

Conclusions

Framework Operation #26 for the Capacity Building Investment Product (Multi-country)

INVEU-ICR-0058-2023 – Social Investment and Skills Window (SISW)

Short description of the financing or investment operation and its objectives

Type of the financial intermediaries	Entities 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 provider
Type of final recipients	Natural persons, SMEs, Non-for-profit organisations, Social Enterprises, Small Public Enterprises
Countries of implementation	Multi-country.
Implementing partner	EIF

The Sub-Projects under this Framework Operation are expected 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 for the financial intermediaries to maintain a balanced business, financial sustainability and social performance focus; and,
- iii. 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 14 September 2023 for the above-mentioned Framework Operation.

The Investment Committee recognised the need for developing the market by building the institutional capacity of intermediaries that have a strong legitimacy from a social point of view, 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.

Conclusions

Typically, financial institutions/intermediaries operating in the market segments addressed represent a less attractive target population for the traditional financial system. There is also a 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.

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.

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.