

Conclusions

Framework operation #13 for microfinance, social and skills guarantee product

INVEU-ICR-0049-2022 – Social Investment and Skills Window

Short description of the financing or investment operation and its objectives

Financial intermediaries	Guarantee Intermediaries such as financial institutions, (including alternative lenders), guarantee institutions, education providers, National Promotional Banks or Institutions, providing Debt Financing (including fee deferral schemes and income share agreement)' directly or indirectly to final recipients meeting at least one of the Product Eligibility Criteria from Skills & Education Guarantee.
Final recipients	Natural persons, SMEs, including Micro Enterprises, Midcaps (Small Midcaps), Small Public Enterprises
Countries of implementation	EU-27. Sub-Projects are expected to materialise primarily, but not exclusively, in Spain, Portugal, Germany, Romania, Italy, Bulgaria, Lithuania and Croatia.
Implementing partner	EIF

Framework Operation for Sub-Projects to be entered into with financial intermediaries..

It builds on the implementation of the previous European Commission guarantee programme managed by the EIF, namely the **EFSI Skills and Education Guarantee Pilot**, which was launched with the overarching objective to facilitate access to debt financing and enable the skilling and upskilling of more people.

Via the Sub-Projects forming part of this Framework Operation, the EIF expects to support quality and inclusive education and lifelong learning, reinforce European higher education, and contribute to the green and digital transitions. With the risk sharing solution enabled by the InvestEU guarantee, the EIF shall aim to incentivise more financial or non-financial institutions to provide financial solutions for the skills and education sectors thus help consolidate the very nascent education financing market.

Global Assessment and rationale for approval

The Investment Committee (IC) of the InvestEU Fund approved the use of the InvestEU guarantee on 7 July 2022 for the above mentioned operation.

The Investment Committee considered that education finance is still nascent, with limited number of financial institutions serving this segment.

For **student financing**, reliance on future earnings and employment risk of students drives financial institutions to require collateral coverage from parents. The resulting high risks, collateral requirements (and inability to provide it) and small loan amounts translate into a

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limited offer of student financing amongst financing institutions, especially traditional lenders. Vulnerable/constrained segments of population are particularly affected, as insufficient financial resources are a major barrier to accessing education and training and create unequal chance to education.

Also acute financing needs exist in the education sector, compared to the massive investment in digital and green skills that is needed to accommodate the dual green and digital transition.

In terms of **additionality** the InvestEU Guarantee supports transactions with higher risk profile than standard credit risk by (a) targeting final recipients of lower creditworthiness, (b) providing enhanced access to finance measures to the benefit of final recipients, e.g. by: reduction / absence of collateral requirements, (bespoke financing arrangements (e.g. income sharing agreements, fee deferral schemes), lower cost of financing, and targeting excluded segments.

The operation supports not only intermediaries aiming at enhancing access to students and learners but also companies operating in the education sector or a niche market not yet mainstreamed into the main credit channels. It further provides support to non-traditional financial intermediaries in an attempt to enrich the population of the financial players supporting the education and skills sector.

In addition the EIF aims to provide financial and structuring advice as majority of intermediaries would be either new counterparties without prior experience in implementing debt financing schemes and/or guarantee products (e.g. education providers) or existing counterparties without prior experience financing the target beneficiaries.