



Financial instruments for education and learning: *Main takeaways*

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 #ficompass

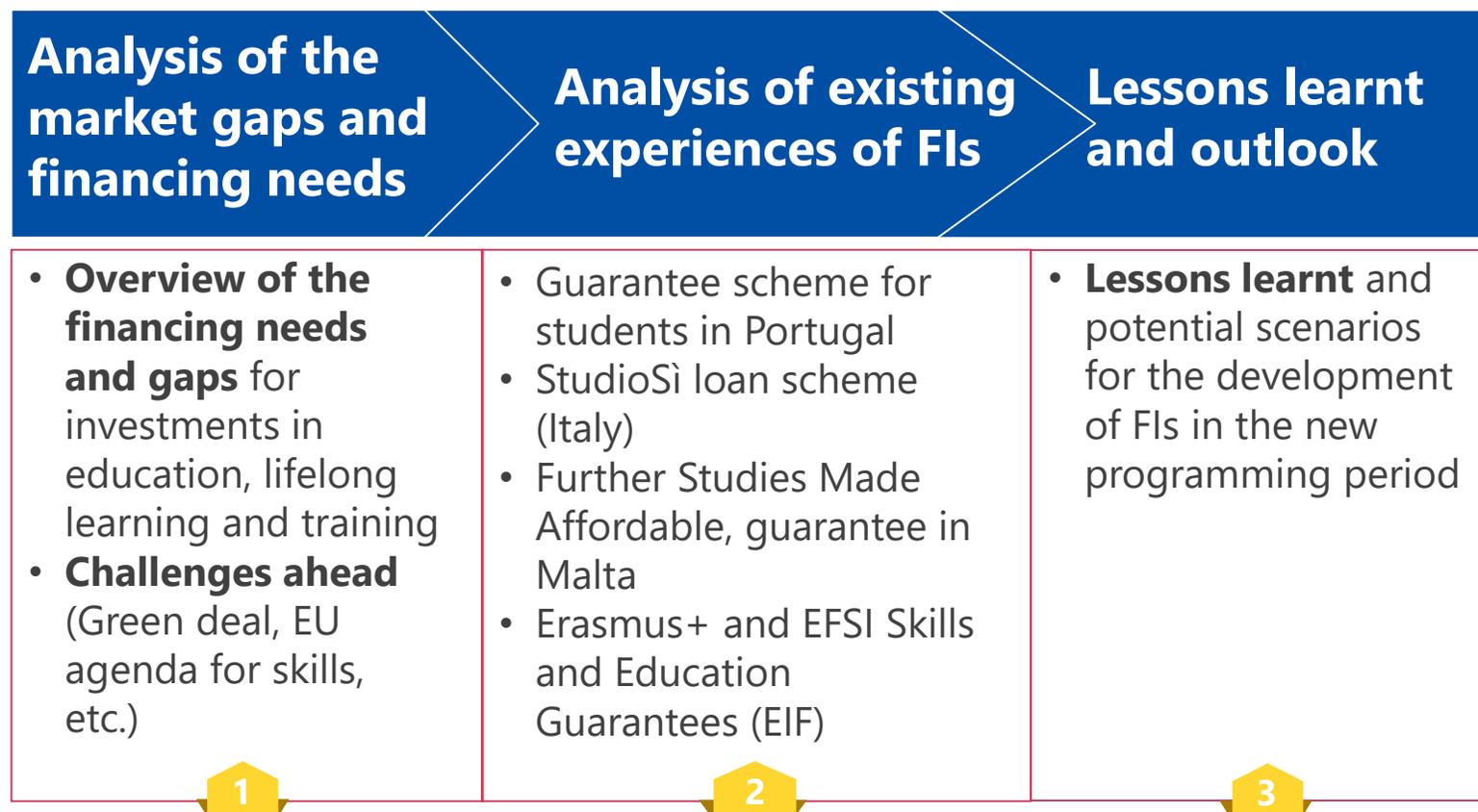


fi-compass study for education and learning

Objectives and content



Guidance to MAs in a context of evolving market needs



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fi-compass study – FIs for education and learning

Check out the publication!



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Background

Investing in skills and education to stay on top of today's challenges



- Current trends and challenges ahead
 - **Green and digital** transitions - **COVID-19 pandemic** accentuated the **digital skills gap**
 - **Demographic change**
 - **Skills mismatch** and **lack of lifelong learning opportunities**
- An EU coordinated policy framework for education and learning
 - **European Education Area** - consolidates ongoing efforts to foster cooperation among MS to further enrich the quality and inclusiveness of national education and training systems
 - **European Skills Agenda 2020** – 5 year plan to realise, through 12 specific actions, the right to training and lifelong learning, enshrined in the European Pillar of Social Rights. EU budget support through well-known sources (NextGen EU, ESF+, JTF, EGAF...)
 - Most responsibilities for skills policies remain at the national, regional and local level, though!

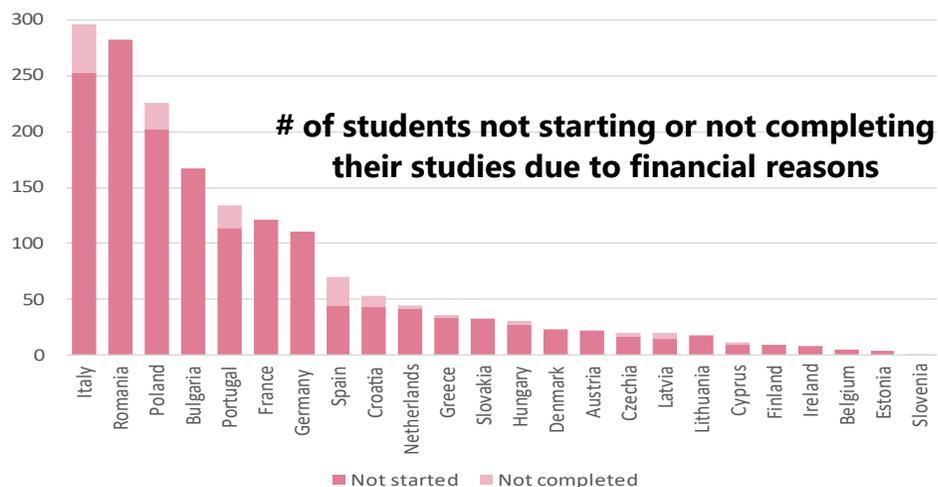
Market gap and financing needs

Higher education



- **Private resources** are the primary means to fund studies
- Students bear living costs and study related costs
- 1.6m young people never started tertiary education for financial reasons (Eurostat 2016) + 200 000 started but never completed
- **Public scholarships** are limited in size and availability. Huge differences across MS
- Major consequences in accessing the labour market

- Over half of national public funding comes as non-repayable support
- **Grants** are based on needs/merit
- **Loans** are provided in most EU MS (from public and private), but few students access them
- Commercial banks loans usually require collateral

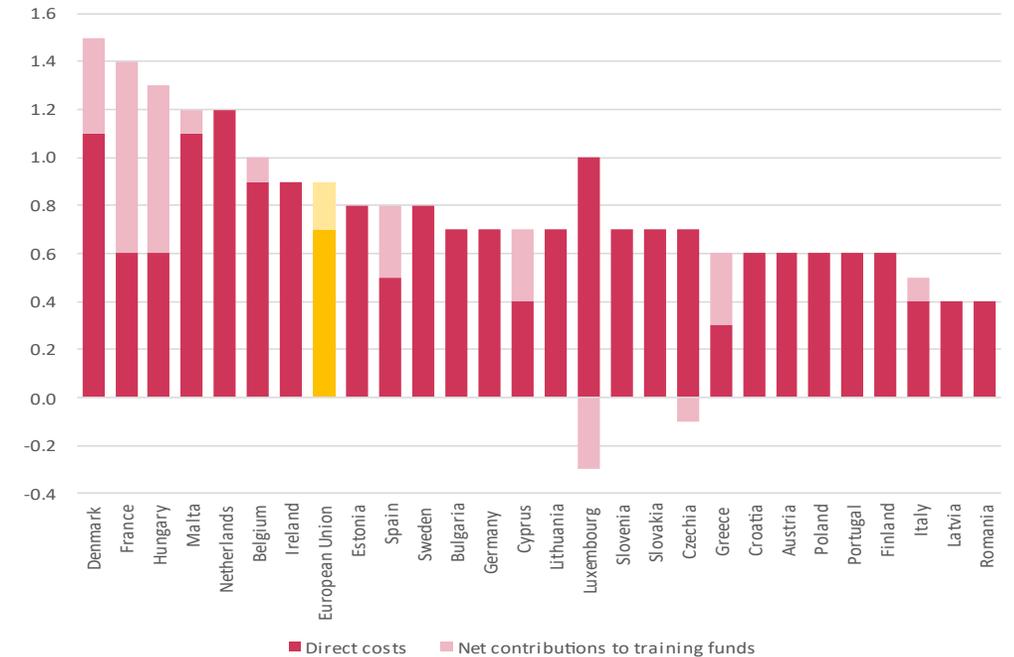


Market gap and financing needs

Learning



- 20% of enterprises reports not investing enough in training (EIB, 2018)
- **Considerable training gap** between large firms and micro- SMEs, in terms of % of staff involved, dedicated time and resources. Divide is across EU as well
- Training can be expensive and is used mostly for job-specific skills
- **Negative spiral:** training costs are cut first, but hamper company's competitiveness



Total monetary expenditure for CVT in the EU MS (% of total labour cost of all enterprises)

Experiences on the ground

ESF for national/regional FIs for higher education



Malta



- Guarantee with interest rate subsidy
- EUR 3m ESF (1.65m guarantee; 1.35m subsidy)
- 5x multiplier
- Max 100k loan per student
- Tenor up to 10 y
- 5y grace period
- Full interest rate subsidy during grace period
- 1 F. Int.
- Fully deployed
- 244 recipients



Portugal



- Mutual guarantee scheme
- EUR 10m ESF + ca. 4m national resources
- 80% guarantee rate, 15% cap
- 6x multiplier
- Max 30k loan per student
- Tenor up to 10 y
- 2y grace period
- EURIBOR + 1.25% (w/discounts)
- Collateral may be requested
- Early repayment possible
- 3 F. Int.
- ca. 1200 recipients

Italy



- Loan scheme, 100% ESF
- EUR 100 million
- Max 50k loan per student
- 0% interest rate
- Tenor up to 20 y
- 30 months grace period
- No collateral
- Early repayment possible
- 2 F. Int.
- More than 1200 recipients (30% absorption)

Experiences on the ground

Centralised facilities managed by the EIF



Erasmus+ SLGF

- (counter-) guarantees to financial and non-financial intermediaries which develop new debt portfolios of student loans (or deferral of payments for students)
- Only for master students pursuing their master degree abroad
- 9 intermediaries covering 8 Countries
- Involvement of Universities as financial intermediaries (payment deferrals)
- EUR 12.6m in guarantee contracts. 90% guarantee, 18% cap
- 931 students supported

Skills and Education Guarantee Pilot

- EFSI backed
- wider set of eligible beneficiaries than its predecessor:
 - a) Individuals (students and learners), including for transnational mobility;
 - b) European enterprises investing in skills and skills utilisation of their workforce; and
 - c) European organisations supplying services in the field of education and skills development
- EUR 50m budget - More than EUR 382 million of financing available to the benefit of more than 19 000 students and 3 000 companies.
- 17 agreements were signed with Financial Intermediaries from 9 participating countries (14 Countries covered)
- ca. 650 final recipients supported.



Looking ahead

Growing sector with specific features



Potential for FIs

- Needs expected to increase (green and tech transition) vs usual budget constraints
- Forerunners show encouraging results (guarantees and loans)

Lessons learnt

For F. Int.

- Little margins, high risk, cumbersome procedures (similar to microfinance)
- Guarantees are the preferred instrument

For MAs:

- Broad eligibility criteria (qualification, geographies, categories of costs)
- F. Int. role more crucial than ever (communication, user-friendly application process, monitoring)
- Can education and learning coexist in the same financial instrument?

Options

- **Tailored ESF+ financial instruments** (w/grant combination)
- **InvestEU** (EIF products)
- **InvestEU MS compartment**



Thank you!

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