

Evaluation Abstract

Migrant and
Refugee
Fund

Why does this evaluation matter?

The present evaluation of the Migrant and Refugee Fund (MRF) – established in October 2015 in the context of the “refugee crisis” – is the first ever corporate-level evaluation undertaken by the Council of Europe Development Bank (CEB). Requested by CEB senior management and officially launched in March 2018, it had a two-fold purpose: (i) assess whether and how the design and functioning of the MRF were conducive to reaching the stated objectives; (ii) highlight lessons to be learned from this first experience and provide the Bank with knowledge that can be applied to possible future cases of dedicated grant-funded instruments. The evaluation methodology relied on in-depth institutional analysis and a large portfolio review, complemented by six case studies conducted through field visits.

What did the MRF achieve?

The evaluation acknowledges the significant effort made by the CEB in October 2015 to establish a dedicated financial instrument aimed at supporting member states’ endeavours to (i) *“ensure that migrants and refugees who arrive on their territory enjoy basic human rights”* as well as (ii) *“integrate these populations and enable them to rebuild their lives in dignified conditions”*. The MRF’s

purpose was strongly aligned with the CEB’s mission and objectives as a multilateral development bank with an exclusively social mandate.

The setting-up of the MRF was characterised by the combination of three important features: (i) *institutional engagement* (as evidenced by CEB senior management’s strong involvement); (ii) *international partnerships* (the MRF was open to voluntary contributions from CEB member states and international organisations¹); and (iii) *solidarity* (MRF projects were grant-funded).

In response to the 2015 migrant crisis, the Bank’s resolve to enter the field of humanitarian assistance – which is not a standard field for CEB operations – is commendable and, thanks to the dedication of CEB staff, the instrument was brought up to speed within tight deadlines.

The MRF’s specificities and orientations evolved over time, mirroring both developments in the migratory crisis that Europe was facing and management priorities. Three key phases of the MRF’s life cycle can be identified.

¹ At end-2018, the Bank had received external contributions for the MRF from 22 member states, as well as the European Investment Bank, totalling € 28.4 million. See <https://coebank.org/en/donors-and-trust-funds/migrant-and-refugee-fund/>

The **first phase** covered the six-month period between the establishment of the MRF (on 2 October 2015 by CEB's Administrative Council Resolution 1573) and signature of the European Union (EU)-Turkey agreement in March 2016.

During this period, CEB focused on the urgency of mobilising funding, on the one hand, and providing support to the Bank's member states, on the other. Within weeks, the MRF was formally established, contributions were received, and a first wave of 9 projects was approved, absorbing 70% of the then-available funding. National governments and the International Organisation for Migration (IOM) were the recipients of MRF funding during this first phase.

A positive feature of this phase was the fact that the geographical distribution of MRF operations matched the mapping of emergency needs: all projects approved in this first phase were situated in countries along the Balkan route, which faced unprecedented challenges in ensuring adequate temporary accommodation, protection and safety of migrants. The instrument benefited from a swift approval process. Recipient of MRF funds could use available resources to finance both recurrent and investment costs.

From March 2016 to December 2017, the MRF entered a long, **second phase**, characterised by manifoldness and uncertainty.

After signature of the EU-Turkey agreement, the social context changed considerably: there was a sharp fall in the number of arrivals, while migratory routes shifted to the South Mediterranean. Western European countries had to deal with the challenge of integration whilst countries in the Balkan region had to respond to the needs of stranded migrants.

From a funding perspective, MRF reserves continued to be replenished but at a very irregular and uncertain tempo. The pace of project approvals visibly slowed down – four new MRF operations were approved in 2016 and five in 2017. Funding continued to transit mostly through IOM and national governments.

Content-wise, the MRF projects approved in Balkan countries during this phase focused on stranded migrants, albeit sometimes in countries hosting low numbers of such beneficiaries. In 2017, through its strengthened partnership with IOM, CEB identified funding gaps and priority groups for MRF financing, such as vulnerable sub-groups of migrants, especially unaccompanied minors. This enabled the CEB to avoid overlapping with other donors' initiatives and to differentiate MRF intervention from other operations.

From a portfolio point of view, the MRF did not intervene as much in destination countries where most of the arrivals were occurring at the time. Compared to the first phase, this second phase was thus characterized by a less visible match between the mapping of needs on the ground and the geographical distribution of MRF projects. Given the MRF's stated objectives, more integration-oriented projects would have been expected in western European countries. The first integration-oriented project financed by the MRF only materialised in March 2017, in a country that was very marginally exposed to the social concerns affecting other European countries.

The **third and last phase** of the MRF corresponds to the year 2018, when the last cluster of projects was approved, before suspension of the instrument at year end. During this period, no more contributions were made to the MRF, with the exception of a last CEB contribution in September 2018 to enable funding of the remaining projects in the pipeline.

Whilst the number of arrivals in Europe was on the decline, there was a growing need to integrate and accommodate asylum seekers and migrants in destination countries. A distinguishing feature of this end phase was the expansion and diversification of partners involved in the implementation of MRF projects, to include local governments and NGOs, alongside IOM and national governments. There was also a concomitant shift of emphasis in the project portfolio toward operations that sought to foster the social integration process of migrants and refugees in destination countries, including through small-scale initiatives implemented at local level.

What did the field visits highlight?

Field visits were conducted in the context of this evaluation to enable a direct understanding of results achieved by MRF operations on the ground, challenges faced during implementation, and factors that affected, positively or negatively, final performance.

The **relevance** of MRF operations was assessed against the context and needs of recipient countries. In several projects, especially during the first phase of the MRF, funds were quickly disbursed at a time when the migrant crisis was at its peak and countries' needs were high. At that time, MRF funding was focused on transit countries along the Balkan route which, with some degree of variation across countries, faced exceptional challenges in ensuring adequate temporary accommodation, protection and safety of migrants and asylum seekers. For some countries, the early delivery of MRF funds proved to be particularly relevant, as CEB was one of the few donors involved and willing to directly fund the government budget, including recurrent and investment costs.

The **effectiveness** of the evaluated MRF operations – from the viewpoint of their

capacity to reach the stated group of beneficiaries (i.e. migrants and refugees) – varied across projects. For ease of presentation, the evaluation distinguished three scenarios.

The **first scenario** corresponds to those cases where MRF benefits actually reached, directly or indirectly, migrants and refugees. This included the financing of human resources and running costs of humanitarian assistance projects, purchase of durable items and financing of emergency-related infrastructure. In cases where MRF resources financed perishable items, the evaluation suggested that real-time evaluations should have been conducted to verify the projects' capacity to reach the targeted beneficiaries.

The **second scenario** covers circumstances in which, for various reasons, MRF funds did not reach the intended beneficiaries.

Disbursement under MRF projects sometimes proved challenging (due to rapidly changing contextual circumstances) and were slower than planned. To facilitate disbursements, resources were redirected by CEB to other purposes or sectors, albeit in the absence of specific rules or standards for the reallocation of MRF unused amounts.

While the investments that received redirected MRF financing might have been socially needed – and notwithstanding the fact that reallocations were made in line with the procedures and principles applied to CEB loans – in some cases, the said investments' effectiveness in reaching migrants and refugees (the intended beneficiaries of MRF funding) was fundamentally less evident.

The **third scenario** corresponds to the capital investments financed by the MRF. In some projects, capital investment for construction of reception centres took place at a time when the number of arrivals could be anticipated; in others, the investment was undertaken in a context of high uncertainty

with regard to future migration flows. It is therefore not possible to draw conclusions on the effectiveness of these operations in reaching migrants and refugees.

The **efficiency** of MRF operations was analysed from various angles. Implementation of MRF projects through the International Organisation for Migration ensured a high degree of procurement diligence. The MRF proved able to cope with unavoidable changes in the general and country context by allowing for a high degree of flexibility in the use of its funds. Adequate emphasis was devoted to coordination between MRF initiatives and other donors' actions. There were, however, projects that were characterised by serious difficulties in disbursement, which hindered the timely utilisation of MRF resources.

Sustainability was analysed from the perspective of connectedness, according to which funding humanitarian assistance should ensure that the short-term emergency assistance provided also takes into consideration the long-term and interconnected social development needs of recipients. Although some MRF-funded operations proved to be flexible enough to adjust to changing needs, a longer-term outlook on the social integration process was rarely present.

Sustainability also concerns the supporting policy and financial framework of the operations. For projects providing bridge financing or covering running costs, under ideal circumstances, MRF contributions should have been part of a coherent, long-term financial framework with a view to ensuring continuity of funding, but practice shows that this was not always the case.

From a technical point of view, the evaluation underlined the importance of assuring a maintenance system and adequate funding therefor, either to pre-empt degradation of renovated buildings serving

as reception centres or to ensure repair of the facilities and equipment therein.

What were the effects of the MRF on CEB itself?

Until the time of the MRF set-up, the CEB loan portfolio comprised only a marginal share of operations explicitly targeted to migrants and refugees. There was also no experience of operations (grants or loans) that could be linked to contemporary flux of migration that reached European countries from Africa and the Middle-East.

At end-2015, the Bank was in a phase of significant expansion of its lending portfolio, as envisaged in the Development Plan 2014-2016. In this Plan, support to migrants, displaced persons and refugees continued to be emphasized as a distinguishing feature of the CEB mandate but the Bank was also discussing the necessity to be better prepared and equipped to respond to emergency situations affecting its member states.

Despite its small volumes, the MRF constituted an appropriate tool for ensuring, in a timely manner and at least on a temporary basis, alignment of CEB operations with the challenges of the migratory crisis.

A key merit of the MRF was that it reinforced corporate identity in line with the CEB's statutory priorities. The MRF triggered inter-directorate work within a task force responsible for day-to-day management of the MRF and coordination of its projects. A steering platform with participation of the Governor and senior management was also established and tasked with MRF policy and strategic orientations at corporate level, including on fund-raising and partnership processes.

The evaluation confirmed the MRF's contribution to the Bank's visibility vis-à-vis its stakeholders, peers, partners, external

observers, credit rating agencies as well as the general public. The MRF communication framework relied on existing in-house tools and human resources. Communication was facilitated by the Governor and senior management's active participation, to promote the visibility of both the instrument itself and the Bank behind it.

Outward communication on the MRF followed a discourse that highlighted the relevance and alignment of the MRF to the Bank's historical mandate. CEB participated in joint high-level institutional platforms dealing with migration phenomena and related challenges, where the Bank could share its experience in setting-up and managing the MRF. Efforts to promote the MRF's visibility declined over time, reflecting the changing social situation but also the uncertain future of this instrument and the difficulties encountered in financing integration-oriented projects.

While the Bank never formalised the expected linkages between its loan portfolio and the MRF, the evaluation showed that, after 2015, independently of yearly fluctuations, CEB involvement in loan-financed operations dealing with migrants and refugees increased. As implementation of the MRF was ongoing, the Bank took measures to reinforce its capacity to report on this topic. In its Development Plan 2017-2019, CEB adopted, for the first time in its recent history, a new line of action exclusively targeting migrants and refugees. Moreover, since 2017, the targeting of CEB loans to migrants and refugees is an integral part of the scoring system applied by the operational directorates to proposed projects.

What is the way forward?

The MRF was created at a time when an unprecedented humanitarian crisis was affecting CEB member countries. The CEB found itself, for the first time, involved in the mobilisation of external resources to finance

operations in the humanitarian and emergency sector.

The urgency that prevailed at the time of the MRF's set-up implied that CEB had to quickly adapt its operating model to a new emergency context with regard to identification, approval and management of the related projects. This came at the expense of defining operational principles specifically adapted for such a fund. A series of managerial and operational choices were made to handle this new instrument on top of CEB's usual lending activities, without creating additional cumbersome management structures or parallel approval circuits. The decision-making was inevitably influenced by the urgency to act, the uncertainty of developments in the migrant crisis and the unpredictability of the flow of funding.

The MRF could be portrayed as an experience of continuous learning and adaptation in various areas: from fund-raising to approval procedures; from strategic steering to practical project selection. Evaluating the specific nature of this instrument is of interest for shaping the Bank's approach to supporting migrants and refugees, but it also raises the broader question of the Bank's long-term positioning in this field and the specific role that grant-funded operations can play to that end.

The MRF has been a valuable experience for CEB: a path-breaking step was taken, both conceptually and in practice. Much can be learned from this unique experience, which undeniably reinforced CEB's external visibility and consolidated the relevance of its historic social mandate.

In recognition of the high learning value of the MRF experience, the key challenge for the Bank is to demonstrate its capacity to capitalise on the knowledge thus gained. To assist the Bank in this process, the evaluation tables a series of interconnected **lessons** to be considered should CEB in the future

decide to set up similar dedicated grant-funded facilities or, more generally, to strengthen its approach to grant management and migratory issues.

• **Fund-raising campaign and resources management.** The MRF's open-ended approach to fund-raising resulted in uncertainty on upcoming pledges and availability of funding. This inevitably hindered planning and, at times, acted as a disincentive to develop the instrument's operating principles, supporting tools and procedures. Without a clear view on the availability of resources and their amounts, it was difficult and less important for CEB to reflect on the adequateness of the procedures initially applied for allocation and disbursement, including criteria for screening and prioritisation. Under ideal circumstances, the mode of replenishment (one-off contributions with a final deadline, yearly or phase-based replenishment with targets, etc.) should allow management to gain a clear estimate of available resources so as to determine the appropriate strategies and procedures for prioritisation and selection of funded operations.

• **Project selection.** The adoption of a demand-driven "first-come, first-served" approach in the selection of funded operations, coupled with broad eligibility criteria and the absence of allocation ceilings, had visible consequences on the distribution of the MRF portfolio. Some MRF projects were approved based on specific country-based circumstances regardless of the global distribution of needs among member states. As a result, some individual operations had a very high social relevance at micro level but, from a wider perspective, they were at times not fully in line with the emerging migration patterns (e.g. no projects were financed in countries along the south Mediterranean route) or the challenges encountered by western European countries (i.e. first and only integration project approved in March 2017

in a country marginally exposed to international migration).

• **Steering.** Notwithstanding the eligibility criteria stated in its Terms of Reference, the MRF conferred a significant degree of flexibility on scope and procedures in project identification and implementation (including reallocation of unused amounts). Portfolio-level orientations were kept very broad. This approach could be justified at a time of humanitarian emergency but it became arguably inappropriate once the social and geographical scenario had changed. Yet CEB continued to apply, for selection of MRF operations, the procedures and tools employed during the humanitarian emergency phase. No structured internal review of operating modes was carried out to reflect on the opportuneness of adjusting the functioning of this instrument after the significant changes that occurred in the international context. Such a review could have been used to formalise operational principles as well as to revise or adapt decisions which were made when the MRF was first set up.

• **Human resources and expertise.** CEB was able to cope with the short-term and unforeseen increase in work requirements associated with MRF implementation. However, the existing human resource model is not sustainable for supporting, in an effective manner, the extra workload associated with the management and monitoring of MRF projects. Funded operations in the humanitarian sector were new, complex, risky and innovative; their monitoring would have benefited from specific technical expertise that could provide critical assessment of project proposals, handle unforeseen situations and monitor modifications during implementation (including fund reallocation).

• **Standards and procedures for grant operations.** In the context of grant operations funded by external contributors,

higher standards of screening, selection, technical appraisal, monitoring and diligence should be applied. As they were approved under the urgency of the migratory crisis, MRF project proposals were not subject to technical assessment before approval nor to specific monitoring during implementation. Moreover, by their very nature, emergency operations normally require real-time systems of control, as ex-post expenditure verifications cannot provide reassurance that resources were used in an efficient manner.

- **Linkages between investment grants and loan portfolio.** The MRF experience provided valuable entry points for reflection on the role that the CEB should attach to investment grants vis-à-vis its core lending business and their potential linkage with the loan portfolio. Investment grants constitute a distinguishing feature of the Bank's operating model compared to other European financial institutions and have great potential for enhancing the CEB's visibility. It is therefore of paramount importance to establish the rules, expectations, and standards of grant management. Given the Bank's mandate, investment grants could be strategically used to support small-scale social innovations that could be replicated under loan schemes. Alternatively, they could focus on the possibility of promoting blending with loans or other financial instruments.

- **Strategic positioning on the migratory phenomenon.** Displacement of population to and within CEB member countries is expected to continue its steady and upward trend in the coming decades, calling for sustained public spending to implement effective policies. Alongside the migration phenomenon, sporadic crises may arise, due to more violent and frequent natural disasters, climate change, protracted conflicts, or demographic and economic imbalances. Dealing with migration phenomena encompasses two types of interventions that respond to very different

needs: (i) support to displaced people during emergencies; and (ii) long-term support for effective integration in host societies. The approach and appropriate tools for such support differ radically. The experience faced with the MRF shows the difficulty of managing humanitarian and long-term integration projects under the same rules, procedures and selection criteria. Based on this experience, CEB might consider clarifying the role it wishes to play both in humanitarian and emergency assistance (including for natural disasters) and the role expected to be played by investment grants in this domain.

- **Evaluability.** For initiatives like the MRF that embed a high level of institutional exposure and visibility (considering that they are also financed by external contributions), inclusion at the time of their design and approval of a formalised plan for independent evaluation reinforces the credibility and reputation of the managing authority. This would include programming a *mid-term* evaluation to identify potential sub-optimal processes and/or deviations from the original purpose in order to execute course corrections, as well as an *ex-post* evaluation focused on the achievements and results.