

BRIEFING NOTE 03/2016

THE CEB'S RESPONSE TO THE NEEDS OF MIGRANTS AND REFUGEES

"If civilization is to survive, we must cultivate the science of human relationships - the ability of all peoples, of all kinds, to live together, in the same world at peace."

Franklin D. Roosevelt (32nd President of the United States of America)

Introduction

Migration has become one of the most critical issues confronting Europe in the wake of the ongoing refugee crisis. In the past, Europe has experienced ordeals resulting from scores of both labour migrants and refugees. However, the current and unprecedented levels have made those challenges significantly harder to address.

Migrant integration is not an easy undertaking in any country. It requires providing educational and labour inclusion assistance, adequate housing and promoting civic integration. Each policy separately is hard to achieve but becomes doubly so in the context of migrant integration – as a failure in one area may mean failure in others.

The CEB's origins as an institution dealing with European migration issues and its social mandate make it well positioned to assist European countries on the topic. The Bank funds projects that respond to the emergency situation that has arisen from the refugee crisis as well as for long-term projects attempting to achieve the social inclusion of migrants and other vulnerable peoples.

This briefing note gives an overview of the current issue of migration in Europe which outlines the key obstacles to effective migrant integration, and the CEB's past and current efforts to meet those challenges.

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1. Overview of the needs of migrants and refugees

Migration has become the most pressing concern in Europe as a result of the on-going and dire refugee crisis. Although migrants and refugees are classified as distinct groups due to their inherent characteristics – the former voluntarily choosing their status and the latter not – there are overlaps concerning the economic and social needs of both groups. Europe faces the unparalleled and complex multi-faceted implications that the surge in refugees and migrants creates.

The different types of migration

It is important to distinguish between the terms “asylum seeker”, “refugee” and “migrant”. The term “**migrant**” is a generic term for anyone moving to another country with the intention of staying for a certain period of time. The term “**humanitarian migrant**” refers to people who have successfully applied for asylum and have been granted some sort of protection – refugee or another status. In practice, only a minority of asylum seekers are granted refugee or some other form of humanitarian migrant status, while the rest have to leave the country. If not, they become “**undocumented migrants**”. An additional group emerges, known as “**internally displaced persons**” (IDPs), a term used to classify people who are fleeing conflict in their home country but have not left the said country. As a result, they are not legally classified as refugees, since they are still under the protection of their home country’s government (even when that government may have caused their displacement), making them highly vulnerable populations.

• The Drivers for Migration in Europe

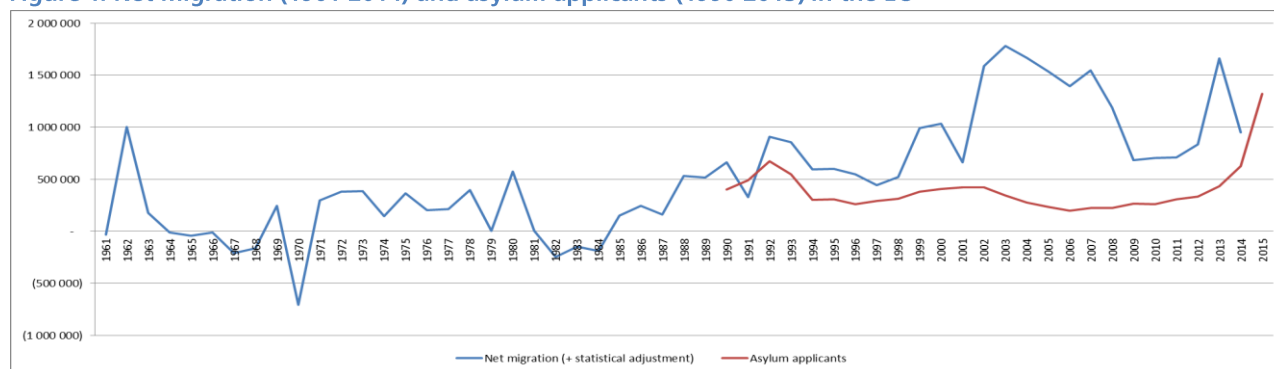
A person’s choice to migrate to another country results from either economic or non-economic causes.

People can be economically compelled to migrate to a foreign country because of demand-pull factors (labour recruitment or better wages abroad) or supply-push factors (unemployment/underemployment or low wages at home). Migration can also be incited because of a non-economic rationale such as joining family members who are already living abroad and moving because of natural disasters or climate change. At present, one of the chief non-economic reasons for a large portion of migration into Europe is war and persecution in a home country.

Labour migration is currently still the most significant form of migration across Europe and the dominant pathway in Western and Southern Europe since the 1950s. The traditional role of labour migration has its roots in the post-Second World War era, when many workers from Europe and abroad, migrated within and to Europe to meet the domestic labour market needs. With the enlargement of the EU in 2004 and 2007, the intra-Europe labour migration has continued to grow.

Since the 1970s Europe has increasingly become an important destination for refugees. Influxes of asylum seekers are not a new phenomenon in Europe (the mid-1970s to end of 1980s from Central and Eastern Europe; from Turkey in the 1980s; and from the former Yugoslavia in 1991-1995; as well as from numerous other regions around the world). However, the present number of refugees coming into Europe is unparalleled and presents immense economic, political, and societal challenges for the European community.

Figure 1: Net Migration (1961-2014) and asylum applicants (1990-2015) in the EU



Source: CEB graph based on Eurostat migration flows [demo_gind] and asylum applicants. Note: Net migration is the difference between immigration to and emigration from a given area during the year. Since many countries either do not have accurate figures on immigration and emigration, or have no figures at all, net migration has to be estimated. It is usually estimated as the difference between the total population change and the natural increase during the year.

Migrant flows towards the EU have varied considerably over the past fifteen years (see figure 1). Net migration flows to EU countries represented on average around 1.2 million per year between 2000-2014, representing just 0.2% of the total EU population (with peaks in 2003 and 2013, at 1.7 million), and with noticeable declines observed in the immediate aftermath of the financial crisis. On the other hand, asylum applicants, which historically peaked in 1992 (at approx. 673,900), then tapered off afterwards below the historical level (although with a gradual increase from 2006 to 2012).

However, as of 2013, the EU has found itself on the frontline of the unparalleled and dramatic surge in migrants resulting from the continuing **refugee crisis arising from Syria**, Eritrea, and other parts of the world. This forced displacement has compelled many refugees to take dramatic acts to find a safe-haven in Europe, such as the perilous Mediterranean Sea crossings, which have resulted in a tragic human loss and an unprecedented humanitarian crisis. The number of asylum applications, with 432,000 in 2013, 627,000 in 2014 and 1.3 million in 2015 (or double the historical peak), has made the scale of this wave of forcefully displaced persons unparalleled. European states will have to meet the crisis head-on to address the humanitarian and economic challenges it presents.

• Achieving Effective Integration of Migrants of all types

This rapid and large influx of refugees in conjunction with traditional labour migration has strengthened the need for the EU to priorities forming coherent policies and actions towards immigration management and integration. Within the EU, migrants are defined as legally residing non-EU or third-country nationals, and integration policies are developed and implemented primarily at the national or sub-national levels. However, the Agenda on Migration, proposed by the EU Commission in 2015, included the first steps of creating a pan-European response to the initial stresses of the crisis, namely re-settlement of refugees throughout the Union's members. It also included technical assistance to "front-line" countries, and improving the return rate of failed asylum-seekers. Although the immediate pressures of the crisis must be resolved, the equally important task of migrant integration should not be neglected.

The assimilation of migrants is a multi-dimensional process that involves not just economic and labour markets but takes into account social, educational, and spatial considerations. The interlinked nature of these areas implies that a failure in one area having potentially negative implications for the rest. Compared to native-born populations, immigrants often perform worse on many socio-economic outcomes (higher unemployment rates, underemployed, worse educational and health outcomes, and sub-optimal living conditions).

Certain notable categories have been identified¹ as crucial for effective migrant integration, and include:

- **Education inclusion** – An important effort must be placed to reduce the gap in educational attainment between migrant and native-born populations. Despite the fact that recent arrivals are on average better educated and their children perform better in school than previous immigrants, there is still a gap with the native-born (11% difference in school performance²). Educational

¹ OECD/European Union (2015), Indicators of Immigrant Integration 2015: Settling In, OECD Publishing, Paris.; The CEB-OECD High Level Seminar, "The Refugee crisis: challenges and responses from social investment", May 17th, 2016

² Measured as a share of low achievers in reading at the age of 15

attainment is associated with improved employment rates and future earnings. Moreover, the adult immigrant population suffers from host countries failing to recognise foreign credentials, which negatively affects employment prospects. Training, including language courses, and on-the-job programmes seem to be particularly beneficial to help overcome this gap.

- **Labour inclusion** – The unemployment rate for all immigrants stood at 16% in 2012-2013 (six percentage points higher than the native-born populations). However, for non-EU migrants, this rate stood at 22%. Overcoming such disparities in employment is necessary if immigrants are to economically integrate into host societies. Although, negative unemployment figures disproportionately affect less educated people, in the case of migrants, the gap is wider between foreign and native-born populations with tertiary education degrees. Moreover, highly educated migrants tend to be overqualified for their jobs (30% of all immigrants with high education degrees, and 44% of third-country nationals with such qualifications). This highlights a major concern of the underutilisation of educated skilled migrants (i.e. “brain waste”). Finally, the sooner refugees can obtain formal labour market access, the more likely they will achieve successful labour (and societal) integration in the long run.
- **Access to adequate housing** – Having suitable housing and living conditions can address issues of poverty, segregation and urban exclusion among the immigrant populations. Although housing to an extent is the result of initial circumstances (asylum seekers often are initially placed in reception facilities, in substandard and overcrowded conditions), adequate housing is a general issue for the entire migrant population. In the rental market, immigrants often have limited information, access to finance, and at times face landlord discrimination. All of which limits housing options. Social housing, although an option, typically have a lengthy application process and in some cases, households are not eligible. Throughout the EU in 2013 migrants were 8.4% more likely to live in an overcrowded or deprived dwelling.
- **Civic integration and social cohesion** – A vital area of concern for integration policy are to ensure that migrants have a sense of social inclusion, especially for the children of migrants. Native-born children of immigrants are more likely to feel discriminated than peers who immigrated. Between 2000 and 2012, nearly a quarter of third-country nationals felt discriminated because of their origin (there were improved figures in long-settlement countries). Civic integration can be advanced by emphasising learning the national language of the country of settlement and its core civic values. In the wake of the recent refugee crisis, the resolution of the status of undocumented migrants and asylum seekers can go a long way to reducing the ambiguity of legal statuses and allow refugees to start the integration process.
- **Co-operation of all actors** – Due to the highly intertwined nature of all the areas above, the respective actors must work to ensure effective communication and co-ordination among themselves. The vast nature of the crisis will require different government levels to increase co-operation and financial burden sharing to effectively deliver the necessary services. Chiefly, governments should aim to support municipal actors, who often take on the lion's share of responsibility to provide housing, educational, and other social integration services. Importantly, successful and effective integration programmes need to include social partners, employers, and civil society initiatives and garner political support in order to adapt to each specific context.

2. The CEB's unique position in assisting migrants and refugees

The CEB, originally the “Council of Europe Resettlement Fund for National Refugees and Over-population in Europe”, was established in 1956 by the Council of Europe in response to the post-Second World War refugee crisis from East to West Europe, the migratory pressures resulting from the “Iron Curtain” and the overpopulation of Southern-Mediterranean countries.

Article 2 of the Bank's Articles of Agreement

“The primary purpose of the [Fund]/Bank is to help in solving the social problems with which European countries are or may be faced as a result of the presence of refugees, displaced persons or migrants consequent upon movements of refugees or other forced movements of populations and as a result of the presence of victims of natural or ecological disasters”.

Since its inception, the Bank has expanded its operations to facilitate migrant integration as well as to achieve the broader goal of financing projects that help with the social integration of European states. Today, the CEB is the oldest IFI and the only development bank with an exclusively social mandate. The Bank operates in its 41 member states, with a specific focus on the countries of Central, Eastern, and South-Eastern Europe, known as "target countries". Over the years, the CEB has become an important financial tool within the framework of European solidarity.

The CEB assists its member countries upon request with **"emergency projects"**, financed in the event of crisis situations (such as refugee sheltering and post-conflict assistance) and with long-term **"integration projects"**, aimed at the social inclusion of migrants and other vulnerable populations. In line with its cross-sector approach to addressing migration and migrant integration issues, the Bank provides long-term funding for local infrastructure, decent and affordable housing, language acquisition, skills development and job creation, to help with effective social integration into European countries. Such funding showcases the Bank's multi-disciplinary focus of activities. Depending on the type of assistance, the CEB provides loans and/or grants.

Presently, the Bank's mandate continues to evolve, with the implementation of its Development Plan for 2017-2019. The core of the Bank's lending will be restructured around three sectorial lines of action:

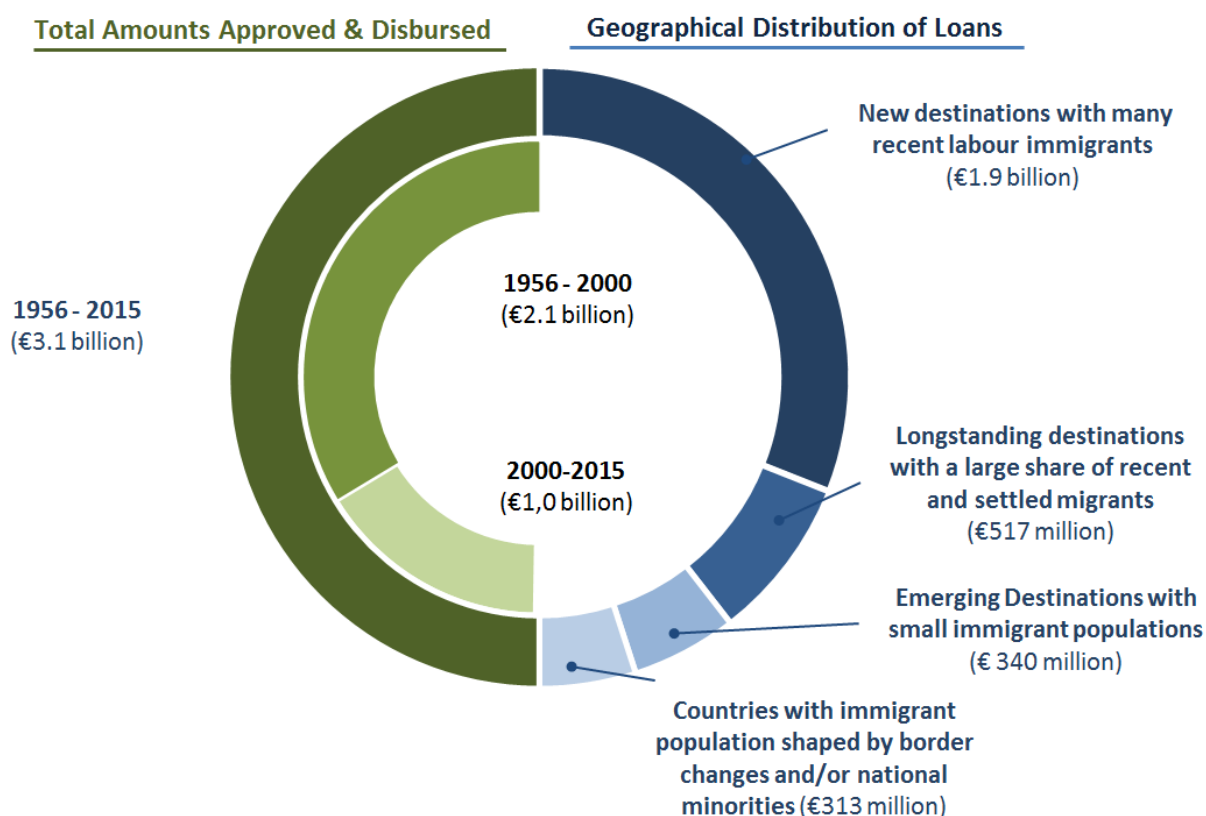
- Sustainable and inclusive growth
- Integration of refugees, displaced persons and migrants
- Climate action: developing mitigation and adaptation measures

These new sectorial lines advance the Bank's historical social vocation and the underlying development objectives of its activity. Although different in nature, the three lines complement each other in tackling the core challenges that Europe faces in the near and long-term future. These lines of action establish the added value of the CEB's contribution to socially and environmentally sustainable development in Europe and continue to progress the CEB's lending activities in these areas.

• The CEB's Lending Activity

The Bank's historical focus in the field of migration gives it a distinct experience and advantage to assist and help finance European countries' efforts towards migrant integration.

Figure 2 - CEB lending and geographical distribution to projects in favour of refugees, migrants, and displaced persons



Since the Bank's inception in 1956 to 2015, the total volume of projects approved for refugees, migrants and displaced persons has amounted to € 3.1 billion, representing 6% of all loans approved in that period (see figure 2). The lending that the Bank has undertaken in the sector has been varied and geographically dispersed.

The Bank has worked to finance emergency response projects, such as the one in the North Aegean Region in 2015, to help Greece tackle the massive inflow of asylum-seekers in the wake of the recent refugee crisis.

The lending portfolio of the Bank has also focused on projects which aim to address the challenges of long-term migrant integration, as outlined in section 1; access to decent and adequate housing, labour market integration, and education and healthcare access (see map, infra). The lending takes many shapes; financing home construction for forcefully displaced persons (in the cases of Bosnia and Herzegovina and Croatia); the capital injection into microcredit banks to help migrants access financing for entrepreneurial undertakings; the construction of education facilities to help migrants obtain educational opportunities; and to improve access to educational and health services of socially excluded groups, in the effort of enhancing labour and social integration.

The projects aim to meet the specific-context of each country's respective challenges (see geographical distribution of loans in figure 2). With some countries needing assistance because they are facing migrant inflows/hardships for the first time, while other states who are not new to immigration issues and need support to maintain and improve existing integration policies. The diversity of projects has developed the Bank's ability to address the wide range of migrant integration needs in Europe and will strive to continue providing the necessary funding to ensure the sustainability of existing and future projects.

- **The CEB's Grant Assistance**

In addition to its lending activity, the CEB also provides grant assistance to refugees, migrants and displaced persons. The grant funding falls into two types of fiduciary accounts.

The first are those that provide supplementary financial support for CEB projects in member countries, which have totaled € 32 million since 1995. These fiduciary accounts help to subsidise interest rates, to provide loan guarantees and/or to finance technical assistance and/or part of the investment costs. On a smaller scale, the Bank can also allot grant contributions under the CEB's statutory priorities to provide emergency aid to refugees, migrants, displaced persons and victims of natural or ecological disasters, and other particularly vulnerable populations. Such grants can be allocated from the CEB's various fiduciary accounts, including the Social Dividend Account (SDA), the Spanish Social Cohesion Account (SCA), the Norway Trust Account for the Western Balkans (NTA), in addition to the CEB's consultancy budget.

A second category of CEB grant operations are exclusively dedicated to refugees, migrants, and internally displaced persons. An example of such work is the **Migrant and Refugee Fund** (MRF – see Box 1), a trust fund that aims to help CEB member states provide the necessary short-term and long-term integration needs that have arisen as a result of the recent migration and refugee crisis. Additionally, the Regional Housing Programme (RHP – see Box 2) which relies on EU and international donor funding and is managed by the CEB, provides a telling example of international assistance and commitment to the sustainable resettlement of refugees and migrants in the Western Balkans.

Box 1: An example of the Bank's grant funding *The CEB's "Migrant and Refugee Fund"*

In response to the unprecedented influx of refugees into Europe, the CEB created a new grant facility, the "Migrant and Refugee Fund" (MRF), in October 2015. The facility aims to finance transit and reception centres in affected countries, provide necessities (such as food, shelter, medical aid, and security), and to finance projects to help affected member states integrate these populations.

The CEB endowed the MRF with € 5 million in seed money, targeting additional grant contributions of € 20 million from the Bank's member countries and other donors. As of October 2016, additional contributions of close to € 14 million have been pledged. Between October 2015 and October 2016, the CEB mobilised € 18 million in MRF emergency projects located in Croatia, Greece, Portugal, Serbia, Slovenia, and "the former Yugoslav Republic of Macedonia" to assist the countries in meeting the most urgent needs of migrants and refugees arriving on their territory.

The CEB is engaging with its member states to raise additional funds and identify projects. Additionally, the Bank is cooperating with organisations working to address the crisis, in particular, the Council of Europe, the EU, the IOM, and other UN agencies. The CEB is also liaising with relevant NGOs and other financial institutions, such as the European Investment Bank (EIB) which is also a contributor to the Fund.

Box 2: An example of the Bank's management of a multi-donor fund *The Regional Housing Programme*

Since 2010, the CEB has been actively involved in the joint initiative called the "Joint Regional Programme on Durable Solutions for Refugees and Displaced Persons", known as the "Regional Housing Programme" (RHP), whose purpose is to provide a significant number of refugees and displaced persons with durable housing solutions in the Western Balkan countries (Bosnia & Herzegovina, Croatia, Montenegro, Serbia). The Programme's costs are supported by the international community, including the European Union, the United States of America, the UNHCR, the OSCE and the CEB.

The Bank's main role is to manage the multi-donor RHP Fund and other related accounts (with total contributions totalling € 186 million at end-2015) and to assist the Partner Countries in preparing and implementing their housing projects. The Fund aims to provide flats and houses through building, reconstruction, renovation or purchases; provision of construction materials; accommodation in social welfare institutions.

The CEB's Response to the Needs of Migrants and Refugees: Examples of projects³

The CEB's central mandate is to be a bank that promotes the social cohesion of European countries. The Bank first seeks to respond to **emergency situations** and secondly to work towards the **longer-term objective** of promoting the social inclusion of migrants and other vulnerable populations. The following section outlines a number of CEB Projects which have been completed or are currently being implemented, to resolve issues of migrant needs as outlined above (Section 1).

LONG-TERM PROJECTS

Housing Integration Projects

- **Resettlement of refugees & displaced persons**

Bosnia & Herzegovina (2004, 2013) Ministry of Finance

The reconstruction of houses damaged during the war. Two CEB loans totalling €68 million (50% of total cost).

Croatia (2000, 2003), Ministry of Finance

The reconstruction of damaged houses, basic infrastructure, alternative accommodation for temporary users, and repossession of property by rightful owners for return of the IDPs. CEB loan: €69 million (50% of the total cost)

- **Housing for migrants**

France (2015), Adoma

The rehabilitation and retrofitting of Adoma's housing. CEB loan: €100 million (33% of the total cost).

Germany (2009, 2013), NRW-Bank

The construction and rehabilitation of social housing in North-Rhine Westphalia. Two CEB loans totalling €210 million (26% of the total cost).

INTEGRATION INTO LABOUR MARKETS: FINANCIAL INCLUSION PROJECTS

Italy (2013), PerMicro

Business lending to micro-firms, mostly of migrant origin for the purpose of creating jobs and helping financial inclusion. CEB loan: €6 million (24% of the total cost).

Spain (2008, 2009, 2011), Nuevo MicroBank

Job creation and self-employment via access to microcredits for vulnerable persons or families with limited or no access to the formal banking sector CEB loan: €180 million, covering 50% of the total cost.

PROJECTS FACILITATING ACCESS TO EDUCATION AND HEALTHCARE INFRASTRUCTURE

France (2016), City of Paris

- 1) The construction of new schools and the renovation of existing facilities in the 18th, 19th, and 20th districts of Paris.
- 2) The rehabilitation and construction of emergency reception facilities, the expansion of welfare centres and the provision of French language courses, with the aim of facilitating the long-term integration of migrants and refugees. CEB loan: €200 million (50% of the total cost).

Finland (2013), City of Helsinki

The construction of 15 new and supplementary buildings, and the renovation and retrofitting of 86 existing facilities (covering around 25% of all educational premises in Helsinki). CEB loan: €110 million (37% of the total cost).

Spain (2012), CaixaBank (for on-lending to Caixa Obra Social)

Improved access to education and health services for excluded social groups and enhanced employability and labour insertion capacity for people with particular difficulties in finding a job, in order to facilitate their social integration. CEB Loan €100 million (22% of the total cost).



EMERGENCY ASSISTANCE PROJECTS

Greece (2015), North Aegean Region

- 1) The creation of two Open Accommodation Centres (OACs): one for about 60 asylum and subsidiary protection seekers (as per relevant international conventions) awaiting screening and registration; and one for 40 asylum-seeking unaccompanied minors
- 2) The provision of administrative and support services to the asylum seekers in the OACs.

CEB loan - €2 million (67% of total cost)

³ "These examples make no distinction between projects directly targeting populations with a migrant background and projects more broadly targeted to socio-economically disadvantaged, vulnerable or diverse populations. In each project, the year of its approval is indicated in brackets."



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