Policy context: Innovative financing solutions to support refugee labour pathways in the EU

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Financing of refugee labour pathways: Challenges and opportunities

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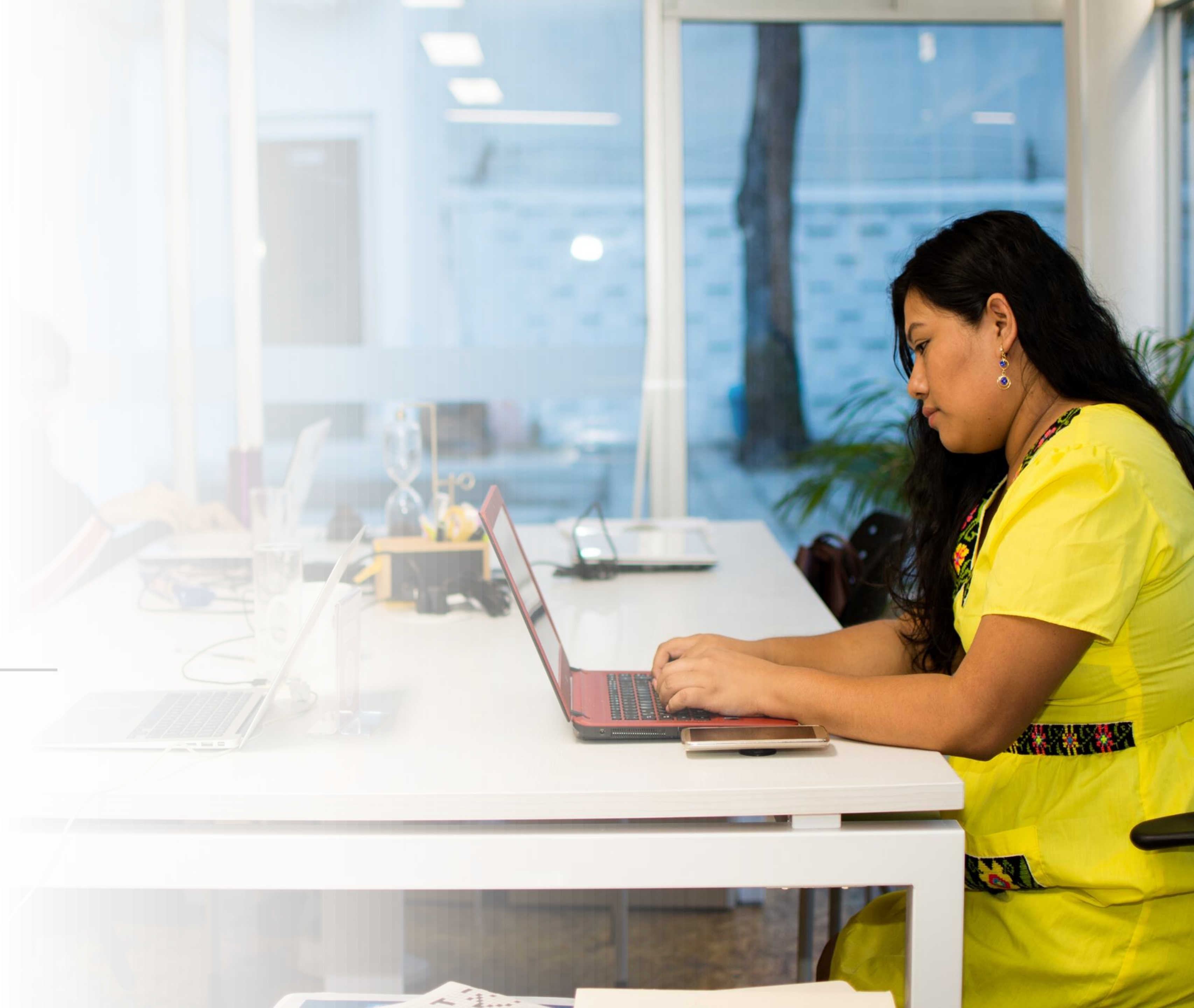
Financing of refugee labour pathways:
Challenges and opportunities



Aurélie Belzunces

European Commission,

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27 November 2025

The concept

Complementary pathways *for admission are safe and regulated avenues for refugees that* ***complement resettlement*** *by providing lawful stay in a third country where their international protection needs are met.*

Complementary pathways include ***existing admission*** *avenues that refugees may be eligible to apply to, but which* ***may require operational adjustments*** *to facilitate refugee access."*

UNHCR definition

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Why are refugee labour pathways important?

- Connect displaced talent to labour opportunities in third countries other than their country of origin and country of first asylum
- Harness skills, address labour shortages
- Offer viable alternatives to irregular departures

What is the European Commission doing on refugee labour pathways?

Policy

- COM Recommendation 1364/2020
- State engagement
- Cooperation with like-minded partners

Funding

- AMIF Union Actions
- PAFMI

Key challenges

Sustainability (funding, ecosystem, multi-stakeholder engagement)

Scalability (moving from pilot projects to regular pathways)

Other barriers (e.g. travel documents, qualification recognition)

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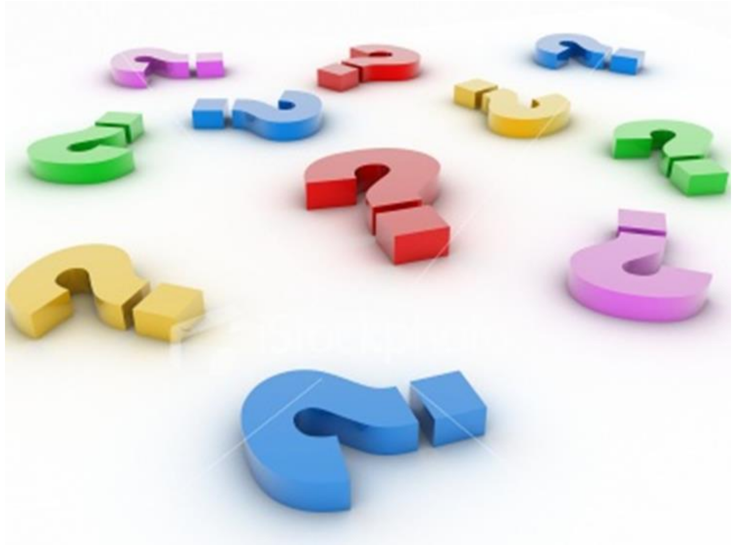

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Introduction to financial instruments

Anna Zurek, Financial Instruments Advisor,
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Financial instruments

in the meaning of Art. 2 of the Common Provisions Regulation - Reg (EU) 2021/1010

- A ‘form of support’ (just like grants)
- Co-financed by EU shared management funds
- 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
- Can take different forms such as loans, guarantees, equity and quasi-equity
- Can be **combined** with grants ➔ Provide an alternative to pure grant funding
- Can lead to financial returns or savings which can be used to repay the investments.

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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

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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

Key considerations

Financial instruments in the area of integration of TCNs in the EU

- 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.

Financial instruments – benefits for final recipients

Access to finance
Increased ability to apply as a final recipient for financial support in a new homeland, e.g. a microloan to help start a business, despite no credit history.

Preferential terms and condition
More affordable financing regarding interest rates, transaction fees, collateral requirements and with consideration for the culture backgrounds of TCNs.

Combination of financial instruments and grants
Potential to benefit from e.g. a microloan combined with a grant to help start a business, with one set of rules governing both.

Additional non-financial services
Mentoring, coaching training and business advice aiming to help TCNs improve their skills and knowledge and develop their entrepreneurial idea.

Reduced red tape
Relatively little administrative burden and paperwork, together with financing provided up-front.

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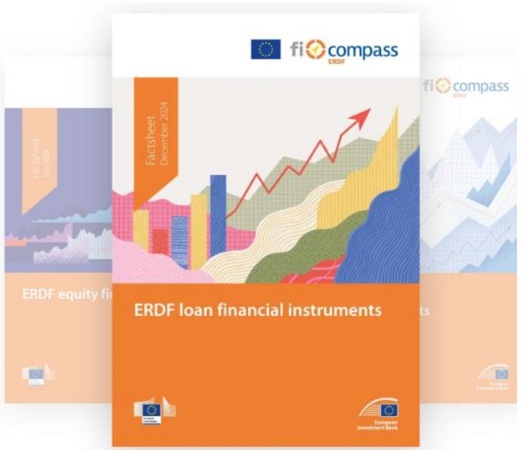
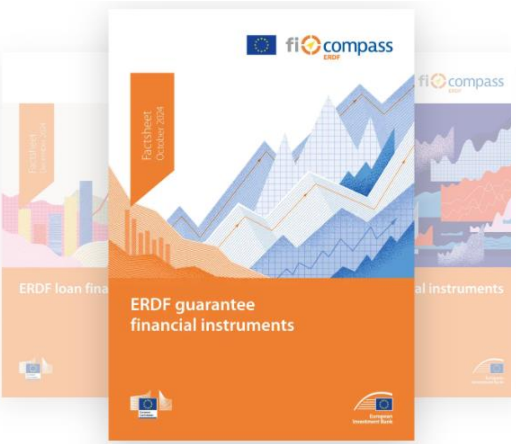
Financial instrument products

Financial instrument products

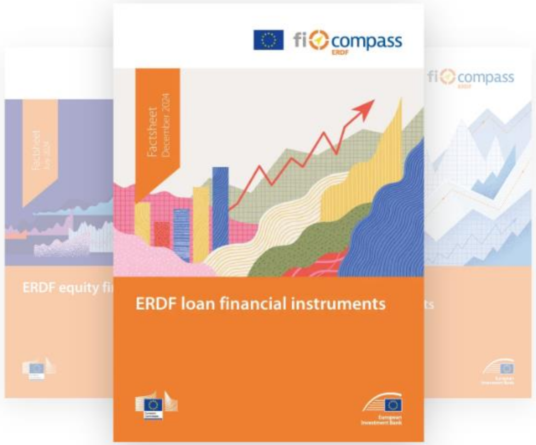
- **Loans**
- **Guarantees**
- **Equity/ Quasi-equity**



ERDF loan financial instruments



ERDF guarantee financial instruments



ERDF loan financial instruments

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What other types of repayable support are there

- EU central-level financial instruments, e.g. under InvestEU, e.g. guarantees for microfinance providers and social economy finance providers, supporting lending to vulnerable groups
- Loans, guarantees, equity/quasi-equity from bodies such as EIB, EIF, CEB or national/regional promotional banks and institutions
- Loans, guarantees, equity from other financial institutions
- Other forms.

How do we understand ‘blended finance’:

- Different resources (financial instruments and grants) are mixed within a single mechanism or facility. The various funding sources form a single, homogenous financing stream.
- Blending can, for instance, combine EU grants with loans or guarantees from EU-level financial institutions such as the EIB, EIF, CEB.
- Its primary purpose is to de-risk investments and make projects bankable.

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Findings from the pre-event stakeholder interactions

András Kaszap, fi-compass expert

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Stakeholder interviews

- Conducted between 25 August and 7 October 2025
- Stakeholders closely connected to refugee labour pathways
- Representing both the demand and supply sides of financing

Typical steps of refugee labour pathways

In the country of first asylum

1. **Identification of refugees for labour pathways** — International organisations / NGOs, civil society organisations, etc.
2. **Skills assessment & screening** — NGOs and civil society organisations, etc.
3. **Pre-departure training** (language, technical skills, cultural orientation etc.) — Training and certification centres, local vocational schools, etc.
4. **Coordination of refugee labour pathways** (organisation, protection, legal support, match-making etc.) — International organisations / NGOs, civil society organisations, recruitment agencies, etc.
5. **Pre-departure and travel support** — International organisations / NGOs, civil society organisations, etc.

In the EU

6. **Visa issuance, immigration processing** — EU embassies and consulates
7. **Reception, temporary accomodation** — Local authorities, the EU, local NGOs, civil society organisations
8. **Housing & labour market integration support** — Local authorities, NGOs, the EU, recruitment agencies, training centres, etc.
9. **Pre-employment & entrepreneurial training** — Local vocational schools, training centres, the EU, NGOs, etc.
10. **Employment in the EU** — Medium-sized and large firms, social enterprises, non-profit sector etc.
11. **Mentoring, retention support** — NGOs, co-operatives, civil society org., etc.

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Existing initiatives supporting refugee labour pathways

According to interviewed stakeholders

- A few structured initiatives currently support refugee labour pathways to the EU
- Activities vary considerably across Member States, depending e.g. on:
  - Exposure to incoming refugees
  - Shared language (e.g. Spanish speaking refugees in Spain)
  - Local political context
  - Legal framework governing refugee employment
- Scalability remains challenging
- Initiatives require close, individual interaction with participants
- Strong coordination is needed, with some good practices already existing
- Financing largely based on own resources, philanthropy, donations and local public funds
- Relevant financial products and programmes generally target a broader range of vulnerable groups

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Financing needs and gaps: **refugees**

According to interviewed stakeholders

- Grant-based support remains the main and most suitable form of assistance
- Needs vary widely: accommodation, living costs, skills development, qualification recognition, language learning, financial eduction, business development services, etc.
- Repayable support suitable only in limited cases linked to stable employment or viable entrepreneurship
- Potential demand for personal loans & microloans (uneven across groups and Member States)
- Significant barriers: often no credit history, unstable income, collateral gaps
- Loans viable only with strong mentoring, close engagement, low-interest products, and safeguards against excessive financial risk

Financing needs and gaps: **NGOs, civil society organisations, cities, labour-market actors and other stakeholders**

According to interviewed stakeholders

- Activities range from skills assessment and vocational/sector-specific training to relocation, housing support, language courses, mentoring, recruitment and retention support
- Cities may promote refugee labour pathways via local policies, integration programmes, and coordination
- Financing needs differ: scaling small pilots vs. covering operational and indirect costs
- Grant funding remains most suitable for the majority of activities
- Support needs beyond funding: technical guidance, advisory support, network-building, etc.
- Niche for repayable finance: some labour-market actors may use loans to pre-finance recruitment or training, with repayment linked to successful and long-term employment

Financing needs and gaps: **employers**

According to interviewed stakeholders

- Relevant sectors with labour shortages:
  - healthcare
  - elder care
  - construction
  - technical trades
  - logistics
  - renewable energy / green jobs
- Typical employers: medium/large companies, social enterprises, non-profits
- Recruitment challenges: scale, language, skills gaps, retention uncertainty, administrative complexity Overall demand for refugee workers is limited and often not visible to NGOs or recruitment agencies
- Limited interest of employers in repayable finance

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Financing needs and gaps: **Microfinance institutions, social and ethical finance actors**

According to interviewed stakeholders

- They provide financing to refugees, NGOs, civil society organisations, and other labour market integration actors
- European microfinance sector is diverse: includes NGOs, banks, non-banking financial institutions, credit unions, cooperatives, foundations, and promotional banks
- Ecosystem varies by Member State along various regulatory frameworks, institutional history, etc.
- Refugee-related financing is usually part of broader portfolios
- Risk-sharing instruments could support incremental portfolio growth targeting refugees
- Growth expectations are cautious: moderate expansion likely even under favourable conditions

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Potential for scaling up refugee labour mobility, including through innovative financing options

According to interviewed stakeholders

- Financing related to refugee labour pathways in the EU does not involve repayable forms of support
- Current financing gap in this area is relatively small
- It is worth exploring whether existing instruments, such as ESF+ or ERDF, could address some of the needs identified
- A key question is whether EU support could incentivise actors in Member States to develop new pilot projects on refugee labour pathways
- These pilot project could help understand scalability and identify elements suitable for repayable support
- The design of such support will be critical to maximise its effect

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