

Master in Law and Economics of the Arab Region

Thesis submitted by

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in

**Refugees' economic impact in light of national
legislations of host countries:**

A Panel study on 36 countries

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تحت إشراف

د. سارة منصور و د. نورا البيلى

Declaration

I declare that I have authored this thesis independently, that I have not used other than the declared sources / resources, and that I have explicitly marked all material which has been quoted either literally or by content from the used sources. I acknowledge the supervision and guidance I have received from Prof. Sara Mansour and Prof. Nora El-Bialy. This thesis is not used as part of any other examination and has not yet been published. The submitted written version corresponds to the version submitted via email and on an electronic storage medium.”

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Abstract

The number of refugees is getting higher every year due to the occurrence of more national and international military conflicts around the world. This paper aims at studying the economic impact of refugees on the host countries, taking into consideration the national policies implemented by the governments. The main hypothesis is the following: conditional on the success of the governments of the host countries in implementing integrative policies that allow for equal opportunities, the impact of refugees on these countries' economies will be positive. In order to examine this hypothesis, the paper employs the quantitative methodology, specifically a panel regression analysis, on a total of 36 countries covering different regions of the world depending on data availability during the period from 2010 till 2019. The used dependent variable is the GDP per capita for the host countries. The dependent explanatory variables are the number of refugees, the MIPLEX index to measure the policies and the interaction between both. The key finding of the regression analysis confirms our hypothesis; a positive relationship exists between the economic growth of the host countries, and the high number of refugees when combined with inclusive and integrative policies.

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1. Introduction:

The economic impact of refugees on host countries has been a debatable matter since 1980. However due to the raising military conflicts within and between countries, that lead to mass displacement influx for citizens, more attention has been given in the academic society and among policy makers for such impact and its determinants. The number of forced displaced people has doubled since 2010 to reach 82.4 million by the end of 2020. This number was raised by million and half displaced person by mid-2021, of which 26.6 million are refugees and 4.4 million are asylum seekers in different countries around the world, according to the UNHCR global trends reports¹, which is the highest number ever seen².

In late 2011, civil war in Syria has erupted to be the first conflict that cause such high mass displacements in the recent decade. Accordingly, Syria became the highest country of origin for refugees since then with 6.8 million refugees and asylum seekers in June 2021. According to the armed conflict survey report in early 2021, although the covid-19 pandemic hindered several social and economic aspects, military conflicts was not one of them³.

The above-mentioned numbers were published before the occurrence of two major recent conflicts in Afghanistan and Ukraine. In August 2021, the Taliban group returned to power in Afghanistan after about 20 years of being out of power, to cause around 2.2 million Afghan to flee outside the country⁴. Furthermore, in February 2022, the Russian-Ukrainian war caused another humanitarian tragedy leading to the displacement of around 14 million Ukrainians, of whom more than 6 million crossed the borders to other countries⁵.

¹ UNHCR Global trends - Mid-year 2021, <https://www.unhcr.org/statistics/unhcrstats/618ae4694/mid-year-trends-2021.html>. Accessed May 21, 2022.

² UNHCR, <https://www.unrefugees.org/refugee-facts/statistics/>. Accessed May 21, 2022.

³ The Armed Conflict Survey, 2021 <https://www.iiss.org/blogs/analysis/2021/09/acs-2021-introduction>. Accessed May 21, 2022.

⁴ UNHCR, <https://reporting.unhcr.org/document/2229>. Accessed May 21, 2022.

⁵ UNHCR, <https://data2.unhcr.org/en/situations/ukraine>. Accessed May 21, 2022.

Such civil wars and international conflicts produced significant economic impacts over the host countries especially with around 85% hosted by developing countries according to the UNHCR statistics in June 2021⁶. Different models in receiving and integrating refugees were adopted by the governments, especially with the expectation that the return of the new visitors to their original countries won't be possible in the short term. Some countries choose to set camps as initial residency including Germany, and Italy, with initiating programs to assist in the long-term integration after accepting the asylum request, while other countries let refugees live and interact immediately with the host society on the hope of rapid participation in the economy instead of causing economic burden due to cash support and other social assistances such as Egypt.

Although the economic impact of such raise in population numbers is inevitable, its direction has been a present debate for long time due to the variety of its drivers such as the education level, work experience, language, age structure of the refugees, among other things.

According to Taylor et al. (2016), the main determinant of refugees' impact on host countries is the rules and regulations defining their interactions over various levels. This argument aligns with institutional economic theory that states the importance of the formal institutions in the economic development of the countries and establishing it as a main factor for the variations in development levels among nations (North 1990; Voigt 2019; Olson 1996).

This paper is studying the economic impact of refugees on the host countries considering the national policies and legislations set by the governments of these host countries. The hypothesis that this paper adopts is that refugees could participate in the economic growth of the host countries, instead of being a burden on the national budget or drain its resources. This is conditional however on the host governments implementing integrative policies and

⁶ Ibid

legislations successfully, which create incentives for refugees to participate in the overall growth of the country.

Such hypothesis was tested through running a panel regression model, for 36 countries during the period 2010 till 2019, that measured the relation between GDP per capita of host countries and an interaction term that includes the number of refugees and an index measuring the level of integration for the national policies in each country. The results showed a positive and significant relationship between the two variables. This confirms that the right legal framework matters. Specifically, if the governments of host countries succeeded in drafting and executing the right legal framework to regulate refugees' affairs, they could be an asset that support the economy and participate effectively in its growth.

The rest of the paper is organized as follows. Section 2 presents a review for the related literatures. Section 3 discusses the concepts of integrations. Section 4 views the International and national legal frameworks related to refugees. Section 5 describes the theoretical framework and derivation of the hypothesis. Section 6 describes the used instrument to measure the integrative policies. Section 7 covers the methodology including model specifications and control variables. Section 8 reports the findings of the quantitative analysis (Descriptives and regression model...) and section 9 concludes.

2. Literature review

The effect of the influx of refugees on the host countries is a controversial matter that has been discussed over the time from multiple dimensions including social, economic, political, environmental, and cultural (Kok 1989; Whitaker 2002; Miller 2018; Bernstein et al. 2018). The concern about their economic impact, in specific, started since the eighties in a limited manner (Chambers 1986; Kok 1989). Nevertheless, the recent conflicts in different countries around the world, and in the middle east specifically; the Syrian civil war in 2011 and the Afghani crisis in 2021, draw extensive attention to such matter that several researchers

looked at the expected effects of such refugees' waves on host countries' economies. Moreover, the current Russian-Ukrainian war, and the associated inflows of Ukrainians to different parts of Europe, has revived research interest in this matter.

2.1. Positive economic impact of refugees:

Positive economic effect of refugees on host countries was asserted in most of the related literature. Kok (1989) performed a study on eastern Sudan that involved interviews and questionnaires with the main stakeholders in towns where most of Eritrean refugees are self-settled. The paper concluded that self-settled refugees yielded a positive effect on the local economy of the villages they resided in, unlike other refugees who were settled in camps and settlements established by the U.N. and the Sudanese government.

Taylor et al. (2016), who run an empirical analysis for the economic effect of three refugees' camps in Rwanda, concluded that even if settled in camps, by being given cash aid instead of food, refugees would increase the market interaction in villages surrounding the camps and consequently increase the local business in these villages, in addition to supporting the overall economy by promoting trade with other parts in the country. Their empirical analysis also reached a conclusion that the increase of demand from refugees had a minor effect on the increase of prices.

Moreover, the argument of positive economic effect of refugees on the economic growth of European countries is getting wider by the time as several studies were conducted in response to the recent influx of refugees to the developed economies. In a forecast that was conducted by the IMF support group, Aiyar et al. (2016) affirmed that although the mass influx of displaced people might cause a burden on the economy of the host country in the short term to cover the costs of their necessities such as food and housing, they are expected to have medium

and long term positive effect and participate in the economic growth of these countries with higher percentages in the main destination countries such as Austria and Sweden.

Such argument was supported by Fratzscher and Junker (2015) who concentrated on the effect of refugees on the German economy. They argued that although the refugees seem to implement pressure on the state budget in the short term, they are highly expected to have a positive impact that exceed such costs in three to five years range if they were successfully integrated in the German society. In other words, Fratzscher and Junker affirm that any initial governmental expenditures on refugees (care, accommodation, and integration) should be considered as a long-term investment that will pay-off through time and help in the overall economic growth.

Furthermore, Tigau (2019) conducted an analysis for policies related to skilled Syrian refugees across 7 OECD countries including Turkey (the highest recipient of Syrian refugees), Germany, UK, US, Mexico, and Brazil. He found out that OECD countries are using the refugees' crises for political reasons when they claim that such increase in populations is a burden, while in reality, skilled Syrian refugees are an opportunity for these countries that are exploited to solve long-routed economic issues in their economies.

2.2. Channels for positive economic impact:

The channels of the asserted positive economic effect of refugees in literatures varied through different research. Tigau (2019) offered 2 channels through which leaders of the destination countries are politicizing the skilled Syrian refugees, while their presence could be the saver for the economies of the 7 OECD countries compared in her paper. the first channel she proposed is that they are compensating the brain drain that some countries are suffering from due to internal conflicts as happening in Turkey and the second is the possibility of being the surviving factors for aging economies such as Germany, U.K., and Canada.

Taylor et al. (2016) discusses a different, more initial, and simpler channel for the argued effect, which is the basic market interaction in poor economies, according to his empirical study, market interactions between refugees and locals in villages around the camps in Rwanda, caused an annual increase in income per capita between \$205 and 253\$, in addition to encouraging trade between these villages and other parts of the country by around \$55 and \$49 per refugee annually.

Fratzcher and Junker (2015) supported this linkage in their study regarding the effect on the German economy as they defined 2 channels through which refugees will benefit the overall economic growth. First, through their expenditures which will benefit the business overall the country, and second, through contributing to the labor market. The second channel that referred to their contribution to the labor market is one of the most argued pieces of evidence for the positive effect of refugees overall the literature since the eighties.

Kok (1989), in his paper regarding the impact of Eritrean refugees on the villages in east Sudan, Kok, argued that informal institutions such as sharing similar ethnicity and tribal backgrounds, mitigated the challenges of market integration in the local business such as agriculture and farming, which reflected directly on the overall welfare of such areas.

2.3. Negative economic impact of refugees:

Although most of the literature asserted the positive economic effect of refugees, others contradicted this argument, assuring that refugees will have negative impact on the overall economic growth of the host countries especially ones with developing economies.

Miller (2018) stated that some studies viewed the economic effect of refugees on the host countries as a burden because they impose pressure on its local resources, like for instance adding an extra burden to the services provided by the health and education sectors of the host countries, taking jobs from the natives, and increasing the prices of the housing sector due to

the high sudden demand. She also referred to the possible increase in government expenses for security reasons, including securing borders, establishing camps, and hiring employees to manage the administrative tasks related to refugees.

Additionally, other empirical studies also concluded a negative effect on the short run and long run. Baloch et al. (2017) measure the impact of Afghan refugees on the GDP of Pakistan through the period 1979 till 2014. They found a high magnitude of negative effect on the growth of the Pakistani economy. The study argued that the expected effect of refugees on the overall economic growth of poor host countries will lead to more pressure on these economies instead of pushing it forward.

Baloch et al. (2017) referred to the possibility of fueling the informal sector in the country which needs an effective formulation of more policies to mitigate the cost of large refugees' influx and reformulate their presence for more contribution in the economy.

2.4. Mixed economic impact of refugees:

Other studies discussed mixed impacts of positive results over some sectors and negative ones over others. Whitaker (2002), studied the impact of African refugees on western Tanzania, using data collected through direct interviews and meetings with locals, focus groups, public representatives, and NGOs members. His study concluded that although African refugees might flourish the business market in these countries, they will lead to a dilemma where the poor natives are becoming worst off because of facing difficulties to access basic services such as health and education due to the crowdedness caused by the displaced people.

The study also concluded that although the sudden increase in population leads to significant increase in agriculture production and economic activities, it only benefited already wealth businessman in the villages near the camps, however the remoteness of the camps hindered the spread of such economic benefit to the overall economy of the country, in addition

to causing negative side effects on the environment, consumption of the infrastructure and resources besides increasing crime rate and insecurity, matters that need to be dealt with through extra governmental spending.

Despite the existence of numerous numbers of literature attempting to study the economic impact of refugees, very few looked at that impact through the channel of the national policies of the host country through an empirical study such as Djuve et al. (2019). Moreover, the few studies that did a cross country analysis for different national policies and their contribution to refugees' positive integration, such as Neureiter (2019), focused on developed countries in Europe and the U.S separately.

This paper thus tries to bridge the gap in the literature by comparing the different national refugees' policies across countries in different regions of the world. The aim is to assess the role of these policies in channeling the impact of refugees, especially the recent waves, on the GDP of the host countries through an empirical analysis.

3. concepts of refugees' integration:

3.1. Definition of integration:

An anchor when it comes to the definition of integration of refugees and immigrants in host country is one that was established by Robinson (1998). Robinson advocated that *"integration is a chaotic concept: a word used by many but understood differently by most"*. He stated that it is unnecessary to unify a definition for such concept believing that it is *"individualized, contested and contextual"*.

Castles et al. (2002) referred to similar approach when he argued that integration is a broad and complex process in a way that makes it difficult to define it in a precise manner, but as an addition, Castle and his fellow researchers added an addition though; by stating that

integration is a two-dimension process that requires effort from both sides, the immigrants, and the host society.

Other researchers partially affirmed Robinson's theory (1998) and Castles et al. (2003), when stated that host societies should accept the newcomers and allow them to interact with the society, while keeping their original cultural and social identity. Hassan et al. (2019), despite asserting that integration is an ambiguous concept, is considered successful when any systematic negative biases are eliminated between the refugees and host societies.

Such concept of considering integration as a wide process that requires efforts from several stakeholders was argued by other socio-cultural theories, sociologists, and social policy researchers (Favell 1998; Ager and Strang 2008). They all agreed that integration is a process that includes several actors whether it is a two-dimensional process of the immigrants and refugees' communities with the host societies, or a multidimensional one that, in addition to these two, includes decision makers through drafting the national policies, NGO's, formal and informal institutions.

3.2. Dimensions of integration:

Despite the arguments about the broadness of integration as a concept and the difficulty of its identification, its importance as a key factor for public discussions and setting policies that manage refugees' matter in the host countries urged several researchers to put significant effort in identifying what could be considered "successful integration", with referring to four main sectors: education, labor market, health and housing (Castles et al. 2002; Fyvie et.al 2003; Ager and Strang 2008; Cheung and Phillimore 2013).

Ager and Strang (2008 P: 170), in their work that included reviewing and analyzing large number of literatures related to integration indicators in addition to analyzing survey data

to develop indicators that could help U. K’s home office to develop the appropriate integration policy, defined 4 main essential domains for successful integration as presented in figure 1:

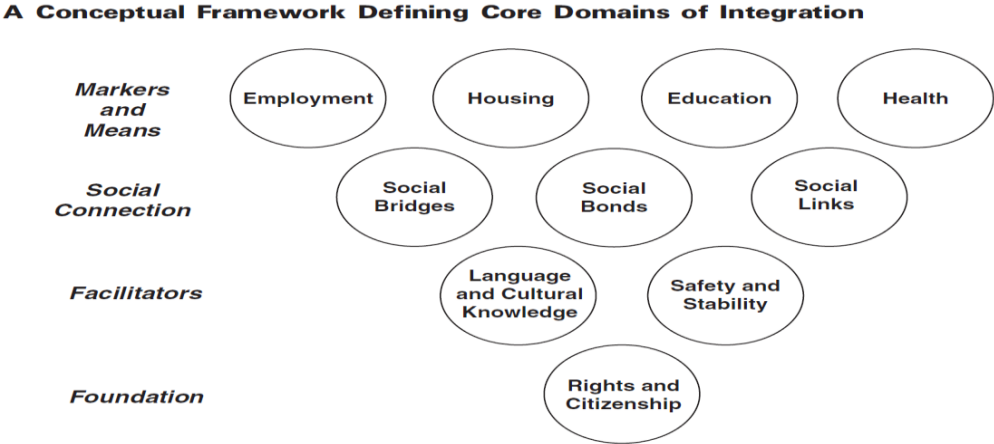


Figure 1: Main domains for successful integration

In Figure 1, they gathered most of the argued factors as essentials for successful integration, including ones related to formal institutions such as access to public services, education, health, the ability to be employed and treated equally in the labor market, along with the informal institutions such as language, culture and social bonds, a theory that was supported by other researchers (Cheung and Phillimore 2013; Hebbani et al. 2017; Hassan e al. 2019).

3.3. Integration policies and Economic effect:

Despite the contradicting findings about the refugees’ impact on the economies of the host countries, one thing that almost all studies pointed at and agreed upon was the importance of effective related policies that mitigate the possible negative effects and encourage the integration of refugees in local societies and labor markets to maximize the positive ones.

Djuve et al. (2019) performed an empirical panel study with the aim of detecting the effect of the national Austrian policies related to refugees and asylum seekers over the Austrian economic growth. The study included several European countries and reached a conclusion of positive impact caused by immigrants and refugees to the GDP of European countries in general and the Austrian in particular.

Another study that was conducted by Tigau (2019) regarding the German policies, pointed out that settling asylum seekers who reach Germany in camps as soon as they arrive for about six to nine months till they are granted the refugees status is expected to have a bad effect over the overall economy. Their main argument was that during this period, asylum seekers will not be able to work, have education or access any of the social services of the country which cause financial burden over the national budget without compensating it with economic contribution.

On the other hand, Qi et al. (2021) discussed the positive effect of the modification adopted by the Swedish government in 2010 that focuses on establishing more incentives for refugees to participate in the labor market which the authors called “*the Carrot Approach*”, instead of setting barriers such as reaching certain level in proficiency for the language of the country. The study showed that such modifications in policies yield to positive effect on refugees’ income that intensify over time.

4. Refugees legal Framework and instruments:

4.1 International and regional instruments:

Article 14 (1) of the 1948 Universal Declaration of Human Rights states that “*Everyone has the right to seek and to enjoy in other countries asylum from persecution.*” (U.N., 1948)⁷. This article was the first international response to the dilemma of Irish citizens who were forced to seek new homeland for about 150 years and were met with rejection from several societies⁸.

⁷ The Universal Declaration of Human Rights declared (1948).

⁸ Mary Robinson, “Countries can enrich themselves by welcoming refugees”, Refugees Magazine issue 111, March 1, 1998.

<https://www.unhcr.org/publications/refugeemag/3b80e2a74/refugees-magazine-issue-111-universal-declaration-human-rights-50th-anniversary.html>. Accessed May 13, 2022.

Following to this article, the 1951 U.N. refugees' convention⁹ was issued to be the first international comprehensive document establishes the asylum seekers and refugees' definition, in addition to the principle of non-refoulement along with other corresponding rights and exclusion determinants for international protection seekers. Even though this convention was mainly formatted to protect European citizens who had to seek protection outside the borders of their countries due to the horrors of World War II, and only 26 countries joined it at this time, in addition to formatting several related regional agreements over time, The convention and its complementary protocol recognized in 1967¹⁰, remained the main binding reference for countries who signed it and the main guide that should be followed when drafting the national refugees' laws and policies regardless of their country of origin, with 145 ratified states by now¹¹.

According to article 1 (A) (2) of the convention, the asylum seeker is defined as a refugees if the person *“has well-founded fear of being persecuted for reasons of race, religion, nationality, membership of a particular social group or political opinion, is outside the country of his nationality and is unable or, owing to such fear, is unwilling to avail himself of the protection of that country; or who, not having a nationality and being outside the country of his former habitual residence as a result of such events, is unable or, owing to such fear, is unwilling to return to it.”*

The remaining clauses of the 1951 convention and its protocol defined the basic rights and obligations of refugees, such as founding the right of non-refoulement, along with asserting upon basic civil rights as non-discrimination and freedom to practice religion in addition to education, voluntary repatriation, and having access to the justice system besides labor market.

⁹ the U.N. 1951 refugees' convention.

¹⁰ <https://www.refworld.org/docid/3ae6b3ae4.html>. Accessed May 30, 2022.

¹¹ “What is the 1951 Refugee Convention—and How Does It Support Human Rights?“, July 24, 2021. <https://asylumaccess.org/what-is-the-1951-refugee-convention-and-how-does-it-support-human-rights/>. Accessed May 13, 2022.

Moreover, it compelled refugees to conform to the laws and legislations of the host country, in addition to decisions needed to maintain the public order set by local authorities of the country they are residing it also excluded those who performed massive human rights violations or committed war crimes from gaining the international protection as a refugee.

However, due the broadness of concepts founded by the convention and its protocol, other regional and international conventions and declarations were adopted. Two of the main related regional instruments are¹² the 1984 Cartagena Declaration¹³ (among Central American states, Mexico and Panama) and the 1969 Organization of African Unity (OAU) convention¹⁴ (among African states).

These two agreements are considered the most referenced when it comes to drafting national legislations in the ratified countries. Their clauses are interplayed with the principals stated in the 1951 convention and its protocol, yet they attempted to specify some of their widen definitions and procedures related to the rights and obligations of refugees including engaging in activities against any of the member state, the necessity of cooperating with the government of the host country and the UNCHR office, in addition to defining the travel documents could be issued in accordance with the related regional specifications.

4.2 Integrative policies and National legislations:

Evaluating and analyzing Refugees' national policies set by host countries has been a deep-rooted debate, though, due to the increasing numbers of refugees over the past years, host countries have been performing some real attempts to balance between their obligations according to the international and regional agreements from one side and establishing

¹² https://www.oas.org/dil/1984_cartagena_declaration_on_refugees.pdf. Accessed May 30, 2022.

¹³ The Cartagena Declaration (1984).

¹⁴ The Organization of African Unity (OAU) convention (1969).

integrative policies and programs that is convenient for their national requirements and conditions from the other side.

As referred above, integration is considered as a dynamic process that requires the contribution of various stakeholders to achieve the ultimate outcome from the presence of refugees in the host societies without forcing them to give up their own culture and social norms. Yet, the real challenge for the host countries is to draft and implement legislations and programs that achieve such integration according to its own social and economic capabilities and specifications. According to the UNHCR report issued in 2013, there is no single national model that could be applied to all host countries due to differences in cultural, social, economic, and political contexts for each one. Yet, it was asserted that certain levels of socio-economic needs must be achieved by national programs and policies for refugees in the national adopted model.

According to Patriarca (2018) there are 2 types of models for drafting refugees and migrants' integration policies that was adopted by countries with colonial past such as U.K and France. The first one is the assimilationist model which direct immigrants and refugees to adopt the culture and context of the host society as a replacement of their owns. The second one is the multicultural model which aim at promoting equal opportunities and respect diversity and acceptance of different ethnicities and culture. In her paper, Patriarca (2018) provides an in-depth analysis for the two models and the expected outcomes from each one. Moreover, she referred to a more progressive model that is recently adopted, which is the civic integration model that asserts the importance of fully integrating refugees and immigrants in all aspects of the society through policies that target all the involved groups.

Such progressive model was mainly adopted by the European union and led to setting certain indicators through which integrative policies could be defined and measured successfully. According to the European council of refugees and exiles (ECRE) report 2002, the main determinants of measuring the integration policies should evaluate and measure the

programs related to freedom of movement and travel documents, voting rights, anti-discrimination, family reunion and access to education and health services and labor market. In the next section, some examples of the models adopted by host countries are discussed; 4 European countries and U.K., U.S.A, and Turkey.

4.2.1 European countries:

A significant level of variation could be observed among European countries when it comes to national refugees' integration programs or policies. The IMF report prepared by Aiyar et al. (2016), compared the related policies of four countries in the European region, Italy, Germany, Sweden, and United Kingdom. It showed differences in several strands and similarity in few. For instance, when it comes to granting work permit after applying for asylum application and before the decision is made, Sweden allows asylum applicants to access the labor market freely without a work permit if certain conditions are met. On the other hand, Germany and Italy grant it after 2 to 3 months, while in U.K. asylum seekers may be granted a work permit after 1 year if the decision is not made by then.

Moreover, unlike Sweden and Italy that allows the applicants to apply to any available vacancies, U.K. restricted the available vacancies for asylum seekers to a short list named "shortage occupations". A different type of exclusion was also established by the German governments, as during the first 15 month of residency for an asylum seeker, an employer must provide evidence that they were unable to find the right candidate from what so-called preferred employee (German, European Citizen, or a recognized refugee) before hiring an asylum seeker.

Another European country that adopted a restrictive program is Austria. According to Djuve et al. (2019) the Austrian policies discriminate extensively between refugees and native citizens when it comes to the entry of the labor market in matters of job recruiting, accessing high wage sector and the paid wages. Their main final recommendation to the Austrian

government was the necessity of establishing a more inclusive policies taking in consideration that current restrictions are harming the economic development of the country.

4.2.2. United states of America:

Unlike several countries around the world, one can't travel directly to the United States to seek asylum through the authorities, however, the person must be referred to the American state department by the UNHCR office after being granted the refugee status¹⁵. According to the U.S. department of state working paper (2017), Refugees matters are dealt with under the mandate of the American "Refugee act" adopted in 1980, which established the "U.S. refugee admissions program (USRAP)"¹⁶. The country receives a limited number each year depending on a consultation between the president and the congress, this number was decreased dramatically during Trump's administration¹⁷. After a refugee arrives to the U.S., a resettlement support center places the person in areas where the refugees have relative or friends or with community that shares the same culture context, otherwise the resettlement area is decided by the agency employee based on the refugee profile stated in the report provided by the UNHCR, instead of meeting in person with the refugee.

As the new visitor already granted the refugee statuses, the authorities provide the required document to access the labor market immediately in the chosen area for the resettlement. Nevertheless, refugees must obtain a travel document if decided to travel outside the United States, and in case left without it, the refugee is banned from returning to the U.S.

¹⁵ <https://www.uscis.gov/humanitarian/refugees-and-asylum/refugees>. Accessed May 29, 2022.

¹⁷ <https://www.rescue.org/topic/refugees-america#how-many-refugees-are-resettled-in-the-us-and-who-decides>. Accessed May 29, 2022.

4.2.3. Turkey:

Turkey is considered the highest recipient country for refugees around the world, due to the significant jump in number of refugees in early 2012 due to the close geographical location to Syria. Consequently, the Turkish government adopted the first refugees' law in 2013 under the name "Law no.6458 on Foreigners and International Protection", which came to full effect in early 2014.

The law resolved an earlier issue that contracted the Turkish international obligations according to the 1951 convention and its protocol. One of the main achievements was restricting the administrative detention of refugees, once they arrive the Turkish territory, and define the procedures one can follow to apply for asylum at boarder or removal centers.

Moreover, it set the process of issuing a foreigner's ID number for asylum seekers, to be used in accessing various public services related to the health sector, enrolment at school and vocational courses. An advantage that refugees have according to the Turkish national legal framework, is gaining full access to labor market in the city they are settled in once their application is approved, prior to granting the international protection, the government provide the asylum seekers with a 6 months' work permit after the date of their application.

5.Theoretical framework and derivation of hypotheses:

5.1. Theories related to Economic impact of refugees:

As viewed in section 2, arguments related to the economic impact of refugees have varied across the literature. One strand of the literature expected a positive impact through helping with the brain drain, saving aging societies, increasing market interaction for goods and services (Kok 1989; Fratzscher and Junker 2015; Taylor et al. 2016; Tigau 2019). while the other strand foresees a negative impact through imposing pressure on the countries resources,

increasing expenses related to security and social services, along with the possibility of fueling the informal sector (Whitaker 2002; Baloch et al. 2017; Miller 2018).

Human capital theory was highly present when looking at refugees' contribution to host country economy in general, and to labor market in specific, as one of the main study areas when it comes to economy of refugees. Human capital theory evaluates refugees' contribution through their education, work experience and skills as the main indicator for their advantage or disadvantage for the host country (De Vroome et al.2010; Djuve et al. 2019; Qi et al. 2021). Nevertheless, with the difficulty of providing a proof of their education level and transferring their skills and work experience, refugees are expected to have a negative economic impact under the mandate of the human capital theory.

According to Chiswick (1978), The economic assimilation theory, on the other hand, suggests that if the government managed to reinvest in refugees and provided the convenient options to transfer their old certificates of education and work experience, in addition to providing the adequate training to be integrated in the host country, this will lead to a better participation in the society overtime and will lead to a better economic contribution. Haodong et al. (2021) support such debate when they referred to the importance of setting integrative national policies and regulations that establish the essential environment and allowing equal access to labor market.

Two other theories gained importance in refugees studies; the social capital theory and social identity theory. Such theories argue the importance of social networks, identifies, and backgrounds when it comes to language, culture and norms for the integration of refugees in the society and labor market; asserting the importance of such social aspects as a key factor for assisting refugees in finding jobs, learning skills, and achieving economic independence that will lead over time to positive economic influence (Fyvie et .al 2003; De Vroome et al. 2010; Cheung and Phillimore 2013; Hassan et al. 2019) .

5.2. Institutional Economics theory:

A theory that collectively took into consideration the necessity of setting the convenient policies to give refugees equal opportunities as citizens along with the importance of having the right social connections and ties, is *institutional economics theory* (North 1990; Olson 1996; Williamson 2000; Voigt 2019). According to North (1990) institutions are the milestones that shape the incentives of human exchanges in a society including the economic ones, as they are the constraints that guide human interactions. North asserted their importance for the economic growth stating that “*institutions affect the performance of economies is hardly controversial. That the differential performance of economies over time is fundamentally influenced by the way institutions evolve is also not controversial.*” (North 1990, P.3).

The core hypothesis of the institutional economic theory, as stated by Voigt (2019), is that “*growth and development are decisively shaped by the prevailing institutions*”. He also highlighted that Institutional economics defined the outcome of institutions over the economic development through reducing the possible strategic uncertainty for interaction between people which will cause less transaction costs and promote property rights, and eventually lead to a better living standard. The new institutional economy established the necessity of taking in consideration both the formal and informal institutions / rules to achieve economic development. Voigt also referred to the new institutional economics argument that the degree of which a formal rule (including policies, legislations, and laws) will be enforced is ultimately dependent of its compatibility with the informal ones.

Williamson (2000, p: 597) classified the different levels of institutions in society through 4 levels of social analysis (see figure 2), estimating that each upper level (starting with informal institutions) will affect the one below it (formal institutions). In his paper, He also referred to the expected period for each rule to change and their related theories.

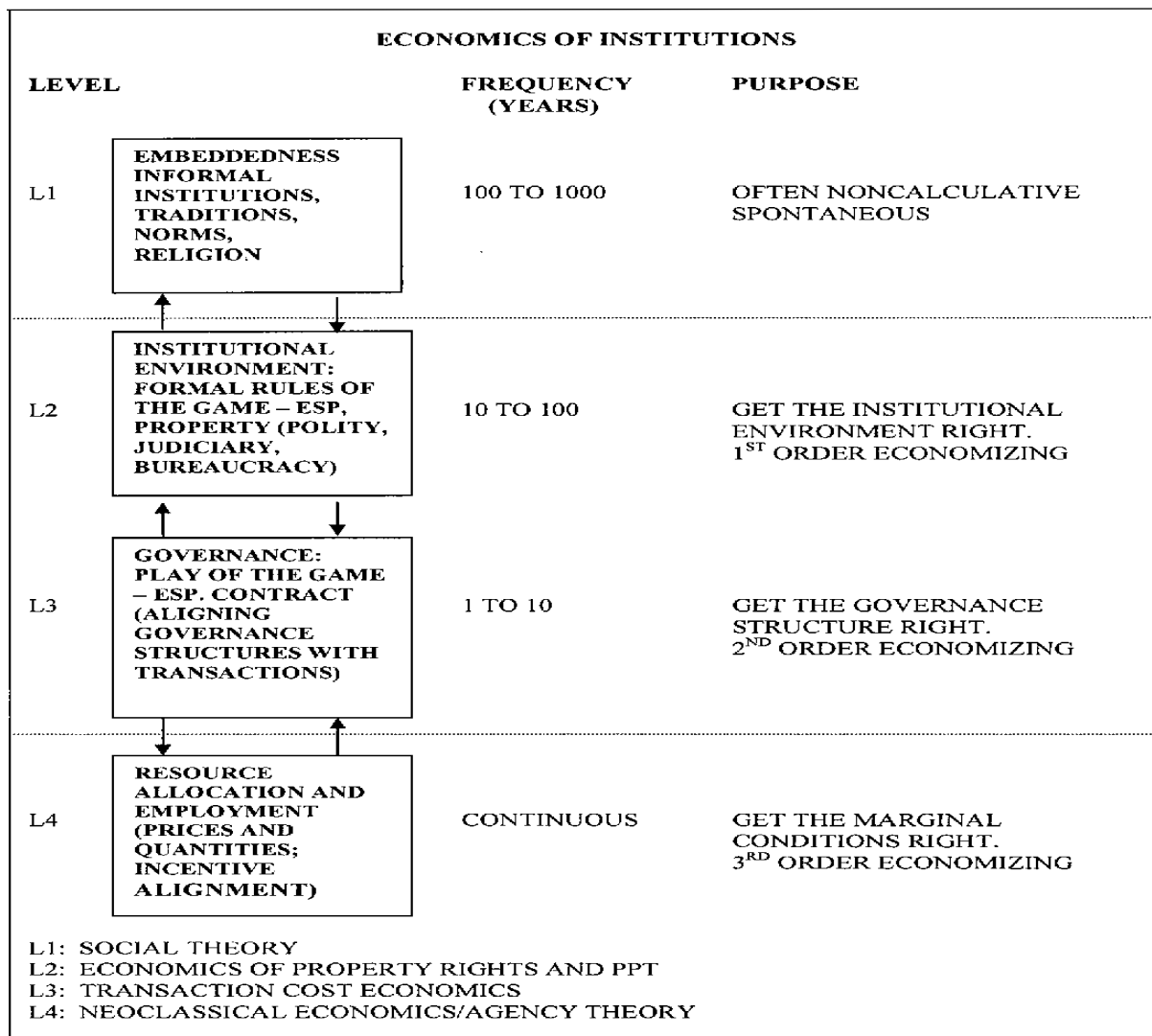


Figure 2: Four levels of social analysis

From figure 2, one can notice that informal (internal) rules are highly controlling the enforcement of the formal (external) ones, also they are not easily changed which proves the essentiality for being taken into consideration when drafting the formal institutions.

Through analyzing the related theories, it could be detected that the impact of refugees can't be judged solely by one of the factors such as their skills, the policies set by the countries, or the welcoming of the original citizens. Although their integration will be determined by these factors combined, it will also be shaped by the interaction between formal and informal institutions. This should urge governments to set related policies and legislations that will be compatible with the informal rules of both refugees and the host community to allow their

integration and consequently maximize their participation and commitment to the formal rules of the whole society (Kok 1998; Smart 2003; Amelina et.al 2016; Tigau 2019).

What could be concluded from the explored ideas of the institutional economic theory is that formal institutions of the host society are essential for the economic impact of refugees as they will be the main determinants for creating high level of incentives and possibilities for refugees to be integrated in the society with its different levels, and consequently be willing and able to participate in the economic development of the host country efficiently. However, for such rules to be implemented successfully and achieve economic prosperity, they must be integrative enough to achieve their purpose.

This idea moves away from the argued debates related to the human capital theory which claim that the economic influence of refugees is solely dependent on their characteristics, skills, and work experience. Such difference between the varying theories points at the necessity of taking being alert to different definitions and dimensions of integration mentioned in section 3.1 and 3.2, when drafting national policies and programs related to refugees.

Additionally, the dimensions of integration referred to above, along with the related theories and definitions matches and complement the defended argument stated by institutional economic theory, that several dimensions including formal and informal rules are essential for achieving the ultimate results from hosting refugees in a country. In this research, the focus will be on the importance of the formal rules set by host countries and governments to integration refugees in multiple sectors of the society to achieve an advantage for the economic development instead of being a liability that weight it down.

5.3. Rule of formal institutions (Integrative policies):

North (1990) affirmed that formal rules can contribute to the effectiveness of informal constraints that reduce uncertainty in the everyday interactions between humans, the drafting and enforcement of such formal rules will, without doubt, promote the economic growth.

Moreover, Olson (1996) argued that poor countries are not able to achieve rapid economic growth and catch up with rich countries, not due to the lack of resources or technological capabilities, but due to their poor economic policies and institutions.

In the European Council on Refugees and Exiles (ECRE) report that was prepared by Smart (2002, P.5), it was declared that *“ECRE considers refugees integration to be the primary responsibility of national and local governments. ECRE believes that the provision of services intended to meet the integration needs of refugees are best developed within the framework of a national integration strategy or national integration law.”*

The report advises the EU countries to build national programs for integrating refugees that achieve 3 main criteria of active participation in different sectors, respect for differences and diversity, and allowing for self-development so that refugees can gain the required knowledge and skills to engage in labor market effectively.

Several researchers touched upon the importance of policies set by the national governments upon several aspects of refugees including their social and economic integrations. Castles et al. (2002) argued that as policies vary through countries there are unlimited aspects through which formal institutions can affect the integration process and the economic impact of refugees. Such aspects would vary between providing citizenship and nationality, reducing crimes, allowing religious customs in addition to providing the sufficient access to labor market and language training.

So, to sum it up, institutional economics theory asserts the impact of the institutions and policies set by governments for the economic growth (North 1990; Olson 1996; Voigt 2019). Olson (1996, P:6) even declared it as the main possible factor for difference in economic performance of the countries: *“Those countries with the best policies and institutions achieve most of their potential, while other countries achieve only a tiny fraction of their potential income”*.

Therefore, we can conclude that a significant determinant for the economic impact of refugees is the ability of the host governments to establish integrative policies, which stimulate refugees integration by taking into consideration their informal institutions along with the ones of the host communities and translate them into effective formal rules, that when implemented fruitfully by all the included stakeholders will lead to maximizing refugees’ participation in economic growth instead of being a burden that weight down the host economies.

Building upon these theories, the main hypothesis of this paper reads as follows:

H1: *“the more integrative the policies implemented by host countries are – in the sense that they give refugees equal opportunities as citizens – the higher the possibility that refugees will have a positive impact over the economies of these countries”*.

6. Measuring Integrative policies:

Determinants and strands that define the integrative policies in the host countries as established by international and European institutions were echoed in the National Integration Evaluation Mechanism (NIEM), a project established by the EU in 2019 to evaluate the integration policies of 14 European countries, the project analyzed the related policies through 3 areas with 13 dimensions that included the legal integration with sub- categories for residency, family unity and access to citizenship, then the socio-economic integration with sub- categories for housing, employment, vocational training, health and social security, followed by the socio-

cultural integrations that included access to education, language training and building bridges. However, as the (NIEM) project is relatively recent and is exclusive for 14 European countries, it won't be convenient for the research question studied in this paper, consequently the Migrant Integration Policy Index (MIPEX), which is another index that was also developed by the EU in 2010 and includes evaluation for 56 countries will be used for our empirical analysis.

The Migrant Integration Policy Index (MIPEX) is the used index in this research to measure the integration level of refugees' policies and legislations set by host countries. It was first established in 2004 as the European Civic Citizenship and Inclusion Index with initiating point of analyzing the relate policies in the EU-15. At this point, the index aimed at setting a comparable format to allow for a matching matrix for integration policies and its results with the related international studies, along with realistic public opinion with targeting a real evaluation for the extent of effective implementation. The project was a result of collaboration between the British Council, Migration Policy Group, Foreign Policy Center, and University of Sheffield, it was also partially funded by the Barrow-Cadbury Charitable Trust and Joseph Rowntree Charitable Trust.

In 2007 the scope of the project expanded to include 25 EU member states plus Norway and Switzerland, furthermore, the finance of the program was enlarged by more partners including the European Community under the European Commission DG Freedom, Security and Justice Integrating Third Country Nationals (INTI) program¹⁸.

The index measures the most recent integration policies and laws in each year according to the highest established standard that allows the maximum equality for immigrants and refugees according the international and European union determinants. Such standards are expected to promote the same level of rights, responsibilities, and opportunities for all residents

¹⁸ <https://www.mipex.eu/history>. Accessed May 14, 2022.

in the country to have an independent and active lives, whether they are immigrants, refugees, or natives. In the cause of establishing such standards, the index depended on Council of Europe Conventions and European Union Directives on the European level, in addition to several international conventions and frameworks established by the U.N. organizations such as UN International Covenant on Economic, Social and Cultural Rights (ICESCR), UNESCO Convention against Discrimination in Education, ILO Convention No. 97 of 1949 on Migration for Employment and ILO Convention No. 143 of 1979 on Migrant Workers¹⁹.

The final copy of the index MIPEX2020 analyzed related policies to 56 countries in order to measure the level of achieving 3 main goals using Categorical Principal Component Analysis, which goes in accordance with the previously mentioned theories and determinants argued by researchers and EU organizations, the 3 dimensions defining the index are²⁰:

1. **Basic rights:** Can immigrants enjoy comparable rights as nationals?
2. **Equal opportunities:** Can immigrants receive support to enjoy comparable opportunities as nationals?
3. **Secure future:** Can immigrants settle long-term and feel secure about their future?

These three areas were translated into a questioner that covers 8 areas with total of 58 indicators²¹. The questioner was answered by national experts in each country (at least one per country), then the answers were revisited by the research team and compared to available public data and legal texts to guarantee that questions are well understood and answered suitably²².

Countries were given a score between 0 and 100, where countries with scores between 80 - 100 are considered to be applying the most Favorable and comprehensive approaches to

¹⁹ <https://www.mipex.eu/methodology> accessed May 14,2022.

²⁰ Ibid.

²¹ For a list of the 58 indicators, check table A1 in the appendix.

²² Ibid.

integrations, while those with score 60-79 are considered Slightly favorable, 41-59 are halfway favorable, and starting from score 40 countries enters the unfavorable classifications, where 21-40 is slightly unfavorable, 1-20 is Unfavorable and 0 is Critically unfavorable. In 2020, Sweden came at the top of the list with score equals to 86, followed by Finland with score equals to 85 while Saudi Arabia has the lowest score of 10 and Jordan has the second lowest score of 21²³.

It is also worth noting that although the title of the index refers to targeting the evaluation of legislations and policies related to the integration of the immigrants, it is highly convenient to the purpose of this study as most of the countries deal with refugees matters under the same mandate set for immigrants. The index also included updated status and analysis of countries that modified their legislation due to the recent influx of refugees such as Turkey.

When reviewing the analysis for the Turkish legislations included in setting its score, it could be observed that the score was raised significantly after the adoption of Turkey's foundational Law 6458 on Foreigners and International Protection in 2014 referred to above²⁴, which states in article 2 that it applies to activities related to foreigners who needs to claim international protection or temporary protection and can't return back to their country they were forced to leave, which matches the same definition of refugees set by the U.N. in 1951 refugees convention²⁵.

The eight policy areas included to evaluate the three dimensions mentioned above are Labor Market Mobility, Family Reunification, Education, Political Participation, Permanent Residence, Citizenship, Antidiscrimination, Health. each of them is measured through number of sub-indicators with total of 58 indicators as referred to earlier. Each of the 8 areas is averaged together to give 8 scores that is averaged one more time to result in the given score for each

²³ <https://www.mipex.eu/key-findings>. Accessed May 12, 2022.

²⁴ <https://www.mipex.eu/turkey>. Accessed May 12, 2022.

²⁵ Turkish law No. 6458 "Law on foreigners and international protection", issued on April 4, 2013.

country. All countries have 3 overall scores, one with all indicators gathered, a second one with all indicators except for education and health standards, and a third one with all standards excluding only the health strand, which is the one used in this study.

These indicators combined measures the level of certainty and feel of safety of immigrant and refugees in each country, which consequently determine their incentive and ability to contribute effectively to the development of the host countries.

A feature that makes this index comprehensive and reliable is including indicators from several areas that would affect the economic development of the host countries directly such as labor market mobility and education and antidiscrimination, along with other factors that will affect it in an indirect manner such as political participation, permanent residence, and access to nationality.

7. Methodology:

To examine the argued hypothesis, I run a panel regression model for 36 countries in various regions of the world including the European union, the United States, Canada, Australia, and Asia.²⁶ The model studies the effect of the change in number of refugees on the GDP per capita growth of the 36 countries, taking in consideration the national legal framework related to refugees set over the period 2010 – 2019, with total of 360 observations.

There are two reasons for choosing the period between 2010 and 2019 to test the hypothesis. First, I want to check the effect of the mass influx caused in late 2011 and early 2012 by the Syrian civil war that caused a mass movement from skilled and educated citizens to other countries in different regions around the world. The second reason, which is related to not including years beyond 2019, is to avoid the sudden and strong drop in the GDP growth of

²⁶ For a list of the countries used, check table A2 in the appendix.

several countries due to the COVID- 19 pandemic in addition to avoiding the unobserved effects of the current Russian-Ukrainian war.

The choice of the countries included in the analysis was dependent on a couple of reasons as well. The first one is the data availability of the MIPEX indicator, although the index included data for 56 countries, not all of them were included since 2010, decreasing the number of countries could be included in the study over the 10 years' timeline. Another reason was aiming at including countries with various average number of refugees, a variety for the number of refugees between countries was accounted for to compare between countries with very high numbers of refugees, such as Turkey, Germany, and the United States in addition to countries with low numbers of refugees such as Estonia, Latvia, and Slovenia.

7.1. Model specification:

Our model, that aims to test the stated hypothesis, is as follows:

$$\begin{aligned} GDPperCapita_{it} = & \\ & \alpha + \beta_1 Ref_{it} + \beta_2 MIPEX_{it} + \beta_3 M_{it} + \beta_4 HDI_{it} + \beta_5 POP_{it} + \beta_6 INV_{it} \\ & + \beta_7 HC_{it} + \beta_8 EDUexpend_{it} + \beta_9 TO_{it} + \varepsilon_{it} \end{aligned}$$

Where our dependent variable is the annual growth rate of GDP per capita (constant 2010 \$) for the studied countries during the period 2010 to 2019. In this model I followed the footsteps of Bolch et al. (2017), who performed a time series analysis to capture the impact of the increasing number of Afghanistan refugees on the economic growth of Pakistan.

Nevertheless, some modifications were performed to their model to capture the impact of the national legislations and its interaction with the change in number of refugees. The model used in this research included 2 additional explanatory independent variables with the number of refugees included in Bolch et al. (2017) model.

Number of refugees (ref.) consist of refugees, asylum seekers and Palestinian refugees in each host country according to the UNHCR data base as recognized under the 1951 Convention relating to the status of refugees or its 1967 Protocol and the 1969 Organization of African Unity Convention. the second explanatory variable is the MIPEX index discussed in section 6, which captures the level of integration achieved by related policies in each country with a score between 0 and 100, while the higher the score, the more the country is moving toward setting favorable and comprehensive legislations.

The third and most important variable for the study is vector M, which is the interaction between the 2 variables (REF. * MIPEX), as a positive coefficient for the vector, with significance level, indicates that the argued hypothesis in this paper is correct, and asserts the importance of the role of the formal institutions in the host countries in maximizing the positive participation of refugees in the economy.

Moreover, the human development index (HDI) was added to the model as a reference to the outcome of the long-term governmental investment in refugees as humans to test the theory argued by Fratzscher and Junker (2015). HDI measures the development of the human being in the country in lights of its policy and legislations through focusing on 3 dimensions: long and healthy life, knowledge, and a decent standard of living. These 3 dimensions are calculated using 4 indicators: life expectancy at birth, mean years of schooling, expected years of schooling, , and gross national income (GNI) per capita²⁷.

According to Elistia et al. (2018), who run a panel model to study the relation between HDI and GDP per capita for 10 Asian countries during the period 2010-2016, there is a positive relationship between the 2 variables. This result was also affirmed by Rahman et al. (2020), who tested the effect of HDI over the economic growth for 25 developing countries and 25

²⁷ <https://hdr.undp.org/en/content/human-development-index-hdi>, Accessed May 15,2022.

developed countries during the period 2000 to 2014. Rahman et al. (2020) results showed a positive effect at 1% significance level.

The hypothesis of this study agrees with the mentioned results from different perspectives, as part of the discussed argument is that any real governmental efforts to investment in refugees, including implementing policies that allow them to be developed as human being, will lead to creating incentives to participate in the economic growth of the host country instead of being a burden and rely on cash support provided by the governments or international organizations.

7.2. Control Variables:

Other control variables were used in accordance with Bolch et. Al (2017) as determinates to the GDP per capita growth: Population growth, Investment, human capital, education expenditures and trade openness.

World bank data base is used as the main source of the data, with exception for the education expenditure that was inserted from the IMF data base for all countries with exclusion of the U.S data that was imported from the American National Center for Education Statistics.

The definitions and measuring criteria of the control variables mentioned above are explained in table 1:

Table 1: Description of the control variables:

Pop	Population growth is calculated as annual population growth rate for year t, expressed as a percentage, and measured based on the de facto definition, which counts all residents regardless of legal status or citizenship ²⁸ .
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²⁸ <https://data.worldbank.org/indicator/SP.POP.GROW?view=chart>. Accessed May 15, 2022.

INV	Investment is Expressed as the Gross fixed capital formation of the country as percentage of its GDP ²⁹ .
HC	Human capital is expressed as people ages 15 and older who supply labor to produce goods and services during a specified period. It includes people who are currently employed and people who are unemployed but seeking work as well as first-time jobseekers ³⁰ .
EDUexp	Education expenditure refers to the total governmental spending over education as percentage of GDP.
TO	Trade openness is defined as the sum of exports and imports of goods and services measured as a share of gross domestic product ³¹ .
ε	The error term

8. Findings:

8.1. MIPEx score calculation:

In table 2 and figure 3, the 360 observations were categorized according to the MIPEx score. It could be observed that around 50% of the observations fall in the halfway favorable category with scores between 41 and 59, and 40 observations for 4 countries (Canada, Finland, Portugal, and Sweden) are evaluated as having “most favorable” policies. For the remaining of the countries, most of the policies have the same classification over the 10 years with few exceptions, such as Netherlands’ policies that was lowered from “slightly favorable” in 2010, 2011 and 2012 to “halfway favorable” for the period 2013 till 2019.

It is also worth noting that Turkish’s policies, with the world highest number of refugees, was classified during the 10 years as “slightly unfavorable” class, though its score changed

²⁹ <https://data.worldbank.org/indicator/NE.GDI.FTOT.ZS?view=chart>. Accessed May 15, 2022.

³⁰ <https://data.worldbank.org/indicator/SL.TLF.TOTL.IN?view=chart>. Accessed May 15, 2022.

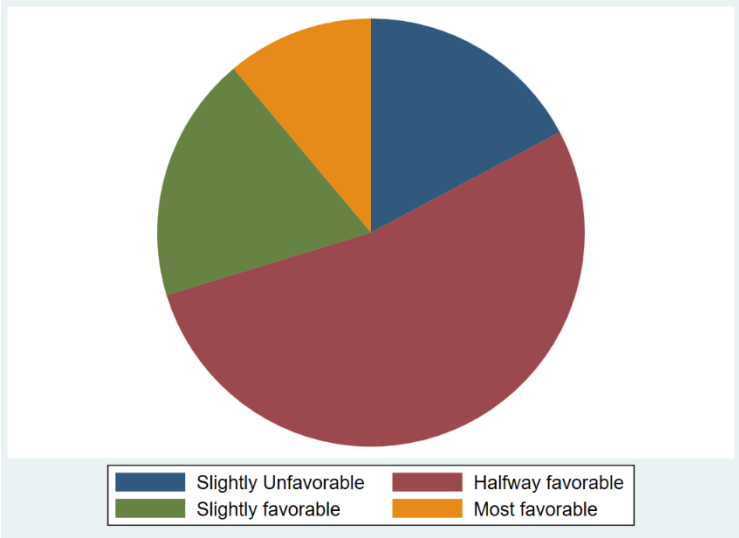
³¹ <https://data.worldbank.org/indicator/NE.TRD.GNFS.ZS?view=chart>. Accessed May 15, 2022.

significantly through years and elevated from 22 in 2010 to reach 39 in 2019 reaching the border line with the next class of the “halfway favorable” policies due to the modifications

MIPEX Classifications:
Table 2

MIPEX Category	Freq.	%	Cum.
Slightly Unfavorable	62	17.22	17.22
Halfway favorable	191	53.06	70.28
Slightly favorable	67	18.61	88.89
Most favorable	40	11.11	100.0
Total	360	100	

Figure 3



performed to the related laws, unlike Germany (the 5th host country worldwide) that continued with scores between 55 and 58 over the 10 years.

8.2. Estimation results:

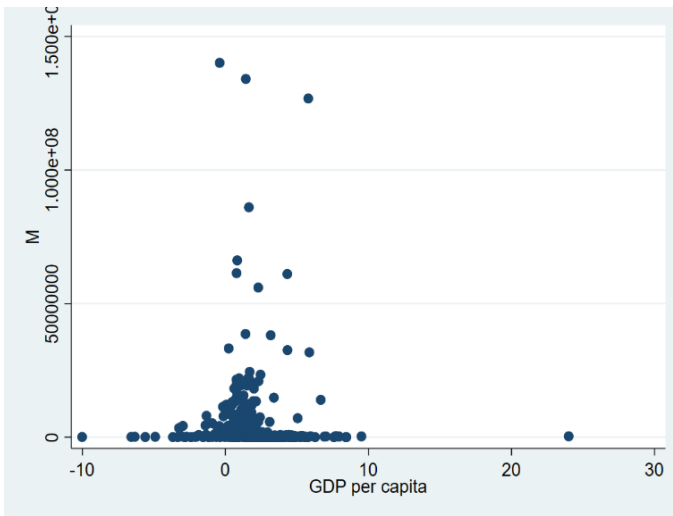
Table 3 includes the main Descriptives for all the used and discussed variables. For the analysis and discussion of our hypothesis, the number of refugees was also expressed as the annual % change, where variable (V) expresses the interaction term for the % change with the MIPEX index. This was included due to the outliers present in the data; number of refugees with the minimum of 31 (Estonia 2010) and the maximum around 3.5 million (Turkey 2018).

Table 3. Descriptive Statistics of Variables

Variable	Obs	Mean	Std. Dev.	Min	Max
GDP per capita	360	1.905	2.582	-10.016	23.999
Number of refugees	360	114858.6	406315.1	31	3681688
MIPEX	360	54.508	15.37	21.535	87.353
M	360	5568989.4	15342908	1464.75	1.401
Population Growth	360	.44	.842	-2.258	3.931
Investment (% of GDP)	360	21.704	4.242	10.135	53.591
Human Capital	360	15884627	28562368	176149	1.673
Education expenditures (% of GDP)	358	5.063	1.011	2.806	7.5
Trade openness (% of GDP)	360	112.07	66.774	26.294	380.104
HDI	360	.892	.042	.739	.957
Annual % change in REF.	360	18.191	96.158	-69.038	1747.292
V	360	767.398	2427.415	-3866.762	37628.19

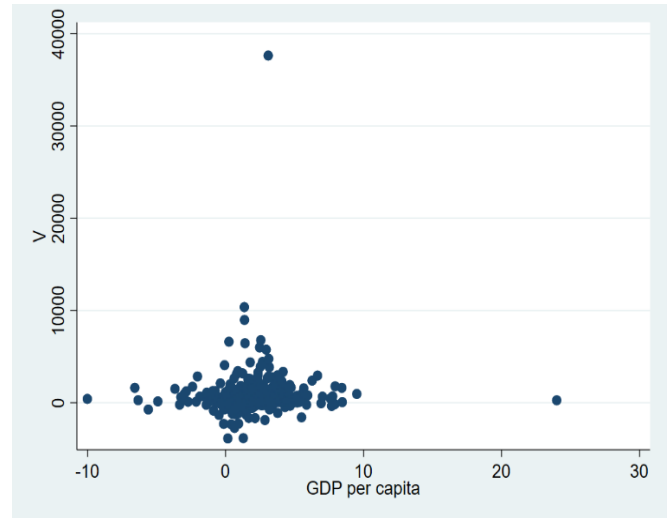
The main interest of the paper is to observe the relation between the annual growth rate of the GDP per capita and the interaction term between the MIPEX index and the change in number of refugees over the years (Vector M). Figure 4 shows a scatter plot graph for the relationship between the GDP per capita and the interaction term M with comparison to the results when it was modified to the interaction term (V), which shows that outliers were decreased significantly when number of refugees was modified to percentage of annual change:

Figure 4: Relation between GDP per capita and vectors M and V



GDP per capita Vs interaction term M

(Number of refugees*MIPEX)



GDP per capita Vs interaction term

(Annual % change in number of refugees *MIPEX)

8.2.1. Diagnostic analysis:

For the used methodology, comparing between fixed effect and random effect models were preferred to using OLS model that ignores the structure of the panel data. Such choice is also preferred to deal with the possible inefficiency of the OLS model including possible unobserved errors and biasness due to endogeneity.

First, the essential diagnostic tests were performed to measure the reliability of the used data. As a start, I measured the variance inflation factors (VIF) to tested for multicollinearity between variables, which is expected to be existing, especially with using an interaction term (M) that is composed of two of other independent variables, the VIF values for all the independent variables were less than 2 which confirm the assumption that there is no multicollinearity between our variables.

Second Fisher-type unit-root test based on augmented Dickey-Fuller tests with 1 lag was performed to be confident that the variables are stationary. The results showed that we can reject the null hypothesis that the panels have unit root and accordingly they are stationary with

exception for HC, so padroni test with 1 lag was used to test for cointegration of its data, where the results failed to reject the null hypothesis of no cointegration.

Finally, as referred earlier from initial observation the data is expected to have some extreme outliers especially when it comes to the number of refugees variation between countries, so the Breusch and pagan test for random effects was used to check for the existence of Heteroskedasticity, the test results matched the expectations that the data is not homoscedastic. Nevertheless, as the main interest is to test if there is relation between higher number of refugees, when interacted with effective legislations, and the GDP growth of the host countries, it was essential to include countries with high variations in the received numbers of refugees, moreover, some of the extremely high numbers are related to Turkey, which is considered the country with the highest number of refugees worldwide since 2012 after the Syrian civil war with around 3 million refugees, so as a solution for the Heteroskedasticity issue, the robust option was used when running the regression model to considerate for the effect of such extreme outliers.

Then the fixed and random effect models were performed with robust option, and Sargan-Hansen statistic test was used to run test of overidentifying restrictions to decide which of them is more convenient, the results showed that the choice of fixed effect model will be more convenient ($p < 0.005$).

8.2.2. Results of the regression Model:

Table 4 includes the estimation results with the robust option, and its results support our argued hypothesis. Despite the negative and significant ($p < 0.01$) correlation between the number of refugees and the GDP per capita, and the negative (but insignificant) relationship between the integration policy index (MIPEX) and the GDP per capita, the interaction of the 2 variables (Vector M) is positively correlated with the GDP growth at significant level ($p < .05$).

This indicated that when integrative policies interact with higher number of refugees, they result in an increase in GDP growth rate.

Table 4: Fixed effect regression Model for GDP per Capita growth between 2010 and 2019 on number of refugees, MIPEX index, Vector M and control variables, using robust option:

GDP per capita	Coef.	St.Err.	t-value	p-value	[95% Conf	Interval]	Sig
Number of refugees	-2.67	7.25	-3.68	.001	-4.114	-1.20	***
MIPEX	-.079	.083	-0.96	.345	-.247	.089	
M	4.56	2.19	2.08	.045	1.01	9.01	**
Human development Index (HDI)	39.331	17.472	2.25	.031	3.862	74.801	**
Population Growth	-.904	.358	-2.52	.016	-1.631	-.177	**
Investment	-.066	.096	-0.69	.493	-.261	.128	
Human Capital	-3.50	2.840	-1.23	.226	-9.26	2.27	
Education Expenditures	-1.932	.733	-2.63	.012	-3.421	-.444	**
Trade opens	.018	.02	0.87	.39	-.024	.059	
Constant	-13.639	15.936	-0.86	.398	-45.99	18.712	
Mean dependent var	1.902		SD dependent var	2.589			
R-squared	0.198		Number of obs	358			
F-test	279.170		Prob > F	0.000			
Akaike crit. (AIC)	1494.283		Bayesian crit. (BIC)	1529.208			

*** $p < .01$, ** $p < .05$, * $p < .1$

The coefficient of the human development index (HDI) is highly positively corrected with the GDP per capita growth at 5% level of significance, which is consistent with the argued hypothesis in this paper and agreed with what was referred to earlier that the overall development of citizens including refugees is a long term investment for the host country and will pay off for its overall economy over time as argued by (Fratzscher and Junker, 2015 and Rahman et al., 2020).

It is held that although the small R², the used model still could be used to support the stated hypothesis, because the small R² would indicate that the model doesn't capture all the determinants of the GDP per capita growth, but still gives us indications about the relationship between the refugees and the national legislations with the GDP per capita.

Table 5 shows the results of other models with robust option, in comparison to the initial one, to look at different formats of the variables, such as modifying the number of refugees per country to the annual % change and accordingly use the interaction term V instead of M. Moreover, in model 4, the MIPEX index and the interaction term were replaced with the indicators composing the overall score of the index. Also in model 3, number of refugees was used as the only explanatory variable which showed the same result of negative correlation with GDP per capita in the initial model and in other studies that included it as an only explanatory variable (Bolch et al., 2017).

Model 2 where vector V was used instead of vector M, showed the same result as the initial model, that increasing number of refugees or the % change of those numbers will have positive correlation with the GDP per capita when supported by the convenient integration policies, such results hold with and without the robust option.

Table 5: Fixed effect models for different specifications of the explanatory variables, with robust:

	(1)	(2)	(3)	(4)
	GDP per capita	GDP per capita	GDP per capita	GDP per capita
Number of refugees	-0.0000267*** (-3.68)		-1.30** (-2.79)	-1.05* (-2.16)
MIPEX	-0.0793 (-0.96)	-0.107 (-1.52)		
M	4.56e-08* (2.08)			
Human development Index (HDI)	39.33* (2.25)	30.45 (1.53)	36.51* (2.20)	29.13 (1.77)
Population Growth	-0.904* (-2.52)	-0.839* (-2.08)	-1.031** (-3.00)	-0.861* (-2.05)
Investment	-0.0663 (-0.69)	-0.0640 (-0.67)	-0.0623 (-0.66)	-0.0740 (-0.79)
Human Capital	-3.50 (-1.23)	-4.87 (-1.50)	-3.11 (-1.22)	-2.45 (-1.16)
Education Expenditures	-1.932* (-2.63)	-1.997** (-2.74)	-1.922*** (-2.64)	-2.066** (-2.88)
Trade opens	0.0178 (0.87)	0.0182 (0.88)	0.0165 (0.74)	0.0296 (1.41)
Annual % change in number of refugees		-0.00714* (-2.50)		
V		0.000279* (2.23)		
Labour Market Mobility				0.0602 (1.34)
Family Reunification				0.0693* (2.57)
Education				0.00861 (0.30)
Political Participation				-0.0405 (-1.80)
Permanent Residence				-0.0302 (-1.21)
Citizenship				-0.0689* (-2.49)
Antidiscrimination				-0.00812 (-0.24)
Constant	-13.64 (-0.86)	-2.023 (-0.12)	-15.89 (-1.15)	-10.86 (-0.75)
N	358	358	358	358
R-sq	0.198	0.196	0.192	0.240

*** $p < .01$, ** $p < .05$, * $p < .1$

9. Conclusion:

Researches and theories related to measuring the impact of refugees on the host countries along with different models of integration policies are expected to have even more attention in the following year. Since the Syrian civil war that caused over 6.8 million refugees (as of mid-2021) all over the world³², other conflicts keep erupting in a manner that demand international cooperation to help those who need international protection, including the recent Afghani crises in 2021 when the Taliban seized back control of the country, and the Russian/Ukraine war that caused the displacement of over 14 million citizens, with around 6 million crossed the Ukrainian's borders to other European countries since February 2022³³.

the purpose of this paper is to discuss the role of the governments in the host country as one of the determinants for the economic impact of refugees. A panel regression model was run using an interaction term that includes the number of refugees over 10 years in addition to the migrant integration policy index (MIPEX), that quantifies the policies and legislations in the studied countries to measure the level of integration achieved through it.

The results showed positive correlation between GDP per capita and the interaction term of the two variables, which support our theory that refugees could be real opportunities for the economic growth of the host countries, if governments managed to establish effective formal institutions that integrate them in the society, instead of targeting asylum applications reduction, with its different dimensions (education, health, labor market, vocational training, civil rights.....). An effective integration program or policy is expected increase refugees' sense of security and stability and create incentive to act as productive residents.

Finally, Although the main purpose of this paper is to capture the effect of formal institutions in the integration of refugees, it is worth noting that some countries, especially

³² <https://www.unhcr.org/refugee-statistics/>. <https://www.unhcr.org/refugee-statistics/>

³³ <https://data2.unhcr.org/en/situations/ukraine>. Accessed May 20, 2022

Egypt, that were not included in the research due to lack of data, managed to achieve high level of integration for refugees based on the informal institutions and giving immediate access to public services and labor market. According to UNHCR data base Egypt host 133,568 Syrian refugees³⁴, however the governmental expectations refer to a way higher numbers, one possible reason for such variation in numbers, could be the course of action adopted by the Egyptian government, who decided to treat Syrians who fled Syria as foreigner instead of obligating them to register as refugees. Although this doesn't give Syrians in Egypt access to cash support from the government or international organizations, it allows them to have access to public services and labor market freely, along with being welcomed by Egyptian citizens due to the strong common informal institutions such as language and culture, Syrians managed to establish successful business and lives with real contribution in the Egyptian economy as affirmed by Hassan et al. (2019).

To conclude, the results of the model strongly support the argument that refugees are not a burden to the economy of the host countries, yet if the host countries managed to implement effective formal institutions to achieve integration policies, and societies welcomed them and didn't meet them with hostility, they could be an asset that support the host economies.

³⁴ <https://www.unhcr.org/eg/about-us/refugee-context-in-egypt>. Accessed May 20, 2022.

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Appendix

Table A: The 58 indicators composing the MIPEX

<p>1- Labor Market</p> <p>Mobility Strand</p>	<ol style="list-style-type: none"> 1. Immediate access to labor market. 2. Access to public sector: <ol style="list-style-type: none"> 2.1. activities serving the needs of the public, Not restricted to certain types of employment or private or public law, 2.2. Are foreign residents able to accept any public-sector employment under equal conditions as nationals?. <ul style="list-style-type: none"> • (Excluding exercise of public authority e.g. police, defense, heads of units/divisions but not excluding civil servants and permanent staff). 3. Access to self-employment: Are foreign residents able to take up self-employed activity under equal conditions as nationals?. 4. Public employment services: What categories of foreign residents have equal access?, (Permanent residents, Residents on temporary work permits (excluding seasonal), Residents on family reunion permits (same as sponsor)). 5. Education and vocational training and study grants, equality of access to: <ol style="list-style-type: none"> 5.1. higher education and vocational training 5.2. study grants 5.3. What categories of foreign resident adults have equal access?, (Permanent residents, Residents on temporary work permits (excluding seasonal), Residents on family reunion permits (same as sponsor)). 6. Recognition of academic qualifications acquired abroad. 7. Economic integration measures of TCNs through: <ol style="list-style-type: none"> 7.1. Targeted training for TCNs other than generic language training (e.g. bridging courses, job specific language training, etc.). 7.2. Programs to encourage hiring of TCNs (e.g. employer incentives, work placements, public sector commitments, etc.).
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	<p>8. Economic integration measures of youth and women through specified programs:</p> <p>8.1. National programs to address labor market situation of migrant youth.</p> <p>8.2. National programs to address labor market situation of migrant women.</p> <p>9. Access to social security and assistance: What categories of TCNs have equal access to social security? (Unemployment benefits, old age pension, invalidity benefits, maternity leave, family benefits, social assistance).</p>
<p>2- Family Reunification Strand</p>	<p>1. Required Residence period for acquiring ordinary legal resident, where „Residence" is defined as the whole period of lawful and habitual stay since entry.</p> <p>2. Eligibility for dependent relatives including parents/grandparents and adult children.</p> <p>3. Pre-entry or immediately post-entry (i.e. in the first six months) measures:</p> <p>3.1. language measure for family member abroad.</p> <p>3.2. integration measure for family member abroad, on the social and cultural levels.</p> <p>4. In-country integration requirement</p> <p>4.1. Form of language requirement for sponsor and/or family member after arrival on territory which could be measured through test, interview, completion of course, or other for country of assessments.</p> <p>4.2. In-country Level of language requirement.</p> <p>4.3. Form of integration requirement for sponsor and/or family member after arrival on territory for the social and cultural levels.</p> <p>5. General requirements:</p> <p>5.1. Economic resources requirement.</p> <p>5.2. Accommodation requirement.</p> <p>5.3. Duration of the validity of permit.</p>

	<p>5.4. Grounds for rejection, withdrawal, refusing to renew status:</p> <p>5.4.1. Actual and serious threat to public policy or national security.</p> <p>5.4.2. Proven fraud in the acquisition of permit (inexistent relationship or misleading information).</p> <p>5.4.3. Break-up of family relationship (before three years).</p> <p>5.4.4. Original conditions are no longer satisfied (e.g. unemployment or economic resources).</p> <p>5.5. Personal circumstances considered, before refusal or withdrawal, due account is taken of (regulated by law):</p> <p>5.5.1. Solidity of sponsor’s family relationship.</p> <p>5.5.2. Duration of sponsor’s residence in country.</p> <p>5.5.3. Existing links with country of origin.</p> <p>5.5.4. Physical or emotional violence</p> <p>5.6. Right to autonomous residence permit for partners and children at age of majority (permit is renewable and independent of sponsor).</p>
<p>3- Education Strand</p>	<p>1. Access to compulsory and non-compulsory education (according to definition of compulsory in each country):</p> <p>1.1. Access to compulsory education is a legal right for all compulsory-age children in the country, regardless of their residence status (includes undocumented)</p> <p>1.2. Access to non-compulsory education (e.g. pre-primary, vocational training and university education): Access is a legal right for all categories of migrants in the country, regardless of their residence status (includes undocumented).</p> <p>2. Access to higher education, as support to access to university education:</p> <p>2.1. Targeted measures to increase migrant pupils' access to academic routes that lead to higher education.</p> <p>2.2. Targeted measures to increase acceptance and successful participation of migrant pupils, e.g. admission targets, additional targeted language support, mentoring, campaigns, measures to address drop-outs.</p>

	<p>3. Educational guidance at all levels, having access to advice and guidance on system and choices at all levels of compulsory and non-compulsory education (pre-primary to higher):</p> <p>3.1. Written information on educational system in migrant languages of origin.</p> <p>3.2. Provision of resource persons/centers for orientation of migrant pupils.</p> <p>3.3. Provision of interpretation services for families of migrant pupils for general educational advice and guidance at all levels:</p> <p>3.3.1. Language instruction, defined as provision of continuous and ongoing education support in language(s) of instruction for migrant pupils, whether migrant pupils may be placed in the mainstream classroom or a separate classroom for a transitional phase:</p> <p>3.3.1.1. In compulsory education (both primary and secondary).</p> <p>3.3.1.2. In pre-primary education.</p> <p>3.3.2. Communicative/academic fluency, where provisions include:</p> <p>3.3.2.1. Communicative literacy (general fluency in reading, writing, and communicating in the language);</p> <p>3.3.2.2. Academic literacy (fluency in studying, researching, and communicating in the language in the school academic setting).</p> <p>3.3.3. Language instruction standards, provision includes quality measures:</p> <p>3.3.3.1. Requirement for courses to use established second-language learning standards.</p> <p>3.3.3.2. Requirement for teachers to be specialized and certified in these standards.</p> <p>3.3.3.3. Curriculum standards are monitored by a state body.</p>
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	<p>4. Measures to address educational situation of migrant groups, through targeted policies to address educational situation of migrant groups:</p> <p>4.1. Systematic provision of guidance (e.g. teaching assistance, homework support).</p> <p>4.2. Systematic provision of financial resources.</p> <p>5. School curriculum to reflect diversity, The official aims of intercultural education include the appreciation of cultural diversity, and is delivered:</p> <p>5.1. As a stand-alone curriculum subject.</p> <p>5.2. Integrated throughout the curriculum.</p> <p>6. Diversity at school.</p> <p>7. Measures to bring migrants into the teacher workforce, measures (e.g. campaigns, incentives, support) to support bringing migrants into the teacher workforce:</p> <p>7.1. To encourage more migrants to study and qualify as teachers.</p> <p>7.2. To encourage more migrants to enter the teacher workforce.</p> <p>8. Teacher training to reflect diversity through professional development programs that require intercultural education and the appreciation of cultural diversity for all teachers:</p> <p>8.1. Topic required in pre-service training in order to qualify as a teacher.</p> <p>8.2. Topic required in obligatory in-service professional development training.</p>
<p>4- Political Participation Strand</p>	<p>1. Right to vote at national and/or local elections, and to stand in local elections.</p> <p>2. Membership of and participation to political parties.</p> <p>3. Strength of national consultive body, through measuring the consultation of foreign residents on national level:</p> <p>3.1. Regular consultation: consultation of immigrant population or of immigrant associations is structurally organized for policies which are relevant for foreign residents.</p>

	<p>3.2. Ad-hoc consultation: consultation of immigrant population or immigrant associations exists but is not structurally organized.</p> <p>3.3. Consultation powers:</p> <p>3.3.1. Right of initiative to make its own reports or recommendations, even when not consulted.</p> <p>3.3.2. Right to a response by the national authority to its advice or recommendations.</p> <p>4. Active policy of information by national level (or regional in federal states) on political participation/political or related rights.</p> <p>5. Public funding or support of immigrant organizations on national level.</p>
<p>5- Permanent Residence Strand</p>	<ol style="list-style-type: none"> 1. Required time of habitual residence. 2. Form of language requirement. 3. Economic resources requirement. 4. Duration of validity of permit. 5. Renewable permit. 6. Periods of absence allowed for renewal, after granting of status (continuous or cumulative). 7. Access to social security (unemployment benefits, old age pension, invalidity benefits, maternity leave, family benefits, social assistance).
<p>6- Citizenship Strand</p>	<ol style="list-style-type: none"> 1. Residence requirement for ordinary legal residents, while "Residence" is defined as the whole period of lawful and habitual stay since entry. 2. Can citizenship be acquired by children born on the territory to nonnational parents or by immigrant children (socialization)? 3. Average of naturalization requirements: <ol style="list-style-type: none"> 3.1. Naturalization language level (Language requirement). 3.2. Citizenship/integration requirement (Test or Interview). 3.3. Economic resources requirement. 3.4. Criminal record requirement, with explaining ground for rejection or application of a qualifying period.

	<p>4. Dual Citizenship: Is there a requirement to renounce foreign nationality before naturalization for first generation immigrants?</p>
<p>7- Antidiscrimination Strand</p>	<p>1. Law covers direct/indirect discrimination, harassment, instruction, and prohibition in the law includes direct and/or indirect discrimination, and/or harassment and/or instruction to discriminate on grounds of:</p> <ul style="list-style-type: none"> 1.1. race and ethnicity. 1.2. religion and belief. 1.3. nationality (nationality/citizenship is a protected ground in national law or established through case law). <p>2. Fields of Applications of Antidiscrimination:</p> <ul style="list-style-type: none"> 2.1. Employment and vocational training. 2.2. Education. 2.3. Social protection. 2.4. Access to and supply of public goods and services, including housing. <p>3. Enforcement mechanisms:</p> <ul style="list-style-type: none"> 3.1. Access for victims to all the following procedures: juridical civil, criminal, administrative. 3.2. Shift in burden of proof in judicial civil or administrative procedures. 3.3. Legal entities with a legitimate interest in defending the principle of equality may engage in proceedings on behalf or in support of victims. 3.4. Including at least 3, 5 and 8 of the following sanctions: <ul style="list-style-type: none"> 3.4.1. financial compensation to victims for material damages. 3.4.2. financial compensation to victims for moral damages/ damages for injuries to feelings. 3.4.3. restitution of rights lost due to discrimination/ damages. 3.4.4. imposing positive measures on discrimination. 3.4.5. imposing negative measures to stop offending. 3.4.6. imposing negative measures to prevent repeat offending.

	<p>3.4.7. specific sanctions authorizing publication of the verdict (in a non-judicial publication, i.e. not in documents produced by the court).</p> <p>3.4.8. specific sanctions for legal persons.</p> <p>4. Specialized Equality body has been established with a mandate to combat discrimination on the grounds of (race and ethnicity, religion and belief, nationality).</p> <p>5. Specialized Body has the mandate to:</p> <p>5.1. assist victims with independent legal advice to victims on their case.</p> <p>5.2. assist victims with independently investigation of the facts of the case.</p> <p>5.3. instigation of own proceedings or investigations.</p> <p>6. Law covers positive action measures for:</p> <p>6.1. introduction of positive action measures on issues of ethnicity, race or religion that could also benefit people of immigrant background.</p> <p>6.2. assessment of these measures (ex. research, statistics).</p> <ul style="list-style-type: none"> • Positive action: is a specific temporary measure adopted in order to compensate/or prevent the disadvantage suffered by a specific group compared to another.
<p>8- Health Strand</p>	<p>1. Legal migrants’ conditions for inclusion in a system of health care coverage.</p> <p>2. Administrative discretion and documentation for legal migrants:</p> <p>2.1. Examples of A: proof of low income based on tax returns; identity documents available only from the police; proof of address from local authority records.</p> <p>2.2. Example of B: Decision made for example by administrators (receptionists, managers, or committees), health workers making clinical judgements about criteria for entitlement such as ‘urgency’, financial departments deciding how rigorously to pursue unpaid bills, etc.</p> <p>3. Asylum-seekers’ conditions for inclusion in a system of health care coverage.</p>

	<p>4. Administrative discretion and documentation for asylum-seekers:</p> <p>4.1. Administrative demands for documents which may be difficult for migrants to produce</p> <p>4.2. Coverage for migrants may depend on decisions with uncertain outcome.</p> <p>5. Undocumented migrants' conditions for inclusion in a system of health care coverage.</p> <p>6. Administrative discretion and documentation for undocumented migrants:</p> <p>6.1. Administrative demands for documents which may be difficult for migrants to produce.</p> <p>6.2. Coverage for migrants may depend on decisions with uncertain outcome.</p> <p>7. Groups reached by information for migrants on entitlements and use of health services (Legal migrants, Asylum seekers, Undocumented migrants).</p> <p>8. Groups reached by health education and health promotion (Legal migrants, Asylum seekers, Undocumented migrants).</p> <p>9. Cost / Availability of qualified interpretation services for patients with inadequate proficiency in the official language(s).</p> <p>10. Involvement of migrants in information provision, service design and delivery:</p> <p>10.1. Migrants are involved in service delivery (e.g. through the employment of "cultural mediators").</p> <p>10.2. Migrants are involved in the development and dissemination of information.</p> <p>10.3. Migrants are involved in research (not only as respondents).</p> <p>10.4. Migrant patients or ex-patients are involved in the evaluation, planning, and running of services.</p> <p>10.5. Migrants in the community are involved in the design of services.</p> <p>11. Support for research on migrant health through funding bodies in the past five years, with focusing on the following topics:</p>
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	<ul style="list-style-type: none">11.1. occurrence of health problems among migrant or ethnic minority groups.11.2. social determinants of migrant and ethnic minority health.11.3. issues concerning service provision for migrants or ethnic minorities.11.4. evaluation of methods for reducing inequalities in health or health care affecting migrants or ethnic minorities. <p>12. Whole organization approach: Migrant or ethnic minority health is a priority throughout service provider organizations and health agencies ("integrated" versus "categorical" approach).</p>
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Table B: List of the included Countries

Australia	Czech Republic	Greece	Latvia	Norway	Spain
Austria	Denemark	Hungry	Lithuania	Poland	Sweden
Belgium	Estonia	Ireland	Luxemburg	Portugal	Switzerland
Bulgaria	Finaland	Italy	Malta	Romania	Turkey
Canada	France	Japan	Netherland	Slovak Republic	United Kingdom
Cyprus	Germany	The republic of Korea	New Zealand	Slovenia	United States of America