

### 3. Links between EU policies and countries of origin

**R**egular and irregular migration to Europe, along with the design and impact of policies for refugee protection and immigration in the EU, depend crucially on the incentives that potential migrants face in their countries of origin to either remain at home or to emigrate. In this chapter, we address five major issues that affect EU policy making from a potential-migrant and country-of-origin perspective.

First, because of the high risk of injury and death involved in irregular migration to the EU, especially along the Central Mediterranean route, observers often ask whether migrants are fully aware of these risks. If they are not, providing better information is a win-win strategy for reducing irregular migration. By contrast, if potential migrants are fully aware of both the risks and benefits of irregular migration, policies to reduce irregular migration to the EU need to focus on changing incentives: by helping to improve economic opportunities at home, offering legal alternatives to irregular migration, or managing borders more effectively. In section 3.1, we discuss how potential migrants use the information available to them to decide whether, and where, to migrate.

Second, many observers are concerned that rapid population growth in Africa as a whole will lead to much larger migrant flows to the EU in the coming decades. At the same time, it is striking that current migration from Africa to the EU is relatively small compared with migrant flows within Africa. In section 3.2, we explore the diversity of economic developments across African countries and the resulting potential for labor migration within Africa.

Third, refugees who seek protection in the EU typically do not come directly from their country of

origin, but from a neighboring country of first asylum. Secondary migration to the EU is often the result of precarious living conditions and a lack of economic opportunities in low- and middle-income host countries. Sufficient humanitarian support for refugees and development assistance for their host countries are necessary starting points (MEDAM 2017, section 2.1). Furthermore, refugees in protracted situations (that is, most refugees) need to be able to work in order to sustain themselves and live with dignity. In section 3.3, we discuss the international governance of the labor market integration of refugees, the situation on the ground, and measures to support host countries in granting more refugees the right to work.

Fourth, the need for more humanitarian and development assistance is now widely acknowledged to support countries that host refugees and to create economic opportunities that render irregular migration less attractive. However, aid allocation across sectors and recipient countries is inevitably time-consuming and may be slowed down further by vested interests. In section 3.4, we investigate aid allocation across recipient countries and find that the 2015 refugee movements have indeed led to a refocusing of aid toward refugees' host countries and migrants' countries of origin.

Fifth, when refugees are concentrated in particular locations within their host countries (for example, because they live in camps or close to their country of origin), external assistance may be required to create enough jobs quickly. In section 3.5, we assess EU trade preferences for Jordan to promote manufactured exports 'made by refugees' and discuss whether similar schemes could work elsewhere.

# 3.1 Before crossing the border: Understanding the role of information in irregular migration decisions

Lead authors: Nadzeya  
Laurentsyeva and Afaf Rahim

This section investigates the role of information in forming expectations and in the decision-making process of irregular migrants. Using the available information, individuals form beliefs about the benefits and costs of migration and decide whether, where, and how to migrate.<sup>1</sup> Inaccurate information or biases in information processing can lead individuals to setting off on a risky irregular journey or using asylum channels for economic migration. If indeed would-be irregular migrants base their decisions on imperfect information, there is scope for policy interventions to reduce irregular migration flows by informing would-be migrants and correcting misconceptions before they make the move. Yet, it might well be that would-be irregular migrants can access all the necessary information, but when facing a high degree of uncertainty, serious risk, and social pressure, they are not able to process this information in their best interest. In this case, providing the information might not lead to the desired outcome if the design of the campaign does not take into account the psychosocial factors that influence irregular migrants' decisions. Finally, it could be the case that, while being marginally important, imperfect information or biases in its processing are not the decisive factors behind irregular migration. Changing the information available to migrants or counteracting biases might not have a large impact if the true economic benefits from migration are higher than all the associated direct and opportunity costs and if there are no accessible and affordable regular ways to migrate that could substitute for irregular options.

In this section we frame our discussion around three key questions. First, where do would-be irregular migrants obtain the information from and is this information incomplete or inaccurate? Second, if would-be migrants can access accurate information, what cogni-

tive biases may inhibit them from processing this information objectively? Obtaining answers to both of these questions is important for the design of policy measures, such as information campaigns: Is it sufficient to deliver information or also necessary to safeguard against potential biases in processing the information by applying nudges?<sup>2</sup> Third (and probably the most policy-relevant question), can information campaigns affect migration behavior, and if they can, what are the best ways to provide the information to would-be migrants? To shed light on these questions, we review the relevant academic literature and complement it with analysis of unique data collected by surveying transit migrants in Libya and across the Horn of Africa.<sup>3</sup>

## Where does the migration-related information come from and how accurate is it?

Before making the decision to migrate or not, individuals gather information from various sources available in their countries of origin, ranging from the traditional media to social networks and the internet. In figure 3.1, panels a and b, we use data from the 2016 World Values Survey to illustrate the main sources of information used in countries from which the major flows of irregular migrants to the EU stem. As we cannot directly observe intentions to migrate irregularly in the survey data, we reweigh observations to make the calculated averages representative of the population group with characteristics similar to those of irregular migrants.<sup>4</sup> As figure 3.1 shows, *traditional media*—TV, radio, and the press—are important sources of information: 87 percent of the population of interest report that they regularly obtain information from TV, 64 percent regularly use radio and 29 percent the press.

<sup>1</sup> See MEDAM (2017), section 4.1, for a general discussion of migrants' decision making under the expected utility-maximization framework.

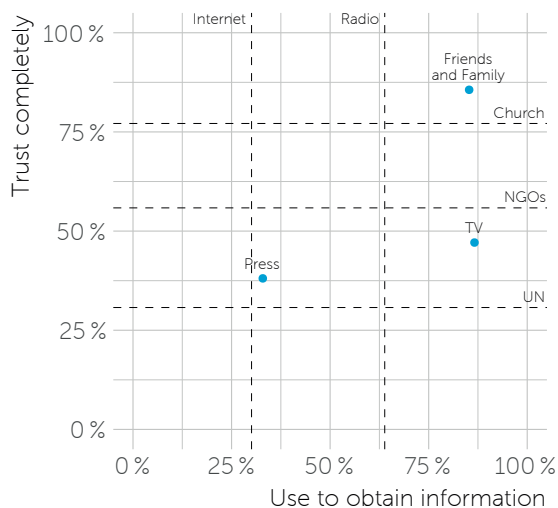
<sup>2</sup> Nudges are interventions designed to alter behavior and are defined as adaptations in the way choices are presented to individuals, explicitly using cognitive biases associated with risky behavior to encourage people to make choices that are in their best interest, without forbidding any options or significantly changing economic incentives. Thaler and Sunstein (2008), for instance, claim that in certain situations proper nudging can be as effective, if not more effective, than direct instruction, legislation, or enforcement.

<sup>3</sup> We use two survey datasets. As part of their displacement tracking activities, the International Organization for Migration (IOM) runs regular surveys of transit migrants in Libya, mainly originating from West Africa. We employ rounds 8, 10, 11, and 12 of the Displacement Tracking Matrix (DTM) in Libya. The data were collected throughout 2017 and are publicly available (<http://www.globaldtm.info/libya/>). We henceforth refer to it in the text as 'IOM DTM' data.

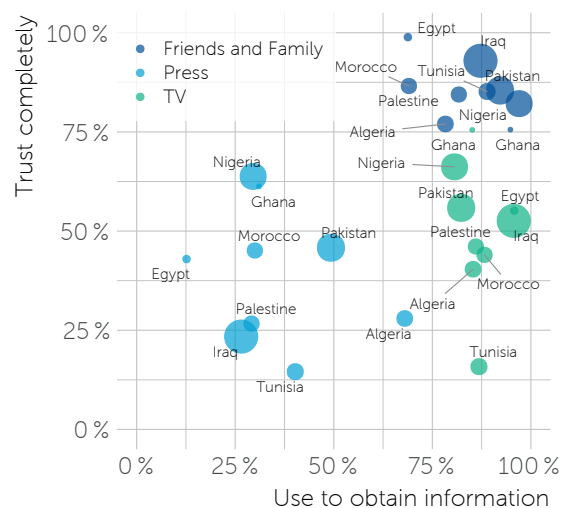
<sup>4</sup> In order to calculate the weights, we used the IOM DTM survey of transit migrants in Libya (pulling data from rounds 8, 10, 11, and 12 with 11,867 observations in total) and then calculated the number of migrants in each group defined by gender, age, and education level. For instance, low-skilled men ages 36 and younger represented about 60 percent of all the surveyed migrants in Libya. We then calculated averages with the data from the World Values Survey while giving more (less) weight to groups more (less) likely to become irregular migrants.

**Figure 3.1 Sources of information and their trustworthiness in selected origin countries of irregular migrants**

**a. Main sources of information and their trustworthiness in origin countries of irregular migrants**



**b. Cross-country differences in sources of information and their trustworthiness**



Source: Own calculations based on World Values Survey (2016), IOM DTM (2017), and Frontex data, 2009–17.

Note: The sample includes weighted averages of responses in Nigeria, Ghana, Libya, Tunisia, Egypt, Morocco, Yemen, Palestine, Iraq, and Pakistan, reweighted according to the age, gender, and education profiles of irregular migrants surveyed in Libya (IOM DTM in Libya, rounds 8, 10, 11, and 12). The size of the circles in panel b is proportional to the number of irregular border crossings by the nationals of a given country to the EU (Frontex data on irregular border crossings, 2009–17). NGOs = nongovernmental organizations.

### Box 3.1 Can traditional media affect migration behavior?

Several studies point to the importance of media for shaping migration behavior. Braga (2007) shows that Albanian citizens from regions with better reception of Italian TV were more likely to migrate to Italy as well as to other countries. She argues that Italian TV exposed Albanians to higher standards of living in developed countries, making migration far more attractive. At the same time, obtaining more information about distant locations by watching TV can also rectify overoptimistic percep-

tions of the likely payoffs of migration if individuals are initially ill-informed. Farré and Fasani (2013), for instance, evaluate the short- and long-term effects of more TV exposure on internal migration decisions in Indonesia. They argue that TV exposure reduced the likelihood of migrating internally, suggesting that without better access to information about other regions, Indonesians tended to overestimate their net gains from internal migration.

As box 3.1 highlights, traditional media can indeed influence migration behavior. Hence, not surprisingly, TV, radio, and the press have been widely used during information campaigns to prevent irregular migration.<sup>5</sup>

Yet, traditional media are not the most trusted sources of information in the analyzed countries: as figure 3.1 shows, only about 50 percent of the population report completely trusting information presented on TV, while even less—40 percent—completely trust

the press. Still, these averages hide cross-country differences: for instance, while information disseminated through TV and the press is likely to be well-received in Nigeria and Ghana (over 60 percent of the population trust these sources), using these channels to disseminate information in Tunisia will probably not be efficient (less than 20 percent of the population trust traditional media). Moreover, studies suggest that would-be irregular migrants tend to distrust

<sup>5</sup> Recent examples include the information campaign by the Austrian government in Afghanistan in 2016, Danish ads in Lebanese newspapers in 2015 and the 'No economic asylum in Germany' campaign in Albania in 2015.

the traditional media, because they perceive it to be controlled by authorities with vested interests in discouraging migration (see, for instance, Hernández-Carretero 2008).

*Social networks*—friends and family—represent another significant information channel. Such networks are by far the most trusted providers of information: on average, 86 percent of the population report that they trust their relatives and friends completely. Many would-be migrants are likely to base their migration decisions on the information provided by their relatives and acquaintances already abroad. This information, however, might be distorted if migrants from the network hide migration-related hardships, exaggerate the attractiveness of the destinations, or simply are not fully aware of recent economic and political developments and migration policy changes in their destination countries. Elsner et al. (2017) argue and provide empirical evidence that more integrated networks can supply more accurate information about prospects in the destination country and thus help to reduce the ‘migrant error,’ i.e., taking a migration deci-

sion that turns out not to be optimal in retrospect. A well-integrated network could transmit actual information about labor market conditions in the destination, as well as effectively relay changes in the destination’s migration policies to would-be migrants. This once again highlights the importance of integrating immigrant communities in destination countries. Furthermore, given the relevance of social networks for would-be migrants’ decisions, it makes sense to target information (about changes in admission policies, restrictions in access to the labor market, etc.) at immigrants already residing in destination countries and, if needed, to facilitate regular communication between the immigrant diaspora and their origin countries.<sup>6</sup>

The *internet* as an information source ranks low in importance compared with other sources, but the penetration of online technologies and their information role in migration decisions have been rapidly increasing in the past years at least in some origin countries of irregular migrants (see box 3.2).

Some individuals will decide to migrate and will proceed with more targeted information collection.

**Box 3.2 The internet and social media as information sources for migrants**

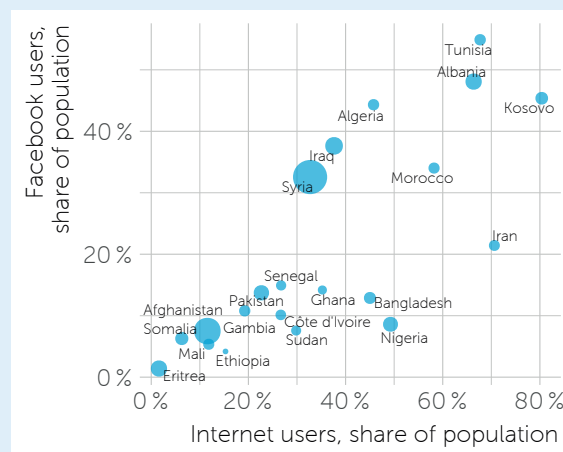
Over the past years, the penetration of the internet in developing countries has substantially increased. For instance, in 2000 less than 1 percent of the African population used the internet but by the end of 2017 this number had increased to 35 percent.<sup>a</sup> Yet, as figure B3.2.1 shows, the internet and social media usage varies across the origin countries of irregular migrants. For example, while in Nigeria the internet penetration rate constitutes about 50 percent, in less economically and politically stable origin countries, such as Mali, Somalia, or Eritrea, less than 20 percent of the population use online technologies. The usage of Facebook does not fully correspond to usage of the internet, because of the presence of alternative media: Telegram, Skype, 2go, Eskimi, etc.

While figure B3.2.1 refers to the general population, the DRC MMC 4Mi data collected across the Horn of Africa provides insights on the actual usage of internet resources and social media by migrants already *en route*. Only 1 percent of the surveyed migrants reported using specialized websites to obtain the necessary information. At the same time, about 25 percent used social media prior to or during their journey. Among them, 40 percent of respondents used social media to access journey-related information; an even more important reason was communication with family and friends or smugglers.

<sup>a</sup> Source: Internet World Stats (www.internetworldstats.com).

The most popular applications among migrants in the Horn of Africa were WhatsApp (41 percent), Facebook (36 percent), Viber (28 percent), and Imo (22 percent).

**Figure B 3.2.1 Number of internet and Facebook users as a share of the population in selected origin countries of irregular migrants, 2017**

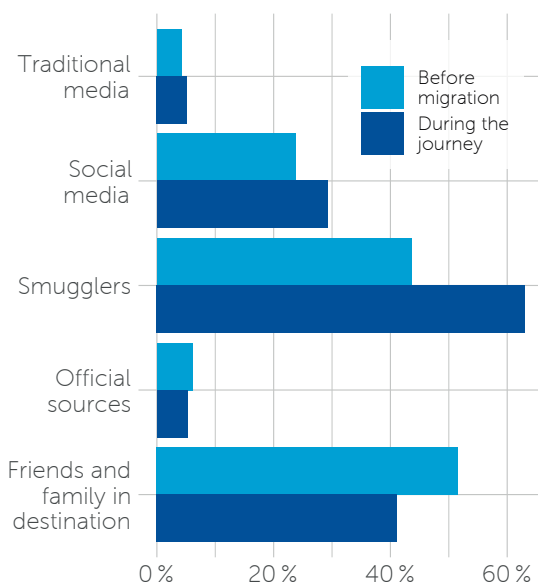


Source: Own calculations based on Internet World Stats (2018; www.internetworldstats.com) and Frontex data, 2009–17.

Note: The figure shows the estimated number of internet and Facebook users relative to the population of selected countries. The size of the circles is proportional to the number of irregular border crossings by the nationals of a given country to the EU (Frontex data on irregular border crossings, 2009–17).

<sup>6</sup> In certain cases, immigrants cannot afford regular contact with their relatives and friends in origin countries due to persistently high communication costs. Batista and Narciso (2016), for instance, show that there is substantial scope to improve communication between immigrants in Ireland and their origin countries.

**Figure 3.2 Main sources of information before departure and during the migration journey**



Source: Reproduced based on DRC MMC 4Mi data.

Note: Traditional media includes TV, radio, and newspapers. Official sources include leaflets, sign boards, the UN, nongovernmental organizations, specialized websites, and authorities.

The next question is whether those who eventually decide to migrate irregularly differ in their choice of and trust in information sources.

Figure 3.2 uses the DRC MMC 4Mi data to show the main sources of information used by actual migrants across the Horn of Africa prior to departure and during the migration journey. Actual migrants prefer to gather specific journey-related information from the most trustworthy sources—friends and family already in the destination country. The roles of traditional media and official sources are minor. Interestingly, smugglers represent the second most important information source prior to departure; their importance further increases during the journey. While smugglers play a central role in irregular migration, due to the conflict of interest they are more likely to provide inaccurate information. A study by Hagen-Zanker and Mallett (2016) reports incidents of misguided information conveyed by smugglers to irregular migrants (e.g., regarding the trip cost, duration, and the number of travelers on the boat, or suggesting a migration route inconsistent with the Dublin agreement).

The results of the DRC MMC 4Mi survey are broadly in line with similar studies conducted by the IOM and Foreign & Commonwealth Office (2013) with Iraqi migrants and by the United Nations High Commissioner for Refugees (UNHCR 2016) with refugees from Afghanistan, Syria, Iraq, and Palestine.

Apart from inaccurate information about the migration journey, would-be irregular migrants might receive distorted information about post-migration conditions. Several studies show that migrants coming from Africa to Europe tend to overestimate the wages they could earn at a destination (Mbaye 2014; Hoxhaj 2015). However, only correcting the wage expectation is unlikely to exert a strong effect on the decision to migrate given the prevailing level of income disparity between the origins and destinations of irregular migrants. A number of studies show that workers from poor countries earn substantial place premiums by simply working in a developed country rather than their own country of origin. The magnitudes of these premiums remain high when calculated for specific low-skilled occupations with little returns to unobservable skills (e.g., a waiter) and when controlling for migrant self-selection (see Ashenfelter 2012; Clemens 2013; McKenzie et al. 2010; Ortega and Peri 2013). Therefore, if a counterfactual wage in Sub-Saharan Africa were constructed based on the observable characteristics of irregular migrants, a large difference between their actual income in Europe and what they would earn in the origin country would still exist. Such comparisons, though, make sense conditional on successful migration—safely reaching the destination and obtaining access to the labor market.

Forming realistic expectations about the probability of successful migration might thus be more critical. While several studies find that, in general, irregular migrants are well informed about the costs of the journey and its risk to life (Townsend and Oomen 2015; Hagen-Zanker and Mallett 2016), there is relatively less evidence on migrants' expectations regarding what will happen once they reach their final destination. For example, what is their expected probability of obtaining legal status or of gaining access to the labor market? Policy makers in destination countries often tighten these policies, aiming at making their countries less attractive for future irregular migrants, but do policies that are more restrictive indeed achieve their preventive goals and discourage future migrants from coming irregularly? A precondition for this to happen is that would-be migrants are aware of these policies before reaching the destination.

For instance, the DRC MMC 4Mi data show that 47 percent of migrants planning to go to the EU are confident of finding a job in their final destination country within the first six months after arrival. This is an overestimation given that the actual employment rates of recently arrived asylum seekers and refugees in the EU member states are much lower.<sup>7</sup>

To check for further distortions between migrants' expectations and reality, we analyze the IOM DTM survey responses of transit migrants in Libya. Among other questions, the survey asks about migrants'

<sup>7</sup>The IAB-BAMF German Socio-Economic Panel, for instance, shows that the employment rate of asylum seekers and refugees one year after their arrival in Germany is 13 percent (Kosyakova and Sirries 2017).

planned destination country (32 percent choose an EU destination) and the reason for choosing this particular destination.

If migrants have accurate information about asylum possibilities in a given destination, there should be a positive correlation between the actual acceptance rates and the share of migrants reporting a ‘good asylum prospect’ as a reason for choosing a particular destination. As figure 3.3 shows, however, this is not the case: on average, there is no systematic relationship.<sup>8</sup> Misconceptions are also heterogeneous across destination and origin countries. For instance, migrants from Mali, Burkina Faso, and Niger seem to greatly overestimate the possibilities of asylum in Germany. Moreover, while acceptance rates in Germany are roughly the same for Senegal, Ghana, Niger, and Burkina Faso, there is substantial variation in the number of migrants from these countries choosing Germany because of perceived good asylum prospects, ranging from 7 percent for Senegal to 60 percent for Burkina Faso. In a similar way, expectations vary among migrants choosing Italy. In line with these observations, a study by the Migration Policy Institute (2015) also suggests that the understanding by migrants from Sub-Saharan Africa of EU migration policy varies in accuracy.

Apart from the quality of the available information, psychological and contextual factors can also influence the judgment and decision making of would-be irregular migrants. An assessment of the risks and benefits of irregular migration can be subject to cognitive biases, some of which we discuss in the next subsection.

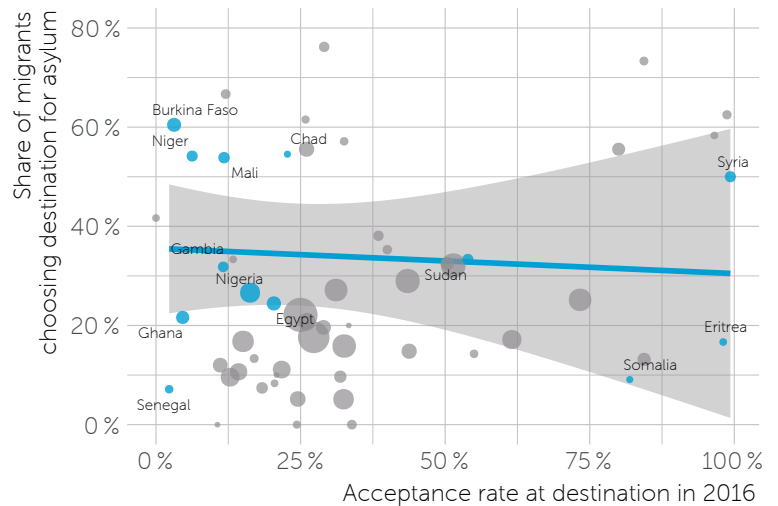
### Information processing: Assessing costs and benefits of irregular migration

From an expected utility-maximization perspective, a would-be migrant carefully gathers and considers information to have a well-reasoned evaluation of costs and benefits associated with migration. However, behavioral decision research has demonstrated that the judgments and decisions of people can be subject to biases. Human information-processing capacity is bounded and prone to errors particularly when individuals make risky decisions, face uncertainty, or are subject to social influences—typical attributes of the irregular migration process. The complexity of a decision to migrate irregularly is likely to constrain migrants’ ability to correctly compute the expected utility of alternative actions. It is useful, thus, to highlight certain biases that often impair the judgment and choices that individuals make.

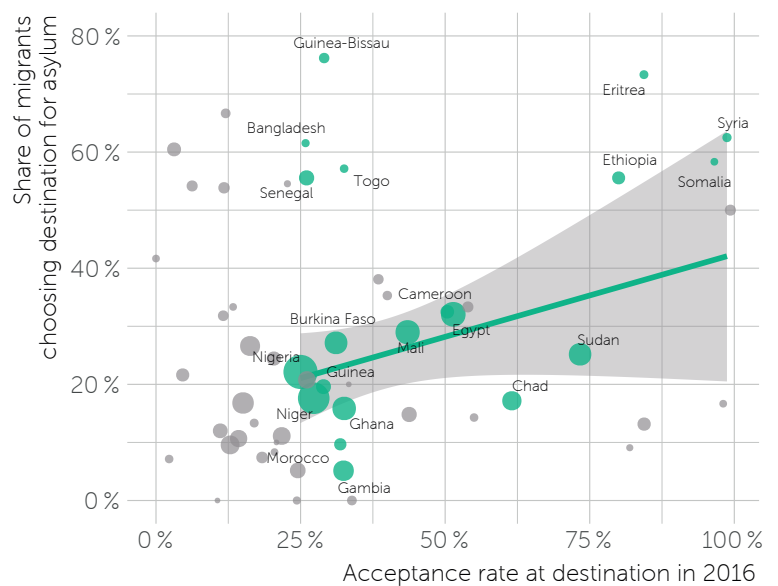
First, individuals have a tendency to selectively search for or interpret information in a way that confirms their preconceptions or hypotheses and to reject information that contradicts them (known in behavioral

**Figure 3.3 Share of migrants choosing their destination because of asylum possibilities vs. actual acceptance rates of asylum applications**

#### a. Highlighted destination—Germany



#### b. Highlighted destination—Italy



Source: Own calculations based on IOM DTM for Libya (rounds 8, 10, 11, and 12).

Note: Based on 3,715 observations. The x-axis presents the percentage of positive asylum decisions in a given EU destination for asylum seekers from a given origin country. The y-axis presents the share of migrants from a given origin choosing a given destination in the EU because of a good asylum prospect. Each share is calculated for at least 10 observations grouped by origin and reported destination. The scatter circles are proportional to the number of migrants from a given origin choosing a given destination. Panel a highlights the responses of migrants choosing Germany and panel b those of migrants choosing Italy.

<sup>8</sup> The correlation coefficient estimated for all destination countries equals 0.14 (st. error = 0.10) and is not statistically significant. It is important to underline that the evidence presented only points at some information inaccuracies: in the IOM survey data, we cannot observe all the background characteristics of migrants in order to objectively estimate their chances of gaining asylum in the EU.

psychology as *confirmation bias*, see Wilke and Mata 2012). There is anecdotal evidence that irregular migrants tend to be selective about the type of information that they are prepared to receive or retain. The initial views and attachment to a migration idea can influence how subsequent information is interpreted and processed. Aspiring migrants often filter out risks and negative information and focus on success stories of former migrants and acquaintances.<sup>9</sup> Moreover, it is conceivable that irregular migrants base their expectations on former migrants' stories and testimonies, resulting in what is known in psychology as *narrative bias*. Decision making using narrative reasoning is considered to be biased because individuals, when judging the probability of a risky prospect, extract information from a single experience or story and disregard statistical information, such as the likelihood of drowning or the chances of gaining asylum.

Second, would-be irregular migrants are often subject to *social influences*. An individual whose peers are involved in risky behavior (such as irregular migration) might miscalculate the personal payoff from the same activity. Such miscalculation could relate to social learning (see, for example, Bursztyn et al. 2014) and result in herding behavior. As Epstein (2002) put it, the case of migration herding implies that 'I will go where I have observed others go, because all those who went before me cannot be wrong, even though I would have chosen to go elsewhere.' While this quote refers to a sorting decision (where to migrate), it can well be extended to the decision to migrate irregularly or not. Facing uncertainty, individuals choose to dismiss private information while interpreting others' choices as more precise signals and learning from them. A policy solution would be to reduce uncertainty by reaching out to would-be migrants and providing them with accurate and comprehensive information about the migration process. However, it is possible that mere information provision will not be sufficient: even if individuals have very precise expectations about the outcome of their personal migration project, they might still prefer to follow their peers, because of the additional utility of migrating together or out of fear of 'falling behind.' Another important motive could be the wish to conform to the choices of peers. According to Festinger (1954), individuals care about making the correct choices and, if objective measures of 'correctness' are not available, they consider others' choices to be anchors. Lahno and Serra-Garcia (2015) provide evidence from a lab experiment conducted under complete information, having found that in 33 percent of the cases decision makers choose not to stay with their individual choices after observing an active choice of

a peer. If the wish to conform is indeed high among migrants, it will have implications for designing information campaigns. For instance, sharing information about the *active* choices of other migrants (e.g., 'X percent of migrants choose voluntary return') might be more effective than simply telling would-be migrants about the outcomes (e.g., 'X percent of migrants are returned to their origin countries').

Third, due to the complexity and riskiness of the decision, irregular migrants are more likely to assess the probabilities and magnitude of adverse and positive outcomes from migration decisions by employing rules of thumb or *heuristic principles*, which assert that human brains reduce the complex tasks of assessing probabilities and predicting expected values to simpler judgmental operations based on cues.<sup>10</sup> Of relevance here is a heuristic principle known in psychology as the *affect heuristic*, in which a subjective impression of information signals forms the basis of fast perceptual judgments. The premise of the affect heuristic is that people conflate risks and benefits when assessing an activity. For example, a positive affect (i.e., feelings or attachment) pertaining to migration leads to a favorable assessment of the benefits and a discounted assessment of the risks.<sup>11</sup> A would-be migrant who has a strong attachment to a migration idea may accord greater weight to long-term migration benefits and diminish short-term abstract risks that could be encountered during the migration journey. For instance, there is evidence that many Senegalese who migrated irregularly to the Canary Islands were aware of the risk information but chose to dismiss it as irrelevant or ignore it, because the expected migration benefits appeared more important to their decisions (Hernández-Carretero 2008). A policy nudge would then aim at helping would-be migrants to process complex information. This could be achieved by jointly presenting both the benefits and costs of migration and using simulation techniques, which could guide would-be migrants on how to evaluate the available information.<sup>12</sup>

Finally, migrants who undertake risky, irregular migration journeys to Europe come mainly from countries locked in poverty, economic insecurity, and conflict. Living in such an environment affects an individual's *willingness to take higher risks* compared with those living in economically secure and safe countries. This is supported by recent evidence showing that individuals living in countries with greater levels of hardship (e.g., income inequality and high infant mortality) have higher propensities to take risks (Mata et al. 2016). In line with this, Mbaye (2014) found that among the Senegalese, 77 percent of would-be irregular migrants were willing to risk their lives in order to emigrate.

<sup>9</sup> See IOM (2016), Nieuwenhuys and Pécoud (2007), Schapendonk and van Moppes (2007), and Hernández-Carretero (2008).

<sup>10</sup> Heuristics are commonsense rules (or a set of rules) intended to increase the probability of solving complex problems (see Tversky and Kahneman 1974).

<sup>11</sup> Affect refers to the conscious subjective aspect of a feeling or emotion (see Finucane et al. 2000).

<sup>12</sup> Such simulation techniques can take the form of a simple example in an information booklet about a hypothetical individual facing the decision to migrate irregularly or a more advanced (and resource-consuming) role game organized in communities in origin countries.

While risk tolerance does not represent a cognitive bias, being aware of this behavioral tendency helps to form realistic expectations about the potential of information campaigns, in particular those that mainly emphasize the risks of irregular migration.

### Effects of information campaigns

Information and awareness campaigns have been prevalent European tools to discourage irregular migration. According to the European Migration Network (2016a), around 50 information campaigns targeting prospective migrants and asylum seekers were implemented by EU member states over the period 2006–16. As a rule, such campaigns are carried out by individual member states (sometimes assisted by intergovernmental organizations, such as the IOM) targeting specific origin countries. As an example of a joint EU effort, in 2016 the EU designated the IOM to be in charge of a large awareness-raising campaign financed through the EU Trust Fund for Africa-IOM initiative for Migrant Protection and Reintegration of Returnees along the Central Mediterranean migration routes (€105 million).<sup>13</sup> This campaign aims to target about 200,000 migrants and 2,000 communities in the Sahel and Lake Chad region and in neighboring countries (including Libya).

While efforts to provide information to would-be migrants are being undertaken, the important question to answer is whether such information provision can indeed affect risky migration behavior and, more directly speaking, reduce irregular migration. To date, there has been little systematic evidence on the impact and effectiveness of information campaigns (Schans and Optekamp 2016). The few existing studies do not agree on whether information campaigns sway would-be migrants' subsequent behavior. For example, Paramjit (2012) finds that information campaigns can increase awareness and change attitudes toward migration. Conversely, Carling and Hernández-Carretero (2011) find that would-be migrants consider themselves better informed and do not take information from campaigns seriously; the authors conclude that information campaigns cannot influence migration behavior. Still, these studies are mostly qualitative and rely on small samples, and thus do not enable policy makers to draw definitive conclusions. As such, the existing evaluations of information campaigns fail to show a chain of causality between the information campaigns and actual migration behavior. The policy recommendation that follows is to ensure robust evaluation of 'pilot' campaigns before upscaling.<sup>14</sup> The above-mentioned IOM initiative in West Africa can serve as an optimal setting for extending the evidence base on the effects of information campaigns.

### Policy recommendations

The discussion in this section enables us to generate several policy recommendations.

**Choose the right dissemination channels.** As this section has shown, there is substantial variation across origin countries in the information sources used. Dissemination methods that work well in Ghana might not do so in Tunisia. Moreover, designers of information campaigns should not underestimate the importance of trust in the information source. As we illustrated earlier, information is likely to be more trustworthy when it is transmitted through known social connections—relatives, friends, and other co-migrants. To date, social networks still play a crucial role in providing information about the migration journey and destination. This presents both a challenge and an opportunity: on the one hand, it is difficult to control the quality of the supplied information; on the other hand, a well-informed diaspora could be the most efficient channel to update would-be migrants about changing conditions in destination countries. The precondition for this is a good level of integration of the immigrant community.

**Supply balanced information.** Many awareness campaigns have focused mainly on the dangers and risks of irregular migration and the difficult circumstances of living illegally in the country of destination (Schans and Optekamp 2016). A key assumption behind this approach is that irregular migrants are not aware of the risks that they could encounter during the migration journey or that they lack information about the realities of life in the destination country. The literature suggests that irregular migrants are often informed about the migration risks but may have deluded expectations of what happens after they reach their destination, e.g., their chances of obtaining legal status or finding a job. Moreover, supplying only information about the risks and costs of migration will jeopardize the credibility of the message delivered, particularly as would-be migrants can and will access information about migration benefits from other sources (e.g., their social networks or smugglers). While information from these sources is more likely to be distorted, it is trusted by migrants and, in the absence of accessible alternative sources, will be the main input into their decision making.

**Acknowledge psychosocial and contextual factors.** High levels of risk, uncertainty, and social pressure—typical attributes of irregular migration—tend to make the decision-making process vulnerable to various cognitive biases. As a result, even if would-be migrants have access to complete information, they will likely not process this information in an objective way—for example, individuals can overstate the benefits and underestimate the risks, use heuristics to

<sup>13</sup> For more information about the EU Trust Fund for Africa, see [https://ec.europa.eu/europeaid/sites/devco/files/eu-emergency-trust-fund-africa-20171218\\_en.pdf](https://ec.europa.eu/europeaid/sites/devco/files/eu-emergency-trust-fund-africa-20171218_en.pdf).

<sup>14</sup> Such robust evaluations can be done by using experimental methods (see, for example, Ludwig et al. 2011). Apart from conducting the evaluation, it is important to make the results available to the interested stakeholders and research community.



simplify decision making, or discount private information in order to follow their peers. Policy solutions in such cases could involve special nudges (as briefly discussed above) to encourage individuals to make choices in their best interest. While behavioral decision theory and evidence from other fields are instructive on which biases are particularly relevant for would-be irregular migrants, only robust evidence from actual information campaigns enables us to conclude what really matters or not. Designing effective information campaigns will necessarily involve a certain degree of trial and error; hence, it is critical to properly evaluate pilot projects before scaling them up and to make the evaluation results available to other practitioners and researchers.

Finally, it is important to be realistic about the potential of information campaigns to affect migrants' behavior. If the option of irregular migration, given all the risks and costs, remains more attractive than staying and if no regular migration channels are available, the scope of information campaigns in the long term is limited. Cooperating with origin countries on migration policies, developing legal migration pathways, and broadening opportunities in origin countries through development projects are crucial to reducing irregular migration flows. Integrating information campaigns into broader migration policies by directing migrants toward alternatives to irregular migration would improve the credibility and trustworthiness of information campaign messages.

## 3.2 Population growth and demographic change in Africa: What does it mean for future migration?

Lead authors: David Benček and Claas Schneiderheinze

Africa's population is projected to double by 2050 and reach 3.75 times its current size by the end of the century.<sup>15</sup> Against this backdrop, heated debates have arisen across Europe where these prospects give rise to fears of ever-growing numbers of immigrants beyond any economically and socially feasible level. A vicious circle of population growth, economic degradation, and conflict is often feared to cause a large-scale emigration wave to Europe. Reflecting widespread public sentiments, Antonio Tajani, European Parliament president, expects population growth to push millions of people from Africa to Europe unless suitable systems of migration management are put in place (Tajani 2017). Estimates about future migration flows vary considerably and are naturally fraught with uncertainty.<sup>16</sup> Of course, larger populations will on average lead to larger numbers of emigrants, especially as younger generations are more mobile and potentially benefit from migration over a longer period of time. In general, however, equating population growth with additional emigration to Europe is too simplistic a model, as it neglects to account for the complex interplay of demographic change, economic growth, and individual migration decisions. As other world regions have

shown in the past, population growth can even contribute to sustainable economic development if the institutional conditions are right. In order to provide a more nuanced picture that also considers regional differences between African countries, we review past and future demographic trends, discuss their potential impact and the broader conditions that shape the economic and social results. Finally, we combine these insights into a differentiated assessment of African migration.

### Trends in population growth

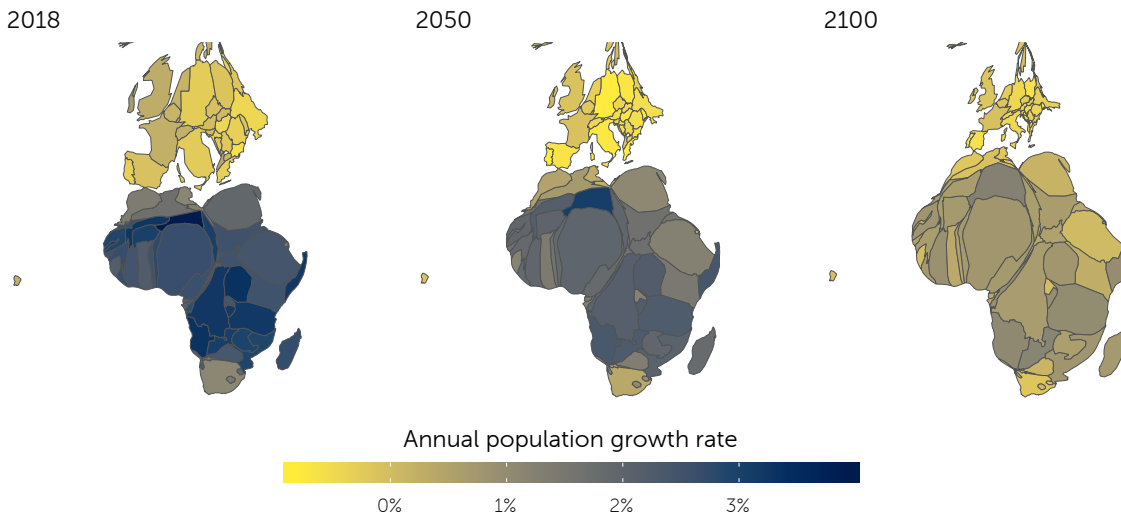
While in 1950 the African continent was home to only 9 percent of the world's population, this share has almost doubled to date (17 percent with 1.3 billion people) and is estimated to rise steadily to 40 percent (4.5 billion people in total) by the end of the century. The continent actually passed its peak population growth rate in the mid-1980s; yet changes in population growth are generally a slow process, so the annual rate has since decreased by only 0.4 percentage points to 2.5 percent.

Despite this (by European standards) high average rate of population growth across all African countries, there are still notable regional differences with respect

<sup>15</sup> These numbers are based on the zero migration projection by the United Nations, Department of Economic and Social Affairs, Population Division (2017).

<sup>16</sup> Hanson and McIntosh (2016) provide a tentative prediction of migrant stock changes by 2050: in their estimate, Italy, Spain, and the United Kingdom each experience additional immigration of 6 to 8 million people, while Germany and France see stagnant or even declining migrant stocks.

**Map 3.1 Population projections under a zero migration scenario**



Source: Own calculations and elaborations based on United Nations, Department of Economic and Social Affairs, Population Division (2017).  
 Note: Land area corresponds to population size and color represents the population growth rate in the respective year

to the progress of their demographic transition. In map 3.1, a visual representation of population projections for Africa and Europe until the end of this century, we can observe more closely that the increase in population is distributed unevenly: evidently, most of the growth will take place in parts of Sub-Saharan Africa, whose share of the African population will increase from 80 to 90 percent. Europe, by comparison, will shrink in relative terms due to its aging demographic; but so will parts of Northern and Southern Africa (e.g., Libya, Tunisia, Namibia, and South Africa), where a demographic transition has started earlier and progressed faster than in other African countries. As the right-hand panel of map 3.1 also shows, current projections expect the rest of the continent to catch up by 2100 and exhibit growth rates comparable to Europe today.

In the context of current debates on immigration, not only growth but also the age composition of Africa’s population is an important factor. As migrants are commonly young people, who are still willing to accept high monetary and psychological costs for long-term improvements in their livelihoods, the age structure of this growing population needs to be taken into account. Overall, the population across African countries is very young, with 60 percent below the age of 25 on average (compared with only 27 percent in Europe). While this share is projected to decrease steadily to about 35 percent by the end of the century, it certainly represents a large potential for future migration.

**The complex relationship between population growth, economic development, and migration**

High levels of population growth—as experienced in many African countries—are a direct consequence of economic underdevelopment. In response to low income levels and opportunities, child rearing comes at low costs

and many children are needed for security in old age. In line with that, the three countries with the highest fertility rates in 2015—Niger, Somalia, and the Democratic Republic Congo—are among the ten poorest countries worldwide (World Bank 2017). But what is the influence of their growing populations on future development? Are they invariably poor or can their demographic development possibly contribute to economic prosperity? Often population growth in developing countries is seen as a major obstacle to sustainable development. Fast-growing countries are often believed to inevitably face high levels of unemployment, hunger, and civil conflict in the long run.

This pessimistic view of population growth dates back to Thomas Robert Malthus. According to his “Essay on the Principle of Population” (1798), populations naturally outgrow agricultural production (due to fixed land resources), and thus population growth needs to be controlled to avoid decreasing per capita incomes, hunger, and crises. While time has proven him wrong (most countries have managed to increase per capita income despite growing populations), his core argument—that population growth leads to lower capital per worker and decreasing productivity—is still popular today. The basic idea is based on the observation that productive resources—like land, fossils, and capital—do not increase with populations. Consequently, when populations grow, fewer resources are available per capita, leading to declines in productivity and income. Hence, population growth would directly jeopardize economic prosperity and could trap countries in poverty.

However, while large family sizes come with significant disadvantages for each child, this one-sided view of growing populations has been challenged in recent years. Technological progress can mitigate and even reverse such effects. Agricultural innovations can easily multiply yields per acre; technological advances

improve the efficiency of extraction and usage of natural resources. Interestingly, technological progress is not independent of population growth, but positively affected by it (Klasen and Nestmann 2013). Growing populations provide the demand for and the supply of technological innovations. In the history of humankind population pressures have been shown to compel innovations (“necessity is the mother of innovation” (Boserup 1981). Similarly, more people have more ideas that benefit the whole population (Simon 1977; Kremer 1993). Beyond that, high population densities are a precondition for the links, infrastructure, demand, and effective market size that are prerequisites for modern economic growth based on technological progress and innovation (Klasen and Nestmann 2013).

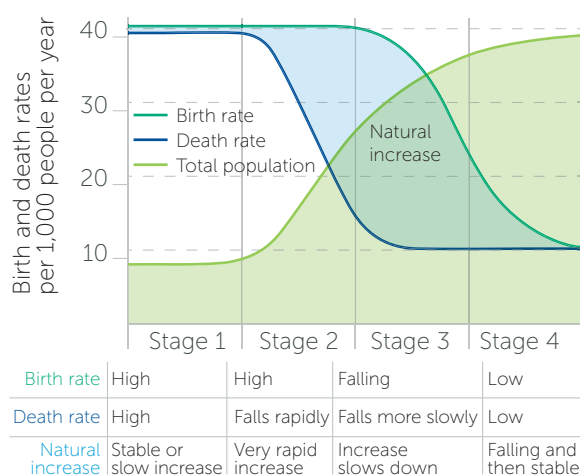
Today, most scholars agree that population growth has ambiguous impacts on economic development and that other factors—specifically governance and economic policies—play a more important role (Acemoglu et al. 2005; Das Gupta et al. 2011). In order to understand the complex mutual relationship between demographic factors and development we have to go beyond the number of people living in a country. Most often, the age distribution, the speed of population growth, and changing generational size have more direct implications for development and migration. Each of these factors is shaped by continuous country-specific changes in fertility and mortality rates—the demographic transition.

### The demographic transition

This term describes a change from high levels of fertility and mortality toward low levels, which is typically observed over the development path. Africa is the last world region where the demographic transition is still underway. Across the continent the demographic situation is very heterogeneous with some countries further ahead in the transition process. In this context it is important to stress that the transition does not take place automatically but is rather the consequence of changing fertility choices in developing economies. While an exact forecast of future changes in mortality and fertility remains naturally problematic, the general pattern of the demographic transition has been shown to be remarkably similar across countries. This general pattern is depicted in figure 3.4.

At an early stage of economic development, high mortality and fertility rates balance each other out such that population growth remains low. With the onset of economic development and poverty reduction, mortality rates start to decline; this effect is especially strong for child mortality. As a result, more children survive, the most recent birth cohorts are larger than previous ones and the population grows. Furthermore, the age distribution shifts, and the average population gets younger. In a next step, increasing economic opportunities and decreasing mortality levels have a dimin-

**Figure 3.4 The demographic transition in five stages**



ishing effect on fertility. As the size of the age cohorts decreases again, a ‘generational bulge’ is created. Its size depends on the speed and magnitude of the respective declines in mortality and fertility. When reaching working age such a generational bulge may significantly boost economic development (a ‘demographic gift’), but at old age the high ratio of dependents to workers poses severe challenges to economic sustainability (a ‘demographic burden’)—as we experience in most developed countries today.

Hence the term demographic dividend (or gift) refers to a situation where the working-age population in a country is atypically high. Yet, it is only a temporary phenomenon and is thus often viewed as a unique ‘window of opportunity’ for economic development. The positive impact of increasing the share of the working-age population goes beyond the direct labor market potential. State budgets and social security systems benefit from higher employment and the simultaneous increase in savings rates and demand for housing and investments contribute to economic growth (Bloom and Williamson 1998). In East Asia the demographic transition was particularly fast and the demographic dividend was estimated to be responsible for a third of per capita income growth during the ‘East Asian miracle’ (1965–90) (Bloom and Williamson 1998).

However, reaping the demographic dividend is not an automatism, but requires a suitable economic and political environment. In order to create a dividend, the youth bulge needs education and jobs. If a country fails to provide that, the unique opportunity for economic development can turn into economic descent, which may ultimately lead to civil conflict and (mass) emigration. If large numbers of young people face few economic opportunities, desperation and poverty make rebellion, crime, and illegal migration attractive (Fearon and Laitin 2003; Urdal 2006).

In this respect, Libya constitutes a prime negative example. Despite experiencing one of Africa’s most

favorable dependency ratios, no demographic dividend has materialized. Instead, the lack of employment opportunities and political struggles have created a vicious circle of conflict and economic deterioration. In contrast, Botswana has managed to use the demographic opportunity for economic growth.

For Sub-Saharan Africa as a whole, the possibility of a demographic dividend is just about to materialize (see figure 3.5). On average, relatively little systematic change has occurred in the workers-to-dependents ratio in the past 60 years, but from now on the share of the working-age population will continuously increase and reach its maximum by the end of this century. In other words, the window of opportunity is about to open for Africa.

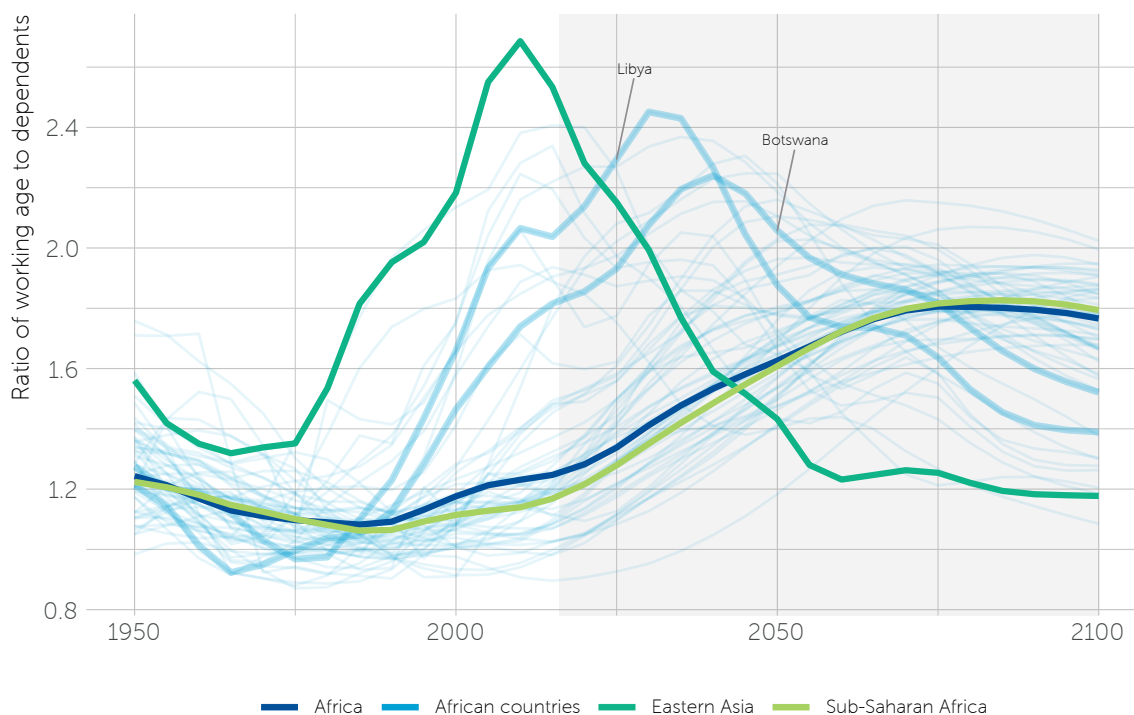
### Determinants of success and failure

The key question remains: Why are some countries benefiting from population growth and demographic change, while others suffer? What drives the direction of impact? Naturally, a recipe for success does not exist. The short answer is that effects crucially depend on the interplay of country-specific political and economic factors. Factors that are conducive to economic growth generally help realize the demographic dividend. If the economy struggles to provide jobs already at intermediate levels of population growth, higher levels of population growth will likely be problematic. Political stability, good governance, and foresight are crucial to deal with the upcoming challenges.

Governance quality and political institutions play a

twofold role for the demographic transition to translate into positive economic and development outcomes. First, effective population policies can help to reduce fertility rates, speed up the demographic transition and thus decrease dependency ratios. Second, any positive economic impact crucially depends on the ability of (i) the education sector to accommodate the large number of young citizens, and (ii) the economy to create additional jobs for the new generation. For either factor, good governance and favorable policies are vital. From empirical studies we know that on average, African youth are specifically disadvantaged in the labor market: they are much less likely to find employment compared with older cohorts and even if they do, self-employment or informal activities are more prevalent (Bhorat et al. 2017). Successful population and educational policies require a long-term perspective of policy makers, since benefits do not materialize in the near future. Short-sighted governments are likely to invest too little in these areas. The East Asian miracle constitutes a prime example. Between 1965 and 1990, East Asia experienced an unprecedented demographic transition (Bloom and Williamson 1998). Despite the unusually high speed of transition, the demographic opportunity was seized and sustainable economic progress was created. East Asia's success was based on a combination of factors: besides the high savings rate, government interventions targeted at education and technology transfer along with a stable, market-oriented environment have played important roles (Stiglitz 1997).

**Figure 3.5 Ratio of the working-age population to dependents, 1950–2100**



Source: Own calculations and elaborations based on United Nations, Department of Economic and Social Affairs, Population Division (2017).  
 Note: Working age is defined as 15 to 64 years of age. The shaded area represents projections.

### What does that mean for migration?

In the process of economic development emigration rates typically first increase, as more people are able to afford migration, then decrease at higher levels of development when incentives for migration dissolve. Given the still relatively low per capita incomes in most African countries, the income gap between Africa and Europe will constitute a substantial incentive for migration in the coming decades. Thanks to rising income levels in Africa more and more people will be able to finance a move. Even so, such natural increases in migration are not generally worrisome. Migrants who are motivated by European income levels and deliberately and freely decide to come to Europe are positively selected, well-educated, prefer legal migration, and want to integrate into their new societies (Clemens et al. 2008; Grogger and Hanson 2011).<sup>17</sup> At the same time, in the context of rapid population growth another type of migration comes to mind: large-scale moves that are motivated by poverty, stagnation, economic crisis, or violent conflict. When population growth creates failing economies, illegal migration can become an attractive choice and migration outcomes can turn negative. Whether that is likely to happen depends on a country's ability to manage its specific demographic development and thus its ability to reap the demographic dividend.

Yet, the relationship between demographic change and migration goes far beyond income levels. Empirical research shows that more comprehensive measures like life satisfaction can explain migration intentions far better than income levels (Cai et al. 2014). In particular, dissatisfaction with local amenities like health and educational services, governance, and security is considered the most powerful push factor (Dustmann and Okatenko 2014). For all these factors not only are differences in levels important, but also the direction of change. Perceived economic prospects are critical to individual willingness to migrate. In the Gallup World Poll (2010–12), 28 percent of the population in Burkina Faso and even 53 percent in Liberia indicated that they are in principle willing to migrate. In contrast and despite similar income levels, for Rwanda and Mozambique these shares are only 7 and 10 percent, respectively (Esipova et al. 2014). How are these countries different? While Rwanda and Mozambique have benefited from continual economic growth and improvements in amenities, economic stagnation has taken place in Burkina Faso and Liberia has suffered from civil conflict.

These observations may help us anticipate the migratory effect of specific demographic developments. Besides the obvious impact on population size and age distribution, demographic change systematically affects migration through its influence on economic prospects and amenities in the country of origin. While the impact on economic growth is ambiguous, quickly growing populations pose a severe challenge to pub-

lic service provision. Providing education to the youth bulge and improving the health infrastructure to meet the demands of a growing population are crucial and demanding tasks for many African governments. So far, success varies: some countries have managed to establish functioning systems, while others lag significantly behind. Countries that already struggle with the setup of public services and a conducive institutional environment are most at risk of failing to live up to the challenge of rapid population growth. Wherever population growth puts a strain on local amenities, emigration rates are likely to systematically increase.

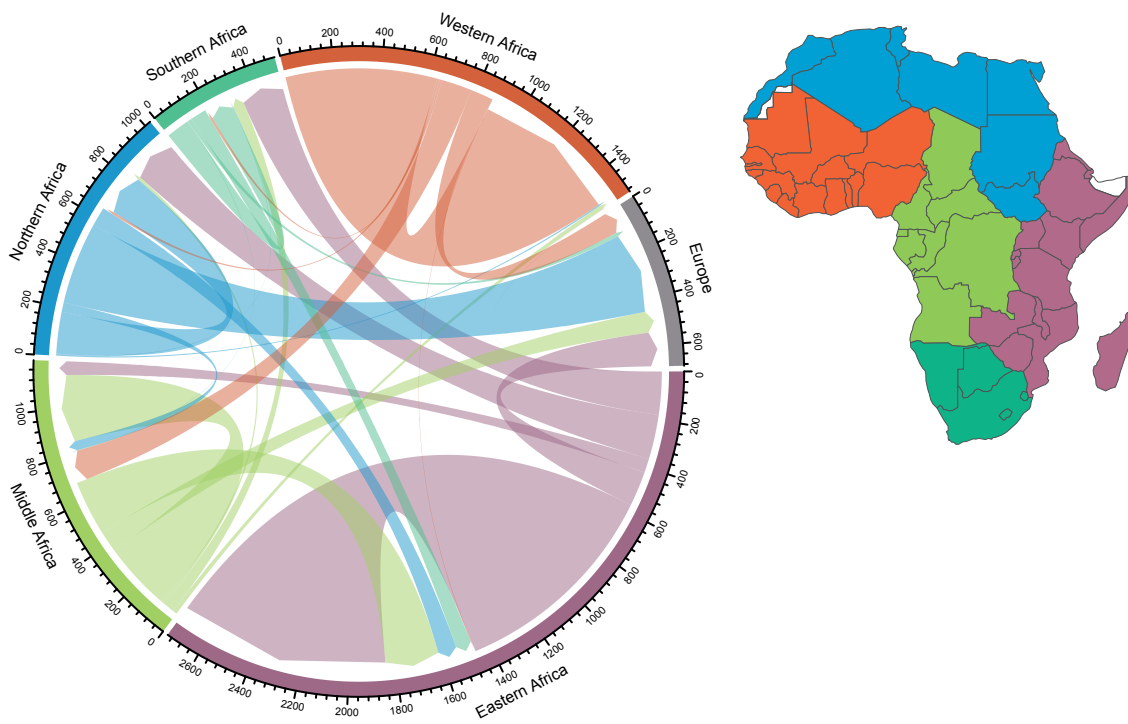
Developing and improving such institutional conditions is a time-consuming process that needs to evolve naturally within each country in order to ensure a sufficient level of ownership among society (Acemoglu et al. 2005). Because this is a slow process, today's institutional environment serves as a good basis that allows for inferences about likely future demographic impacts. In combination with past migration experiences and future demographic developments, it may provide some insights into future African migration patterns.

### African migration today and tomorrow

Applying the above insights to the current situation in African countries, we can start assessing their different potential migration trajectories by looking more closely at the respective institutional, political, and economic environments in which the projected demographic changes will unfold. By considering the heterogeneity among countries, with respect to both their demographic characteristics as well as their present integration in regional and international migration flows, we can evaluate in detail how future migration flows may be shaped by their projected population growth. A natural starting point for this look ahead is the currently observable prevalence of migration within and between groups of countries as well as the main countries of origin of European immigrants. Notably, the broad literature of migration research has robustly identified existing networks to be among the most influential determinants of migration flows (e.g., Boyd 1989; Böcker 1994; Pries 2004). Therefore, current patterns will give us an idea about the location choices of future migrants. Furthermore, family migration today represents a significant percentage of total migration (e.g., according to Eurostat (2016), 50 percent of foreign-born people in Europe migrated for the purpose of family reunification) and so the destinations of a large portion of coming migrants have already been determined by their trailblazing parents, siblings, or adult children. While these existing patterns and networks are likely to evolve and transform over the course of multiple decades, they nevertheless exhibit a certain inertia and therefore represent a reasonable predictor of future migration channels.

<sup>17</sup> For a more comprehensive discussion of the drivers of migration decisions and the selection and sorting of migrants, see section 4.1 of the MEDAM (2017) report.

**Figure 3.6 Migration flows within Africa and to Europe, 2013**  
(in 1,000)



Source: Own calculations based on data from the World Bank Global Bilateral Migration Database and World Bank Bilateral Migration Matrix 2010/2013.

**Past and current patterns of migration**

Most of the international stock of African migrants outside Africa only started to grow at the beginning of the 1960s. Yet by that time, intra-continental migration had already been quite prevalent, notably among the countries of Sub-Saharan Africa. As both types of migration have on average increased in parallel, the split between intra- and inter-continental migration has remained the same: the largest share of African migrants travel within broader regions across the continent, particularly within Eastern and Western Africa (see figure 3.6). Europe is predominantly a destination for migrants from Northern Africa (representing a share of 50 percent), suggesting that mere geographical distance remains a helpful proxy in estimating migration flows from different destinations (obvious exceptions to this rule are countries with former colonial ties to Europe).<sup>18</sup>

To date, high-income countries in general have much more often been the destination for emigrants from countries in the Middle East and North Africa (65 percent) than countries in Sub-Saharan Africa (31 percent). We nonetheless observe a highly mobile population in Sub-Saharan Africa that migrates within the broader region: intra-regional migration accounts for 85 percent of total immigration and 66 percent of total emigration (World Bank Group 2016b).

As figure 3.6 shows, Western African migration mostly takes place within the region (84 percent of its total migration). For the most part, these are labor migrants taking advantage of work opportunities in neighboring countries, but also increasingly young people moving to obtain formal educations (Awumbila 2017). Many countries in Middle and Eastern Africa have experienced substantial movements of refugees and internally displaced people in the past with individual countries being both the origin of and host to refugees over time. As conflicts have ended, returning migrants have added to regional flows of people. Southern African migration is mostly circular between countries in the region, with South Africa at its center. In addition, Botswana has become a major country of immigration as it experiences political stability and economic growth; it has attracted highly skilled professionals from Ghana, Zambia, Uganda, Zimbabwe, Nigeria, and Kenya (Adepoju 2008; Nkamleu and Fox 2006).

So, while the prospect of education, labor, or higher incomes represents the underlying incentives of migration, geographical proximity oftentimes determines its direction. But beyond this static determinant of migration patterns we also observe that multilateral cooperation between states within regional economic communities (RECs) has additionally contributed to rising

<sup>18</sup> Of course, in a world of declining costs and easier access to travel, geographical distance ultimately serves as a measure of a diverse set of factors that affect the destination decision, e.g., cultural similarity, access to institutional knowledge, and also the likelihood of an existing migrant community of co-nationals.



We use a hierarchical clustering approach to group countries that are similar with respect to all of these characteristics and end up with four distinct clusters of countries.<sup>20</sup> All countries belonging to a given cluster share similar characteristics with respect to their institutional environment that will affect the impact of population growth. Figure 3.7 shows a visual representation of these clusters in a two-dimensional space. These two dimensions each unite a combination of the multiple characteristics listed above and are able to represent two-thirds of the variance between the countries.

We identify as cluster 1 in dark blue all countries that exhibit very high levels of corruption, ineffective government, and generally low levels of investments in health and education. Youth employment is below average and they also tend to be politically unstable. Zimbabwe is a typical example of this group.

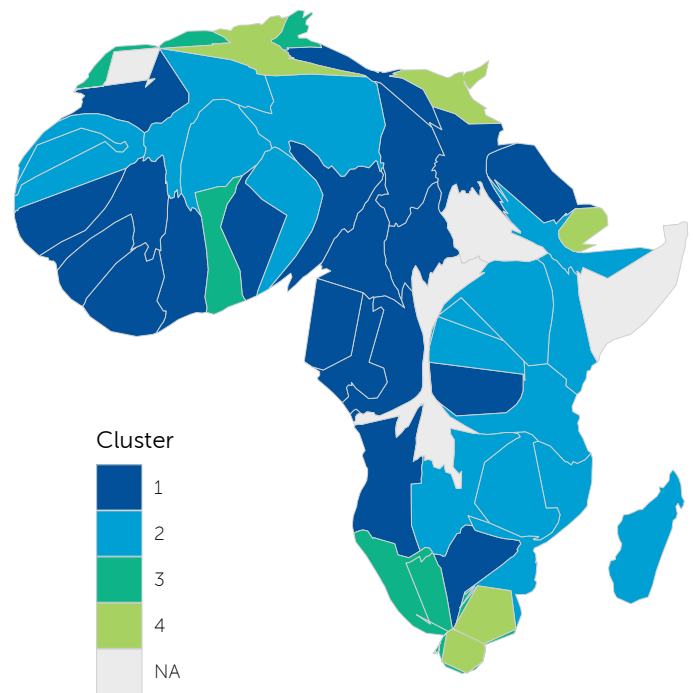
All light blue colored countries in cluster 2 show successful labor market integration of young people, but only moderate government effectiveness and relatively high levels of corruption. Nevertheless, the business climate is favorable and there are signs of positive development of political institutions. Within this cluster Mozambique is a central representative.

The green cluster 3, typified by Namibia, is made up of highly stable democratic countries that are governed by a strong rule of law and control of corruption. High levels of investment in education and health are coupled with a widespread availability of improved water sources. Together with cluster 2, these countries range among the highest rated in the doing business index. Youth employment is lower than in cluster 2, but this reflects a higher average number of years of schooling.

Finally, countries in the light green cluster 4, represented by Djibouti or Egypt, show high levels of investment in infrastructure (health, education, and water). With respect to political institutions members of this cluster are similar to cluster 2, still experiencing significant corruption, but they are not as successful at providing job opportunities for young people.

Based on this clustering of African countries we should expect the projected demographic transition to affect economic development generally in a positive way in clusters 2 and 3. By contrast, because of their present institutional shortcomings, clusters 1 and 4 would encounter negative effects from high population growth in the near future. This assessment is also reflected by recent economic growth over the past 10 years, during which time countries in cluster 3 experienced the highest average annual growth of per capita GDP with 2.8 percent, whereas cluster 1 grew at only 1.2 percent.<sup>21</sup> The fact that our clustering of countries, which is based mainly on institutional charac-

Map 3.2 Country clusters and population growth



Source: Own calculations based on United Nations, Department of Economic and Social Affairs, Population Division (2017)

Note: Land area corresponds to population growth until 2050 with zero migration.

teristics, coincides with recent economic performance underlines our argument about the importance of countries' institutional setting for economic development.

Of course, even within each cluster, countries differ with respect to their projected population growth. We therefore combine our cluster-based country grouping with population projections in map 3.2 to help assess the potential effects on migration flows over the decades to come.<sup>22</sup>

Most countries with high population growth rates are either part of the light blue cluster 2, in which the institutional setting still holds challenges but is overall promising, or the blue cluster 1, in which the countries are likely to experience economic pressure. While Eastern Africa is set to increase its population significantly by 2050, its economies seem to be able to handle the additional labor force relatively well. Additionally, the low population growth across Southern Africa, which mostly belongs to the institutionally strong cluster 3, will attract more regional migration to serve its demand for labor—a process promoted by RECs such as the SADC, EAC, and IGAD. Similarly, multiple countries in Western Africa with a high projected rate of population growth are either likely to benefit from it or are located close to countries with favorable institutional

<sup>20</sup> Specifically, we use a divisive clustering algorithm with Euclidean distance. Based on visual inspection of the resulting dendrogram, we set the final number of clusters to four. In order to maximize the number of countries included, missing values for education expenditure in Nigeria, Libya, and Equatorial Guinea were replaced with the overall mean.

<sup>21</sup> For completeness, the remaining two average rates of annual growth were 2.3 percent and 2.6 percent for countries in clusters 4 and 2, respectively.

<sup>22</sup> Underlying growth rates are based on the zero migration variant in United Nations, Department of Economic and Social Affairs, Population Division (2017).



prerequisites. In this regard, ECOWAS can be an important driver of beneficial labor migration. Overall, we can thus expect the geographical distribution of clusters to advance regional patterns of labor migration.

With respect to migration flows to Europe, map 3.2 also shows that the most relevant countries of origin will neither experience high population growth nor will their economic and political institutions likely be unable to cope with incoming regional migrants. Expectations of unprecedented migrant flows to Europe because of natural population growth therefore seem disproportionate and neglect to account for heterogeneity across countries and the importance of regional, intra-continental migration in Africa.

### Conclusions

It is undisputed that the total population of Africa will keep rising steadily until the end of this century. It is important, however, to acknowledge the vast heterogeneity among countries with respect

to their population trajectories. While the level may still be high, many countries are experiencing declining growth rates. Especially Northern Africa—where most African migrants in Europe originate from—will see its population grow at rates comparable to Europe.

The developmental consequences of the expected demographic change highly depend on the country-specific institutional capacity to socially and economically accommodate a growing population. These institutional characteristics differ greatly across African countries: some countries, like Zimbabwe or Angola, will have difficulties in dealing with these challenges while others, such as Botswana or Ghana, may even benefit from a larger labor force and incoming labor migrants. And it is because of these regional differences that we should expect the growing total population to lead to even higher rates of intra-African migration, especially as regional economic communities continue to pursue and implement free movement policies.

## 3.3 Economic integration of refugees in low- and middle-income countries

Lead author: Matthias Lücke

**F**or the EU asylum system to function effectively, it must be embedded in a global governance framework for the protection of refugees. As a large, high-income economy, the EU has much to contribute to the protection of refugees worldwide. Yet, the EU will never be able to host all the refugees in search of protection and not all of them would like to go there.

To a large extent, geography determines where refugees are hosted: most refugee situations arise in low- and middle-income countries; most refugees live in neighboring countries at a similar income level. In the past, when living conditions in the host country were very unsatisfactory, refugees moved on in the hope of finding more favorable conditions elsewhere. For example, conditions for Syrian refugees deteriorated sharply in Jordan and Lebanon in late 2015; subsequently, many refugees moved on to Turkey and farther, irregularly, to Western Europe. This movement was stopped only when Turkey agreed to prevent people smuggling across its border with Greece while the EU agreed to provide significant financial support for the hosting of Syrian refugees in Turkey (Lücke and Schneiderheinze 2017).

Thus, it is not only a humanitarian obligation, but also a matter of self-interest for the EU to help ensure that refugees can lead decent lives in their host countries. While

geography determines where refugees are hosted, the resulting economic burden can be shared by the international community and the EU has much to contribute. However, since many refugee situations drag on for many years, it is not enough to provide refugees with basic necessities such as food, housing, health care, and an education for their children. A life with dignity includes the right to work, giving refugees the opportunity to provide for their own livelihoods (MEDAM 2017). Although this is acknowledged by the 1951 Refugee Convention and other international policy documents, implementation is sketchy in many host countries.

In this section, we first review the international legal framework and recent policy documents on the right to work for refugees. We then draw on the findings of a large World Bank research project (Zetter and Ruau-del 2016a) to summarize the legal status quo and de facto labor market integration of refugees in the main host countries. Since refugees in most low- and middle-income countries face many hurdles as they seek to work and support themselves, we discuss why most host countries have been reluctant to extend the right to work to refugees and how the international community can address these concerns. We consider especially the experiences of Jordan and Uganda and conclude

with a case study on Syrian entrepreneurs in Turkey that highlights how the economic integration of refugees can work for everyone's benefit.

### The international legal framework

Underlying international law and related policy documents, there is a clear understanding that economic integration, in terms of employment as well as entrepreneurship, is necessary for refugees to live with dignity in their host countries. Therefore, granting refugees access to formal employment and entrepreneurial opportunities constitutes good practice in host-country refugee protection policies. Nevertheless, many host countries have been reluctant to adopt legally binding commitments at the international level or to implement the refugees' right to work and entrepreneurial activity in national legislation. Further below, we consider the perceived obstacles and discuss ways for the international community to work with host countries to promote the economic integration of refugees.

The 1951 Refugee Convention devotes Chapter III ("Gainful Employment") to the economic integration of refugees.<sup>23</sup> Regarding both employment and self-employment, recognized refugees are to be treated at least as favorably as other foreign citizens in the same circumstances (Articles 17(1) and 18). Moreover, "restrictive measures imposed on aliens...for the protection of the national labour market...shall not be applied to a refugee...who...has completed three years' residence in the country" (Article 17(2)). Also, "the Contracting States shall give sympathetic consideration to assimilating the rights of all refugees with regard to wage-earning employment to those of nationals" (Article 17(3)).

Although the Convention acknowledges that "national treatment" of refugees in terms of employment rights constitutes good practice, many signatory states have registered reservations that exempt them from applying Article 17, especially section (1).<sup>24</sup> Many reservations state that the country considers the provisions of Article 17 to be recommendations, not obligations. In effect, only 75 out of the 145 signatory states grant national treatment regarding employment, either through accession to the respective articles of the Convention or through domestic legislation (Zetter et al. 2017). In many low- and middle-income countries, the labor market integration of refugees is further complicated by the fact that formal employment constitutes only a small part of total employment: whatever their rights in the formal labor market, many refugees must rely on informal work for their survival, with the attending risks of discrimina-

tion and exploitation based on their often unsecure legal status.

The New York Declaration for Refugees and Migrants was adopted by the United Nations General Assembly on September 19, 2016,<sup>25</sup> following a summit of heads of state and government. As a "political declaration," it does not establish legal obligations but describes commitments by UN member states on how they will share responsibility for refugees (among other things).

In the New York Declaration, UN member states reaffirm the 1951 Refugee Convention (with the 1967 Protocol) as "the foundation of the international refugee protection regime" (para. 65). UN member states are encouraged to sign the Convention if they have not done so already, and to withdraw any reservations that they may have made. The Declaration recognizes that "armed conflict, persecution and violence, including terrorism, are among the factors which give rise to large refugee movements." Thus, the Declaration acknowledges explicitly that refugees from war, who are not covered by the 1951 Convention, also require protection. Somewhat cautiously, host countries are encouraged to "consider opening" their labor markets to refugees, while UN member states pledge assistance for employment creation and income generation schemes (para. 84; Annex I, para. 13).

Annex I of the New York Declaration will likely become the basis of the planned Global Compact on Refugees in 2018.<sup>26</sup> Like the New York Declaration, the Compact will constitute a set of political commitments by UN member states, rather than legally binding obligations. Given the wording of Annex I, the Compact itself will probably not generate much progress in strengthening refugees' right to work, beyond affirming Article 17(1) of the 1951 Refugee Convention. Any progress will depend on how much momentum the adoption of the Compact will generate toward policy reforms (and international support) to expand the labor market integration of refugees.

Similar to the New York Declaration, the International Labour Organization's "Guiding principles on the access of refugees and other forcibly displaced persons to the labour market" (ILO 2016) stop short of calling on governments to grant the right to work to refugees. At the same time, the guiding principles call for policies to foster opportunities for formal and decent work that support self-reliance for refugees (paras 7 and 14), along with international support for countries that host many refugees (paras 26 and 27). The target population is referred to as "refugees and other forcibly displaced persons," thus including individuals who may not come under the 1951 Geneva Convention, but

<sup>23</sup> See United Nations High Commissioner for Refugees, Convention and Protocol relating to the Status of Refugees (2010), <http://www.unhcr.org/protect/PROTECTION/3b66c2aa10.pdf>.

<sup>24</sup> A full list is on the website of the United Nations High Commissioner for Refugees: <http://www.unhcr.org/protection/convention/3d9abe177/reservations-declarations-1951-refugee-convention.html>.

<sup>25</sup> See United Nations General Assembly, New York Declaration for Refugees and Migrants (2016), [http://www.un.org/ga/search/view\\_doc.asp?symbol=A/71/L.1](http://www.un.org/ga/search/view_doc.asp?symbol=A/71/L.1).

<sup>26</sup> Up-to-date information on the Global Compact on Refugees may be found on this website: <http://refugeemigrants.un.org/refugees-compact>.

may have other valid reasons to flee their countries of origin (for example, war).

The guiding principles also call for reliable information “concerning the impact of refugees and other forcibly displaced persons on labour markets” (para. 14) as well as “national, bilateral, regional and global dialogue on the labour market implications of large influxes of refugees and other forcibly displaced persons” (para. 25). These cautionary statements suggest that if refugees’ access to the labor market were to conflict with the “needs of the existing labour force and employers” (para. 14), the latter would take precedence. This indeed seems to be the prevailing approach in many host countries: err on the side of caution and limit refugees’ access to the formal labor market if there is as much as a suspicion that residents could be hurt.

We argue below that this approach is, first, counterproductive: if refugees are limited to working in the informal sector, it becomes more likely that a relatively large number of refugees may compete with specific groups of informal local workers. Without such restrictions, any impact on residents would be more widely dispersed. Second, existing research strengthens this argument because it finds, under most circumstances, only a small labor market impact of immigrants on residents in terms of wages or employment opportunities. And third, with international financial support for low- and middle-income countries that host refugees, there is a good chance that additional demand for local goods and services will raise local incomes before any labor market effects come into play.

### **Obstacles to the labor market integration of refugees in low- and middle-income countries**

Based on a large World Bank project, Zetter and Ruau-del (2016a) assess the status of the labor market integration of refugees in 20 countries that host 70 percent of the world’s refugee population. Most are low- and middle-income countries because that is where most refugees live. The authors review relevant national legislation and discuss how asylum and labor market policies as well as mediating conditions determine the labor market integration of refugees on the ground. Mediating conditions relate to the refugees themselves—their education, professional background, knowledge of local languages, and so on—as well as to the host country, for instance, the number of refugees relative to the resident population, labor market institutions, and labor demand. Although the host countries in the study are very diverse, several conclusions apply widely and have important implications for how responsibility for hosting refugees can be shared more effectively at the international level.

First, although international legal and policy documents recognize full labor market integration as good practice (see the previous subsection), current conditions in most host countries fall significantly short of

this benchmark (Zetter and Ruau-del 2016a, 11, 13). This is true irrespective of whether the host country has signed the 1951 Convention or has made reservations to applying the articles pertaining to refugees’ labor market integration.

In practice, concerns about treatment less favorable than national treatment are not limited to national refugee law, residence law, or labor market regulations. In addition, it often takes a long time for asylum seekers to be recognized as refugees and the process may be fraught with uncertainty. Until recognition, asylum seekers are in an even weaker position in the labor market and may lose precious time that they could have used to prepare themselves better for work (by learning the local language, for instance).

Second, except in a few high-income countries where refugees’ basic needs are adequately covered through cash and in-kind transfers, most refugees nevertheless work to survive—either to supplement whatever meager support they receive, or to support themselves entirely. If they cannot work formally (because they are not allowed to or because the formal sector is too small), they will work informally. As a result, many refugees work under precarious conditions in terms of wages, hours, job security, and occupational health and safety—even when compared with what may be generally low standards in many low- and middle-income host countries.

Third, regarding mediating conditions, most refugees naturally find it more challenging than other immigrants to find decent work. In contrast to labor migrants, refugees leave their homes when they are pushed to do so and may have little choice over their host country. Thus, many are unprepared for the demands of the host country labor market, do not speak the local language, and have no demonstrable professional qualifications. As a rule of thumb, in some high-income countries, refugees as a group take 10 years to attain the same employment rate as other immigrants (MEDAM 2017, 57). Of course, when income support for refugees is less generous and labor market conditions are more similar between the host country and the country of destination, many refugees will find work more quickly. Still, the challenges are large at the personal level.

Fourth, across host countries, reluctance to allow refugees to work is especially pronounced in low- and middle-income countries with few formal jobs for which there is a lot of competition among residents, and in countries with weak and fragmented labor markets. Under such conditions, it may seem especially likely that if refugees enter the labor market, wages and conditions may deteriorate for local workers. As we discuss below, this concern may be valid in the short run, but will not apply in the long run with an appropriate policy environment.

Fifth, from a political economy perspective, many host countries are reluctant to grant refugees the right to work because that may be viewed as a signal that

**Box 3.3 International assistance for Jordan and work permits for Syrian refugees**

Lead author: Merlin Ole Pratsch

Jordan has an estimated population of 10.1 million, out of which 1.3 million are Syrians. Of the 660,000 Syrian refugees who are registered with the UNHCR, 297,000 are of working age (Immenkamp 2017; UNHCR 2017c) and “two out of three refugees are reported to live below the Jordanian absolute poverty line.”<sup>a</sup> In February 2016, the London conference on “Supporting Syria and the Region” aimed at long-term pledges of the international community regarding financial and technical aid. In return, host countries of the region should facilitate access to labor markets and education for Syrian refugees. In 2016, donors contributed US\$1.4 billion in grants and \$923 million in loans to Jordan. A further \$692 million in grants (by October 2017) and \$531 million in loans have been directed to Jordan in succession to the follow-up conference in Brussels in April 2017 (Supporting Syria and the Region 2017a; 2017b).

During the London conference participants also agreed on the EU-Jordan Compact, containing mutual commitments. Conditional upon increased financial support, Jordan pledged to grant 200,000 work permits<sup>a</sup> to Syrian refugees in specified sectors and facilitate business development over the following three years. The Compact is supposed to attract new investments to create jobs for both Jordanians and Syrian refugees. It combines “humanitarian and development funding... with pledges of \$700 million in grants annually for three years and concessional loans of \$1.9 billion” (Barbelet et al. 2018, 2). Furthermore, it contains trade facilitation for Jordanian exports to the EU in return for employment quotas for Syrian refugees (especially simplified rules of origin for a 10-year period for 52 product groups manufactured in one of 18 special economic zones; see section 3.5). A potential extension of the rules of origin regime is made conditional on the achievement of the 200,000 work permits (Schubert and Haase 2018). Separately, in September 2016, the World Bank set the target of 130,000 Syrians holding active work permits by 2019 (at that time, not as a cumulative total). Between \$193 and \$7,000 is disbursed for each work permit, depending on the date of its issuance, with a maximum of \$20 million to \$35 million per calendar year. Related to business regulatory reforms, \$200,000 will be disbursed “for each additional 10 household enterprises officially established of which at least one is owned by a

Syrian refugee household and one is owned by a female” (IBRD and IDA 2016, 47–50).

Between January 1, 2016 and October 31, 2017, 71,426 work permits were issued to Syrian refugees but there are no data on how many are still active. Syrians constitute approximately 20 percent of the total non-Jordanian workforce and 10 percent of all work permits received by migrant workers were issued to Syrians (2 percent before the Compact). Also, the labor market participation of Syrian women is vanishingly small, with a share of only 3,178 work permits (Hamdan 2017; UNHCR 2017c). The efforts of the international community following the London conference demonstrate indeed how a rather restrictive labor market policy can be opened up for refugees and that international funds can be mobilized in a short time. Although the number of work permits is increasing, progress in the labor market integration of Syrian refugees is rather slow regarding the aim of 200,000 work permits.

The reasons for the slow progress are bureaucratic and financial obstacles, lack of information on the part of refugees, the unattractive locations of the special economic zones, and disincentives for employers to formalize employment, such as high costs or complicated processes. The current state of Jordan’s economy, characterized by high unemployment and slow growth rates, and the limitation to certain sectors that do not match refugees’ skills have to be added (Barbelet et al. 2018; Schubert and Haase 2018). Finally, the structure of Jordan’s sector and work permit quota system—enjoining a 50 percent quota for Jordanian employees on employers in export industries—contributes to the segmented labor market whereby Syrians have to find employment opportunities in other sectors or enter informal employment where wages are relatively high (Amjad et al. 2017, 39; Kelberer 2017, 20–22). The Ministry of Labor is attempting to mitigate some of these obstacles. For instance, it has de-linked work permits in agriculture from employers and introduced flexible work permits in the construction sector allowing employees to carry out construction works freely within the sector. In addition, employment bureaus for Syrians have been established in cooperation with the ILO. Currently, the Ministry of Labor is re-examining Syrian employment rates in factories that want to benefit from the simplification of rules of origin (Hamdan 2017).

<sup>a</sup> Council of the European Union, “EU-Jordan Partnership Priorities and Compact,” Annex to Decision No. 01/2016 of the 12<sup>th</sup> EU-Jordan Association Council, 11 (September) (accessed March 5, 2018) <http://data.consilium.europa.eu/doc/document/ST-12384-2016-ADD-1/en/pdf>.

refugees are welcome to stay in the host country indefinitely, rather than temporarily. Such a signal could undermine the crucial distinction between the governance systems for refugee protection and labor migration. Refugees have the right to stay in the host country for as long as they require protection—irrespective of whether their presence is economically advantageous for the host country. By contrast, the host country is free to admit (or not admit) would-be labor migrants according to any criteria that they may choose.

Zetter and Ruauadel (2016a) also point out that popular support for hosting refugees may depend on the population regarding the refugees' presence as a temporary humanitarian response to an emergency. Beyond employment, there are many other areas where refugees may (be perceived to) compete with residents over access to resources: public services such as health care and schools, housing, and subsidized food and energy. In addition, when violent conflicts in the countries of origin threaten to spill over into host countries, there may also be security concerns about a large-scale presence of refugees.

The attitude that refugees should only be allowed to stay temporarily under makeshift conditions is widespread in host countries at all income levels (see Barslund et al. 2016 on the treatment of Bosnian war refugees in several Western European countries in the 1990s). However, this attitude sharply conflicts with the long duration of most refugee situations: in 2016, two-thirds of refugees worldwide were in "protracted" refugee situations that had lasted more than five years (UNHCR 2017c, 22). As there is little prospect of refugees returning to Syria any time soon, many refugees look set to remain in protracted situations for much longer.

Although some refugees have moved on irregularly from their countries of first asylum when conditions elsewhere appeared more promising (such as Syrians moving from the Middle East to Western Europe in late 2015), such secondary movements are now rare and actively discouraged by potential destination countries. Therefore, arguably, it is incompatible with humanitarian principles as well as a waste of refugees' potential output to deprive refugees of the chance to work productively and support themselves and their families while they live in their host country. It is to this situation that international law and policy documents respond by establishing full labor market integration as a benchmark for good practice in refugee protection policies (see the previous subsection).

That said, international support for countries that host refugees is crucial to resolving potential conflicts between refugees and residents over access to resources and economic opportunities. Such support may come in various forms, including income support for refugees, job creation schemes, logistic and financial assistance to the host country for the provision of public services, trade preferences for products 'made by refugees'

(see section 3.5), or orderly resettlement of especially vulnerable refugees in secondary host countries. In the following subsection, we identify important interventions for better international responsibility sharing that bear upon refugees' labor market integration.

### **International cooperation to promote the labor market integration of refugees and address host-country concerns**

In the spirit of the guiding principles of the International Labour Organization (ILO 2016; see above), which call for more research into the labor market impact of refugees, it is helpful to recall what we already know. There is a large body of research into the labor market effects of immigration that has one broad conclusion: there may be negative effects on residents' wages and employment rates, especially in the short run, but these are typically small compared with other determinants of labor market performance over time (for extensive surveys, see Kerr and Kerr 2011; Glitz 2014b).

The underlying economic intuition is that immigrants, as they work, increase the local supply of goods and services, while their incomes generate additional demand. Substantial negative effects on residents may still arise if the number of immigrants is large relative to the resident population and substantial investment is required to create enough new jobs, or if immigrants are predominantly low-skilled or concentrated in particular regions or sectors so that certain groups of residents face disproportionately more intense competition in the labor market.

Furthermore, there is a smaller body of empirical literature on the economic effects of refugees in low- and middle-income countries when there is international support either for refugees themselves (such as in-kind provision of food and shelter or income support in the form of cash transfers) or for the host government for the provision of public services (for a summary, see Maystadt and Breisinger 2015). In such circumstances, residents typically benefit from increased demand for local goods, services, and accordingly, higher incomes. When refugees live in camps, the income effects may be strongly localized (Taylor et al. 2016a). When refugees are more widely dispersed throughout the resident population, the income effect may be less strong, but also more widely dispersed. With international support for the hosting of refugees, these positive income effects precede any negative consequences of growing competition in some labor market segments.

These insights confirm that there are no compelling economic reasons to hold back on the labor market integration of refugees, which international law and policy documents clearly identify as good practice (see above). At the same time, it is crucial that international assistance is indeed forthcoming, and that the movement and integration of refugees are carefully managed. Several areas of possible policy interventions stand out.

### Box 3.4 Land distribution to refugees in Uganda

Lead author: Merlin Ole Pratsch

Uganda is among the top five hosting countries worldwide. By February 2018, 1,411,794 refugees lived in the East African country.<sup>a</sup> The majority of refugees come from South Sudan (1,053,598), the Democratic Republic of Congo (276,318), Burundi (40,584), and Somalia (37,193). Refugees who are granted status mostly live alongside local communities and are hosted in organized settlements (74 percent) or settle (if they can afford it) in urban areas such as Kampala (11 percent) or live in transit centers (15 percent) (Ruauadel and Morrison-Métois 2017, 1).

Uganda's Refugee Act 2006 and Refugee Regulations 2010 comprise the right to seek employment, relative freedom of movement, and access to farmland for personal use set aside by the government. Uganda follows a self-reliance strategy, providing refugees with non-food items such as tools, a plot of land, and food rations until they are self-sufficient (Kreibaum 2016). Access to land is influenced by factors such as registration as a refugee, duration of stay, marital status, and employment status. It "refers to the ability of refugees to use allocated land for residential and cultivation purposes in order to enhance self-reliance rather than being considered a legal right" (World Bank Group 2016a, xii, 44–45).

Research shows that refugees farm the allocated or leased land intensively. Additionally, access to land increases local income spillovers by refugees receiving cash as well as by those receiving food aid. At the Rwamwanja camp, a refugee settlement in southwestern Uganda, this results in an income spillover of US\$876 for each additional refugee household provided with cash and farmland (Taylor et al. 2016b, 2). The trading activities of refugees impact on the local and national economies and create networks between refugee settlements and Ugandans. Uganda's rather progressive refugee policy is sustained by the hospitality of the local population, which is based on "the cultural, linguistic, and ethnic affinities between Ugandans and many of the refugees from across the border" (World Bank Group 2016a, 16, 28). Also, refugees are normally well informed about Uganda's refugee policy.

On average, Burundian refugees have stayed in Uganda for 15 years, Sudanese for 11 years and Congolese for 5 years (World Bank Group 2016a, 60). For many refugees returning to their home country is not an option due to continued instability.

However, there are obstacles regarding local integration in the long term. Although discussion about naturalization is ongoing, refugees and their descendants born in Uganda currently remain refugees for life (World Bank Group 2016a, 71). Thus, they "cannot own the homes they live in or the land they cultivate" (Ruauadel and Morrison-Métois 2017, 9). Further, there are legal obscurities concerning "whether refugees are exempted from obtaining a permit to work" (Ruauadel and Morrison-Métois 2017, 9). Regarding type of employment, skills, location of the settlement, and productive capital, livelihood opportunities vary significantly and the focus on agriculture of the Ugandan government and the international community can become problematic (Ruauadel and Morrison-Métois 2017, 12). Currently, Uganda hosts more refugees than ever before. The influx of South Sudanese refugees increased significantly when fighting broke out in July 2016. Fertile land has become a scarce resource and the allocated land sometimes does not produce a sufficient harvest. Moreover, some settlements are isolated, located in the poorest regions of the country, and have very limited opportunities of formal employment. High costs and ambiguity over whether freedom of movement applies to refugees living in settlements potentially limit possibilities to change location. Additionally, UNHCR humanitarian assistance is tied to the designated settlements (World Bank Group 2016a).

Since 2015 the Settlement Transformative Agenda (STA) has included refugees in Uganda's National Development Plan. To support the STA a five-year government strategy of up to \$350 million was developed, involving UN agencies, the World Bank, development partners, and the private sector. Known as "Refugee and Host Population Empowerment" (ReHoPe), it aims at "resilience-building efforts for refugees and host communities" (Ruauadel and Morrison-Métois 2017, 10). The strategy has stimulated the engagement of development actors. But overall there "has been limited funding, a lack of development actors and a lack of space within the response architecture for early solutions planning that would focus on activities more geared toward building self-reliance" (Ruauadel and Morrison-Métois 2017, 11). For 2017, the UNHCR reported an overall funding gap for Uganda of \$348.7 million (\$220.1 million of the required \$568.8 million in contributions was received).<sup>b</sup>

<sup>a</sup> UNHCR Uganda Refugee Response Portal (February 2018); in 2015 the overall population was 40,145,000 based on UN estimates.

<sup>b</sup> UNHCR Uganda Refugee Response Portal: "Uganda Funding Update 01/2018."

For a start, in some host countries with large refugee populations, there are potential areas of conflict between residents and refugees over access to resources: public health care services, schools, housing, or jobs in the formal sector. Some low- and middle-income countries also maintain subsidies for basic necessities such as food and energy, which become costlier when consumption increases. Since low- and middle-income countries may not have the necessary fiscal capacity to resolve these conflicts, logistic and financial assistance from the international community within a framework of international responsibility sharing is crucial. By resolving potential conflicts, international assistance helps to ensure that popular opinion does not turn against the presence of refugees, which could render labor market integration politically infeasible.

We have argued elsewhere that there is a pressing need for more such international assistance and for better coordination between humanitarian and development assistance (Lücke and Schneiderheinze 2017). It is nonetheless encouraging that some financial assistance from the international community is already taking the form of direct budgetary support for host governments and helping to resolve potential conflicts over the allocation of government expenditures (for example, International Monetary Fund/EU macro-financial assistance to Jordan or budget support loans or grants from the World Bank and the EU to both Lebanon and Jordan).

In addition, if refugees (i) need to work to survive, but (ii) are denied work permits for the formal sector, it becomes more likely that competition from refugees will harm some groups of native workers (for example, in the case of Syrian refugees in Turkey, Turkish low-skilled informal workers, and women—see Tumen 2016; Del Carpio and Wagner 2015). These negative effects arise precisely from the restrictions on refugees' labor market participation, combined with insufficient income support that might otherwise reduce the pressure to find (informal) work and increase their reservation wage. If refugees had better access to the whole of the labor market, the negative effects would dissipate, rather than magnify.

It may be politically counterintuitive for the host government to expand labor market access for refugees when there are already visible negative effects on the labor market. It may also be politically challenging to discard, simultaneously, the misleading notion that refugees will only stay temporarily and may therefore be hosted under makeshift conditions, where the lack of dignity can only be justified by the supposed short duration of their stay. Under such circumstances, generous international assistance within a responsibility-sharing framework may render the host government's position easier to sustain. Even so, if the ultimate objective is a life with dignity for refugees, labor market access is as important as international assistance. It is therefore appropriate to condition international assistance on specific steps toward fully implementing labor

market access (on the example of Jordan, see box 3.3).

Furthermore, and maybe less controversially, low- and middle-income countries may benefit from the experiences of refugees who struggle to integrate into high-income country labor markets, where work permits are often no longer an issue and the focus shifts toward 'mediating' conditions. The most important impediment to speedy integration is typically the refugees' lack of knowledge of the local language. While language classes are a good start, effective language learning requires immersion with speakers of the local language, which is difficult to organize. Many programs seek to combine language learning with work experience and vocational training (for an early review, see IAW 2017).

Much effort is also put into assisting refugees with the recognition of professional qualifications and the certification of skills that they may possess but of which they have no written proof. Some of these concerns may be less prominent when the countries of origin and residence are more similar in terms of economic development, skill requirements, and the degree of formality of their labor markets. Nevertheless, measures to equip refugees better to succeed in host-country labor markets would be in everyone's interest and can be assisted by international donors. The distribution of agricultural land to refugees in Uganda is an interesting initiative that allows refugees to use their acquired professional skills, made possible by a relative abundance of land in the host country (see box 3.4).

Finally, if refugees are clustered within the host country (as many refugees are, whether or not they live in camps), it is worth exploring whether they possess skills through which they might sustain the development of particular economic sectors. In this context, export-processing zones have been proposed as a tool to promote industrial development to employ refugee workers (Betts and Collier 2017). Manufacturing industries are potentially suitable for creating a large number of jobs because they are footloose in the sense that they do not depend on natural resources or highly specialized skills (Yücer and Siroën 2017). Still, for firms to become successful exporters of manufactures, they need a favorable business environment, good transport infrastructure to connect with the world market, and a substantial number of experienced industrial workers all in one place. In section 3.5, we discuss in detail why the ongoing efforts to promote manufactured exports from Jordan 'made by' Syrian refugees have met with little success so far.

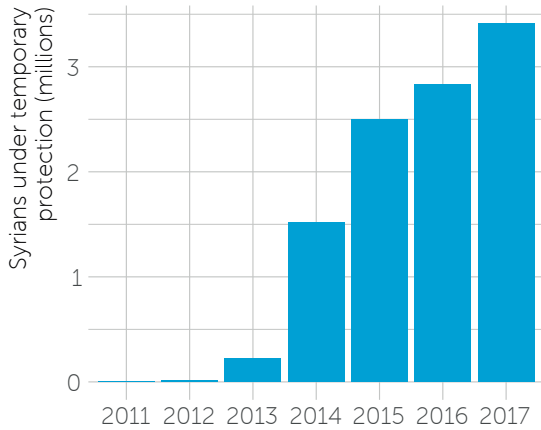
### **Case study: Refugee entrepreneurship— Syrian-owned businesses in Turkey**

**Lead author: Omar Kadkoy**

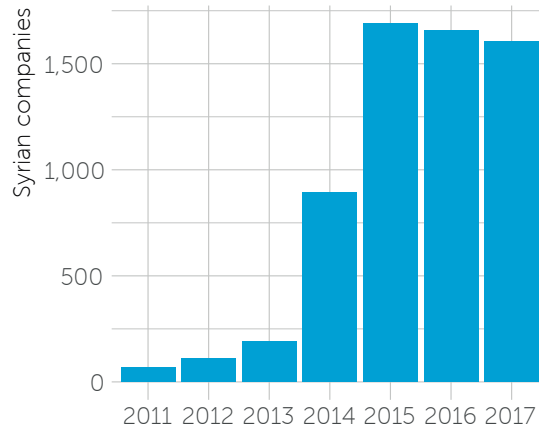
By December 2017, well into the seventh year of the Syrian war, more than half the pre-war population had been forcibly displaced from their homes: while 6.1

**Figure 3.8 Syrian refugees vs. partially or wholly Syrian-owned firms in Turkey, 2010–17**

**a. Number of registered Syrians under temporary protection**



**b. Number of Syrian companies**



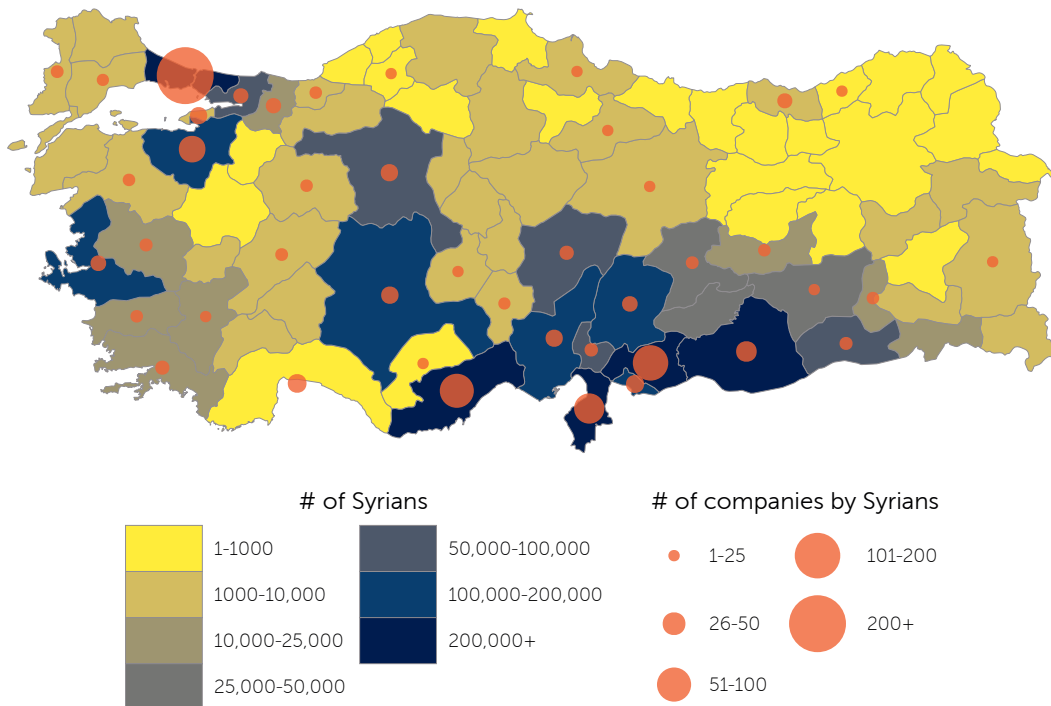
Sources: Directorate-General for Migration Management, TOBB, and T24.

million individuals were internally displaced within Syria,<sup>27</sup> 5.4 million lived abroad as refugees, mostly in neighboring countries.<sup>28</sup> With only 8 percent of Syrian refugees residing in camps,<sup>29</sup> most now live dispersed in urban areas and have to provide for their own livelihoods. This calls for economic integration in the host

economy, either as employees or as (self-employed) entrepreneurs.

In this case study, we focus on Syrian-owned companies in Turkey. Turkey hosts 3.4 million Syrian refugees—more than half of all international refugees from Syria and more than 4 percent of the Turkish population.

**Map 3.3 Geographical distribution of Syrian companies in Turkey**



Sources: Directorate-General for Migration Management and TOBB.

<sup>27</sup> See United Nations Office for the Coordination of Humanitarian Affairs (accessed 26 December 2017) <http://www.unocha.org/syria>.

<sup>28</sup> See the UNHCR operational portal for refugee situations (accessed 26 December 2017) <http://data.unhcr.org/syrianrefugees/regional.php>; see also United Nations, Department of Economic and Social Affairs, Population Division (2010).

<sup>29</sup> See the UNHCR operational portal for refugee situations, <http://data.unhcr.org/syrianrefugees/regional.php>.



The evidence regarding the effects of Syrian refugees on the Turkish labor market is somewhat mixed. Cengiz and Tekguc (2018) conclude that Syrians do not have an unfavorable employment or wage effect on local workers. By contrast, Ceritoglu et al. (2017) find that although Syrians' overall impact on the labor market is limited, certain disadvantaged groups of local workers are negatively affected (e.g., women, younger workers, and less-educated workers). What is less well known is that, starting from humble beginnings, the number of companies in Turkey partly or wholly owned by Syrians between January and October 2017 was 1,605.<sup>30</sup> In this case study, we discuss the drivers of this rapid growth, the policy environment, and the economic impact of Syrian-owned companies on employment and exports in Turkey.

The number of Syrian-owned firms in Turkey has grown along with the inflow of Syrian refugees (figure 3.8). A spike in the number of new companies took place in 2014 when 892 companies were established with registered capital of US\$75.8 million. In the same year, there was a spike in the number of Syrians who entered Turkey. The Directorate-General of Migration Management indicates that 1.3 million Syrians entered Turkey in 2014. Similarly, when another 1 million Syrians entered Turkey in 2015, 1,690 Syrian companies were newly established with total seed capital of \$104.1 million.

The inflow of Syrian refugees slowed down sharply when Turkey ended its open door policy in January 2016

and imposed a visa requirement on Syrians seeking to enter Turkey. Nonetheless, a record 1,656 new companies were registered in 2016, with registered company capital in the amount of \$107.9 million. Both numbers will probably be surpassed for 2017 as 1,605 new companies had already been registered by the end of October. In each year since 2014, Syrian companies have accounted for about one in four foreign companies registered in Turkey, with foreign companies accounting for around 10 percent of the over 60,000 firms established annually in Turkey.<sup>31</sup>

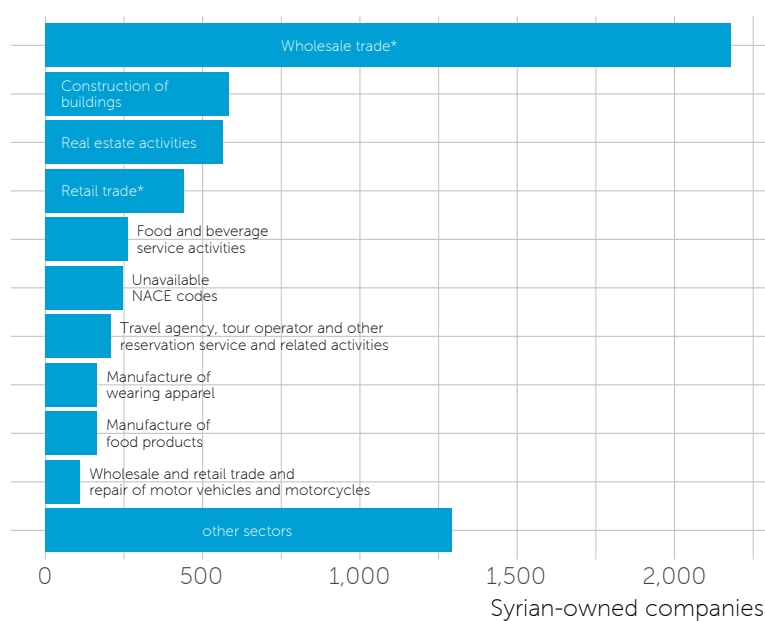
Geographically speaking, we see two major clusters of these companies (map 3.3): first, Istanbul, which is in fact home to almost half of all the companies; and second, southeastern Turkey near the Syrian-Turkish border with 17 percent of the Syrian companies. Furthermore, we can pinpoint another three locations for Syrian firms: the province of Mersin (12 percent), Hatay (another border province, 8 percent), and the Marmara region, where the province of Bursa hosts 6 percent.

While the number of Syrian-owned companies has grown rapidly, these data have to be taken with a grain of salt because, in Turkey, companies are sometimes established for other than business purposes. In particular, an obsolete 1934 law prohibited Syrians from buying property as a result of Turkey claiming the former Sanjak of Alexandretta, the present-day Hatay province, as part of its territory. Turkey relaxed this law in 2012 and since then Syrians have been able to set up shell companies to buy and register property in Hatay province under the company's name.<sup>32</sup>

Unfortunately, the available data on Syrian-owned companies compiled by the Union of Chambers and Commodity Exchanges of Turkey (TOBB) do not include information on employment or other economic variables. A recent survey of 230 Syrian entrepreneurs in Istanbul and Gaziantep suggests that the Syrian companies are mostly very small, employing on average only 9.4 people—both locals and Syrians. Over half of these companies said they would hire 8.2 more employees in 2017 (Ucak et al. 2017).

In terms of sectoral focus, Syrian-owned companies are especially involved in wholesale trade (2,180 out of 6,212 companies; see figure 3.9). Other services make up most of the rest: construction, real estate, retail trade, food and beverage services, travel, and transport. Manufacturing plays only a small role, with some production of wearing apparel and food products. The focus on services is reminiscent of the sectoral structure of the Syrian economy before the war: the share of wholesale and retail trade in value added and employment was unusually large, given Syria's level of economic development, while the manufacturing industry was small and limited to apparel and food products.

**Figure 3.9 Top 10 sectors in which Syrian-owned companies operate in Turkey, October 2017**



\*Except for motor vehicles and motorcycles

Source: TOBB; TEPAV calculations.

<sup>30</sup> Source: TEPAV's private access to the Union of Chambers and Commodity Exchanges of Turkey (TOBB) database.

<sup>31</sup> Source: TOBB statistics on established/closed companies, <https://www.tobb.org.tr/BilgiErisimMudurlugu/Sayfalar/KurulanKapananSirketistatistikleri.php>.

<sup>32</sup> Land Registration Law No. 2644 (1934), <http://www.mevzuat.gov.tr/MevzuatMetin/1.3.2644.pdf>.

When immigrants move to a new country, they carry with them know-how: familiarity with the business culture, regulations, policies, and the language of their country of origin. This may be especially important when the host country is situated close to the country of origin and there are economic relations between the two. In this case, immigrant and refugee entrepreneurs may form a business bridge between the old and new markets. This is seen in a number of studies that have found a positive relationship between migrants and foreign trade (Head and Ries 1998; Herander and Saavedra 2005; Jansen and Piermartini 2009).

The impact on trade varies and depends greatly on the size of the immigrant population. A detailed example comes from Sweden: Hatzigeorgiou (2010) analyzes Sweden's trade and migration data between 2002 and 2007 and finds that an increase of 10 percent in the immigrant stock correlates with a 6 percent increase in exports and a 9 percent increase in imports. Trade consisted largely of differentiated goods, which require a deeper knowledge of the destination market, rather than homogeneous goods. This observation indicates that migrants' knowledge of the market dynamics in their home economies was a factor. This also seems to be the case with Syrian entrepreneurs in Turkey. Although almost half the Syrian-owned companies are located in Istanbul, which has always been a hub for Turkish exports to Syria, exports to Syria are now especially strong from firms in southeastern Turkey.

Regarding the business environment for Syrian-owned companies, they do not seem to face any particular, arbitrary bureaucratic obstacles. That said, the Turkish Ministry of Labor and Social Security issues a work permit for a foreign partner of a company established in Turkey only in reciprocity for the company hiring five Turkish citizens.<sup>35</sup> Officially, a Syrian company with one or more partners is obliged to follow the law, but evidence from the field suggests that this is not the case in practice.

At the same time, Syrian-established companies naturally face several significant challenges, with the Turkish language at the top of the list. Anecdotal evidence suggests that partnerships with local businesses may help to overcome this specific hurdle. Another challenge is access to banking services. Typically, Syrian business owners cannot showcase their credit history in Syria, which limits their access to commercial banking services. Some of the lucky business owners with a bank account suffer from the prohibition on conducting international money transfers in a foreign currency. At the domestic level, they can conduct the transaction in a foreign currency with branches of the same bank. Otherwise, money transfers in a foreign currency between two different domestic banks are not allowed—either due to banks' internal policies or to the sanctions imposed on Syria and its citizens. For the latter reason, banks will not be involved in any activity that could be a business front for a sanctioned Syrian figure. This leaves Syrians with two options: (i) conduct the transaction in the old-fashioned way—go in person and make or receive a payment in foreign exchange cash; or (ii) seek a parallel and illegal money transfer system through foreign exchange offices run by Syrians, which often assume the banks' role in international money transfers.

Through their companies and the jobs that they create, Syrian entrepreneurs weave themselves into the fabric of the Turkish economy. In spite of significant obstacles, they have successfully integrated into the export value chains of the local economy, relying on networks and know-how brought from home. Yet there is room for these entrepreneurs to play a more inclusive economic role, including by hiring more Turkish staff. Moreover, many Syrian entrepreneurs would benefit from learning more about Turkey's incentive system and trade regulations in order to further expand their companies and to encourage other potential Syrian entrepreneurs.

## 3.4 How donors respond to refugee movements

Lead authors: Mauro Lanati and Rainer Thiele

An unprecedented 65.5 million people around the world have been forced from home due to conflict and crisis (UNHCR 2017a). Among them are nearly 22.5 million refugees who have fled their home countries, and 43 million internally displaced persons (IDPs). The vast majority of the refugees are hosted in low- and middle-income countries. Since the start of the Syrian crisis in 2011, for instance, almost 5 million people have fled to nearby Turkey,

Lebanon, and Jordan, whose capacity to manage the inflows is constrained.

This inability of refugee-hosting countries to address the challenges on their own should provide a strong reason for the richer neighbors to give foreign aid, irrespective of whether the underlying motive is to altruistically share the burden of caring for the refugees or to prevent them from moving on to the donor countries. Previous studies have shown that with

<sup>35</sup> Ministry of Labor and Social Security, work-permit evaluation criteria, <https://www.csgeb.gov.tr/uigm/contents/calismaizni/izindegerlendirmekriterleri/>.

appropriate and sufficient external financing, hosting refugees can create opportunities for local economic development (e.g., Maystadt and Verwimp 2014; Taylor et al. 2016a). Whether official development assistance (ODA) can actually lead to lower refugee flows is still an open question. Our own research suggests that foreign assistance can reduce migration from developing countries if it improves the quality of public services (Lanati and Thiele 2017a).<sup>34</sup> The opposite may happen if it raises the incomes of poor people who only then can incur the cost of migrating.

The EU appears to consider ODA an essential part of a long-term solution to the recent refugee crisis. The partnership agreements recently signed by the EU with countries of origin, transit, and first asylum explicitly include foreign aid as one pillar that addresses not only short-term emergencies but also long-term goals, such as promoting development and addressing the root causes of irregular migration. However, previous empirical research conducted by Czaika and Mayer (2011) for the period 1992–2003 has shown that only the humanitarian aid allocation was responsive to the presence of refugees in countries of first asylum, while donors did not adjust their long-term development aid budgets.

A leading question of this section is whether the responsiveness of long-term development aid has improved more recently or donors have merely paid lip service to the goal of supporting countries of first asylum. In doing so, we proceed in two steps. We first take a longer-term perspective covering the period 1992–2016 for a broad cross-section of countries in order to evaluate whether the general pattern revealed by Czaika and Mayer has continued to characterize donor behavior. In a second step, we zoom in on the more recent experience of individual countries. Specifically, we investigate in more detail the recent developments in foreign assistance to Lebanon, Jordan, and Turkey. These are the dominant countries of first asylum for Syrian refugees, with which the EU has signed partnership agreements. We also take a closer look at the EU Migration Partnership Framework, which currently covers five priority countries of origin and transit in Africa: Mali, Nigeria, Niger, Senegal, and Ethiopia. This framework consists of a more short-term component that is mainly concerned with humanitarian issues and the management of refugee flows as well as a long-term component that aims at addressing partner countries' development needs.<sup>35</sup> By focusing on EU assistance for long-term development within these partnerships, our analysis is complementary to the discussion of refugee management in chapter 1.

The ultimate objective of this section is to assess whether donors have become more willing to share responsibility for refugees with poorer countries, and in particular whether the recent EU compacts constitute a meaningful initiative toward this end.

### Longer-term developments across countries

In this subsection, the aim is to identify general changes in donors' approach toward forced displacement, which includes refugees hosted in countries of first asylum and IDPs. Figure 3.10 compares the trend over time in aid commitments to the 10 countries with the highest number of IDPs and hosted refugees with the trend of average ODA allocated to developing countries. A similar pattern applies to both humanitarian aid (panel a) and non-humanitarian or development aid (panel b). The trends for countries with a high number of IDPs and countries of first asylum both progressively diverge over time from the mean of all aid recipients, in particular since 2005. This points to a relatively higher priority awarded to refugee movements in the last 10 to 12 years, which is equally visible for longer-term development goals and short-term emergency concerns in affected countries. The stronger focus on refugees after 2005 is shared by both bilateral and multilateral donors.

However, the statistics reported in figure 3.10 provide just a rough indication of the donors' reaction to refugee movements and should therefore be interpreted with caution. On the one hand, the structural break in 2005 is partly due to a larger share of ODA allocated to countries with a permanently large number of IDPs or hosted refugees, such as Kenya, Afghanistan, and Pakistan, which may indeed indicate a change in donor behavior. On the other hand, the diverging trends over time may also reflect a change in the composition of the main hosts of refugees and IDPs. In particular, Ethiopia, Syria, Turkey, and Jordan, which have been hosting a very large number of refugees only in recent years, are receiving very high aid volumes. Furthermore, countries may receive aid for reasons other than the presence of refugees. For instance, it has been shown that strategic interests, such as preserving ties with former colonies (Alesina and Dollar 2000) or fostering trade relations (e.g., Berthelemy 2006), strongly shape donors' choice of recipient countries. Failing to account for these important drivers of aid allocation may lead to an overestimation of the actual impact of refugee movements.

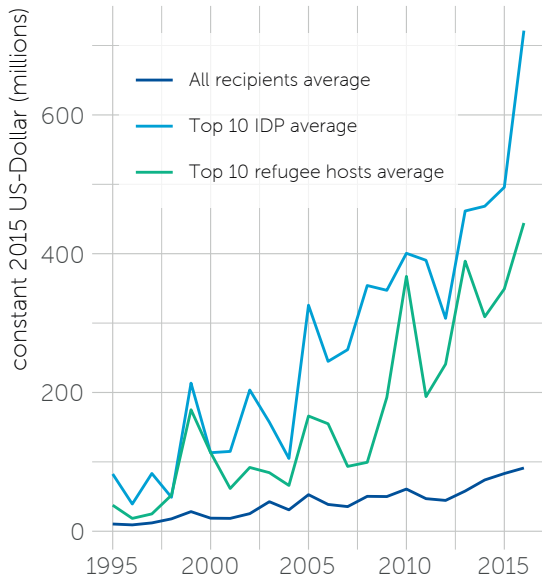
To address this statistical issue, we run a simple regression where we estimate the impact of refugee migration on ODA allocation controlling for several factors that may potentially affect the geographical pattern of aid. As in Czaika and Mayer (2011), the key explanatory variables consist of four different categories of refugee movements, namely (i) IDPs, that is refugees who have not (yet) crossed their national borders; (ii) the overall number of cross-border refugees stemming from the respective country of origin (*Ref Origin*); (iii) the overall number of refugees hosted by a recipient country (*Ref Asylum*); and (iv) asylum appli-

<sup>34</sup> For a discussion of the link between aid and migration, see also section 4.2 of the 2017 MEDAM Assessment Report (Lanati and Thiele 2017b).

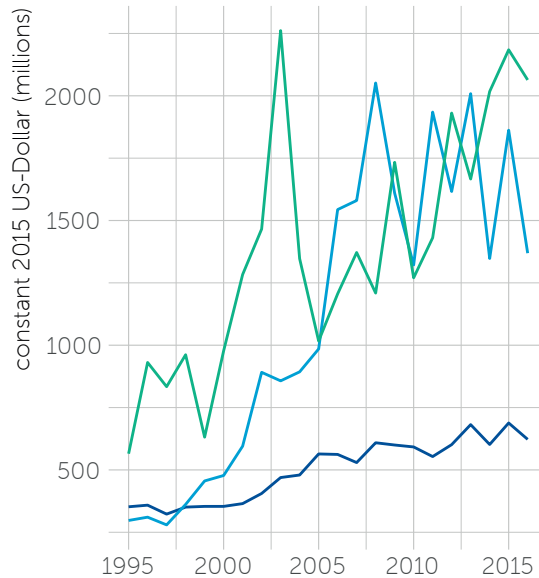
<sup>35</sup> See box 4.3 in the 2017 MEDAM Assessment Report (*supra*) for a brief description of the EU Migration Partnership Framework.

**Figure 3.10 Trends in ODA over time**

**a. All recipients vs. top IDP and top hosting refugees (Humanitarian ODA, all donors)**



**b. All recipients vs. top IDP and top hosting refugees (Non-humanitarian ODA, all donors)**



Source: Own calculations, based on the OECD Common Reporting Standard dataset and OECD–DAC International Development Statistics (database).  
 Note: The figures show the trend over time of the average humanitarian and non-humanitarian ODA allocated by all donors (one year lagged) to the top 10 IDP- and refugee-hosting countries. Data on humanitarian aid are from the OECD Common Reporting Standard dataset, while the data on non-humanitarian ODA are obtained subtracting humanitarian ODA from total ODA allocation (OECD–DAC International Development Statistics database). IDP = internally displaced person; ODA = official development assistance.

cants in the Western donor country stemming from the respective aid-receiving country (*Asylum Seeker*). For all categories, data are provided by the UNHCR and cover the period 2001–15. The variables are lagged by one year as donors are unlikely to respond instantaneously. Along with the core explanatory variables we include a set of controls that capture donors’ strategic interests (aggregate trade flows), recipient governance (World Bank indicators of corruption and of voice and accountability) and recipient need (GDP per capita, the presence of conflicts, and casualties caused by natural disasters).

The regression results are reported in table 3.1.<sup>36</sup> From columns 1 and 2, it can be seen that humanitarian aid responds more strongly to refugees in countries of first asylum and IDPs than development aid. According to our estimates, a doubling in the number of hosted refugees and IDPs increases the allocated amount of bilateral humanitarian aid by 9 percent and 6 percent, respectively, while it increases the amount of non-humanitarian aid by only 2 percent in each of the two categories. As shown in column 3, the positive but modest response of non-humanitarian aid continues to hold when restricting the analysis to the more recent period since 2006 for which the descriptive evidence pointed to an increasing focus on countries hosting refugees

and IDPs. This still constitutes an improvement over the situation prior to 2005, where according to Czaika and Mayer (2011) first-asylum host countries and countries with a high number of IDPs were rather discriminated against in terms of the aid allocated. Since 2006, long-term aid commitments have also become highly sensitive to the origin of refugees and to a lesser extent to the sending countries of asylum applicants. Taken together, these results indicate a general increase in donor responsiveness to refugee movements.

Overall, along with the earlier findings of Czaika and Mayer (2011), our results point to a modestly growing commitment of donors to long-term assistance against the background of a fairly strong responsiveness of humanitarian aid. It is difficult to say, however, whether this is due to altruistic burden-sharing motivations or the strategic interests of donor states. European donors, for instance, may send aid to countries of first asylum like Turkey, Lebanon, or Jordan as compensation for providing long-lasting protection to refugees, or in order to prevent further destabilization of these countries and to reduce the emigration pressure toward EU countries. In the next subsection, we take a closer look at the EU’s aid relationship with Turkey, Lebanon, and Jordan in the wake of the Syrian crisis.

<sup>36</sup> We do not report the impact of the control variables, which generally is as expected.

**Table 3.1 Response of foreign aid to refugee movements, 2002–16**

ODA	(1) In (BilAid <sub>ni,t</sub> ) Humanitarian	(2) In (BilAid <sub>ni,t</sub> ) Non-Humanitarian	(3) In (BilAid <sub>ni,t</sub> ) Non-Humanitarian
Donors	All	All	All
Sample	Humanitarian	Full	If Year 2006
In (Asylum Seekers <sub>in,t-1</sub> )	-0.023 (-1.23)	0.011 (1.48)	0.017* (1.74)
In (Ref Origin <sub>i,t-1</sub> )	0.123*** (4.88)	0.024*** (2.25)	0.070*** (3.71)
In (Ref Asylum <sub>i,t-1</sub> )	0.090*** (5.61)	0.017*** (2.81)	0.027*** (3.23)
In (IDP <sub>i,t-1</sub> )	0.059*** (10.86)	0.019*** (5.82)	0.013*** (3.24)

Source: Own estimations.

Note: Robust standard errors are included. The model includes the intercept. The full sample includes 137 recipients (countries of origin), 34 donors (countries of destination). All the variables associated with refugees are logged as  $\ln(1+var)$ . The missing observations for Asylum Seekers, refugees who have not (yet) crossed their national borders (IDPs), the overall number of cross-border refugees stemming from the respective country of origin (*Ref Origin*) and the overall number of refugees hosted by a recipient country (*Ref Asylum*) are treated as zeros. ODA is expressed in 2015 constant US\$ millions.

t statistics in parentheses; \*  $p < 0.10$ , \*\*  $p < 0.05$ , \*\*\*  $p < 0.01$

### EU compacts with individual countries

EU partnerships with countries of first asylum as well as countries of origin and transit are considered in this subsection with a focus on whether the long-term development needs of the recipients are adequately taken into account.

#### Countries of first asylum

Following the London conference on “Supporting Syria and the Region” of February 2016, the EU has adopted a support package for Lebanon and Jordan based on mutual commitments and with a comprehensive approach, where humanitarian aid is supposed to be complemented with long-term development assistance that aims to benefit refugees as well as vulnerable host communities. In these partnerships—or *compacts*—the stated long-term objective is to turn the Syrian refugee crisis into a development opportunity. To this end, multiyear development assistance employed in strategic sectors should promote better services, growth, and job opportunities in contexts heavily affected by the refugee crisis. The EU-Turkey agreement of March 2016, with its main aim of ending the irregular migration from Turkey to the EU, also includes a similar multiyear development assistance component under the Facility for Refugees in Turkey.

Figure 3.11 shows how much foreign aid the EU’s members and its institutions have been allocating—on average—to Lebanon, Turkey, and Jordan over time in comparison with the average aid given to developing

countries. A clearly positive response to the Syrian refugee crisis can be observed, with dramatic increases in both humanitarian and non-humanitarian assistance since the onset of the Syrian war. Most notably, the EU appears to have acted according to its stated goal of creating long-term development opportunities in countries of first asylum before concluding the bilateral agreements. In 2015, for example, the humanitarian aid provided by EU member states represented less than a third of the total development assistance received on average by Lebanon, Jordan, and Turkey.

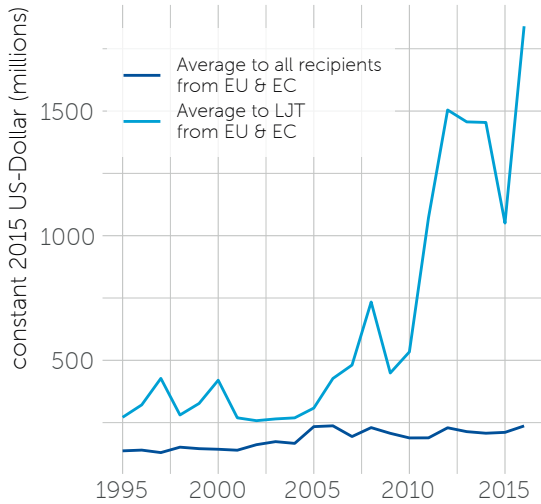
For Lebanon, which is currently hosting over a million refugees, the European Commission has allocated almost €900 million in assistance to refugees and vulnerable local communities since the beginning of the refugee crisis. Only around €350 million of this aid volume has been in the form of humanitarian aid, while the remaining funds have a long-term perspective and are mainly devoted to social programs favoring access to education and training, health, livelihoods, and basic services.<sup>37</sup> A notable example is the program to expand education access for all Lebanese and Syrian children through the ‘Reaching All Children with Education’ initiative launched by the Lebanese Ministry of Education.

Likewise, the European Commission has allocated over €1 billion to Jordan in response to the Syrian crisis, addressing both refugees and host community needs. As in Lebanon, education is a priority target of development assistance: funds are used, for instance,

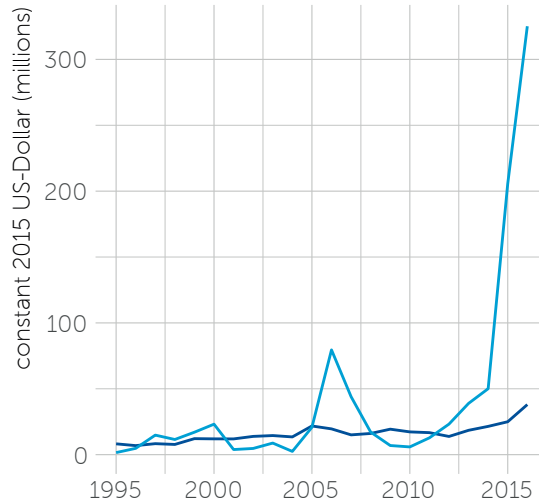
<sup>37</sup>For details on the EU-Lebanon partnership, see [https://ec.europa.eu/neighbourhood-enlargement/neighbourhood/countries/lebanon\\_en](https://ec.europa.eu/neighbourhood-enlargement/neighbourhood/countries/lebanon_en).

**Figure 3.11 European ODA to Lebanon, Jordan, and Turkey**  
(ODA is expressed in 2015 constant US\$millions)

**a. All recipients vs. Lebanon, Turkey, and Jordan**  
(Non-humanitarian ODA, EU+EC donors)



**b. All recipients vs. Lebanon, Turkey, and Jordan**  
(Humanitarian ODA, EU+EC donors)



Source: Own calculations.

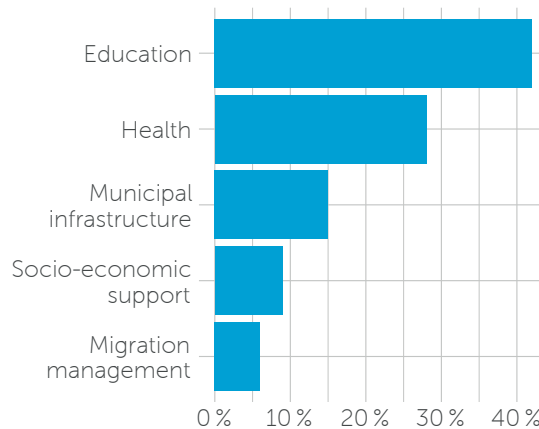
Note: The figures show the trend over time of the average humanitarian and non-humanitarian ODA allocated (one year lagged) to Lebanon, Jordan, and Turkey (LJT) by EU members and institutions. ODA = official development assistance; EC = European Commission.

to cover the cost of providing education for Syrian refugee children in Jordanian public schools and studying opportunities for university students. Within the Jordan Compact, the provision of long-term assistance complements trade preferences granted in the form of relaxed rules of origin for exports to the EU in designated special development zones if they employ a minimum share of Syrian refugees (see section 3.5).

Turkey hosts the largest number of Syrian refugees (over 3 million) and accordingly also receives the lion’s share of EU support. The EU is about to complete the disbursement of the initially allocated €3 billion under the Facility for Refugees in Turkey, and up to an additional €3 billion is supposed to be allocated once the first tranche is fully utilized.<sup>38</sup> In contrast to the compacts with Lebanon and Jordan, which could at least in principle be seen as a means of sharing the burden of caring for refugees, the Turkey-EU agreement is perceived as purely reflecting the EU’s strategic interest in preventing Syrian refugees from crossing Turkish borders. The long-term effectiveness of this “cash for containment approach” by the EU has been questioned (e.g., CGD 2017), as it uses aid flows together with the ‘one-for-one’ resettlement mechanism—an additional Syrian refugee will be resettled in the EU for every Syrian migrant returned from the EU to Turkey—to simply compensate Turkey for keeping Syrian refugees within its borders, rather than yielding long-term solutions and development progress. Yet, the first ODA tranche under the

Facility of Refugees in Turkey still contains a large non-humanitarian component (€1.6 billion). As shown in figure 3.12, 70 percent of this aid is spent on health and education projects. These include, for instance, training for Syrian doctors and nurses or the provision of transportation for school children. This again stresses that EU donors regard long-term development assistance, and in

**Figure 3.12 Breakdown of non-humanitarian aid to Turkey**



Source: European Commission, “First Annual Report on the Facility for Refugees in Turkey,” COM(2017) 103 final, Brussels (March 2, 2017), [https://ec.europa.eu/neighbourhoodenlargement/sites/near/files/170302\\_facility\\_for\\_refugees\\_in\\_turkey\\_first\\_annual\\_report.pdf](https://ec.europa.eu/neighbourhoodenlargement/sites/near/files/170302_facility_for_refugees_in_turkey_first_annual_report.pdf).

<sup>38</sup> For more details on the EU-Turkey agreement, see [http://europa.eu/rapid/press-release\\_MEMO-16-963\\_it.htm](http://europa.eu/rapid/press-release_MEMO-16-963_it.htm).

particular support for the social sector, as an integral part of their response to the refugee crisis.

### Countries of origin and transit

The EU Migration Partnership Framework focuses on five priority countries of origin and transit—Niger, Mali, Senegal, Ethiopia, and Nigeria—but also includes a number of non-priority countries in North Africa (Morocco, Algeria, Tunisia, Libya, and Egypt), and West Africa (Ghana, Guinea, and Côte d’Ivoire) as well as West and South Asia (Iran, Afghanistan, Pakistan, and Bangladesh). Along the same lines as the agreements with Lebanon, Jordan, and Turkey, it explicitly aims at addressing the root causes of irregular migration and forced displacement by supporting partner countries through the provision of long-term development assistance. This long-term goal is meant to complement the more short-term goal of improving migration management (see box 4.3 in Lanati and Thiele (2017b)).

Nevertheless, the positive judgment of the ongoing partnership that emerges from the European Commission’s fifth progress report from September 2017 is predominantly based on the achievement of the *short-term goals*—such as reductions in the number of irregular crossings through the Central Mediterranean route, improved border controls, and fighting smugglers.<sup>39</sup> The success story brought to the fore by the European Commission is Niger, where the ongoing cooperation with the EU has produced positive results in terms of stepped-up border controls and fighting trafficking.

There is hardly any mention in the report of projects addressing long-term development goals. The number of projects implemented under the main funding instrument of the Partnership Framework, the EU Trust Fund for Africa, has accelerated over time, but most of these projects are directly related to the containment of migrant flows, for instance through financial and logistical support for voluntary returns of irregular migrants to their countries of origin, such as Nigeria and Senegal.<sup>40</sup> Among the few examples where local development needs are explicitly taken into consideration are two projects in Niger: one has the objective to support livelihoods and to create alternative job opportunities to human trafficking, while the other aims to improve basic services and resilience in peripheral regions on migration routes in north-eastern Niger.

### Conclusions

The recent refugee movements into the EU have led to a situation where almost all pledges of foreign aid are routinely accompanied by statements arguing that

assisting poor countries gives their people an incentive to stay at home. Development aid is thus regarded as an essential component of a long-term strategy that addresses the root causes of migration through the creation of job opportunities, quality education, and better services. Concerning actual donor behavior, however, previous research revealed the unresponsiveness of long-term development cooperation to refugee movements. Yet our analysis points to a change in donor behavior in recent years: rising numbers of IDPs in countries of origin as well as refugees in countries of first asylum have on average been associated with higher long-term aid allocations. The idea that humanitarian assistance must be combined with the creation of development opportunities that would ultimately reduce the incentive for refugee migrants to leave has gained additional momentum through the recent EU agreements with countries of first asylum. According to our previous research (Lanati and Thiele 2017a), by focusing on support for the social sector, the EU agreements may be effective in reducing migrant flows.

The EU’s general approach of providing a mix of humanitarian and non-humanitarian aid is highly welcome. It is more difficult to assess whether its response is adequate in quantitative terms given the extent of the Syrian crisis and the associated costs for the neighboring countries. According to World Bank estimates, hosting over 630,000 registered Syrian refugees costs Jordan over US\$2.5 billion a year, part of which is attributed to subsidized services to refugees (World Bank Group 2015). Likewise, by the end of 2015, the total estimated cost of the Syrian crisis for the Lebanese economy was \$7.5 billion, of which \$1.1 billion was increased expenditure due to the higher demand for public services (World Bank 2016). These numbers inevitably come with a considerable margin of error, but they point to large financing needs, and it has to be noted that the capacity of the middle-income countries hosting the refugees to face such a challenge is rather limited given their current structural economic problems, such as high unemployment and debt. At the same time, the EU has already taken a strong lead in compensating first asylum countries for the costs associated with hosting an unprecedented number of refugees. Turkey in particular is benefiting from the agreement with the EU, but Jordan (€747 million for 2016–17) and Lebanon (€400 million for 2016–17) are also getting substantial extra funds through the signed compacts.<sup>41</sup> The international community as a whole pledged \$6 billion in funding to support humanitarian and development activities in 2017 (\$4.4 billion has been spent or committed), and a further \$3.7 billion for

<sup>39</sup> See the full report at [https://eeas.europa.eu/sites/eeas/files/20170906\\_fifth\\_progress\\_report\\_on\\_the\\_partnership\\_framework\\_with\\_third\\_countries\\_under\\_the\\_eam\\_en\\_0.pdf](https://eeas.europa.eu/sites/eeas/files/20170906_fifth_progress_report_on_the_partnership_framework_with_third_countries_under_the_eam_en_0.pdf)

<sup>40</sup> As of September 4, 2017, 169 contracts were signed for a total amount of over €1.2 billion.

<sup>41</sup> See European Commission, “EU-Jordan Partnership: The Compact,” Brussels (2017), <https://ec.europa.eu/neighbourhood-enlargement/sites/near/files/jordan-compact.pdf>; “EU-Lebanon Partnership: The Compact,” Brussels (2017), <https://ec.europa.eu/neighbourhood-enlargement/sites/near/files/lebanon-compact.pdf>; and the “EU-Turkey Statement,” Factsheet, Brussels (March 16, 2016), [http://europa.eu/rapid/press-release\\_MEMO-16-963\\_it.htm](http://europa.eu/rapid/press-release_MEMO-16-963_it.htm).

2018–20, to be shared among Syria, Jordan, Lebanon, Turkey, Iraq, and Egypt.<sup>42</sup> If all these pledges are kept, the overall availability of funds is unlikely to constitute a major bottleneck.

Rather, the main challenge is to properly implement the funded projects. In order to be effective, the development cooperation must be aligned with the national priorities of the partner country. In this respect, the compacts with Jordan and Lebanon represent a step in the right direction as the funds—especially non-humanitarian aid commitments—are to a large extent allocated in accordance with national action plans, which in the case of Jordan “aim to transform the response to the crises into a development opportunity” (Oxfam 2017). Close coordination with other donor institutions such as the World Bank is another important requirement.

As for the Migration Partnership Framework, the EU needs to better balance its short-term goal of decreasing

irregular migration and increasing migrant returns with long-run development considerations. This is not only due to a moral obligation to support livelihoods in countries such as Mali and Niger, which are among the poorest in the world. A stronger focus on long-term perspectives for local populations would also be in the EU’s own interest, because the enforcement of restrictive migration measures will hardly be sustainable if, for example, there is no attractive alternative employment to people smuggling.

Overall, the international community, and in particular the EU after the Syrian crisis, has shown an increasing willingness to share responsibility for refugees and shift toward a longer-term, development-oriented approach. Yet, short-sighted self-interest continues to play a role as the EU Migration Partnership Framework illustrates.

## 3.5 Encouraging refugee employment through trade preferences

Lead author: Heliodoro Temprano Arroyo

**L**abor market integration in countries of first asylum is a key aspect of ensuring decent living conditions for refugees who often remain in those countries for many years. Yet, enough jobs may not easily become available, particularly when a large number of refugees moves to the same national labor market. In such situations, export-oriented manufacturing industry may be one sector where many jobs can be created in a relatively short time in a particular location—provided that refugees come with the necessary skills and that the local business environment and physical infrastructure are conducive to initiating or expanding manufactured exports.

If these preconditions are met, there are several ways in which the EU (and other high-income countries and development donors) may help to jump-start manufactured exports and refugee employment. Financial support from donors may accelerate the necessary private and public investment in production facilities and public infrastructure. When there is no strong tradition of

manufactured exports from the host country, various trade facilitation measures may make local producers aware of export opportunities and alert potential customers to the existing local supply.

In this section, we focus on trade policy measures as a tool to support the labor market integration of refugees in countries of first asylum through labor-intensive, manufactured exports. The EU uses this approach in Jordan, following a suggestion by the Jordanian authorities, as part of the package of measures and assistance included in the EU-Jordan Compact that was agreed at the London conference on “Supporting Syria and the Region” in February 2016.<sup>43</sup> The strategy is consistent with the new approach to refugee protection advocated by authors such as Betts and Collier (2017) and enshrined in the new Comprehensive Refugee Response Framework (CRRF) adopted by the UN in 2016, which promotes the economic self-reliance of refugees.<sup>44</sup> We describe the main features of the EU-Jordan scheme, assess how it is working and com-

<sup>42</sup> Those commitments are included in the “Post-Brussels Conference Financial Tracking Report”—see the main findings at <https://www.supportingsyria2016.com/news/post-brussels-conference-financial-tracking-report-co-chairs-statement-2/>.

<sup>43</sup> See Council of the European Union, “EU-Jordan Partnership Priorities and Compact,” Annex to Decision No. 01/2016 of the 12<sup>th</sup> EU-Jordan Association Council, September <http://data.consilium.europa.eu/doc/document/ST-12384-2016-ADD-1/en/pdf>. For details of the rules of origin scheme, see Decision No. 1/2016 of the EU-Jordan Association Committee of 19 July 2016 amending the provisions of Protocol 3 to the Euro-Mediterranean Agreement establishing an Association between the European Communities and their Member States, of the one part, and the Hashemite Kingdom of Jordan, of the other part [...]. <https://publications.europa.eu/en/publication-detail/-/publication/a45b2513-6e7e-11e6-b213-01aa75ed71a1/language-en>.

<sup>44</sup> The CRRF is part of the New York Declaration for Refugees and Migrants adopted by UN countries on 19 September 2016 and will be a core component of the Global Compact on Refugees to be adopted by the UN toward the end of 2018. See <http://www.unhcr.org/57e39d987>.



pare it with other similar initiatives on trade preferences in the region. Finally, we discuss the conditions under which trade preferences can effectively promote the labor market integration of refugees.<sup>45</sup>

### **Main features of the EU scheme easing the rules of origin for Jordanian exports employing refugees**

The scheme entered into force in July 2016, initially for 10 years. Most of Jordan's industrial goods exports to the EU are already exempt from EU import tariffs under the EU-Jordan Association Agreement that entered into force in 2002, provided they meet its minimum local content requirements. The new scheme grants additional privileges to Jordanian exports by easing the rules of origin, which determine when a product can be considered to have been made in Jordan. Specifically, they ease those rules for Jordanian export companies that employ a minimum share of Syrian refugees and produce in one of 18 designated Special Development Zones and Industrial Areas. The minimum share is 15 percent of the total workforce during the first two years of the scheme, and 25 percent thereafter. The scheme covers a list of selected industrial items included in 50 chapters of the Harmonized System (HS) Code.<sup>46</sup> The relaxation of the rules of origin means that, for products 'made by refugees' the maximum share of imported content allowed is, in most cases, increased to 70 percent of their total export value, compared with an average of only 40 percent under the Association Agreement.<sup>47</sup> This allows participating exporters to source more inputs in the world market, rather than in Jordan, which will often render the final product more competitive in the EU market.

The EU was initially reluctant to agree to this scheme because it departs from the pan-Euro-Mediterranean system of diagonal cumulation of rules of origin, enshrined in the Convention signed by 23 European and Mediterranean countries in 2013.<sup>48</sup> The exceptionality of the scheme, which has been justified on the basis of the humanitarian and political imperative arising

from the Syrian refugee crisis, explains its temporary nature and the restrictions in terms of products and locations (18 designated zones).

The EU has also agreed that if Jordan meets its own target, announced at the London conference, of formally employing 200,000 Syrian refugees across the economy (as measured by the number of work permits), it will consider extending these more flexible rules of origin to the entire Jordanian economy.<sup>49</sup> This is, however, a very ambitious target because only about 13,000 Syrian refugees in Jordan had formal work permits when the scheme was launched first agreed; by the end of February 2018, this number had increased to about 49,000. Even so, a further relaxation of rules of origin would not be automatic but require a new decision by the EU-Jordan Association Committee. Similarly, the EU and Jordan will need to take a new decision at the end of the 10-year period if they wish to extend the scheme.

The scheme is supported by two policy-based assistance programs from the EU, namely: a budgetary support grant of €55 million financed by the European Neighborhood Instrument ("Support to Private Sector Development in Jordan"), which includes conditionality on the employment of Syrian refugees in the 18 designated areas and on the issuance of work permits to Syrian refugees in the economy as a whole;<sup>50</sup> and a macro-financial assistance operation, in the form of a €200 million medium-term loan that is also conditional, *inter alia*, on progress with the implementation of the rules of origin scheme.<sup>51</sup> The World Bank, for its part, is targeting progress with the issuance of work permits to Syrian refugees through a US\$300 million budgetary support operation (IBRD and IDA 2016).

The main aim of this rules of origin scheme is to encourage the labor market integration of Syrian refugees in Jordan and improve their living conditions. This should ease pressure for their secondary migration while facilitating their return to Syria once the political situation there allows it. The EU considered offering a similar scheme to Lebanon, in addition to financial assistance, in the discussions leading up to the London

<sup>45</sup> For a more in-depth analysis of the EU-Jordan trade scheme and of the potential use of trade preferences to support refugee integration that is set in the context of the new approach to refugee protection, see Temprano Arroyo (2018).

<sup>46</sup> The products included cover about 85 percent of Jordan's exports to the EU and 72 percent of Jordan's exports to the world. The HS code is an internationally standardized tariff nomenclature developed by the World Customs Organization to classify traded goods. It has a total of 97 chapters.

<sup>47</sup> In fact, the rules of origin are more complex than this simplified characterization. For some of the products covered by the scheme, the maximum share of content not originating in Jordan is lower, ranging from 15 percent to 50 percent. And in the case of textile and apparel products, the easing of the rules takes a different form: the new rules move from the 'double-transformation' requirement under the Association Agreement to the more generous 'single-transformation' requirement.

<sup>48</sup> See the Regional Convention on pan-Euro-Mediterranean preferential rules of origin, OJ L 54, 26.2.2013, <http://eur-lex.europa.eu/legal-content/EN/TXT/PDF/?uri=OJ:L:2013:054:FULL&from=EN>. The 23 Contracting Parties to the Convention are the EU (28 countries), 3 countries of the European Free Trade Association (EFTA), Turkey and the 10 southern Mediterranean countries participating in the Barcelona Process, 6 Western Balkan countries, Moldova and the Faroe Islands.

<sup>49</sup> At the London conference, Jordan also declared its intention to issue 50,000 work permits to Syrian refugees within a year of the conference. The longer-term target of issuing 200,000 work permits for Syrian refugees represents about 50 percent of all registered Syrian refugees of working age currently in Jordan, or 14 percent of Jordan's total economically active population.

<sup>50</sup> See "Jordan receives 55 million euro grant from EU," Jordan Times (January 26, 2017), <http://www.jordantimes.com/news/local/jordan-receives-55-million-euro-grant-eu>.

<sup>51</sup> See Decision (EU) No. 2016/2371 of the European Parliament and the Council of 14 December 2016 providing further macro-financial assistance to the Hashemite Kingdom of Jordan, OJ L 352, 23.12.2016, 18–25, <http://eur-lex.europa.eu/legal-content/EN/TXT/PDF/?uri=OJ:L:2016:352:FULL&from=GA>. For the Memorandum of Understanding specifying the policy conditions attached to the disbursement of this loan, see [https://ec.europa.eu/info/sites/info/files/mou\\_signed\\_mfa-ii\\_jordan.pdf](https://ec.europa.eu/info/sites/info/files/mou_signed_mfa-ii_jordan.pdf).

conference. Yet it appears that the Lebanese authorities showed more reluctance over this approach, reflecting Lebanon’s particular political context. Indeed, in Lebanon’s political system, characterized by a delicate balance among religious confessions, the presence of a large number of Syrian refugees (estimated to account for about a quarter of Lebanon’s population), most of them Sunni Muslims, is seen as a potentially destabilizing development. Measures to support the formalization and integration of Syrian refugees in Lebanon remain, therefore, a politically sensitive issue in Lebanon.

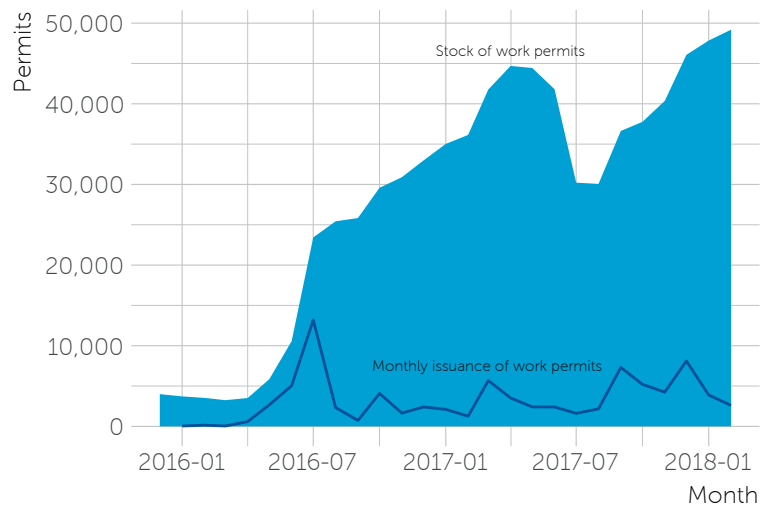
**Assessment of the operation of the rules of origin scheme so far**

While the rules of origin scheme has not been in effect for long, its early results have been disappointing: by the end of October 2017, only 10 factories had obtained the authorization to export under the scheme. The combined workforce of those 10 factories was 697 employees, of whom 233 were Syrian refugees. Moreover, of these 10 companies, only two successfully exported to the EU.<sup>52</sup>

The scheme faces five major obstacles:

- There are few Jordanian companies with the experience and marketing networks necessary for exporting to the EU the particular products that benefit from the rules of origin scheme.
- Jordanian companies face strong competition in the EU market from other Asian emerging and developing countries (including China) that are capable of producing at very low costs and have ample experience in textile and apparel production. Some of them can access the EU market at preferential or zero tariffs under the Generalized System of Preferences (GSP). Thus, India, Indonesia, and Vietnam enjoy reduced rates under the standard GSP arrangement; Pakistan, Philippines, and Sri Lanka enter the EU free of duties for a large proportion of their exports under the GSP+; and Bangladesh and Cambodia, under the GSP/Everything But Arms (EBA), enter the EU free of duties and even benefit from the more favorable rules of origin applied to Jordan under the new scheme for companies employing Syrian refugees.<sup>53</sup>
- Some Jordanian products do not meet EU technical standards for manufactured goods.
- There are few suitably qualified Syrian workers willing to work in the 18 designated areas. This, in turn, reflects several problems. Syrian refugees fear losing

**Figure 3.13 Jordan—Stock of work permits issued to Syrian refugees**



Source: Own elaboration based on data provided by the ILO and the Jordanian Ministry of Labor. Note: Monthly changes in the stock do not coincide with monthly gross issuance because work permits expire every 12 months.

their refugee status or the donor support that comes with it. Hence, they demand a relatively high wage to work formally. Also, they often lack the necessary skills to work in industry because their experience is in sectors such as agriculture, construction, and home services, which do not benefit from special rules of origin.

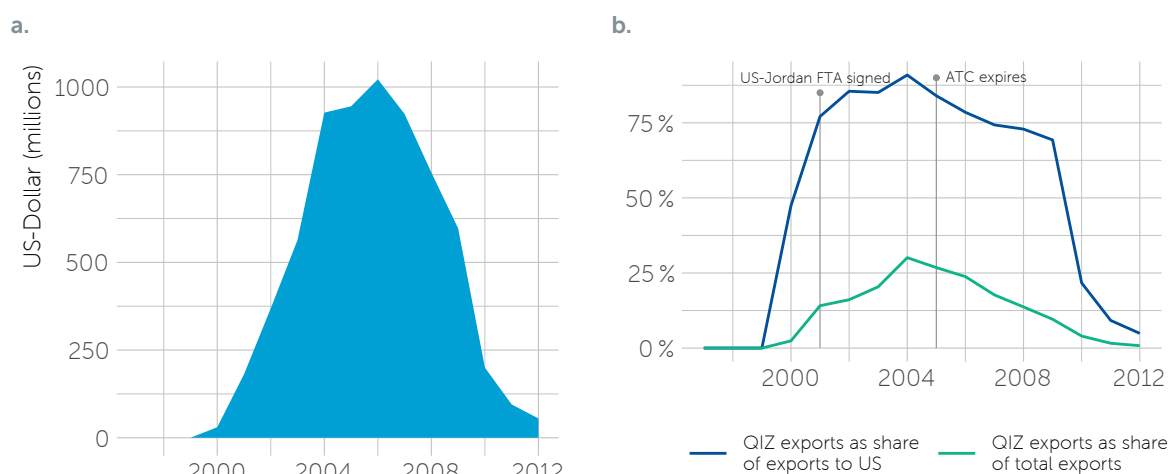
- Jordan continues to apply a quota system that restricts the share of foreign workers Jordanian companies are allowed to employ.

The EU and other donors are providing technical assistance to try to overcome these problems. The German development agency GIZ and USAID (United States Agency for International Development) have put in place multimillion-dollar programs to increase the competitiveness of Jordanian exporting firms, promote matchmaking with EU firms, and help them take advantage of the rules of origin agreement. The EU and the ILO have joined forces to support the establishment of employment services and vocational training programs that are general in scope but also assist the factories in the 18 designated zones. And the EU and World Bank were instrumental in the Jordanian decision, taken in April 2016, to waive, at least temporarily, the fee for work permits issued to Syrian refugees.

Overall, the number of work permits issued to Syrian refugees in Jordan has increased (figure 3.13). Nonetheless, the vast majority of the Syrian refugees who work

<sup>52</sup> See the Ministry of Planning and International Cooperation of Jordan (2017).

<sup>53</sup> Indeed, the proliferation of FTAs and other preferential trade schemes granted by the EU tends to reduce the potential economic impact, as well as the political leverage, of any new preferential scheme granted by the EU.

**Figure 3.14 Export performance of Jordanian QIZs, 1997–2012**

Source: Own elaborations based on the U.S. International Trade Commission's DataWeb and the IMF's Direction of Trade Statistics.

in Jordan continue to do so informally.<sup>54</sup> And despite the positive trend, at the current pace of net issuance of work permits, it would take several years for Jordan to attain its target of giving formal employment to 200,000 Syrian refugees. Therefore, there is not much prospect that, in the near future, the EU will consider extending the special rules of origin to the entire Jordanian economy.

### Comparison with the U.S. Qualifying Industrial Zones initiative

This disappointing performance so far of the EU's rules of origin scheme for Jordan contrasts with the rather successful experience of Jordan (and, to a lesser extent, Egypt) with the Qualifying Industrial Zones (QIZs) initiative launched in 1996 by the United States. Under the QIZ program, the United States grants duty- and quota-free access to Jordanian or Egyptian exports co-produced with Israel in export-processing zones (QIZs) that meet certain local content requirements.<sup>55</sup> This scheme was implemented through an amendment of the 1985 U.S.-Israel Free Trade Agreement (FTA). It was meant to support the Middle East peace process (two years after the Oslo Agreements and the Jordan-Israel peace accord) by promoting trade between Israel and its two neighbors with which it had concluded peace treaties.

QIZs are a specific type of free trade zone with operations in either Jordan and Israel or Egypt and Israel, where goods were initially produced solely for export to the United States. The QIZ program extends to products manufactured in the QIZs the 35 percent minimum local content requirement under the rules of ori-

gin applied in the U.S.-Israel FTA (Saif 2006; CRS 2013).

Over the first eight years after the QIZs were introduced in Jordan, QIZ exports to the United States boomed, accounting in 2004–05 for over 85 percent of Jordan's exports to the United States and over 25 percent of total Jordanian exports (see figure 3.14, panel b). As a result, the United States, which had accounted for a very small share of Jordan's exports until then, became the largest market for Jordan's exports. Investment flooded into the QIZs, particularly from Asian investors whose textile and apparel exports to the United States were then still subject to quotas and high tariffs under the Agreement on Textiles and Clothing (ATC) of the World Trade Organization (WTO).<sup>56</sup> Alongside Asian investment into the QIZs, there was an inflow of adequately trained and hard-working Asian workers, including from China, India, and Bangladesh. Thus, QIZ exports were initially successful because they facilitated production in Jordan at relatively low costs with well-trained labor while taking advantage of Israel's existing marketing links to the United States.

Compared with the relaxation of the rules of origin offered by the EU to Jordan in 2016, at the beginning the economic incentive was much stronger. Indeed, under the QIZ program, Jordan's textile and garment exports to the United States not only avoided the very restrictive quotas imposed by the MFA/ATC but were also sheltered from competition from other emerging and developing exporters by those same quotas. They were further sheltered by the more limited coverage of the U.S. GSP system, which leaves out some very competitive

<sup>54</sup> According to World Bank estimates, between 90,000 and 130,000 Syrian refugees are still working informally in Jordan. The situation is similar in the other main countries in the region hosting Syrian refugees (Turkey, Lebanon, and Egypt). For example, in Turkey, out of a Syrian refugee population of working age of over 1.5 million, about 300,000 were estimated to work informally in 2015, partly reflecting the legal restrictions imposed by the authorities. And by the end of 2016 (after Turkey removed such restrictions), the number of work permits issued to Syrians was still only about 13,000. See Okyay (2017).

<sup>55</sup> The scheme also applies to goods produced in the West Bank and Gaza.

<sup>56</sup> The ATC, signed in 1994, replaced the Multi-Fiber Arrangement (MFA), which governed world trade in textiles and garments from 1974 through 1994 and imposed bilaterally negotiated quotas on the amount of these products developing countries could export to developed countries. The ATC provided for a 10-year phasing-out of these quotas and expired on January 1, 2005.

low-income exporters of garments (such as Bangladesh and Vietnam), and by the relatively high most favored nation (MFN) tariffs imposed by the United States for these types of products. In addition, and in contrast with the EU's scheme for Jordan, the QIZ program does not entail the obligation of employing a minimum share of less well-trained (and, given their higher reservation wage, relatively more expensive) Syrian refugee labor.

Despite these supporting factors, the rapid expansion of QIZ exports observed in the first eight years of the initiative proved unsustainable. First, the expiration of the ATC in 2005 (and the associated elimination of textile and apparel quotas) reduced the preference margin that Jordanian apparel exports enjoyed in the United States. Second, in 2001, the United States and Jordan concluded an FTA that entered gradually into effect over the subsequent 10 years. As a result, Jordanian firms have no longer had to co-produce with Israel to access the U.S. market free of duties, removing part of the appeal of the QIZs. Reflecting both factors, exports entering the United States under the QIZ program have declined rapidly since 2006 (see figure 3.14, panels a and b).

Moreover, the QIZ program had a number of drawbacks in Jordan. The QIZs did little to reduce Jordan's high unemployment rate, since more than half of the 35,000 to 45,000 jobs created in the QIZs were taken by foreign, mostly Asian workers. This reflected their better training and experience with textile and apparel production as well as their willingness to work at low wages, to take on long hours, and to put up with tough working conditions, with most Asian workers living in the accommodation provided by companies within the QIZs themselves.<sup>57</sup> Jordanian workers were less keen to work under such conditions. Moreover, the QIZs did not create significant positive spillover effects for the rest of the economy—be it through links between exporters and domestic suppliers (most inputs were imported due to the low local content requirement), the transfer of new technologies or the upgrading of the skills of Jordanian workers. To a large extent, the QIZs represented a 'tariff-jumping' or 'quota-hopping' investment by Asian producers that sought preferential access to the U.S. market. After the reasons for quota-hopping disappeared along with the ATC, Jordan's textile and apparel exports entering the U.S. market under the QIZ program declined rapidly, as noted. However, they have largely been replaced by exports growing under the U.S.-Jordan FTA, which has taken advantage of the investments and infrastructure developed under the QIZ initiative. This has allowed the United States to maintain its dominant position among

Jordan's export markets despite the virtual disappearance of QIZ exports. To the extent that it provided a basis for the exploitation of the advantages subsequently offered by the FTA with the United States, the development of the QIZs can, therefore, be said to have had a more lasting effect.

Egypt's experience with the QIZ program, which it joined in 2004, has been more positive (Ghoneim and Awad 2010; Refaat 2006). Egypt already had a well-developed domestic textile and clothing industry and the QIZ program has helped to preserve its textile and apparel exports after the expiration of the ATC, which had sheltered Egypt's exports to the United States through a generous quota. Egyptian QIZ exports grew rapidly and, by 2011, accounted for approximately half of Egyptian non-oil exports to the United States (see figure 3.15). And, in contrast to Jordan, most workers in the Egyptian QIZs are Egyptian, partly because Egypt's labor law limits foreign workers to no more than 10 percent of a firm's labor force.

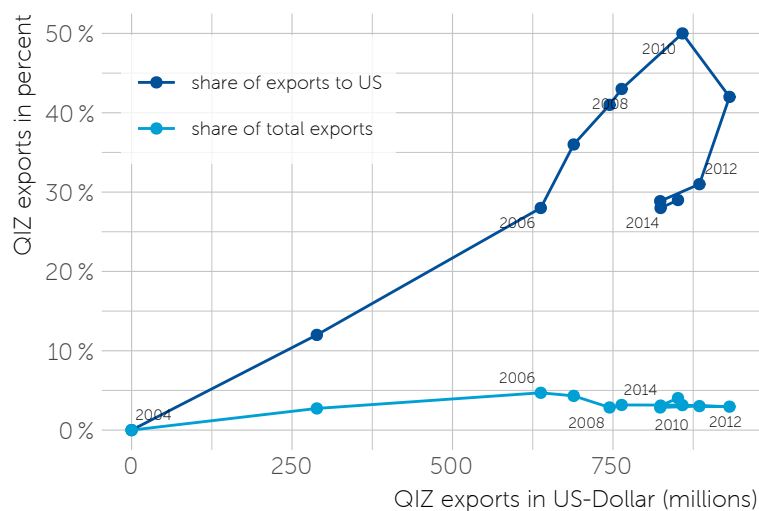
Overall, the QIZ program, despite its shortcomings, has contributed significantly to increasing the share of the beneficiary countries' exports to the U.S. market, generating jobs, investment, and GDP, a view that is also supported by some cross-country empirical studies.<sup>58</sup>

### Conclusions and policy options

The experience with the QIZs underlines the positive export and employment-generating effects trade preferences can have if properly designed and, therefore, their potential as a tool for refugee policy. At the same time, the problems witnessed with the Jordanian QIZs and the so far disappointing impact of the EU's rules of origin scheme for Jordan allow us to draw some lessons. To begin with, trade preferences will only create substantial jobs for refugees if the beneficiary companies are sufficiently competitive and have the necessary marketing networks and if the refugees have the appropriate training profile and incentives to work in them. This underlines the importance of complementing such trade measures with technical and financial assistance from the international donor community to help the beneficiary firms become competitive and reach the EU or other developed markets (including by meeting technical standards) and to provide adequate training to the refugees. It also suggests that the preferences should cover those tradable sectors where refugees already have professional experience or an appropriate training profile. For example, in the case of the Syrian refugees living in Jordan, consideration could be given to granting trade

<sup>57</sup> Labor issues came to the fore when a U.S.-based nongovernmental organization, the National Labor Committee, published in 2006 a very critical report on working conditions in the QIZ, arguing that ILO standards were not being met. The issues reportedly included mandatory, long working shifts, limited leave, the exemption of QIZ factories from minimum wage regulations, and the squalid living conditions of guest workers residing within the confined QIZ. See National Labor Committee (2006).

<sup>58</sup> See, for example, Carter et al. (2015), who found that the U.S. preferential trade arrangements had, overall and particularly in the case of the QIZ program for Jordan and Egypt, contributed to increasing the shares of exports of the beneficiary countries to the U.S. market. They found, however, that the strength of these effects varies over time, rising and remaining positive during a period of about 8–12 years but turning negative thereafter.

**Figure 3.15** Export performance of Egyptian QIZs, 2004–2015

Source: Own elaboration based on the Ministry of Trade and Industry of Egypt, and the IMF's Direction of Trade Statistics.

preferences for fresh and processed agricultural products given that refugees are active in these sectors. By contrast, trade preferences are not a suitable policy instrument for the construction and home services sectors, two other sectors where Syrian refugees have expertise, because they produce non-tradables. The Jordanian experience with the QIZ program also warns about the importance of ensuring that efforts to stimulate refugee employment do not result in a deterioration of working conditions.<sup>59</sup>

The possible use of trade preferences to alleviate the refugee crisis in countries of first asylum was mentioned in the Strategy for Global Trade Growth agreed by the G-20 in 2016,<sup>60</sup> as well as in the European Commission's Communication of June 2016 establishing a new Partnership Framework with third countries on migration.<sup>61</sup> And it has been further highlighted by Turkey's recent proposal to WTO members to grant preferential treatment to certain exports of countries hosting a large number of refugees provided that they are manufactured by companies employing refugees. Indeed, in a letter sent on August 17, 2017 to seven key WTO members, the Turkish economy minister suggested that the WTO should agree to grant preferences while waiving the obligation under the WTO's MFN clause to extend the same preferential treatment to similar products exported by other WTO members. The proposal was submitted, although in vaguer terms, to the WTO Ministerial Conference at Buenos Aires (MC11) in December 2017. While it has so far received a

cautious reaction by WTO countries, it has helped bring to the fore again the possible use of trade policy measures to encourage the labor market integration of refugees.

If adopted, Turkey's proposal would probably not have much of an impact on Turkey's trade with the EU as its exports of all industrial goods and of many processed agricultural goods are already free of duties and quotas through its customs union with the EU (and no rules of origin apply to those products). It could, however, support Turkish exports of primary and some sensitive, non-processed agricultural products to the EU, which have not yet been fully liberalized, as well Turkish exports to other countries with which it has no preferential agreements.<sup>62</sup> Something similar can be said of the potential application of the proposal by either the EU or the United States to many other significant refugee-hosting countries, since many of them already have preferential access to their markets, including in the context of bilateral free trade agreements and under the GSP. This is illustrated by table 3.2, which displays the preferential arrangements that the EU and the United States have with the 20 main refugee-hosting low- and middle-income countries, which account for 87 percent of the refugees living in the countries included in those income categories (and for almost 75 percent of the world's population of refugees) as estimated by the UNHCR. But, again, while this constrains the room for using additional trade preferences as a policy instrument, there is still margin for making some of those preferential schemes more generous in terms of the number of products covered, the tariff reductions granted under them, the rules of origin applied, and in some cases, the eligible countries. And there is also substantial room for increasing the conditionality of trade preferences to the efforts of the beneficiary countries to integrate refugees.

Another challenge for the Turkish proposal is that it would have to be adopted by consensus by all WTO members under Article IX of the Marrakech Agreement, which allows for waivers of certain obligations (including the MFN provisions) under exceptional circumstances, such as a humanitarian crisis. Moreover, the preferential schemes must be temporary, as required by the Marrakech Agreement. This could prove a significant limitation, as refugee crises have often turned out to be long-lasting.

A variant of the Turkish option would be to focus on a reform of the GSP that would incorporate into the system refugee policy considerations. The fact that most of the main refugee-hosting countries are beneficiaries of the GSP (see table 3.2) suggests, in a first

<sup>59</sup> In this respect, a welcome development is the fact that the EU's rules of origin scheme for Jordan was accompanied by a commitment by Jordan, and a monitoring effort to be ensured by the ILO, to maintain good labor conditions in the firms benefiting from the scheme.

<sup>60</sup> See "G-20 Strategy for Global Trade Growth," Annex II of the G-20 Trade Ministers Meeting Statement, Shanghai, July 9–10, 2016.

<sup>61</sup> The Communication also suggests considering the grant of preferential treatment to partner countries cooperating with the EU on migration matters. More specifically, it suggests making migration cooperation a consideration in the forthcoming evaluation of trade preferences under the GSP+. See p. 9 of European Commission, Communication on Establishing a New Partnership Framework with Third Countries on Migration, COM(2016) 385 final, Strasbourg (June 7, 2016).

<sup>62</sup> The fact that many Syrian refugees with experience in the garment industries come from the Aleppo area and have fled to Turkey suggests that the application of such a preferential scheme in Turkey could avoid some of the difficulties the EU-Jordan scheme encountered in finding refugees with the appropriate skills.

**Table 3.2 Top 20 refugee-hosting countries and the preferential trade arrangements**  
(as of end 2016 for refugee data and as of April 2018 for the trade arrangements)

Country	Income level	Number of refugees <sup>a</sup>	Preferential trade arrangements <sup>b</sup>	
			EU	US
1. Turkey	Upper middle income	2.869.421	CU	GSP
2. Pakistan	Lower middle income	1.352.560	GSP +	GSP
3. Lebanon	Upper middle income	1.012.969	FTA	GSP
4. Iran (Islamic Rep. of)	Upper middle income	979.435	None	None
5. Uganda	Low income	940.835	GSP / EBA; EPA	GSP; AGOA
6. Ethiopia	Low income	791.631	GSP / EBA	GSP; AGOA
7. Jordan	Lower middle income	685.197	FTA; RoO scheme	GSP; QIZ; FTA
8. Congo (Dem. Rep.)	Low income	451.956	GSP / EBA	GSP
9. Kenya	Lower middle income	451.099	Standard GSP; ATP	GSP; AGOA
10. Sudan	Lower middle income	421.466	GSP / EBA	None
11. Chad	Low income	391.251	GSP / EBA	GSP; AGOA
12. Cameroon	Lower middle income	375.415	EPA	GSP; AGOA
13. China	Upper middle income	317.255	None	None
14. Tanzania (Un. Rep. of)	Low income	281.498	GSP / EBA	GSP; AGOA
15. Bangladesh	Lower middle income	276.207	GSP / EBA	None
16. Yemen	Lower middle income	269.783	GSP / EBA	GSP
17. South Sudan	Low income	262.560	GSP / EBA	GSP
18. Iraq	Upper middle income	261.888	None	GSP; AGOA
19. Egypt (Arab Rep.)	Lower middle income	213.530	FTA	GSP; QIZ
20. Russian Federation	Upper middle income	228.990	None	None

#### Memorandum items

Total above 12.834.946

#### In percent of refugee population of

low- and middle-income countries 87.1

the world 74.7

<sup>a</sup> Includes refugees and people in refugee-like situations.

<sup>b</sup> GSP = Generalised System of Preferences; EBA = Everything But Arms; CU = Customs Union; FTA = Free Trade Agreement; AGOA = African Growth and Opportunity Act; QIZ = Qualified Industrial Zones programme; ATP = Autonomous Trade Preferences; EPA = European Partnership Agreements. Kenya, Tanzania and Uganda have also signed EPAs with the EU but they are yet to be implemented.

Source: UNHCR, Global Trends 2016, June 2017; World Bank (classification of countries by income based on Atlas method, June 2017)

approximation, that this may indeed be an avenue to explore. This could be done in a coordinated manner by developed countries adhering to the GSP system, or by those among them wishing to do so. As noted above, the Commission's Communication on the Partnership Framework on Migration proposes that the next evaluation by the Commission of the GSP+ looks into this matter. Still, the room for improving the preferences granted under the GSP is limited. Indeed, as table 3.2 shows, many low-income and some lower middle-income countries hosting large populations of refugees already enjoy virtually full duty-free/quota-free access to the EU under the GSP/EBA or a high degree of duty-free access under the special U.S. GSP scheme for least developed countries.<sup>63</sup> They also benefit from more generous rules of origin. There is, of course, more room for improving the preferences for the middle-income countries falling under the standard GSP regimes. Indeed, an option would be to include in the GSP a number of manufactured products like textiles, clothing, leather goods, and ceramics, which are labor intensive and technologically not sophisticated and, therefore, relevant for refugee employment, but which have until now been excluded from the U.S. standard GSP regime or classified as 'sensitive products' under the EU's standard GSP and GSP+ arrangements. The same is true for certain agricultural goods considered sensitive by the EU or the United States. The expansion of the GSP to these products could be limited to countries hosting large refugee populations and made conditional on the actual employment of refugees in the manufactures in question. A drawback of this approach, however, is that it would risk eroding the value of the preferential advantages enjoyed by the less developed countries, making it harder for them to compete with the more developed GSP beneficiaries in the rich countries' markets.

Another option would be to stress the need for GSP beneficiary countries to ratify the UN's 1951 Refugee Convention and its 1967 Protocol and to remove any remaining reservations.<sup>64</sup> This could build on the provisions of the EU's GSP+, which require eligible countries to ratify 27 international conventions on human and labor rights, environmental protection, and good governance but which, unfortunately, do not include the UN's Refugee Convention and related Protocol among them.<sup>65</sup>

Finally, an option the EU could consider that would not require a consensus at the WTO, is agreeing with its partners under the Convention of Pan-Euro-Mediterranean Rules of Origin of 2013 on a coordinated easing of the rules of origin for exports produced under certain conditions by countries (other than the EU and EFTA countries) that have signed the Convention and host a large number of refugees. This scheme, which would build on the EU's 2016 initiative for Jordan, could focus on labor-intensive sectors and exporting firms would have to demonstrate, under a certification process, that they are employing a minimum share of refugees. Since all these countries have a network of preferential trade agreements, this could be agreed bilaterally without requiring a WTO waiver of the MFN clause, as the EU has done for Jordan.

These alternatives are not mutually exclusive and some of them could be combined. However, in order to make them more powerful and effective, they should be part of a more general strategy aimed at promoting the labor market integration of refugees across the entire economy, including in those sectors (often non-tradable sectors) where their skills are more useful. This strategy should include, undoubtedly, financial and technical assistance incentives. But it should also encompass regulatory measures. In particular, it would require in some cases insistence by the EU and the international community on the removal of legal impediments to the formal employment of refugees, whether these entail quotas (sector-specific, as in Jordan, or of general application, as in Egypt) on the employment of foreign workers or a restricted acceptance of the obligations of the main international conventions on refugee and labor rights.

In sum, while trade preferences can be a useful instrument to promote refugee integration, they are no panacea. They can only be effective if intelligently designed, taking into account the conditions of beneficiary countries and the profile of their refugee communities, and if implemented as part of an appropriate overall strategy of labor market integration. And they should, preferably, be implemented as part of internationally or regionally coordinated initiatives.

<sup>63</sup> Yet, two low-income countries holding large populations of refugees, namely Bangladesh and Iraq, are currently excluded from, respectively, the U.S. and the EU GSP schemes. An inclusion, perhaps conditional on their refugee integration policies, could in principle be considered here.

<sup>64</sup> Some GSP beneficiaries hosting large populations of refugees, such as Bangladesh, Iraq, Lebanon, Pakistan, and South Sudan, have not yet acceded to the UN's Refugee Convention and Protocol, while others (e.g., Egypt) have done so but have made reservations exempting them from important articles of the Convention, such as Articles 12(1), 20, 22(1), 23, and 24, which guarantee that refugees will be treated equal to nationals regarding access to education, health, welfare programs, and some labor laws.

<sup>65</sup> See Annex VII of Regulation (EU) No. 978/2012 of the European Parliament and the Council of 25 October 2012 applying a scheme of generalised tariff preferences and repealing Council Regulation (EC) No. 732/2008, OJ L 303/1, 30.10.2012, <http://eur-lex.europa.eu/legal-content/EN/TXT/PDF/?uri=CELEX:32012R0978&from=EN>.

