### InvestEU Scoreboard

<table>
<thead>
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<th>Presentation of the financing or investment operation:</th>
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<tr>
<td><strong>Implementing Partner:</strong> European Investment Fund (EIF)</td>
</tr>
<tr>
<td><strong>Name of the Operation:</strong> Framework Operation, Skills, Education and Training (Capped Guarantee)</td>
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<td><strong>Type of approval:</strong> Framework Operation</td>
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<tr>
<td><strong>Type of Financial Intermediaries:</strong> guarantee intermediaries such as financial Institutions (including alternative lenders), guarantee institutions, National Promotional Banks or Institutions, education providers, providing Debt Financing directly or indirectly to final recipients meeting at least one of the Product Eligibility Criteria from Skills &amp; Education Guarantee.</td>
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<tr>
<td><strong>Type of Final recipients:</strong> Natural persons, SMEs (including Micro Enterprises), Small Midcaps, and Small Public Enterprises.</td>
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<tr>
<td><strong>Country(-ies) of implementation of the operation:</strong> Sub-Projects are expected to materialise primarily, but not exclusively, in Spain, Portugal, Germany, Romania, Italy, Bulgaria, Lithuania and Croatia.</td>
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<tr>
<td><strong>Short description of the financing or investment operation:</strong> 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.</td>
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</tbody>
</table>

**Public Statement**

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

**Item 7 of Annex II of the InvestEU Regulation:**

*financial support to entities employing up to 499 employees, with a particular focus on SMEs, and small mid-cap companies*

**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 though education, training and related services, including for adults*

Additionality shall be deemed to be met in all those cases where a financial intermediary originate final recipient transactions which carry a higher risk profile than the risk generally deemed acceptable by such intermediary, inter alia:

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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.

2 Means any debt financing, including but not limited to, bonds, loans, leases, subordinate debt, factoring, bank guarantees, credit insurance instruments, minimum guarantees, income sharing agreements, deferred payment scheme.
In the form of targeting final recipients of lower creditworthiness. For example, in the case of 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; or

By implementing financing solution in line with the enhanced access to finance measures described in the InvestEU Call for Expression of Interest published on EIF’s website and which carry an increased risk profile (e.g. bespoke financing arrangements, targeting excluded segments, industries or geographies, etc.).

Additionality may also be achieved via the application of any of the following items, as per Annex V of the InvestEU Regulation:

**Item (a) of Annex V A (2) to the InvestEU Regulation:**
*Support through subordinated positions in relation to other public or private lenders or within the funding structure*

In very limited cases, EIF may support a few financial intermediaries in originating final recipient transactions which are subordinated debt transactions. This type of debt financing is expected to improve the capital structure and solvency position of certain targeted final recipient.

**Item (b) of Annex V A (2) to the InvestEU Regulation:**
*Support through equity and quasi-equity or through debt with long tenors, pricing, collateral requirements or other conditions not sufficiently available on the market or from other public sources*

EIF expects to support financial intermediaries in originating final recipient transactions (debt financing) which meet at least one of the following enhanced access to finance measures:

- a) Reduction/limitation of collateral requirements;
- b) Reduction of cost of financing;
- c) Reduction in down-payment in respect of Final Recipient Transactions;
- d) Increase in financing volumes;
- e) Support to excluded segments;
- f) Financing at longer maturities;
- g) Bespoke financing arrangements;
- h) Any Subordinated Debt Transactions;
- i) Other enhanced access to finance measures proposed by the financial intermediary.

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.

**Item (c) of Annex V A (2) to the InvestEU Regulation:**
*Support to operations that carry a higher risk profile than the risk generally accepted by the implementing partner’s own standard activities or support to implementing partners in exceeding own capacity to support such operations*

The use of the InvestEU Guarantee allows EIF to enter into (counter-) guarantee with financial intermediaries supporting final recipients operating in the Skills, Education and Training area (including students and learners), which otherwise would have remained underserved due to lack of programmes.
targeting these specific policy areas at such scale. This is often true for traditional lenders financing students and learners which, due to limited reliance on future earnings and employment risk, exclude this segment from their lending activity. In this context, InvestEU guarantee may be crucial in encouraging such intermediaries to support students and learners.

Item (e) of Annex V A (2) to the InvestEU Regulation:
Support that catalyses or crowds in additional private or public financing and is complementary to other private and commercial sources, in particular from traditionally risk-averse investor classes or institutional investors, as a result of the signalling effect of the support from the InvestEU Fund.

Under this Framework Operation, EIF will extend support to intermediaries aimed at enhancing access to students and learner as well as to companies operating in a niche market not yet mainstreamed into the main credit channels. Benefiting from the InvestEU guarantee coverage, financial intermediaries will be able to mobilize funding resource tailored to the need of the specific categories of final recipients, contributing toward creating further social inclusion of the respective individuals or entrepreneurs.

Item (f) of Annex V A (2) to the InvestEU Regulation:
Support through financial products not available or not offered to a sufficient level in the targeted countries or regions due to missing, underdeveloped or incomplete markets

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

The following market failures are addressed by the Framework Operation:

Item (c) of Annex V A (1) to the InvestEU Regulation:
Information asymmetries, in particular in the case of SMEs and small mid-cap companies, including higher risk levels related to early stage firms, firms with mainly intangible assets or insufficient collateral, or firms focusing on higher risk activities.

In the area of access to finance for SMEs, market failure is not only present during a deep recession or a financial crisis, but also on an on-going basis as a fundamental structural issue. There are several reasons for this:

(i) Disproportionality between the extent, and hence the cost, to assess a relatively smaller company’s application for finance and its potential revenue. Coupled with an average financing need that is relatively smaller than the one required by larger companies, banks and other finance providers are struggling to achieve economies of scale, reducing the access to finance.

(ii) The aforementioned issue is reinforced by the asymmetric information, i.e. information gap between lender and borrower, and the availability (and quality) of information on smaller and in particular younger enterprises. Combined with uncertainty, this results in an insufficient supply of credit, which can be particularly true in the case of SME financing.

With respect to student lending:
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 the society, students, learners, employees, companies which wish to promote upskilling and reskilling of their workforce and education and service providers that need to keep up with and support the changing education needs and methods.

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 and related service providers are in need of financing to keep up with the evolving needs for skills and education.

Item (e) of Annex V A (1) to the InvestEU Regulation:
Exposure to higher levels of risks in certain sectors, countries or regions beyond levels that private financial actors are able or willing to accept, including where the investment would not have been undertaken or would not have been undertaken to the same extent because of its novelty or because of risks associated with innovation or unproven technology

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.

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EIF will be extending (counter-) guarantees to financial intermediaries which will in turn provide debt financing to eligible final recipients. As a result, the InvestEU Guarantee will always cause that a third party financier/guarantor (i.e. financial intermediary) will provide further financing, in addition to InvestEU, to final recipients.

While EIF has an existing network of financial intermediaries with whom it cooperated under predecessor instruments (i.e. EFSI Skills and Education Guarantee Pilot), it is expected that financial and structuring advice would take up a significant portion of the origination efforts as most intermediaries are expected to 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. In particular, financial advice and structuring expertise will be critical in successfully originating transactions with education providers given they normally fully rely on tuition based revenues. In order to cooperate with EIF under the Skills and Education Guarantee, such tuition revenues charged up-front will have to be transformed into a type of debt financing, notably in the form of tuition fee deferrals and income share agreements:
(i) Tuition fee deferral scheme: fees are deferred for the duration of studies and a pre-defined grace period following the end of study period. The deferred fees are to be repaid during a pre-defined repayment period.

(ii) Income share agreements: the repayment of the financed amount starts after student’s income reaches a set income level following the end of study period. The repayments are set as a percentage share of student’s monthly income for a defined repayment period.

EIF provides practical guidance to financial intermediaries 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.);
- Webinars for individual or groups of intermediaries (on all aspects of the implementation of the InvestEU guarantee);
- Advice and guidelines provided during or after EIF’s desktop or physical monitoring visits;
- Formal capacity building and advisory services under the InvestEU Advisory.

Thanks to the InvestEU guarantee, the Sub-Projects aim at providing the following benefits for the final recipients:
- Increasing the repayment flexibility for final recipients (grace periods, bullet, balloon financing and financing with flexible repayment schedules);
- Providing other new features in the financing (e.g. increased maturities);
- Collateral requirements: the presence of guarantee will enable financial intermediaries to decrease collateral requirements or leverage more on soft collateral. In fact, it is expected that EIF will require lenders to students and learners to originate eligible transactions exclusively on an unsecured basis (leveraging only on the personal guarantee from the borrower);
- Availability of non-banking alternative debt finance: by originating operations with alternative lenders in the skills and education space, EIF will be supporting final recipients unserved by traditional banking players;
- Reduction of cost of financing: thanks to the guarantee final recipients may benefit from reduced financing cost;
- Bespoke financing solutions: thanks to the guarantee, financial intermediaries will be incentivised to offer bespoke financing solutions such as income sharing agreements, fee deferral schemes;
- Financing in local currency will improve the access of the final recipients to longer tenors

The implementation of the Sub-Projects is therefore expected to have a positive impact in the ecosystem by supporting new intermediaries facilitating availability of finance, by encouraging intermediaries to invest resources in understanding and assessing skills and education sector specific risks in order to extend financing to eligible final recipients. This is in turn expected to improve the overall competences and understanding of financial intermediaries providing financing to individuals and entities targeted under this EU priority, crowd in investments from competitors, further facilitating access to finance. Finally, by entering into operations with alternative lenders and education providers, EIF will assist in further developing alternative investment scene, encouraging new or established investment managers to expand their strategies towards financing education and skills.

<table>
<thead>
<tr>
<th>Pillar 3</th>
<th>Market failure or sub-optimal investment situation addressed by the financing or investment operation (Excellent)</th>
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<td>Pillar 4</td>
<td>Financial and technical contribution by the Implementing Partner (Very Good)</td>
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<td>Pillar 5</td>
<td>Impact of the financing or investment operation (Excellent)</td>
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### Pillar 7 - Complementary indicators

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<th>Key characteristics</th>
<th>Expected as of time of submission</th>
<th>Comments</th>
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<tr>
<td>Leverage Effect</td>
<td>Indicatively c. 8x</td>
<td></td>
</tr>
<tr>
<td>Multiplier Effect</td>
<td>Indicatively 11.7x</td>
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</table>

**SISW specific Indicators**

| (c) Skills: Number of individuals acquiring new skills or having their skills validated and certified: formal, education and training qualification | 5,000-6,000 final recipients estimated at this stage of submission | Preliminary estimation |

**ESG aspects**

Within the due diligence process, EIF assesses the financial intermediaries’ environmental, climate and social risk management procedures and the capacity to screen, assess and manage environmental, climate and social risks associated with its business activity, including the presence of any Environmental and Social Management System (ESMS), by means of an “ESG” questionnaire.

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3 The InvestEU methodology is used in order to calculate figures presented in this document. Such figures are of indicative nature only and presented at the level of the Framework Operation.