Skills and Education Guarantee Pilot
Live webinar - 25th June 2020
An initiative of:
Agenda

1. The Skills & Education guarantee pilot
2. The benefits of partnering with the EIF
3. How the guarantee works
4. How to apply
5. Additional implementation details
The Skills and Education (S&E) guarantee pilot is a new debt financing initiative dedicated to stimulating access to finance in education, training and skills.
The skills and education guarantee
Tackling the EU skills and education financing gap

**Financing gap**
- **120 million** Europeans will have to upskill or reskill in the next 5 years
- **16 million** jobs by 2025 will be created requiring higher skills

**EU policy objective** to invest in EU quality and inclusive education, training and lifelong learning

**EFSI Skills and Education Pilot**

**We support key policy objectives** of the EU by addressing funding gaps and facilitating access to finance

*Data according to European Small Business Finance Outlook by EIF and SAFE, Access to Finance of Enterprises in the euro area*
The skills and education guarantee
By sharing risks with our partners

Role of the EIF
Using resources from the EU, we share risks with our partners to incentivise lending

Financial intermediaries
- EIF provides a guarantee*
  - EIF provides a guarantee*
  - EIF provides a guarantee*
  - EIF provides a guarantee*

Banks and Financial Institutions
- Provide access to loans

Organisations supplying education & training
- Provide access to deferred payment of fees

Final recipients
- Students and learners
- Enterprises investing in skills
- Professional learners
- Organisations supplying education & training**
- Students and learners
- Students and learners

*Capped up to 25% of the guaranteed portfolio. **Or developing projects in the field of education.
EIF and its partners
Risk sharing to increase access to finance

European Investment Fund → Guarantee of losses → Organisations supplying education & training → Fee deferral schemes → Students and learners
What is a fee deferral scheme?

Description

A scheme allowing students/learners to defer the payment of their education/training expenses.

Case study

- You launch a new course
- 120 students are needed to break-even
- You want to defer fees to an additional 100 students

No impact on your cost-covering capacity

Potential to increase your marginal earnings
What is the S&E portfolio guarantee?

Description

A guarantee of a *portion of your expected losses* as a result of non-repayments.

- Guarantee rate: up to 80%
- Cap rate: up to 25%
- *Free of charge*

Case study

- You defer fees but not all students *repay*
- *If students don’t repay, you will have losses*
- The guarantee covers part of those losses
- *Because the risk is shared*
- You can attract more students
Who can become a partner?

Eligible education and training organisations

- Universities
- Vocational education and training (VET) providers
- Business schools
- Online training providers
- Consulting companies

- Established and operating in an EU Member State
- Ready to provide fee deferral schemes
- Capable of operating a system of deferral of payment of fees
Benefits of partnering with the EIF

By partnering with the EIF, some of the losses of your fee deferral scheme are covered.
Benefits of partnering with the EIF

Attract more students through fee deferral schemes

1. Increase the number of students/learners
2. Reach new and different students/learners
3. Expand your offer

Increase your earnings, expand and enrich your student population
Benefits of partnering with the EIF

**Broad scope**

**Eligible students and learners**
- Any student or learner >18y
- participating in an **Eligible Educational Programme**
- in a Member State

**Eligible educational programmes***
- Vocational education and training
- Nationally recognised qualifications
- University Degrees
- Digital skills
- Labour market skills

***Programmes falling under ISCED classification 3-8 (Upper secondary, Post-secondary non-tertiary education including VET - vocational education and training; Short-cycle tertiary education, including VET; Bachelor’s, Master’s, Doctoral or equivalent level degrees); Programmes leading to nationally recognised qualifications; Trainings in digital skills; Training in labour market relevant skills.
Attractive terms for students and learners

Fee deferral terms

- **Defer up to €30,000 in fees per student/learner**
- Range of fees covered
- Personal guarantee only
- Up to 15 years

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<table>
<thead>
<tr>
<th>Tuition fees</th>
<th>Living expenses</th>
<th>Accommodation and transport expenses</th>
<th>Text books</th>
<th>Other expenses</th>
</tr>
</thead>
</table>
Customisation features

Flexibility to tailor the guarantee agreement based on your needs

What the guarantee covers

- Deferred tuition payments
- Inclusion of other costs aside of tuitions, e.g.:
  - books
  - computer
  - accommodation

Features of the deferral scheme

- Repayment period
- Implied interest rate
- Features:
  - students targeted
  - study courses / training
  - % fees deferred
  - repayment period duration
  - grace period
How the guarantee works

A simplified real-life case study to illustrate how the guarantee works.
Case Study - simplified
You launch a fee deferral scheme

You are a Higher Education Institution

You become a S&E partner

You offer fee deferrals to 100 students

€5,000 per student

€500,000 total portfolio

Each student has 10 years to repay
Case Study - simplified
Timeline

- **Inclusion period**
  - Customise your guarantee
  - Sign Guarantee Agreement
  - Fee deferral starts
  - End of inclusion period: All 100 students sign up (on the same day)

- **Guarantee period**
  - Reporting defaults
  - End of guarantee coverage

- < 3 years
- < 15 years

How the guarantee works
Case Study - simplified
Your guaranteed portfolio and losses guaranteed

1. Fee deferral portfolio
   100 students
   €5,000 fees deferred per student

2. Guaranteed portfolio
   Guarantee rate: 80%
   80% of €5,000 = €4,000 per student
   Portfolio: €500,000
   Guaranteed portfolio: €400,000

3. Guarantee amount
   Cap rate 25%
   25% of the guaranteed portfolio
   25% of €400,000
   Losses guaranteed: €100,000
For every student that defaults we will cover up to €4,000 until a maximum of €100,000.
Case Study - *simplified*

When students fail to repay

- **10 years pass**
  - 70 students have repaid their fees
  - 30 students do not repay their fees
  - You have outstanding fees of €150,000
# Case Study - simplified

What to do in case students fail to pay

## Report the default to the EIF

1. **Activate recovery procedures**
   - Extend repayment terms
   - Introduce a grace period

2. **Submit immediately a guarantee call**
   - To recover part of the losses

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Report the default to the EIF and/or activate recovery procedures. Submit immediately a guarantee call to recover part of the losses.
Got Skills? Level Up

Case Study - simplified

Recover part of your losses via the guarantee

<table>
<thead>
<tr>
<th>Outstanding portfolio</th>
<th>Submit a guarantee call</th>
</tr>
</thead>
<tbody>
<tr>
<td>30 students</td>
<td>Recover up to €100,000</td>
</tr>
</tbody>
</table>

Outstanding fees:

- €5,000 fees defer per student
- €150,000

Out of your €150,000 outstanding fees, the S&E guarantee covers up to €4,000 per student until a maximum of €100,000.

This means your maximum losses are limited to €50,000

(€150,000 outstanding fees - €100,000 guarantee cap amount)
## Guarantee terms

### Summary

<table>
<thead>
<tr>
<th>Financial instruments</th>
<th>Capped portfolio guarantee</th>
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</thead>
<tbody>
<tr>
<td>Guarantee rate</td>
<td>Up to 80%</td>
</tr>
<tr>
<td>Maximum guarantee cap rate</td>
<td>Up to 25%</td>
</tr>
<tr>
<td>Guarantee fee</td>
<td>Free of charge</td>
</tr>
<tr>
<td>Guarantee tenure</td>
<td>15 years</td>
</tr>
<tr>
<td>Fee deferral conditions</td>
<td>Can be defined specifically together with the Financial Intermediaries</td>
</tr>
<tr>
<td>Minimum financial intermediary risk retention</td>
<td>20%</td>
</tr>
<tr>
<td>Repayment terms</td>
<td>Can be defined specifically together with the Financial Intermediaries</td>
</tr>
<tr>
<td>Coverage of accrued or capitalised interest</td>
<td>Up to Permitted Capitalised Interests as defined in the relevant Guarantee Agreement</td>
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<tr>
<td>Availability period</td>
<td>Generally up to 3 years</td>
</tr>
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</table>
Q&A

Type your questions and we will be happy to answer.

Coming next:
• How to apply
• Implementing the guarantee
How to apply

A quick guide to our call for expression of interest and the necessary documentation and application process.
**Four step process**

To become a Skills & Education guarantee partner

1. **Access documentation**
   - An open Call for Expression of Interest is published on our website.
   - **Click to read**

2. **Submit expression of interest**
   - Submit relevant documentation before the deadline.
   - **Application deadline:** 31.10.2020
   - [s-e-pilot@eif.org](mailto:s-e-pilot@eif.org)

3. **Due diligence & approval**
   - EIF will conduct a screening and, if pre-selected, a due diligence.
   - Negotiations on, e.g.:
     - maximum fee deferral volume
     - repayment terms for students/learners
     - guarantee terms
       - guarantee rate
       - cap rate
       - availability period etc.

4. **Guarantee agreement**
   - If approved by the EIF’s Board, guarantee agreement is signed.
   - Marketing and roll out commences.
   - (Up to) 3 year inclusion commences.
## Application documentation

### Which information to submit

<table>
<thead>
<tr>
<th>General information about your organisation</th>
<th>Specific information about the proposed fee deferral scheme</th>
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<tbody>
<tr>
<td>Organisation description</td>
<td>Organisation activity</td>
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<tr>
<td></td>
<td></td>
</tr>
<tr>
<td>Financial standing</td>
<td>Fee deferral characteristics</td>
</tr>
<tr>
<td>Operating principles</td>
<td></td>
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<tr>
<td>Prior experience in offering fee deferral schemes including volumes</td>
<td></td>
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<tr>
<td>Position in the market</td>
<td>Complementarity with local support schemes</td>
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<td></td>
<td>Favourable terms for students</td>
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Evaluation criteria

Each application is evaluated in chronological order using these criteria:

- Completeness of application in accordance with the provisions of the Call
- Prior experience with fee deferral schemes
- Quality of the implementation plan:
  - rollout strategy
  - proposed volumes
  - favourable terms for students
- Number and “type” of students, e.g.
  - low income
  - foreign students
- Geographical reach
- Complementarity to local support schemes

Formal criteria

Impact criteria

Quality criteria
Implementing the guarantee

Marketing and reporting obligations.
Marketing obligations

1. Promotion on your website
2. Reference to the S&E guarantee in your promotional and contractual material
3. Provide case studies
Reporting obligations

**When to report?**

Quarterly basis:
Starting from 30 days after the first quarter end date following the start of the inclusion period under the guarantee agreement

**What to report?**

Student/learner personal information:
name, contact, gender, nationality, country, date of birth, labour market status

Transaction information:
amount, maturity, grace period, signature date, disbursement start date, duration of the studies, level of eligible educational programme, field of study
Summary of the guarantee process

- **Sign Guarantee Agreement**
- **End of inclusion period**
- **Guarantee period**
- **End of guarantee coverage**

**Reporting each quarter**
- Reporting on inclusions: line by line detail on each newly signed fee deferral and already previously reported fee deferrals to track repayment of exposures
- Reporting on defaults and recovery procedures e.g. restructuring / modification of deferrals

**Monitoring visits**
- EIF may visit the Financial Intermediary and ask to review detailed documentation of a number of sampled reported deferral schemes
Summary
Recap of partner benefits

Increase the number of students/learners
Expand your offer of courses/training programmes
Expand and enrich your student population
Potential to increase your earnings

Reduce risk of non-repayment/losses
Q&A

Type your questions and we will be happy to answer.
Thank you.

Visit eif.org to access:

• the *Call for Expression of Interest* (available [here](#) as of April 2020)

Contact EIF’s team: s-e-pilot@eif.org

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