

InvestEU Scoreboard¹

Presentation of the financing or investment operation:

Implementing Partner: European Investment Fund (EIF)

Name of the Operation: Framework Operation for Skills, Education and Training (Capped Guarantee)

Type of approval: Framework Operation

Type of Financial Intermediaries: guarantee intermediaries such as financial institutions (including alternative lenders), guarantee institutions, National Promotional Banks and Institutions, education providers, providing debt financing² directly or indirectly to final recipients meeting at least one of the product eligibility criteria from Skills and Education Guarantee.

Type of Final recipients: Natural persons, SMEs (including Micro Enterprises), Small Midcaps, and Small Public Enterprises.

Country(-ies) of implementation of the operation: Sub-Projects are expected to materialise primarily, but not exclusively, in Spain, Italy, Latvia, Portugal, Germany and Romania.

Short description of the financing or investment operation:

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 a broader base of students and learners.

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.

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

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 schemes.

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

- 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

EIF expects to support financial intermediaries in originating final recipient transactions, which are subordinated debt transactions, as defined in the Annex II-C of InvestEU GA. 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 which 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. The measures include, but are not limited to, improvement in financing tenor, pricing conditions, collateral requirements and other.

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, which otherwise would have remained underserved due to lack of programmes targeting these specific policy areas at such scale.

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 learners 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 mobilise funding resources tailored to the needs of the specific categories of final recipients, contributing toward creating further social inclusion of the respective individuals or enterprises.

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 chances among different social groups. Access to education among the young generation in EU, heavily relies 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 financial resources, coupled with the research that shows that employers' investment in their staff is key to increasing the availability and participation of adults in learning programmes, constitutes a significant barrier to the development of skills.

Moreover, a considerable investment in digital and green skills is needed to accommodate the shift towards a climate neutral Europe and the digital transformation. A large proportion of workforce will need to acquire new skills and move to new jobs in different sectors of the economy or 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 European Skills Agenda (at least 50% by 2025) would come at an estimated additional investment of EUR 48 billion annually.

The following market failures are addressed by the 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:

- (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 the society, students, learners, employees, companies which wish to engage in 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.
- (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 careers. In addition, SMEs and education and related service providers need 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 considerable investment in digital and green skills is needed to accommodate the shift towards a climate neutral Europe and the digital transformation. A large proportion of workforce will need to acquire new skills and move to new jobs in a different sector of the economy or 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 European Skills Agenda (at least 50% by 2025) would come at an estimated additional investment of EUR 48 billion annually.

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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 (Excellent)

Pillar 7 - Complementary indicators

Key characteristics	Expected as of time of submission	Comments
Leverage Effect	Indicatively c. 5x – 12x	Preliminary estimation
Multiplier Effect	Indicatively c. 7x -16x	
SISW specific Indicators		
(a) Social infrastructure: Capacity and access to supported social infrastructure by sector: housing, education, health, other	N/A	Preliminary estimation
(b) Microfinance and social enterprise finance: Number of microfinance recipients and social enterprises supported	N/A	
(c) Skills: Number of individuals acquiring new skills or having their skills validated and certified: formal, education and training qualification	7,000-9,000 final recipients estimated at this stage of submission	

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 an Environmental and Social Management System (ESMS), by means of an “ESG” questionnaire.