

## Conclusions

### Framework operation #17 for the capacity building investment product INVEU-ICR-0055-2022 – Social investment and skills window

#### 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 |
| Countr(ies) of implementation                  | Multi-country, entities primarily operating in Belgium, France, Greece, Italy, Latvia, Lithuania, Poland, Romania.                     |
| Implementing partner                           | EIF                                                                                                                                    |

Via the sub-projects forming part of this framework operation, the EIF expects to:

- 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;
- 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,
- support investments in institutional capacity building to increase the indebtedness capacity of 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 EU guarantee on 20 October 2022 for the above-mentioned framework operation.

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 capacity building investment 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.

Through the subordinated loan features, the capacity building investment 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

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- to strengthen their capital position, which allows for mobilising additional external resources from third parties, with direct effect on the business growth of such intermediaries.

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.

Given the current market conditions, EU-backed funding can also serve as an important source of capital for greenfield institutions, as this type of funding is not yet widely available in the mainstream funding markets.

InvestEU capacity building investment product is expected to have a strong signalling effect in terms of awareness raising about different business models that seek to achieve measurable, positive social impacts in comparison with profit maximisation.