



Market report  
June 2024

# The potential for financial instruments supporting migrant integration

Country report – Italy







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# 01 Context

## 1.1 Third-country nationals (TCNs) in Italy

The number of third country nationals (TCNs) in Italy reached 3.64 million in 2022. Of these, 76% were of working age (15-64) and accounted for 7.4% of the country's working age population<sup>1</sup>. Long-term residents (with permits issued for five or more years) constituted 58% of TCN residents<sup>2</sup>, with Moroccans and Albanians constituting 12% and 11%, respectively, of Italy's TCNs<sup>3</sup>. The main reason TCNs give for migration on their applications for residence permits is family reunification (50%), followed by employment (42%)<sup>4</sup>.

In 2022, the number of asylum applicants increased by 57%, compared to 2021, to reach around 84 000<sup>5</sup>. Of the 53 000 first instance decisions taken in 2022, 48% were positive, granting refugee status, while 52% of applications were rejected<sup>6</sup>.

Additionally, until the end of October 2023, 161 000 Ukrainian refugees were granted temporary protection after the outbreak of war on 24 February 2022<sup>7</sup>.

Employment of TCNs in Italy is regulated primarily by the Consolidated Immigration Act (Testo Unico sull'Immigrazione). This mandates non-EU citizens' possession of valid residence permits before seeking employment. Employers must prioritise the employment of Italian and EU citizens, adhering to strict labour market regulations. The Act emphasises the importance of comprehensive documentation, including residence permits, valid employment contracts and relevant qualifications. Non-compliance with employment laws can result in imprisonment and fines for the employers and a potential decision to return of TCNs. Integration measures to improve language proficiency and cultural understanding are also emphasised to ensure the successful integration of foreign workers into Italian society.

TCNs with residence permits can become freelancers or sole traders and may establish a partnership or a company. Before starting the trade, the company/partnership and the sole trader must register in the Italian Business Register at the Chamber of Commerce within 30 days of the business starting date. Certain regulated professions require a license or permit to operate in that field. This includes most medical professionals, teachers, lawyers, architects, tour guides, security guards, hairdressers and driving school instructors. Those who hold a foreign professional qualification need the recognition of the competent Italian authority in order to legally practice the corresponding profession in Italy. The Italian authorities charged with undertaking professional recognition include the ministries, such as the Ministry of Health, Education, and Justice relative to the profession under their jurisdiction.

- 1 Eurostat, 2023, 'Population on 1 January 2023 by age group, sex and citizenship [MIGR\_POP1CTZ]', compiled by MFC, [https://ec.europa.eu/eurostat/databrowser/view/MIGR\\_POP1CTZ\\_\\_custom\\_5955458/default/table?lang=en](https://ec.europa.eu/eurostat/databrowser/view/MIGR_POP1CTZ__custom_5955458/default/table?lang=en).
- 2 Eurostat, 2023, 'Long-term residents by age, sex and citizenship on 31 December of each year [MIGR\_RESLAS]', compiled by MFC, [https://ec.europa.eu/eurostat/databrowser/view/migr\\_reslas/default/table?lang=en](https://ec.europa.eu/eurostat/databrowser/view/migr_reslas/default/table?lang=en).
- 3 Eurostat, 2023, 'All valid permits by reason, length of validity and citizenship on 31 December of each year [migr\_resvalid]', compiled by MFC, [https://ec.europa.eu/eurostat/databrowser/view/migr\\_resvalid/default/table?lang=en](https://ec.europa.eu/eurostat/databrowser/view/migr_resvalid/default/table?lang=en).
- 4 Eurostat, 2023, 'First permits by reason, age, sex and citizenship [MIGR\_RESFAS]', compiled by MFC [https://ec.europa.eu/eurostat/databrowser/view/MIGR\\_RESFAS\\_\\_custom\\_3332249/bookmark/table?lang=en&bookmarkId=864af24d-7693-456b-9adc-97c5f8dfc647](https://ec.europa.eu/eurostat/databrowser/view/MIGR_RESFAS__custom_3332249/bookmark/table?lang=en&bookmarkId=864af24d-7693-456b-9adc-97c5f8dfc647). (Does not include Ukrainian war refugees arriving in the EU countries after 24.02.2022).
- 5 Eurostat, 2023, 'Asylum applicants by type of applicant, citizenship, age and sex - annual aggregated data [migr\_asyappctza]', compiled by MFC [https://ec.europa.eu/eurostat/databrowser/view/migr\\_asyappctza/default/table?lang=en](https://ec.europa.eu/eurostat/databrowser/view/migr_asyappctza/default/table?lang=en).
- 6 Eurostat, 2023, 'First instance decisions on applications by citizenship, age and sex - annual aggregated data [migr\_asydcfst]', compiled by MFC, [https://ec.europa.eu/eurostat/databrowser/view/migr\\_asydcfst/default/table?lang=en](https://ec.europa.eu/eurostat/databrowser/view/migr_asydcfst/default/table?lang=en).
- 7 Eurostat, 2023, 'Beneficiaries of temporary protection at the end of the month by citizenship, age and sex - monthly data [migr\_asytspm]', compiled by MFC, [https://ec.europa.eu/eurostat/databrowser/view/migr\\_asytspm/default/table?lang=en](https://ec.europa.eu/eurostat/databrowser/view/migr_asytspm/default/table?lang=en).



Two major developments took place in 2021. First, registration of unregistered migrant workers was sped up. The second development was the increase in the annual quota for foreign workers to 697 000 (44% increase). The quota also assigned the number of workers admitted to different economic sectors<sup>8</sup>. Following the invasion of Ukraine by Russia, the Italian Government relaxed the procedures for recognition of health professional qualifications of Ukrainian doctors and health workers, allowing them to temporarily practice their profession, if residing in Ukraine before 24 February 2022<sup>9</sup>.

<sup>8</sup> OECD, 2022, 'International Migration Outlook'.

<sup>9</sup> OECD, 2022, 'International Migration Outlook'.

# 02 Microfinance

## 2.1 Market analysis – Snapshot

According to the Global Entrepreneurship Monitor<sup>10</sup>, the entrepreneurial ecosystem in Italy is well developed in several aspects such as ease of entry on the markets, physical, commercial and professional infrastructure. It is considered insufficient in other aspects, such as regulatory burdens, bureaucracy, or taxes.

Over 210 000 TCN enterprises operated in Italy in 2022, of which 71% were solo entrepreneurs without employees and 29% hired some employees. The entrepreneurship rate among TCNs is 8%, lower than that of Italian citizens (12%)<sup>11</sup>. Nonetheless, the Italian TCN entrepreneurial rate is higher than those in France (6%) and Germany (4%), but lower than in Spain (9%).

Businesses established by TCNs are particularly active in four specific sectors of the Italian economy: construction, wholesale, and retail trade, manufacturing, and services (predominantly as rental and travel agencies and business support services)<sup>12</sup>.

A study on the determinants of entrepreneurship for migrants in Italy concluded that the probability of becoming an entrepreneur is higher for men, those who have lived in Italy with a residence permit for a longer period, those who have a current bank account, and those who come from countries with a strong entrepreneurial spirit. The family network and city of residence also play a role in entrepreneurship, as do the migrant's willingness to take risks and their education level. The study found that for migrant men starting a business in Italy is a matter of opportunity, while migrant women are more likely to become entrepreneurs out of necessity rather than opportunity, and that being married reduces their chances of becoming entrepreneurs. Finally, whether migrants have made other investments in their country of origin, or Italy, is crucial. The study also acknowledges the difficulties faced by migrants in gaining recognition of their qualifications and competencies<sup>13</sup>.

## 2.2 Analysis of the demand side

### Demand for microfinance from entrepreneurial TCNs in Italy

Lack of access to finance and credit facilities, was already a well-known and pressing problem prior to the pandemic, which now seems to be accentuated. Migrants and even more so, asylum seekers, refugees and migrant women, experience a structural problem in accessing sources of funding for their businesses, which is a condition that was further complicated by the COVID-19 scenario. This applies to credit facilities designed for residents in Italy and primarily to bank credit, and is due to lack of credit history, difficulties in meeting the requirements of guarantee schemes for obtaining loans and the high bankruptcy rate of migrants' enterprises. Furthermore, scarcity of resources in the initial and early development stages can be mainly due to erosion of family assets during the migratory path, as well as subsequent financial support to families in the country of origin, which can be the driver for business creation and management rather than growth in the market.

10 GEM (Global Entrepreneurship Monitor), 2023, 'Global Entrepreneurship Monitor 2022/2023 Global Report: Adapting to a New Normal', <https://gemconsortium.org/report/20222023-global-entrepreneurship-monitor-global-report-adapting-to-a-new-normal-2>.

11 Eurostat, 2023, 'Self-employment by sex, age and citizenship (1000) [lfsa\_esgan]', compiled by MFC, [https://ec.europa.eu/eurostat/databrowser/view/lfsa\\_esgan/\\$defaultview/default/table?lang=en](https://ec.europa.eu/eurostat/databrowser/view/lfsa_esgan/$defaultview/default/table?lang=en).

12 CeSPI & Deloitte, 2021, 'Osservatorio Sull'inclusione Socio – Economica E Finanziaria Delle Imprese Gestite Da Migranti', [https://www.cespi.it/sites/default/files/documenti/01\\_rapporto\\_def.pdf](https://www.cespi.it/sites/default/files/documenti/01_rapporto_def.pdf).

13 De Angelis M., Corsi M., Frigeri D. 'The determinants of entrepreneurship for migrants in Italy. Do Italian migrants become entrepreneurs by "opportunity" or through "necessity"?: 2017.





Additionally, TCNs clearly need financial education in areas such as accounting, tax, and marketing, for which engaging external professionals can significantly reduce the limited financial resources available to migrant entrepreneurs<sup>14</sup>.

The largest microfinance institution in Italy, PerMicro, confirmed that TCNs lack access to mainstream banking services due to lacking bank and credit history, plus guarantees or collateral to back up their loans. They seek low-cost financing with low-guarantee requirements provided by an institution that understands their needs, and which can provide full support during their entrepreneurship journey. It is important to TCNs that the staff of a financial institution understand the needs of people from different cultures<sup>15</sup>.

### **Demand for Business Development Services (BDS) by entrepreneurial TCNs in Italy**

TCNs in Italy who are entrepreneurial face distinct legal, administrative, linguistic, cultural, and financial obstacles. Services they require include the following:

- **Legal and administrative support:** TCNs who are entrepreneurial must adhere to the complex and cumbersome Italian regulations and procedures for establishing and operating a business. They also need to be aware of labour laws, the tax system, the social security system, and consumer protection laws. Business development services that provide legal and administrative guidance can help entrepreneurial TCNs navigate the complex Italian bureaucracy and avoid legal risks;
- **Linguistic and cultural support:** Entrepreneurial TCNs need to communicate effectively with their customers, suppliers, partners, and employees in Italy, as well as understand the cultural norms and expectations of the Italian market and society. They also need to adapt their products and services to local preferences and needs. BDS that offer linguistic and cultural training can help entrepreneurial TCNs improve their language skills, cultural awareness, and intercultural competence;
- **Access to finance information:** Entrepreneurial TCNs in Italy have numerous options for securing financing for their new and established businesses. Various types of funding including subsidised loans and guarantees may be available through the Italian banking system or non-banking microfinance institutions. BDS that provide financial advice can help entrepreneurial TCNs secure the right type of funding;
- **Networking opportunities:** Entrepreneurial TCNs need access to networks of Italian entrepreneurs, professionals, and investors to create business relationships, find opportunities for collaboration, and exchange experiences. BDS that organise networking events and provide access to directories and online platforms can help entrepreneurial TCNs build and expand their network of contacts.

## **2.3 Analysis of the supply side**

### **Provision of microfinance for entrepreneurial TCNs in Italy**

Microfinance in Italy is provided by almost 100 institutions, beginning with Mutua Auto Gestione (MAGs), which financed social projects through mutual funds and in the 1990s became the Banca Etica, the first ethical bank in Italy specialising in funding Italian social enterprises.

Other Italian microfinance providers include:

- PerMicro, the largest non-bank microfinance institution (MFI) which supports entrepreneurs and families and is partially funded by Banca Etica;
- Casa del Microcredito, which offers microloans guaranteed by the Central Guarantee Fund, together with along with a tutorship programme;

<sup>14</sup> NES, 2021, 'Project 2020-21 – NOTE ON GAPS, NEEDS AND THE WAY FORWARD', Fondazione ISMU.

<sup>15</sup> While microfinance institutions train their staff to provide services specifically to TCNs, some cooperative banks (BCC) employ cultural mediators to help TCNs understand bank's offer and communicate with regular bank staff.



- Caritas, which provides donations and subsidised loans to socially excluded, low-income people for basic necessities or becoming self-employed;
- Italia Comfidi, which provides BDS and financing for Italian micro, small and medium enterprises (MSMEs), Credit Cooperative Banks and savings banks.

Italian MFIs are affiliated with RITMI (Rete Italiana di Microfinanza), a network of ethical finance institutions in Italy whose main focus is to promote microfinance.

PerMicro, provides business and personal loans for employability, mobility, housing, and consumption needs. Additionally, it provides BDS, which include business related training and financial education programmes. PerMicro funds the core BDS functions with the revenues it receives from income generating activities, as well as various fund-raising efforts. More information on PerMicro is included in Part 2 of the report: “Design options for financial instruments and potential combination with grants”<sup>16</sup>.

Several large and small microfinance providers extend loans to TCNs, although the exact number remains unknown. PerMicro is intensively engaged in TCN support on both enterprise and personal levels with TCNs representing 40% of its business clients and 60% of personal loan borrowers.

It should also be noted that in Italy, cooperative and savings banks play a significant role in the financial sector and have a strong presence in local communities. However, specific information about their involvement in providing microfinance products is not readily available.

Banca Etica, the socially oriented cooperative bank, provides funding to organisations engaged in refugee reception and hospitality services as well as to social enterprises either run by or employing TCNs. In 2022, over 4 000 TCNs benefitted from migrant reception services and over 3 000 benefitted from social integration initiatives financed by Banca Etica<sup>17</sup>.

Microloans provided by financial intermediaries can be secured by individual guarantees from the Central Guarantee Fund<sup>18</sup> designed and created by the Italian Government, which plays a crucial role in small and medium-sized enterprises (SMEs) financing in Italy. During the pandemic, this fund was significantly enhanced by expanding the range of potential beneficiaries, increasing the loan coverage ratio to up to 90%, boosting capital endowments, and simplifying procedures, including those for microcredit guarantees. For instance, the fund increased the amount of guarantee eligible for so-called automatic granting, i.e., without prior authorisation, from loans of under EUR 25 000 to loans of up to EUR 30 000.

### **Provision of BDS to entrepreneurial TCNs in Italy**

The BDS system in Italy is a complex network of organisations that provide support to businesses, particularly small and SMEs. These organisations offer a range of services, including legal and administrative assistance, linguistic and cultural training, financial advice, and networking opportunities.

Public organisations that offer BDS services in Italy:

- Chambers of commerce offer a range of BDS services to businesses, including market research, business planning, and training;
- Regional development agencies (RDAs) offer BDS services to businesses in 20 regions of Italy. RDAs focus on connecting and building business networks in their region, providing finance to MSMEs and BDS services to boost regional economic development. Many of the RDAs have dedicated teams that provide support to entrepreneurial migrants, examples include Puglia Sviluppato or Arezzo Innovazione.

<sup>16</sup> EIB, 2023, ‘Design options for financial instruments and potential combination with grants’ in ‘Market study- the potential for financial instruments under AMIF and other Funds in the area of integration of migrants’.

<sup>17</sup> Banca Etica, 2022, ‘IMPACT REPORT’.

<sup>18</sup> <https://www.fondidigaranzia.it/>



#### Private organisations providing BDS:

- Consultancy firms offer a range of BDS services, including market research, business planning, marketing and sales support, and financial advice;
- Business incubators and accelerators provide support and resources to startups and early-stage businesses. Such institutions include the incubators, such as Dialogue Place, and non-governmental organisations (NGOs), such as Oikos Onlus ('BEST project – integration through the growth of entrepreneurial skills' offering training courses on entrepreneurship, access to online resources) and the Human Safety Net;
- Co-working spaces provide shared office space and other amenities to businesses of all sizes. Many co-working spaces also offer BDS services such as workshops, networking events, and access to business resources;
- Financial institutions, including cooperative banks and MFIs offer BDS as well.

As presented in Part 1 of the report: "Market Assessment Report"<sup>19</sup>, MFIs provide entrepreneurship training to potential new business founders in transition to self-employment as well as mentoring to existing microenterprises. Currently, PerMicro participates in the Partnership and Financing for Migrant Inclusion (PAFMI) project, funded by the Asylum, Migration and Integration Fund (AMIF)<sup>20</sup> and managed by the Council of Europe Development Bank (CEB), which they consider a good example of a grant for educational and BDS activities for the benefit of TCNs in partnership with public and private actors. PerMicro's role is to offer a range of services to migrants including training, mentoring, access to microcredit and small grants as well as support in the process of obtaining formal recognition of foreign qualifications. PerMicro also participated in the so-called BDS Pilot<sup>21</sup> implemented by the European Investment Fund (EIF) within the Employment and Social Innovation programme (EaSI) Guarantee Initiative, which was an important endeavour to help MFIs in partially covering their BDS delivery costs when the service was provided to refugees or migrants intending to set up or develop their microenterprises.

#### Funding sources for microfinance institutions

Microfinance institutions in Italy are funded from a combination of public and private funds. The largest microfinance institution uses funds from commercial banks and EU funds (beneficiaries of EaSI Guarantee for the 2014-2020 programming period; several applied also for the InvestEU Microfinance and Social Entrepreneurship Portfolio Guarantee). Guarantees to MFIs are provided also by the Central Guarantee Fund for SMEs as well as regional guarantee schemes.

In the 2007-2013 programming period, (microcredit and guarantee fund) were used by non-bank MFIs in the regions of Sardinia, Lombardy and Calabria. In the 2014-2020 period, the European Social Fund (ESF) Microcredit Fund was available in Campania and Sardinia and was utilised by local banks or financing companies to extend microcredit to individuals, microenterprises, and cooperatives<sup>22</sup>.

19 EIB, 2023, 'Market Assessment Report' in 'Market study- the potential for financial instruments under AMIF and other Funds in the area of integration of migrants'.

20 Guidelines for grant applicants for Partnerships and Financing for Migrant Inclusion (PAFMI), [https://www.european-microfinance.org/sites/default/files/call/file/2022\\_11\\_CEB\\_TAM\\_P\\_LD\\_PAFMI\\_Guidelines\\_for\\_Applicants%20%284%29.pdf](https://www.european-microfinance.org/sites/default/files/call/file/2022_11_CEB_TAM_P_LD_PAFMI_Guidelines_for_Applicants%20%284%29.pdf).

21 European Commission, n.d. 'Business Development Services (BDS) Pilot for refugees and migrants', [https://cor.europa.eu/en/events/Documents/CIVEX/working-together-for-migrant-integration/BDS\\_Pilot\\_for\\_refugees\\_and\\_migrants\\_DG\\_EMPL.pdf](https://cor.europa.eu/en/events/Documents/CIVEX/working-together-for-migrant-integration/BDS_Pilot_for_refugees_and_migrants_DG_EMPL.pdf).

22 fi-compass, 2015, 'ESF Microcredit Fund Campania. Case Study', [https://www.fi-compass.eu/sites/default/files/publications/case-study\\_esf-microcredit-fund-campania.pdf](https://www.fi-compass.eu/sites/default/files/publications/case-study_esf-microcredit-fund-campania.pdf).



## The Sardinia Region ESF Microfinance and BDS Instruments

The Regional Government of Sardinia (RGS) implemented a policy aimed at supporting unemployed individuals who face challenges in obtaining loans to start or support business initiatives. The policy covered implementation of the microfinance fund created with the ESF resources within the 2014-2020 programming period. The aim of the fund was to support micro-enterprises, cooperatives, small businesses, the self-employed, and associations of professionals. The management of the microfinance instruments targeting these groups was entrusted to an in-house company called SFIRS (Società Finanziaria Regionale Sarda - Regional Financial Company of Sardinia). SFIRS was responsible for drafting the call for applications, collecting applications, evaluating the project from a technical, economic, and financial perspective, preparing for admission to funding and disbursing funding.

The microfinance instrument took the form of unsecured loans with the following characteristics;

- Loans ranged from a minimum of EUR 5 000 to a maximum of EUR 25 000;
- The maximum duration of the loan was 60 months;
- The applied interest rate was 0%.

Repayment was required in monthly instalments, starting 12 months from the date of the contract. No collateral was required. The interest in the programme was significant: SFIRS received almost 1 200 loan applications. Following the rigorous evaluation process 339 applications were selected for financing. The total value of financing that was provided to the selected applicants amount to over EUR 7 000 000.

According to RGS, the most important recommendations coming from the programme evaluation were to diversify the partners involved in managing microfinance, to increase the flexibility of the rules and criteria, attract new, private co-funding sources and to integrate microfinance with other measures that can enhance the financial inclusion and empowerment of the beneficiaries.

During the 2014-2020 programming period, RGS launched the Diamante Impresa call for proposals as part of the larger IMPRINTING programme providing integrated services to potential entrepreneurs from the disadvantaged groups: women, the unemployed youth, and migrants. BDS services included business idea evaluation and business plan creation prior to setting up a microenterprise, marketing, financial, tax and fiscal assistance as well as linking with the microfinance programme after establishing a business. The results were rather modest but not discouraging in terms of the creation of migrant businesses: out of 430 applications, 80% of applicants were accepted for the initial phase, 175 applicants completed this phase and were able to set up a microenterprise. 93 of the newly established microbusinesses applied for microfinance funding but only 16 were approved for financing. A new edition of this programme was launched in the beginning of 2023, as part of 2021 -2027 programming period.

In the 2014-2020 programming period, AMIF's funds for Specific Objective 2/National Objective – Integration, were committed to language proficiency, civic orientation and integration through employment. As Italy is one of the European countries most involved in the management of the EU external borders, the implementation of the Common European Asylum System (CEAS) and activities to support and strengthen the national reception system take on central importance in the AMIF national programme 2021-2027. Activities relating to integration will focus on early integration measures, such as language proficiency, labour market orientation and integration with the host society, while entrepreneurship is not mentioned in the programme.



Concrete labour market and job-related advice and information offers, as well as professional qualifications are not going to be funded by the AMIF. Complementary use of AMIF and European Social Fund Plus (ESF+) resources will be ensured through coordinated programming between the Managing Authority of the AMIF Programme and that of the National Inclusion and Poverty Programme. Furthermore, within the activities of the Social Rights Subcommittee, coordination mechanisms will be ensured with the other national and regional management authorities responsible for European funds (including the European Regional Development Fund (ERDF) and the European Agricultural Fund for Rural Development (EAFRD) that finance actions concerning migrants. The value of such coordination among different EU funds for TCN support is significant and not often observed at the Member State level, indicating an area for improvement in facilitating TCN integration. The benefits are manifold: coordination can lead to more efficient resource allocation for TCN support, ensuring that funds are directed where they are most needed and can have the greatest impact. It can also result in more effective use of existing infrastructure and support measures for TCNs, avoiding duplication of efforts and making the most of available resources. It can also facilitate better planning and implementation, as different funds can complement each other and address different aspects of TCN support.

## 2.4 Financing gap

The calculation of the financing gap follows the methodology presented in section 2.5.1 of the Part 1 of the report: “Market Assessment Report”, as applied by the study on the implementation of financial instruments in microfinance<sup>23</sup> carried out in 2019 for the European Commission Directorate-General for Employment, Social Affairs and Inclusion (DG EMPL).

### Calculation of the financing gap for microcredit

There is no available data on the already met demand among TCNs in Italy, as financial institutions do not provide this data. It is however possible to provide figures on the total existing demand for microcredit by TCNs, as illustrated in table 1 below. The demand for microcredit among current TCN microentrepreneurs and potential business founders is estimated at almost 20 000 loan applications per year for a value of EUR 196 million. The greatest demand comes from existing solo entrepreneurs.

Table 1: Financing gap calculation for each target group

Target group	Demand for microcredit (number)	Demand for microcredit (value in EUR)
TG 1a – Potential business founders out of social exclusion <sup>24</sup>	7 180	71 803 321
TG 1b – New business founders	2 328	23 275 388
TG 2a – Existing solo entrepreneurs (no employees)	8 907	89 071 448
TG 2b – Existing enterprises with employees	1 226	12 258 571
<b>Total</b>	<b>19 641</b>	<b>198 408 728</b>

Source: Microfinance Centre

<sup>23</sup> Frankfurt School of Finance and Management, European Microfinance Network (EMN) and Microfinance Centre (MFC), 2019, ‘Microfinance in the European Union: Market analysis and recommendations for delivery options in 2021-2027’.

<sup>24</sup> The term ‘out of social exclusion’ has been used in: ‘Microfinance in the European Union: Market analysis and recommendations for delivery options in 2021-2027, Final Report’, prepared in 2019 for DG EMPL by Frankfurt School of Finance and Management, European Microfinance Network (EMN) and Microfinance Centre (MFC).



### Calculation of the financing gap for business development services

There is no available estimation on the satisfied demand of TCNs' for BDS services in Italy. The total demand is presented in the following table 2. The demand for BDS among current microentrepreneurs and potential business founders is estimated at almost 123 000 TCN enterprises for a total value of EUR 106 million. The calculations are validated by contacted microfinance institutions from Italy.

Table 2: Financing gap calculation for business development services for each target group

Target group	Number of TCN businesses in need for external financing	% in need of BDS	Demand for BDS (Number of TCN businesses)	BDS unit cost <sup>25</sup>	Demand for BDS (value in EUR)
TG 1a - Potential business founders out of social exclusion	18 896	50	9 448	3 000	28 343 416
TG 1b – New business founders	25 027	50	12 514	3 000	37 540 949
TG 2a – Existing solo entrepreneurs (no employees)	158 400	50	79 200	400	31 680 000
TG 2b – Existing enterprises with employees	43 600	50	21 800	400	8 720 000
<b>Total</b>	<b>245 923</b>		<b>122 961</b>		<b>106 284 365</b>

Source: Microfinance Centre

<sup>25</sup> EU average cost of BDS, confirmed by Italian MFIs as applicable for Italy.



## 2.5 Conclusions and recommendations

Italy is the second largest recipient of TCNs after Germany and with a rapidly increasing number of asylum seekers. At the same time there is a large disparity between the entrepreneurship rate of TCNs and Italian nationals. Italy is home to a diverse range of institutions that provide microfinance, from non-bank MFIs, regional government microcredit schemes to cooperative and savings banks. Despite this variety, there exists a sizable financing gap for microcredit and BDS for TCNs. To address this gap, it's crucial to enhance the existing infrastructure, enabling it to effectively serve the needs of those seeking microcredit and BDS. By doing so, Italy can better leverage its financial institutions to support entrepreneurial TCNs.

The current BDS and microfinance landscape is characterised by a multitude of offerings. However, these services are often fragmented, making it challenging for TCNs to navigate and access the right support.

To address this issue, it is recommended to establish a national one-stop-shop for TCNs. The one-stop-shop would serve as a centralised platform that directs TCNs to the appropriate BDS and financing sources. By consolidating information and resources, the one-stop-shop can significantly simplify the process for TCNs seeking to start or grow their businesses in Italy.

The existing national infrastructure should be leveraged, such as citizen service centres or existing BDS platforms. These centres already have the necessary facilities and personnel to provide such services, and their use would ensure a more efficient allocation of resources.

Both MFIs and cooperative banks in Italy have the potential to serve the most vulnerable groups, such as TCNs, who need access to finance and business development services. Many Italian MFIs face challenges in reaching a larger scale and impact. Therefore, this study recommends offering more capacity building to both MFIs as well as cooperative and savings banks to help them improve their operational efficiency and product innovation. This would enable them to achieve a more significant outreach to TCNs and support their economic and social integration.

Another important recommendation for supporting migrant entrepreneurship in Italy is to develop BDS grant schemes for the Italian MFIs. Such grants can help MFIs offer more non-financial services to TCNs, such as training, mentoring, and networking. These services can enhance the skills, knowledge, and opportunities of TCNs who want to start or grow their own businesses.

Another recommended option would be to design risk-sharing loans that can make lending to TCNs less expensive and less risky. The available microfinance financial instruments such as the one implemented in Sardinia, do not currently have the risk-sharing requirement. Adding such a requirement can result in more funding committed to entrepreneurial TCNs and will make it more feasible for MFIs and other financial intermediaries to provide loans to TCNs at affordable prices. Risk-sharing loans can be co-funded by the ESF+ under the shared management. Risk-sharing loans can be disbursed by the Italian MFIs as well as cooperative and savings banks, which have the expertise and the network to reach out to vulnerable groups, such as TCNs. By using the ESF+ funding and the risk-sharing mechanism, MFIs, cooperative and savings banks can increase their lending capacity and offer more favourable conditions to TCNs who want to start or grow their own businesses.

A combination of BDS grants, capacity building and risk-sharing financial instruments can help Italian MFIs increase their outreach to TCNs and support their entrepreneurial activities. This approach can help address the disparities in entrepreneurship rates between TCNs and Italian nationals.





# 03 Housing

## 3.1 Market analysis – Snapshot

Italy is one of the major EU destination and transit countries and in recent years has experienced a significant influx of migrants and refugees, a vulnerable population for which providing adequate housing is a critical concern. Upon leaving asylum centres, migrants in Italy have few housing options, including government-subsidised accommodation, private rentals and temporary shelters provided by NGOs or local communities. The government-subsidised accommodation, known as the system of accommodation and integration (SAI), offers housing, language classes and integration programmes for a limited period, aiming to develop self-sufficiency among asylum seekers. Most must turn to the private rental market or rely on the assistance of NGOs and local communities that offer temporary housing solutions or hosting arrangements.

The legal framework for migrant housing in Italy is based on a combination of national, regional, and local laws and regulations<sup>26</sup>. The most important of these is Legislative Decree No. 142 of 2015<sup>27</sup>, which outlines the rights and duties of asylum seekers, refugees, and migrants in terms of housing and integration. This decree establishes the SPRAR system and mandates that municipalities participate in the reception and integration of migrants. Regional and local governments are responsible for providing support to migrants, often collaborating with NGOs and civil society organisations to address the diverse housing needs of this population.

The housing situation of TCNs is distinctly more challenging than that of the national population. According to 2020 Eurostat indicators, 20.7% of foreigners<sup>28</sup> and 81.3% of nationals (aged 18 or over) living in Italy are owners<sup>29</sup>, while 79.3% of foreigners and 18.7% of nationals (aged 18 years or over) are tenants<sup>30</sup>. Italy's housing cost overburden rate<sup>31</sup> in 2020 was 21% for foreigners (aged 18 or over) and 6% for nationals (aged 18 or over)<sup>32,33</sup>.

26 AIDA, 2023, 'Overview of the legal framework- Italy', <https://asylumineurope.org/reports/country/italy/overview-legal-framework/>.

27 Gazzetta Ufficiale, 2015, 'DECRETO LEGISLATIVO 18 agosto 2015, n. 142', <https://www.gazzettaufficiale.it/eli/id/2015/09/15/15G00158/sg>.

28 According to the EUROSTAT Glossary, foreign population or foreigners refer to persons who are not citizens of the country in which they reside, including persons of unknown citizenship and stateless persons, source: [https://ec.europa.eu/eurostat/statistics-explained/index.php?title=Glossary:Foreign\\_population](https://ec.europa.eu/eurostat/statistics-explained/index.php?title=Glossary:Foreign_population).

29 Eurostat, 2023, 'Distribution of population by group of citizenship and tenure status- population aged 18 and over [ILC\_LVPS15]', compiled by Technopolis, [https://ec.europa.eu/eurostat/databrowser/view/ilc\\_lvps15/default/table?lang=en](https://ec.europa.eu/eurostat/databrowser/view/ilc_lvps15/default/table?lang=en).

30 Ibid.

31 Housing costs represent 40% or more of their disposable income.

32 Eurostat, 2023, 'Housing cost overburden rate by age, sex and group of citizenship- total population aged 18 and over' [ILC\_LVHO25]' compiled by Technopolis, [https://ec.europa.eu/eurostat/databrowser/view/ilc\\_lvho25/default/table?lang=en](https://ec.europa.eu/eurostat/databrowser/view/ilc_lvho25/default/table?lang=en).

33 Meaning that these households do not have at their disposal a minimum number of rooms equal to: one room for the household; one room per couple in the household; one room for each single person aged 18 or more; one room per pair of single people of the same gender between 12 and 17 years of age; one room for each single person between 12 and 17 years of age and not included in the previous category; one room per pair of children under 12 years of age, source of the definition: [https://ec.europa.eu/eurostat/statistics-explained/index.php?title=Glossary:Overcrowding\\_rate](https://ec.europa.eu/eurostat/statistics-explained/index.php?title=Glossary:Overcrowding_rate).



The overcrowding<sup>34</sup> rate in Italy in 2020 stood at 51.4% for foreigners (aged 18 or over) and at 21.4% for nationals (aged 18 or over). According to the OECD, overcrowding among immigrants is more than three times as likely as among the native-born in Italy<sup>35</sup>. The risk of poverty or social exclusion<sup>36</sup> in Italy in 2020 stood at 46.1% for foreigners (aged 18 or over) and at 22.4% for nationals (aged 18 years or over)<sup>37</sup>. Finally, the European Federation of National Organisations working the Homeless (FEANTSA) reports from two main sources of statistics on homelessness in Italy which do not cover the same population and methodologies. The National Institute of Statistics (Istat) focuses on cities of over 250 000 inhabitants, and according to its latest count in 2014, 50 724 persons were homeless, 58.2% of which were migrants. Caritas Italy counted 445 585 people who visited their<sup>38</sup> COVID-19 emergency, 47% of which were migrants. 'In Milan, 90% of people living in slums are foreign-born. Similarly, in Naples and Bologna, 77% and 73% of homeless people are migrants, respectively. Between 2011 and 2014, the average duration of homelessness migrants faced went up from 1.6 to 2.2 years. This is still less than native Italians, whose duration of homelessness was 3.5 years on average<sup>39</sup>'.

## 3.2 Analysis of the demand side

### Housing financing needs and barriers of TCNs

In the Italian reception system, TCNs receive EUR 2.50 daily pocket money for single adults and up to EUR 7.50 per day for families providing they are accommodated within the system, meaning that asylum seekers who are not 'in accommodation' do not have financial allowances<sup>40</sup>, except for beneficiaries of temporary protection. According to the Reception Decree referred to above, an asylum seeker can start to work 60 days after lodging her/his asylum application, or they can be involved in activities of social utility for the benefit of local communities.

In the post-recognition phase, TCNs are granted access to public residential housing on equal terms with Italian citizens, provided they meet minimum seniority of residence requirements, which tend to exclude them. Furthermore, competition results from the fact that 15.8% of the total housing stock is available for rent and only 2.7% is related to public residential housing and tourist accommodation. In addition, real estate agencies were reported to be reluctant to act as go-betweens for potential TCN tenants<sup>41</sup>. To access housing finance, TCNs generally require a financial guarantee, and a network of acquaintances or compatriots is essential. The most common barriers faced by TCNs in Italy when seeking housing finance include lack of documentation, language barriers, navigating bureaucracy, discrimination, and limited knowledge of financing options. For example, the Italian government has introduced some measures to support TCNs in securing housing finance, of which many TCNs remain unaware. In addition, TCNs face barriers posed by the social housing infrastructure itself, often located off-centre which can trigger problems related to isolation and a sense of abandonment and distance from institutions.

34 Eurostat, 2023, 'Overcrowding rate by age, sex and group of citizenship- total population aged 18 and over) data, datasheet [ILC\_LVHO15]; compiled by Technopolis, [https://ec.europa.eu/eurostat/databrowser/view/ilc\\_lvho15/default/table?lang=en](https://ec.europa.eu/eurostat/databrowser/view/ilc_lvho15/default/table?lang=en).

35 OECD, 2023, Indicators of Immigrant Integration 2023, <https://www.oecd-ilibrary.org/docserver/d303c268-en.pdf?expires=1708966389&id=id&accname=guest&checksum=A2CE25E43E99D2D0E4584A81C2BAC07F>.

36 Eurostat, 2023, 'Persons at risk of poverty or social exclusion by group of citizenship- population aged 18 and over data, datasheet [ILC\_PEPS05N]; compiled by Technopolis, [https://ec.europa.eu/eurostat/databrowser/view/ilc\\_peps05n/default/table?lang=en](https://ec.europa.eu/eurostat/databrowser/view/ilc_peps05n/default/table?lang=en).

37 FEANTSA, 2020, 'Italy', [https://www.feantsa.org/public/user/Resources/country\\_profiles/IT\\_-\\_Country\\_Profile\\_2020.pdf](https://www.feantsa.org/public/user/Resources/country_profiles/IT_-_Country_Profile_2020.pdf).

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39 Borgen Project, 2020, '7 Facts About Homelessness in Italy', <https://borgenproject.org/homelessness-in-italy-2/>.

40 AIDA, 2023, 'Forms and Levels of Material Reception Conditions', <https://asylumineurope.org/reports/country/italy/reception-conditions/access-and-forms-reception-conditions/forms-and-levels-material-reception-conditions/>.

41 EEA, 2021, 'Housing', [https://eea.iom.int/sites/g/files/tmzbdl666/files/documents/includeu\\_briefing\\_housing.pdf](https://eea.iom.int/sites/g/files/tmzbdl666/files/documents/includeu_briefing_housing.pdf).



### Housing financing needs and barriers of housing providers

During the pre-recognition phase, public sector entities, such as the Ministry of Interior, manage the reception system and allocate accommodation for asylum seekers. In accordance with the Reception Decree, the Italian reception system is divided into three types of accommodation: hotspots (or first aid) for identification, CAS<sup>42</sup> initially for temporary emergency accommodation and SAI managed by local public entities, consortia of municipalities and public tender chosen public or private bodies<sup>43</sup>. The management of reception centres is often outsourced to NGOs or other organisations, such as Caritas and the Italian Red Cross. According to the UNHCR, Italy's reception centres lack the financial means to meet their needs and those of their family units<sup>44</sup>.

Post-recognition, several stakeholders provide housing to TCNs, including private landlords, social housing schemes, and civil society organisations. Private landlords interested in housing TCNs may face difficulties in securing funds to renovate their properties. Meanwhile, NGOs and civil society organisations play a significant role in providing housing, but their efforts are often constrained by limited financial resources. A series of innovative tools have been developed, promoted and funded by public authorities, third sector organisations, and private entities (e.g. philanthropic foundations, banks, and private citizens). These projects are mostly small-scale and concentrated only in a few areas<sup>45</sup>.

Public sector housing providers, such as the Agenzie di Edilizia Residenziale Pubblica (AERPs)<sup>46</sup> are non-profit organisations under the purview of the Ministry of Infrastructure and Transport. According to Housing Europe<sup>47</sup>, social housing in Italy consists mainly of dwellings rented on a permanent basis, or those built or renovated with public and private funds, rented for at least eight years and sold at affordable prices. In 2010, social rental housing accounted for about 4% of the national housing stock. Social housing is provided by the public sector, including the former Istituto Autonomo Case Popolari (IACP) and municipalities, as well as housing cooperatives and other private providers. Financing is mainly provided by the regions, while central government co-finances projects through housing subsidies and urban renewal programmes. There was no available data detailing the financial needs and barriers of these stakeholders.

## 3.3 Housing finance supply-side analysis

### Products and services available for TCNs

Some of the key financing options available to TCNs for housing in Italy include:

- social housing subsidies<sup>48</sup> from national and regional governments which help reduce rents for eligible low-income households, including TCNs, making housing more affordable for them, although nowadays, access to social housing has become more difficult and TCNs need to conform to specific criteria;
- rent subsidies<sup>49</sup> available for low-income families and individuals who can no longer afford to pay rent, the overall amount of which is fixed by municipalities and regions, to be eligible for which TCNs need to conform to specific criteria;

42 CAS or Centri di Accoglienza Straordinaria are emergency and temporary housing.

43 AIDA, 2023, 'Types of Accommodation- Italy', [https://asylumineurope.org/reports/country/italy/reception-conditions/housing/types-accommodation/#\\_ftn5](https://asylumineurope.org/reports/country/italy/reception-conditions/housing/types-accommodation/#_ftn5).

44 UNHCR, n.d., 'Reception Centres and Integration Services', <https://help.unhcr.org/italy/asylum-italy/reception/>.

45 EEA, 2021, 'Housing', [https://eea.iom.int/sites/g/files/tmzbdl666/files/documents/includeu\\_briefing\\_housing.pdf](https://eea.iom.int/sites/g/files/tmzbdl666/files/documents/includeu_briefing_housing.pdf).

46 MIT, n.d., 'Edilizia residenziale pubblica', <https://www.mit.gov.it/temi/casa/edilizia-residenziale-pubblica>.

47 Housing Europe, 2010, 'Social Housing in Europe', <https://www.housingeurope.eu/resource-111/social-housing-in-europe>.

48 Refugee.info, 2022, 'How to find accommodation in Italy', [https://italy.refugee.info/hc/en-us/articles/8427145536157-How-to-find-accommodation-in-Italy#:~:text=In%20Italy%2C%20people%20with%20little,\)%2C%20which%20is%20publicly%20owned](https://italy.refugee.info/hc/en-us/articles/8427145536157-How-to-find-accommodation-in-Italy#:~:text=In%20Italy%2C%20people%20with%20little,)%2C%20which%20is%20publicly%20owned).

49 Ibid.



- cohousing and solidarity housing<sup>50</sup>, which is private accommodation for a younger TCN demographic with lower-than-usual rental fees and for some community purposes;
- personal loan schemes tailored to the needs of TCNs, which several NGOs and financial institutions in Italy offer (e.g. PerMicro<sup>51</sup>), providing small loans to eligible applicants, enabling them to cover housing-related expenses or start small businesses that can help them generate income and achieve self-sufficiency;
- the Italian Government's introduction of measures to support TCNs in securing housing finance, including the Fondo di Garanzia per l'accesso alla locazione (Guarantee Fund for Access to Rental Housing), which offers rent deposit guarantees to vulnerable individuals, including migrants and refugees, covering up to three months' rent as a deposit, which can be refunded at the end of the rental contract if no damages are reported.

Some financial intermediaries are very much aware of the opportunities which could develop from tending to TCNs' needs. For example, in 2018, an association of Italian Banks created a practical guide to help newcomers understand and participate in financial activities<sup>52</sup>.

### Products and services available for housing providers

Various financial products and services are available for housing providers to facilitate the construction, renovation and maintenance of housing dedicated to TCNs. Key stakeholders, such as the public sector, private landlords, and NGOs, can access these financial solutions:

- One essential service available to housing providers is the National Fund for Asylum Policies and Services<sup>53</sup> (Fondo Nazionale per le Politiche e i Servizi dell'Asilo, or FNPSA), which allocates financial resources to projects and initiatives related to housing and integration of TCNs. The FNPSA supports various types of housing providers, including public institutions, private landlords, and NGOs, by providing loans to local authorities for the creation, renovation, and management of housing facilities for asylum seekers and refugees. This financial support is crucial in ensuring the availability of adequate and affordable accommodations for TCNs in Italy;
- Moreover, public-private partnerships (PPPs) play a significant role in providing products and services to housing providers working with TCNs. These partnerships involve collaborations between public sector agencies, private companies, and NGOs to develop and manage housing projects tailored to the needs of TCNs. PPPs can offer various benefits to housing providers, including access to private sector expertise, resources, and innovative solutions, which can help improve the quality, affordability, and sustainability of housing options available for TCNs in Italy.

## 3.4 Financing gap

There is no available estimate on the financial gap for TCNs' access to finance for housing in Italy. According to the analysis above, the majority of TCNs turn to the private rental market once granted recognition or are housed by relatives or family, since they face restricted access to social housing. Therefore, the focus is on TCNs who need access to finance to find housing on the private rental market.

50 Refugee.info, 2022, 'How to find accommodation in Italy', <https://italy.refugee.info/hc/en-us/articles/8427145536157-How-to-find-accommodation-in-Italy#:~:text=In%20Italy%2C%20people%20with%20little,%2C%20which%20is%20publicly%20owned.>

51 Available at: <https://www.permicro.it/>.

52 European Commission, 2018, 'Welcome to the Bank-Guide on financial services for migrants in Italy', [https://ec.europa.eu/migrant-integration/library-document/welcome-bank-guide-financial-services-migrants-italy\\_en](https://ec.europa.eu/migrant-integration/library-document/welcome-bank-guide-financial-services-migrants-italy_en).

53 FondiWelfare, 2023, 'FONDO ASILO', <https://www.fondiwelfare.it/fondo-asilo/>.



Following the same methodology detailed in the Part 1 of the report: Market Assessment Report<sup>54</sup>, it can be estimated that the total value of unmet demand from TCNs for financing their housing is EUR 328 million. The indicators, data, assumptions, and estimates used to calculate this amount are listed in the table below.

Table 3: Financing gap calculation for TCNs entering the private rental market in Italy

Proxy indicator	Source	Year	Value
Number of first single residence permits	Eurostat, migr_resfirst	2021	274 095
Number of first residence permits issued for family formation and reunification			120 520
<b>Sub-total (Number of TCNs entering the rental market)</b>			<b>135 575</b>
Rate of TCNs in overcrowded conditions in %	Eurostat, ilc_lvho15	2021	51.4
<b>Total number of TCNs entering the rental market without access to finance</b>			<b>78 938</b>
Average rent price for a single-person unfurnished accommodation in city centre in EUR	Numbeo <sup>55</sup>	2023	650
Durables in EUR <sup>56</sup>	Numbeo <sup>57</sup>	2023	1 556
<b>Sub-total amount for one deposit<sup>58</sup>, three months of rent and durables in EUR</b>			<b>4 156</b>
<b>Total financial gap in EUR for TCNs entering the rental market</b>			<b>328 066 328</b>

Source: Technopolis Group

### 3.5 Conclusions and recommendations

Italy is one of the most important countries of destination and transit for TCNs in Europe, and as a result, its TCN housing sector is under pressure, particularly since 2015 with the arrival of Syrian refugees, subsequent migratory waves, and the reluctance of European neighbours to share the burden of relocation. While many efforts are being made by stakeholders from the NGO sector and municipalities, evidence shows that there is still a considerable number of TCNs who neither have access to housing nor access to finance for housing. TCNs primarily find housing in the private rental market while the social housing stock is much smaller compared to other European sectors. There are already several housing finance schemes for TCNs in Italy, it is therefore recommended that the focus be on the availability and affordability of housing for TCNs.

54 Given the lack of data on the household composition of the TCNs entering the housing market, for the purpose of the calculation it is assumed that these TCNs are a majority of single men since most women and children have been deduced when subtracting the residence permits issued for family formation and reunification.

55 Numbeo, n.d., 'Cost of Living in Italy', [https://www.numbeo.com/cost-of-living/country\\_result.jsp?country=Italy](https://www.numbeo.com/cost-of-living/country_result.jsp?country=Italy).

56 It is estimated that durables for an unfurnished apartment equal one minimum wage monthly salary using second hand items.

57 Numbeo, n.d., 'Cost of Living in Italy', [https://www.numbeo.com/cost-of-living/country\\_result.jsp?country=Italy](https://www.numbeo.com/cost-of-living/country_result.jsp?country=Italy).

58 It is estimated that one deposit equals one month of rent.



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# 04 Social impact investing

## 4.1 Market analysis – Snapshot

Italy has a significant social economy that has been steadily growing in terms of the number of social entities over recent years. The latest data indicates that there were 363 499 social organisations (intended as non-profit organisations, NPOs) in 2020, which marks a significant increase of 21% from the figure reported in 2011<sup>59</sup>. These organisations are mainly in the form of associations (around 85%), followed by social cooperatives, foundations, and other legal forms (mainly religious entities).

The concept of social enterprise was introduced in Italy earlier than elsewhere to designate the first social solidarity cooperatives. In 1991, after more than 10 years of unregulated development, these organisations were recognised by law as social cooperatives. The most recent laws regulating the third sector and social enterprises, Decree 117/2017 and Decree 112/2017, officially acknowledge organisations under the blanket term of social enterprises, which were previously categorised as social cooperatives or social enterprises. Private entities and businesses must regularly and primarily engage in business activities that benefit the common good, operate on a not-for-profit basis, and pursue civic, solidarity, and socially beneficial goals to be recognised as social enterprises. The law provides a list of activities that serve the general interest, including “*humanitarian reception and social integration of migrants*”. This legal framework is Italy’s attempt to support the sector by offering new fiscal benefits and encourage individual and enterprise participation in risk capital.

The latest country report published by the European Commission (EC) in 2020<sup>60</sup> estimated that in 2017, using the EU operational definition of a social enterprise<sup>61</sup>, there were 102 461 social enterprises in Italy generating an annual turnover of EUR 42.7 billion and employing around 895 000 workers. Out of these, the EC identified 15 770 social cooperatives<sup>62</sup> (annual turnover of EUR 11.9 billion), 86 091 associations and foundations (annual turnover of EUR 30 billion), and 600 *ex lege* social enterprises (annual turnover of EUR 0.8 billion). Social cooperatives are generally distinguished between ‘A-type’ social cooperatives (nearly 65%), mainly engaged in the supply of social services to public authorities and ‘B-type’ (around 35%), generally intended as work integration social enterprises (WISEs). Revenues from public contracts amounted to 65% of the total income of all social cooperatives, while 28% of revenues were generated from the sales of goods and services to private clients. However, unlike A-type social cooperatives, B-types depend much less on public finance and more on the sale of goods and services to private customers or companies. Moreover, B-type social cooperatives are exempted from payment of national insurance contributions for all the certified disadvantaged workers employed, significantly reducing their cost of labour (by about 20% to 25% depending on the sector of activity). Associations depend more on membership fees (43%), whereas public revenues are slightly greater than 20%. Instead, foundations depend on private revenues for 60% of their funding thanks to the share of revenues derived from financial assets and real estate.

According to disaggregate data provided by the Euclid Network<sup>63</sup>, 19.2% of social enterprises in Italy provide support to migrants (in line with the EU average of 19.3%), and 11.5% provide support to refugees and asylum seekers (less if compared to the EU average of 19.2%).

59 ISTAT, 2022, ‘Censimenti Permanenti, Istituzioni non profit’.

60 European Commission, 2020, ‘Social Enterprises and their Ecosystems in Europe – Country Report – Italy’.

61 Communication from the Commission to the European Parliament, the Council, the European Economic and Social Committee and the Committee of the Regions – ‘Social Business Initiative - Creating a favourable climate for social enterprises, key stakeholders in the social economy and innovation, COM/2011/0682 final’.

62 A very similar number is reported by Borzaga C., Musella M. ‘L’impresa sociale in Italia. Identità, ruoli e resilienza, IV Rapporto Iris Network’ 2020.

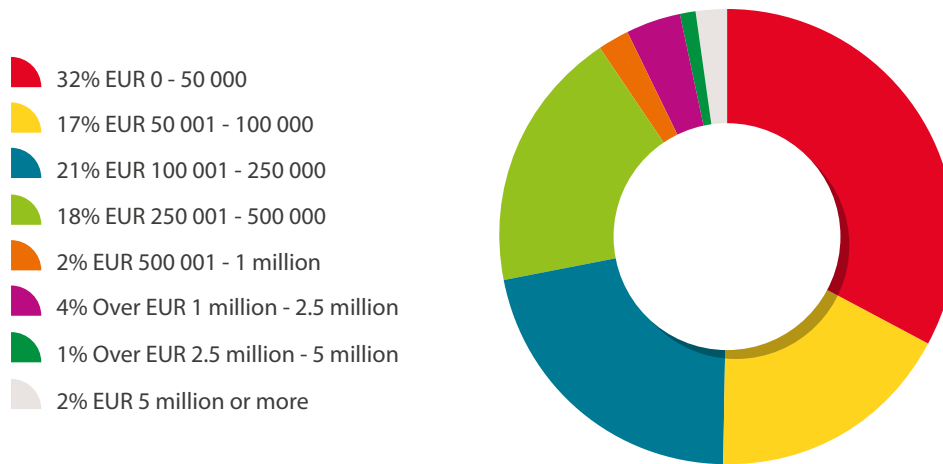
63 Based on: Dupain, W., Scharpe, K., Gazeley, T., Bennett, T., Mair, J., Raith, M., Bosma, N. ‘The State of Social Enterprise in Europe – European Social Enterprise Monitor 2021-2022’, Euclid Network. 2022.



## 4.2 Analysis of the demand side in financing

The financial needs of the Italian social enterprises, according to the data provided by the Euclid Network, are, for nearly half of the respondents, concentrated in the range up to EUR 100 000, with nearly one third up to EUR 50 000. However, there is also a significant part (39%) which declared financial needs between EUR 100 000 and EUR 500 000.

Figure 1: Social enterprises' financial needs in the last 12 months (2022 as reference year)



Source: based on Dupain, W., Scharpe, K., Gazeley, T., Bennett, T., Mair, J., Raith, M., Bosma, N. (2022), The State of Social Enterprise in Europe – European Social Enterprise Monitor 2021-2022, Euclid Network.

Apart from own savings (39%) and self-financing in the form of cash flow (39%), social enterprises mainly requested access to public finances (45.4%), bank loans (29.5%, more than double the EU average), incubators and accelerators (18.1%), business angels (12.5%) and foundation funding (12.5%). Only a small percentage of social enterprises (3.4%) applied for impact investment instruments, lower than the EU average of 5.5%.

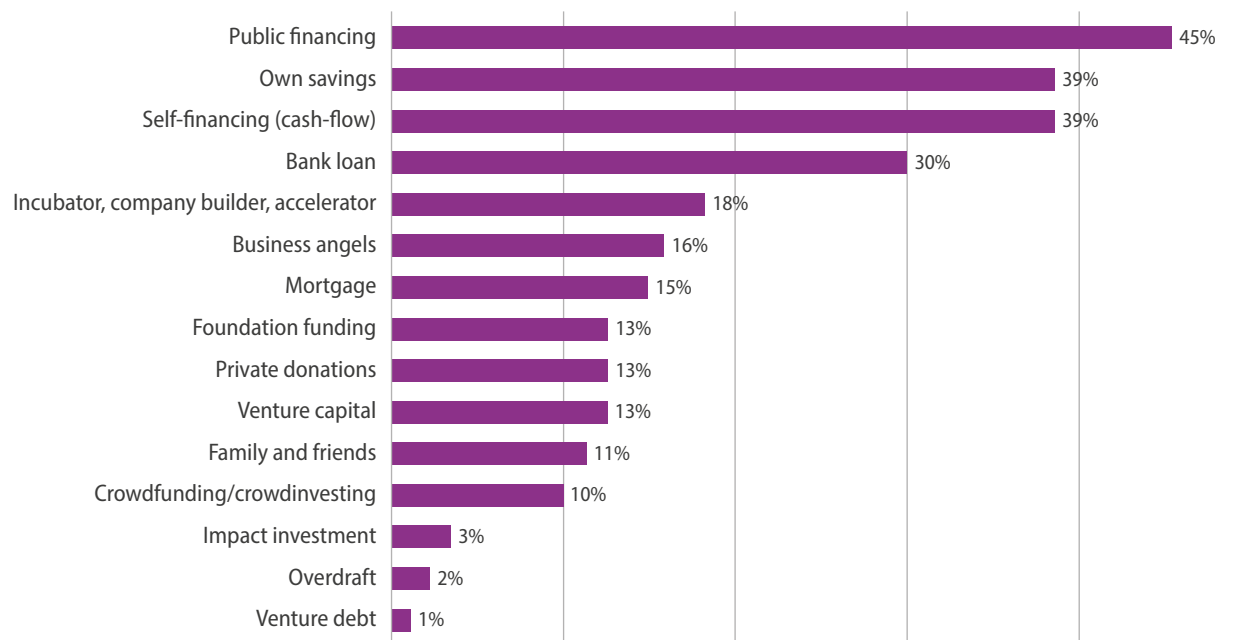
According to the last Euclid Network survey, the main barriers encountered by social enterprises in Italy are all related to access to finance: overly complex public financing (for 44.3% of respondents); lack of supportive fiscal framework (40.9%); lack of options to finance the organisation once started (36.4%). The respondents indicated a shared need for greater financial support. A survey conducted between 2021 and 2022 by Intesa SanPaolo also underlines the need for more non-financial support<sup>64</sup>. Social enterprises, and, in general, organisations operating in the third sector in Italy, are asking credit institutions for a consultancy role to accompany them and to make a dedicated credit service offering available. In particular, there is a request for training in areas related to innovation of organisational models, measurement of social impact, and fundraising.

64 Intesa SanPaolo, 2022, 'Osservatorio su Finanza e Terzo Settore, XI Edizione'.





Figure 2: Type of financing requested by social enterprises in the last 12 months (2022 as a reference year)



Source: OECD (2017), Boosting Social Enterprise Development Good Practice Compendium – Chapter 8: Financing Agency for Social Entrepreneurship (FASE): An intermediary for hybrid financing, Italy.

### 4.3 Analysis of the supply side in financing

The EC's country report mapped (up to 2019) several initiatives in the Italian landscape to support social enterprises. Part of them is addressed to all enterprises, as the Guarantee Fund for SMEs financed by national and EU funds. Others are specifically targeted to support social economy and non-profit organisations. For instance, New Marcora (*Nuova Marcora*) is a fund created by the Italian Ministry of Economic Development in 2014 which provides subsidised loans with zero interest aimed at promoting the creation and development of small and medium-sized cooperatives. Italy Social Economy (*Italia Economia Sociale*) is another national fund for social economy also provided by the Italian Ministry of Economic Development. With EUR 223 million managed by Invitalia, it is aimed at companies that carry out activities of social utility and of general interest. In its latest regulatory revision, it expanded the scope of application, and some important aspects were modified, including the recognition of social enterprises in any form among the beneficiaries and the recognition for all subsidised projects of a non-refundable grant of between 5% and 20% of eligible expenses.

A new public initiative called the Social Innovation Fund (Fondo per l'Innovazione Sociale) was created in 2019 by the Public Service Department under the Presidency of the Council of Ministry. The goal of the fund is to encourage investments that support the development of social innovation processes from the ground up. The objective of these investments is to verify and endorse intervention models that can more effectively fulfil the requirements of citizens while being more efficient than the conventional allocation and utilisation of public resources. So far, the fund has financed 21 projects and has helped to attract private investments from banks, as well as foster partnerships between universities, social organisations (such as social service providers), and municipalities through various financial instruments<sup>65</sup>.

<sup>65</sup> Information extracted from the data platform for project monitoring. Available at: <https://app.powerbi.com/view?r=eyJrJoiNjhiYzYyM2tO DIhNS00MDE5LWJhZGMrNDk1NzBIOGQ4NWVjliwidCI6ImE0MDZkY2ZmLTAwNTktNDIzY11iOWE1LTlkYTQyNDNkN2VhMylsImMiOjI9&pageName=ReportSection2ef83950c991496c0d86>.



Several regional initiatives have also been implemented using EU funds such as the ESF. These initiatives primarily involve providing grants and subsidies. However, there is an example of a rare approach taken by the Piedmont region, which supports social enterprises by offering investment guarantees and low-interest financing. There are also some initiatives by private financial intermediaries. For instance, the Cariplo Social Innovation is a cross-cutting programme with an upfront commitment of EUR 18.5 million, for infrastructure, governance and innovative instruments to help sophisticated, sustainable third sector organisations. The programme works along two main strands of training and financial support. It merges the expertise of for-profit organisations with the social sensibility of the non-profit sector.

This evidence shows that the public sector is quite active in providing different kinds of financial help to the social economy in Italy. From the private sector side, instead, the social impact investment (SII) market is less active if compared, for instance, to Germany, France or the United Kingdom<sup>66</sup> but, in recent years some impact funds have entered the Italian scene, such as Opes, Safea, Oltre, and A|Impact. The Italian direct impact market represents around 6% of the European market and is estimated to be worth between EUR 3.6 and 4.7 billion<sup>67</sup>. According to the analysis provided by the European Venture Philanthropy Association (EVPA)<sup>68</sup>, the majority of investors in Italy are traditional financial institutions and ethical banks, accounting for 64% of the total. Individual investors make up 27%, while state or local public funds account for 5%, and institutional investors comprise 2%. However, there is no information available on the actual amount of money invested exclusively in the migration field.

## 4.4 Financing gap

There are no available estimates on the social enterprise financing gap in Italy. A very broad assessment can be obtained using the estimate provided by the EC in its 2020 study<sup>69</sup>, according to which there is a financing gap of EUR 6.7 billion for EU social enterprises foreseen for the period 2021-2027. Considering 102 461 social enterprises exist in Italy out of the nearly 400 000 estimated by the EC at EU level<sup>70</sup>, this gap would correspond to around EUR 1.72 billion for the seven-year period. As 19.2% of social enterprises have migrants as beneficiaries of their support, for them the gap would correspond to around EU 330 million in the 2021-2027 period.

## 4.5 Conclusions and recommendations

Legislation on social enterprises is advanced in Italy, if compared to the situation in most EU countries. The estimate of how many of them have migrants among their target groups is in line with the EU average and indicates a significant number of potential demand-side actors.

There are several available public support schemes, also at regional level, or initiatives promoted by private institutions, which also include repayable instruments. The fact that in Italy, social enterprises use debt instruments more than the EU average indicates that there is a developed attitude to financing their activities through resources other than grants.

The SII market is still developing, but more investors have entered it in recent years and it is attracting increasing attention from social enterprises. SII schemes targeting migrants and refugees can therefore be explored and established using EU funds under the 2012-2027 programming period in Italy. Technical assistance and capacity building services, to be financed by non-repayable instruments, could be necessary to comply with requests from social enterprises for more non-financial support, as well as dealing with social enterprises' apparent lack of knowledge of SII schemes.

66 See Maduro, M., Pasi, G., Misuraca, G. 'Social impact investment in the EU. Financing strategies and outcome-oriented approaches for social policy innovation: narratives, experiences, and recommendations'. Publications Office of the European Union. 2018.

67 Greco, F. 'Economia d'impatto, gli investimenti a quota 5 miliardi', on-line article, based on EVPA. 2023.

68 Gaggiotti, G., and Gianoncelli, A. 'Accelerating Impact - Main takeaways from the first harmonised European impact investment market sizing exercise', EVPA. 2022.

69 European Commission, 2020, 'Social enterprise finance market - Analysis and recommendations for delivery options'.

70 European Commission, 2020, 'Social enterprises and their ecosystems in Europe - Comparative synthesis report', pp.106-107 The report uses figures from different national reports from 2015 to 2019, but it highlights how it is not feasible to guarantee sufficient cross-national and precise numbers. Therefore, care should be exercised when using figures referred to at the national level and in interpreting the estimated financial gap.

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## Notes

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