

InvestEU Scoreboard¹

Presentation of the financing or investment operation:

Implementing Partner: European Investment Fund (EIF)

Name of the Operation: Framework Operation, Capacity Building Investment Product

Type of approval: Framework Operation

Type of Financial Intermediaries: Financial intermediaries operating in the microfinance, social enterprise finance and/or skills, education and training finance spaces, such as banks, guarantee institutions, microfinance institutions, crowd-financing platforms, non-bank financial institutions, loan and/or investment funds, credit unions, education and training providers (incl. universities, higher education institutions, vocational education and training institutions and centres of vocational excellence, education-business partnerships, educational entrepreneurs e.g. MOOCs).

Type of Final recipients: Sub-Projects under this Framework Operation are not aimed at financing directly a portfolio of final recipients. Nonetheless, they are expected to have an indirect positive impact on access to finance by final recipients considering that developed/improved institutional capacities of the financial intermediaries trigger an improvement in the quality of services toward the targeted areas served by such financial intermediaries.

Country(-ies) of implementation of the operation: Sub-Projects are expected to be entered into with financial intermediaries primarily established in Romania, France, Spain, Greece, Lithuania, Italy, Bulgaria, Portugal, and Ireland. It is however not excluded that Sub-Projects covering additional Member States and/or OCTs may materialise under this Framework Operation, depending on the type of applications received via the Call for Expression of Interest published on EIF's website.

Short description of the financing or investment operation:

Framework Operation supporting Sub-Projects to be entered into with financial intermediaries operating in the microfinance, social enterprise finance and/or skills, education and training financing spaces.

It builds on the implementation of the previous European Commission programme managed by the EIF, namely the EaSI Capacity Building Investments Window, which was launched with the overarching objective to build up the institutional capacity of intermediaries that have not yet reached sustainability or are in need of financing to sustain their growth and development.

Via the Sub-Projects forming part of this Framework Operation, the EIF expects to:

- (i) Support investment in organisational development and expansion of the financial Intermediaries, including branch expansion, scaling up or building up of IT infrastructure (e.g. mobile banking, etc.), investment in human resources such as recruitment and training of staff;
- (ii) strengthen operational and institutional capabilities of the financial Intermediaries, including for instance investments in working capital and in improving the strategic/governance capabilities in order for the financial intermediaries to maintain a balanced business, financial sustainability and social performance focus; and,

¹ This Scoreboard of indicators reflects the information presented to the InvestEU Investment Committee (IC) for its decision on the use of the EU guarantee for this operation. Therefore, the document does not take into account possible developments that could have occurred after this decision.

- (iii) support investments in institutional capacity building to increase the indebtedness capacity of intermediaries while supporting them to retain a balanced socio-commercial orientation.

Public Statement

Eligible areas for the operation in accordance with Annex II to the InvestEU Regulation:

Item 12 of Annex II of the InvestEU Regulation:

social investments, including those supporting the implementation of the European Pillar of Social Rights

Additionality may be achieved via the application of any of the following items:

Item (a) of Annex V A (2) to the InvestEU Regulation:

support through subordinated positions in relation to other public or private lenders or within the funding structure

Through the subordinated loan features, the CBI product offers support to financial intermediaries in two ways:

- to develop their internal institutional and organisational capacities, to allow for providing better services to the targeted areas; and
- to strengthen their capital position, which allow for mobilizing additional external resources from third parties, with direct effect on the business growth of such intermediaries.

Item (c) of Annex V A (2) to the InvestEU Regulation:

Support to operations that carry a higher risk profile than the risk generally accepted by the implementing partner's own standard activities or support to implementing partners in exceeding own capacity to support such operations

The use of the EU Guarantee allows EIF to enter into subordinated loans with financial intermediaries supporting the areas of microfinance, social entrepreneurship and skills, education and training. On the one hand, these areas are underserved, due to novelty of the market or higher risk perceived by other market players, on the other hand the CBI product is a unique example of financial intervention aimed primarily at strengthening the financial players operating in these areas. InvestEU is currently the only programme that allows EIF to pursue specifically this objective.

Item (e) of Annex V A (2) to the InvestEU Regulation:

Support that catalyses or crowds in additional private or public financing and is complementary to other private and commercial sources, in particular from traditionally risk-averse investor classes or institutional investors, as a result of the signalling effect of the support from the InvestEU Fund

Leveraging on the InvestEU support, it is expected that some of the financial intermediaries financed under this Framework Operation will be able to attract additional funding resources from third parties, to be used for the specific project(s) the capacity building operation is addressing, and more broadly, for on-lending to final recipients, with direct impact on scaling-up of their activities.

At the same time, the CBI product aims to contribute to maintaining the sustainability of the financial intermediary, with direct impact on the respective institution's financial position, as well as on an improved risk profile of such institution that becomes more attractive for various funding providers.

Item (f) of Annex V A (2) to the InvestEU Regulation:

support through financial products not available or not offered to a sufficient level in the targeted countries or regions due to missing, underdeveloped or incomplete markets;

Dedicated microfinance, social entrepreneurship and/or skills, education and training finance providers are to a certain extent operating in the same markets as traditional banks and new entrants, such as fintechs. They need to scale up, offer more diversified products and introduce digital technologies to both (i) increase efficiency of their operations and (ii) improve client service.

In addition, specialized finance providers especially non-banks, face challenges in securing funding to support their growth or to invest in technologies allowing them to stay competitive.

Given the current market conditions, the CBI Product has become of key importance for a wide range of financial institutions, from small non-bank financial institutions to banks well-established in the microfinance or social enterprise or skills and education finance markets. EU-backed funding can also serve as an important source of capital for greenfield institutions (i.e. with less than 3 years operating history), as this type of funding is not yet widely available in the mainstream funding markets.

By strengthening the capital position of such institutions, the CBI Product provides for a key source of finance for these specialized market players, that in turn can therefore become more competitive, solid and resilient to serve their specific target groups.

The nature of the market failure/sub-optimal investment situations addressed by CBI stems from the following considerations:

Item (e) of Annex V A (1) to the InvestEU Regulation:

Exposure to higher levels of risks in certain sectors, countries or regions beyond levels that private financial actors are able or willing to accept, including where the investment would not have been undertaken or would not have been undertaken to the same extent because of its novelty or because of risks associated with innovation or unproven technology

Particular focus is placed on those intermediaries having a strong legitimacy from a social point of view, as demonstrated for instance through a strongly declared social mission and social goals included in the business plan, but that have not yet reached a sustainability level as compared to more mature financial intermediaries and that may encounter more difficulties in attracting private financial resources due to the novelty of their business model and the lack of track-record.

Second, typically financial institutions/intermediaries operating in the market segments addressed by CBI represent a less attractive target population for the traditional financial system.

Thirdly, there is still-limited presence and structuring as well as insufficient knowledge of the peculiarities of the micro, social enterprises and education finance on the side of the credit system.

Via the CBI Product, the EIF intends to enrich the toolbox at the disposal of specialised market players to strengthen their position in the market and improve their ability to serve specific market segments.

The Sub-Projects under this Framework Operation will be implemented (indirectly) to the benefit of vulnerable/constrained segments of the SME ecosystem, confirming their strong focus on key policy priorities for the inclusive EU, such as microfinance and social entrepreneurship, skills, education and training.

The Sub-Projects under this Framework Operation will be implemented by providing subordinated loans to financial intermediaries, contributing to the sustainability of the financial intermediary, with direct impact on the respective institution's financial statements, as well as on an improved risk profile of such institution that becomes more attractive for various funding providers.

The subordinated loans under the CBI Product are instrumental especially for non-bank financial institutions, helping these institutions to attract additional funding resources to be used for on-lending to micro and social entrepreneurs.

In addition, similar to the previous EaSI CBI instrument, it is expected for the InvestEU CBI Product to have a strong signalling effect in terms of awareness raising about different business models that seek to achieve measurable, positive social impacts vs profit maximization.

This will further support the crowding-in of additional resources in these areas.

EIF offers support both pre-and post-signature to the intermediaries benefitting from a CBI operation. Pre-signature, EIF help the financial intermediaries navigate the different types of CBI projects/investments according to the eligible framework and to structure the subordinated loans under the CBI Product to achieve capital recognition, where feasible. Post-signature, EIF provides assistance on how implementation results can be further improved, if needed.

EIF provides practical guidance to financial intermediaries in order to ensure terms and conditions of the CBI operation are met and to facilitate the development of the CBI project. This may take the following forms:

- Ad hoc assistance (e.g. monitoring, reporting, etc.);
- Webinars for individual or groups of intermediaries (on all aspects of the implementation of the InvestEU family of products).
- Formal capacity building and advisory services under the InvestEU Advisory Hub.

The above support efforts are more relevant for greenfield intermediaries, as well as the ones without prior track record in implementing various EIF products, and specifically those with limited experience in lending to social enterprises and/or targeting skills, education and training areas.

The CBI Product is not aimed at financing directly portfolios of final recipients. It has however an indirect impact on these ones considering that developed/improved institutional capacities of the financial intermediaries trigger an improvement in the services toward the targeted areas served by such financial intermediaries.

EIF will target non-bank lenders, smaller banks with an ethical lending approach and alternative lenders that have a clear focus on micro and/or social entrepreneurs, and/or the skills, education and training areas;

EIF will play a role in setting standards relevant for the market by ensuring that the microfinance intermediaries adhere to the European Code of Good Conduct for Microcredit Provisions, which provides for a set of standards in terms of management, governance, risk management, reporting, and client and investor relations that are common to the microcredit sector in the European Union.

Pillar 3 - Market failure or sub-optimal investment situation addressed by the financing or investment operation **(Good)**

Pillar 4 - Financial and technical contribution by the Implementing Partner **(Good)**

Pillar 5 - Impact of the financing or investment operation **(Fair)**

Pillar 7 - Complementary indicators²

Key characteristics	Expected as of time of submission	Comments
Leverage Effect	N.A.	Not applicable to CBI operations
Multiplier Effect	N.A.	Not applicable to CBI operations

² The InvestEU methodology is used in order to calculate figures presented in this document. Such figures are of indicative nature only and presented at the level of the Framework Operation.

Expected amount of investment mobilized	At least 5%, in aggregate at the level of the Framework Operation	It refers to the ratio, expressed as a percentage, between: a) the aggregate amount of third party resources raised by the Capacity Building Intermediaries during the implementation period of the underlying projects financed by the Capacity Building Operations, and b) the aggregate principal amount of the Capacity Building Operations.
SISW specific Indicators		
(a) Social infrastructure: Capacity and access to supported social infrastructure by sector: housing, education, health, other	N.A.	
(b) social enterprise finance: social enterprises/impact-driven enterprises	N.A.	
(c) Skills: Number of individuals acquiring new skills or having their skills validated and certified: formal, education and training qualification	N.A.	Not applicable as CBI operations are not aimed at financing directly a portfolio of final recipients.

ESG aspects

Within the due diligence process, EIF has assessed the Applicant's environmental, climate and social risk management procedures and the capacity to screen, assess and manage environmental, climate and social risks associated with its business activity, including the presence of an Environmental and Social Management System (ESMS), by means of an "ESG" questionnaire.