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Activities and orientations of the Council of Europe Development Bank

Opinion

Committee on Migration, Refugees and Population

Rapporteur: Mr Andrej ZERNOVSKI, "the former Yugoslav Republic of Macedonia", Group of the European People's Party

I. Committee's conclusion

The Committee on Migration, Refugees and Population wishes to congratulate the Rapporteur Mr Marton Braun, Hungary, of the Committee on Economic Affairs and Development on his report on activities and orientations of the Council of Europe Development Bank. The Committee on Migration, Refugees and Population fully supports the draft recommendation put forward but would, nonetheless, like to propose a number of amendments to highlight the specific issues related to redeployment of CEB funding towards non-EU member states in the target group countries and to financing of projects for the benefit of refugees and migrants.

II. Explanatory memorandum

1. In the preparation of this opinion, the Committee held an exchange of views with Mr Lars Kolte, Chairman of the Governing Board and Mr Apolonio Ruiz Ligeró, Vice-Governor of the Development Bank of the Council of Europe during its meeting in Paris in December 2006 and with the Vice-Governor in Athens on 11 May 2007. The Rapporteur would like to thank Mr Kolte, Mr Ruiz Ligeró and Mrs Giusi Pajardi, Head of the Secretariat of the Partial Agreement on the Development Bank of the Council of Europe for the valuable information they provided on the CEB's activities and perspectives.

2. The Council of Europe Development Bank (CEB) was established in 1956, as "the Council of Europe Resettlement Fund for National Refugees and Over-Population in Europe". The initial vocation of the bank, which was "to respond to the problems created by the presence of refugees and population movements in the aftermath of the second world war", has evolved over the years, but the aid to refugees and migrants remains a statutory priority of the bank (Article II paragraph 1 of the Article of Agreement).

CEB Development Plan for 2005-2009

3. In accordance with the strategic orientations of its Development Plan for 2005-2009, the CEB is now committed to at least 50% funding in the so called Target group countries¹ which include the 14 new EU member states, countries of South Eastern Europe, Moldova, Turkey and Georgia.

¹ The Target group countries currently consist of : Albania, Bosnia and Herzegovina, Bulgaria, Croatia, Cyprus, Czech Republic, Estonia, Georgia, Hungary, Latvia, Lithuania, Malta, Moldova, Poland, Romania, Serbia, Slovak Republic, Slovenia, the "former Yugoslav Republic of Macedonia" and Turkey.

4. As a result, the share of project approvals for these countries has risen to 56% in 2005 and 80% in 2006. It is worth noting that a total of € 830 million (33.7% of the total amount in 2006) was approved for 8 projects in Romania in order to support its efforts to respect the conditions for accession to the European Union.

5. While this is a significant achievement in terms of the CEB geographical redeployment in favour of the Target group countries, the Rapporteur would encourage the CEB to pursue its efforts with non-EU member states, and particularly with a view to fund projects in the war affected regions with a high number of refugees and displaced persons.

CEB activities in favour of refugees, migrants and displaced population

6. The CEB has been involved in the Stability Pact for South Eastern Europe since late 1999. In June 2001 it formally became a partner, taking an active part in the Stability Pact Working Tables² and as a member of the Donor's Network.

7. Over the years, the CEB approved 72 projects for a total of € 2.18 billion in the countries covered by the Stability Pact and it donated € 11.4 million in humanitarian aid. However only 6% of project funding was direct funding for refugees and displaced persons, and additional 32% can be considered indirect funding for health, education, small and medium enterprise (SME).

8. In 2005 the CEB signed a memorandum of understanding with UNHCR, a major implementing partner for the disbursement of humanitarian aid. The CEB donor funding was crucial in Bosnia and Herzegovina and Serbia in order to encourage other donors and financial partners to engage in housing and other projects designed to find durable solutions for the most vulnerable longstanding refugees and internally displaced persons (IDPs) who were leaving the collective centres.

9. Bosnia and Herzegovina has so far received approval of € 40 million : € 8 million loan for reconstruction of dwellings and return support to 4 500 persons in transitory situation (2004); €11.8 million loan for primary health care and the reconstruction of the Mostar Gymnasium (2005); and € 15 million micro credit loans for SMEs through Banca Intesa (2006). The CEB has also granted \$2.1 million donations including \$ 1 300 000 in grants for UNHCR projects concerning the most vulnerable people in the collective centres who are now able to return through repossession of their property or alternative accommodation. The Rapporteur welcomes the recent approval of a new project with UNHCR for a grant of € 406 504.

10. Croatia has so far received € 333.3 million. The initial projects approved for Croatia were mainly aimed at supporting return of refugees through the reconstruction of schools and healthcare facilities, particularly in Eastern Slavonia. The CEB also supported the return and resettlement of refugees (3 400 families) by financing the reconstruction of around 1 200 damaged houses and basic municipal infrastructure in cooperation with local authorities and UNHCR. In cooperation with EBRD, the CEB provided support for job creation projects and SMEs. More recently, through Banca Intesa and local subsidiary Privredna Banka Zagreb, the CEB financed municipal social projects (€ 25.1 million) and investment projects for SMEs (€ 8.4 million). A new health project was approved in 2006 for € 45.2 million to upgrade and equip hospitals and to renovate seven war-damaged health centers.

11. Since 2005, the CEB has approved five projects in Serbia amounting to € 89.6 million. The first project of € 10 million was approved for housing of refugees, former refugees (after deregistration) and vulnerable groups living in difficult conditions. This CEB project represented the first loan project for housing of refugees and IDPs. Previously the projects had been financed through international humanitarian donor aid. Given the difficulties in preparation of project proposals, the European Agency for Reconstruction created a Project Management Unit to provide technical assistance to central and local authorities. The Bank has also granted a donation of \$ 704 000 to locally integrate 640 refugee families from Bosnia and Herzegovina and Croatia upon the closure of

² Working Table I (Democracy, Education); Working Table II (Economy : Initiative for Social Cohesion, Infrastructure Steering Group); Working Table III (Migration, Asylum, Refugees Regional Initiative and Disasters Preparedness and Prevention)

the collective centres; \$500 000 for building materials and assistance in kind to 330 refugee families; and in 2006, additional \$ 500 000 for housing and micro loans.

12. In “the former Yugoslav Republic of Macedonia”, the CEB has financed three projects for a total of €30.1 million, namely housing for vulnerable persons and two projects related to job creation and SMEs. Following the Ohrid Peace Agreement in 2001 the CEB granted € 1 million of humanitarian aid for basic primary goods, medication and reconstruction of damaged housing and infrastructure. In cooperation with UNICEF, the CEB granted additional \$ 450 000 in 2003 for the creation of basic health care facilities and schools in favour of Roma community.

13. Concerning the integration of migrants, the CEB has approved in 2005 and 2006 four housing projects for migrants in Spain amounting to € 450 million.

Project preparation and local capacity building

14. The CEB naturally seeks to ensure a fair balance between its social mandate and the banking nature of its activity. The Bank pays particular attention to the quality of projects it finances and to the effectiveness of its contribution. The lack of project preparation capacity and sound financial guarantees can seriously undermine the use of the Bank’s lending potential, particularly in the poorer Target group countries.

15. Given the principle of low running costs and limited staffing, the CEB is building partnerships with financial and other international institutions which have local branch offices and a good knowledge of the beneficiary country such as the World Bank, the EBRD, the European Agency for Reconstruction and various UN Agencies (UNHCR, UNDP, UNICEF).

16. Within the Stability Pact, the CEB participates in the Regional Capacity Building Programme for the South Eastern Europe which is developed in cooperation with UN-Habitat. By providing housing policy development assistance and by strengthening project development capacity of the public sector, the regional programme should improve the overall conditions for housing sector investments in the region.

17. The CEB cooperates with intermediary banks which have financial soundness and the ability to implement micro loans for the benefit of the Target group countries – such as Kreditanstalt für Wiederaufbau in Germany and Banca Intesa in Italy.

18. The CEB made use of the Norwegian Trust Account for preparation and appraisal phases of several projects in favour of the Balkan countries. This programme was renewed in 2006 thanks to the payment of additional € 1 million by the Norwegian authorities.

19. The Rapporteur encourages other member countries to contribute to the Trust Account in order to facilitate the preparation of pilot projects with very high social content, and particularly concerning : aid to refugees and migrants; Roma community development; job creation through micro-credits schemes; training of police and administrative staff who deal with refugees and IDPs; and local institution building in the field of health and social housing.

20. Local Authorities should be more aware of the CEB lending opportunities and better prepared to put forward sound projects. In this respect, the Rapporteur welcomes the CEB efforts to promote the Nordic model of municipal authority financing, with a view to create sound municipal credit institutions in the Target Group countries.

Orientations for future CEB activities in favour of refugees, migrants and displaced population

21. The Committee on Migration, Refugees and Population welcomes the recent membership of Georgia and hopes that Armenia and Azerbaijan will soon join the Bank in order to open up possibilities for CEB funding in the south Caucasus region. In its *Resolution 1497 (2006) on refugees and displaced persons in Armenia, Azerbaijan and Georgia*, the Assembly draws attention to the deplorable conditions of refugees and displaced persons in the region and calls for the implementation of local integration programmes and development projects.

22. With regard to the situation of migrants in Europe, the Committee recommends that member states make greater use of the CEB funding for local integration projects. Furthermore, in its *Resolution 1521 (2006)* and *Recommendation 1767 (2006) on mass arrival of irregular migrants on Europe's southern shores*, the Assembly alerts to the poor quality and lack of capacity of some reception centres.

23. Taking into account the growing concerns associated with regular and irregular migration in Europe, the Committee reiterates its proposal³ for the creation of a European Migration Agency which could assist the CEB to identify and implement more projects in the migration field.

III. Amendments to the draft recommendation

It is with the above in mind that the Committee on Migration, Refugees and Population puts forward a number of amendments to the draft recommendation.

Amendment No. 1

After paragraph 3, introduce a new paragraph as follows:

“Given that aid to refugees and migrants remains a statutory priority of the CEB, the Bank should increase its efforts particularly with non-EU member states in the South Eastern Europe and the Caucasus region with a view to developing and funding projects which benefit refugees and displaced persons in the war affected regions. To this effect, the Assembly welcomes the initiative of the CEB to seek formal partnership with the UN agencies (UNHCR, UNICEF and UNDP) which have a good knowledge of the beneficiary country and play a crucial role in the development and implementation of such projects.”

Amendment No. 2

In paragraph 8.3, before sub-paragraph 8.3.1, insert a new sub-paragraph as follows :

“enhance cooperation with regional and local authorities in order to raise their awareness of the CEB lending opportunities and assist them in strengthening their project development capacity;”

Amendment No. 3

In paragraph 8.3, before sub-paragraph 8.3.1, insert a new sub-paragraph as follows:

“accelerate the identification and preparation of projects for the benefit of vulnerable populations including migrants, refugees, and displaced persons with a view to presenting projects for CEB financing;”

Amendment No. 4

At the beginning of paragraph 8.4, insert a new sub-paragraph 8.4.1 as follows :

“select a higher percentage of projects in the non-EU target member states”

³ Recommendation 1655 (2004) *on a European migration observatory/agency* and Recommendation 1737 (2006) *on new trends and challenges for Euro-Mediterranean migration policies*.

Reporting Committee: Committee on Economic Affairs and Development

Committee for opinion: Committee on Migration, Refugees and Population

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Secretaries of the Committee: Mr Lervik, Mr Neville, Mrs Karanjac, Mrs Kostenko