fi compass AMIF

advancing with financial instruments

Asylum, Migration and Integration Fund

Financial instruments

European Commission

European Investment Bank The EU bank

DISCLAIMER

Abbreviations

Abbreviation	Full name
AMIF	Asylum, Migration and Integration Fund
BDS	Business development services
BMVI	Border Management and Visa Policy Instrument
CPR	Common Provisions Regulation
EaSI	EU Programme for Employment and Social Innovation
EFSI	European Fund for Strategic Investments
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
ISF	Internal Security Fund
MFF	Multiannual Financial Framework
MFI(s)	Microfinance institution(s)
NGO(s)	Non-governmental organisation(s)
NPBI(s)	National promotional bank(s) and institution(s)
SIB	Social impact bond
SME(s)	Small and medium-sized enterprise(s)

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Glossary

Based on inter alia definitions from Art 2 Common Provisions Regulation (CPR, 2021/1060).

Managing authority: a national ministry / regional authority / local council, or another public or private body responsible for the efficient management and implementation of an operational programme.

Financial instrument: a form of support delivered via a structure through which financial products are provided to final recipients.

Final recipient: a legal or natural person receiving support from the Funds from the financial instrument.

Body implementing a financial instrument: a body, governed by public or private law, carrying out tasks of a holding fund or specific fund.

Financial intermediary: private sector financial institutions or national promotional banks providing loan, equity and guarantee products to final recipients of a financial instrument.

Holding fund: a fund set up under the responsibility of a managing authority under one or more programmes, to implement one or more specific funds.

Beneficiary: the body that implements the holding fund or, where there is no holding fund structure, the body that implements the specific financial instrument or, where the managing authority manages the financial instrument, the managing authority.

Shared management: the Commission entrusts the Member States with implementing programmes at national level and MSs allocate the funds to end recipients (e.g. companies, farmers, municipalities, etc.).

This factsheet introduces the potential use of financial instruments in the area of integration of migrants under the Asylum, Migration and Integration Fund (AMIF) and presents the key features of the various financial instrument products that could be relevant in this EU policy area. The publication addresses mainly managing authorities in charge of AMIF and other relevant funds (e.g. ESF+, ERDF) as well as financial intermediaries, municipalities and all other stakeholders involved in programming of resources and implementation of projects for migrants and refugees (third-country nationals).

1. Introduction

Migration and home affairs are an increasingly important part of EU policy. In the programming period 2021-2027, the Asylum, Migration and Integration Fund (AMIF), together with the Internal Security Fund (ISF) and the Instrument for Financial Support for Border Management and Visa Policy (Border Management and Visa Instrument, BMVI), are included in the shared management funds subject to provisions of the Common Provisions Regulation (CPR, 2021/1060).

For the first time, AMIF financing may be deployed through financial instruments, i.e. loans, guarantees and equity/quasi-equity. The migration policy objectives falling under AMIF cover asylum, integration and return. For the integration of third-country nationals it covers the early stages of integration. Other EU shared management funds support interventions with a longer term impact, in particular ESF+ and ERDF and potentially the Social Investment and Skills Window of InvestEU.

Financial instruments, often in combination with grants, provide an alternative financing mechanism to the more traditional grant-only funding, that can be deployed by managing authorities to support a number of economic activities that can directly or indirectly support AMIF objectives. Since the JEREMIE and JESSICA initiatives in the 2007-2013 programming period and the launch of fi-compass in 2015, the use of financial instruments under EU shared management funds has increased substantially, providing a pool of knowledge and experience that can help the design and implementation of financial instruments under AMIF in the 2021-2027 period.

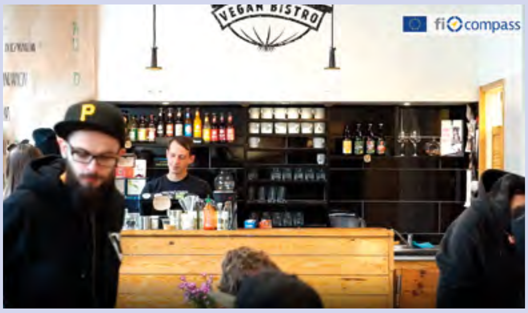
Spółdzielnia Margines Café, Poland

ESF microloan EUR 18 900

A microfinance financial instrument set up with ESF resources provided a loan of EUR 18 900 to set up the Vegan Bistro in Warsaw, Poland. The young entrepreneurs used the microloan to purchase kitchen equipment.

As well as providing excellent quality vegan food, the café is staffed by workers drawn from vulnerable groups, including migrants, providing them employment and training opportunities.

Watch the fi-compass video case study to find out more.



AMIF financial instruments can support a range of different reception and early integration measures tailored to the needs of third-country nationals. These can be combined with grants, both in a single financial instrument operation and as separate operations to provide horizontal measures for capacity building in the Member States, including non-financial support, such as mentoring, coaching and training for the creation and development of enterprises engaged in services supporting the target groups.

AMIF's scope is limited to support to third-country nationals. Bearing in mind this perspective, key sectors in which AMIF financial instruments may be deployed could include, *inter alia:*

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.

A total of EUR 9.9 billion of funding has been committed to AMIF by the European Commission for the 2021-2027 period. This AMIF budget increased significantly compared to the previous programming period. Approximately 50% of this budget is allocated to Member State programmes upfront, while the remaining parts will be available subsequently for specific priorities under the thematic facility according to emerging but yet unforeseen needs, as well as in the form of a top-up (amounting to 10% of the overall budget) to national programmes after the mid-term review in 2024.

Equipped with greater resources and the regulatory framework of the CPR on financial instruments, AMIF managing authorities, working with partners such as municipalities, financial institutions and non-governmental organisations (NGOs), are encouraged to use the new opportunities to develop financial instruments supporting the integration of migrants for the 2021-2027 programming period. These can help address financing gaps in key markets in Member States to support the reception and early integration of third-country nationals as part of the EU's coordinated approach to the management of migration.

2. Objectives – the Action Plan on Integration and Inclusion 2021-2027

Activities supported by AMIF aim to 'empower, optimise and leverage', providing strategic support and building capacity to enable stakeholders to pool resources and develop and deliver coherent actions. An overview of AMIF interventions is set out in the Annex to this factsheet.

In practical terms, AMIF-backed support can range from the provision of comprehensive language training and civic orientation programmes for third-country nationals to investments in infrastructure, such as construction, refurbishment and adaptation of reception centres and building of temporary housing for migrants.

The European Commission's Action Plan on Integration and Inclusion 2021-2027[1] (the Action Plan) articulates how effective integration and inclusion of migrants and EU citizens with a migrant background contributes to making European societies more cohesive, resilient and prosperous. In the Action Plan, Member States are encouraged to use AMIF alongside other EU shared management funds such as ESF+ and ERDF to support programmes and measures to help achieve the Action Plan's objectives, whilst bearing in mind the scope of AMIF.

The Action Plan identifies four main sectoral areas.

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

1 Education	2 Employment	3 Health	4 Housing
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.

1 Communication from the Commission to the European Parliament, the Council, the European Economic and Social Committee and the Committee of the Regions, Action plan on Integration and Inclusion 2021-2027. COM(2020) 758 final.

2.1 Education

With respect to education for children with a migrant background, proposed activities for support include measures towards a more inclusive educational policy (such as new pedagogical methods, extracurricular activities and mentorships). The recognition of skills and qualifications of migrants, together with training and capacity building for teachers and social workers will also help support the Action Plan's objectives. The sectoral area of education includes also the provision of language training and civic orientation programmes for third-country nationals starting upon their arrival.

2.2 Employment

The inclusion of migrants into the EU labour market is recognised as an essential activity that requires multi-stakeholder support. AMIF can support services related to the assessment of skills and qualifications acquired in third countries. The Fund can provide support also for inclusive entrepreneurship and foster vocational trainings for third-country nationals.

Migrant entrepreneurs are often faced with various barriers (institutional, market-related, cultural) in accessing loans, the lack of credit history in the host country and the lack of available collateral, often combined with substandard business plans generally resulting in higher interest rates as a compensation of the higher risk profile. Beneficiaries of AMIF support can be service providers of various forms of training aimed at enabling third-country national jobseekers to access the labour market.

2.3 Health

AMIF can also contribute to the third priority area identified in the Action Plan, namely facilitating migrants' access to general health services, including mental health, as well as social care adapted to their needs by supporting service providers engaged in these fields. Supported measures can include training of specialised personnel in reception centres, provision of supplies/equipment (hygienic and sanitary products) and information campaigns.

2.4 Housing

Access to affordable and adequate housing is the fourth key sector for supporting the inclusion of migrants. The construction and refurbishment of units, coupled with measures to ensure migrants can access housing solutions are vital to foster inclusion and community building. Member States are encouraged to deploy shared management funds, including AMIF, to promote adequate and affordable housing, including social housing, in line with identified needs at local and national level.

3. Financial instruments and migration policy

3.1 Potential use of financial instruments supporting the integration of migrants

3.1.1 Rationale for using financial instruments by managing authorities

The key rationale for the use of financial instruments is the optimisation of the use of public funds when such resources are scarce and the needs of financial support to the EU policy objectives are large and complex. Under these circumstances, authorities need to identify among the different delivery forms of interventions which ones can address specific policy objectives in the most effective and efficient way.

Financial instruments represent an efficient and sustainable use of public funds, thanks to their revolving nature which allows the re-use of the resources once they are repaid by the final recipients, their leverage effect by attracting additional co-investment, as well as their design tailored to specific needs of the final recipients.

Financial instruments also allow the diversification of public resources. They are specialised in risk financing for the benefit of final recipients (public and private bodies, including both natural persons and legal entities) where the circumstances for investments are constrained by market failure (or suboptimal investment situations) that create obstacles in accessing funds in the financial market. A significant number of investment projects in the reception and early integration of third-country nationals could fall under that category.

When it comes to activities that are marketable/profitable, but the returns are not sufficient or their timeframe is too long to attract private investors, financial instruments can provide the much-needed flexible way of financing. This is also the case when the monetisation of the impact is difficult due to the social character of the investment. The creation, growth and development of social enterprises supporting and providing services to third-country nationals could indeed lack the necessary financial contribution from the private sector alone. These important, but less profitable investments can be catalysed through financial instruments, mobilising the private sector and creating high public value added at the same time.

3.1.2 Principles of using financial instruments under shared management

When designing the interventions, managing authorities should ensure that the financial instrument does not duplicate public support or crowd out private financing.

The regulatory base highlights also the principle of Union added value, which implies that financial support from the Fund should concentrate on actions for which EU intervention can bring added value compared to actions supported by Member States resources alone.

These instruments should also be proportionate, which means that they must be suitable to achieve the desired policy goals without distorting the internal market. This principle, in practical terms translates into the requirement to carry out an ex-ante assessment, justifying the use of financial instrument as an appropriate and necessary means to tackle the financing gap.

3.1.3 Strategic approach for the implementation of financial instruments

Financial instruments bring together stakeholders from both the public and private realms and are able to integrate multiple policies with different but complementary initiatives. This is important, as the complex challenges related to migration policy should be addressed simultaneously in order to achieve better results on the ground.

For that, a strategic and coordinated use of resources is paramount. The inclusion of AMIF under the CPR allows for a simplified implementation and financial management of the resources and helps to benefit from synergies with operations supported by other EU shared management funds through a strategic view in the programming and the harmonisation of interventions across funds.

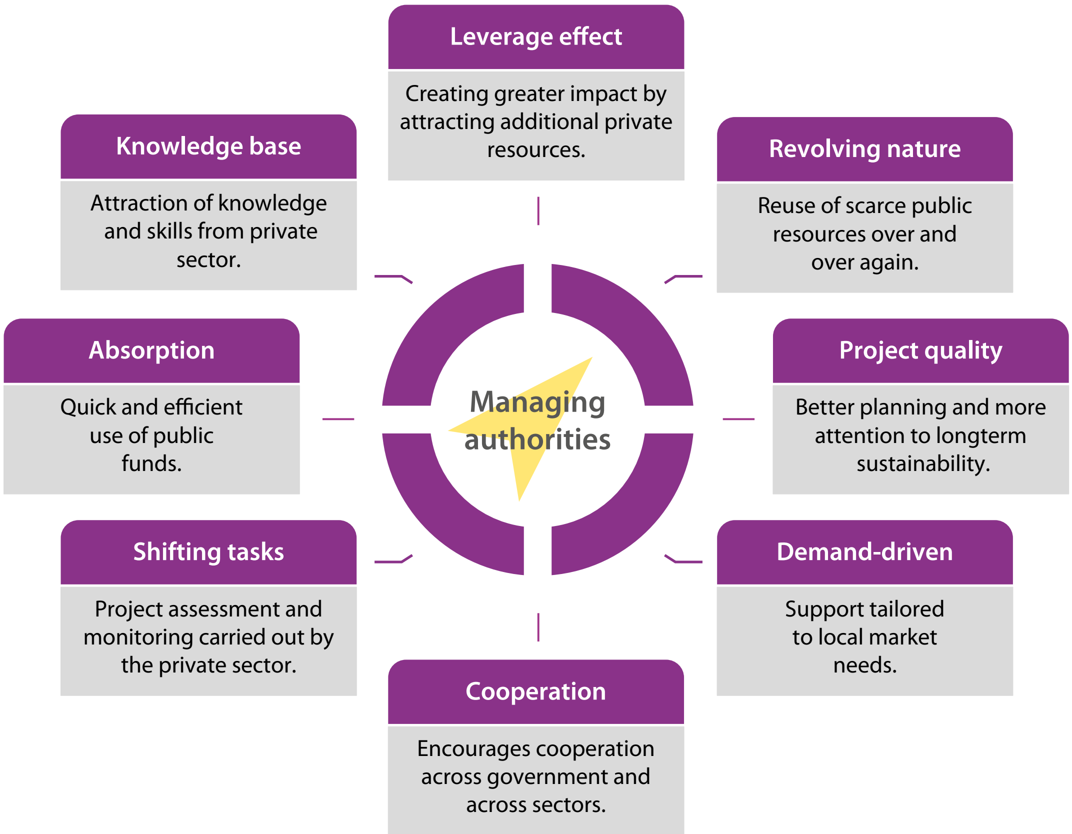
Importantly, financial instruments should be treated as an additional tool to support AMIF policy objectives and not a substitute for grants, which will continue to be an important tool for AMIF managing authorities in the 2021-2027 period. However, where projects generate revenue and/or cost savings, financial instruments should be considered as offering a more effective way of deploying EU shared management resources, whilst also providing effective, market orientated support for final recipients.

3.2 Benefits of financial instruments for different stakeholder groups

3.2.1 Managing authorities

Financial instruments are seen as a smart way to use public funds as they can create greater impact in the economy through leverage mechanisms attracting additional private resources, therefore allowing managing authorities to do more with less. Another fundamental advantage for the public purse and the wider economy is that the money is more efficiently used, since it is paid back and can then be used over and over again for other investments, thus providing financial resources to more and more potential applicants. Key advantages for managing authorities are summarised in the box below.

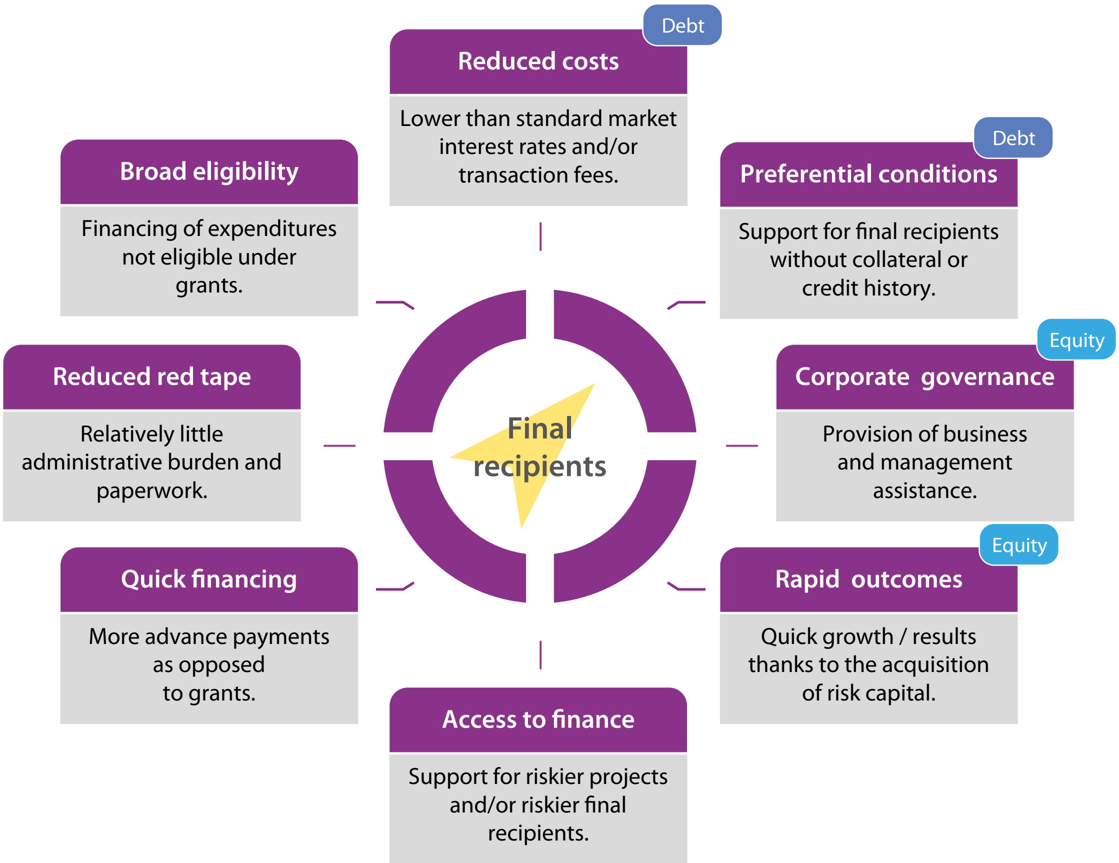
Figure 2: Benefits of financial instruments for managing authorities



3.2.2 Final recipients

At the level of final recipients, financial instruments can facilitate access to finance particularly for riskier projects and for final recipients lacking sufficient own resources, credit history or collateral. The benefits also include leaner decision-making process for receiving support and getting the funding upfront. Final recipients can also access tailored business development support before, during and after the financial operation. Key advantages for final recipients are summarised in the box below.

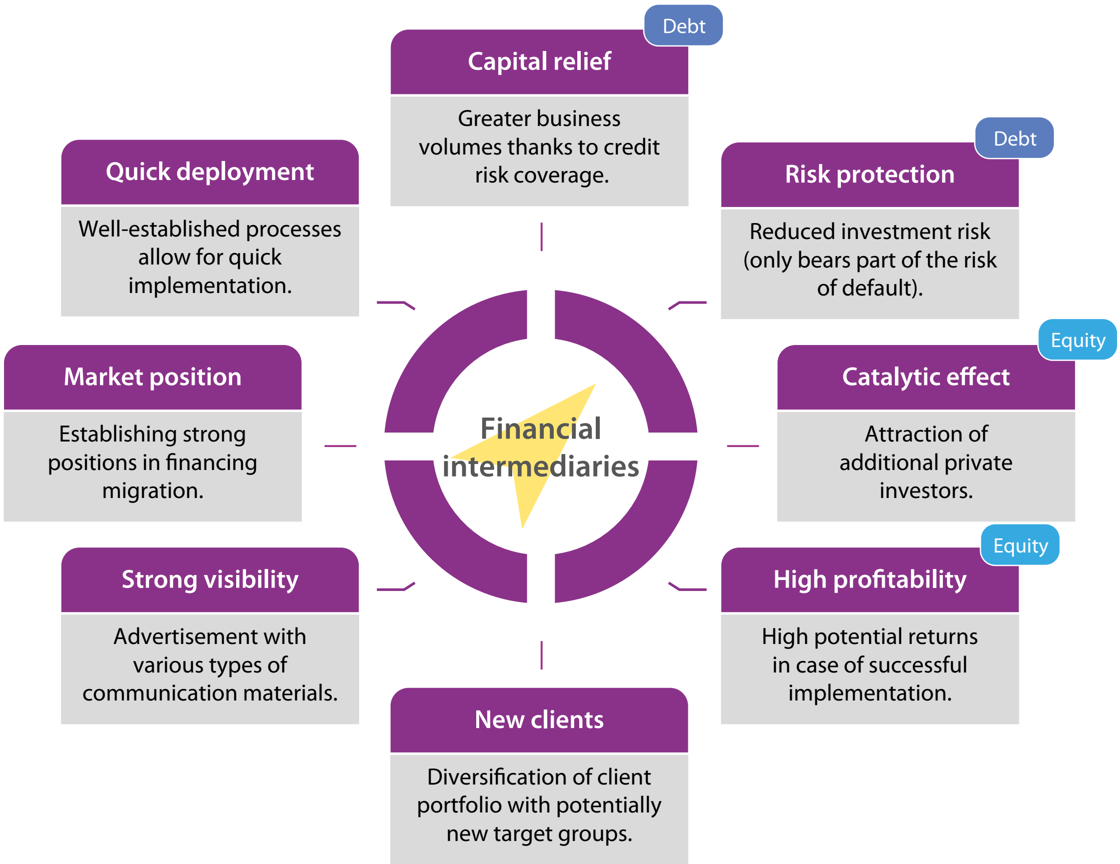
Figure 3: Benefits of financial instruments for final recipients



3.2.3 Financial intermediaries

Financial instruments enable financial intermediaries selected by the managing authority to undertake greater business volumes by providing credit risk coverage on a loan-by-loan basis. This could bring new clients and strengthen the market position of the financial intermediary. Further key advantages for financial intermediaries are summarised in the box below.

Figure 4: Benefits of financial instruments for financial intermediaries



3.3 Activities for support by financial instruments under AMIF

3.3.1 General eligibility requirements

The projects supported by financial instruments should be financially viable, therefore able to generate revenues or cost savings to pay back the finance. The bankability of the investments is normally ensured via specialised financial intermediaries in charge of selecting and reviewing the business projects to be supported.

Support can be provided for investments in tangible and/or intangible assets as well as working capital. The use of financial instruments is restricted to new investments. Therefore, only the elements of the business plan, which are not physically completed or fully implemented at the date of the investment decision shall be financed.

Although there is no limitation regarding the use of financial instruments with respect to eligible expenditure under AMIF, the key consideration for managing authorities when designing their programme is to identify potential revenue generating or cost saving activities that support the integration of migrants in line with the Action Plan. In practice, three types of interventions have been identified which might be particularly suitable for AMIF supported financial instruments, potentially in combination with grants in a single operation.

3.3.2 Microfinance

Targeting individuals and micro-enterprises who lack access to traditional market-based finance, microfinance can take the form of small loans (microcredit), support with savings and bank accounts and micro-insurance and payment systems. Typically provided by specialist microfinance institutions (MFIs), which are governed by the European Code of Good Conduct for Microcredit Provision, recipients of microfinance also benefit from 'non-financial support', provided by the MFI in the form of business development support (BDS).

Due to its specialist nature, microfinance is well adapted to support vulnerable/disadvantaged groups such as migrants, leveraging the non-financial support to work alongside other capacity building measures (such as language training / civic orientation) to enable third-country nationals to successfully start new businesses.

In a recent report[2], the European Commission concluded that the "microfinance model has proven its effectiveness for labour market integration and social inclusion." It went on to say that "further action at EU level is crucial to strengthen microfinance markets targeting vulnerable groups in particular." Under InvestEU, the EU-wide guarantee scheme initiated under the EaSI programme in 2014-2020, will continue to be developed by the European Investment Fund (EIF) in the 2021-2027 period. At the same time, EU shared management funds, including AMIF, may be deployed by managing authorities to support local MFIs, including smaller more specialist providers, to complement the InvestEU support.

2 Microfinance in the European Union: Market analysis and recommendations for delivery options in 2021-2027.

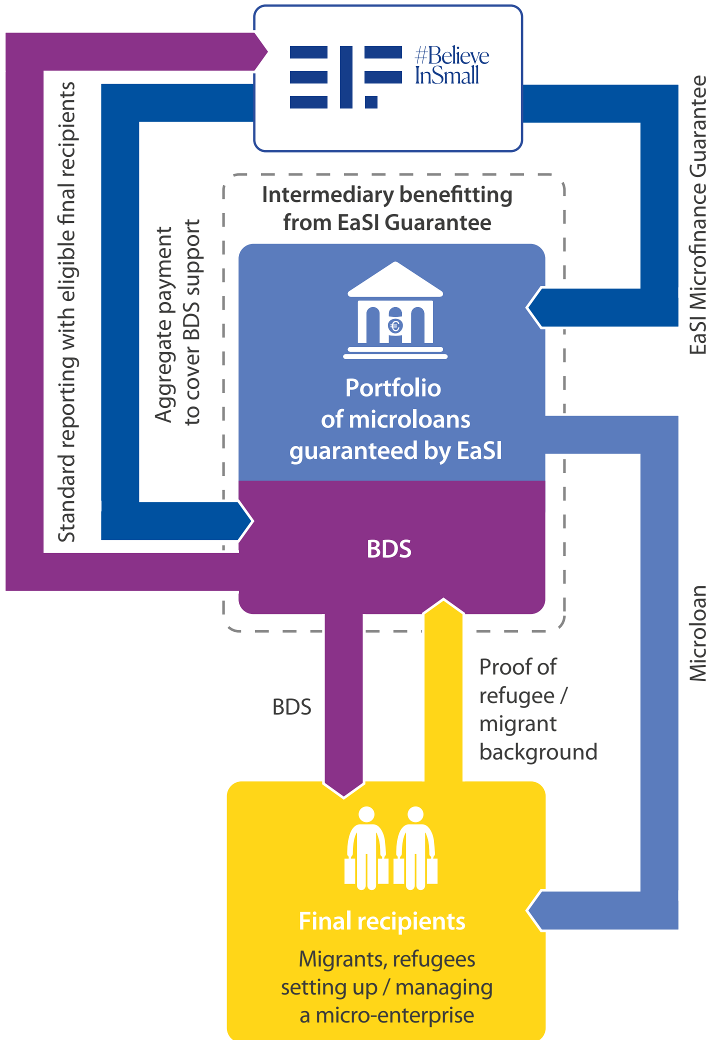
EaSI Business Development Services (BDS) Pilot

This pilot initiative within the EaSI programme was first launched in 2015 with an EUR 1 million contribution to stimulate the financial and social inclusion of migrants and refugees. It has fostered the provision of non-financial support, such as mentoring, coaching and training, to micro-borrowers and micro-enterprises.

The objective was to provide partial coverage for the costs incurred by financial intermediaries when providing such services for the target group that are often confronted with a challenging environment when setting up and developing a business in the host country (e.g. language barriers, administrative burden, lack of knowledge of local legislation).

Through EaSI, financial intermediaries received a lump sum of EUR 400 per final recipient with a migrant background, if they provided (directly or indirectly) the business development support service to the final recipient.

As at end 2021, nine financial intermediaries were included in the programme and some 1 750 migrants and refugees have benefited from it.



Source: EIF

The increased scope to use grants in combination with financial instruments further extends the potential to develop microfinance operations to support third-country nationals. For example, grants may be used alongside a microfinance instrument to meet the incremental cost associated with providing ‘non-financial support’ to migrant communities. This would harness the skills and experience of local MFIs to work with AMIF managing authorities and other partners such as municipalities, NGOs and social enterprises and investors.

3.3.3 Housing and infrastructure

The use of financial instruments to invest EU shared management funds to support integrated urban development is well established, providing low cost, longterm loans with reduced collateral requirements to enable public and private promoters to finance urban projects. The development and refurbishment of housing forms an essential part of urban development and AMIF resources could be deployed as part of a package of financing to help promote access to housing for migrant communities.

Sustainable urban and housing development also contributes to wider EU policy objectives, in particular the European Green Deal and the Urban Agenda for the EU. The renovation of buildings has been singled out as a critical factor in achieving the target to make Europe climate neutral by 2050. The European Commission's strategy, 'A Renovation Wave for Europe – Greening our buildings, creating jobs, improving lives', aims to double the annual building renovation rates in the next 10 years, reducing emissions, enhancing quality of life and creating green jobs in the construction sector. In parallel, the New European Bauhaus has been launched to reimagine sustainable living in Europe and beyond, to develop creative solutions to seize the opportunities created by the green and digital agenda to transform the lives of EU citizens for the better.

These EU initiatives are expected to stimulate the refurbishment and delivery of housing and infrastructure and AMIF resources may be contributed towards financial instrument operations, including in combination with grants, to ensure the developments are inclusive and accessible in line with AMIF objectives.

3.3.4 Social impact investing

Social impact investors typically seek to provide equity and quasi-equity finance to enterprises seeking to achieve a social return alongside a financial return, ranging from 'not for profit' social enterprises providing services in the education and training field to innovative start-up companies developing a new product in the healthcare sector. The common feature of all investments will be the so-called 'double bottom line' of a social as well as financial return, coupled with a market orientated investment strategy delivering a rigorous professional-led appraisal process.

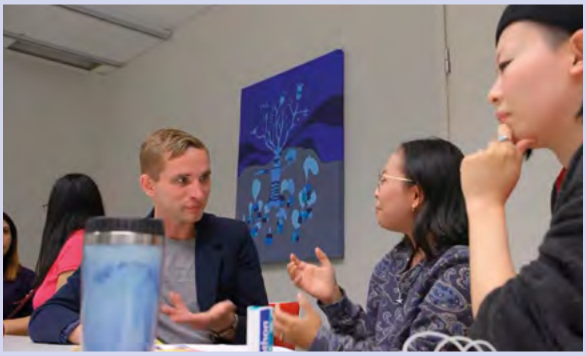
The social impact investing sector is fast growing, reflecting a growing interest in this class of investment assets. Depending on the type of investment fund, investors can include pension funds and other financial institutions as well as more philanthropic investors who are less concerned about a financial return but recognise the benefits of the financial instrument model for identifying high quality final recipients likely to achieve the social outcomes under the fund's investment strategy.

EU shared management funds can be used to set-up equity financial instruments that can act as cornerstone investors attracting additional resources to the fund. This in turn can be used to stimulate the social impact investment ecosystem in the Member State concerned attracting new talent in the sector amongst fund managers, professionals and investors as well as supporting entrepreneurs in the social sector.

Social outcomes contracting, where a provider of a social service is remunerated through a 'payment by results' type contract can also be supported through social impact investing. An equity financial instrument may invest in the company being set up to take on a social outcomes contract project, providing it with the liquidity it needs to set-up and operate the service pending commencement of service payments.

KOTO SIB programme

Launched in 2017, the KOTO SIB programme was set up in Finland to facilitate access to employment for immigrants. The project is funded through a social impact bond (SIB), a form of social outcomes contracting that draws on private capital in order to finance innovative social projects. The size of the fund is EUR 14.2m.



In this model, investors have the opportunity to contribute to solving a social issue in society and the government only pays if pre-agreed outcomes are achieved.

In this particular case, the performance indicators are defined as:

1) decrease in the need for the labour market subsidy, and

2) increase in tax revenue for those participating in the programme compared to the control group.

A programme manager was selected by the government to implement the programme and raise funds. Several different companies from the training and recruitment sector were identified and contracted by the programme manager as social service providers on the ground. They provide migrants with work-life oriented training to help them access employment.

For more information, read the European Investment Advisory Hub's (EIAH) case study and watch the video on the KOTO SIB programme.

4. Financial instrument products

Financial instrument products include loans, guarantees and equity/quasi-equity. When choosing the most suitable product, it is important to understand the key features and differences of these main financial product types.

4.1 Loans

When sufficient or affordable financing is not available via commercial loans, financial instruments could step in with better terms and conditions than standard lending, including lower interest rates, longer maturities and more lenient requirements as regards credit history or collateral.

Loan instruments are considered to be a popular way of financing thanks to their relatively low risk and the fact that they are easy to manage and because of the predefined repayment schedule, the money can be reinvested quickly.

Figure 5: Flow of funds under a loan scheme

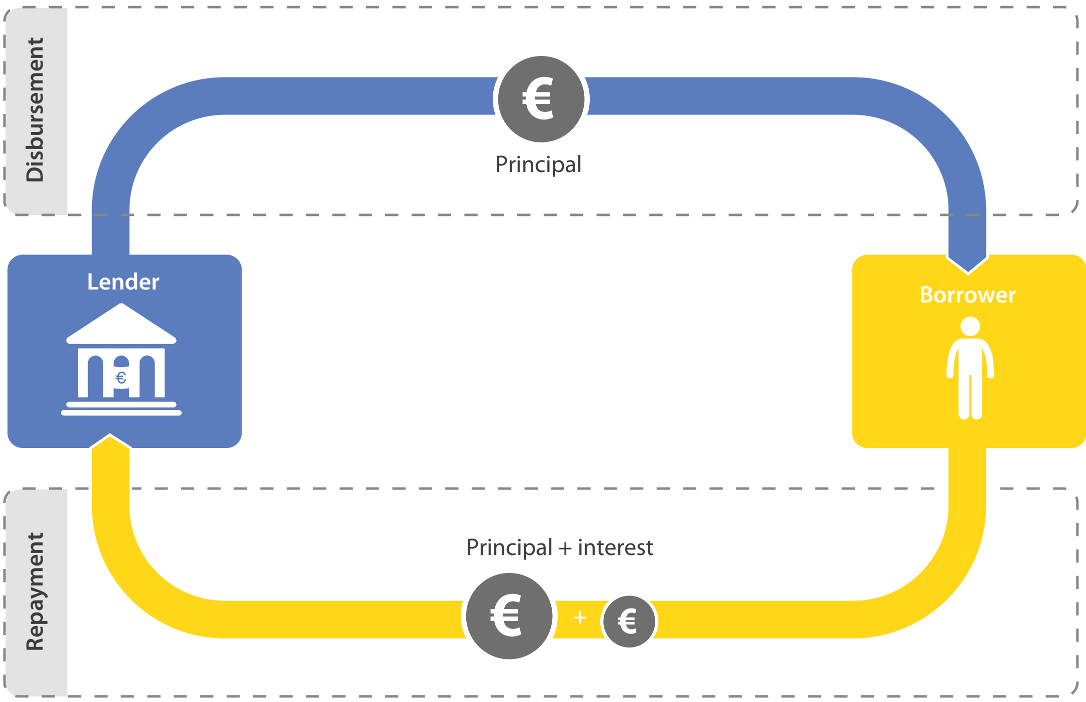
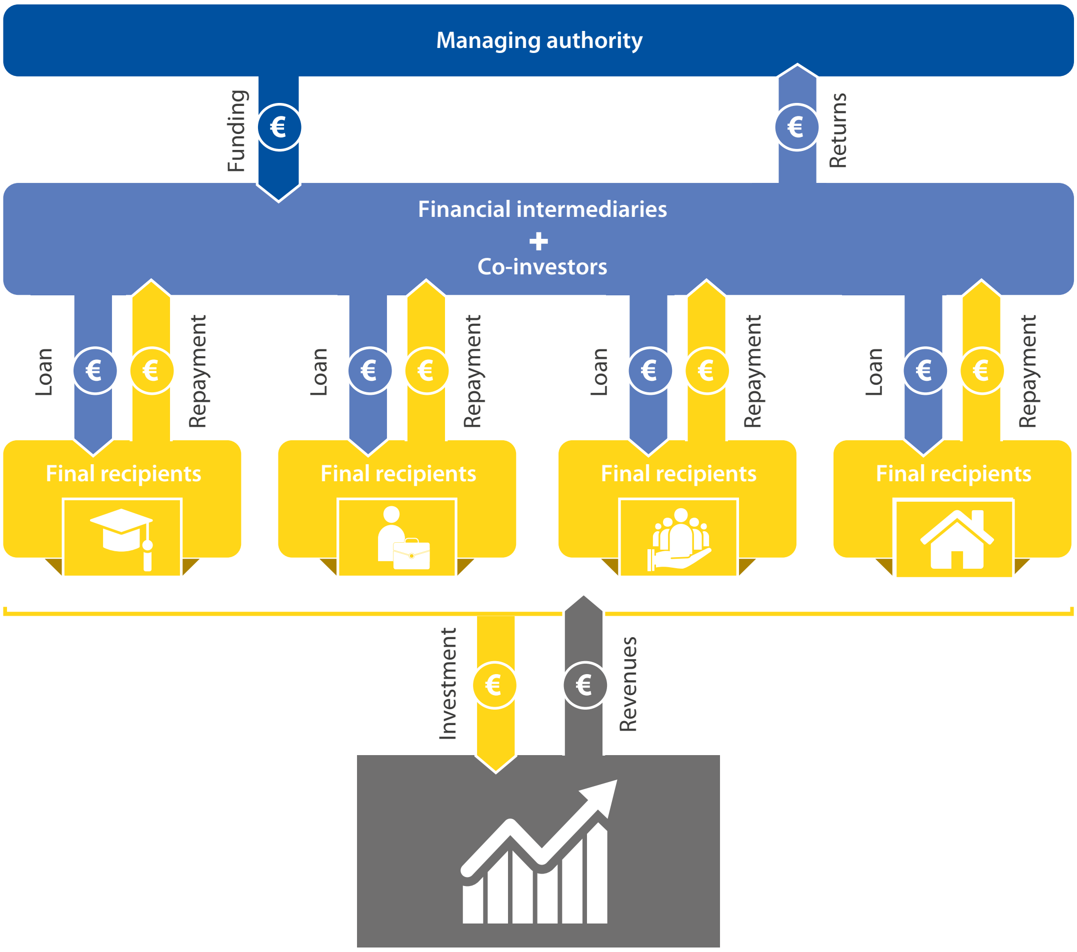


Figure 6: Structure of a loan product



Under AMIF, potential types of financing could include microcredit to support self-employment and the creation of small businesses for third-country nationals, with affordable repayment conditions.

4.2 Guarantees

The guarantee provided to commercial banks could help lending take place, when otherwise the banks would be reluctant to engage in financing, or to decrease the costs of lending for final recipients, when the standard lending conditions would not be affordable for them.

Guarantee instruments require less funding from the managing authorities due to the multiplier effect of the financial product. The actual leverage depends on the proportion of the risk reserve of the loans provided by the commercial banks.

Figure 7: Scheme of a portfolio guarantee

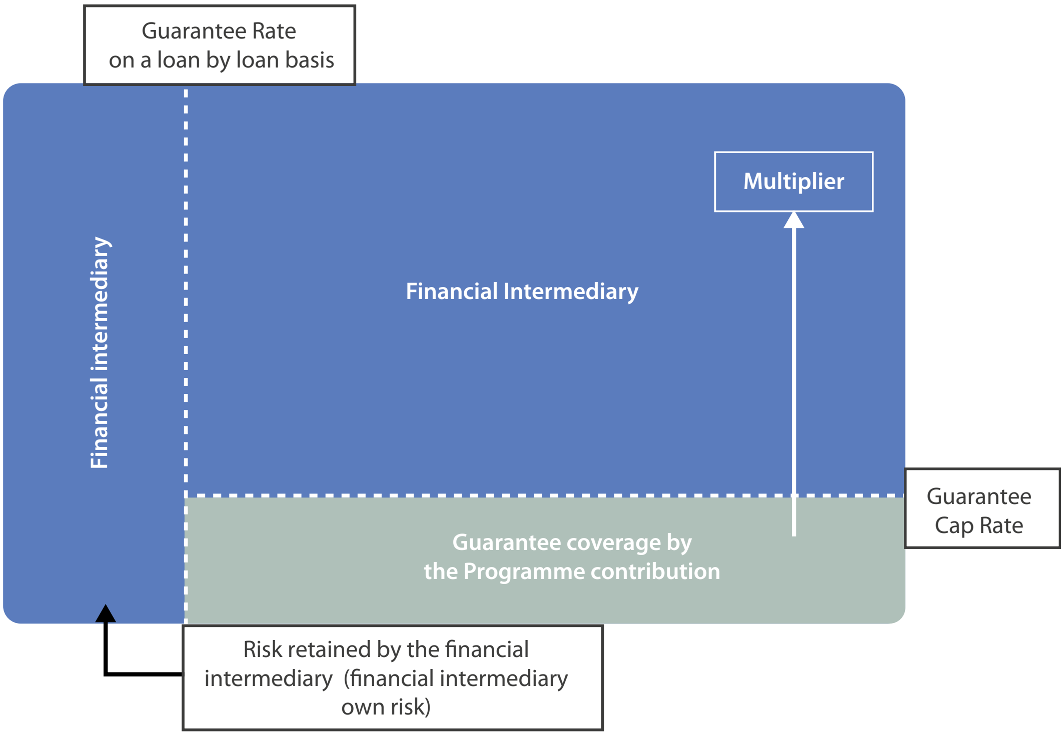
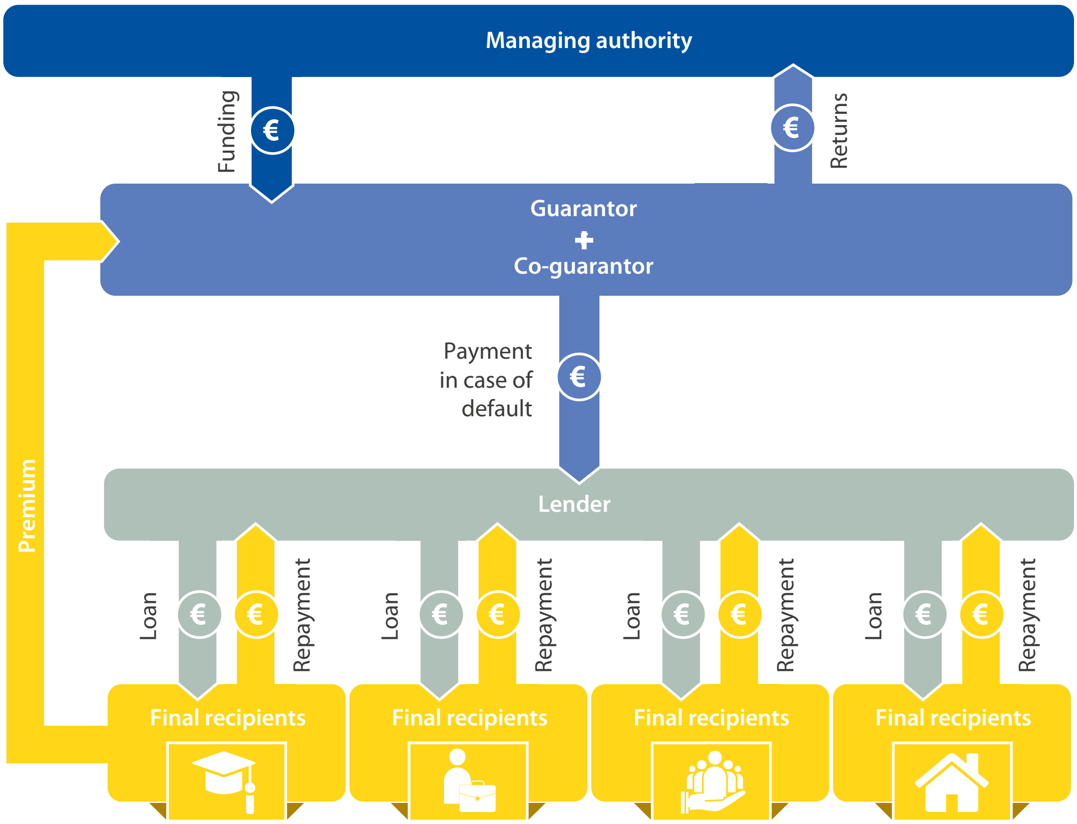


Figure 8: Structure of a guarantee product



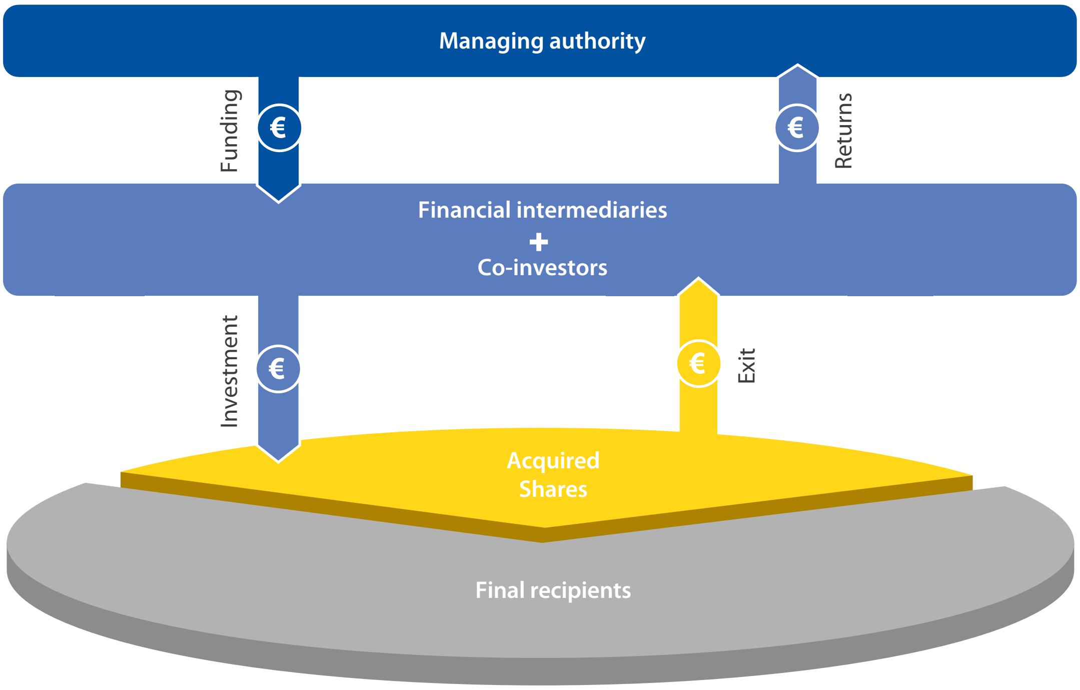
Under AMIF, potential types of financing could include:

- 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.
- 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.

4.3 Equity/Quasi-equity

Equity investors assume part ownership of the company and in return share the profit and losses of the company. It allows entrepreneurs to boost their company by sharing the financial risks especially in the early stages of development. Equity instruments in general stimulate riskier business projects and start-ups with the prospect of achieving high growth in the future.

Figure 9: Structure of an equity product



Quasi-equity can be structured in different ways, varying between being closer to equity or debt finance according to the level of ownership acquired and the exposure to loss in the event of default. Read the fi-compass publication 'Quasi-equity finance for SMEs – fi-compass model financial instrument' for more information on quasi-equity.

Under AMIF, potential types of financing could include:

- Capacity building: to build up social service providers' institutional capacity by strengthening operational capabilities, developing IT infrastructure, training of staff and investments in working capital or to provide seed financing support for newly established entities.
- Social outcomes contracting: to support social service providers with the service provider's compensation linked to predefined social outcomes.

For more information on the different financial instrument products, their features and their pros and cons, please consult the fi-compass publication 'Financial instruments products' and the fi-compass learning video about financial instruments products.

5. Combination of support and synergies

5.1 Synergies with other EU funds

Actions financed under the Fund should be consistent with and complementary to actions financed under other Union instruments. In the area of integration of migrants, for the programming period 2021-2027, other relevant instruments include in particular ESF+ and ERDF as well as the Social Investment and Skills Window of InvestEU.

In general, the delineation between the other shared management funds is defined as AMIF focusing its support on early integration measures, whereas the other Funds support medium and long-term integration. AMIF may also be more limited in scope as it can in principle only support actions that benefit third-country nationals, i.e. not EU citizens or nationals of the Member States with a migrant background. It is the Member States' responsibility to ensure coordination and harmonisation between the Funds with respect to target groups and scope of intervention in order to avoid duplication during implementation.

For example, when it comes to investment in infrastructure and housing, both AMIF and ERDF can be relevant sources of funding for Member States. However, there are demarcation lines between the two. First, in terms of target groups, AMIF focuses exclusively on third-country nationals, whereas the relevant actions under ERDF target a much broader cluster of people including those with a migrant background. Secondly, differentiation between the two funds shall be made by eligibility according to the type of the investment. Temporary infrastructure (e.g. containers, barracks) and accommodation for reception as well as the construction of permanent infrastructure for reception are not a policy priority under ERDF, as it focuses mainly on the building of longterm accommodation and social housing, which is not eligible under AMIF.

There are strong synergies between AMIF and ESF+, in particular in relation to education, employment and inclusion measures. AMIF generally focuses on actions implemented during the arrival and reception phase, while ESF+ supports medium to longterm integration, although there is no clear demarcation between the eligibility criteria of the different Funds, allowing support to overlap considerably. As regards the target groups, minimum 25% of ESF+ should be dedicated to support certain vulnerable groups, which also includes third-country nationals, like AMIF, but also other target groups that are Member State nationals (disadvantaged groups, marginalised groups, people at risk of poverty), including children.

5.2 Combination with grants and other EU funds

Financial instruments can be combined with grants and in such case, the same expenditure item might also be covered by both types of support provided that the sum does not exceed the total amount of the expenditure item concerned.

With respect to combinations, the new CPR has introduced a simplification compared to the previous programming period, since it allows the implementation of a single operation covering both the grant and the financial instrument, with one funding agreement and with both types of support provided by the financial intermediary. In case of such single financial instrument operation, the rules related to financial instruments would guide the implementation of both types of support[3].

3 For further information, please read the fi-compass factsheet 'Combination of financial instruments and grants'.

When it comes to 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. In that case, one fundamental rule is that cumulative funding should not exceed the total eligible costs of the supported action.

6. Implementation of financial instruments

The Member States are responsible to ensure that the implementation measures are adequately addressed in the national programmes and they are consistent with the Action Plan on Integration and Inclusion 2021-2027 referred to in Chapter 2.

6.1 Programme amendment

Financial instruments can be introduced during the implementation of the national programme. For that, the programme can be amended any time, subject to compliance with the Union rules. This includes the submission of a reasoned request together with the amended programme by the Member State and the approval of the amendment by the Commission. The latter would take maximum four months after the submission of the request. The national programme should include for each specific objective the planned use of financial instruments.

6.2 Ex-ante assessment

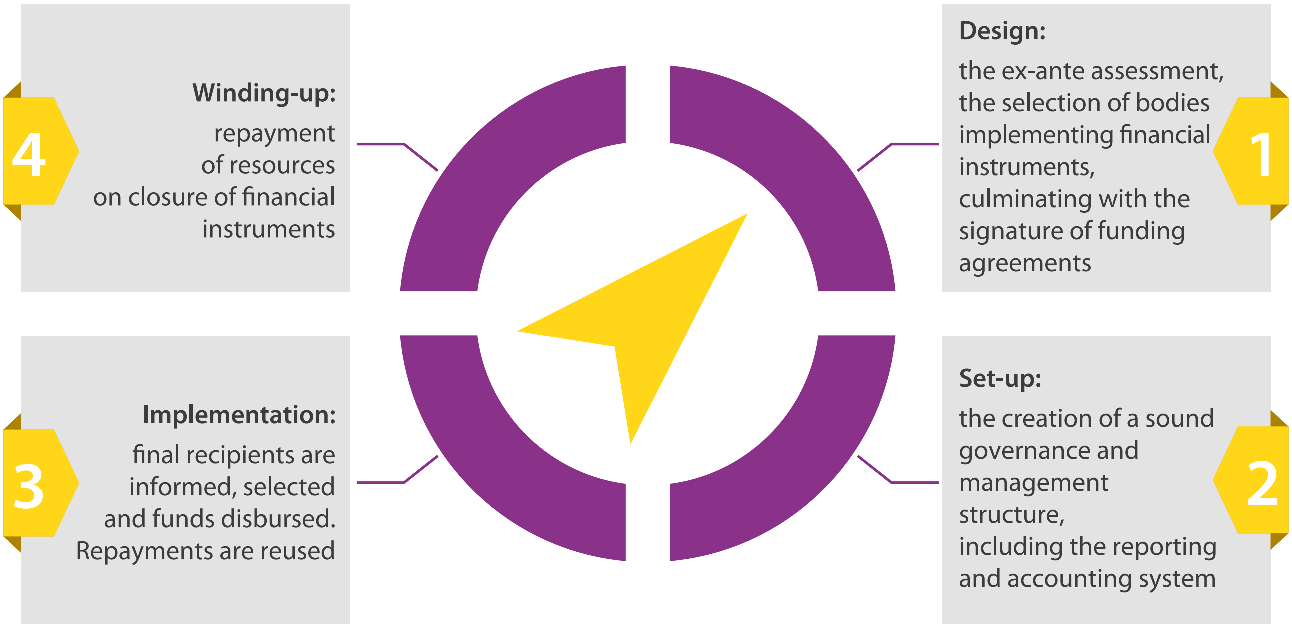
Prior to launching any financial instrument, an ex-ante assessment should be carried out substantiating the existence of a financing gap due to market failure and providing evidence that the financial instrument is the adequate and necessary means addressing that. The ex-ante assessment should also identify the financial product(s) most suitable for the intervention according to market needs and the financial context. The recommendations as regards the product type should also take into account the type of the supported projects and the target final recipients. The ex-ante assessment should be completed before any programme contribution is made to the financial instrument.

6.3 Implementation

Financial instruments can be implemented either directly by the managing authority (in that case, only loan and guarantee instruments are feasible), or indirectly through a body implementing the financial instrument that is selected, or directly appointed in case of the EIB Group or national public banks and institutions (NPBIs), by the managing authority.

The managing authority shall set out the terms and conditions for the implementation of the financial instrument in a funding agreement and investment strategy. The funding agreement sets out the roles and responsibilities of the managing authority and the bodies implementing the financial instrument, e.g. to manage the bank accounts of the Fund, to pursue the investment strategy, to select financial intermediaries and negotiate operational agreements with them in case of a delegated model, as well as to monitor implementation of the financial instrument.

Figure 10: The lifecycle of a financial instrument



Financial instruments require a strong partnership among the stakeholders, not only at the time of launching the instruments by signing the funding agreement, but throughout its entire lifecycle, from market assessment and product design until the ramp-up of the instrument. These include the managing authority, the fund manager and financial intermediaries (i.e. the bodies implementing the financial instrument). The governance of the financial instrument and the rules of implementation are well regulated in contractual agreements between the parties, e.g. funding agreements, operational agreements and inter-creditor agreements.

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.

Annex – Overview of AMIF interventions

GENERAL OBJECTIVE	**Effective management of migration flows and development of the common policy on immigration**			
GENERAL ACTIONS	• Development of strategies • Setting up of administrative systems • Establishment of contact points • Monitoring and evaluation activities		• Exchange of information • Assistance and support services • Protection of children, including guardianship systems • Awareness raising	
SPECIFIC OBJECTIVE	ASYLUM	INTEGRATION	RETURN	COOPERATION SOLIDARITY AND FAIR SHARING OF RESPONSIBILITY
MEASURES	• **Common European Asylum System** • **Infrastructure capacity and services** • **Partnership with third countries** • **Technical and operational assistance**	• **Legal migration acquis** • **Regular entry and residence** • **Managing migration with third countries** • **Social/economic inclusion of migrants**	• **Infrastructure, procedures, services acquis** • **Coordinated return management** • **Assisted voluntary return** • **Readmission in third countries**	• **Solidarity/cooperation with third countries** • **Transfer between Member States**
SPECIFIC ACTIONS	• Provision of material aid • Support services for asylum procedures • Identification of applicants with need for specialised services • Provision of specialised services • Reception accommodation infrastructure • IT capacity development for information management • Resettlement and humanitarian admission schemes • Protection systems in third countries • Alternatives to detention (incl. non-institutionalised care for minors)	• Awareness raising campaigns • Mobility schemes (circular/temporary migration) • Cooperation activities between third countries and Member State services • Recognition of skills and qualifications of third-country nationals • Family reunification • Assistance for the acquisition of changed status of third-country nationals • Assistance for exercising rights of third-country nationals • Integration programmes (e.g. education, training, civic orientation) • Equal access to public/private services • Coordinated integration-support centres • Active participation in receiving society • Intercultural and inter-religious dialogues • Capacity building of integration services	• Open reception or detention infrastructure • Alternative measures to detention • Forced-return monitoring systems • Countering of incentives for irregular migration • Preparation of returns • Cooperation with the consular authorities and immigration services • Return assistance • Removal operations • Returnee's sustainable return and reintegration • Facilities and support services for temporary accommodation/reception • Cooperation with third countries to counter irregular migration • Awareness raising of the legal channels • Actions in third countries to improve effective cooperation	• Transfers to another Member State ('relocation') • Support by a Member State to another Member State (second staff, financial assistance) • Resettlement • Humanitarian admission

Notes

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