (or non-decisions) about whether they want to help the refugee integrate or encourage them to leave.

This very wide and grey area of asylum policy is recognized in the academic and policy literature, and experts have begun to distinguish between genuine voluntary return and “nominally voluntary return”³³ or “soft-deportation”³⁴. Webber (2011) states: “Repatriation cannot be termed ‘voluntary’ where the alternative is utter destitution, with denial of accommodation, basic support and the opportunity to work, or the prospect of children being taken into care or months or years in detention.”

An important aspect of return policy – and one that is sometimes overlooked – is the relationship with the country of origin. Under international law, every country is obliged to admit its own citizens. In practice, however, many questions arise: what protocol should be followed when a denied asylum seeker or refugee is supposed to return under the cessation clause? How will the refugee be treated on return and how can he or she be helped to resettle, and how will costs be shared? Readmission agreements are designed to facilitate return. They set out the conditions that countries are obliged to follow to readmit their own citizens and sometimes third-country citizens who have passed through their territory.

31. Angenendt, Kipp and Meier, 2017

32. OECD Migration Outlook (2016)

33. Gibbey (2008), cited in Kuschminder

34. Leerkes, Os and Boersema (2017)

The EU has concluded readmission agreements with the following countries: Hong Kong, Macao, Sri Lanka, Albania, Russia, Bosnia, and Herzegovina, Macedonia, Georgia, Moldova, Montenegro, Pakistan, Serbia, Turkey, and Ukraine. Negotiations are on-going with Morocco, whereas mandates for the European Commission to negotiate readmission agreements exist also in respect of China, Algeria, and Cape Verde. In addition, EU member states have bilateral agreements on readmission with countries in and outside of EU. For example, as of 2010, Germany has 29 agreements and 13 of them are with EU member states. (Council of Europe, 2010) Tripartite agreements, involving the country of origin, destination, and an international agency such as UNHCR or IOM have also been reached to facilitate the return of irregular migrants and of refugees.

Though there is little doubt that these agreements play a useful role and increase the likelihood that return will be sustainable, there are concerns that they can also become a vehicle for human rights abuses. When a failed asylum seeker is forcibly relocated to a third country, they may be deprived of the chance to submit an asylum application and become subject to “chain-refoulement”. (Council of Europe 2010) For instance, under bilateral agreements, many non-Libyan irregular migrants are returned to Libya each year. Libya has not signed the 1951 Geneva Convention and lacks an asylum system. Being returned to Libya as a third-country national means that one might not have a chance of submitting an asylum application at all.

In summary, if the decision to admit asylum-seekers and the rate at which their claim for refugee status is recognized are policies that lie at the start of the process, programs that include negotiations with origin countries and financial incentives for return lie at the other end. But almost certainly the most important policies that influence the decision of a forcibly displaced person to return or to stay, and his or her success in either endeavor, is what happens in between. In the next section, we evaluate the likelihood of voluntary return.

Is Voluntary Return Possible?

The decision to return voluntarily is made after comparing information about conditions and prospects of countries of origin and the host countries. (Koser 1998, Faist 1999, King 2000) Policy in the host country with regard to incentives or disincentives to stay or return also plays a role, (Bloch & Atfield 2002) however, as pointed out by the survey research done by Black, Koser and Munk on Voluntary Return of refugees in the UK, the decision to return is made based more on the situation in the country of origin than policies of host countries. (2004)

Three sets of factors determine the decision to return: structural, individual and policy interventions. Structural factors include both situations in the host country and country of origin. Individual factors include individual attributes like age and gender and social relations like spouse and children. Policy incentives also include policy interventions both from the host country and country of origin. Based on the above-mentioned survey, the top three factors potential returnees consider is security, employment, and housing. Although the sample is small, it included multiple groups of countries of origin (Somalis, Tamils, Kurds, Afghans, Iranians Kosovans, and Chinese). Different nationalities emphasized different considerations. Not surprisingly, respondents from Afghanistan and Somalia reported that security is their greatest concern.

Ideally, the forcibly displaced person will have saved up some capital and acquired skills abroad that can be invested in the country of origin. (Sorensen et al. 2008) Asylum seekers or refugees that have resided in the host country for only a brief time will not have built up savings, and – unless they have access to higher

paying jobs - the human capital and skills they acquire while abroad will be limited or may not fit the needs of their country of origin.

If they return voluntarily, refugees tend to do so with caution and over time. A family will rely on its own network, and often send a scout, typically a young man, to verify that the ground is secure and that their land and house can be retrieved, and others will follow before women and children return. (Harild et al. 2015)

If the decision is made to return, the aim of policymakers should be to achieve “sustainable return”. There are many definitions of sustainable return – here is a useful one from the IOM “Sustainable return should be understood either as a) successful reintegration in the country of origin, which includes the economic, social and psychological aspects and the capacity of the individual to cope with push factors, both old and new on the same level as the local population, or b) eventual legal remigration made possible by skills acquired during the reintegration process” (2015)

To achieve “sustainable return” experts tend to underscore the importance of continuous and intensive counseling, careful monitoring and research, a holistic view of individual and structural influencing factors, including the situation in the countries of origin, and close cooperation between all stakeholders within the host community as well as the returnees’ countries of origin³⁵. Even after the decision to return has been made, continuing to update information on socio-economic conditions will help with reintegration.

Ideally, reintegration assistance should be tailored to the individual’s profile and the country of origin’s situation. It could include vocational training, education grants, etc. It is pointed out “good results have been achieved where assistance is offered to both the individual and the community to which he or she is returning”. (Harild et al. 2015) There are many reports suggesting that returnees often feel discriminated against when they return to their home countries, reinforcing the importance of counseling. (Schuster & Majidi 2013) Return to unfavorable conditions may only result in renewed attempts to emigrate.

The situation in countries of origin.

The countries that are the largest source of refugees include: Afghanistan, Syria, Somalia, South Sudan, Sudan, Democratic Republic of Congo, Central African Republic, Iraq, Myanmar, and Eritrea (UNHCR, 2017). These countries account for the vast majority of refugees worldwide. We will also consider three countries in Europe that are an important source of asylum seekers in Europe, and whose recognition rate is low, and account for many returnees – these are Kosovo, Serbia and Albania. Is return possible and safe, and if so, does the economic situation bode well to provide essentials, namely a job, housing, education and reliable public services?

It is helpful to identify three groups of countries: ones that are still mired in war and/or high-intensity civil conflicts, countries where medium-intensity conflict persist and are already in the process of rebuilding, and countries which are not in conflict. According to the Armed Conflict Survey (IISS 2017), high-intensity conflict is defined by frequent (daily) armed clashes between governments, government forces and insurgents, or among non-state armed groups that control territory. Medium-intensity, on the other hand refers to “regular armed clashes between governments, government forces and insurgents.” (IISS 2017) Within the first category, according to the Armed Conflict Survey in 2016 are Afghanistan, Syria, Somalia, South Sudan,

35. Best practice and new methods in return policy, July 2017, <http://www.bamf.de/SharedDocs/Meldungen/EN/2017/EMN/20170504-ernjahrestagung-rueckkehr.html>

and Iraq, while Myanmar, Central African Republic, Democratic Republic of the Congo, and Sudan are in medium-intensity conflict. (Eritrea is not included in the Armed Conflict Survey in 2017, discussed in Annex). Minorities in Albania, Kosovo and Serbia are often the objects of discrimination but countries are not in conflict.

A capsule summary of the security and social situation in each of the other countries included in this survey can be found in Annex 2. The survey illustrates how impractical return is today in the countries in conflict, such as Syria, Afghanistan, and Iraq, and voluntary return in large number is difficult to conceive. Even here there is return but only when refugees find themselves in even greater peril abroad. This was the case, for example, of the 1.2 million Iraqis who fled to Syria, many of whom returned when an even more threatening civil war broke out in Syria. By contrast, with the important exception of persecuted minorities, return to countries not in conflict as in the Western Balkans is possible.

Some key economic indicators relating to the three groups of countries can also be found in the tables in Annex 2. The tables show that, while some countries' economies – such as Syria and the Central African Republic are devastated by conflict – several of the countries in conflict show some progress on social indicators, and sustained moderate growth and/or sporadically rapid economic growth. This suggests that even in those countries, for a select few, or in some locations, voluntary return is not always out of the question. But again, these are exceptions, and very unlikely to become mass movements.

Financial Incentives

This takes us to the question- can financial incentives make a difference in inducing failed asylum seekers and refugees to return to these difficult environments? In a recent blog, Harvard's Lant Pritchett³⁶ (a former World Bank researcher) writes «the fact that there are massive wage gains to workers moving from developing country to developed country labor markets (on the order of PPP adjusted \$15,000 per year, per low-skill worker) is now one of the most robust facts in development economics. This magnitude of wages gains, which imply workers would increase their average earning by roughly a factor of four, is consistent with observational data, econometric comparisons of equivalent workers across labor markets and adjusting for selection, occupational data, randomized experiments, and macroeconomic data.” This difference in real wages persists even though immigrants are paid less and have lower employment rates than comparable natives.

How much would it take to compensate the worker who returns home to a developing country? For example, Pasha and Altaf (1987) estimate lifetime earnings in the Gulf in the early 1980's and compared them to home earnings in Pakistan. Accounting for average age and other observables, they conclude that only if wages of immigrant workers in the Gulf were cut by over 50%, would they induce return.

Applying Pritchett's more recent estimate of the difference in earnings at home in a developing country and abroad in a developed country, if the immigrant is fully employed throughout their stay and their working time horizon is 25 years, the present value of the immigrant's foregone earnings if he or she returns is approximately \$262,000 at a discount rate of 3%. This sum is at least 10 times larger than the highest known grant offered to encourage return and perhaps 100 times larger than the typical grant³⁷ as reported

36. Lant Pritchett, Labor Mobility and Wages of the Rich Country Poor, Part One: Analysis and Implications of the Mariel Boatlift, Center for Global Development, June 2017

37. Gerver, M (2017) Paying Refugees to Leave. Political Studies. “In 2007 the Swedish government provided \$7,150 to families agreeing to repatriate to Afghanistan (UNHCR, 2007). A year later, the Ghanaian government, working with the UN, gave refugees

in a recent report by Gerber (2017). Even this is an underestimate of the foregone earnings on return since the calculation assumes that the immigrant will not receive a pension on retirement in the host country and that he or she places no value on the future earnings of their offspring, which are higher if they stay.

The case of a refugee is different, since refugees take longer to integrate in labor markets than typical migrants and are paid less on average. However, even applying a further discount to expected earnings of 30%³⁸ and even if one assumes that the refugee will immediately find a job when they return, the essential message of the calculation does not change, as the difference in the present value of expected earnings remains in the vicinity of \$200,000. It is worth noting that, in instances where the refugee has access to welfare benefits when he or she is not working, as well as to health and education services, those benefits alone may be worth more than what they would earn at home.

These calculations employ broad averages. In practice, the differences in earnings streams vary greatly depending on the country of origin and destination. Comparable real wage data is not available, but can be approximated using data on per capita income, which are reported in Table 6. The difference in wages between the developing and advanced countries is likely to be about 15% smaller than is suggested by the data in the Table, reflecting the fact that developing countries tend to have somewhat lower labor force participation rates and also a higher labor share in national income than advanced countries³⁹.

\$100 to return to Liberia (Omata, 2011). Soon after, Denmark began offering \$18,700 to anyone returning to Iraq, Iran, and Somalia (The Telegraph 2009). In 2010 the British National Party, in an election campaign, promised to give \$78,000 to migrants or refugees who agreed to leave the country. The BNP was never elected, but in 2011 the UK government handed over \$3,500 in cash to families agreeing to return to Zimbabwe (Weber, 2011). More recently, Australian Prime Minister Tony Abbott proposed paying asylum seekers \$10,000 to go back to their countries of origin (Whyte, 2014). Those who refused to repatriate were given \$3,500 to accept a one-way ticket to Uganda, Rwanda, or Ethiopia, where they would be unable to obtain any legal status. In all six of these cases, and many more (Riiskjaer, 2008 and Black et al, 2011)”

38. Using data from the European Social Survey, and based on a review of the relevant literature, an IMF report (IMF, 2016) concludes that, after accounting for observables (age, education, language skills, host country, time) refugees have employment rates that are 22 percentage points lower than those of native workers over the 6 years after arrival and 2 percentage points lower after 20 years, and their earnings are, respectively, 26% and 2% lower. Combining the lower wages and lower employment rates, refugees can expect their labor earnings to be approximately 25% lower than comparable natives on average over their first 20 years in the country. However, since the expected earnings stream is backloaded, the present value difference in earnings is greater still. Applying a discount rate of 3%, the present value of the difference in earnings stream between a refugee and a native is closer to 30%.

39. Reflecting an accounting identity, average wages differ from average per capita incomes reflecting labor force participation rates and the share of labor in national income: other things equal, the higher the labor force participation rate, the lower is wage relative to per capita income, and, other things equal, the higher the share of labor in national income, the higher the wage relative to per capita income. The reference data for labor force participation is taken from the World Bank (WDI, 2016), which shows 59% from lower middle-income countries (which in our view is the most representative of today’s situation in countries that are the largest source of refugees), and 61% in high-income countries. In a comprehensive survey by Guerriero (2012) she provides a preferred estimate of the labor share which accounts for self-employment income and which yields 75% for lower middle-income countries and 69% for high-income countries. These estimates, taken together, imply that wages in lower-middle income countries – including self-employment income - are 27% higher than average per capita incomes on account of the fact that the labor share in income is higher than the labor force participation share. Similarly, in high-income countries the average real wage is 13% higher than per capita income. Thus, the difference in real wages between developing and advanced countries would be expected to be some 15% smaller than that of per capita incomes.

Table 6: Gross Domestic Product Per Capita Based On Purchasing-Power-Parity (PPP), US Dollars, 2016

Afghanistan	1,919
Albania	11,840
Central African Republic	652
Democratic Republic of the Congo	773
Eritrea	1,410
France	42,314
Germany	48,111
Iraq	17,944
Italy	36,833
Kosovo	
Myanmar	5,832
Serbia	14,493
South Sudan	1,657
Sudan	4,447
Sweden	49,836
Syria	n/a
United States	57,436

Source: IMF WEO, World Bank World Development Indicators

It is nevertheless clear that among countries that are the source of large numbers of refugees, except for Albania, Serbia, and Iraq, the difference in wages with respect to advanced countries is far larger than that suggested by Pritchett. For example, average purchasing-power-adjusted wages in France almost certainly exceed those in African countries and in Afghanistan by a factor of ten or more. Income numbers for Syria are not available. However, even before the war, Syria's PPP-adjusted per capita income was about 20% of that in Sweden or Germany. By contrast, the difference in wages between France and Iraq may be in the vicinity of 2, suggesting that a voluntary return to a post-conflict oil-rich Iraq may be a realistic possibility for many Iraqi refugees. Such a course, however, is unlikely in the other countries included in this survey in the foreseeable future. This financial calculation does not exclude the possibility of individuals returning for personal reasons, or the possibility that post-conflict rapid economic growth sustained over many years could materially change prospects in some countries. This leads us to consider the development policy dimension of return.

Return and Development

Can development aid create the conditions for refugees to return successfully and to want to return? The expectation that humanitarian assistance or development tools (capacity building, grants, loans, and policy advice) can play a significant role in promoting the return to countries in conflict is unrealistic. The purpose of development policy is not and should not be to encourage return. Indeed, it is quite possible that in poor countries advancing incomes will spur increased migration initially on account of the "migration hump"⁴⁰

40. There is considerable empirical support for the notion that migration intensity is low at low levels of income per capita, rises as

(Clemens & Hunt 2017, Dadush, Demertzis & Wolff, 2017). However, countries of origin that are unsafe today could become safe in the future, as conflicts are resolved. Development policy can help those that do return reintegrate successfully, accelerate reconstruction, and reduce the likelihood of a recurrence of humanitarian crises. Returning refugees can play a role – even if it is likely to be a modest one - in the reconstruction and development effort in the right circumstances.

Refugee flows are triggered by conflicts, especially civil conflicts. These conflicts threaten civilians with bodily harm and arbitrary treatments as the rule of law breaks down. According to a study by Collier and Hoffer (1998), of conflicts that occurred between 1960 and 1992, conflicts were accompanied by a sharp decline in GDP per capita, -2.2% a year versus a counterfactual. The authors also find that the incidence of civil conflicts is inversely related to per capita incomes, after controlling for factors likely to induce conflict, such as ethnic fractionalization. It would be interesting to verify whether the correlation is as strong as it used to be, since the largest sources of refugees today are from Syria and Iraq, which are middle-income countries. Still, as evident from the data presented above, today there are almost no asylum seekers that hail from high-income countries, while there are many that originate in the low-income countries.

There are grounds for hoping that a development assistance effort – comprised of aid, private and public investment and the fostering of a business-friendly economic environment – which succeeds in stimulating sustained economic growth can reduce the likelihood of civil conflict. However, a policy still needs to contend with two issues. First, the scope of development agencies amid conflict is evidently limited. Second, in the best of circumstances, the development that materially changes the probability of conflict is a long-term multi-decade proposition while the refugee problem is pressing today.

One should not, however, dismiss the possibility that – once conflict abates (whether because of diplomacy or exhaustion of one or both parties) – recovery can be very rapid. In their study, Collier and Hoffer find that per capita income tends to bounce back after a conflict and the longer the conflict the sharper the recovery. Moreover, historical studies of large migration flows suggest that emigration can create more employment opportunities for stayers⁴¹ and/or increase wages of stayers⁴². In their study of mass migration in the 19th century, Hatton and Williamson conclude that emigration from Ireland and Sweden was a significant contributor to the growth of wages in those countries, which tended to converge gradually towards those of the United States, and were only partly moderated by capital outflows towards the New World. (1998)

Can the recovery be so rapid as to attract large numbers of refugees to return? There is no single answer to this question, as it depends on the country of origin's endowment, its level of development, who left and why, who prevails in the war, the rate at which conflict deescalates, etc. One can speculate, for example, that a higher middle-income country such as Iraq – which has one of the world's large oil endowments – and which has seen massive displacement of its population and destruction of its capital stock in recent years, would present returnees, especially those who have skills and capital, with considerable opportunities in a period of reconstruction and rapid growth. On the other hand, a resource-poor low-income country in Africa where the exodus was small as a proportion of its population may remain unattractive to returnees even during the reconstruction phase.

It should be noted that the civil war in Syria, which had a population of 22 million, has produced an

per capita income (PPP adjusted) rises towards \$ 10000 a year, and declines thereafter. Most countries that are a large source of refugees exhibit per capita incomes below this threshold.

41. Examples come from Sri Lanka and Albania (Lucas 2005)

42. Examples come from Pakistan and the Philippines (Lucas 2005)

estimated 4.8 million refugees since 2011 and resulted in massive, impossible to measure, capital flight. If peace returned and with-it capital, the reconstruction effort would require labor that is in short supply. Still, even in 2010 – before the civil war – Syria's PPP – adjusted per capita income was about 10% lower than Jordan's. Assuming a post-conflict Syria can eventually return to a level of income per capita roughly equal to that of Jordan today, \$9,000 – the difference with respect to Jordan and Lebanon would be small, that with Turkey is 2-3 to 1 and to advanced countries would be 4-6 to 1. This suggests that voluntary mass return to Syria from neighboring countries such as Jordan, Lebanon, and Turkey where Syrian refugees live in dire conditions is quite possible – depending on the regime that prevails in the war, and that this will create the need for large-scale development assistance for which agencies should be prepared. However, it appears far less likely that Syrians will return voluntarily from the more advanced European countries.

Can return itself contribute to development? In theory, return can contribute to development in three ways: innovation (skills, entrepreneurship, mores), capital, and networks that stimulate trade and investment through diaspora.

Studies show that migrants return for complex reasons, and that income is not typically the primary reason; instead lifecycle considerations and opportunities for investment and entrepreneurship seem more important in some contexts. (Gibson & McKenzie 2011) Other reasons include contributing to the social and economic development of their home country in numerous ways. (Avle 2014) There are several examples of returnees bringing important skills to bear and using their capital and network in a relatively secure environment to connect the home country with the world in important sectors, as in China, India, and Ghana. (Avle 2014) Diaspora networks can also be an important source of business opportunities, linking the country of origin and the host country in creative and lucrative ways. (Dadush 2015)

However, while in principle the migrant brings skills, this is more often not the case, and where they do, the skills may not be transferable. Many returnees have stayed too little time to acquire new skills or return after a very long period and struggle to adjust to the work culture of the origin country. Most Turkish workers in Germany (90% according to one study, Paine 1974) were employed in occupations that added little to their human capital. Skills acquired may also not be applicable or in sufficient demand. In the preface of an edited volume on return and development, King writes "Although it is repeatedly acknowledged that returning migrants can be a force for economic innovation and social change, the general conclusion is that the extent to which this potential is realized is determined very strongly by the economic environment of the area in which they resettle." (King 1986)

The available evidence on economic migrants suggests that very few returnees want to return to work in agriculture, and few work in industry. Large numbers become self-employed. Evidence on return from the Gulf and the experience of returnees in Pakistan suggest that non-employment over extended periods is common and often voluntary as they had accumulated sufficient savings and could take time to find the right opportunity which often turns out to be self-employment. (Lucas 2005) Voluntary returnees that have had time to build savings and skills abroad and are motivated to reintegrate in their country of origin are more likely to contribute to development (Black et al. 2003).

Case studies of economic migrants returning to Italy, Portugal, Spain, Yugoslavia, Pakistan, Morocco, Algeria and others, suggest that capital brought back, which is often difficult to distinguish from remittances in statistics, is dedicated to support of family, housing, investment in small businesses such as a shop or a bar, generally in services – in that order. However, little goes to agriculture or industry.

So, the evidence on the contribution to the development of returning economic migrants is mixed and much depends on who returns and the circumstances in the country of origin. There is little reason to believe that the contribution of a returning refugee or asylum seeker – especially one who has not had time to build capital or skill and who returns in insecure conditions – will be any better.

Conclusion

This paper has argued that the costs of hosting refugees are front-loaded while the economic and fiscal benefits that accrue from their eventual integration in the host economy are back-loaded. The economic benefits associated with refugees will not materialize unconditionally. The single most important step that countries can take to maximize those benefits is to accelerate the vetting process and allow asylum seekers and refugees to work as quickly as possible. In addition, modest investments in language training, counseling and revising overly restrictive regulations that impede the recognition of the refugees' credentials can pay high dividends.

There is a strong legal case to be made for rejecting asylum applications that are clearly specious. However, in many advanced countries today, the purely economic case for returning migrants (as distinct from the legal case) is weak, on cost, macroeconomic, labor market, and fiscal grounds. This is true for most categories of migrants but is especially true of asylum seekers who have been left in limbo for a protracted period and for refugees (who can be encouraged to leave or forced under the cessation clause).

There is no "one size fits all" return policy, just as there is no single optimal immigration policy. However, policies regarding the return of refugees must be framed with broader policy towards immigration. If, as is the case in most advanced countries today, aging and declining native populations imply that the demand for migrants is bound to increase, it makes little sense to incur the high fiscal, political and humanitarian costs associated with returning refugees only to find that more economic immigrants, many of whom will arrive illegally, will be attracted. Return that is truly voluntary (as distinct from "soft deportation") can only be expected in specific instances or where personal considerations prevail. Migrants that have been given the opportunity to build skills and savings and that retain strong family and emotional connections with their country of origin are the most likely to return voluntarily. Most, though not all, countries that are the source of large numbers of asylum seekers are patently unsafe and incapable of affording the returning migrant a livelihood. Financial incentives are unlikely to play a significant role in spurring return, except in specific instances where personal considerations prevail.

The expectation that humanitarian assistance or development tools (grants, loans, policy advice) can play a significant role in promoting the return to countries in conflict is unrealistic. The purpose of development policy is not and should not be to encourage return. However, countries of origin that are unsafe today could become safe in the future. In that case, an increased return flow of migrants is possible, even though – in most instances – voluntary return from advanced countries to a poor location is unlikely to be large. Development policy can then help those that do return reintegrate successfully, accelerate reconstruction, and reduce the likelihood of a recurrence of humanitarian crises. Returning migrants can play a role – even if it is likely to be a modest one - in the reconstruction and development effort in the right circumstances.

Annex 1: Definitions

There is a legal obligation under the 1951 UN Convention on Refugees (UNCOR), to which nearly 150 UN members are party, not to return the refugee to his or her country of origin if that places them in harm's way (non-refoulement). At the same time, there is often confusion in the broad public about the distinction between an asylum seeker (who can be legally returned if his or her asylum application fails) and a refugee. There is also confusion between economic migrants – who are admitted based on very different criteria than a refugee, and who may arrive legally or illegally. For defining policy, it is important at the outset to clarify the distinction between economic and forced migrants and, within forced migrants between asylum seekers and refugees and, among returnees, between forced and voluntary returnees.

Annex Table 1 Term Definition

Term	Definition
Economic migration*	Economic migration is defined as a choice to move to improve the standard of living by gaining a better-paid job.
Forced migration** and the forcibly displaced	Forced Migration is “a general term that refers to the movements of refugees and internally displaced people (those displaced by conflicts within their country of origin) as well as people displaced by natural or environmental disasters, chemical or nuclear disasters, famine, or development projects.”. People that are part of a forced migration are forcibly displaced.
Refugee Status	Refugees include individuals recognized under the 1951 Convention relating to the Status of Refugees, its 1967 Protocol, the 1969 Organization of African Unity (OAU) Convention Governing the Specific Aspects of Refugee Problems in Africa, those recognized in accordance with the UNHCR Statute, individuals granted complementary forms of protection, and those enjoying temporary protection. The refugee population also includes persons in refugee-like situations. (A refugee, per the Convention, is unable or unwilling to return to their country of origin owing to a well-founded fear of being persecuted for reasons of race, religion, nationality, membership of a social group, or political opinion) (UNHCR)
Asylum	Asylum-seekers are individuals who have sought international protection and whose claims for refugee status have not yet been determined, irrespective of when they may have been lodged. (UNHCR)

Forced Return	Returnees who intended permanent migration but were forced to return. Their preference was to remain abroad but because of external factors they were required to return (Gmelch 1980)
Voluntary Return	Returnees who return voluntarily fulfill one of the following conditions: 1) He or she faces a clear and open choice either to return to his or her country of origin or to stay permanently and integrate into the host society; or 2) a choice between returning to the country of origin now in a voluntary fashion (perhaps with financial or other incentives) or staying and risking forcible return later.
Resettlement	Resettlement is the transfer of refugees from an asylum country to another state that has agreed to admit them and ultimately grant them a permanent settlement. (UNHCR)

* Source: BBC

** Source: Columbia University, Forced Migration Learning Module

Annex 2: The Situation in Countries of Origin of Asylum Seekers and Refugees

Afghanistan

Security

The security situation in Afghanistan has seen some improvement in the past years; nevertheless, the country is still mired in constant conflict. The Afghan government struggles to regain control of a large part of its territory. According to a report to the US Congress by the US Special Inspector-General for Afghanistan Reconstruction (SIGAR), at end of March in 2017, just 59.7% of the nation's districts were in the control of the Afghan government. The government's control of 407 districts was reduced from 72% in Nov. 2015 to 57% in Nov. 2016. The report also painted a picture of struggle. Major roads that link the country are heavily contested. Numerous strikes in Afghanistan's main cities and bombings in the capital Kabul are symptoms of the lack of control⁴³. UN reports indicate that in 2015, at least 3,545 civilians were killed and 7,457 were injured⁴⁴. The number was higher in 2016, setting the record at 3,498 deaths and 7,920 injured⁴⁵.

43. EIU Country Outlook: Afghanistan, June 20th 2017

44. Afghanistan Had Record Civilian Casualties in 2015, U.N. Says, Feb 14 2016, David Jolly, The New York Times, <https://www.nytimes.com/2016/02/15/world/asia/afghanistan-record-civilian-casualties-2015-united-nations.html>

45. Afghanistan's Civilian Casualties Hit Record High in 2016, Patricia Gossman, Human Rights Watch, <https://www.hrw.org/news/2017/02/06/afghanistans-civilian-casualties-hit-record-high-2016>

Economic Opportunity

According to predictions by the World Bank, Afghanistan is expected to grow its real GDP by 2.2% in 2016. The rate of economic expansion will accelerate to 2.6% and 3.4% in 2017 and 2018 respectively. However, the unstable political environment and the fragile security situation represent large risks. Hindering progress further is the extent of corruption⁴⁶, which affects decisions in all spheres: economic development, public investment, political decisions, appointments, and recruitment. Recruitment for political positions has shown strong ethnic preference⁴⁷.

Social Services

The Afghan Chamber of Commerce and Industries (ACCI) said working conditions in 2016 improved compared to 2015. The finding comes from a survey conducted on employment. Although this survey showed some positive improvement in working conditions, however, security and infrastructure are still worrying. According to ACCI, private sector's trust is reducing every day.

Residents in Afghanistan raise concerns over acute foreign currency shortage. UNHCR does not promote the return to Afghanistan. However, those who decide to return will be assisted. UNHCR's monitoring survey shows that the typical cash grant of \$400 per person covers expenditure for about two to three months. The vast majority of refugees (75%) spent the cash grant on meeting immediate humanitarian needs. 15% were able to make investments in business or sustainable livelihoods, 11% said they could build a house. "Those who are surveyed by telephone three months after the return, 52% said they were able to return to their province of origin. The remaining 48% said they chose another province due to lack of shelter, land, livelihood opportunities or insecurity in their home areas." UNHCR also shares concerns over the reintegration needs. It is larger than the capacity Afghanistan has right now. Many refugees are returning to uncertain futures and have to "rebuild their lives amidst increasing levels of internal displacement, insecurity and levels of violence not seen since the fall of the Taliban in 2002." (2017)

Syria

Security

The war in Syria has killed more than 400,000 people and uprooted 12 million since it started in 2011⁴⁸. "As of March 2017, more than 5 million Syrians have fled the country and 6.3 million people are displaced internally." As of now, Syria is still undergoing severe attacks and airstrikes. Achieving ceasefire is still evading Syria. At the end of 2016, a ceasefire was declared but none of the parties involved had respected it⁴⁹. According to Human Rights Watch's report on Syria, "unlawful attacks on civilians by all parties of the conflict persisted throughout the year." "Government forces used at least 13 types of internationally banned cluster munitions in over 400 attacks on opposition-held areas between July 2002 to August 2016, killing and injuring civilians, including children⁵⁰." Between March 2011 and June 2016, at least 12,679 persons died from torture, abuse, starvation, beating and disease in government detention. EIU's economic outlook for 2017-2021 predicted that the intensity of conflict in Syria would abate is more confined to rural areas.

46. BBC Monitoring cited by EIU, Afghanistan politics: Daily examines insecurity, domestic challenges. June 15, 2017

47. BBC Monitoring, cited by EIU report: Afghanistan business: Assessing operational challenges for businesses, May 4th 2017

48. CNN <http://www.cnn.com/2013/08/27/world/meast/syria-civil-war-fast-facts/index.html>

49. EIU Syria politics: Quick View - Proposal for de-escalation zones drawn up at Astana talks

50. Human Rights Watch (HRW) Syria, Events of 2016, <https://www.hrw.org/world-report/2017/country-chapters/syria>

Economic Opportunity

Syria's fiscal situation will remain dire. Its oil and tax revenue will continue to be depressed. Substantial needs from the military will persist. Infrastructure is damaged both by IS and coalition airstrikes⁵¹. These factors hinder the efforts of reconstruction and economic development. The war brought enormous damage to the economy, domestic demand has fallen due to in part to refugee exodus, and the oil sector is mostly offline. The government has financed its large deficit by printing money and drawing down foreign reserves. The Syrian pound has lost four-fifths of its value, and reserves have dropped from \$20 billion to \$1 billion since 2010. The IMF estimates that Syria's GDP today is less than half of what it was before the war⁵². In July 2017, the wheat harvest was set to fall short of government forecast, as military operations against IS had badly affected farmers in major grain-producing areas, and IS levies heavy taxes on farmers in the areas under its control⁵³.

The long-term outlook for Syria's agricultural sector is slightly more positive, according to the newest view on Syria economy by EIU. There has been an improvement in conditions in rebel-held areas, which could potentially lead to higher production and increased economic activity.

Social Services

The infrastructure damage is enormous. In some instances, humanitarian aid sometimes cannot reach the affected populations. Aid agencies have to go through extensive controls by the Syrian government to deliver life-saving medicines. The UN reported that the government prevented 80,000 medical treatment items, "including diarrhea kits, emergency health kits, antibiotics, and other medicines from going into besieged areas."

Somalia

Security

Civilians in Somalia are suffering from abuses by all warring parties, and have limited access to basic services. Citizens are living in the fear of mass security sweeps by Somalia's national intelligence agency, even though it has no legal mandate to arrest or detain people. Children and women are in worst danger. Security forces arbitrarily detain and recruit children and use them as informants to identify Al-Shabab members. Internally displaced women are extremely vulnerable to rape by armed men, "including government soldiers and militia." Protection for them basically does not exist⁵⁴. According to UNHCR, Somalia has over 1.4 million internally displaced people. In the year 2016, some 24,500 refugees and asylum-seekers were registered in Somalia. Refugee return from Kenya began in 2014. Voluntary repatriation number is close to 40,000 Somali nationals from 2014 to December 2016⁵⁵.

51. EIU Syria economy: Quick View - Wheat harvest set to fall short of government forecast, July 2017

52. Syria's new war millionaires, Economist June 2017 <https://www.economist.com/news/middle-east-and-africa/21722833-new-elite-peace-would-be-bad-business-syrias-new-war-millionaires>

53. EIU Syria economy: Quick View - Wheat harvest set to fall short of government forecast, July 2017

54. Human Rights Watch, Somalia Events of 2016, <https://www.hrw.org/world-report/2017/country-chapters/somalia>

55. UNHCR, Somalia, <http://reporting.unhcr.org/node/2550?y=2016#year>

Economic Opportunity

According to Berlin-based Transparency International, Somalia is one of the world's most corrupt countries. Improved governance could enable Somalia's economy to grow on the basis of its oil and gas reserves. Ongoing droughts continue to drive hungry and thirsty refugees to surrounding countries, and large parts of the population are in need of humanitarian aid. The agriculture sector contributes to over two-thirds of its GDP while industry only makes up for 7% in 2013⁵⁶. According to the IMF, Somalia has a very high youth unemployment rate, contributing to irregular migration and participation in extremist activities, including Al-Shabaab. Joining militant jihadist group is viewed as another form of employment⁵⁷.

Social Services

The lack of infrastructure and basic service hinders IDP settlements. On top of that "urban areas are being overwhelmed with new arrivals⁵⁸". Access to basic needs, such as health and education, are unmet.

South Sudan

Security

South Sudan's civil war began in December 2013 and continues with serious abuses against civilians. A peace agreement was signed in August 2015 but the ceasefire was not achieved⁵⁹. On May 25th, 2017, South Sudan President declared a ceasefire. According to the World Report by Human Rights Watch, South Sudanese "government soldiers killed, raped and tortured civilians as well as destroying and pillaging civilian property during counterinsurgency operations in the southern and western parts of the country, and both sides committed abuses against civilians in and around Juba and other areas. UN Special Advisor on the Prevention of Genocide Adma Dieng said the ongoing violence had transformed into an "ethnic war" and warned of a "potential for genocide⁶⁰". On top of the precarious living situation, security and logistical challenges posed constraints to the delivery of much-needed humanitarian assistance⁶¹. According to Council on Foreign Relations, the estimated number of people killed since December 2013 is over 50,000, and over 1.6 million people are internally displaced⁶².

Economic Opportunity

South Sudan has abundant natural resources. Before its oil production fell sharply, the government relies on oil for its revenue. It also has very fertile soils and abundant water supplies.

South Sudan has struggled with economic development since its independence and its economic conditions have deteriorated since January 2012 when the government decided to shut down its oil production⁶³. UNHCR reported that in 2016, South Sudan's economic situation deteriorated further and the cost of living

56. CIA The World FactBook, <https://www.cia.gov/library/publications/the-world-factbook/geos/so.html>

57. IMF, Six Things to Know about Somalia's Economy, April 11, 2017, <http://www.imf.org/en/News/Articles/2017/04/11/NA041117-Six-Things-to-Know-About-Somalia-Economy>

58. UNHCR, Somalia, <http://reporting.unhcr.org/node/2550?y=2016#year>

59. Human Rights Watch, World Report, <https://www.hrw.org/world-report/2017/country-chapters/south-sudan>

60. Human Rights Watch, World Report, <https://www.hrw.org/world-report/2017/country-chapters/south-sudan>

61. UNHCR, South Sudan <http://reporting.unhcr.org/node/2553>

62. Council on Foreign Relations (CFR) <https://www.cfr.org/global/global-conflict-tracker/p32137#!/conflict/civil-war-in-south-sudan>

63. CIA Factbook, South Sudan, <https://www.cia.gov/library/publications/the-world-factbook/geos/od.html>

rose exponentially⁶⁴.

Social Service

South Sudan has very high mortality caused by AIDS and high risk of infection of diseases. Education expenditure is low and the literacy rate is also very low (27% in 2009). South Sudan has little infrastructure. According to the CIA Factbook, there are approximately 200 kilometers of paved roads. Electricity is produced mostly by costly diesel generators. Goods and services are mostly imported from surrounding countries.⁶⁵

Sudan

Security

Similar to South Sudan, Sudan's government forces have raped, killed civilians, and destroyed hundreds of villages. In September 2016 UN found that violence has displaced up to 190,000 people and many of them are not accessible to humanitarian agencies⁶⁶. Government forces and armed rebels in Southern Kordofan and the Blue Nile continue to be engaged in armed conflict for the fifth year in 2016. Civilians in populated areas were subject to indiscriminate bombing, especially during March through June in 2016. Citizens also face arbitrary detentions, ill-treatment, and torture. Sudan's National Intelligence and Security Service is known for detaining activists, students, lawyers, doctors and those who are perceived to be needed in some capacity by the government⁶⁷. Many detainees are facing ill-treatment. Females are subjected to sexual harassment by security officers. According to UNHCR, there are 2.7 million people of concern in Sudan (includes refugees, asylum-seekers, IDPs, returned refugees, returned IDPs, stateless persons, and other concern), a lower number than 2015. About 37,000 refugees returned to Sudan in 2016. At the same time, there were over 2 million IDPs, over 420,000 refugees and over 16,000 asylum-seekers in other countries.

Economic Opportunity

Oil output in Sudan has been low due to civil war, poor infrastructure, and low productivity. Compared to South Sudan, Sudan also has fewer oil resources; nevertheless, it still has abundant resources⁶⁸. Sudan ranks 186th of 190 states in the World Bank's Doing Business Rankings, with particularly poor scores for starting a business, getting electricity and registering property. Agriculture slowed in 2016 and is expected to do better in 2017. Lack of rain affects the outcome of the agricultural sector. CIA's Factbook⁶⁹ reports that 46.5% of Sudan's population is living below the poverty line. Only 35% of its population has access to electricity.

Social Service

It is difficult for the staff of international humanitarian aid agencies to obtain travel permits in Sudan,

64. UNHCR, South Sudan <http://reporting.unhcr.org/node/2553>

65. CIA Factbook, South Sudan, <https://www.cia.gov/library/publications/the-world-factbook/geos/od.html>

66. UNHCR, Sudan, <http://reporting.unhcr.org/node/2535>

67. Human Rights Watch, <https://www.hrw.org/world-report/2017/country-chapters/sudan>

68. EIU Country Outlook, Sudan, June 19th 2017

69. CIA the World Factbook, Sudan, <https://www.cia.gov/library/publications/the-world-factbook/geos/su.html>

severely hampering the relief effort.

The Democratic Republic of the Congo (DRC)

Security

The security situation in the Democratic Republic of Congo has been poor since 2012. An attempt to integrate a Tutsi rebel group into the Congolese military failed and prompted the defection and formation of the M23 armed group. The renewed conflict led to large population displacement and human rights abuses. Furthermore, the President of the DRC, Joseph Kabila is barred from running for a third term, but the DRC government has delayed national election originally slated for November 2016. The failure to hold election fueled sporadic street protests by Kabila's opponents⁷⁰. Although a deal signed by representatives of Kabila's ruling party said the presidential election would be held before the end of 2017, the President himself has not endorsed the deal. Government officials repeatedly banned opposition demonstrations, fired teargas and live bullets at peaceful protesters, shut media outlets, and prevent opposition leaders from moving freely⁷¹. According to UNHCR, there are over 2 million IDPs in the DRC, and over 450,000 refugees. In year 2016, there were about 13,000 returned refugees and 619,000 returned IDPs. "Dozens of armed groups remained active in eastern Congo, many of their commanders have been implicated in war crimes, including ethnic massacres, killing of civilians, rape, forced recruitment of children and pillage."⁷²

Economic Opportunity

Regional wars in the DRC prevent economic recovery. Still, EIU⁷³ predicts that copper export and mining will pick up. Low labor cost, high ore grades, and potential for significant finds will continue to attract investors.

Social services

Health, education, shelter and infrastructure, and protection from armed conflicts are key objectives identified by the aid agencies in the DRC⁷⁴.

The Central African Republic

According to UNHCR, CAR has about over 410,000 IDPs in 2016, over 12,000 refugees and asylum seekers and over 34,000 returned refugees. The number of people of concern (458,607) has declined by half since 2014, but refugees and IDPs are still facing harsh conditions. UNHCR supported the return of 235,000 IDPs to their areas of origin. IDPs in CAR are facing harsh living conditions; only 40% of IDP households lived in adequate dwellings. Lack of resources and access to services led to limited reintegration assistance in areas of major return. The most recent ceasefire agreement between the government and 13 armed groups failed 2 days after signing the agreement. According to EIU forecast, real GDP growth is expected to reach 4.6% in 2017, from an estimated 4.3% in 2016, as "the presence of an elected government helps to unlock donor funding, and supports a modest rise in public and private consumption." Growth is expected to pick

70. CIA, the World Factbook, <https://www.cia.gov/library/publications/the-world-factbook/geos/cg.html>

71. Human Rights Watch, <https://www.hrw.org/world-report/2017/country-chapters/democratic-republic-congo>

72. Human Rights Watch, DRC, <https://www.hrw.org/world-report/2017/country-chapters/democratic-republic-congo>

73. EIU, country outlook, DRC

74. UNHCR, Democratic Republic of the Congo, <http://reporting.unhcr.org/node/4874>

up again in 2018, to 5.1%, due to “some diamond exports restart and foreign-funded investment rises”. The speed of economic development will still be hindered by insecurity and the return of refugees.

Iraq

Security

Iraq’s political and sectarian divisions are profound as the country faces enormous economic challenges. According to UNHCR, the number of people of concern increased to around 5 million people in 2016. Over 3.6 million are IDPs and over 261,000 are refugees. While many predict that the Iraqi army will soon complete its retaking of Mosul (IS’s main stronghold in Iraq), the security situation in Iraq still looks dire. The International Federation of Journalists deems Iraq as the deadliest country in the world for journalists. A UNICEF report deemed Iraq as one of the deadliest countries for children. Its citizens are not only facing dangers brought by ISIS, but also by the government’s counterinsurgency measures. ISIS carries out numerous attacks, bombings, and chemical attacks; it also imposes extreme restrictions on Iraqis under their control, especially women and girls. They are not allowed to leave their homes without a male’s company; nor do they have access to adequate healthcare. ISIS also banned girls from going to schools. Yazidi women become targets of torture, rape, murder and sexual slavery.

The Iraqi government frequently carries out summary executions, enforced disappearances, and mutilation of corpses. Government-affiliated institutions unlawfully detain citizens after screening hundreds of families. Deportation of residents and destruction of Arab homes or even villages occur. Internally displaced people are being restricted in their movement; they are not allowed to travel to a certain region of Iraq and the disputed territories and are required to stay in camps⁷⁵.

Iraq’s largely state-run economy is dominated by the oil sector. According to the CIA’s Factbook⁷⁶, oil sector provides “more than 90% of government revenue and 80% of foreign exchange earnings.”

Economic Opportunity

With the improvement of security and stability in Iraq, its GDP annual growth exceeded 10% in 2016, which is the best performance in a decade. Iraq also was able to lower its unemployment rate from the highest 28% to about 15 % in the past few years⁷⁷. Although government revenue relies heavily on the oil sector, only a small percentage of Iraqis are employed in the sector while the majority of Iraqis still report living in poverty⁷⁸. Lack of essential services like electricity, clean water, sanitation, and health services is also a major concern for refugee’s return. Detailed statistics on Iraqi refugee returnees is not yet available, but media report that small but growing influx of returnees is going back to Iraq due to asylum rejections in Europe.

Myanmar

According to UNHCR⁷⁹, the total estimated population of concern in Myanmar is about 1.3 million,

75. Human Rights Watch, Iraq, <https://www.hrw.org/world-report/2017/country-chapters/iraq>

76. CIA World Factbook <https://www.cia.gov/library/publications/the-world-factbook/geos/iz.html>

77. Trading Economics, <https://tradingeconomics.com/iraq/unemployment-rate>

78. UNDP <http://www.iq.undp.org/content/iraq/en/home/countryinfo.html>

79. UNHCR, Myanmar, <http://reporting.unhcr.org/node/2541>

including 926,000 Stateless people and 375,000 IDPs. Myanmar's nascent democracy and its newly-elected government in 2016, faces major political and economic challenges. These include furthering the national reconciliation process, strengthening respect for human rights, protecting civilians in armed conflict and addressing some deeply rooted divisions within the country⁸⁰. Refugees from South-East Myanmar that are residing in Thailand and the region's IDPs have still not returned in number. The Northeast region of Myanmar is still mired in fighting between military and ethnic armed groups. People in Rakhine State in Myanmar are still in danger of armed attacks and lockdowns. Operations by Myanmar security forces had led to 43,000 stateless Muslims to flee to Bangladesh and displaced estimated 30,000 within Maungdaw district.

EIU⁸¹ predicts that Myanmar will achieve real GDP growth to average 7.3% a year, continuing to be one of the faster-growing economies in Asia.

Eritrea

"Since gaining independence in 1993, Eritreans have continued migrating to Sudan, Ethiopia, Yemen, Egypt, or Israel because of a lack of basic human rights or political freedom, educational and job opportunities, or to seek asylum because of militarization⁸²"

UNHCR reported 474, 296 Eritreans to be refugees and asylum seekers globally at the end of 2015, about 12 percent of Eritrea's official 3.6 million-population.

A Swiss immigration fact-finding mission to Eritrea's capital, Asmara, concluded that "proof of improved human rights conditions is still missing." It also concluded, "involuntary returnees could count on imprisonment and perhaps torture⁸³." By law, Eritrean is required to serve 18 months in national services starting at 18 but in reality, the time could be a decade. The fear of open-ended conscription is the main driver for migration. Conscripts face harsh treatment and attempt to flee is sternly punished. The rule of law is flimsy at best and the president is not constrained by institutional safeguards or processes. Free speech, expression, and association are heavily repressed. Detention of journalists and political opponents is not rare. Arbitrary imprisonment of less prominent citizens, as well as persecution of citizens who practice religions that Eritrea discourages return.

EIU⁸⁴ forecasts Eritrea's real GDP growth at 4.9% in 2017, but the economy is performing well below its potential. Government mismanagement, lack of financial resources, and droughts hinder economic growth and have contributed to soaring inflation over the last two decades. According to CIA's World Factbook⁸⁵, while over 80% of Eritreans are employed in agriculture, agriculture only contributes to 12% of GDP in 2016. In 2004, 50% of the population is living in poverty. In 2013, only 17% of the rural area has access to electricity and 4 million people are living without electricity.

80. UNHCR, Iraq, <http://reporting.unhcr.org/node/2547>

81. EIU, Myanmar, Key development, July 6th 2017

82. CIA World Factbook, <https://www.cia.gov/library/publications/resources/the-world-factbook/geos/er.html>

83. Human Rights Watch, Events of 2016, Eritrea, <https://www.hrw.org/world-report/2017/country-chapters/eritrea>

84. EIU, country outlook, May 17th 2017

85. CIA World Factbook, <https://www.cia.gov/library/publications/resources/the-world-factbook/geos/er.html>

Western Balkans: Albania, Kosovo and Serbia

Albania, Kosovo, and Serbia are part of the Western Balkans, a group that also includes Bosnia and Herzegovina, Macedonia and Montenegro. Different from the other 10 countries mentioned above as large sources of refugees, these three countries are not in conflict. They are also relatively small countries, with a combined population of around 12 million. Nevertheless, they make up for a non-negligible part of the asylum seekers in Europe. Publication by the Balkan Investigative Reporting Network (BIRN)- BalkanInsight reported that Albanian asylum seekers think the migrant crisis from the Middle East could also favor their chances of getting asylum status⁸⁶. The reality is different. Albania, Kosovo, and Serbia, are considered safe and have very low asylum application approval rate in Germany (ranging from 0.1% to 0.3% in August 2015⁸⁷) In comparison, around the same time, the approval rate for asylum seekers from Iraq and Syria was around 89%. The low acceptance rate of asylum seekers in Europe has deterred applications in 2016.

The Western Balkan countries have undergone a major economic transformation over the past 15 years (Murgasova et al 2015) but their income levels remain near 1/3 or ¼ of the wealthiest European nations, and is not far from the \$9000-11000 (PPP adjusted) which is often associated with the peak migration tendency (Dadush, Demetris, Wolff, 2017). Facing a weak external environment and structural frailties, in recent years the Western Balkan countries faced major challenges in boosting growth sustainably, reducing poverty, and redressing very large current account deficits, which are financed largely by worker remittances. The unemployment rate in Albania and Serbia hovers around 15%. Though some countries have seen improvement in the business environment and taken measures to improve the working of the labor market, in Albania and Serbia poverty has increased since 2008. In Kosovo, weak governance severely hampers private sector development and job creations. (Murgasova et al 2015). Over 2017 and 2018, GDP Growth in the Western Balkans is expected to accelerate with recovery in Europe, to around 3.5%.

Kosovo was in the civil war in the late 20th century, and the number of refugees and IDPs remains large. The protection of human rights and accountability for war crimes has made slow progress. Roma, Ashkali, and Balkan Egyptians continue to face difficulties acquiring personal documents, accessing health care, obtaining social assistance, and getting an adequate education. Between Jan. and Aug. 31st, 2016, the Kosovo Ministry of Internal Affairs registered 4,534 forced returnees, among these forcibly deported, of whom 1,474 were children. Most minorities were deported from Germany and did not have much assistance after returning to Kosovo.

Human Rights Watch reported that minorities in Serbia face difficult treatment in all aspects of life. Discrimination takes many forms, and some minorities face harassment in housing⁸⁸. Roma people are often mentioned by human rights organization as the targets of persecution in the Balkan states but are not recognized as under threat by authorities in countries like Germany. Policies to grant asylum status have been tightened and deportation and other methods to prevent deportees from re-entry into Germany are being implemented.

Similarly, ethnic groups in Albania are discriminated against in many aspects of lives. Members of Romani and Balkan Egyptian communities often find themselves rejected or become marginalized in education,

86. BalkanInsight, <http://www.balkaninsight.com/en/article/large-number-of-albanians-still-asking-for-asylum-in-germany-10-19-2016>

87. DW, 9-25-2015 Tougher laws against migrants from the Balkans <http://www.dw.com/en/tougher-laws-against-migrants-from-the-balkans/a-18748406>

88. <https://www.hrw.org/world-report/2017/country-chapters/serbia/kosovo#40e5f4>

housing, employment, and healthcare. For instance, some schools refuse to accept Romani and Balkan Egyptian students, particularly if they appear poor. When admitted, Romani students are often separated physically from the rest of the class⁸⁹.

Annex Table 2- Country statistics High Intensity Conflict Countries (.. indicates data not available)

Country- High Intensity Conflict	Afghanistan	Syria	Somalia	South Sudan	Iraq
Population (million)	31.6	22.2	10.5	11.9	34.8
GNI, Atlas \$ bn	21.4	..	..	11.6	227.3
GNI per capita, PPP, \$	2,000	..	..	1800	15100
Life Expectancy at birth in 2010	59	72	54	54	68
Life Expectancy at birth in 2014	60	70	55	56	69
Labor force participation rate in 2010 (% of population ages 15+)	48	44	56	..	42
Labor force participation rate in 2014 (% of population ages 15+)	48	44	56	..	42
Gross capital formation in 2000 (% of GDP)	12	17	..	..	29
Gross capital formation in 2010 (% of GDP)	18	28	..	10	16
Gross capital formation in 2014 (% of GDP)	18	..	..	10	18
Individuals using the internet in 2010 (% of population)	4	20.7	1.3	7	2.5
Individuals using the internet in 2014 (% of population)	6.4	28.1	1.6	15.9	11.3
Merchandise trade in 2000 (% of GDP)	72	44	..	..	..
Merchandise trade in 2010 (% of GDP)	35	65	..	..	70
Merchandise trade in 2014 (% of GDP)	41	..	..	..	64
Electrification % of total population in 2013, *in 2012	43%*	96%	15%	1%	98%
Real GDP CAGR 2001-2010 (years may vary), %	*9%	N/A	N/A	***5.3%	3.1%
Real GDP CAGR 2011-2016 (years may vary), %	**4.1%	N/A	N/A	****-12.3%	7.3%
	*2002-2010, **2011-2016			***2008-2010, ****2011-2015	

Source: The World Bank Little Data Book 2016, IMF WEO, CIA World Factbook

89. <http://www.refworld.org/topic,50ffbce528c,50ffbce52f8,58ec8a7e4,0,,ANNUALREPORT,ALB.html>

Annex Table 3: Country Statistics Medium Intensity Conflict Countries (.. indicates data not available)

Country- Medium Intensity Conflict	Sudan	Central African Republic	Democratic Republic of the Congo	Myanmar
Population (million)	39.4	4.8	74.9	53.4
GNI, Atlas \$ bn	67.3	1.6	28.7	68.1
GNI per capita, PPP, \$	3920	600	650	..
Life Expectancy at birth in 2010	62	48	57	65
Life Expectancy at birth in 2014	63	51	59	66
Labor force participation rate in 2010 (% of population ages 15+)	53	79	72	79
Labor force participation rate in 2014 (% of population ages 15+)	54	79	72	79
Gross capital formation in 2000 (% of GDP)	25	11	14	12
Gross capital formation in 2010 (% of GDP)	23	14	16	..
Gross capital formation in 2014 (% of GDP)	18	10	21	..
Individuals using the internet in 2010 (% of population)	16.7	2	0.7	0.3
Individuals using the internet in 2014 (% of population)	24.6	4	3	2.1
Merchandise trade in 2000 (% of GDP)	27	30	8	..
Merchandise trade in 2010 (% of GDP)	33	22	48	..
Merchandise trade in 2014 (% of GDP)	18	20	41	42
Electrification % of total population in 2013, *in 2012	35%	3%	9%	52%
Real GDP CAGR 2001-2010, %	6.8%	2.5%	4.7%	12.0%
Real GDP CAGR 2011-2016, %	3.4%	-6.1%	6.8%	7.5%

Source: The World Bank Little Data Book 2016, IMF WEO, CIA World Factbook

Annex Table 4: Country Statistics not In Conflict Countries (.. indicates data not available)

Country- Not in conflict	Eritrea	Kosovo	Serbia	Albania
Population (million)	5.1	1.8	7.1	2.9
GNI, Atlas \$ bn	2.3	7.3	41.5	12.9
GNI per capita, PPP, \$	1400	9300	13040	10980
Life Expectancy at birth in 2010	61	70	74	77
Life Expectancy at birth in 2014	64	71	76	78
Labor force participation rate in 2010 (% of population ages 15+)	85	N/A	52	55
Labor force participation rate in 2014 (% of population ages 15+)	85	N/A	53	55
Gross capital formation in 2000 (% of GDP)	22	N/A	11	32
Gross capital formation in 2010 (% of GDP)	9	33	18	30
Gross capital formation in 2014 (% of GDP)	..	26	16	25
Individuals using the internet in 2010 (% of population)	0.6	N/A	40.9	45
Individuals using the internet in 2014 (% of population)	1	N/A	53.5	60.1
Merchandise trade in 2000 (% of GDP)	72	N/A	N/A	37
Merchandise trade in 2010 (% of GDP)	32	N/A	67	50
Merchandise trade in 2014 (% of GDP)	..	N/A	81	58
Electrification % of total population in 2013, *in 2012	32%	100 (in 2016)	100 (in 2016)	100 (in 2016)
Real GDP CAGR 2001-2010 (years may vary), %	0.9%	6.0%	4.4%	5.5%
Real GDP CAGR 2011-2016 (years may vary), %	*8.7%	3.0%	0.6%	2.1%
	*2010-2011			

Source: The World Bank Little Data Book 2016, IMF WEO, CIA World Factbook

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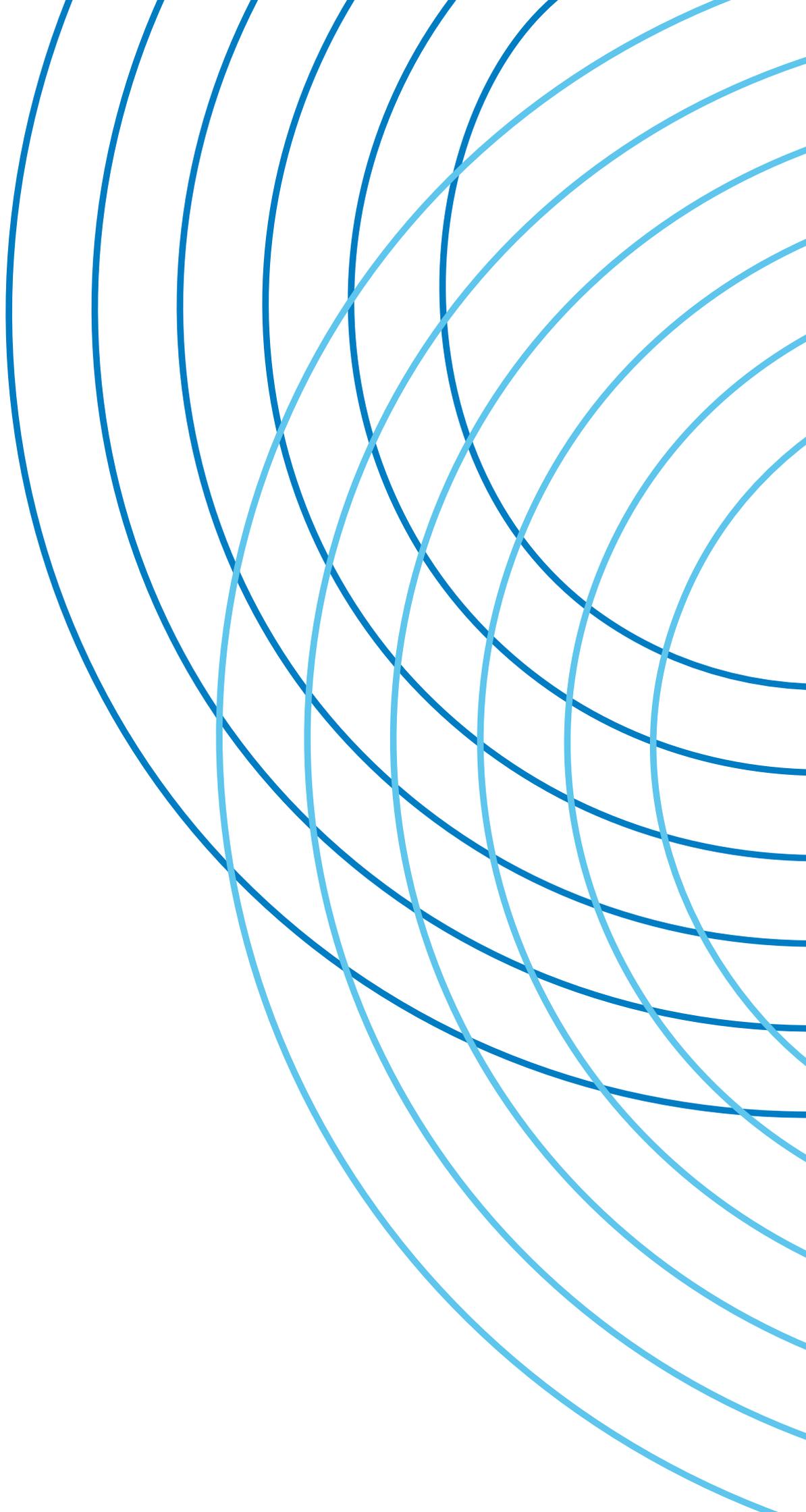
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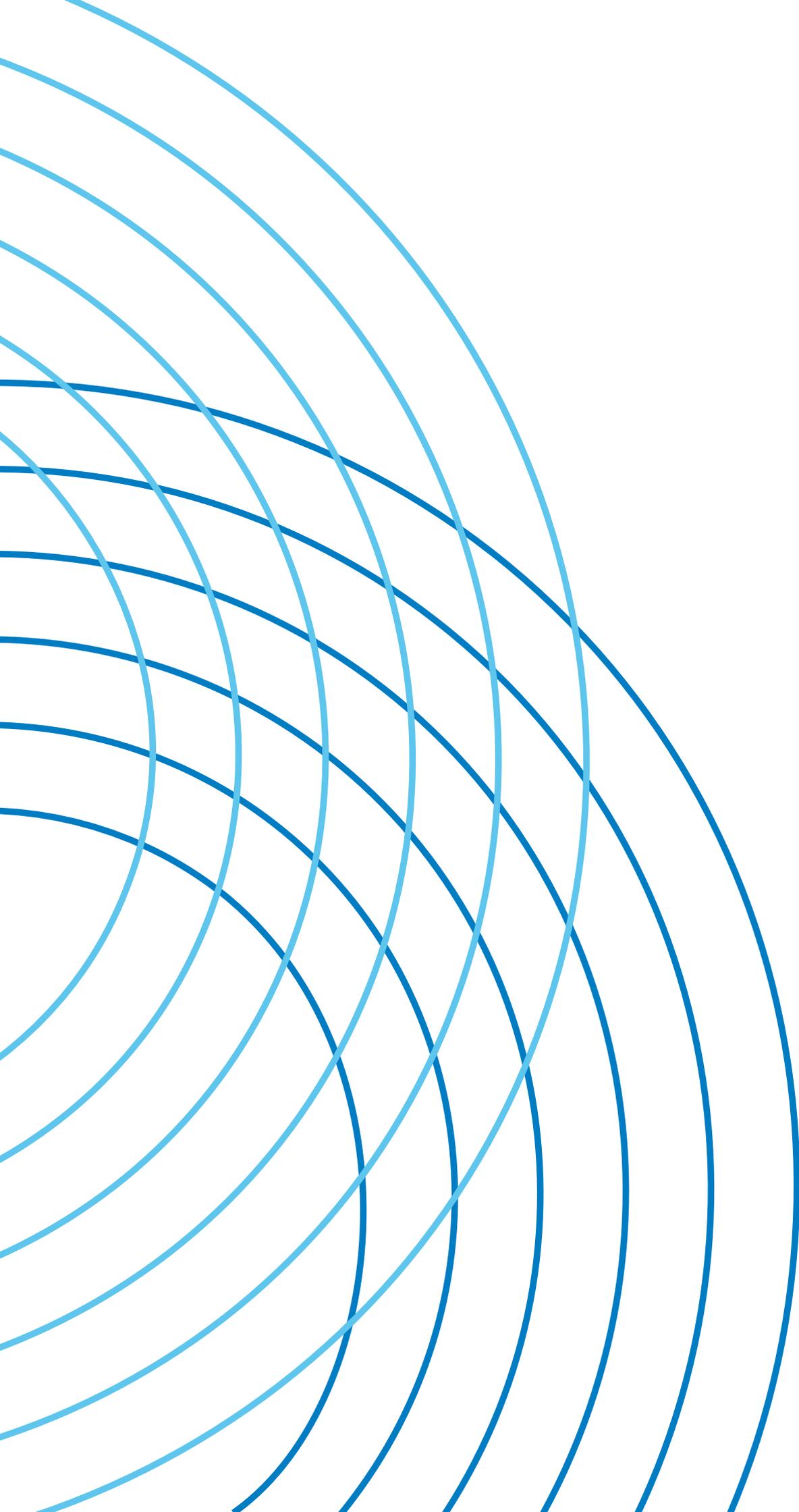
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ISSN N° 2421-9479

Dépôt légal N° 2015PE0055