

POLICY BRIEF

The EU Budget and Investors *for* Impact: ESF+ and InvestEU

The pandemic has taken a heavy toll on our societies and economies. The European Commission proposed a policy response for a quick recovery on multiple dimensions such as social innovation, climate neutrality, health, and digitalisation, all boosted by **a significant EU budget of €2.1 trillion**. This massive allocation brings multiple funding opportunities for social economy actors, hence an in-depth understanding of all relevant **EU funding mechanisms and levels of governance** is essential.

Investors *for* impact are key stakeholders in the future deployment of the EU budget and are characterised by their mission to **financially and non-financially support** organisations that aim to maximise social impact, to ultimately improve the lives of (vulnerable) people. This policy brief explains how investors *for* impact can access the InvestEU and ESF+ funding programmes and connect with key players active in the allocation of the EU budget.

OUTLOOK ON THE EU BUDGET FOR INVESTORS *FOR* IMPACT

The EU budget, formed by the Multiannual Financial Framework 2021-2027 (MFF) and the Next Generation EU stimulus package (2021-2024), aims to support, in part, the social objectives investors *for* impact strive to realise¹. The two instruments combined amount to a total of €2.018 trillion for the period 2021-2027.

¹ The [EU budget](#) is structured around seven themes: 1) Single Market, Innovation and Digital; 2) Cohesion Resilience and Values; 3) Natural Resources and Environment; 4) Migration and Border Management; 5) Security and Defence; 6) Neighbourhood and the World and 7) European Public Administration. Individual EU funding programmes may cover (parts of) multiple themes. For instance, for the social dimension of EU budget, the funding programmes Erasmus+ and Horizon are both relevant. Yet, the funding programmes which have most magnitude in the social domain and best support the work of investors *for* impact are InvestEU and ESF+.

Under this seven-year timeframe, the EU allocates resources for its political priorities such as digitalisation, green and just transition, and social economy, stimulating reforms at the level of member states and strengthening decentralisation by increasing the amount of EU funding deployed at the national level. The most important funding programmes in this respect are InvestEU and ESF+.

THE ROADS LEADING TO ESF+ AND INVESTEU

There are multiple paths available for investors *for* impact to **access the funding programmes**. Whilst the EU provides the funding for specific programmes, the EU institutions are not always directly involved in the daily management of the funds. The EU funding opportunities are allocated by different types of stakeholders (Figure 1) and their respective programmes are governed by three different modes: **indirect, shared, and direct management**. These three management modes exist because EU funding is distributed on three different levels: across the EU (direct management), transnationally or across blocs of countries (indirect management), and nationally (shared management).

InvestEU and ESF+ are two of the main programmes enforcing the social dimension of the Union. Hence, it is fundamental to dive into their structure, specific strands, and types of management.



Figure 1. The three types of stakeholders distributing the EU Budget

INDIRECT MANAGEMENT IN PRACTICE

Both InvestEU and the ESF+ strand - European Social Innovation+ are managed indirectly by Commission designated implementing partners. The next two sections explain the processes to access InvestEU and the European Social Innovation+.

HOW CAN INVESTORS FOR IMPACT ACCESS INVESTEU?

The €26.2 billion guarantee of the InvestEU Fund is governed by **indirect management**. Investors *for impact* can access the financial products of this fund by engaging with specific financial institutions, such as **national promotional banks, the European Investment Fund (EIF), and the European Investment Bank (EIB)**, that concluded agreements with the European Commission and are referred to as implementing partners. The implementing partners of the InvestEU Fund are among others, the European Bank for Reconstruction and Development (EBRD), the Council of Europe Development Bank (CEB) or the Nordic Investment Bank (NIB), together with the European Investment Bank (EIB) and the European Investment Fund (EIF). The EIB and EIF are active in each member state and will manage about 75% of the InvestEU guarantee.

The financial support under InvestEU is available under thematic windows: Small and Medium Sized Companies [€6.9 billion]; Research, Innovation and Digitisation [€6.5 billion]; Sustainable Infrastructure [€9.9 billion]; and Social Investment and Skills [€2.8 billion]. Investors *for impact* can access funding under each of these windows. The **“Social Investment and Skills” window** supports, among others, social enterprises, social innovation, and social services, and is therefore the most relevant window for investors *for impact*. The exact scope, regulations and financial products of each of the four windows can be found in the [Investment Guidelines for the InvestEU Fund](#).

Investors for impact can participate in the implementation of the InvestEU Fund in as a **financial intermediary**, i.e. they can **co-invest** with the implementing partners. To do this, investors *for impact* should **follow the transparent and non-discriminatory procedure that implementing partners** devised to select financial intermediaries. Most frequently this involves **reacting to calls for expression of interest** published on the webpage of an implementing partner. The EVPA Policy Brief about the Pact for Skills provides an elaborate [example](#) of a cooperation between financial intermediaries and an implementing partner; the European Investment Fund.

More information about the structure of InvestEU and its objectives, can be found in the EVPA [policy brief](#) about InvestEU and on the EVPA [webpage](#) about InvestEU.

INVESTEU ADVISORY HUB

In addition to capital support under the InvestEU fund, non-financial support (technical assistance and capacity building) can be accessed for the same four thematic windows through the [InvestEU Advisory Hub](#). The Hub offers services to help organisations, like investors *for impact*, access InvestEU funding and build the required capacity to participate in the fund. Yet, note that one must apply for such support and is not required to be a beneficiary of the InvestEU Fund. The European Investment Bank will issue 75% of the advisory services.

HOW CAN INVESTORS FOR IMPACT ACCESS EUROPEAN SOCIAL INNOVATION+?

The European Social Fund Social Innovation+ initiative is a strand of the ESF+ framework and also subject to the principles of **indirect management**. The European Commission is currently in the process of selecting one entity with a €0.197 billion fund to support the **transnational transfer and scaling of social innovation**. The entity shall issue this support by **publishing calls for proposals and financing** the selected proposals by means of grants, and by functioning as a “**European Competence Centre for Social Innovation**”. This entity would act like an implementing partner that facilitates social entrepreneurship by means of capacity- and knowledge building, networking, communication, and creating synergies with the already established “Competence Centres for Social Innovation” that facilitate **social entrepreneurship on a national level**.

Investors *for impact* can engage with ESF Social Innovation+ by reacting to the calls for proposals published by the (future) European Competence Centre for Social Innovation or using the latter’s services to reinforce their social innovation activities. Similarly, investors *for impact* may interact with the [National Competence Centres for Social Innovation](#).

SHARED MANAGEMENT IN PRACTICE

Structural Funds (ESF+, EARD, EAFRD, etc.) and the Cohesion Fund are the two types of programmes for which management is divided between the EU and the member states. The next two sections explain the process of accessing InvestEU and ESF+.

HOW CAN INVESTORS FOR IMPACT ACCESS ESF+?

The European Social Fund + is a €98.3 billion funding programme that primarily issues grants. Investors *for impact* access ESF+ by **engaging with the managing authorities of the member state** in which investors for impact wish to implement a project.

[Managing authorities](#) are public authorities that are appointed by national governments to implement EU structural funds like ESF+ and concluded seven-year [Operational Programmes](#) with the European Commission which detail the priorities and objectives of the member-state and describe the activities the **managing authority aims to finance**. A single Operational Programme may cover the entire member state, but some member states devise multiple programmes each covering a specific region. National governments may also choose to establish multiple managing authorities each covering a part of the country (e.g. the case of Italy and Germany). Managing authorities, in turn may choose to delegate parts of their responsibilities to so-called **intermediate bodies**, conditional on the approval of the national government and the European Commission. In such cases, **investors for impact** do not necessarily engage with a single institution to obtain information about ESF+, apply for ESF+ funding, conclude ESF+ funding agreements, be issued the ESF+ funding, and monitor compliance with the funding agreement.

More information about the structure of ESF+ and its objectives, can be found in the EVPA [policy brief](#) about ESF+ and the EVPA [webpage](#) about ESF+.

SYNERGIES BETWEEN ESF+ AND INVESTEU

Investors *for impact* can blend obtained financial resources from ESF+ and InvestEU in a single project to increase the amount of funding to the project. Investors *for impact* will need to apply to both the relevant managing authority and implementing partner to obtain this funding, but regulatory compliance is facilitated by making the implementation of the blending operation subject to only the InvestEU rules. Investors *for impact* that are interested in blending might also be interested in exploring [the possibility to build financial instruments](#), e.g. loans, guarantees and equity, under the ESF+ programme to increase the strength of their funding proposals. Yet, investors *for impact* do not necessarily need to engage in blending to benefit from this option.

[The platform FI-compass](#), a joint initiative of the European Commission and EIB, provides general information, practical tools and learning opportunities to various stakeholders in their orientation to use financial instruments under European Structural and Investment Funds (ESIF) such as ESF+.

DIRECT MANAGEMENT IN PRACTICE

HOW CAN INVESTORS FOR IMPACT ACCESS THE EASI STRAND OF ESF+?

EaSI (EU Programme for Employment and Social Innovation) is a €0.76 billion programme that, among other objectives, **stimulates social entrepreneurship and supports the scaling of successful social innovations across Europe**. EaSI does this primarily by issuing grants and public procurement contracts. Investors *for impact* access the funding under this strand of ESF+ via the [website](#) of the European Commission that lists all calls for proposals relating to funding programmes under direct management.

EaSI falls under ESF+ because of similar policy objectives; namely to combat social exclusion, eradicate poverty and improve working conditions, but is managed substantially differently from ESF+ (as described above), because of the difference in scale at which funded projects are implemented, namely EU-wide versus nationally or regionally. An example of an initiative financed by EaSI are the [National Contact Points](#)

[for EaSI](#) that help to disseminate best practices in social finance and social innovation. The call for proposals corresponding to this initiative as well as other relevant funding opportunities under direct management are collected on the EVPA [funding page](#).

MORE INFORMATION

It is essential to understand the principles governing EU funds as 2021 is the start of the new EU budgetary period in which EU funding opportunities for investors *for impact* are abundant and the structure of the EU funding programmes will remain unaltered until 2027. This policy brief explained the three modes that manage EU funding programmes and used the main EU funding programmes covering the social aspects of the EU’s agenda, InvestEU and ESF+, as examples to illustrate how investors *for impact* can access funding under each of these modes. It provides additional guidelines to the recently released infographic “[The EU Budget for Investors for Impact](#)”.