

BASELINE RESEARCH
Refugees in Europe and Scandinavia
Integration and economic activities
– Focus on Denmark –

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About Finklusiiv ApS

Finklusiiv is a social business that offers advice and support to financially include entrepreneurs and business owners in Denmark by helping them gain access to corporate banking services and grow their business. To do so it has entered a cooperation with the Danish cooperative bank Andelskassen Oikos/Faster Andelskassen to offer its services to refugee business owners in Denmark. Finklusiiv is hosted at the Danish Institute for Sustainable Innovation & Entrepreneurship (DISIE).

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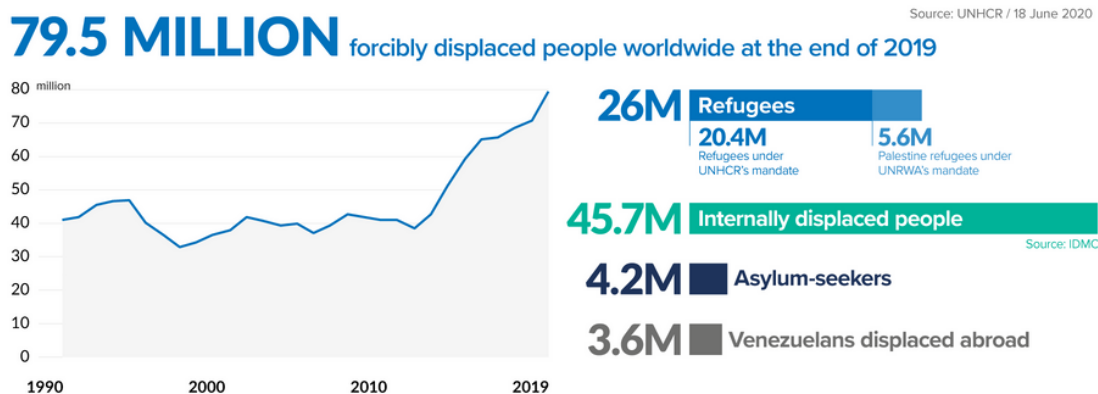
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Introductory facts and definitions

The first truly international agreement tackling fundamental rights for refugees was the **Refugee Convention** signed in 1951 at the United Nations. It set out the basis of refugees' human rights which should be at least equivalent to freedoms enjoyed by foreign nationals living legally in a given country and in many cases those of citizens of that state. It recognized the international scope of refugee crises and the necessity of international cooperation in tackling them, including burden-sharing among states.

The Convention defines a refugee as a person who is outside his or her country of nationality or permanent residence, has a well-founded fear of being persecuted because of his or her race, religion, nationality, membership to a particular social group or political opinion. Because of their fear for persecution, the person is unable or unwilling to benefit from the protection of that country, or to return there.



The United Nations High Commissioner for Refugees (UNHCR) was created in 1950, during the aftermaths of World War II, with the mandate to protect refugees, forcibly displaced communities and stateless people, and assist in their voluntary repatriation, local integration or resettlement to a third country. UNHCR's mandate does not apply to Palestinian refugees, who are assisted by UNRWA.

The global forcibly displaced population increases every year. In 2006, The UNHCR registered 8.4 million refugees worldwide, the lowest number since 1980. The number has more than tripled in 12 years. At the end of 2018, 26 million refugees were registered in the world, and 4,2 million asylum seekers. Internally displaced populations accounted for another 45,7 million people. **In total, 79.5 million individuals were forcibly displaced worldwide as a result of persecution, conflict, violence, or human rights violations.**

FACT One in each 102 people worldwide is a refugee, an asylum seeker or an internally displaced person.

FACT 51% of refugees were children, mostly separated from their parents or travelling alone.

Internally displaced persons (IDP) have been forced to flee their home for the same reason as a refugee, but remain in their own country and have not crossed an international border. Unlike refugees, IDPs are not protected by international law or eligible to receive many types of aid. Examples include Syria, South Sudan, or Yemen, where ongoing violence is responsible for more than 2.5 million people.

An asylum seeker is a person who has fled their own country and seek sanctuary in another country by applying for the right to be recognized as a refugee and receive legal protection and material assistance. An asylum seeker must demonstrate that his or her fear of persecution in his or her home country is well-founded.

A stateless person is someone who is not a citizen of any country. A person can become stateless due to a variety of reasons, including sovereign, legal, technical or administrative decisions or oversights.

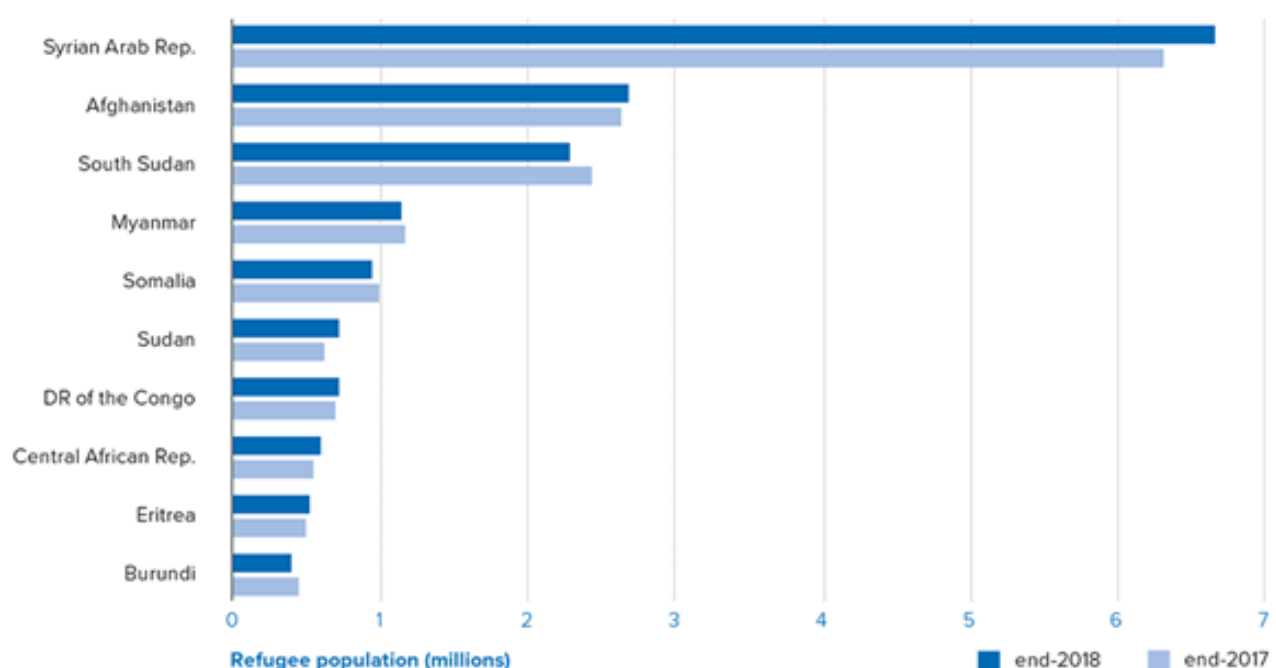
Asylum seekers are called **refugees** after their request for asylum is **accepted** by a host country

The duration of human displacement has dramatically increased over time. **The average time someone is displaced today is 26 years, compared to 10 years in 1990.**

Over two-thirds of the world's refugees come from just five countries: Syria, Afghanistan, South Sudan, Myanmar, and Somalia. Among them, Syrian exiles were the biggest gathering in 2018 at 6.7 million. The number of Syrian refugees exceeded in 2014 the number of Afghan refugees (2.7 million in 2018), who had been the biggest displaced person bunch for three decades. South Sudanese follow with 2,3 m refugees.

Figure 2

Major source countries of refugees | end-2017 to end-2018

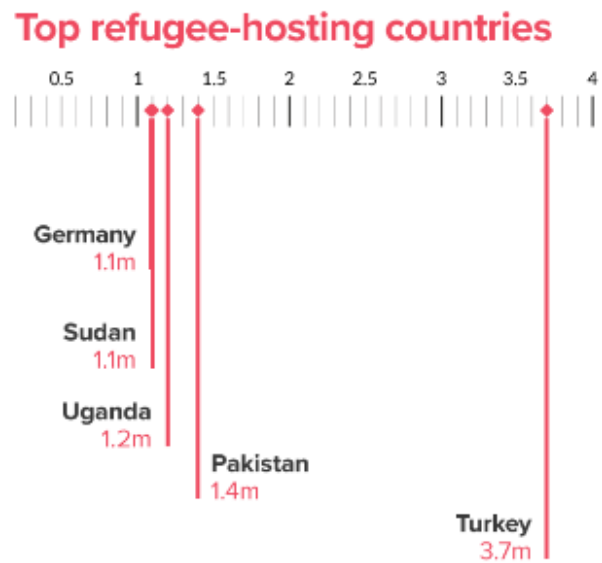


4 out of 5 refugees under UNHCR's mandate were in low and middle-income countries neighbouring situations of conflict.

Refugees have historically tended to flee to nearby countries with ethnic kin populations and a history of being more welcoming towards other co-ethnic refugees than western countries.

Germany, hosting 1,1 m refugees, is only the fifth refugee hosting country in the world, the first being Turkey.

Figure 3



Future estimates on global forced migration

People who leave their homes and cross borders due to natural disasters, climate change or other severe factors such as famine, drought, intensified storms or lack of livelihoods are not legally-recognized refugees. According to the United Nations *"All of these emerging trends pose enormous challenges for the international humanitarian community. The threat of continued massive displacement is real, and the world must be prepared to deal with it. Recognizing this, the United Nations – and UNHCR in particular – have already begun reviewing priorities, partners and methods of work in dealing with the new dynamics of human displacement."*

It is hard to project the future of global forced migration because political, economic, and social factors that shape displacement are difficult to foresee. If military conflicts cannot be predicted accurately, it is possible estimate what the climate situation will look like and its impact on migration. In 2018, the **World Bank** estimated that by 2050 three regions (Latin America, sub-Saharan Africa, and Southeast Asia) could generate up to 143 million climate migrants.

The think tank CSIS estimates that, if trends continue as they have from 2000 to 2015, **global forced migration is expected to exceed 300 million people in 2030**, more than 4 times what it represents today.

Refugees in the European Union

As the European Union (EU) is notoriously a safe place on the world map, the number of asylum applications in EU countries has significantly increased over time.

A migration crisis began in 2015 as high numbers of people arrived in the European Union from across the Mediterranean Sea or overland through Southeast Europe. These migrants included both asylum seekers and economic migrants.

The crisis reached a peakpoint in the mid-2016, after which it began to decline following the implementation of increasingly restrictive measures.

Figure 4 – Asylum applications in Europe in 2015 January 1st – June 30

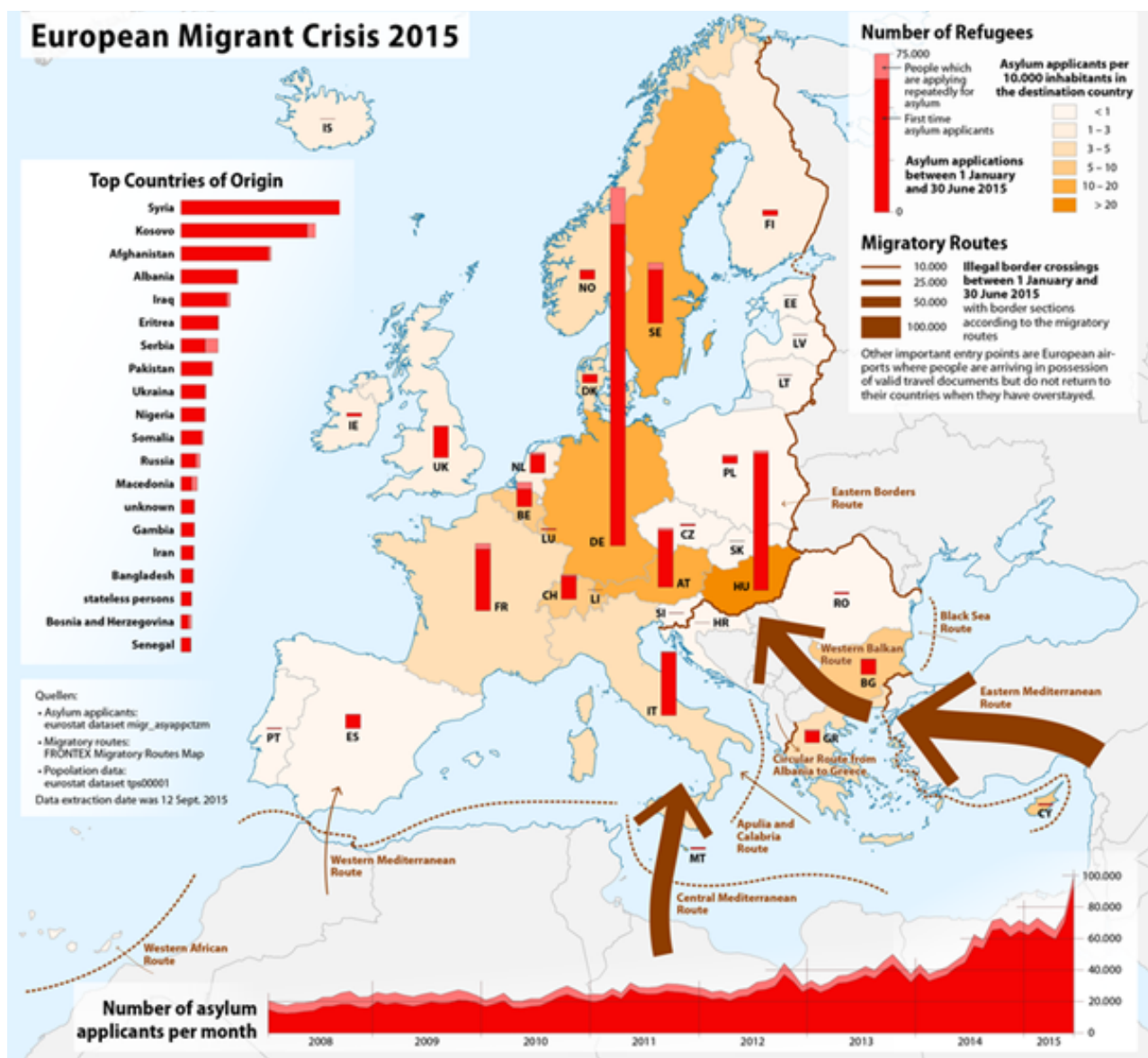
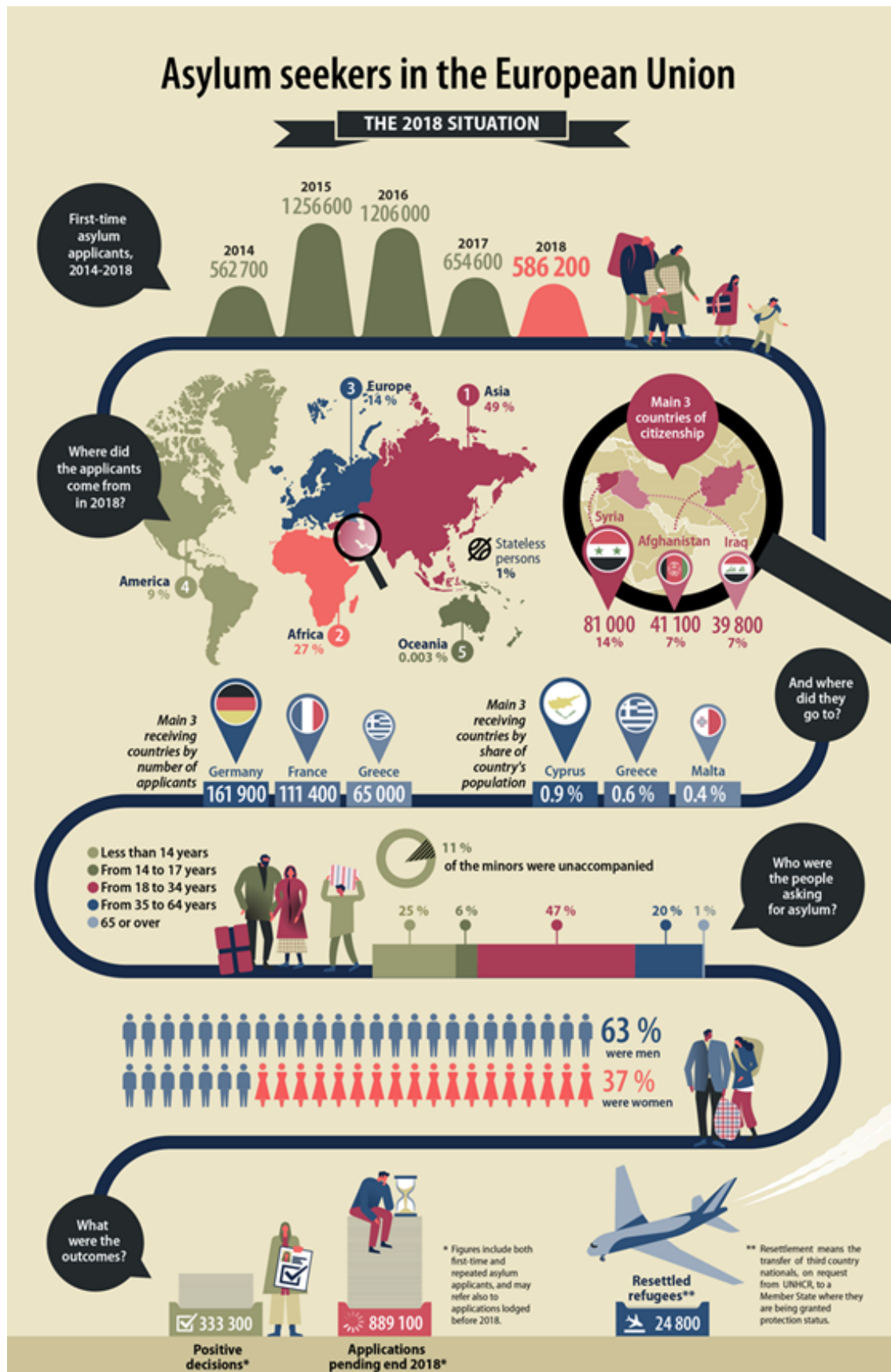


Figure 5 – situation in 2018 for asylum seekers



In 2018, there were 634.700 applications for international protection in the EU, Norway, and Switzerland. This compares with 728.470 applications in 2017 and almost 1,3 million in 2016. 67% of people who applied for asylum for the first time were in the 18–64 age range, with a big majority being quite young (47% are 18 to 34 years old).

Figure 6: International protection in the EU+, 2018 overview

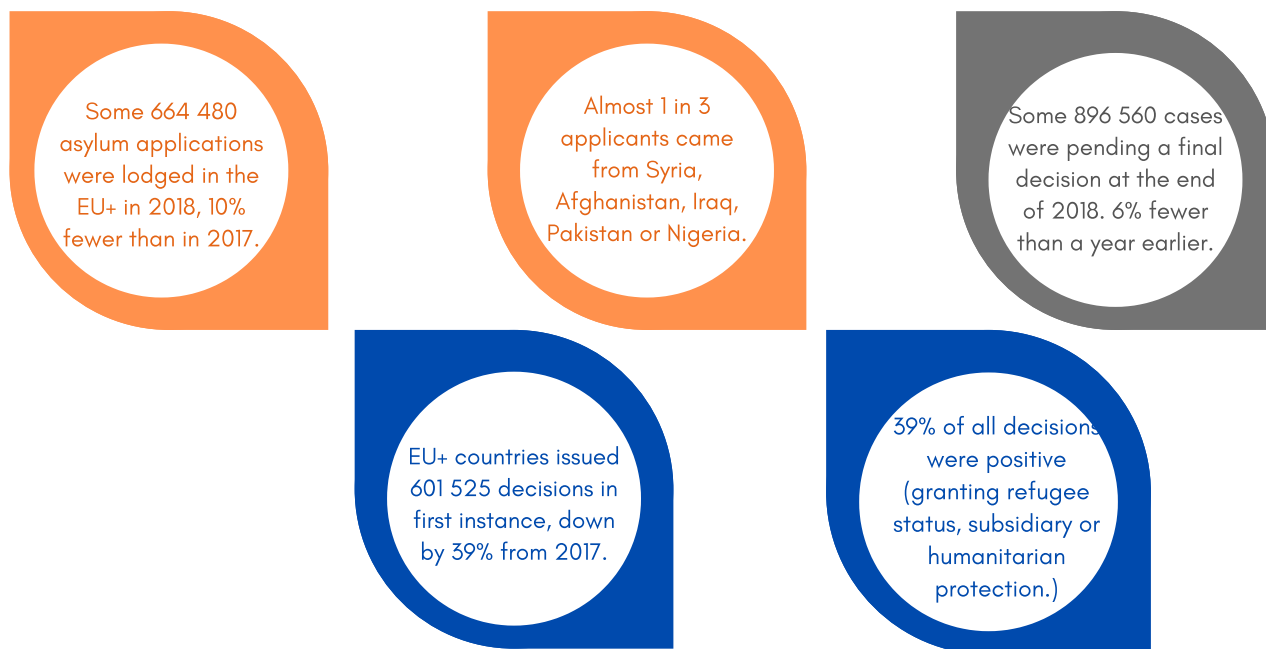


Figure 7: Asylum applications (non-EU) in the EU-28 member states, 2008–2018

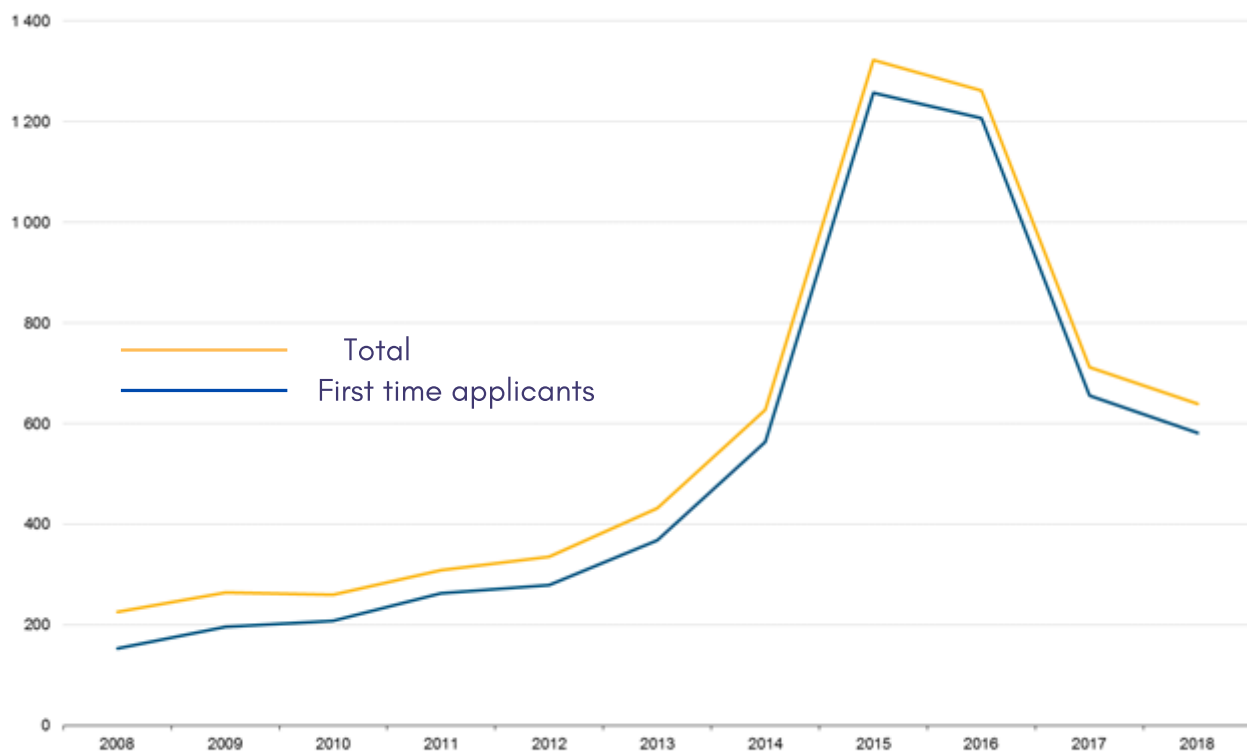
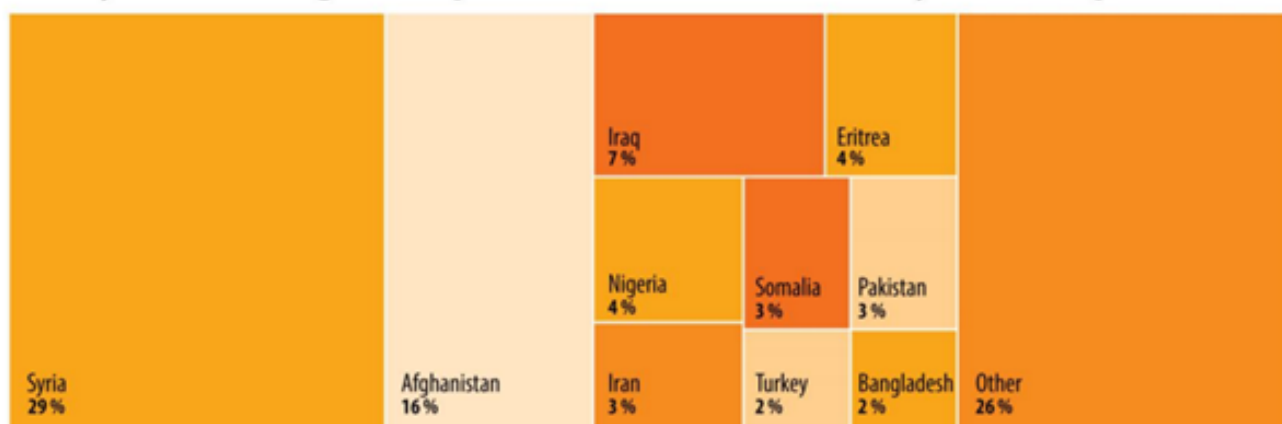


Figure 8

Asylum seekers granted protection status in the EU, by citizenship, 2018

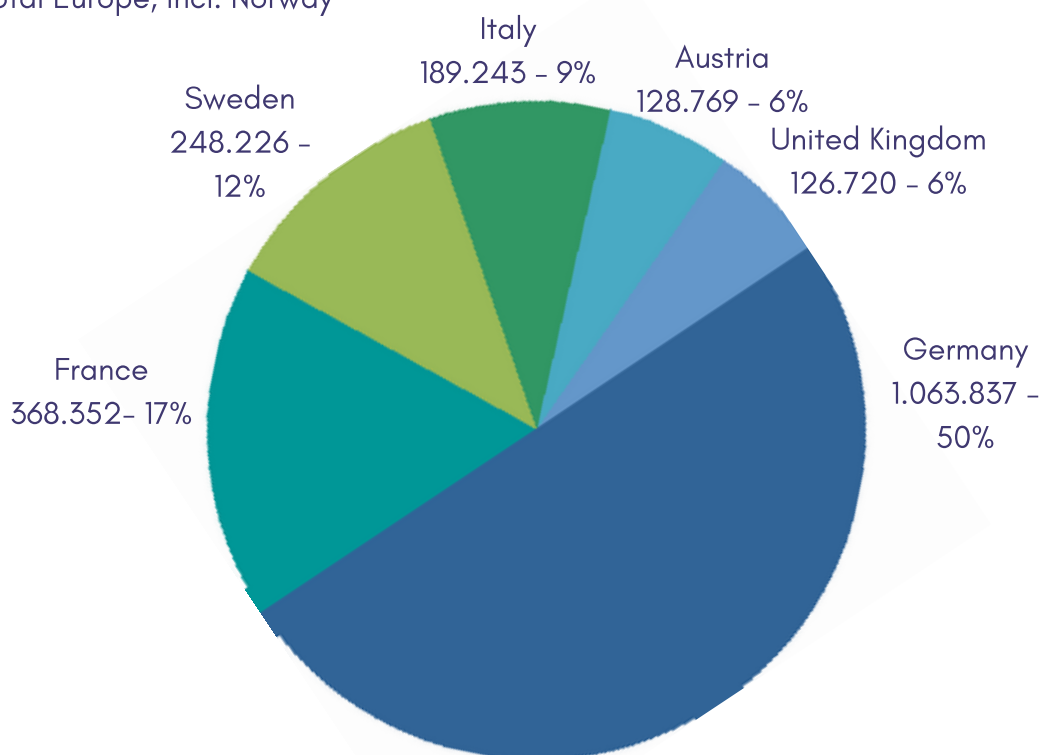


"Other" refers to all other citizenships not present in the graph.
The parts do not add up to 100 % due to rounding.

eurostat 

In 2018, about 2,5 million people were living under asylum in the European Union according to the UNHCR. 84% of them, i.e. 2,1 million, received asylum in only 6 countries.

Figure 9 – Top 6 EU countries that have received the largest number of refugees.
Percentage of total Europe, incl. Norway

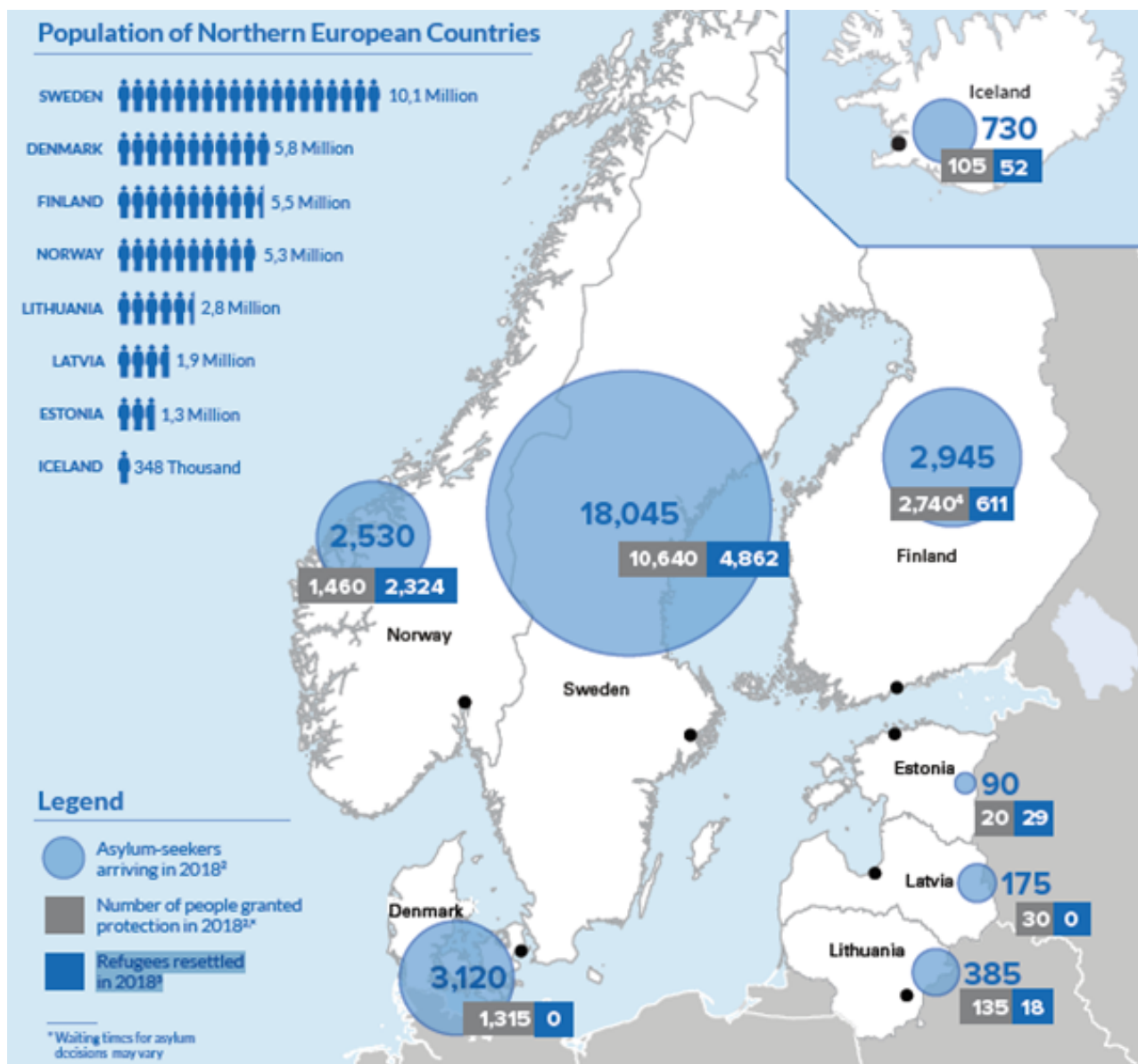


The 28 Member States of the European Union (EU) granted protection status to nearly 333.400 asylum seekers in 2018, down by almost 40% from 2017 (533.000). Almost 30% of the beneficiaries were Syrians. In addition to these, the EU Member States received over 24.800 resettled refugees. In 2019, 676.300 asylum seekers applied for international protection in the 27 member States, 11.2 % more than in 2018. This was the first time the number of asylum applications increased year-to-year since 2015.

Refugees in the Northern European Countries

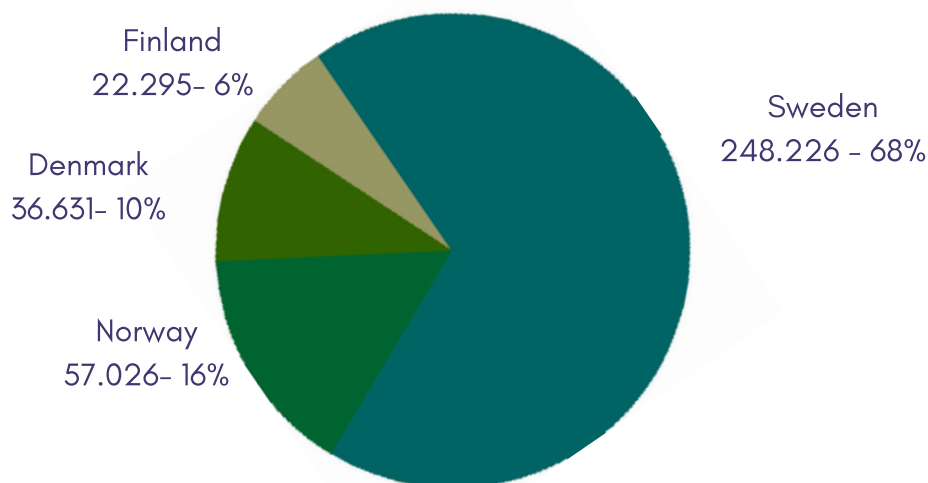
European citizens are regularly engaged in intense discussions about migration. This is also the case in Scandinavia, where countries have taken a very different stance towards the influx of refugees. In 2019, an estimated 26 million people lived in Scandinavia. Sweden, the largest country with the largest number of citizens, also received the largest number of refugees of all Northern European Countries. In 2018 only, Sweden granted protection to 10.640 people.

Figure 10: Figures for asylum in Northern European Countries, 2018



Sweden has historically also been the most welcoming country in the region, taking more than its share of refugees. Although the country accounts for 38% of Scandinavia's population, it hosts more than 68% of the region's refugees.

Figure 11: How many refugees live in 4 Northern European Countries



Syrians are the largest national group of refugees in the region (138,554 people end of 2017/start 2018). Eritreans come in second position (47,179 people). Both nationalities amount for more than half of the number of refugees in all countries.

Table 1 - Refugees by origin in Scandinavia (excluding asylum - seekers) - mid 2018

Origin	Denmark	Norway	Sweden	Finland	Sum
Syria	19.417	13.576	104.897	2.461	140.351
Eritrea	4.290	15.300	27.241	761	47.592
Afghanistan	2.710	6.295	27.288	2.729	39.022
Somalia	1.294	7.355	21.541	3.300	33.490
Stateless	2.690	3.184	22.105	406	28.385
Iraq	551	2.282	14.214	8.148	25.195
Iran (Islamic Rep. of)	3.181	2.012	6.253	869	12.315
Ethiopia	95	2.045	2.100	149	4.389
Russian Federation	976	879	1.597	746	4.198
Sudan	74	1.951	854	39	2.918
Yemen	*	129	1.195	160	1.484
Serbia & Kosovo	*	112	1.281	84	1.477
Palestine	22	*	1.010	*	1.032
Uganda	75	117	681	31	903
Uzbekistan	11	226	608	6	851
Azerbaijan	50	37	668	43	798
Dem. Rep. of Congo	85	195	314	145	739
Total number of refugees in the country	35.986	57.960	215.362	21.520	330.828

Refugees in Sweden

The Swedish government has taken the most open stance towards welcoming refugees in the Scandinavian countries, and has awarded the most residencies. It ranks third in Europe by number of asylum seekers granted protection, after Germany and France. Between 2014 and 2018, the country granted protection to a total of 187.685 people.

End of 2017, UNHCR reported 327.709 persons of concern in Sweden, of which 240.962 were refugees and 51.646 (15,7%) asylum seekers.

Syrians were the biggest group of refugees in 2017/start 2018, counting 103 614 individuals present in the country – 43% of all refugees, Eritreans followed with 27 153 people (11%). and Afghans with 25 645 (11%). 9% of refugees were found stateless while Somalis also made for 9% of the total refugee population, followed by Iraqis (6%).

In 2018, the number of first-time asylum applicants decreased by 18.5%, dropping to 18 000. 19 605 people were approved residency granted on asylum grounds.

The majority of applicants came from Syria (2 600), Iran (1.100) and Iraq (1.100). The three citizenships that were mainly granted protection status in Sweden came from Afghanistan (8.330), Syria (3.380), Iraq (1.515).

Employment and work

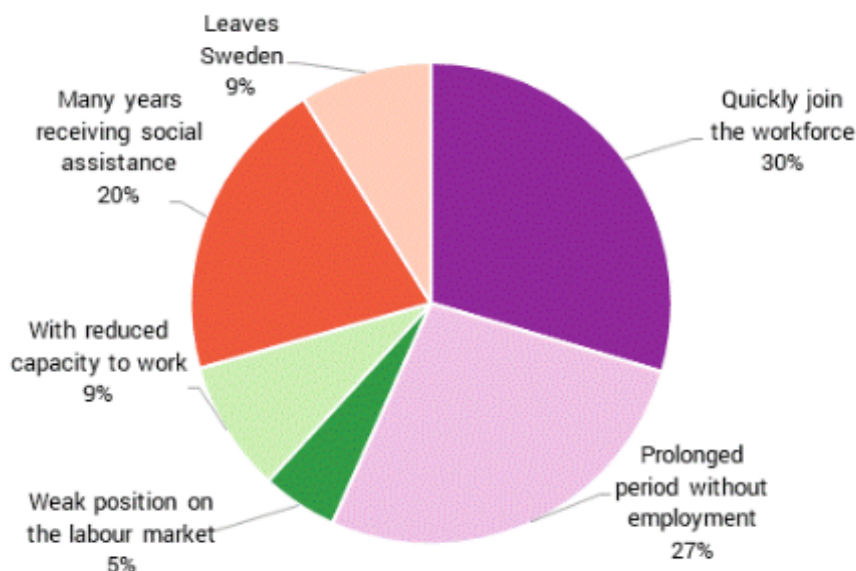
Statistics show a 4,5% increase between 2016 and 2017 in the number of employed people having received asylum in Sweden , moving from a total of 214.741 working individuals to 237.005.

Table 2: Gainfully employed population in Sweden (2017) – refugees/people in need of subsidiary protection

Number of employees	Total population	Employment rate
Born in Sweden	4.916	
Present for less than 3 years	26.268	73,3%
Present for 4 to 9 years	37.151	24,4%
Present for more than 10 years	168.670	53,7%
Total employed	237.005	68,3%
Total people aged 20 to 69	430.436	55,1%

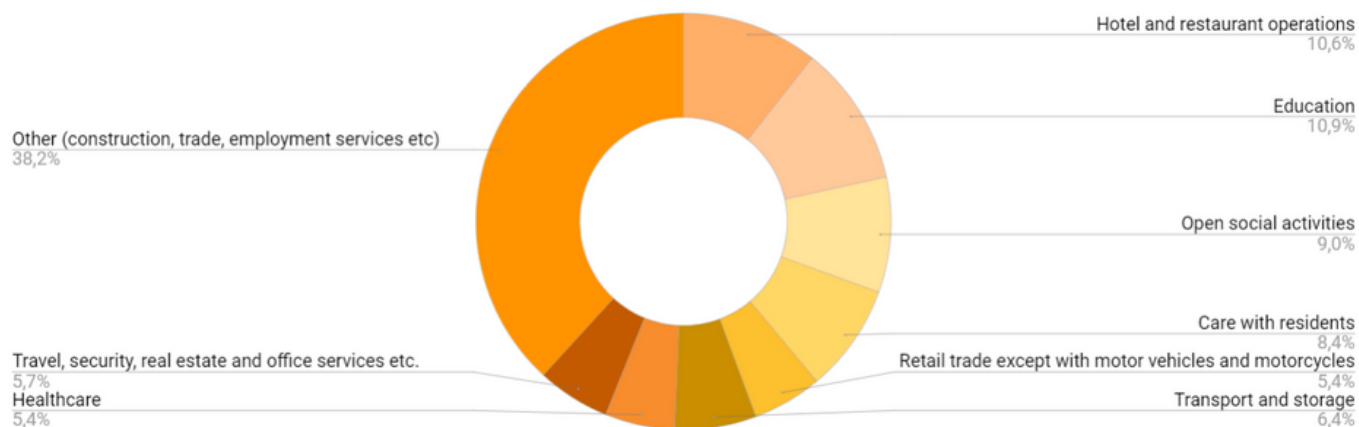
An analysis by Statistics Sweden shows that 60 % of refugees declare employment as their main source of income during a significant part of their first 15 years in Sweden. The main source of income for one out of three persons remain the social security system, such as labor market policy measures, sickness benefit or social assistance, during a large part of the period. The report presents those who immigrated as refugees and family members of refugees between 1997 and 2001 aged 18–49 years at the time of immigration. The largest group in the study are people, who quickly joined the workforce – 30% of all.

Figure 12 – Refugees' sources of income



As in Denmark and Norway, most people having received asylum in Sweden in 2018 work in places offering low barriers to entry, i.e. not requiring specialist knowledge or a high level of education, such as the service sector, hotels, and restaurant, construction, trade, and retail.

Figure 13 : Employed people 16 + years old , from Asia and Africa in Sweden in 2018 (immigrants + refugees)



Refugees in Finland

According to the UNHCR 22,295 refugees lived in Finland at the end of 2018, an increase of 7% compared to 2017 (20,805). The country counted 3.150 asylum seekers and 2.749 stateless individuals. They represent less than 0,5% of the population. Iraqis were the most numerous group of refugees in Finland in 2017 (38,5% of all refugees), followed by Somalis (16%), Afghans (12%) and Syrians (11%).

In 2019, Finland received 7.494 asylum applications. The majority of applicants came from Iraq (2.831), Afghanistan (986) and the Russian Federation (703). People receiving protection in Finland came mostly from Iraq (990), Afghanistan (542) and Turkey (414). Of the 7.494 decisions taken in 2019, 39,5% were positive.

Table 3: Positive decision on asylum applications in 2015–2019 in Finland

	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>
Total positive decisions	1.874	7.745	3.784	2.740	2.959
- of which asylum	1.112	4.586	2.528	1.852	2.073
- of which subsidiary protection	397	1.739	704	431	452
- of which humanitarian reason	119	50	0	0	0
- other	246	1.370	552	457	434

Over the last 5 years (2015–2019), protection has been granted to 19.102 people.

The Finnish authorities don't keep accurate statistics on refugees on the labour market, but looking at the workforce, data can be found on countries of origin.

Table 4: Number of employees in Finland (2017) focus on some countries of origin

	Number of employees from	Total population	Employment rate
Somalia	3.187	19.807	16,1%
Iraq	3.123	20.232	15,4%
Iran	2.735	8.114	33,7%
Afghanistan	1.622	8.930	18,2%
Sri Lanka	508	1.306	38,9%
Syria	395	6.232	6,3%
Finland	2.180.643	5.129.007	42,5%

In 2017, 147.007 foreigners from Asia and Africa had a job in Finland, 69% of which in the private sector, and 15% in Municipalities. They worked in administrative and support service activities (22%), as well as in human health and social work activities (15%) and transport and storage (13%). Statistics Finland groups under Africa such countries as Sudan, Eritrea, Uganda or Libya, while countries such as Iraq, Jordan, Syria, Turkey and Afghanistan are grouped under Asia.

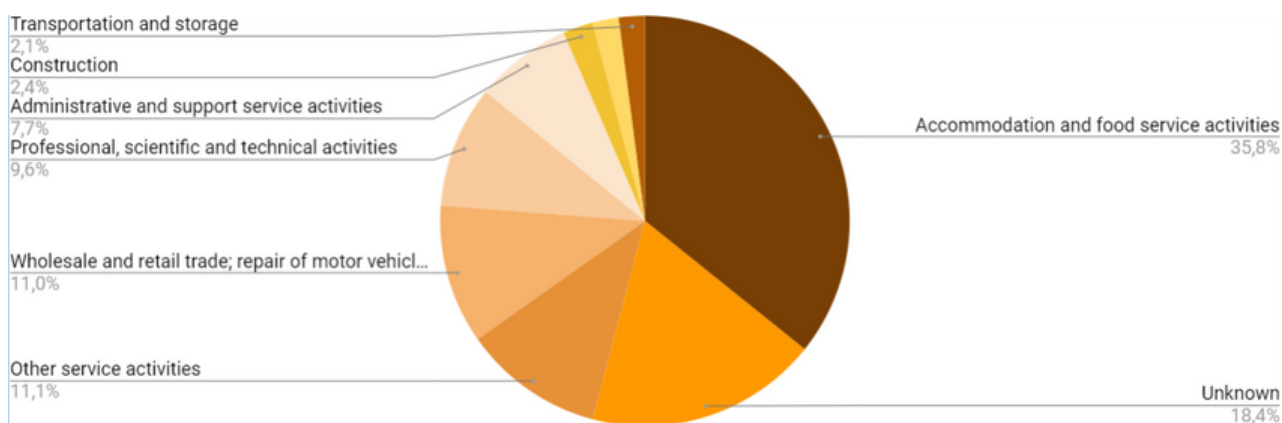
15.426 managed their own businesses. People from Asia counted 11,45% entrepreneurs in the working population, slightly more than the 10,66% of Finnish people who were entrepreneurs .

Table 5: Number of employed persons by occupational status and continent of origin in Finland in 2017

	FINLAND	ASIA	AFRICA
Wage and salary earners	2.097.703	30.633	100.948
Entrepreneurs	230.027	3.963	11.463
TOTAL	2.158.264	34.596	112.411

Of all the companies founded by immigrants from Asia and Africa, 34% deal with accommodation and catering. 11% provide other service activities and 10% were active in retail trade and repair vehicles.

Figure 14: Industries, where enterprises are operated by immigrants from Asia and Africa in 2017

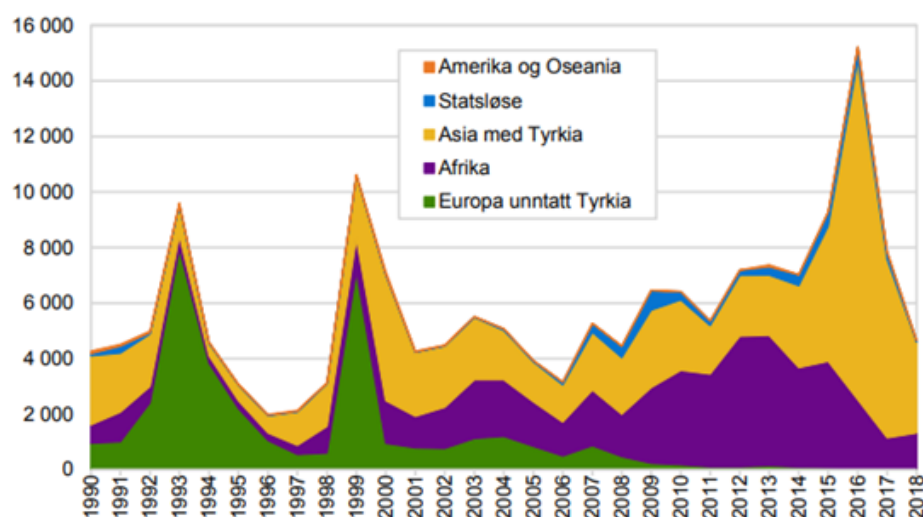


Refugees in Norway

The number of refugees has followed the same trends as the other Scandinavian countries, with a significant increase starting in the 1990s during the Balkan wars. The recent influx of refugees from Syria created a clear peak in 2016, as well as the relatively high number of refugees from Africa in the last decade. According to the UNHCR 57.026 refugees lived in Norway at the end of 2018 (59.236 in 2017).

In the beginning of 2018, Eritreans were the biggest group of refugees living in Norway (26,13 % of all refugees), closely followed by Syrians (22,56 %), Somalis (12,72%), Afghans (11,6%) and Iraqis (4,6%). The other smaller groups come from Ethiopia, Iran, Sudan and the Russian Federation. 3.367 persons were declared stateless.

Figure 15: Number of refugees who immigrated to Norway from 1990 to 2018, by country background



Over the last 5 years (2014–2018), a protection status has been granted to 33.230 people in Norway. In 2018, the number of first asylum applicants reached around 2.600 people. Of the 2 100 decisions taken, 68.5% were positive. Refugees represented 30% of the total non-western immigrant working population in Norway.

The number of employed refugees has increased by 10% over the past 2 years, growing from a number of 55 156 in 2017 to 60 881 in 2018 according to Statistics Norway. About 1/3 were women.

Immigrants in Norway choose economic sectors they have access to – without specialist knowledge and a high level of education. This is especially true for people coming from countries such as Eritrea, Somalia, Afghanistan, Iran, Iraq, Syria and Vietnam. Most work in service and sales (39%) while a minority of 3% work in managerial positions.

It is estimated that in 2016, approx. 8% of the working non-western immigrants in Norway were entrepreneurs .

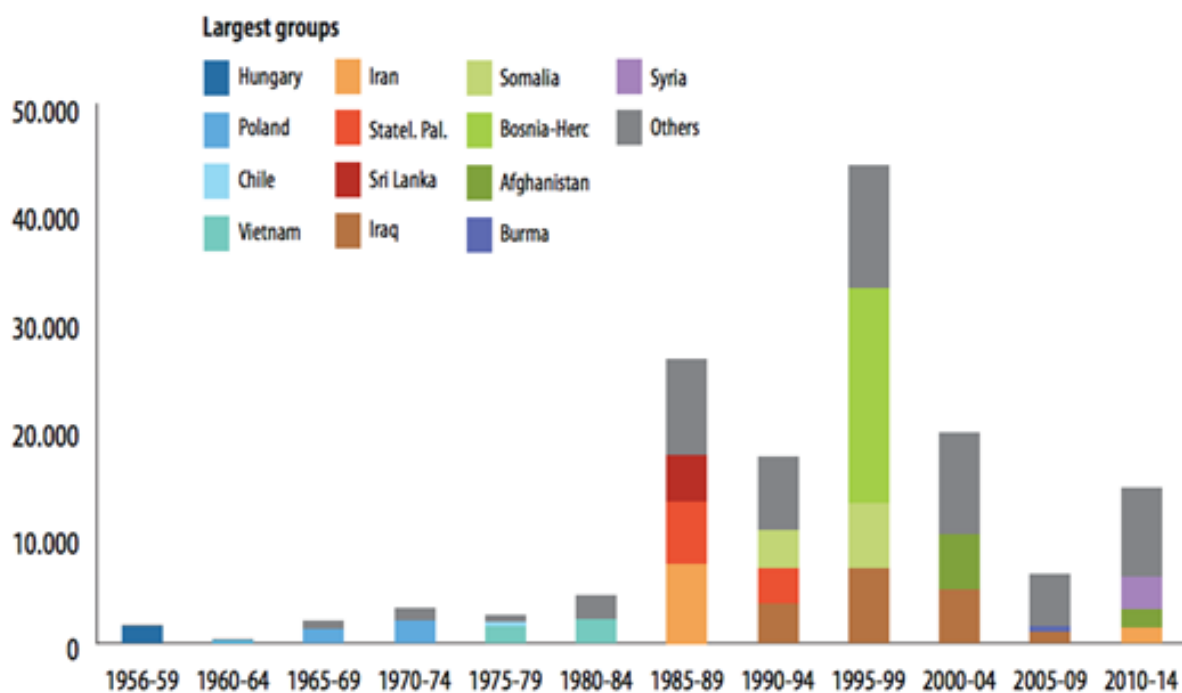
Focus: Refugees in Denmark

The number of refugees living in Denmark increased dramatically from the 60's to 2002 (when there were more than 70.000 refugees in Denmark) and then decreased the following 10 years. Since 2010, the number of asylum applications and refugees has grown to reach a peak point in 2015.

In 2018, 76.156 foreigners were approved residency, of which 1.652 were asylum seekers and 5.234 reunited family members.

Denmark has historically received refugees from over 70 countries, with the largest countries of origin being ex-Yugoslavia, Afghanistan, Irak, Iran, Somalia, Lebanon (stateless Palestinians), Vietnam, Sri Lanka, Eritrea, and Syria.

Figure 16: Refugees granted asylum in Denmark, country of origin (1956-2014)

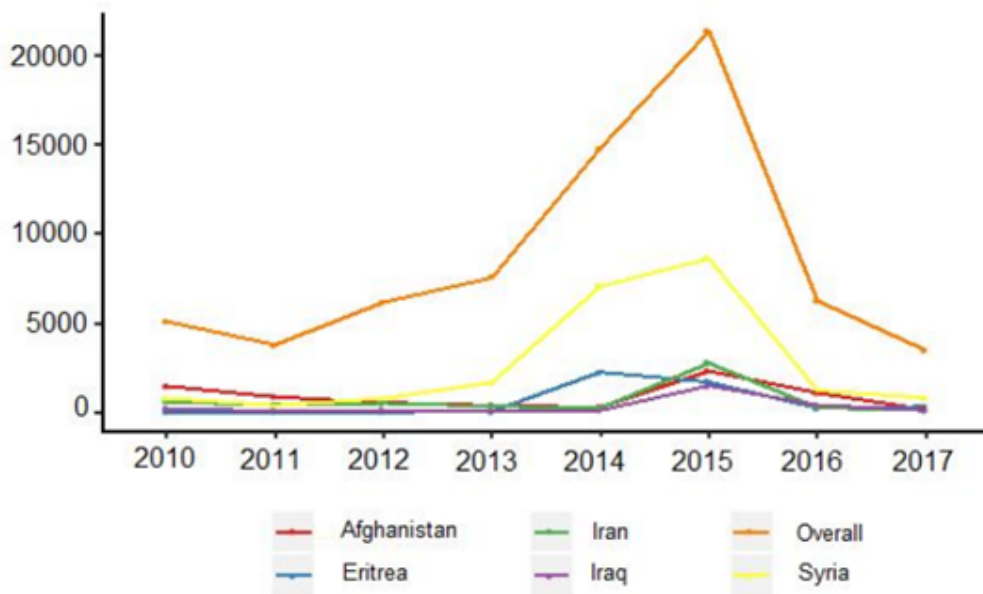


The Danish organization Refugees Welcome calculated that since the crisis in Hungary in 1956 until 2016, a total of 167.734 people were granted asylum in Denmark.

According to the UNHCR 36,631 people with a refugees status lived in Denmark at the end of 2018 (35,672 in 2017).

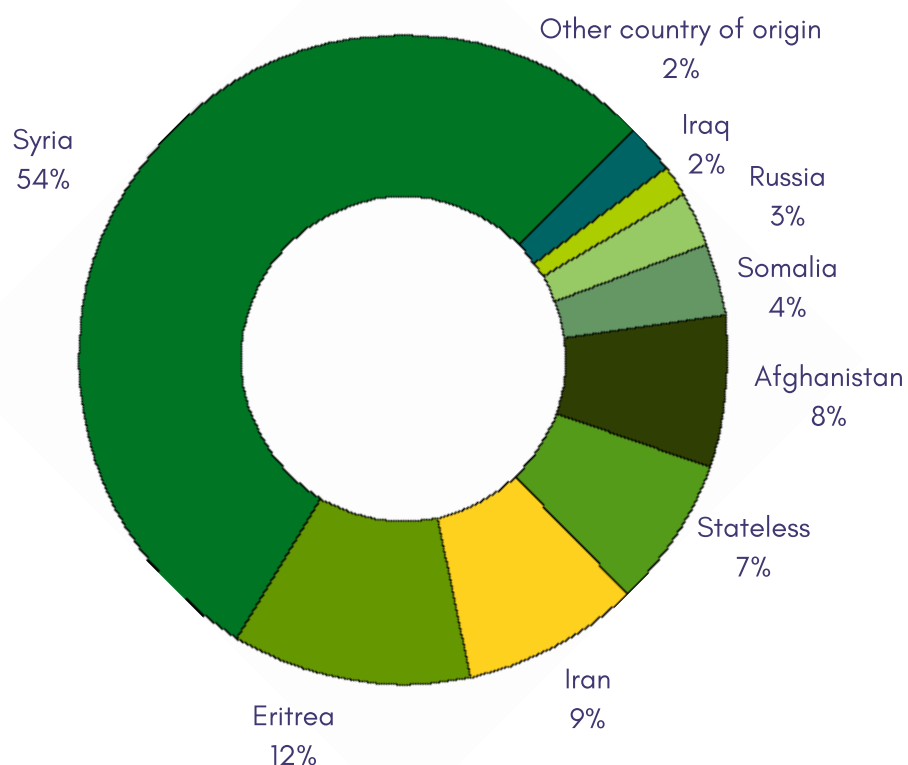
Denmark does not give asylum to people fleeing countries hit by natural catastrophes, climate change, poverty or other difficult living conditions.

Figure 17 : Zoom on the country of origin for asylum seekers in Denmark from 2010 to 2017



Syrian formed the biggest group of refugees in 2018 (54% of all refugees), followed by Eritreans (12%), and Iranians (9%).

Figure 18: Top 10 countries of origin for refugees in Denmark in mid 2018



The overwhelming representation of people coming from Syria is due to their more recent arrival. People having obtained asylum in a more distant past have most likely changed residency status over time and obtained either permanent residency or Danish nationality .

Process to obtain residency in Denmark

Upon receiving legal residency, refugees receive an ID document, an unique identity number (NEMID) and are assigned to a Municipality. Denmark grants a time-limited residence permit with a view to temporary residence in the country. A refugee's right to reside in Denmark terminates when they are no longer deemed in need for protection. The validity of each permit is limited to a maximum of 2 years.

Table 6: The validity of asylum permits

Permit	7.1	7.2	7.3
Initial residence validity	2 years	up to 1 year	up to 1 year
Extension	up to 2 years	up to 2 years	up to 1 year the first 3 times, then up to 2 years at a time

Asylum can be granted according to one of the following three sections in the Aliens Act:

- Alien Act section 7.(1) Refugees who fall under the conditions of the UN Refugee Convention are called '**Convention refugees**' – Konventionsflygtninge. Conditions include that they have a well-founded fear of being persecuted for reasons of race, religion, nationality, membership of a particular social group or political opinion, and they are outside of their country of nationality.
- Alien Act section 7.(2) Asylum seekers who risk death, torture or other inhuman treatments in their home country for other reasons than those mentioned in the convention can receive **protected status** in Denmark (beskyttelsestatus). This concerns those that would face capital punishment, torture or inhumane or degrading treatment or punishment in their home country.
- Alien Act section 7.(3) Denmark will give **Temporary protection status** (midlertidig beskyttelsesstatus) to people who are not personally at risk but come from a country hit by a serious catastrophe and where there is evidence of violence and attacks toward civils. This concerns those who would face capital punishment, torture or inhumane or degrading treatment or punishment if they returned to their home country, where these risks stem from severe instability and indiscriminate violence against civilians. this status was created in February 2015 according to the law nb. 153 on Temporary protection.

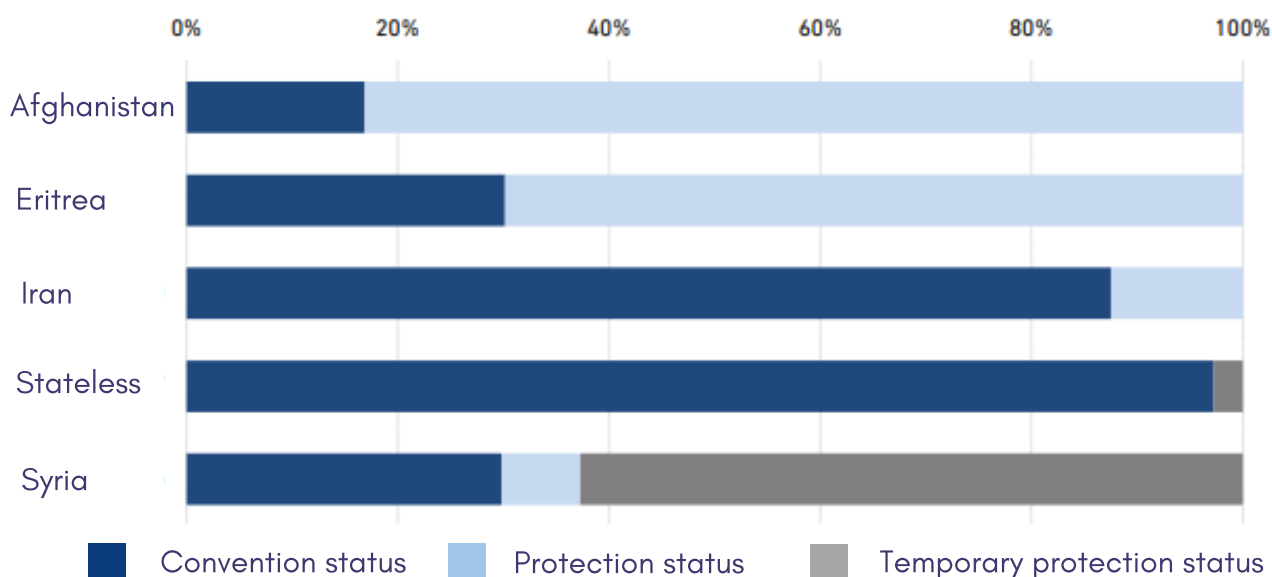
Like most other European countries, Denmark has entered an agreement with the UNHCR in 1979 to accept refugees that are relocated within Europe. From 1979 to 2016, the country gave residency to around 500 'quota refugees' a year. From 2016 to 2019 it took the political decision not to accept quota refugee, then resumed its international obligation.

Table 7 : Statistical overview of asylum seekers in Denmark

ASYLUM SEEKERS IN GENERAL	2015	2016	2017	2018	2019
Number of requests for asylum (gross)	21.316	6.266	3.500	3.559	2.716
Total positive decisions	10.849	7.494	2.750	1.652	1.783
– of which convention status	7.810	4.478	1.525	1.028	770
– of which protection status	1.325	406	392	187	658
– of which temporary protection status	1.068	2.475	789	406	309
Number of refugees sent to Municipalities	10.592	7.172	2.097	844	733
CASES MANAGED BY DANISH IMMIGRATION SERVICES					
Number of asylum requests registered and processed	10.472	12.722	2.411	2.600	2.255
Asylum approval rate	85%	72%	36%	56%	57%

There is a discrepancy between the number of registered asylum seekers and the number of cases managed by Danish Immigration Services as the cases are not necessarily handled the same year as the request has been made.

Figure 19 : Distribution of residencies per top nationalities of origin and status 2019



Procedure for the integration of refugees

An asylum seeker who is newly granted a residence permit in Denmark is subject to the rules of the **Integration Act on housing placement**, according to which the Danish Immigration Service decides which municipality the refugee will live in. Municipalities are allocated a number of refugees they are to welcome and support every year, in order to distribute the responsibility of integrating them evenly across the country, and maximize their chances of receiving necessary support through the Danish Integration Program.

In the framework of this program, the local Municipality will provide accommodation, access to a language school and the job center for up to 5 years.

Once they have been allocated to a Municipality by the Immigration Agency, refugees can not move from that municipality during the first three years after settlement or they lose the right to participate in the integration program and the right to financial assistance. Resettlement is possible only with the consent of the host municipality.

The benefits that will be allocated to newly arrived refugees have recently changed their name from "Integration benefit" to "Self-sufficiency and repatriation" benefit following the 'paradigm shift' introduced in the Finance Act Agreement in February 2019. Its objective was to change the focus from integrating refugees to Danish society to preparing for their return in their home country as soon as possible. The benefit amounts to roughly half of the social security payments (kontanthjælp) and runs until the individual finds employment. As this usually takes at minimum two years, refugees remain the poorest group in Denmark.

The benefits and subsidies are halted when the refugee gets an income. A full-time position (from 30 to 37 hours) is required to gain rights to unemployment insurance (a-kasse) and apply for a permanent residence. Self-employment is also counted as full-time work by authorities and refugees operating their own business can apply for permanent residence if they meet the other criteria.

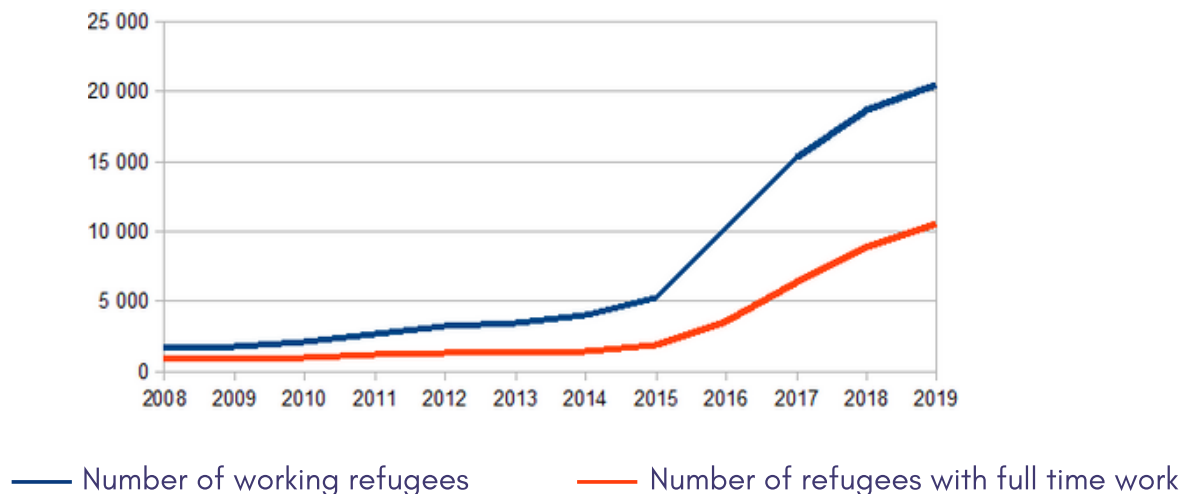
Other minimal criteria for obtaining permanent residency include :

- be over 18 years of age
- meet the requirements of the current residence permit
- have legal residence in Denmark for the last 8 years,
- not being convicted of certain crimes,
- not have any overdue public debt,
- not have received certain forms of social benefits for the past 4 years,
- provide a declaration of residence and self support,
- have current employment,
- having been employed for the last 3,5 years,
- pass the Danish Language test 2 as a minimum
- not have worked against the establishment of one's identity

Economic activities

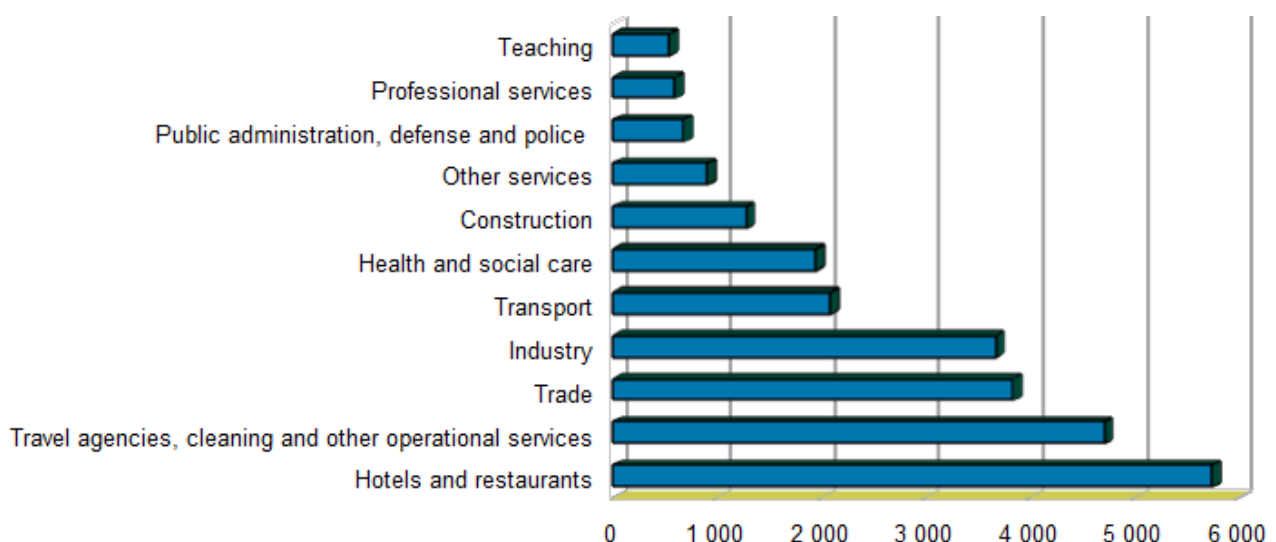
In 2016, the Integrationsgrunduddannelsen (IGU) program was introduced to improve the chances for refugees to find a job. The program has been efficient. In the last 5 years, the number of working asylum seekers has quadrupled, growing from close to 5,000 to 20,000.

Figure 20: Number of refugees working in Denmark



Most active refugees in Denmark work in services: 21% in hotels and restaurant, 17% in travel agencies and cleaning service, and 14% in trade.

Figure 21: Top 10 economic sectors of activities by number of working refugees in 2019



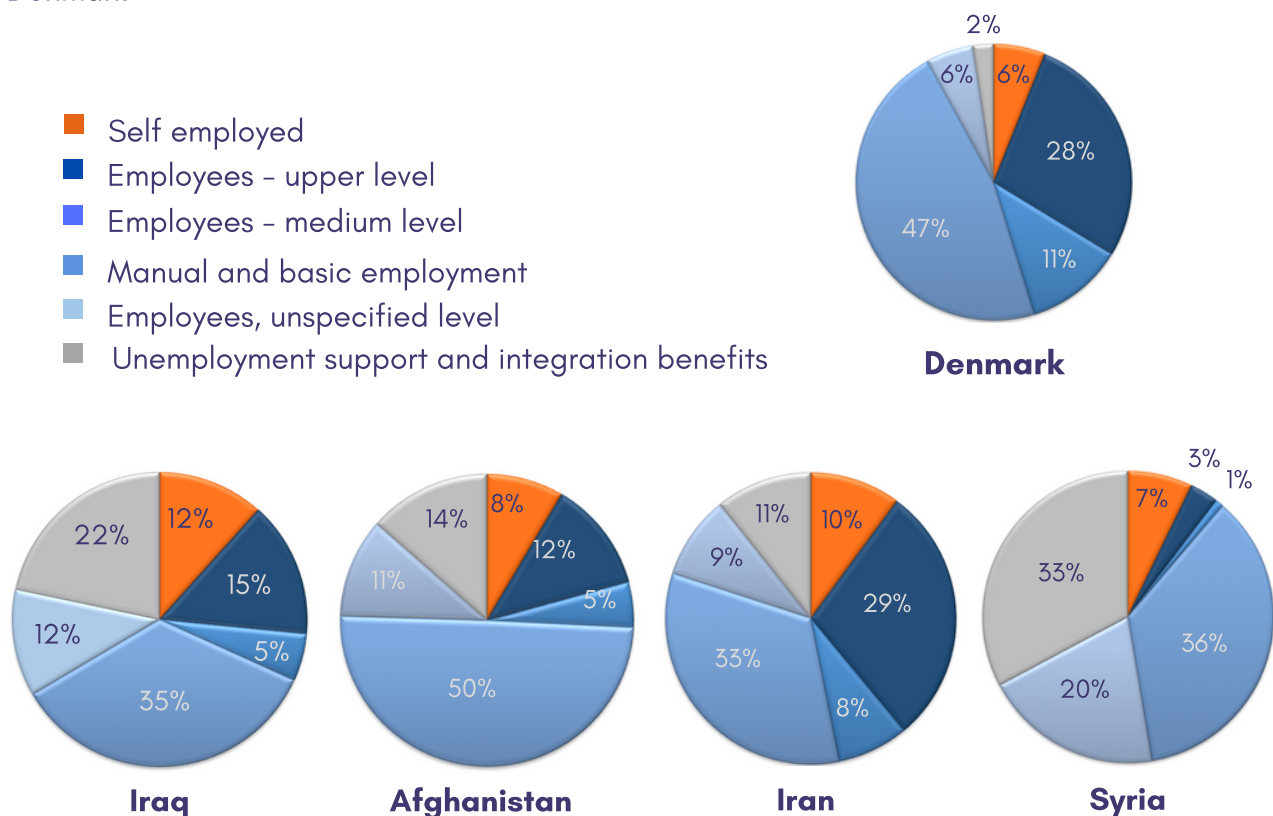
A big majority work in economic sectors to which they have easy access without specialist knowledge, a high level of education or good mastering of the Danish language.

Source of income

Statistics Denmark doesn't provide data for the source of income by status of residency but rather separates data between immigrants coming from western countries and non-western countries. **Western countries** are defined as all 28 EU member states as well as Andorra, Iceland, Liechtenstein, Monaco, Norway, San Marino, Switzerland, Vatican City, Canada, USA, Australia, and New Zealand. **Non-westerns countries** englobe the rest of the world, counting at least 155 countries, including island states.

The statistics show that almost half of non-western immigrants earn money by doing basic level work (48%). 22% are unspecified employees. 18% take cash assistance, but 11% are self-employed (11.949 companies).

Figure 22: Source of income for people coming from countries of origin for many refugees in Denmark



When comparing socio-economic profiles of Danish people with those of people coming countries of origin for many refugees in Denmark, one can see that a much higher proportions of people from Afghanistan, Iraq, Iran, Lebanon and Syria are receiving social benefits than Danes, but they are also proportionally more likely to be self employed.

The longer they are in the country, the better they fare, as shown by people from Iraq and Iran who are much more likely to be working in upper level positions than the newly arrived Syrians.

Refugees are highly motivated to find gainful employment. Not only does it provide a sense of purpose and dignity, it is also an important criterion to obtain permanent residence permits.

As they flee their home countries with variable assets, social-networks, financial and educational background, their ability to rebuild lives in the host country differs. Apart from their social and cultural integration, the speed at which they are able to stabilize their economic lives and begin to earn a livelihood is critical. Unfortunately, integration into the labour market often takes longer than expected, and often the refugee newcomers' livelihoods are also likely to be less stable, have a lower resilience to cyclical fluctuations, and earn lower income compared to the host population.

Figure 23: Enablers and barriers to achieve economic goals and aspirations of refugees



Due to these reasons, and also because of their previous experience in their home countries, many turn to self employment to reach financial independence. The German Federal Office for Migration and refugees made an analysis in 2016 confirming that 27% of the 18-65 year old refugees had prior work experience being self-employed in their home country.

A study made by Erhvervstyrelsen in 2016 shows that migrants in Denmark have the same entrepreneurial frequency as Danes despite the considerable difference in the rate of active engagement in the labour market. These entrepreneurs generally face the same challenges as their peers, but tend to experience substantially more difficulty in getting advisory services and finance than national entrepreneurs as they lack entrepreneurship networks and knowledge about where to access support.

The difficulty to access corporate banking services in Denmark

In Denmark, there is a legal requirement for banks to open a NemKonto for individuals according to the Payment Act. But that rule only applies to individuals.

All companies in Denmark must have a NemKonto by law, for the public authorities to transfer money to them, such as VAT refusion, or any public subsidies that may be due. If the business is a limited company (Aps or IVS), a business account must be created, as it is a legal requirement that the company's finances be separated from the owners' private finance. If the company is a sole proprietorship, one can choose to use a private account for the company. However, several banks disapprove of this practice and request that their clients stop using a private account for business purposes. If the private account is used for business, the bank can choose to close the account.

There is no legal obligation for banks to open corporate accounts – they decide freely based on their assessment whether to open a business account or not. They take into account earning opportunities, credit risk and risks associated with money laundering and terrorist financing. As a result, it is generally difficult for start-ups to open a business account and it is quite usual for requests to be rejected. Competition for the micro-business market is very limited.

Business owners with refugee backgrounds will often face some extra barriers, as often banks have no financial incentive to open a business account for an owner with short residency that is tied to a risky country. Earning opportunities are limited, resource consumption is high and, due to the sectors in which most refugees operate, the risk of money laundering and terrorist financing is, in the bank's eyes, higher than with longstanding clients. As a result, many find themselves unable to access formal corporate banking service.

The Financial Action Task Force (FATF) states that *'The application of measures that enable more individuals and businesses, especially low-income, unserved and underserved groups, to access and use regulated financial services increases the reach and the effectiveness of anti-money laundering/ countering the financing of terrorism (AML/CFT) regimes. Unserved and underserved people have to be financially active. [...] Enabling these groups of people to use regulated and supervised channels supports improved customer protection against fraud, financial abuse and exploitation. It also expands the scope of traceable transactions, [...] thereby reducing AML/CFT risks.'*

Financial inclusion and financial integrity are thus mutually reinforcing.

Filling the gap: Finklusive ApS

Finklusive addresses and minimizes the risk expressed by banks, and tackles the barriers faced by refugee entrepreneurs to gain access to formal corporate banking services, by:

- Supporting the business owner to prepare their application file and business case for the bank;
- Making an analysis of their situation and making recommendations to partner banks for eligible candidates, facilitating KYC and AML requirements;
- Supporting on-boarding of recommended new clients for the bank;
- Training the business owners in financial literacy to facilitate their use of their bank and banking products



Objective: social and financial inclusion

As a social enterprise, our objective is not to maximize profit. Returns are to be reinvested in our operations to support sustainability.



Target clients: financially excluded refugees, generally without collateral, credit history or previous tracked experience, who lack access to mainstream sources of finance.



Delivery system: partnerships with banks to which we provide recommendations of candidates based on our due diligence and risk analysis.



Sourcing of candidates through organisations providing training for entrepreneurship or business support, such as accountants, Municipalities, or non-profit organisations.

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