

Note on gaps, need and the way forward Frankfurt am Main

Background

This paper is at the core of work package 2 of NES project and has been compiled on the basis of WP2 guideline for need assessment.

The paper's key findings includes defining future priorities of new comer entrepreneurs against the backdrop of the current corona crisis with focus on gaps, needs and the way forward in Frankfurt, Germany.

The findings on the gaps, needs and the way forward has taken the aspiration from a) needs assessment which has been already carried out, b) from the discussions in the roundtable as well as c) the study "Mapping Refugee & Migrant Entrepreneurship Ecosystems in Europe, January 2021" conducted by The human safety net and impact hub.

I. State of play

a) Impact of Covid-19 on migrant/refugee business:

In general, the extended business constraints and lockdown caused by Covid-19 have prolonged and made the return of large portion of enterprises (regardless of their background) to full and normal business situation very challenging.

Of all the consequences of the crisis, customers are postponing projects, revenues are declining and supply chains are either impaired or collapse all together. Thus, the decreases in demand and the subsequent drop in turnover are still putting pressure on the liquidity position of hardest hit businesses and remained as the significant challenges which could put them at risk of insolvency.

The effects of Covid-19 crisis have been more business-specific which have equally affected all businesses of the same sector regardless of their backgrounds.

However, Newcomer entrepreneurs face additional barriers to entrepreneurship when compared with their native peers, especially related to:

- their legal status
- knowledge of the local context
- their supportive networks
- language skills
- limited entrepreneurial skills, soft and hard! No insights in market structures and processes, a lack of knowledge about the relevant eco-system,
- access to finance for examples, covid-supporting system addresses to existing and successful companies, so the younger a company is, the less likely is economically success in the year of reference 2019. Perhaps among early stage businesses are a high number of migrants who are lacking local credit history.

Among others, the Covid-19 crisis have hit harder the Small businesses mainly in the sectors of:

- Food/Gastronomy
- Cafes, Bars
- Small-scale trade (import-export) and retail
- Handicrafts
- Outlet shops
- Solo entrepreneurs
- Artists, creative industries
- Any business in the hospitality sectors

A disproportionately high number of immigrant most often focus on the above sectors (mainly Gastronomy, Cafés, Bars, outlets, import/export) because they found these sectors with low entry requirements (e.g. qualifications) and where they can provide values based on their cultural background or experience of resettlement. That is why this target group have been hit more and were vulnerable in the mentioned sectors.

Moreover, assessments suggest that the impact of the crisis on early stage and establishes businesses also depends on the business type, sectors and models. For examples, early stage businesses of IT or delivery service sectors were not only resilient against the crisis but also could make profit from the crisis which could not be the case with established business in a different sector.

b) Impact of Covid-19 on support system (incubators, accelerators, other services):

As consequences of corona crisis the affected businesses started looking after new supports e.g. accessing to financial means, other supportive schemes or counselling for business remodeling in order to stay innovative and resilient against the crisis.

Thus, the emerged circumstances posed the question of new needs-based support structures to business support system how to support businesses during crisis and how to pave the way to a return to growth and scaling up post crisis.

As a consequences of the crisis, it became also apparent that the main gaps and needs in Entrepreneurial ecosystem are in the following domains:

Policy and finance

They represent key constraints for newcomer entrepreneurs who struggle to access finance to grow their ventures, build up their business reliance or invest on crisis innovative measures.

Although there are significant achievements in the mentioned domains but also space for improvement to help situate entrepreneurship within the broader socioeconomic integration process and provide holistic support around the individual newcomer entrepreneur.

Advocacy for access to Finance

Advocacy towards financial institutions such as commercial banks, microfinance institutions to help in simplification of the process and conditions for accessing finance for newcomers.

Details have been provided under the additional barriers of newcomer's entrepreneurs as above.

Ecosystem-Building for Newcomer Entrepreneurship

There is a disconnect between the organizations supporting the social and economic integration of refugees and migrants and the actors involved in entrepreneurship support, resulting in a lack of funding, collaboration, knowledge sharing and holistic services to enable newcomers to start and grow businesses. Several EU-funded projects have stimulated knowledge-sharing at a European level, but at the national and city levels concerted ecosystem-building efforts are generally absent.

Inclusive, Effective & Sustained Entrepreneurial Support

Newcomer entrepreneurs are often unable to access existing mainstream entrepreneurial support services due to specific additional barriers related to their migration background and limited local context knowledge and skills because, Newcomer entrepreneurs have individual support needs which typically differ from those of their native citizen entrepreneur peers and also differ significantly based on the development stage of the venture.

Social & Environmental Impact

Lack of or not sufficient awareness on introduction of social & environmental impact concepts, training and funding opportunities to newcomer entrepreneurs. Newcomer entrepreneurs often create positive social and environmental impacts within and beyond their communities, but are rarely aware of concepts such as social enterprise. This results in missed opportunities to access support resources for social entrepreneurs and to participate consciously in the broader transformation to an inclusive and sustainable economy.

II. Way forward

a) Needs of Entrepreneurial Ecosystem:

Funding

Entrepreneurial support providers across contexts, report similar challenges related to inadequate funding frameworks for programmes supporting refugee and migrant entrepreneurs. This shortfall limits support organisations' staff capacity to provide the individualized services needed by newcomer entrepreneurs and their ability to invest in service development and engage in advocacy and networking to share learning with other actors in the sector.

Ecosystem Connections

Most organizations are insufficiently connected to supportive ecosystems for knowledge-sharing and learning, although there are some positive initiatives in this area, such as the IQ Network in Germany. Information on entrepreneurial opportunities for newcomers is dispersed, and needs to be made available in accessible platforms alongside other integration information and services. Referral systems between service providers are lacking, and the needed cooperation with employment agencies is absent.

Staff Capacity-Building

Regarding staff capacity-building, even specialized support providers tend to rely on staff experience more than thematic training to make services accessible and appropriate for this target group.

Impact Measurement

Impact Measurement is also a challenge for many organizations. There is no coherent, holistic impact measurement framework or indicators for newcomer entrepreneurship encompassing both business and broader integration outcomes

b) Entrepreneurial Ecosystem Key Actors:

The entrepreneurial ecosystem comprises actors within the following domains:

- **Finance**
(banks, venture capital, angel investors, foundations, microfinance institutions, public capital markets, and government)
- **Entrepreneurial support**
(incubators, accelerators, industry associations/networks, technical experts and services)
- **Policy**
(national, regional and local government)
- **Markets**
(domestic and international corporations, consumers, distribution, retail and marketing networks)
- **Human capital**
(universities and other educational institutions); Infrastructure (electricity, transport, communications etc.)
- **Research & Development**
(public and private research centers & labs)
- **Culture**
(media, public cultural institutions, , schools, professional associations and social organizations).

For newcomer entrepreneurs, social and labour market integration actors additionally play a key role, especially job centers and government bodies (who both provide financial support, but no know how) and nongovernmental organizations supporting refugees and migrants with basic services such as language and other training, legal support etc.).

The strength of the respective ecosystem domains (listed above) differs from market to market.

Finance and policy domains are severely constraint to newcomer entrepreneurship.

Entrepreneurial support, Markets, Human capital, Research & Development domains are indicates some strengths but potential for improvement,

Culture domain does not present a significant constraint on newcomer entrepreneurship.

c) Next Steps:

Ecosystem Level

Mobilize long-term collaborations between entrepreneur support organisations to strengthen the weaknesses above, , job centers, financial services providers, and social integration community organizations in order to provide continuous entrepreneurial support from the idea to growth/scaling stages.

Advocate to secure long-term funding and policies in favor of newcomer entrepreneurship - including relaxing conditions to start a business, improving access to opportunities to learn entrepreneurial skills and get work experience while awaiting their legal status outcome.

The European Commission as well as national, regional and local governments need to create dedicated funding instruments to make risk tolerant and patient financial support available and channel this to high potential newcomer entrepreneurs.

Newcomers need to be included in policy and Programme-level decision- making processes to ensure that services are relevant and accessible.

Program Level

At early venture stages (idea, startup), entrepreneur support organizations need to provide targeted services for newcomer entrepreneurs to address specific barriers such as linguistic, legal and bureaucratic barriers, fundamental entrepreneurial soft skills and know how about management tools.

At later stages these entrepreneurs benefit most from being included in mainstream support services and ecosystems such as acceleration and investment-readiness programs and networks of entrepreneurs.

Newcomer entrepreneurs can be supported most effectively through holistic services that consider their broader social integration journey and are tailored to the specific circumstances, challenges and strengths of the individual.

Newcomer entrepreneur support programs need to introduce social & environmental impact concepts, training and funding opportunities to newcomer entrepreneurs.

Focus should be on specific “trainings” for empowerment less on “support” in the sense of “helping”.