



Nurturing immigrant entrepreneurship

A handbook for microcredit
and business support

*Miriam Guzy, European Microfinance Network,
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Executive Summary

Immigrant entrepreneurship is increasingly recognized for its potential contribution to the economy of the European Union (EU). While immigrant and ethnic minority entrepreneurs show a particular dynamism in creating enterprises, they also tend to experience more severe problems than other small entrepreneurs. Access to finance, both for start-up and for growth, is typically perceived as a major problem, if not the greatest single problem by these entrepreneurs. Microlenders have removed many of the barriers characteristic the traditional sector by offering small loans, alternative guarantee options and flexible repayment plans. Nevertheless, immigrant micro-entrepreneurs face specific difficulties in accessing microloans and starting their businesses, such as bureaucracy, lack of access to information, limited recognition of foreign qualifications and professional experience, cultural differences... Some of these barriers could be better overcome by helping microfinance practitioners make their services more inclusive. It is clear, however, that the provision of microcredit alone does not suffice and can not be disconnected from factors related to business environment and other support services.

To help creating a more nurturing environment, the "Making Strength Meet Demand" project was launched in June 2005. It was carried out by European Microfinance Network (EMN) in lead partnership with six of its members: Adie (France), Evers and Jung (Germany), First Step (Ireland), Fonds de Participation (Belgium), Network Credit Norway (Norway) and Un Sol Mon (Spain). All of them support micro-enterprises, providing microloans and/or pre- and post-loan advice, training and mentoring. The project is supported by the European Commission Directorate-General Justice Freedom and Security INTI "Integration of third country nationals" programme. The project focused on increasing the capacity to provide microloans and related services, such as training and mentoring, in order to better support immigrants in creating and developing their own businesses.

This report summarizes the project findings. Its aim is to raise awareness that the resources inherent in cultural diversity can be better utilized. More particularly, it identifies micro enterprise support practices which facilitate the process and strengthen chances for immigrants and ethnic minorities to succeed in their business. The report is

meant for European microfinance practitioners, as well as business support organisations and policy makers.

The information in this report derives mainly from research and experience of the project partners in six European countries. Each of the partners worked on a national study focusing on the situation of immigrant micro-entrepreneurs and aiming to identify main challenges and good practices based on:

- A literature and environment analysis of immigrant or ethnic minority entrepreneurship in their country
- Members' own experience providing loans, mentoring and training immigrant entrepreneurs
- Interviews of organisations providing services to this target group
- Interviews of, and/or focus groups with immigrant or ethnic entrepreneurs

Although the INTI programme focuses on third country nationals, we adopted the more general term of immigrants, defined here as people not possessing citizenship of an EU member State, as well as naturalised citizens originating from third countries. Naturalised immigrants face less legal complications in setting up a business than foreign citizens do, yet they are confronted by many of the same difficulties.

It was a challenge to standardize information. Statistics are generally not comparable from one country to another, due to different definitions and time periods, but they do give a rough idea of the situation in a given country. The level of information available also varies from country to country. Furthermore, each partner focused on different aspects depending on its own priorities and the local context.

A. Immigrant entrepreneurship in Europe: a short background

To place the study in context, the first section of the report provides a general background on immigration and immigrant entrepreneurship in Belgium, France, Germany, Ireland, Norway and Spain.

DIFFERING SITUATIONS AND ETHNIC COMMUNITIES

All countries participating in the study are touched by immigration. However, they face different challenges due

to historical reasons and differences in absolute and relative numbers of immigrants, as well as in the composition of immigrant communities. Germany, France, Belgium and Norway are traditional countries of immigration, where labour migration was stopped in the early seventies. Immigration has since been mainly related to family reunion, marriage, and political reasons. Immigration was long considered to be temporary, and some of these countries have only recently acknowledged that immigrants are here to stay, and made changes in their naturalisation laws. For Spain and Ireland, traditionally countries of emigration, immigration is a new phenomenon which has accompanied their recently booming economies. Thus, the need for measures to promote integration had previously not been felt. The countries with the highest absolute numbers of third country nationals are Germany, Spain, and France. Main foreign communities are the Turks in Germany, Latin Americans and Moroccans in Spain, North and Sub-Saharan Africans in France, as well as Eastern Europeans and Asians throughout Europe. Ireland and the countries with former colonies (Spain, France and Belgium) receive a large share of third country immigrants who already know the host country's main language (Spanish, French, English).

... BUT OVERALL FAIRLY STRONG DYNAMICS OF IMMIGRANT ENTREPRENEURSHIP

The immigrant population is generally said to be more entrepreneurial and have a higher degree of self employment and enterprise creation, compared to the average population. This is confirmed by the data available in the few countries under study. In France and Spain, immigrants have higher self-employment rates than the average population. In Norway, the share of businesses owned and started by people with immigrant backgrounds is amazingly high. Also in Germany, where there is still less self-employment among immigrants than natives, the share is steadily growing, due to a high rate of immigrant start-ups. According to the literature, the dynamics vary from one community to another. A study of the Turkish community across Europe reveals major differences between host countries, showing that business environment is very significant. Indeed, current research on entrepreneurial strategies shows how entrepreneurship emerges from the interaction of personal characteristics, group opportunities (such as social networks and community resources), and structural opportunities of the host society. These structural opportunities have two major dimensions: the labour market and the political and regulatory framework.

B. Immigrants' path to entrepreneurship

The choice of self-employment can be connected with a complex combination of factors. Being aware of these factors that result in motivations, resources and difficulties can help business support practitioners better understand the immigrant entrepreneur's needs.

PUSH AND PULL FACTORS LEADING TO HIGH DYNAMICS

When asked about the reasons for starting their enterprise, entrepreneurs mention a range of push factors (such as low utilisation of their qualifications, boredom, frustration or lack of options) and pull factors (for example, being able to take control, be their own boss or earn better income as an entrepreneur). Some major causes commonly identified as leading to a strong will for immigrants to start a business are:

- Difficulties on the labour market: immigrants are harder hit by unemployment, and are often employed in 3D (dirty, dangerous and demanding), temporary jobs or jobs where their skills are under-used.
- The prospect of higher earning and social advancement, with the will to be independent.
- A strong entrepreneurial culture, with the predominance of self-employment in their countries of origin and/or community traditions.
- The possibility of mobilising ethnic resources through family and community networks, in terms of manpower, suppliers, clientele, and funding.
- Market opportunities in the host country, such as demand for exotic products, activities linked to post-industrialisation, replacement of retiring business-owners, projects linking the country of origin with the host country...

REASONS FOR LOW DYNAMICS

The hurdles immigrants come up against with, when wanting to start a business, give an indication of how strong their motivation must be. These hurdles include:

- Restrictive legislations relative to immigrants: the permit to be self-employed is particularly difficult to obtain in the countries of new immigration (Spain and Ireland). In other countries, access to certain professions may be denied from self-employed immigrants, or it may require diplomas from the host country.

- Administrative requirements: for all entrepreneurs, formalities and registration can be complicated, but these steps can be even more demanding for immigrants, with extra difficulties in getting foreign diplomas and skills recognized and in dealing with the paperwork.
- The inactivity trap: many immigrants, who are recipients of unemployment or welfare benefits, risk losing a minimal but secure income by becoming entrepreneurs. In addition, they may have to pay tax and social security contributions even before their business becomes profitable.

DISCRIMINATION

As a reason for difficulties on the labour market, discrimination can be seen as a strong push factor to starting a business and can result in closer community ties. At the same time, it can cause problems at many levels when starting the business: when dealing with administration, owners of business premises, suppliers, clients, banks...

IMPLICATION OF THESE FACTORS FOR ENTERPRISE CHARACTERISTICS

The combination of strong dynamics with strong limiting factors for enterprising migrants makes it no surprise if immigrants concentrate in sectors with low entry barriers in terms of qualifications and capital, such as trade, personal services, construction, catering and the clothing industry. These less competitive sectors are work intensive, and being able to rely on the family and community members is an asset. Enterprise survival rate in these sectors is lower than average, and relying on informal labour can make a difference for the business survival. Also, if the barriers to official self-employment are too high, the activity may not be registered at all.

C. Immigrant entrepreneurs' needs

In this complicated environment for business creation, a large part of the needs of immigrant micro-entrepreneurs are those encountered by all micro-entrepreneurs. While many entrepreneurs, and particularly immigrant entrepreneurs, start up their businesses without formal use of business support services, both advisors and immigrant entrepreneurs confirm the need for this support. However, sometimes their views diverge on the nature of the support needed. Proper support should increase the chances of the business being a positive experience for the person as well as contributing an added value for the economy and society.

ENTREPRENEURIAL NEEDS IN TERMS OF BUSINESS SUPPORT

Immigrant entrepreneurs face the following common problems usually addressed in BDS services, although perhaps more severely:

- difficulties in accessing start-up finance and/or development finance on reasonable terms,
- problems in dealing with a range of administrative and regulatory requirements
- insufficient management skills and access to business support
- limited knowledge of markets and marketing

Specific issues are:

- Access to information: immigrants are often unaware of existing support and may be hesitant towards institutional actors because of mistrust. They are often discouraged by the complexity of information given and the cautiousness of advisors who doubt their capacities to succeed.
- Content of the support: formal business planning and administrative requirements are less prioritized by the entrepreneurs than by the business advisors. Finding clients however seems to be a particular area of interest for the entrepreneurs.
- Quality of the support: focus groups with entrepreneurs highlighted the importance of an atmosphere of confidence and the need to trust the advisor. Entrepreneurs also expect complete, comprehensive information, based on experience, and concrete recommendations of actions to be taken.

SOME CULTURAL DIFFERENCES

Cultural issues may affect the perception and prioritising of needs, as well as influence the relation between the advisor and entrepreneur, which is crucial for the whole process. Some of the important cultural issues identified by business advisors are:

- Reluctance in dealing with institutions
- Relation to rules
- Gender relations
- Relation to time and time management
- The importance of spoken agreements in contrast to written and official documents

ACCESS TO FINANCE

Access to finance is the first priority in terms of entrepreneurs' needs, as well as the core focus of the handbook, and as such it is analysed more in depth. Studies show that immigrant entrepreneurs have even

less access to mainstream banking and public financial support schemes than natives.

D. Supportive measures for immigrant entrepreneurship

Good practice can be seen as responding to the needs of both the entrepreneur and the host society, with its values and norms. Good practice should be inclusive and avoid passive discrimination. It was not possible within the framework of this project to actually measure how successful most of the practices were; indeed many of the projects are quite recent. The practice recommendations should be seen here as measures which seem to respond to the needs identified in the previous section. The measures indicated below are illustrated through examples of various organisations.

OUTREACH AND ACCESS TO INFORMATION

The general observation is that immigrants have less access to information for linguistic, cultural and social reasons:

- they are not pro-active in their research, due to different cultural perceptions of business creation, as well as a mistrust in institutional actors
- they are less likely to go to traditional places of referral.

Business support organisations therefore need to adopt pro-active strategies themselves. Practices include:

- creating information brochures and dedicated websites for immigrants themselves and organisations working with them,
- being present in areas with high concentrations of immigrant population,
- using community and local networks and word-of-mouth
- using immigrants' own language

INCLUSIVE FINANCIAL SERVICES

Microcredit aims to close a market gap by providing access to loans to people who are excluded from getting bank loans. According to EMN's 2005 survey results, in most of Europe microlenders are still operating on fairly small scales. There is varying attention to immigrants as a target group, but the share of immigrants among micro-borrowers tends to be fairly high, with rapidly increasing

numbers of loans and enquiries. Project partners' programmes indicate a variety of institutional types, missions and approaches, but do show the possibility of reaching good results in terms of impact and outreach.

- [Good microlending practice](#) as based on international microfinance experience and adapted to the European context enables to serve immigrants well, as shown by some of the older microlenders. Services should be efficient and relevant. For example, the smaller the loan, the simpler and faster the application process should be.
- Microcredit is ideally [a bridge to mainstream banking services](#), through its close partnerships with banks. Microcredit funds often come from banks, and may be linked to the clients' access to a bank account and range of financial services. If the business grows well, the first loan through the microcredit scheme should be a step towards subsequent credit directly from the bank. Microcredit and other business support practitioners can also play an active role in changing the banks' perception of immigrant entrepreneurs to a positive direction.
- Examples of successful financial schemes show the importance of [interest and involvement of the organisation's management](#) in this issue.

GOOD PRACTICE IN BUSINESS SUPPORT SERVICES

Business support services dealing with immigrants can be characterised by

- [Their general approach](#): Some are target-specific, others prefer generic, but inclusive, services. Some provide a limited range of specific services with the aim of mainstreaming immigrants to network partner organisations, others provide a full range of services.
- [A special awareness on establishing good communication and building trust](#), by having staff with immigrant background, introducing cultural mediators, using immigrants' native language and having a positive outlook.
- [Delivery methods](#), such as making advice simple and practical, building motivation for the making of a business plan and combining upfront and follow-up support according to the entrepreneur's profile.
- [Efforts for bridging to the mainstream](#), whether preparation and practical assistance in dealing with administration, banks and authorities, or awareness-raising within these institutions.

E. Conclusions and recommendations

To summarise the findings of this report, a few recommendations can be made.

REMOVE OBSTACLES IN THE REGULATORY AND LEGAL FRAMEWORK, AND SUPPORT MEASURES THAT FOSTER SELF-EMPLOYMENT.

Improving the environment for all microentrepreneurs would greatly benefit immigrant entrepreneurs. These measures include:

- Promoting entrepreneurship as a viable option for a wide range of people
- Creating welfare bridges
- Fostering microfinance, and financial bridges, through an appropriate legal framework
- Funding and supporting for microcredit providers

Recommended measures recommended that are specifically related to immigrant entrepreneurs are:

- Self-employment should be a right for legal residents
- The independent exercise of professional activities should be subject to the same rules for immigrants as for EU-nationals.
- Statistical data on immigration and entrepreneurship should be improved
- Standard indicators for monitoring policies related to immigrant entrepreneurship need to be developed, made available and regularly updated.
- Recognition of experience and qualifications should be facilitated

IMPLEMENT PRO-ACTIVE STRATEGIES FOR AWARENESS-RAISING AND OUTREACH

Direct communication strategies:

- Use information channels preferred by immigrants such as word of mouth and community networks
- Identify places of information where immigrants can be reached directly
- Use immigrants' own language

Communicate with and through referral partners:

- Raise awareness of immigrants' potential as entrepreneurs.

IMPROVE ACCESS TO FINANCE

Access to microfinance:

- Strengthen the microcredit network
- Raise awareness about immigrants as a target group among microlenders
- Adapt lending methodology

Access to mainstream finance:

- Facilitate the dialogue between credit institutions and migrant entrepreneurs
- Mainstream migrants into existing public funding measures for microentrepreneurs

IMPROVE NON-FINANCIAL BUSINESS SUPPORT SERVICES

Cultivate staff communication skills and intercultural competence:

- Personal qualities (ability to listen, empathy, patience, flexibility, acceptance of diversity)
- Language skills
- Intercultural competence

Consulting methods:

- Practical and simple advice
- A flexible combination of support adapted to individual needs
- Adapted business planning

Lobby work and mainstreaming:

Microfinance practitioners are in a privileged position and should contribute to giving a positive image of immigrant entrepreneurs. This can be done by positive communication with their wide variety of partners from the economic world (banks, chambers of trade, business support agencies...), and social world (social services, training organisations...).



Introduction



Immigrant and ethnic minority entrepreneurship has attracted increasing attention in the last few years. The European Union recognises its dependence on immigration in view of its falling birth rates and an ageing population. A recent study by Caixa Catalunya¹ shows the major contribution of immigration, not only to the European Union's (EU) population growth, but also to its Gross Domestic Product (GDP). Its authors calculate that, **without the demographic impact of immigration, GDP per capita in the EU-15 would have decreased by 0.23% per year instead of increasing by 1.79% per year between 1995 and 2005.**

The importance of entrepreneurship is acknowledged for competitiveness, jobs and growth, as well as its potential contribution to social cohesion. In the EU 25, one in six workers was self-employed in 2005. Micro-enterprises with less than 10 persons employed account in the EU for 30% of jobs and 21% of the value added in the non-financial business economy². Every year, 2 million enterprises are created in Europe, of which 90% have less than 5 employees³. For individuals, entrepreneurship can be a way out of unemployment, as well as often the only way to climb up the social ladder, besides education.

In a European environment which, according to the 2003 Green Paper on Entrepreneurship in Europe, lacks entrepreneurial drive, **immigrants and ethnic minorities display a strong capacity and potential for entrepreneurship.** In many European countries, immigrants are more likely to be running a business than natives. In others, start-up rates among immigrants have been increasing at a much higher pace than for natives.

Indeed, self-employment and the creation of their own enterprise appear to many immigrants as a way to earn their living and access the status of a full, well-integrated citizen. Because of discrimination and difficulties meeting the criteria set by potential employers, many immigrants remain excluded from the waged labour market.

Whilst immigrant entrepreneurs show a particular dynamism in creating enterprises, they also tend to experience more severe problems than other small entrepreneurs. Access to finance, both for start-up and for growth, is typically perceived as a major problem, if not the greatest single problem by ethnic minority entrepreneurs. Microlenders have removed many of the barriers immigrants and ethnic minority entrepreneurs face when seeking capital from the traditional sector by

offering small loans, alternative guarantee options and flexible repayment plans. Indeed, a survey done by the European Microfinance Network (EMN) in 2005⁴ shows high and fast-growing levels of demand for microloans from immigrant and ethnic minority entrepreneurs, and high proportions from this group among microcredit clients. The survey suggests that there is yet a lot of unmet demand that could be met by strengthening the microcredit sector. Nevertheless, many microfinance practitioners identify specific difficulties for immigrant micro-entrepreneurs in accessing microloans and starting their businesses. They include, among others, language difficulties, red tape, lack of access to information, lack of recognition of foreign qualifications and professional experience, cultural differences and perceptions... Some of these barriers could be better overcome by helping microfinance practitioners make their services more inclusive. It is clear however that the provision of microcredit alone does not suffice and can not be disconnected from environmental factors and other support services.

To contribute to smoothing the process for immigrants to start their business, strengthen their chances to succeed and create a more nurturing environment, the "Making Strength Meet Demand" project was launched in June 2005. It was carried out by EMN in lead partnership with 6 of its members: Adie (France), Evers and Jung (Germany), First Step (Ireland), Fonds de Participation (Belgium), Network Credit Norway (Norway) and Un Sol Mon (Spain)⁵. Five of these six members deliver microloans. They also provide pre and post-loan business support services in the form of advice, training and mentoring, or work closely with partners providing such services. Evers & Jung does research and consulting on financing of small businesses and financial services to support social inclusion as well as offering BDS (post- and pre-loan-services) to micro-enterprises.

The project was supported by **the European Commission Directorate-General Justice Freedom and Security INTI "Integration of third country nationals" programme.** It focused on increasing capacity to provide microloans and related services such as training and mentoring to better support immigrants creating and developing their own business.

The aim of this report is to help raise awareness that the resources inherent in cultural diversity can be better utilized. More particularly, it identifies practice in micro enterprise support that smoothes the process

1. Le Monde 1/9 2006

2. Eurostat news release 10/2006

3. Publications DG Enterprise, 2003

4. Guzy and Underwood 2006

5. Further details in appendix 4.

and strengthens the opportunity for immigrants and ethnic minorities to succeed in their business. It is meant for European microfinance practitioners, as well as business support organisations and policy makers. It is not an academic report, but aims to set into context and put forth the experience of practitioners in supporting immigrant and ethnic minority entrepreneurs.

The report has five parts. **The first gives a general background on immigrant entrepreneurship in each of the participating countries.** To understand the local environment of immigrant entrepreneurs, it is useful to get an idea of each country's history and situation regarding migrations, including its main immigrant communities. Although there is data to show that immigrants in general tend to be quite entrepreneurial, the situation and dynamics are different in each country.

The second part lays out some of the main factors that contribute to a strong dynamics in immigrants' self-employment, and those that constitute barriers. Push and pull factors include difficulties finding waged employment, the will to improve a socio-economic situation, an often strong entrepreneurial culture, ethnic resources that can be relied on for information, funding, manpower, suppliers, clients, and market opportunities. On the other hand, third country nationals come up against a wide range of specific difficulties related to restrictive legislations, red tape, and the inactivity trap faced by those who are on welfare. Discrimination is both a push factor for becoming self-employed and a source of extra difficulties when it comes to starting and running a business. The combination of strong dynamics with strong limiting factors for enterprising migrants leads immigrants to concentrate in less competitive, work intensive sectors with low entry barriers, where enterprise survival rates are lower than average. When barriers are high, it is also not surprising if there are a lot of informal activities going on.

Once aware of these environmental factors, **the third part identifies the needs and expectations of immigrant micro-entrepreneurs in terms of support services,** as perceived by immigrants themselves and by business support organisations. Although most of the needs are those common to all micro-entrepreneurs (access to information, business planning, dealing with administrative and regulatory requirements, marketing) these needs tend to be aggravated for linguistic and cultural reasons, as well as a more complicated administrative environment. There are also discrepancies between the needs perceived by business support organisations and those expressed by immigrant entrepreneurs. Underlying these different priorities, business advisors identify specific

cultural issues which both they and the entrepreneurs need to deal with. A separate section is devoted to access to finance, since it is the first and foremost need expressed by immigrant and ethnic minority entrepreneurs, as well as the core activity of the network carrying out this study.

Given the needs and specificities identified, microcredit and business support organisations have devised **tools and methods to comply with the expectations of immigrant clients as well as with the requirements of the host society for running a business.** Some of these practices are described in the fourth section, focusing successively on outreach strategy, access to finance, and business support services in general.

Finally, **conclusions and recommendations for microcredit and financial institutions, business development support (BDS) organisations and policy makers** are drawn out. Making the regulatory and legal framework more adapted for immigrant entrepreneurs implies making it more entrepreneur-friendly in general, as well as possibly easing some of the regulations concerning immigrants themselves. Outreach to immigrant communities is identified as one of the main challenges and suggestions made to improve it. Finally, recommendations to improve access to finance and non-financial support services are proposed.

To navigate more easily:

- information and examples related to specific countries are identified by their flags
- good practice by a light bulb
- entrepreneur story by the "integration through business creation" logo.



Methodology

The information in this report is derived mainly from research and experience of the project partners in six European countries. Each of the partners worked on a national study focusing on the situation of immigrant micro-entrepreneurs and aiming to identify main challenges and good practices based on:

- A literature and environment analysis of immigrant or ethnic minority entrepreneurship in their country
- Members' own experience providing loans, mentoring and training immigrant entrepreneurs
- Interviews of organisations providing services to this target group
- Interviews of, and/or focus groups with immigrant or ethnic entrepreneurs

A checklist of main topics to be covered was decided together, nevertheless each project member was free to orient and structure its own report as it deemed most useful in its own context. These national reports are summarized in appendix 3. The main findings to highlight in the common handbook were decided together.

It was a challenge to standardize information, and as far as statistics are concerned, it is important not to compare them between countries, as they are often with different definitions and from different years. They are indicated mainly to give a rough idea of the country's situation. The level of information available also varies from country to country. Finally, it must be stated that the partners focused on different aspects and the topics covered in this report were not always covered by all in their own countries.

Assumptions and definitions

INTEGRATION

The project was implemented as part of the European Commission INTI, "Integration of third country nationals" programme. In this study, [we assume that starting a business is a factor of integration](#), by allowing the entrepreneur to earn his living. In project discussions, great store was set on [the 2-way process of integration](#), which implies adaptation from both immigrants themselves and recipient societies, with their citizens, structures and organisations.

WHAT IS INTEGRATION?

According to the European Handbook on Integration (2004), the overall goal of integration is often considered to be self-sufficiency. Immigrants should be able to lead an independent life concerning housing, job, education, social networks and participation in society, with the access to related services. "At the European level, labour market integration is the area with the most concretely defined objectives, as the 2003 Employment Strategy Guidelines propose to achieve a significant reduction in the unemployment gap between non-EU and EU nationals by 2010."

Different dimensions of integration are interrelated and outcomes in one domain influence others. For example, incorporation of immigrants into the labour market can be linked with language skills and education.

IMMIGRANTS, THIRD-COUNTRY NATIONALS, ETHNIC MINORITIES

The INTI programme focuses on **third country nationals** (TCNs), defined as citizens of non-EU-member countries, as opposed to member state nationals (MSNs)⁶.

In this handbook, it is often spoken more generally of **immigrants**. Immigrants are defined here as people not possessing citizenship of an EU member State, as well as naturalised citizens originating from third countries. Indeed, naturalization is only one dimension of integration. Although naturalised immigrants often face less legal complications in setting up a business than foreign citizens, they have many of the same characteristics as TCNs which is why they are included in the study. Furthermore, business support organisations don't necessarily make a difference between non nationals, people born abroad who have been naturalised, or even further generations born in the country who experience difficulties as ethnic minorities. While quantitative data is most often for non-nationals or TCNs, qualitative information is usually for immigrants as a whole. It may even take into account second and third generations who are born in the country and naturalised (this is the case in the German report).

Disregarding legal status and citizenship, and based on practical experience⁷ an immigrant can also be defined as a citizen in a country where:

- either his/her father or mother and/or both parents do not come from the host country and/or
- regardless of whether he/she is a nationalised citizen of the host country or not, is regarded or treated by the local society as a foreigner.

It can be observed that according to which country the person is from and what his/her occupation is, the person may be regarded as an expatriate, a foreigner, or an immigrant, with very different connotations, the term immigrant being related to a negative perception.

In certain European countries such as the UK, when dealing with integration issues it is referred to ethnic minorities rather than to immigrants. Ethnic minorities can be defined as people or a group of people who have a different culture, religion or language to the main one in the place or country they live in⁸. They include many third country nationals, but others, as well.

6. This terminology is borrowed from the European Civic Citizenship and Inclusion Index, 2004.

7. Intex training on intercultural issues for microfinance practitioners designed as part of the project, delivered on 7/11/2006 in Oslo

8. www.quest-net.org/glossary.asp

Getting homogeneous quantitative data is not obvious. Statistics are usually for residents of the country not possessing citizenship of this country and do not necessarily distinguish other EU member state citizens and non-EU citizens. Whenever possible statistics are for those residents not possessing citizenship of an EU-member State. In Norway, the statistics given are for immigrants, broken down into first generation immigrants, defined as born abroad with two foreign parents, and second generation immigrants born in Norway with two foreign born parents.

Statistics based on nationality do not cover the same reality in different countries. Even though the statistics used here are usually based on nationality (and not country of birth), depending on the host country's legislation, locally born children of immigrant parents may be registered either as foreigners, if based on "jus sanguinis" (such as in Germany), or as citizens, if based on "jus soli"⁹ (such as in France). Differences between foreigners and foreign-born can be quite significant.

At a national level, our Belgian partner found it difficult to find accurate and complete statistical information. Different sources of information in different fields, such as population, employment/unemployment, entrepreneurship, work with different statistical concepts.

Statistics on immigrant entrepreneurship or self-employment are even harder to get, and making comparisons between countries is therefore not easy.

To quote the "European Civic Citizenship and Inclusion Index 2004": "There are limitations to the EU's response to the new challenges and opportunities of migration. An important limitation to the EU's response is a lack of good data. (...) Whilst countries systematically collect data on every cow and chicken in the EU as part of the Common Agricultural Policy (CAP), migration is apparently too politically sensitive, and Member States too different, for systematic, comprehensible data to be collected."

9. Jus sanguinis : the rule that determines a child's nationality by its parents' nationality, irrespective of its place of birth

Jus soli : the rule that determines a child's nationality by its place of birth (although it can also be conveyed by the parents)

Source : International Organization for Migration – World Migration 2005.

Also important to note is that this report takes into account only legal residents, although these may be operating in the formal or the informal sector.

SELF-EMPLOYED/ ENTREPRENEUR

"**Self-employed**" means someone who is not working for an employer but finding work for oneself or having one's own business¹⁰. This is the way the term is used in this report. In Belgium, it is also an alternative status to formally waged employment for people who are part-time employees.

An **entrepreneur** is a person who sets up a business or businesses, someone who organizes, manages, and assumes the risks of a business or enterprise¹¹. These terms are often used indiscriminately throughout the report, and can include part-time activities.

In the EU Labour Force Survey definition, a person is considered to be self-employed if one or more of the following conditions are met:

(i) Machinery or equipment of significant value, in which the person has invested money, is used by him or his employees in conducting his business, an office, store, farm or other place of business

(ii) There has been some advertisement of the business or profession by listing the business in the telephone book, displaying a sign, distributing cards or leaflets, etc.

The European definition of micro-enterprise is a business with 9 or fewer employees, and turnover and balance sheet both less than 2 million euros.

Close to 93% of EU-19 enterprises are micro, and half of these have no employees at all (roughly 9 million enterprises)¹².

10. Cambridge Advanced Learner's Dictionary.

11. Merriam-Webster dictionary online.

12. Observatory of European SMEs, 2003.



A. Immigrant entrepreneurship in Europe: A short background



A1 Background on immigration

In order to better understand the diverse characteristics and challenges of immigrant entrepreneurship in Europe, some basic background information on the nature of immigration in different countries is given in the following pages.


A.1.1 HISTORY OF IMMIGRATION

Two types of countries can be identified:

- “Old” countries of immigration. After World War II, and particularly from the mid fifties to the mid sixties, Germany, France, Belgium and Norway recruited foreign labour force for post-war reconstruction and to relieve the population deficit. Labour migration was stopped with the first oil crisis (between 1973 to 1975, depending on the country). Since then, immigration is mainly due to family reunion, marriage and political reasons (asylum seekers).
- “New” countries of immigration, such as Spain and Ireland have recently turned from emigration to immigration, thanks to the spectacular boom in their economies. The number of foreign-born people living in Spain was multiplied by 5 in the last 10 years. Ireland has been experiencing strong net inward migration since 1996.

In “old” immigration countries, migration flows before the 70ies were mainly regulated by labour demand and supply. When there was less work in the host country, migrants could go back to their home country, returning when there was again work¹³ for them. When labour immigration was stopped and restrictive policies appeared, their choice was either to leave the host country for good, or stay and have their family come. It is noted for example in Germany, as in France, that duration of stay now tends to be long-term, with only a minority planning to return to their country of origin.

In these countries, there has been a growing acceptance that immigrants are here to stay. In Germany and Belgium there have been recent liberalization and simplification of the naturalization process.

 Spain has indeed become a host country for immigration, although settlement figures remain low in comparison with the number of immigrants in other European Union

countries. Nevertheless, immigration is now an important reality and will be even more so in the future given the high inflows. Caixa Catalunya’s study released in 2006 shows the major contribution of immigration to Spain’s growing GDP, which has increased with a yearly average of 2.6% over the last 10 years (between 1995 and 2005)¹⁴.

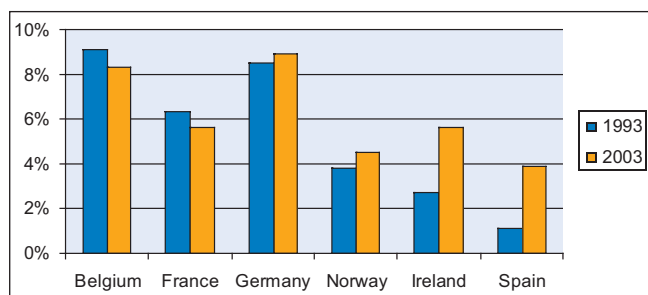
A big issue for Spain has been the regularisation of illegal immigrants. After what may be defined as moderate growth in the number of foreigners in Spain between 1981 and 1991, a first regularization process of illegal residents in 1991 considerably increased the total number of registered foreign residents in the country. Between 1999 and 2005, the number of non nationals residing in the country grew exponentially, mainly due to non EU nationals, particularly from South America and Africa, accompanied by different regulation processes and changes in the immigration law.

 Like Spain, Ireland has changed from being a nation which sought emigration to one that encourages Irish immigrants to return home, whilst securing itself a reputation as an attractive location for economic migrants across the globe. Prior to 1987 the Irish economy was experiencing negative real growth, rising unemployment, inflation and a deepening crisis in the public finances. However from 1987 onwards the economy started to outperform its European partners. This progression culminated in seven years of spectacular growth averaging at 9% per annum, full employment, and surpluses in government finances during the years 1994 to 2000. The phrase “Celtic Tiger” started to emerge in 1996, and was based on the recognised and legitimate similarity between the Irish economy and that of the successful economies of East Asia. This phenomenon changed the image of Ireland abroad. A country with a painful history of emigration changed into one of immigration! Ireland’s immigration policy is market-driven and seeks to attract temporary workers to fill skills and labour shortages. However, the long-term presence of temporary workers, although not recognised officially, is becoming a feature of the Irish immigration system. Ruhs (2003) calculates that an increasing proportion of ‘temporary’ immigrant workers in Ireland is opting to renew their residency status and remain in Ireland. The need to update legislation relating to immigration and residency is recognised by the Irish Government.

13. Alternatives Internationales, 2006.

14. Le Monde 1.9.2006.

Figure 1 - Evolution of the share of foreign population between 1993 and 2003



Source : Trends in International Migration: SOPEMI OECD, Paris, 2005.

A.1.2 GENERAL STATISTICS AT EU LEVEL

According to official national statistics and Eurostat estimates¹⁵, the total number of **non-nationals** living in the European Union in 2004 was around 25 million, just below 5.5 percent of the total population. In absolute terms, the largest numbers of foreign citizens reside in Germany, France, Spain, the United Kingdom and Italy. These include nationals of EU member states living in a different member state.

The data for the period 2000-2004 indicate that the non-national population was between 2 and 8 percent of the total population in the majority of countries. A non-national proportion above 8 was observed in Germany and Belgium. In all EU Member States, except Luxembourg, Belgium, Ireland and Cyprus, the majority of foreigners are citizens of non-EU-25 countries.

Between 1990 and 2004, in most countries the [percentage](#) of foreign citizens either did not change significantly or it increased. [Significant growth was observed in Spain and Ireland](#), due to an increase in population from outside the EU-25 (see table 1). Regularisation programmes had a significant effect on the size of the non-national population in Spain.

In absolute values, the two EU-15 countries with the largest inflow of migrants in the last decade (1995-2005)

15. Eurostat 8/2006.

were Spain, with the arrival of 3,3 million immigrants, followed by Germany (2,2 million immigrants).

As can be seen in table 1, there are huge differences both in absolute numbers and in shares, of non nationals.

It is important to remember that the picture shown by these figures is relative and that according to what is chosen as a definition, foreign population statistics can be perceived quite differently. In Germany for example, more than 15 million persons of non-German origin were reported to be living in the country at the end of 2004 (over 18% of the population). They include the 7.3 million without German citizenship indicated in table 1, among which 1 million were humanitarian refugees. The so called "Spätaussiedler", persons with German roots from Eastern-Europe, that migrated mostly in the Nineties, are not included in these numbers. They were granted German citizenship at arrival and now form a group of nearly 3 million people.

Another factor to keep in mind is that third country nationals are over-represented in certain cities, and particularly in more deprived areas with lower accommodation costs.

A.1.3 MAIN FOREIGN COMMUNITIES

The citizenship structures of foreign populations in the EU Member States vary greatly. Composition of the non-national population, as well as the geographical proximity, strongly reflect the history of each country, in particular labour migration, recent political developments and historical links²¹. This is particularly the case with former colonies.

What appears in table 2 is the large diversity of origins, with people from all continents. In Belgium and Ireland, non national residents are mainly European. In Ireland however, third-country nationals are increasing. Nearly a third (30%) of inflows are nationals of countries other than the EU and US, while just over a third (34%) of immigrants are returning Irish nationals.

21. Eurostat 8/2006

Table 1 - Non national population by country

	Belgium	France	Germany	Ireland	Norway	Spain
Year	1/1/2004	1999	2004	2002	2006	2005 ¹⁶
Population (1000)	10 396	58 521	82 532	3 859	4 640	44 109
# non nationals (1000)	860	3 263	7 342	274	350 ¹⁷ (immigrants)	3 731
% of population	8,3%	5,6%	8,9%	7,1%	7,6%	8,5%
# TCNs (1000)	291 ¹⁸	Approx. 1958	5066	87 ¹⁹	252 ²⁰	2 956
% TCNs among non nationals	34%	3/5ths	69%	39%	72%	79%
% of population	2,8%	Approx. 3,3%	6,1%	2,2%	5,5%	6,7%

Source: population and non nationals: Eurostat, except for Norway and Spain (see footnotes). TCNs: national data
French figures are those of the last population census.

Table 2 - Main foreign communities

	Belgium ²²	France	Germany	Ireland ²³	Norway	Spain ²⁴
Year	1/1/2004	2004	2003	2002	2006	2005
Area of origin	66% from EU15 15% from Africa	2/5ths from Africa, 2/5 th from EU	80% from Europe 31% from EU 12,4% from Asia	60% from EU (mainly UK), Eastern Europe (10%)	72% non-Western	South America (46%), non-EU European (18%), North Africa (18%)
Largest groups of TCNs in the country	Morocco (9,5%) Turkey (4,8%) Congo	Maghreb, Sub-Saharan Africa	Turkey (26%) F. Yugoslavia Russia Morocco Iran China	USA, Nigeria, China, Romania	Pakistan, Vietnam, Irak, Bosnia-Herzegovina, Somalia, Iran, Turkey, Sri Lanka	5 countries = 55%: Morocco, Ecuador, Romania, Colombia, Argentina



A SOCIO-ECONOMIC CLASSIFICATION OF IMMIGRATION IN SPAIN²⁵

The inflow of immigrants into Spain over the last few years is a plural migratory flow that Aja (1999) classifies into four major groups based on socioeconomic criteria:

- Immigrants who arrive with transnational capital investments, mainly from Europe, North America and Japan.
- Investors and pensioners from Northern Europe who settle in tourist areas to enjoy milder weather conditions and a lower cost of living.
- Relatively highly skilled workers in search of better employment opportunities in Spain, typically from Latin America or Europe. These workers meet shortages in labour supply.
- Unskilled workers driven by instability or chronic unemployment in their country. This group is made up of African immigrants, as well as a smaller group of Latin America, Asian and East European immigrants. From a labour standpoint, this group finds temporal employment in sectors demanding low skills, often in the black economy.

According to data released by the Municipal Register, the most noteworthy increase is in the number of immigrants from developing countries, accounting for 77% of total foreigners registered in Spain.

16. INE (National Statistics Institut of Spain) 01/01/05 on www.ine.es

17. Norwegian statistics are for immigrants (see assumptions and definitions).

18. The Belgian and Irish TCN statistics include EU-accessing states.

19. In Irish statistics, 1,2% people did not state their nationality. They are included in non nationals by Eurostat. The TCNs counted here are only those who gave their nationality, and the ratio of TCNs to non nationals is also on the basis of those who stated their nationality (TCNs+ other MSNs).

20. Non-Western immigrants

22. Direction générale Statistique et Information économique, 2004

23. Source: Central Statistics Office Ireland

24. Spain: calculated as percentage of non-EU nationals in 2005.

25. Extract from Foro Nantik Lum's monograph n°7 (Lacalle et al.

Immigration is often in large part from former colonies where the host country language is spoken (particularly in Belgium, France, Spain).


Another point is that some of the communities are present in large numbers in certain countries, such as Turks (over a quarter of the immigrant population of Germany) and Moroccans. This is likely to strengthen community resources, as seen in section B.


It is important to keep these differences in mind because often, specific communities tend to have specific characteristics. For example, according to the community, education levels tend to be particularly high (such as Latin Americans and Asians) or rather low (Moroccans, Turks) in relation to the host country population. As a general rule, the longer the geographical distance, the higher the social and educational level of the immigrants in their former countries: for people with lower educational/social/income levels, geographical distance is more of a barrier. They can walk, hitchhike, cross small distances over the water, but are less likely to manage to travel long distances across the world. Some of the challenges highlighted in different countries reflect these different characteristics.


A.1.4 IMPLICATIONS, AND SUMMARY OF CHARACTERISTICS PER COUNTRY


The fact that the countries participating in this report are at different stages of integrating immigrants from third countries can be very significant for their policies and schemes concerning immigrant self-employment, as will be seen later on in the report. For example, in Spain and Ireland, there are still heavy restrictions for an immigrant to get a self-employment permit, whereas “older” countries of immigration seem to be gradually easing administrative procedures for immigrants. The number of immigrants, their share of the population and the composition of the group (countries of origin, average length of stay, language skills, education levels etc.), may affect local policy agendas and society’s efforts to integrate them. Immigrants’ profiles have an impact on their situation in the labour market as well as on various resources and challenges for starting an enterprise. These factors include, for example, the language skills, cultural relation to self-employment and the level of community networks within a particular group of immigrants.


In short, to summarise characteristics by country:


 Belgium is an ‘old’ country of immigration, with a large foreign population but a rather ‘low’ share of third country nationals. Many third country nationals are French speakers, which is beneficial in the Walloon region and can explain why the Flemish region seems to offer more active integration and language-learning support.

 France, also historically a country of immigration, has a large population of immigrants of which a particularly high proportion are naturalised. Most are French speakers, but while spoken language is often not seen as a major problem, written skills are more deficient and the average education skills tend to be lower than within the native population.

 Germany, an ‘old’ country of immigration has a particularly large Turkish population. Immigrants have been traditionally seen as “guest workers”, and only recently has the country come to recognize that these former guest workers are here to stay. The country has also received large numbers of refugees, and has the experience of absorbing a high number of “Spätaussiedler”, who, although they had German nationality, faced a lot of the challenges of non-German immigrants.

 Norway, being a smaller country, has fairly few immigrants in absolute values. Like other countries of ‘old’ immigration, it encouraged labour immigration, particularly from Pakistan, before hosting relatively large numbers of refugees in consistency with its position on defending human rights.

 As stated above, Ireland is experiencing a spectacular growth of immigration. Although it now has a fairly significant share of foreign population, only few are third country nationals and among these a lot are American citizens.

 As for Spain, absolute numbers of third country nationals are high both in value and in proportion of the population, mainly from Spanish speaking countries, but with a high pressure from North Africa. Spain can be described as a geographical frontier with North Africa and a cultural frontier with Latin America.

A.2. Dynamics of immigrant self-employment

The immigrant population is generally said to be more entrepreneurial and have a higher degree of self employment and enterprise creation compared with the average population. Although several of the countries in this study have higher self-employment and start-up rates among immigrants than among member state nationals, this is not the case everywhere.

It is also to be noted that self-employment varies according to communities.


Table 3 - Immigrant self-employment per country


	France ²⁶	Germany	Norway	Spain ²⁷ (1)
Year	1999	2003	2004	2003
Self-employment (all)	6.9%	10.2%	7.1%	6.6%
Self-employment (immigrants)	8.4%	9.6%	n/a	7%
% immigrants / entrepreneurs	13% ²⁸	7,7%	20%	n/a
% immigrants / start-ups	6%	15% (2004)	37%	n/a


(1) The Spanish data is as percentage of the whole population, not active population. Self-employment as percentage of active population would therefore be quite high.

Note: Belgian statistics on self-employment include people who are not running their own business but are helping entrepreneurs. It was impossible to separate those who are running a business from those who are not, which is why Belgian figures do not appear in this table.

Both in France and Spain, there are more self-employed among the immigrant population than among the whole population. In France and Germany, immigrant self-employment through entrepreneurship has also been very dynamic over the past years.

 **In Germany**, self-employment among non German nationals rose in the last 2 decades to nearly the same level as in the German population. Although the self-employment rate of TCNs is lower, the development of TCN self-employment has been very dynamic in the last 20 years: between 1983 and 2003 their self-employment rate rose from 3.2% to 7%²⁹. The number of self-employed Turks nearly doubled between 1991 and 2003³⁰. Fifteen percent of all new businesses in 2004 were start-ups by migrants. Indeed, this share is even higher in business creation related with the succession of business ownership. The number of start-ups per 10,000 persons is significantly higher in the migrant population than in the German population. No specific TCN numbers are available, but for the group of Turkish migrants 197 start-ups per 10,000 were counted in 2002 vs.122 in the German work force (Source: Leicht 2005).

 **In France**, 13% of entrepreneurs are immigrants. They are more dynamic in terms of business creation than native French people: the number of enterprises created by immigrants rose by 18% from 1990 to 1999, whereas in the same time it decreased by 9% for the overall national average (APCE).

 **In Norway**, according to Statistisk sentralbyrå (SSB 2005) the ownership structure of all sole proprietorship

26. INSEE Première – L'emploi des immigrés en 1999, Mai 2000


27. Source: Study by « Centro Andaluz de Emprendedores de la Junta de Andalucía », 2003. The percentages are as share of total population, not active population.


28. « Favoriser l'initiative économique du public en difficulté issu de l'immigration en Ile-De-France », 3CI, Patrick Koumarianos, décembre 2004.

29. European Labour Force Survey

30. Leicht 2005

enterprises in Norway shows that 20% of all these enterprises are owned by non-Western immigrants and 24% of the partnership owned enterprises were owned by immigrants in 2004. In 2004, non-Western immigrants established 37% of all new sole proprietorship enterprises in Norway. These numbers are significant bearing in mind that the overall immigrant population in the country is only 7.6%.

 **In Belgium**, the figures available are those from the INASTI, the institute for social insurance of the self-employed. The data do not allow one to distinguish between people who are running their own economic activity and those who are helping them. These figures are slightly higher for non EU 15 citizens than for member state nationals, but on the other hand they are significantly lower for Turks and Moroccans, confirming that the share of self-employment varies a lot by community. An analysis by Altay Manço³¹ suggests various explanatory factors, such as the history in Belgium of the Turkish community with waged labour as well as low education levels of first generation immigrants, which make it difficult to comply with the stringent requirements to start a business in Belgium.

 **In Ireland**, despite the fact that forms issued by the Companies Registration Office for business formation all include a question on Nationality there are no official figures to say how many ethnic businesses are setting up in Ireland (2003).

Experts state that the cultural background of migrants makes a huge difference. Some come from a strong entrepreneurial background, whereas other groups are less entrepreneurial³². A UK study shows for example that, compared to white British born individuals, Pakistanis, Afro-Asians and Chinese are more likely to be self-

31. Manço, 2000

32. Quoted from Siewertsen et al., 2005.

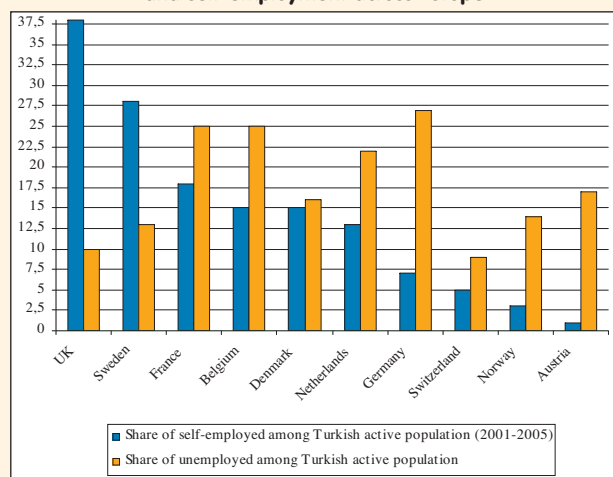
employed, and people from the Caribbean and West Africans are less likely to be self-employed³³.

FOCUS ON THE TURKISH COMMUNITY

The Turkish community, which is identified as particularly dynamic, is studied more in depth by Altay Manço³⁴. The Turkish population numbers 4.2 million people in the 10 countries of the sample, among which 63% are in Germany, and another 32% in France, the Netherlands, UK, Austria and Belgium, in decreasing order.

A. Manço notes for example that in Belgium there are as many self-employed Turks as Moroccans, although the Moroccan population is double the size.

Figure 2 - Turkish unemployment and self-employment across Europe



It appears that the Turkish dynamism in self-employment is not related to the size of the Turkish population. It could be imagined that the larger the foreign population, the more market opportunities for exotic products and specific services there would be. Nevertheless the self-employment rate in Germany is fairly low, whereas it is very high in the UK and Sweden where there are fairly few Turks. He also notes that high unemployment rates among this population do not appear to be correlated to high self-employment rates: countries where the unemployment rate is highest do not have the highest self-employment rates. Germany, France, and Belgium have unemployment rates exceeding 25% of the Turkish active population but have limited self-employment rates, whereas the UK and Sweden have high self-employment rates and fairly low unemployment rates. He concludes that there are many factors affecting self-employment rates,

including all kinds of environmental factors such as regulations on business creation and business support schemes.

As can be seen above, entrepreneurial culture may be one factor contributing to entrepreneurship, but there are many others. The differences from country to country suggest that the environment plays an extremely strong role, particularly policies regarding entrepreneurship and immigration.

Catarina Reis Oliveira³⁵ suggests that immigrant entrepreneurial strategies emerge from the lively interaction of three components: entrepreneur personal characteristics (such as education, experience, legal status...), group opportunities, meaning the role of social networks in the person's economic options, and structural opportunities of the host society which include dimensions such as the labour market and the political and regulatory framework. They are shown in figure 3 (slightly adapted from C. Reis Oliveira's model).



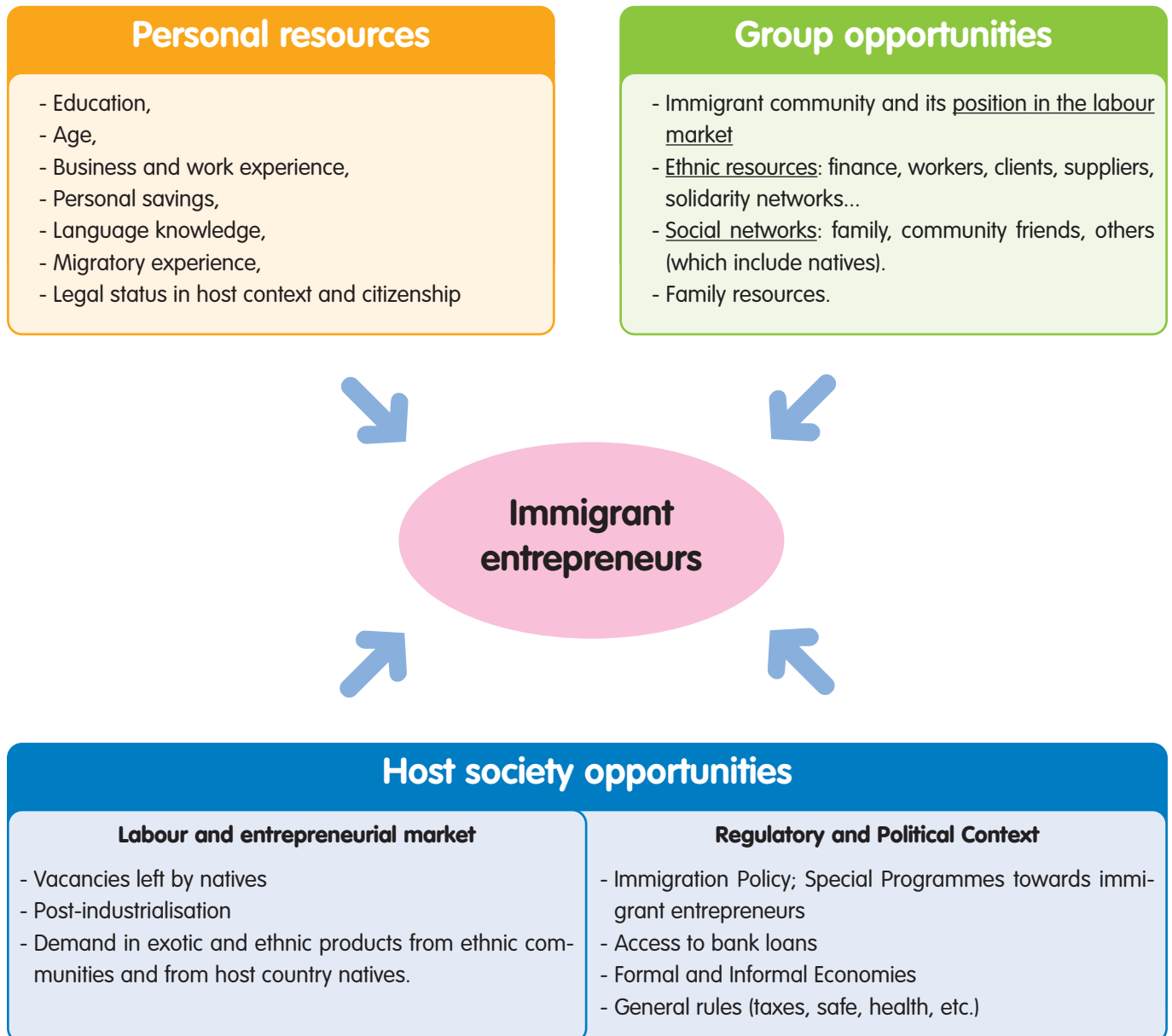
Born in Uganda, **Sylvia G.** came to Ireland in 1992 to study. Her father was a Chartered Accountant and ran a family business. Growing up in a business environment Sylvia knew that one day she would run her own company. She was motivated to be self employed to obtain personal achievement, job satisfaction, flexibility, family time, independence and to satisfy an identified niche market. Her business provides consultancy services placing overseas students in Irish colleges and universities. She helps people find the right education and also helps them with administrative and practical matters related to this. Sylvia G. has a master's degree in business studies, and did her master's thesis on entrepreneurship and business creation. She has lived in Ireland for more than 13 years, but she wants to give something back to Uganda, where she is originally from.

35. Catarina Reis Oliveira, forthcoming.

33. Haque et al., 2002

34. This focus is based on a course delivered in June 2006 by Altay Manço (IRFAM director) for Fonds de Participation.

Figure 3 - Factors influencing immigrant entrepreneurial strategies



In the following section, we examine some of these important factors, which can help us to better understand the needs of prospective immigrant entrepreneurs.



B. Immigrants' path to entrepreneurship



As seen above, the numbers of third country nationals choosing self-employment can be connected with a complex combination of factors. In our focus groups, when entrepreneurs were asked about the reasons for starting their enterprise, they mentioned a range of factors. These factors can be divided in push and pull factors. Pull factors are the ones attracting the immigrants towards entrepreneurship (possibility of taking control and being their own boss, professional satisfaction, reward, better income and security etc.), while push factors are related to the difficulties in the situation prior to self-employment (insufficient utilisation of qualifications, boredom, frustration, lack of options...). On the other hand, immigrant entrepreneurs need to overcome specific barriers, such as legislation restricting their right to self-employment and access to certain professions, bureaucracy and the inactivity trap created by welfare societies. Discrimination can be mentioned both as a push factor for becoming self-employed and as a source of difficulties, when starting and running a business. This combination of strong dynamics and substantial barriers for immigrant entrepreneurship makes it understandable that immigrants concentrate in less competitive, work intensive sectors with low entry barriers. In these sectors, enterprise survival rates are lower than average, and there tends to be a lot of informal activities going on.

B.1 Push and pull factors, favourable to high dynamics

Some major causes are commonly identified as leading to a strong will for immigrants to start a business. These include:

- Difficulties in the labour market
- The prospect of higher earning and social advancement
- A strong entrepreneurial culture
- The possibility of mobilising ethnic resources, in terms of recruitment, suppliers, clientele, and funding
- Market opportunities, such as demand for exotic products, activities linked to post-industrialisation, projects linking the country of origin with the host country...

B.1.1 DIFFICULTIES IN THE LABOUR MARKET

Self employment is seen as a good option for many who for various reasons get excluded from the labour market.

Although the countries in this study tend to have rather high rates of unemployment, the situation for immigrants is even worse. In France for example, the unemployment

rate of TCNs in 2003 was over 25%, compared to the national average of around 9%³⁶. In Germany, the unemployment rate for TCNs is almost double than that for member state nationals.

Immigrant waged labour is more often:

- short-term and/or part-time,
- low-skilled, with an overrepresentation in "3D" jobs (dirty, difficult and dangerous).

The causes are regulations restricting access to certain professions only to country nationals, deficient language skills and qualification levels that are either too low or unrecognized. Young TCNs and women TCNs cumulate extra difficulties in finding jobs. Added to these factors, discrimination in hiring and promoting in the company appears as a significant issue. In France, a man who has a North African name **has five times lower chance** of being called for a job interview than a man with a French name who sends a similar CV³⁷. It is not unusual to hear about immigrants sending in several hundred job applications without receiving one call to be interviewed (Norway, Ireland). Many skilled, well educated people end up driving taxis or taking a cleaning job instead of working as doctors, engineers or architects etc.

Unemployment certainly seems to be an important triggering factor which increases readiness to become self-employed. A German study confirms that **unemployed migrants are twice as likely to consider starting a business than employed migrants**³⁸. German and Irish focus groups with immigrant entrepreneurs show that they are motivated to start a business not so often out of necessity as out of discontent with their professional situation or the threat of unemployment. The decision is strongly related to the will to improve their situation. In the Irish focus groups, there was a unanimous opinion that self-employment was the best way to make more money, but there was a significant number who wanted to **make better use of qualifications** already obtained. Money was not necessarily the main motivator.

B.1.2 SOCIO-ECONOMIC SITUATION

The most important motivations of migrants for starting their own business are the aspects of **self-fulfillment (realize one's ideas, be your "own boss")**, **social advancement and acknowledgement within the**

36. European Civic Citizenship and Inclusion Index 2004.

37. Testing carried out by the Observatoire des Discriminations in April and May 2004, under the supervision of Jean-François AMADIEU, Professor at the Université de Paris I, with the assistance of the interim agency ADIA.

38. Constant and Zimmerman, 2004.

society. Self-employment is often seen as the only way of moving up the social ladder and improving a dissatisfying socio-economic situation. A family business can be a way to secure the children's future and gain better acceptance in society in addition to earning an income.

Like the German self-employed, self-employed individuals from a third-country **all have the basic motivation of earning a higher income.** According to a spot check performed in Hamburg by Burgbacher³⁹, 63% stated that this reason was the main motive to set up a business. In Germany, self-employed TCNs are reported to have a distinctively higher income than employed TCNs. The difference is especially big in the group of Turkish migrants.

This aspiration to earn a higher income is all the more important in view of the fact that immigrants tend to experience more insecurity and difficult socio-economic situations than the average population.

Immigrants' average income is lower than that of the average population. The average salary of full-time employed immigrants is lower than the average population (89% of this average in France). This is due to migrants being overrepresented in low wage employment, and being hit harder by unemployment. The rate of immigrants receiving welfare benefits is also higher. In Germany, this rate is reported to be three times higher than the average population. In France, 15% immigrants live below the poverty level, compared with the national average of 6%.

Economic characteristics often have **a direct relation with qualification level** and country of origin. There can be considerable differences in the income level of different immigrant groups. In Norway, the lowest income is found among non-Western immigrants, with a clear connection between inclusion in the labour market and income level. In Norway, in spite of the long geographical distance of immigration, people originating from Africa, Asia and Latin America score lower in the income statistics than those from North America or Scandinavia.

Although the financial situation tends to be more of a push factor towards enterprise creation, it can at the same be a factor of difficulties. For example, the savings rate of TCNs is reported to be lower than that of the average national population in Germany and Spain, which could be correlated with their lower income level as well as their propensity to send remittances to their home country. In the same way, they are less likely to have property that can serve as collateral for loans. As a result, TCNs are less likely to have the financial means to start their business.

The desire **to improve one's standard of living** plays a central role. A higher standard of living does not necessarily equal objective financial wealth, but rather **a subjective degree of personal fulfillment and independence.** Interviewed entrepreneurs said that they wished for a job that utilized their qualifications. They equate quality of life with use of their individual abilities.

"I worked as an employee, but always had difficulties. My customers and I both noticed it. In a German hairdressing salon, I could not do everything I had learned. That's why I decided to start my own business."

B.1.3 ENTREPRENEURIAL CULTURE

There is, among many immigrant communities, a higher tendency to start an enterprise, compared to the majority of the population. According to the Network Credit Norway's experience over a 10 year period, many immigrants see entrepreneurship and self employment as a natural option either because of **previous personal experience, or because of their families being already involved in running an enterprise.** Similar findings were observed within the focus groups in other countries. A majority of those coming to seek advice, join training or ask for a micro loan, have some previous enterprise experience. Also, many want to continue working in the same occupation, which they had before coming to the host country. Especially in the service sector, it is common to find hairdressers, shoemakers, tailors, etc., setting up new businesses in the sector they worked before.

In many of the emigration countries, self-employment tends to be predominant, either due to the unavailability of waged labour, or to the frequent combination of waged and independent jobs. Certain communities also have strong traditions, especially trading, like for example the Berbers from North Africa, or handicrafts in Former Yugoslavia...

Self-employment is often strongly valued in immigrant communities, and is linked with social recognition, despite the fact that social mobility tends in reality to be more horizontal than vertical due to low income and high workload with increased working hours.

"I enjoy the independence despite the financial difficulties"
An entrepreneur in Ireland

"Norwegians are 'a bit scared and nervous' when it comes to doing business"
An entrepreneur in Norway

B.1.4 ETHNIC RESOURCES

Many immigrant communities have their own ethnic economy, based on trust and solidarity. **These networks**

39. Burgbacher, 2004.

provide the immigrant micro-entrepreneur with manpower, supplies, clientele, and, above all, funding.

This enables them to constitute an initial capital, despite belonging to these groups, which are generally perceived as insecure by the banks, and thus experience difficulties in getting loans from them. In France, such funding may be made available through ROSCAs⁴⁰, particularly among Asians and Sub-Saharan Africans, interest-free loans from community members (North Africa, Pakistan), close family in France or in the country of origin (Turkey). In Spain, it is noted that these financial networks tend to work with high interest rates, that only few people benefit from the loans, and that the loans available from ROSCAs are typically really small, around 250€, and more appropriate for household consumption and family events. Belgian business support organisations and interviews of immigrant entrepreneurs confirm that a significant part of funding resources comes from community networks, family or relatives. The family who remains in the country of origin can be a source of financial assistance. Although this is a strength when starting a business, it can have unpleasant consequences. For immigrant entrepreneurs who have a debt towards their family, it is more difficult to acknowledge to their relatives that the business is not profitable if such is the case.

Although it is often possible to get interest-free loans from community networks, there are some drawbacks to it, as explained by a Moroccan entrepreneur interviewed by Adie.

"I have a friend who started his business 5 years ago and borrowed from all his friends and family according to their means. He was able to start, his business is going well and he employs 4 or 5 people... We know he will pay back, but we don't know when. When you lend, it means that you don't need the money right away. The aim is not to ask him afterwards for anything in exchange, or to become an associate if the business is going well. The idea is to help get the person on track. (...)

It was possible to get help, but there's always a risk that the business won't work and that one won't be able to pay back. With the bank, there are monthly instalments; one knows what's supposed to be paid. (...) It's better to reimburse a bank loan than to pay back all at once when your friend puts pressure on you, because then you lose everything, your friend, etc.(...)

In addition, there are people who dare to ask, and others who don't dare, like me, because they're always worried about the worst."

40. Rotating savings and loans associations.

Although support networks seem particularly significant, they are not necessarily stronger in the immigrant communities than elsewhere since the Warwick Business School 2004 survey of small and medium-sized enterprises (SMEs) in the UK⁴¹ finds no discernible differences in the use of friends and family finance between ethnic minorities and non ethnic population.

 Community organisations can also be quite strong (Sub-Saharan African and Asian immigrants in France). The organisational structures of the Turkish communities in Germany are traditionally centered on religious and cultural institutions like mosques and culture clubs. Turkish communities in Germany have even developed trade associations that are active nationwide (Bund türkisch-europäischer Unternehmer BTEU; Verband Türkisch-europäischer Unternehmerverbände TIDAF, Deutsch-türkische Handelskammer), as well as strong support structures of entrepreneurs in the main sectors of activity (gastronomy, trade). The North African networks in France are weaker.

Family members or people from their own community are often the first choice of ethnic minority entrepreneurs for labour. A study⁴² by the Institut für Mittelstands forschung Mannheim in Germany showed that roughly half of Turkish-run businesses relied on family members and did not employ any external help. Three quarters of the immigrant entrepreneurs surveyed employed exclusively or mainly people with the same country background.

Finally, communities also offer in some cases a strong client base. The Turkish economy in Germany has both deepened and diversified in recent years, with many services offered by Turks for Turkish clients (doctors, lawyer, banks, newspapers), especially in big cities, but on the other hand more blending with the German economy and society can be observed too.

B.1.5 MARKET OPPORTUNITIES AND POTENTIAL

A range of economic and political factors, combined with ethnic and socio-cultural factors, have led to particular ethnic enterprise strategies. Ethnic and immigrant entrepreneurs have often filled market gaps left vacant by natives or previous waves of immigration.

41. Fraser, S "Finance for Small and Medium-Sized Enterprises – A report on the 2004 UK Survey of SME Finances".

42. Leicht, R "Die Bedeutung der ethnischen Ökonomie in Deutschland", Mannheim.

Some elements of analysis are provided for the French context in a note by B.Dinh⁴³. Firstly, there are opportunities linked to the post-industrialisation transition after 1970. The increase in sub-contracting by larger companies, in order to reduce costs and risks by externalising activities with little added value, leaves a market for small businesses. This is particularly the case in the construction sector, where former immigrant workers were often encouraged to start small enterprises, at high risks for them. The garment industry is also an example, with the production being sub-contracted to small businesses who accept to work at cut-throat prices. Secondly, neighbourhood shops were progressively left vacant due to the development of supermarkets in the 70ies as well as the ageing of former native shopkeepers, leaving gaps to fill. During the same time, as part of the evolution in consumption habits, demand for exotic and ethnic products by indigenous clientele has grown, mainly for food and catering, but also for clothes and crafts. This evolution was combined with the increasing demand for prepared foods.

The ethnic population itself provides a market for immigrant entrepreneurs, whether it be African hairdressers, grocery shops with exotic foods and cosmetics, services related to cultural specificities (for example organising weddings).

Finally, it can be noted that immigrants can be bridge builders with their country of origin, as importers or exporters of goods and services, or providing services in creating business links.



In Norway it is noted that **trading contacts in the country and abroad have added** to the globalisation process. There is a great **untapped potential** for Norwegian firms to expand into non-Western markets by linking immigrant resources with their own expansions into the immigrants' countries of origin to a greater extent. The building of networks for this purpose is now taking place through some initiatives like Norwegian Centre for Multicultural Value Creation in Drammen and Network Credit Norway and partnerships with other business organisations and networks. Companies like the telecommunication company Telenor with their Grameen Phone involvement in Bangladesh and export of Norwegian communication and fishing technology in the Middle East are two examples of this process of bringing Norwegian business and technology into new global markets.

43. DINH Bernard, « L'entrepreneuriat ethnique en France et dans le monde anglo-saxon : bilan des connaissances, analyse bibliographique commentée », Note de synthèse pour le FASILD.

B.1.6 PUSH AND PULL FACTORS - THE ALTERNATIVE SIDE

As seen above, there are strong reasons why immigrants would be more likely to start a business than natives, most importantly the push factors inherent in their work and socio-economic situation. It has also been seen that there can be an alternative aspect: the root causes of difficulties on the labour market such as language skills, qualifications, but also discrimination, can at the same time be problems for business creation and development, and ethnic resources, particularly ethnic markets, can end up being a trap out of which it is difficult to break out. It is important to measure the force of these factors for business support, in order to understand motivations, build on the strengths and help overcome weaknesses, rather than stop at weaknesses.



M. AB is Pakistani and has been in France since 1987, where he went to school. After working as a handler in a textile warehouse and a deliveryman in construction he decided to start his own business in order to earn a higher income. Having also some experience in the trade sector among Pakistanis, he wanted to open an oriental food and spices shop. He was unable to find business premises, being systematically refused. He's convinced that these refusals are due to his nationality. He sent other community members to try and rent a same shop, in vain, even though the shop remained empty for a year.

He then decided to sell clothes on the market. Many of his Pakistani friends can't find work because they don't speak French. This is why they become self-employed. On the markets, they find that it is not necessary to speak the language because clients are foreigners too. Because of this particular clientele, he has specialised in selling oriental clothes. He started with a first test loan of 1.500€ from **Adie** in addition to his savings and to money borrowed from his family, and is now getting a new loan of 8.000€ to develop his business.

B.2 Reasons for low dynamics

The hurdles immigrants come up against when wanting to start a business gives an indication of how strong their motivations must be. These hurdles include:

- restrictive legislations related to non nationals' self-employment
- administrative requirements, even more difficult for immigrants than for natives

- in certain countries, the inactivity trap created by strong welfare systems which is likely to affect many immigrant microentrepreneurs.

B.2.1 RESTRICTIVE LEGISLATIONS FOR THIRD COUNTRY NATIONALS

This section deals with legislation that is specific to third country nationals. The first barrier that a TCN may come up against is that he/she may simply not be allowed to be self-employed. Indeed, **the right to work is usually linked to residency status**.

There are usually 2 types of residence permits: temporary/short-term and permanent/long-term. Long-term residency in certain countries allows the holder to work as self-employed (in France, Belgium, Germany) but not in Spain, where it is not possible for a TCN to be officially self-employed until after having lived in the country for a longer period of time.

Table 4 - Residency status and right to work

	Belgium	France	Germany	Ireland	Spain
Short-term / limited	Need a working permit to be employed, or a professional card (200€) (see below)	1 year. Limited access to employment	"Limited residence" Specific permits for work and for self-employment	2 types of work permits, one is visa based scheme for high skilled workers. Business permission needed except in certain cases	9 months / 1 year Limited access to employment, with possible sector and geographical restrictions
Long-term / permanent	Unlimited residence. Right to work and self-employment.	10 years. Automatic right to work & self-employment	"Permanent residence"; No geographical restrictions; right to work & self-employment	Long-term secure resident status granted only on a discretionary basis, after at least 10 years residency	Permanent: right to work OR self-employment.
Refugee	Right to work and self-employment.	No specific status	Right to work and self employment	Right to set up business	Right to work and self-employment

... MORE IN DEPTH

In France, the 10-year residency card gives an unlimited right to work, whereas conditions are restricted with the 1-year card. In order to become self-employed, a TCN needs, in addition, a special authorisation from the State (*carte de commerçant étranger*) which can be difficult to obtain and the procedure can take up to 3 months.

In Belgium, the professional card for self-employment which is compulsory for non- EEA (European Economic Area) nationals is valid for 5 years. It requires showing the economic utility of the activity. It can appear quite costly: the application for the card, whether a first time or renewal, costs €125 to which are added delivery costs of €75. If the professional activity changes a new application must be made. Since February 2003, recognized refugees and TCNs with an unlimited residence permit no longer need this card.

For itinerant trade, foreign entrepreneurs need an **itinerant trade licence** delivered by the Public Federal Service of Economy. In order to obtain this licence, they need to prove their management capacities and, up until recently, they had to have resided in Belgium for at least 10 years. A June 2006 decision changed this last condition.

In Spain, it is necessary to have the "Self-employment permit". EU citizens have it automatically. For non nationals it is a significant barrier.

Case n°1: They enter the country to work. The work permit entails residency permit.

For those who come temporarily for seasonal jobs, there is a temporary permit. Otherwise, immigrants need a work contract, which enables them to apply for a work permit, in which case they will be granted residency permit. The **initial permit** restricts employment to a specific sector and localisation and is valid 1 year.

They can then **renew the work permit** for up to 2 years, allowing them employment in any activity or sector, anywhere in Spain. To apply for a permanent permit, they need to show that they've had permits for the last 5 consecutive years, without leaving the country for extended periods of time.

The work permit is normally meant for waged employment, but it is possible on application to change it to a **self-employment** permit. Permission is granted either for one form of employment or another, but not both at the same time. Getting a self-employment permit is a long and difficult process, even more so when it is the first work application. It requires producing a business plan, having sufficient capital, business premises, and can typically take 6 months.

Case n°2: They arrive for the purpose of family reunification ("reagrupación familiar").

In this case, they aren't allowed to work for approximately their first 2 years in the country. They then get the same residency rights as the working family member they have come to join, but they can also get their own work contract and work permit.

Case n°3: Refugees have no restrictions on employment.

In Ireland, the business permission required for individuals whose country of origin is outside the EEA⁴⁴ is not necessary in the following conditions:

- Marriage to an Irish resident
- Refugee status
- Being a parent of an Irish born child
- Being resident in the state for five years
- Setting up a business that is deemed to be of value to the economy

When granted, permission is initially for a period of twelve months with the possibility of a longer period being granted upon renewal. The criteria to be met in order to obtain business permission are stringent:

- the proposed business must result in the transfer to the State of a minimum capital of €300,000;
- employment must be created for at least two EEA nationals in a new project or employment maintained in an existing business;
- the proposed business must add to the commercial activity and competitiveness of the State;
- the proposed business must be a viable trading concern and provide the applicant with sufficient income to support him/herself and any dependants without seeking public funds or paid employment for which a work permit would be required;
- the applicant must hold a valid passport or national identity document and must be of good character.

Given these rules, it is no wonder that few business permits have been granted (135 in 2001, 104 in 2002 and in 2003 only 73⁴⁵), and that there is anecdotal evidence that some people are operating businesses in Ireland without obtaining the Minister's permission. To worsen the situation, the processing by the Ministry of Justice, Equality and Law Reform which is responsible for this permit (and strangely not Enterprise, Trade and Employment) can be exceedingly slow:


"The lack of information about the conditions, preparation, paperwork, and steps you need to follow in order to apply for a Business Permission have meant that I was delayed for about 8 months before I was even able to send the application. Further delays came along because of misunderstandings within the Department of Justice. Although with the Department of Justice you can clearly read that to process a Business Permission application it will take the Department about 2 months, the reality has proved that it is not even close to that, as I got my Business Permission about 9 months after sending the application"


An entrepreneur in Ireland

44. European Economic Area.

45. Irish Department of Justice, Equality & Law Reform.

Certain professions are closed to immigrants or require a diploma from the host country.


 In France, non EU citizens are explicitly barred from working in the health-care sector and cannot work as physicians, dentists, midwives, pharmacists, or veterinarians. The same is true with legal professions (lawyers, auctioneers, estate brokers,...), licensed architects, certified public accountants... Non nationals are also banned from owning a periodical, television or radio broadcast agency, selling tobacco or alcoholic beverages... The severity of these rules is attenuated by the many reciprocity conventions that France has with other countries, particularly former colonies, which allow citizens of those countries to practise such jobs⁴⁶. This explains that foreigners gravitate to the sectors subject to the least regulation on the basis of nationality, such as grocery, retail and wholesale trades, the restaurant sector, construction, garment trade...


 In addition, diplomas from the host country are needed in many cases, in Belgium, France and Germany, particularly for handcraft professions. In Germany, a German diploma ("Meisterzwang") is needed to become self-employed. In all countries, recognition of foreign degrees and foreign working experience can be a big problem.


As seen above, it is not easy for immigrants to become officially self-employed. Legislation can be circumvented by starting the business in partnership with a citizen of the host country or, even better, becoming naturalized. Another way of circumventing unfavourable legislation is to work informally.

B.2.2 BUREAUCRATIC HURDLES TO BUSINESS CREATION

For all citizens, **self-employment can be connected with a lot of bureaucratic hurdles and personal risks, especially self-employment out of unemployment.**

 Despite recent efforts to make it more transparent and accessible, the business registration process **in Germany** is considered to be rather formalized and inflexible.

 **In Belgium**, the procedure for becoming self-employed has been simplified and centralized. Among the measures taken were the creation of the "Crossroads Bank for Enterprises" and of business one-stop-shops. All commercial and craft firms have to be registered with the "Crossroads Bank for Enterprises" through a business one-stop-shop. The "Crossroads Bank for Enterprises" registers the firms and gives them an identification number.

 **In Spain**, starting a small business is supposed to be fairly easy. To create an individual business the following regulations apply:

- To obtain the activity licence. Although it is called the Economy Activity Tax (IAE, Impuesto de Actividades Económicas), it is free since 2003 and it is a simple formality.
- To register as self-employed with Social Security. This implies having the self-employment permit which, as seen above, is the hard part.
- In case of business premises, it is necessary to check with the Municipality that they have the required permits for an economic activity.
- To register employees, but this is rare.
- Specific permits may be required for certain activities, but it is not usual.



STEPS FOR TCNS STARTING AN ACTIVITY UNDER THE MOST SIMPLE LEGAL FORM, WITH NO EMPLOYEES

Example 1 - Clothes market-vendor

Spain: same as steps above.

Belgium:

Legal form: Non-incorporated company. No starting capital needed, limited administrative and accounting requirements.

1) Go to the one-stop shop with

- certificate of basic business management knowledge (see below)
- identity document
- 70€
- A bank account number
- Permanent residence permit or business card

2) Join personal health insurance scheme and company social insurance fund.

France

Legal form: individual company (*entreprise individuelle*)

- in case of short-term residency, apply for special authorisation
- complete application (business plan and administrative documents) to apply for exemption from social contributions
- go to state administration and get a temporary one-month mobile trader's card (*carte de commerçant non sédentaire*)
- go to Chamber of Trade and Industry and register the business. This requires a number of documents and costs 56€.

46. Kloosterman & Rath, 2003

- return to state administration with registration to get a long-term mobile trader's card.

Example 2 - Hairdresser

Belgium: Is a regulated profession. Same steps as above but requires proof of sufficient vocational skills through one of the following means:

Diploma or certificate, or SYNTRA⁴⁷ training courses, or documented practical experience (at least 5 years in the last 10 years)

France:

Same steps as above except that the mobile trader's card is not needed and:

- Hairdressing is a trade managed by the Chamber of Crafts. To set up such a business, either a professional diploma or proof of 3 years working experience in this field are needed.
- The Chamber of Crafts requires a compulsory 4-day training in business management. It costs 200€.
- Registry with the Chamber of Crafts costs approximately 116€

filled out to get it recognized. Another possibility is the recognition of foreign professional experience. These procedures normally take between one and four months depending on which of the Belgian communities is administering the request and which type of diploma it is. A lack of diploma recognition may discourage the experienced immigrant because he/she is obliged to enroll in courses in Belgium again. A business support organisation gives the following example of secondary schooling recognition for Turkish people: Primary and secondary school in Turkey is 11 years. In Belgium, 12 years are required. One of the criteria of the authorities to recognize the diploma is to have the same number of years at school as in Belgium. Consequently it is difficult for Turkish people with a secondary school diploma to get the equivalence.

Furthermore, there is a difference between recognition procedures in the different Communities: the procedure is free in the Flemish Community and costs 124€ in the French Community. In addition, if transcripts are not in a language accepted by the administration, they need an official, and expensive, translation of the transcripts.

In order to recognize professional experience, the administration also asks for official documents. These documents may not exist in the country of origin or it may be difficult for TCNs, mainly refugees, to get such documentation.

What might seem to be even limited and simple paperwork can turn out to be a challenge to someone who does not master the host language well.

To make things worse, administrative terminology and concepts can be very obscure even for natives. In France, a commission to simplify administrative forms was created a few years ago but there is still need for improvement.

Paperwork includes **writing the business plan**. In Ireland and Spain, a formal business plan is required to obtain a business permit. In other countries, it is required to get funding or other types of support. As will be seen in section C, prospective entrepreneurs do not necessarily see the use of doing it for themselves and feel that it is motivation killing. And even if they have clear ideas about their business, they may have difficulty expressing them so clearly in the host country language. Furthermore, the level of requirements can be quite high compared to the simplicity of some activities.

Recognition of foreign diploma or experience poses extra difficulties.

As mentioned in the previous section, many professions require a diploma or certain levels of work experience in order to allow self-employment. In all countries, recognition of foreign degrees and foreign working experience can be a big problem.

Belgium is particularly stringent about self-employment: in order to register a new business, the entrepreneur must prove his/her entrepreneurial capacities by showing a degree in basic management and, in many cases, professional skills (through diplomas, certificates or experience) which of course need to be recognized in Belgium. If the person has a degree, this means requesting the equivalence. If the person does not have a formal or recognized degree it is therefore not possible to register.


PROVING MANAGERIAL CAPACITIES TO START A BUSINESS IN BELGIUM

In Belgium, in order to register to run a business, the TCN entrepreneur must prove his/her basic business management knowledge. This is normally the person's diploma, which must be recognized in Belgium as being at least "Upper Secondary Education" or an equivalent level. If the business one-stop-shop does not accept the degree presented, an application can be



47. A Belgian organisation that offers courses for self-employment.

B.2.3 THE WELFARE STATE

As seen previously, many immigrants start their enterprise from an unemployment or social welfare situation. This is the case for many microfinance clients in general, with a major problem recurrently exposed by microfinance practitioners: the **inactivity trap**. Welfare or unemployment benefit recipients risk losing this minimum income by becoming self-employed at the same time as they are faced with new taxes, health insurance and social contributions to pay, before they can even earn the first income from their activity.

 In Norway, where the welfare state system is particularly well-developed, the economic situation of unemployed or underemployed people remains quite good, and they can participate in work training, work placement and other forms of employment projects. These projects and the combination of unemployment benefits, social welfare payments and housing support makes it possible to have a standard of living that cannot be considered as "poor". Some of these benefits are lost when setting up a new


enterprise, including health coverage. The overall social welfare system in Norway is closely linked with waged employment. Entrepreneurs' vulnerability in case of illness, pregnancy, loss in business or family crisis is considerable. In many cases a combination of waged employment and entrepreneurial activity offers a good option, but slows down the process of establishing a profitable business and makes some people work 12-14 hours each day.


 To get an idea of the amount of social contributions for health insurance and pension that new entrepreneurs are expected to cover, in Belgium, the lump sum that has to be paid every 3 months in the first year is 493€ (1973€/year), with increasing amounts the 2 following years. These lump payments can be regularised only at the end of the first 3 years. This can be a lot for a small business that is not making any profit yet. Amounts are in the same range  in France although regularisation takes place more quickly.

Different attempts at reducing this gap have been made in various countries (table 5). Nevertheless, much more experience will be necessary to succeed in building an inclusive and bridging welfare state.

Table 5 - Welfare bridges once a business starts

	Belgium	France	Germany	Ireland	Norway	Spain
Possibility to keep unemployment benefits	No (6 months, during preparation only)	Max. 18 months	Discretionary 9 to 12 months	4 years	9 months, during preparation & start up	No
Possibility to keep welfare benefits	9 years	Max. 1 year	Max 2 years, but reduced	Year 1 -4 100%-25%	Only if negotiated	Yes, but reduced
Possible exemption from social insurance contribution	1 year	1 year	Possible	4Year Exemption	possible	No
Health insurance coverage	Yes	Yes	No, only if welfare support continues	State Insurance Yes	No	Yes

 The Irish system is regarded as the most advanced in Europe⁴⁸. It provides income support on a decreasing scale for up to four years. In case of a business failure, the person can return into the welfare system without facing any penalties or barriers. Therefore, this system allows people to test the income-earning capacity of their enterprise extensively.

 The German Welfare system was subject to a lot of political debate in the last years, partly due to its **high costs** as well as its aspects, which are supposed to **foster passivity**. The recent reforms (so called Hartz-reforms) have introduced some activating elements into the system and have fused the long-term unemployment allowance with the social welfare benefits. The newly created Arbeitslosengeld II is like a basic income for all employable

persons without a job and is about 300€ per month plus rent. Not fully employable persons only receive an even lower welfare benefit. The new regulation makes it more difficult for migrants without a permanent settlement permit to get an unemployment allowance, because they are classified as not fully employable. This has implications for their residence permit status, because receiving welfare benefits is a reason to deny a settlement permit, even if the person has lived for more than 5 years in Germany. Such a system could be seen as an incentive for enterprise creation, nevertheless the denial of unemployment benefits also means that immigrants cannot qualify for the **bridging allowance for self-employment out of unemployment** (Gründungszuschuss).

Although it may be possible to keep unemployment or welfare benefits for a certain time after starting a

48. Siewertsen et al, 2005.

business, this possibility is **subject to conditions**, for example having received such benefits over a certain period of time. The same is true for exemption from certain contributions. In addition, it is usually necessary to submit a prior application, which implies that the entrepreneur receives the adequate information (see section D on supportive measures), in time, and that he/she completes the sometimes complex forms.

B.3 Discrimination

Discrimination, as a reason for difficulties on the labour market, can be seen as a strong push factor to starting a business. It can also be a factor in keeping close community ties. At the same time, it can cause problems when starting the business. A negative image of immigrants has implications at all levels, as described in Adie's French report. The observations made in France were similar of those described in focus groups from other countries.

Local elected officials

Business support practitioners in different areas with high concentrations of foreigners indicate that certain elected officials try to restrain the opening of shops by immigrants. In certain cases, their aim is to improve the image of certain areas by avoiding activities that may have ethnic characteristics. Another aim may be to prevent the growth of single activities (such as garment wholesale shops by the Chinese in one area of Paris).

Administrative staff

In some areas, business support practitioners find that self-employment permits are not being delivered, in order to limit the number of self-employed non-nationals. Some non-nationals have been waiting for over 2 years for their permits in certain Paris area administrative districts.

Owners of business premises

Finding business premises can be difficult due to owners' biases. This issue was raised by many immigrants who were quite bitter about it, since it prevented them from starting the type of business they planned.

One Moroccan entrepreneur who took 8 months to find a shop before being able to start his business testifies:

"I bought my stock from a former business that was closing. I was supposed to keep the shop. The owner did not want to renew the lease. It took me a long time to find a new shop. It had nothing to do with financial means,

since I am now renting a place that has a rent more than double the rent at the previous site. I found out that the initial shop has since been rented to a native French person, although the owner had told me at the time that the shop wasn't for rent anymore."

Clients

Discrimination can occur with private clients as well as in tender decisions.

"An immigrant faces the same problems when self-employed as when being employed. When doing repairs at people's homes, it is problematic. I had the same problem working as an employee for Conforama⁴⁹ : when I arrived at people's homes, the door didn't open, and then people called the boss to complain that he'd sent an Arab. That's why I intend to hire a native French employee who will visit clients. I'll handle purchases, sales and administration."

A North-African entrepreneur

Population

Certain immigrant entrepreneurs that were interviewed considered that they had been victims of racism, either against themselves or their belongings. Examples were given of insults, broken windows, burnt van.

Despite these examples, the main problem seems to be getting a bank loan or finding premises.

"At the beginning, you don't want to create a business as a "migrant", but the people you meet reflect it back at you. From the bank and the premises I came across more mistrust, I saw them make phone calls. It's a reality, but it doesn't stop you. These difficulties have already been experienced in the professional world. You simply know that you need to convince twice as much."

An entrepreneur in France

Passive discrimination

Discrimination is not necessarily deliberate. Discrimination can be excluding people by requiring things that cannot be performed or that immigrants do not understand. Many things that are seen as general knowledge are indeed general knowledge for native citizens but not for an immigrant. For example, the fact that they do not know where to go for information results in immigrants often bringing incomplete business-plans. Another example is that being given all kind of advice on issues that one doesn't need, and not having anyone answering one's real questions and concerns might feel like discrimination.

49. Conforama is a chain store that sells home equipment.

“Local bureaucrats deliberately tie you up with requirements you hardly can fulfil if you are not Irish.”
a Black Russian businessman in Ireland

B.4 A combination of factors leading to certain enterprise characteristics

The characteristics of this environment have a significant influence on entrepreneurs' and enterprise profiles. The combination of strong dynamics with strong limiting factors for enterprising migrants makes it no surprise that they tend to choose less competitive, work intensive sectors with low entry barriers, and if there are a lot of informal activities going on.

Because of restrictive legislation, lack of qualifications or recognition of these, lack of capital and collateral to start a business, many immigrant micro-entrepreneurs tend to concentrate in low entry threshold activities and/or activities that are quick cash generators. This, in turn, leads to problems in establishing and expanding markets, again because of the sectors they are in and because of the lack of financial resources. It can also be mentioned that one way to cut costs in these sectors is to resort to informal labour or transactions.

B.4.1 ENTREPRENEUR'S PROFILE

Entrepreneurs' profiles are to a certain extent related to the characteristics of the immigrant communities, but they also appear to be related to labour market outcomes.

Gender balance

The share of women among non-EU entrepreneurs is lower than among entrepreneurs in general. This is not due to gender balance in the immigrant population, since most of the countries in the study report somewhat equal gender proportions. In Spain, where 70% of Subsaharan immigrants are men and Latin American immigrants are more likely to be women, overall gender statistics for the immigrant population end up being half and half. The lower share of women immigrant self-employment may be due to education and gender roles in their respective communities. In Spain, it is pointed out that many businesses are family-run, but being registered in the name of the man they appear as male businesses. This point is to be further investigated in another study being conducted by EMN.

Age

Both in France and in Spain, the average age of immigrant entrepreneurs is similar to that of other entrepreneurs (around 40 years old in Spain). In Belgium and Germany, immigrant entrepreneurs tend to be younger than EU entrepreneurs. It seems likely that this can be linked with the especially high unemployment rates and difficulties faced by young people on the labour market, with self-employment being perceived as a way of upward social mobility.

Qualification level

Qualification levels vary greatly according to country of origin. In Germany, entrepreneurs of Asian origin tend to be highly skilled, while in the group of entrepreneurs from the former republic of Yugoslavia the majority seems to have a basic vocational qualification. The Turkish group is the group with the highest amount of entrepreneurs without any vocational qualification at all (around 45%).

In Spain, non-EU entrepreneurs have higher qualification levels than EU entrepreneurs with a high percentage of highly skilled people.

Table 6 - Education and qualification levels of non-EU and EU entrepreneurs in Spain

Spain	Non EU	EU
Highly skilled	38%	13%
Basic education	19%	49%

In France, on the contrary, immigrant entrepreneurs are less qualified than other entrepreneurs. They have lower education levels: close to half have at most a primary school level and fewer have professional training. When they start their business, most of them are semi-skilled workers, have been unemployed for more than one year, or non-working.

Table 7 - Qualification levels of non-EU and all entrepreneurs in France

France	Non nationals	All
Education level		
Primary school at the most	48%	22%
Professional training	21%	38%
University level	21%	24%
Professional situation at the start of the business		
Semi-skilled workers ⁵¹	54%	41%
Long-term unemployed	21%	16%
Non-working	21%	14%


Source: APCE, (Letowski 1999)

Language skills

Most immigrant entrepreneurs seem to have good language skills. Many of them are native of areas where

51. employés/ouvriers.

the language of the host country is already spoken (Latin America for Spain, Northern and Sub-saharan Africa for France and francophone Belgium).

 In Germany, self-employment is mostly chosen and successfully realised by non-EU migrants with long


abidance and therefore fairly good German language skills. Especially in the group of Turkish entrepreneurs, there is a high share of second generation migrants, with good German language skills. In 2002, 21.2% of the Turkish entrepreneurs (excluding naturalized persons) were born in Germany.


Table 8 - Summary of entrepreneurs' profiles


Gender	Only few women self-employed – even fewer among immigrant women than non-immigrant women.	
Age	No difference between immigrant entrepreneurs and others in France and Spain Immigrant entrepreneurs younger than average in Belgium and Germany	
Qualifications	Level among Asians high – among Former Yugoslavs and Turks low	
Germany		high level
Spain		low level
France	low level	
Language skills	Fairly good in all of these countries	

B.4.2 ENTERPRISE PROFILE

Both in France and Germany, **TCNs run mainly small or micro enterprises**. Nevertheless, they contribute significantly to job and wealth creation. Given the factors explained above, it is not surprising to observe that they tend to concentrate in activities with low entrance thresholds, which are open to foreigners, require little capital to start, non specialised skills, and are left vacant by natives because they are work-intensive and characterised by high competition.

 TCNs start with less capital than MSNs. In France, they create more often sole-proprietor enterprises than non-immigrants (65% vs 54%), an equivalent percentage to that of sole-proprietor businesses started by unemployed people. Sole-proprietor enterprises in France do not require start-up capital.

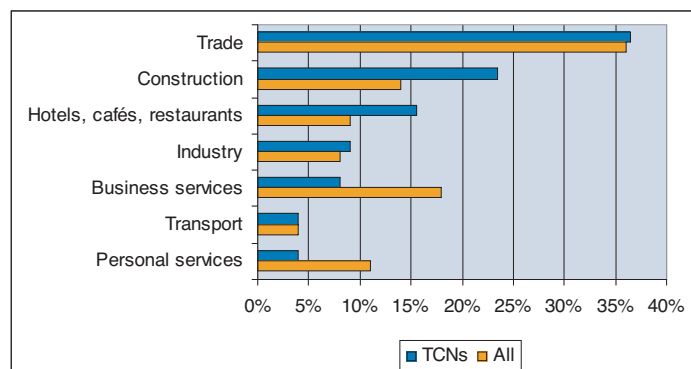
 Turnover is more limited. Most immigrant businesses in Germany have an average turnover below 500,000€. 60% of Turkish led businesses have a turnover below 100,000€, compared to one third of German led businesses⁵².


 Although they more often employ staff than non-immigrants (France), they usually have few employees (Germany) and a lot of family support. The average number of persons employed by non-EU entrepreneurs in Germany is around four persons. The majority of these employees (up to 75%) are persons of the same ethnic background as the entrepreneurs. Among Turkish entrepreneurs, 51.7% have 3 or less employees⁵³.

Immigrant entrepreneurs contribute in a significant way to job creation. For example, the more than 85 000 Turkish entrepreneurs in Europe, mainly in Germany, employ over 505 000 people including themselves. Surveys estimate that one-third of their staff is of non-Turkish origin⁵⁴. With a total turnover amount of 29 billion in 2004 the Turkish-led enterprises contributed a considerable share to the Germany GDP.

Non-EU entrepreneurs are **especially active in sectors with low entrance thresholds** (both regulatory and financial) like retail, catering, transport... Most of these sectors are work intensive and characterised by dense competition and high fluctuation. In these sectors, relying on family support and community networks can make the difference between the business's survival or failure.

Figure 4 - Sector distribution in France: TCNs as compared to all entrepreneurs



 In France, sector distribution is similar for TCNs and other entrepreneurs in trade (36%), but clearly higher in

52. Leicht 2005 and ZfT 2005.

53. Zentrum für Türkeistudien, 2005

54. A.Manço, 2000

construction (23,5% vs 14%), catering (cafés, hotels and restaurants) (15.5% vs 9%) and the clothing industry. TCNs are less numerous in business and personal services (12% vs 29%). Some ethnic groups are overrepresented in certain activities, for example people from North Africa in retail activities, and Turks in construction or clothing. Other countries report similar findings, regarding overrepresentation in general in certain sectors (food, transport, trade of small goods, groceries...) and

concentration by certain communities in particular activities.

The specificity of ethnic businesses is highlighted in a typology of immigrant businesses presented by Christian Kesteloot⁵⁵ at the conference organised by Fonds de Participation in October 2006. It identifies these businesses according to the ethnicity of the business in its impulse regarding its products or services, and of the clientele it aims to serve.

Table 9 - Typology of immigrant businesses

Oriented towards	Ethnic group	Host society
Impulse from		
Ethnic group	Ethnic niche	Exoticism
Host society	Protection/Bridge Non ethnic activity	Economic assimilation

(Kesteloot)

Ethnic niche: Such businesses provide products and services corresponding to consumption habits from the are of origin, for an ethnic clientele. Examples of ethnic niche businesses are an afro hairdresser, selling clothes for oriental weddings, an exotic food shop in a neighbourhood with a high concentration of ethnic minority

Exoticism: Ethnic products are extended to host society clientele. Examples: Chinese restaurant, kebab fast-food, Moroccan crafts shop...

Protection/bridge/non-ethnic activity: The activities are non-ethnic, but directed towards an ethnic clientele.

- Protection activities fill needs triggered by displacement (call box, travel agency, translation, bank...)
- Bridge activities enable circulation of goods, people and information between place of origin and host country (import-export)
- Non-ethnic activities in areas of ethnic concentration include for example hairdresser, healthcare, laundromats, second-hand shops...

Economic assimilation: neither the activity nor the clientele are ethnic or related to immigration, but the entrepreneur is ethnic.

B.4.3 SURVIVAL RATES

In the same way that entrepreneurs seem to create more businesses, available data shows that they are also more likely to stop them. The common way of expressing this is to talk about failure rates, which has a negative connotation. Stopping a business is not necessarily a failure: it may mean that people have found a waged job, or switched to another business. It may mean that they are wise enough to stop in time without being in a worse

situation. Having at least tried may be a positive experience, probably more satisfying than remaining passive in an unpleasant job or on welfare benefits.

"I've developed my skills even if the business doesn't succeed"

From a focus group in Ireland

French statistics⁵⁶ show a significantly lower 3 and 5 year survival rate for third country nationals than for member state nationals. Among other factors, there is probably a strong correlation to the sectors of activity chosen, since there is a high percentage in easy-entry sectors also characterised by high "mortality" rates of businesses. The same French statistics also indicate that survival rates may be correlated to initial funding, with higher chances of survival in case of higher funding. Fundacio Un Sol Mon's client statistics show a slightly lower 3 to 4 year survival rate for immigrants than for other clients as well.

Despite the reservations concerning the analysis of these findings, they could be an indicator that immigrants need more adapted support.


B.4.4 THE INFORMAL SECTOR


Although there are few statistics available, it seems to be agreed that informal independent activities are quite widespread among the immigrant population. Given the level of requirements and given that in many developing countries informality is normal, the contrary would be surprising.

55. Presentation by Christian Kesteloot, Professor at the Catholic University of Leuven, at the Fonds de Participation conference on "Migrant Entrepreneurship and Microfinance: integration levers in Belgium ?" on 6/10/2006 in Brussels.

56. Letowski, 2006.

Informal businesses are defined by the EU employment observatory as self employed entrepreneurs who fail to declare all or part of their activities and/or fail to meet the national requirements for making social insurance contributions.

 This is particularly the case in Spain, where it is estimated that approximately half of the Spanish who are not working in the formal sector have informal activities. For immigrants, it is estimated that most of those not working in the formal sector have an informal business. Many of them are women who work with elderly people.

 In France, a large share of migrants are employed or self-employed in the informal sector, due to the fact that they are excluded from the labour market. Low qualified or temporarily employed migrants also often have an independent informal activity as a necessity to complete an insufficient salary. A large share of Adie's clients are indeed people who already have informal activities, and the support consists in assisting them to formalise and register their businesses.

Being aware of the significance of the informal sector can help adapt business support policies and practice. Restrictive requirements and the inactivity trap can only encourage informality, whereas officialisation can be

fostered by adapting regulations, providing welfare bridges, and providing appropriate business support.



... ABDELAZIZ'S TRANSPORT COMPANY

Aged 48, **Abdelaziz** has a wide range of professional experience: building, security, computers and now transport. His main strength is that he has always been able to change and adapt to market needs as required. In Algeria he had launched a business installing computers. The idea of setting up a computer transport company came to him during meetings with French suppliers who suggested that he should start up his own business in this field. As a beneficiary of social security minimum income payments and after obtaining advice, he presented his project to the French national employment agency, ANPE, and met an adviser from **Adie** to negotiate finance. In April 2003, the transport business 'Jarive' (I'm coming) was born. Abdelaziz began working alone. Soon, however, the demand for his services was so strong that he was able to employ two more persons and purchase a second vehicle. Abdelaziz is convinced that his success is based on the fact that he prepared his project carefully and followed his plan to the letter.



C. Immigrant entrepreneurs' needs



Small businesses are vital for the economy and business creation should be encouraged. On the other hand, the environment for running a business is rather complicated, which is why micro-entrepreneurs need support. A large part of the needs of immigrant micro-entrepreneurs are those encountered by all micro-entrepreneurs. Many people will start their businesses whatever the official hurdles: if business support advisors are discouraging by trying to warn them about the environment and requirements, it is quite likely that they will start their activity anyway, but on their own, without using the existent support, and possibly informally. The stake in business support is that **the business be a positive experience for the person as well as an added value for the economy and society.**

Business advisors and immigrant entrepreneurs all confirm the need for support, although **sometimes their views diverge on what type of support.** These perceptions of needs can be linked to **different cultural perceptions**, which need to be taken into account if we want to provide solutions that satisfy both the entrepreneur and the need to function and follow the rules of the host society. A special focus is made separately on **access to finance**, expressed as the first and foremost need and being the core activity of microfinance practitioners

Most of the section here is based on **interviews and focus groups** that were carried out with immigrants themselves, as well as business support practitioners.

Sources of information regarding immigrants' and BDS practitioners' views

	Belgium	France	Germany	Ireland	Spain
Immigrants	Individual interviews		Focus groups		-
Business support organisations	Individual interviews			-	Focus groups

In addition, a lot of experience was derived from Network Credit Norway's (NCN) pilot project with 5 partners: Norsk Senter for Flerkulturell Verdiskaping (Drammensregionen), Forretningsutvikling ASI(Oslo), Mølla Kompetansesenter (Bærum), Næringsssenteret I Vestfold, Oasen Kreativt Senter (Kristiansund), to test various working methods for training, mentoring, assisting and financing immigrant entrepreneurs in the process of establishing their own business. The project, which began in September 2005, was funded by the Integration department of the Norwegian Ministry of Labour and Social Inclusion (AID).

C.1 Entrepreneurial needs with business support

Based on a survey of 804 organisations providing business support services, the CEEDR⁵⁷ lists the following common problems for all small businesses:

- difficulties in accessing start-up finance and/or development finance on reasonable terms
- problems in dealing with a range of administrative and regulatory requirements
- Management skills and access to business support
- Markets and marketing

Organisations providing business support services exclusively or primarily to ethnic minority entrepreneurs, as well as the case study entrepreneurs often found that

these problems were greater for ethnic minority entrepreneurs than for other small businesses. Although the CEEDR study applied to ethnic minorities, the same problems are faced by immigrants, possibly even more severely. These findings are supported by interviews and focus groups done by project partners with immigrant entrepreneurs

Warwick University's 2004 survey in the UK⁵⁸ shows that ethnic minority owned businesses are more likely than other businesses to report a lack of self-confidence and problems related to finance. They also have lower self-confidence in dealing with red tape, but are less likely to report problems in this area.

The results of two focus groups conducted with non Member State immigrants in Germany showed that those who are planning a business start-up don't have much information on requirements and support structures. Those who already have experience with support structures and advice claim to feel rather discouraged by the high amount of requirements of the pre-start and start-up phase.

C.1.1 ACCESS TO INFORMATION

- Many of the practitioners interviewed indicated a certain mistrust or fear of migrants to approach and work with institutional actors. Migrants often rely on community networks for information.

57. CEEDR, 2000.

58. Fraser, 2005.

- Migrants are often discouraged by the complexity of the information given.
- They find it difficult to find centralized information. They often have to contact different organisations. Sometimes they receive contradictory information, which increases the sense of uncertainty. To find the right information, people need to be resourceful. They also need to find the right person at the right moment.
- Language can be a difficulty, although this seems to be mentioned more by business support organisations than by immigrants themselves. Those who feel that they don't master the language sufficiently tend to come with a family member or friend.
- Migrants may get discouraged by advisors or other referents who sometimes doubt their capacities to succeed.

C.1.2 CONTENT OF THE SUPPORT

Preparing a business plan

The vision of most business advisors is that a business project needs to be matured and carefully prepared, and that the business plan is the core of the preparation and of the support they need to offer the prospective entrepreneur. On the contrary, many entrepreneurs want to start their business right away and don't see the usefulness of the business plan.

Business support services are sometimes not adapted to entrepreneurs' needs due to a "high" level of requirements for the business plan, given:

- the level of qualifications or language skills of the entrepreneur,
- the characteristics of the project, and the experience the future entrepreneur often already has in the informal sector,
- a more intuitive vision of the business and of its management,
- the urgency to start.

Administrative and regulatory requirements

Some communities are not accustomed to working in a strictly regulated framework. Many come from countries where informal practices are dominant. This may lead to a lack of awareness of the importance to fulfill requirements, and difficulty to understand them, aggravated by language issues. Not surprisingly, the CEEDR report indicates that such barriers were seen as less of a priority by the case study entrepreneurs than by business support providers.

"No one helps you with contracts. Nobody tells you how to deal with authorities. Somebody should offer a service explaining the mentality of authorities."

"The problem is not, not speaking German. I have three children who speak German perfectly, but if I give them an official letter, they don't know what to do with it either."

Entrepreneurs from German focus groups

Marketing


Getting clients is a challenge for most businesses. Literature also shows that marketing may present particular challenges to ethnic minority firms in the case where they are relying on co-ethnic customers and **need to break out into mainstream markets**. In the Norwegian trainings, immigrants expressed a high demand to learn more about marketing, product selection and pricing as well as general knowledge about reaching the market in Norway and abroad.

"A big issue was the lack of trust from the people you have to work with. You can't get access to the market if you are not known."

(...) Also you need to be recommended to people who will possibly be interested in your services."

An entrepreneur in Ireland

C.1.3 EXPECTATIONS REGARDING QUALITY OF THE SUPPORT

 The German focus groups, one with prospective entrepreneurs, the other with entrepreneurs who had already started their business, highlighted the following main expectations in terms of the quality of business support.

• **An atmosphere of confidence**

Trust is cited as a central issue by the German focus groups, as well as by immigrants and practitioners in other countries. Any positive comments from the focus groups about an organisation were always connected to a specific consultant. **The personal relation** is thus very important.

A few interviewed entrepreneurs hired private management consultants recommended by friends. These private business consultants came, without exception, from the home country of the entrepreneur. Entrepreneurs were consistently positive when asked to judge the quality of these consultants. **The recommendation by friends created an atmosphere of trust** from the beginning. Interviewers asked

entrepreneurs if the lack of a language barrier made a difference in the trust they placed in the consultants. Participants explicitly responded that this was not the case. Interviewed entrepreneurs would have placed the same trust in a German consultant who had been recommended to them.

Nevertheless, Irish focus groups did indicate that it could be easier to identify with an immigrant trainer or advisor.

“they can add value (immigrant trainers) – with confidence you can say OK I can relate to this man”

“the trainers – they all know that you won’t get funding – but the immigrant trainer would tell you how it works here”

Irish focus groups

Interviewers asked entrepreneurs how a consultant should act to gain the trust of migrant entrepreneurs. Surprisingly, all participants had concrete ideas on the subject. It was very frustrating for migrant entrepreneurs to always be confronted with a demoralizing attitude when approaching business development consultants, authorities, and banks. Many entrepreneurs assume that their experiences imply that consultants have a conflict of interest. As a result, **they view business development consultations as just another barrier**. Entrepreneurs more readily trust a consultant who displays a **helpful attitude** from the beginning, even if he/she is critical at times.

“I would trust him if he weren’t so pessimistic from the start, if he listened to what I have to say. Only then I can start to trust him.”

“If you are in the middle of a consultation and the consultant tells you to be careful (revise the concept), you think: This is somebody you can talk to. If he/she (consultant) says: Sure, go ahead, then that is not good either.”

The consultant’s level of expertise also influences an entrepreneur’s trust. His expertise should become obvious during a detailed assessment of the business plan. Entrepreneurs expected the consultant to provide additional information to make the business plan more feasible. Participants state that they would be willing to accept suggestions if the consultants justify them clearly and **present them as options**.

“I would trust my consultant because he/she shows me that my idea might develop well. I can find out everything else during the consultation and then the idea turns into a plan. The consultant should identify and fill the gaps in the concept.”

• **Complete information**

Remarks about the quality of information centres were ambivalent across the focus groups. The main complaint was that the information provided in consultations was extensive, but not comprehensive. Some essential topics were not covered sufficiently: financial planning, legal issues regarding rental agreements, and tax issues. These under-discussed issues potentially threaten the existence of the business later.

“I have had so much consultation and in spite of it did not assess the situation correctly, particularly the taxes. [...] Even the leases, there you have no one, who tells you, what is an exceptional notice period, what is a commercial lease. Now I know, if it doesn’t work out, I still must pay rent for a long time.”

“And if you need (additional) financing, no one tells you that your business must survive for a year before you can apply. And afterwards, all business consultants will tell you: “Yes, we knew that”. The business advice I received was not complete.”

Some interviewed entrepreneurs believe that consultants have valuable information to offer, but only make that information available in response to specific questions from the entrepreneur. If an entrepreneur does not ask the right questions, a consultant may not discuss important topics.

“The consultation of all who have advised me was not complete. [...] In order to get the right consultation, one needs previous experience. I knew nothing. Perhaps I did not ask the right questions.”

• **Directions and advice based on experience**

Entrepreneurs expect consultants to have considerable expertise and current information about various business sectors. Entrepreneurs believe that consultants should be able to use the business plan and their expertise to give a detailed forecast of the chances of success of a business. The consultant should then spontaneously suggest improvements to the plan if he considers the risk to be too high.

“Somebody should look at my plan and tell me how it would play out, how high the risks are. I can’t look ahead but the consultant should be able to.”

“I also have an idea of what I need to do. That’s why I prefer a consultant who tells me if I am going in the right direction, but someone who does not interfere too much. But I would still like to hear his opinion on how the business might develop, even if we disagree.”

Entrepreneurs in Germany

• **Concrete recommendations of actions to be taken**

Entrepreneurs prefer consultants who offer concrete advice on how to proceed, who give advice in the form of options, and who leave the final decision up to the entrepreneur. Particularly entrepreneurs at the beginning of the process of starting a business favour consultants who remain objective and offer alternatives.

“we need more detail, for example for cash insurance, get your insurance first and then your tax – it saves us wasting time queuing for nothing”

An entrepreneur in Ireland

“The consultant should help me get started when I want to set up a business – not directly participate, but support me with information. I would like for the consultant to tell me exactly what I have to do.”

An entrepreneur in Germany

C.1.4 DISCREPANCIES BETWEEN NEEDS IDENTIFIED BY IMMIGRANTS AND ADVISORS

The comparison of needs as identified by Evers&Jung in the literature and as expressed by business advisor interviews and immigrant entrepreneur focus groups in Germany reveals different levels of priority on various points. Being aware of the discrepancies can help offer solutions that are compatible both with entrepreneurs’ expectations and adaptation to host society.

Immigrants and advisors agree on

- **Specific demand for support:** professional business advice, problems with acceptance of business plan, language barriers mainly in written communication

and with regard to “administrative German”, preparation of bank contacts for funding.

- **Requirements and expectations of business advice:** prospective entrepreneurs have a low information level of existing support structures. Effective information channels and networking is needed, as well as mediation between migrants and German institutions/authorities.

Table 10 summarises the main differences.

+ means that the characteristics or need was emphasized

- means that the need was not seen as a priority, or not mentioned

Business creation as a way out of unemployment is emphasized by interviewees, in contrast with the literature. The interviews cannot be seen as representative on this issue, since the participating organisations mainly deal with unemployed people and entrepreneurs were contacted through their intermediary. Immigrants and literature both emphasized self-realization and acceptance in society as a ‘positive’ motivation, in contrast with BDS advisors.

Immigrants are concerned with the recognition of their capabilities and skills and expect active support, detailed forecasts and alternative solutions from business advisors. Whereas the immigrants emphasize flexibility and risk taking, the advisors focus on structure, understanding of rules and requirements, as well as better communication by using immigrants’ language. Rather than giving solutions they prefer helping immigrants to find their own solutions.

Table 10 - Discrepancies in needs identified by literature, BDS practitioners and immigrant focus groups

	Literature	BDS practitioners	Focus groups
Level of education and qualification: problem of recognition of informal abilities and experiences as well as recognition of foreign qualification	-	-	+
Motivation to set up a business:			
Intention of long-term abidance in host country	+	-	-
Self-realization and acceptance in society	+	-	+
Way out of unemployment	-	+	+
Characteristics in regards to setting up a business: flexibility in terms of business idea, willingness to take risks	+	-	+
Specific demand for support:			
Structuring of ideas and proceedings		+	-
Understanding and comprehension of rules and requirements		+	-
Advice in mother tongue		+	-
Requirements and expectations of business advice:			
Advisors/consultants with own migration background		+	-
Active support and detailed forecast of business development		+/-	+
Pointing out alternatives (alternative concepts, ideas)		-	+

Source: Evers&Jung study

C.2 Some cultural issues

A main concern expressed by business support staff working with immigrants was how to deal with cultural differences. Our understanding of such concepts as time, authority, gender relations, private and public spheres, are culturally embedded. Different local cultural codes lead to a sense of uncertainty on the part of advisors as to how they should behave when faced with immigrants from certain cultures with which advisors feel they have little in common. This uncertainty is a recurring issue when it comes to gender, especially when the person seeking advice is a man and the advisor is a woman. Attitude, communication styles, body language all convey different meanings in different cultures. A typical example is eye contact: in some cultures, it is a sign of interest and honesty to look people in the eye, in others it is a sign of disrespect or aggression. Some examples of issues that are important for the business advisory process are drawn here from the experience of trainers and business advisers, as well as from the training and workshop on intercultural communication that were held during the project.

RELUCTANCE WITH INSTITUTIONS

In certain cultures, people are not comfortable cooperating with the government institutions because of an inherent mistrust of government. Such attitudes can result in trivializing one's own business and lead to believing that regulations are not important because "my business is so small anyway"⁵⁹. As pointed out, many third country nationals "arrive from societies with partially totalitarian regimes where the population is in opposition to the government. They also arrive from societies based on religious fanaticism, or no government at all, where the strongest rule. There is reason to believe that people with such different backgrounds hold a different attitude towards governments in general than people raised in a country with a stable democracy." It was observed in Spanish focus groups, as in other countries, that immigrants usually prefer to attend services from the social sector (immigrants associations, NGOs, etc.) rather than organisations run by governmental bodies.

FOLLOWING RULES

In many instances, it isn't enough just to know how to negotiate the various requirements, procedures and formalities involved in starting a new business. At times,

59. Grundvig and Hanche, 2004.

the problem is making entrepreneurs understand that, in a European context, these things have to be done in a certain way. From the experience in their own countries, many immigrant entrepreneurs think that they can get around bureaucratic, fiscal or legal requirements by negotiation. The job of the advisor is to emphasize the importance of fulfilling all of the requirements, step by step.

GENDER RELATIONS

The Norwegians have observed that even when one academically agrees with equality between men and women, the attitudes put into practice are still condescending towards women. Some have problems relating to women in management positions and want orders verified by a male prior to performing the work.

A DIFFERENT RELATION WITH REGARD TO TIME AND TIME-MANAGEMENT

"For most immigrants, time is a flowing, always available resource. It is not taken as a limited resource, so that the effective use of time, planning, punctuality and keeping to tight time schedules is not important. Writing a business plan with limited time concept is not given a high priority." (A. Keige-Huge)⁶⁰.

SPOKEN AGREEMENTS ARE MORE IMPORTANT THAN WRITTEN AND OFFICIAL DOCUMENTS.

Very often, the personal relation is more important than the written contract. A written contract is not entirely binding, may be renegotiated. One example of problems incurred is in the case of a business transfer, where the foreign entrepreneur trusted the former owner, did not register the transfer formally, and continued to receive the invoices of the former owner⁶¹.

60. Dr Annah Keige-Huge, training on "Intercultural issues for microfinance practitioners working with immigrant microentrepreneurs in Western Europe", Oslo, 7/11/2006.

61. Example given by a Belgian BDS practitioner.



DISCUSSING VALUES DURING TRAININGS

The “Etablerer-prosjektet”⁶² guide to establishing a business produced in Norway highlights the need to discuss values during the trainings. The booklet is a result of a training project carried out in Hurum from November 2003 to June 2004 and is available in different languages. The training’s main objectives were

- education in the Norwegian language with emphasis on establishing a business, and
- creation of companies in different industries.

When discussing values, trainers stress that they are not ranking values or attitudes. The aim is to highlight conditions that have complicated the process of establishing a business. They quote Dr Zorica Mitic, who is from former Yugoslavia but considers herself a multinational with a neutral view on integration policy. She says “Western Humanism has affected Christianity, which did not occur with Islam. Immigrants must adapt their cultures and religions, not be in conflict with the Norwegian Law and views on humanity. This is the price immigrants must pay to function as a citizen of a new country”.

To ensure alignment to the traditions of Norwegian business practices, the courses continuously discuss the following four terminologies: Identity, Responsibility, Equality, Finances. This discussion is identified as being essential to make clear the areas where the immigrant must adjust his or her perceptions and attitudes.

Herein lay a number of issues, such as:

Do you consider responsibility in the same manner as Norwegians do?

Will your clan orientation prohibit you from properly delegating tasks?

In what way may your religious affiliations hamper you in your daily business?

Can you, as a woman, take responsibility on behalf of the family business?

... A FURTHER STEP TOWARDS UNDERSTANDING CULTURAL DIFFERENCES

Some further insights into cultural differences from a sociological point of view are offered by Clair Michalon, who delivered an awareness-raising seminar for Adie staff as part of the project⁶³. Some elements from this training are presented here.

The framework proposed for understanding cultural differences is linked to the level of self-perceived precariousness (“*précarité*” in French).

Depending on the level of precariousness felt, a social group adapts its behaviour, concerning social logic, values, social structures, relation to time. On the other hand, a social group enjoying relative security also develops logic, values and specific social structures, which are those on which a modern state is implicitly based. The level of precariousness is subjective and different from poverty level, which is measurable.

Precariousness means not having the choice, living with a high level of uncertainty, and in a context where death is present in people’s every day life. Some particularly relevant points as far as enterprise is concerned are listed below.

- The foremost issue is survival. Survival is not quantifiable: you either live or die, there is no in-between. This leads to a higher value given to “qualitative” values rather than quantitative values.
- Insecurity leads to a cyclical perception of time: what happens tomorrow is God’s will, yesterday is like tomorrow. You cannot plan what will happen in the future. It is difficult to project oneself in time, the immediate (present and short-term) is the most important.
- Only people who have sufficient security to afford to make errors (without the risk of dying) can think of “improving” their situation. To ensure survival, one reproduces what has been done by those who have themselves survived, namely one’s father.
- Precariousness means that the priority issue is survival. To survive is to exist, not being somebody’s son is to exist, not being somebody’s son is not to exist. A person is defined by his physical existence. Society is the assembly of physical persons. The institution is not legitimate as such, nor are rules and regulations.

The relation between people is therefore of utmost importance.

In oral cultures, where information is transmitted orally and rarely in writing:

- people depend on each other for information. It is important not to risk breaking a relationship. Therefore, it is dangerous to say “no”. The loan officer should therefore make sure to ask open-ended questions that do not require a yes or no answer.

62. Grundvig and Hanche, 2004.

63. Clair Michalon, CILO (Communication interculturelle et Logiques sociales) at Adie seminar in Paris on October 27. See publications in bibliography.

- people need to handle a large amount of information instantly: their intuition is therefore highly developed and they can easily sense what a person is thinking, and what a person would like to hear.
- The system of thinking uses comparisons. For the loan officer or business advisor it works better to show things concretely rather than to spend a lot of time in explanations.

It is important to realise that differences exist and that people don't perceive or think in the same way. Service providers who understand this can respect their clients better and help them understand and accept the given rules of the host society.

C.3 Access to finance

Project partners confirm observations from previous studies that finance is typically perceived as the greatest single problem by immigrant and ethnic minority entrepreneurs at the start-up stage. It is noted however that certain communities are more likely to ask for microloans than others, probably because of differences in access to finance through community networks.

Traditionally, the financing of businesses and start-ups is carried out by banks. Specific funding schemes supported by the government or local authorities usually also exist.

For unemployed or excluded people wanting to start small enterprises, even with small amounts of funding, banks rarely lend even small amounts: the risk of start-ups is perceived as high, there is often little or no collateral, and the amount of work required to process the loan is not covered by interest and bank fees. Immigrants, and among them particularly refugees, have additional difficulties because of short bank history and even greater lack of guarantees than native citizens (no family in the country, low savings, lack of property).

Microcredit aims by definition to close this gap, by providing small loans to people who are excluded from the traditional bank sector.

As reported by project partners and confirming the CEEDR report, immigrants and many specialist organisations also feel that immigrant entrepreneurs face major problems of discrimination on the part of providers of finance, whether banks or financial schemes for starting entrepreneurs.

C.3.1 ACCESS TO BANKS

Difficulties in access to finance are observed both by experts and entrepreneurs.

- Banks often have a strong reluctance to advise, support or finance migrant entrepreneurs. In Germany, this is attested by experienced experts in business support for migrant entrepreneurs. Most banks are lacking any intercultural competence in counselling and providing information.
- French statistics show that immigrant entrepreneurs borrow less from the mainstream banking system than other starting entrepreneurs (10% vs 28%)⁶⁴. On one hand, this is due to bank rejections, on the other hand the anticipation of discrimination from the immigrants' part plays also a role⁶⁵. In addition to these factors, immigrants might have a possibility of borrowing from their community, which appears less risky. They also have difficulties presenting a business plan that meets bankers' requirements. For these reasons, a lot of them turn to microcredit.
- The Warwick study⁶⁶ shows that for existing businesses in the UK, ethnic minority owned businesses, although they are more likely to seek new external finance (excluding finance from family and friends) than other businesses, seek an average amount which is much less than that for white-owned businesses. Nevertheless, there was no evidence of significant differences in rejection or discouragement rates based on ethnicity. Since the sample is based on existing businesses, it does not take into account businesses which did not get started as a result of rejection. It also appears that ethnic minority owned businesses have significantly lower overdraft limits than other established firms (£7,000 vs £35,000). They also have significantly lower asset finance (leasing and hire-purchase).

'The bank approach was discouraging'

An entrepreneur in Ireland

"All that I could get from the Post Office bank was a current account with no overdraft facility. I was even refused the ACCOR card (lunch tickets) although I had provided all the required items. When I asked why, the person did not answer and told me to write a letter..."

A Pakistani entrepreneur in France

'The bank and I were in open conflict. They are racists! My business is going very well but they refused to allow

64. Letowski, 1999.

65. As analysed by T.Lévy-Tadjine, 2004.

66. Fraser S, 2004.

me an overdraft and I could not get a loan to develop my business!

When I made my application, I had 20,000 euros in personal funds! A French person would never have had so much difficulty to get a loan with such a personal contribution! It's pure racism! Personally, I was depositing big cheques regularly and they charge me every time I use a credit card machine. It's really a one way relationship!"

An Ivorian entrepreneur in France

C.3.2 PUBLIC AND PRIVATE FINANCIAL SUPPORT SCHEMES

Like bank funding, other financial support schemes turn out to be difficult to access as well, as shown by statistics.

There is a variety of existing schemes, among which can be mentioned:

- bridging allowance, as mentioned in B23, existing in Ireland, Germany and France,
- start-up allowance in the form of grants or loans, possibly coupled with the bridging allowance, in the same countries as above,
- loan guarantees (in France, Germany...)
- loans with interest rate subsidies (in Spain)

German and French statistics on access to public funding programmes and financial support schemes for self-employment and entrepreneurship show that immigrant entrepreneurs are underrepresented among recipients. It is often mentioned that migrant entrepreneurs are less informed regarding public opportunities for funding and support than their non-immigrant counterparts.

Government funding schemes for start-ups are often managed by banks. Criteria for these schemes are therefore likely to end up being similar to usual banking criteria. In Spain, all banks and saving banks have products to promote business creation, often with interest rates subsidised by local governments, but collateral remains systematically required. In Germany, almost all financial possibilities accessible for self-employment are offered exclusively by banks. Even public funding schemes rely on the main bank principle, which means that the entrepreneur's main bank acts as an intermediary for public banks in distributing grants and forwarding funding programmes.

... STUDY BY KfW IN GERMANY

Public funding programmes and financial support schemes for self-employment and entrepreneurship are only sparsely frequented by migrants. A study of the KfW-Mittelstandsbank, a national public bank that offers promotional loans for small and medium enterprises, revealed that migrant entrepreneurs accounted for only 2.8% of all persons funded by **KfW-programmes** in 2002, while the share of migrant entrepreneurs in the group of entrepreneurs with need for financing was reported to be more than five times higher (around 15%). Even in this small group, TCNs are underrepresented as the majority of the KfW-funded entrepreneurs with migrant background originated from the EU-15 (55%). The biggest single nationality was the Turks with 20%. Despite the low overall usage of KfW-programmes by migrants, the study showed that **the introduction of new products with a focus on funding microenterprises** like StartGeld (up to 50,000€) and MikroDarlehen (up to 25,000€) **has improved the access of migrants to public KfW funding** by making it more attractive for banks to deliver these loans, although there is still progress to be made. In 2002, the share of migrants in these funding schemes amounted to 5% (StartGeld) and 9.6% (MikroDarlehen).

As an explanation for their low frequentation of public funding schemes, it is often mentioned that migrant entrepreneurs are less informed regarding public opportunities for funding and support than their German counterparts. 60% of the TCNs questioned in 2001 on behalf of a study about migrant entrepreneurship in Hamburg weren't informed at all about the existing opportunities of public funding and support and nearly 22% rated the application process of most of the programmes as "too complicated".

ACCESS TO PUBLIC AND PRIVATE FUNDING SCHEMES IN FRANCE

A higher rate of non-nationals starts up a business without receiving the government financial help for the unemployed. Although the share among immigrant entrepreneurs who were eligible for government schemes was as least as high as French nationals, only 22% received government aid in 1999, in comparison with the rate of 31% for all business starters (APCE).

The two other alternative business funding networks have no national statistics. They are France Active, which guarantees bank loans, and France Initiative Réseau (FIR), which provides interest-free, non-collateralized loans subordinated to bank loans. Certain organisations from the FIR network have objectives to support more immigrants (8 organisations out of 247).



Maria Antonieta B. started the “**Casa Latina Cultural Centre**” with two loans from **Network Credit/Microinvest**. Now she is able to make a decent profit from her entrepreneurial idea. Italian-Mexican Antonieta came to Norway in 1993. She was studying Henrik Ibsen and had a desire to read his literature in Norwegian which she began to study. In addition to Ibsen, she had an idea from Mexico about starting her own cultural centre.

“I needed money in order to realise my plans. For three years I was working in a shop in the airport and as a telephone operator to save money. I also applied for a loan from **Network Credit** as well as family and friends. They believed in me and my business idea. I think it was my energy and involvement which contributed to this,” Antonieta says.

Her Casa Latina Cultural Centre has been up and running for about five years now. Three years back it had a surplus that was enough to live off. “This year I will survive on the income. I am counting on a surplus of NOK 200,000 (€25,400),” says a proud Antonieta.

While working at the airport she earned more than what she does as self-employed, but she prefers to do something she likes. During earlier stages of her business she also had to work long and hard days, in average 15 hours a day including Sundays. Creating a business does not mean that you will automatically become rich, she says, and for succeeding “you need to have dreams, vision, and start-up capital.”

The centre provides language classes. The most popular courses are those for Norwegians who want to learn Spanish. There are even special Spanish courses for retired persons who are moving to the sun and heat of Spain in the winter. In addition, the centre offers courses in Portuguese, Italian and French as well as art exhibitions and cultural nights.



D. Supportive measures for immigrant entrepreneurship



Good practice can be seen as responding to the needs both on the part of the entrepreneur and of the host society, with its values and norms. Good practice should be inclusive and avoid passive discrimination. It was not possible within the framework of this project to actually measure how successful most of the practices were; indeed many of them are quite recent. They should be seen here as measures that seem to respond to the needs identified in the previous section.

Both business support organisations and evidence from case studies support previous research findings of **a low level of use of formal business support organisations by ethnic minority or immigrant businesses**. In France, the national agency for enterprise creation finds that immigrant entrepreneurs more often start up their businesses without using prior business advice and training than non-immigrants.

- Entrepreneurs who use business support services: 51%
- Immigrant entrepreneurs who use business support services: 41%⁶⁷

Some explanations offered are:

- a tendency to use informal sources of assistance rather than formal sources,
- a lack of awareness of the availability of business support,
- a lack of credibility and trust of mainstream agencies.

In its study of microcredit and immigrants in Spain, Foro Nantik Lum emphasises the need to invest in microbusiness training and search for potential beneficiaries⁶⁸. The Social Microcredit Support Organisations that provide the pre- and post-loan support have limited resources to carry out their role as intermediaries. Consequently, current immigrant microcredit clients are those with the initiative, contacts, and support necessary to be able to present a good business plan. In most cases, these individuals are not the most vulnerable segment of the immigrant population, although they also need assistance in order to achieve social integration.

Whatever the support offered, outreach is a specific issue: the target group needs to be made aware that it is available and useful to them. Access to finance is one of the priority needs expressed by entrepreneurs. Microcredit can play a significant role in this issue, not only by providing funds but also by building a bridge to mainstream finance, particularly banking services. But obtaining funds is also not possible without adequate business support, whether for planning the project or providing assistance after the business is started.

67. APCE.

68. Lacalle et al, 2006.

D.1 Outreach and access to information

The general observation is that immigrants have less access to information for linguistic, cultural and social reasons:

- they are not pro-active in their research, due to different cultural **perceptions of business creation**, as well as a **mistrust** in institutional actors
- they are less likely to go to traditional places of referral.

The funding offer sometimes serves as the “carrot”, attracting clients who wouldn’t have sought out business support and whom it becomes possible in this way to inform and advise. It is indeed often the need for money that leads prospective or already started entrepreneurs to the microcredit or business support organisation. The loan process is the opportunity to raise awareness about all the other issues related to running a business and offer advice and other types of support.

INFORMATION BROCHURES

In several countries (France, Germany, Belgium) initiatives have been taken to make information about immigrant entrepreneurship available on a national level, either through brochures or a dedicated website. These brochures are useful both for immigrants themselves and for organisations working with them.

The Federal Ministry of Economy and Technology of Germany created **an information brochure dealing with immigrant entrepreneurship**, pointing out legal and administrative hurdles and special requirements on business start up in Germany that might be strange in the eyes of immigrants. The brochure lists contact data of several information/advice and training measures focusing on immigrant entrepreneurs all over Germany.

BEING PRESENT IN AREAS WITH HIGH CONCENTRATIONS OF IMMIGRANT POPULATION

Adie has a specific focus on “sensitive urban areas” (zones urbaines sensibles, ZUS) which are identified by the French State as deprived urban areas. These areas with high levels of unemployment and welfare recipients have been targeted by Adie for a long time because of the concentration there of Adie’s primary target group. Analysis now shows that the major difference in clientele between these and other areas is the share of immigrant clients. The share of TCNs among Adie’s clients in these “ZUS” areas is 28%, compared with 15% in urban areas excluding ZUS’.



“Advies bureau voor Zelfstandigen” in Antwerp provides start-up support particularly to people who have difficulties complying with the official procedures and requirements. Antwerp being a multicultural city with a large immigrant population, 90 % of the Bureau’s clientele is immigrant. The team has **mobile advisors** who go out to meet both starting and long-existing entrepreneurs, in order to help them comply with regulations (if needed), reconsider their ways of doing things, develop or reorient their business.

USING COMMUNITY AND LOCAL NETWORKS AND WORD-OF-MOUTH

German focus groups of people setting up a business showed that the migrants’ path to consultation institutions was often accidental, and recommendations from the circle of friends played an important role. These statements confirmed the results of the study of the IfM Mannheim, which reported that approximately 2/3 of the migrants who have looked for help have not used public information centres e.g. for migrants, chambers etc., but business or tax consultants⁶⁹. In the focus groups it became clear that often they were recommended by friends or family, who showed great trust in them.

The idea of networking is fundamental. Networking makes migrant referrals possible, creates an atmosphere of trust, and reduces migrants’ inhibitions. Practitioners’ experience that community and local networks and word-of-mouth are an important way of reaching new immigrant clients is confirmed by a study of first arrivals showing that *“word of mouth and local networks are the most important”*⁷⁰. A good word-of-mouth implies that services must meet a real need and clients must be satisfied. **Trust-building** and **face-to-face relations** are particularly important, whether it be directly with the entrepreneurs, or community leaders and networks. One idea is to target community members who already work for themselves. As one professional suggests: “There is a need to raise awareness among ethnic small business leaders so that they will transmit the information orally which is extremely important.”



TCH GmbH is a mainstream BDS organisation situated in Hannover with a start-up coaching programme for migrants. Their main and biggest target groups are resettlers with Russian background and Turks, followed in smaller numbers by Poles, Iranians and people from the Arabic speaking world. **The access to the target group is established through**

69. Leicht, 2005a.
70. ENEL, 2004.



networking. Consultants are frequently invited to external events (in cultural and ethnic associations, mosques, vocational schools...) to inform about the possibilities of the coaching at TCH for migrants.

When the Immigrant Self-employment Centre in Barcelona was set up, the staff studied the environment and **contacted many informal immigrant networks to explain their services.** They also designed a **postal-free card with basic information written in four different languages** which they distributed twice a week through the **places where immigrants were likely to find the information:** social services, immigrant associations, support immigrant organisation, employment offices, libraries, consulates etc. They have a network of 500 points.

USING IMMIGRANTS’ OWN LANGUAGE

It can be useful to have brochures and information materials in people’s native languages. This is particularly important for new arrivals.



In certain countries (France, Belgium) new arrivals from non-EU countries already have (or will have soon) access to brochures on business creation in different foreign languages during training courses for integrating foreigners, as well as other brochures on employment and interim work.



But, on the other hand, many immigrants don’t want to be treated differently than the rest of the population. When NCN first started, brochures were translated. But people wanted them in Norwegian, knowing that if they are going to run a business, they will need to do so in the host country language. Those who have made or are making the effort to integrate by learning the language and working in the mainstream economy may even feel that they are not being taken seriously.

It is important to know which public is being targeted, and what kind of businesses. For new arrivals who don’t yet master the host country language it seems relevant to have translated brochures, possibly in both their own language and host country language so that they can learn the terminology. For people with small income-generating and ethnic businesses, who tend to stay within their community it is likely that using their language can be not only easier to understand but will involve them more, particularly through oral communication.

As one professional interviewed by Adie explained: *“If the announcement on Beur FM (an Arab radio station in France) is done in French, the person won’t feel*

concerned. If he or she hears the name of an institution, he or she will just say 'I'm not listening, I don't understand'. But if the message is in his or her language then the person will tend to take notice." However, written communication should continue to be in the host country language, according to this professional.

D.2 Successful and inclusive financial services

D.2.1 MICROCREDIT: WHY AND HOW?

As stated above, microcredit aims to close a market gap by providing access to loans to people who are excluded from getting bank loans. In Western Europe, microlenders usually have non-profit maximising goals such as social inclusion, job creation, enterprise development and development of regions. The European Union defines microloans to start or develop micro-enterprises as loans of 25,000€ or less.

EMN's 2006 survey⁷¹ brings together data from 55 microlenders (defined as organisations actually disbursing the loans). It confirms that microfinance in Western Europe is a young but fast-growing sector. Whereas the oldest microcredit programmes date from the late 80ies, 71% percent of microlenders in the EU-25 were created since 2000. Most of them are local and small-scale. In the EU-15, 65% of them disbursed less than 100 loans in 2005.

Close to 16,000 microloans are reported to have been delivered in 2005 by respondents in 11 countries of the EU and EEA, among which roughly 14% to foreign nationals or ethnic minorities. Microloans to foreign nationals and ethnic minorities are made mainly in France (roughly 40%) and Spain (35%), with significant numbers in Sweden (11%) and in the UK (7%). Most Spanish microlenders (mainly savings banks) are targeting immigrant entrepreneurs, and over half of their microloans are made to immigrants.

In 2005, an EMN survey focusing on microlending to immigrants gathered information from 27 microlenders, among which 20 gave quantitative data for loans to immigrants⁷². The results included UK data for ethnic minorities.

Quantitative data showed that:

- **Microlenders pay varying attention to immigrants or ethnic minorities as a target group.** In 2005,

63% of respondents were able to provide exact data for numbers of loans made to immigrants or ethnic minorities. In 2006, the 67% respondents who indicated making any loans to immigrants and/or ethnic minorities mostly had high percentages of immigrant clients. Lack of readily available data may be due to microlenders' weak information systems, but it also demonstrates their lack of attention to this particular issue. Indeed, immigrants and ethnic minorities seem more likely to be targeted by microlenders with a focus on social inclusion rather than those with a focus on economic development, despite their potential to create jobs.

- **Most microlenders are operating on a very small scale.** The average number of loans made to immigrants by individual organisations is 13 loans in 2002 and 20 loans in 2004. This calculation excluded one major microlender accounting for over 70% of all immigrant loans. In the 2006 survey, 5 microlenders made over 100 loans to immigrants or ethnic minorities in 2005 (in France, Spain and Sweden).
- **The share of immigrants among micro-borrowers tends to be fairly high.** 65% of respondents were making more than 15% of their loans to immigrants, whereas for the remaining 35%, immigrants were less than 6% of their clientele.
- **Numbers of loans and enquiries are increasing rapidly.** Over the 3-year period (2002-2004) the number of microloans made to immigrants increased by 47%. The number of immigrants expressing an interest in microloans increased at a much higher rate (158%) than the number of loans made, meaning that the share of approvals has decreased. Although only half of respondents provided exact data on inquiries, it was possible to see that organisations with low proportions of immigrant loans also had lower conversion rates⁷³ for immigrants than for natives, meaning that these organisations' criteria and requirements are apparently excluding immigrants and that it might be possible to better adapt their services to immigrants' needs. Nevertheless, apart from the quality of the services provided, the small scale of many microlending activities probably also makes it difficult to meet demand.

A majority of respondents (73%) believe that immigrants face specific difficulties at least at one stage

71. EMN's 2006 survey report is forthcoming.

72. M.Guzy and T.Underwood, 2006.

73. Conversion rate : ratio of loans disbursed to inquiries. This reflects the chance of getting a loan when applying for it.

between accessing microloans, running their business, and repaying their loan. Interestingly, perceptions of difficulties are higher among organisations serving higher numbers of immigrants than among those with relatively few immigrant clients. A possible explanation here is that respondents who are more aware of difficulties faced by immigrants are perhaps more attentive to ways of supporting them, which results in making more loans to them.

Respondents are mixed about the need for specific measures to improve immigrants' access to microloans. Many of them are attached to "citizenship-neutral" policies and practice and prefer mainstreaming their services. Others prefer a target-group specific approach.

Further discussions during workshops and trainings concluded that although it was seen as desirable to integrate immigrant prospective entrepreneurs into mainstream services as much as possible, a target-specific approach was usually seen as necessary to bring them to the same level as native entrepreneurs, particularly when it comes to issues of language and concepts. This target-specific approach is seen as relevant for training and mentoring, but much less so as far as financial products themselves are concerned.

Survey results confirm the need to:

- Increase the sector's outreach by scaling up
- Raise awareness about immigrants as a target group
- Adapt lending methodologies and related business support



HOW UNSUCCESSFUL PRACTICES LEAD TO BETTER PRACTICES

Microcredit development in Germany

The focus on the main bank (Hausbankprinzip) as well as the caution of banks regarding micro and small loans causes an increasing shortcoming in financing micro entrepreneurs. There is evidence that the increased **demand for micro finance in Germany cannot be accommodated by traditional methods and institutions**. In order to improve (financial) promotional measures for start-ups and young micro enterprises numerous pilot projects have been supported. Until 1997, only 3 programs which included financial measures were counted. From 1997 their number increased steadily until 2003. Evers & Jung identified 10 local (communal/regional level) and 12 regional micro loan schemes in Germany, where the necessary capital has been supplied by private donors, company related

foundations and local and regional public authorities. Despite the diversity of financial support measures, the experience with credit allocation specialized in micro loans is limited. This can be illustrated by a very small number of transactions of most of the programmes made in the past.

In order to improve the results of micro finance in Germany, the KfW introduced a new loan scheme (Micro 10) in March 2005 as pilot programme. The cooperation between banks and start-up intermediaries is encouraged in order to gain synergy effects and to aid this **a guide on cooperation between banks and start-up support initiatives has been published**. Concrete figures and cooperation experiences are not available yet. Likewise, aggregated figures on immigrant participation in public loan schemes, guarantee schemes and micro loans are not available either.

D.2.2 PROJECT PARTNERS' MICROCREDIT PROGRAMMES

The partners involved in this report are running micro-credit programmes with a variety of characteristics, and different results which are presented in table 8. The table includes the Hamburg microloan scheme for which Evers&Jung is carrying out the post-loan support although not actually delivering the loans. All the schemes reported here aim to support self-employment, often out of unemployment. Fundacio Un Sol Mon in Spain and NCN in Norway are mainly targeting immigrants. The others are targeting unemployed and/or poor people, among which, as seen above, immigrants tend to be overrepresented. The start-ups and businesses that receive support illustrate a wide sector spectrum, from simple services (house keeping services, accounting etc.), small enterprises specialized in trade, gastronomy, or handicrafts, up to highly qualified start-ups in the business and private service sector (e.g. architects, engineers, lawyers, software development).

As can be seen in the following table below, statistics related to immigrant clients are not all very detailed. Because many programmes up until now have not focused on immigrants or third country nationals, statistics on activity levels or impact for this target group did not necessarily come readily. The older and larger organisations provided the more precise data. One recommendation to increase and improve microlenders' work with non nationals is to have some basic indicators in this field, which should include at least the number of immigrant or ethnic minority clients receiving loans, but also the number of immigrant/ethnic minority applicants. The table consists of information submitted by the organizations themselves.

Table 11 – Examples of microcredit programmes from project partners

Organisation	Participation Fund	Adie	Hamburg Micro loan programme	First Step	Fundacio Un Sol Mon (FUSM)
Country	Belgium	France	Germany	Ireland	Spain
Year microcredit programme started	Starter loan: 1984 Solidarity loan: 2002	1989	June 2002	1991	2001
Type of organisation	Federal Public financial institution	Non profit organisation	Hamburg Ministry of Economy and Labour	Voluntary not for profit organisation	Foundation of the Social Work of a Savings Bank
Mission	- Facilitate access to bank finance for independent entrepreneurs and SMEs by granting subordinated loans - Fight unemployment by granting microloans to unemployed to create their own business	Finance and support individuals who wish to start or develop their business to create their employment but do not qualify for a standard bank loan. Contribute to improving the environment for small enterprises by proposing changes in the regulatory framework.	Political goal of the programme is to support self-employment in the low level economic sector, to develop entrepreneurial potentials and to take the target group out of social welfare income.	Creation of Enterprise through Self-Employment	<ul style="list-style-type: none"> To implement projects in favour of the excluded communities in our society. FUSM aims to support enterprises within the new social economy that combine social integration of disadvantaged people with business cost-effectiveness and profitability along with viable enterprises based on self-employment. To offer technical and financial support to development cooperation with countries of the Third World. To raise social awareness concerning situations of poverty, marginalisation, exclusion and social injustice.
Target public of microcredit programme	Unemployed, social welfare recipients, immigrants, young people	Unemployed, social welfare recipients, poor self-employed people.	Unemployed who want to start a business out of unemployment. Migrants are represented above average.	Individuals who cannot access funding from mainstream financial institutions or other sources.	Financially excluded people

Organisation	Participation Fund	Adie	Hamburg Micro loan programme	First Step	Fundacio Un Sol Mon (FUSM)
Activities (financial/non financial)	Loan delivery. Works with business support organisations that help potential clients fill the applications.	Financing Non-financial services: • pre-loan assistance. When possible and needed, advice and business planning are usually done by partner BDS organisations. • post-loan mentoring and advice	Final loan decision and delivery. Pre and post loan business support in cooperation with Lawaetz-Stiftung (start-up support and application consultation) and Evers & Jung (telephone based follow up advice).	Loan capital, mentoring, business support and training.	Loan delivery. FUSM works with a network of social microcredit support organisations which provide the non-financial services (advice, training and mentoring, before and after the loan).
Loan characteristics Max loan Max duration Interest rate Other Conditions	<u>Starter loan</u> Max 30,000€ / 5 to 10 years <u>Solidarity loan</u> for people in financial or social difficulty. Max 12,000€ / 4 years <u>Young independents plan</u> : in addition to the starter loan, unemployed youth starting their business can get a free-interest loan 4,500€, 0% interest, 5 year grace period	<u>Solidarity loan</u> Max 5,000€ / 2 years Loan average: approx. 3,000€ Interest rate: 7.02% in 2006 Guarantor for 50% of the amount <u>Interest-free subordinated loans</u> from own funds and from government scheme	Max loan size: 12,500 € per person and 25,000 € per enterprise no declared minimum loan size. Max duration 5 years Max grace period 12 months Interest rate is currently 7.87 % p.a.	Max.loan: €25,000 Max.duration: 3 years Interest rate: 6% flat Conditions: Completion of an application form, provision of a business plan. Payable by monthly standing order, acceptance of a contract letter and acceptance of a mentor.	Max loan: €25,000 Max.duration: 5 years Interest rate: 6% flat
Statistics for 2005 (all microloans) Loans disbursed Average loan size	<u>Starter loan</u> : 503 approvals (total of 10,855,891€) Average: 21,582€ <u>Solidarity loan</u> : 32 approvals (total of 361,468 €) Average: 11,295€ The microcredit business line makes up 42.7 % of approved loans in 2005.	6,740 microloans (18 million €) Average loan: 2,690€ 5,891 businesses received loans 7,069 jobs created Repayment rate: 93.5% Write-off rate: 3.8%	250 loan applications 94 loans approved Average loan: 7,500€ Portfolio at risk: 8% 41 % of the granted loans went to women, clearly above the average rate of women entrepreneurs in Germany.	82 loans Average loan size: 8,500€	311 microloans Average loan size: 9,300€ 40% of the foundation's loans were granted to people below the Spanish poverty line.

ORGANISATION	PARTICIPATION FUND	ADIE	HAMBURG MICRO LOAN PROGRAMME	FIRST STEP	FUNDACIO UN SOL MON (FUSM)
<p>Statistics on immigrant clients</p>	<p>Between January 1999 and June 2005 there were: - 135 applications for starter and solidarity loans from foreign nationals - 45 approvals Over half the applications were from Moroccans, Turks and Congolese.</p>	<p>In 2004, 24.1% clients were immigrants from non EU countries, among which 14.7% were foreign citizens and 9.4% were naturalised. 49% originate from North Africa, 33% from Sub-Saharan Africa</p>	<p>The programme itself doesn't provide any statistics of nationality and immigrant status. Based on information from the pre-loan-advice institution, approximately 25% of the applicants are migrants. The institution providing post-loan advice counts 10,5% non-Germans among the borrowers, of which 7% are TCN's.</p>	<p>10% of First Step's clients are immigrants.</p>	<p>In 2005, 74% of FUSM's microloans were made to foreign-born entrepreneurs: - 60% to non EU citizens, - 14% to EU citizens who were born in a non EU country.</p>
<p>Impact analysis (survival rate, repayment, ...)</p>		<p>Similar profile to that of other clients, with half on social welfare. Main differences are a lower education level on average, a higher share undertaking activities in trade and construction, and less in services. Business survival rates (all): 54% after 3 years. 75% of clients graduated out of social welfare.</p>	<p>Survival rate of "first generation" (loans received between June and Dec 2002): 66%</p>	<p>Survival rate 90%</p>	<p>8/10 improved their economic situation, 74% entrepreneurs found an improvement in their labour stability, their family living standards, and in their self-esteem. Business 3 to 4 year survival rate based on 2003 data: 67.5% for all clients, 66.7% for immigrants / 69% for non-immigrants</p>
<p>Other microfinance practitioners in the country</p>	<p>Brusoc in Brussels-capital Crédal in Brussels and Wallonie A feasibility study is being done by Hefboom in Flanders</p>	<p>Adie's data includes those of 2 organisations, Airdie and Afile 77, that are independent organisations but still part of the Adie network. Adie does their back-office work.</p>	<p>At least 15 other existing microcredit programmes have been identified, mostly very recent.</p>	<p>Other initiatives are small and locally based.</p>	<p>In Spain, there are two main types of microcredit programmes: - Spanish Government Programmes, notably, the ICO Microcredit Line (immigrants were 38% of clients in 2004). - Savings Banks Proprietary Programs. Almost all savings banks disburse microcredits and target immigrants as their main clients, but 6 are most active. In 2005, 784 loans, accounting for 55% of their microloans, were made to immigrants (up to 90% for one of the banks).⁷⁴</p>

74. Foro Nanifik Lum, monograph n°7 (Lacalle et al., 2006).

D.2.3 GOOD PRACTICE IN THE MICROLENDING PROCESS

The loan process includes the following stages:

- Enquiry
- Application
- Analysis and lending decision
- Loan disbursement
- Repayment processing and loan monitoring
- Managing problem loans
- End of loan procedures

Experience and best practice exchange shows that successful microloan programmes are committed to the following principles in their loan process:

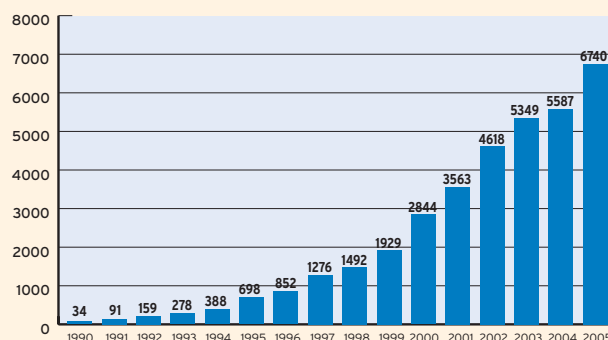
- Efficiency
- Relevance
- Speed
- Transparency

The key word is to make things easy for the client and not to have unnecessary complications. Given the small sums of money and the cost of making the loans, it is all the more important to be efficient. Requirements should be limited and relevant as much as possible according to the amount of the loan and to the nature of the activity. When using the classic 5 Cs of microcredit (character, capacity, capital, collateral, conditions) to assess applications, the smaller the loan amount and the more basic the activity, the more the analysis is based on the first C (character). In the same way, the smaller the amount, the faster the decision process should be. Finally, it is important to be very clear and pedagogical about the client's responsibilities in repaying the loan which is correlated to his responsibilities in running the business. This is true for all clients.

EXPONENTIAL GROWTH CAN BE ATTRIBUTED TO GOOD PRACTICE

The example of Adie is proof that micro-lending activities can reach a large scale even in industrialised countries. From 34 loans in 1990, this non-profit association has grown exponentially and expects to disburse 7500 solidarity loans in 2006 while remaining focused on its target group. Over half of its clients are on social welfare, and one quarter is immigrants. Repayment rate is 94% and business survival rates are similar to national statistics for small enterprises. The organisation now has 110 offices, 320 staff members, and 1,000 volunteers who mainly provide post-loan mentoring.

Nombre de prêts solidaires accordés par l'Adie depuis sa création (1990-2005)



Some of the ingredients of this growth are **ambitious action-planning** and **adapting good practice from international microfinance to the Western context**. After years of expansion up until 2002, the organisation decided to optimize its means, aiming to reach more poor clients and improve its services without increasing its operating expenses. The 20% increase observed between 2004 and 2005 can be in a large part attributed to its programme of reforms. Improvements were made to shorten and simplify the process for clients while maintaining the quality of advice and mentoring. The core reforms focus on loan screening and decision making, but also cover loan disbursement, collection, and renewal, mentoring, relations with partners.

Exchanges during the project showed that while an efficient microlending programme is generally adequate to respond to the needs of immigrant microentrepreneurs, some distinctive issues justify specific attention. These issues are mainly outreach and intercultural awareness and sensitivity which will be further discussed in the following section on non-financial support.

Regarding the loan product itself, project members and people interviewed saw no need for specific products, except in one case. Paying an interest rate is inconsistent with the religious beliefs of certain Muslims. Some microlending programmes, such as NCN in Norway and, more generally, those in certain Muslim countries, may charge a loan-processing or service fee for the same amount.

All the programmes described in table 11 above use individual lending. The few projects in Europe to use group lending are working either with women or mainly with immigrants (as is the case of NCN) with limited activity in terms of actual lending. Although it can seem more constraining, the rationale is that group adds social capital onto the financial capital. The group provides

support to each of its members in terms of advice and moral support, and can also do initial screening of the loan which saves time for loan officers. Groups are chosen by finding friends, colleagues who have or want to start a business, through network meetings, through the training courses. According to M. Yunus⁷⁵ *“we want to go through the hassle because of the benefit it brings as we proceed – not in the first loans and not in the second, but they are becoming a community on their own, and that community is very important for building up their courage, their joint power, their attitudes towards life and so on.”*

A targeted group-lending pilot project was set up by Adie as part of an EQUAL project to support migrants with income-generating activities in the Paris area. Rather than reproduce the project in other areas of France, Adie derived good practice from the experience to improve its services to all its clients.

IMMIGRANTS HELP IMPROVE PROGRAMMES FOR ALL CLIENTS

During a pilot project aiming to help poor ethnic minorities develop and register their informal income-generating activities, a strong demand was found among women from Sub-Saharan Africa. Since 2002, specialised loan officers have provided group loans and specific post-loan mentoring to over 300 immigrants living in the Paris area. The clients of this programme are mainly women (91%), with very low education levels, often illiterate. Many of them are working poor who supplement their limited wages or other income sources with a small informal trade activity.

Their default rate at the end of 2004 was 4.3%, which is lower than Adie's average default rate. Although the social and economic impact of the programme is significant, legal registration of the activities has remained limited, with around 50 clients registering.

The experiment with the women from Sub-Saharan Africa was in many ways similar to Adie's experience working with Travellers (Roma people). It revealed ways of improving Adie's services and contributed to the organisation's reforms of the past 2 years to make access to loans easier and services more inclusive. These reforms have resulted in Adie supporting more people.

This experience particularly underlined that for such activities:

Word-of-mouth is a way to reach a lot more

75. Transcript from an interview with Unni Beate Sekkesaeter, 30/03/2006, Oxford, UK.

people: the group loan methodology was an effective way to reach more clients quickly.

The loan application and decision process must be fast and easy.

Risk assessment is based above all on the person (resourcefulness, knowledge of the activity, etc) and capacity to reimburse, and less on the business plan.

Pre-loan advice needs to be very limited, but **a high emphasis is placed on follow-up training and mentoring.**

D.2.4 INVOLVING BANKS TO FACILITATE ACCESS TO MAINSTREAM SERVICES

Microfinance providers in Western Europe most often provide a first step to the bank, constituting a bridge between the banking world and the social sphere. Banks sometimes do microlending themselves, in other cases they are partners of microlenders. Banks' involvement is very important as they provide both funding and access to a range of services.

→ Financial partnership

• Access to loan funds

Fundacio Un Sol Mon which is a foundation of a savings bank, Caixa Catalunya, relies on the bank's funds. In other cases, the microfinance operator borrows loan funds from the bank (Adie), or the bank delegates decision-making to the microlender following agreed rules (in NCN's case, loans are decided by NCN but clients sign the contract with the Cultura Bank).

• Guarantees

Banks can cover partial or total loss in case of bad debt. In Adie's case, its banking partners take 30% of the risk in case of write-offs.

• Operating costs

Banks can further show their social responsibility by contributing to cover operating costs.

Adie has signed mutual agreements with a number of banks. The banks re-finance Adie's portfolio, take over a share of risk (usually 30%), and sometimes pay transaction costs in part in the form of a grant (in the case of BNP Paribas, ten percent of the amount lent). They also provide a range of banking services and support to microcredit clients.

→ Access to a range of financial services and support

Partnerships with banks have involved a whole range of support in addition to loan funds. An example of such a partnership signed between Adie and a regional bank

included the following:

- possible opening of a professional bank account for Adie's borrowers with a special package and preferential rates in the first year,
- a reinforced follow-up, where the loan officer and the bank account manager communicate regularly on the client's situation (with authorisation from the client),
- development of referrals by the bank, by informing branch directors and account managers as well as local boards of the partnership, and by having Adie leaflets and posters in the bank's agencies,
- mobilising bank administrators or retired staff as volunteers for mentoring and follow-up of the new entrepreneurs.

The counterpart is that the microcredit organisation can act as a mediator with the bank, and spend time if need be to encourage good relations between the entrepreneur and the bank, by advising the entrepreneur on the banker's expectations and by demystifying bankers' stereotypes on immigrants.



A SMOOTH TRANSITION TO MAINSTREAM BANKS

Spanish saving banks such as **Caixa Catalunya** developed and established units within their mainstream banks, which specialise in providing microfinance services. Fundacio Un Sol Mon is Caixa Catalunya's special not-for-profit unit. Specialised loan officers are based within the general branches of the bank hence not only providing access to finance, but also providing the opportunity for a smooth transition from specialised microlending services to the mainstream.



CHANGING THE IMAGE OF IMMIGRANT ENTREPRENEURS THROUGH A PR CAMPAIGN

An interesting initiative to promote access to banking services is the "**PR campaign for immigrant entrepreneurs**" carried out by **ATU** (*Arbeitsgemeinschaft türkischer Unternehmer und Existenzgründer e.V.* - working group of Turkish employers and start ups) in Hamburg. The campaign aims to support enterprises owned by migrants in developing a solid financial base, and is mainly targeted at the banking sector. Its focal themes are:

- Improving the reputation of self-employed migrants. When one talks about immigrants, the focus is very often on problems. ATU tries to focus on the positive aspect of immigration.

- Publishing a regular newsletter with portraits of successful entrepreneurs with foreign origin in order to show positive examples of migrant entrepreneurship and to strengthen their position in Hamburg's business
- Encouraging the dialogue between foreign business-people and banks/saving banks
- Improving the relationship between firms owned by migrants and local bank branches via meetings of managers from both sides
- Fostering intercultural competence by arranging meetings, for example a multicultural training for bank employees who deal with credits.

D.2.5 OTHER FINANCIAL SCHEMES

Whatever the type of scheme, it is clear that the implication of people at decision-making levels is important to promote inclusiveness, as illustrated by the successful example below.

MANAGEMENT'S AWARENESS AND INTEREST IS NEEDED FOR INCLUSIVENESS

'**Versant Nord-Est Initiatives**', the 'Platform for local initiatives' in Lille is part of a network of organisations that provide interest-free, collateral-free loans to start-ups, usually in conjunction with a bank loan, and usually do not specifically target immigrants. The Lille Platform provides pre-loan support for people who already have a business plan, and recommends follow-up support. Out of 281 clients receiving a loan in 2005, 60% had an immigrant background. This is unusually high compared with the network of similar structures across France. The Platform is very attentive to the diversity of its public, in terms of gender and of culture. The director is sensitive to this issue because of previous work in a socio-economic structure. She has tried as much as possible to include immigrant entrepreneurs into the credit committee. She believes very much in positive examples, and showing that whatever a person's background and culture it is possible to succeed.

D.3 Good practice in business support services

After the financial support which is the core of microcredit, this section focuses mainly on non-financial support, meaning advice, training and mentoring, with various issues that are common to financial and non-financial support.

Business support services dealing with immigrants can be characterised by

- Their general approach: Some are target-specific, others prefer generic, but inclusive, services. Some provide a limited range of specific services with the aim of mainstreaming immigrants to network partner organisations; others provide a full range of services.
- A special awareness on establishing good communication and building trust, by having staff with immigrant background, cultural mediators, using immigrants' native language, and having a positive outlook.
- Delivery methods, such as making advice simple and practical, building motivation for the business plan, combining upfront and follow-up support according to the entrepreneur's profile
- Efforts for bridging to the mainstream, whether preparation and practical assistance in dealing with administrations, banks, authorities, or awareness-raising among these institutions.

D.3.1 GENERAL APPROACH

• **Generic or target-specific programmes**

Although general advice and training services for business creators can be used by immigrants, various initiatives and projects target explicitly immigrant entrepreneurs. These initiatives were set up in realization that immigrants are not reached by traditional business start up support in an adequate way. They offer services which supplement those of general business development organisations and are designed to address the specific needs of migrants.

Target-specific programmes can be carried out either by organisations working exclusively with migrants, focusing on foreigners or individuals with a migrant background who want to set up a business, or by initiatives to assist all prospective entrepreneurs in setting up a business, but with explicit advice for immigrants.

Singling out immigrants through given programmes could be seen as not helping them to integrate. On the other hand, many practitioners agree that immigrants are not starting from the same point as native entrepreneurs, and that they may need some extra support to bring them to the same level, for example concerning how things work in the host country.

To sum up the target group specific approach of these organisations, main methods, instruments and subjects are:

- Intercultural competence of advisors and trainers, knowledge of cultural diversity.
- Creation of an atmosphere of confidence by showing intercultural competence or offering advice in client's mother tongue
- Using information material in different languages
- Making complex issues easy in seminars and face to face advice
- Assistance in dealing with public authorities and banks, preparation of contact and limiting reluctance
- Assistance in administrative and legal issues, e.g. working permit, approval of foreign qualification, formal requirements of business creation
- Public relations and awareness rising of migrant entrepreneurs' needs and special emphasis on networking with subject related organisations
- Raising motivation for business plan creation and financial planning, strong support
- Flexible and individually adapted advice process, with an emphasis on structuring of migrants.

Most of these methods can be mainstreamed, allowing non-target specific programmes to be open and inclusive to different types of clients.

• **Specialist services or integrated approach**

The services offered by business development organisations vary in range and depth. They include some or all of the following steps:

- Initial advice in groups / seminars: General information on how to start a business
- Initial advice in individual consultation
- Referral to an expert consultant to create a business plan, expert advice
- Assistance in developing a business plan
- Conduct educational programs and seminars
- Referral to seminars and workshops offered by partner organisations
- Continuing support after the business is started
- Preparation and active support in communicating with authorities
- Finance
- Lobbying and raising awareness among authorities

All business development organisations conduct initial individual orientations with entrepreneurs, in order to determine an entrepreneur's need for additional support and education. They either supply the needed services themselves or they refer the entrepreneur to appropriate partner organisations for expert advice or further education. Assisting entrepreneurs in formulating a business and finance plan on their own or with the help of

third parties is a central element in the work of all organisations.

Two main types of organisations were identified:

- **Initial points of contact and referrals for migrants, with a network approach.** The goal is **to integrate migrants into existing support structures.**

These institutions offer basic information on how to set up a business and what is required of the entrepreneur. They introduce business advice programmes that exist in the region, and they conduct detailed interviews (profiling) of migrant entrepreneurs in order to decide on appropriate referral consultants. These organisations make it a priority to help migrants overcome reservations and inhibitions in communicating with authorities. They do not offer detailed consultations or help in formulating a business plan. In some cases, however, they do conduct topic-specific seminars and additional educational courses.

Examples: Startbahn Brandenburg, and TCH's business development programs (see case studies in appendix).

- **Initial and follow-up consultations.** The goal is **to develop the business plan and provide additional training** either through partner organisations, or through their own seminars.

Such structures conduct initial consultations to check the feasibility of the business idea and the need for support. Afterwards, these organisations conduct follow-up consultations to help draft a business plan. They offer additional education to entrepreneurs either through their own training courses, or through partner organisations.

Whatever the organisation, the entrepreneur should have "easy" access to the range of services needed and adapted to his situation.



A FLEXIBLE COMBINATION OF UP-FRONT AND FOLLOW-UP TRAINING AND MENTORING

In Norway a pilot project with emphasis on training and mentoring services for immigrant entrepreneurs has been running with support from the Ministry of Labour and Social Inclusion since Oct. 1. 2005. In this period 160 immigrant entrepreneurs received training and follow up by using different approaches to entrepreneurial training. Based on the experiences from this partnership project, the immigrant entrepreneurs need some special training, services and follow up in the early stages of establishing a business as a first step to a later inclusion in the mainstream services and schemes for entrepreneurs at a later stage. It is all about differential treatment in

order to reach the same opportunities at a later stage. The picture is mixed, and there are success stories where immigrants with less than one year residence in Norway have established successful businesses with turnover of almost €2 mill. in less than a year. There are also examples (more typical) of persons who after living in Norway for more than 10 years, excluded from the labour market, finally managed to follow their dream of using their abilities and be self employed. In each case **the ability of training and advice to be adjusted to the needs of the entrepreneur seems to be a success criterion.** In the process **the pilot project adjusted to less course training and more individual advice and group network gatherings. Access to finance** proved to be very important for the start up, and 40 micro loans were disbursed in 2006 to participants in the pilot project.



COMBINING ACCESS TO FINANCE AND BUSINESS SUPPORT

Un Sol Mon works closely with a large network of business support organisations (XESMIC network) that offer advising and monitoring services to entrepreneurs who want to create a small business. The XESMIC network consists of different kind of institutions, mainly public organisations and social associations. They are specialized in advising services. Some of them work in a specific municipality or neighbourhood, and some attend to a specific target group (women, immigrants).

Process:

- Detecting needs is carried out by local organisations (for example, small community associations)
- The process of preparing the Business Plan, empowering the entrepreneur and studying the financial viability of the project is done by support organisations. Along with a representative from the Fundació Un Sol Mòn, organisations operating within the same area hold Regional Committee meetings. The frequency of these meetings is set according to needs.
- The Regional Meetings cover:
 - Questions regarding particular cases
 - Follow-up of current cases
 - Presentation of micro-credit applications: for loans less than €5,000, the case is discussed and the loan approved or rejected at the Meeting. Above this amount, the decision is made by Fundació Un Sol Mòn's committee.
 - Fundació Un Sol Mòn's committee approves/ rejects the application

- Follow-up is carried out by the organisation involved and Fundació Un Sol Món.

Training and Workshops:

- For advisors: Fundació Un Sol Món organises quarterly seminars/workshops aimed at advisors working within XESMIC member organisations. The workshops provide an opportunity for advisors to share their experiences and to receive training in areas that may be of use to them in their work. Special emphasis was given in 2006 to immigration, with courses covering regularisation, how to obtain necessary permits, as well as preparation of a Good Practice Guide.
- For entrepreneurs: workshops for entrepreneurs who received microloans provide an opportunity to share experiences and receive training.



Stebo is a Flemish organisation based in Genk providing business management courses for immigrant entrepreneurs. One of its trainings "Omkaderde cursussen bedrijfsbeheer voor anderstaligen", targets Turks and Moroccans who have little fluency in Flemish. Both a teacher and a **cultural mediator** are present in the course. The cultural mediator has a foreign background, either Turkish or Arab. His role is to explain, interpret and clarify concepts of management formulated by the teacher to make them more easily understandable by Turkish and Arab participants. For example, he may explain the equivalent of VAT in Turkey.

- **Advice and documentation in the language of origin**

Using the entrepreneur's own language can make information easier to understand and facilitate steps. Various initiatives have produced business guides and business plans in different languages. The logic is that it is easier for the immigrant to process his thoughts in his own language before translating the finalised business plan into the host country language.

D.3.2 COMMUNICATION AND TRUST BUILDING

Trust is key to successful training and mentoring as well as lending. The advisors' or trainers' success comes from building a good personal relationship with the entrepreneur. According to immigrant entrepreneurs, there is no need for the advisor to speak their language or to belong to their community to build trust. Trust comes above all from the the advisor's personal qualities, such as sensitivity and professionalism, and technical expertise. Nevertheless, to facilitate good communication and promote trust, immigrant-sensitive programmes use measures such as:

- Migrants advising migrants
- Advice and documentation in the language of origin
- Intercultural competence
- Being positive
- **Having culturally mixed teams or using mediators**

Many of the organisations interviewed who work mainly with immigrants have staff with immigrant background. An advisor who is an immigrant or has an immigrant background can be expected to much better understand the needs and experience of immigrant entrepreneurs. Having a mixed team can be seen as a factor of legitimacy when dealing with immigrants, as it better reflects the structure of the clientele. It also facilitates awareness of intercultural issues among staff.

"if there were more (immigrant trainers) the level of confidence would be high – you would feel a sense of belonging not so them & us"



UNIZO, a Flemish BDS organisation, published an "Entrepreneur's guide" for entrepreneurs with a foreign background. It provides the information necessary to start a business in Belgium, and is available in 6 languages: Flemish, French, English, Turkish, Arabic and Russian. By having the guides in different languages, future entrepreneurs can improve their Flemish at the same time that they get the information about the steps to set up a business. The guide is downloadable on www.ondernemerswegwijzer.be.



IFS is an organisation working with and for ethnic minority businesses in Sweden⁷⁶. It made business plans available in 10 different languages.

- **Intercultural competence and sensitivity**

Most organisations focusing on migrants insisted on the need for intercultural competence. This can come from mixed teams and mediators, but specific training on intercultural issues can also be offered. Several such trainings were done as part of the project with positive feedback. As one practitioner participating in the project training summarised it *"Step back and think about what people with different nationality feel when they interact with you, and be able to know what their real needs are."*

76. More information, as well as advice for business planning in 10 languages can be found in http://www.ifs.a.se/eng_start.php.



TCH has an initial group consulting that integrates all ethnic groups and is focussed on **explaining the German way of administrative thinking and German business logic**. The consulting is held in German on a level as simple and accessible as possible (by using a lot of examples and anecdotes) and is less focussed on intercultural issues than on entrepreneurial needs like how to organise a proper meeting or business talks and specific assistance like how to define success or to handle uncertainty.

- **Being positive**

Strong and positive support is needed to motivate those immigrant entrepreneurs who feel discriminated against or excluded. Focus should be on emphasising their resources at least as much as their difficulties, and on paying more attention to what they do right, rather than the things being done wrong.



Startbahn Brandenburg, a start-up coaching programme in Eastern Germany, has a main objective of verifying the will and the ability of the participants to get and stay self-employed. The service is composed of 3 different steps: initial consultation, assessment course, and forwarding to consulting service. The organisation is particularly attentive to establishing trust and a communicative atmosphere. The initial consultation is one hour, but all in all it can take the time through 3 to 4 counselling interviews before a decision regarding the next step (assessment course) is made. **Creating a confidential air for an effective counselling includes acknowledging strengths, taking the person and their ambitions seriously and accepting them.**

D.3.3 METHODOLOGICAL REQUIREMENTS

Focus groups show that immigrant entrepreneurs expect **clear information** about support available, comprehensive and experience-driven guidance, **concrete recommendations** of actions to be taken and **active support in writing business plans**.

- **Practical and simple advice**

"we need more detail, for example for cash insurance, get your insurance first and then your tax – it saves us wasting time queuing for nothing"

Information must be practical and precise, and it must be made clear what is expected of the entrepreneur. For example, when referring the prospective entrepreneur to another organisation, put in the telephone number and name of the person to contact. It is crucial to remember

that there are a lot of things people don't relate to and **not to take things for granted**.

Examples:

- It is not sufficient to say "Remember to fill your tax forms". It must be explained where to get the forms, what happens if you don't fill the forms and if needed show how to fill them.
- The market study needs to be explained in detail: what is the purpose of the information, where and how to get the information required.
- how to register for social security and how it works, how to open a bank account, what direct debit payment is and how to fill in the form...

- **Business planning**

One of the areas where practitioners and entrepreneurs express diverging needs is the business plan. One of the main aims of business support practitioners is to make sure that the entrepreneur has planned his project to some extent. Interestingly, although Irish focus groups showed that entrepreneurs agreed that it is important to have a clear idea of aims and objectives, few had prepared a business plan. And there seems to be a consensus among business advisors that there is reluctance from immigrant entrepreneurs in general to business planning. German focus groups confirmed that the formal business plan was essentially neglected in terms of expectations, and that it was seen primarily as a means for the purpose of capital procurement.



Building motivation for the business plan



The Norwegian project experience is that it is necessary to help people understand the consequences of not planning properly and of not having financial forecasts. Things must be simplified, explained in simple and concrete terms as much as possible. The business plan should at least pass the idea of what change the loan will bring the business, who are the customers, what are the obstacles, how they will get over them...

The process in itself is more important than the written document. When assisting in writing the business plan, it is essential to make sure the thoughts and ideas are the entrepreneur's, otherwise it is no use.

In order to build motivation, the business plan needs to start from what is important to the entrepreneur: his or her dream, values, business and life ideas. Motivation starts with writing what is the dream, and then breaking dreams down to plans and concrete goals resulting in time schedule and actions. Prospective entrepreneurs don't always finish the business plan but at least they've

thought about the idea and the realism of the idea. The process is more important than the written document.

“You have to know what you want and follow your vision. If you are motivated and do your SWOT⁷⁷ analysis you can achieve your goals.”

An entrepreneur in Ireland

• **Up-front or follow-up support**

As found by practitioners as well as entrepreneur focus groups, there is a conflict between consultants' focus on slowing down and structuring migrants and the entrepreneurs' perception of being demotivated and not being taken seriously. This could possibly be resolved, at least in part, by being flexible on the type of support provided. A lot of business support programmes emphasize comprehensive advice and training before starting the business. In many cases, depending on entrepreneurs' profile and expectations, the training prior to business creation is not so much appreciated and is seen rather as a hurdle: in such cases it might be more appropriate to emphasize post-creation support. In other cases, up-front support is more beneficial. In any case, project partners agreed that a flexible combination of advice, group training and mentoring is needed both before and after the business is started. In its report on “Immigrant Business Creators and Microcredit”, Adie identifies two main groups of starting entrepreneurs according to their needs in terms of business training and mentoring.

First profile: Simplified up-front support, but necessary follow-up mentoring

- For a variety of reasons, many business creators are already familiar with the business in which they wish to establish themselves even though they often lack knowledge of financial tools.
- On the other hand, some face difficulties in understanding the host country system, or difficulties with local oral or written language, or a lack of management skills/knowledge.

These business creators thus need more follow-up support. In the case of up-front support, it needs to correspond to the **concrete vision** that they may have as a result of their prior experience either in the informal sector or in salaried employment. This may imply speaking in a more practical, “down-to-earth” fashion with them. It is also useful to offer a simple view of accounting and a simplified business plan appropriate for a micro-project, corresponding with their often more intuitive vision of their business. Finally, the advice must relate directly to the immigrant entrepre-

neurs and their businesses. On the other hand, it is no use to speak of things that they do not relate to.

Second profile: a reinforced upfront support

The contrasting second profile includes:

- Business creators who have a higher level of education and thus less difficulties with the written formalization of their projects
- But who are starting out, as a result of their exclusion from the job market, in a sector that is new to them as a result of their exclusion from the job market, without prior experience or training related to the activity.

These prospective entrepreneurs tend to require more support in developing their business project but will have less difficulty with the administrative formalities or management of their business.

Table 12 grades the profiles of immigrant entrepreneurs based on whether they need more follow-up or up-front support

D.3.4 BRIDGING TO THE MAINSTREAM

Immigrants often need practical support to get around barriers and access the mainstream. It can be done by helping them find ways to do things themselves, or supporting them directly, for example opening doors by making phone calls. It can also be done through awareness-raising and lobbying work.

• **Explaining how things are done here**

Practical advice should **help immigrant entrepreneurs understand expectations from the business community and society** in general. For example, here we take it for granted that if people make an appointment two weeks in advance they will show up even if there is no phone call or other reminder shortly before the appointment. For such cases, it is of great added value for immigrant entrepreneurs to **attend trainings with natives** who know how things are done, and to be able to **meet entrepreneurs who are already running businesses**.

• **Assistance in dealing with public authorities and banks**

Business support organisations can mediate by training and mentoring immigrants, preparing contacts and limiting reluctance from immigrants by **cultivating their own networks**:

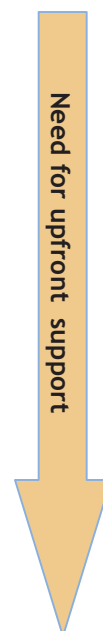
- Cultivating individual contacts and contacts with institutions (public relations) is important for successful support during business formation. It opens doors, sensitizes consultants, and builds an atmosphere of trust for migrants.

77. SWOT: strengths, weaknesses, opportunities, threats.

Table 12 - Needs for upfront and follow-up support according to project profile



Profile of the entrepreneur	Business sector	Need for mentoring
<p>1. Entrepreneur “Poor worker” carrying out an income generating activity unrelated to his/her salaried work.</p> <p>2. Entrepreneur receiving welfare or non-working (inactive), carrying out an informal business either occasionally or fulltime.</p>	<p>- Import-export: e.g. : Women from sub-Saharan African background employed part-time in a cleaning business and also carrying on an intra-community import-export business</p> <p>- Subcontracting: Sub-contract cooking for restaurants, making pastries, cleaning, etc.</p> <p>- Services: Sewing, plumbing, car repairs, handyman work.</p>	<p>- Need to be informed about legalisation issues (risks of working in the informal sector, advantages of legalisation)</p> <p>- Business under control but with a need for mentoring in administrative management</p>
<p>3. Self-employed sub-contractor: Worker or employee who starts his/her business in his/her professional field as a sub-contractor (market opportunities)</p>	<p>- Trades/crafts: Construction, clothes making, hairdressing E.g.: A Turkish builder answers a call for tenders from a former employer</p> <p>- Services: Security, cleaning.</p>	<p>- Business under control but with a need to be warned about the risks of sub-contracting (sole client, imbalance in “power relations”.)</p>
<p>4. “Converted” entrepreneur: Business creation by default, as a result of an unsatisfactory job market situation linked to a low level of qualifications (unemployment, under-qualified employment) or to market opportunities.</p>	<p>- Trade - hotels - restaurants, services E.g.: Fast food, call boxes, itinerant trading</p>	<p>- Warning about market saturation.</p> <p>- Need to prepare the project: -> Market research (price, clientele) -> Making financial costing/forecasts for the project</p>
<p>5. Qualified entrepreneur: Immigrants or people from an immigrant background with high qualifications but who are having difficulty in the labour market Projects envisaged are often more ambitious.</p>	<p>- Business creation in a field unrelated to their studies</p> <p>- Business creation in the field of studies</p>	<p>- Insisting on upfront preparation of the project</p> <p>- In principle, the person will have no difficulty in administrative management of the business</p>



- Networking to facilitate referrals of migrants to public institutions and to reduce migrants' inhibitions by improving personal access to these institutions. Both sides benefit from networking: migrants get to know the organisations/institutions, and the institutions get to know the target group migrants.



Seven out of the nine organisations interviewed in Germany offer preparation and active support in dealing with authorities. *Unternehmer ohne Grenzen* (UoG), a target-specific organisation based in Hamburg, has clients from 80 countries of which 40% are Turkish. It offers a range of support from initial individual orientation, to individual advice with business planning, training courses on issues related to business planning and management, and follow-up support. Part of its work is to prepare entrepreneurs for contacts with banks and authorities, in order to overcome possible problems and remove migrants' frequently existing fears. At the same time, UoG tries to sensitize banks and authorities through networking and public relations.

- **Administrative and legal issues**

Business support organisations often help through the process of obtaining a working permit, approval of foreign qualification, fulfilling formal requirements of business creation by explaining what to do, where to go, showing how to complete forms, and by making phone calls to facilitate contacts and processing of these requests.



In its online library for loan officers, Adie has a practical note on requirements and steps that immigrant entrepreneurs need to take to be able to work as self-employed.

- **Public relations and awareness raising** of migrant entrepreneurs' needs and special emphasis on networking with subject related organisations.

Business support practitioners interviewed in Germany recommend lobbying on following issues.

- Local institutions should employ a more diverse workforce including persons whose appearance reveals their ethnic background. (Asians, Blacks, etc.).
- Public administrative institutions should be more "open." A migrant's command of the host country language is not necessarily a good measure of his/her other qualities. Institutions can be helped to recognize the potential of the migrant and sensitized, for example by publishing articles on a successful business creation by a migrant.
- Personal contact persons in institutions can be sensitized to the backgrounds, concerns, and approaches of self-employed migrants, and should realize the barriers that migrants face and the potential of migrants.



The French agency for enterprise creation (APCE) intends to place online a document addressing and correcting preconceived ideas concerning business creation by foreign entrepreneurs.



Three years ago **Qudsia A.Q.** from Pakistan, participated in an entrepreneurial training course organized by the **Network Credit Norway (NCN)**. This course helped her to start "Quddus Skredder," an enterprise that offers sewing services. With the first loan that NCN provided, Ms. Q. bought a sewing machine. Before setting up her own enterprise, Ms. Q. was unemployed. Until she participated in the entrepreneurial training course, she did not know how to create a business and thought she could not do anything. The local authorities had offered her a job in a kindergarten, but she did not feel comfortable there. Looking back now she would give other immigrants the advice to "...speak up and tell what you can and know, so as to make sure you are placed in the right job." She emphasises how important it is to do what one is good at. Qudsia has now lived in Norway for six years with her four children, and tells that today her children come to her and say: "Mom you are very strong."



E. Conclusions and recommendations



To summarise the findings of this report, a few recommendations can be made. The first concern is related to the business environment. Immigrant entrepreneurship could be promoted by removing obstacles in the regulatory and legal framework, and supporting measures that foster self-employment. These recommendations are directed at policy makers, but microlenders and business support practitioners can lobby to promote such measures. The following sets of recommendations deal more directly with practitioners' everyday work: how to reach immigrant clients, how to improve access to finance, how to improve business support services. Most of these measures could apply to any organisation wanting to serve immigrant clients, and they should also be supported by policy makers.

E.1 Regulatory and legal framework

A first observation to keep in mind is that some of the most significant difficulties in self-employment are not specific to third country nationals. It seems safe to state that the largest share of the problems faced by immigrant entrepreneurs are those faced by all small entrepreneurs. Policies improving the environment for all micro-entrepreneurs would therefore greatly benefit immigrant entrepreneurs.

Nevertheless, as seen in the section on immigrants' path to entrepreneurship, there are many extra barriers specific to non-nationals as well, particularly when it comes to the right to self-employment, access to certain sectors of work, or recognition of experience and diplomas. Finally, fighting discrimination is a long-term process that requires involvement at all levels but needs real backing from policy makers.

E.1.1 GENERAL POLICIES FOR MICROENTREPRENEURS

The study "Policy measures to promote the use of micro-credit for social inclusion"⁷⁸ analyses in depth the main types of policies that would support micro-enterprises. These points are highlighted in an article by J. Evers and S. Lahn⁷⁹ and summarised here, with a few additional remarks.

Promote entrepreneurship as a viable option for a wide range of people

- In a lot of European states self-employment is not perceived as "real" employment.
- In an entrepreneurial culture, business failure is not shameful and does not automatically lead to an end

of the entrepreneurial career. Rather it is considered a valuable experience for future activities.

- Legal, fiscal and administrative requirements take up considerable time and energy from those who could better use it to get their business working. Such requirements are dissuasive to starting a business.

→ A better environment for self-employment can be achieved by **promoting a more positive vision of entrepreneurs**. Fostering an entrepreneurial culture through awareness raising programmes would contribute to making all service providers (including government administrations, social support services...) more supportive of entrepreneurs' projects, and among them immigrants' self-employment projects.

The GEM 2005 survey in 2005⁸⁰ underlines the positive factors around culture and social norms as main strengths in the Irish environment for entrepreneurship. Availability of role models and the communication of their success in the media, rising national self confidence, and the development of a "get up and go" mentality were mentioned again and again by those consulted. A shift in the public's attitude to entrepreneurs, a much lower level of begrudgery and a lower fear of failure were highlighted. One key informant summed up the change that has taken place in this way:

"I think culturally, self-employment is now viewed in a much more positive and respectful fashion than 10-15 years ago. The State also provides a broader range of financial, fiscal and soft supports than ten years ago. Indeed, people almost started a business in the 1980s "in spite of" the environment. This is in stark contrast to the situation today."

→ Another way to foster an entrepreneurial culture is **the reduction of legal, fiscal and administrative barriers related to self-employment** such as special (favourable) regulation for micro-enterprises, tax and social security holidays, and easy business registration. This type of policy can strongly encourage the **transition from informal to formal economy**.

For example, in France, very small businesses earning below a certain turnover can have extremely simplified fiscal and accounting requirements. They are exempted from collecting and repaying VAT, and they need mainly to register their income and expenses. They declare only their turnover to the tax administration, which estimates their profit as a percentage of their turnover.

78. Siewertsen et al., 2005.

79. Evers Jan and Lahn Stefanie, 2006.

80. The Global Entrepreneurship Monitor, The Irish Report, 2005.

In Belgium, the recent creation of “one stop shops” makes formalities to start a business a lot simpler.

→ Self-employment through entrepreneurship could be even more supported in areas with a need for economic regeneration, particularly in deprived urban areas with strong concentrations of immigrants, as is already done by providing grants and various incentives.

Welfare bridges

- A lot of immigrants wanting to start a business are unemployed, and as such receive unemployment or welfare benefits.
- When starting a business, they risk losing this minimum income as well as their health coverage by becoming self-employed, at the same time as they are faced with new taxes, health insurance and social contributions to pay, before they can even earn the first income from their activity. This is called the inactivity trap.
- In most cases, a business does not become profitable right away and cannot allow a person to live before some time.

→ Active labour market policies increasingly use incentives to encourage people into work and penalise the unwilling. Preferably, these incentives should be part of a system developed to take welfare recipients smoothly from unemployment to employment, including self-employment. These so-called welfare bridges encourage the unemployed, without forcing them to become self-employed. Welfare bridges create a ‘pull’ rather than a ‘push’ environment. This is for instance realised by giving potential entrepreneurs time to test their new income generating activity while keeping welfare or unemployment benefits and health insurance coverage for some time, as can be done in several countries (see section B23).

Legal framework for microfinance / financial bridges

- Access to finance should be a basic right: as regulators today consider the protection of savings as a basic right, ideally the same should be true for access to finance.
- A range of financial institutions should exist to make access to finance available to the largest number, including alternative financial institutions, which concentrate on microfinance and access to financial services for low-income groups and excluded people.

Introducing specific regulations for microfinance providers can foster these developments.

→ The French banking regulation opened a special window just for microlending. Microlenders are allowed to provide the first most risky and most expensive credit to an entrepreneur. Bank services are not replaced by this credit provision, rather the contrary holds true: potential clients are prepared for bank finance.

Funding and support for microcredit providers

- Microfinance providers cannot cover their costs through their financial operations, because government legislated interest rate caps at low levels hamper covering risk and loan transaction costs.
- Providing the much needed business support services to their clients makes it even more difficult for microlenders to become financially sustainable.
- The cost of support to a person starting their business is estimated by the EU to be between 2,000€ and 5,000€, usually a lot less than a year of unemployment benefits or welfare.

→ The success of microfinance providers depends and will continue to depend directly on a sustained funding concept. **Funding needs to be secured on a long-term basis** and if possible should be **a mix of different instruments and sources**. To solve this problem public sources and (private) grants could complement the self-generated income of microlenders, through the partnerships between microlenders and banks. as described in the example in section C22. After all, the aim is to build bridges between mainstream institutions and socially excluded people. Performance ratings could help to ensure the cost-efficient use of funds.

E.1.2 POLICIES FOR IMMIGRANT MICROENTREPRENEURS

Self-employment should be a right for legal residents

- As seen in section B21, the first requirement for a third country national to start a business is to have **the right to be self-employed**. In several countries, the right to self-employment is subject to obtaining a business permit, with particularly stringent requirements particularly in the new countries of immigration.
- Requirements that are lengthy and often impossible to meet only encourage informality, which can hardly be an objective for policymakers.


- On the other hand, immigrants are sometimes the only ones willing to take over economic activities from retiring business-owners.

→ Both the right to be self-employed and the right to be wage-employed should be automatic at least for long-term residents.

The independent exercise of professional activities should be subject to the same rules as EU-nationals

- In the cases where foreign citizens are allowed to be self-employed, they still may need special permits for certain activities, certain sectors of activities may be closed to them or they may be restricted to certain geographical areas.
- Immigrants have skills and know-how that could benefit the host society if they were allowed to use them.
- Why these regulations exist is a matter of history: contexts have changed and these rules should be reviewed.

→ Foreign residents should be subject to the same rules for starting a business as member state nationals.

 The Department of Population and Migration of the French Ministry of Employment, Social Cohesion and Housing, has undertaken to improve access to business creation for immigrants.

The department recommended removing many of the restrictions forbidding the practice of certain professions to immigrant entrepreneurs.

Data on immigration and entrepreneurship should be improved

- Data on immigrant entrepreneurship is limited at national level.
- The data lacks comparability across countries because of immigration and naturalisation policies and definitional issues.
- In the absence of such statistical data, analysis and monitoring of issues related to immigrant entrepreneurship at European level are limited.

→ At European level, the harmonisation of definitions and minimum statistical indicators is an issue which should be addressed by the European Commission.

Standard indicators need to be developed and regularly updated

- Comparative statistical and qualitative information on immigrant entrepreneurship at transnational level is difficult to find.


- If there is a real will to promote integration through entrepreneurship, indicators should be defined and available to all stakeholders to monitor progress.
- These indicators and best practice should be available to the largest number of people interested and updated on a regular basis.

→ Simple indicators need to be defined, regularly updated and available for a large range of stakeholders. A numerical scorecard based on qualitative and quantitative indicators, highlighting major dimensions influencing immigrant entrepreneurship such as inclusive business support, entrepreneurship climate, finance products in line with target group mainstreaming, etc is proposed for this purpose. Each dimension can include 2 to 4 indicators, and the dimensions can be shown on radar maps. Such a tool would enable to assess the strength of the countries analysed, and the use of an online application would make indicators and examples of good practice accessible and easy to update regularly.

Recognition of experience and qualifications should be facilitated

- Access to a number of jobs, both waged and independent, require diplomas or professional experience documented through payslips.
- Diplomas obtained abroad are often not recognized. Professional skills of immigrants are often acquired in a more informal environment, and undocumented.
- Immigrants who are skilled are either obliged to go through a complete training all over again, or to be underemployed in jobs where they aren't using these skills.

→ Diplomas and qualifications acquired abroad should be more easily recognized.

 The municipality of Lørenskog in Norway has established service centres for adult education that is connected to upper secondary schools. These service centres provide information guidelines and coordinate assessment and vocational training. 30% of their customers have non-Norwegian background.

Each person has both informal and formal competence. The centres aim to transform informal competence into formal documented competence. The service centres methods and documentation can help an adult too visualize tacit or hidden competence through an official documentation and use his/her real competence as a basis for further training and education.

E.2 Awareness-raising and outreach

Outreach was identified as a key issue for supporting more immigrants, with the need for a specific strategy.

- As seen in the section on access to finance, many entrepreneurs don't get support simply because they weren't informed, either not properly or not at all.
- Immigrants have less access to information for linguistic, cultural and social reasons:
 - they are not pro-active in their research, due to different cultural perceptions of business creation, as well as a mistrust in institutional actors
 - they are less likely to go to traditional places of referral.

→ The main recommendation here is to follow basic marketing rules: know the target group, then define, implement, monitor and evaluate a marketing strategy. More specifically, the following recommendations aim to establish **a more pro-active information strategy for migrants**.

E.2.1 DIRECT COMMUNICATION

Use information channels preferred by immigrants

- Since immigrants often have less confidence in institutions, it is important to build their trust in the organisation that wishes to support them. Trust is built with the individual persons representing the organisation.
- Certain cultures rely on oral communication. Their members relate to word-of-mouth from community members rather than to written information.

→ A highly valued method of approach is to target community members and to rely on word of mouth.

Identify places of information where immigrants can be reached directly

- Microcredit practitioners commonly use referral partners and/or promotional materials for prospective clients in places where they are likely to go such as:
 - Places where people who want to start a business go: business support services, one-stop shops, administrations where they need to register their business
 - Places where people who are unemployed or welfare recipients need to go (employment agency, social welfare services ...)

- Target-specific communication includes literacy training courses, community channels, such as community radios and media. This would be a way of reaching "inactive" people who are not in contact with employment services or with social welfare bodies or associative networks.

→ Having an office in ethnic neighbourhoods, or agents present on a regular basis, helps make the organisation visible and is conducive to trust-building.

Using immigrants' own language

- For certain immigrants, using their own language is easier to relate to.
- Others make it a point of learning and speaking the host country language to integrate and they don't wish to be considered differently.

→ Although it may be helpful to use immigrants' native languages, it is necessary to consider carefully who the target group is.

E.2.2 COMMUNICATE WITH AND THROUGH PARTNERS

- Immigrant entrepreneurs may experience discrimination as foreigners, but possibly also as self-employed: self-employment is not always seen as a "real" job. They may also be discouraged from starting or from relying on existing support because of these perceptions by third parties.
- Referral networks of BDS, social and institutional partners can work better if they understand the added value of immigrants' self-employment and how microcredit and business support organisations can respond to their needs.
- A shared understanding of issues and a common goal to serve clients as well as possible, improve communication between organisations and hence towards clients.

→ Microfinance practitioners should communicate with their referral partners on the entrepreneurial potential of immigrants and on the use of microcredit, through success stories, results of their work, etc. Partners' awareness can also be raised through seminars on immigrant entrepreneurship and intercultural issues. Communication materials such as videos showing successful entrepreneurs and business support initiatives can be developed for this purpose.

E.3 Improving access to finance

Access to finance, whether for starting or developing the business, is seen as the first and foremost difficulty faced by immigrant entrepreneurs. Better access to finance can be achieved by strengthening microcredit programmes and improving access by immigrants to mainstream finance.

E.3.1 ACCESS TO MICROFINANCE

Strengthen the microcredit network

- Microcredit is a relevant tool for many immigrants, and immigrants are over-represented among microcredit clients.
- Microcredit is a fast-growing, but still underdeveloped sector in most European countries. Most existing microcredit organisations are operating on very small scales.
- Responding to the high potential demand from immigrants requires developing the sector further and increasing the capacity of microlenders.

→ Increasing the sector's outreach by scaling up would make it possible to serve large numbers of immigrants. This can be done through sharing good practice, training, technical support, as well as improving the environment.

Raise awareness about immigrants as a target group among microlenders

- Microlenders pay varying attention to immigrants as a target group.
- Responding to immigrants' needs requires the motivation to reach them and provide proper services to them.

→ The communication carried out throughout the project about issues related to immigrants as a microcredit target group, through EMN's newsletter, website, workshops and trainings, should be carried on to make sure that microlenders are attentive to this target group.

→ In order to promote immigrant/ethnic minority targeting, standard performance indicators for the microfinance field should include the number of loans disbursed to ethnic minority or immigrant clients.

Adapt lending methodology

- Immigrant entrepreneurs, like other microentrepreneurs, expect quick access to funding and limited amount of paperwork.
- Standard good practice in microfinance is a way in itself to serve immigrant micro entrepreneurs well, with efficient, rapid and relevant services that are inclusive of this target group.
- Although there seems to be no need for a specific loan product for immigrants, the interest rate can be converted into a loan-processing or service fee to make loans acceptable to Muslims.

→ Some of the characteristics of a good microloan programme that are particularly relevant for immigrant micro-entrepreneurs can be emphasised here:

- Making the loan application and delivery process as fast and easy as possible
- Keeping paperwork simple
- Building trust
- The smaller the activity and the loan amount is, the more the analysis focuses on the person's character rather than on a business plan.

E.3.2 ACCESS TO MAINSTREAM FINANCE

Facilitating the dialogue between credit institutions and migrant entrepreneurs

- Foreign nationals are less likely to get a bank loan when starting their business than nationals.
- Immigrants are not always comfortable dealing with banks, nor are bankers necessarily comfortable dealing with immigrants.
- Microcredit practitioners can be a bridge to mainstream banking services.

→ Immigrant microentrepreneurs can be helped into mainstream by changing bankers' perception of them through positive communication and lobbying, training immigrant entrepreneurs on bank relations, and more generally facilitating a dialogue between credit institutions and migrant entrepreneurs.

Mainstreaming migrants into existing public funding measures for microentrepreneurs

- Immigrant entrepreneurs are under-represented in public funding schemes to which they are eligible.
- They are not necessarily informed about these existing schemes.
- Application processes can be perceived to be complex.

→ The same recommendations can be made for public funding measures as for other business support measures, to improve the information dissemination on public funding schemes (see recommendations for outreach) and to make the paperwork and decision process simple.

E.4 Improving non-financial business support services

Adequate business support requires above all building a good relation with the client, which requires staff with communication skills and preferably with intercultural competence. Adapting consulting methods makes them inclusive. Finally, positive communication helps promote integration in general.

E.4.1 STAFF COMMUNICATION SKILLS AND INTERCULTURAL COMPETENCE

Personal qualities

- Trust and a good personal relationship between the migrant business creator and the advisor or trainer is a prerequisite. Trust-building can take time.
- Immigrants expect a helpful attitude from consultants. They often get discouraged by business support advisors and see business support organisations as an extra barrier.

→ Business advisors should have

- ability to listen
- ability to express empathy
- patience
- flexibility
- acceptance of diversity

Language skills

- Understanding can be hampered by deficient language skills. For people who don't master the host country language well enough, it is easier to process their thoughts in their native language.
- It can be easier to relate to someone speaking one's own language.
- To adapt to the host country environment, immigrants need to learn its language and cultural codes. Being overly considerate might not help them for this purpose.

→ Communication can be improved by offering advice in immigrants' own languages. It is not essential to building trust, but it helps. It can be used as a bridge, but must not prevent them from making the effort to learn the host country language and cultural codes.

Intercultural competence

- Values, behaviour and perceptions are affected by culture. They are usually taken for granted, and unless people are aware that they are culturally determined, it can be difficult to accept that others think and do things differently.
- Business support practitioners don't always know how to deal with different cultural codes of their clients. Being unaware can lead to unknowingly demotivating or offending people with different cultural backgrounds. On the contrary, intercultural awareness helps build trust.
- Certain cultural aspects have a direct influence on the way of starting and running a business and its chances to be successful. Immigrant entrepreneurs can function better in the host country and better succeed in their business by being aware of local cultural codes.

→ Intercultural competence of advisors is important. This can be achieved by advisors having an immigrant background themselves, having mixed teams, receiving trainings on intercultural issues. Such competence should enable to better evaluate the migrant's capacities and project, and convey information needed to adapt to host country society. Cultural mediators can be relevant for this purpose. Finally, this awareness helps look for and find creative solutions.

E.4.2 CONSULTING METHODS

Practical and simple advice

- Requirements that may seem quite simple to a native may present challenges to people arriving from places where things are done differently. Paperwork may present difficulties, especially for people who come from oral cultures, and especially when it uses administrative language that is obscure even to natives. Things that are part of every day life for natives, like making a bank transfer or writing a cheque may be new to people coming from different countries.
- Immigrants expect practical and concrete recommendations.
- In many countries where the culture is oral, people tend to function more by analogy than by abstract and analytical thought processing.

→ The advice should have practical relevance to the individual, be offered in clear and in simple language. Consultants should help with 'simple' tasks, like showing how to fill out forms and resumes.

A flexible combination of support adapted to individual needs

- Support in advice and training is needed for preparing and planning the business and fulfilling administrative formalities, but is also very important after starting the business.
- Many prospective entrepreneurs want to start rapidly. Many already have practical experience running an activity in their home country or on an informal basis, and their small-scale activities do not require extensive business planning. For those, taking a 'long' time training and preparing a business plan can be demotivating and they don't necessarily relate to it. They are more interested in follow-up support once they are faced with the actual requirements of running the business.
- Others have no practical experience in the field of their project, more complex projects and possibly higher education and can benefit much better from training prior to starting the project.

→ Individual advice, group training and mentoring should be flexibly combined and adapted to individual needs according to the person's background, motivations, type of project and time-frame.

Business planning

- The business plan is a central part of the advisory process. It is a tool to properly prepare the business and anticipate consequences before being the means to obtain financial support.
- Writing of a business plan and development of a financial planning often is an excessive demand for immigrants and leads to them dropping out of the advice process.
- The high standards of business plans especially in relation to applying for external finance and the aim to convince migrants of the necessity of planning in their own interest seem difficultly compatible.

→ The business plan should be made simple, according to the type of business and profile of the entrepreneur. Trainers and business advisors need to explain and motivate immigrants to develop a business plan. A way to do this is to build from entrepreneurs' aspirations. Going through the steps of the business plan is also an opportunity of explaining how things are done here. Having mixed groups in training can produce a balance, with natives who more often need to be "pushed" and immigrants who more often need to "slowed down". Both can benefit from each other's ideas.

E.4.3 LOBBY WORK AND MAINSTREAMING

- Immigrants face active or passive discrimination in many areas, whether dealing with administrations, various services, clients and suppliers.
- They should be seen as resources, rather than a problem. Illiteracy, lack of familiarity with the host country language and lack of collateral do not stop the immigrant who really wants to start and succeed in a business. Furthermore, succeeding in migrating is already a proof of the migrant's potential of initiative.
- **Microfinance practitioners are in a privileged position to contribute to changing this image of immigrant entrepreneurs.** They are at the crossroads between economic and social spheres and work with a wide variety of partners such as banks, chambers of commerce, business support agencies, as well as social services, training organisations, etc, to raise awareness in a wide range of institutions.

→ Microfinance practitioners and other business support organisations can contribute to **raising awareness about the entrepreneurial potential of immigrants**, thus reducing barriers and fostering active support. This can be done for example by communicating on success stories and through public relations work. Communicating positively about immigrant entrepreneurship, about their added value, their ability to bring new and creative solutions can contribute to promoting immigrants' image in society as a whole. This should be done on an ongoing basis, but can be supported by seminars and events highlighting the issue.

Glossary

BDS: Business development services, which include advice, training, mentoring...

EMB: Ethnic minority business

EMN: European Microfinance Network

FUSM: Fundacio Un Sol Mon

Microcredit: Provision of small loans to significant numbers of low-income, economically active people in order to improve their conditions and local economies, through sustainable, long-term institutions that serve the poor (Source: CGAP).

Microfinance: According to the International Labour Office (ILO), microfinance covers the full range of financial services such as credit, savings, insurance and international transactions, for small amounts (less than 15.000€). It offers such services to financially weak groups who lack access to ordinary banks, such as the unemployed, minorities, working poor, collective projects.

MSN: member state national (EU)

NCN: Network Credit Norway

SME: Small and medium-sized enterprise

Spot check: : A sampling or investigation performed quickly or at random

TCN: Third country national (a non-EU-national)

SMSO: in Spain, Social Microcredit Support Organisation that provides business support services to microcredit applicants.

SSB: Statistisk sentralbyrå/Statistics Norway

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Appendices



Appendix 1: More in depth about immigrants and the labour market

THE EMPLOYMENT SITUATION

Unemployment in general

Most of the countries in the study have been suffering from rather high unemployment rates in the last decade. The situation is worse for low and unskilled workers (in Germany), young people (in France: 19.8% unemployment rate). There is also a high amount of long-term unemployment (Germany, France).

The situation is completely different in Ireland, where unemployment rates are very low.

In Spain, a lot of work is informal and therefore 'real' rates are difficult to measure.

TCNs have higher unemployment rates than MSNs⁸¹

Belgium, France, Germany and Ireland have lower rates of employment and participation of migrants on the labour market, and much higher unemployment rates. In Spain, on the contrary, although TCNs have higher unemployment rates⁸², they have higher participation and employment rates than MSNs.

The most significant **gaps** (differences in rates between TCNs and MSNs) are for:

- **long-term unemployment** (in Belgium and France). The gap is low in Germany where long-term unemployment is high for both groups, and Ireland and Spain where, on the contrary, long-term unemployment is low.
- **skill levels** : particular gaps in employment rates for **high skilled workers**, except in Spain.

Gap on employment rates: X = "high" gap level; "-" = low gap ; "+" opposite gap

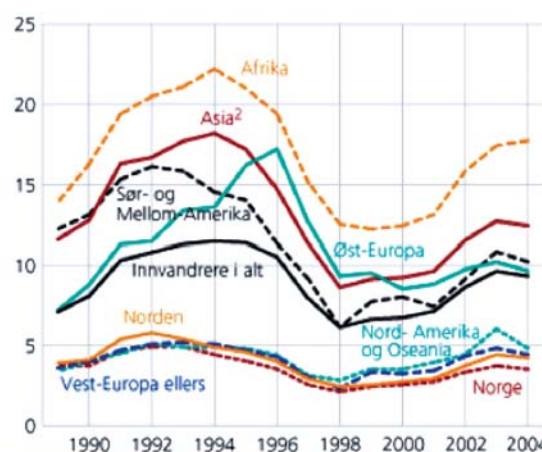
Skill level	B	F	G	I	S
High	X	X	X	X	-
Medium	X	X	-	X	+
Low	X	-	-	-	+

As stated above, even when there is little or no gap (eg for unskilled labour), unemployment rates may still be high.

Variations in employment rates between ethnic groups

The employment situation varies considerably between different ethnic groups, as is illustrated in Norway by figure 5. Norwegian data show the highest degree of employment among people originating from South and Middle America (57%) and the lowest among people originating from Somalia (25%) and Afghanistan (24%) (SSB 2002 and 2003).

Figure 5 : Registered unemployed aged 16-74 according to country of origin 1989-2004. Percentage of overall workforce



TCNs work more often than MSNs in jobs that are temporary and/or part-time.

In Germany, many work in jobs that are not subject to social insurance contribution (40%). Such jobs are more often temporary, low skilled, low wage and can be cancelled on short notice. Especially migrant women work in part-time jobs or so-called mini-jobs (up to 400 € /month).

81. Source : European Civic Citizenship and Inclusion Index 2004.

82. Definitions from European Civic Citizenship and Inclusion Index 2004, p.39.

Employment rate: percentage of individuals between 15 and 64 years old that are either employed or self-employed.

Participation rate: percentage of each group that is economically active be they employed, self-employed or registered unemployed.

Unemployment rates: the percentage of registered as unemployed as a share of the total active population of the group.

Long-term unemployment rates: the percentage experiencing unemployment for longer than 12 months.

Other source : complete list of indicators on http://forum.europa.eu.int/Public/irc/dsis/structind/library?=/general_information/dissemination_1&vm=detailed&sb=Title.

In France, 14.3% TCNs have temporary contracts, versus 6.2% for MSNs.

In Spain, approximately 58% of immigrants work in the formal sector. Most of them have temporary contracts.

TCNs often work in unskilled and 3D (dirty, dangerous and demanding) jobs that are not wanted by the majority population.

In France, 46% of TCNs are unskilled workers ("ouvriers") versus 25% for MSNs.

In Spain, sector distribution among MSN workers and TCN workers is similar, but immigrants usually have lower responsibility jobs.

TCNs tend to be over-represented in the sectors of restaurants and hotels, cleaning, building and construction as well as services.

As stated above, many skilled immigrants end up working in jobs for which they are overqualified or which are very far from their area of expertise.

DIFFICULTIES IN FINDING EMPLOYMENT

Restricted access to certain professions

Many jobs are closed to nationals of non EU-states, such as those in the civil service in Germany. In France, many civil service jobs and administrations require French citizenship, as well as certain professions, particularly in health-care and law.

Language skills

The lack of **local language skills** can be major problem in finding a job, and therefore a reason to start one's business.

In Germany, the lacking German language skills of migrants, and especially of migrant children are at the moment subject of severe discussions, since the PISA⁸³ report revealed a big influence of the language skills on the opportunities of success in the German educational system.

In Belgium, there are 3 national languages: Flemish, French and German. In the case of the bilingual city of Brussels (French and Flemish), it is required by the majority of companies to speak both French and Flemish to get a job. However, the majority of foreigners often only speak one of these two languages. This is one of the main reasons for a foreigner to start their own business.

In France and Spain, many immigrants are native-speakers of the host-country language, so it is less of a problem, nevertheless even when language skills are fairly good, accent can be a problem.

Although immigrants deficient in language skills can find it easier to start their own job, this can turn out to be a problem when dealing with clients, paperwork and administrations, and can therefore constitute a barrier to business creation.

Documentation of skills and competence

As pointed out by the Norwegian partner, many immigrants seem to arrive without necessary documentation of previous skills and competences. Whether this is the case or not, it is often difficult to get degrees from foreign universities and education institutions recognized in the host country, as well as professional experience gained abroad.

83. PISA, the Programme for International Student Assessment, is an OECD Programme that benchmarks the quality of the educational systems in the member states by testing student skills.

Appendix 2: Case studies

STARTBAHN BRANDENBURG – PILOT SERVICE FOR CONSULTING AND MONITORING OF START-UPS FOUNDED BY MIGRANTS

STARTBAHN BRANDENBURG



Description: Start-up coaching programme for migrants with the wish to get self-employed that is situated in Eastern Germany (Brandenburg) and is funded by regional public sources and the European Social Funds. Main and biggest target groups are people from the former Soviet Union and a big share of migrants from Poland or Vietnam. The remaining share consists of migrants from Latin America, China, Africa, Turkey and Afghanistan.

Mission: Main objective of the coaching process is to check on the will and the ability of the participants to get and stay self-employed. For those an individual start-up plan is laid out

Tools/Methods: The service is composed out of 3 different steps: Initial consultation, assessment course, and forwarding to consulting service. The average duration of the initial consultation is one hour; all in all 3 to 4 counselling interviews can be held before a decision regarding the next step (assessment course) is made. The consultations are held in German or Russian. There is no formalised procedure of the interviews as it is rather focused on establishing trust and a communicative atmosphere. Central issues are the presentation of the business idea, possible funding sources, the general business situation and environment, skills and wishes of the founder.

The goal is a first assessment whether self-employment really is an option for the person and a preliminary profiling. If applicable, a rough calculation and plausibility check of the business idea is done but no in-depth discussions of details or even formulation of a business plan at this stage. The migrant is provided with informative literature, brochures, calculation grids, business plan checklist in order to support the discrete preparation and detailing of the business idea and is introduced into the further services of the „Startbahn“, like the assessment course, an non-mandatory offer of which a lot of clients make use, because of the recommendations

of past participants. In contrast to the initial consultation the knowledge of the German language is mandatory in this 5-day course. It is not teacher-centred learning but clearly focused on group and team work. By doing this, people are better activated and network contacts are established. On the content side, the course imparts basic knowledge of business administration, like accounting, financial planning, legal issues and taxes. Additionally an in-depth entrepreneurial profiling is conducted by a psychologist. The goal of this is to check on the individual ability and will to get and stay self employed. If severe problems are foreseeable, the person is advised against stepping into self-employment. For those who are still willing to set up the business, the individual and detailed consulting needs are determined and an individual “start-up-plan” is drawn up. After that, the first contact with an adequate start-up consultant from the “Startbahn” data base of multilingual consultants is established. Here the consulting is intensified around specific topics regarding the individual needs of the founder. This encompasses the analysis and revision of the business plan, financial statements, financial scheme, and if needed coaching and preparation for bank meetings and attendance at the meeting itself. The average consulting time of “Startbahn”-clients amounts to 26 hours.

Results:

300 migrants received an initial consultation from Startbahn Brandenburg until September 2006. 116 of them have participated in the assessment course, 129 received a specific consultation with an external consultant. 60 per cent of the migrants that have received an external consultation have registered a business. The professional fields with the highest start-up rate per participant are gastronomy, handcraft and service.

The proportion of migrant men and women seeking advice at “Startbahn” is well balanced. Nevertheless the share of female migrants decreases during the counseling process. Their share in the group receiving external counseling is distinctly lower and of the migrants that were actually registering a business after the counselling only 33 per cent were female.

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**GRÜNDUNGSBERATUNG
FÜR MIGRANTEN DER TCH GMBH**

Description: Start-up coaching programme for migrants that is integrated in the TCH GmbH, a mainstream BDS situated in Hannover. Main and biggest target groups are resettlers with Russian background and Turks, following but in smaller numbers Poles, Iranis and people from the Arabic world.

Mission: Main objective of the consulting process is the preparation of a complete business plan able to present at a meeting with the bank. At the end of the consultation process the founder should be able to communicate and defend the content of the business plan on his own

Tools/Methods: The initial group consulting integrates all ethnic groups and is focussed on explaining the German way of administrative thinking and German business logic. The group has a maximum size of 12 participants and the duration varies between 2 to 4 hours. The consulting is held in German on a level as simple and accessible as possible (by using a lot of examples and anecdotes) and is less focussed on intercultural issues than on entrepreneurial needs like how to organise a proper meeting or business talks and specific assistance like how to define success or to handle uncertainty.

In order to evaluate the start-up project a profiling is performed, at which 7 entrepreneurial characteristics are examined. If needed the consultants dissuade people from their desired self-employment and explain the reasons. The profiling is mandatory for people who want

to start out of unemployment, for the rest it can be done on a voluntary basis. The individual one-to-one coaching that is following concentrates on the qualifications of the entrepreneurs and their project, it is therefore a resource based approach. Central is the review of the concept and creation of a „Gründungsfahrplan“ to guide the migrants through the complex process of the start-up process. Additional specialist consultations are offered from a pool of external experts and specialists.

The access to the target group is established through networking. Consultants are frequently invited to external events (in community centres, Mosques, vocational schools) to inform about the possibilities of the coaching at TCH for migrants. A lot of attention is given to the professional networking of the entrepreneurs after they set up the business. They are encouraged to participate in a German network (TCH-Network, regular table, seminars). Additionally there are country specific working groups (e.g. Poland, Turkey, China, Russia), that discuss country specific issues from the point of view of regional companies.

Results for 2005: In 2005, a total of 656 conseling interviews with migrants were held. 469 migrants were supported altogether. TCH holds informations that 22 per cent of the supported migrants got self-employed in this very year.

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STEBO



Description: Stebo is a Flemish organisation based in Genk and created in 1987. Stebo's target group is mainly immigrants but also vulnerable people with low education levels.

Mission: Stebo has 4 areas of activities:

- promoting the participation of local inhabitants
- habitat
- entrepreneurship
- employment.

The service to support entrepreneurs, "Kansrijk ondernemen", has 3 projects:

1. "Trajectbegeleiding" which provides mentoring and support to people with immigrant background
2. "Basiskennis Bedrijfsbeheer voor anderstaligen", providing business management courses for foreign language-speaking people.
3. "Buurt/Zaken" which aims to raise awareness of entrepreneurs to strengthen their commercial activity and improve the quality of life in their environment.

Stebo is involved in a European ESF funded project to strengthen immigrant entrepreneurship, coordinated by UNIZO Vorming.

Tools/Methods: Stebo offers 2 different business management training courses, in cooperation with SYNTRA.

Before any training, the candidate needs to pass a test to determine his/her fluency in Flemish which determines which course to follow.

The first training "Omkaderde cursussen bedrijfsbeheer voor anderstaligen", targets Turks and Moroccans who have little fluency in Flemish. Both a teacher and a cultural mediator are present in the course. The cultural mediator has a foreign background, either Turkish or Arabic. His role is to explain, interpret and clarify concepts of management formulated by the teacher to make them more easily understandable by Turkish and Arabic participants. For example, he may explain the equivalent of VAT in Turkey. This training, starting in September, lasts for one year.

Results: In 2005, 2 groups of 20 followed it and only one failed the final exam.

The second, "schakelcursussen", includes a course of economic Flemish designed for people who have a better level in Flemish. The class is twice a week during 2,5 months. The class is done by one teacher. Having followed this class allows trainees to then join a training mixing natives and immigrants.

Both trainings end with an examination and a diploma certifying their knowledge of management, as required to become self-employed.

Stebo is also available upon trainee's request to provide individual mentoring and help prepare the exam. Approximately 40% of participants request this.

Results : A study carried out by a student from the University of Hasselt in 2005 has shown that 50% of the future entrepreneurs contacted by Stebo started their own business and are successful. Moreover, last year, Stebo asked a call center in Antwerp to make phone interviews of future entrepreneurs supported by Stebo during a period of 3 years. According to the results of these interviews, 55% of those contacted had started their business and were viable. For more information see <http://www.stebo.be/nieuws.php?id=24>

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COLLECTIF DES FEMMES (CDF)

Description: CdF is based in Louvain-la-Neuve in Belgium. CdF aims to help women's socio-professional integration in Belgium and in developing countries. CdF gives training in different fields: French as second language, training in Arabic, teaching to read and write, informatics trainings, technical trainings, management trainings,... CdF works also in intercultural mediation.

Most of CdF's clients are immigrants or with an immigrant background, many of African origin.

CdF participated in an Equal project (VITAR project between 2000-2005) whereby it supported immigrants, both men and women, either starting their business in Belgium or with entrepreneurial projects linked to their country of origin.

Mission: CdF started in 1979, with an aim to help women's socio-professional integration in Belgium and in developing countries (organisations for socio-professional integration, trainings, support to micro-projects).

Tools/Methods: CdF offers a training for small and medium business start-up. Placide Muamba Mulumba, the manager of the SME sector in the CdF, finds that this public's greatest need is small start-up capital. To compensate for the lack of available funding, given that micro-credit is not so developed in Belgium, he has developed an "associative approach". The follow-up and training are as much as possible done through groups, with a focus on building trade and finance networks in order to avoid individual entrepreneurs' isolation. Trainees are encouraged to start their own ROSCAs (rotating savings and credit associations) to fund their projects. The training lasts a month with the aim to teach participants to prepare their business plan and manage their business financially. The courses can be alternated with internships.

Results: During 2002 the majority of the trainees who had finished the management training were integrated either in the Belgian employment market or in the employment market in Southern countries. In 2003-2004, about fifty projects of business creation were followed up in the fields of agriculture, trade, catering, informatics, transport, health, chemistry and consulting. The business creation projects were based in Belgium but also in Sub-Saharan Africa.

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ADVIES BUREAU VOOR ZELFSTANDIGEN, STAD ANTWERPEN

Description: Advies bureau voor Zelfstandigen" in Antwerp provides start-up support particularly to people who have difficulties complying with the official procedures and requirements. Antwerp being a multicultural city with a large immigrant population, 90 % of the Bureau's clientele is immigrant.

Mission: "Advies bureau voor Zelfstandigen" in Antwerp provides start-up support.

Tools/Methods: Services are characterised by their flexibility and mobility in dealing with clients. The Bureau provides free individual advice and mentoring, whereby the advisor may if needed speak the client's language. The team includes Turkish, Arabic, English and French speakers.

Brochures are however in Flemish only. The team also has mobile advisors who go out to meet starting or as well as long-existing entrepreneurs, in order to help them to be in order (if needed), reconsider their ways of doing things, develop or reorient their business.

The Bureau started a specific project in partnership with the city of Antwerp to rehabilitate and develop shops of De Coninck Place, one of the quarters of the city. Shopkeepers and entrepreneurs who wish to contribute positively to the development of the area can receive a grant to reorient a business (up to € 15,000) or to settle in the area (up to € 25,000).

The Bureau also supports the creation of immigrant or mixed trade associations such as the Unie van Allochtone Bakkers – UAB.

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TERENURE ENTERPRISE CENTRE (COMMUNITY ENTERPRISE SOCIETY LTD)



Description: The Community Enterprise Society Ltd. is a voluntary community group established in 1984. One of the main objectives of the Community Enterprise Society Ltd (CESL) is to provide workspace and full back-up support for small start-up projects unable to secure such support from other sources. Aside from resident projects the organisation has an avid interest in developing and nurturing businesses within its immediate geographic area, particularly entrepreneurs starting in business from a marginalized background. Due to its geographic location, i.e. encompassing Terenure, Rathgar and Rathmines, its clientele has most recently comprised of transient groups seeking relatively affordable housing within close proximity to the capital, including many members from ethnic minorities.

Mission:

- To reach all sectors of the community in a sustainable manner to support their endeavours in establishing viable businesses.
- To provide new jobs and promote long term community stability

Tools/Methods: In June & July 2005 the Community Enterprise Society was grant aided by the Vodafone Ireland Foundation to research and deliver a 20 session 'Starting in Business' evening training course aimed exclusively at members of the ethnic community. 17 learners completed the course. In general approximately 46% of the centres clients recorded are of ethnic origin and receipt of mentoring services is free and training fees are based on affordability.

Lessons learned: What has emerged from activities, particularly those involving training and one to one advice, is that the training & mentoring are required almost exclusively in the evening or outside normal working hours as most of the ethnic clients are in employment. In addition there is an absence of Ethnic Minority Trainers and Consultants to deliver programmes. Participants of ethnic training courses required on average 3 hours of mentoring with business advisers post completion and have valued subsequent networking events, even focus groups in order to meet with like minded individuals to discuss business ideas and problems. Participants may have benefitted from a pick and mix approach to training modules depending on the relevance of topics to their industry / market.

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Appendix 3: Summaries of national reports

Summary Adie Report - France

IMMIGRANT BUSINESS CREATORS AND MICROCREDIT

Executive summary



1. Exceptional dynamism in a difficult environment

Immigrants comprise a significant proportion of the French population (9.6%). Among this group, the percentage of people who come from outside the European Union is also growing (now 59%).

These people, who are mostly from Africa but also from Asia, face many structural problems in the labour market while a significant number are either unemployed or trapped in low paying or precarious jobs.

As a result of education system failures combined with the well recognised problem of racial discrimination within enterprises, this situation often reproduces from generation to generation.

Nevertheless, it is also very clear that many immigrants and French citizens of migrant background display great entrepreneurial dynamism. This is well illustrated by the strong growth in job creation at national level, which suggests that enterprise creation has now emerged as an established means of professional development and integration. In this area, ethnic origin becomes an advantage which enables people to draw on a variety of resources in terms of labour, suppliers, clientele or access to finance. Immigrants also benefit from the market trend towards replacing employees with sub-contractors or small local enterprises.

This dynamism is all the more remarkable in so far as the legislative environment governing job creation is particularly restrictive for foreigners. Moreover, immigrant entrepreneurs are also often victims of racial discrimination with respect to their access to loans, professional offices and markets.

Finally, as a result of the visibility of their businesses, immigrant entrepreneurs are sometimes victims of racist acts and may also suffer damage to their working

equipment and tools (vehicles, shop windows, etc.).

2. To what extent are enterprise creation support policies and measures adapted to the needs of this group?

Immigrant business creators tend to find themselves in unsatisfactory situations in the labour market more often than non-immigrants. They thus tend to create microenterprises with the idea of working for themselves. However, their precarious socio-economic status and their origin may result in their facing a double exclusion from the classical banking system. Indeed, only 10% succeed in obtaining bank loans (compared with 28% for non-immigrant business creators). Microcredit can thus be a particularly appropriate tool for immigrant micro-entrepreneurs as indicated by their 25% representation among Adie clients.

Dealing with immigrant entrepreneurs under other business creation support measures and policies is clearly inadequate:

- Only 41% receive advice during the launch of their businesses (compared with 51% for all start-up entrepreneurs)
- Only 22% receive public assistance for their business start-ups (compared with 31% of all start-up entrepreneurs)

Problems specific to immigrant entrepreneurs in fact often prevent their being adequately dealt with via the usual support mechanisms for assisting business start-ups:

- Barriers in access to information often deprive some migrants of the opportunity to call on the technical and financial support offered as part of the business creation support policies.
- A gap in understanding of the business creation process may also dissuade migrants from calling on the support of business start-up advisory bodies.
- The requirements of alternative financing organisations also form barriers to credit access.

Certain specific needs of migrants are not taken into account at present by the existing regulations and by enterprise creation support measures and policies.

The weaknesses in the support for immigrant entrepreneurs are all the more regrettable since they clearly represent the most dynamic population group in terms of business creation. An effort to create appropriate

support structures to address the particular problems faced by migrants is therefore necessary. Various improvements need to be made to achieve positive discrimination in order to better mobilise this potential.

The objective is to maintain existing common law provisions (without creation of specialised structures) while improving the way in which these measures address this group.

3. Four key recommendations for a better support to immigrant entrepreneurs

The following recommendations aim to promote a better support to immigrants in the French environment:

Legal measures:

- It is vital to improve the legal framework governing very small income generating businesses, many of which are owned by immigrant entrepreneurs. The existence of an appropriate status would in our view lead to the legalisation of a significant number of businesses.

Access to information on enterprise creation and support structures:

- Specific means of communication are required to reach potential immigrant entrepreneurs who tend to rely mainly on proximity networks or word of mouth.
- Training social counsellors in intercultural issues would help to ensure that appropriate consideration is given to the potential of immigrant entrepreneurs.

Mentoring:

- It is the variety of the teams that enables the building of confidence within a support group for immigrant entrepreneurs.

- The support offered also needs to be appropriate to the simple and concrete vision that the immigrants usually have for their business in which they have often already gained experience in the informal sector. Support measures could also include tools, such as credit sales or import-export, which are useful in their specific business field.
- It is sometimes more appropriate to offer upfront rather than followup mentoring to immigrant entrepreneurs. This is because, while entrepreneurs usually understand the business field in which they wish to operate, they tend to have more difficulty with financial and administrative management once the enterprise has been started.

Financing:

- Preparation of loan dossiers and decision-making needs to be rapid and should be based primarily on the qualities of the person (self-directed, business knowledge, etc...) and his/he capacity to reimburse the loan, with less emphasis on the written formalities and figures from the business plan.
- The religious convictions of some people from the Muslim faith prevent them from accessing microcredit because of the charging of interest. It would be worthwhile to consider a specific product to respond to this constraint.
- Generally speaking, finance providers and mentors need to give more emphasis to working to bridge the gap between immigrant entrepreneurs and the banks.

Summary Evers & Jung Report - Germany

Executive summary



Financial Services
EVERS & JUNG
Research and Consulting

The report identified some background aspects of the general immigration situation in Germany that are expected to have an impact on the development of self-employment of TCNs in Germany:

- **High number of immigrants:** More than 15 million persons with non-German origin were reported to be living in Germany at the end of 2004. 7,3 million of them are counted as foreigners because they have no German citizenship (9 per cent of total population). 69 per cent of them are TCNs, mostly from Europe. At the end of 2003, 1,9 million persons with Turkish nationality and more than 500.000 naturalized Turks were reported to live in Germany. Beside the Turkish, people from Ex-Yugoslavia and Russians are the other two large groups of TCNs living in Germany.
- **Impact of past labour migration and family reunion:** Until 1973, immigration to Germany was dominated by unskilled male labour migrants from the Mediterranean region. With the following phase of family reunion the socio-economic characteristics of the migrant population shifted. The amount of second and third Generation is growing steadily. In recent years immigration to Germany is characterised by labour migration at low numbers. The numbers of asylum seekers have dropped dramatically over the last years.
- **Political treatment of migration is changing:** For a long time, the German migration policy was more concentrated on fending off immigration than on integrating migrants. In recent years there is more political activity with a focus on integration and the attraction of highly skilled immigrants, e.g. new laws on naturalization and immigration have been passed.
- **Insufficient legal status of many TCNs:** In 2003, about 2.8 million TCNs had an unlimited residence permit status that allowed them to work and get self-employed without restrictions. 1.6 million TCNs had a limited residence permit that allowed them to work and get self-employed only by permission of the foreign offices. 350 000 TCNs had a legal status, that allowed them to stay in Germany only for a specified purpose (studying, contract working).

The development of migrant self-employment in

general and TCN-self-employment especially has been very dynamic in the last 20 years:

- **Rising self-employment rate of migrants:** Between 1983 and 2003 the self-employment rate of TCNs rose from 3.2 per cent to 7 per cent. The self-employment rate of all migrants is now nearly as high as the one of the German population. For naturalized persons with Russian origin ("Aussiedler"), the self-employment rate can only be estimated. It should amount to 2-3 per cent. The number of self-employed Turks nearly doubled between 1991 and 2003.
- **Intensive start-up activity:** The number of start-ups per 10 000 employable persons is significantly higher in the migrant population than in the non-migrant population. No specific TCN numbers were available, but for the group of Turkish migrants 197 start-ups per 10.000 persons were counted in 2002 vs. 122 in the German work force.

Based on literature and research, the growing number of TCNs in Germany choosing self-employment can be connected with different causes and specific entrepreneurial resources of migrants. Most important seem to be:

- **Long abidance in Germany:** There is a high share of persons living for ten or more years in Germany and German socialized second generation migrants in TCN self-employment.
- **Prospect of higher earning and social advancement:** Self-employed TCNs are reported to have a distinctively higher income than employed TCNs. The difference is especially high in the group of Turkish migrants. Focus groups showed that migrants link entrepreneurship with an advanced social position and acceptance in society.
- **Unemployment:** TCNs have problems to access the German labour market and are also hit harder by unemployment than the non-migrant population. In polls, the share of migrant entrepreneurs stating to have started out of unemployment is not as high as expected. Lacking access to the regular German labour market nevertheless seems to function as an important trigger for self-employment activity of TCNs in Germany.
- **Ethnic communities / economies:** Interpersonal ethnic networks like the widespread Turkish communities in urban areas offer migrant entrepreneurs support structures, especially in the start-up phase, a client base and a recruitment pool. The support of family members is also a very important resource for migrant entrepreneurs.

On the other hand, specific barriers can be identified, that hinder TCNs in Germany on their path to self-employment:

- **Legal requirements and bureaucratic processes:** The allowance to become self-employed is connected with the residence status of the TCN. Refugees are not allowed to become self-employed. The bureaucratic processes for getting self-employed are difficult even for natives.
- **Language deficits:** Missing German language skills hinder communication with public authorities, banks and clients.
- **Lacking Qualification:** TCNs feature an lower average level of vocational qualification than the native population. This situation and the difficult recognition of foreign degrees and diplomas in Germany builds barriers for TCNs to become self-employed, especially in the regulated handcraft professions. Many TCN entrepreneurs have little or no knowledge in business administration issues.
- **Access to Finance:** A lot of TCN entrepreneurs are dependend on family financing. The access to finance via banks is difficult.

In summary, there is consensus about the need for advice and training that help nascent TCN entrepreneurs to overcome these barriers and build on their resources to make their entrepreneurial projects successful and enduring. The national report analysed the support structures for starting TCN entrepreneurs in Germany and conducted qualitative interviews with consultants as well as focus groups with TCN entrepreneurs to identify matches and mismatches of supply and demand.

The support structures for migrants can be divided into two different approaches:

- Those business support organisations that are **targeting on migrants exclusively**.
- Business development services targeting on entrepreneurs in general but **having a special awareness of migrants needs** which lead to implementation of methods or employment of consultants for this target group.

Regarding the characteristics of TCN entrepreneurs and their businesses, the qualitative inquiries approved most of the statistical statements that can be derived from the literature on migrant entrepreneurs in Germany:

- Self-employed TCNs are **young**, and feature **long abidances in Germany**. There is a high amount of **second generation** migrants
- The **levels of qualification** differ between the different nationalities but are on average **lower than**

that of German entrepreneurs. Especially Turkish entrepreneurs are lacking vocational qualifications and professional experience

- TCN entrepreneurs have **few employees** and **a lot of family support** and are especially active in sectors with low entrance thresholds and high risks like **gastronomy, transport, trade of small goods, groceries**.
- **Self-employment out of unemployment** is seen as the most prevalent path to entrepreneurship which differs from research results.

The main needs of self-employed TCNs in training and advice that were voiced in the expert-interviews can be summarized as following:

- **General business support issues** (financial and personal planning, tax issues, client acquisition, business location)
- **Specific issues** (explanation of and support with administrative requirements, mediation with public authorities and banks due to reluctance of migrants towards these institutions, assistance with language problems, strong assistance in writing business plans, need of slowing down migrants spontaneity and structuring their plans)

The methods and instruments that are used by the questioned support organisations to adress these needs are:

- **Intercultural competence** of advisors and trainers
- Creation of an **atmosphere of confidence** by showing intercultural competence or offering advice in client's mother tongue
- Employment of **consultants with own migration background**
- Using information material in **different languages**
- Raising motivation for **business plan creation and financial planning**
- Flexible and **individually adapted advice process**, emphasis on **structuring** of migrants.
- Guiding immigrants towards the **German way of thinking**.
- **Making complex issues easy** in seminars and face to face advice
- Assistance in **dealing with public authorities and banks**, preparation of contact and limiting reluctance
- Assistance in **administrative and legal issues**, e.g. working permit, approval of foreign qualification, formal requirements of business creation

Compared with the wishes of the interviewed entrepreneurs, it could be stated that these strategies fit most of the central demands of the target group.

Nevertheless some issues could be identified, that are not properly addressed by support organisations or are in conflict with their strategies:

- The spread of **information about existing support structures** in the group of TCN entrepreneurs is still a problem
- There is a **conflict** between the **consultants' focus on slowing down and structuring** migrants and the **entrepreneurs' perception of being demotivated** and not being taken seriously.
- There is an unmet demand for **experience-driven prognostics** for future planning and **active support in writing business plans**.
- Criticism of consultants is not seen as constructive by the immigrants, they state a lack of support in **development of options and alternatives** regarding self-employment
- Many TCN entrepreneurs need more **support in building personal networks**

The literature review and the interviews showed that access to finance is a serious problem for TCNs on their path to entrepreneurship.

- According to experts and literature, German **banks are often reluctant to advise, support or finance** TCN entrepreneurs
- There are **no special public funding schemes** or microlending initiatives focussing on migrant entrepreneurs in Germany
- General public funding programmes and financial support schemes for self-employment and entrepreneurship are only **sparsely frequented by TCNs**.
- TCN entrepreneurs are **less informed** regarding public opportunities for funding and support than their German counterparts.
- They need **only small sums** to finance their businesses. This makes them a target group for microfinance.

Since the allocation of microcredits is increasingly seen as an important tool to support migrant entrepreneurship

in Europe, the national report looked especially on the situation in Germany.

- Microfinance activity in Germany is **underdeveloped** in general
- There are **no official data available** for the participation of migrants in Microfinance programmes
- The rate of migrants participating in KfW public loan schemes targeting on small start ups and enterprises is much higher than the rate of migrants in the overall public loan schemes of KfW.
- Experiences from the "Kleinkreditprogramm" in Hamburg targeting on start ups out of unemployment indicate that **Microloans are an attractive option for TCN entrepreneurs**. There are high numbers of TCNs applying for these loans and their rate of approval is as good or even better than that of German applicants.

The report gives the following recommendations to improve the access to finance for TCN entrepreneurs:

- **Intensive lobbying of banks:** Initialisation of a credit campaign for TCN entrepreneurs to facilitate a dialog between credit institutions and migrants willing to get self-employed. Elements could be making success stories of TCN entrepreneurs public, create trust between banks and migrant founders.
- **Lobbying microfinance providers as well:** Make clear that TCNs are a potential target group for their activities. Emphasize the need for the introduction of intercultural trainings and the consideration of specific methodological issues in pre and post-loan consulting. Foster cooperations between migrant business support organisations and microfinance organisations.
- **Regional cooperations:** Fortify the initialization of regional cooperations between migrant business support organisations and banks to improve the allocation of microloans to the target group of TCN entrepreneurs.

Summary Fonds de Participation Report - Belgium



A high unemployment rate amongst nationals from non-member countries of the European Union residing in Belgium is an important obstacle for their social and economic integration. Setting up new businesses appears to be a path to integration for these nationals. The analytical report carried out by the Fonds de Participation evaluates the situation of third country micro-entrepreneurs nationals established in Belgium and their access to microcredits. This study was conducted in two steps.

Firstly, statistics and general information have been collected on third country nationals residing in Belgium creating their own business. Secondly, discussions took place with business support organisations, microfinance institutions and the migrant micro-entrepreneurs, in order to identify the practices in Belgium and the difficulties these immigrants are being faced with in setting up their projects. In view of increased number of naturalisations in Belgium in 2000, the target of the study was extended to foreigners having received the Belgian nationality, but who were not born in a country member of the EU.

These discussions resulted in 11 main barriers each migrant entrepreneur must face before setting up a business:

- Financial difficulties as well as credit access;
- Lack of knowledge of the Belgian enterprise system;
- Cultural barriers;
- Administrative difficulties;
- Difficulties in acknowledging diplomas and professional experience acquired abroad;
- Restricted to uncompetitive business sectors;
- Language barriers;
- Difficult information access;
- Difficulties in developing a network and clientele;
- Lack of confidence towards administrative authorities;
- Difficulties in finding room to establish the business, and discrimination problems

The challenge is mainly to eliminate a number of these barriers. The future migrant self-employed should be placed under the best conditions to succeed in his/her project, to avoid the trap of the informal sector and not to be caught up in a labyrinth of red tape.

Different initiatives have been taken by the Belgian authorities resulting in a tendency towards simplification of administrative formalities for all future self-employed candidates (creation of business one-stop-shops, of the Crossroads Bank for Enterprises) and for the immigrant project leaders in particular extension of the categories of persons allowed to work without a professional card, modification of the conditions to obtain an itinerant trade licence). Business support organisations also took a number of initiatives. These organisations combine different methods in assisting the foreign project leader or of foreign origin residing in Belgium. Some structures have opted for specific methods more similar to the Anglo-Saxon model of positive discrimination: management courses in a foreign language, presence of an intercultural mediator, multilingual information brochures and the use of collective savings. The cultural characteristics of the project leader are taken into account while at the same a greater awareness is created of Belgium's conception of entrepreneurship. Other "general" support structures are also sensitive to this topic. Aware of the cultural characteristics of the future foreign or of foreign origin entrepreneur, they try nevertheless to not differentiate from a local project leader by offering identical services.

In spite of these initiatives, many questions and barriers remain in place and need to be dealt with. To attempt to find a solution to these questions and also to promote equal opportunities in the setting up of micro-enterprises, several recommendations were addressed to federal, regional and community authorities, to business support organisations and microfinance institutions:

Points to consider as the subject of a more in-depth study:

1. Analyse the feasibility of implementing guarantee systems in Belgium such as collective savings or "fontines";
2. Analyse the possible support of migrant entrepreneur projects in connection with their country of origin considering the local initiatives already present in southern countries.

To raise the minimum capital necessary for setting up a business is one of the main concerns of all entrepreneurs, whether they are Belgian, EU or non-EU nationality without revenue, ineligible and a beneficiary of social benefits. The financial barrier appears to be even higher for recent migrants who are discovering the Belgian system, who are alone in their host country or who have contacts limited to their home country community settled in Belgium. For these populations,

access to micro-credit is a solution for difficulties in finding financial aid. It also helps to launch business creation and, consequently, contributes to the economic development of the country.

In Belgium, considering the ever-growing population of citizens from non-EU countries, it is important to target this

public to promote formal financing circuits. Implementing specific strategies but also acquiring increased knowledge of the socio-cultural characteristics of this population represents an important passageway for Belgian MFI's. It is also possible to make use of these characteristics to help migrant entrepreneur candidates to start up projects and gain access to micro-credits.

Addressees	Points to consider
Federal, regional and community authorities	<ol style="list-style-type: none"> 1. Possible reduction of the cost of the professional card obligatory for all citizens of non EEA (European Economic Area) countries who wish to become self-employed in Belgium. 2. Facilitate the acknowledgement of professional experience and vocational training acquired abroad. 3. Decrease the cost with regards to procedures for diploma equivalence in the communities where this procedure is payable. 4. Maintenance of social welfare payments during the setting up of the enterprise.
Official authorities, microfinance institutions (MFI) and business support organisations	<ol style="list-style-type: none"> 1. Creation of multilingual brochures on business creation in Belgium. 2. Information dissemination on business creation towards organisms working with refugees and asylum-seekers.
MFI	<ol style="list-style-type: none"> 1. Organisation of information sessions on products offered by the MFI for organisms working with refugees and asylum-seekers.
MFI, banks, business support organisations	<ol style="list-style-type: none"> 1. Letting the personnel be acquainted with the characteristics of migrant entrepreneurship
Training centre for business creation	<ol style="list-style-type: none"> 1. Provide management courses with a specific method adapted to foreign-born populations.
Business support organisations	<ol style="list-style-type: none"> 1. Systematically collect information on the profiles of the project leaders. 2. Promote information exchange on practices used to monitor the foreign-born project leaders

Summary Un Sol Mon Report - Spain



Fundació UN SOL MÓN

CAIXA CATALUNYA

Spain has indeed become a host country for immigration, although it is true that settlement figures are lower in comparison with the number of immigrants in other European Union countries. However, the lower rates in terms of sheer numbers must not detract attention from what is now an important reality and will be even more so in the future.

The most important groups are people born in South America (45.6%), non-UE Europe (18.2%) and North Africa (17.8%). Among Fundació Un Sol Mòn entrepreneurs, people born abroad Spain represent more than 50% of entrepreneurs. They are mostly from South America (56.9%), Asia (15.6%) and Sub-Saharan Africa 12.5% and most frequent countries: Argentina, Pakistan, Colombia, Bolivia, Equator, Peru, Morocco, Uruguay, Brazil, Cuba.

Through the INTI Project, we have tried to analyse the characteristics of the process to develop self-employment projects of entrepreneurs born in a non-UE country. Interviews have been done to professional advisors and entrepreneurs.

THE IMMIGRANT ENTREPRENEUR

The majority of those interviewed agreed on the need to understand that the very fact of having emigrated is a venture in itself, something which makes the immigrant, by definition, someone with an enterprising spirit.

VARIABLE FACTORS

There were various, interrelated factors when it came to differentiating and defining the circumstances in which immigrant entrepreneurs find themselves.

a) Legal regularization. It is very important to establish the legal status of the entrepreneur when initiating the advisory process. Establishing the applicant's legal status will have an impact on the whole advisory process. It will also affect their ability to obtain permits, the number of procedures they will have to go through and their chances of actually starting a business.

b) Length of residency. As the length of residency increases, so do the possibilities of developing a social or family network and of having had previous work experience in Spain.

c) Level of education. An entrepreneur's level of education will affect their ability to understand local

procedures, acquire skills to draw up their business plan and integrate the necessary knowledge in order to carry out their self-employment project. In many cases, immigrant entrepreneurs have a far higher level of education than is necessary for the work they are currently doing, and a self-employment venture would enable them to use their skills in a working environment.

d) Previous business management experience. Experience of having run one's own business was indicative of the future success of a self-employment venture. Entrepreneurs who have experience of having run their own business in their own country or in Spain have many tools at their disposal to make a good start at their own self-employment project.

e) An entrepreneur's social network. Being socially established gives potential entrepreneurs many more resources when it comes to starting or running a business.

f) An immigrant's financial resources. A determining factor of the likely success of a venture is the level of available financial resources which an entrepreneur has to deal with problems which will be encountered throughout the process.

g) The business idea. Many potential entrepreneurs who seek professional advice wish to start a business which focuses on a particular target group which forms part of the immigrant's social network. Food shops, hairdressers and internet cafes/telephone call shops are examples. In many cases, the entrepreneur will already have a lot of information about these businesses and, essentially, needs to conduct market research to ascertain the project's viability. In other cases, however, the advisory process will involve the additional challenge of formulating the client's business idea itself.

These factors are not exclusive and continually link and cross-over with each other. We found that determining factors, such as level of education or social network, are strongly related to the country of origin for diverse, socio-demographic and cultural reasons.

BARRIERS

1. Barriers relating to the context

a) Legal obstacles: work/residency permits. To work legally under current regulations, certain circumstances often make it impossible or very difficult to carry out the advisory process. Immigrants to Spain have to go through different stages which alter their legal status. Immigrants find themselves in different situations according to their legal status. Obtaining self-employment permits can turn

into a very slow and uncertain process and means that the advisory process has to proceed at the same speed as the bureaucratic procedures.

b) Communication difficulties: the language barrier. Some organisations have linguistic mediators, on a formal or informal basis which allows them to attend to immigrants with different levels of the official languages. However, dealing with immigrants with absolutely no knowledge of Spanish is extremely difficult. The principal problem arising from the language barrier arises when it comes to dealing with the administrative documents required to start a business. Some organisations appear to adapt to this need better in that they often have other people involved who speak the immigrant's language.

c) Knowledge of the environment. Immigrant entrepreneurs find themselves in a new social, cultural, administrative, fiscal, economic and legal environment and their knowledge of each of these is usually very limited.

- **The employment market.** Knowledge of this is usually very limited. The precarious nature of many immigrants' jobs –long hours in the same place until late at night– makes it harder for them to know much about anything beyond their immediate environment.
- **Legal and bureaucratic environment.** In many cases immigrants come from countries where starting a business does not involve a lot of bureaucracy or complicated legal procedures. In this sense, the first problem immigrants come up against is a lack of knowledge of the bureaucratic procedures required to start a business.
- **The technological environment.** Many of those who go to advisory organisations for self-employment advice show a significant lack of basic IT knowledge. Some have almost never used a computer and do not understand the possibilities of the Internet. Some advisors encourage immigrants to carry out tasks which require use of the Internet so that they can become familiar with how it can help their business.
- **The cultural environment.** Finally, we found that cultural differences can often lead to misunderstandings in relationships between immigrant entrepreneurs, advisors and society in general. The lack of knowledge on the part of immigrants of the local cultural codes can be added to the lack of knowledge that advisors have of the cultural codes their users are familiar with from their

own countries. In this sense, advisors often find themselves being unsure as to how they should behave when faced with immigrants from certain cultures with whom advisors feel they have little in common. This uncertainty is a recurring issue when it comes to gender, especially when the person seeking advice is a man and the advisor is a woman.

d) Resistance throughout the process. In many instances, it isn't enough just to know how to negotiate the various requirements, procedures and formalities involved in starting a new business. At times, the problem is making users aware that these things always have to be done in a certain way. From the experience in their own countries, many immigrant entrepreneurs think that they can negotiate the different steps by avoiding or getting round bureaucratic, fiscal or legal requirements. The job of the advisor has to consist of keeping users aware of the importance of observing all of these requirements step by step.

2. Barriers associated with the advisory process

a) The Business Plan: a controversial problem. Many advisors see the business plan as the main document which guides their job of advising immigrants, allowing them to clarify and better understand the underlying idea as to the type of business the potential entrepreneur wishes to start, and to predict the viability of the business both in terms of its economic viability and in terms of the resources and skills of the entrepreneur. However, some advisors understand that sometimes the business plan is a very complex document which can discourage many entrepreneurs with viable business ideas. These advisors thought that drawing up a business plan can be overwhelming and cause entrepreneurs to withdraw early or suddenly from the process, and thought that it should be enough to clarify the business idea and, from there, carry out an economic viability study.

b) Lack of a derivation protocol. As we have seen, before starting the advisory process itself, potential users go through an initial filtering process to see if they should be directed to another internal or external service or to a public-sector advisory service. However, each organisation is drawing up its own derivation protocol or it will simply be unable to respond to the needs which it identifies. There is a need, therefore, to draw up a broad, full and unifying derivation protocol which would allow organisations to respond to the different needs they identify and which they are not able to attend to themselves.

RECOMMENDATIONS

During the different stages of the advising process, we highlight some good practices of the organisations. We should emphasize that most of these practices are useful for all entrepreneurs, immigrants or not.

Detection:

- To work with both formal and informal organisations (associations, foundations, neighbourhood entities, etc)
- To create an Information Point where immigrants can receive different information about legal procedures, labour, self-employment, languages, education, formation, etc.
- Making a good diffusion by using informal media to make known self-employment advising and financing services

Reception:

- To realize collective meetings to inform about advising services, explaining the pros and cons of self-employment and different steps of the process
- A first individual session with the advisor, where the most important issue is to listen to the entrepreneur. He/she explain their business idea and their "life history" (how/when they arrived to Spain, their motivations and previous experience creating a business...). It is more a sociological analysis than just an economic one.

Advising process:

- Entrepreneur must be pro-active. Homework is a good tool to demonstrate their interest on the project and their entrepreneurship ability.

- Technicians characteristics to realize a good advising process: both social and economics formation, languages, knowledge of cultural facts
- To adapt business plan to the reality of a small enterprise: not long and difficult business plans
- To adapt timetables of organisations: entrepreneurs have usually long working days and familiar responsibilities
- To realize complementary voluntary formation sessions such as "procedures to obtain self-employment permits, language workshops, informatics, economics issues, etc.

Financing:

- Financing step by step: just financing what it is really necessary in every moment in order to have low instalments
- Monitoring to the formal banking system, when it is possible.

Business Start up:

Monitoring on the business start up: to help on legal issues, suppliers, clients, contracts, etc

Monitoring:

- To realize periodic visits in order to analyse how the business is working
- Entrepreneurs must be pro-active. They must have a phone number to contact when they have a difficulty or they need information
- Services network: to create a network of professional services (lawyers, solicitors, informatics, plumbers, etc) where entrepreneurs can attend (good services – low prices).

Summary First Step Report - Ireland

IMMIGRANT MICRO-ENTREPRENEURS IN IRELAND 2006 A CONTEXTUAL REPORT & FOCUS GROUP FINDINGS

Summary of Findings



FIRST STEP

A wide variety of enterprise support services are on offer in contemporary Ireland, these include Enterprise Ireland, County Enterprise Boards, Graduate Campus Companies, (ie M50 Programme) FAS Training Programmes, BIC⁸⁴'s, Local Partnership Companies & Enterprise Support Community based organisations such as regional Enterprise Centres. This list is not exhaustive and in general Ireland was cited by the GEM⁸⁵ as a high performer in providing an entrepreneurial environment for its inhabitants.

Only two specific projects EMERGE (funded under the EQUAL Programme) and Dublin Institute of Technology's Institute for Minority Entrepreneurship, are targeted specifically at ethnic entrepreneurs and the immigrant community, both of which are primarily involved in pre-business and start-up training.

In regard to Micro-finance the only national organisation outside of the banking system and local credit union network is First Step. Other locally based micro finance organisations which exist may have a specific geographic criteria (Tallaght Loan Fund / Limerick Enterprise Network) or have limited resources to offer (St Vincent de Paul offer a max €4000).

What is apparent from the literature is the absence of linkage between agencies, despite many if not all agencies doing excellent and invaluable work with clients, albeit independent of each other, with some limited informal networks and collaboration.

For one would-be-entrepreneur to access different support services (training, mentoring, space, micro-finance, seed or expansion capital), as and when required, is extremely time consuming and cumbersome. What happens currently is that as each stage of development is reached the entrepreneur has to begin another journey of information gathering and fact finding to ascertain whether a) there is any support and b) if they are eligible to access it. The obvious solution of a One Stop Shop at National Level (either physical, virtual or telephone based) would be a step towards linkage and would avoid

duplication of effort, thereby developing best practice amongst enterprise service providers.

Monitoring Access to Services by Ethnic Community

Available research reports that client information is recorded by agencies on a database or other record system, however agencies' records of a client's ethnic origin was varied and often estimated. Without adequate profiling of those receiving support, establishing whether support agencies are engaging with the ethnic community will be impossible.

Cultural Awareness Training & EMB Trainers

Cultural awareness training has been made available to enterprise professionals although the extension of such learning into practice (ie appropriate advertising instruments, culturally sensitive delivery methods and approaches to engage clients outside the mainstream) are not evident on the whole. Ethnic trainers and mentors involved in the enterprise support network are virtually non-existent.

Barriers

Common themes emerged amongst enterprise professionals and ethnic entrepreneurs as to the main barriers to successful self-employment for ethnic clients. These were:

- Cultural difference (adaptation to business processes; banking, appointments, meeting etiquette, loan applications etc.)
- Lack of business references and credit
- Discrimination & Racism
- Pressure from the Department of Social Welfare to start on the Back to Work Enterprise Allowance programme.
- Lack of contacts and networking
- Type of project (retail is expensive and has limited potential to expand, retail is also excluded from grant assistance; importation projects are costly and paperwork intensive)
- Low verbal and written English language skills were a prohibitive factor despite high standards of education amongst ethnic community members
- Ethnic niche markets: there may be some limitations of businesses which are focused entirely within the ethnic community
- Financial Barriers: raising start-up finance, availability of loans & grants and loss of secondary benefits such as rent allowance.

Suggestions for Improvement

In regard to improving enterprise supports to members of the ethnic community, views were mixed:

84. Business Innovation Centres

85. Global Entrepreneurship Monitor

- Ethnic Business Training should be partnered with mentoring and micro-finance options (where appropriate) from the outset to offer real value and insight for participants, thereby introducing realism while also instigating full access to services.
- Business Training should be broadened and specialised for this client group (to include pre-enterprise, Irish business environment, tax system, legal aspects of formation, communication skills etc.)
- Ongoing cultural awareness training should be available to both entrepreneurs and enterprise professionals and in the case of the latter should lead to a review of service delivery amongst agencies.

Appendix 4: project partner presentations



EUROPEAN MICROFINANCE NETWORK

Through the efforts of its founding members (Adie – France, **nef** – UK and E&J – Germany), the **European Microfinance Network** (EMN) was created in 2003 with the support of the *European Commission and the Caisse des Dépôts et Consignations* (CDC).

The European Microfinance Network envisions a society in which micro-entrepreneurs and all those who are financially and socially excluded will have access to a full range of financial services that will empower them to improve their livelihoods. EMN also works to strengthen bridges to the mainstream economy by fostering a range of financial services in Europe.

The mission of EMN is to promote microfinance as a tool to fight social and economic exclusion by developing self-employment and microenterprises. This will be achieved by providing support for the development of microfinance organisations through the dissemination of good practices and by improving the regulatory framework at European Union and Member State levels.

The following priorities have been identified for implementation as part of the first 3-year strategic plan (2004-2006):

- To deliver tangible benefits for members in the form of needs-oriented services;
- To build the membership base of EMN so that it becomes the voice of all major microfinance organisations in the European Union;
- To provide a policy-review, consultation and lobbying service in order to improve the legal and regulatory frameworks for microfinance.

To achieve these objectives, EMN will continue developing a sustainable secretariat that supports its 50 members representing 20 European countries, under the governance of an active Board.

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NCN - NETWORK CREDIT NORWAY

Network Credit was launched in Oslo in 1997 and in Bergen in 2000 under the guidance of Norwegian People's Aid. From April 2003, a new cooperative service organisation called "Network Credit Norway" was formed, followed by a loan fund called "Microinvest" established in September 2003 in partnership with Cultura Bank (an ethical savings bank) and Hordaland County Council.

The new NCN uses a peer group lending model originally based on the Grameen Bank and various programmes in USA that has been adapted to the Norwegian context.

Network Credit Norway offers a number of services: entrepreneurship training, a saving scheme, micro-lending, and networking in its Micro Business Chamber. Expansion is now on the agenda and partnerships with various entrepreneurship organisations, banks and social investors are the current focus in NCN.

A number of the original NCN clients are still active, including several who are now members of its steering board. Its services draw new, interested people to the programme and word of mouth is the major recruiting strategy. NCN has managed to draw attention to the potential of starting small businesses/self employment as an exit strategy from welfare dependency. The institution has served more than 600 people since its inception in 1997.

NCN has created two separate legal entities for service provision and lending. The idea is to keep these activities distinct from one another and to promote the sustainability of its lending activities.

The institution mainly targets minority business owners/start-up businesses in Oslo, Bergen, and Drammen. The aim over the next two year period is to provide services nationwide to all financially excluded entrepreneurs seeking to form a network group and to obtain access to credit based on character and trust rather than collateral. NCN, in close partnership with Microinvest and Cultura Bank, offers the following loan products:

- Stepped group lending: 1st loan of €1000; 2nd loan between €2000 and €10,000; 3rd and 4th loans that double the amount of the former loan up to €25,000;
- Individual loans to businesses that have been up and running for at least 6 months. Loans are secured by guarantees;
- Loans in partnership with banks: The institution prepares the application and a bank provides the loan. This product is still undergoing testing.

As a result of partnership with social investors and others, Microinvest will soon enable Network Credit Norway to expand its services and lending nationwide. The institution is developing a "package" suitable for municipalities who want to raise funding locally and use NCN as service providers for training, materials, support services, loan and saving management, networking and follow up, management of databases and reporting procedures. The process of establishing a national centre for Microfinance (nettverkskreditt in Norwegian) has started and will take place over the next two years.

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ADIE – ASSOCIATION POUR LE DROIT À L’INITIATIVE ÉCONOMIQUE

Adie was created in France in December 1988 by **Maria Nowak** with the aim of adapting the microcredit system to the French environment. It was founded in recognition of the need for access to capital and the removal of administrative constraints for creating self-employment.

Its mission is to finance and support unemployed individuals who wish to create their own business but do not qualify for a standard bank loan. Furthermore, **Adie** uses its experience to propose improvements in the existing regulatory framework governing microfinance and microenterprises.

Adie provides financing and business advice to its clients, most of whom are micro-entrepreneurs who were previously unemployed and recipients of welfare benefits. The association finances self-employed and microenterprises through a variety of products:

- Loans at market rate up to ?5,000, “Start-up grants” funded by the government or by the local authorities;
- Non interest bearing subordinated loans.

Individual financing generally does not exceed €10,000. In addition, **Adie** staff and volunteers provide business advice to micro-entrepreneurs, including:

- Assistance in preparing a business plan in partnership with other business advice organisations;
- Administrative assistance, business management, marketing advice.

Adie finances a variety of projects. The main decision criteria are the capacity and motivation of micro-entrepreneurs as well as the feasibility of the project. Loans are granted by a credit committee made up of volunteers (business and finance professionals) as well as appointed employees of **Adie**’s partner banks.

A majority of the projects approved are for microenterprises in the trade and service sectors: website developers, home decorators, florists, grocers, electricians, artisans, bars and restaurants, architects, photographers, farms, etc.

Adie currently has over 14 370 active clients. Since 1989, 41 467 micro enterprises have been funded, with approximately 5 200 new members every year. The survival rate for **Adie**’s clients’ businesses after three years of operations is 54% (higher than the national survival rate for sole proprietor enterprises).

Adie contributes to the improvement of the legal and regulatory framework for micro credit and self-employment at the national and European levels.

Today, the need in France for solidarity credit is estimated to be around 30,000 to 40,000 loans. However, from 300,000 to 400,000 loans could be serviced should the regulatory framework be simplified, social insurance contributions reduced, and financial resources increased.

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EVERS & JUNG

EVERS & JUNG combines research and consulting in financial services. Its work is based on a philosophy of using financial services to solve problems intelligently. The focus is retail banking, or more precisely, the quality of banking products and advice, financing for small businesses, and financial services targeted for social benefit. Microlending is one of the core activities of **EVERS & JUNG**. [Dr. Jan Evers](#) supported the [European Microfinance Network](#) as a board member from 2003 to 2005. Together with Adie and **nef**, **EVERS & JUNG** was a founder member of the **EMN**.

EVERS & JUNG supports financial service providers, disseminators (media, non-governmental organisations, consultants), and public authorities on the regional, national and international scale with independent analysis and innovation.

On microlending and SME support issues, the company works in close cooperation with the [KfW Bankengruppe](#) and with microlending organisations in Germany. It concentrates on improving performance and output of the German and European initiatives by analysing international best practices. As part of these efforts, **EVERS & JUNG** initiated a first-time survey (hosted by **KfW**) in spring 2004 on the current German micro-lending landscape.

In the field of E&J main projects and expected developments, we can mention the following:

- **FIRMENHILFE: EVERS & JUNG** runs a regional telephone hotline for micro-businesses in crisis. More than 1000 entrepreneurs have been successfully coached (since 2001).
- **Monitoring micro-finance clients:** Since 2004 it has supported one of the largest microlenders in Germany, the regional authority of Hamburg, with an ongoing monitoring of its clients. In the project *Telecoaching* each client will be called every three months to reflect on progress and to give hands-on advice.
- **Financial Engineering for Local Development:** Within an EU project, **EVERS & JUNG** and five partner organisations looked for better ways to implement European Structural Funds into local and regional development projects (2001-2003).
- **Policy measures to promote micro-finance for social inclusion: FACET, EVERS & JUNG** and **nef** compared eight European countries to identify policy measures that make the environment more "self employment friendly" (2005).
- **The future of SME finance: EVERS & JUNG** develops SME finance products for banks (2005) at the same time as functioning as a think tank for national (2003) and regional governments (2004) on how to improve SME finance environment.

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FIRST STEP

FIRST STEP MICROFINANCE

First Step Ltd is a not for profit organisation operating throughout Ireland, which provides microloans (i.e. loans less than €25,000) to start up and developing businesses. Launched in 1991 under the Chairmanship of Mrs. Norma Smurfit, First Step has assisted over 1,800 business start ups. It is estimated these micro-businesses resulted in the creation of in excess of 8,000 employment opportunities in Ireland.

First Step has revolving loan funds supported by financial institutions, the Government, the [European Union](#), The European Investment Fund and private sector donors, operating different loan funds and offering business support and a mentor programme.

In the Year 2000, **First Step** entered a pan-European competition for best practices in microfinance entitled "Access to Finance". The competition was sponsored by a financial services research company in Hamburg, Germany and was judged by a team of five European based academics. Of 50 entrants, First Step won this event and has since received high recognition throughout Europe.

Resulting from this positive exposure, **First Step** has, over the last two years, been invited to and spoken at many major conferences on microfinance, including in France, Belgium, Norway and Italy. In December 2003 **First Step** was accredited under the [European Investment Fund](#) Loan Guarantee Scheme.

The objective of **First Step** is to provide start-up loan capital to projects that cannot access funding (or sufficient funding) from other sources, such as commercial lending agencies, state and semi-state support agencies, or own resources.

First Step does not provide grants but does provide loans from a revolving fund. In order to offset a portion of **First Step's** operating costs, fees are applicable in each case and are payable at drawdown of the loan.

- **Loans:** Providing loans of up to €25,000 to individuals who cannot access funding through the normal channels for start-up and development of businesses.
- **Business Support:** Business planning advice, networking and direction is given by the Assessment Officers. **First Step** participates at many forums and business group meetings throughout the country and is always happy to contribute positively at such events.
- **Mentor:** This programme is generously supported by [AIB Bank](#), which provides a voluntary mentor for each project.

First Step has been appointed as an intermediary to avail of the European Investment Fund Micro Loan Guarantee Scheme. **First Step** also includes as partners EU Seed & Venture Capital Fund, European Investment Fund, [Bank of Ireland](#), AIB Bank, the Irish government's Department of Social & Family Affairs, the Credit Union Movement, FAS (the national training authority) and Enterprise Ireland.

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FONDS DE PARTICIPATION

Fonds de Participation is a Federal Public financial institution that supports and encourages entrepreneurship. It fulfils its missions under the auspices of the Minister for the Middle Class, the Minister of Finances and the Minister for Employment.

Fonds de Participation pursues a dual socio-economic goal:

- To facilitate access to bank finance for independent entrepreneurs and SMEs which are launching, transmitting or expanding their activities, by granting subordinated loans (Starteo and Optimeo Loans);
- To fight unemployment by granting loans to unemployed who want to create their own business (Micro-credit).

Its approach has four main points:

- **Fonds de Participation** accepts risk but also attaches great importance to a reasonable credit policy;
- **Accessibility** through partnerships with all the credit organisations in the field of professional credit and business support organisations for starters;
- **Products** adapted to the needs of the independent entrepreneurs. In the case of micro-credits, the starter has the opportunity to benefit from mentoring;
- **Speed** in the handling of the credit application.

Fonds de Participation clients are unemployed people, social allowance beneficiaries and immigrants starting small and very small businesses.

Fonds de Participation provides three types of microcredit:

- **"Prêt de lancement"** (starter loan) for people interested in starting their business. This can be up to €30,000 for a maximum period of 10 years.
- **"Prêt Solidaire"** (solidarity loan) more specifically intended for people in financial and/or social difficulty who are eager to be socially integrated by creating their own business. This product was launched in 1997 by the King Baudouin Foundation. The maximum loan is €12,000 over a maximum period of 4 years.
- **"Plan jeunes indépendants"** for unemployed youth under 30 years old starting their micro enterprise for the first time. The young entrepreneur whose project has been acknowledged by the Fonds de participation receives free support from a mentoring organisation during 3 or 6 months. After this time, he or she can apply for a starter loan from Fonds de Participation. A loan of €4,500 (without interest rate) may be granted to help to ensure the young entrepreneur's maintenance cost.

Most clients also receive external support to prepare their business plan and are followed up for 18 months after receiving a loan.

The **Fonds de Participation** with the NPO Pro-Millennium created Proximity Finance Foundation. It assembles professionals from the finance, communication and marketing sectors in a private foundation, the Proximity Finance Foundation. The objective of the Foundation is to contribute to the development and the professionalisation of proximity finance in general and microfinance in particular. On the basis of its expertise, the Foundation intends to achieve its goals through the four following activities: institutional support, training, coaching and consultancy.

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FUNDACIÓ UN SOL MÓN DE CAIXA CATALUNYA

Fundació Un Sol Món is an entity created on February 2000 by **Caixa Catalunya** as part of its social work initiative aiming to recapture the original spirit of savings banks and to promote economic development for the most underprivileged and socially excluded communities.

Fundació Un Sol Món was the first Spanish savings bank to create a microcredit programme. **The aims of the foundation are:**

- **To implement projects** that fight in favour of the excluded communities in our society, that is, the so-called Fourth World. **Fundació Un Sol Món** aims to support new social economy enterprises which combine social integration of disadvantaged people with business cost-effectiveness and profitability along with viable enterprises based on self-employment.
- **To offer technical and financial support** for development cooperation with countries of the Third World.
- **To promote access to housing** for the most socially excluded individuals.
- **To raise social awareness** concerning situations of poverty, marginalisation, exclusion and social injustice.

Lines of action:

- Microcredit for underprivileged people and communities;
- Support initiatives for social insertion, job placement and promotion of social economy;
- International micro-financing cooperation;
- Support initiatives on social housing for the most underprivileged groups.

The **Fundació Un Sol Món** employment microcredit programme, which operates mainly in Catalonia, provides support for income-generating activities offering job stability. Applicants, who may be both persons and collectives, lack the guarantees or the references required for access to credit from the traditional financial system. Microcredit applicants may have a business idea or their own on-going small company with financial needs. Microcredits aim to finance items such as the purchase of merchandise, works to make premises suitable or the purchase of the appropriate machinery in order to start up or to enable the microenterprise to grow. Projects must be economically feasible and respect the environment. A personal commitment from the entrepreneur is firmly required. Microcredit for employment is exclusively aimed at enterprises domiciled in Spain.

Since the beginning of 2001, **Fundació Un Sol Món** has provided nearly €8,500,000 in 845 microcredits (786 to individual entrepreneurs and 59 to job placement entities). Up to the end of 2005, 311 microcredits of a total amount of €3,000,000 have been granted, assisting nearly 2000 families. A study carried out by Fundació Un Sol Món has shown that a 42% of their micro-entrepreneurs live below the poverty line and work in precarious conditions when they receive microcredit. The survival rate of the micro-businesses financed by Un Sol Món is 80% after one year, 70% after two years and 63% after four years. Counting self-employed entrepreneurs and those who found other employment after receiving a microcredit loan, the rate of labour market inclusion of Fundació Un Sol Món entrepreneurs comes to 76%.

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PROJECT PARTNERS

FIRST STEP

Participatie
Fonds
de Participation

Financial Services
EVERS • JUNG
Research and Consulting

nettverks
kredit

Fundació UN SOL MÓN

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