



Student loans under ESF – The Portuguese case study

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Student loans under ESF – The Portuguese case study



Themes

1. Reasons to implement FI - Loans to higher education students (HES)
2. Problems & solutions encountered to set up the FI
3. Process duration to set up the FI
4. FI characteristics
5. State of art and status
6. Questions & Answers



Reasons to implement FI – Loans to higher education students (HES) through a mutual guarantee



COM DECISION (12.12.2014) approved the Human Capital Operational Program for the less developed regions of Portugal (Alentejo, Centre and North) CCI 2014PT05SFOP001 C(2018)8168 Decision date CE 29.11.2018 (reprogramming)

Quadro 8: Dimensão 2 - Forma de financiamento

| Eixo prioritário | | 2 - Reforço do ensino superior e da formação avançada | |
|------------------|---------------------|--|----------------|
| Fundo | Categoria de região | Código | Montante € |
| ESF | Menos desenvolvidas | 01. Subvenção não reembolsável | 922.000.000,00 |
| ESF | Menos desenvolvidas | 05. Apoio através de instrumentos financeiros: garantia ou equivalente | 10.000.000,00 |



Reasons to implement FI – Loans to higher education students (HES) through a mutual guarantee



10.ii - Improving the quality and efficiency of, and access to, tertiary and equivalent education with a view to increasing participation and attainment levels, especially for disadvantaged groups

*Ex-ante
assessment*

“Innovation and Social Entrepreneurship, Micro-entrepreneurship and Self-Employment Creation and Higher Education Student Loans (EEA)”



Loans to HES with mutual guarantee

With this FI, the ESF incorporates the financial endowment of the counter guarantee fund (replacing the past exclusive participation of the national state budget resources)



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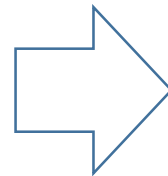
Reasons to implement FI – Key indicators



| Education and training 2020 benchmarks | Portugal | | EU average | |
|---|----------|-------|------------|-------|
| | 2009 | 2018 | 2009 | 2018 |
| Tertiary educational attainment (age 30-34) | 21,3% | 33,5% | 32,3% | 40,7% |

Source: Education and training Monitor 2019 (Portugal)

Positive tendencies regarding the rates of higher education attainment, which increased significantly in the last years (in groups aged 30-34), but still below the EU average and the 2020 target (40%)



The objective of the Financial Instrument is to favour the access to higher education levels, particularly to those who are normally excluded from it. Providing finance for diploma and post-diploma levels will increase access to higher education, resulting in increased employment level, with better quality.



2. Problems & solutions encountered to set up the FI



- Absence of legislation at a national and international level applicable to this type of FI
- Few national or international benchmarks
(few experiences of FIs for student loans, of which no decentralised FIs operating a guarantee scheme)
- ESF FIs mostly target microenterprises and/or SMEs
- Difficulties to find intermediaries at national level that fit the criteria set by the MA



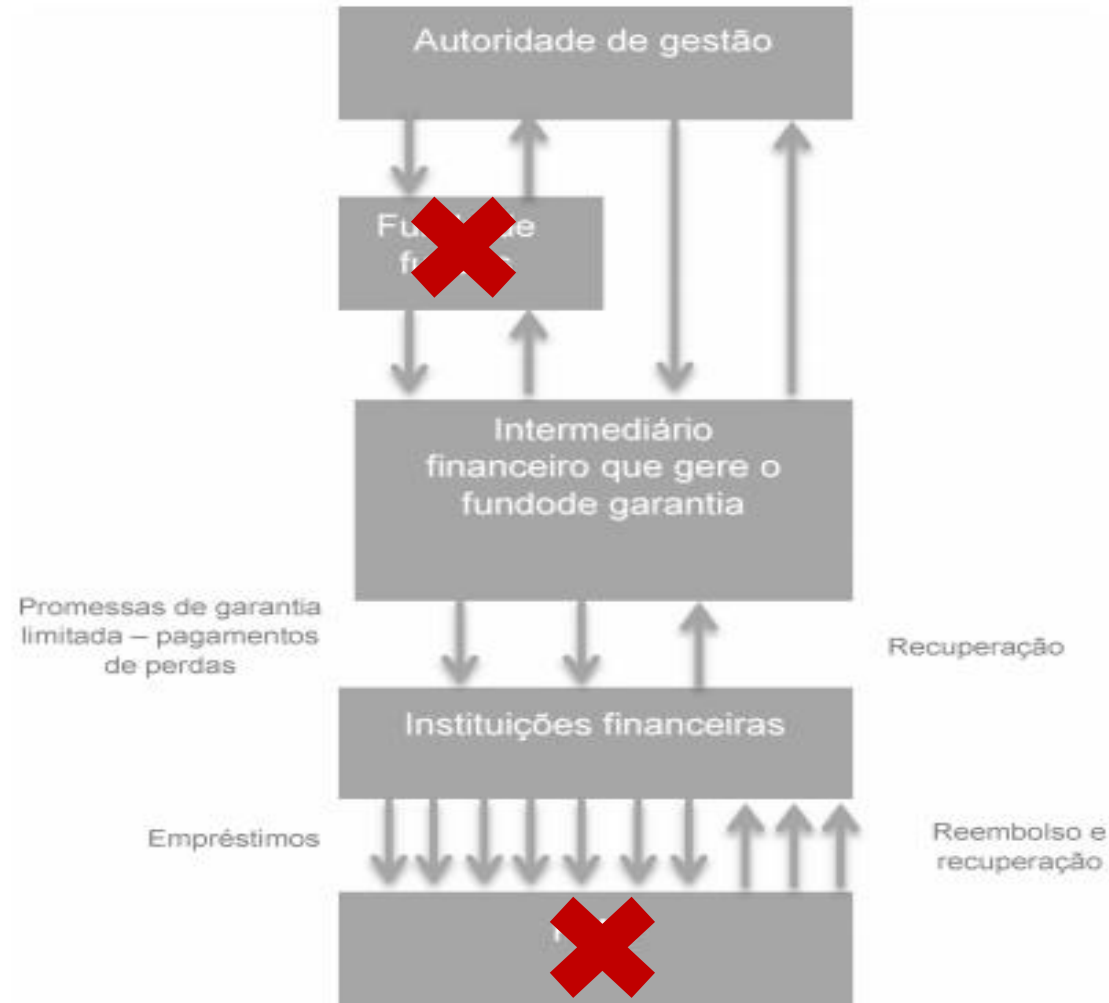
2. Problems & solutions encountered to set up the FI



(Previous national experience) -
*Credit line for Higher Education
Students with mutual Guarantee*
(DL n.º 309-A/2007. 7 Setembro)



2. Problems & solutions encountered to set up the FI

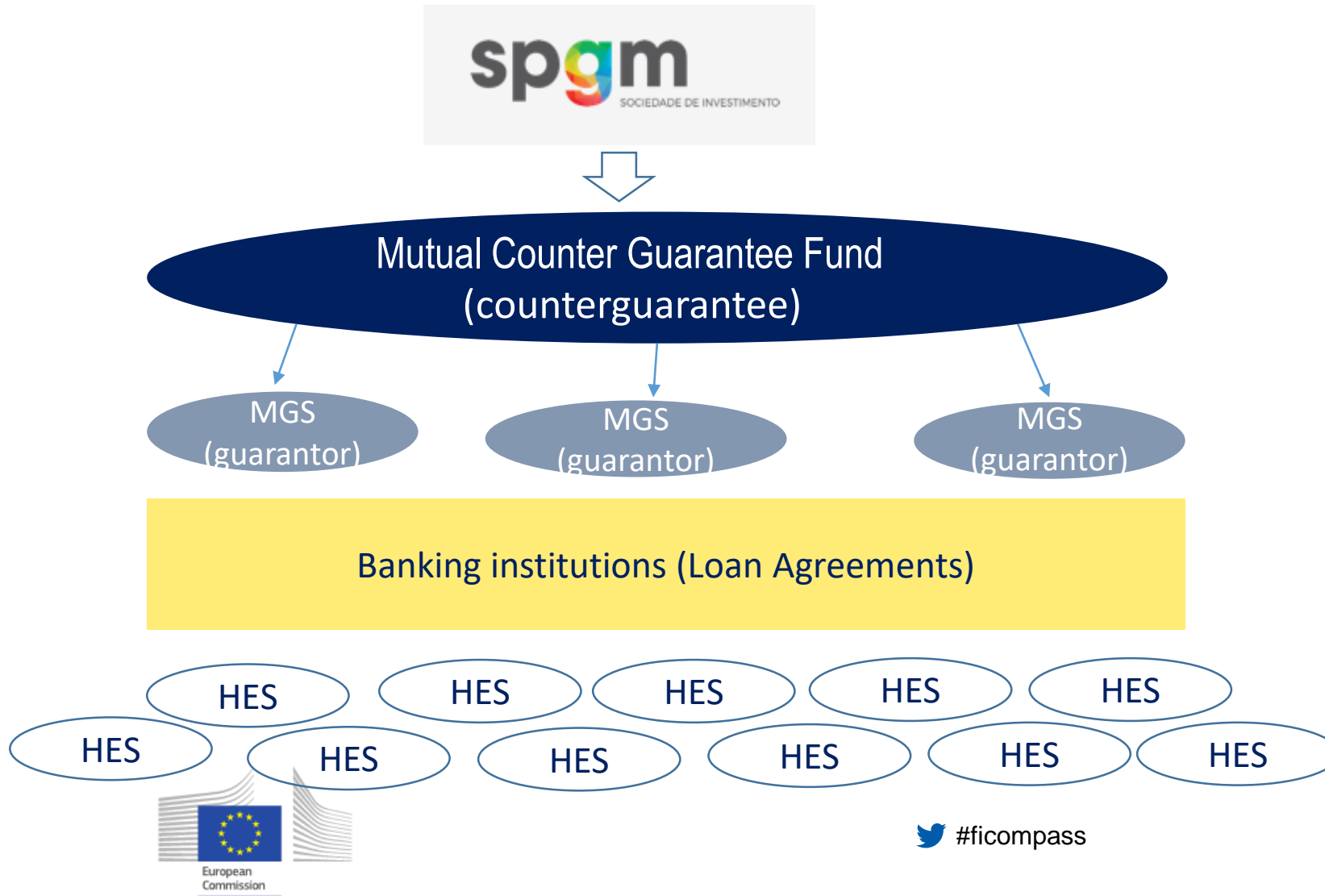


2. Problems & solutions encountered to set up the FI



Sociedade de Investimento, S.A (SPGM)

- Body governed by public law, whose legal nature as a legal person assumes the status of an anonymous commercial company
- The Portuguese State holds all of its share capital
- Managing entity of the Mutual Counter Guarantee Fund (MCGF), which provides the counter-guarantee of guarantees provided by Mutual Guarantee Societies (MGS), intended to ensure the fulfillment of obligations by beneficiary shareholders



3. Process duration



2 YEARS TO SET UP THE FI (May 2018: Strategy approval)
1 month from the Call to the Financial Agreement



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4. FI characteristics



Student loans



| | |
|----------------------------|--|
| Budget and source of funds | EUR 10m that leverage to EUR 85m (EUR 71m from ESF and EUR 12m national counterpart). |
| Target leverage | Each euro allocated in mutual counter-guarantee fund is converted into EUR 6 financing for final beneficiaries |
| Target | Students in public and private higher education institutions enrolled in: <ul style="list-style-type: none"> • TeSP - Professional Superior Technical Training • Degree • Master • PhD |
| Loan amount | Between EUR 1 000 and EUR 5 000, per year, with max amount of EUR 30 000 per student |
| Credit term | Between 1 and 6 years (degree duration) |
| Repayment term | Between 6 and 10 years (double of the degree term) |
| Grace period | Credit use plus max 2 years |
| Interest rate | 1,25% For disadvantaged students: 0,25% reduction |



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Source of information



Regulamento (UE) n.º 1303/2013, de 17 de dezembro - Disposições Comuns aplicáveis aos FEEI, alterado pelo Regulamento (UE, Euratom) 2018/1046 do Parlamento Europeu e do Conselho de 18 de julho de 2018 (OMNIBUS)

Regulamento Delegado (UE) n.º 480/2014, de 3 de março

Regulamento de Execução (UE) n.º 821/2014, de 28 de julho, alterado pelo Regulamento de Execução (UE) 2019/255 da Comissão, de 13 de fevereiro de 2019

Guidance for Member States on Article 42(1)(d) CPR – Eligible management costs and fees - EGESIF_15-0021-01, de 26 de novembro de 2015

Reporting Instructions for the Financial Engineering Instruments (AIR 2014) – *Template*

Guidance for Member States on Combination of support from a financial instrument with other forms of support - EGESIF_15_0012-02, de 10 de agosto de 2015

Guidance for Member States on Interest and Other Gains Generated by ESI Funds support paid to FI (Article 43 CPR) - EGESIF_15-0031-01 Final, de 17 de fevereiro de 2016

Guidance for Member States on the selection of bodies implementing financial instruments - 2016/C 276/01 (tem versão em PT)

Guidance for Member States on Article 38(4) CPR - Implementation options for financial instruments by or under the responsibility of the managing authority - SWD(2017) 343 final, de 11 de outubro de 2017

Financial Instruments – Overview of changes in Title IV of the CPR following the Omnibus Regulation - EGESIF_18-0040-01, de 05 de março de 2019

Guidance for Member States on Article 46 - reporting on financial instruments and on Article 37(2)(c) - leverage effect - EGESIF_16_0008-02, de 19 de março de 2019



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