

# Conclusions

## **Increase of Framework operation Microfinance and Social Economy Finance** (Ref. INVEU-ICR-0002-2023)

**INVEU-ICR-0086-2023 – Social Investment and Skills Window (SISW)**

### **Short description of the financing or investment operation and its objectives**

Name of financial recipient	To be determined at sub-project level
Type of the final recipients	Public sector and public sector type-entities, not for-profit organisations, microfinance institutions, other non-bank financial institutions, loan and/or investment funds, credit unions active in the social investment space
Countries of implementation	27 Member States excluding Austria
Implementing partner	Council of Europe Development Bank (CEB)

The increase of the Framework Operation aims at financially supporting microenterprises, social enterprises, social solidarity institutions through MFIs and social economy organisations.

### **Global Assessment and rationale for approval**

The Investment Committee of the InvestEU Fund approved the use of the InvestEU guarantee on 6 December 2023 for the above-mentioned operation.

The increased Framework Operation will help addressing the market gap related to the access of external funding sources from commercial banks to micro-enterprises/micro-entrepreneurs and social economy organisations. Indeed, this gap is generally filled by non-bank financial institutions (NBFIs) specialised in this field which themselves face limited access to long-term and affordable funding, constraining their capacity to grow and reach the double bottom line of social objectives and financial sustainability.. Thanks to the InvestEU guarantee support, the CEB Framework Operation aims at alleviating this key funding constraint by providing longer-term and affordable loans.

The additionality of the Framework Operations lies in the scaling up support CEB will bring for microfinance and social economy finance with higher loan amounts, highly concessional pricing, reduced guarantee requirements, and longer loan tenors. Moreover, sub-projects will carry a higher risk than the risk normally accepted by CEB because of generally non-investment-grade rating of the borrowers in combination with higher loan amounts, lower collateral requirements, and more favourable term structures. Thus, the increased financial support by the CEB, thanks to the InvestEU guarantee, is expected to further contribute to addressing the market failures affecting the supply of finance to microenterprises and micro-entrepreneurs, as well as social economy organisations.

## **Conclusions**

CEB's funding to MFIs and social economy finance providers is expected to have an impact on mobilising other co-financiers/guarantors/investors and signalling that the financing of MFI and social economy finance providers are expected to be sound and worth supporting, thereby facilitating the full financing and implementation.

CEB is also an Advisory Partner under the InvestEU Advisory Hub, offering one initiative dedicated to the capacity building of microfinance institutions.