



Financial instruments under EU shared management funds, fi-compass advisory support and AMIF market study

Anna Zurek, Desmond Gardner and Kim Kreilgaard,
Climate and Social Finance Advisory Division,
European Investment Bank

Union Action 2020

Support to allow an informed decision to use financial instruments in the area of integration of migrants



- **Policy context:** [EC Action plan on Integration and Inclusion 2021-2027](#)



Union Action 2020

Support to allow an informed decision to use financial instruments in the area of integration of migrants



- **Union Action 2020 – 2 components:**

- Awareness raising and capacity building on financial instruments in the area of integration of third-country nationals (TCN) → EIB: www.fi-compass.eu

Provision of advisory and technical support, market study on potential for FIs; meetings and information on FIs.

Budget: EUR 2.5 million for 2 ½ years



- Pilot projects → CEB: [PAFMI Call for Proposals](#)

Council of Europe Development Bank : implementation of a call for proposals with an overall budget of EUR 2.8 million (including support for implementation).

Objective: testing the potential for use of « blending » of grants and loans to support the integration of TCNs.

Scope: increased access to housing, better access to (self-) employment, education and healthcare.

Projects will start in Q1 2023 for a maximum duration of 2 years.

Key considerations

Financial instruments supporting the integration of migrants



- Migrants already benefit from financial instruments co-financed through e.g. ESF+, ERDF or national resources in the 2014-2020 programming period.
- AMIF resources may be deployed for the first time in the 2021-2027 programming period through financial instruments, i.e. loans, guarantees and equity/quasi-equity.
- The Common Provisions Regulation (CPR 2021/1060) governs the implementation of financial instruments.
- Financial instruments do not aim to replace grants. They can be combined with grants and provide market-based support for 'bankable' projects.
- Projects supported by financial instruments should be financially viable, able to generate revenues or cost savings to pay back the support.

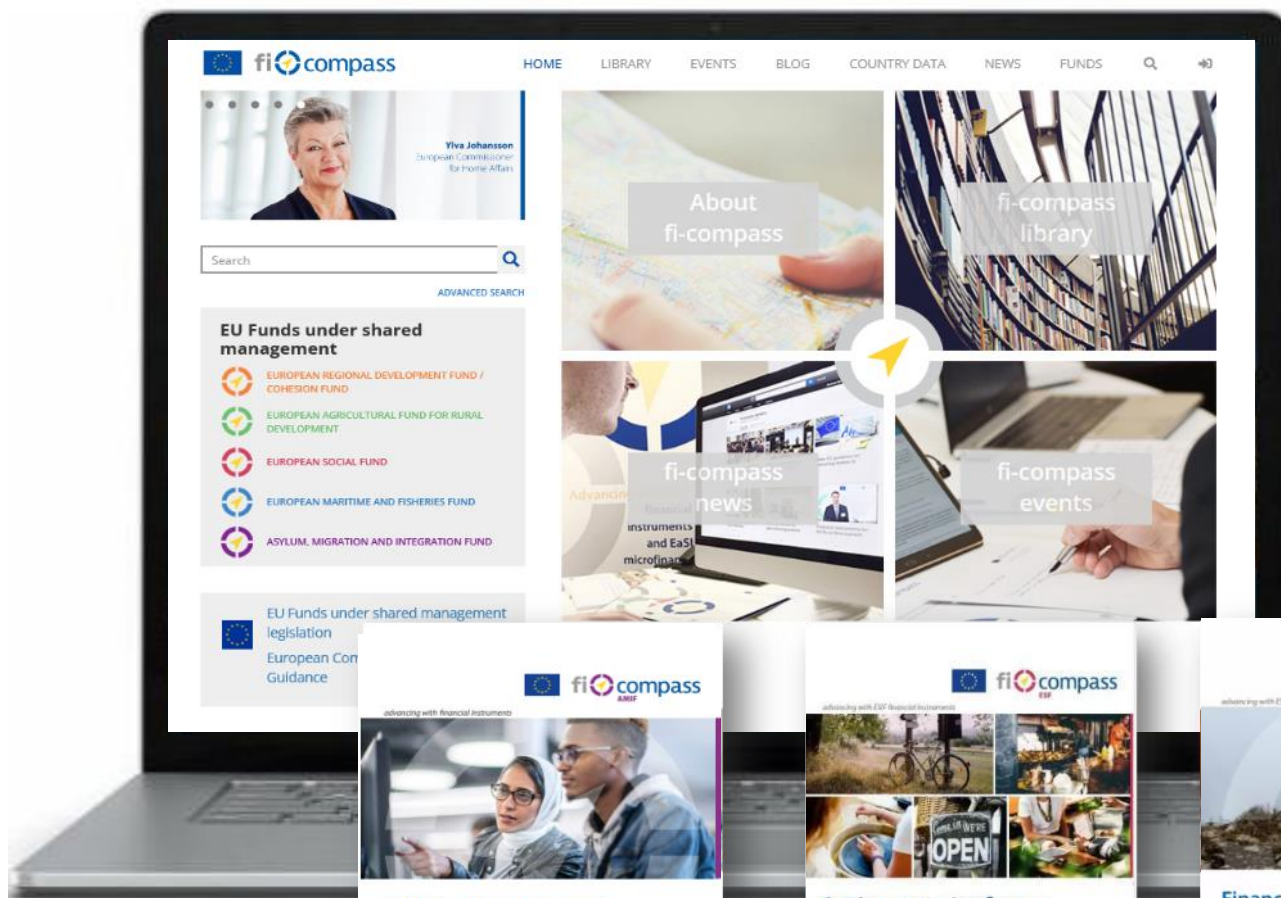
fi-compass advisory support for financial instruments (FIs)

A broad spectrum of tools to support stakeholders wanting to learn more on FIs



www.fi-compass.eu

The one-stop-shop for resources on financial instruments in the 2021-2027 Multiannual Financial Framework (MFF)



SCAN ME



fi-compass supporting FIs in the area of integration of migrants

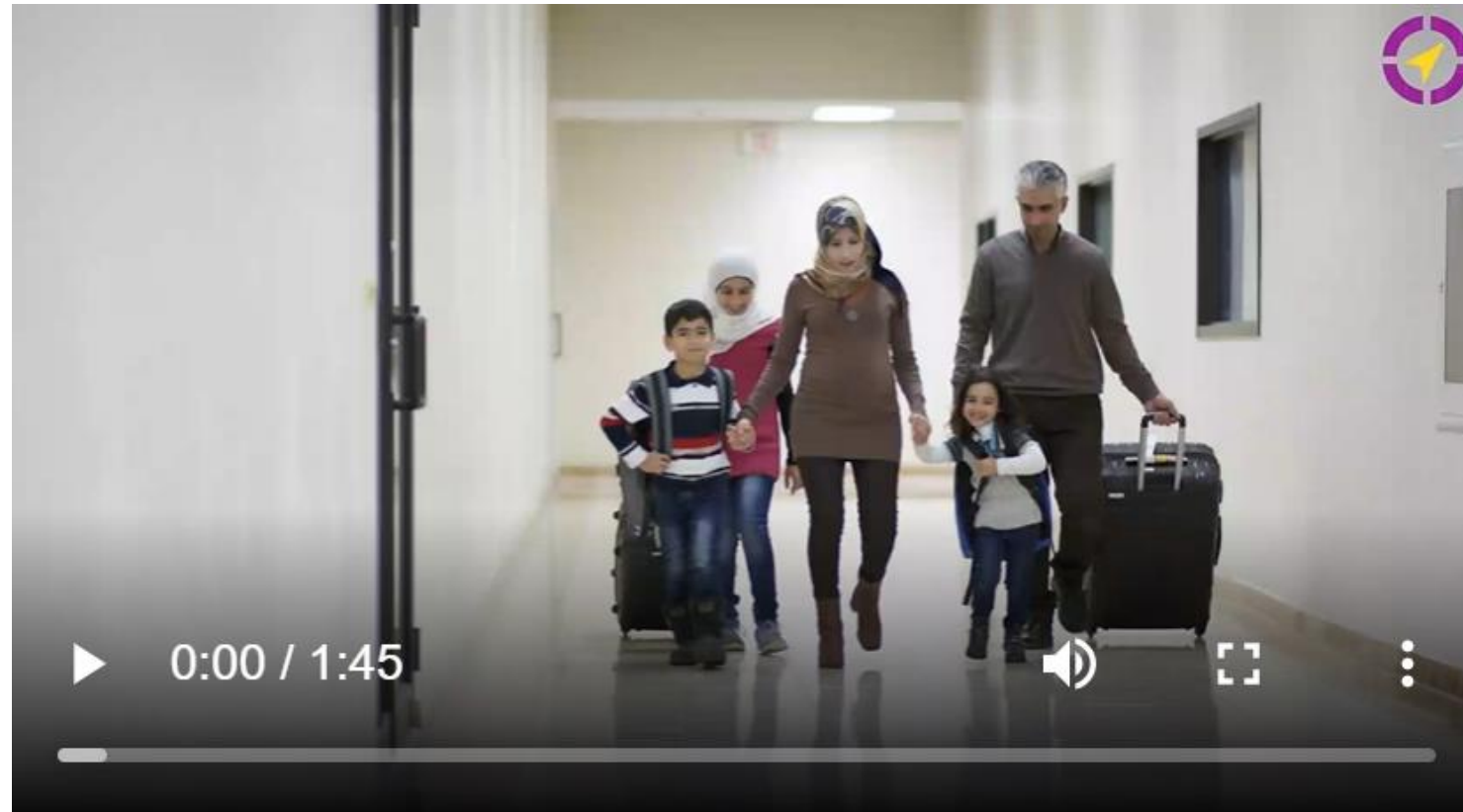
fi-compass AMIF workflow video



In the period 2021-2027,
the EU's **Asylum, Migration and
Integration Fund (AMIF)** as well as
other funds can be used



Video: Migration challenges addressed by financial instruments



<https://www.fi-compass.eu/sites/default/files/videos/2022-03/15.03-AMIF-introduction-compressed.mp4>

Key fi-compass activities



- fi-compass AMIF factsheet
'Asylum, Migration and Integration Fund. Financial instruments'


First publication about FIs in the area of integration of migrants

<https://www.fi-compass.eu/publication/brochures/asylum-migration-and-integration-fund-amif-financial-instruments>

SCAN ME



**MICROFINANCE**
supporting low cost loans to entrepreneurs through specialist institutions that also provide non-financial support to help support the successful launch of the business.

**HOUSING**
financing all or part of the costs of provision of temporary accommodation, for example as part of an urban development financial instrument lending to municipalities and other public authorities.

**IMPACT INVESTING**
equity and quasi-equity investment in small and medium-sized enterprises (SMEs), including social enterprises that provide services or facilities that help achieve AMIF policy objectives, including social outcomes contracting projects.



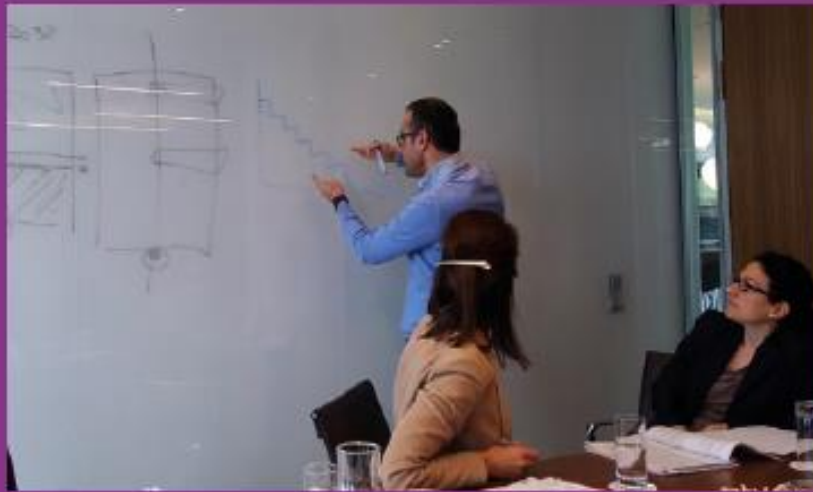
fi-compass AMIF targeted coaching

Direct advisory assistance on financial instruments in the area of integration of migrants



fi-compass offers AMIF managing authorities and other relevant stakeholders planning to become involved in financial instruments in the area of integration of migrants direct advisory support, for instance in form of targeted coaching.

Please consult the [fi-compass AMIF page](#) to find out more about the scope of this advisory service and how to contact fi-compass to become a recipient of the targeted coaching offer.



For more information, visit www.fi-compass.eu/AMIF.

fi-compass AMIF study

Market assessment and options for potential FIs

Objective:

- To explore the potential of using FIs to support the integration of TCN especially in three areas: microfinance, housing and social impact investing
- Task 1: market assessment report
 - analyse the financing needs (demand for support);
 - assess areas of market failure and barriers affecting the demand for support;
 - assess public and private support available (funding gap) and the capacity and readiness of stakeholders;
 - identify sectors where FIs could be justified;
- Task 2: describe the potential design options for FIs

Methodology:

- Desk research
- Engagement with stakeholder groups: interviews, focus groups, workshops

Study results:

- Reports with main findings and lessons learned available second half 2023.



Introduction to financial instruments



**FINANCIAL
INSTRUMENTS**



Financial instruments

- co-funded by EU shared management funds (ERDF, ESF+, EAFRD, EMFAF, AMIF)
- a sustainable and efficient way to invest in growth and development
- can support a broad range of development objectives to the benefit of a wide range of final recipients





The benefits of financial instruments



Revolving effect

Additional flows of money – generated through repayments or cost savings as well as realisation of investments, that can be reused for further investments



Leverage effect

Capacity to attract additional public and private resources. Combination with grant to support project development or meet part of costs can further enhance the potential range of instruments

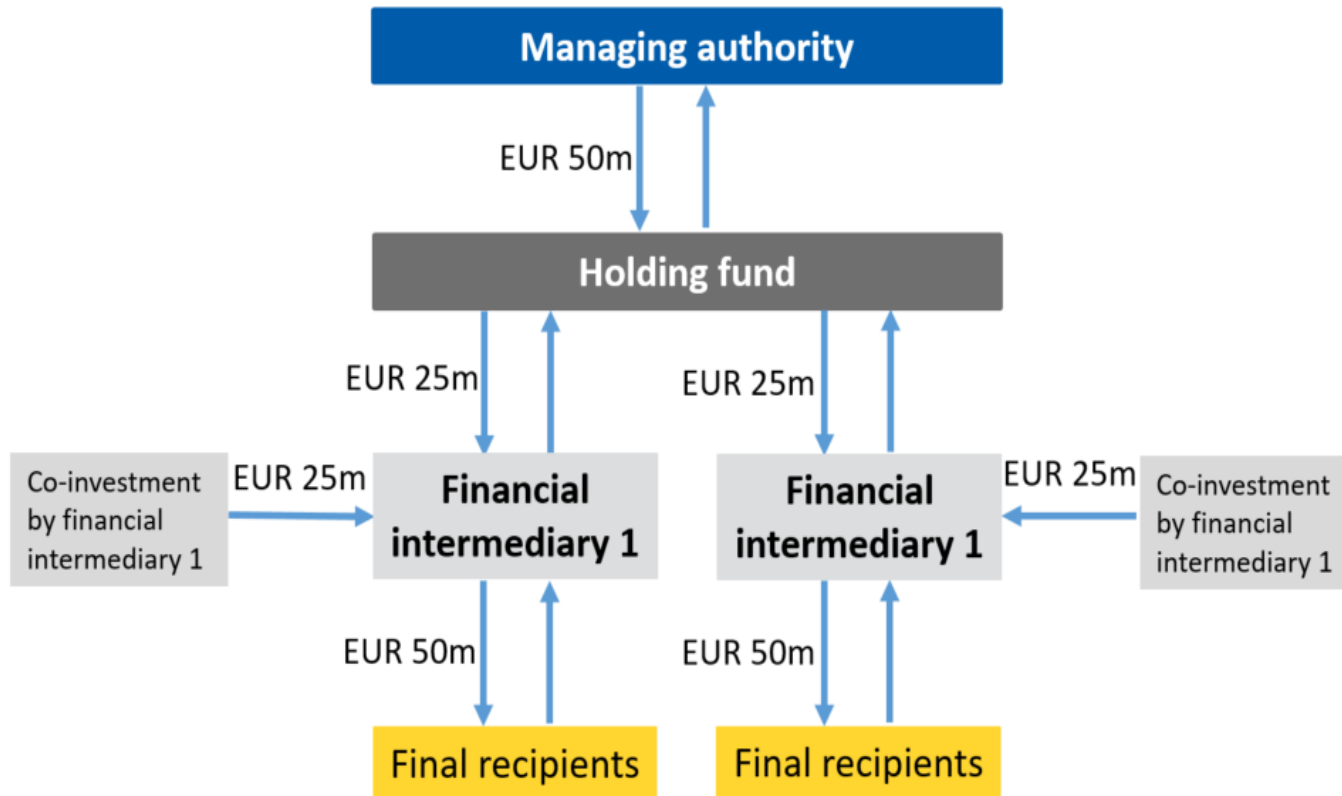


High Impact

Financial instruments are closer to the market and delivered by financial intermediaries with expertise in the sector. Structured investment decisions based on an agreed Investment Strategy can have high impact on the ground

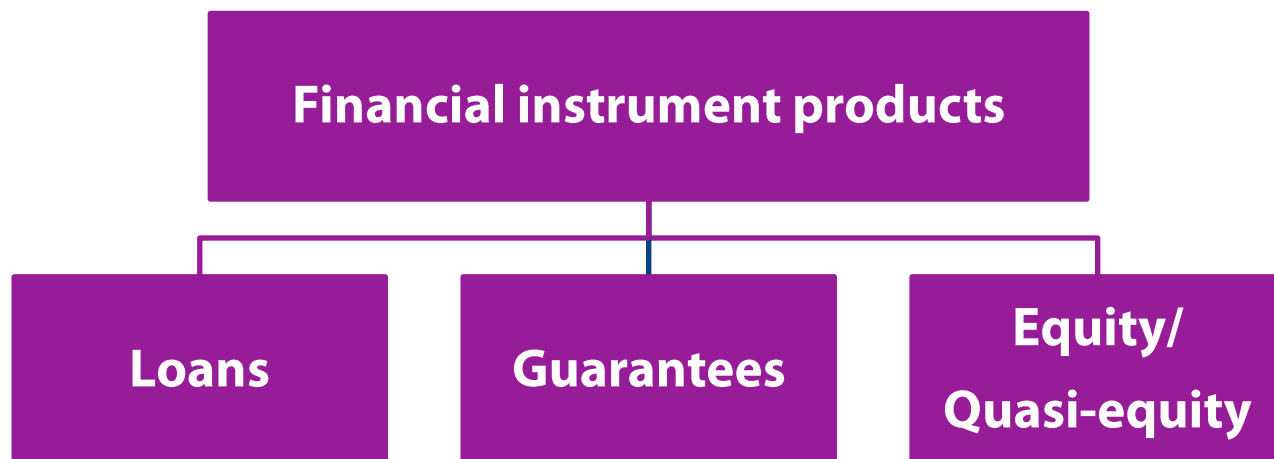


An example financial instrument and key terms



FIs	Financial instruments
SMF	EU shared management funds 2021-2027: ERDF & CF, ESF+, EAFRD, EMFAF, AMIF, BMVI and ISF
MA	Managing authority
Beneficiary	Body that implements the financial instrument or the holding fund
Final recipient (FR)	A legal or natural person receiving financial support from a financial instrument
Financial intermediary (F.Int)	A specialised financial organisation able to deploy financial resources to target groups of final recipients
Holding fund	A body entrusted to implement one or more financial instruments (in 2014-20: fund of funds)

Financial instrument products



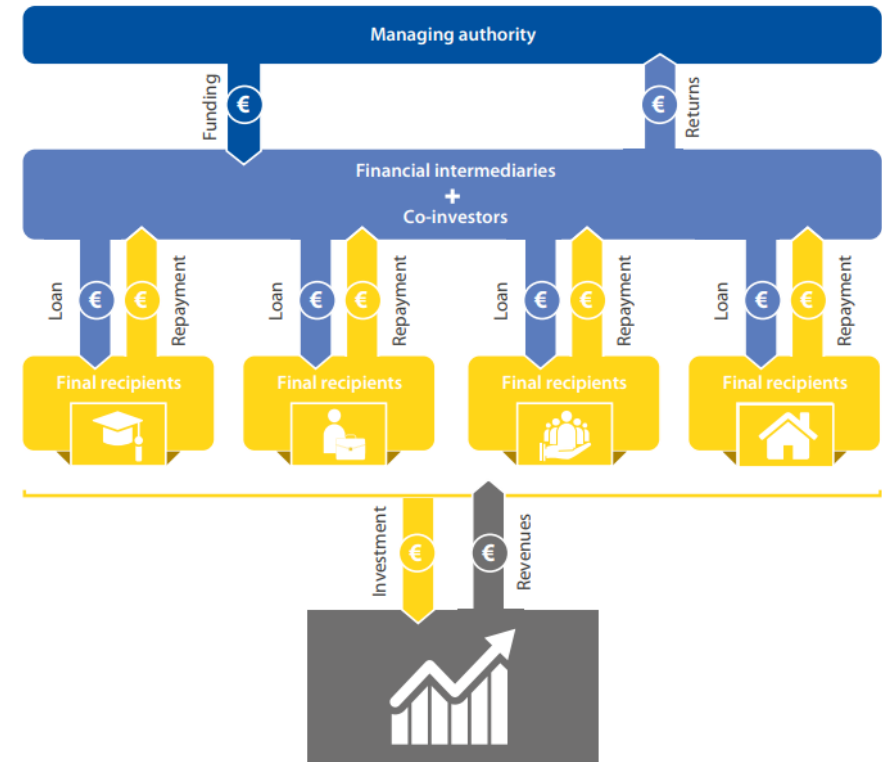
SCAN ME



Loans



- Loans are funded instruments and are suitable when sufficient or affordable financing is not available via commercial loans.
- Loans co-financed with EU shared management funds can have better terms and conditions than standard lending, including lower interest rates, longer maturities, more lenient credit history or collateral requirements.
- A popular way of financing, easy to manage, with relatively low risk.
- Because of the predefined repayment schedule, the money can be reinvested quickly.

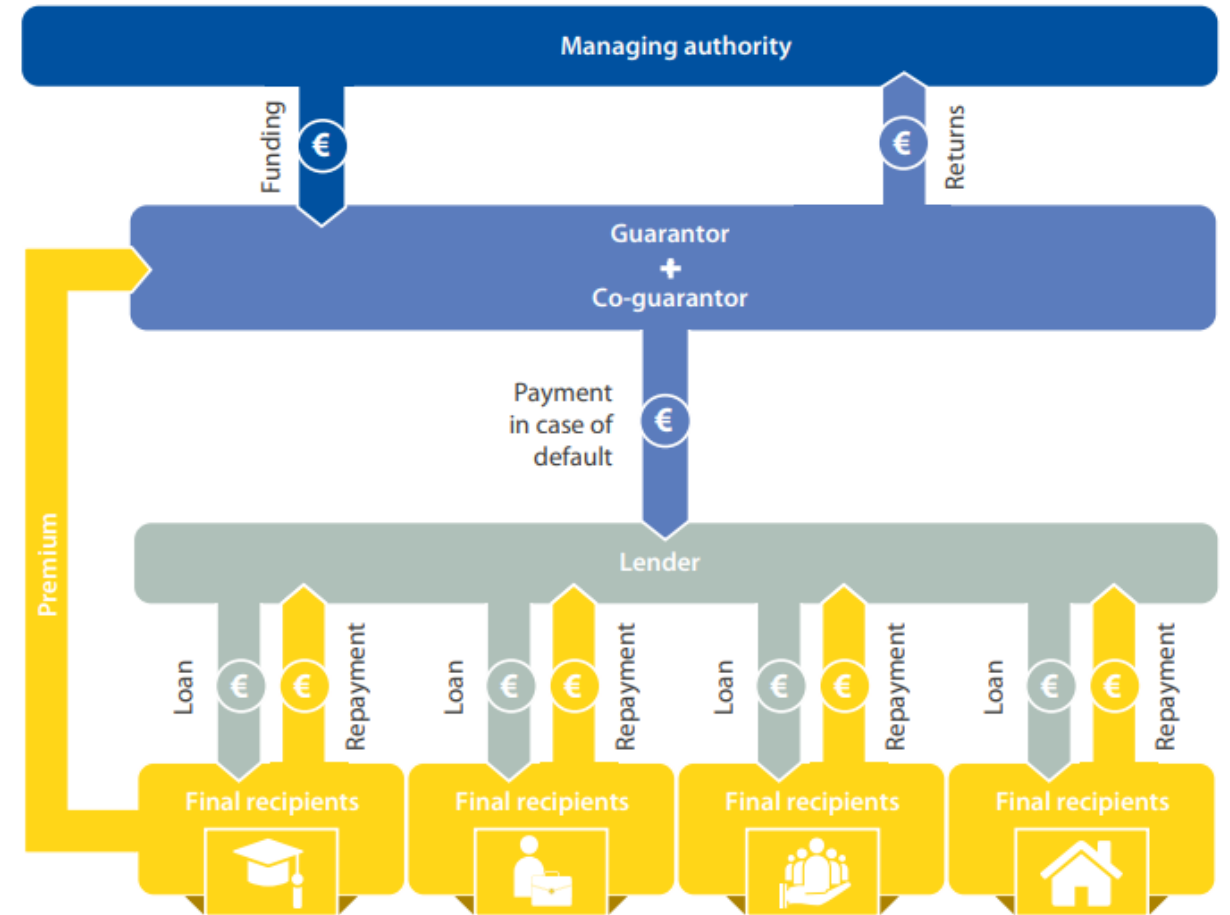


Potential financial instruments supporting self-employment and the creation of small businesses by third-country nationals could include **microloans** with attractive repayment conditions, potentially combined with an AMIF grant for business development services (BDS).

Guarantees



- Guarantees co-financed with shared management funds provided to financial intermediaries can help lending take place, when otherwise the banking sector would be reluctant to provide financing.
- It can also help decrease the costs of lending for final recipients, to make the lending conditions more affordable.
- Unfunded instruments – EU resources can reach more final recipients.
- Guarantee instruments require less funding from the managing authorities due to the multiplier effect of the financial product.



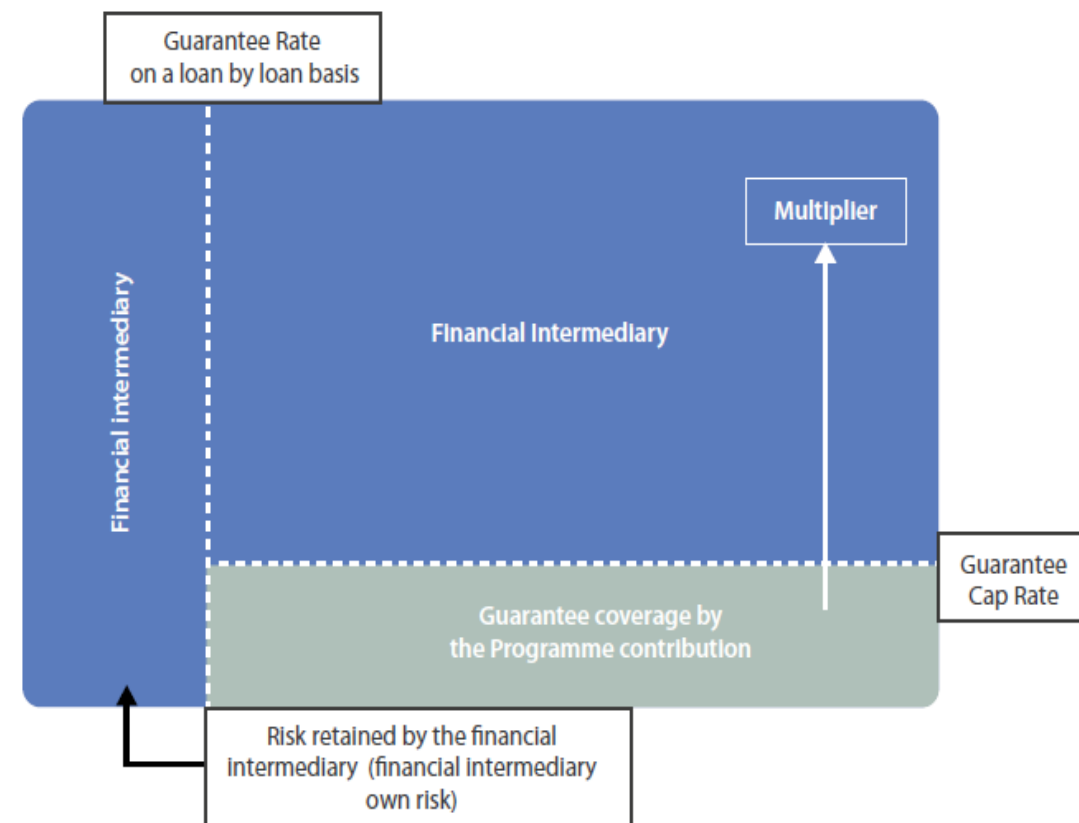
Guarantees



Potential guarantee instruments supporting the integration of migrants:

- **Microfinance guarantees:** providing guarantees to financial intermediaries in order to facilitate access to finance for micro-borrowers that otherwise would not have been able to receive financing due to risk considerations. Such guarantees could be potentially combined with an AMIF grant for business development services (BDS).
- **Social entrepreneurship guarantees:** providing guarantees to financial intermediaries in order to facilitate access to finance for social enterprises with a view towards generating positive social impact.

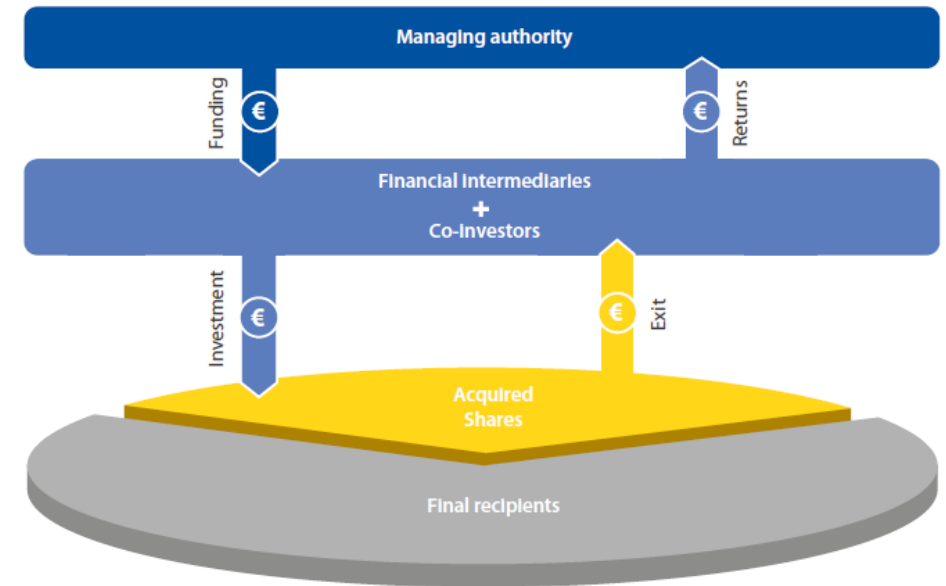
Scheme of a portfolio guarantee



Equity / quasi-equity



- Supporting companies with equity co-financed with EU shared management funds contributes to the growth of the Venture Capital (VC) ecosystem in Europe.
- Equity investors assume part ownership of the company and in return share its profits and losses.
- The equity investors may provide expertise, sharing their network to accelerate the company's growth.
- Equity instruments stimulate riskier business projects and companies in the early stages of development with the prospect of achieving high growth in the future.
- Quasi-equity can be structured in different ways, varying between being closer to equity or debt finance.



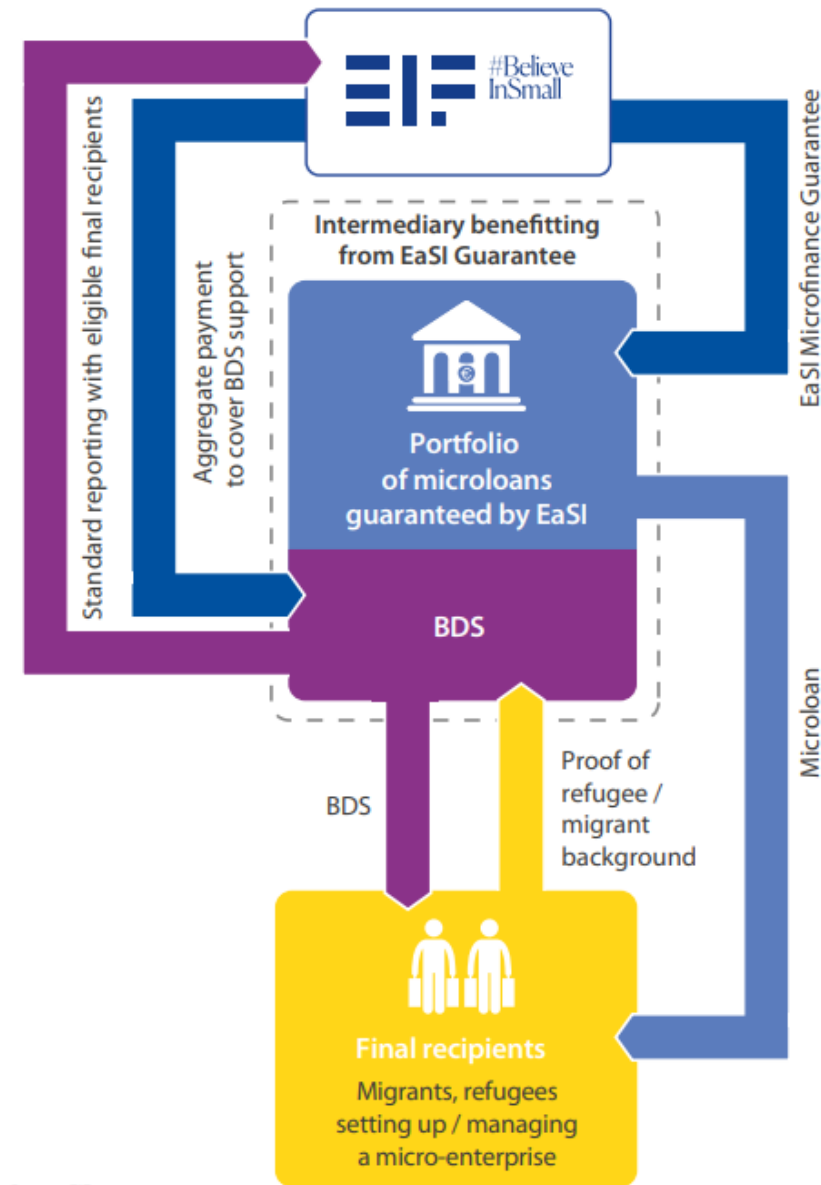
Under AMIF, potential types of financing could include:

- **Social outcomes contracting**
- **Social enterprises**

Microfinance instruments – Example

EaSI Business Development Services (BDS) Pilot

- A pilot initiative launched in 2015 with EUR 1 million contribution to stimulate the financial and social inclusion of migrants and refugees.
- Through EaSI, financial intermediaries received EUR 400 per final recipient with a migrant background, if they provided (directly or indirectly) business development support services to the final recipient.
- By the end of 2021, nine financial intermediaries were included in the programme and some 1 750 migrants and refugees have benefited from it.





Business Development Services (BDS) – non-financial services provided, directly or indirectly, by financial intermediaries to micro-entrepreneurs, typically including mentoring, coaching and training services:

- **Coaching:** a coach supports a (potential) micro-entrepreneur to attain a specific goal: e.g. support on the development of the business plan, and support on accessing funds.
- **Mentoring:** an experienced individual 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 form to improve the skills of micro-entrepreneurs, can be individual or group-based and can take place before and/or after the creation of the micro-enterprise, e.g. financial education, how to set up a business, day-to-day business administration.

Combination of support with grant and other EU Funds



- Broad opportunities of the CPR 2021/1060 to combine financial instruments and grants are available to managing authorities of AMIF and other shared management funds, aiming to support migrants in the 2021-2027 period.
- For complex measures targeting third-country nationals, financial instruments can also be created using AMIF in combination with resources from other EU shared management funds, as well as InvestEU.
- The delineation between AMIF and other shared management funds is that AMIF focuses on early integration measures, whereas the other Funds support medium and long-term integration.



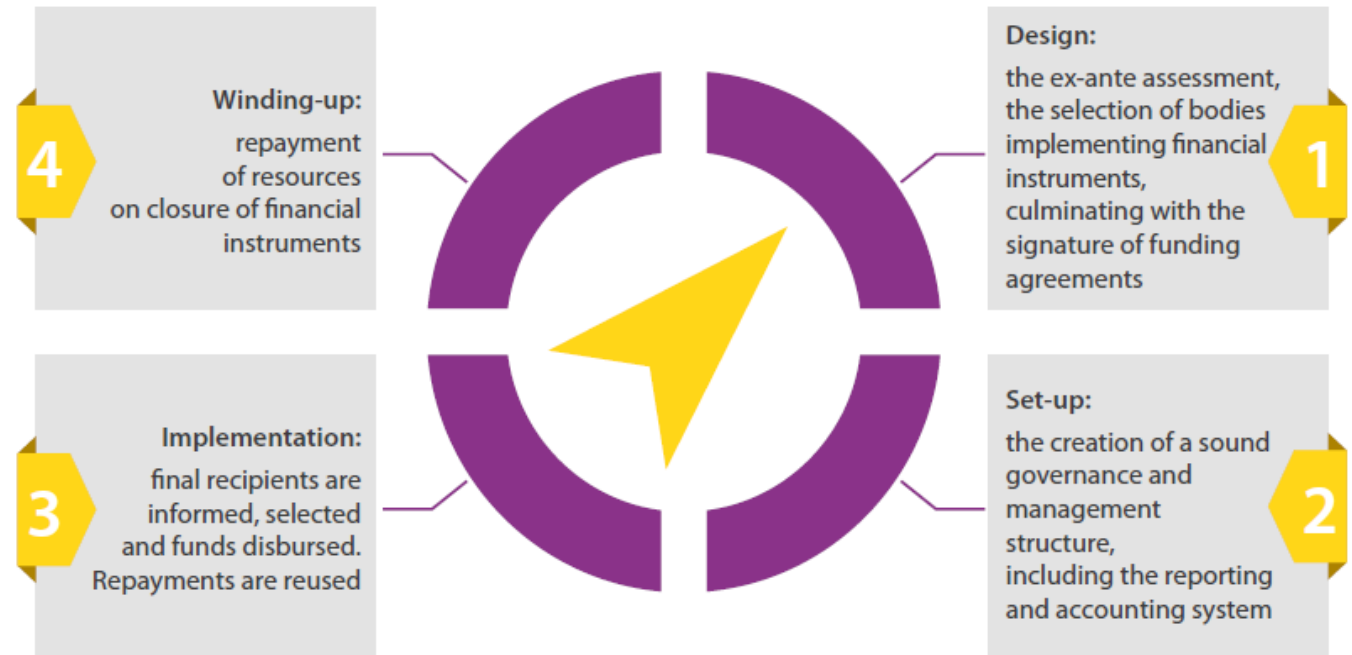
SCAN ME



Implementation of financial instruments under shared management funds



- Financial instruments can be introduced any time during the implementation of the national programmes.
- Prior to launching any financial instrument, an ex-ante assessment needs be carried out.
- Financial instruments can be implemented either directly by the managing authority or indirectly through a body selected by the managing authority to implement the financial instrument.



Key areas of support

Financial instruments in the area of integration of migrants



MICROFINANCE

supporting low cost loans to entrepreneurs through specialist institutions that also provide non-financial support to help support the successful launch of the business.



HOUSING

financing all or part of the costs of provision of temporary accommodation, for example as part of an urban development financial instrument lending to municipalities and other public authorities.



IMPACT INVESTING

equity and quasi-equity investment in small and medium-sized enterprises (SMEs), including social enterprises that provide services or facilities that help achieve AMIF policy objectives, including social outcomes contracting projects.



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.”



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



Social impact investing

Key area of support for migrants



- Social impact investing – the provision of equity/quasi-equity to enterprises seeking to achieve a social return alongside a financial return.
- An equity financial instrument co-financed with shared management funds could potentially invest in social enterprises and other types of companies providing services to migrants.
- A broad range of potential providers can be financed: social, 'not-for-profit' education and training providers, innovative start-ups developing a new product in the migrant support sector.
- Using EU shared management funds can in this way stimulate the social impact investment ecosystem.



Contact persons for the AMIF study at fi-compass



Anna Zurek

Financial Instruments Advisor

a.zurek@eib.org



Kim Kreilgaard

Micro & Social Finance Advisor

k.kreilgaard@eib.org



Desmond Gardner

Financial Instruments Advisor

d.gardner@eib.org





Delivery of the AMIF market study

Zuzana Nehajova

Senior Advisor, EY

Objectives of the study



The objective of the assignment is to provide a solid and evidence-based foundation for the future activities of both the EC and individual EU Member States in developing FIs to support migration and engage the relevant stakeholders in the discussion.

1

Market assessment of three sectors

(Microfinance, Housing, Social impact investments)

Objectives:

To understand the practical needs of the whole ecosystem, including the capacity building activities.

Expected results – Assessing:

- **Financing needs** of the potential final recipients.
- **Market failure and barriers** affecting the potential demand for future support.
- **Public and private support** available to meet the funding requirements of the prioritised sectors.
- **Capacity and readiness** of public bodies / private stakeholders for social investments and implementation of the FIs.
- **Sectors where FIs are justified.**

2

Implementation option design in three sectors

(Microfinance, Housing, Social impact investments)

Objectives:

Recommendations on potential implementation strategy for the proposed financial instruments.

Expected results:

- Analyse the **eligibility criteria** for the areas in which FIs can potentially be implemented.
- Outline the **types of FIs** with the potential to support the integration of migrants.
- Identify the **regions** that are highly suitable for the implementation of FIs.
- Outline the **implementation options** for each type of FI.
- Develop **case studies and lessons learnt** for each type of FI.

Activities of the study



fi-compass AMIF thematic workshop

Brussels, 19 January 2023



Session 1
Supporting migrants through
microfinance



Session 2
Supporting access to **housing** for
migrants



Session 3
Social Impact Investing
supporting migrants

Participatory approach

- Short introduction to the topic
- Presentation of initial findings
- Good practice examples
- Interactive discussion
- Conclusion



Thank you!

www.fi-compass.eu

Follow us:    



fi-compass is provided by the European Commission in partnership with the European Investment Bank
Copyright © European Investment Bank 2023
events@fi-compass.eu | www.fi-compass.eu

