febea Advocacy Lab

Social Investment and Skills Window in the new MFF

July 2026

The 2028–2034 MFF puts at risk the social investment financial system that took a decade to build and that serves community development, social cohesion and reducing inequality in accessing finance. The Social Investment and Skills Window (SISW), the only EU financial instrument calibrated for microfinance, social enterprises and social finance providers, has no structured successor in the current legislative proposals. This absence creates a critical gap in the delivery architecture for social investment.

Where social investment sits in the new MFF

The SISW of the InvestEU programme, backed by €2.8 billion in EU guarantees, has directed resources toward sectors typically underserved by conventional finance, recognising that microenterprises and social enterprises play a pivotal role in advancing multiple EU priorities simultaneously from social cohesion and inclusive growth to the green transition and quality employment. **The SISW has given concrete substance to the Social Economy Action Plan and the European Pillar of Social Rights, while facilitating the implementation of the Council Recommendation.**
Furthermore, experience under the current Invest EU Social investment and Skills Window confirms the portfolio quality that remains very strong, with almost all exposures in Stage 1 and no non-performing positions, indicating that the binding constraint is not operational capacity or credit quality but the size and continuity of available ceilings. This also demonstrates both the leverage effect of the instrument and the absorption capacity of specialised intermediaries when a stable envelope is ensured.

In the proposed 2028–2034 framework, the SISW has no direct successor. Its activities have been subsumed under the EU Facility, a €71 billion complement to the National and Regional Partnership Plans (NRPP). **Within the EU Facility, support for microfinance, social enterprise finance, and the social economy is one of fourteen eligible categories, sitting alongside solidarity responses to natural disasters, agricultural safety nets, and home affairs actions.**

Those three pre-allocated items alone absorb approximately €63 billion of the Facility's total envelope, leaving a residual allocation of just €8 billion for the remaining eleven Union actions combined, to be programmed through annual or multiannual work programmes at the Commission's discretion. In addition to this budget cut, there is also a structural mismatch. The EU Facility is defined as a flexibility and crisis-response instrument, while social investment is structural and predictable, relying on multi-year frameworks and specialised intermediaries that cannot operate on a crisis-response cycle. Lodging social investment (support for microfinance, social enterprise finance, and the social economy) inside the EU Facility therefore contradicts the Facility's own definition.

What is at stake

Without a structured successor to the Social Investment and Skills Window, the social economy ecosystem—comprising over 4 million enterprises and organisations, employing more than 11 million people, and generating close to €1 trillion in turnover, in 2021, comparable in size to the automotive industry[1] —**risks losing a key part of its dedicated financial infrastructure**. These actors face structurally higher barriers to finance than standard SMEs due to factors such as hybrid business models prioritising social impact over profit, limited collateral, smaller deal sizes, and regulatory or legal constraints that reduce investor familiarity and appetite, and their access is mediated by specialised social finance intermediaries that mainstream banks will not replace at scale.

This would have direct implications for territorial cohesion and public finances, including lower territorial resilience, reduced investment capacity in vulnerable areas and increased reliance on public expenditure. It would also affect the effective implementation of existing EU policy priorities, including the European Pillar of Social Rights, the Anti-Poverty Strategy, and the Affordable Housing Plan, all of which rely on functioning last-mile financing mechanisms to achieve their stated objectives.

A Social Investment and Skills Window under the ECF

In light of the reduction in dedicated resources and the structural misalignment identified above, the issue is not only the disappearance of the SISW, but **the absence of a clear and suitable anchoring of social investment within the new MFF architecture**. This raises questions about how social investment is integrated into the Union’s evolving competitiveness framework.

If we frame competitiveness only in technological or industrial terms, we risk treating sectors contributing to local development and community well-being as secondary, even though they are part of Europe's resilience and long-term performance. **A truly competitive Europe must also be a resilient one, ensuring that EU financing reaches SMEs, social economy actors, and underserved regions.**

The European Competitiveness Fund (ECF) mentions support for microfinance and social enterprises, but **the ECF InvestEU Instrument** –the vehicle through which guarantees, financial instruments and blended finance will actually be deployed - **is established without any explicit reference to social investment objectives**, without a dedicated sub-window, and without provisions on how social finance intermediaries would access the guarantee in practice. **The NRPP Regulation does not specify how the EU Facility components relating to social investment will be operationalised through the ECF InvestEU Instrument**.

Therefore, a dedicated window would close that gap, giving social investment the stable, operational framework it needs while ensuring that competitiveness includes the financing mechanisms that underpin territorial cohesion, inclusion and the real economy.

Our asks

We call on Members of the European Parliament to support four demands across the ECF Regulations:

- **Establish a dedicated SISW within the European Competitiveness Fund,** with a direct ECF budget envelope of EUR 3 204 016 525[2] - to the share that the SISW guarantee envelope represented within the InvestEU Programme. This envelope must be protected from annual reprogramming and from competition with other policy windows, to preserve continuity and predictability.

- **Develop the financial-instruments component within ESF+ under the NRPPs,** maintaining coordination with, and clear separation from, the Social Investment and Skills Windows under the ECF.

[1] European Federation of Ethical and Alternative Banks (FEBEA), 8th Report on Ethical Finance in Europe, 2025, p. 22.
[2] This amount (EUR 3 204 016 525) corresponds to the envelope, adjusted to inflation, of the Social Investment and Skills Window under Regulation (EU 2021/523), amended in December 2025 (EU 2025/2005), "up to EUR 3 090 760 862 for objectives referred to in Article 3(2), point (d)" Annex I.

- **Design social investment as a structured financial product within the ECF**, with defined product lines, eligibility criteria and proportionate reporting requirements, going beyond what the current proposals offer, where social investment appears merely as a listed eligibility category in an annex. Impact measurement should be explicitly embedded in the design, reflecting the nature of impact investing rather than standard ESG reporting, while ensuring a proportionate framework; overly burdensome reporting requirements would risk excluding smaller, specialised intermediaries. A premium mechanism could be introduced based on the share of an intermediary's portfolio allocated to the social economy, rather than on the absolute volume of guarantee use, which would otherwise favour large generalist banks. This would help ensure a level playing field for dedicated actors such as ethical banks and microfinance institutions.

- **Establish proportionality safeguards to enable practical, affordable and easy access** for smaller micro and social finance providers to all policy windows under the ECF InvestEU Instrument.

FEBEA is the **European Federation of Ethical and Alternative Banks and Financiers**. We represent **33 members**, both banks and non-bank financial institutions, operating **across 17 European countries.** Our members are rooted in the **real economy**: they finance social innovation, entrepreneurship, local development, and community and social infrastructure. Importantly, they do this while excluding sectors that harm people or the planet, such as fossil fuels, speculative finance or companies violating human rights.

Ethical finance institutions are not marginal. These institutions operate where conventional markets fail, and they do so with lower non-performing loan rates, higher business survival, and deep trust from local communities. They consistently show strong performance: **72% of their loans generate positive social and/or environmental impact, compared to only 19% for mainstream significant banks[3].**

[3] European Federation of Ethical and Alternative Banks (FEBEA), 8th Report on Ethical Finance in Europe, 2025, p. 22.

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Co-funded by the European Union