



## 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)

### FRAMEWORK OPERATION #46 FOR THE CAPACITY BUILDING INVESTMENT PRODUCT (“CBI” OR “CBI PRODUCT”) (MULTI-COUNTRY)

INVEU-ICR-0086-2024 – Social Investment and Skills Window (SISW)

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

Name of the promoter or financial intermediary	Financial intermediaries operating in the microfinance, social enterprise finance and/or skills, education and training finance spaces
Country(-ies) of implementation	France, Ireland, Lithuania, Luxembourg, Romania and Spain. In certain cases, multi-country.
Implementing partner	EIF

This Framework operation is designed to support the development of emerging market ecosystems in Europe, focusing on microfinance, social entrepreneurship, and skills and education finance. These sectors are still in their early stages and face significant challenges in achieving sustainability and growth. This may include, but is not limited to:

- Investment in organisational development and expansion of the Financial Intermediary, 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;
- Strengthening operational and institutional capabilities aiming at contributing to the sustainability of the Financial Intermediary, including Greenfield Microfinance Institution; this includes, inter alia, investments in working capital and in improving the strategic/governance capabilities of the Financial Intermediary, towards maintaining a balanced business, financial sustainability and social performance focus; and,
- Institutional capacity building aimed at increasing the indebtedness capacity of financial intermediaries while supporting them to retain a balanced socio-commercial orientation.

#### 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 framework operation.

In terms of additionality, the operation provides subordinated loans, strengthening the capital position of financial intermediaries. This enables intermediaries to mobilise additional external resources, enhancing business growth. It supports the development of institutional and organisational capacities to improve services in targeted areas.



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The EU Guarantee allows EIF to support high-risk operations. The present framework operation focuses on underserved sectors like microfinance, social entrepreneurship, and skills/education finance, which are often neglected due to perceived high risks or market novelty.

The framework operation addresses incomplete or underdeveloped markets by offering financial products unavailable or insufficiently provided in targeted regions. It supports specialised providers competing with traditional banks and fintech, helping them grow and invest in technologies.

The CBI product is crucial for financial institutions, from small non-banks to established banks, providing essential funding not widely available in mainstream markets. By enhancing their capital position, the operation ensures these institutions remain competitive, solid, and resilient to serve their target groups efficiently.

The current framework operation addresses key market failures by targeting sectors, regions, and activities that private financial actors typically avoid due to higher levels of risk, novelty, or the unproven nature of their technologies or business models. Financial intermediaries with strong social missions and goals, which are often at an early stage and lack sustainability compared to more mature institutions, face difficulties in attracting private funding. Their innovative approaches and limited track record make them less appealing to traditional financial systems.

Furthermore, financial institutions operating in these market segments, such as microfinance, social enterprises and education finance, remain underrepresented and lack sufficient understanding of the unique needs and characteristics of these areas within the credit system.

Through the CBI product, the EIF seeks to strengthen the capacity of specialised market players by providing tailored tools to enhance their ability to serve these specific segments. The operation also indirectly supports vulnerable and constrained parts of the SME ecosystem, with a strong alignment to EU policy priorities, including microfinance, social entrepreneurship, and skills and education finance.