

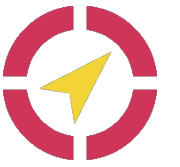
FI funded by ESF – Further Studies Made Affordable (FSMA & FSMA+)

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Operational Programme II

Main Goals and Objectives

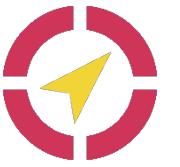


- ❑ The Financial Instrument under ESF is being implemented under Priority Axis 3 (PA 3) of the 2014-2020 programming period. The Priority Axis main goal is to *improve the educational experience and its relevance to the labour market with the aim to limit the number of young people that leave education too early.*

- ❑ Notwithstanding that as at 2021, the rate of the population aged 30-34 years old having completed tertiary education has reached 43.6%, continuous effort is still needed with regards to early school leavers to reach the EU target to have less than 9% of early school leavers by 2030.

- ❑ In this regard, various initiatives have been implemented such as:
 - Free education at various levels
 - Provision of stipends at post-secondary and tertiary levels
 - Job Placement Schemes
 - Funding to assist Maltese students to further their studies abroad or through distance learning

Ex-Ante Assessment



- ❑ Although through out the years the number of scholarships awarded in Malta has increased drastically as a result of the availability of EU Funding assistance, a proportion of those who apply do not have access to these sources of finance and thus needed to be supported through other measures.
- ❑ In this regard, an ex-ante assessment was carried in 2018 out to identify the main causes and extent of the market failure in vocational and professional areas as well as calculating the current financing gap between the existent scholarships/financial support at tertiary level or equivalent.
- ❑ The ex-ante study also sought to identify potential FIs and to provide evidence of such adequacy against the identified market failure as well as on how these FIs could contribute to the achievement of the Programme and ESIF objectives.

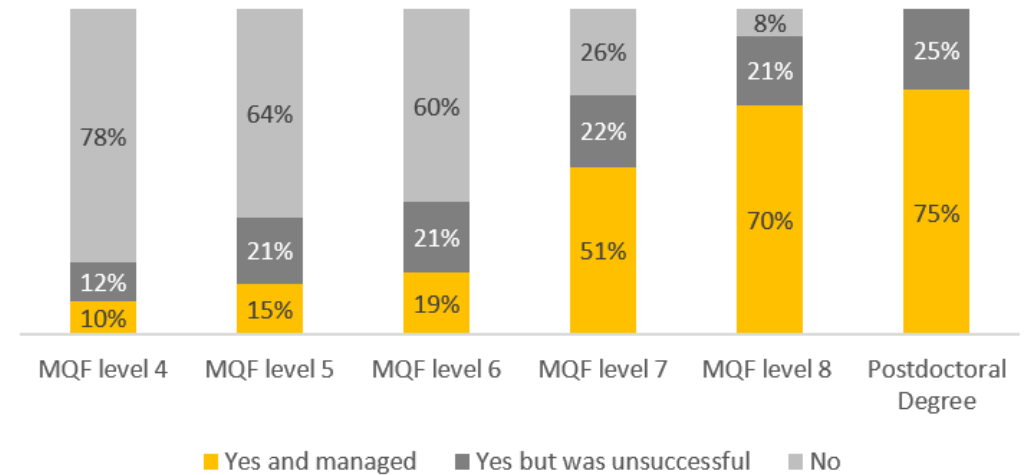
Ex-Ante Assessment



The ex-ante assessment confirmed that there was an existing market gap with respect to access to finance for students, such as:

- Non-repayable grants do not meet the current and estimated demand, resulting in several applicants not receiving a grant to continue to study
- Alternative forms of assistance, through private sources are insufficient
- Current available financial products are not sufficiently attractive
- Progress is still required for Malta to reach the EU 2020 educational targets.

Attempts to obtain financial assistance to continue studying (by education level)

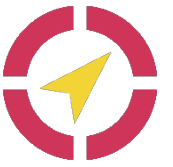


Number of Student Loans per loan size bracket from January 2016 – March 2019⁵

| Value Size Brackets per Loan | 2016 | 2017 | 2018 | 2019 | Total |
|------------------------------|------------|------------|------------|-----------|------------|
| 0-2,500 | 82 | 65 | 42 | 5 | 194 |
| 2,501-5,000 | 72 | 51 | 64 | 13 | 200 |
| 5,001-10,000 | 9 | 21 | 8 | 1 | 39 |
| 10,001-15,000 | 18 | 13 | 7 | 0 | 38 |
| 15,001-20,000 | 4 | 7 | 4 | 0 | 15 |
| 20,001-25,000 | 1 | 2 | 2 | 0 | 5 |
| 25,001-30,000 | 1 | 2 | 1 | 0 | 4 |
| | 187 | 161 | 128 | 19 | 495 |

Financial Instrument – ESF

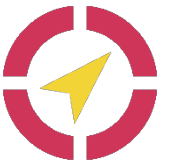
Further Studies Made Affordable (FSMA & FSMA+)



- ❑ Following the ex-ante assessment, the ESF FI Further Studies Made Affordable was launched in October 2019. The instrument is being funded under Priority Axis 3 “Investing in People through Education, Training and Lifelong Learning”.
- ❑ The FSMA FI has an allocation of €3 million and is supporting students in pursuing their studies for accredited courses in MQF levels 5, 6, 7 and 8 as well as other internationally-recognized certificates.
- ❑ Based on the success achieved by the FSMA FI, a decision was taken to commit an additional €5M from the ESF 2014-2020 and ESF+ 2021-2027. The eligibility period was extended to 31st December 2027.

Financial Instrument – ESF

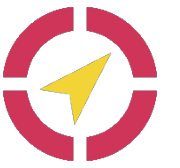
Further Studies Made Affordable (FSMA & FSMA+)



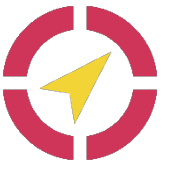
- ❑ The financial instrument together with the scholarships which are being offered under this PA will encourage further uptake in tertiary education and beyond in different areas of study with the aim to have better equipped individuals who can compete at an international level
- ❑ These measures provide an opportunity to persons who are already in employment but consider to participate in tertiary education programmes. In this regard, students opting for one of these measures are given the opportunity to study both abroad or distance learning/on-line learning.
- ❑ These initiatives can also help those students who opt to read for undergraduate studies offered by private institutions as well as those students who follow courses that are not offered locally.

Implementation of the financial Instrument

Further Studies Made Affordable (FSMA & FSMA+)



- ❑ The FSMA FI is being implemented in collaboration between the Managing Authority (MA) and the Malta Development Bank (MDB).
- ❑ In line with Article 38 of the Common Provision Regulation (EU) No 1303/2013, the Malta Development Bank (MDB) was entrusted to implement the FSMA FI on behalf of the Managing Authority.
- ❑ The MDB is a Government-owned promotional bank and has been set up for the purpose of supporting entrepreneurship and socio-economic development.

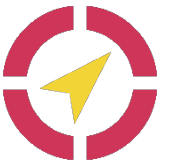


Developing the FSMA FI – the preparation process



Preparation Process (1)

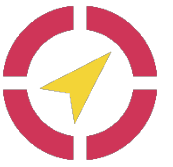
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- ❑ The MDB is Malta's first and only National Promotional Bank, to date this is the only MDB scheme directed to individuals and not to business undertakings.
- ❑ The FSMA was also MDB's first blended instrument, combining a grant in the form of an interest rate subsidy with a guarantee to generate leverage at more favourable lending terms.
- ❑ First, the MDB carried out the *risk assessment of the multiplier* to estimate the expected default rates on the portfolio and on that basis the expected multiplier was set. Subsequently, the ESF funds were allocated into the two elements; the guarantee and interest rate subsidy.
- ❑ The second step in launching this FI was the publication of the Call for Service for selection of financial intermediaries for the FSMA (<https://mdb.org.mt/en/Schemes-and-Projects/Pages/Further-Studies-Made-Affordable.aspx>)
- ❑ The Call included details on: Features and Term Sheet of FSMA FI, the eligibility criteria of bidders, the documentation to be submitted, selection process, and operational provisions, including explanation on the role of the selected financial intermediary.

Preparation Process (2)

Further Studies Made Affordable (FSMA & FSMA+)

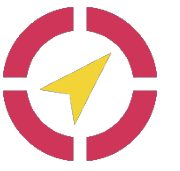


❑ Evaluation and Selection of the financial intermediary –

- ❑ Stage I: selection criteria: basic requirements.
- ❑ Stage II: award criteria: qualitative analysis and detailed full diligence, including:
technical and organisational capacity to deliver efficiently, pricing policy, and financial standing.

- ❑ Bank of Valletta (BOV) ranked first out of three bidding commercial banks.

- ❑ Appointment of the Appeals Panel made up of Independent senior officials from the Central Bank, the Ministry for Education and the Ministry for EU Funds.



Key Characteristics of the FSMA scheme

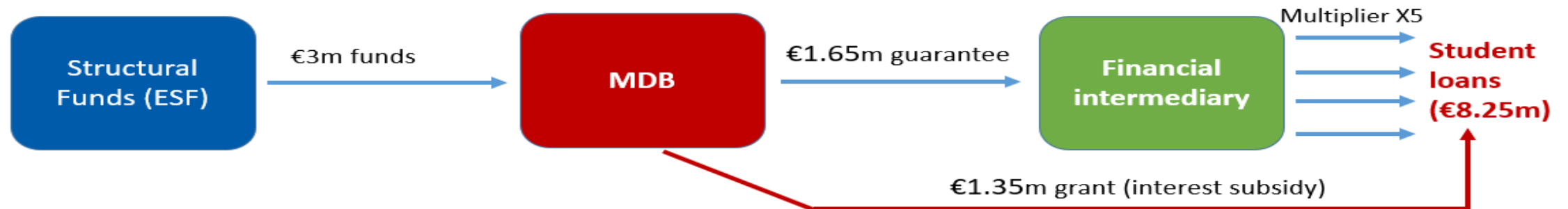




Structure of the Banking Facility

Further Studies Made Affordable (FSMA & FSMA+)

- ❑ The MDB provides a guarantee covering 80% of individual loans under the scheme, capped at 25% of the commercial bank's portfolio, generating a multiplier of 5.
- ❑ FSMA Multiplier ratio = $(1 / \text{guarantee rate } 0.80) \times (1 / \text{capping rate } 0.25)$
= 5 times leverage effect



- ❑ The financial instrument is divided into two elements: (i) **Guarantee element**: portfolio capped financial guarantee providing credit risk coverage on a loan-by-loan basis; and (ii) **Interest rate subsidy element** to cover all the interest incurred during the moratorium period of each student loan.

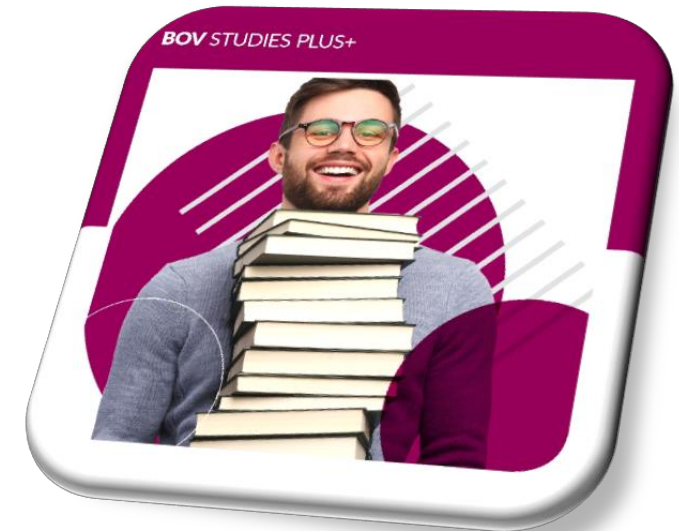
Terms

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Loan eligibility:

- Students pursuing a study programme which is an accredited course in MQF levels 5, 6, 7 and 8, as well as internationally recognised certificates.
- The loans are available for full-time & part-time studies.
- The loan can finance tuition fees, living expenses, accommodation fees, transport expenses, textbooks and related expenses.
- Maximum loan size: €100,000
- Maximum term of loan: 15 years (moratorium period plus up to 10 years for repayment)
- Maximum moratorium period: 5 years



Benefits

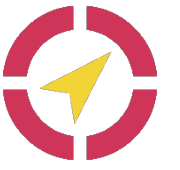
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❑ **Benefits:**

- ❑ No reliance on parents' income and wealth
- ❑ Enhanced access to loans, especially for larger amounts
- ❑ No payment obligations by the beneficiary during the period of study plus one year. A maximum capital moratorium that covers the term of the course plus an additional year, subject to a maximum moratorium period of five years.
- ❑ Attractive interest rate after the moratorium period.
- ❑ No additional fees and processing fees to be charged.
- ❑ No collateral requested from the beneficiary (no life insurance cover requested).
- ❑ No up-front contribution requested from the beneficiary.





Impact on the ground



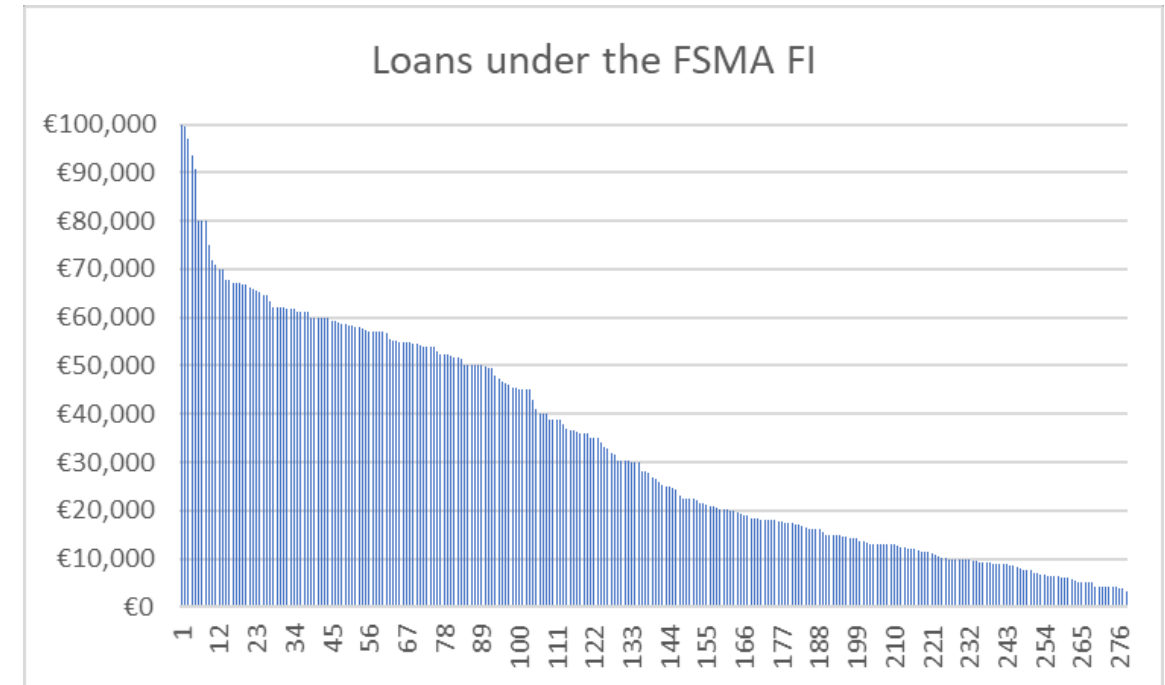
Impact (i)

Further Studies Made Affordable (FSMA & FSMA+)



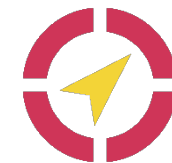
Key indicators:

- ❑ 277 students have been supported under the FSMA scheme, 175 males and 102 females.
- ❑ Total sanctioned loans under this scheme reached €9.2 million.
- ❑ Beneficiaries are aged between 19 and 50 years. However, over 80% of all beneficiaries are in the 19-30 age cohort, with a median age of 25 years old.
- ❑ Loans ranged from €3,100 to €100,000 with the overall average loan size reaching €33,350. This is much higher than what commercial banks are willing to offer in absence of such a guaranteed scheme.
- ❑ In fact, in 2016-2019 less than 2% of student loans granted by commercial banks were larger than €20,000.



Impact (ii)

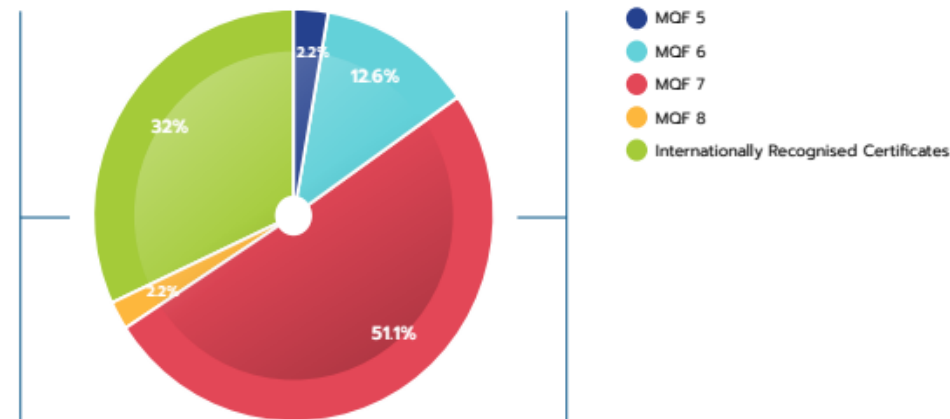
Further Studies Made Affordable (FSMA & FSMA+)



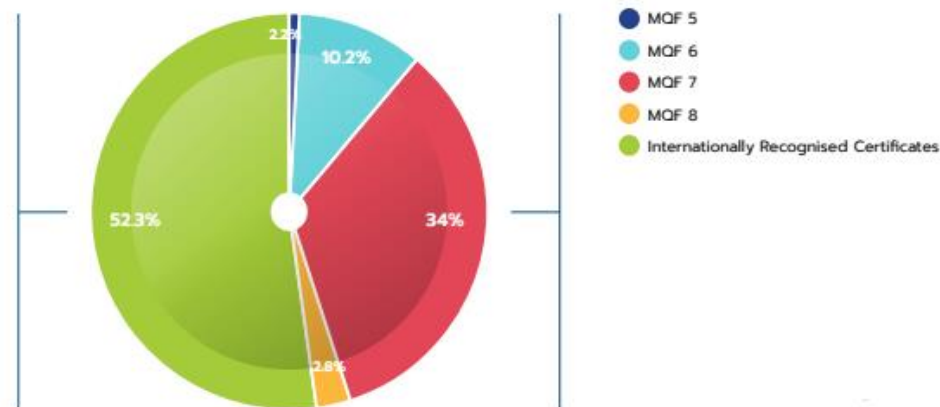
Key indicators:

- ❑ The most popular courses undertaken by the beneficiaries of the FSMA scheme were for MQF 7, which is equivalent to a master's degree, with 142 students, or 51.1% of the total.
- ❑ This category was followed by 89 beneficiaries opting for internationally recognised certificates, predominantly including courses for aircraft pilots.
- ❑ Reflecting the substantial costs related to the latter professional courses, the total amount sanctioned for international recognised certificates accounted for close to 52.3% of the total funds.
- ❑ MQF 6 level courses were taken by 35 beneficiaries, whilst loans to students pursuing MQF levels 5 (diploma) and 8 (PhD) were both taken by 6 beneficiaries.

BENEFICIARIES SUPPORTED ACROSS QUALIFICATION LEVELS



DISTRIBUTION OF SANCTIONED LOANS BY VALUE



Impact (iii)

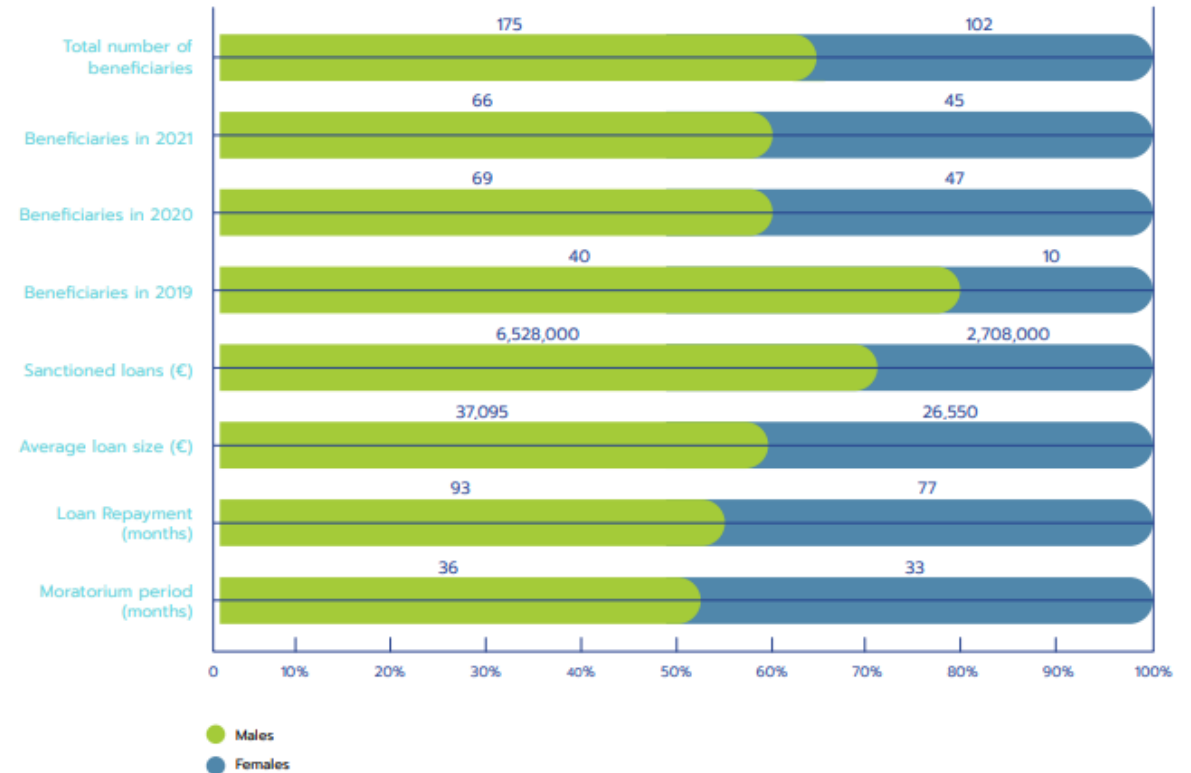
Further Studies Made Affordable (FSMA & FSMA+)



Key indicators:

- ❑ Reflecting the higher number of male beneficiaries, as well as the skewed uptake of male students opting for the more expensive aircraft pilot courses, total sanctioned loans for males is almost two and half times more than that of female beneficiaries.
- ❑ This is also resulting in notable differences in the average loan size, loan repayment terms and the associated moratoria periods by gender.

FSMA CHARACTERISTICS BY GENDER





Launching the FSMA+



Relaunch – FSMA+

Further Studies Made Affordable (FSMA & FSMA+)

- ❑ By January 2022 the FSMA scheme had generated €9.2 million in new study loans, almost €1 million more than the maximum intended portfolio. This was possible due to reflows and savings from the interest rate subsidy element.
- ❑ Based on the success of the FSMA scheme, and following discussions with relevant stakeholders, it was decided to inject a further €5M of EU funds from Malta's ESF Operational Programmes 2014-2020 and 2021-2027. The FSMA+ is being implemented under the same terms and benefits of the FSMA.
- ❑ €15 million worth of loans are expected to be generated under the FSMA+.
- ❑ It is worth noting that by end August 2022, there were 86 approved loans facilities amounting to €3.4 million.
- ❑ Thanks to this ESF financing more students will be able to achieve more successes in their personal and professional lives and we are confident that such a FI can play an important role in Malta's post-pandemic/crises economic recovery.





Thank you!

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