

InvestEU Scoreboard¹

Presentation of the financing or investment operation:

Implementing Partner: European Investment Fund (EIF)

Name of the Operation: Jacobs University (“Jacobs” or the “Intermediary”)

Type of approval: Individual financing or investment operation

Name of the financial intermediary (for intermediated operations): Jacobs University Bremen

Country(-ies) of implementation of the operation: Germany

Short description of the financing or investment operation:

The Operation is addressing the target area of Skills, Education and Training.

The EU Guarantee would allow Jacobs University to offer the deferral of tuition fees in the form of an income sharing agreement to their students as tuition fee funding options at substantially more favourable terms and give access to a wider range of students. Offering such improved conditions would be impossible without the support of the EU Guarantee, which partially covers losses of the portfolio of income share agreements (ISA) and thanks to which Jacobs University can improve the terms for students.

Under this Operation, students will be offered ISA schemes with more attractive conditions compared to the current offering of the Intermediary. Furthermore, the improved offering would enlarge the outreach of the Intermediary and help them attract additional talent that would form part of the future European labour market.

Public Statement

Eligible areas for the operation in accordance with Annex II to the InvestEU Regulation:

Item 12 of Annex II of the InvestEU Regulation:

Social investments, including those supporting the implementation of the European Pillar of Social Rights, in particular through education, training and related services, including for adults.

Via this Operation, the EIF will support the financial intermediary in providing debt financing that meet the enhanced access to finance measures described in the InvestEU Call for Expression of Interest published on EIF’s website. These measures ensure that the debt financing support provided to target final recipients is made with more favourable terms, compared to the standard credit and collection policies of financial intermediaries.

In particular, EIF will, via this Operation, support a high risk type of financing for a final recipient group, in most cases without employment or certainty of future revenues at the time of entering into the guaranteed final recipient transaction (i.e. income share agreements). Such type of high risk financing is still not widely available on the EU market (even within the context of very limited and underdeveloped student lending market). Besides, this financing will now, thanks to EU Guarantee, be offered at

¹ This Scoreboard of indicators reflects the information presented to the InvestEU Investment Committee (IC) for its decision on the use of the EU guarantee for this operation. Therefore, the document does not take into account possible developments that could have occurred after this decision.

conditions that are more favourable for the students than those offered under the existing schemes of the Intermediary without the presence of the guarantee.

The use of the EU Guarantee allows EIF to enter into guarantees with intermediaries supporting students and learners as well as final recipients operating in the Skills, Education and Training area, which otherwise would have remained underserved due to lack of programmes targeting these specific policy areas at such scale.

As a result of the guarantee, Jacobs University would also be able to expand the offering of the income sharing agreements to a higher number of inbound students. There is an imbedded higher risk attached to this segment of students, as they may return to their domicile after the end of the studies and the Intermediary will have only little to no recourse against their future income. The risk of non-payment is therefore presumably higher in that case.

Insufficient financial resources are a major barrier to accessing education and training, resulting in unequal access to education. For young people, access to education in many EU countries relies too heavily on parental social background and financial standing.

Student financing remains an underdeveloped market in the EU. Even more so, bespoke financing products targeting students and learners remain an even less developed or frequent (completely marginal) way to support students and learners. This transaction will increase the popularity of income share agreements which ensure a strong alignment of interests between the borrower and lender (student). This is due to the fact that the lender's returns are tied to a student's career progress. In fact, should a student fail to e.g. find employment, no payment is due until the end of the payment period, no default of the final recipient ensues and the agreement terminates in good standing.

The operation addresses clear market failures. With respect to student lending:

- (i) The lack of financial resources represents a major barrier to accessing education and training and creates unequal and limited access to education and skills development for different groups of society:
 - a. students, learners and employees;
 - b. companies which wish to promote upskilling and reskilling of their workforce;
 - c. education providers that need to keep up with and support the changing education needs and methods.
- (ii) Education finance is still very nascent and limited number of financial institutions are serving this segment. In particular for student financing, reliance on future earnings and employment risk of students drives financial institutions to require collateral coverage from parents. The resulting high risk, collateral requirements (and inability to provide it) as well as small loan amounts are key reasons why student financing lacks popularity amongst financing institutions, in particular traditional lenders. Moreover, because of the high risk inherent to this financing segment, student financing could be costly and students may have to face over-indebtedness since early on in their lives. In addition, SMEs and education related service providers are in need of financing to keep up with the evolving needs for skills and education.

A massive investment in digital and green skills is needed to accommodate the shift towards a climate neutral Europe and digital transformation. Many will need to acquire new skills and move to new jobs in a different sector of economy. More will need to upskill to preserve their job in a new work environment. For example, meeting the overarching adult learning participation target set in the Skills Agenda (at least 50% by 2025) would come at an estimated additional investment of EUR 48bn annually.

At the same time, access to finance remains an issue for European SMEs, with around 18% of SMEs reporting to be seeking external finance for hiring and training employees. The lack of such finance coupled with the research which shows that employers' investment in learning is key to increasing the availability and participation of adults in learning programmes, constitutes a significant barrier to skills development.

EIF will provide practical guidance to the Intermediary in order to ensure terms and conditions of the guarantee are met and to facilitate the deployment and ramp-up of the portfolio. This may take the following forms:

- Ad hoc assistance (e.g. monitoring, reporting, eligibility checking, etc.); and
- Webinars for individual or groups of intermediaries (on all aspects of the implementation of the EU Guarantee).

This operation is expected to have a strong and positive signalling impact on the education ecosystem, by encouraging other education service providers to align themselves better with the students via deferrals of tuition fees or offering of income share solutions.

Pillar 3 - Market failure or sub-optimal investment situation addressed by the financing or investment operation (Excellent)

Pillar 4 - Financial and technical contribution by the Implementing Partner (Very Good)

Pillar 5 - Impact of the financing or investment operation (Very Good)

Pillar 7 - Complementary indicators²

Operation-specific indicators, estimated on the "InvestEU Leverage and Multiplier Effect Calculation Methodology" as approved by the InvestEU Steering Board.

- (a.1) Leverage effect: Indicatively 5x – 6.25x
- (a.2) Multiplier effect: Indicatively 7x

² The InvestEU methodology is used in order to calculate figures presented in this document. The financial intermediary's estimates may differ.