



## Introduction to the area of supporting migrants through microfinance and initial findings

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 #ficompass



# Agenda



- Introduction to the area of supporting migrants through microfinance & Initial findings (10 minutes)

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- Good practice examples: (40 minutes)  
Case #1: ADIE, France  
Case #2: ERSTE Bank, Austria  
Case #3: Managing Authority, Sardinia

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- Interactive discussion (60 minutes)

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- Conclusion (5 minutes)

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# EU microfinance: 220 institutions, almost 800,000 microenterprises



Source: EMN-MFC Microfinance Survey Report. 2022 Edition (upcoming)

Copyright: 3Banka



Preliminary study results

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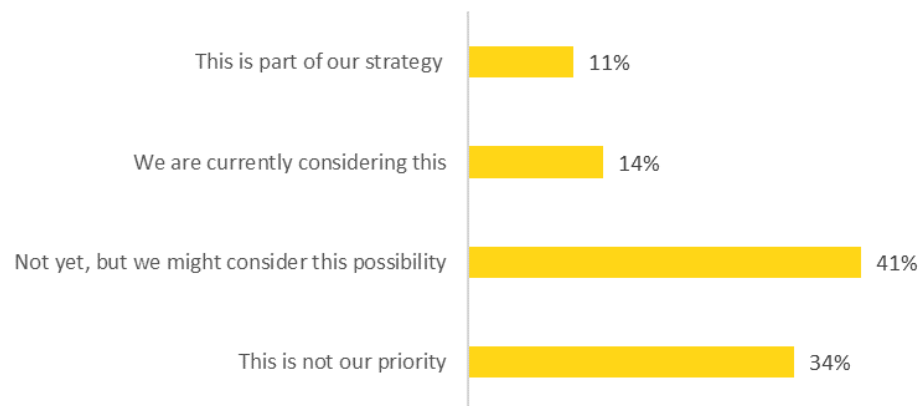


# Microfinance institutions working with TCNs

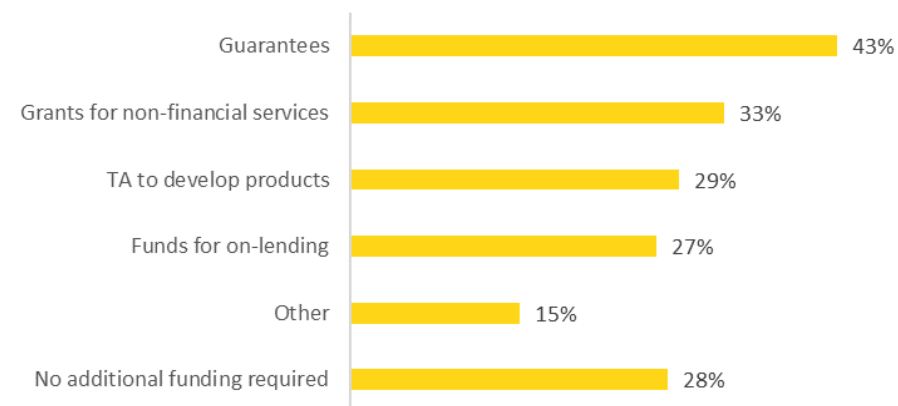


- 20 MFIs serve migrants in the EU
- Migrants are 9% of the active borrowers
- Most MFIs serving migrants provide BDS
- 25 MFIs plan to extend their services to migrants
- Loan guarantees and grants for non-financial services are the most needed types of support to serve migrants

Distribution of MFIs by plans to support migrants/refugees (N=83)



Distribution of MFIs by plans to support migrants/refugees (N=83)



Source: EMN-MFC Microfinance Survey Report. 2022 Edition (upcoming)



# Migrant entrepreneurship in the EU



## Challenges in accessing finance

- Low eligibility (no credit history, no collateral)
- Gaps in familiarity with local requirements (tax, business admin etc.)
- Language barrier

## Supply barriers

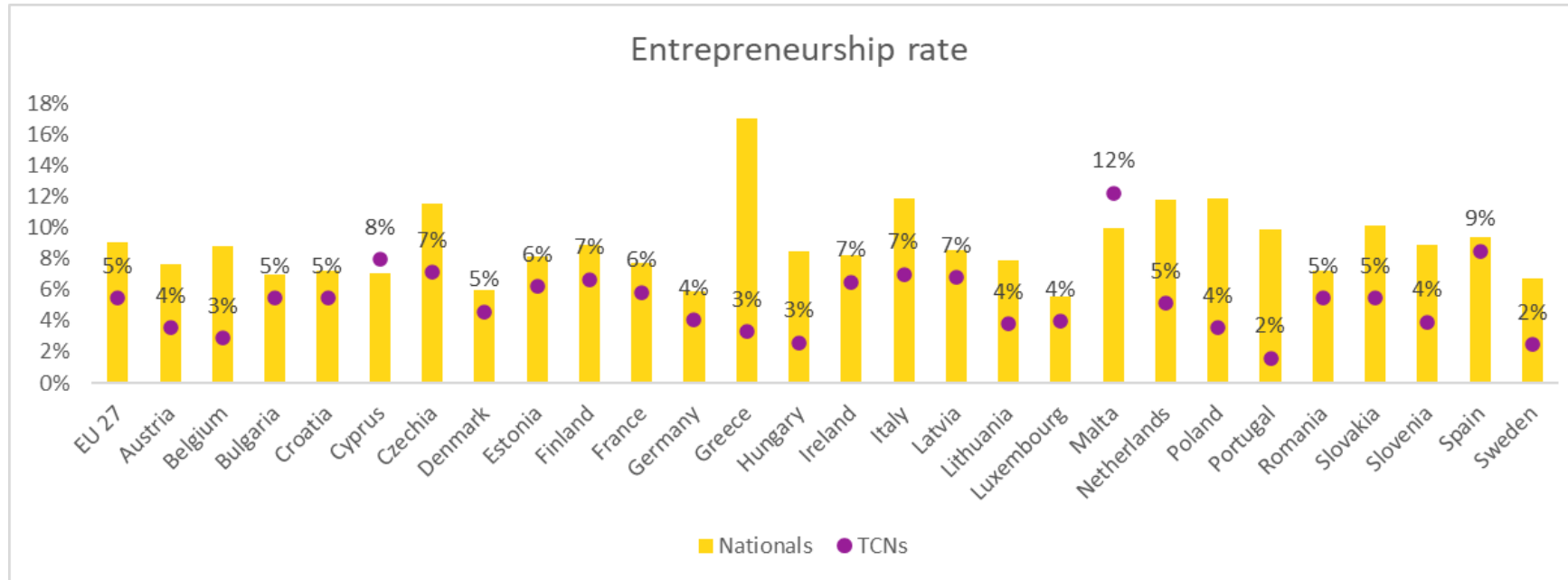
- High perceived risks and limited product offer for the most vulnerable groups
- Standardised approach to service delivery
- Limited or no BDS owing to funding constraints

Source: Measures to support early-stage migrant entrepreneurs | (MEGA Handbook)

# Entrepreneurship by TCNs



- 976 000 enterprises owned in the EU
- 70% of TCNs in business are solo entrepreneurs without any employees
- Entrepreneurship rate among TCNs is 5% vs 9% among the nationals



Source: Eurostat

# TCNs financing needs depend on the stage of the integration and the business stage



Stage of migration	Arrival	Setting up	Established
Stages of enterprise			
Start-up	Basic account / debit card / mobile account <b>Saving groups</b>	Bank account / mobile payment for business transactions <b>Subsidies / government loans</b> <b>MFI loans / Saving groups</b>	Bank business account / mobile payments <b>Subsidies / government loans</b> <b>MFI loans / Personal loans</b>
Early stage	Bank account / debit card / mobile account Saving groups <b>Subsidies</b> <b>crowdfunding</b>	Bank business account / mobile payments <b>Subsidies / government loans /</b> <b>MFI loans / crowdfunding</b>	Bank business account / mobile payments <b>Government loans / Bank / MFI loans</b> <b>Micro-investments</b>
Development	Bank account / debit card / mobile account <b>Government loan</b> <b>Crowdfunding</b>	Bank business account / mobile payments <b>Government loans / Bank / MFI loans</b> <b>Micro-investments</b> <b>Factoring</b>	Bank business account / mobile payments <b>Government loans / Bank / MFI loans</b> <b>Micro-investments</b> <b>Factoring</b>



## Good practise examples





## Adie in a nutshell

Created in 1989, Adie is a regulated non-profit microfinance institution that firmly believes in a person's right to initiate an economic activity. For this reason, Adie finances, supports, and also offers its clients the possibility of obtaining micro-insurance as well as personal loans to access employment.

- +170 branches all over France
- 180,000 people financed since its creation
- +750 employees and +1100 volunteers

Due to its mission and its strong anchorage in less-favoured areas of France, Adie has always financed and provided support to migrants entrepreneurs\*.

\* born outside EU.

\*\* Statutory refugees, stateless people, persons under protection

adie



**TCN represent about 20%**  
of the customers that Adie finances  
each year – around 6 000  
individuals.

In 2017, Adie launched a specific  
program called **AGIR** to address  
the needs of refugees.\*\*

2022 key figures

247 refugees financed by Adie:

- 192 business loans
- 55 personal loans



# How does Adie supports refugees



## OBJECTIVES

1. To foster refugees' social & economic integration.
2. To promote the positive impact of refugees on the French Society
3. To collaborate with grassroots organisations to capitalise & pool resources & know-how

## ACTIONS

- Business & personal loans up to 12,000 EUR
- Non-financial services
- A pool of 40 "focal points" loan officers & managers who interact & get trained
- Creation of tools
- Portraits of refugees' customers used in our communication campaigns, role model...
- Partnerships with refugees' support local organisations: mutual referrals, in order to provide a 360° support (health, housing, education, admin, finance, entrepreneurship...)

# Practical actions set up by Adie



## 1. Sourcing

- Monthly group training session within the mandatory civic training by OFII
- Working hand in hand with local NGOs and advocating that entrepreneurship can be a solution with low risk, provided that the migrant entrepreneur get proper support
- Involving our clients to promote entrepreneurship and microfinance within their communities

## 2. How do we deal with cultural and administrative challenges

- One on one session by a volunteer to provide administrative support and advice on business development (before and after creation). Practical and soft approach

## 3. How do we give access to finance

- Stepped approach
- Being flexible on guarantees
- Taking into account undeclared revenues and activities
- Interest-free loans as a complement to microcredit



## Meet Maria

### **Event catering, dressmaker and hairdresser**

Armenian 44 years old woman, since 2010 in France

At first small jobs and since 2019 an undeclared activity

- **2020:** Adie helps her to formalize part of her activity (lack of diplomas) and to finance professional tools
- **2021:** Adie financial support to face COVID crisis
- **2022:** Obtained hairdressing diploma, now fully declared and sustainable activity



# Challenges faced by migrant and Adie



## CHALLENGES for migrants

- Lack of employment support organisations
- Language and cultural challenge
- Lack of digital knowledge
- Complicated administrative system
- Foreign driving license not recognised
- Lack of equity/savings
- Diplomas & work experience not recognised

Becoming an entrepreneur can be difficult. Access to bank loans often impossible. Especially when only 1 year visa

## CHALLENGES for Adie

- To partner with migrants support organisations
- To train our staff on posture and communication
- Support to migrants is time consuming and requires committed staff & volunteers
- To finance migrants may imply a flexible application of our credit policy (ex. on guarantee)

Supporting vulnerable population is Adie's main mission that's why our staff and volunteers are willing to increase our outreach towards TCNs.





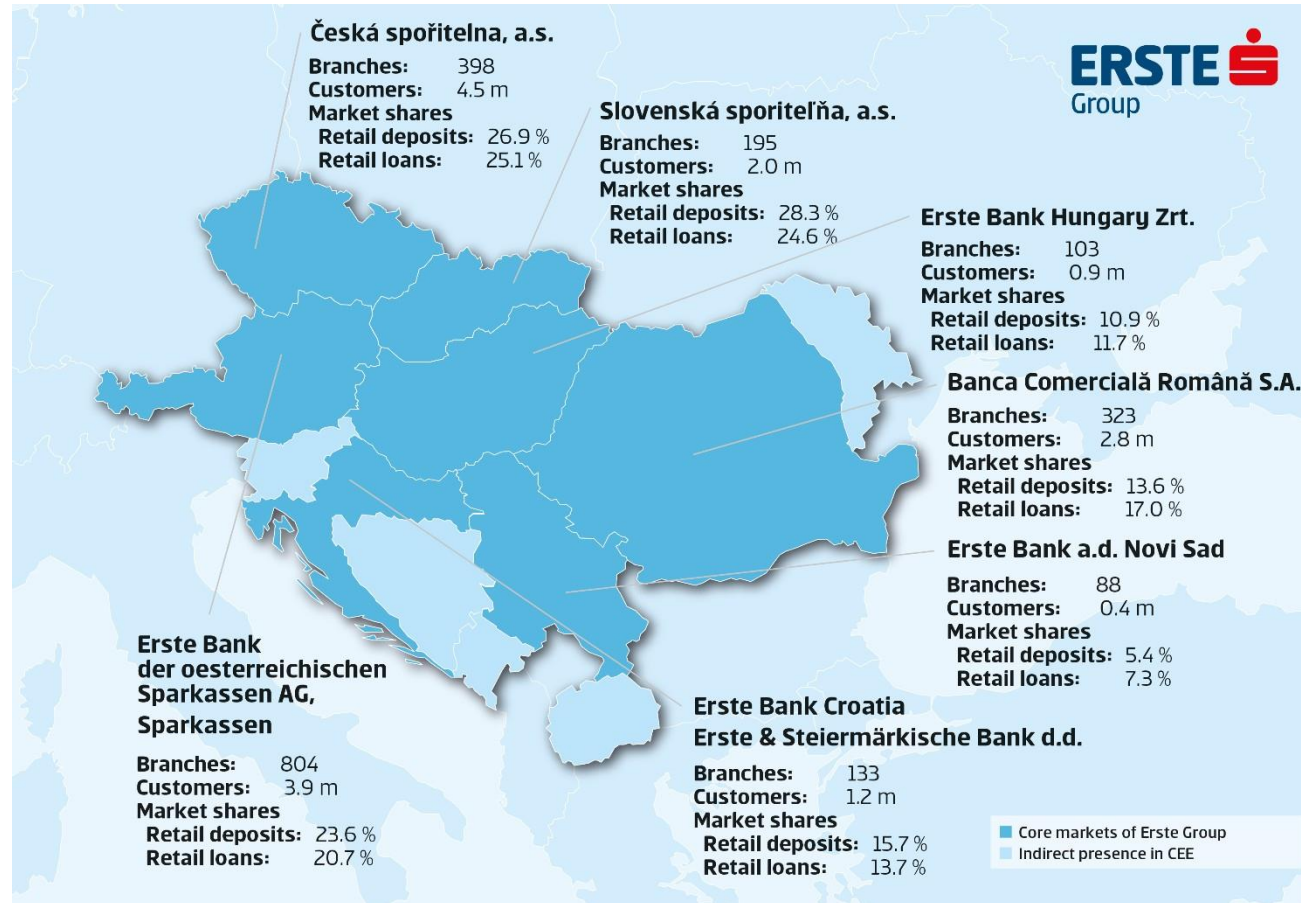
## Financial support to Financial Service providers (microfinance institutions)

- To renew the Migrants BDS Pilot launched by EIF => Allows MFIs to cover opex.
- To provide interest free credit lines => Allows MFIs to offer quasi equity (0% loans with long grace period) as a complement to classical microcredits.
- To provide subsidies to MFIs => Allows MFIs to provide small grants as a complement to classical microcredit.
- To create a guarantee mechanism (e.g EaSI / SIFTA) dedicated to migrants with enhanced guarantee conditions so has to increase MFIs outreach & risk appetite.

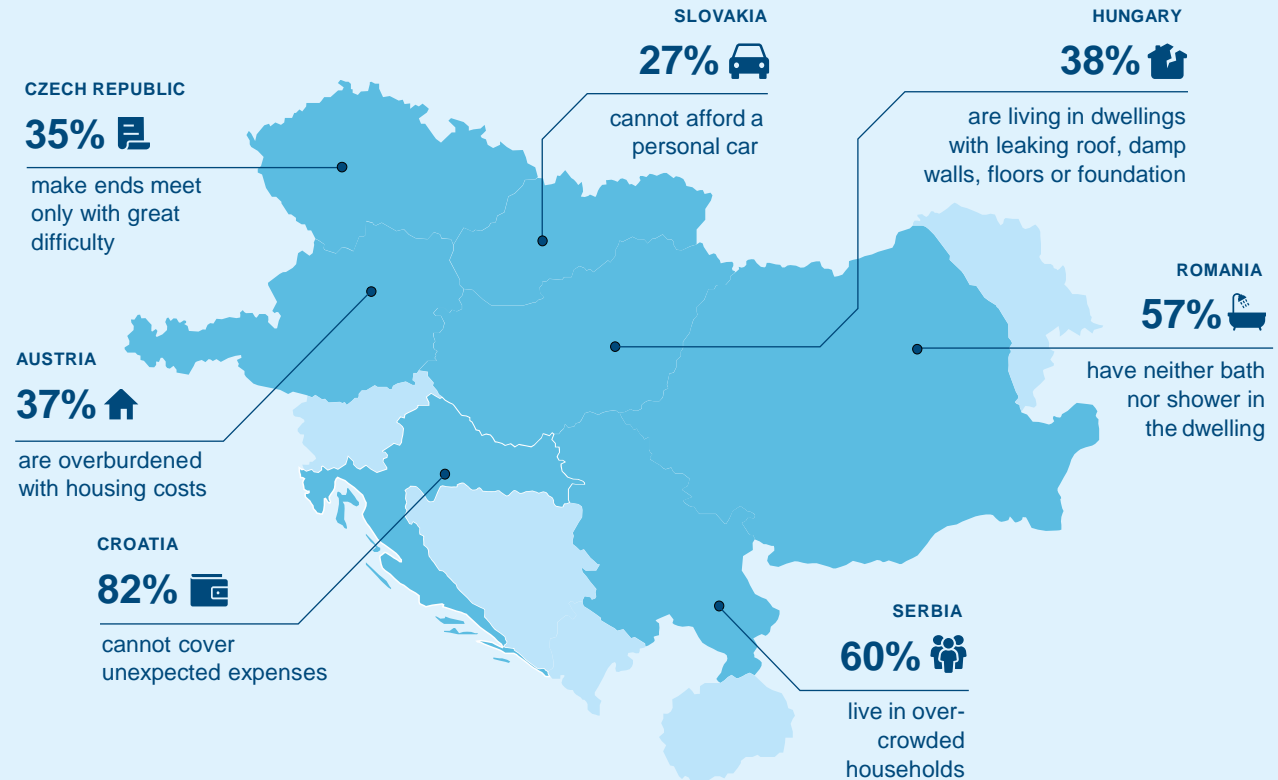
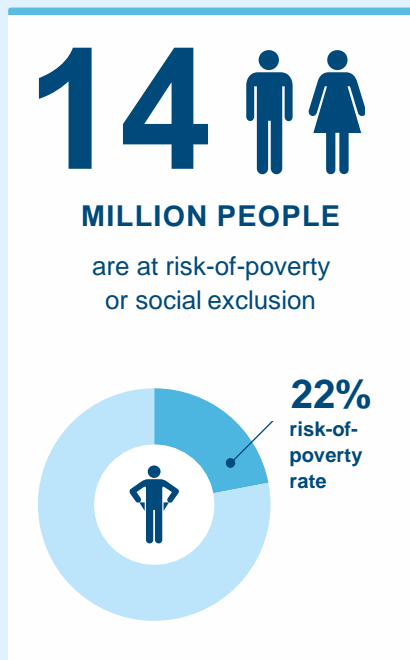
# Erste Group at a glance

## Providing banking services for the real economy

- Founded in 1819 as the **first savings bank** in Austria and Central and Eastern Europe.
- Around **45,000 employees** serve ca. **16 million customers** through **2,044 branches** in **7 countries**.
- One of the **leading financial providers** in the eastern part of the EU in terms of clients and total assets
- Among the **TOP 3 banks** in our core markets in Austria, Czechia, Slovakia, Romania, Hungary and Croatia

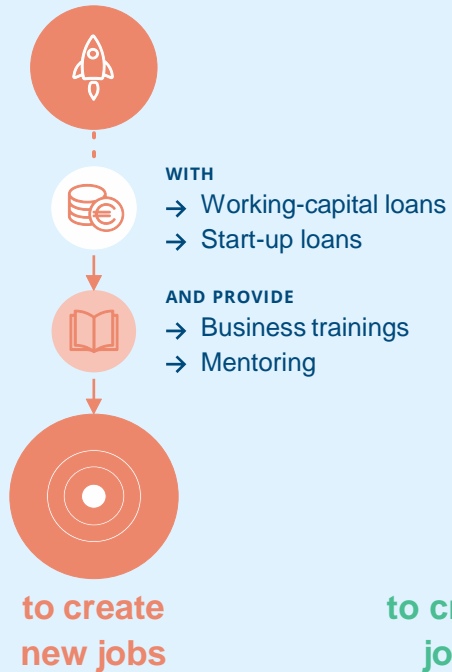


# The risk-of-poverty situation in Erste Group markets

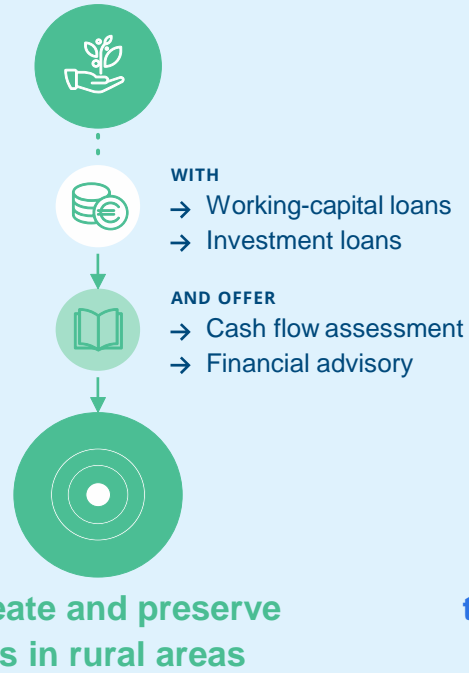


# Our approach to Social Banking

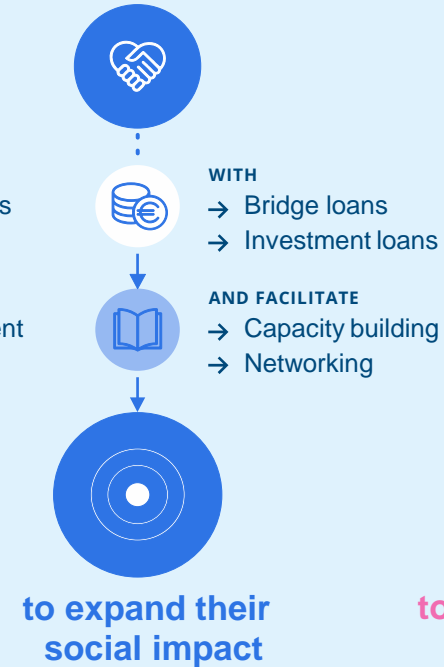
## We foster Starting Entrepreneurs



## We support Microfinance Businesses



## We empower Social Organisations




## We stand by People in financial difficulties

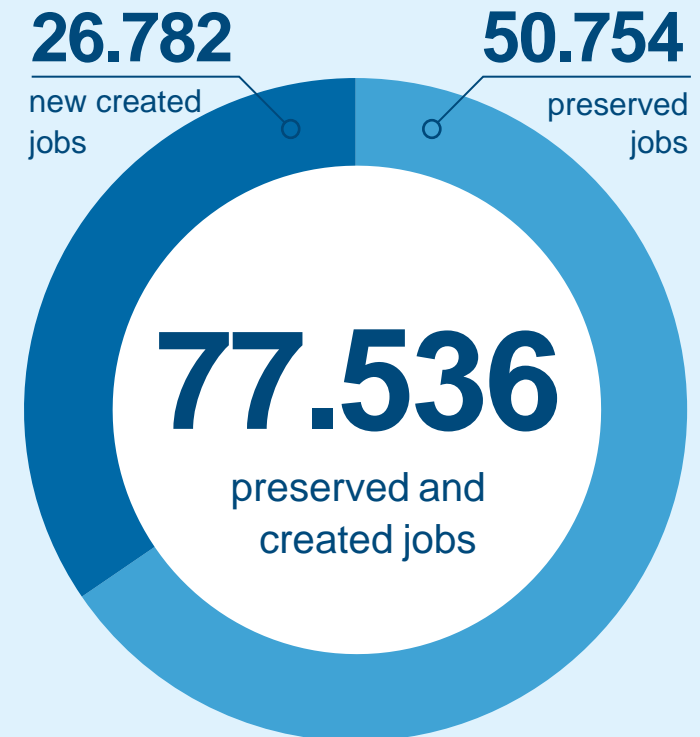
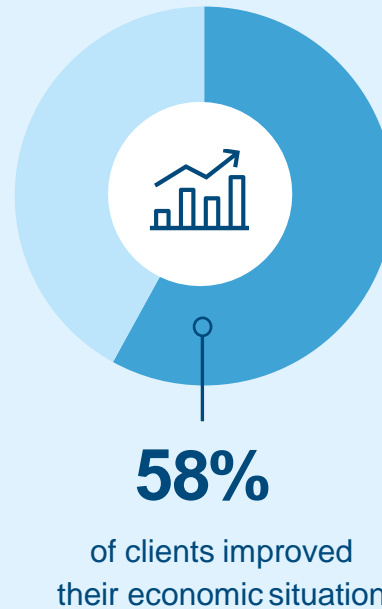


# Social Banking overall impact highlights

**38.023**   
supported clients

**32.374**   
clients received education support

**425**   
mIn EUR of funding provided





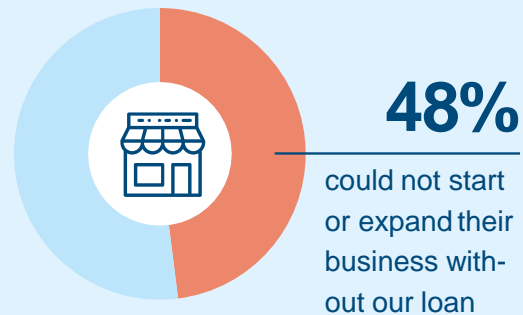
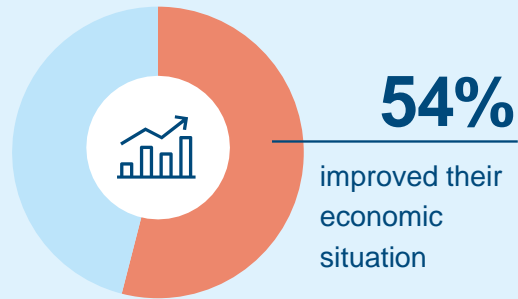


## Impact on starting entrepreneurs

**6.027**   
financed clients

**21.671**   
education participants

**184**   
mIn EUR disbursed loans



# Example Austria: DerMikrokredit

## Target group

- **Unemployed or people at risk of unemployment**, for whom this loan is intended to enable them to **become self-employed**
- In addition, the microcredit should pave the way to self-employment for **people with disabilities** or people with a **migration background**.\*

## Cooperation partner of Erste Bank



## Key points of financing

- Maximum loan amount: **EUR 15,000**
- Term: **5 years** (6 months grace period)\*
- Guarantee from the **EIF EaSI Program**



\* Ukraine founders: Key data are the same as those of the "normal" microcredit, only the term is limited to two years for the time being. A prerequisite for financing is proof of identity for displaced persons ("blue card") and notification of self-employment.

Further details: [Ukraine Founders | Erste Bank \(sparkasse.at\)](https://www.sparkasse.at/ukraine-founders)

# Der Mikrokredit process

## 1) *quick check*

Clarification of whether an application makes sense and whether the project is fundamentally eligible for funding



## 2) *application advice*

Working out the business concept in detail and processing the microcredit application.



## 3) *hearing*

Presentation of the business idea for receiving expert feedback and as a basis for the credit decision.



## 4) *credit decision*

Decision on granting the microcredit.



## 5) *coaching & support*

by social bankers from Erste Bank and consultants from the Austrian Senior Experts Pool



## one of multiple success stories...



### The mobile burger

For **Besnik Sylejmani**, who has roots in Kosovo, gastronomy is not just a job, it is his calling. Under the brand "**The Burgery**" he sells high-quality and tasty burgers with his food truck at weddings, birthdays and street parties. His success is based on his many years of experience in the field of gastronomy and marketing as well as the mobile sales concept.



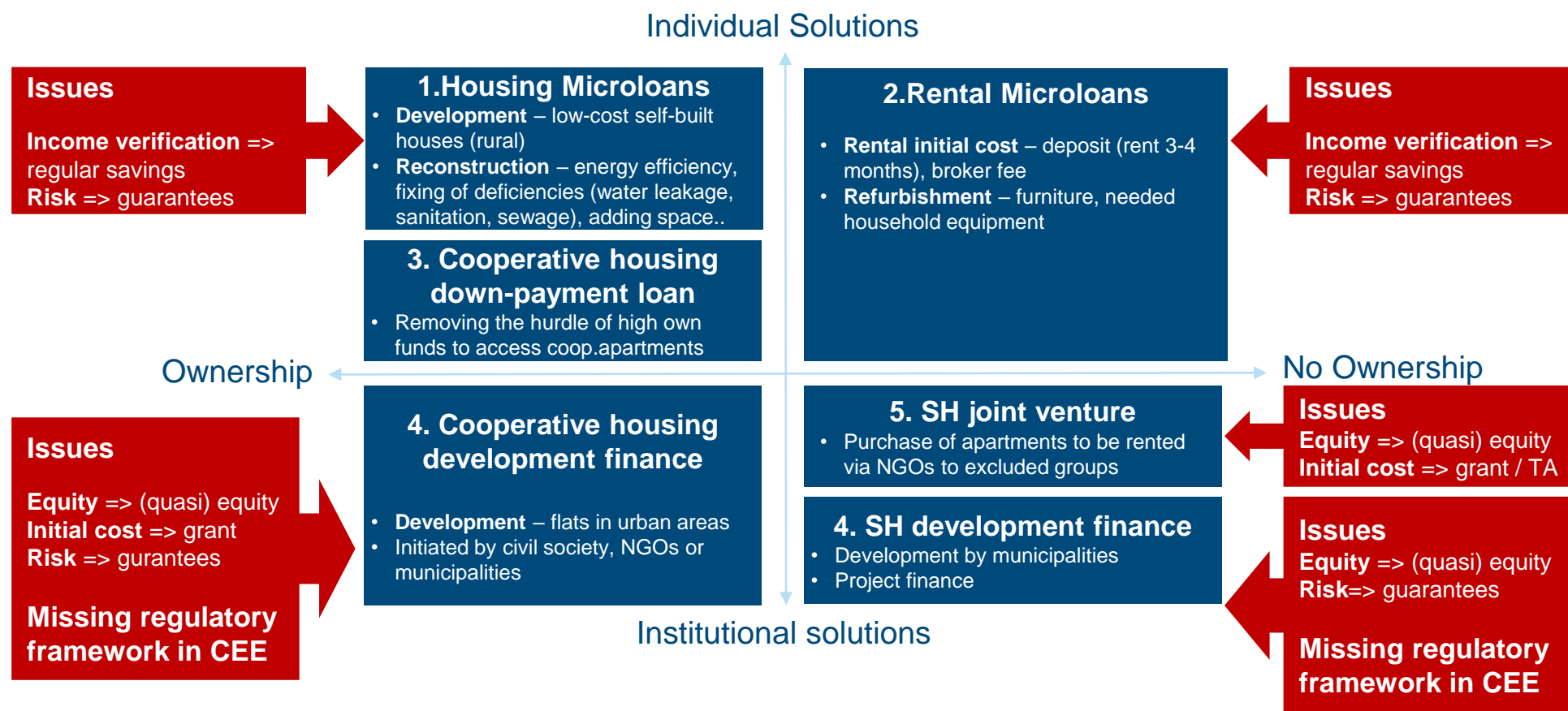


**If people do not do well,  
other topics become a second priority...**

Roma settlement east Slovakia

# Affordable / Social Housing (SH) solutions

piloted / envisaged by Erste Social banking





# The Sardinia Region experience: ESF microfinance instruments set up during the programming period 2014/2020



Microfinance Fund	Allocations for the Calls	Allocation to the Microfinance instrument	Number of applications	Number of accepted applications	Number of financed applications	Disbursements from Microfinance instrument (EUR)
2017	10.000.000	7.600.000	801	336	257	5.900.857
2020	7.000.000	1.530.000	156	57	51	1.133.279
2018	4.700.000	1.270.000	201	62	31	689.000
Total	21.700.000	10.400.000	1158	455	339	7.723.136

Source: SFIRS monitoring system on 31.10.2022

The **target policy** is focused on the unemployed with difficulty in obtaining loans in starting up and in supporting business initiatives: micro-enterprises, cooperatives (type A and B), small businesses, self-employed workers, associations of professionals.

The Regional Government of Sardinia has decided to entrust the **management of the three microfinance instruments** to the **in-house company SFIRS (Regional Financial Company)** with the task of drafting the Call for applications, collecting applications, evaluation of the project from a technical, economic and financial perspective and preparing for admission to funding and disbursing funding.

## Technical form of the microfinance instrument - unsecured loans with the following characteristics:

- **Amount:** a minimum of 5,000.00 Euros and maximum of 25,000.00 Euros with a Maximum duration of 60 months. The Applied rate is 0%.
- **Default rate:** In the event of late payment, default interest is applied (to the Recipient) equal to the legal rate.
- **Reimbursement:** In constant monthly deferred instalments, starting 12 months from the date of the contract.
- **Method of payment:** monthly SEPA.
- **Guarantees:** At the time of the evaluation of the loan application, real, patrimonial and financial guarantees will not be required.

# Results, Critical points and Lessons learned



**Focus on representative case study:** Microfinance Instrument 2018 called "IMPRINTING" initiatives. The **final results** are as follows and show how unfortunately few applications actually end in success.

**Participation of immigrants involved in previous projects** with the aim of strengthening entrepreneurial skills within the projects of the "DIAMANTE IMPRESA" Call for proposals, financed by the FSE 14/20.

Recipients involved		Recipients starting ex ante phase		Recipients having completed ex ante phase		Recipients having made application in Microfinance fund in 2018		Accepted to be financed by Microfinance fund in 2019	
Num.		Num.	%	Num.	%	Num.	%	Num.	%
430		337	80	175	52	93	27	16	5

## Lessons learned:

- The Microfinance is a simple and easily accessible tool since it is not necessary to provide guarantees.
- Do not rely only on a banking institution for managing microfinancing
- Do not assign the entire tool management process to one Institution
- Higher Flexibility of the rules
- Higher integration into the measures to strengthen the accessibility to microfinance

## Critical points:

- **Strong workload** of the previous microfinance tools, thus creating a bottleneck
- Delays also depend on the choice to give the opportunity to apply for the microfinance instrument to all participants involved in project financed by the Region in order to train and to support them in the development and management of the business idea. The problem was that the end of the support had **different timings**, even several months.
- **Rigidity of the rule** of Axis 1 of the ESF Regional Programme 14/20.

# Suggestions for adjustments and improvements in Microfinance Instruments looking at the ESF+ Programme period 2021/2027



- A new model of Microfinance instrument has been tested out and operational in the tourist sector since 2020.
- Introduction of the financial leverage within the revolving funds.
- Attracting co-investment from other sources, including private investment, to increase the resources available in particular sectors.
- Focus on a system of innovative evaluation criteria linked to the idea and ability of the entrepreneur rather than his assets.
- Higher quality than quantity.



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