

*Workshop on Access to Financial
Services for asylum-seekers and persons
with International Protection*

*European Investment Fund
Cyprus, 14 October 2022*



Migration and entrepreneurship

The role of microfinance

Inclusive Finance

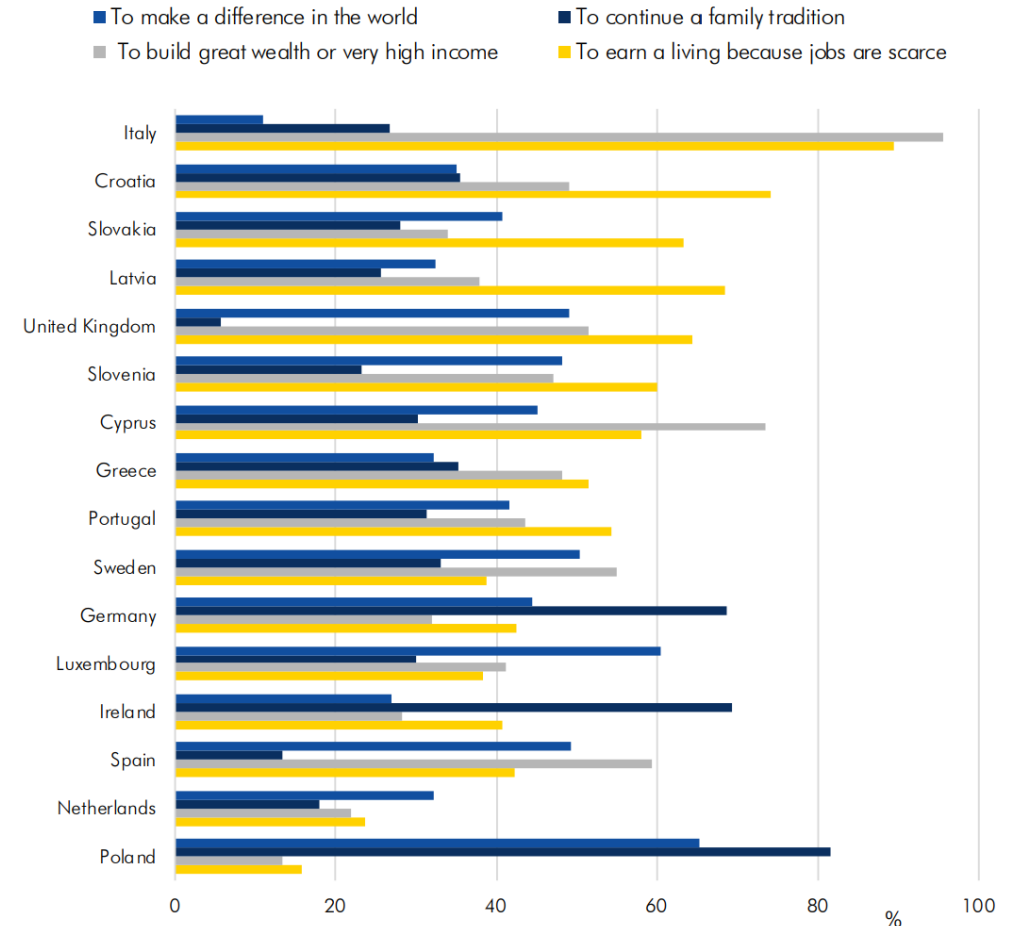
Ensuring **access to finance and financial services and equal opportunity** to start a business regardless of personal characteristics and background, resulting in **economic** (*employment of vulnerable groups, innovation*) and **social** (*increased labor markets, less social exclusion*) **benefits**

Microfinance and entrepreneurship

What is microfinance?

- Provision of **basic financial services to low income** people, who traditionally lack access to banking and other financial services
- An essential tool to facilitate **necessity-driven business creation**: People at risk of poverty and unemployed people are a potentially important group of business creators, since a decision to start a business often arises out of necessity, especially in low-income countries
- Microfinance needs **an integrated approach** - financial and non-financial services together for the benefit of the micro-entrepreneur

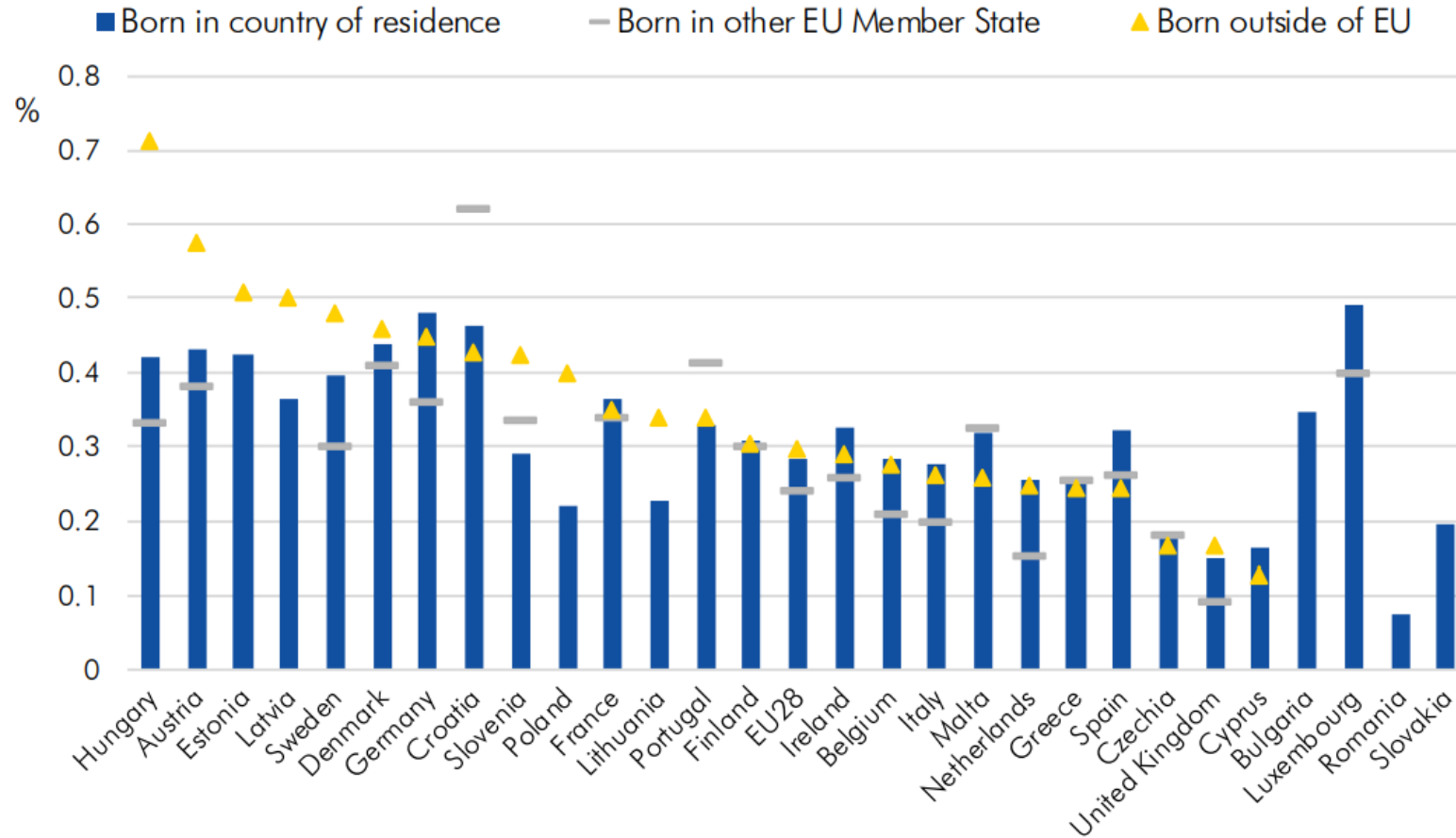
Motivation to start a business



Source: Global Entrepreneurship Monitor (GEM) 2019

Migrants as job creators

Proportion of foreign-born self-employed with employees by country, 2019



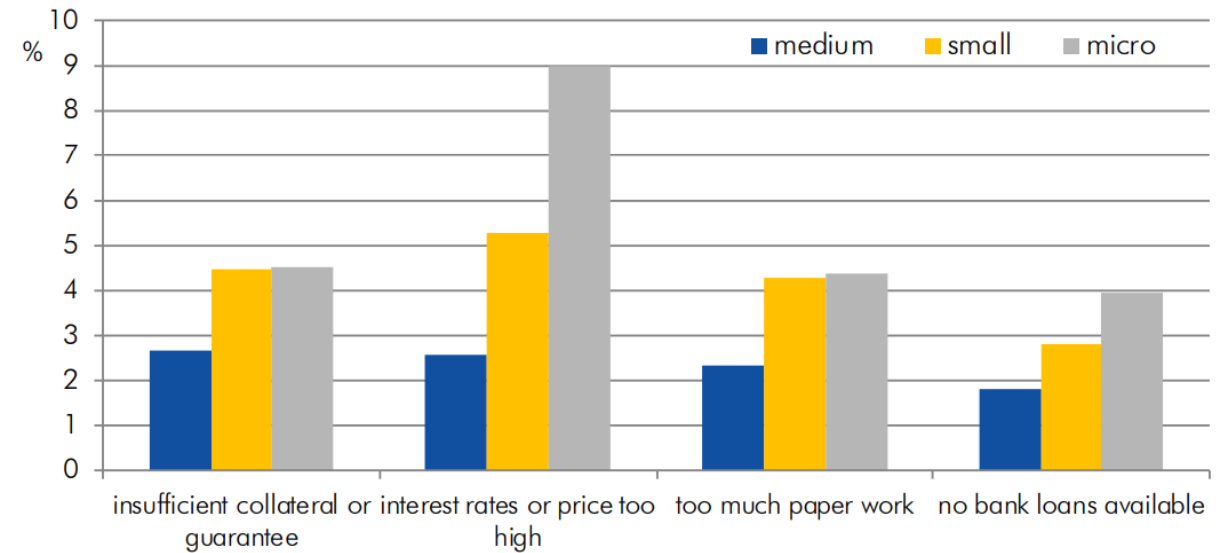
- Migrants not only do not “steal jobs” but they also contribute to entrepreneurial activity and create jobs.
- Foreign-born self-employed were as likely to create jobs as the native-born self-employed in 2019.
- Non-EU self-employed were more likely to create jobs than self-employed EU born migrants (30% vs. 24%).

Financial exclusion hinders entrepreneurship

Why microenterprises do not access bank loans?

- Borrowers with limited track in both business and credit history
- Lack of appropriate collaterals or guarantees
- Inefficiencies of lending small amounts with relatively short maturities
- Relatively high interest rates – reputational risk considerations

Reasons for bank loans being not relevant (by enterprise size class), HY2/2019



Source: EIF Working paper 2020/67 – European Small Business Finance Outlook, June 2020

The needs of migrants and/or refugees

- Emergency assistance: Helping the migrants to integrate as effectively and quickly as possible

How?

Through the help and assistance from **social organizations**, e.g. social housing, language training, etc.

- Long term support: Helping the migrants to integrate economically in the local communities

How?

Fostering the **employability and/or entrepreneurial spirit** of the migrant, e.g. training, access to microfinance associated with non-financial support for business development, etc.

Opportunities

- Huge demand for microfinance in Europe
 - Market gap estimated at *EUR 12.9 billion**
- *New MFIs* are established around Europe
- *High political commitment* for supporting financial and social inclusion through financial services, i.e. microfinance

InvestEU guarantee products overview

*Six guarantee products to
incentivise debt financing and a
capacity building instrument:*

Overview

- *Sustainability*
- *SME Competitiveness*
- *Innovation and Digitalisation*
- *Culture and Creative Sectors*
- *Microfinance and Social
Entrepreneurship*
- *Skills and Education*

Comparison of guarantee key features (1/2)

	SME Competitiveness	Sustainability	Innovation & Digitalisation	Cultural & Creative	Micro & Social Entrepreneurship	Skills & Education
Type of instrument	<p>Capped Portfolio Guarantee</p> <p>All Higher Risk Categories • SMEs & Small Mid-Caps • Natural persons - zero and low emission mobility All eligibility criteria All eligibility criteria</p>				<p>Capped Portfolio Guarantee</p> <p>All eligibility criteria</p>	<p>Capped Portfolio Guarantee</p> <p>All eligibility criteria</p>
	<p>Uncapped Portfolio Guarantee</p> <p>Higher Risk Category 3 only • SMEs & Small Mid-Caps • Natural persons & housing associations – RE & EE All eligibility criteria All eligibility criteria</p>					
Guarantee rate	Up to 50% Higher risk category 1&2	Up to 70% SMEs & Small mid-caps	Up to 70%	Up to 70%	Up to 80%	Up to 70% All categories except for A Up to 80% Category A
	Up to 70% Higher risk category 3	Up to 80% Natural persons and housing associations	Up to 80% Rate applicable to Cohesion and/or Just Transition Regions			
Cap rate	Up to 25%				Up to 30%	Up to 25%
Guarantee fee	<p>0.2% p.a. Capped Portfolio Guarantee</p> <p>0.75% p.a. Uncapped Portfolio Guarantee for any Final Recipient Transaction that is not in the form of Subordinated Debt</p> <p>1.2% p.a. Uncapped Portfolio Guarantee for Subordinated Debt</p>				<p>Free of charge (uncapped inapplicable)</p>	

Comparison of guarantee key features (2/2)

	SME Competitiveness	Sustainability	Innovation & Digitalisation	Cultural & Creative	Micro & Social Entrepreneurship	Skills & Education
Target final recipients	SMEs	SMEs, Small Mid-Caps, Natural Persons, Housing Associations	SMEs, Small mid-caps	SMEs, Small Mid-Caps, Small Public Enterprises	Micro Enterprises, Social Enterprises, Natural Persons	SMEs, Small Mid-Caps, Natural Persons, Small Public Enterprises For Category A
Maximum debt financing principal amount	<p>€7.5m Private Financial Intermediary</p> <p>€2m Where Financial (Sub-) Intermediary is National Promotional Bank or Institution (as a direct lender)</p>				<p>€50k Microfinance</p> <p>€2m Social Entrepreneurship</p>	<p>€30k* Category A</p> <p>€2m All Categories except for A</p>
Debt financing maturity range	<p>12m Higher Risk Category 1&2</p> <p>3yrs Higher Risk Category 3</p>	12 months			3 months	12 months
	<p>No maximum maturity provided that the coverage of the Final Recipient Transactions shall not extend beyond Individual (Counter-) Guarantee Termination Date.</p>					

* In duly justified circumstances, such amount may be increased up to EUR 50 000. Please see Call for Expression of Interest for more information

Microfinance and Social Portfolio Guarantee Product

*The successor of EaSI GFI, aims
at enhancing access to finance for
microfinance and social
enterprises*

Eligibility

Financial Intermediaries

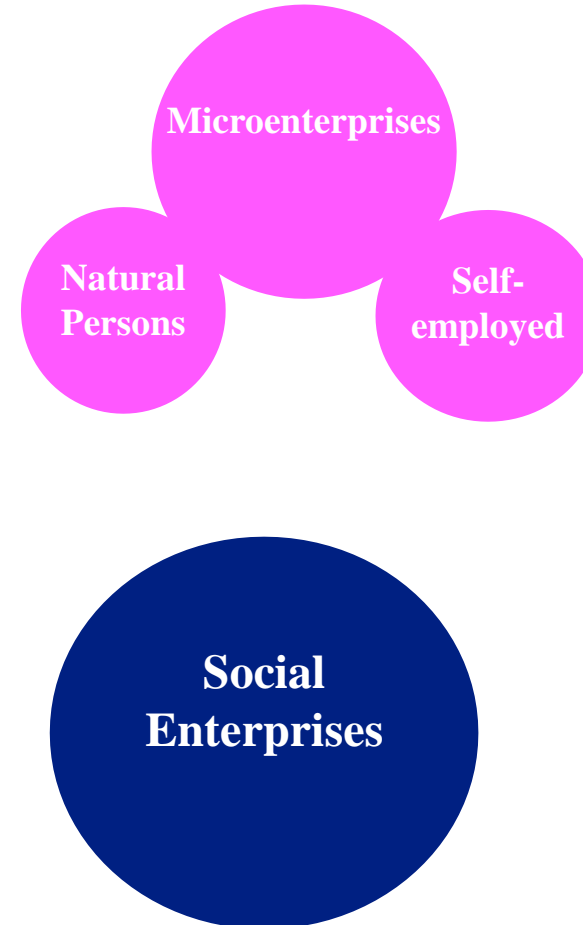
Final Recipients

MICROFINANCE

Max FRT Amount:
EUR 50,000

SOCIAL ENTREPRENEURSHIP

Max FRT Amount:
EUR 2,000,000



that experience difficulties accessing credit for the purpose of professional and revenue-generating activities..

- Achievement of measurable, positive social impacts,
- Provision of services/goods that generate a social return
- Predefined procedures and rules for profit distribution
- Managed in an entrepreneurial, participatory, accountable and transparent manner

Microfinance & Social guarantee key terms

Type of Instrument

Guarantee cap rate

Guarantee fee

Guarantee rate

Capped Portfolio Guarantee



Up to 30%



Free of charge

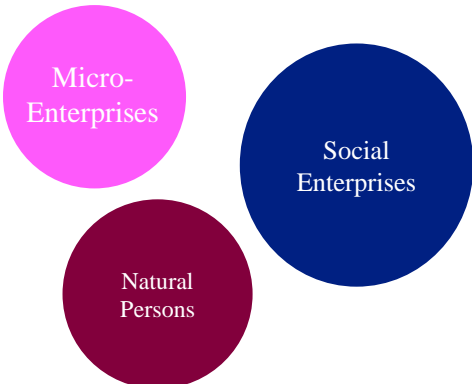


Up to 80%

Target final recipients

Maximum Guarantee transaction amount

Transaction maturity



€50k

Microfinance

Minimum

Maximum

3 months

N/A*

€2m

Social Entrepreneurship

* No maximum maturity - provided that the coverage of the Final Recipient Transactions shall not extend beyond Individual (Counter-) Guarantee Termination Date.

InvestEU Capacity Building Investments Product

Microfinance, social entrepreneurship and skills and education finance are still recent developments in Europe and are part of an emerging market ecosystem that is not yet fully developed.

The CBI Product provides support to intermediaries providing financing in these emerging segments - to help them build up their institutional capacity.

Capacity Building Investment Product



The why

to build up the *institutional capacity* of Financial Intermediaries that have not yet reached sustainability (including Greenfield Financial Intermediaries) or that are *in need of risk capital* to sustain their *growth and development* in the *microfinance, social entrepreneurship* or the *skills and education* space

The what

The CBI product will support dedicated investments in Financial Intermediaries primarily for (inter alia):

1. Investing in organisational development and expansion,
2. Strengthening operational and institutional capabilities aiming at contributing to the sustainability of a Financial Intermediary,
3. Institutional capacity building to increase the indebtedness capacity of Financial Intermediaries while supporting them to retain a balanced socio-commercial orientation.

Thank You!

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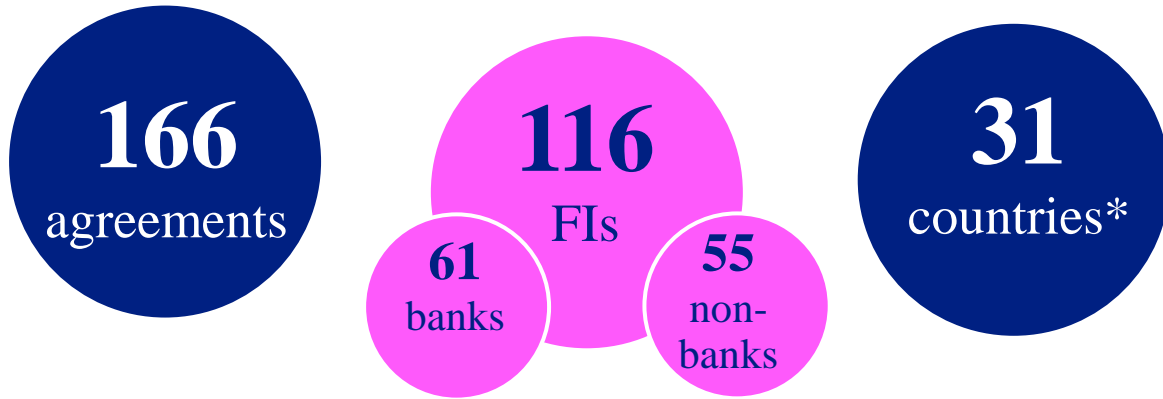
Annex

*Case studies on migrants and
refugees*

EaSI GFI impact

€420mn

signed

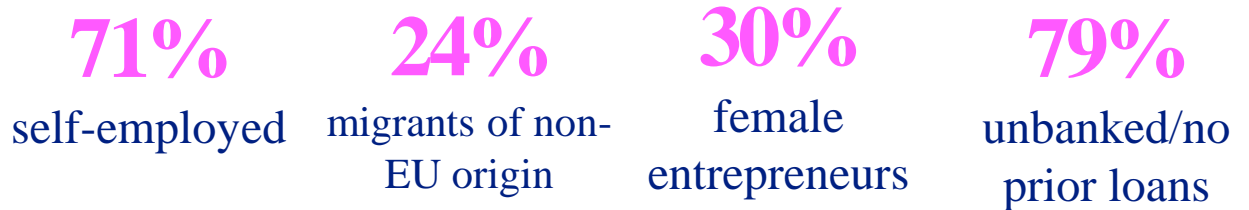
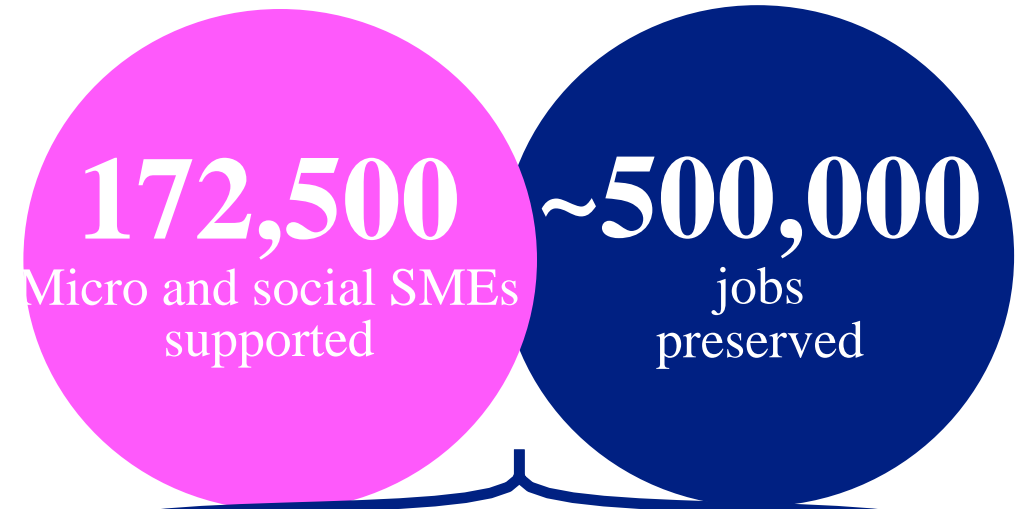


Aiming to mobilize

€4.2bn

€3.0bn

Already deployed to:



*25 EU-member countries & 5 non-EU countries

EaSI Guarantee Microfinance – Case Studies

Starting a new life thanks to EaSI

- Originally from Iraq, Hussein came to Luxembourg as a **refugee** in 2012 with his family, where he initially struggled to find a full-time job. He decided to found Lux Cars, a company that is dedicated to the purchasing, selling and renting of used vehicles.
- In the process of developing his own business, Hussein received support from Microlux, a microfinance institution backed by EIF under EaSI.

- **Company:** Lux Cars
- **Type of business:** Car rental & trade
- **Intermediary :** Microlux (Luxembourg)
- **Instrument :** EaSI, EFSI



EaSI Guarantee Microfinance – Case Studies

Migrants contributing to the development of sustainable economy in the EU

- Ariela, an Argentinian national living in Spain had already worked in dermo-cosmetics in her home country. She immediately saw the opportunity to develop her idea: cosmetics deriving from local products. Reina Margarita offers a full range of cosmetics and beauty products rooted firmly in sustainable development and based on local products.
- In setting up the business, Ariela needed financing to equip her laboratory and meet regulatory requirements. Her business plan eventually appealed to Laboral Kutxa, who offered her a loan guaranteed by EIF through EaSI.

- **Company:** Reina Margarita
- **Type of business:** Cosmetics
- **Intermediary :** Laboral Kuxta (Spain)
- **Instrument :** EaSI



EaSI Guarantee Microfinance – Case Studies

Migrant becomes social entrepreneur

- Dedicated to providing authentic Latin American food products to the European market, Solshine Ecofoods is a socially responsible company founded by Rodrigo Renteria, on a mission to support small farmers in Latin America offering them fair prices for their produce. Since its launch in 2013, Rodrigo has taken various steps in growing the business.
- Initially unable to access the necessary financing through traditional banking, he had to rely on his own resources and family support. As the business developed however, that was not enough. This is when Rodrigo turned to Qredits, who extended a microloan backed by an EU guarantee under EaSI.

- **Company:** Solshine Ecofoods
- **Type of business:** Food & Beverage
- **Intermediary :** Qredits (Netherlands)
- **Instrument :** EaSI



Examples of intermediaries targeting migrants and refugees

- **Banca Popolare Etica (Italy)** is targeting migrants, and has launched a project in co-operation with an Italian Microfinance association called “Re-Lab: start-up your business*” for refugees with international protection/asylum status;
- **Koto Sib (Finland)** is implementing a Payment by Results (PbR) for integration and employment of immigrants in Finland. The social intervention combines training and working with immigrants in a flexible way, as well as increasing the opportunities for learning at work; (EFSI equity)

**EaSI Guarantee –
Social
Entrepreneurship**

EFSI Equity