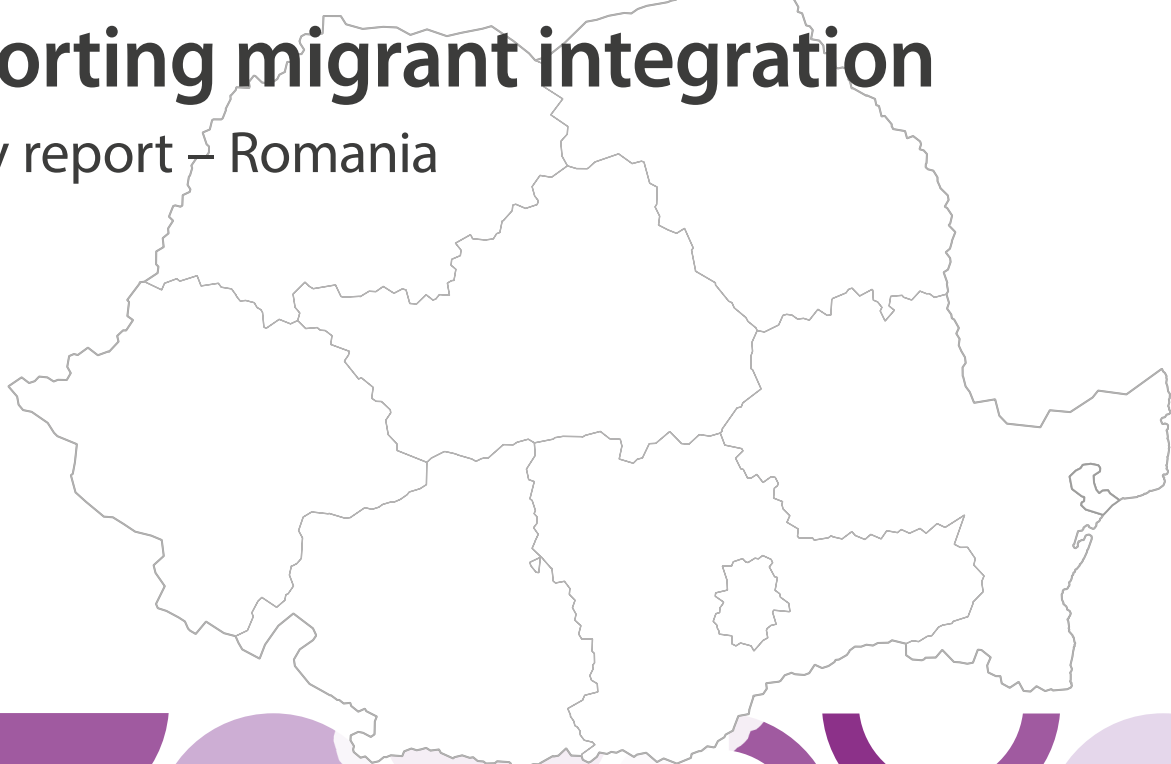




Market report
June 2024

The potential for financial instruments supporting migrant integration

Country report – Romania





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01 Context

1.1 Third-country nationals (TCNs) in Romania

The number of third-country nationals (TCNs) in Romania reached 28 000 in 2022. Of these, 84% were of working age (15-64) and accounted for 0.2% of the working-age population of the country¹. Long-term residents (with permits issued for 5 or more years) constituted 55% of TCN residents². Moldovan citizens constituted 14% of the third-country nationals, followed by Turkish citizens (13%)³. The main reason for migration among TCNs stated on the application for the residence permit was employment (33% of TCNs), followed by family reunification (26%)⁴.

In 2022, the number of asylum applicants increased by 29% to reach 12 355⁵. Of the 4 070 first instance decisions taken in 2022, only 25% were positive decisions of granting a refugee status, while 75% of applications were rejected⁶. Additionally, as of the end of October 2023, 141 000 Ukrainian citizens were granted temporary protection after the outbreak of war on 24 February 2022⁷.

In Romania, the employment of TCNs is regulated through the provisions of the Law on the Status of Aliens (Legea străinilor) and its subsequent amendments. Non-European Union (non-EU) citizens must obtain valid work permits before seeking employment, with employers required to prioritise hiring Romanian and EU citizens. Stringent documentation, including employment contracts and relevant qualifications, is necessary for work authorisation. Non-compliance with immigration and labour laws can result in fines and potential deportation. The government emphasises integration measures, including language proficiency and cultural understanding, to facilitate the smooth assimilation of foreign workers into Romanian society.

The Emergency Ordinance no. 20/2022, effective from 11 March 2022, outlined measures dealing with the inflows of Ukrainian refugees resulting from the war in Ukraine. Ukrainian citizens can work in Romania based on a full-time individual work agreement without a work permit and without observing the nine months in a year limit for an employment agreement, as under the normal rules. In addition, the right of residence for work purposes is extended without the need to obtain a long-stay working visa. Ukrainians may also receive free emergency medical care and qualified first-aid treatment through the national health care system and be included in national public health programmes. Individuals hosting foreign citizens or stateless persons coming from the area of the armed conflict in Ukraine may be reimbursed for food expenses on a per diem basis⁸.

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.

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.

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.

4 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.

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.

6 Eurostat, 2023, 'First instance decisions on applications by citizenship, age and sex - annual aggregated data [migr_asydcfsta]', compiled by MFC, https://ec.europa.eu/eurostat/databrowser/view/migr_asydcfsta/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.

8 OECD, 2022, 'International Migration Outlook'.



TCNs who plan to set up a business in Romania must apply for a long-stay visa for professional, commercial, or economic activities. To secure the visa, applicants must meet several conditions, including legal eligibility to practice a specific profession, medical insurance coverage, and a clean criminal record. Once they arrive in Romania, TCNs must obtain a temporary residence permit from the General Inspectorate for Immigration to legally establish their business.

The most common business legal form chosen by TCNs in Romania is a limited liability company (SRL – *Societate cu Raspundere Limitata*). However, simplified administrative procedures are currently in place for entrepreneurs. These include streamlined processes for business and self-employment registration, as well as reduced registration costs. The legal registration process for microenterprises has been particularly simplified, offering a boon to young entrepreneurs who can register as a 'debutante micro-enterprise' (SRL-D) free of charge. However, it's important to note that after three years, these companies transition from an SRL-D to an SRL, which incurs higher costs than those typically associated with establishing a business. Recent changes to the fiscal regime for microenterprises, approved in September 2023, have resulted in increased taxation and limitations on cash transactions.

02 Microfinance

2.1 Market analysis – Snapshot

According to the Global Entrepreneurship Monitor⁹, conditions for entrepreneurship in Romania are favourable in several aspects such as physical, commercial, and professional infrastructure and ease of market entry. It is, however, considered underdeveloped in terms of support and relevance of governmental policies, or access to entrepreneurial finance.

The Organisation for Economic Co-operation and Development (OECD) report on Romania¹⁰ states that in 2020 there were about 1.4 million early-stage entrepreneurs, i.e. people involved in creating a business or managing one that is less than 42 months old. Women, young and older people were very active in business creation: 7.2% of women, 11.4% of young people and 6.2% of older people were early-stage entrepreneurs. These proportions were all greater than the European Union (EU) average for each group. High entrepreneurship rates can be partially explained by the high proportion of entrepreneurs who reported that they started a business due to a lack of employment opportunities in the labour market. Only a small proportion of these entrepreneurs employed another person other than themselves or a member of their family in their enterprises. While approximately one-third of self-employed individuals across the EU had employees, this figure dropped to less than 10% in Romania. This substantial difference was consistent across all population groups and has remained unchanged over many years. Unfortunately, there is no information about the number of TCN-owned enterprises in the Eurostat database as there is no register of enterprises established and operated by migrants in Romania.

Entrepreneurship policy is guided by a small and medium-sized enterprise (SME) and entrepreneurship strategy which includes support for under-represented or disadvantaged groups. While differentiated schemes are not always offered, many groups are given preferential access to general entrepreneurship programmes. A growing number of tailored initiatives complement the general entrepreneurship support offers, with most dedicated support developed for young people. However, there is room for improvement in supporting entrepreneurs beyond the initial start-up phase, with a need for greater use of business development services (BDS) and access to finance to help new start-ups become sustainable and grow.

According to the EY Attractiveness Report¹¹, Romania remains an attractive investment destination in Eastern Europe. In 2022, Romania ranked 16th out of 32 European Economic Area (EEA) countries in terms of investment attractiveness, surpassing countries like Hungary and the Czech Republic. Romania holds promising opportunities, including the relocation of companies registered in Ukraine or Belarus or setting up new migrant businesses. The country is well-positioned to entice relocating companies due to its favourable location, skilled workforce, and cost-competitiveness.

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

10 OECD, 2022, ‘Inclusive Entrepreneurship Policies, Country Assessment Notes. Romania’.

11 EY, 2022, ‘Reconstruction and recovery of Romania through investments’.



2.2 Analysis of the demand side

Demand for microfinance from entrepreneurial TCNs in Romania

TCNs' integration in Romania runs at different speeds, depending on the country of origin. TCNs from Moldova find it easier to integrate in Romania thanks to no language barrier, recognition of certificates and an easier path to receiving citizenship. They also find access to finance easier compared to TCNs from other countries. Microfinance institutions (MFIs) in Romania claim to be serving Moldovan clients in the same way as Romanian nationals. TCNs from other countries rarely settle in Romania as they aim for Western European countries. There is little demand for microfinance services from the TCNs in transit. Those TCNs which plan to integrate with the Romanian society encounter an additional hurdle if their country of origin is on the list of terrorist countries. Microfinance institutions are reluctant to serve such clients for fear of non-compliance with AML/CFT regulations¹².

Demand for BDS by entrepreneurial TCNs in Romania

Microenterprises in Romania, often driven by necessity, require a well-developed support system that can potentially be extended to migrants, who additionally face language barriers, need support in cultural adaptation, understanding local regulations and navigating the complexities of starting and running a business. While the number of migrants setting up a business may be relatively small, the need for comprehensive, TCN-oriented BDS is crucial, and the potential impact substantial, especially for those starting up as self-employed individuals or microenterprises. Institutions providing BDS should also facilitate positive relations between institutions and migrants, and provide information on available integration programmes.

2.3 Analysis of the supply side

Provision of microfinance for entrepreneurial TCNs in Romania

Romania has one of the best-developed microfinance sectors in the EU. Such robust development can be attributed to the concerted efforts of international donors in the 1990s and early 2000s. These donors recognised the potential of microfinance as a tool for economic transformation and development. They provided initial capital and worked diligently to build capacity of the sector to provide financial services on a sustainable basis and eventually to formalise it in 2005 through a dedicated law on microfinance. Their efforts paid off, and today, Romania boasts a diverse microfinance sector that includes a variety of non-bank financial institutions (NBFIs) such as MFIs, leasing companies, credit unions (CUs) and microfinance banks. These institutions are permitted to disburse business and personal microloans as well as other financial products.

According to the estimates of the Romanian Microfinance Association (AMF), at the end of 2022 the Association members representing 16 main Romanian MFIs (excluding CUs which have their own network) had a total outstanding loan portfolio of EUR 541 million and served over 111 000 clients. The data reveals a significant increase in the value of the portfolio (20.2%) and the number of active clients (7.4%) compared to 2021. The average value of the portfolio per client increased by 12%. Additionally, there was a 24% increase in the value of loans granted in 2022 compared to 2021, with the average loan value rising by 30%. In 2022, 82% of MFIs' clients were microenterprises, the self-employed, and farmers. Of these clients, 52.4% were located in rural areas, 37.8% were women, and 13% were start-ups in their first three years of operation. The main MFIs in Romania include BCR Social Finance, OMRO, FAER, BT Mic, Vitas, Omni Credit, Patria Credit, Tarfin, Rocredit and Romcom.

Many microcredit providers serve TCNs, but predominantly well-integrated Moldovan citizens who are treated as the resident population. Migrants from other non-EU countries are not in the focus of the Romanian MFIs because of their uncertain or short-term residence status.

12 i.e., Anti-Money Laundering/Combating the Financing of Terrorism.



Provision of BDS to entrepreneurial TCNs in Romania

MFIs provide chiefly mentoring and coaching services to borrowers during the loan term. Loan officers serving the client provide advice during the loan application and during the monitoring visits. Some MFIs also make educational material (videos, booklets) available on their websites for the clients to learn.

As there is only a small number of TCNs in Romania, the ecosystem for migrant entrepreneurship remains undeveloped. There are Regional Integration Centres which extend services to refugees and focus on civic orientation courses, personal professional guidance and language courses. It's important to note that Regional Integration Centres currently do not cooperate with MFIs. This means that they do not refer entrepreneurial migrants to MFIs for financial support and resources. This lack of cooperation could be a potential area for improvement to better support entrepreneurial migrants.

Further support for the development of the Regional Integration Centres is envisaged in the Asylum, Migration and Integration Fund (AMIF) national programme 2021-2027.

Funding sources for microfinance institutions

The Employment and Social Innovation programme (EaSI) Guarantee Financial Instrument was used by several microfinance institutions in the period of 2014-2020. Several MFIs also applied for support under the InvestEU Microfinance & Social Entrepreneurship Portfolio Guarantee Product for the 2021-2027 programming period, however the results are not yet known.

The other sources of funds for microfinance institutions include microfinance investment vehicles (MIVs) and commercial banks. The recently signed collaboration protocol between the AMF and the National Guarantee Fund for SMEs will provide Romanian MFIs with additional access to portfolio guarantee instruments for micro, small and medium-sized enterprises (MSMEs) and social enterprises.

A recent survey conducted by the AMF on the financial needs of its member MFIs highlights the crucial role played by financial instruments provided by EU microfinance funding programmes in driving the growth of the Romanian microfinance sector. These instruments are estimated to contribute to an average annual growth rate of 20% over the next five years (2023-2027) and support capacity development initiatives aimed at reaching a broader base of underserved microentrepreneurs, self-employed individuals, and farmers.

Table 1: Estimates of the Romanian microfinance sector funding needs for the years 2023-27 (in EUR)

Microfinance and Social Entrepreneurship Portfolio Guarantee Product	250 000 000
Funded Instruments (medium- term loans aiming at improving liquidity and boosting the lending capacity of eligible MFIs and the social enterprise finance sector)	50 000 000
Capacity-building instruments to support the MFI institutional capacity in the areas of new financial products development, increasing geographical and target groups outreach and digitalisation)	10 000 000

Source: Internal note drafted by the Romanian Microfinance Association



2.4 Financing gap

The calculation of the financing gap follows the methodology presented in section 2.5.1 of Part 1 of the report: “Market Assessment Report”¹³, as applied by the study on the implementation of financial instruments in microfinance¹⁴ 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 France, 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 the table below. The demand for microcredit among all TCN target groups is estimated at 400 loan applications per year for a value of EUR 3.2 million. The highest demand comes from existing solo entrepreneurs.

Table 2: 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 ¹⁵	95	765 197
TG 1b – New business founders	62	492 473
TG 2a – Existing solo entrepreneurs (no employees)	200	1 597 465
TG 2b – Existing enterprises with employees	43	342 314
Total	400	3 197 449

Source: Microfinance Centre

Calculation of the financing gap for business development services

As there is no available estimation on the satisfied demand of TCNs’ for BDS services in Romania, the total demand is presented in the table below. The calculations presented in the table below show that a total of 2 602 TCN entrepreneurs will need support services of various scope and intensity. The total value of the demand for business development services is estimated at EUR 2 472 321.

13 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’.

14 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’.

15 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).



Table 3: 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	Demand for BDS (value in EUR)
TG 1a - Potential business founders out of social exclusion	360	50	180	3 000	5 400 000
TG 1b – New business founders	742	50	371	3 000	1 113 000
TG 2a – Existing solo entrepreneurs (no employees)	2 871	50	1 436	400	574 400
TG 2b – Existing enterprises with employees	1 231	50	615	400	246 000
Total	5 203		2 602		2 473 400

Source: Microfinance Centre

2.5 Conclusions and recommendations

Romania boasts a highly developed microfinance sector that caters to the financial needs of the country's microenterprises. This sector has the potential to play a significant role in financing TCNs. Although the number of entrepreneurial TCNs in Romania is currently relatively low, and the funding gap for the provision of loans and BDS are not significant, the situation may change owing to the country's growing economic development. This presents an opportunity to attract migrants to set up companies now and in the future. If the number of TCNs increases, the existing support framework will not have sufficient capacity to respond to entrepreneurial TCNs' needs. Also, the high rates of early-stage, self-employed entrepreneurs in Romania, which surpass the EU average, suggest a need for new support measures to help these businesses grow and become sustainable.

Currently, TCNs face challenges in accessing information about existing BDS and microfinance funding opportunities. The Regional Integration Centres, established to support the integration of TCNs, should play a crucial role in bridging this information gap. However, to further enhance the accessibility and reach of these resources, the creation of an online platform that could play a role of a one-stop-shop for TCNs would be a significant step forward. This platform could serve as a comprehensive guide, providing information about various resources and support measures available to TCNs in Romania.



Recognizing the pivotal role of Romania's well-developed microfinance sector and its role potential in supporting TCNs and other excluded groups, supporting MFI funding becomes crucial. InvestEU guarantee products already play a significant role in providing the necessary financial support to various target groups in Romania. In light of the impending depletion of the above-mentioned InvestEU guarantee funding in 2024, it is imperative that the EU authorities augment this crucial funding source to ensure continued accessibility for microfinance institutions and social finance providers. In addition to augmenting InvestEU Microfinance and Social Entrepreneurship Portfolio Guarantee funding, the European Social Fund Plus (ESF+) risk-sharing instruments with the optional BDS component could offer a promising alternative funding source specifically tailored to support marginalised groups, including potentially TCNs. To enhance the Romanian MFI sector's ability to serve marginalised groups, including potentially TCNs and social enterprises, additional EU or state-level capacity-building funding should be allocated to facilitate upscaling, digitalisation, and the development of innovative financial products and services. To address the legal and regulatory hurdles impeding the growth and effectiveness of Romanian MFIs and CUs in serving marginalised groups, including potentially TCNs, the following measures should be implemented:

- Relax the restrictive regulations governing CUs' ability to provide business microcredit, enabling them to play a more prominent role in supporting marginalised entrepreneurs;
- Reduce the very high provisioning requirements for NBFIs, which result in a significant financial burden and costs for MFIs and reduce their lending activity;
- Grant Romanian MFIs and CUs access to national credit bureaus and the government financial resources to enhance their capacity to lend to various target groups.



03 Housing

3.1 Market analysis – Snapshot

Romania has been a country of emigration for the past thirty years and has recently been transitioning to a country both of emigration, transit, and destination. In May 2022, 851 035 Ukrainian TCNs entered Romania fleeing the Russian attack in Ukraine. Subsequently, the government of Romania adopted legislative amendments to adapt its legal framework and facilitate residency and employment¹⁶. The centrepiece of this legal framework¹⁷ is the 2006 Asylum Act¹⁸, which established the framework for the implementation of the asylum system in Romania. It defined the conditions and procedures for granting and withdrawing international protection, the rights and obligations of asylum seekers and beneficiaries of international protection, and the organisation and functioning of the institutions responsible for processing asylum applications. It also introduced a number of measures to improve the integration of refugees, including access to housing, education, health care and employment opportunities. At present, there are relatively few migrants visiting and staying in Romania. However, this may soon change with Romania's imminent accession to the Schengen Agreement and the growing need for labour. Faced with this possibility, Romanian institutions are taking steps to prepare and train to receive workers from other regions of the world.

According to Eurostat indicators, migrants face an uneven situation when it comes to housing in Romania. In 2020, 96.6% of nationals (aged 18 years or over) living in Romania were owners, 3.4% were tenants; however, no data is available for foreigners (whether owners or tenants)¹⁹. The housing cost overburden rate²⁰ was 5.6% for nationals (aged 18 years or over) in Romania in 2020²¹, similarly there is no data for TCNs. In addition, the housing stock quality is particularly low: "Romania is the EU country with the highest percentage of the population living in a household without a bathroom or shower in the house (31%). 33% of households do not have a toilet in the house and 49% do not have any plumbing system. These types of households are mostly in the rural parts of Romania. Urban dwellings offer a radically different standard of living. 97% have running water, 94% have indoor plumbing, 38% are connected to the public gas system and 99% have electricity²²." The overcrowding²³ rate stood at 40% for nationals (aged 18 years or over) in Romania in 2020²⁴; however, there is no available data for TCNs.

16 Prague Process, 2023, 'Romania', <https://www.pragueprocess.eu/en/countries/898-romania>.

17 Aida, 2023, 'Overview of the Legal Framework', <https://asylumineurope.org/reports/country/romania/overview-legal-framework/>.

18 Parlamentul, 2006, 'LEGE nr. 122 din 4 mai 2006', <https://igi.mai.gov.ro/wp-content/uploads/2022/10/LEGE-nr.-122-din-4-mai-2006.pdf>.

19 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.

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

21 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.

22 Bureau T. 'The Housing of Immigrants in Romania'. 2018. <https://sciendo.com/pdf/10.2478/scr-2018-0004>.

23 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.

24 Eurostat, 2023, 'Overcrowding rate by age, sex and group of citizenship- total population aged 18 and over [ILC_LVHO15]', compiled by Technopolis, https://ec.europa.eu/eurostat/databrowser/view/ilc_lvho15/default/table?lang=en.



The risk of poverty or social exclusion stood at 34.4% for nationals (aged 18 years or over) in Romania in 2020²⁵, while there was no data reported for foreigners. There is no available data on homelessness in Romania, and therefore neither is there an estimation of the number of homeless TCNs. According to the European Federation of National Organisations working with the Homeless (FEANTSA)²⁶, a 2011 national census counted 165 000 people registered in collective housing spaces or as homeless.

3.2 Analysis of the demand side

Housing financing needs and barriers of TCNs

TCNs have different housing finance and non-financial needs as they gradually integrate. The following elements are based on a review of documents and discussions with stakeholders.

According to the European Council on Refugees and Exiles (ECRE)²⁷, the General Immigration Inspectorate – Directorate for Asylum and Integration (IGI-DAI) manages the Regional Centres for Accommodation and Procedures for Asylum Seekers, which house the majority of asylum seekers. Asylum seekers also have the option of requesting private accommodation, but they must pay for it themselves. To do so, they must provide IGI-DAI with either a registered tenancy agreement or an authentic contract of goods. Asylum seekers are allowed to access the labour market three months after submitting their application, or as soon as a decision is made during the administrative phase.

When it comes to the post-recognition phase, ECRE reports that beneficiaries of international protection are not able to open bank accounts, even those who speak Romanian, can navigate the administrative requirements, and have proof of stable income – the conditions to open an account. Certain third-country nationals (Syrian, Iraqi, Iranian and Afghan nationals) are not offered services for security reasons and although the Romanian National Bank has communicated on this, only one small bank agrees to open bank accounts for beneficiaries of international protection. However, in 2021 it was observed that even the small bank did not open bank accounts for beneficiaries of international protection and third-country nationals. Consequently, they could not renew their residence permits. After three months, beneficiaries accommodated in Regional Centres for Accommodation and Procedures for Asylum Seekers must pay rent and maintenance costs. The daily rent varies according to the regional centre. However, vulnerable beneficiaries are exempted from paying rent. Beneficiaries participating in integration programmes who have no financial means are entitled to stay in regional centres or other facilities of the Ministry of Interior for up to 12 months, which can be extended for a further six months. After this period, non-governmental organisations (NGOs) may cover the beneficiaries' rent through projects implemented. Beneficiaries of international protection have the same right to access social housing as Romanian citizens. In some areas, such as Timișoara and Galați, social housing is not available. In Bucuresti, Galați, Giurgiu and Șomcuta Mare, the provision allowing beneficiaries access to social housing has never been applied in practice. IGI-DAI assists beneficiaries in finding social housing in municipalities with vacancies after completing the integration programme or finding a job. The most common barrier faced by TCNs in Romania in accessing housing is the unavailability of housing, which has been exacerbated as the country has received an unusual number of TCNs since 2022. In addition, the increased demand has produced a bubble and housing is getting unaffordable, as one interviewee reported.

At the time of the desk research, there is no information available (in English) about TCNs who arrived in Romania as economic migrants in the framework of labour migration, what their housing needs and arrangements are, and how their access to finance may have helped or impeded their accommodation.

²⁵ Eurostat, 2023, 'Persons at risk of poverty or social exclusion by group of citizenship- population aged 18 and over [ILC_PEPS05N]', compiled by Technopolis, https://ec.europa.eu/eurostat/databrowser/view/ilc_peps05n/default/table?lang=en.

²⁶ FEANTSA, 2020, 'Romania', https://www.feantsa.org/public/user/Resources/country_profiles/RO_-_Country_Profile_2020.pdf.

²⁷ Aida, 2021, 'Country Report: Romania', https://asylumineurope.org/wp-content/uploads/2022/05/AIDA-RO_2021update.pdf.



Housing financing needs and barriers of housing providers

There was no data available (in English) on the needs and barriers of reception centres at the time of drafting for this case study. Concerns on living conditions in reception centres²⁸ have been raised and may indicate a lack of funding.

It is unclear where TCNs live as no data is collected. The literature seems to indicate that, similar to Lithuania and Poland, civil society organisations and individuals have borne the brunt of the work in welcoming Ukrainian TCNs in 2022. With each passing week, the situation is moving from emergency to long-term integration²⁹. Solutions for long-term integration cannot be developed and carried by civil society alone, and organisations expect and need ownership from public actors, whether government or municipalities. This is the main obstacle to access to finance for the creation of adequate housing for TCNs.

In Romania, social housing is owned by local authorities and represents 2.3% of the local housing stock in 2010, according to Housing Europe³⁰. In Romania, social housing is defined as publicly subsidised housing for individuals or families who would otherwise not be able to afford housing on the market. There are other housing programmes for specific social needs, but they are not considered social housing. The construction of social housing is a joint effort between local and central government. Requests for social housing are submitted to local authorities and periodically to the Ministry of Regional Development and Tourism to determine the need and plan construction. Local authorities can also build or buy social housing with their own funds. Due to mass privatisation, the amount of social housing is minimal. The Housing Act stipulates that those with an average monthly net income per person below the national average are eligible for social housing. Local authorities allocate social housing based on annual criteria, with priority given to certain groups such as the elderly, the disabled and veterans. According to one interview, access to social housing is constrained by a years-long waiting list and unofficially it is earmarked for Romanian nationals, so TCNs do not have access in practice.

3.3 Housing finance supply-side analysis

Products and services available for TCNs

In Romania, few support measures and services are provided to TCNs to help them secure and finance rented housing, tailored to their specific needs and aimed at ensuring access to affordable and suitable accommodation.

- Accommodation allowance for asylum seekers accommodated outside of the reception system: When reception centres for asylum seekers reach their capacity, there are provisions according to which IGI-DAI can provide financial assistance to asylum seekers to rent private accommodation or to receive specialised services for accommodation, if funds are available. This has never been used. In such situations, IGI-DAI can also provide monthly material assistance, such as rental assistance of up to RON 450 (EUR 90) per person and maintenance assistance of up to RON 155 (EUR 31) per person during the winter season. For households with two or more members, the monthly assistance is reduced by 30% and 40%, respectively. Applicants must provide proof of rent in the second month of assistance, otherwise the grant will be suspended;

28 European Council on Refugees and Exiles, 2018, 'Romania: Living conditions in reception centres a persisting concern', <https://ecre.org/romania-living-conditions-in-reception-centres-a-persisting-concern/>.

29 Refugees International, 2023, 'Humanitarian response in Romania', <https://www.refugeesinternational.org/perspectives-and-commentaries/romania-needs-a-longer-term-approach-to-welcoming-displaced-ukrainians/>.

30 Housing Europe, 2010, 'Social Housing Europe- Romania', <https://www.housingeurope.eu/resource-120/social-housing-in-europe>.



- EU-funded assistance for reception conditions: asylum seekers may benefit from EU funds disbursed as grants for accommodation in the framework of projects implemented by local NGOs or charitable organisations such as Asociația Ecumenică a Bisericilor din România (AIDRom) or Jesuit Refugee Service. For example, the project “A New House” covers partially or entirely the rental fees and/or the utility costs for beneficiaries of international protection. In 2019, 241 beneficiaries of international protection received rental/utilities subsidies. The rental/utilities subsidies may be covered for a maximum of 12 months within this project. However, in 2019, the longest period for which these subsidies were granted was 10 months. These services are available to: (a) relocated or resettled beneficiaries; (b) beneficiaries enrolled in the integration programme; and (c) beneficiaries in a vulnerable situation. For each case, a request is made to IGI-DAI in order to receive their approval for assisting the case³¹;
- Romania set up a platform for beneficiaries of temporary protection (i.e. TCNs from Ukraine) to be matched with housing offers³²;
- Other beneficiaries are also supported through direct grants; for example, in Galați, IOM Romania pays rent for Afghan nationals evacuated from Afghanistan. In other cases, if the local public administration is unable to provide social housing, beneficiaries can rent accommodation within the municipality, with IGI-DAI subsidising up to 50% of the rent for a maximum of one year, subject to the availability of funds.

It is worth noting that no data was found on microloans for TCNs’ housing. Similarly, no further information can be found on housing cooperatives.

Products and services available for housing providers

In this study, few financial products and services were found for housing providers renting accommodation to TCNs. The following options for rental arrangements were highlighted:

- Reception systems are managed by the governmental sector; it is assumed here that reception centres are financed by the government;
- According to the OECD, Romania provides a subsidy to the schools that are housing arrivals from Ukraine³³; however, individual hosts are not compensated;
- According to Housing Europe³⁴, funding for social housing comes from local budgets and transfers from the national budget to the Ministry of Regional Development and Tourism. However, the allocation from the national budget is relatively small, resulting in a limited number of social housing units being built each year.

3.4 Financing gap

There is no available estimation on the financial gap for TCNs’ access to finance for housing in Romania. According to the analysis above, the majority of TCNs turn to hosting or private landlord housing solutions. Therefore, the focus is set on TCNs who need access to finance to find housing on the private rental market.

Following the same methodology detailed in the Part 1 of the report: “Market Assessment Report”³⁵, the total value of unmet demand from TCNs for financing their housing is estimated to be approximately EUR 18 million. The indicators, data, assumptions, and estimations used to calculate this amount are stated in the table below.

31 AIDA, 2021, ‘Country Report: Romania’, https://asylumineurope.org/wp-content/uploads/2022/05/AIDA-RO_2021update.pdf.

32 Dopomoha, 2023, ‘Ucrainenii care se adăpostesc din calea războiului sunt bineveniți în România’, <https://dopomoha.ro/ro>.

33 OECD, 2022, ‘Housing support for Ukrainian refugees in receiving countries’, <https://www.oecd.org/ukraine-hub/policy-responses/housing-support-for-ukrainian-refugees-in-receiving-countries-9c2b4404/>.

34 Housing Europe, 2010, ‘Social Housing in Europe - Romania’, <https://www.housingeurope.eu/resource-120/social-housing-in-europe>.

35 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 mostly single men, since most women and children have been deduced when subtracting the residence permits issued for family formation and reunification.



Table 4: Financing gap calculation for TCNs entering the private rental market in Romania

Proxy indicator	Source	Year	Value
Number of first single residence permits	Eurostat, migr_resfirst	2021	28 250
Number of first residence permits issued for family formation and reunification			4 145
Sub-total (Number of TCNs entering the rental market)			24 105
Rate of TCNs in overcrowded conditions in %	Eurostat, ilc_lvho15	2021	40
Total number of TCNs entering the rental market without access to finance			9 642
Average rent price for a single-person unfurnished accommodation in city centre in EUR	Numbeo ³⁶	2023	600
Durables in EUR ³⁷	Countryeconomy.com ³⁸	2023	1 088
Sub-total amount for one deposit³⁹, three months of rent and durables in EU			3 488
Total financial gap in EUR for TCNs entering the rental market			18 039 936

Source: Technopolis Group

3.5 Conclusions and recommendations

Romania is undergoing a deep underlying structural transformation, slowly becoming a country of destination with increased immigration in the last years and the prospect of Schengen accession, while at the same time facing the exceptional situation of receiving a considerable inflow of Ukrainian TCNs – a more contextual aspect. At the same time, many Ukrainians will decide to settle in Romania to live in a familiar region and close enough to Ukraine for a prompt return when or if the situation will allow. In addition, Romania has low-quality housing stock in rural regions and scarce social housing since privatisation in the 1990s. For all these reasons, Romania is under considerable pressure when it comes to accommodating newcomers and based on the below analysis, a lot of potential could be achieved by deploying financial instruments whether at TCN level or housing provider level in order for them to sustain their integration and provide Romania with the workforce it needs.

36 Numbeo, 2023, 'Cost of Living in Romania', https://www.numbeo.com/cost-of-living/country_result.jsp?country=Romania.

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

38 Numbeo, 2023, 'Cost of Living in Romania', https://www.numbeo.com/cost-of-living/country_result.jsp?country=Romania.

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



04 Social impact investing

4.1 Market analysis – Snapshot

In Romania the social enterprises ecosystem is currently in an incipient stage of development. The institutionalisation of social enterprises in Romania is in fact very recent, as the social economy law, which acknowledges and regulates social enterprises, was only introduced in 2015 (Law 219/2015). Despite this advance, the legislation does not harness the full potential of social enterprises and its fiscal framework appears fragmented⁴⁰. In fact, only a few organisations manage to comply with the certification requirements set by the law, making it difficult to obtain exhaustive data on social enterprises in Romania.

The latest country report on social enterprises published by the European Commission (EC) in 2019⁴¹ estimates that, using the EU operational definition of a social enterprise⁴², there are around 6 000 social enterprises in Romania employing 19 000 workers. These mainly include up to 5 300 associations and foundations that carry out economic activities (out of 47 700 active associations and foundations) and employ more than 13 100 workers. There are also more than 700 work integration social enterprises (WISEs) estimated by the EC.

According to the study provided by Ashoka in 2022⁴³, the most frequent beneficiaries of the surveyed social enterprises in Romania are children/young individuals (around 55%), women (nearly 41%), and single parents (32%). Only 7% of Romanian social enterprises have refugees and asylum seekers as beneficiaries of their support/services; a percentage that is significantly below the EU average (around 19.2% of the surveyed social enterprises according to the latest Euclid Network monitor)⁴⁴. Moreover, compared to the rest of the beneficiaries, the refugees and asylum seekers is one of the groups less supported by social enterprises in Romania (only after veterans and ex-offenders). However, around 15% of social enterprises provide services to ‘individuals disadvantaged due to race/ethnicity/religion’, a category which mainly includes the Roma community, but may also cover individuals with a migrant background. Also, the figures presented here do not consider the recent wave of refugees flowing into Romania from Ukraine, so it could be the case that more social enterprises and organisations have increased their attention to migrants and refugees.

40 Lambru M. *Towards and enabling ecosystem for social enterprises - Stakeholder Brief 6*, COST, European Cooperation in Science and Technology. 2020.

41 European Commission, 2019, *Social Enterprises and their Ecosystems in Europe – Country Report – Romania*.

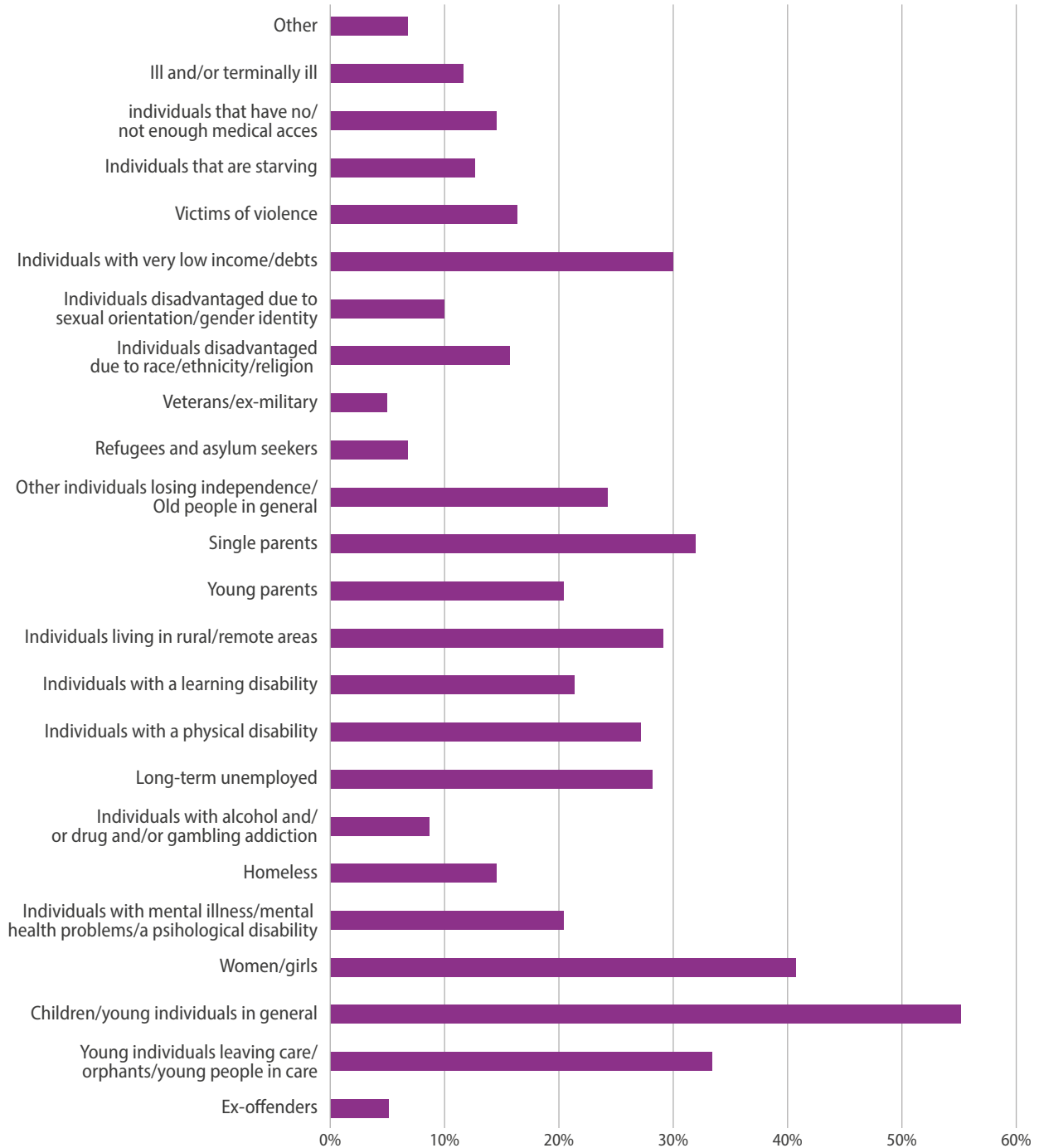
42 Communication from the Commission to the European Parliament, the Council, the European Economic and Social Committee and the Committee of the Regions – *Social Business Initiative - Creating a favourable climate for social enterprises, key stakeholders in the social economy and innovation*; COM/2011/0682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

43 Ashoka, 2022, *Social Finance Market in Romania*.

44 Euclid Network, 2022, *European Social Enterprise Monitor 2021-2022 - The state of social enterprise in Europe*.



Figure 1: Social enterprises' beneficiaries



Source: reproduced from Ashoka (2022), Social Finance Market in Romania, p.23.

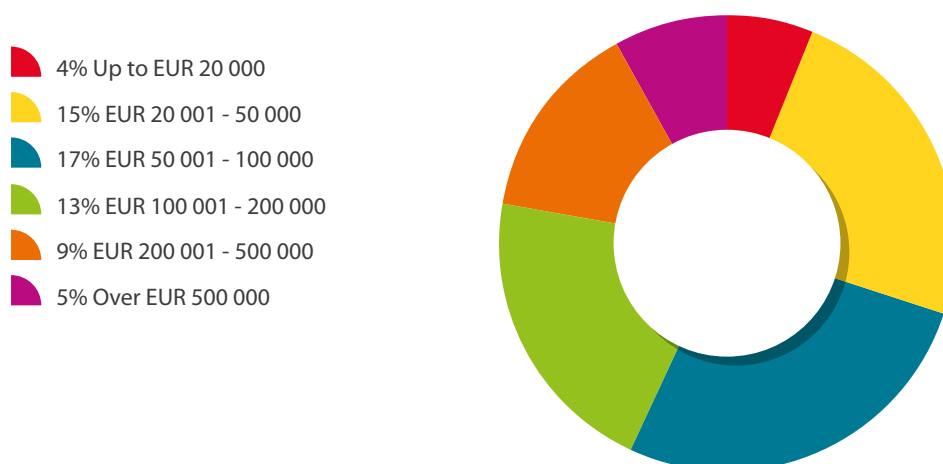


4.2 Analysis of the demand side in financing

According to the latest EC country report, social enterprises in Romania (in the form of associations and foundations that carry out economic activities) generated more than EUR 2.5 billion of income in 2015. The direct income from economic activities totalled EUR 714 million (i.e. around 29% of the total income generated). An additional 17% of their revenues came from donations and sponsorships. Most of the rest derives from subsidies, grants and non-reimbursable funds, especially using EU funds⁴⁵. Membership fees, income generated thanks to the percentage tax designation rules, and tax-exempt income from occasional activities complete the figure.

According to the latest survey on social economy provided by Fundația Alături de Voi (ADV) and published at the end of 2021⁴⁶, for the majority of social enterprises intending to expand their business, the financial need is below EUR 100 000, with the most common range between EUR 50 000 and 100 000. 22% of respondents would need a loan for investment and nearly 10% for working capital. Out of those that intend to take out a loan, 63% would have something to guarantee with. Also, the majority of enterprises in need of credit financing would need financial assistance/advice in preparing the loan/financing documentation.

Figure 2: Financial needs of social enterprises in Romania that intend to expand their business



Source: reproduced from ADV (2021), *Barometrul Accesului la Finanțare al Întreprinderilor de Economie Socială din România*, December, p. 35.

The survey also finds that for 28% of respondents limited financial resources for survival and development was the main challenge encountered in 2021, followed by the difficulty in creating partnerships to access financial resources (16%). On this second obstacle, in fact, the study underlines that the weakness of existing networks and the low cooperation between active social enterprises is one of the factors explaining the weak capacity of these organisations in Romania to further develop.

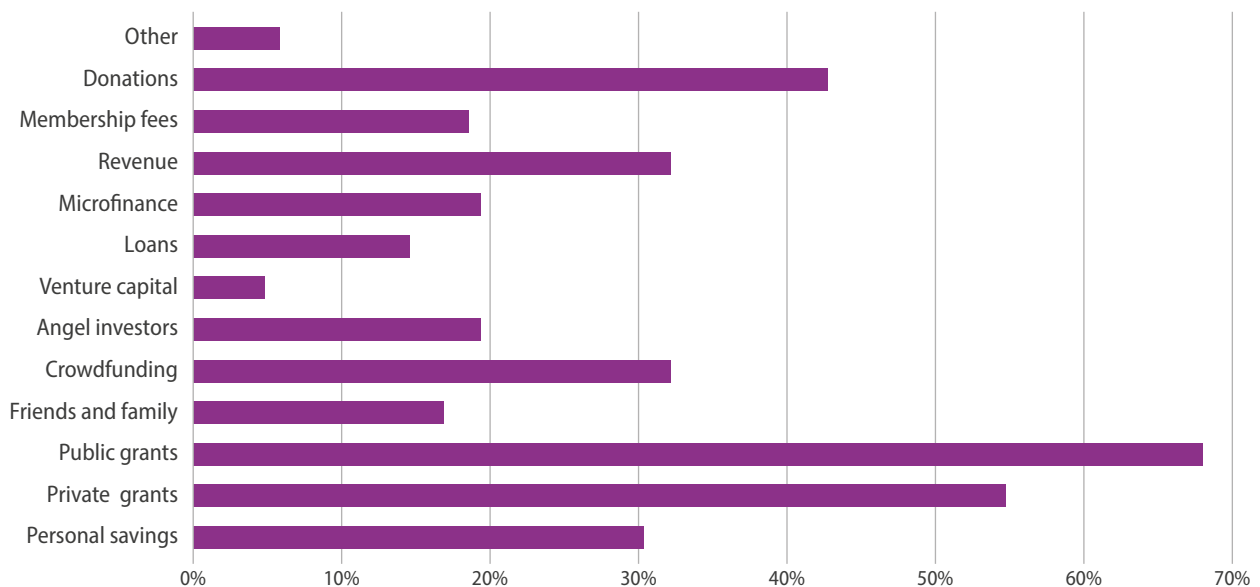
⁴⁵ The EC country report does not provide the share of the income deriving from these sources. However, the ADV study of December 2021 underlines that public funding is the most important source of financial support for the social enterprise sector and that most grants for social enterprise development are funded by the EU. For Ashoka, the most important source of income for the surveyed social enterprises are public grants (more than 25% of respondents have more than 50% of their annual income from grants). See ADV and Ashoka, 2021, *'Barometrul Accesului la Finanțare al Întreprinderilor de Economie Socială din România'*, 2022, *'Social Finance Market in Romania'*.

⁴⁶ ADV, 2021, *'Barometrul Accesului la Finanțare al Întreprinderilor de Economie Socială din România'*.



Similar findings are obtained by the survey published by Ashoka in 2022⁴⁷. Around 35% of surveyed respondents would need credit between EUR 10 000 and 40 000, around 27% between EUR 40 000 and 100 000, and around 18% more than EUR 100 000. The Ashoka study has also investigated which type of finance social enterprises in Romania intend to use in the next year. The large majority opt for finance from public or private grants as well as from donations. However, concerning credit from banks, the results are broadly in line with ADV's report, with loans preferred by nearly 15% of social enterprises and microfinance by nearly 20% of them. There is also a quite significant share of social enterprises opting for being financed by angel investors (nearly 20%).

Figure 3: Income sources to be used by social enterprises in Romania



Source: reproduced from Ashoka (2022), Social Finance Market in Romania, p.21.

The survey also notes that, all in all, nearly 70% of the surveyed social enterprises would consider using private investment to grow (business angels, venture capital (VCs), crowdfunding) even though this could require shareholder involvement in governance and control and/or the payment of dividends to investors/shareholders. Moreover, the survey reveals that 61% of social enterprises face difficulties in identifying suitable sources of available finance and that around 44% of them applied and failed to receive EU grants. As a consequence, 82.5% need assistance in preparing to source and secure finance (i.e. to improve investment readiness). A similar issue is also mentioned in the EC country report, for which social enterprises in Romania often lack managerial and marketing skills, which makes investing in these entities riskier for financial intermediaries. Finally, only 14.6% of the surveyed social enterprises distribute profits to their shareholders and, as underlined in the Ashoka report, this approach to social entrepreneurship might prove unattractive to investors.

4.3 Analysis of the supply side in financing

As outlined by Ashoka, the social finance market in Romania lacks impact investors and only a few have developed and implemented (or started to implement) financing instruments for social enterprises. According to the surveyed investors in Romania, investing in social enterprises is riskier than investing in traditional companies mainly due to: social entrepreneurs lacking the necessary skills, low liquidity, lower returns and high transaction costs of the investments; high difficulties to scale. Therefore, the investors show, in general, a limited interest in supporting social enterprises and, most of them feel that only a small part of their investment should give priority to impact.

⁴⁷ Ashoka, 2022, 'Social Finance Market in Romania'.



An additional factor limiting the supply capacity is that, in Romania, the only banking institutions that have the explicit right, by law, to finance legal entities other than commercial companies are cooperative banks⁴⁸. They generally offer short and medium-term loans to a variety of actors in the social economy, including social enterprises. However, the first initiatives to open lending to social enterprises appeared in 2010, and currently only a small number of financial institutions offer loans to the social economy with certain limitations. Moreover, the existence of intermediaries advising social enterprises on access to finance is limited. A small number of government programmes in recent years manage to partially cover the need for knowledge acquisition in this field. Also, there are no private financiers specialised in financing social enterprises.

Overall, public support schemes are very limited, and the main investments are made through European funding, dedicated mainly and almost exclusively to the start-up phase. In general, the current Romanian legal framework for social enterprises is perceived as weak, inconsistent, and even discriminatory towards different types of organisations. Another category of constraints is related to the low level of awareness and understanding of the concept of social enterprise by the general public and public authorities. The term “social” is often associated with charitable activities rather than entrepreneurship and success stories of social enterprises are hardly known and understood by the general public.

4.4 Financing gap

There are no available estimations on the social enterprises’ financing gap in Romania. A very broad quantification can be obtained using the estimation provided by the EC in its 2020 study⁴⁹, according to which there is a financing gap of EUR 6.7 billion for EU social enterprises foreseen for the period 2021-2027. Considering 6 000 social enterprises exist in Romania out of the nearly 400 000 estimated by the EC at EU level⁵⁰, this gap would correspond to around EUR 100.5 million for the seven-year period. As only 7% of social enterprises have refugees and asylum seekers as beneficiaries of their support/services, for them the gap would correspond to around EU 7 million in the 2021-2027 period.

4.5 Conclusions and recommendations

The TCN framework in Romania (fragmented legislation on social enterprises; few entities working with TCNs; limited public support schemes; lack of financial instruments; few intermediaries and few impact investors with low interest in investing in social enterprises) suggests that more traditional (debt) financial instruments can be more appropriate to finance Romanian social enterprises and other organisations working with migrants and refugees. Complementary financing services – such as business training, consultancy for business plans, financial education programmes – are also necessary and can be co-financed through grants. However, small pilot social impact investment (SII) projects could also be tested, in order to create a base for further future development. These should be accompanied by safety instruments necessary to reduce the risk for investors and by capacity-building services to develop impact measurement capacities among investees.

48 European Commission, 2019, *Social Enterprises and their Ecosystems in Europe – Country Report – Romania*, p.77.

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

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

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