

Conclusions

Microfinance and Social Economy Finance (Framework operation) **INVEU-ICR-0002-2023 – Social Investment and Skills Window**

Short description of the financing or investment operation and its objectives

Type of financial intermediaries	Private or public sector organisations active in the social investment space, such as microfinance institutions, other non-bank financial institutions, loan and/or investment funds or credit unions.
Type of the final recipients	The financial intermediaries will provide funding to persons or businesses that do not have access to credit from commercial banks. Typical recipients belong to vulnerable groups where some social risks can be identified, more specifically the risk of discrimination or over-indebtedness of a micro-entrepreneur or microbusiness requesting a loan.
Countries of implementation	EU (except Austria, which is not a CEB member state)
Implementing partner	Council of Europe Development Bank (CEB)

Under this framework operation, the CEB will provide loans to financial institutions specialised in microfinance and social economy finance. Thanks to the InvestEU guarantee support, the CEB Framework Operation will help alleviating the key funding constraint by providing longer-term and affordable loans and would thus contribute to addressing the market failures affecting the supply of finance to microenterprises and micro entrepreneurs as well as social economy organisations. Sub-projects will amount to at least EUR 3 million and at most EUR 50 million.

Global Assessment and rationale for approval

The Investment Committee of the InvestEU Fund approved the use of the EU guarantee on 10 February 2023 for the above-mentioned operation.

Microfinance and social economy organisations face important financial sustainability challenges due to the inherent high credit risks and operating costs. Commercial banks show a limited interest for lending to micro-enterprises/micro-entrepreneurs and social economy organisations. This gap is in general filled by non-bank financial institutions (NBFIs) specialised in this field but with limited economic means. Many of those NBFIs have themselves 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 and would thus contribute to addressing the market failures affecting the supply of finance to microenterprises and micro-entrepreneurs as well as social economy organisations.

Conclusions

InvestEU will allow CEB to scale up its support for microfinance and social economy finance with higher loan amounts, highly concessional pricing, reduced guarantee requirements, and longer loan tenors. Additionality will be monitored at the level of each sub-project and the CEB will engage with each final recipient Microfinance Institution (MFI)/NBFI with the aim of setting up a new portfolio with a higher risk profile or increasing the volume of existing activities that are already highly risky.

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.