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POLICY NOTE on Sector proposals following EIB's announced support for refugees

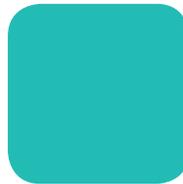


With financial support from the European Union



The European Investment Bank has recently announced its support for the refugee crisis as part of a concerted European response and in close partnership with the Member States and the European Commission.

In order to offer a better understanding of the crisis, EMN & MFC would like to provide a summary of the situation in several European countries as regards the microfinance sector and refugees:



France

24 000 refugees will be arriving in France in the next two years. France has the second highest number of asylum requests in Europe after Germany: 66 251 in 2013 (a 7.8% increase over the previous year).

Asylum applications are quite localised in France, with over 66% of them made in the regions of Ile-de-France, Rhône Alpes, Outre-Mer, Alsace and Provence-Alpes-Côte d'Azur.

French authorities are discussing the possibility of accepting Syrian refugees' applications within a two-week period.

The French Government will allocate EUR 279 million to welcoming refugees and asylum seekers: €85 million for the first phase of reception of refugees and their immediate accommodation; €114 million for the framework that will make up the second phase of their life in France; €65 million will go towards supporting cities that voluntarily welcome refugees; €8.5 million will be dedicated to French-language learning and training for migrants.

30% of MFI clients in France are people of immigrant background (outside of the current refugee crisis). MFIs can only work with refugees legally authorised by the OFPRA to stay on French soil, and not asylum seekers. Asylum seekers have to wait approximately a year before being authorised to request a «temporary work authorisation» or a temporary residence permit. Both documents enable asylum seekers to engage in trade/industrial activity through the creation of a micro-enterprise or an employed job. As soon as they have their refugee status, MFIs can support their projects.



Serbia

Serbia is mainly a transitional country as most of the refugees seek to go to Western European countries. However, it is possible that a small number will decide to stay in Serbia and that an even larger number will be returned to Serbia after their asylum seeking applications are refused elsewhere.

According to news sources, since August 2015 83,000 have arrived in Serbia and in one day alone there can be about 500 asylum applications. However, the Serbian UNHCR reports that up to 364,000 asylum seekers registered in Serbia in 2015, and, in October alone, 180,000 of them stated they want to seek asylum. By October, the Serbian UNHCR had delivered humanitarian aid to refugees to the amount of 2.4 million USD. Towards the end of 2015 and with winter approaching, this figure was expected to grow to 8.7 million USD.

UNHCR expects an average of 5,000 refugees, originating from Syria and other countries, to arrive via Turkey per day, resulting in a total of up to 600,000 arrivals in Croatia, Greece, Serbia, Slovenia and the Former Yugoslav Republic of Macedonia.

The nationality of the refugees who are passing through or deciding to remain in Serbia is estimated as follows: over 50% are from Syria, 23% from Afghanistan, 10% from Iraq with the remaining originating mainly from African countries and Pakistan.

The Serbian Government stated that shelter is being prepared for 5,000 refugees for winter 2016 in 10 locations.

The Serbian Refugee and Migration Commissariat reports that the EU has provided Serbia with EUR 7 million to help to attenuate the refugee crisis. Firstly,

by increasing accommodation capacities, purchasing necessary equipment and paying additional staff.

MFIs in Serbia have a long history of supporting refugees (many came to Serbia from Bosnia & Herzegovina and Croatia during the 1990s), as well as supporting Internally Displaced People (many coming from Kosovo).

Based on this experience, there are different ways to support refugees depending on the refugee adaptation phases. As a result, humanitarian assistance is included in the initial arrival phase emergency support services.

Within the initial integration phase, refugee support was provided throughout: provision of in-kind grants as business assets; agricultural seeds and tools for land cultivation or for craft businesses; Housing kits (in-kind grant support), Housing loans for basic living conditions.

The integration phase is aligned to support different BDS Services aimed at facilitating further steps of self-employment like:

- Vocational Trainings (managed by MFIs but executed by Educational Institutions)
- Counselling and business related advisory services
- Micro Loans for: start-ups, business development and housing. It is important to emphasise that refugees are in need of subsequent and continuous micro-loan support in order to be able to develop their businesses step-by-step on a long term basis.

In addition, there is also a need for funds to be allocated to local populations in the same area or in similar sectors of work to facilitate a good social climate, otherwise these initiatives could backfire. ■

Spain

Public services in Spain are perfectly capable of managing the foreseen number of refugees (approx. 15,000, less than 2 refugees per municipality), and some cities have even implemented specific initiatives. Nevertheless, other issues will need to be taken into account:

- The reception rate of refugees is proceeding at a very slow pace in Spain
- Public services will be the first to act, supported by other private institutions for further needs (school needs, etc.)
- Cosmetic solutions need to be avoided

Some MFIs have already been contacted by public administrations for their collaboration and complementary support. ■

Romania

There has been quite a bit of debate on the subject in Romania, especially regarding refugee quotas. The number of refugees that must be accepted in order to decrease the pressure on transit and destination countries is still under debate and varies from 1,700 to 4,500 or even 6,500. ■



Proposals

In the short term, the EIB could help fund accommodation arrangements, helping to ensure that refugees are received with dignity. In the longer term, the EU Bank could support initiatives to help those who are entitled to stay integrate as effectively and quickly as possible. Schooling/further education, health, housing, training courses, and skills development –including language learning– are some of the initiatives for which the EIB could make financing available. The Bank could also provide microcredits to help people get on their feet and accelerate integration.

In order to better adapt the possibility of increasing the microcredit offer to these populations, the microfinance sector, represented by the two networks in Europe EMN & MFC, would like to propose the following potential lines of action:

1/

INCREASE FINANCIAL INSTRUMENTS FOR MICROFINANCE UNDER THE CURRENT EASI PROGRAMME, PARTICULARLY WITH REFERENCE TO GUARANTEES.

Traditionally the microfinance sector has targeted the populations which are underserved by the traditional financial sector. These populations find themselves financially excluded as they are considered too risky by the mainstream financial institutions.

Considering its experience with high-risk clients, the microfinance sector is situated at the forefront when it comes to coping with this new demand. Nevertheless, the refugee population can be considered an even riskier client due to their unclear legal status and the lack of access to their assets which remain in their country of origin.

In light of this, the microfinance sector would require extra resources in the guarantees (and counter guarantees) scheme under the current Easi programme which could counterbalance the extra risk associated with these new clients.

Guarantee schemes for MFIs would be of high importance given that the status of 'refugee' is linked to a variety of risks including: risk associated with their legal status and geographical relocation, lack of assets and property, unemployment, lack of sustainable income and capital, often inadequate education not in line with local market needs.

The sector will also need equity facilities in order to increase its capacity. This will be of particular relevance to small and young MFIs. This could be channelled via existing funds which already target these kind of MFIs (e.g. Helenos Fund).

2/

PROVIDE SUPPORT FOR THE NON-FINANCIAL SERVICES OFFERED BY MICROFINANCE INSTITUTIONS IN ADDITION TO MICROCREDIT ACTIVITIES

Non-financial support measures in addition to microcredit support are key to the success of microfinance. This kind of support substantially reduces the risk of default and is of highest benefit to the clients. Nevertheless, this support is costly in resources and time and cannot be covered by the margin made on microcredit operations (except to raise interest rates to difficult-to-accept levels). Nor can this support have a full range of volunteers dedicated to this aim.

Grants given to MFIs for the provision of adequate Business Development Services, like Vocational Trainings, would enable refugees to integrate into the new labour market and living environment. It would also allow refugees to undertake education diplomas relevant to registering and starting up their business. As they will have recently arrived in a new country and will still have an uncertain legal status, it becomes even more relevant that the trainings that are needed –coaching, financial education, mentoring and follow-up– be provided by MFIs.

Although this measure partially exists in the Easi Programme (in the form of funding for capacity building), it would be advisable that all European programmes supporting microfinance incorporate such measures. They could be financed through the use of a mix of guarantees and grants, a system that would underwrite guarantees to MFIs with an additional grant which



would go towards the provision of BDS for the final beneficiaries, as has already been done successfully in the past.

3 /

PROVIDE SUPPORT FOR THE DEVELOPMENT OF OTHER ALTERNATIVE MICROFINANCE PRODUCTS

The profile of a refugee population is more complex than that of ordinary immigrant populations that have traditionally been an important influx of clients for Western European MFIs. This complexity will require a bigger diversification of the services offered by the microfinance sector to refugees in order to facilitate their integration. With this in mind, alternative products should be considered for EIB support, for example: microsavings, microinsurance, microfranchising, microleasing, etc.

4 /

INCREASE THE INSTRUMENTS OF THE EASI/JASMINE TECHNICAL ASSISTANCE PROGRAMME

This potential new flow of funds would demand a higher operational capacity from current MFIs in Europe to provide financial and non-financial services. The sector would require an increase in the tools of the current Easi/JASMINE Technical Assistance programme in order to cope with the higher amount of resources and demand.

5 /

A HOLISTIC APPROACH TO THIS CRISIS WOULD REQUIRE THE COLLABORATION OF OTHER ACTORS

The microfinance sector believes that action should be taken in cooperation with other development banks that are present on the continent and that already support the microfinance sector in Europe, namely: The Council of Europe Development Bank, the European bank for Reconstruction and Development, National Development banks and other institutions.

Context



The [European Microfinance Network \(EMN\)](#)  envisions a society in which all those who are financially and socially excluded have access to a full range of financial and complementary support services empowering them to start new ventures, consolidate existing businesses and finance personal needs that improve their lives. EMN's mission is to provide advocacy and facilitate capacity building at European level by promoting transparency, best practice, good governance and research among social purpose organisations, delivering or facilitating financial services to the undeserved.



The [Microfinance Centre's \(MFC\)](#)  mission is to contribute to poverty reduction and the development of human potential by promoting a socially-oriented and sustainable microfinance sector that provides adequate financial and non-financial services to a large numbers of poor families and micro-entrepreneurs. MFC primarily focusses its activities in Central and Eastern Europe and in the Commonwealth of Independent States.



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