

Public Financing for Social Innovation (June 2026)



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# Case Study

# EUROPEAN UNION

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# InvestEU Microfinance & Social Entrepreneurship Guarantee

## Policy rationale

Microfinance and social economy organisations face significant financial sustainability challenges due to the inherent high credit risks and operating costs. Commercial banks show a limited interest due to perceived high risk. The total annual market gap for microfinance in EU Member States is estimated at EUR 12.9 billion (excluding informal businesses). This gap is projected to increase due to economic growth and rising inflationary pressure. As for social entrepreneurship, the annual funding gap in terms of debt amounts to EUR 321 million to EUR 783 million per year. This gap is partially filled by non-bank financial institutions, which also have limited access to long-term and affordable funding. The InvestEU Microfinance & Social Entrepreneurship Guarantee aims to bolster this developing market and expand financing options for micro-borrowers and social enterprises.

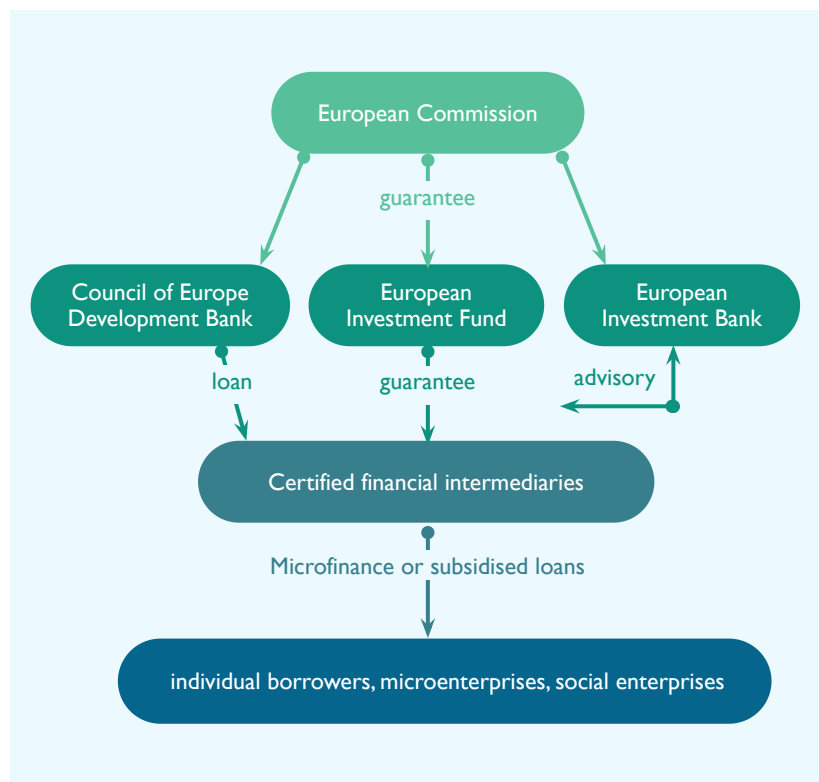
## Overview

The InvestEU Microfinance & Social Entrepreneurship Guarantee is managed by the European Commission's Director General for Employment through three implementing partners: the European Investment Fund (EIF), the European Investment Bank (EIB), and the Council of Europe Bank (CEB).

EIF is the primary implementing partner, using a first-loss capped portfolio guarantee model to financial intermediaries across the 27 countries of the EU. EIF absorbs initial losses, enabling intermediaries to offer lower rates, longer terms, and reduced collateral requirements, while retaining 20% of the risk to align incentives. In this way, a single guarantee can unlock multiple loans, help attract private investment into the sector, signal market viability, and provide capacity building.

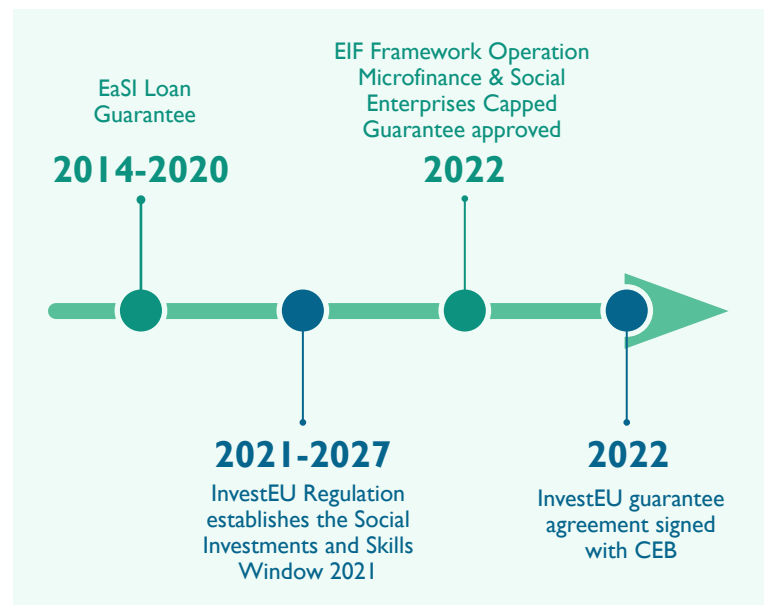
EIB provides advisory support in the form of capacity building, project preparation support, and technical assistance. In particular, it ensures compliance with standards like the European Code of Good Conduct for Microcredit Provision.

CEB uses the EU guarantee to offer sub-loans of EUR 3 million to 50 million per project, addressing funding gaps for microenterprises (maximum loans of EUR 50 000), micro-entrepreneurs from vulnerable groups (migrants, women, Roma, youth or young people not in education, employment or training (NEETs), and social economy organisations. The guarantee enables lower rates, extended maturities, and higher risk tolerance, tackling market failures in access to finance. As part of the InvestEU Advisory Hub, CEB also offers capacity building for microfinance institutions.



## Timeline

The 2014-2020 EaSI Guarantee, with an overall envelope of EUR 130 million (€90 million allocated to microfinance and €40 million to social enterprise finance), mobilised over EUR 2.8 billion in expected financing for micro-enterprises and EUR 1.4 billion for social enterprises (over 2014-2020). Because of its success, total EU support for microfinance and social entrepreneurship increased with the new programming cycle, especially for the guarantee instrument. Regulation (EU) 2021/523 establishing the InvestEU Programme 2021-2027 introduced the Social Investments and Skills Window. To expand its outreach, in 2022 the Council of Europe Development Bank joined EIB and EIF as the third implementing partner.



### Budget

EUR 2.8 billion guarantee allocation for the period 2021-2027, of which EUR 812 million is set aside for Microfinance and Social Enterprise under the Social Investment and Skills Window of InvestEU.

### Financial intermediaries

Banks, non-bank lenders, credit cooperatives, ethical banks, guarantee providers, other lending providers (NGOs).

## Target clients

In microfinance, target clients are self-employed and microenterprises (small businesses with fewer than 10 full-time employees) that experience difficulties accessing credit for professional and revenue-generating activities. In terms of social entrepreneurship, targets are undertakings or natural persons that

1. have the achievement of measurable, positive impact as their primary social objective;
2. use profits first and foremost to achieve their primary social objective; and
3. are managed in an entrepreneurial, participatory, accountable and transparent manner, in particular by involving workers, customers and stakeholders.

### KEY FIGURES

<p>Under the 2014-2020 EaSI guarantee, 161 thousand people received loans, supporting 313 thousand jobs.</p>	<p>As of March 2025: EIF committed EUR 456 million across 82 intermediaries, mobilising EUR 4.7 billion. 68,000 micro/social SMEs financed, 256,000 jobs supported (76% self-employed, 24% migrants).</p>
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## Financing terms



The EIF's term sheet sets parameters for loans from intermediaries to final recipients: Transaction size limits are up to EUR 50,000 for microloans and up to EUR 2 million for social enterprise debt. Minimum maturity is three months, with no maximum limit. The aggregate exposure to a single final recipient must not exceed EUR 7.5 million per intermediary. The CEB operates one level up the financing chain. Under its framework operation, the CEB provides loans to financial institutions specialised in microfinance and social economy finance. Sub-projects amount to at least EUR 3 million and at most EUR 50 million.

## Mobilisation potential



As of March 2025, EIF had committed EUR 456 million, mobilising EUR 4.7 billion. CEB's guarantee, up to EUR 159 million, is expected to mobilise a total of EUR 500 million.

## Impact considerations



To be eligible, financial intermediaries must endorse (banks) or comply with (non-banks) the European Code of Good Conduct for Microcredit Provision, which sets standards for management, governance, risk management, reporting, and consumer and investor relations. Further, EIF assesses their environmental, climate and social risk management procedures and their capacity to screen, assess, and manage environmental, climate and social risks associated with the business activity. Efforts are underway to reinforce and streamline the impact management approach across InvestEU. The European Commission, with its three implementing partners, is developing a comprehensive framework of impact indicators, based on the EU pillar of Social Rights, that will apply to all intermediaries and harmonise their reporting. Implementing partners (EIF, EIB, CEB) provide annual implementation reports. A formal evaluation of the InvestEU guarantee is expected by 2028.

## Lessons Learned

Pitfalls to avoid	Success factors
<ul style="list-style-type: none"> <li>• Renewing an investment without taking stock of the evidence. The EaSI ex post evaluation allowed the European Commission to fully appreciate the leverage power of guarantees.</li> <li>• Overlooking small microfinance institutions, which have an important role to play in supporting vulnerable people and community-based organisations. Under InvestEU, banks have so far received the largest share (44%) in microfinance and 54% in social enterprises.</li> </ul>	<ul style="list-style-type: none"> <li>• Guarantees stand out as the most powerful leverage tool, even compared to low-interest debt. Data from EaSI showed that a EUR 100 million guarantee for microcredit mobilised EUR 2 billions, but since only 87 million EUR were actually used, the mobilization ratio was about 23:1. On the social enterprise budget line, EUR 1.4 billion of the guarantees used mobilised close to EUR 20 million. The leverage ratio was much higher than that of subordinated loans. For this reason, in the InvestEU framework, the European Commission decided to increase the budget devoted to guarantees.</li> <li>• The European Commission is pushing to increase participation by microfinance institutions (26%) and NGOs (5%) in microfinance, and of cooperatives (14%) and social providers (7%).</li> <li>• Capacity development is critical to absorption at all steps of intermediation. Centrally, the European Commission has set up the InvestEU Advisory Hub. Moreover, financial intermediaries selected by EIF are required to offer, directly or indirectly, business development services (including mentoring, training and coaching) to final recipients during the implementation of the microfinance guarantee.</li> </ul>

## Sources:

[Support for microfinance and social economy under InvestEU and synergies with ESF+](#)

[InvestEU: EIF signs agreement with Erste Group using EU guarantee to unlock finance for social enterprises | Erste Group Bank AG](#)

[InvestEU Scoreboard](#)

[InvestEU kickstarts €250 million of investment in affordable social housing, skills and social enterprises under agreement with Council of Europe Development Bank | CEB](#)

[Conclusions - Microfinance and Social Economy Finance\\_0.pdf](#)

[New evaluation confirms the EU-wide impact of the Employment and Social Innovation Programme \(2014 - 2020\) | Europæiske Socialfond Plus](#)