

Cities and Refugees— The German Experience

Bruce Katz, Luise Noring, and Nantke Garrelts

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INTRODUCTION

At this year’s United Nations General Assembly, national and global leaders will gather to determine the state of the international humanitarian system and the specific lessons emerging from the European experience. Our message to these leaders is clear and simple: the European refugee project will depend as much on the success or failure of dozens of cities and the actions of tens of thousands of public, private, and civic leaders and ordinary citizens on the deliberations of national leaders. The failure to recognize that fact, and the failure to include urban leaders as critical participants in European and global deliberations, mean that policies will be developed in a vacuum without the benefit of solutions forged on the ground in real time.

SUMMARY

The arrival of large numbers of refugees¹ into Europe poses a significant humanitarian challenge. The scale of the migration, the extent of the human suffering that has driven it, and the political complexities of resolving the situation all add to existing strains within the European Union. The crisis has destabilized the politics of the entire European continent, roiling the political systems of individual countries and threatening the solidarity of the EU as a whole. Leaders in Europe know that they must get a handle on the situation, and fast.

Yet to date, the dominant focus of European decision- and opinion-makers has largely been on the immigration policies and perspectives of host countries. As priorities shift to longer-term economic and social integration, there is an equal, pressing need to focus on the role and actions of host cities. The reality is that refugees disproportionately settle in large cities, where they have better job prospects and existing social connections. Ultimately, it is those communities, rather than national governments, that will grapple with accommodating and integrating new arrivals. The responsibilities facing these cities and municipalities are enormous: how to house, educate, train, and integrate individuals from different cultures, with different education levels, who are often in need of emergency health care and special services.

Municipalities across Europe are faced with these responsibilities during a period of great social unease given the recent terrorist attacks in Paris, Brussels, and Nice; rising tension in everyday life around cultural and religious differences; and growing volatility in local, state, and national politics. In many respects, this complex and contentious environment requires greater, not less, focus on how cities design and deliver successful integration strategies.

To identify the scale of the challenge facing municipal governments, this discussion paper first investigates the flow of refugees and migrants into Germany's 15 largest cities, both in terms of immediate allocation and potential secondary migration. The focus on Germany reflects the central role that it is playing in the European refugee crisis: in 2015, 1.1 million refugees crossed the German border; Berlin received nearly 10,000 refugees in November alone, the peak month of that year. The paper then identifies the distribution of responsibilities and funding across Germany's federal system, the set of tasks that municipalities must undertake to promote social and economic integration, and the ways that German cities are innovating in the delivery of these tasks in the immediate aftermath of the large flows of refugees in 2015.

This paper is the first in a series examining the responses of local government, businesses, and civil society to the refugee crisis. Future research will further explore the city-level responsibilities for social and economic integration, with a specific focus on patterns of housing and social segregation, both within neighborhoods of large cities as well as in small suburban municipalities that surround such cities.

The paper finds that:

1. **In the short term, refugees are proportionately distributed across German regions according to tax revenues and total population.** The federal quota system for allocating refugees to states within Germany strives to be fair, equitable, and efficient, as it distributes refugees in accordance with a long-standing formula for distributing federal resources based on tax revenues and total population. The predictability and efficiency of the system is illustrated by the fact that the deviations from the assigned quota norm are minimal.
2. **By nature of its simplicity, this distribution system imposes unique burdens on large cities, since it does not take into account higher population densities, special housing conditions of these urban communities, or secondary migration patterns.** Germany's large cities face existing pressures around affordable housing, making cost-efficient refugee housing more difficult. Cities also tend to be destinations for secondary migration, as refugees move toward social networks or larger job markets. Finally, the three German city-states of Berlin, Bremen, and Hamburg face unique challenges, including their geographic boundaries, which remove the potential for greenfield development or the settlement of their allotted arrivals in less-populous regions.
3. **Similarly, the current framework for allocating funding and expenditures across federal, state, and city governments imposes uneven burdens on city-states and large cities.** Uniform reimbursement rates from the federal government fail to take into account variations in housing costs, cost of living, and per-capita social service expenditures. Recent federal actions will help ease burdens, but more reforms and appropriations are likely to be necessary.

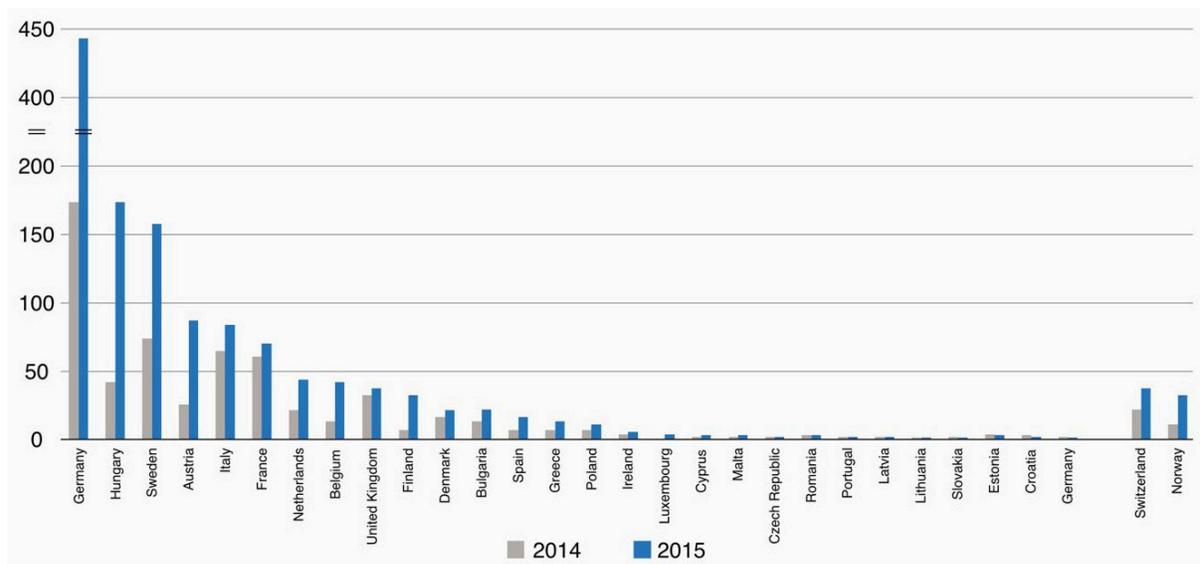
4. **Despite these challenges, as they pursue the numerous tasks of economic and social integration, cities such as Hamburg and Berlin have shown a remarkable ability to innovate in the face of crisis.** Innovations have included an expanded role of civil society, the use of technology to engage community participation, and the rapid building of non-traditional housing. The city-states have also provided an early warning system for the federal republic and helped to reform restrictive federal laws to be more responsive to local needs and circumstances.

5. **The special role played by cities in emergency response and long-term integration requires new policy reforms and institutional practices.** Federal and state governments and networks of local stakeholders should explore reforms that empower cities, speed the replication of promising strategies, and give city leaders a permanent seat at the policymaking table.

THE EUROPEAN, GERMAN, AND URBAN DIMENSIONS OF THE REFUGEE CRISIS

Since 2012, Europe has experienced a dramatic increase in arrivals of refugees. This increase is directly related to conflict and violation of human rights in the refugees' countries of origin and the difficult conditions in frontline states, including Jordan, Lebanon, and Turkey. Together, these three countries host 5 million refugees; Lebanon alone hosts 1 million.² As the situation remains difficult for refugees in frontline states in the Middle East, many have made their way to Turkey in order to enter Europe. Germany has been a preferred destination for many of these refugees. In 2014 and 2015 combined, it received the highest number of first-time asylum applications in Europe in absolute terms—614,745³—and accounted for over one-third of total applications, despite the fact that it is easier to lodge asylum applications in EU border nations such as Greece, Italy, or Malta. The closure of the Balkan route as well as the EU-Turkey deal has slowed the pace of migration into Germany in 2016, from 91,671 arrivals in January to 16,335 in June.⁴

FIGURE 1:
ASYLUM APPLICATIONS SUBMITTED, 2014 AND 2015



Source: Eurostat (online data code: migr_asyappctza)

Refugees do not travel aimlessly, nor are they satisfied with merely arriving at the safe borders of the European Union. Refugee networks share information on countries of transit and arrival and their rules regarding asylum and welfare, and information travels fast through online news, social media, and mobile communications.

And their journeys do not end at a country's borders. Large cities across Europe function as hubs for initial reception and transit, and are often the end destination of the refugees' journeys. These cities deal with the mechanics of integrating refugees in the short, medium, and long term. Public transport routes, expat networks, access to services, media, and simple word-of-mouth direct the largest share of refugees to cities like Athens, Budapest, Berlin, and Stockholm.⁵ It's no surprise, then, that two-thirds of all refugees worldwide live in urban areas, according to the International Organization for Migration's 2015 Migration Report.⁶

The urban concentration of refugees raises enormous opportunities for them and host communities alike. Large cities are hubs of economic activity, offering jobs requiring a broad range of education and skills to new residents, who are also attracted by pre-existing networks of individuals of the same nationality or religious affiliation. Large cities are often responsible for designing and delivering (and, in some cases, financing) services that are critical to the integration process: housing, education, workforce development, health care, language courses, public safety, and extracurricular activities like sports, arts, and cultural events. And the size and density of population enhance the potential for the efficient, integrated delivery of services.

SEVEN TASKS OF INTEGRATION

City-level leaders within Germany, both public and civic sector, are responsible for a number of practical tasks required to welcome and integrate new arrivals. As a recent OECD and European Union working paper on refugee integration found, forced migrants often struggle with integration more than native-born or economic migrants.

1. **Housing.** Municipalities must identify both short-term housing for asylum seekers and long-term affordable housing options for refugees. This can be especially difficult in cities such as Berlin and Hamburg, which already faced existing affordable housing pressures. At the same time, municipalities need to avoid creating segregated enclaves of refugee housing that can be counterproductive to long-term integration.
2. **Education.** Quickly integrating refugee children into the public education system is critical for long-term outcomes. In addition to the challenge of large-scale, mid-year additions to public schools, administrators must place children from very different educational backgrounds, some of whom have little formal classroom education.
3. **German as a second language.** True economic and social integration in Germany requires a working proficiency in the German language; unfortunately, few refugees arrive with any knowledge of it. For refugees above school age, the burden for instruction can fall to nonprofits or civic groups.
4. **Job training and labor market integration.** For working-age adults, entering the workforce as soon as possible is critical for integration. It offers a source of income, increases language acquisition, and provides a sense of belonging. Yet in the past, refugees populations have struggled on this metric—it can take up to 15 years for refugee populations to reach comparable employment rates that economic migrants attain in one or two years.
5. **Physical and mental health care.** Numerous studies have found that refugee populations are at increased risk for serious mental health trauma, including post-traumatic stress disorder, depression, and anxiety, which left untreated can damage the prospects of integration.
6. **Access to services.** Authorities must ensure access to a broad set of services that can be difficult for refugees to access, including, for example, financial services like bank accounts and credit. These difficulties are caused and compounded by language and cultural barriers, in addition to insufficient documentation or status.
7. **Security.** Municipal authorities must maintain a safe and secure environment for both local residents and incoming refugees. While recent events in Europe have obviously raised security concerns about incoming refugees, these migrant populations are themselves vulnerable to increased rates of crime.

Critically, all of these tasks must be approached in a holistic manner that reflects the complementary role each plays: housing segregation can cluster children in low-performing schools with other migrants, reducing their ability to develop German-language skills and putting them at a long-term disadvantage in the labor market. Each task builds upon and intersects with the others.

References: OECD, European Union (2016): How are refugees faring on the labour market in Europe?; European Parliament Directorate General (2016): Labour Market Integration of Refugees – Strategies and Good Practices

At the same time, large cities present special challenges. Population density and, in some cases, low housing vacancies and high housing costs complicate the process of providing shelter to large numbers of new entrants in a city and ensuring that wealthier neighborhoods take their “fair share.” Existing initiatives around, for example, enhancing housing affordability can be side-tracked by the need to respond to the crisis at hand. Most significantly, prior large-scale arrivals of migrants may have unintentionally created segregated enclaves that pose substantial challenges for long-term social integration.

Slowly, research institutions, constituency groups, and policymakers are beginning to recognize the fundamental role that cities are playing in responding to the refugee crisis—in the short, intermediate, and long term. As Franz-Reinhard Habel, spokesperson of the Association of German Cities and Municipalities, pointed out during a panel discussion on the role of cities in refugee immigration: “The cities carry the main burden of integration.”⁷ A report by the EU-wide initiative EuroCities on the response of its member cities to the influx of refugees⁸ noted the potential of effective practices to be invented by one city and then captured, codified, and spread to other cities. On a policymaking level, the Amsterdam Pact⁹ includes the development of an EU Urban Agenda—with immigration and integration of refugees as one of 12 key actions.¹⁰ This June 2016 agreement is one of the few established initiatives at the EU policy level to take into account the perspective of the city.

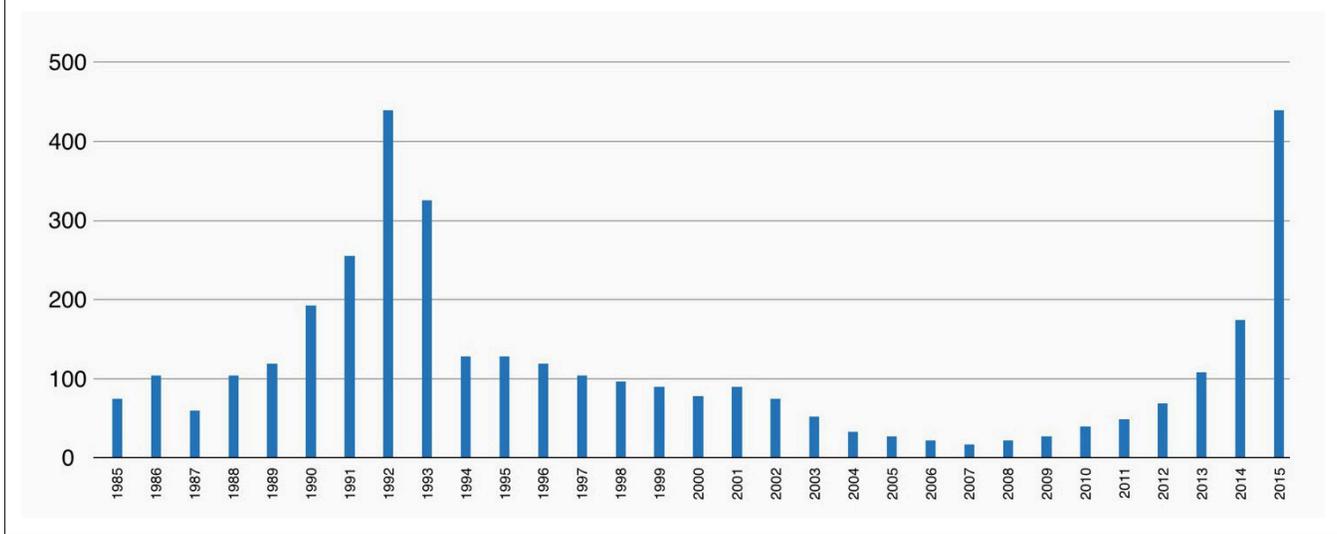
MIGRATION AND REFUGEE POLICY BACKGROUND IN GERMANY

Since the end of the World War II, Germany¹¹ has been shaped by two major periods of migration that have informed the evolution of laws and programs governing the path to citizenship and integration into German society.

The first migration event occurred between 1955 and 1973, when approximately 2.6 million “guest workers” and their families predominately from Turkey, Italy, Greece, and Spain were invited to participate in the manufacturing upswing that Germany experienced during this period. From that point through the 1980s, national laws were highly restrictive and municipalities were left with the task of integrating first- and second-generation migrants into their communities.¹² The strategy of ignoring the challenges of immigration often left migrants and their descendants in socioeconomically marginalized positions.¹³

The second major immigration event occurred in the beginning of the 1990s. As Figure 2 shows, 438,190 asylum applications were filed in 1992—a number close to the 441,800 filed in 2015. During the same year, 390,000 “resettlers” (i.e., ethnic Germans who had emigrated to former Soviet states since the 18th century) also returned to Germany. These immense immigration pressures, coupled with the economic and social challenges of reunification, compelled the national government to modify Article 16 of the German Constitution, which had guaranteed an absolute right to asylum. The Asylum Compromise of 1992 was groundbreaking in that it denied asylum applications from nationals of so-called “safe third countries.” The result, as Figure 2 shows, was a dramatic drop in the number of asylum applications.

FIGURE 2:
FIRST-TIME ASYLUM APPLICATIONS FILED IN GERMANY, 1985-2015 (THOUSANDS)



Source: Eurostat

Starting in the late 1990s, a series of statutory initiatives began to address the realities of large migrant populations and their descendants living in Germany. Reforms to the Act on Foreigners in 2000 offered German citizenship to children born in Germany. In 2005, a new Immigration Law was enacted, followed by the first National Integration Plan in 2007.¹⁴ The 2005 Immigration Law aimed at better integrating migrants by establishing special integration classes and sought to ameliorate the precarious situation of refugees who had insecure residence status.¹⁵ The National Integration Plan identified several fields of action (education, language, labor market, research, gender equality, local integration, culture, sports, media, civil society); set measurable goals for these fields; and devised over 400 specific measures to reach these goals.¹⁶

During the past decade, the main source of immigration has been labor migration in accord with the principle of freedom of movement within the EU. In response, Germany has liberalized its migration laws. The green card for information technology specialists was one of the first steps, in 2000. In 2008, the required minimum income for qualified migrants was reduced from 86,400 to 49,600 euros.¹⁷

In 2015, the federal government presented an Integration Bill specifically targeting refugees. Among other measures, the bill obliges refugees to participate in language education and skills training before they receive their asylum decision.¹⁸ Furthermore, the law lowered barriers to the job market by abolishing preference for applicants from Germany and the EU and granting residence permits for refugees who enter and have finished vocational training. Parliament passed the Integration Bill on July 8, 2016.

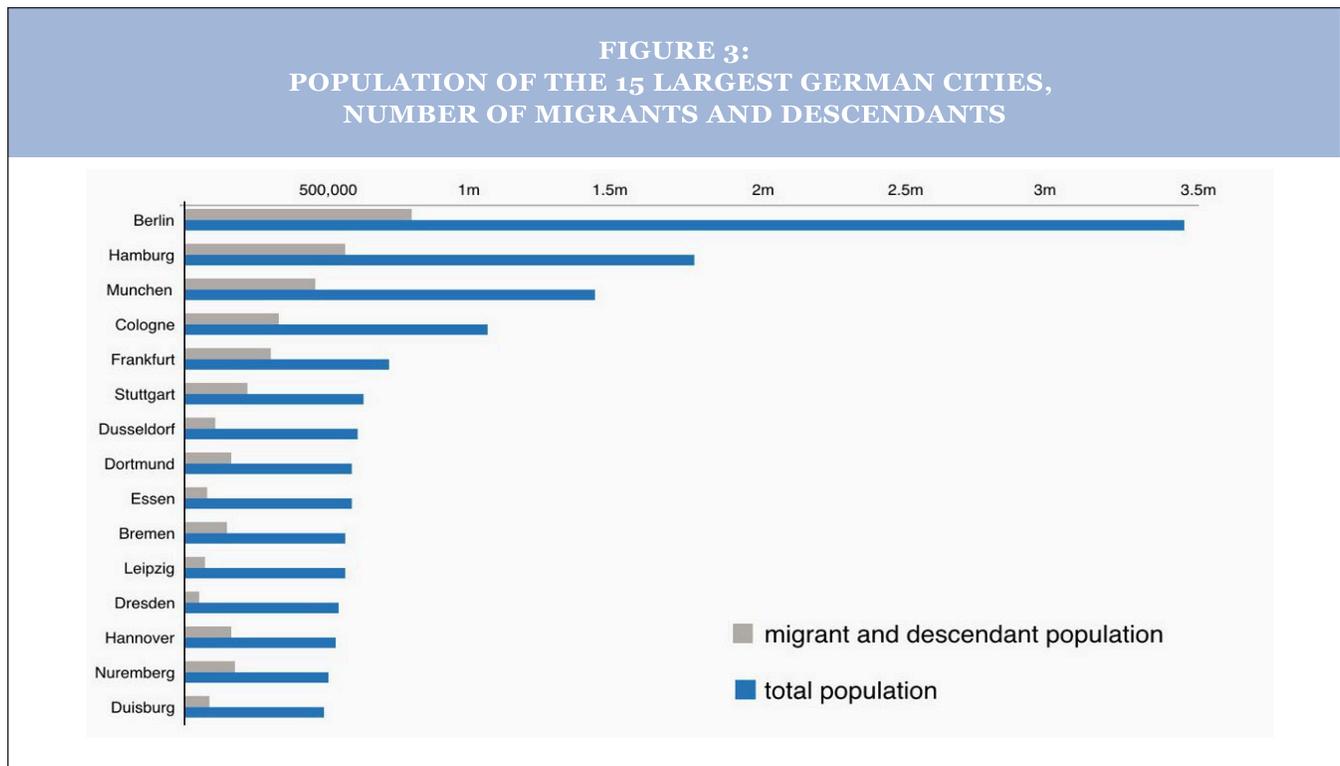
Lastly, in October 2015 and March 2016, the so-called Asylum Packages I and II were passed, amending the Asylum Law significantly. The amendments prohibits family reunification for refugees who do not have full refugee or asylum status. They also enable authorities to deport refugees and migrants who have committed serious crimes, establish fast-track deportation processes for applicants from so-called safe third states who have very low chances of being granted refugee status, and tie the right to asylum welfare to registration in the municipal reception centers in order to motivate refugees to actually travel to the centers they were assigned to.¹⁹

FOCUS OF ANALYSIS

This research investigates the flow, distribution, and integration of refugees into German cities. The unit of analysis is Germany's 15 largest cities, including the three city-states of Berlin, Bremen, and Hamburg. It draws upon real-time quantitative data from the German Statistical Agency, local city governments, local stakeholders, and German media. In addition to quantitative analysis on the flows of refugees, several visits were made to Hamburg and Berlin to witness the implementation of municipal policy first hand.

As in other countries, the 15 largest cities in Germany “punch above their weight” by agglomerating population and economic assets in relatively small geographies. These cities sit on only 2 percent of Germany’s land mass but house more than 17 percent of its population and generate more than 24 percent of its gross domestic product.²⁰

Prior waves of migration suggest that refugees and migrants tend to ultimately settle in cities. As seen in Figure 3, 10 of the 15 cities targeted in this research have a share of migrants and descendants above the national average of 20 percent.



Source: Destatis

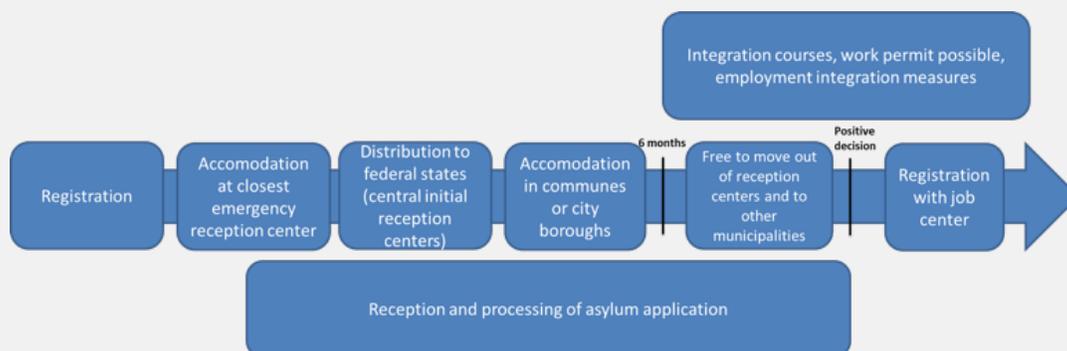
A REFUGEE IN GERMANY—ARRIVAL AND RECEPTION

To properly understand the flows of refugees in Germany and the integration process requires knowledge of the path to becoming a refugee. An asylum seeker arriving in Germany must first contact the authorities to inform them that she/he wants to apply. This can happen either directly at the border or at any other place in the country. In either case, the refugee is sent to the nearest initial reception center (Erstaufnahmerichtung). Here, the individual is registered through the registration system EASY and his or her health condition is assessed. According to the latest regulations, five central initial reception centers are supposed to function as “one-stop shops” for registration, medical assessment, and submission of asylum applications.

As a second step, the refugee will be allocated to one of the 16 federal states. This happens through the Königstein quota system, which distributes refugees according to fixed percentages on an ongoing basis. The refugee will either receive a ticket and travel to the assigned state independently or travel on collective transport, for example, by bus. All federal states usually run one central initial reception center, although some have opened new branches due to overburdening of their initial reception facilities in 2015. After registration in these centers, the refugees are distributed to the municipalities within the state according to quota systems that differ from state to state. This means that refugees may be allocated to any municipality within a federal state, be it a village or a metropolis. In city-states, the system functions in a similar way, although initial reception centers may serve as accommodation for several months due to the scarcity of space within the city-states. Asylum seekers usually have to stay in the reception center for up to six months, with some federal states obliging them to stay that long.

The asylum application can usually be filed at the central initial reception center of each state. However, due to the overburdening of the Federal Agency for Migration and Refugees, the institution responsible for accepting and deciding on asylum applications, asylum seekers may have to wait for several months to file their applications. Even before the application is filed, a curfew of three months begins during which the asylum seeker may not work. Refugees from safe countries of origin, however, cannot leave the reception center and cannot obtain a work permit. Asylum seekers who entered via safe third countries (i.e. all EU countries) without a visa have to wait for three months after submitting their asylum application before they are able to apply for a work permit. All other asylum seekers can obtain a work permit three months after they first contacted authorities and expressed their wish to apply for asylum. Once this curfew is over, they can seek a job. Vocational training or internships do not require a permit.

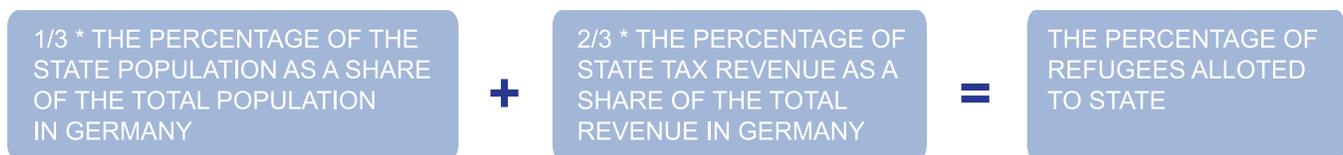
Asylum seekers are entitled to asylum welfare for 15 months, after which they receive slightly higher social welfare benefits. If accommodated in a reception center, they receive pocket money amounting to 135 euros per month in addition to food and accommodation. If they succeed in finding private accommodation, they receive 354 euros for covering living costs, with rent being reimbursed. In case an asylum seeker receives refugee or asylum status, he or she can register with the Federal Employment Agency and is entitled to unemployment benefit, thereby becoming a job-seeking refugee.



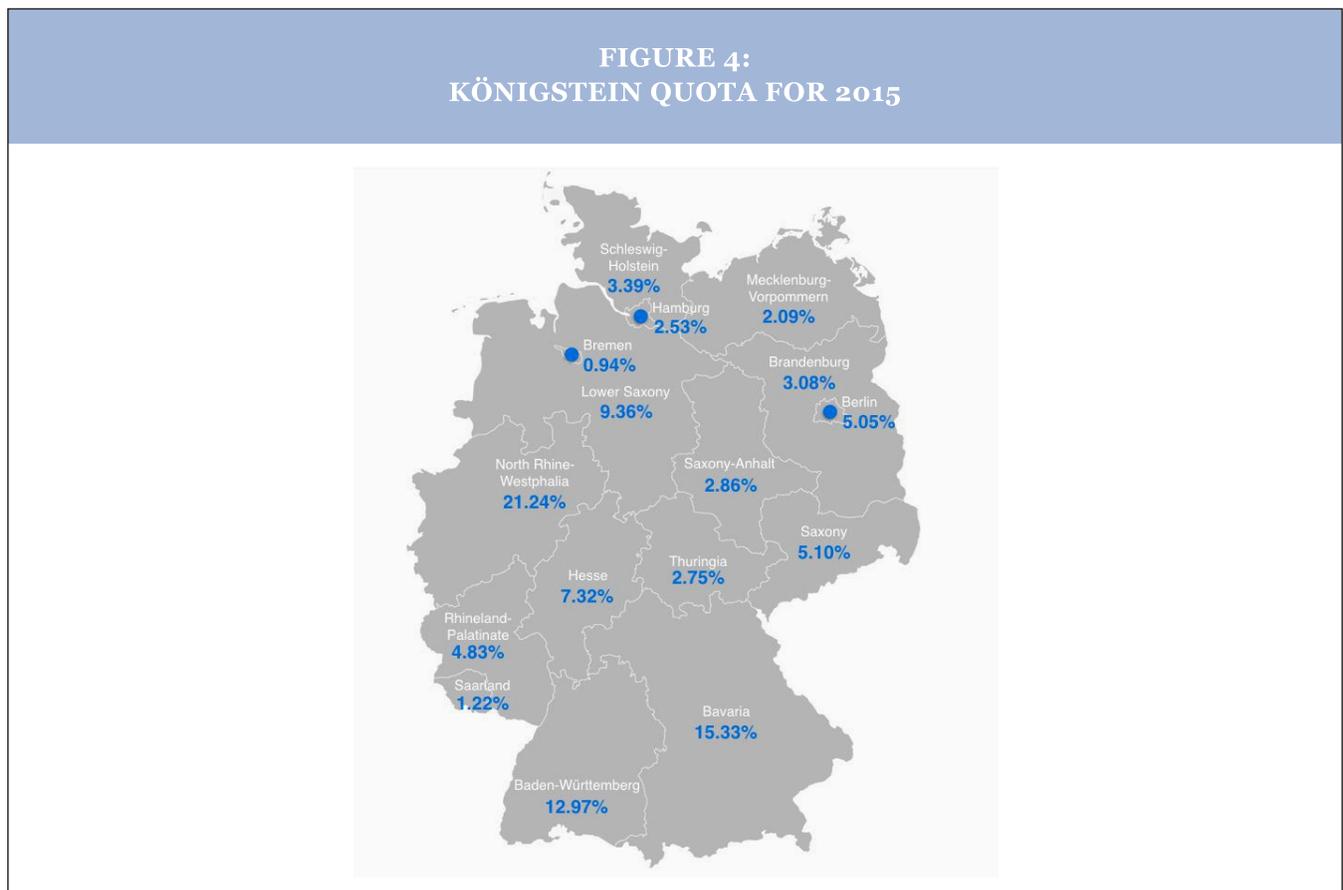
Initial refugee settlement

In the short term, refugees are proportionately distributed across German regions according to tax revenues and total population. The federal quota system for allocating refugees to states within Germany strives to be fair, equitable, and efficient, as it distributes refugees in accordance with a long-standing formula for distributing federal resources.

This distribution system, the Königsteiner Schlüssel, was initially created to determine each state's share of research funding distributed to universities and research institutions. It has since been used in the context of other public projects for determining the share of each state and is now used to allocate refugees. In the distribution system, which is recalculated annually, total population number weighs one-third and state tax revenues weigh two-thirds.²¹ The fact that the federal government takes into account the fiscal capacity of the state means that the federal government relies to a large extent on the state's own capacity to shoulder part of the refugee costs. The Königstein distribution quota is calculated in the following manner:



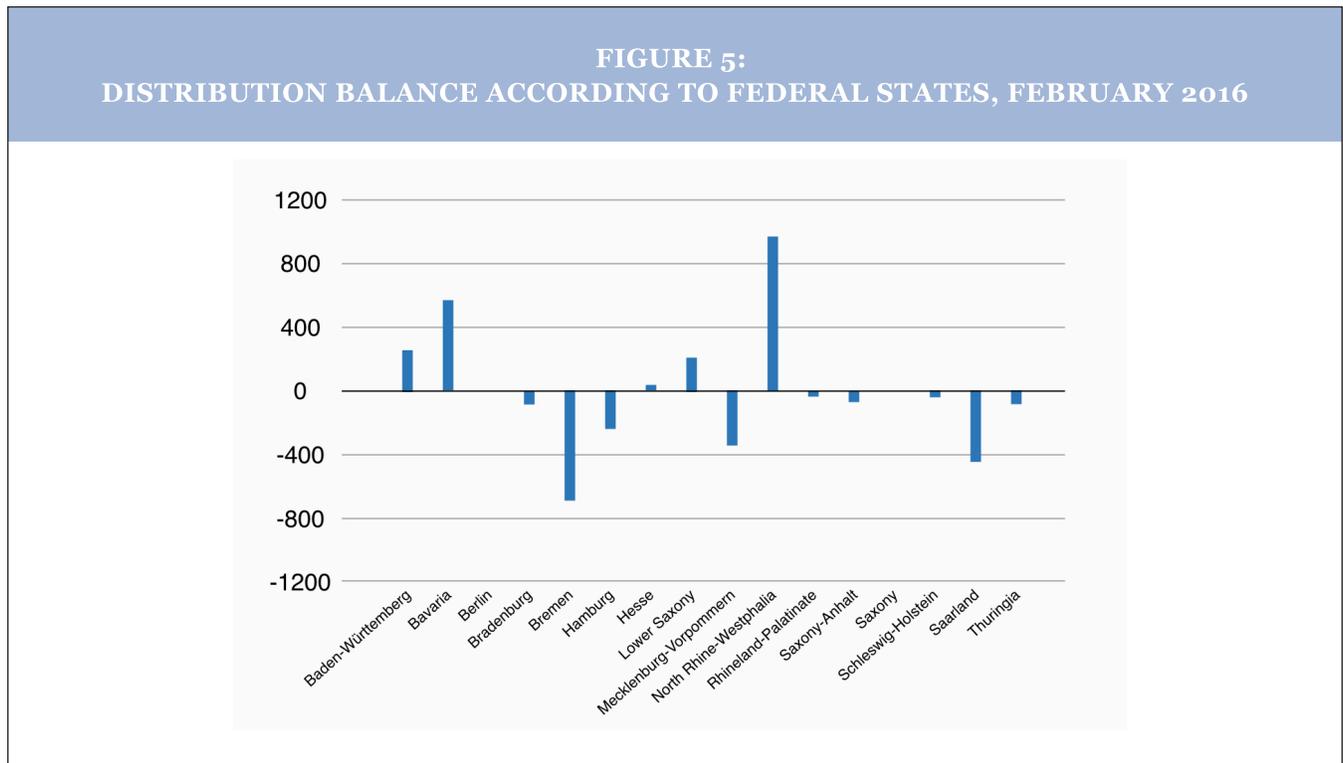
The map in Figure 4 presents the distribution quota per state:



Source: Federal Agency for Migration and Refugees (BAMF), 2016.

It needs to be kept in mind that this quota is an attempt to distribute refugees evenly during the initial accommodation phase. Already at this phase, individuals may attempt to settle in places other than those assigned, or they may try to relocate later, causing a conflict between the attempt to regulate the movement of people and the motivations and wishes of the individual refugees.

Figure 5 shows that the deviations from the norm are very minor, which is remarkable taking into account that approximately 1.1 million refugees were distributed in 2015.



Source: *speigel.de*

Once the quota is allocated to the states, each state uses its own distribution system to distribute the number of refugees within its borders. For example, the state of North Rhine-Westphalia takes into account the share of prior migrants and descendants living in each municipality in order to avoid high concentrations of refugees, migrants, and descendants accumulating in certain municipalities.

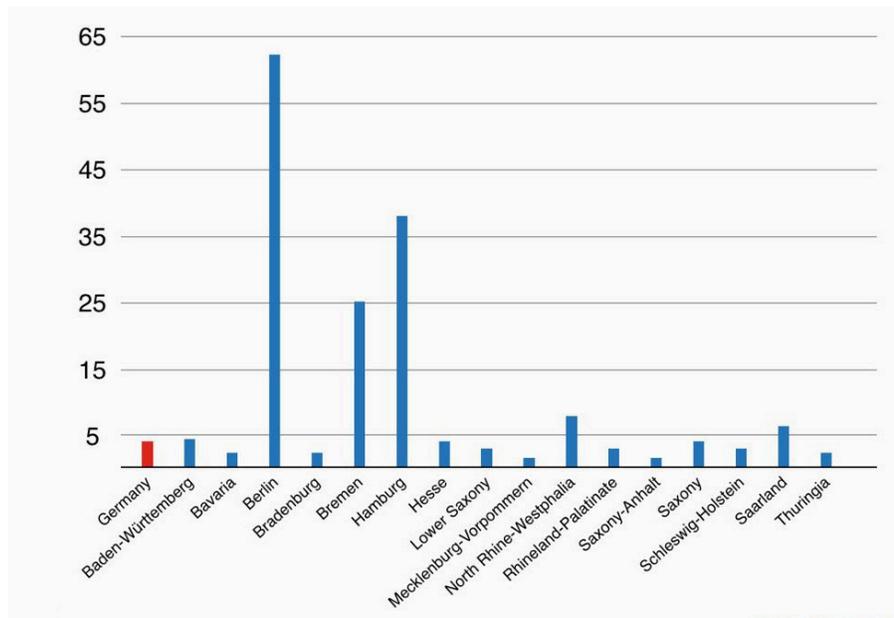
Distortions in the distribution quota system

By nature of its simplicity, this distribution system imposes unique burdens on large cities, since it does not take into account higher population densities, special housing conditions of these urban communities, or secondary migration patterns.

As the Königstein quota system only takes into account total population, states that are more densely populated receive disproportionately more refugees per square kilometer than states with more distributed populations. As Figure 6 shows, the three city-states (Berlin, Bremen, and Hamburg) receive disproportionately more refugees per

square kilometer than the other German states and the nation as a whole. The differences are enormous: Berlin, for instance, hosts 64.5 times more refugees per square kilometer than Mecklenburg-Vorpommern. This is in line with the fact that these city-states also host by far the most residents per square kilometer.

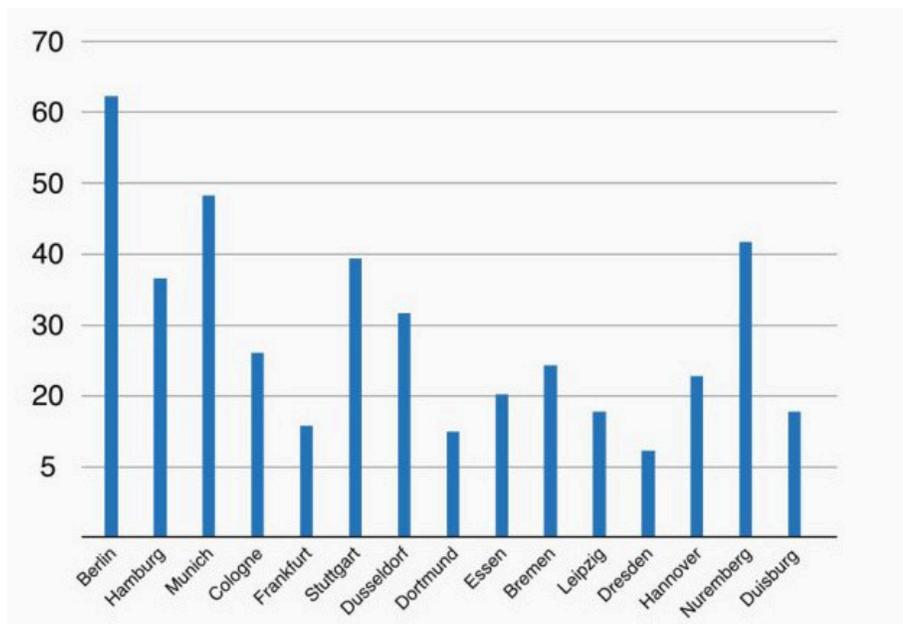
**FIGURE 6:
REFUGEES ACCEPTED IN 2015 PER SQUARE KILOMETERS
FOR GERMANY AND GERMAN FEDERAL STATES**



Note: Overall population density (people per square kilometer) in brackets.
Source: Local municipal agencies of the 15 cities; Destatis, 2016

As Figure 7 illustrates, each of the 15 largest cities, given their high population densities, also receive more refugees per square kilometer than the nation as a whole. This applies especially to the cities that are densely populated in the first place, such as Munich and Nuremberg. It also needs to be noted that Munich is a city of arrival and transition, and Nuremberg hosts Bavaria’s central reception center, which explains the higher densities in these specific cities.

**FIGURE 7:
REFUGEES ACCEPTED IN 2015 PER SQUARE KILOMETERS FOR FOCUS CITIES**



Note: Overall population density (people per square kilometer) in brackets.
Source: Local municipal agencies of the 15 cities; Destatis, 2016.

Why does this matter? The existence of higher population densities may make it difficult to locate emergency or longer-term housing in particular communities since current residents may object to new housing and use “not in my backyard” tactics to slow construction or reconstruction. The delay of projects escalates cost and undermines the objective of avoiding the concentration of asylum seekers. By contrast, projects in less-populated areas can be delivered quickly and at less cost, though this may lead to the isolation of refugees.

In addition, many of the largest cities start not only with high levels of population density but also with major housing affordability constraints and concerns. Between 2004 and 2014, rental prices in six of the 14 largest German cities increased, with Berlin leading the list with a 45 percent rise. In cities where rents decreased, the drop was between just 1 and 4 percent. In general, there is little unoccupied space in Germany’s large cities, especially compared to rural municipalities.²² An exception is the Ruhr area and Eastern German cities, which have been experiencing depopulation.²³

Pre-existing housing affordability issues could have a dramatic impact on emergency reception and longer-term efforts due to the higher costs of land (a product of limited supply) and building (a product of higher demand for construction workers). The burden of addressing both pre-existing affordability challenges and the new challenges created by accommodating large numbers of refugees also present complex budget, programmatic, and political issues.

Fiscal federalism and the allocation of costs

The current framework for allocating funding and expenditures across federal, state, and city governments imposes uneven burdens on city-states and large cities.

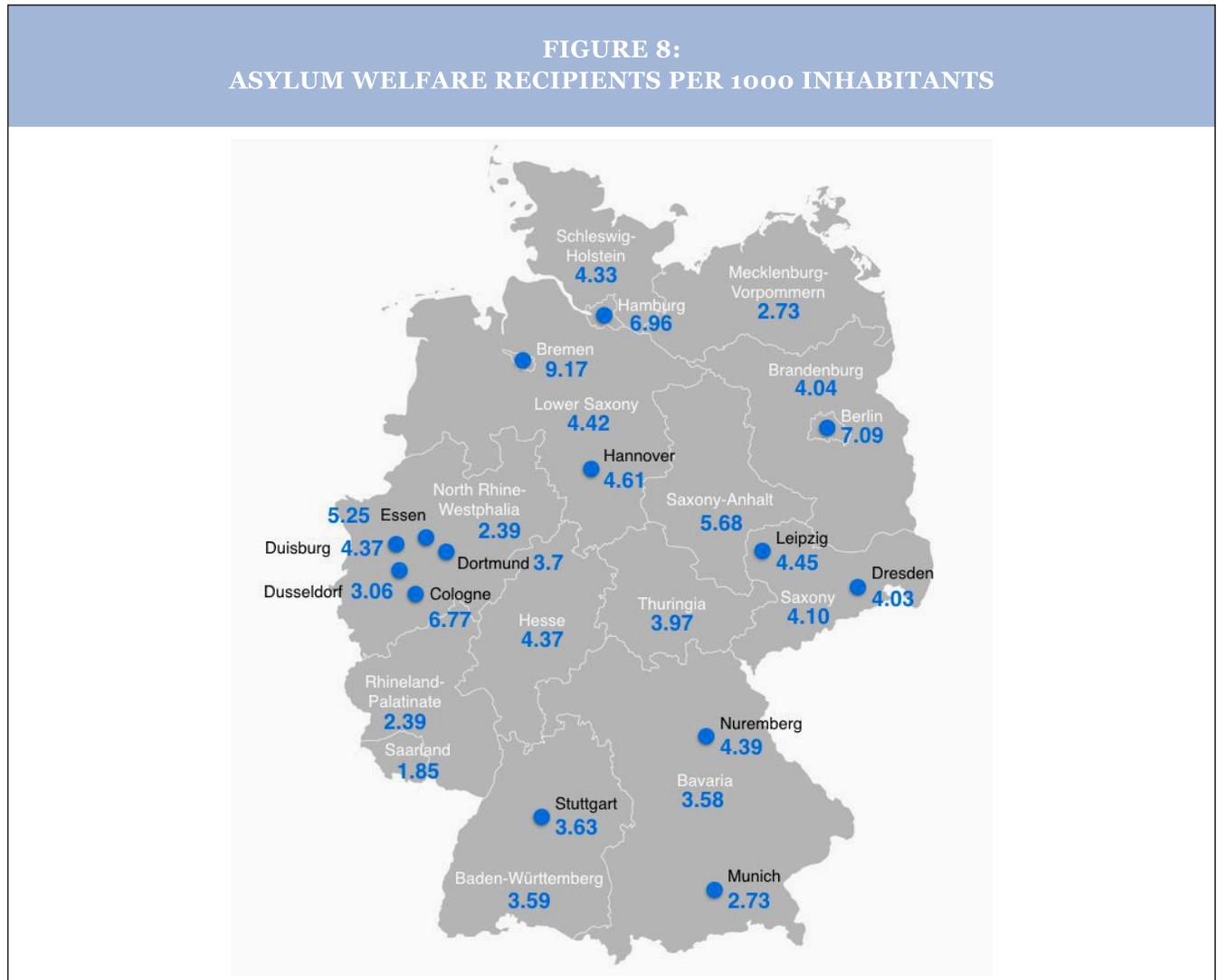
German federalism allocates responsibility for designing, financing, and implementing services for refugees across cities, states, and the national government. As illustrated by Table 1, the current federalist framework means that a large share of responsibility rests on the shoulders of federal states and municipalities. City-states, by virtue of their unique status, are required to do double duty, tackling the full array of tasks that would normally be divided between the state and municipal level.

| TABLE 1: DISTRIBUTION OF RESPONSIBILITIES WITH REGARD TO REFUGEES ACROSS THE THREE GOVERNANCE LEVELS | |
|--|---|
| GOVERNANCE LEVEL | RESPONSIBILITIES |
| National | <ul style="list-style-type: none"> • Initial registration • Reception and processing of asylum applications • Integration classes • Job market integration • Unemployment welfare |
| States | <ul style="list-style-type: none"> • Registration • Creation and maintenance of initial reception centers and emergency reception centers (initial health check) • School affairs expenses according to asylum welfare bill • Health care for refugees in central initial reception centers • Transportation of refugees • Security staff • Initial care and subsequent care of unaccompanied minors |
| City States Municipalities | <ul style="list-style-type: none"> • Registration • Creation of consecutive reception centers • Maintenance reception centers • Health care • Local integration measures (e.g., through municipal neighborhood houses, sports clubs) • Coordination of volunteer efforts • Transportation of refugees • Security staff |

Source: Authors' analysis, 2016.

The potential implication of this cost-sharing arrangement can be seen by examining the concentration of asylum welfare recipients across the 15 focus cities and 16 federal states. As described above, asylum seekers are entitled to 15 months of asylum welfare, which includes a monthly allowance of 135 euros per single adult living in a reception center plus the costs of food and housing. Asylum welfare beneficiaries include those who arrived during earlier years and who still have asylum applications pending for up to 15 months, after which they receive welfare benefits corresponding to the common social welfare benefit.

Figure 8 shows that there were higher concentrations of asylum welfare recipients in the city-states than in other states and cities.



Source: German and state statistical bureaus, 2016.

States are efficient at distributing asylum welfare recipients evenly across their states, since, with the notable exception of Cologne, there are no major discrepancies between the number at state level and the city level. In city-states, by contrast, the concentration of asylum welfare recipients is higher than in both larger states and large cities across Germany. Given their small, fixed borders and common urban fabric, the city-states do not

have the ability to allocate welfare recipients across the entire state to smaller municipalities, towns, and rural areas.

Asylum welfare lies within the responsibility of the states, although it is usually implemented by municipalities within the area states. The situation in 2015 has shown that there are major discrepancies, both between federal funding and costs borne by states and between the costs municipalities bear and the reimbursements they receive from their federal states (this mechanism only applies for area states). Hamburg, for instance, spent 586.2 million euros on accommodating refugees in 2015; only 50 million euros was refunded by the federal government during that year. However, the federal government has retroactively reimbursed the states (see bullet list below), which alleviates the financial strain in state budgets. The table below provides an overview of the costs of services provided to refugees in Hamburg in 2015.

**TABLE 2:
BREAKDOWN OF COSTS OF SERVICES DELIVERED TO REFUGEES
BY HAMBURG IN 2015**

| SERVICE | COSTS (IN MILLION EUROS) |
|---|---------------------------------|
| Creation and maintenance of initial reception centers and emergency reception centers | 147.4 |
| Health care for refugees in central initial reception centers | 6.8 |
| Health care for refugees in consecutive reception centers | 45 |
| Transportation of refugees | 0.3 |
| Security staff | 20.1 |
| Creation of consecutive reception centers | 126 |
| Maintenance reception centers | 37.3 |
| School affairs | 32 |
| Expenses according to asylum welfare bill | 63.6 |
| Initial care and consecutive care of unaccompanied minors | 107.7 |
| Total | 586.2 million euros |

Source: *Breakdown of costs of services delivered to refugees by Hamburg in 2015, source: Hamburg city government.*

To date, there has been no systematic assessment of the allocation of costs across the different levels of the federal republic. The Federal Statistical Bureau stated that overall costs increased by 120% to 5.3 billion euros in 2015 and that the costs have increased by more than six times since 2010.²⁴ This burden is distributed differently in every state. In a report on the distribution of financial responsibilities of refugee accommodation, prepared by the Financial Research Institute of the University of Cologne for the Robert Bosch Foundation, researchers found that every state has its own reimbursement mechanisms for the costs incurred by the municipalities based on the right of asylum seekers to asylum welfare. These reimbursement mechanisms can vary from one-time lump sums in Baden-Württemberg; complete reimbursement of costs in Bavaria and Mecklenburg-Vorpommern; annual, quarterly, or monthly lump sums per refugee and/or per newly created accommodation spot (Brandenburg); to a number of additional reimbursement mechanisms, such as a monthly security guard service reimbursement calculated per reception center, or reimbursement of health service costs passing a certain limit.

Most of the reimbursement mechanisms are based on lump sums, which results in large cities receiving the same amount per refugee as a small municipality. The only exception is the state of Schleswig-Holstein, which reimburses 70 percent of the costs caused by the obligations imposed by the Asylum Welfare Bill (*Asylbewerberleistungsgesetz*).²⁵ This reimbursement policy means that most cities need to be careful with their spending, as they receive only a fixed sum that has to cover all costs of accommodation, health care, etc. This system puts cities at a disadvantage, as resources such as room for accommodation are more scarce in cities and therefore potentially more expensive. The indirect nature of the reimbursement mechanism makes municipalities highly dependent on their states. The Financial Research Institute report therefore recommends, “To the degree that the federal government wants to ensure that correct shares of financing are passed on to the municipalities, state contracts on forwarding mechanisms should be agreed upon.”²⁶

The issue of cost allocation is complicated and remains in flux. The federal government has entered into negotiation with the federal states about the high levels of cost associated with responding to the refugee crisis.²⁷ It was agreed in July 2016 that the national government would reimburse the federal states for costs of accommodation and integration of refugees—so far the sole responsibility of the states and municipalities. The payments are made up of the following elements:

- 2 billion euro per year between 2016 and 2018 for integration efforts;
- 500 million euro per year in 2017 and 2018 for development of new housing facilities; and
- 2.6 billion euro between 2016 and 2018 for initial accommodation costs.²⁸

This agreement shows that the federal government has recognized the need for rethinking the current federalist arrangement in the context of the refugee situation. With the task of integrating refugees happening at a local level, further shifts in the distribution of the financing burden may occur. One example could be the cost of unemployment welfare, which is expected to increase due to refugees receiving positive decisions and registering with the Federal Employment Agency. While the benefit as such is paid for by the federal agency, all other costs (health insurance, purpose-bound subsidies, and partial housing) are currently covered by the municipalities.

Innovations in Hamburg and Berlin

Despite enormous challenges, Hamburg and Berlin have shown a remarkable ability to innovate.

The enormity of the crisis and the scale of expenditures have compelled public, private, and civic actors to test new models of response with little guidance, uncertainty around additional resources, and no fanfare. Visits to Hamburg and Berlin over the past several months have shown the ability of cities to embrace complexity, learn from mistakes, and innovate continuously.

Both cities experienced flows of migrants and refugees at an unexpected scale not seen since the 1990s and the twin shocks of reunification and the Balkan crisis. By the end of 2015, for example, 79,000 refugees had arrived in Berlin, 54,000 of them entitled to stay according to the federal distribution quota—11 times as many as forecast initially.

To be sure, the crisis has not yet passed. In Hamburg, just half of the refugees have been transferred from initial to long-term shelters; Berlin still houses two-thirds of its refugees in emergency shelters.²⁹ And the transition from immediate response to long-term integration will bring new challenges.

Yet even in this early stage some structural innovations deserve noting.

Deploying a spontaneous civil society: In a nation with a strong, capable public service, the engagement of large numbers of individual volunteers has enhanced all phases of refugee reception and integration, from distributing water, food, and medical aid to the waiting refugees in front of the national registration authority Lageso (State Authority for Health and Social Affairs) to helping out at refugee shelters, teaching German, and providing long-term integration assistance. Julian Lehmann from the Global Public Policy Institute has observed a split in the organization of volunteers. While established players like Caritas, Red Cross, and others have attracted a great number of volunteers in structured efforts, a new generation of mostly young, independent volunteers has emerged who use online platforms to sign up for projects and who experiment with a variety of creative responses. In Berlin, the website givesomethingbacktoberlin.com functions as a platform for refugee projects seeking volunteers and individuals offering their services to refugees. In Hamburg, one permanent refugee center has 140 volunteers for 190 refugees, including children. The volunteers provide a wide range of services including employment mentoring, homework aid, language training, visits to doctors and dentists, and other ad-hoc services. Two cases of self-organized civil society engagement and innovation can be pointed out as exemplary: Hanseatic Help, which set up the largest clothing storage and redistribution system in Hamburg, and “Help here,” an app that brings together volunteers and refugees.

Unifying the delivery of services: The range of services needed by refugees—shelter, food, education, skills, language, health care, legal advice—defy the traditional siloed and compartmentalized ways in which modern bureaucracies are organized. Facing the unexpected influx of refugees, Hamburg joined up services across multiple agencies. A new local cross-disciplinary and cross-siloed taskforce under the management of Anselm Sprandel, the Zentraler Koordinierungsstab für Flüchtlinge (the Central Coordination Taskforce for Refugees) was set up in cooperation between the Agency for Social Affairs, Integration, Labor, and Family and the Agency for Interior Affairs and Sports to handle the refugee situation in the city. The taskforce’s main tasks are the identification and renovation of buildings for refugee accommodation and the coordination between public and volunteer efforts.³⁰ This effort has led to a more organized accommodation process compared to Berlin’s, where school

gymnasiums have served as emergency and medium-term accommodation. Hamburg has managed to avoid a negative impact on its citizens, such as cancelled sports practices, with the aim of avoiding negative reactions toward the refugees.

In both Berlin and Hamburg, traditional nongovernmental organizations such as the Red Cross and the Stadtmission have played a large role in running reception centers. Berlin has also experimented with using for-profit private companies to provide building, security, cleaning, and catering services. In Berlin, Triad—a company with expertise in staging large-scale congresses and events—is now responsible for converting four hangars at the former U.S. military airport in Tempelhof into one out of five centralized initial reception centers in Germany, with a planned capacity of up to 7,000 people.

Cracking the housing challenge: Both Berlin and Hamburg faced a shortage of available, affordable housing when the refugee crisis hit and have had to scramble to identify and develop housing for refugees in the face of restrictive planning rules, building codes, and land use ordinances.

Hamburg was able to tap municipally owned housing providers, such as Fördern&Wohnen, and focused on buying and retrofitting existing buildings. The city also collaborated with the Massachusetts Institute of Technology and HafenCity University to develop a City Science Lab and engage citizens in finding places for refugees. Drawing from data provided by the planning department of the Hamburg government, the City Science Lab invites residents to participate interactively in the process of locating refugee homes, taking into account factors such as building regulations and zoning ordinances. The exercise also helps harvest local knowledge about available land and potential building sites, providing an extra verification of city data. The Hamburg experience shows that pairing technology with a platform for engagement can help cities solve issues as contentious as the placement of refugee centers by laying out the facts and giving communities a voice.

Berlin has followed a strategy of modular housing, creating a series of container villages in communities like Lichtenfelde-Zehlendorf. Although built of container modules, the buildings are far from primitive: the city has invested in expensive glass fiber to make the interiors look like regular flats, and the residents can use gym rooms. A legal loophole—Article 76 of the Building Code—empowered the Senator of Building Affairs for the entire city of Berlin to give permission for a building without the consent of the borough’s building authority. This mechanism allowed the Lageso to identify six locations for container villages and create 2,400 long-term housing places for refugees.

Making federalism work: Germany is a distinctive federal republic with considerable powers and resources devolved to states and cities and particular focus placed on coordination between the federal and state levels. A German state, including city-states such as Berlin and Hamburg, has representation in the upper chamber of the federal legislature, the Bundesrat. Through this representation, German states have the right of initiative, which is the ability to recommend changes to federal laws given shifting market and social dynamics. The procedure amounts to an “early warning” system in the German Republic. In addition, every law that impacts the taxes of states is subject to the vote of the upper legislature. This close-knitted network ensures collaboration, consensus, and advancement across and within German states.

The Bundesrat meets every three weeks on Friday in Berlin, and representatives of the 16 states discuss the state of affairs across states and within the nation. Within each state, the cabinets meet every Tuesday to discuss

the state of affairs in the individual states. This means that both state and city delegates meet regularly with their peers to discuss proposals for improvements. In addition, there is a direct vertical line of communication and collaboration from cities to states and from states to the federal government.

The refugee crisis has shown the remarkable resiliency and flexibility of the German federalist framework. Through the right of initiative, for example, Hamburg has twice initiated changes to the national housing codes to overcome local opposition to new refugee housing centers, effectively enabling the city to place refugee centers either in underutilized formerly commercial buildings or on open sites in residential neighborhoods.

Initial policy recommendations

The special role played by cities in emergency response and long-term integration requires new policy reforms and institutional practices.

This research brief has illustrated the wide range of roles being performed by city-states and cities in the response to the refugee crisis. Public, private, and civic leaders and institutions as well as ordinary citizens deserve enormous praise for the dedication of their time and resources and the creativity of their actions.

As described above, the federal government has worked closely with states to adapt as nimbly and quickly as possible to the myriad of issues raised by the refugee response. This inquiry raises additional reforms and initiatives for consideration:

Reviewing the quota system: Since the Königstein quota system allocates refugees to states based on population and revenue, it fails to reflect the unique challenges of city-states and many cities due to, among other things, higher population density, higher property prices, and lack of available housing. Two studies commissioned by the Robert Bosch Foundation have raised similar issues with the use of the Königstein system. A study conducted by the Institute for German Economy (IW), for example, concluded that the system is not an adequate instrument for the fair distribution of refugees and suggested that a system include criteria such as housing perspectives, general level of service provision, labor market situation, and education capacities.³¹

Recommendation: Appoint a task force of representatives of the federal, state, and local governments to review the benefits and drawbacks of the current quota system and suggest a range of options for the federal government to consider.

Identifying and spreading best innovations: Initial visits to Hamburg and Berlin unveiled multiple innovations in practice and process being conducted by both cities. Other cities within Germany and Europe could benefit from a detailed assessment of these innovations and could contribute their own creative improvements and practices to the mix.

Which cities, for example, are showing substantial progress on improving the language skills of recent refugees? On improving tangible technical skills among refugees? On moving the dial on educational attainment and employment attainment? On empowering individual refugees and refugee associations to take leadership roles within their communities?

A collection of best practices on municipal and organizational practices compiled by the Konrad Adenauer Foundation shows the variety in approaches, from handbooks for volunteers to apps for refugees and “Asylotheek” projects that offer library services.³² The Bertelsmann Foundation highlighted the education policies in Mülheim and Unna, where the “education chain” is attempting to offer education to all from 0 to 18 years of age.³³

The rapid replication of innovations across cities reflects the fact that cities—and deciders and providers within cities—are often eager observers and fast adopters of new models. Intermediaries have arisen in other areas of urban challenge—C-40 in the climate arena, for example—to capture and codify innovative practices for fast adoption and adaptation. The same could be done in the refugee area.

Recommendation: Create or expand intermediaries with the sole purpose of identifying and spreading innovations. Intermediaries could serve associations of general purpose, city governments, and/or networks of specialized providers (e.g., schools, chambers of commerce, etc.).

Learning from international examples: Cities in the United States, Canada, and beyond have had vast experiences with either accommodating large numbers of new residents either because of natural disasters (e.g., Houston after Hurricane Katrina) or refugee resettlement (e.g., Minneapolis/St. Paul after the Hmong crisis). While these experiences are different from those of Germany and unique to their respective contexts, these cities have ample expertise about how to approach crises, stage and sequence responses, and galvanize the talents and energies of the broad community. This expertise could be applied to German cities, large, medium and small, through structured interactions and engagements.

Recommendation: Establish a “practitioner in residence” program whereby experienced practitioners could advise individual cities or groups of cities around proven innovations. Establish relationships between cities facing similar challenges (say Houston and Hamburg) with supported visits and exchanges among experts who are grounded in real practice.

Having a seat at the policy table: German federalism already benefits from the close, intimate relationship between the federal government and individual states. This federalist arrangement already benefits cities, since three of the 16 states are city-states. Yet the system could be further improved if there was a direct vertical line of communication and collaboration from large cities (or even large conurbations) to the federal government.

Recommendation: Establish pilot projects between federal, state, and local governments to develop consensus policy responses to tough themes or challenges and to assess on a periodic basis the cost-sharing between different levels of government with regard to distinct activities.

These suggestions are meant to be reflective of our findings and exemplary rather than exhaustive. The potential for either catalyzing new innovations or spreading existing ones are limitless.

FUTURE RESEARCH

As the settlement of refugees continues and shifts from emergency response to long-term integration, several new questions and challenges arise (which will be the topic of further research).

First, how can cities and other municipalities avoid repeating patterns of segregation and the additional challenges that such patterns present?

One of the main concerns for policymakers with regard to long-term accommodation and integration of refugees is the potential formation of parallel societies within increasingly segregated urban neighborhoods. An analysis from 2010 by the German Federal Ministry for Traffic, Building, and Urban Development confirms that there were 1,500 boroughs in 550 municipalities hosting a disproportional share of migrants, with more than half of these boroughs being located in major cities. As migrants move into segregated urban neighborhoods, problems with education, language, and social capital can accumulate.³⁴ The inhabitants of these urban neighborhoods are segregated both spatially and in terms of educational and economic possibilities.

The shift into cities and urban enclaves is attributed to a number of factors:

- Greater cultural and religious diversity in cities with better access to faith-based communities and culturally refined commodities, such as ethnic foods and clothing.
- Pre-existing migrant communities with shared languages, experiences, and affinities.
- Higher service levels such as language courses and homework cafés run by volunteers.³⁵

These findings are confirmed by the director of the Federal Agency for Immigration and Refugees, who observed in an interview that “(r)efugees want to go to places where they are among themselves: Pakistanis want to go to the Rhine-Main area, Afghans move to Hamburg, Syrians to Berlin. But in dense areas, housing space is scarce and rents are high. Ghettos evolve quickly.”³⁶

A study conducted by Teltemann et al. concluded that when migrants settle, the one most-determining criterion is the pre-existence of a migrant community. In contrast, the economic situation and educational background of migrant families did not play a decisive role in the migrants’ choice of where to settle. Discrimination by landlords and local communities in the settlement of people of another cultural background also reinforces the accumulation of migrants in certain neighborhoods.³⁷

The federal government is working to avoid the concentration of refugees. The latest integration law enacted in July 2016 attempts to distribute refugees more evenly once they are registered as job-seekers. This means that refugees with a recognized status can be assigned to a municipality by the federal state authorities, who can also establish migration limits for areas with a difficult socioeconomic structure.³⁸

Municipalities are also seeking to prevent the accumulation of refugees and migrants in neighborhoods with a high concentration of existing refugees and migrants. Analyses from the German Association of Cities and the Robert Bosch Foundation found that creating decentralized pockets of accommodation across the city is an important first step toward local integration of refugees and migrants into German society.³⁹ However, some cities are taking unconventional approaches: Hamburg is planning to build social housing exclusively for refugees

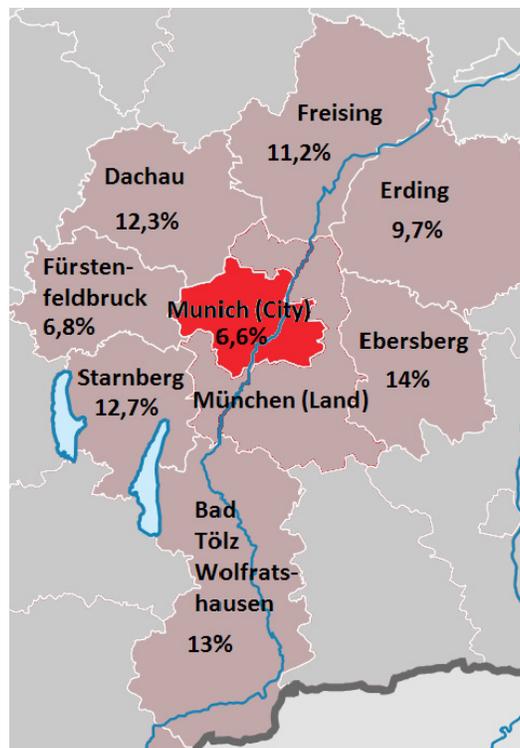
to guarantee a smooth settling in. Only after 15 years are these flats to be opened for the common housing market.⁴⁰

How does Germany ensure that high concentrations of refugees do not emerge in small suburban municipalities that surround large cities?

While this research has focused on the concentration of refugees within the 15 largest German cities, it is well understood that cities are part of broader metropolitan labor and housing markets and that refugees might be attracted to suburban municipalities for a variety of reasons. Recently released data on job-seeking refugees collected by the German Federal Employment Agency⁴¹ allows us for the first time to assess the share of job-seeking refugees relative to the total number of all job-seekers.

A close analysis of the data for Munich and its surrounding municipalities yields striking results. While the average share of refugees among overall job-seekers is 6.6 percent in Munich, the average for the surrounding communities is 11.4 percent. Again, the shares vary widely between municipalities, ranging from 6.8 percent in Fürstentfeldbruck to 14 percent in Ebersberg. It is worth noting that Munich is by far the most expensive city in Germany with regard to real estate prices. This may explain the tendency of asylum seekers to seek accommodation in the surrounding municipalities. Another factor may be population density: Munich has by far the highest population density of all focus cities, with 4,601 people per square kilometer. This increases the scarcity of accommodation and pushes apartment-seekers with limited resources out of the centers.

**FIGURE 9:
SHARE OF JOB-SEEKING ASYLUM SEEKERS OF JOB-SEEKERS
OVERALL IN MUNICH AND SURROUNDING MUNICIPALITIES**



Source: Federal Employment Agency, June 2016.

CONCLUSION

It is time to include cities as full-fledged participants and partners in the refugee response. Public, private, and civic leaders in municipalities across Germany and Europe have been on the front lines of refugee reception and integration. In the face of these huge challenges, they are inventing new methods of delivering the services that new arrivals need to be healthy and productive members of their new countries.

ENDNOTES

- 1 In this paper, we distinguish between refugees, asylum seekers and migrants. **Refugees**, according to the definition of the U.N. High Commissioner for Refugees (UNHCR), are those who flee their home countries due to conflict or persecution. **Asylum seekers** are those who actually submit an asylum application, which is not the case for all refugees, as some might choose not to do so. **Migrants** technically also include refugees; in this brief, however, migrants refer to those who enter a country with a visa or work/study permit and do not have the intention to seek asylum.
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ABOUT THE AUTHORS

Bruce Katz is the inaugural Centennial Scholar at the Brookings Institution, where he focuses on the challenges and opportunities of global urbanization.

Luise Noring is a program director and assistant professor at Copenhagen Business School. She is also a Nonresident Senior Fellow at the Brookings Institution.

Nantke Garrelts is a researcher at Copenhagen Business School.

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ABOUT CITIES AND REFUGEES: THE EUROPEAN RESPONSE

In the midst of a global refugee crisis, the influx of refugees into Europe presents unique challenges.

The large scale of the migration, the extent of the human suffering driving it, and the political complexities of resolving it come on top of substantial existing strains on the European project. Managing this fraught situation is of paramount importance not just for the families seeking better lives away from conflict, but also for European stability as a whole amid a period of economic and political uncertainty.

While much public focus has been on the role of national and supranational institutions, it is municipalities across Europe in general and Germany in particular who are responsible for planning, delivering, and, in some cases, financing the housing, education, and full integration of new arrivals.

“Cities and Refugees: The European Response” is a collaboration of the Brookings Centennial Scholar Initiative and the Foreign Policy program, with key research led by the Copenhagen Business School. It aims to show the extent to which cities are at the vanguard of this crisis and to deepen our understanding of the role and capacity of city governments and local networks in resettlement and long-term economic and social integration.

FOR MORE INFORMATION

Bruce Katz
Centennial Scholar
Centennial Scholar Initiative at Brookings
bkatz@brookings.edu

Grace Palmer
Communications Advisor
Centennial Scholar Initiative at Brookings
gpalmer@brookings.edu

CENTENNIAL SCHOLAR INITIATIVE

The Brookings Institution
1775 Massachusetts Ave., NW
Washington, DC 20036
brookings.edu/center/centennial-scholar-initiative/

EDITING & PRODUCTION

Grace Palmer
Patrick Watson

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