



## Access to finance in the area of integration of TCNs – Study results

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**fi-compass study:  
The potential for financial instruments  
supporting migrant integration  
– Key study results**

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# fi-compass AMIF study

Market assessment and design options for potential FIs in the area of integration of migrants

## Objective:

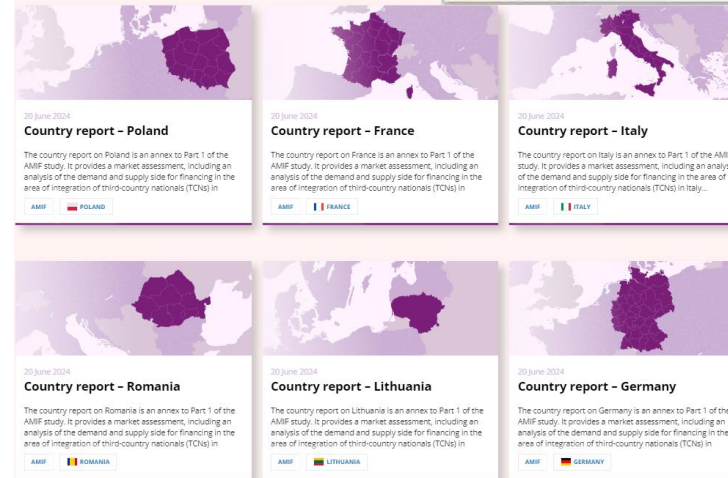
- To explore the potential of using FIs to support the integration of migrants, especially in three areas: **microfinance, housing** and **social impact investing**
- To provide market assessment information that can be used to make an informed decision if to implement financial instruments in 2021-2027
- To describe the potential design options for FIs, potentially combined with grants

## Content:

- Part 1: Market assessment
- Part 2: Design options for FIs



The potential for financial instruments supporting migr





# Microfinance





# Microfinance instruments

## Key area of support for migrants

- Targets individuals and micro-enterprises who lack access to traditional market-based finance
- Usually in the form of small loans (microcredit) by specialist microfinance institutions (MFIs) combined with 'non-financial support' through business development services (BDS)
- It is well adapted to support vulnerable/disadvantaged groups such as migrants
- EU support to further develop microfinance in Europe and strengthen it for vulnerable groups such as migrants.



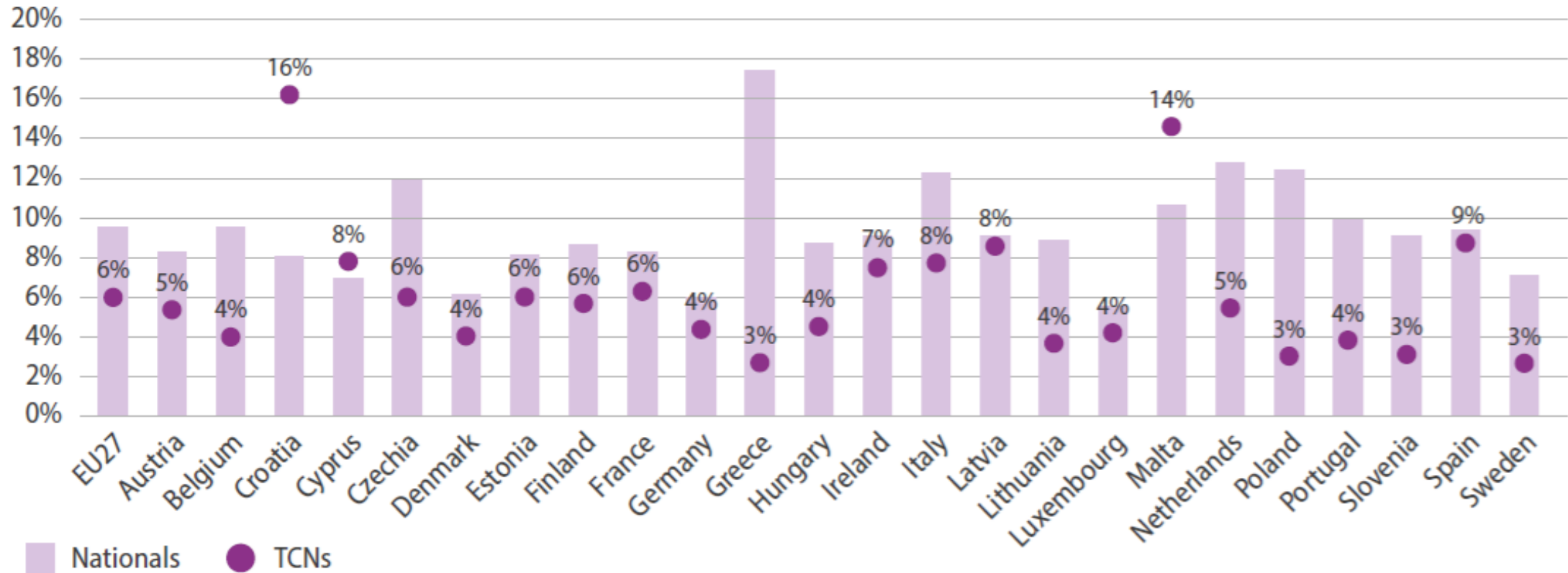
*“The microfinance model has proven its effectiveness for labour market integration and social inclusion.”*

*“Further action at EU level is crucial to strengthen microfinance markets targeting vulnerable groups in particular.”*



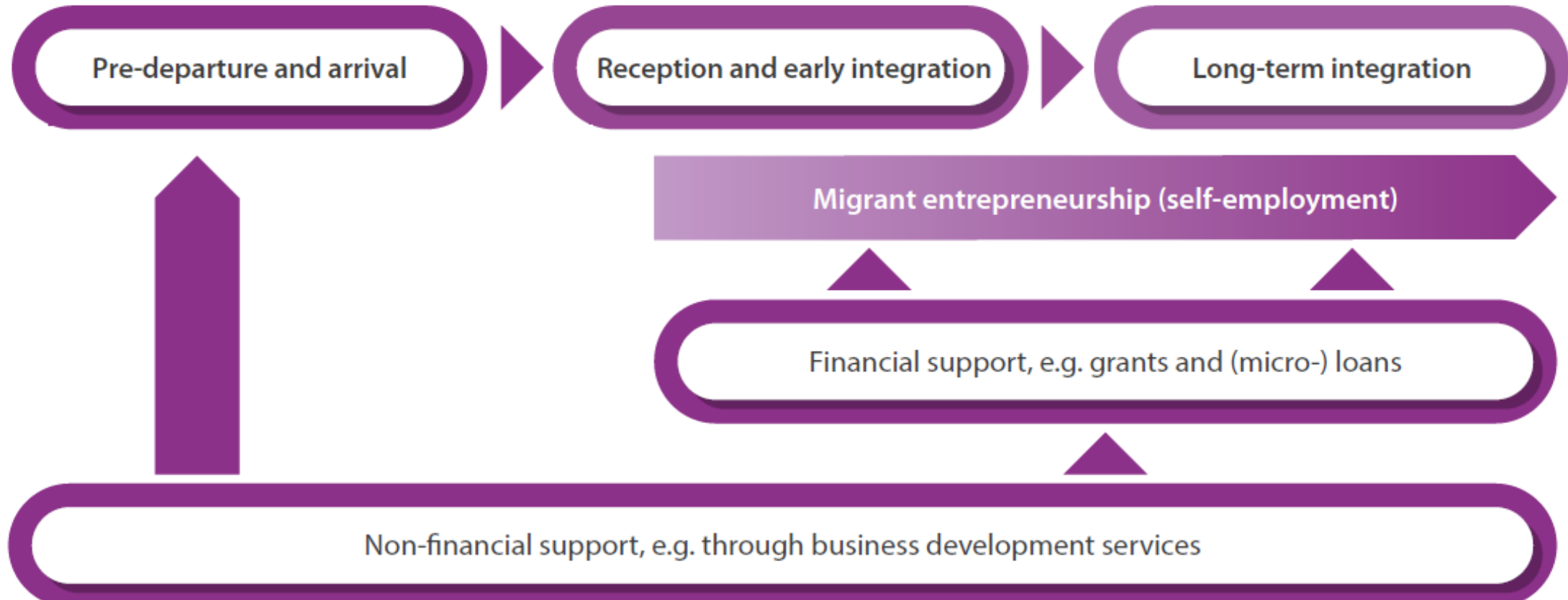
# Entrepreneurship rate

Comparison: working-age nationals and TCNs (in %)

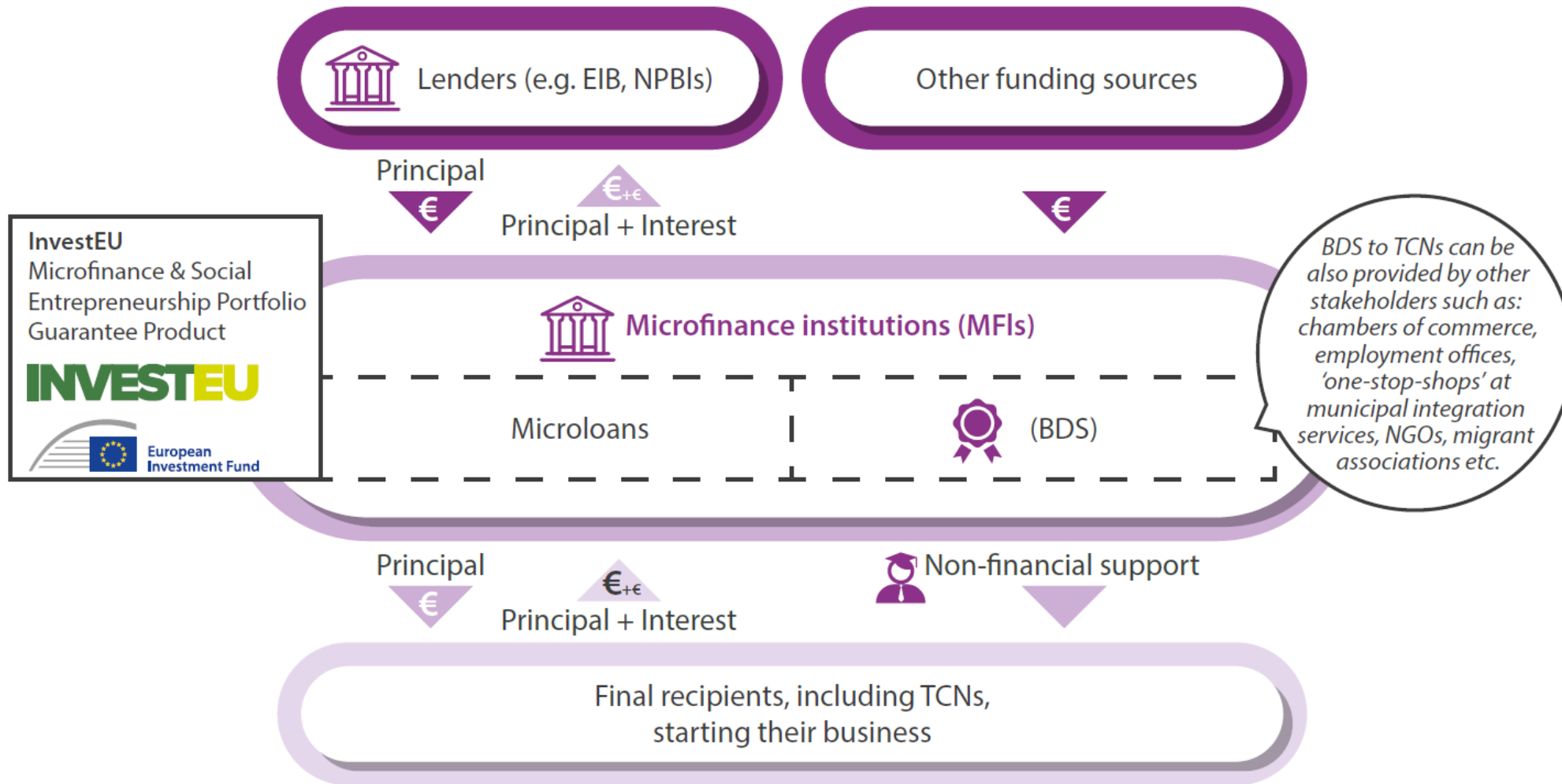


# Path towards entrepreneurship

And non-financial and financial support at the different stages in the integration process



# How does microfinance work?







# What are business development services (BDS)?

Non-financial services provided, directly or indirectly, by financial intermediaries to micro-entrepreneurs

## Coaching

A more hands-on form of one-to-one tailored-made training in which a coach supports a (potential) micro-entrepreneur to attain a specific goal (i.e. starting up or developing a business) by providing business advice and guidance, which includes (but is not limited to): support on the development of the business plan, and support on accessing funds;

## Mentoring

Typically a one-to-one learning relationship between an experienced individual who shares knowledge, experience and network to guide a mentee i.e. micro-entrepreneur in the development of their business. It usually takes place after the loan disbursement;

## Training

Any attempt to improve the skills set of (potential) micro-entrepreneurs in order to enhance business performance and sustainability. Training can be individual or group-based and can take place before and/or after the creation of the micro-enterprise. It includes (not limited to): financial education, training on how to set up a business, and day-to-day business administration.





# Key takeaways

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- Microfinance → Area with the strongest potential for an increased use of financial instruments supporting TCN integration
- Strengthening the already existing EU-level InvestEU instruments with additional resources – a top-up as a potential quick win for the current programming period



# Key takeaways

## fi-compass study - Microfinance



- Accompanying the InvestEU products with a BDS grant

MS level management	Central management
<ul style="list-style-type: none"><li>+ Offers more flexibility, responsiveness and adaptation to TCN's specific needs and challenges of each Member State.</li><li>+ Fosters ownership, accountability and coordination among national and local stakeholders.</li><li>+ Builds on the familiarity of the local stakeholders.</li><li>+ Local language processes that are adjusted to MS particularities.</li><li>+ Shorter implementation period</li><li>- May involve higher administrative costs, complexity and fragmentation of rules and procedures.</li><li>- May create disparities and inequalities among Member States in terms of access to funding, quality of implementation and impact of results.</li></ul>	<ul style="list-style-type: none"><li>+ Allows for more harmonisation, simplification and standardisation of rules and procedures. Enhances coherence, complementarity and synergies among different programmes and funds.</li><li>+ Promotes cross-border cooperation, innovation and learning from good practise. Easier to align with the InvestEU track-record of applicants.</li><li>- May entail lower flexibility, responsiveness and adaptation to the specific needs and challenges of each Member State.</li><li>- May reduce ownership, accountability and coordination among national and local stakeholders.</li></ul>

# Key takeaways

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## Risk-sharing loan FI

- **Product:** Loan FI combined with grants
- **Targeted final recipients:** Individuals from vulnerable groups, including TCNs, planning to start a micro or social enterprise, existing micro-enterprises, social enterprises working with vulnerable groups, incl. TCNs
- **Benefits:** Promotes migrant entrepreneurship, addressing barriers like lack of collateral and credit history, enhancing job creation and integration of TCNs in the EU.
- **Combination:**
  - Grant to potentially cover e.g. interest rate subsidies and/or to develop technical skills for entrepreneurial migrants and other vulnerable groups
  - Combination in one of two operations possible
- **Product design:** Defined by ex-ante assessment, tailored to local market needs, incl. necessity of grant component(s).



# Housing



# Financial instruments supporting housing and infrastructure

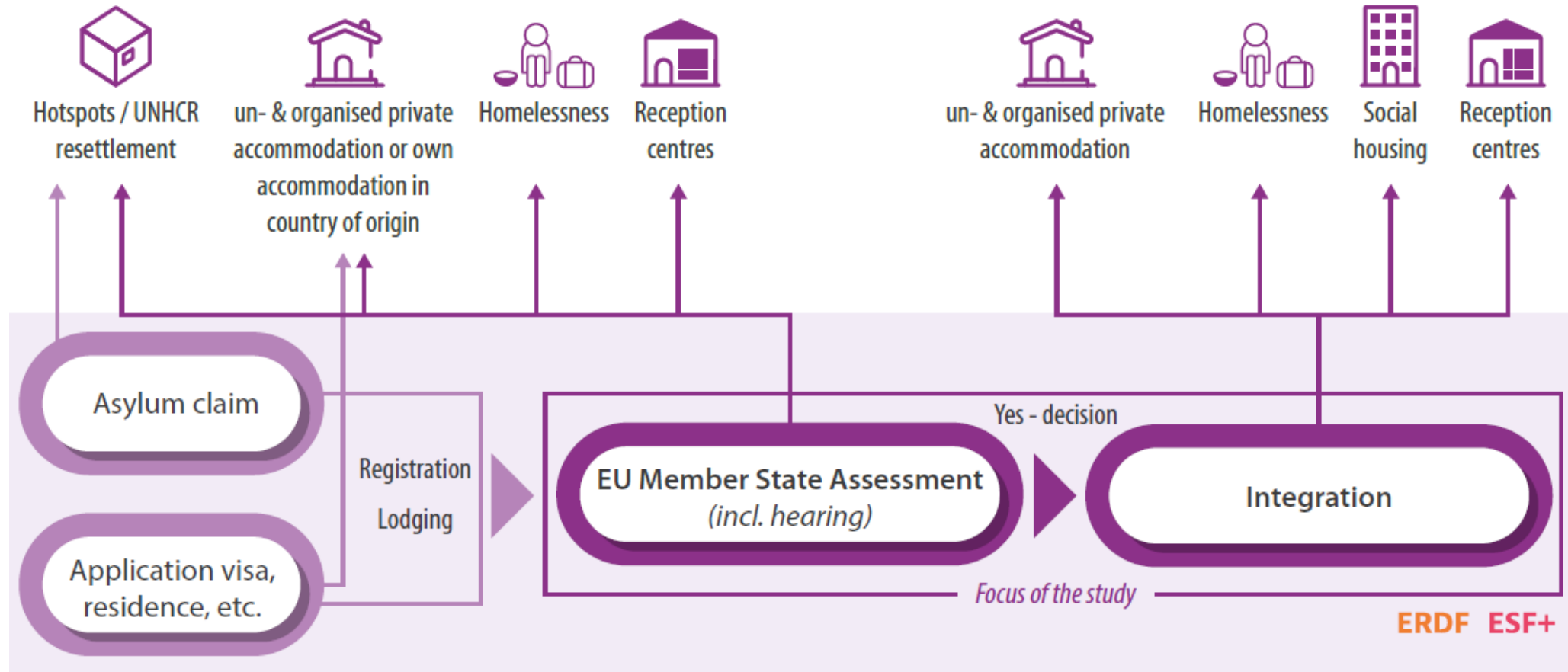
## Key area of support for migrants



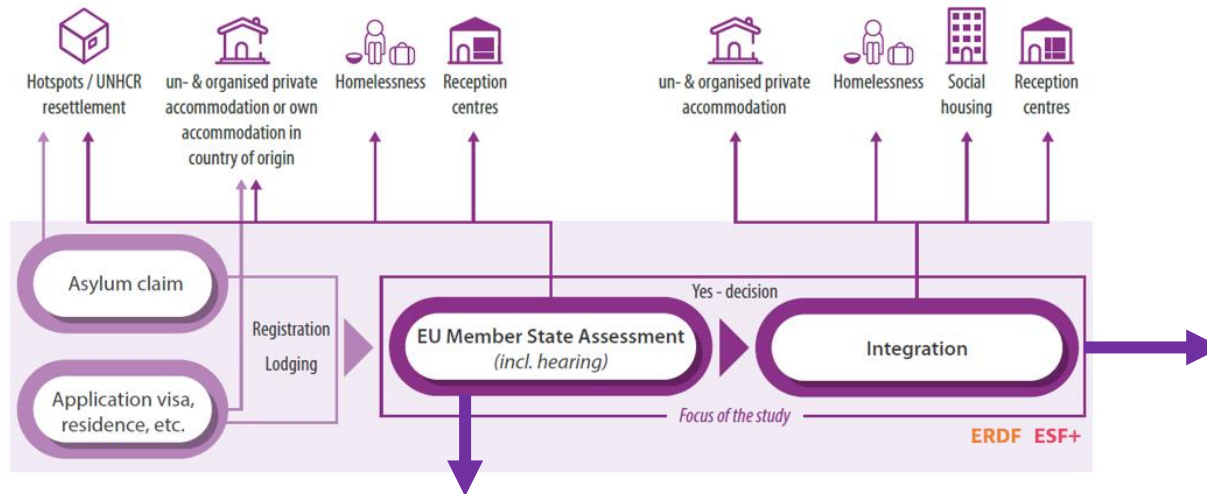
- Well established EU support to integrated urban development for instance through low cost, long-term loans co-financed e.g. through ERDF, with reduced collateral requirements to enable public and private promoters to finance urban projects.
- The construction and refurbishment of non-segregated, adequate and affordable housing, including social housing, is vital to foster inclusion and community building.
- AMIF resources could be deployed as part of a package of financing, potentially with other resources such as the ERDF, to foster access to housing for migrants.
- A combination of a financial instrument and a grant element is possible to ensure the developments are inclusive and accessible for migrants



# Study part 1 findings: Housing



# Main takeaways from market study

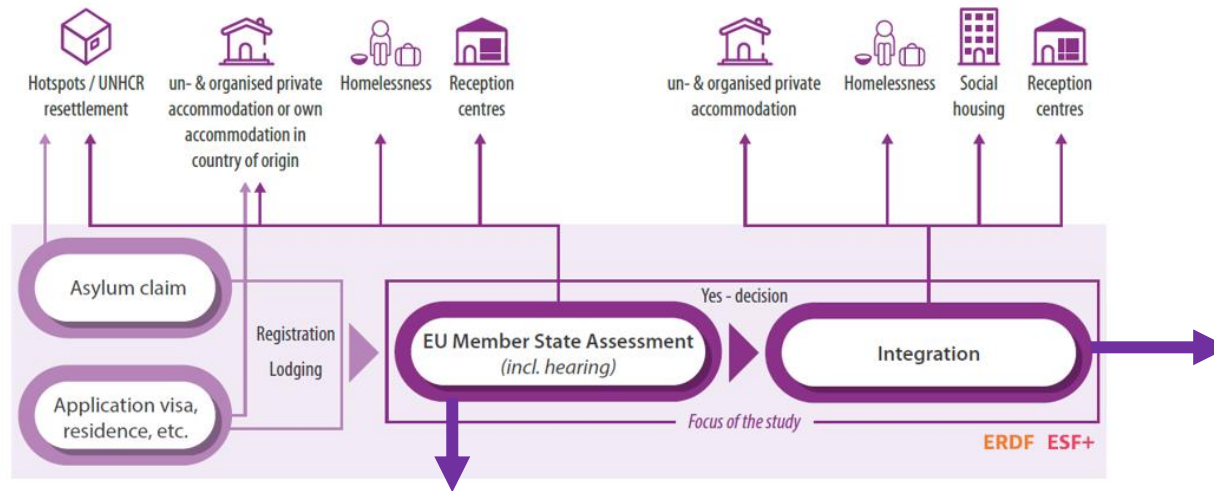


- Housing dedicated to TCNs (e.g. hotspots and resettlement camps, reception centres and other settings) are provided by stakeholders such as national governments, municipalities, individuals, the non-profit sector entities, cooperatives and the private sector.
- Housing is financed through a combination of grants, subsidies and loans including EIB/CEB lending and ERDF (renovation of existing stock).

- The European market context is challenging, affordable housing stock is in short supply.
- In general, TCNs live in rental-occupancy and face more difficulties securing adequate housing conditions compared to EU nationals.
- TCNs' need access to finance in order to cover transition costs for integration into society (such as deposits, insurances, rent, fees, etc.).
- Existing FIs for migrant integration through housing include, microloans for TCNs distributed through banks or MFIs; and larger loans and guarantees from national/EU public entities.
- TCNs need a coherent approach: housing and employment are both critical to integration.
- FIs can be complemented by grant for capacity-building enabling TCNs to access housing and related services.



# Financial instruments proposed



## Affordable housing loan

- Loan combined with grants
- Based on ERDF model FI combined with grant for energy efficiency and New European Bauhaus Model
- Additional ERDF/AMIF resources committed to finance capacity building services for TCNs
- Final recipients include municipalities, private developers, not-for-profit providers and home-owner associations.

## Integration loan

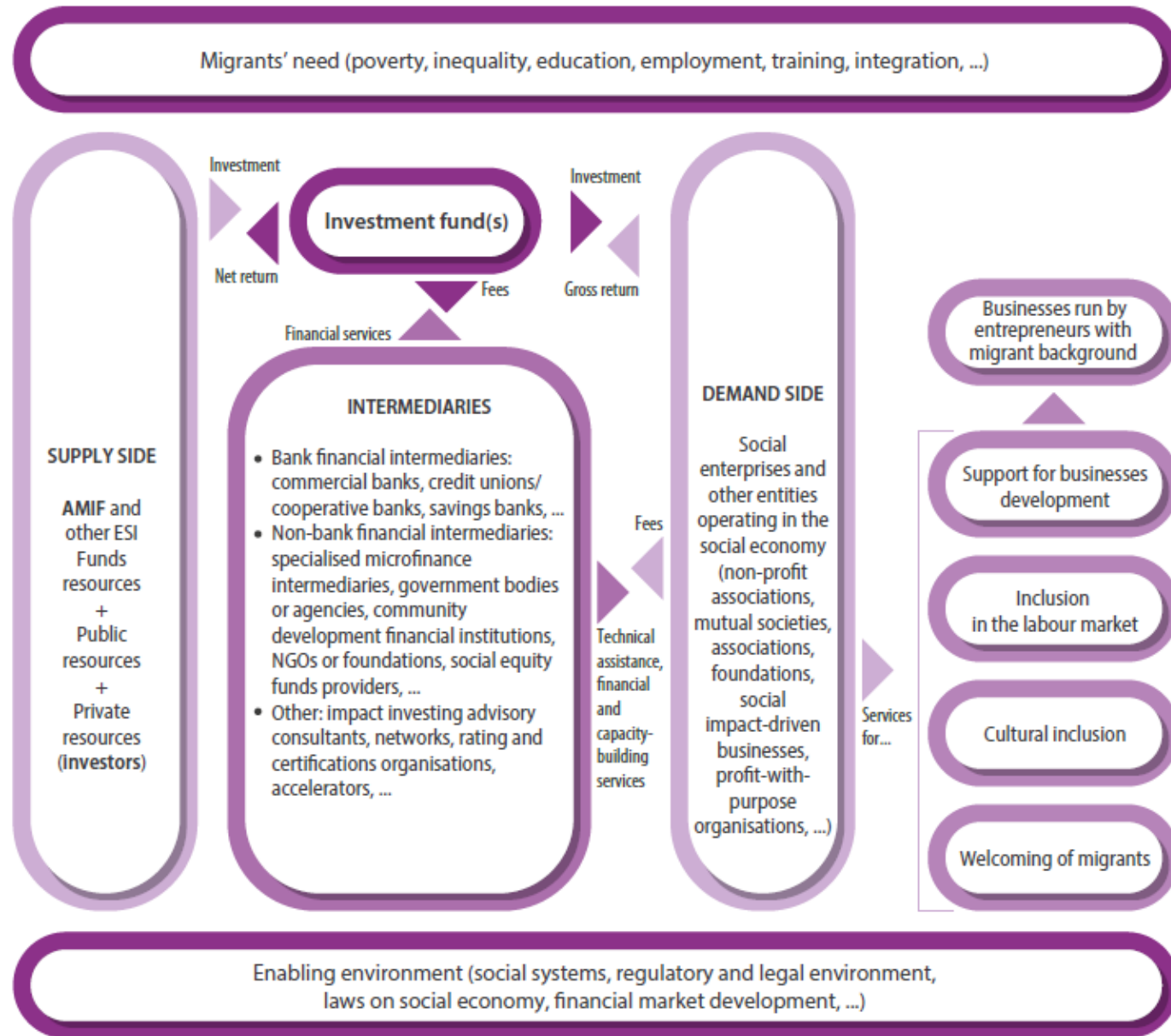
- Micro personal loans for TCNs entering the private rental market, for example to pay agency fees, moving, first months' rent, deposit, etc.
- May form part of a more general personal loan product tackling financial inclusion
- Implementation through AMIF/ESF+/ERDF resources for integration of TCNs
- Implemented by ethical banks, some MFIs and other institutions
- Grant component to be used to provide non-financial services to final recipients (including financial literacy training) and/or interest rate subsidy



# Social impact investing



# Social impact investing





# Main takeaways from market analysis

## Social impact investing

- The Social Impact Investment (SII) sector is a growing market across the EU, involving different actors in both the demand and the supply side; a key role is played by intermediaries providing financial and capacity building services to both sides of the market. However, the market is not yet mature – further development of the ecosystem is required
- A variety of businesses, organisations and different legal entities operating in the social economy can be targeted by SII; among these, social enterprises (SEs) can have the capacity to design innovative and effective solutions through an entrepreneurial spirit, which increases the attractiveness of investors
- Some notable examples of SII benefiting TCNs: KOTO SIB, FASE/Social Bee, Duo for a Job and Projekt Domov and ca. 20% social enterprises support TCNs.
- However, there are still few contexts in the EU ready for innovative SII schemes; in most cases, a gradual approach to prepare the ecosystem (including the investment and impact readiness of social enterprises) is recommended by also using more traditional financial schemes such as stand-alone grants.



**Thank you!**

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