



Investment Committee of the InvestEU Fund

Meeting no 30 of 11-12 July 2024
Mercier-Post building (Publications Office)
20, rue de Reims, L-2417 Luxembourg
Meeting room **ARENA**

CAPITALIA -IEU-CAPPED COUNTER GUARANTEE (CCG) INVEU-ICR-0034-2024 – Social Investment and Skills Window (SISW)

Short description of the financing or investment operation and its objectives

Name of the final recipients	Capitalia Investment Holding, AS,
Type of the final recipients	SMEs, in particular micro-enterprises, natural persons
Countries of implementation	Latvia, Lithuania, and Estonia
Implementing partner	European Investment Fund

The purpose of this Operation is to support Capitalia in the launch and rollout of a new counter-guarantee product with the aim to widen investment opportunities and mobilise private investors in support of the microenterprises established and operating in the Baltic region.

Under this Operation, the holding company ("Capitalia Investment Holding AS") aims to renew its risk-taking support to micro-enterprises by launching a counter-guarantee product, aimed at the Microfinance target area via its crowdfunding platform.

The operation will be structured in the form of a counter-counter-guarantee, based on which Capitalia will provide risk coverage supported by InvestEU, via its Platform Operator (Capitalia SE), to underlying investors (acting as ultimate sub-intermediaries under this operation).

The provision of debt financing will be complemented with business development services (e.g., counselling, training, mentoring) provided directly or indirectly by the financial intermediaries to the final recipients.

Global Assessment and rationale for approval

The Investment Committee of the InvestEU Fund approved the use of the InvestEU guarantee on 11 July 2024 for the above-mentioned operation.

Access to finance is one of the main issues that SMEs, in particular microenterprises, face in Europe. Many SMEs with economically viable projects cannot obtain the necessary financing from financial institutions, as they tend to be reluctant to extend uncollateralised credit to SMEs, even at high interest rates. The SME financing gap exists as the market is not able to supply a sufficient amount of external financing to SMEs. This market failure, resulting in a sub-optimal equilibrium outcome is rooted in the existence of information asymmetries. market failures



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Micro-enterprises in particular are perceived as having a high-risk profile, due to their small size. This Operation is targeting micro-entrepreneurs in the Baltic region, that are excluded from finance by the mainstream credit markets. Using an innovative approach for addressing the microfinance segment, Capitalia has proven to be instrumental for the financial and social inclusion in the Baltic countries.

The EU Guarantee will enable Capitalia to launch for the first time a new counter-guarantee product for a crowdfunding platform designed at enhancing access to finance for microenterprises in the Baltic countries. In addition, it would allow EIF to continue its cooperation with an intermediary who is committed to provide a material impact in terms of financial and social inclusion in all three Baltic countries, capitalising on the experience Capitalia SE gathered under the previous EaSI guarantee instrument.

The use of the InvestEU Guarantee allows EIF to enter this operation, supporting final recipients in IEU policy priority areas, which, otherwise, would have remained underserved due to limited access to finance.