got skills?

LEVEL UP

EFSI Skills and Education Guarantee Pilot

An initiative of:
Agenda

1 The S&E Pilot
2 Capped (counter-)guarantee
3 Financial Intermediaries
4 Final Recipients and terms
5 How to apply
6 Implementing the guarantee
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
- 40% of EU employers struggle to find people with up-to-date skills

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

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
Sharing risks with our partners

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

EIF provides a guarantee*
European Investment Fund

Financial Intermediaries
Banks and Financial Institutions
Provide access to loans

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

Final Recipients
Category A
Students and learners

Category B
Enterprises investing in skills
Professional learners

Category C
Organisations supplying education & training**
Students and learners

Category A
Students and learners

*Capped up to 25% of the guaranteed portfolio. **Or developing projects in the field of education.
Capped guarantee: key terms

Under the S&E Pilot, EIF provides a free of charge capped portfolio guarantee to selected Financial Intermediaries.
Capped portfolio (counter-) guarantee

Key terms

- **Up to 80%**
  
  Guarantee rate of up to 80% on a transaction by transaction basis*

- **Up to 25%**
  
  Up to a maximum guarantee cap rate of 25%.
  
  The cap rate is to be determined based on the portfolio of debt financing to be guaranteed

- **Free of charge**
  
  No guarantee fees are charged and no penalties are applied

*Transactions encompass loans, deferral of payments, etc to eligible final recipients.
### Guarantee terms

<table>
<thead>
<tr>
<th>Financial instrument</th>
<th>Capped portfolio guarantee</th>
</tr>
</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>
</tbody>
</table>
| Guarantee tenure                      | • 15 years for Category A Final Recipients  
• 10 years for Category B and Category C Final Recipients |
| Minimum financial intermediary risk retention | 20%                       |
| Repayment terms                       | Can be defined specifically together with the Financial Intermediary |
| Coverage of accrued or capitalised interest | Up to Permitted Capitalised Interests as defined in the relevant Guarantee Agreement |
| Availability period                   | Generally up to 3 years    |
Who can become an EIF partner for the implementation of the S&E Pilot?
S&E partners
Lending and deferring payments under the S&E Pilot

Banks or other Financial Institutions:

- Any institution authorised to carry out debt financing or issue guarantees
- Based in a Member State of the EU
- Willing to provide loans or guarantees to eligible Final Recipients under any of the Categories A, B, C

Organisations supplying education & training*:

- Any provider of higher education and trainings, e.g. universities, VET providers
- Based in a Member State of the EU
- Willing and capable of operating a system of deferral of payments of fees for its own students / adult learners - eligible Final Recipients falling under Category A

* Or developing projects in the field of education.
Final Recipients and terms

Who can benefit from financing made available under the S&E Pilot through EIF’s partners?
## Eligible Final Recipients and terms

### Summary

<table>
<thead>
<tr>
<th>Final Recipients</th>
<th>Students and learners (Category A)</th>
<th>Enterprises investing in skills (Category B)</th>
<th>Organisations supplying education &amp; training (Category C)</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Financial intermediary</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>Organisations supplying education &amp; training*</td>
<td>Banks or other financial institutions</td>
<td></td>
</tr>
<tr>
<td><strong>Final Recipients</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>Students and learners</td>
<td>Enterprises investing in skills</td>
<td>Organisations supplying education &amp; training</td>
</tr>
<tr>
<td>Client size</td>
<td>Individuals ≥ 18 years</td>
<td>SMEs and Small Mid-Caps (&lt;500 staff, including public entities)</td>
<td>Any entity/organisation of any legal form, engaged in an economic activity</td>
</tr>
<tr>
<td>Financing amount</td>
<td>Up to EUR 30k per student /learner</td>
<td>• Up to EUR 2m / investment or working capital loan</td>
<td>• Up to EUR 2m/ investment or working capital loan</td>
</tr>
<tr>
<td>Financing purpose**</td>
<td>Tuition fees, living, accommodation and transport fees, text books and other Expenses related to an “eligible educational programme”</td>
<td>Direct costs (i.e. fees, travel &amp; subsistence, labour, training materials &amp; premises) &amp; Indirect costs, related to an “eligible investment into skills”</td>
<td>Investment or working capital loan related to an “eligible business activity or project”</td>
</tr>
<tr>
<td>Others</td>
<td>No collateral or parental (or other third party) guarantee</td>
<td>n/a</td>
<td>n/a</td>
</tr>
</tbody>
</table>

* Or developing projects in the field of education.  **Check next slide for further information
Eligible financing
Purpose of eligible financing, other debt financing and guarantees, per Final Recipient category

**Students and learners**
Cover costs of an “eligible educational programme”, such as:
- programmes under ISCED classifications 3-8
- programmes leading to nationally recognised qualifications
- trainings in digital skills
- trainings in labour market skills

**Enterprises investing in skills**
Cover costs of an “eligible investments into skills”, such as:
- apprenticeships
- programmes leading to nationally recognised qualifications
- traineeships
- student entrepreneurship
- digital skills
- trainings / other skills acquisition

**Organisations supplying education & training**
Cover costs of entities carrying out an “eligible business activity or develop an eligible project”, such as:
- NACE CODE P business activity (min. 20% of the sales/turnover deriving from education/skills activity); or
- developing a NACE CODE P project

➢ NACE CODE P includes pre-primary education, primary education, secondary education, higher education, other education, educational support activities

*Or developing projects in the field of education.*
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.

2. Submit expression of interest
   Submit relevant documentation before the deadline.
   Application deadline: 31.10.2020
   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 period commences.

The selection process takes approx. 2 to 4 months (depending on quality of the information received)

How to apply
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 loan/fee deferral schemes
- Quality of the implementation plan
  - rollout strategy
  - proposed volumes
  - favourable terms for Final Recipients

Formal criteria:
- Number and “type” of Final Recipients, e.g.
  - low income
  - Sector of companies
  - Educational programmes offered by organisations

Impact criteria:
- Geographical reach

Quality criteria:
- Complementarity to local support schemes
# Application documentation

## Which information to submit

### General information about your institution

<table>
<thead>
<tr>
<th>Institution description</th>
<th>Business activity</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Geographical reach</td>
</tr>
</tbody>
</table>

### Financial standing

### Operating principles

### Prior experience in offering loans or fee deferral schemes, including volumes

### Position in the market

<table>
<thead>
<tr>
<th>Loans/Fee deferral characteristics</th>
<th>Envisaged volumes (number of Final Recipients)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Average EUR amount of loan/fee deferrals foreseen</td>
<td></td>
</tr>
</tbody>
</table>

### Complementarity with local support schemes

<table>
<thead>
<tr>
<th>Favourable terms for Final Recipients</th>
<th>Pricing e.g. interest rate reduction</th>
</tr>
</thead>
<tbody>
<tr>
<td>Grace periods</td>
<td></td>
</tr>
<tr>
<td>Min/max maturity</td>
<td></td>
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</tbody>
</table>

### Implementation strategy

<table>
<thead>
<tr>
<th>Internal readiness (systems, procedures)</th>
<th>Marketing plan</th>
</tr>
</thead>
</table>
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**
Implementing the guarantee

Reporting obligations

**When** to report?

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

**What** to report?

Final Recipient information (depending on the Category):
- name, contact, gender, nationality, country, date of birth/establishment, labour market status, number of employees

Transaction information (depending on the Category):
- amount, maturity, grace period, signature date, disbursement start date, duration of the studies, level of eligible educational programme, field of study, type of skills investment, purpose of financing, investment amount
Summary of the guarantee process

**Inclusion period**
- **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 loan / fee deferral and already previously reported loan / fee deferrals to track repayment of exposures
- Reporting on defaults and recovery procedures e.g. restructuring / modification of loans / deferrals

**Monitoring visits**
- EIF may visit the Financial Intermediary and ask to review detailed documentation of a number of sampled reported loans / fee deferrals
Visit eif.org to access:

the Call for Expression of Interest (available here)

Contact EIF’s team: s-e-pilot@eif.org

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