



Case Study
June 2024

Business development services (BDS) pilot for migrants and refugees under the EaSI Microfinance Guarantee



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Abbreviations

Abbreviation	Full name
BDS	Business development services
CGAP	Consultative Group to Assist the Poor
CPR	Common Provisions Regulation
CRM	Customer Relationship Management
EaSI	Employment and Social Innovation
EIB	European Investment Bank
EIF	European Investment Fund
ESF	European Social Fund
MFI / MFP	Microfinance service institutions / providers (including both banks and non-banks)
NBFI	Non-banking financial institution
NGO	Non-governmental organisation
PAFMI	Pilot Action for Migrants and Refugees' Integration
TCN	Third-country national

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01

BDS pilot under the EaSI Microfinance Guarantee Instrument

1.1 Executive summary

The Business Development Services (BDS) pilot within the EaSI (Employment and Social Innovation) programme was launched in 2018 with an EUR 1 million contribution from the EU to stimulate the financial and social inclusion of migrants and refugees. It funds the provision of non-financial support, such as mentoring, coaching and training, to micro-borrowers and micro-enterprises created by migrants and refugees.

The objective was to provide partial coverage for the costs incurred by financial intermediaries when providing such services for the target final recipients who are often confronted with a challenging environment when setting up and developing a business in the host country (language barriers, administrative burden, lack of knowledge of local legislation, etc.).

The European Investment Fund (EIF) was entrusted by the EU to implement the EaSI Microfinance Guarantee Instrument. This mandate was subsequently extended to add the BDS pilot grant which was embedded in the Guarantee facility. Nine financial intermediaries in eight Member States were selected by the EIF via a call for expression of interest to implement the pilot.

Financial intermediaries could receive a lump sum of EUR 400 per final recipient with a migrant background, if they entered into an EaSI Microfinance Guarantee agreement and provided (directly or indirectly) the support service. The non-financial services included both pre-loan and post-loan support from the start to finish in setting up a business project.

The BDS pilot has supported over 2 000 migrants and refugees and played an important role in promoting self-employment among those that had previously been excluded from traditional credit channels.



Funding sources

Employment and Social Innovation (EaSI) programme

Type of financial product

Grant combination with guarantee instrument

Maximum financial size of the EaSI BDS pilot programme

EUR 1 million grant

Timing

2018-2027

Partners involved

Mandator

Directorate-General for Employment, Social Affairs and Inclusion of the European Commission

Implementing Partner

European Investment Fund (EIF)

Intermediaries

Adie (FR), Cooperative Bank of Karditsa (EL), Laboral Kutxa (ES), microlux (LU), microStart (BE), Per Micro (IT), Ponture (SE), Qredits (NL), Oportunitas (ES)

Final recipients

Migrants and refugees. In the understanding of the EaSI BDS Pilot, 'refugee' means a person benefitting from international protection/refugee status in the relevant jurisdiction and 'migrant' means a person whose country of origin differed from the Participating Country¹ where he/she was residing, evidenced by a relevant residential permit in accordance with the applicable laws of the country.

1.2 Key takeaways

The BDS pilot showed how a grant combined with a guarantee financial instrument can play a pivotal role in enabling microfinance institutions (MFIs), including both bank and non-bank organisations, to overcome financial barriers and extend support to the most vulnerable segments, including third-country nationals (TCNs). Without such support, MFIs may inadvertently shift their focus to a less challenging target population. The BDS pilot has served as a crucial tool to prevent potential 'mission drift' in the microfinance sector, thereby helping to ensure the programme's alignment with its core policy objectives.

Participating microfinance providers were well positioned and had the sufficient capacity to identify TCNs and provide the necessary services to them. The BDS pilot has facilitated the expansion of non-financial services, particularly in serving migrants and refugees.

Working with TCNs typically involves a more time-consuming process, encompassing sourcing, appraising and delivering the BDS support, making it inherently more costly. The BDS component within the EaSI programme played a key role in partially offsetting these additional expenses even though it did not cover the full cost of the services, due to the general complexity of the BDS services as well as due to the fact that intermediaries could not claim the grant after clients served that for whatever reason did not sign a loan contract at the end of the process.

¹ The countries covered by the EaSI programme comprising EU Member States, Iceland, Turkey, Albania, the Former Yugoslav Republic of Macedonia, Montenegro, Serbia and may include other associated countries having entered into relevant agreements with the European Union.



Nevertheless, the simplicity of the BDS pilot's structure, for a fixed amount, and integrated into the existing EaSI Microfinance Guarantee (including its reporting) contributed to the programme's accessibility and efficiency. The implementation of a customer relationship management (CRM) platform at the level of the MFIs played an important role in enabling efficient data collection and monitoring of BDS activities.

Microfinance providers constantly need to adapt and enhance their offerings to meet the dynamic needs of the target group, which involves also tailoring BDS content to address specific requirements. Flexible and personalised non-financial service delivery boosted by the BDS pilot has demonstrated an impactful approach in tackling the unique challenges faced by migrant entrepreneurs. The initiative has contributed to job creation, supported migrants and refugees and facilitated their successful integration into the local economy.



02 Design phase

2.1 Context

According to the widely recognised definition provided by the Consultative Group to Assist the Poor (CGAP), microfinance is defined as the “provision of essential financial services to individuals with low income, traditionally excluded from access to conventional banking and related financial services”. Originating as an empowerment tool in developing nations, microfinance has now evolved into a policy instrument within Europe, focused on fostering sustainable financial and social inclusion through entrepreneurship.

Microfinance in Europe presents individuals with an invaluable opportunity to pursue their entrepreneurial aspirations. In recent years it has transformed into a pivotal mechanism for facilitating business creation, particularly for individuals who embark on entrepreneurial ventures out of pressing economic needs. Vulnerable individuals, including migrants and refugees, constitute a significant segment of such aspiring entrepreneurs.

The European Commission has recognised the significance of this sector and has been actively supporting its advancement through various initiatives, reflecting its commitment to fostering financial inclusion.

Within such context, a primary aim of the EaSI programme was to promote financial and social inclusion for individuals looking to establish or grow their micro-enterprises, especially those facing challenges in accessing traditional credit sources.

In addition to the EaSI BDS pilot, several other initiatives have been implemented across various EU countries to facilitate access to finance for non-bankable and vulnerable groups, including migrants and refugees. Many of these initiatives have received co-financing from the European Social Fund (ESF) during the 2014-2020 period. Countries like Italy, Germany, and Bulgaria have developed microfinance instruments aimed at addressing the financial inclusion challenges faced by these marginalised populations. These programmes typically offer financial products, training and support services tailored to the specific needs of migrants and refugees, helping them establish businesses or secure employment opportunities in their host countries.

Furthermore, projects like the DG HOME Union Action funded PAFMI (Pilot Action for Migrants and Refugees’ Integration)², ATHENA (approaches to valorise the high entrepreneurial potential of migrant women to contribute to their social and economic integration)³ and PLOUTOS (Cooperation for achieving third country nationals’ financial independence through financial literacy tools and entrepreneurship bootcamps)⁴ represent additional pilot initiatives that align with the goal of enhancing the socio-economic integration of migrants and refugees. These projects may offer complementary services, allowing beneficiaries to access a broader range of support to meet their diverse needs.

The microfinance sector within the European Union is in the process of development and is marked by significant fragmentation and diversity. A significant majority of microfinance providers are non-bank MFIs (94%), which operate as NGOs (non-governmental organisations), NBFIs (non-banking financial institutions), governmental bodies and cooperatives. Non-bank MFIs are competing with traditional banks. They need to scale up and offer more diversified products to their operations. There is no single, unified business model; instead, the market is composed of a variety of microfinance institutions operating with distinct strategies and approaches.

² <https://coebank.org/en/partnering-with-donors/migrants-and-refugees/promoting-integration-of-migrants-in-europe/>.

³ <https://athenaproject.net/>.

⁴ <https://www.european-microfinance.org/activity/emn-ploutos-project>.



In recent years, one notable transformation has been the increasing digitalisation of various processes within the microfinance industry. Digitalisation has not only streamlined operations but also enabled microfinance institutions to leverage digital marketing to connect with new clients effectively.

However, it is important to highlight the regulatory variations across different EU Member States, such as the case of France where the legal framework places restrictions on microloans, capping them at EUR 12 000, which can impact the scope and scale of microfinance services in the country. Moreover, the microfinance market remains highly fragmented, with traditional banks operating under conventional criteria for assessing credit viability and collateral requirements. This leaves a substantial portion of potential clients, especially migrants who lack establishment in the host territory and struggle to provide guarantees, underserved by the mainstream financial sector. The targeted sector of TCNs in the microfinance market faces these specific challenges and complexities, and the EaSI BDS pilot aimed to address these issues by offering tailored support and services.

Microfinance institutions

A microfinance institution (MFI) is a financial organisation that provides financial services, including small loans, micro-insurance and other financial products, to individuals and small businesses in low-income communities.

The primary goal of MFIs is to promote financial inclusion by offering accessible and affordable financial products to clients who typically lack access to traditional banking services due to factors such as low income, lack of collateral or limited credit history (i.e. social purpose).

MFIs play a crucial role in supporting entrepreneurship and economic development by empowering individuals to start or expand small businesses, generate income and improve their overall financial well-being (i.e. financial sustainability).

Microfinance can be provided by both bank and non-bank institutions. However, microfinance in the EU is mostly provided by non-bank intermediaries, which operate as NGOs, NBFIs, governmental bodies and cooperatives. These institutions often employ innovative lending methodologies, such as microcredit, and may offer additional services such as coaching, training and mentoring to enhance the capacity of their clients.

For further reading, please see fi-compass publication: [Financial instruments working with microfinance](#).

2.2 Previous experience

Before the launch of the EaSI BDS pilot, the programme drew valuable insights and experiences from the European Progress Microfinance Facility, its predecessor introduced in 2010 and managed by the EIF. The European Progress Microfinance Facility was designed as a response to the economic (and social) fallout from the financial crisis.

It primarily aimed to support vulnerable groups, encompassing women, youth, and, to a certain extent, migrants. While the latter did not receive a specific attention as under the EaSI programme, the European Progress Microfinance Facility laid a solid foundation for understanding the financial challenges faced by these groups. This earlier initiative served as an essential stepping stone towards recognising the unique needs of such target groups in the context of microfinance and social inclusion.



EaSI capitalised on the successes and lessons learned from the European Progress Microfinance Facility. Notably, the EaSI programme expanded its focus on migrants, placing greater emphasis on their financial and social inclusion needs.

This strategic shift in the EaSI BDS pilot represents an evolution in approach, recognising the importance of tailored support and services to enhance the entrepreneurship and financial inclusion of vulnerable groups, including migrants, by addressing their unique challenges more comprehensively.

2.3 Market gap

The market gap addressed by the BDS pilot for migrants⁵ and refugees⁶ arise from the limitations of traditional banking. Traditional banking institutions typically adhere to conventional lending criteria based on viability and collateral, often failing to cater adequately to the unique financial needs of vulnerable groups such as migrants. This results in a substantial portion of the market demand remaining underserved, leaving aspiring entrepreneurs within these communities at a significant disadvantage.

TCNs and other migrants face distinct challenges in their pursuit of entrepreneurial activities in their host countries. The main needs and challenges of TCNs intending to start their own business include:

- **Language and cultural challenges:** Many third-country nationals face language barriers and difficulties in understanding the culture of their new host country. These challenges can hinder their ability to integrate and start or manage a business effectively;
- **Administrative burden:** The complex administrative system in the host country, particularly in areas related to setting up and managing a business, poses a significant obstacle for migrants;
- **Lack of digital knowledge:** Some migrants lack digital literacy, especially concerning administrative processes that are increasingly reliant on online platforms;
- **Recognition of diplomas and work experience:** Migrants often encounter issues with the recognition of their educational qualifications and work experience, which can limit their employment opportunities or business prospects;
- **Financial barriers:** Third-country nationals often lack the initial capital and the credit history needed to start a business. Traditional banks consider them too risky due to the absence of collateral, credit history and business experience in the host country;
- **Social integration:** In the early stages of integration, migrants may lack social networks, which are crucial for both employment and entrepreneurial success;
- **Access to support and training:** Migrants often lack access to organisations that can provide support in job seeking, entrepreneurial training and business development;
- **Access to finance:** Even if they have viable business ideas, migrants face challenges accessing financial resources to realise their entrepreneurial aspirations.

These obstacles contribute to higher costs associated with providing BDS to migrants and refugees compared to mainstream micro-enterprises or borrowers. The BDS pilot was introduced to bridge this market gap by partially offsetting these additional costs. This critical financial support enables financial intermediaries to deliver tailored BDS to migrants and refugees, effectively addressing the specific challenges they encounter. Ultimately, the pilot's objective was to enhance entrepreneurship within these vulnerable communities, fostering economic and social inclusion in the process.

5 For the purpose of the BDS pilot, 'migrant' means a person whose country of origin differs from the Participating Country where he/she is residing, evidenced by a relevant residential permit in accordance with the applicable laws of the country.

6 For the purpose of the BDS pilot, 'refugee' means a person who benefits from international protection/refugee status in the relevant jurisdiction.



Myroslav Koval (France)

Financial Intermediary: Adie

Year of contracting: 2022

Financial support: loan of EUR 2 105 (part of the portfolio of loans covered under the EaSI Microfinance guarantee)

BDS support: coaching, administrative assistance, business planning, business registration (partly covered by a lump sum of EUR 400 as part of the EaSI BDS pilot).

In 2022, Adie provided financing to Myroslav Koval, a Ukrainian refugee who recently arrived in France, thanks to a referral from the NGO France-Ukraine-News, which supports Ukrainian refugees. He aimed to establish a business specialising in the manufacturing of wooden toys. Despite the absence of a guarantor, Adie approved his loan request, considering his extensive entrepreneurial experience of over 15 years in Ukraine. With a loan of EUR 2 105, he initiated his toy business in France. As part of the support, he received four BDS, including coaching, administrative assistance, assistance with business planning, and support for business registration. In 2023, he submitted another loan request to further expand his business activities.

Source: Adie

2.4 The financial instrument launched

The EaSI Microfinance Guarantee Instrument, established under Regulation (EU) No 1296/2013 for the period 2014-2020, is one of two axes of the European Union Programme for Employment and Social Innovation (EaSI). The EU-level instrument aimed to – among other things – enhance access to microfinance for vulnerable individuals facing challenges in the job market or at risk of social exclusion. This includes vulnerable persons seeking to start or develop their own businesses and micro-enterprises in both start-up and development phases, particularly those employing individuals in vulnerable situations.

The EaSI Microfinance Guarantee itself was structured as a free-of-charge capped portfolio guarantee, featuring an 80% guarantee rate on a loan-by-loan basis. The guarantee cap rate was determined at the level of the expected loss of the portfolio to be established, not exceeding 30%. In return to the guarantee offered free of charge, the financial intermediaries were required to enhance access to finance by offering more favourable loan terms and conditions for the final recipients compared to what would have been available in the absence of the guarantee. This could involve increased maturity, decreased interest rates, reduced collateral requirements, or a combination thereof.

The final recipient transactions consisted of loans with a nominal amount of up to EUR 25 000 (the aggregate ceiling per final recipient was EUR 50 000, in case of multiple transactions contracted by the same final recipient). The financing provided through the transaction should be aimed at setting up or developing a micro-enterprise, covering aspects such as investment financing, working capital and start-up costs.

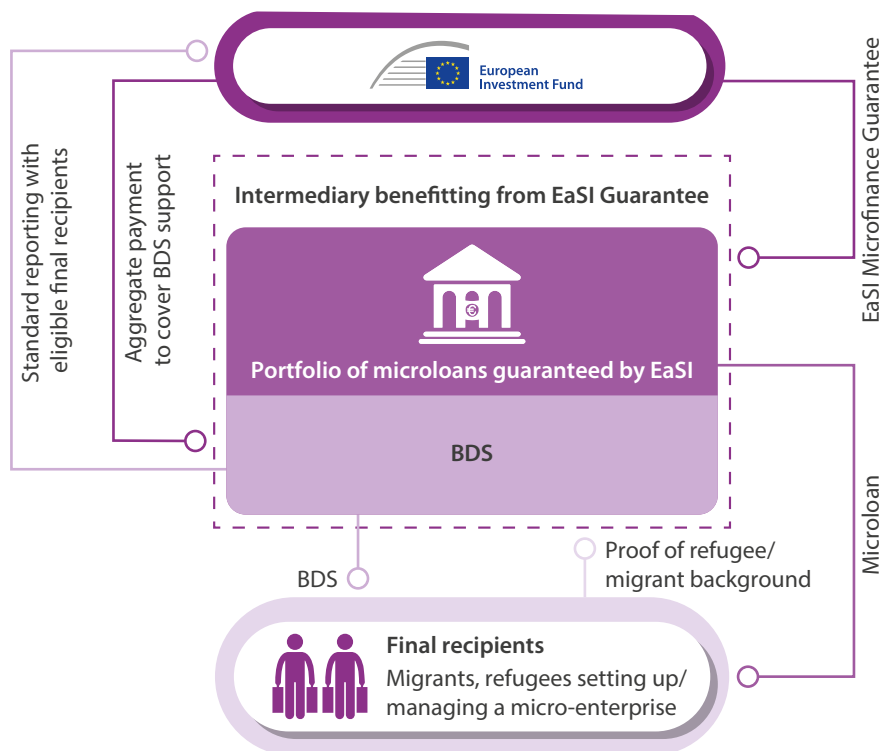


2.5 The EaSI pilot BDS grant programme for migrants and refugees

The EaSI BDS pilot grant programme was integrated into the EaSI Guarantee, providing a lump-sum grant of EUR 400 for each migrant or refugee entrepreneur who received both a loan covered by the EaSI Guarantee and essential training, mentoring, or coaching services from the beneficiary of the guarantee.

This synergy between financial support and complementary services was instrumental in advancing the programme's overarching policy objectives, primarily centred on increasing access to microfinance for vulnerable individuals and microenterprises, whether in the start-up or development phase.

Figure 1: The product mechanism of the EaSI BDS pilot for migrants and refugees



Source EIF



2.6 Timetable for set-up and implementation

Table 1 below provides the timeline of the key steps relevant for the Intermediaries involved in the implementation of the EaSI BDS pilot programme.

Table 1: Set-up and implementation timeline of the EaSI Microfinance Guarantee and EaSI BDS pilot

Time period	Actions taken
June 2015	Signature of the EaSI Delegation Agreement between the European Commission and EIF
June 2015	Initial call for expression of interest launched for the EaSI Guarantee
December 2018	Amended call for expression of interest launched for the EaSI Guarantee to include the BDS pilot programme
June-December 2019	Signature of the Operational Agreements for BDS pilot with selected intermediaries
December 2021	End of application period for the EaSI BDS pilot
September 2023	End of application period for the EaSI Guarantee
December 2027	End of availability period for the EaSI Guarantee and for the EaSI BDS pilot

ADIE (France)

As of 2022, with a current beneficiary count of 33 500, the organisation upholds an average loan size of EUR 5 000 and an average repayment period of 3 years.

ADIE provides comprehensive business development services to support entrepreneurs in both the creation and development of their businesses. The support begins with tailor-made diagnostic services during the financing application process, ensuring that all those financed receive upstream assistance. Individual support is offered through various avenues, including "Rendez-vous Diagnostic" for entrepreneurs to assess their business situation, "Service Coach Adie" for personalised, long-term support, and "A la carte" support addressing financial, administrative, and commercial aspects based on entrepreneurs' needs. ADIE also conducts free collective business development training courses, encouraging discussion and networking among entrepreneurs. These courses cover topics such as business development, administrative and financial management, and micro-business operations.

The impact of the BDS pilot is reflected in the client composition of Adie, where approximately 20% of clients are migrants or refugees, with a significant 34% growth in this segment between 2021 and 2022. Adie has served 520 TCNs under the EaSI BDS pilot and 50% of entrepreneurs supported via microcredit benefited from at least one BDS in 2022.



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03 Set-up phase

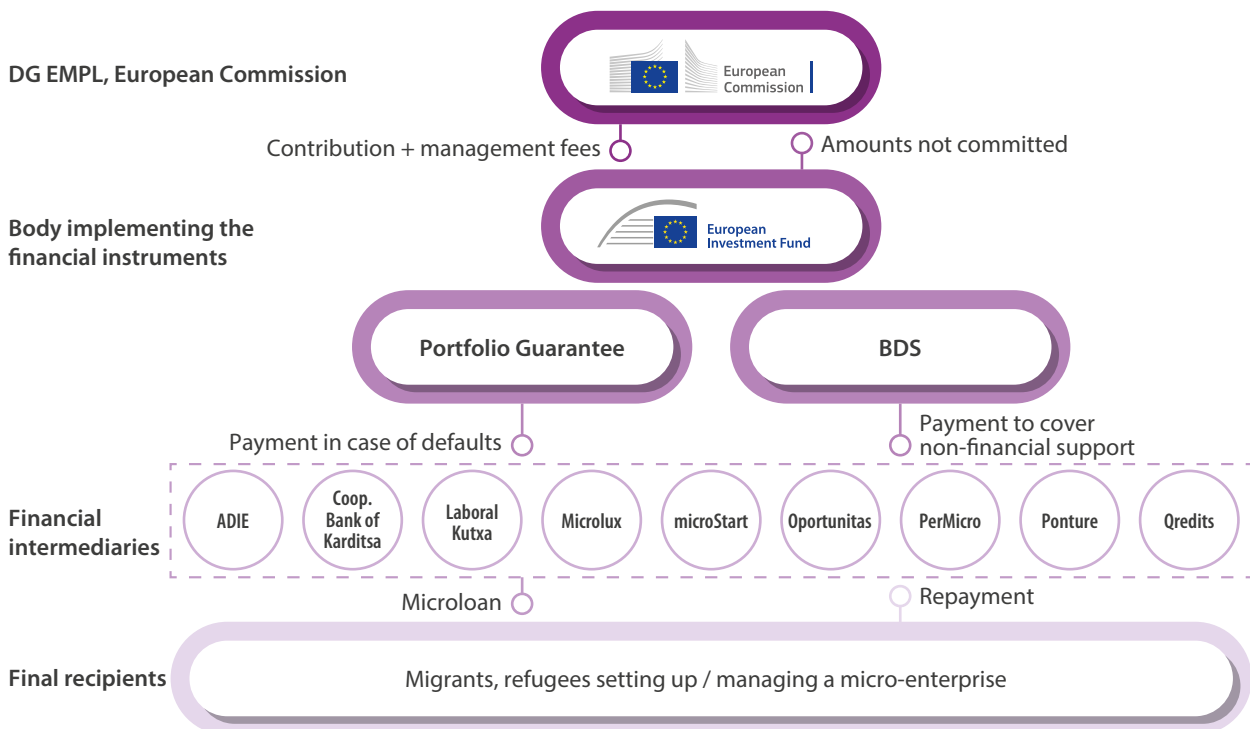
3.1 Governance structure

The EIF was entrusted by the EU to implement the EaSI Microfinance Guarantee Instrument via selected financial intermediaries (e.g. financial institutions, microfinance institutions, leasing companies).

The governance structure of the EaSI BDS pilot followed the structure of the EaSI Guarantee Instrument. The EIF acts as the body implementing the financial instrument, and financial intermediaries are responsible for delivering the BDS in conjunction with micro-loans to eligible final recipients under their respective portfolio guarantee agreements. This collaborative approach ensures a risk-mitigated framework, with the EIF's guarantees combined with grant-supported BDS supporting the financial intermediaries in providing both financial and developmental support to individuals and micro-enterprises.

A total of 163 guarantee contracts were signed across 31 countries⁷ under the EaSI Guarantee Instrument, amounting to EUR 416.2 million in guarantees.

Figure 2: Implemented governance structure



⁷ Countries targeted by the Financial Intermediaries, including also countries outside the EU (Albania, Montenegro, Serbia, The Republic of North Macedonia and Türkiye).



3.2 Financial size and payments

The financial allocation for the EaSI BDS pilot for migrants and refugees within the EaSI Guarantee Instrument was relatively limited, amounting to just EUR 1 million, reflecting the pilot nature of the initiative. This budget allocation aimed to provide a lump-sum grant of EUR 400 to the financial intermediary for each migrant or refugee who met the dual criteria of receiving a loan supported by the EaSI Guarantee and engaging in training, mentoring, or coaching services offered by the intermediary.

3.3 Selection of intermediaries for the EaSI BDS pilot

The pilot initiative was officially launched in December 2018 through a dedicated Call for Expression of Interest issued by the EIF, and which was initially available for prospective applicants until 30 June 2021, but was amended and remained open until the end of 2021.

A financial Intermediary was eligible to receive BDS support under the following criteria:

- It had entered into an EaSI Microfinance Guarantee agreement; and
- After its selection it has provided the BDS, directly or indirectly, to a final recipient; and
- The final recipient qualifies as refugee and/or migrant. If the final recipient is a legal entity, its shareholder, director, member of the board or other corporate body or other legal representative shall qualify as a refugee and/or a migrant and shall be the recipient of BDS.

The selection of intermediaries were carried out on the basis of the following criteria:

- Estimated number of targeted final recipients for the purpose of providing BDS; and
- The type of BDS to be provided to final recipients (including the estimated number of hours) expected to be eligible under the EaSI BDS pilot.

Gabriella Moya (Luxembourg)

Financial Intermediary: microlux

Year of contracting: 2021

Loan amount: EUR 21 800 (part of the portfolio of loans covered under the EaSI Microfinance guarantee)

BDS support: Coaching before the loan, coaching after the loan, collective trainings, participation in promotional events (microbusiness award, presence with a stand in a shopping mall, etc.) (partly covered by a lump sum of EUR 400 as part of the EaSI BDS pilot).

Gabriella Moya, an Ecuadorian-born founder of the fashion brand AWKA, has brought her rich cultural background to Luxembourg, her new home. As an audiovisual producer and documentary filmmaker, Gabriella draws inspiration from the indigenous people of South America, particularly their traditions and cultural creation. In 2021, she embarked on a mission to preserve the ancestral richness of these communities by creating AWKA, a brand focused on ethical and sustainable garments. AWKA's creations involve collaborations with artisans in Ecuador, specialising in ancient techniques such as hand weaving, embroidery and natural dyeing. The brand's philosophy encourages ethical and ecological production, reflecting Gabriella's commitment to a more sustainable and responsible approach to fashion. AWKA, under Gabriella's leadership, stands as a testament to the fusion of cultural heritage, tradition and sustainable practices in a globalised world, contributing to a more conscious and eco-friendly future.

Source: microlux

Table 2: EaSI Guarantee amounts contracted and amounts of EaSI BDS pilot payments per MFIs⁸

MFI	EaSI Guarantee Maximum Portfolio Volume (EUR)	EaSI BDS pilot payments to the financial intermediary (EUR) ⁹	Number of final recipients of BDS
Adie	68 million	208 000	520
Cooperative Bank of Karditsa	10.2 million	-	-
Laboral Kutxa	130 million	26 000	65
microStart	32 million	-	-
microlux	3.7 million	24 800	62
Oportunitas	2 million	1 600	4
PerMicro	26.1 million	40 400	101
Ponture	13.8 million	-	-
Qredits	128.3 million	64 800	162
TOTAL	414.4 million	365 600	914

3.4 State aid

Both the EaSI Guarantee (as laid down in the corresponding delegation agreement) and the EaSI BDS pilot are consistent with State aid rules. This alignment is due to the nature of Union funding, where entities entrusted with its implementation, including the EIB Group (EIB/EIF), operate under a mandate from the European Commission or another EU institution. In scenarios where national authorities do not decide the utilisation of these resources, such Union funding does not qualify as State aid, as it is neither imputable to the State nor does it constitute state resources.

3.5 Monitoring and reporting

To ensure the effective transfer of benefits to the final recipients (migrants and refugees), financial intermediaries were tasked with maintaining records and evidence demonstrating that the BDS support was utilised to partially cover the expenses associated with providing BDS services, ensuring a systematic and transparent approach to allocating BDS support.

The disbursement of the grant contribution is contingent on the receipt of specific reports, submitted by the intermediaries during the reporting round that followed the formalisation of the BDS agreement, detailing the loans covered by the EaSI Guarantee and the BDS services extended to the borrowers.

The template used by intermediaries for reporting is aligned with the structure employed for the EaSI Guarantee, making the reporting process more straightforward and consistent. Additional columns were incorporated to capture specific data relevant to the EaSI BDS pilot (such as the total number of final recipients who have benefited from BDS support), ensuring comprehensive and structured reporting to monitor the progress of the initiative.

⁸ Note that inclusions under the EaSI Guarantee as well as submission of payment requests under the BDS pilot are still ongoing at the completion of the current study.

⁹ Based on payment requests submitted by the MFIs to the EIF as at February 2024. Please note, that the inclusions are still ongoing and MFIs have the flexibility to submit their payment requests until the respective inclusion end date. Therefore these figures do not represent the final state of play under the BDS pilot.



Laboral Kutxa (Spain)

The non-financial services provided by Laboral Kutxa under the EaSI BDS pilot programme have been implemented by the Gaztenpresa Foundation, which is a non-profit organisation with a team of volunteers affiliated with Laboral Kutxa. Its primary goal is to promote employment by supporting start-ups entrepreneurs in the Basque Country and Navarre including via coaching, mentoring, and training services.

The BDS include personalised attention and advice from the start to finalise setting up a project, studying the business plan, help with the official paperwork and support on the application for grants. The Foundation has developed an online mentoring platform that the entrepreneurs can access for online guidance and mentoring – to produce the business plan for example. The length of services offered vary depending on the entrepreneur's needs. On average, entrepreneurs received 20 hours of coaching. The training component involved monthly one-hour meetings over a span of 12 months. Mentoring services were characterised by monthly hour-and-a-half meetings, provided over an 18-month period.

Under the EaSI Microfinance Guarantee, over 5 000 final recipients have received financing. The portfolio includes 13% of financed individuals being TCNs, 35% women, 28% involving entrepreneurs under 35 or enterprises created within two years and 16% having primary education or no formal studies. As of March 2023, the Foundation has supported the BDS for 65 migrants and refugees, providing them with more than 1 600 hours of coaching, training, and mentoring services overall. The main sectors served include food and beverage services, retail, transport (e.g. taxi) and other personal service activities (e.g. cleaning, hairdressing).

Suzaiyani Andrea Del Valle Angulo Ordonez (Spain)

Financial Intermediary: Laboral Kutxa

Year of contracting: 2023

Loan amount: EUR 14 000 (part of the portfolio of loans covered under the EaSI Microfinance guarantee)

BDS support: coaching and training sessions, including business planning (partly covered by a lump sum of EUR 400 as part of the EaSI BDS pilot).

The founders of the business, before immigrating to Spain, had a local Latin bakery in Venezuela, offering empanadas and other baked products for on-site consumption, home delivery and wholesale distribution to supermarkets and restaurants. After migrating, they started a new business, Grupo Violeta – focusing on providing Venezuelan pastries and food with a Basque-Latin fusion, incorporating typical Basque pintxos. The business is entirely family-run with three employees. The investment was directed towards machinery and equipment for product manufacturing. The coaching and training sessions, particularly in business planning, helped to refine the business's value proposition, analyse potential customers, devise suitable marketing strategies and assess viability based on sales estimates and expense structures.

Source: Laboral Kutxa



04 Implementation phase

4.1 What did the EaSI BDS pilot provide?

Non-financial support has been provided in the form of one or more of the following activities:

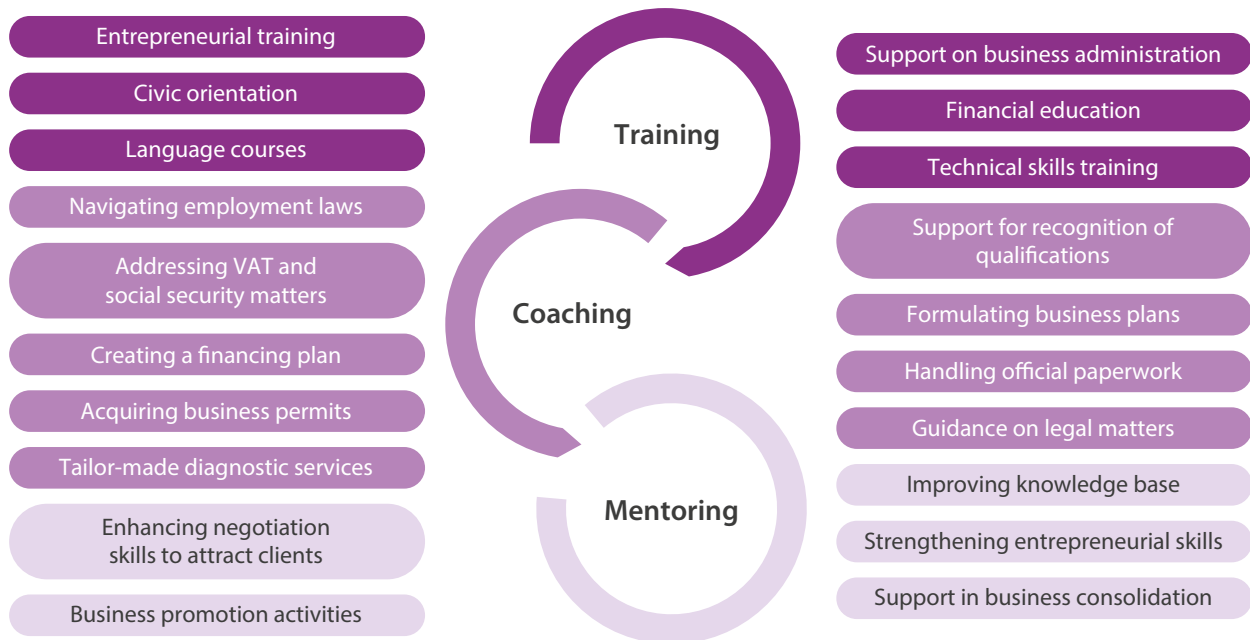
- **Training:** any attempt to improve the skills set of (potential) micro-entrepreneurs in order to enhance business performance and sustainability. Training can be individual or group-based and can take place before and/or after the creation of the micro-enterprise as well as before and/or after the loan agreement is signed;
- **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;
- **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 his/her business. Typically, after the loan has been granted, mentoring services are available to offer ongoing guidance and support.

In line with the above-mentioned terminology, MFIs involved in the EaSI BDS pilot programme have delivered a comprehensive range of activities designed to support migrants and refugees in their entrepreneurial endeavours. These activities typically involve a multi-step approach. First and foremost, in case of TCNs, language training is often considered essential to facilitate effective communication and integration in the host country. The second crucial step involves providing financial and entrepreneurial training, acknowledging the link between obtaining financing and managing the resulting business income. To this end, the coaching services offer personalised attention and advice, guiding entrepreneurs through initial steps such as formulating business plans, handling official paperwork, administrative guidance on legal matters, VAT systems, business permits, social security and compliance with employment laws, applying for subsidies, as well as creating a financing plan. The focus at this stage is on supporting entrepreneurs in accessing funds. Once a positive viability plan is established, entrepreneurs can receive financial services tailored to their needs.

In the consolidation phase, training services or ongoing coaching are generally available on-demand and typically last several months. These one-to-one interactions provide personalised support and aim to enhance the skills of entrepreneurs for business consolidation. It could include support on day-to-day business administration, technical help and tailor-made diagnostic services to assess the current state of the business and identify its specific needs. Additionally, mentoring services can provide guidance and advice from experienced entrepreneurs or business managers, strengthening decision-making skills. It could encompass also business promotion activities, including the creation of videos and the use of social media to enhance the visibility of the businesses aimed at attracting new customers for the business. Often, MFIs provide webinars (such as on accounting issues, available grants) contributing to the entrepreneur's knowledge base.



Figure 3: Types of BDS activities provided by MFIs



4.2 How did the pilot work in practice for the final recipients?

Entrepreneurs could apply for support either online or at MFI branch offices. During the application process, loan officers collected client information, including the client's country of birth. To qualify for services under the EaSI BDS pilot, individuals need to be verified as a refugees or a migrants based on their identification documents. Importantly, MFIs treated all migrants equally, without distinguishing between those from within the EU and those from other regions worldwide, providing uniform and inclusive services, regardless of origin.

The appraisal process for migrants and refugees took into account their unique circumstances and challenges, adapting the evaluation criteria to better suit their specific business needs. For example, for migrants with limited residence permits, the duration of the loan could be adjusted to align with the permit's validity period, recognising the potential impact of uncertain residency status on loan repayment. Loan officers working with migrants and refugees often encounter individuals with no credit history. To address this, modified risk assessment approaches have been adopted considering alternative indicators of creditworthiness to evaluate clients without relying on traditional credit history information.

Depending on the risk level, the loan officer would approve the credit independently or a credit committee may need to make the decision. Once the supporting documents were approved, the contract was signed and the loan was disbursed. In the meantime, final recipients may receive BDS related services from or on behalf of the MFI both before and after the signature of the loan contract.



Emekedemealem Demeke Eneyew (France)

Financial Intermediary: Adie

Year of contracting: 2022

Financial support: Quasi-equity loan of EUR 2 947 + microcredit of EUR 9 684 (part of the portfolio of loans covered under the EaSI Microfinance guarantee)

BDS support: collective workshop, coaching (partly covered by a lump sum of EUR 400 as part of the EaSI BDS pilot).

Emekedemealem Demeke Eneyew, a single mother of two, faced challenges finding employment and decided to pursue her dream of opening an Ethiopian restaurant, aiming to share the culture she left more than 10 years ago. The final recipient received two BDS, including a collective workshop and coaching from Adie. Additionally, she secured a blended loan, comprising a quasi-equity loan of EUR 2 947 and a microcredit of EUR 9 684. With the help of a co-funding of EUR 10 000 from Solidarité Migrant Entrepreneur, Emekedemealem Demeke Eneyew was able to purchase stock, furniture, and cover rent expenses, successfully opening one of the first Ethiopian restaurants in Marseille.

Source: Adie

PerMicro (Italy)

Since its inception, PerMicro has disbursed over 30 000 loans, totalling over EUR 250 million. It operates through 23 branches in 15 Italian regions. PerMicro has an impressive market penetration in the migrant target population: one quarter of PerMicro's business clients and over 90% of its personal clients are migrants.

PerMicro operates through loan officers who engage directly with clients, meeting their needs and sending relevant files to the headquarters in Torino for further processing. In its initial stages, PerMicro relied on the support of volunteers, although the current dependency on volunteers has decreased over time.

Under the EaSI BDS pilot programme, PerMicro offers a variety of BDS to enhance the entrepreneurial capabilities of its clients. These BDS services offered at pre-loan stage included training sessions for assessing business ideas and evaluation of business sustainability through business planning tools (balance sheets, cash flow, market analysis) as well as coaching provided prior to the loan disbursement (e.g. financial education). After the loans have been provided, post-loan services included continuous support both in terms of monitoring and mentoring (monthly telephone calls, quarterly visits to the business activity), periodic review of business plan and evaluation of the development and trend of business activity.

The impact of the EaSI BDS programme at PerMicro is noteworthy, especially in supporting start-ups, with a majority (57%) of final recipients falling within the 0-6 months since establishment category. Additionally, a significant portion of final recipients (approximately one-third of the total) comprises individuals and business managers under the age of 35.

05 Achievements

The EaSI Microfinance Guarantee mobilised approximately EUR 5 billion in funding to benefit over 150 000 micro and social SMEs. Notably, the EaSI Microfinance Guarantee exhibited a strong emphasis on financial inclusion, with an impressive 79% of entrepreneurs securing their very first business loan ever under the EaSI Microfinance Guarantee, showcasing the programme's significant role in addressing the financial needs of underserved populations. Within this context, 24% of the loans extended under the programme were granted to migrant entrepreneurs.

The EaSI Microfinance Guarantee played an important role in facilitating access to finance for TCNs. The nine MFIs participating in the BDS pilot could build up portfolios amounting to over EUR 400 million in total, a considerable share of which was directed to support TCNs. In addition, the EaSI programme contributed to broadening the service offerings by many intermediaries. In France, for instance, thanks to the EaSI Microfinance Guarantee, MFIs could adhere to regulations stipulating that all microcredits granted must be guaranteed, ensuring TCNs could access essential financial resources.

Non-financial services linked to the EaSI BDS pilot have played a crucial role in supporting migrant and refugee entrepreneurs by providing proximity support with personalised assistance that is tailored to individual needs. This includes initiatives focused on up-skilling and re-skilling future entrepreneurs, equipping them with the necessary knowledge and skills for sustainable business growth.

In terms of output, the EaSI BDS pilot played a significant role in scaling up the training, coaching and mentoring services that MFIs had been offering. As of February 2024, almost 1 000 migrants and refugees have been included in the pilot programme. The actual number is estimated to be higher, as it reflects only the number of BDS final recipients for which the MFIs have submitted payment requests. This number excludes also those which received specific non-financial support from the MFIs but chose not to establish a business (or not yet) or did not ultimately secure a microloan, rendering them ineligible as final recipients of the BDS pilot. Nonetheless, it is important to recognise that these individuals will have benefited from BDS provided by the intermediaries, supporting their integration process (e.g. finding employment, enhanced knowledge and skills, etc.), even if they did not go on (or not yet) to establish their own business.

Based on the experience of the MFIs interviewed for this study, the EaSI BDS pilot has demonstrated significant impact in many aspects:

- The initiative contributed to enhance financial inclusion, enabling individuals who were previously excluded from traditional credit channels;
- Advantages of the pilot included also a reduction in default rates due to enhanced support and training provided to borrowers;
- Entrepreneurs who received loans through MFIs under the programme experienced improved prospects for securing additional loans from traditional banks, underlining the programme's positive influence on the entrepreneurial ecosystem and its ability to catalyse economic growth;
- The initiative has also contributed to sustained enterprises and job creation;
- Entrepreneurs participating in the programme reported an increase in their overall welfare, showcasing the positive societal effects of the initiative.



The wider effects of the EaSI BDS pilot are also evident in the increase of state revenues, stemming from higher tax revenues and boosted consumption. For instance, according to a study using the social return on investment methodology¹⁰, every EUR 1 invested by the French MFI Adie, yields, after a two-year period, EUR 2.38 to the French national community.

microlux (Luxembourg)

As of December 2022, microlux has disbursed 224 microcredits with a total amount of EUR 3 million. A remarkable 90% of the EaSI Guarantee portfolio comprises migrants and refugees, underlining the successful outreach and impact of the BDS pilot and EaSI Microfinance Guarantee in promoting financial inclusion among these vulnerable groups.

The BDS offered by microlux encompass various elements. Firstly, coaching, provided by volunteers, plays a crucial role, offering support in both pre- and post-creation stages, aiding project owners in better structuring their businesses, and providing ongoing individual guidance or expertise on administrative, commercial, and legal matters. Secondly, microlux conducts regular free training sessions and workshops on entrepreneurship-related topics, fostering the development of entrepreneurial skills among project owners. Thirdly, the institution employs e-learning through an accessible online module comprising nine videos covering different stages of business creation. This resource allows entrepreneurs to autonomously educate themselves, featuring examples, quizzes and templates.

Promotion activities involve providing visibility to entrepreneurs through diverse communication tools (e.g. newsletters, social media) enhancing their market presence. Lastly, microlux's advisers offer comprehensive project diagnostics before launch, addressing various aspects like fiduciary procedures, insurance, bank accounts, legal status, potential pitfalls and steering entrepreneurs toward relevant partners and experts based on their specific needs.

¹⁰ <https://advisory.eib.org/publications/attachments/social-outcome-contract-en.pdf>.

06 Lessons learned

6.1 Main success factors

1. The EaSI BDS pilot successfully raised awareness of BDS's vital role in microfinance, emphasizing inclusivity and financial support for entrepreneurs from vulnerable backgrounds.

A primary success factor in the EaSI BDS pilot under the EaSI Guarantee Instrument was the enhanced awareness of BDS as an integral and complementary aspect of the broader microfinance landscape. The initiative succeeded in highlighting the pivotal role of BDS in supporting entrepreneurs from vulnerable groups. This awareness not only underscores the importance of BDS in the microfinance ecosystem but also serves as a testament to the programme's commitment to inclusivity and financial support for those who traditionally face barriers to access to financial services.

2. The integration of a grant component into the microfinance instrument of the EaSI BDS pilot allowed to make essential BDS more accessible.

This pilot also exemplifies the effective combination of a grant component into a microfinance instrument. It showcases that such combinations, integrating financial instruments with grants, are viable. By incorporating grants to offset the costs of providing essential BDS, the pilot demonstrated an innovative approach to making these services more accessible while upholding financial sustainability.

3. Continuous adaptation to client needs, including customizing BDS content and employing flexible support methods, empowered TCNs with skills essential for sustainable business growth.

Another success factor for microfinance and BDS support lay in the innovation and reinforcement of non-financial offerings. Microfinance institutions had to constantly evolve and enhance their non-financial services to meet the dynamic needs of their clients. This involved tailoring the content of BDS to address the specific requirements of the target group, ensuring a personalised and impactful approach. Moreover, flexibility in the delivery of training was crucial; the incorporation of online training sessions and web conferences into the service repertoire is a good example to effectively empower the clients with the knowledge and skills necessary for sustainable business growth.

4. Collaboration with traditional banks and other stakeholders proved essential in reaching an underserved population in the financial sector.

Collaboration with mainstream banks as well as with other stakeholders supporting migrant integration (i.e. chamber of commerce, migrant networks, employment offices) proved highly effective, especially when targeting a population underserved by commercial banks. The relevance of cooperation with commercial banks is reflected in the fact that a substantial number of customers were referred by these financial institutions. This strategic alignment not only allowed microfinance institutions to cater to a demographic excluded from traditional banking services but also opened avenues for valuable partnerships. Such collaborations involved elements like donations, partial risk coverage, or credit lines, facilitating a symbiotic relationship that enhanced the overall effectiveness and sustainability of the initiative.



5. The establishment and utilisation of a Customer Relationship Management (CRM) platform at the level of the MFIs played a crucial role in the success of the pilot.

CRM platforms facilitated the efficient collection of client data and the monitoring of field actions related to BDS delivery. Such a system allowed for the tracking of the specific BDS provided, the timing of these services, and the individuals who delivered and received them. This data-driven approach not only improved transparency but also enabled the programme to fine-tune its services and strategies, ultimately enhancing the overall impact of the BDS pilot.

6.2 Main challenges

1. MFIs faced challenges in finding viable businesses with low default rates among the target group.

The identification of viable TCN-owned businesses to receive investment through the financial instrument was a significant challenge for MFIs. This challenge is shared with micro and small businesses more broadly and is particularly pertinent to vulnerable entrepreneurs, including migrants and refugees. The adverse impacts of the COVID-19 pandemic further exacerbated the situation, affecting the turnover and liquidity of businesses within this segment. As the payment of the EaSI BDS pilot grant to the financial intermediaries was linked to investments being made to such businesses, this in turn had a knock-on effect on the implementation of the grant programme.

2. The need to navigate various administrative processes and establish mechanisms for distributing funds to third party BDS providers by financial intermediaries increased the complexity of the operation.

The provision of BDS by a financial intermediary entails a multi-party process. Typically, the funds allocated under the pilot were transferred to the intermediary bank account, where they were then distributed to third party BDS providers (such as NGOs). This process involves coordination and establishment of transparent administrative processes between the financial intermediary and the BDS providers.

3. The support provided by the EaSI BDS pilot effectively offset only a portion of the additional costs encountered by the intermediaries.

The pilot's provision of a fixed, uniform lump-sum amount, while expedient, did not always align with the varying actual costs associated with the different types of services. Based on the feedback from MFIs, the actual costs of services per client ranged from EUR 800 to EUR 2 000. These costs not only differ from country to country but also vary depending on their nature and scope, reflecting the diversity and complexity of BDS provided.

4. Serving TCNs typically demands more time and resources, prompting intermediaries to use volunteers to mitigate costs.

The sourcing, appraisal processes, and BDS delivery with respect to TCNs typically demands more time, making it a more costly endeavour. Financial intermediaries usually rely on their own resources to develop BDS offerings in conjunction with microfinance, often necessitating the maintenance of networks of volunteers to keep costs manageable.

5. The pilot had to accommodate the reality that not all recipients of training and advisory support ultimately became microfinance borrowers, complicating resource allocation.

The share of clients who received BDS and later secured a microloan varied from 50% to 80% among different MFIs, emphasising the importance of covering activities also offered to TCNs who may not ultimately obtain a loan.

A recommendation for the future, raised by MFIs, is that the payments should be calculated to take into account all clients served rather than limited to clients with loans contracted at the end of the process. This modification could foster a more inclusive and comprehensive approach to supporting vulnerable groups in their entrepreneurial endeavours.



6.3 Outlook

For the 2021-2027 programming period, the new financial instruments under the multi-thematic InvestEU Umbrella Fund hold promise. These instruments build upon the previous EaSI Guarantee framework, with adjustments made based on market consultations and feedback. The increased maximum loan amounts for microfinance and social entrepreneurship finance offer an opportunity to provide more substantial support to vulnerable groups, including migrants and refugees. The overarching goal of these instruments is to enhance financial and social inclusion, aligning with the ongoing commitment to support these communities.

In the 2021-2027 programming period, according to Article 58(5) of the Common Provisions Regulation (CPR), grants can be combined with financial instruments in a single operation, as long as the grant component is directly linked to the purpose of the financial instrument, the value of the grant does not exceed the value of the investment supported by the financial instrument and separate records are maintained. Such new rules enable the body implementing the financial instrument to deploy the grant alongside the loan, with the rules relating to financial instruments applying to the eligibility and reporting of the grant component.

07

Annex: Selected intermediaries



Founded in 1989, ADIE is a non-profit organisation dedicated to the support of business creation and development. Over its 35-year history, ADIE's network, comprising 180 branches with 800 employees and 1 200 volunteers, has provided financing and support to entrepreneurs across the French territories, including various vulnerable groups, promoting a socially responsible economy. ADIE's funding model includes 43% public funding (national, regional and EU), 28% of loan margins, 8% of private sponsors and 21% volunteering.

Adie has signed several EaSI Guarantee agreements with the EIF, including subsequent increases.



The Cooperative Bank of Karditsa is a cooperative bank situated in Greece. It was established with the goal of supporting local entrepreneurs and fostering economic development in the region. It operates as a cooperative, emphasising community-driven initiatives and financial inclusion. Through its range of financial products and services, it aims to provide accessible funding opportunities to entrepreneurs who may face challenges obtaining financing through traditional banking channels.

Cooperative Bank of Karditsa has signed one EaSI Guarantee agreement with the EIF.



Caja Laboral Popular Coop. de Crédito, known as Laboral Kutxa, emerged in 2012 through the merger of Caja Laboral Popular Coop. de Crédito and Ipar Kutxa Rural, S.Coop. de Crédito, with the former originally founded in 1959. As a qualified cooperative bank, it operates nationwide and focuses on fulfilling the financial needs of members and third parties. The entity encompasses a Group of Investee Entities, managing a network of 280 branches across Spain.

Laboral Kutxa has signed several EaSI Guarantee agreements with the EIF, including subsequent increases.



microlux, established in 2016, is Luxembourg's first microfinance institution and operates as a non-profit social enterprise with a mission focused on social and economic inclusion. Conceived through a collaboration involving ADA, BGL BNP Paribas, ADIE, and EIF, microlux endeavours to address financial exclusion by providing support and microcredits to individuals aspiring to create or expand their businesses, especially those facing barriers to traditional bank loans. The institution is driven by a dual mission: to develop social and economic inclusion by offering microcredits and guidance to individuals seeking to improve their professional development and living conditions.

microlux has signed one EaSI Guarantee agreement with the EIF.



microStart, a microfinance institution based in Belgium, was founded in 2011. As an initiative of Adie, BNP Paribas Fortis and the EIF, microStart has emerged as a dynamic and innovative player in the realm of professional microcredit. microStart focuses on providing microloans and tailored support to individuals, including those with limited financial histories or in vulnerable situations. With a mission to stimulate entrepreneurship and job creation, microStart has developed a comprehensive approach that combines financial products with personalised coaching and training services.

microStart has signed several EaSI Guarantee agreements with the EIF, including subsequent increases.



Oportunitas is a social microfinance institution based in Barcelona, Spain that was founded in 2016. The company has focused on providing microcredits, training, and support to individuals facing barriers to traditional banking access or lacking sufficient guarantees. It has catered to users throughout various stages of their professional entrepreneurship, assisting in the development and realisation of their projects.

Oportunitas has signed one EaSI Guarantee agreements with the EIF.



PerMicro, founded in 2007, is a non-banking microfinance institution based in Italy that plays a crucial role in providing financial services to individuals who are often excluded from traditional banking systems. With a mission centered around social inclusion, the organisation extends small loans to entrepreneurs and households nationwide through its 23 branches.

Permicro has signed several EaSI Guarantee agreements with the EIF.



Ponture, a Swedish microfinance institution, with a team of over 30 years of entrepreneurial experience, specialises in finance, recruiting and business development. Using their market-leading platform, Ponture enables businesses to compare and match various loans from banks and lenders. The institution actively collaborates with a growing network of actors in different industries across Sweden, providing entrepreneurs with extensive support for their financial and business growth needs.

Ponture has signed one EaSI Guarantee agreement with the EIF.



Established on January 1, 2009, as a private foundation, Qredits represents the only country-wide operating MFI in the Netherlands. Founded by a coalition of public and private partners, Qredits is dedicated to fostering a robust and independent entrepreneurial culture in the country. The institution's core vision revolves around providing financing, mentoring, and essential tools to micro-entrepreneurs with viable business plans who encounter challenges securing credit from conventional lending institutions.

Qredits has signed several EaSI Guarantee agreements with the EIF, including subsequent increases.



Notes

Lined area for notes, consisting of multiple horizontal lines.

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