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Integration of Refugees in Europe as a joint municipal development

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Baseline situation today

It has become increasingly urgent for the EU to pursue a common asylum and refugee policy as part of a new start following the Brexit vote. This policy should be based on a real understanding that the increasing migrations of refugees are not an unforeseeable natural disaster and that not only are they nothing new but they will endure for as long as the countries of origin are not able to get back on their feet economically and politically and follow the rule of law. Such a policy could also help the EU to make a positive new start by regarding the admission of refugees not just as a burden but as a chance of human enrichment and economic recovery, and showing its citizens that its refugee policy really can offer solutions.

The EU Commission did in fact recently put forward new proposals for a common policy (European border and border protection, common European asylum procedure, national quotas in Europe), but whether the Member States will accept and implement them is as unknown as whether they will have a positive and sustained impact.

The EU is also facing growing pressure

- a) to prevent the uncontrolled and unmanaged entry of refugees into Europe,
- b) but not just to focus on deterrence (fortress Europe), which runs counter to EU values and is also ineffective in the long term,
- c) to avoid tragedies hitting refugees en route in the Mediterranean or elsewhere,
- d) no longer to let refugee policy be dependent on Turkish President Erdoğan,
- e) to implement the measures decided by the European Council back in September 2015 to relocate 160 000 refugees from Italy and Greece in other European states, since more refugees have recently been arriving in Greece and Italy again.

II. A new proposal

The solution to these questions could lie in a new EU refugee policy that offers the municipalities, who already take on the main task of integration, new room for play through additional funding. Municipalities that voluntarily take in and integrate refugees should not just be refunded the costs of receiving the refugees but also be given resources that they can use to improve the municipal infrastructure (schools, administration, promotion of trades and crafts). That kind of asylum and refugee policy could also inject greater human and economic vitality into the EU, which is in its interest:

- a) Municipalities whose inhabitants are moving away could acquire new citizens who give them new life, work there and boost tax revenue;
- b) Existing infrastructure at risk of closure (nurseries, schools, medical care, housing supply, mobility, trade) can be put to use again and where appropriate developed;
- c) New cultural, sports and other projects in which the (new) citizens cooperate with one another could bring closer social cohesion and inject new (meaningful) life into the municipalities again, improve the atmosphere and counter the widespread, diffuse fear of the future;
- d) This could create a new coherence between proclaimed European values and individual action, which would boost the self-esteem, reputation and authority of EU citizens.

III. Need for a fresh approach

The most sustainable chance of pursuing a humane and at the same time managed and controlled refugee policy that complies with EU values lies in opening up legal access to Europe in Europe itself (and not in Turkey or Africa) and, on the basis of **voluntary** participation by the European host countries as well as the refugees, finding ways of decentralised resettlement in Europe that does not overstretch any of those countries.

This principle of voluntary participation is difficult to implement but is the only sustainable and promising option.

In the short term Matteo Renzi has suggested an EU loan fund for admitting refugees and stabilising North Africa. Maria João Rodrigues has suggested that the refugee crisis can be transformed into a growth initiative if the admission of refugees and the EU's external borders are Europeanised and funded by Europe. The host countries would receive financial aid for the necessary infrastructure measures for the admission of refugees in the form of European bonds, as a means both of triggering growth and creating jobs.

It is clear that **without extra funding there is currently no prospect of a legal way for asylum-seekers and refugees to resettle in Europe on the basis of a voluntary distribution system.** The funding proposals to date have failed because the European Council rejected the idea of European loans to resolve the refugee question.

Meanwhile the EU continues to hope the issue of unregulated displacement can be resolved by its deal with Turkey, by further, similar agreements with North African countries (e.g. Libya) and by declaring them safe third states. The aim here is to put a stop to the migration of refugees to Europe in general or to deter the refugees and – where appropriate – to create possibilities of legal access to Europe outside the EU.

The proposals to date are very dubious from the point of view of international law and human rights. They take away the EU's moral credibility, i.e., the human rights basis of its political

system, are no answer to the evident lack of solidarity within Europe and the erosion of Europe's internal cohesion by the erection of new internal European borders, and do nothing to combat the enduring social and economic crisis of unemployment, rampant poverty and growing social discrepancies in the EU. That means they are gambling with the future of the European Union and its nation states, including Germany.

Conversely, they do not draw on the potential fund of willingness to help and innovative energy that we observe throughout Europe at municipal level and in civil society to the benefit of the EU.

To date we have seen no realistic proposals along these lines for the early, successful relocation of existing refugees in Europe and the newly increasing numbers of new arrivals – especially in Italy and Greece. This is where there is the greatest need for action.

In fact the current situation offers a chance to take a resolute step towards a humanitarian European refugee policy, while at the same time – as a corollary to that – ensuring a pragmatic, attractive and innovative transition towards an investment and growth strategy and imbuing citizens with a new sense of identity with the EU. In colloquial terms, it is a way to kill three birds with one stone:

1. We can embark on a humane refugee policy that is consistent with our values and gives legal access to Europe.
2. We can initiate – and that is especially necessary after Brexit – a fresh political start in the EU by giving the municipalities a bigger part to play and ensuring appropriate citizen participation ('bottom up' approach), which would also create social cohesion and a sense of European identity. That would avoid the dilemma of the alternative – deepening the EU in the form of centralisation in Brussels remote from the citizens or renationalisation. For the effect of this approach would be **deepening the EU as a result of EU-funded greater closeness to the citizen, which would at the same time strengthen the human-rights based cohesion of the EU.**
3. We can trigger a growth policy in Europe.

Digression:

The conditions for the success of this third aim need to be specified in view of a large municipal investment backlog, which the German Reconstruction Loan Corporation (*Kreditanstalt für Wiederaufbau*) estimates at c. 136 billion for Germany, for example (KfW Panel 2016), and attributes to the financial weakness of the municipalities.

The following conditions can be identified for the success of local employment initiatives:

- Leadership is central (that is why it is important to appeal to the mayors);
- The cooperation of local/regional key players and their involvement in a binding employment or development pact; some call these 'purpose coalitions'; the Netherlands refer to 'covenants'; the USA to Local Workforce Investment Boards (WIBs);
- Cluster formation, e.g., energy sector or medical sector.

We know from theory that the following are promising municipal investment areas:

- *Import substitution* (historical model: cheap Delft stoneware affordable to all or many instead of expensive Chinese porcelain for the elite); there could be great local investment and growth opportunities in the field of energy here – which ultimately could also be exported – such as environmentally self-sufficient housing, green show-houses and organic farms; there is also great potential in the field of tourism (present-day example in Brandenburg: Tropical Island; so, instead of taking an expensive trip abroad, people can build cheap substitutes at home); here there are no limits to the imagination, all that is needed is to find ‘mad’ and courageous investors; the Chinese, for instance, are building models of romantic German towns as a tourist attraction¹.
- *New products or services* (here education and training exports could offer a big opportunity, including in the following areas: German craftsmanship and engineering skills)²; waste recycling; education and training, health, cultural and care services in the context of active ageing; the whole area of decentralised energy products and services, etc.
- *Infrastructure*, especially roads, cycle paths, waste, building and renovating schools, broadband for rapid Internet, building social housing (a central issue, for this shortage is the main reason why the less well-off feel that refugees are being given priority or are taking up housing that should by rights be theirs) – these are all investments that are as a rule labour intensive and match many refugees’ educational and training levels; in any case, a sound infrastructure can also act as an incentive for business relocations or start-ups.
- *Creative global sector*, e.g., supporting and developing local ethnic economies and the organisation of events (exhibitions, festivals, meetings) with a view to intercultural exchanges, etc.

The integration of refugees also has a favourable long-term economic impact (while also promoting cultural enrichment and mutual understanding). If successful, it also builds up an invaluable ‘cultural capital’. This also encourages, e.g., exports to the refugees’ countries of origin because ethnic diaspora reduce the transaction costs of trade in the broadest sense (verbal communication, trust, sensitivity to others’ needs, compliance with contracts, etc.). One example is the ‘natural experiment’ for the Vietnamese boat people. Between 1975 and 1994 the USA integrated 1.4 million Vietnamese; the federal states or cities that integrated the highest number of Vietnamese recorded significantly higher export rates to Vietnam than those who had integrated fewer or none (C. Parsons, P. L. Vézina 2016, *Migrant Networks and Trade: The Vietnamese Boat People as a Natural Experiment*, IZA DP No. 10112).

Other points to be noted, in terms of making it more likely that taking in refugees will contribute to an investment and growth strategy, are as follows:

- The refugees' legal status must be resolved as quickly as possible; the longer it remains uncertain, the less willing refugees will be to integrate; the initial (generally high) motivation can rapidly melt away.
- Secure medium-term prospects (e.g., at least two-year guaranteed residence after completing a training course) are central to ensuring the necessary training or further training. A primary concern of many refugees is to send money to their families back home. The financial incentives for training and further training should, therefore, be generous in scale.
- Institutions with integration experience complain that the actual costs of measures are underestimated while it is also not clear who is responsible for which costs, and when. In one case, apparently 46% of the total costs of a project were not refinanced via the regulatory institutions but covered from ESF funds. No account is taken of, for example, unbureaucratic emergency aid, cross-jurisdictional advice (German Social Code: SGB II, SGB III, SGB VIII) regarding clearing and assistance planning, various application and approval procedures, after-care or follow-on support, etc.
- Local authority proposals relating to the refugee initiative would, therefore, have to be examined particularly on the basis of how they intend to achieve this coordination.³ The short-term nature of the measures is also an obstacle to achieving sustainable integration. Interim objectives need to be set out and provision must also be made for corrective follow-up projects (no completion without follow-up). Given that this aspect already poses difficulties for Germany, it will do so even more for problem countries such as Greece, Italy and many of the new Member States⁴ and will have to be taken into account when it comes to estimating procedural costs as well as ensuring transparent monitoring.
- The education and training component plays a crucial role in the success of integration with a view to contributing to a sustainable 'investment and growth strategy'. The IAB (German Institute for Employment Research) reckons that 70% of young people over the age of 18 who came to Germany last year and this year did not achieve any vocational training certificate. By contrast, it found that the employment rate of refugees who obtained a vocational training certificate or a higher education degree in Germany is about 20% higher than that of the group that did not do so while their wages are about 23% higher. That shows that the initial level of education and training and investment in education and further education or training are quite crucial to the success of integration, an aspect that needs to be emphasised as an argument for increasing the intended European funding share.

In the end this also determines whether the initial financial costs are offset by long-term economic and fiscal benefits – as rightly expected of any good ‘investment’ – for the pro-integration municipalities, their citizens, the national EU Member States and the EU as a whole. One reason why Europe is or should be generous in funding a large proportion of these costs is that the long-term benefits cannot be clearly determined either at human resources or at local level. (For those interested in the complex question of the fiscal impact of immigration, see: H. Brücker, Fiskalische Wirkungen der Zuwanderung, IAB current reports 6/2015, http://doku.iab.de/aktuell/2015/aktueller_bericht_1506.pdf).

IV. Chances of a positive incentive system for municipalities to take in refugees

In the context of any future regulation, a distinction must be drawn between war refugees pursuant to the Geneva Refugee Convention, asylum seekers and what are known as economic migrants, who could often, however, more correctly be designated as refugees from poverty who flee in order to survive.

Moreover, different procedures have to be chosen, depending on whether the refugees are asylum seekers, war refugees or economic migrants who have already arrived in the EU, or refugees who want to come to the EU. In the second case, it needs to be clarified where they are to be admitted and checked. While some policy-makers only want to set up admission ‘hot spots’ of this kind outside Europe, which would make all refugees seeking to enter Europe illegal, others want to set them up in the EU countries of arrival.

The matter cannot be regulated without an EU-wide agreement on the procedures governing asylum seekers and war refugees as well as on the entry of economic migrants. Furthermore, the Dublin Regulation, which is divisive for structural geographical reasons, should be replaced by a regulation based on solidarity if the EU does not want to shift all the refugee costs to the Mediterranean countries of Greece, Italy, Spain and Portugal.

Since all the Europe-wide quotas, i.e., top-down distribution of refugees among the nation states, proposed by the Commission, some of which have already been decided by the European Council, have so far failed (including in Bratislava in September 2016), and may also fail in future because of decisions taken by the refugees themselves, the only remaining **realistic alternative** is to create a **positive incentive system** – not a system of penalisation! – that will achieve the following:

1. help the nation states to comply with the assurances they gave in September 2015 and the commitments they entered into under EU law;
2. ensure that the arrival of refugees is in the municipalities’ own interest and that they can apply to take them in;
3. thereby create a ‘bottom-up’ demand, to replace the ‘top-down’ distribution system that is not working;
4. free the national governments from the propagandist pressure of right-wing parties by enabling them to point out that the municipalities – and therefore other citizens – are acting voluntarily and in their own interest;
5. be based on voluntary action by the hosts and also by the refugees and, therefore, be effective.

Ways and means:

We should create a **European** (definitely not national, not regional and not country-specific) **financing basis**, so that European municipalities that are willing to do so can apply for funding to take in recognised asylum seekers and war refugees and, where appropriate, economic refugees/migrants. One special incentive that should be introduced is a substantial add-on to the reception and integration costs alone, to enable the municipalities to organise the integration of refugees in the longer term with a view to investment in job-creation and infrastructure investment in education and training, housing, etc. That is worthwhile, because in any case we urgently need a boost for sustainable growth, which cities and municipalities are particularly well-placed to identify. The need for personnel could by itself create a substantial number of jobs and generate demand and tax revenue (as happened in Germany in 2015).

Legally, authorisation to admit refugees remains with the nation states. Indeed, hitherto the funding by the Commission in Brussels has been via national agencies (e.g., in Germany via the Federal Office for Migration and Refugees – BAMF – in the case of refugees). That is why in general cooperation between the nation states and the municipalities is in both their interests. If we want to achieve the decentralised admission of refugees, we can invite European municipalities as a whole to apply to take in refugees on the basis of a funding system yet to be organised. The states concerned must agree to the municipalities taking in refugees and national committees could be set up to decide on the applications to do so. They should set up multi-stakeholder advisory boards (from politics, business and organised civil society, including unions and churches) to make the preliminary selection, so that the choice is not simply based on ‘bureaucratic’ or economic efficiency criteria. Where appropriate, these multi-stakeholder advisory boards could also evaluate the programme as a whole.

The object of the strategy and the necessary funding is not to ensure quick and high returns but – in line with the new concept of **social impact investment** – to link up social, political and economic sub-targets. They include:

- investment in projects that bring the residents of municipalities together; despite belonging to different sectors of society (politics, business, organised civil society), they must agree, on the basis of a multi-stakeholder approach, on the decision to apply for funding;
- reducing unemployment among the existing residents of the municipalities thanks to sustained ‘tailor-made’ growth;
- including an anti-corruption component (e.g. Transparency International’s ‘Local Integrity System’ programme);
- a strategy to integrate new arrivals and long-established residents and to integrate both in the labour market;
- reviving the sense of European identity and belonging, as a result of direct EU funding of civil participation in the municipalities;
- renewal and revival of the legislative foundations of the EU by offering refugees realistic prospects of legal entry into the EU.

V. Central issues to be resolved

Of course, a number of open questions need to be resolved if this idea is to become a reality – alongside the distinctions set out above and the corresponding regulations for the different categories of refugees and for those who are already in the EU and those who still want to enter the EU:

1. How is a programme of this kind to be funded?
2. How can the EU Member States be convinced that it is also in their interest for the municipalities voluntarily to take in refugees?
3. How can the interests of existing residents be reconciled with those of the refugees?
4. How can the interests of the respective European municipalities in taking in refugees be brought together with the refugees' interest in living in a given location?
5. Would a resettlement programme of this kind lead to a rise in the number of refugees then wanting to come to Europe?

1. How is a programme of this kind to be funded?

In recent months the European Commission has published a range of proposals on ways of helping to fund the reception of refugees. The funds for existing programmes have been increased, sometimes by substantial amounts (e.g., ESF, ERDF, AMIF, EFSI under an EIB initiative and fund for non-EU countries). Many of these programmes have specifically been developed alongside new initiatives to strengthen the cities and municipalities. Particularly noteworthy under the Dutch presidency is what is known as the EU **Urban Agenda** under the **Pact of Amsterdam**. In that respect, the current proposal responds to a fairly recent trend within the EU to give cities and municipalities a greater say.

This programme funding will, however, make it difficult rapidly to mobilise the necessary momentum for a new refugee policy. It is very complex, distributed across various sources with differing time-scales, not transparent and comes with an extremely complicated application procedure. Smaller municipalities will find it very difficult to cope with these requirements. Moreover, they nearly all require co-financing, which it will usually be impossible for potentially applying municipalities to raise. In addition, the programmes often do not run for long enough. Finally, they are all run via national agencies. As a result, municipalities tend to forget that they are EU funded. This means they do not identify them closely enough with the EU.

It would be tempting, at least during a pilot stage, to draw the funding from current programmes that have already been approved or from residual resources. Yet that again would either mean creating a very simplified procedure, institutionalising assistance in applying for the funds, or putting together a small extra fund from the programmes, to which it would be easier for cities and municipalities to apply for funding.

The following core principles should serve as **general funding guidelines**, to help broaden this refugee policy in strategic terms:

1. To ensure that the maximum number of municipalities can apply, a clear initial incentive to provide additional financial support would be needed; but this would only succeed if the municipalities satisfy the requirements set out in the application and are accepted as funding beneficiaries.
2. (Smaller) municipalities would also need to be given assistance in applying for funds.

3. The bulk of financial assistance should take the form of a grant.
4. If the own-contribution principle is to remain, it could be pre-financed by the European Investment Bank (EIB) as an (interest-free) loan with favourable repayment terms, so as not to put the pursued objective of economic growth at risk again.

In all there should be three categories of funding:

- simple grants, as a financial incentive (making up at least one third of the subsequent project amount),
- grants that have been applied for to fund the reception and integration of refugees, and
- long-term loans to top up the own-contribution share of the requested funding.

The funding should be disbursed under a programme running for at least five years, as growth and integration cannot improve more quickly. It could take the form of, for instance, a trust fund set up in a recognised European institution (e.g., the EIB), which would have to comply with specific rules in regard to composition and decision-making.

With a view to rapidly creating a distinct profile, the first step could be a **pilot or demonstration project**, if it proves possible, for example, to muster a significant group of cities and municipalities that want to apply to take in refugees under the specified conditions. Under such a pilot project, the 160 000 refugees whom the Council decided to admit in September 2015 and who have still not been resettled could resettle in a location not necessarily determined solely by the nation states.

A fund could be set up for these refugees from Relocation and Resettlement Scheme resources, managed by the EIB, which could be topped up with EIB resources (loans). These resources should be paid interest-free and repaid after five years (in proportion to the profitability of the allocated funding). The decisive point is this: in general there would be no need for co-financing by the cities and municipalities.

2. How can the EU Member States be convinced that it is also in their interest for the municipalities voluntarily to take in refugees?

As a rule, it is worth appealing to the nation states' potential interest in taking in refugees. This is more likely to succeed if states can expect that taking in refugees will also give them access to, for example, public financial support for their infrastructure. For the nation states, it is also a question of their power to act as the European Commission's sole first contact. That is why it will be difficult to establish any direct communication between the cities and municipalities and the European Commission.

National governments that would be prepared in principle to take in refugees but will not agree to do so for fear of their far-right parties or because of financial constraints would then have an opportunity, alongside the funding and the attractive prospect of growth, to point to the interests of their citizens in the municipalities. That will save them from being branded by the far-right as 'those up there'. Under the possible pilot project mentioned above to resettle the 160 000 refugees that it has already been decided to admit, the national governments would not immediately have to expose themselves politically by approving new refugee quotas. They would no longer have to worry that they will strengthen populist parties by saying they are willing to accept the promised refugee quotas for which the municipalities are applying.

In the case of ideologically motivated national governments, this strategy offers an opportunity because it is more difficult for them to refuse to accept refugees in general if the municipalities say they want to take them in, because it is in their own interest to do so. That would change the situation in terms of legitimacy and create a political impetus in the nation states that would stem the renewed tide of national prejudice (the central and eastern European states are not showing solidarity).

If national governments want to maintain a credible EU that actually implements its decisions, this strategy can make a decisive contribution.

3. How can the interests of existing residents be reconciled with those of the refugees?

In view of the demographic changes, there are many incentives for municipalities to secure their future and their infrastructure and develop it by increasing their population.

Moreover, the proposed regulation (see above) should also provide that municipalities willing to take in refugees must reach a joint decision through a system of governance based on broad participation by municipal political representatives, organised civil society (including union and church representatives) as well as company representatives. This will ensure that there is solid support in the municipalities for taking in refugees. This decision would have to relate to projects that also strengthen internal cohesion in the municipality. It could also be a means of overcoming at grass roots level the gulf that exists between employers and workers in many European countries and makes it difficult to respond flexibly to the challenges of the future.

The attraction of this strategy is that in the first place the reception of refugees coincides with the material and non-material interests of established members of the community. It undermines the accusation that refugees are being preferred to them. That reconciles humanitarian motives with own interests.

Once the integration measures showed signs of success, the members of the community would perceive the social and non-material benefits of this initiative.

4. How can the interests of the respective European municipalities in taking in refugees be brought together with the refugees' interest in living in a given location?

Much depends on what the municipalities willing to host refugees can offer them. Refugees very often want to move to large cities where they have social connections with relatives and friends and hope there will be better jobs available. If smaller communities are to become more attractive, they should initially be able to offer to take in fairly large, coherent groups of refugees (to form a nucleus). That will not lead to the formation of ghettos, especially in smaller communities, provided the municipalities offer an attractive integration strategy. This includes not just financial resources but also a sound infrastructure in terms of housing, education and training, and jobs. It is also important to offer refugees a chance of 'ownership', for instance to acquire their own home by their own labour or to take on an important municipal job. Such incentives are also a good way to ensure that refugees who have initially come to a particular municipality do not leave again soon after. Imposing a fixed abode obligation might be a necessary, although perhaps dysfunctional, added incentive.

The proposed integration strategy is another very important factor. It is aimed primarily at offering refugees scope and opportunities to make their own input. In this regard, use must also be made of the comprehensive experience in matters of integration built up by what are known as 'intercultural cities' and other initiatives. Communities should also receive support

for anti-corruption programmes (TI) and for national and transnational European networks that already exist at municipal level. These can further 'deepen' the European Union on a decentralised basis and create a new, hospitable European identity that is close to the citizen.

For their part, municipalities should aim at real clarity and consensus internally as to which refugees and how many they will take in. Job prospects are a very important factor here, both for the refugees and for the municipalities' own economic recovery.

On the one hand, procedures for applying to take in refugees must not be too complicated, but on the other hand conditions should be set that reflect the objectives of successful voluntary integration, the creation of sustainable jobs and sustainable growth, and so forth.

In regard to organising the voluntary matching of municipalities and refugees in general, a first step might be to regulate the situation of the refugees 'stranded' in Italy, Greece and on the Balkan route. An Internet information exchange site could be set up, where refugees could find out what is on offer and could respond to municipal offers. The sooner they say they are prepared to move even to locations they did not initially want, the easier it will be for them to leave camp life.

In general, experience should show who can apply. The answer should not be too restrictive. Proposed answer: all institutional bodies that are willing to take in a minimum number of refugees (say 30?).

5. Would a resettlement programme of this kind lead to a rise in the number of refugees then wanting to come to Europe?

This question calls for a fundamental ethical EU debate on the asylum and refugee issue. The EU Treaties make no provision for the EU to evade its responsibility for refugees, which is prescribed by international law. Experience shows, however, that by far the majority refugees stay close to their place of origin so that they can return as soon as possible. Many of those who seek the right to reside in Europe want to return to their own country once they can survive there in peace. We should reinforce that desire by helping to combat the causes of displacement and giving assistance to the staging posts situated in the neighbourhood. In that respect, it is also up to us whether the migration of refugees increases or not. Conversely, experience shows that countless refugees are not deterred from trying new, dangerous ways of getting to Europe by the hostile conditions with which we face them.

The 'fortress Europe' policy is self-destructive for the EU because it destroys its democratic foundations, and it will not succeed.