

## BEST PRACTICE IN MICROFINANCE

### *Expanding financial inclusion to populations with a refugee or migrant background*

The best practices summarised in this case study were collected during an **EaSI Technical Assistance for Microfinance** workshop with the aim to increase financial and non-financial support for people from a refugee or migrant background. The workshop brought together more than 60 participants from international financial institutions (IFIs), regulators, banks, Microfinance Institutions (MFIs), social enterprises and civil society, as well as entrepreneurs and academics with a refugee background.

Despite the significant number of 23 million individuals with a non-EU citizenship living in the EU, many people with a refugee or migrant background still **experience limitations in accessing any financial support and provision**. Many financial institutions have concerns about serving these groups of individuals, who may be treated as high-risk or transient clients.

This situation contrasts with the aims of the [EU Action Plan on Integration and Inclusion 2021-2027](#) that considers migrant entrepreneurs important to contributing to economic growth, creation of new jobs and to support the post COVID-19 recovery within the EU.

EU programme for Employment and Social Innovation (EaSI) supports these vulnerable groups by:

- EaSI Financial Instruments to provide access to finance
- EaSI Technical Assistance (TA) to enhance employment opportunities

Relevant examples and success stories within MFIs and banks can be found e.g. in [Belgium](#), [Italy](#), [Luxembourg](#) and the [Netherlands](#).

#### Quick facts about populations with a refugee or a migrant background in the EU

**23** million or 5.1% of the EU population is represented by non-EU citizens (migrants, refugees or asylum seekers)

26 % of citizens of other EU Member States and **45 %** of non-EU citizens living in the EU faced the risk of social exclusion in 2019.

Unemployment rate gap of **7.8%** between people born outside the EU and native-born citizens.

#### Where do we stand?

Since the most recent influx of refugees to the EU member states in 2015, the inclusive finance industry has worked to broaden access to financial and non-financial services for populations with a refugee or a migrant background, or an asylum-seeking status. The inclusive finance industry strives to tackle financial exclusion challenges, facing language and policy barriers, as well as issues related to lack of information, by implementing a series of pilot projects and services.

For instance, the **Business Development Services (BDS) pilot** under the EaSI Guarantee Initiative for individuals with refugee or migrant background aims to contribute to their financial and social inclusion. The objective is to provide partial coverage of the expenses made by MFIs when providing BDS, and ultimately, engaging and unleashing potential amongst these vulnerable groups of individuals when initiating new business activities.

One of the interesting highlights, reported by most MFIs and funders, who shifted their focus towards serving individuals with refugee or migrant background, lays **on a par or even better performance** compared to national borrowers, especially when supported through provision of non-financial services as tailored trainings or BDS. However, to have effective results it is crucial that this target groups' segment is well understood and aligned with a long-term strategy of the MFI or bank.

For those MFIs and banks that serve residents with refugee or migrant background, this offers **an attractive growth prospect**, potentially a new segment of typically loyal clients, and increased visibility and access to additional funding opportunities.

#### Key lessons from the EaSI Technical Assistance workshop for MFIs and banks:

- **No special products needed:** Products designed exclusively for individuals with a refugee or a migrant background can be counterproductive. Instead, providers should ensure unbiased eligibility criteria and access to well-tested products and services for all customers, despite their nationality or immigrant background.
- **Assure credit guarantees in the initial stage only:** Research shows that borrowers with a refugee or a migrant background perform as well or even better than nationals, proving that guarantees for these borrowers are mainly needed at the initial stage only.
- **Know your customer:** Institutions that hire individuals with a refugee or a migrant background as outreach officers get to understand the new client segment faster, tend to break down stereotypes, and manage to overcome perceived risks.
- **Secure advocacy support:** Send key advocacy messages to policy makers to have them recognise the rights of individuals with a refugee or an asylum-seeker status to business ownership and employment.