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Framework Operation #24 for Microfinance and Social Enterprises (Capped Guarantee)

INVEU-ICR-0035-2023 – Social Investment and Skills Window (SISW)

Short description of the financing or investment operation and its objectives

Financial intermediaries	Non-bank financial institutions specialized in providing microfinance and/or social finance, ethical banks, traditional banking players, alternative lenders, National Promotional Banks or Institutions
Type of the final recipients	Natural persons Micro Enterprises, Not-for-profit organisations Social enterprises
Countries of implementation	EU-27
Implementing partner	EIF

This Framework Operation aims at covering capped guarantees to be entered into by EIF with financial intermediaries supporting the areas of microfinance and social entrepreneurship. The target area of Skills, Education and Training is covered via a separate Framework Operation. Intermediaries supporting the microfinance axis will provide debt financing typically on an unsecured basis (debt financing benefitting only from a personal guarantee or similar), coupled with accompanying business development services, such as individual counselling, training and mentoring, extended to persons and microenterprises that experience difficulties accessing the credit market for the purpose of professional and revenue-generating activities.

Global Assessment and rationale for approval

The Investment Committee of the InvestEU Fund approved the use of the InvestEU guarantee on 8 June 2023 for the above-mentioned operation.

The operation aims to address the lack of access to finance faced by micro and social enterprises. All sub-projects 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.

The Investment Committee recognised the additionality of the Framework Operation. Under this Framework Operation, EIF will extend support to intermediaries aimed at enhancing access to finance for micro and social enterprises, often excluded from mainstream credit channels. Benefiting from the InvestEU guarantee coverage, financial intermediaries will be



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able to mobilize funding resources to micro and social enterprises, contributing toward creating and/or preserving jobs in the respective geographies, which will further constitute the basis for the financial and social inclusion of the respective excluded entrepreneurs.

the use of the InvestEU Guarantee allows EIF to enter into (counter-) guarantee 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.

In terms of adding quality to the operations, 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 and also by promoting the use of a common definition of social enterprises across Europe, which still experiences very fragmented frameworks in this respect. Also, the EIF is expected to provide guidance and assistance to interested financial intermediaries especially during the implementation phase.