Investment Committee of the InvestEU Fund

Meeting no 35 of 5-6 December 2024
Room Schuman, Foyer Européen
European Commission, Luxembourg
10 rue Heinrich Heine, L-1720 Luxembourg (Gare)

(FOURTH) FRAMEWORK OPERATION #47 FOR MICROFINANCE, SOCIAL AND SKILLS GUARANTEE PRODUCT (Microfinance and Social Enterprises) (CAPPED GUARANTEE) (MULTI-COUNTRY)

INVEU-ICR-0087-2024 – Social Investment and Skills Window (SISW)

Short description of the financing or investment operation and its objectives

Name of the final recipient (Type of the financial intermediaries)	Microfinance Institutions, Alternative Lenders, ethical, niche, cooperative banks, commercial banks, National Promotional Institutions (NPIs)
Type of final recipients	Natural persons, SMEs (with exclusive focus on Micro Enterprises), Not-for-profit organisations (qualifying as social enterprises) and Social Enterprises
Country of implementation	-EU-27
Implementing partner	European Investment Fund (EIF)

This Framework Operation is designed for Sub-Projects to be entered into with financial intermediaries supporting micro-enterprises, micro-borrowers and/ or social enterprises. Intermediaries supporting the **microfinance** axis will typically provide debt financing to micro-enterprises and micro-borrowers on an unsecured basis (debt financing benefitting only from a personal guarantee or similar), coupled with accompanying services, such as individual counselling, training and mentoring. Intermediaries supporting the **social entrepreneurship** axis will extend debt financing to **Social Enterprises**, as defined in the ESF+ Regulation.

Global Assessment and rationale for approval

The Investment Committee of the InvestEU Fund approved the use of the InvestEU guarantee on 5 December 2024 for the above-mentioned operation.

Additionality shall be deemed to be met in all those cases where financial intermediaries originate final recipient transactions, which carry a higher risk profile than the risk generally deemed acceptable by such intermediary, inter alia in the form of targeting final recipients of lower creditworthiness or implementing a financing solution in line with the enhanced access to finance measures described in the InvestEU Call for Expression of Interest published on EIFs website

The use of the Invest EU Guarantee allows EIF to enter into (counter) guarantees with financial intermediaries supporting final recipients operating in the Microfinance and Social Entrepreneurship areas, which, otherwise, would have remained underserved due to lack of programmes targeting these specific policy areas at such scale.

Reflecting market failures, social enterprises often encounter difficulties in accessing bank loans due to their still-limited presence and structuring as well as to insufficient knowledge of

the peculiarities of social enterprises on the part of the banking system. A reason for this might be that the financing of social enterprises needs dedicated units within the bank as these business models are different from other enterprises. Against this background, all the Sub-Projects, pertaining to the present Framework Operation, will be implemented to the benefit of vulnerable/constrained segments of the SME ecosystem and their strong focus on key policy priorities for the EU, such as microfinance and social entrepreneurship This Framework Operation is expected to contribute to the implementation on the European Pillar of Social Rights and the Social Economy Action Plan.