fi compass AMIF

Factsheet

November 2023

Setting up financial instruments supporting migrant integration

Practical guide

European Commission

European Investment Bank

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The case projects can in no way be taken to reflect projects that will actually be financed using financial Instruments. Neither the European Investment Bank nor the European Commission gives any undertaking to provide any additional information on this document or correct any inaccuracies contained therein.

Abbreviations

Abbreviation	Full name
AMIF	Asylum, Migration and Integration Fund 2021-2027
CEB	Council of Europe Development Bank
CPR	Common Provisions Regulation 2021/1060
DG EMPL	Directorate-General for Employment, Social affairs and Inclusion
DG HOME	Directorate-General for Migration and Home Affairs
EaSI	EU Programme for Employment and Social Innovation
EC	European Commission
EIB	European Investment Bank
EIF	European Investment Fund
ERDF	European Regional Development Fund
ESF/ESF+	European Social Fund / European Social Fund Plus
EU	European Union
IB	Intermediate Body
IFI	International Financial Institution
LRA	Local and Regional Authorities
MA	Managing Authority
MFI(s)	Microfinance institution(s)
NPBI(s)	National promotional bank(s) and institution(s)
PPD	Public Procurement Directive 2014/24/EU
SME(s)	Small and medium-sized enterprise(s)
TCN(s)	Third-country national(s)


Open

Supporting migrant integration with financial instruments

Ylva Johansson,
European Commissioner for Home Affairs

As a migrant, you don't integrate into the European Union or into a Member State but always into a local community. And sometimes you need a little help to integrate into that community. One way to do that very effectively is through loans and other financial instruments.

Loans empower people, because they give them independence by letting them invest in their own development. And loans are paid back. As a society, we can use that same money again and again, to help people invest in themselves. It's a win-win, for migrants and for society.

That's why in our Action Plan on Integration and Inclusion 2021-2027[1] we encourage Member States to make full use of the Asylum, Migration and Integration Fund (AMIF). The AMIF Regulation allows for the use of financial instruments, such as loans or guarantees. These have demonstrated a significant and positive impact in assisting migrants in a number of areas. These range from accessing housing to developing skills that are necessary to enter the labour market or to start their own company.

The EU provides the funding and other support, like the dedicated AMIF workstream of the fi-compass platform[2], run by the European Investment Bank, to support Member States in designing and using such instruments.

I encourage Member States to use financial instruments under AMIF to support the integration of third-country nationals. And **this fi-compass practical guide** is there to support the exploration of financial instruments for the integration of migrants. I hope you will use this guide to full effect, to the benefit of individual people, society and the economy.

1 Action plan on Integration and Inclusion 2021-2027: https://eur-lex.europa.eu/legal-content/EN/TXT/PDF/?uri=CELEX:52020DC0758&from=EN.
2 fi-compass AMIF workstream page: https://www.fi-compass.eu/funds/amif.

Towards financial instruments supporting migrant integration

Why financial instruments

According to Article 52 of the Common Provisions Regulation (CPR)[3], financial instruments (such as loans, guarantees, equity/quasi-equity[4]) are **forms of support** available to the Member States besides grants, when using their contributions from their **EU shared management Funds**, the Asylum, Migration and Integration Fund (AMIF) being one of them. Financial instruments are already a well-established delivery mechanism for a number of EU shared management Funds such as the European Regional Development Fund (ERDF) and the European Social Fund / European Social Fund Plus (ESF/ESF+).

Thanks to the **revolving nature** and the **leverage effect** of financial instruments, they are considered a smart and efficient way to invest EU resources. They can be established by using EU shared management resources in a **standalone mode or in combination with grants**, potentially with one set of rules governing both sources of funding. Financial instruments are especially suitable to finance projects of a revenue generating or cost saving nature, which allow the resources to be paid back so that these scarce public resources can be reused again.

Supporting migrant integration through financial instruments

Financial instruments implemented in the previous programming periods under the ERDF and the ESF have already supported **third-country nationals** (TCNs, called 'migrants' in this publication) in many ways (e.g. business start-up support, skills trainings, education, language support, affordable housing) as one of the targeted final recipient groups.

AMIF is governed in the 2021-2027 programming period by the CPR. Thus, also AMIF resources can be used through the form of support of financial instruments – standalone or in combination with grants – to **support the integration** of TCNs in the EU. Financial instruments can potentially support all four of the main **sectoral areas** mentioned in the **Action Plan on Integration and Inclusion 2021-2027**[5].

Figure 1: European Commission's Action Plan on Integration and Inclusion 2021-2027 – main sectoral areas

Education	Employment	Health	Housing
1	2	3	4
Training programmes for third-country nationals and capacity building of teachers and social workers.	Capacity building of service providers, investment and support for entrepreneurship	Training and capacity building of service providers. Access to health, psycho-social and rehabilitation services.	Construction and refurbishment of temporary housing. Access to services.

3 Regulation (EU) 1303/2013.
4 For more information about the different financial instrument products, please see the fi-compass publication Financial instrument products, https://www.fi-compass.eu/publication/brochures/financial-instrument-products and the fi-compass learning video about Financial instruments products, https://www.fi-compass.eu/video/financial-instruments-products.
5 Action plan on Integration and Inclusion 2021-2027: https://eur-lex.europa.eu/legal-content/EN/TXT/PDF/?uri=CELEX:52020DC0758&from=EN.

To assess the potential added value of introducing financial instruments at the national level to support migrant integration, Member States (specifically the Ministries responsible for integration of TCN) are encouraged to launch strategic discussions involving pertinent stakeholders such as local and regional authorities, civil society organisations, migrant communities and financial intermediaries. As part of these discussions, it is crucial to consider the specific needs of the target population and to explore the options for available (other) forms of support. Through such strategic discussions, additionally, a strategic analysis of the priorities and targets set under the current shared management Funds, such as AMIF, ERDF and ESF+, could be undertaken, taking into account the prospect of future funding opportunities (such as under the mid-term review for AMIF) when examining the feasibility of (pilots on) financial instruments.

Combination of financial instruments and grants

The CPR allows to combine resources from different shared management Funds[6] or different sources of funding[7]. The combination can take place in **one single operation** or through **two separate streams** of support, while keeping separate records and targeting common policy objectives. Notably, an important feature of both options is that both forms of support could be delivered by the **same implementing body**.

For instance, AMIF resources could be used to finance **business development support (BDS) grants** as a form of technical support grants and/or **interest rate subsidies**, complementing e.g. guarantee or risk-sharing loan instruments implemented under other ESI Funds, i.e. ESF+ or ERDF. It is also possible to combine financial instruments, for example loans and guarantees, with **capital rebates** or **capital grants** under AMIF.

As long as the grant is **directly linked and necessary** for the financial instrument and does not exceed the value of the investment supported by the financial product, grants and financial instruments can be combined in one operation in the new programming period which provides certain advantages.

The fi-compass factsheet 'Combination of financial instruments and grants' describes how different types of grant support including interest rate subsidies, technical support, capital grant and capital rebates can be combined with loan, guarantee and equity financial instruments in a single operation. The factsheet includes a description of the main reasons why Managing Authorities should consider combining financial instruments with grants. It also provides a practical guide to setting up different types of financial instrument / grant combination. The factsheet also includes examples of successful financial instrument / grant combinations made in previous programming periods with ERDF resources.

6 Article 58 (4) of Regulation (EU) 2021/1060.
7 Article 58 (5) of Regulation (EU) 2021/1060.

It is also possible to pool together resources from different EU funding sources, e.g. the **InvestEU guarantee**[8] (a centralised financial instrument) and a grant component to support the provision of business development services (BDS) to entrepreneurial TCNs taking a microloan which is covered by the InvestEU guarantee. Such a grant component could be funded by AMIF and would be managed independently from the InvestEU guarantee, complementing it with important non-financial support to TCNs. The EaSI BDS pilot[9] is an example how a grant component financed through DG EMPL resources complemented a financial instrument (the EaSI guarantee) in the 2014-2020 programming period.

Key stakeholders involved in financial instruments implementation

Financial instrument implementation requires a strong partnership between the different stakeholders throughout the life cycle of the financial instrument (design, set-up, implementation, and winding-up).

The **Managing Authority** is responsible for the programming of the resources of the shared management fund.

By deciding to implement financial instruments using shared management Funds, Managing Authorities programming shared management Funds such as AMIF, ESF+ and ERDF gain important partners with important practical expertise: **bodies implementing the financial instrument (financial intermediaries)**.

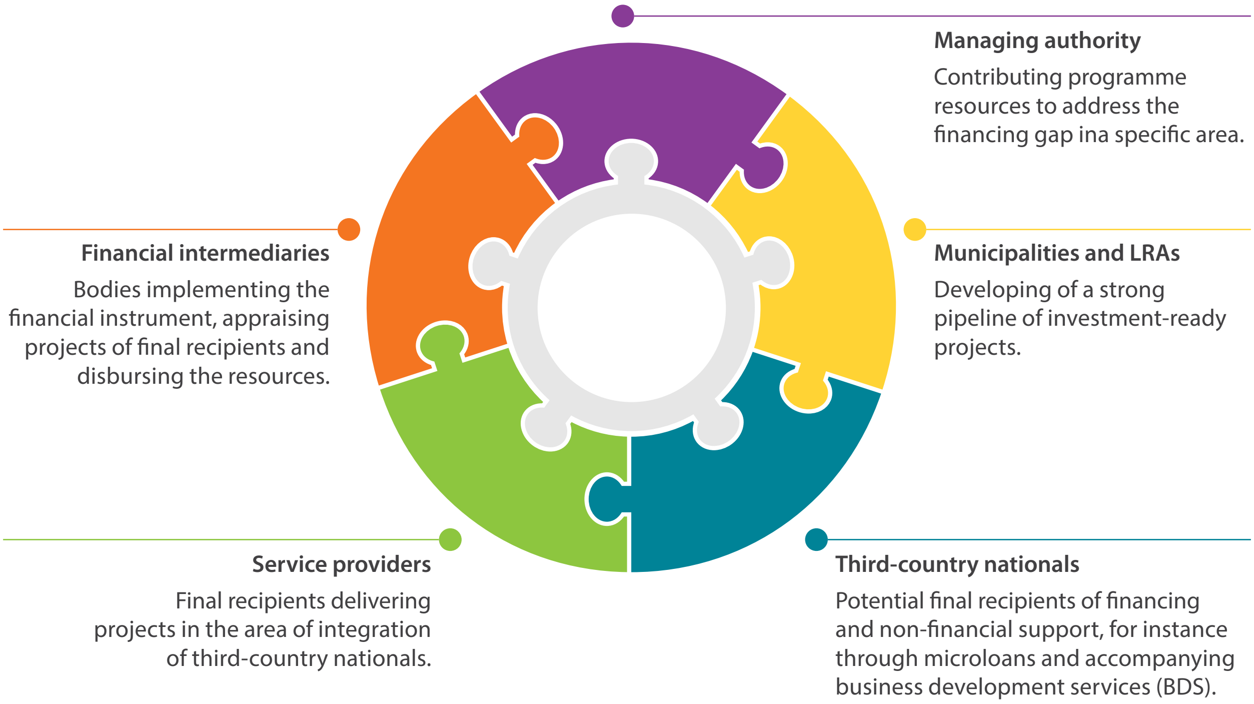
In addition, other groups such as **municipalities** and **Local and Regional Authorities (LRA)** can be important stakeholders for financial instruments – e.g. by creating important networks and helping to develop a robust project pipeline for the financial instruments. Other stakeholder groups supporting the development of a project pipeline are *inter alia* migrant networks, chambers of commerce and employment offices offering often dedicated support to third-country nationals.

Legal or natural persons receiving financial support from the financial instrument are the **final recipients** of support. These can be for instance **service providers** delivering projects in the area of integration of TCNs, or the **TCNs** themselves.

8 For more information, please visit https://engage.eif.org/investeu/guarantees.
9 Read more about the EaSI BDS pilot on page 18.

The key stakeholders are visualised in the graphic below.

Figure 2: Key stakeholders involved in implementation of financial instruments



Implementation options of financial instruments

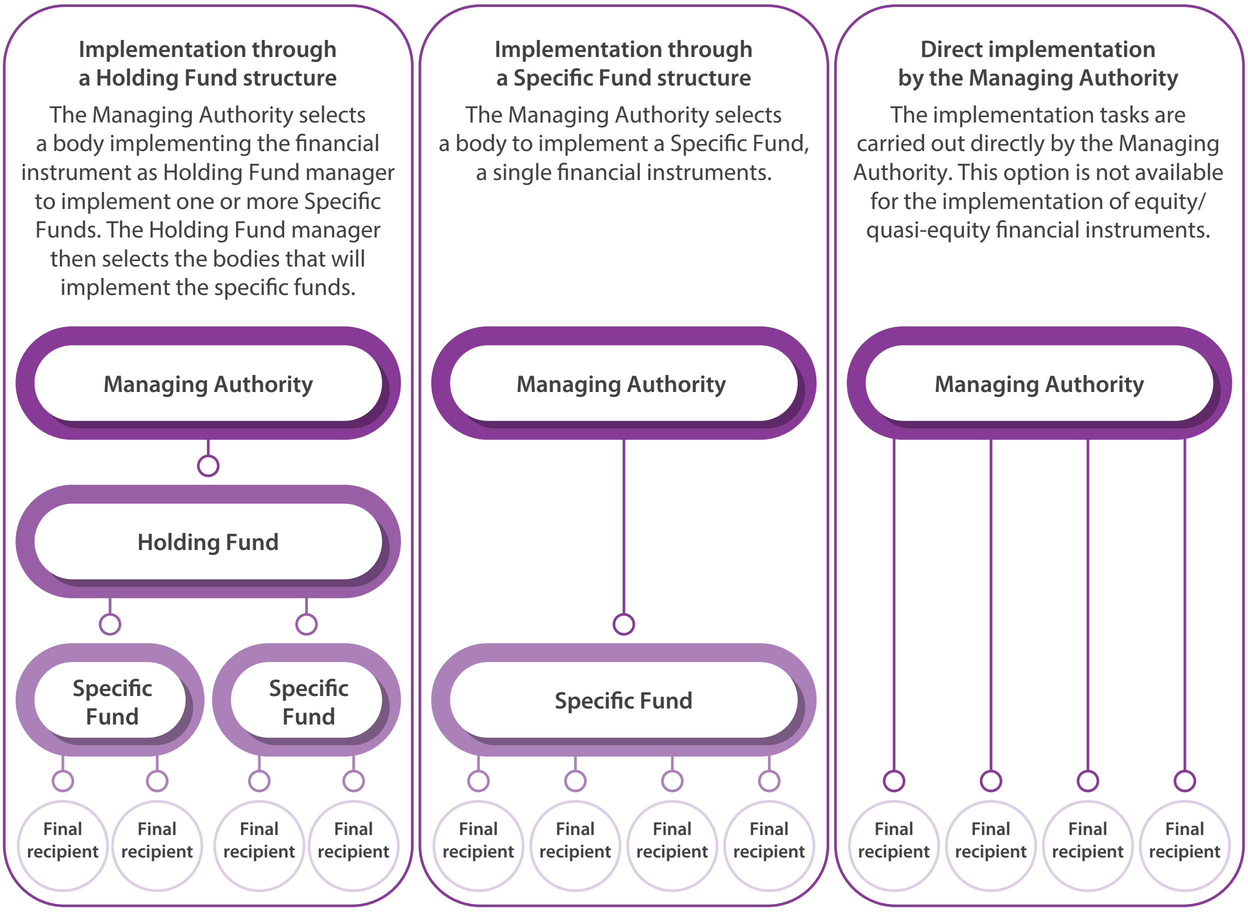
The Managing Authority can use one of the **three main options** to implement financial instruments according to the CPR:

- the Holding Fund structure,
- the Specific Fund structure, and
- direct implementation by the Managing Authority.

The two first implementation options are undertaken in collaboration with bodies implementing the financial instruments (financial intermediaries). In the context of the CPR, the **beneficiary of the financial instrument** is the body that implements the Holding Fund or, where there is no Holding Fund structure, the body that implements the Specific Fund. Managing Authorities (or intermediate bodies designated by the Managing Authority) can also decide to implement financial instruments directly, in which case the beneficiary of the financial instrument is the Managing Authority. Final recipients are legal or natural person receiving support from a financial instrument – e.g. a migrant receiving a microloan for their entrepreneurial idea.

The three implementation options are presented in the figure below.

Figure 3: Implementation options of financial instruments



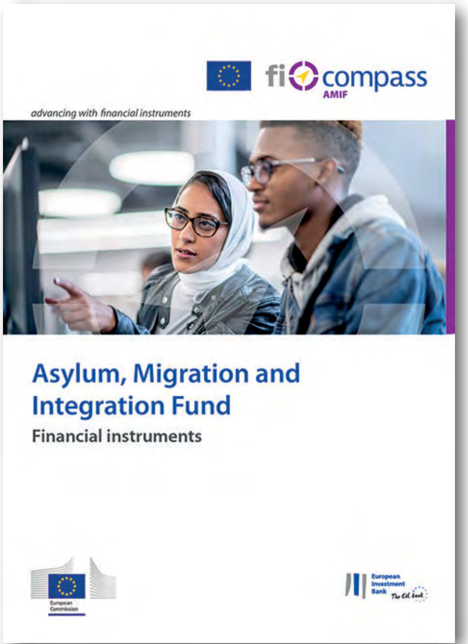
The two-tier implementation of financial instruments through a **Holding Fund structure** offers Managing Authorities the advantage of leveraging the extensive expertise and management capacity of the Holding Fund manager, usually an international financial institution (IFI; such as the EIB Group) or national promotional bank or institution (NPBI). The Holding Fund is an umbrella fund for one or more Specific Funds. The Holding Fund manager selects the bodies implementing the Specific Funds. This implementation option provides the Managing Authority with a robust structure, which is used to manage funds and investments according to recognised standards, independence and professional management. Additional benefit of such option is the strategic vision and potential synergies between different financial instruments managed by the Holding Fund.

Opting for a one-tier **Specific Fund structure** allows for a quick and efficient implementation approach, particularly when the intention of the Manging Authority is to implement only one type of financial instrument without foreseeing additional ones in the future. Also this implementation structure allows the Managing Authority to benefit from extensive expertise and capacity of the body selected to implement the Specific Fund.

Direct implementation could be a viable option for debt instruments (loans, guarantees) when the Managing Authority (or the designated intermediate body) possesses the relevant technical skills and adequate market and financial knowledge to be able to deploy the financial instrument. In addition to the in-house skills, the Managing Authority should have sufficient resources to carry out the full scope of activities related to the implementation, including due diligence, treasury management, risk management, monitoring and reporting. It also needs to be able to perform such activities in line with national legislation[10]. In return, they can exercise direct control over the implementation process without the need to engage intermediaries. It also allows a relatively rapid implementation and avoids introducing additional reporting and monitoring procedures.

Further information

The fi-compass factsheet 'Asylum, Migration and Integration Fund Financial instruments'[11] provides an introduction about the potential use of financial instruments in the area of integration of third-country nationals in the EU. The factsheet describes the AMIF policy framework and how AMIF financing may be deployed for the first time through financial instruments to support relevant objectives of this EU policy area. The publication focuses on three areas with potential for financial instruments: microfinance, housing and social impact investing.



10 For instance, in some Member States only specific bodies are allowed to provide loans.
11 fi-compass factsheet 'Asylum, Migration and Integration Fund Financial instruments' https://www.fi-compass.eu/sites/default/files/publications/AMIF_factsheet_financial%20instruments_web.pdf.

Financial instruments in practice

Financial instruments co-financed with EU shared management Funds (such as AMIF) may offer unique advantages in comparison to using grants only. This chapter presents these key benefits, explores the specific roles and responsibilities and provides practical guidance for the managing authorities on the initial steps needed to successfully design, set up, and implement a financial instrument.

I am a Managing Authority

What are the advantages of implementing financial instruments for me?

- **Leverage effect**: creating greater impact to achieve policy objectives by attracting co-investment from other sources, including private contributions;
- **Revolving nature**: enabling the reuse of scarce public resources after the repayment of the support by final recipients;
- **Effective absorption**: quick and efficient use of public funds helping a fast achievement of specific policy goals of the national programmes;
- **Combination of financial instruments with grants**: potential to combine financial instruments and non-financial support (via grants);
- **Optimisation of public funds**: financial instruments allow the diversification of public funds and an efficient use of scarce resources to address complex public policy issues (i.e. doing more with less);
- **Improved project quality**: enhanced financial discipline, better planning and more attention to long-term sustainability, as the resources need to be paid back;
- **Mobilising the private sector**: Project assessment and monitoring carried out by the financial intermediaries, freeing up public sector capacity.

Advantages of using financial instruments – example from Bulgaria

Building on first positive experiences in using financial instruments in the 2007-2013 programming period, Bulgaria has decided to implement a broad range of financial instruments (loans, guarantees and equity) under different EU shared management Funds to support its Policy Objectives in the 2014-2021 programming period. This included using EUR 3.1 million of ESF programme resources to implement two financial instruments: a risk sharing micro-finance facility and a capped portfolio guarantee for microloans. By using financial instruments, the Managing Authority benefits from two key advantages of this form of support: additional co-investment from bodies implementing the financial instruments (**leverage effect**) and the possibility to re-use resources once they are paid back (**revolving nature**).

The Bulgarian government decided to create a 100% government-owned company, formally called 'Fund Manager of financial instruments in Bulgaria' (FMFIB) to manage the Fund of Fund (FoF; the term used in the 2021-2027 programming period is 'Holding fund') as an umbrella structure for its numerous financial instruments. For the ESF loan and guarantee instruments, the FoF selected five financial intermediaries, bringing additional resources from the private sector. The mobilisation of the private sector to implement the financial instruments also led to a widespread geographical coverage through financial intermediaries' extensive networks spanning across the entire country. The assessment of these projects for financing is the role of the bodies implementing the financial instruments. These two aspects are important for creating a robust pipeline of good quality 'bankable' projects.

The Bulgarian financial instruments are featured in two fi-compass case studies: 'ESF Financial instruments for microfinance in Bulgaria' and FMFIB: Fund Manager of Financial Instruments in Bulgaria – a multi-sector fund of funds.

At the time of preparation of these fi-compass resources, the ESIF programme multiplier for the ESF guarantee fund is 5 times, while the ESF co-financed microfinance facility achieved an EU leverage of 1.56 times.

Migrant integration in focus for Managing Authorities: benefits for TCNs as potential final recipients of support through financial instruments:

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.

What are my main roles and responsibilities?

Setting up a financial instrument takes a coordinated effort and a series of tasks. As a Managing Authority, these are the key roles and responsibilities:

- **Building your knowledge** about financial instruments through offers such as fi-compass.
- Before the Managing Authority takes the decision to implement a financial instrument co-financed with some of its AMIF resources, it needs to undertake an **ex-ante assessment**[12]. The ex-ante assessment is essentially a management tool that aims to evaluate the existence of market gaps and suboptimal investment situations and the estimated level and scope of public investment needs in the context of financial instrument implementation. The Managing Authority may either carry out this task themself if it has the necessary capacity and information. It can also commission it to external experts (such as the EIB Group based on a contractual agreement or a private body in line with the public procurement rules).

12 An ex-ante assessment is an assessment that must be completed by the managing authority before it decides to make programme contributions to financial instruments, as laid down in Article 58 (3) of Regulation (EU) No 2021/1060. The ex-ante assessment should include at least:
- the proposed amount of contribution and estimated leverage effect,
- the identification of the financial product(s) most suitable for the intervention,
- the proposed target group of final recipients and
- the expected contribution of the instrument to the achievement of specific objectives of the programme.

To learn more, listen to the fi-compass podcast episode fi-compass.eu/podcasts/calling-the-tune/episode-2-programming-and-design.

- On the basis of the ex-ante assessment and taking into account the in-house knowledge and expertise, the market capacity to build a robust project pipeline as well as the number and diversity of financial instruments proposed, the Managing Authority should decide whether they wish to implement the financial instrument directly (by the MA itself) or indirectly (under its responsibility) and determine the **appropriate implementation structure**.
- If the Managing Authority has opted for an indirect implementation option (through a Holding Fund or Specific Fund structure), it should **select a suitable body/-ies implementing the financial instrument(s)**[13]. Managing Authorities have several procurement options to select a body implementing the financial instrument. These include the following:
  - directly awarding the contract to the European Investment Bank (EIB) Group (i.e. including the EIF);
  - appointing an IFI in which a Member State is a shareholder;
  - appointing a publicly owned financial institutions established in a Member State aiming at the achievement of public interest under the control of a public authority;
  - appointing a public body, also entering under the scope of Article 12 of Directive 2014/24/EU (i.e. over which the contracting authority exercises control);
  - procuring a financial institution via a competitive procurement process.
- Once the Managing Authority has selected the bodies implementing the instrument, a **strategy document (Funding Agreement)** including the Investment Strategy for the proposed instrument aligned with the national programme, should be prepared. Funding Agreements are key contractual documents between the Managing Authorities and the bodies implementing the financial instruments, which set out the rights and obligations of both parties[14].
- During implementation, the Managing Authority reports annually on the programme's implementation and results in the **annual performance report** prepared in accordance with the fund-specific regulation, which also includes data from the financial instrument.

Given that the programmes approved for AMIF in 2022 do not contain financial instruments, it will be necessary to make an amendment once the Member State has taken a decision on the introduction of a financial instrument. The amendment should be adopted before the implementation of the financial instrument concerned starts. The Managing Authority is invited to get in touch with DG HOME about the timing and contents of the amendment.

13 In line with article 59 (3) of the CPR.
14 For further information, see fi-compass Knowledge Hub publication: https://www.fi-compass.eu/sites/default/files/publications/KH_FundingAgreement_Factsheet_RTW.pdf.

I am a financial intermediary

There are many types of institutions that can act as bodies implementing financial instruments (financial intermediaries). These include IFIs such as the EIB Group, NPBIs, commercial banks, microfinance institutions (MFIs), guarantee institutions, leasing companies, crowd-lending and crowd-equity platforms, risk capital operators as well as non-banking financial institutions.

What are the advantages for me of becoming a body implementing a financial instrument?

- **Risk protection and coverage of part of losses**: encouraging the financial sector to become more active in areas perceived as too risky;
- **Attractive financing conditions**: contributing to an improved financing offer to final recipients, e.g. through lower interest rates, reduced collateral requirements;
- **New clients**: diversification of client portfolio with potentially new target groups, e.g. providing microfinance to migrant entrepreneurs;
- **Improved market position**: establishing strong positions in financing migration policy and contribution to the supply-side development of the financial market;
- **Strong visibility**: advertisement of involvement and activities with various types of communication materials by various stakeholders.

What are my main roles and responsibilities?

Bodies implementing financial instruments act as the direct contact points for targeted final recipients, providing financial as well as non-financial assistance in line with the terms and conditions defined in a funding agreement. They are responsible for origination, project appraisal, due diligence, servicing and reporting with respect to the final recipient transactions.

For the appropriate implementation of the financial instrument, financial intermediaries must have a proven economic capacity, good financial standing as well as adequate internal governance structure with skilled workforce to carry out the relevant tasks and effectively promote and manage the instrument. A **robust risk rating model** should be in place. Furthermore, a **solid IT system** is essential for carrying out the monitoring and reporting tasks in a timely and reliable manner.

In case of interest in becoming a body implementing a financial instrument, financial institutions need to be **either entrusted or selected** in line with the legal framework of the CPR. Additional practical information can be found in the fi-compass Knowledge Hub Notes of Workshop 'Selection of financial intermediaries' [15].

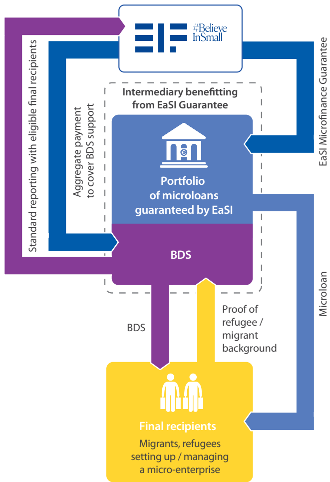
For financial instruments implemented through a Holding Fund structure, with the EIB or EIF being the Holding Fund manager, in order to be selected as a body implementing a financial instrument, financial institutions must submit their application to the call for expression of interest launched by the EIB or EIF. It is advisable to regularly consult the website of the EIB[16] and EIF[17] for relevant calls. The expression of interest typically includes an implementation strategy, proposals to improve financing conditions for final recipients and the envisaged approval process for final recipient transactions.

In case you have experience as a body implementing a financial instrument and you are interested in exploring options for financial instruments on integration for third-country nationals, you are invited to reach out to the Managing Authority of AMIF in your Member State.

15 fi-compass Knowledge Hub Notes of workshop 'Selection of financial intermediaries': https://www.fi-compass.eu/publication/factsheets/fi-compass-knowledge-hub-selection-financial-intermediaries.
16 EIB website: https://www.eib.org/en/.
17 EIF website: https://www.eif.org/.

EaSI Business Development Services (BDS) pilot

An example of a relevant operational ecosystem was the EaSI Business Development Services (BDS) pilot. The pilot was created to provide additional support to microfinance institutions (MFIs) benefitting from the guarantee under the EU Programme for Employment and Social Innovation (EaSI) in the 2014-2020 programming period. The guarantee as well as the BDS pilot was managed by the EIF, with nine MFIs from eight EU Member States participating in the pilot. These MFIs received financial support to partially cover their costs of the BDS (such as mentoring, coaching and training) offered free-of-charge to their migrant and refugee clients. Providing BDS support to accompany microloans is often crucial for the success of the financed entrepreneurial undertakings of third-country nationals. Such combination of microfinance and grant in form of BDS to third-country nationals fosters inclusive entrepreneurship in the EU. Similar support mechanisms can be potentially replicated in the future using *inter alia* AMIF resources.



To know more about the EaSI BDS pilot, listen to the fi-compass 'Jam sessions' podcast episode 13[18].

Inclusive entrepreneurship programme by microStart, Belgium

microStart is a microfinance institution (MFI) operating in Belgium. It offers microloans and technical support, such as coaching and advocacy to entrepreneurs who lack access to financing from the conventional banking sector.

To address the specific challenges of migrant entrepreneurs, in 2016 the institution launched a set of innovative practices, including methods that take into account cultural differences and language barriers. Acknowledging the importance of creating an initial trust bond between potential final recipients and the service provider, microStart has employed advisors from migrant communities who understand the cultural specificities and particular needs of those communities. The programme consisted of webinars, trainings and financial plans in Arabic as well as financial products that conform to Islamic laws (no interest, upfront admin fee). The programme included also awareness-raising for and of women migrant entrepreneurs. Such activities are regarded as examples of business development services (BDS).

Since the launch of the programme, 210 refugees have received financing, 214 have participated in group training or webinar and 165 have received individual coaching.

Similar financing schemes can be potentially implemented using AMIF and other shared management funds.

For more information, please read this fi-compass newsletter article[19].

18 fi-compass 'Jam sessions' podcase episode 13: https://www.fi-compass.eu/podcasts/jam-sessions/episode-13-easi-business-development-services-pilot-migrants-and-refugees.
19 fi-compass article 'microStart: small loans for big steps in a new homeland': https://www.fi-compass.eu/f/fi-compass-news-winter-2022/microstart-small-loans-for-big-steps-in-a-new-homeland.html.

I am a municipality or a local and regional authority (LRA)

What are the advantages for me of becoming involved in financial instruments?

- **Pooling of resources**: use of AMIF funds to complement local budgetary resources that are allocated to address various integration challenges faced by migrants;
- **Demand-driven**: support tailored to the local needs of the cities or local and regional authorities and flexible to changing circumstances (i.e. possibility to adjust the Investment Strategy easily);
- **Increased knowledge base**: attracting of knowledge and skills from private sector, including financial intermediaries ensuring the sound management of the funds, and using the expertise of financial intermediaries to identify and select well-prepared projects;
- **Enhanced cooperation**: encouraging cooperation across government and across sectors with a win-win approach for every participating entity and creating a system of synergies in financial public-private cooperation;
- **Catalytic effect**: providing the critical mass of funding to attract financial intermediaries (e.g., microfinance institutions) and private investors to commit resources and expertise to the city.

What are my main roles and responsibilities?

The local level of public administration plays a key role in integrating third-country nationals when they arrive in their host country. Integration happens at every level and in various sectors involving all areas where migrants live, work and are educated. In particular, cities and LRAs can **leverage (additional) resources** to provide social assistance and realise social impact investments, expand and improve the impact of these investments and promote sustainable and inclusive development of local communities.

A Managing Authority may enter into a Funding Agreement with a local authority to implement a financial instrument, such as a **microloan fund**. This can be done without the need for a selection procedure as under Art. 12(4) Public Procurement Directive (PPD)[20], **direct award** of contracts is permitted between two authorities subject to compliance with the conditions set out in the Article[21]. Further, Art. 59(3)(d) CPR permits the direct award of Funding Agreements for the implementation of financial instruments to bodies falling within Art. 12 PPD.

Municipalities can also play a crucial role in **creating networks** between key stakeholders active in the area of integration of migrants. They can also help with the development of the pipeline of projects to be supported through a financial instrument.

Own Boss Migrants Programme, the Netherlands

eigenbaas

The 'Own Boss Migrants Programme' (Het EigenBaas migrantenprogramma) is a good example of successful partnerships between municipalities and other public and private stakeholders. The programme is a result of a collaboration of Qredits (a key MFI in the Netherlands) with the municipality of Rotterdam, the Albeda College and the Dutch Council for Refugees.

The consortium set up a programme of 10 weeks of training, coaching and e-learning courses to inform migrants about entrepreneurship in the Netherlands. The programme consists of three hours of classes and three hours of tutoring per week.

During the course, participants learned inter alia how to draw up a business plan and what a financial plan looks like. They were also provided an opportunity to gain knowledge about laws and regulations in the Netherlands and could benefit from networking opportunities and support from other participants.

On a case-by-case basis, Qredits can also issue business loans to migrants/refugees with short-term residence permits (shorter than loan term) if they come from countries currently listed as 'not safe' and if an extension of the permit is expected.

Similar support schemes involving municipalities can be potentially implemented using AMIF and other EU shared management Fund resources.

20 Directive 2014/24/EU.

21 For further information, please consult EC Regulatory Guidance on the selection of bodies implementing financial instruments https://www.fi-compass.eu/publication/ec-regulatory-guidance/ec-regulatory-guidance-guidance-member-states-selection-bodies and fi-compass Knowledge Hub - Selection of financial intermediaries https://www.fi-compass.eu/sites/default/files/publications/fi-compass%20Knowledge%20Hub%20-%20Selection%20of%20financial%20intermediaries_2.pdf.

I am a social service provider

Social service providers, such as civil society organisations, educational institutions, employers and socio-economic partners, social economy organisations, churches, religious communities, youth and student organisations, play a key role in realising an effective and comprehensive integration policy.

What are the advantages of using financial instruments for me?

- **Access to finance**: increased ability to apply for financial resources to undertake projects supporting migrant integration. Potential to finance riskier projects and to benefit from more affordable financing conditions;
- **Combination of financial instruments and grants**: potential to benefit from two forms of support, with one set of rules governing both;
- **Coherence of actions**: strengthening and improving the performance and impact of the initiatives;
- **Corporate governance**: provision of business and management assistance;
- **Quick financing**: possibility to receive more advance payments compared to using grants only;
- **Development of networks**: contribution to the development of solid networks of service providers and other civil society organisations providing social services.

What are my main roles and responsibilities?

Social service providers in the EU can usually co-fund their projects supporting integration of migrants as **beneficiaries of grants** under funding instruments. In case of support for migrant integration through financial instruments, this stakeholder group can potentially benefit from such offer as final recipients (as beneficiaries of support from financial instruments are the bodies implementing the financial instrument). Financing through a financial instrument can be provided either standalone or in combination with a grant component.

Considering providing support through financial instruments makes sense if the financed projects have a revenue-generating or cost-saving character, allowing the resources to be paid back. Social service providers may **generate revenue** from contracts with public authorities, payments from service users or revenue from third parties (e.g. through a café or other facility). **Cost savings** may be generated through works to make buildings more energy efficient or investments to improve their overall resource consumption efficiency. In such cases, social service providers should consider applying for financing from EU shared management Fund financial instruments.

Social service providers can participate in **pilot projects** involving support for migrants and/or financial instruments on European, national, regional and local level. These create opportunities for potential future promoters of financial instruments to build new partnerships to develop an innovative proposal that may in the future lead to participation in a financial instrument operation, whether as a body implementing the instrument, final recipient or other stakeholder. An example of such a pilot project is the Partnerships and Financing for Migrant Inclusion (PAFMI) pilot[22], a Union Action financed by DG HOME and managed by the Council of Europe Development Bank (CEB).

ATHENA: supporting migrant women entrepreneurship in the EU

athena

The ATHENA project, concluded in 2023, aimed to improve services, support and policies for migrant women entrepreneur in the EU and included a range of activities such as business development services (BDS) provided to this vulnerable group. The project successfully applied to the AMIF Union Action call for proposals in 2019 dedicated to transnational actions. It aimed to contribute to the economic and social integration of migrant women in the EU by creating a specific entrepreneurial path. The maximum grant amount for the ATHENA project amounts to just over EUR 700 000 of AMIF Union Action resources.

Thanks to the project, migrant female entrepreneurs received support at all stages of their entrepreneurial journey. Female migrant entrepreneurs were also guided in the process of obtaining finance to start their business. The ATHENA project itself did not provide the microfinance loan but created links to microfinance institutions (MFIs) which could provide them with the necessary microloans, thanks to the EU support for microfinance, for example through InvestEU or European Investment Bank Group financing.

22 Partnerships and Financing for Migrant Inclusion (PAFMI): https://coebank.org/en/partnering-with-donors/migrants-and-refugees/promoting-integration-of-migrants-in-europe/.

The project's findings confirm that many migrant women in the EU are entrepreneurial and potentially interested in using microloans to finance their entrepreneurial ideas. However, they often struggle to obtain the necessary financing from the traditional banking sector. They are also often unaware of the support potentially available to them, e.g. through microfinance. Furthermore, the conditions of microloans need to be affordable to migrant women entrepreneurs – this is a potential area where support through EU shared management Funds such as AMIF and/or ESF+ could come in. In addition, migrant women require also tailored non-financial support via business development services (such as personal assessments, training and technical assistance) to guide them through the elaboration of their business plan, understanding the legal requirements of their new homeland and acquiring digital skills.

The project has delivered *inter alia* a main report on migrant women needs to become entrepreneurs, targeted needs/demands assessments for the participating Member States, reports of good practices, policy recommendations, support materials and activities for migrant women entrepreneurs, capacity-building of professionals as well as dedicated support for obtaining financing for their business activities from various support schemes. For further information, please consult the website of the ATHENA project[23].

Learn also about the impact of the support of the ATHENA project in this fi-compass article[24].

Mums@Work: Supporting migrant mothers' labour market integration – example of Offenbach county, Germany

MUMS AT WORK
SUPPORTING MIGRANT MOTHERS' LABOUR INTEGRATION

Mums@Work is an AMIF Union Action funded project aiming to increase employability, sustainable income and integration of migrant mothers in the EU. The project provides personal and group counselling, job orientation/placement and civic rights training to migrant mothers in France, Germany, Cyprus, Italy, Spain and the Netherlands.

Childcare shortage is a major structural issue in many EU Member States, preventing women employment because of caregiving duties. It is also an issue in the Offenbach county where ca. 16% children lack access to childcare. Pro Arbeit, the municipal job centre of the Offenbach county, Germany, participates in the Mum@Work project as coordinator. Its measure qualifying mothers with a migrant background to become childminders was developed to improve the local childcare offer, allowing mothers to (re-)access employment. Participating migrant women can receive advice on business start-up and self-employment e.g. in order to become a childminder ('Tagesmutter' for children below 3 years old). The project aims to create a replicable policy model for such integration.

Similar support schemes can be potentially implemented using AMIF and other EU shared management fund resources through microfinance combined with business development services.

More information on Mums@Work: https://www.pa-epm.de/german/projekte/mums-at-work/.

23 https://athenaproject.net/.
24 fi-compass article 'Turning adversity into opportunity': https://www.fi-compass.eu/f/fi-compass-news-summer-2023/turning-adversity-into-opportunity.html.

How do I start as a Managing Authority?

Take advantage of relevant learning and capacity building opportunities

Once a Member State has taken the decision to examine the options for using financial instruments for integration, the Managing Authority could organise a reflection process on the nature and scope of the instrument. fi-compass can help with the launch and development of this process. It offers a broad range of capacity building activities such as targeted coaching, thematic workshops and other events. It also offers a broad library of fi-compass publications including the Union regulatory framework, factsheets, studies, case studies and video material.

This **advisory offer is available free of charge** and without an obligation to proceed with financial instruments. It is advisable also to look for relevant best practice examples[25], from which the Managing Authority can acquire important lessons learnt about success factors, typical challenges and ways to overcome them.

The Commission services encourage the Managing Authorities interested in testing the use of financial instruments to make use of the opportunity to have **targeted coaching** sessions organised by the EIB. The session can bring together a range of stakeholders, such as migrant organisations, different government departments at central level having a stake in the integration of third country nationals, national promotional banks and other financial intermediaries at national level, foundations, umbrella organisations of local and regional authorities, social services, representatives of municipalities with large migrant communities etc.

Identify the gaps in the current base line situation, possible sectors and policy objectives to be potentially addressed with the financial instrument

Following a gaps analysis, the Member State needs to **choose the policy objectives and sectors** to be potentially tackled with the financial instrument(s), e.g. support to microfinance and accompanying business development services (BDS), support for temporary housing, education or employment support via social outcome contracting. The Managing Authority can then come in and identify the options for the use of the financial instrument within the national programme with respect to the policy objectives (target group, incentives, exclusions, etc.) which should translate into **eligibility criteria** under the investment strategy (see below).

25 The fi-compass resource library features many examples of financial instruments: https://www.fi-compass.eu/resources/product.

Identify EU resources that fit best the sectors and policy objectives to be adressed

In the area of integration of third-country nationals, particular attention should be paid to the question which EU resources are most appropriate, considering the **nature or scope of the activities** to support. AMIF supports early integration, the development of integration strategies and the interaction between third-country nationals and the host society. The mandate of the ESF+ is to support non-segregated public services in Member States, such as social services, health care, access to employment and education, and this Fund can therefore support mainstreaming such services for third-country nationals. It may also support active labour market measures and encourage entrepreneurship, including for third country nationals. ERDF may provide support for infrastructure projects such as social housing.

Good practice would be for the Managing Authority of AMIF to set up a **coordination mechanism** with other Managing Authorities, notably those responsible for the ESF+ and the ERDF on the needs of the target population and the possible design of financial instruments. Moreover, Managing Authorities are invited to examine the extent to which the EIB and other banks have developed under InvestEU and financial instruments benefitting the integration of third-country nationals, such as guarantees or loans for affordable housing.

Create an internal team dedicated to the process

It is crucial to build an internal team that will deal with the financial instrument throughout its **entire lifecycle**: from first considerations, through its design, set-up and implementation, up to its winding up. Financial instruments require a specific kind of expertise: robust policy knowledge as well as financial skills. The team could be composed of persons with different kinds of expertise and roles (such as a representative of the Managing Authority, a representative of the department responsible for integration policies etc.). Together, the experts would be responsible for i.e. undertaking/supervising the ex-ante assessment, fine-tuning the investment strategy, carrying out the necessary modifications of the national programme as well as supervising/reporting of the implementation.

Get in touch with potential bodies implementing the financial instrument to discuss options and timeline

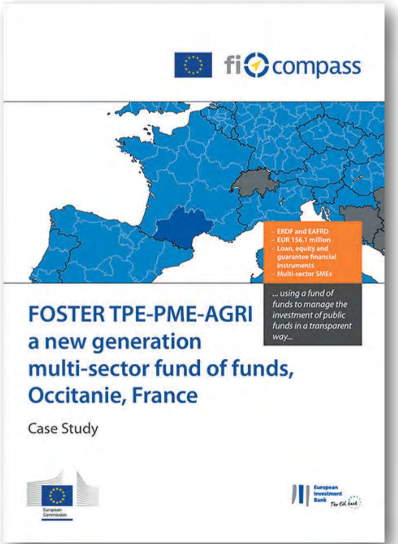
The majority of Managing Authorities implements financial instruments through a Holding Fund or Specific Fund structure. Before a decision is made to use a part of the available EU resources for a financial instrument, it is appropriate to examine modalities and success factors with entities with sufficient experience in the use of financial instruments, for instance in the form of a workshop / brainstorming session (without any commitment by the Managing Authority as to whether the financial instrument be set up). **Initial contact with bodies implementing financial instruments** (financial intermediaries) and their early involvement in the considerations of the instrument is of paramount importance for its later successful implementation.

How to capitalise on EIB Group expertise and resources

The EIB Group, including the EIB and the EIF, can support Managing Authorities considering to implement financial instruments through its:

- Advisory services, e.g. through fi-compass,
- Mandate management services: the CPR allows managing authorities to entrust the EIB or EIF by direct appointment through a funding agreement to establish a holding fund and act as its manager, and
- Lending services: providing additional lending to increase the size of the financial instrument.

An example of such support is described in the fi-compass case study, 'FOSTER TPE-PME-AGRI a new generation multi-sector fund of funds, Occitanie, France'[26]. The Holding Fund manager for these financial instruments is the EIF, specialising in risk financing to small and medium-sized enterprises (SMEs).

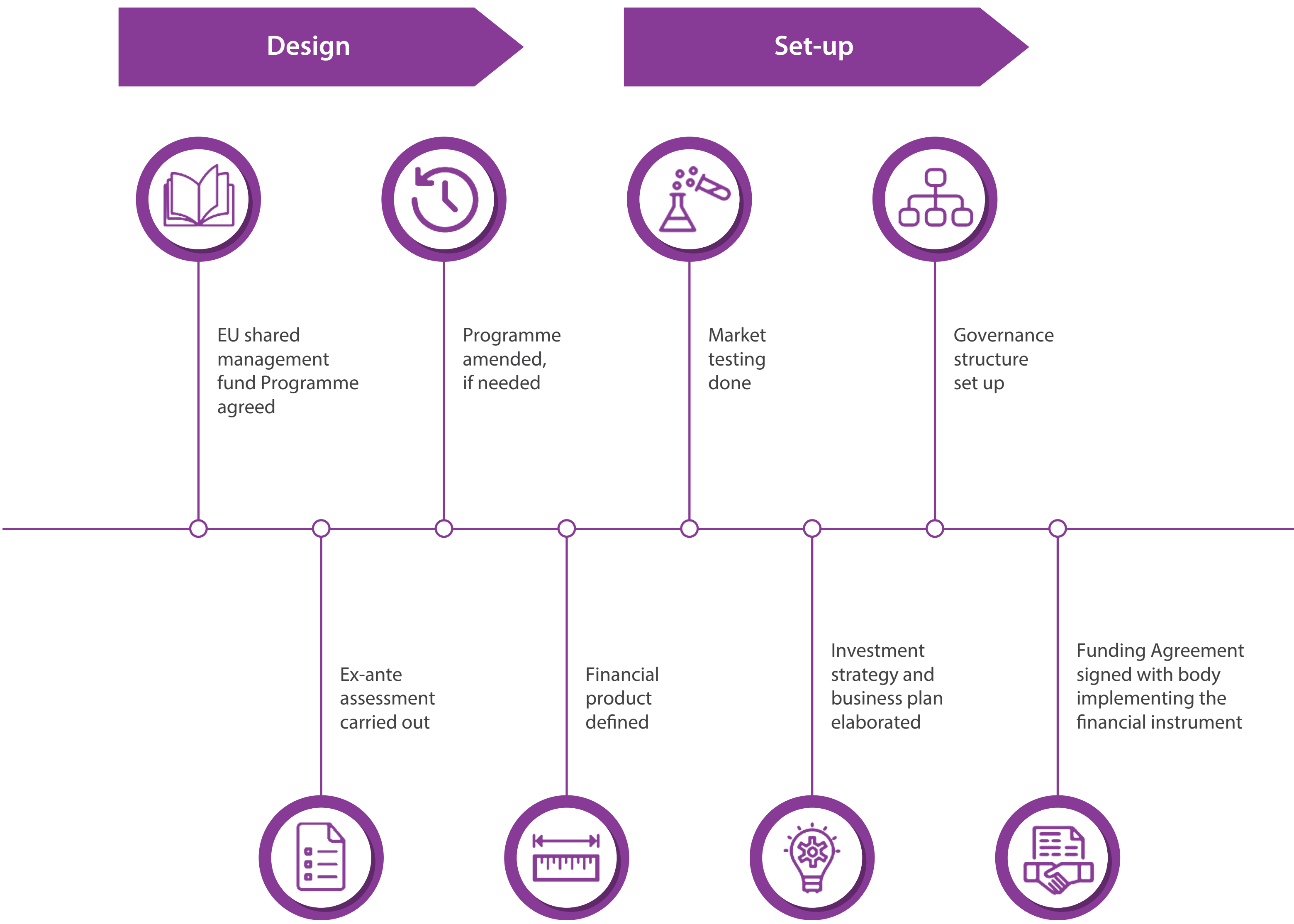


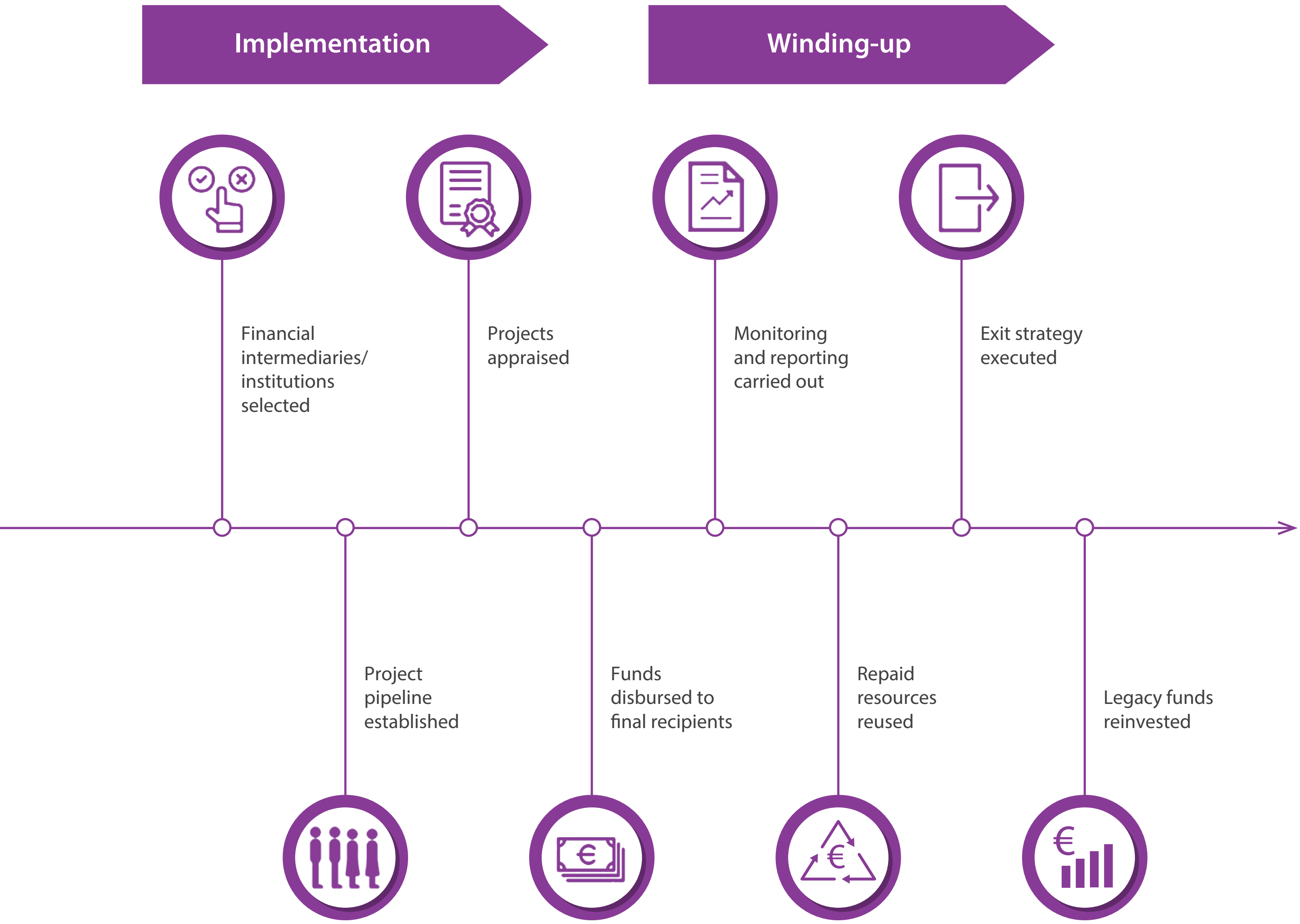
Benefits of working with the EIB Group:

- Strong track record of setting up and managing financial instrument Holding Funds for Managing Authorities;
- Implementing fully-fledged and well-tested instruments;
- Strong partner in relationships with over 400 financial institutions;
- High security due to the AAA rating;
- Avoidance of potential conflict of interest;
- Transparency in the management, including due diligence procedure;
- Continuous monitoring and reporting on the progress of deployment.

26 fi-compass case study FOSTER TPE-PME-AGRI a new generation multi-sector fund of funds, Occitanie, France: https://www.fi-compass.eu/publication/case-study/foster-tpe-pme-agri-new-generation-multi-sector-fund-funds-occitanie-france.

Financial instruments lifecycle and key milestones




Implementation
Winding-up
Financial intermediaries/ institutions selected
Projects appraised
Monitoring and reporting carried out
Exit strategy executed
Project pipeline established
Funds disbursed to final recipients
Repaid resources reused
Legacy funds reinvested

Further reading / weblinks

Legal base:

- Common Provisions Regulation[27] and their relevant delegated and implementing acts
- AMIF Regulation[28]

EC resources:

- Action plan on Integration and Inclusion 2021-2027[29]
- Toolkit on the use of EU funds for the integration of people with a migrant background 2021–2027 programming period[30]

fi-compass resources:

- fi-compass factsheet: Asylum, Migration and Integration Fund (AMIF) – Financial instruments
- fi-compass factsheet: Financial instrument products[31]
- fi-compass factsheet: Financial instruments working with microfinance[32]
- fi-compass factsheet: Financial instruments working with social entrepreneurship[33]
- fi-compass learning videos[34]

27 Regulation (EU) 2021/1060 of the European Parliament and of the Council of 24 June 2021 laying down common provisions on the European Regional Development Fund, the European Social Fund Plus, the Cohesion Fund, the Just Transition Fund and the European Maritime, Fisheries and Aquaculture Fund and financial rules for those and for the Asylum, Migration and Integration Fund, the Internal Security Fund and the Instrument for Financial Support for Border Management and Visa Policy: http://data.europa.eu/eli/reg/2021/1060/2023-03-01.

28 Regulation (EU) 2021/1147 of the European Parliament and of the Council of 7 July 2021 establishing the Asylum, Migration and Integration Fund: http://data.europa.eu/eli/reg/2021/1147/2022-04-12.

29 Action plan on Integration and Inclusion 2021-2027: https://eur-lex.europa.eu/legal-content/EN/TXT/PDF/?uri=CELEX:52020DC0758&from=EN.

30 Toolkit on the use of EU funds for the integration of people with a migrant background 2021–2027 programming period: https://data.europa.eu/doi/10.2776/319860.

31 fi-compass factsheet: Financial instrument products: https://www.fi-compass.eu/publication/brochures/financial-instrument-products.

32 fi-compass factsheet: Financial instruments working with microfinance: https://www.fi-compass.eu/publication/brochures/factsheet-financial-instruments-working-microfinance.

33 fi-compass factsheet: Financial instruments working with social entrepreneurship: https://www.fi-compass.eu/publication/brochures/factsheet-financial-instruments-working-social-entrepreneurship.

34 fi-compass learning videos: https://www.fi-compass.eu/resources/learning-videos.

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