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We provide information on and analyses of vocational education and training systems, policies, research and practice.
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Foreword

Investing in human capital is crucial to achieving Europe's goal of smart, inclusive and sustainable growth. The recent crisis strengthened the need to equip people with the right skills to improve their labour market prospects.

The Europe 2020 strategy set the target of at least 40% of 30-34 year-olds completing third level education. The new European strategic framework for cooperation in education and training (ET 2020) foresees that at least 15% EU average of adults aged 25-64 should be participating in lifelong learning by 2020.

However, the challenge of reaching these ambitious objectives carries important financial implications. Meeting higher demand for (vocational) education and training will require higher financial resources.

Severe public budget constraints, aggravated by the recession, demand greater shared financial responsibility among all stakeholders, as reflected in the *Bruges communiqué on enhanced European cooperation in vocational education and training* (2010).

However, cost has been identified as the main obstacle — after time constraints — preventing adults from participation in education and training (adult education survey 2007). There is a need to apply the right tools, allowing the raising of private investment and participation in learning, and address, at the same time, the problem of too high a financial burden (liquidity constraints) for individuals, in particular those with low income.

Loans that allow individuals to borrow financial resources (on favourable conditions) from their future income and invest in education and training can be a viable means to respond to these concerns.

This report reviews the use of loans for learning in 33 European countries and analyses the schemes in eight selected Member States: France, Hungary, the Netherlands, Austria, Poland, Finland, Sweden and the UK. The analysis shows that loan schemes vary considerably across Europe in terms of types and levels of learning covered, conditions of access, repayment and governance. Some loans aim to increase participation in learning in general, while others are designed to promote equity. The report attempts to assess the selected loans and discusses their strengths and weaknesses and determinants of performance, while considering if a given scheme operates on a large scale or targets niche groups. The evaluation results provide a basis for identifying 'good practice principles for designing and implementing loans. Policy recommendations are formulated based on these findings.

I trust that this report will contribute to mutual policy learning and enrich the evidence base for designing fit-for-purpose financing policies.

Christian F. Lettmayr
Acting Director of Cedefop

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Executive summary

The report reviews implementation of (vocational) education and training loans in 33 European countries ([1]) with a focus on selected schemes (12) in eight EU Member States: France, Hungary, Poland, the Netherlands, Austria, Finland, Sweden and the UK.

Most information was collected via surveys of loan scheme managers, VET financing experts and other key national stakeholders as information from secondary sources was scarce.

What type of education loan schemes exist in Europe? How do they operate?

The analysis of operation of 35 loans covered by the survey shows that 27 schemes are conventional (mortgage-type, with fixed instalments) while the remaining eight are income contingent or hybrid. Some 22 schemes may be classified as public. Thirty-two schemes provide loans for HE. Many also support other levels and types of education: 11 schemes provide loans for upper secondary education and 14 for post-secondary education, while 10 support continuing VET.

The analysis shows that loan schemes rather aim at supporting participation in education and training in general or at ensuring high participation levels, rather than ensuring equal opportunities.

The maximum amount learners can borrow varies according to standards and costs of living across the 33 European countries. Amounts range from EUR 39 per month in the Former Yugoslav Republic of Macedonia (FYROM) to EUR 1 875 per month in Cyprus. Average interest rates vary from 1% in Iceland to 10.5% in Greece. About half of the loans have variable interest rates.

Some 28 out of 35 schemes provide loans for foreign students and 29 provide loans for learning abroad; however, almost all impose some restrictions.

([1]) The 27 EU Member States, EFTA/EEA (Iceland, Liechtenstein, Norway) and Candidate countries (Croatia, the former Yugoslav Republic of Macedonia [FYROM], Turkey).

Only in five countries is the size of the loan different for learning at home than abroad, so that, in practice, loans seldom support mobility for learning.

Almost all European governments play some role in (vocational) education and training loan schemes. Governments are usually involved in setting eligibility, repayment and other rules, as well as in monitoring and evaluating the actions. In some 14 schemes the government acts as loan provider. An important government function is provision of subsidies, which can be direct (interest rate subsidy, grace periods for repayments or loan forgiveness) and indirect (government guarantee that reduces the lender's risk).

Results show that general subsidies, namely those available to all borrowers, can be very expensive for the State budget. If they are too high, they can result in substantial deadweight. Government support often results in low accessibility for those VET learners who are in the greatest need of financial assistance because most benefits of general subsidies are derived by wealthier learners who are much more likely to participate in learning. Moreover, many loan schemes are not accompanied by guidance and information measures aimed at reaching those target groups which need loans the most, but are most debt-averse.

Financial institutions are involved in most public loan schemes but play a largely operational role: managing the money, paying out loans, collecting repayments and helping customers having short-term difficulties in repaying loans. International donors are also involved, for example the European Investment Bank helps to promote (vocational) education and training loan schemes in Europe and guarantee their financial and political sustainability.

Which type of loan scheme works better?...

Five evaluation criteria were used to assess performance: effectiveness (take-up rates), efficiency (lower default rates and lower administrative costs), equity, impact (impact on beneficiaries, deadweight and substitution effects) and sustainability (financial and political). The analysis (multi-criteria scoring method) of the 12 selected schemes was based on the opinions of surveyed experts and stakeholders.

The selected 12 loans may be grouped into extensive schemes operating on a large scale and likely to have significant impact on individuals and companies at national level (the British student loan, Dutch public, Finnish, Hungarian and Swedish schemes) and marginal schemes without significant nationwide effects (i.e. Austrian, British Kent Community scheme and Professional and Career Development Loan, private Dutch, French and Polish student loan scheme and scheme for the unemployed). Marginal schemes were not necessarily unsuccessful when they were specifically developed to target narrow groups of learners or based on individual approach to working with loan applicants (such as British Kent Community loan scheme).

The final ranking of schemes, according to all evaluation criteria and considering stakeholder opinions of their relative significance, revealed that Hungarian, Finnish, and Swedish schemes were the most successful extensive schemes. In the group of marginal schemes British Kent Community, Austrian and Dutch private loan schemes were seen as better performing. Half of the less successful schemes were considered to have rather low sustainability prospects. More successful loan schemes had the following key characteristics: extended eligibility (including part-time students); flexible repayment with built-in income safeguard; operated by a specialised institution with expertise on loans for education; low level and/or better targeted subsidies; involving private funds and classified as private.(2)

…Under what circumstances and for whom?

Qualitative comparative analysis aimed to identify the reasons behind better or worse performance of loan schemes by correlating their performance measures with their key design characteristics and contextual factors.

Higher effectiveness was best explained by access to a loan unconstrained by risk assessment procedures, income-contingent or hybrid repayment, long repayment periods, operation by public institutions, and a longer track record of operation. Default rates were low in schemes operated by private institutions. Administrative costs were lower in small, private schemes with short repayment periods, and high interest rates. More equitable loan schemes tended to have preferential treatment arrangements and longer repayment periods in countries where living costs were high. Higher impact on beneficiaries was observed in schemes with longer maximum repayment periods. The deadweight effect tended to be low in schemes without a State subsidy and aiming to increase access to education and training. Deadweight effects of loan schemes were also low where they operated in education systems with early stratification of pupils into vocational and academic paths and in countries which had high levels of private education financing. Substitution effects tended to be low in schemes with

(2) See Annex 4.

differentiated interest rates and classified as private. Greater political sustainability was high in schemes that do not apply preferential treatment and do not have differentiated interest rates. With universal treatment of all beneficiaries such schemes are more resistant to pressures from less favoured groups looking for preferential treatment. This result favours provision of any targeted support from outside the loan scheme rather than offering subsidised interest rates or other in-built preferential treatment arrangements.

SWOT analysis of loan schemes

Extensive loan schemes are both attractive for the learners and financially sustainable. Overall attractiveness in these systems is usually improved by higher subsidy and/or by flexible loan conditions including universal access, flexible disbursement and flexible repayment rules such as built-in income safe-guards and early repayment option. The latter rules are important for targeting the debt aversion of potential borrowers. Financial sustainability is usually ensured not only through tight control of the State subsidy system, but also with well-established management practices reducing both default rates and administration costs. The major challenge is to reconcile the requirement of flexible disbursements and repayments with the requirement for low administrative costs and simplicity. The main weaknesses of extensive schemes usually relates to heavy administrative burden, high subsidy aggravated deadweight effect (resulting in money being used for other purposes than financing VET) and failure in addressing to a satisfactory extent (debt aversion of) the disadvantaged borrowers. The opportunities of extensive schemes are usually related to extension of the eligibility criteria, more efficient communication and management techniques to attract new borrowers and reduce default rates. Major threats to this type of scheme are related to State subsidy: the larger the scheme, the larger financial pressure for the State budget. Further, excessive reliance on State support can make these schemes highly sensitive to macroeconomic and/or political changes.

Most of the marginal schemes are considered unattractive for the borrowers and/or they are poorly managed and unable to reach the intended policy objectives. Niche schemes targeting specific groups of borrowers (as in Austria, the private loan scheme in the Netherlands and the Kent loan in the UK) are considered as more successful in this regard.

Recommendations for policy and practice

Well-performing (vocational) education and training loan schemes should be fiscally parsimonious, attractive to learners and, if commercial sources are to be used, to private lenders. The following actions could improve VET loan schemes across Europe:

(a) increase flexibility of repayment

Schemes with income-contingent or hybrid repayment, built-in safeguards for special life events, early repayment options, longer repayment or grace periods appear to perform better than the rigid ones (with fixed [usually] monthly repayment) but are problematic to establish in many European countries. However, existing conventional schemes could be modified by making the repayment rise gradually (to reduce the burden the first years of young people's careers) or by allowing deferred repayment (to address temporary financial problems of the borrower);

(b) carefully design/improve state subsidy strategies

The optimal strategy for subsidising VET loan schemes is difficult to define because, on one hand, higher subsidy makes the loan more attractive for the borrowers but, on the other, it may jeopardise the scheme's financial sustainability. The level of State subsidy should depend on the objective(s) of the scheme to be achieved. Highly subsidised schemes, which aim at increasing participation in education and training or access to finance in general, can be costly for government. They seem most justified in the case of loans aimed at ensuring equal opportunities. There are alternatives in supporting the disadvantaged: well-designed and administratively enforced eligibility and risk assessment criteria; well-targeted State guarantees; linking loans with well-targeted grants; introduction of more flexible repayment conditions (where possible, income-contingent loans);

(c) link loans with other VET cost-sharing mechanisms

Such links could increase the performance of loan schemes and their overall attractiveness. But the objectives of each mechanism should be well and separately defined. Grants may particularly help in supporting the disadvantaged. It is also worth considering coordination of loans with, for example, tax incentives (Finnish example), individual learning accounts or saving schemes (Austrian example);

(d) coordinate implementation of loans with wider policies

the State should coordinate VET loans not only with overall VET financing policy, but also with other policies which are closely related to it. For example, the State could use tax systems to ensure more efficient collection of loan repayments or could promote the use of charity funds (to which various stakeholders would contribute) for VET loans for those unable to access commercial sources of finance;

(e) incentives for a larger financial institution role
Incentives should be foreseen, for example, to attract additional commercial capital which is essential in implementing large scale loan systems, especially in less economically developed countries with limited public spending capacity. Further, financial institutions could be better involved in creating/launching more efficient and flexible loan disbursement techniques, in providing guidance for beneficiaries or in assisting individuals to save money that could be used for future training;

(f) non-financial measures should be considered
Attention should be given to ensuring financial and political stability of VET loan schemes. For example, the stability of government financing decisions could build up social trust and, therefore, the attractiveness of loan systems to borrowers. Special focus should be on building up a sufficient monitoring and evaluation capacity. More efficient guidance and communication strategies should be employed: personal consultations with borrowers or well-targeted communication of, for example, research findings on the rates of return of VET could be important tools for increasing the attractiveness of VET loans.

To conclude, there is no single best loan scheme model for financing VET in Europe. However, there are some core principles of good practice to be considered when designing and implementing VET loan schemes:

(a) extended eligibility (for higher number of VET learners, part-time learners, etc.);
(b) flexible repayment with built-in income safeguard;
(c) operated by a specialised institution with expertise, know-how;
(d) level of subsidy aligned with loan scheme objective;
(e) involving private capital, classified as private;
(f) possible involvement of financial institutions and other actors (e.g. tax authorities) in repayment collection and other administrative activities;
(g) links with other VET cost-sharing mechanisms;
(h) coordination of implementation of loans with wider policies;
(i) use of non-financial measures (e.g. increased monitoring and evaluation capacity or more efficient guidance and communication strategies).

1. Introduction

1.1. Study rationale

1.1.1. Importance of and rising demand for investment in VET

Lifelong learning, and VET in particular, are not only useful for personal development and well-being, but also provide wider social (e.g. equality and social cohesion) or economic (higher access to the labour market, higher productivity) benefits for society as a whole. Investment in VET is vital in reaching European priorities for smart, sustainable and inclusive growth by 2020. The fundamental changes in society and the economy necessitate greater labour market flexibility and increase the dynamics of careers for a growing number of workers. This process has been further strengthened by the recent financial and economic downturn which has had severe impact on national, regional and local labour markets. Addressing the demand of a constantly changing labour market, while simultaneously sustaining one's employability, requires more flexible, innovative and dynamic VET than ever before.

1.1.2. Limited public resources

The rising demand for VET can no longer be met using only public resources. First, competing demands particularly in pension and healthcare systems, which become increasingly important in aging societies, create significant pressures on the public expenditure. Second, public expenditure is severely restricted by the recent recession: two years of it erased 20 years of fiscal consolidation, leaving EU Member States with deficits at 7% of GDP on average and debt levels at over 80% of GDP (European Commission, 2010). The recession also increased the need for public expenditure to accommodate more young people in education and training because of insufficient job prospects, to update the skills of workers at risk of redundancy or requalify those who lost their jobs. Finally, public spending on lifelong learning is constrained by the increasing cost of investment in education and training resulting from development of technologies and increasing demand for a better qualified labour force. These tendencies may threaten public support for VET.

1.1.3. Need for raising private VET investment

The trends described above imply the need for greater shared responsibility — between governments, employers and individuals — for investment in VET. This has been recently reconfirmed in the *Bruges communiqué* (2010) and reflected in several other EU policy documents. For example, the integrated guidelines of the Europe 2020 strategy highlighted that 'investment in human resource development, up-skilling and participation in lifelong learning schemes should be promoted through joint financial contributions from governments, individuals and employers' (Council of the EU, 2010a, p. 13). Finally, in the *Council Conclusions on new skills for new jobs: the way forward*, the Council of the EU 'urged the Member States to invest in skills and encourage both companies and citizens to do so, including through financial and non-financial incentives' (Council of the EU, 2010b, p. 3). The need for financial contributions from learners and their families may increase in the future. Well-designed loan schemes may be seen as a viable means of increasing private investment in VET.

1.2. Rationale of VET loans

1.2.1. Definition of loans

In the context of VET, loan scheme allows individuals to borrow financial resources (on favourable conditions) to cover part of their VET-related costs.

According to Barr (2001), the modern welfare State has two major redistributive functions: the Robin-Hood function (cross-sectional redistribution of welfare from those better-off to those worse-off) and the piggy-bank function (redistribution of resources, smoothing consumption throughout the person's life cycle). While the pension system redistributes current earnings for future use, a loan represents a reversed logic: it allows individuals to borrow and invest financial resources from their future income.

1.2.2. Arguments for State intervention

There has been much debate over whether and how governments should help people to pay for their learning. Many of the arguments could be associated with market failure. According to the general understanding of economic theory, public intervention in markets should only take place if the market cannot be expected to work efficiently, i.e. if the market fails. Usually arguments for government intervention fall within two categories: efficiency and equity (Gaskov, 2001).

The efficiency argument assumes that external social and economic benefits are not considered by those who are about to invest in their human capital due to risk/uncertainty, poaching and other concerns. As a result of this market failure, employers and employees will not be able to secure socially desirable levels of VET, with negative implications for national employment, earning and productivity levels. VET may be considered as insufficient and underfinanced if the actual social and economic returns are lower than the potential ones, so public intervention can be justified. Loans may be used by governments as one type of financial incentive to increase participation in VET.

However, the market very often results in highly unbalanced VET distribution: there are increasing disparities between groups of people in accessing financing, information on labour and training markets, and appropriate education and training facilities. This provides the basis for State intervention based on the equity argument. Poorer learners tend to have lower ability to pay for education and training themselves, while capital markets often fail to finance these persons. This market failure is essentially due to the nature of human capital: unlike physical capital, it does not provide collateral for loans before or even after it is accumulated. This usually leads to cherry-picking, when loans are much more easily available to young students studying full-time in HE, where the returns are much easier to demonstrate, than to the disadvantaged learners taking training courses/programmes in VET, where the returns are less clear. Also, poorer learners are usually much more risk averse in taking on loans for their education and training. Therefore, governments try to improve equity by providing low-cost loans for poorer learners.

1.2.3. Importance of national context

Increased living costs can be a financial burden for young adults who have recently left their families, especially in countries without a tradition of family support for young people. These costs are often higher than tuition fees and so, are of major concern, in particular for mobile learners.

Currently most education and training systems in Europe are publicly funded — a large number of learners rely on grants and tuition fees are rare. However, limitations on public budgets and increasing demand for VET mean that governments are likely to reduce learner reliance on grants as the major source of financing of their VET costs.

To offset these trends, governments are either introducing new loans for VET, expanding current loans to different levels/types of education and training, covering VET, and/or increasing the amounts of loans already available to finance increasing training and living costs.

Many administrative, financial and social differences affect the need for VET loans and their design and overall performance. The need to finance VET, when its costs are not paid up-front, is influenced not only by the level of living costs in the given country and State support but also by the returns on education (employment, earnings) and the profiles of learners (e.g. if VET is predominantly chosen by disadvantaged learners, they are likely to be more risk-adverse). A more advantageous overall situation of the given economy, and a widespread culture of using loans, creates more favourable conditions for loan performance. Any loan scheme is expected to reflect these national context specificities.

1.3. Main report objective, subject and structure

This report provides a short overview of the operation of VET loan schemes in 33 European countries ([3]). It examines the schemes in depth in eight selected countries and compares their performance. It draws conclusions and makes recommendations to improve the performance of loan schemes and increase their role in financing VET.

Table 1 lists the selected countries (8) and VET loan schemes (12) ([4]) analysed in depth.

Table 1 **Selected VET loan schemes analysed in depth in this report**

No	Country	VET loan scheme	Further referred to as
1	Austria	Building savings loan for financing of education (in this case loans provided by bank Raiffeisen Bausparkasse)	Austria (AT)
2	Finland	Student loan	Finland (FI)
3	France	Loans guaranteed by the State	France (FR)
4	Hungary	Student loan	Hungary (HU)
5	Netherlands	Public student financial support	Dutch public loan
6	Netherlands	Private loans provided by the banks	Dutch private loan
7	Poland	Student loan and credit scheme	Polish student loan
8	Poland	Training loan from the Labour Fund	Polish loan for unemployed
9	Sweden	Study loans	Sweden (SE)
10	UK	Student loan	UK student loan
11	UK	Professional and career development loan	UK PCDL
12	UK	Kent Community Learning Fund Loan	UK Kent loan

Source: Prepared by the authors.

The detailed description of the selected loan schemes and of the national contexts in which they operate is provided in Annex 3.

The report consists of three major parts:

([3]) EU-27 Member States plus EFTA/EEA countries (Iceland, Liechtenstein, Norway) and candidate countries (Croatia, the former Yugoslav Republic of Macedonia [FYROM] and Turkey).

([4]) For some countries more than one loan scheme is analysed.

(a) description of design characteristics of VET loan schemes in Europe with special in-depth focus on 12 schemes selected in eight countries (Chapter 2);
(b) comparative analysis of performance of the selected 12 schemes. This chapter evaluates the schemes in terms of their efficiency, effectiveness, equity, impact and sustainability, identifies which characteristics (and context variables) had influence on performance, and presents a SWOT analysis of (Chapter 3);
(c) insight into the experience of non-European countries in improving effectiveness/ attractiveness of loans and increasing their role in financing VET (Chapter 4).

This is followed by conclusions and policy recommendations.

The methodology (the model for analysis, the main variables, research methods, limitations of analysis) is described in Annex 1. The definitions used in this report are provided in Annex 2.

2. Design characteristics of VET loan schemes in Europe

This part of the report provides a comparative analysis of current loan schemes to finance VET in 33 European countries. A special focus is given to VET loan schemes in eight selected countries (France, Hungary, the Netherlands, Austria, Poland, Finland, Sweden and the UK) for which an additional in-depth information is provided.

The information on design characteristics of VET loan schemes in Europe is presented by the following 10 key themes:

1. types and ISCED levels of loan schemes;
2. objectives;
3. public/private classification;
4. duration of implementation;
5. level of operation;
6. access conditions;
7. repayment conditions;
8. management/administration;
9. role of government, financial institutions and other actors;
10. links to other VET cost-sharing mechanisms;
11. recent changes to existing loan schemes.

The definitions, main parameters and limitations of research methods/tools through which information was collected (the surveys, interviews and literature review) are explained in Annex 1.

2.1. Types and ISCED levels of loan schemes

In several European countries, many banks, but also governments, offer the opportunity to take a loan for educational purposes. This report cannot cover all financing schemes, therefore, so research focused on those loans where government plays at least some role. Only a few examples of loans where government is not involved were included in the analysis. This offered the opportunity to illustrate the various approaches to finance VET through loans and better comparison of the schemes.

The review of 33 European countries has identified 35 VET loan schemes with most countries having schemes in which government plays some role (Table 2). No such loan scheme (currently operating) was identified in the Czech Republic, Ireland, Greece (except for ISCED 6), Cyprus and Romania; in the last of these there were plans (at the time the research was carried out) to launch a loan scheme in 2011.

Data were collected for VET loans schemes with no government role in Greece (for ISCED 3-4) Cyprus, and the Netherlands (a private scheme).

Some other examples included in the study (of minor importance in terms of volume and number of clients) include a charitable scheme with targeted support for the financially disadvantaged (UK Kent loan) and a scheme with an interesting role for financial institutions (Austria).

Two main types of loans may be distinguished according to the criteria of the repayment form:

(a) conventional (traditional or mortgage-type) loans: in which the repayment is made over a specified period, usually in a form of fixed monthly instalments. The periodic payments are usually based on the designated interest rate and maximum loan repayment period;
(b) income-contingent or hybrid loans: in which loan repayment instalments are determined as a proportion of the borrower's income over a certain period.

There may also be hybrid schemes which, for example, use a conventional (fixed) repayment model, but below a specified level of personal income the borrower may ask for income-contingent repayment.

Conventional (also called traditional or mortgage-type) VET loan schemes are much more widespread in Europe than income-contingent or hybrid ones (Table 2). Only eight loan schemes (Hungary, Iceland, Malta, Liechtenstein, Luxembourg, Sweden, plus the Dutch public loan and the UK student loan) use income-contingent or hybrid repayment, while 27 schemes use conventional repayment. The primary reasons for the limited number of income-contingent or hybrid schemes are related the prerequisites for such schemes: significant inflow of financial resources, as the scheme has to be financed for long time before repayments start to accumulate and sustain it; sound administrative and strong legal frameworks; well-developed, universal, transparent and effective system of income tax collection; and efficient payment mechanisms (Chapman, 2005; Ziderman, 2004).

Loan schemes can be classified by the level of education covered. However, two assumptions relevant for the report in this respect must be considered:

(a) European countries have different education traditions and different classifications of types and levels of education. However, for better comparability, the report is based on one common classification system – the International Standard Classification of Education (ISCED) ([5]);

(b) this report is based on a broad understanding of VET, which does not necessarily correspond to understanding of VET in the countries analysed. VET loan schemes in this study are not only those covering ISCED 2-4 or CVET, but also those covering only ISCED 5B and A. The report has not included loan schemes which exceptionally focus on ISCED 6 (PhD) studies. However, countries differ greatly in their understanding of distinction between VET and higher education (see Cedefop, 2010) ([6]).

Considering these assumptions, VET loan schemes can be classified as 'more secondary education- /VET-oriented' or 'more higher education-oriented'. Most (22 out of 35) of the loan schemes are more higher education (HE)-oriented: they cover ISCED 5-6 and, possibly (but not necessarily), ISCED 4 or CVET ([7]). The 13 remaining loan schemes are considered as more secondary education- /VET-oriented; they cover only ISCED 2-4/CVET or are universal, i.e. covering all ISCED levels and CVET ([8]).

HE orientation is especially noticeable in most of the newer Member States, where loan schemes cover only ISCED 5-6 and none of the other levels. In some cases, this might show the preference of policy-makers for the development of the HE sector, but (more likely) it may also be due to the fact that higher education usually bears much larger costs than other levels of education. Evidence from Australia (Burke, 2005; Long and Burke, 2002) suggests that the loans for education and training only make sense if the course fees are high and would deter learners with no funding options: this is more the case for HE than

([5]) http://www.unesco.org/education/information/nfsunesco/doc/isced_1997.htm [cited 7.11.2011].

([6]) The first group of countries (e.g. France, Iceland, Malta and Poland) have or develop unitary national qualifications frameworks where VET is closely linked with higher education. The second group (e.g. Belgium [French speaking community], Denmark and Romania) clearly separate the two education sectors where EQF 6 and 8 are reserved for higher education, while the third (e.g. Belgium [Flanders] and Austria) divide these higher level qualifications into parallel academic and vocational strands.

([7]) The 22 'more HE-oriented' schemes are: AT, BG, CY, DE BAföG, DE master-craftsman loan, EE, ES (Catalonia), FR, FYROM, HU, IS, IT, LT, LU, LV, NL private loan, PL student loan, PT, SI, SK, TR and UK student loan.

([8]) The 13 'more secondary education- /VET-oriented' schemes are: BE (French-speaking community), DK, EL, FI, HR (Medjimurje County), LI, MT, NL public loan, NO, PL loan for unemployed, SE, UK Kent loan and UK PCDL.

other education levels. The key reason is the lower average income of people with lower educational attainment and, therefore, lower returns.

There are exceptional cases where countries focus only on VET: a private Greek scheme focuses on ISCED 3-4; the Polish loan for unemployed and the UK Kent loan are provided only for CVET. Further, Croatia (at least Medjimurje County for which the questionnaire was completed), Liechtenstein, Malta, Norway and Sweden have universal loan schemes covering all ISCED levels and CVET. In Norway the loan scheme can also finance apprenticeship.

Some countries have more than one loan scheme with at least some role for government. For example, among the countries selected for an in-depth study, loans for students and loans for the unemployed coexist in Poland, while student loans and professional and career development loans are applied in the UK. The UK is the only country which has both types of VET loan scheme: income-contingent and conventional. Among the remaining countries, only Germany has two loan schemes — BAföG and master-craftsman loans — in which the government has at least some role.

Table 2 **Mapping of VET loan schemes across 33 European countries by type and ISCED level ([a])**

No	Country (VET loan scheme/other remarks)	Type	IVET				CVET	Other
			ISCED 2-3	ISCED 4	ISCED 5B	ISCED 5A and 6		
Countries selected for in-depth analysis								
1	AT	Conventional		X	X	X		
2	FI	Conventional	X (ISCED 3)	X	X	X		
3	FR	Conventional			X	X		
4	HU	Income-cont./hybrid			X	X	X	
5	NL public loan	Income-cont./hybrid	X (2C, 3A, 3C)	X	X	X (5A)		
	NL private loan (no role of government)	Conventional		X	X	X		
6	PL student loan	Conventional			X	X		
	PL loan for unemployed	Conventional					X	
7	SE	Income-cont./hybrid	X	X	X	X	X	
8	UK student loan	Income-cont./hybrid			X	X		
	UK PCDL	Conventional	X		X	X	X	
	UK Kent loan (no role of government)	Conventional					X	
Remaining countries (overview of basic characteristics)								
9	BE (French-speaking community)	Conventional	X	X	X	X		
10	BG ([b])	Conventional			X	X		
11	CY (no role of government)	Conventional			X	X		
12	CZ		No schemes with role of government (political discussions undergoing)					
13	DK	Conventional	X	X	X	X		
14	EE	Conventional		X	X	X		
15	DE BAföG (*Bundesausbildungsförderungsgesetz*)	Conventional			X	X	X	
	DE master-craftsman loan (*Aufstiegsfortbildungsförderungsgesetz*, AFBG)	Conventional			X			
16	EL (no role of government in ISCED 3-4) ([c])	Conventional	X (ISCED 3)	X		X (ISCED 6) ([d])		
17	IE		No schemes with role of government(political discussions undergoing)					

No	Country (VET loan scheme/other remarks)	Type	IVET				CVET	Other
			ISCED 2-3	ISCED 4	ISCED 5B	ISCED 5A and 6		
18	IT	Conventional			X	X		
19	LV	Conventional			X	X		
20	LT	Conventional			X	X		
21	LU ([e])	Income-cont./hybrid			X	X		
22	MT	Income-cont./hybrid	X	X	X	X	X	
23	PT	Conventional			X	X		
24	RO		No schemes with role of government (plans to introduce the scheme in 2011)					
25	SK	Conventional			X	X		
26	SI	Conventional			X	X		
27	ES (Catalonia region) ([f])	Conventional			X	X		
28	IS	Income-cont./hybrid			X	X		
29	LI	Income-cont./hybrid	X	X	X	X	X	
30	NO	Conventional	X	X	X	X	X	Apprenticeship
31	HR (Međimurje county)	Conventional	X	X	X	X	X	
32	FYROM	Conventional			X	X		
33	TR	Conventional		X	X	X		
Number of loan schemes		27/35 (conventional)	11/35	14/35	32/35	32/35	10/35	1/35

([a]) For some countries (Germany, the Netherlands, Poland and the UK) more than one loan scheme is considered.
([b]) The Bulgarian loan scheme was to start to operate in October 2010 (at the time research was carried out). However, planned features of the scheme were already known and therefore it was included in the analysis.
([c]) In Greece a loan scheme with government role exists. However, it is applied only for postgraduate students at ISCED 6 (PhD studies).
([d]) Not included in the analysis.
([e]) In Luxembourg the type of repayment is agreed between the bank and the borrower, so there may also be some cases of conventional loan repayment.
([f]) In Spain a national loan scheme with government role exists, however it is applied only for postgraduate students at ISCED 5A (Master studies) and ISCED 6 (PhD studies) and was not included in the analysis.

Source: Surveys of experts and stakeholders on VET loan schemes in Europe (2010).

2.2. Objectives

Careful objective setting is of vital importance to any loan scheme. It should be designed and managed to fulfil its objective: defining the objective determines the scheme's future design features and performance, including its political and financial sustainability.

In the loan schemes analysed, two main groups of objectives could be distinguished:

(a) ensuring high participation in education and training;
(b) ensuring equal opportunities.

This classification of loan scheme objectives has been used in earlier studies. For example, research on Asian schemes distinguished two key groups of possible objectives: those advocating increase in participation in education and concerned with generating funding for education, and those which have a societal perspective and are more concerned with equity issues (Ziderman, 2004).

The analysis of 35 VET loan schemes shows that more aim to support participation in education or ensure high participation levels rather than ensure equal opportunities.

Many 'more secondary education/VET-oriented' loan schemes tend to put emphasis on equal opportunities, while many 'more HE-oriented' schemes aid access/participation. While for public schemes both objectives were identified with equal frequency, private schemes emphasised access/participation more.

For the 12 selected VET loans, participation in education and training is a primary aim in the Dutch public loan, while promoting equal opportunities in education is the objective of Hungary. Sweden tries to combine both objectives.

2.3. Public/private classification

The loan schemes analysed can be classified as public or private. Classification is based on the following three main Eurostat criteria (Eurostat, 2002; 2009):

(a) Who controls the managing institution of the loan scheme? Control, defined as the ability to determine general policy, is an essential criterion for classification. Loan schemes, other things being equal, will be considered as private if the managing institution is independent or public if this institution is controlled by the general government.

(b) Where does the money come from? If loan scheme derives more than 50% of its revenue from market activities (i.e. private sources) it is normally classified as private. If the share of market resources in the loan scheme is lower than 50%, it should be considered as public.

(c) Who takes most of the risks? This is mainly related to State guarantee. If government does not provide the loan guarantee, or it is marginal, the managing institution faces significant financial risk and the loan scheme therefore, other things being equal, will be classified as private. If government provides full or significant guarantee, the scheme will normally be classified as public.

Table 3 indicates that, from these criteria, 22 out of 35 identified VET loan schemes can be classified as public. However, comprehensive information for all these criteria is only available for the selected 12 VET loan schemes. The remaining schemes were classified on the basis of two criteria: source of finance and risk taking. Information on the managing institution, if added, could change the typology.

Table 3 **Public/private classification of VET loan schemes**

Country (loan scheme)	Scheme classified as		Central government controls managing institution	Main source of income	Loans provided by	Government provides loan guarantee
	Public	Private				
AT		X	Independent	Private, deposits	Building society banks	No
FI	X		Yes, KELA (social insurance institution)	Private, banks' resources	Retail banks	Yes
FR	X		Yes, OSEO is under guardianship of two ministries	Private, banks' resources	Retail banks	Yes
HU		X	Limited control, institution is largely independent	Private, bonds and international support	Special public institution	Yes, but for the institution, not for separate loans
NL public loan	X		Yes	Public	Public institution	No
NL private loan		X	No	Private, banks' resources	Retail banks	No government role
PL student loan	X		Yes	Public	Retail banks	Yes

Country (loan scheme)	Scheme classified as		Central government controls managing institution	Main source of income	Loans provided by	Government provides loan guarantee
	Public	Private				
PL loan for unemployed	X		Yes	Public	Public institution	No
SE	X		Yes	Public	Spec. public institution	No
UK student loan	X		Yes	Public	Spec. public institution	No
UK PCDL		X	Yes	Private, banks' resources	Retail banks	No
UK Kent loan		X	Independent	Private, charity funds	The charitable foundation	No government role
BE (French-speaking community)	X			Public	Public institution	No
BG	X			Public	Retail banks	Yes
CY		X		Private	Retail banks	No government role
DK	X			Public	Retail banks	Yes
EE	X			Private	Retail banks	Yes
DE BAföG	X			Public	Spec. public institution	No
DE master-craftsman loan		X		Private	Retail banks	No
EL		X		Private	Retail banks	No government role
IT	X			Private	Retail banks	Yes
LV	X			Private	Retail banks	Yes
LT	X			Private	Retail banks and credit unions	Yes
LU	X			Private	Retail banks	Yes
MT		X		Private	Retail banks	No
PT		X		Private	Retail banks	Yes, but limited
SK	X			Public	Public institution	No
SI		X		Private	Retail banks	No
ES (Catalonia)		X		Private	Retail banks	No
IS	X			Public	Spec. public institution	Yes
LI	X			Public	Public institution	No
NO	X			Public	Spec. public institution	No
HR (Međimurje county)		X		Private	Retail banks	Yes, but limited
FYROM	X			Public	Retail banks	No

Country (loan scheme)	Scheme classified as		Central government controls managing institution	Main source of income	Loans provided by	Government provides loan guarantee
	Public	Private				
TR	X			Public	Spec. public institution	No
Number of loan schemes	22/35	13/35		20/35 (private)	22/35 (banks)	14/35 (yes)

Source: Surveys of experts and stakeholders on VET loan schemes in Europe (2010).

Most VET loan schemes (especially those classified as private) are financed from bank funds. However, there are alternative private funding sources. For example, the Austrian scheme is financed from customer deposits at building society banks. The Hungarian one is financed from bonds issued on the open market and loans from the European Investment Bank and other financial institutions. The UK Kent loan was financed from charity funds.

Half of the loans classified as public are provided by a specialised public institution (devoted to loans provision for education and training exclusively) or other public institution which also performs other functions not necessarily related to provision of loans. The other half delegate provision of loans to the banks.

Private loans are usually provided by banks: retail banks, credit unions or specialised banks such as building society banks. Exceptions are the UK Kent loan, provided by a charitable foundation, and the Hungarian scheme provided by specialised public institution. In the loan schemes financed and/or provided by banks, governments often provide loan guarantees to minimise the default risk for the banks and the interest rate for the borrowers.

The income-contingent or hybrid schemes are mostly public (six out of eight), while among conventional schemes the domination of public schemes is smaller (16 of 27 schemes). The proportion of public schemes for secondary education/VET (eight out of 13) and HE-oriented schemes (14 out of 22) is roughly equal.

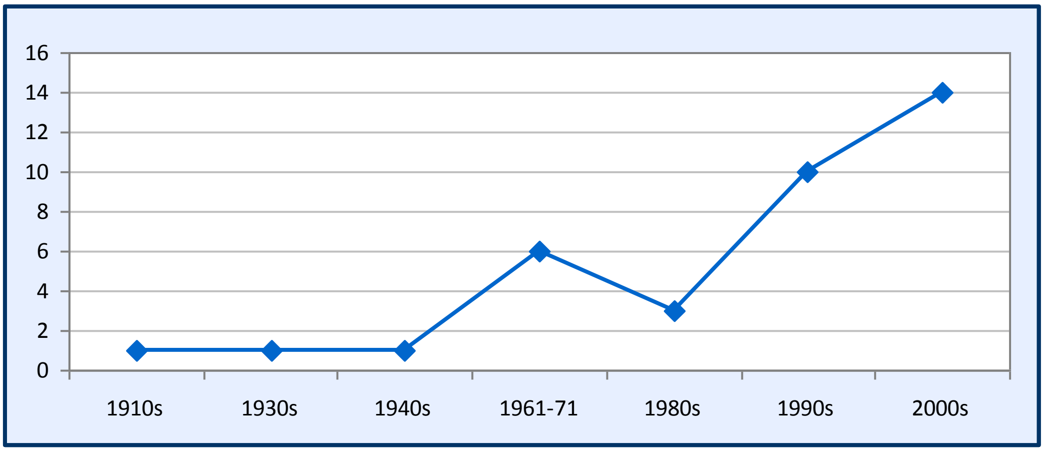
2.4. Duration of implementation

The pioneers in introducing VET loan schemes in Europe were Sweden (study loans have been in place since 1917), France (loans introduced in 1934) and Norway (loan scheme was reported to date back to 1947). On the other side of the timeline are the newest EU Member States, Bulgaria and Romania which, at the time of this research, have not yet started their schemes but had plans to do so in October 2010 (in Bulgaria) and at the beginning of 2011 (in Romania) ([9]).

There were two expansion periods in the establishment of VET loan schemes. In 1961-71, six countries (Denmark, Finland, Germany, Iceland, Lichtenstein and Turkey) established their schemes. The second period for new loan schemes started in the 1990s and seems to be continuing. In this period, the transition economies were more active, which can be explained historically. In the 2000s, many of these economies experienced significant growth, which allowed them to experiment with various financing instruments to improve the conditions of the economy and society. The aspiration of transition countries to accede the EU also played a role. The years in between the two expansion periods saw only three loan schemes being established (in Belgium, the Dutch public loan and the UK PCDL).

Figure 1 visualises the developments in establishing VET loan schemes.

Figure 1 **Start year of VET loan schemes***

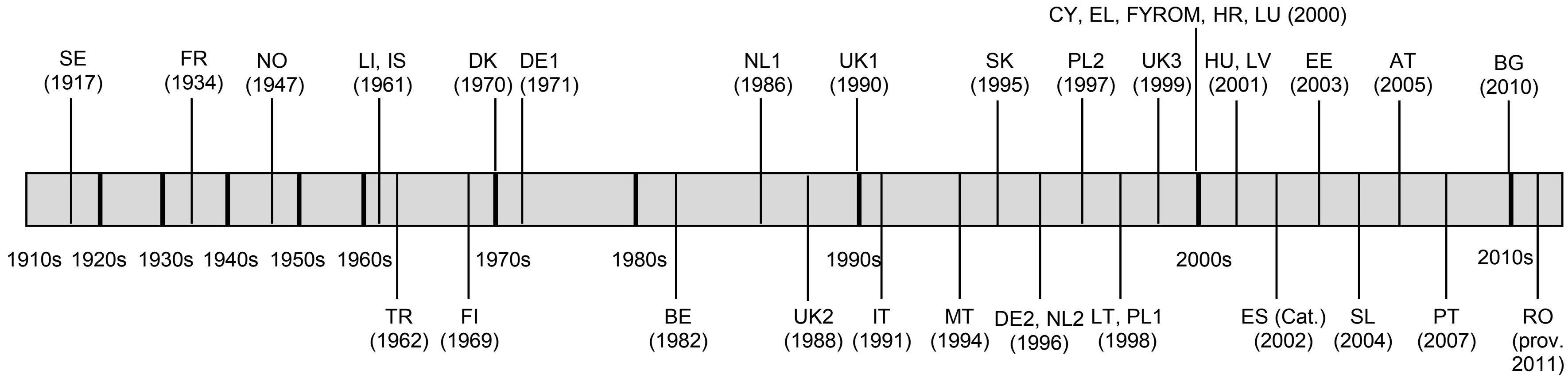


* The first introduction (not the changes to the already existing system) of the loan scheme is considered.
Source: Surveys of experts and stakeholders on VET loan schemes in Europe (2010).

Figure 2 visually presents the dates of introduction of VET loan schemes in each country examined. The countries are sorted by the starting date of the loan scheme, so that the full timeline of introduction of this cost-sharing mechanism in Europe can be seen.

([9]) Romania is not involved in this analysis because the features of the planned scheme have not been decided at the time of writing of this study. Although the Bulgarian scheme was introduced only in October 2010, most of its features are already known and thus it is included in the study.

Figure 2 **Chronology of VET loan schemes in Europe***



*	The first introduction (not the changes to the already existing system) of the loan scheme is considered.
NB:	'Prov.' means provisional start date.
Source:	Surveys of experts and stakeholders on VET loan schemes in Europe (2010).

2.5. Level of operation

Almost all loan schemes analysed are classified as national and are applied (or can in principle be applied, when schemes are not very popular) throughout the country. Schemes functioning at regional or local level were found only in four countries: Belgium, Croatia. Spain and the UK. Spain and the UK have regional/local loan schemes in addition to national ones, while in Belgium and Croatia the loans for learning are provided only at regional/local level. Box 1 describes those exceptional schemes in more detail.

Box 1 **VET loan schemes functioning at regional or local level**

The Agency for Management of University and Research Grants (Agència de gestió d'ajuts universitaris i de recerca, AGAUR) of the Catalonia autonomous community (Spain) manages the scheme of preferential loans (*préstecs preferents*), which may be taken up by students in any university, as well as the corresponding scheme of loans foreseen only for postgraduate students, called postgraduate loans (*préstecs de postgrau*). The loans can be taken by foreign nationals studying in Catalonia or by Catalan students studying in Catalonia, the rest of Spain, or abroad.

Croatia has no national education loans system, though VET loans schemes are available locally. Some counties have chosen to provide loans to learners, while the others are providing grants or other mechanisms. In Medjimurje County, which was selected for our analysis, the education credit (*kreditzaškolovanje*) may be taken up and used for education elsewhere in Croatia or even abroad. The local government in this county pays part of the interest for all learners, and also takes the responsibility for monitoring this scheme. Also, the loans are written off if the learner fulfils three conditions: finishes learning with high grades; finishes learning during the foreseen period; finds employment in Medjimurje County. The scheme is therefore used to convince more of the brightest learners to stay in the region.

In Belgium, the education loan scheme with a foreseen State role (called Study loan to families with three fiscally dependent children; *Prêts d'études aux familles comptant au moins 3 enfants fiscalement à charge*) exists only in the French-speaking community. Although technically the learners from the rest of Belgium (foreigners resident in Belgium too) are allowed to take the loans, and the funds can be used to learn anywhere in Belgium and sometimes abroad, it is applicable only to courses provided in French.

The unique Kent Community learning fund loan scheme has been operated in the UK since 1999. With the only source of support being a charitable foundation it is helping individuals to improve their vocational skills and careers through a flexible, interest-free loan. The scheme is particularly designed for highly motivated learners facing a financial barrier, i.e. they are unable to access any other sources of funding. As such, it was designed to complement other public funding streams. In additional to breaking the low-wage, low-skills cycle, a loan-based approach builds personal independence of loan users and allows the loan pool to be recycled to help new learners.

Source: Surveys of experts and stakeholders on VET loan schemes in Europe (2010).

However the scope of many schemes (applied in Hungary, the Netherlands, Austria, Finland and Sweden) extends beyond national borders as loans in these schemes can be also used for learning/studying in other countries. Portability and other conditions of access are analysed in Section 2.6.

2.6. Access conditions

2.6.1. Eligibility and risk assessment

This section discuses eligibility and risk assessment criteria applied in VET loan schemes. There is a difference between criteria for eligibility and those for risk assessment. Eligibility criteria are general rules that define who can take the loan: all who fulfil the requirements can take up the loan with the same conditions. Risk assessment means that each individual case is evaluated by the institution providing loans, to decide if a person can take the loan or not and, if yes, under what conditions. For risk assessment the conditions depend on personal attributes.

Table 4 demonstrates that all VET loan schemes in European countries have at least some eligibility restrictions; the most common are nationality, residence and age. Nationality and residence requirements are usually used to ensure that loans are primarily directed at learners associated with the country of scheme’s operation. Almost half of VET schemes are limited to young adults who are often targeted for their reduced access to funds needed for education.

Countries also impose other eligibility requirements: loans are sometimes only available for registered learners/students enrolled in full-time training/studies, for programmes approved by authorities and/or provided by accredited learning providers. There are exceptions: labour market status is only relevant for the Polish loan for the unemployed (Box 2); in Italy, academic merit criteria are applied, so only learners reaching a certain grade can apply for a loan for the next year of their learning; in the Netherlands (public loan) and Sweden merit criteria are also applied, though this does not relate to grades (Box 2). Other cases are described in Table 6.

Almost half of VET loan schemes apply risk assessment criteria. The most popular are means test and checks on outstanding debts. Sometimes countries assess risk related to opportunity of finding a job or career progress or age. The age criterion is not really applied, the Austrian scheme being an exception: the rationale for imposing such a restriction is that younger adults expect a long future career (which may be facilitated by the loan) so larger returns with steady and less risky repayments can be expected. The scheme in Sweden, where learners no older than 54 years can take the loan but from the age of 45 may face certain restrictions, is another example for using age criteria in risk assessment.

Risk assessment is more often and more widely applied in private and HE-oriented loan schemes. Only one income-contingent scheme (UK student loan) applied risk assessment criteria.

The eight countries selected for in-depth analysis have more restrictive access to their respective VET loan schemes. Most apply age, nationality and residence criteria and, in one way or another, conduct risk assessment of future borrowers.

Table 4 **Eligibility and risk assessment criteria***

Country (loan scheme)	Age	Nationality/ citizenship	Place of residence	Labour market status	Parental/ learner income/assets (means test)	Absence of outstanding debts	Academic merit	Other	No of cases
AT	X	X	X		X	X			5/8
FI	X	X	X		X (indirectly)	X		Eligibility for grants and subsidies, full-time training/studies	6/8
FR	X	X	X			X		Only national learning providers	
HU	X	X	X			X		Registered learner/student status, enrolment in training/studies in a current period	5/8
NL public loan	X	X	X		X		X	Full-time training/studies, certified programmes, living with or without parents	6/8
NL private loan	X		X			X		Full-time training/studies, certified programmes	4/8
PL student loan	X	X			X	X		Only national learning providers	5/8
PL loan for unemployed		X		X				Opportunity of finding a job/keeping a job or staring up an enterprise	3/8
SE	X	X	X		X	X	X	Enrolment in courses/programmes approved by authorities	5/8
UK student loan	X	X	X		X			Registered learner/student status, full-time training/studies, only approved programmes, only accredited learning providers	3/8
UK PCDL	X	X	X		X	X		Only approved programmes of 1-3 years duration, only accredited learning providers	6/8
UK Kent loan	X		X					Individuals who were unable to access other sources of finance, convincing evidence that career progression will take place	3/8
BE (French speaking Community)		X	X					Only for learning/studies in French, only to members of families with three fiscally dependent children	3/8
BG	X	X						Full-time training/studies, learners/student who have not discontinued their education	3/8
CY		X						Bank risk assessment criteria (not disclosed)	2/8
DK		X							1/8

Country (loan scheme)	Age	Nationality/ citizenship	Place of residence	Labour market status	Parental/ learner income/assets (means test)	Absence of outstanding debts	Academic merit	Other	No of cases
EE		X	X					Full-time training/studies, only accredited learning providers	3/8
DE BAföG	X	X	X		X				4/8
DE master-craftsman loan					X**				1/8
EL		X	X					Enrolment in education and training institution	3/8
IT		X	X				X		3/8
LV	X	X	X		X			Orphans and children without parental care may get 100% government guarantee, others 90%	5/8
LT						X			1/8
LU			X						1/8
MT	X	X						Specific fields of study are prioritised: medical, ITC, youth, financial services, environment, agriculture and marine, sport	3/8
PT					X	X		Registered learner/student status, absence of previous convictions	3/8
SK		X							1/8
SI			X		X				2/8
ES (Catalonia)			X		X				2/8
IS		X							1/8
LI			X						1/8
NO		X	X						2/8
HR (Međimurje County)		X							1/8
FYROM		X							1/8
TR		X							1/8
Number of schemes	15/35	26/35	21/35	1/35	12/35	10/35	2/35	19/34	

* Criteria reported by respondents as risk assessment criteria are marked in darker blue.

** Only part of financial support is means-tested, i.e. living cost; financial support for programme and examination fees are not.

Source: Surveys of experts and stakeholders on VET loan schemes in Europe (2010).

Some schemes apply very detailed and very specific eligibility and risk assessment. For example, the public scheme in the Netherlands and the one in Finland differentiate between persons living or not with their parents. These and all other remaining cases of eligibility criteria for the 12 selected VET schemes are described in detail in Box 3.

Box 2 **Eligibility criteria of loan schemes in the selected countries**

Austria: only citizens permanently resident in Austria are eligible (they can take the loan for learning/studies in Austria or abroad) or foreigners if the place where the education is provided is Austria. Banks also apply the following risk assessment criteria: age, absence of outstanding debts, and income and/or assets. For the last, the assessment must show that borrowers will be able to repay the loan within the given time with their (future) income: during the repayment phase, income after deducting the monthly repayment shall not be lower than the pre-determined minimum income of the borrower.

Finland (KELA, 2010a; 2010b): to apply for a student loan from a bank, students need a government loan guarantee. To qualify, they must be in receipt of a study grant or adult education subsidy. If they do not, they may qualify for a loan guarantee if they are Finnish citizen in one of the following three cases: they are aged between 18 and 19, live by themselves (but are not upper secondary school students), and are ineligible to receive the study grant on account of their parent’s income; they are aged under 17, live by themselves (but are not upper secondary school students) and are ineligible to receive the study grant on account of their entitlement to child benefit; they are not entitled to study grant because of receiving trainee or learner pay, a grant or other financial assistance with their studies. The learners’ and their parents' income are considered only indirectly: income is checked by KELA only if it may affect the amount of the study grant and the loan guarantee requires that the person receives a study grant. There are limits on how much students may earn when receiving student financial aid. Student income is checked regularly afterwards and when necessary, the study grant and housing allowance is collected back. The only other obstacle which forbids learners getting the loan from banks is a possible marking in the credit information register. This is normally investigated by KELA while granting the government loan guarantee. Also, banks check the credit information register, because students might have got the marking after they have been granted the guarantee but before raising the loan from a bank.

If learners have been active in working life for at least five years, they may be eligible for an adult education subsidy from the Education Fund. If they qualify for an adult education subsidy for an uninterrupted period of at least eight weeks, they may be eligible for a government guarantee for a student loan. The terms of the loan guarantee are the same as in the student financial aid system, the only difference being that learners’ income does not affect their eligibility for a loan guarantee.

There are several general eligibility criteria for all learners. First, student financial aid is available for full-time, post-comprehensive school studies lasting at least two months in an upper secondary school, folk high school, vocational school or institution of higher education. Second, student financial aid cannot be granted if learners receive any of the following benefits: pension (other than survivors' pension), rehabilitation allowance, unemployment benefits, job alternation compensation, adult education allowance (government guarantee for student loan is available), benefits accompanying apprenticeship training, conscript's allowance and student benefits from another country. Finally, citizens of other countries may also be eligible on the following conditions: they live in Finland on a permanent basis for a purpose other than studying; or they are registered as a permanent resident in the Finnish system.

France: to qualify for a loan, a person needs to have French citizenship or be a citizen of other EU/EEA country living in the country for at least five years without a break, aged under 28 years, learning in French education and training institutions.

Hungary: to be eligible for student loan individuals have to be: Hungarian citizens, or recognised as refugees, or need to have a residence or immigration permit, or citizens of another Member State that is signatory to the EEA Agreement, provided they have an EEA residence permit obtained under a title specified in Article 26 (4a and b) of *Act XXXIX of 2001 on the immigration and residence of foreign citizens*. Also, individuals should satisfy the following preconditions: to have acquired, with a HE institution, registered student/learner status at a publicly supported or privately funded course of a form and a level as specified in the Higher Education Act; have their place of residence registered in the register of personal details and residential addresses pursuant to the provisions of other law; have to be enrolled for a course to pursue studies during the current training period; at the time of applying for the loan they need to have no other student loan agreement in force with the Student Loan Centre. Individuals are not eligible for a student loan when a loan contract made by them earlier has been terminated and they have outstanding student loan debts. There is also a provision in the relevant government decree that no student loan shall be disbursed to any students as of the semester following their 40th birthday. No risk assessment criteria are applied in Hungary.

Dutch public loan (DUO, 2009): the Dutch government applies only eligibility criteria for public loans. The country has different eligibility requirements for secondary vocational education (where a performance-related grant and ordinary loan can be taken) and for HE (where the former plus a tuition fees loan can be taken; as tuition fees do not exist in secondary VET, no such loan is needed). In secondary vocational education (eligibility criteria for performance-related grant and ordinary loan), individuals are entitled to receive the loan if they: are 18 years or older; are younger than 30 on the moment they apply for student finance and on the moment they are entitled to it for the first time; follow a full-time learning track of at least one year in vocational education; possess Dutch nationality. Additionally, eligibility for a performance-related grant depends on if students live with their parents and on academic merit. Students living with their parent are entitled to a lower amount of performance-related grant than students who do not. The academic merit criterion is limited to assessment of learning/studying period: initially learners receive their performance-related grant in the form of a loan; when they obtain their diploma within 10 years (valid both for secondary VET and HE), their grant is then converted into a gif; if not, they must repay their grant.

In HE (eligibility criteria for tuition fees loan), individuals are entitled to the loan if: they are younger than 30 when applying for student finance and are entitled to it for the first time; they follow a full-time course or work-study programme in HE; they possess Dutch nationality.

The Dutch government also applies other eligibility criteria — learners need to study/learn in certified programmes and to have aggregate income or a taxable wage which is not above a certain threshold (in 2010 EUR 13 215.83). If the income/wage is above this limit, learners are not eligible for student finance including all types of loan available. They can apply for student finance again as from 1st January of the forthcoming year. In some cases foreigners may also be eligible for a student loan. Citizens of other EU Member State/EEA country or Switzerland who have lived for five years or more in the country without interruption are eligible. If they have lived less but are working (minimum 32 hours a week) in the country or have a parent who is working, they may also be eligible. Citizens of other countries with a certain kind of residence permit may also be eligible for student finance.

Dutch private loans: the main eligibility criterion applied by private banks is assessment of whether the student/learner receives (public) student finance support. This criterion allows private banks to minimise costs of assessing eligibility/risks. However, the banks also additionally check if students are aged between 18-29 years, if they reside in the country and if they are learning/studying full-time in a certified programme. Also, banks check the outstanding debt of the person based on a national register. If students already have a significant debt they cannot qualify for a private student loan.

Polish student loan: the student loan and credit scheme *System pożyczek i kredytów studenckich*) has the following eligibility requirements: learners have to be Polish or EU nationals who are working/living in Poland or whose members of family are working/living in Poland; aged 24 and younger; and enrolled in studies which are provided by Polish HE institutions. Eligibility also depends on parental/learner income. The family income per capita giving entitlement to a student loan is set by the ministry responsible for tertiary education, based on the following information: data provided by the banks on the number of applications submitted; the income of applying students; the number of extended loans and new loans that can be granted, considering the level of funding available in the Student Loan and Credit Fund and the current interest rates. In 2009/10 the limit of family income was about EUR 625 per person per month: the loan is given only if monthly family income is below this threshold. This eligibility criterion which is uniformly applied to all applicants. However, there is one risk assessment criterion applied by the banks: they check if applicant has not any outstanding debts.

Polish loan for the unemployed: the only two eligibility criteria are related to nationality and labour market status: only unemployed persons or job seekers (foreigners also) can be eligible for a loan. According to the Act on employment promotion and labour market institutions, job seeker 'refers to an unemployed person or a foreigner — a family member of a Polish citizen — who is seeking employment or other paid work, and to an employed person who reports the intention and willingness to undertake another paid work or employment in additional time frame, additional or different employment or other paid work, and who is registered in a district job centre'. District job centres also assess the risk of individuals: their opportunity of finding a job/keeping a job or starting up an enterprise. Such assessment is usually based on the employer's statement confirming that the individual will be employed in the company after completing training.

Sweden: the following persons are eligible: individuals aged 54 or younger (however, between 45-54 possible only for a specified period); Swedish citizens or EU-citizens (and equal) according to EU law, or persons living in Sweden with a residence permit (normally received after two years of residence) and who did not come to Sweden for the purpose of studying; EU citizens (and equals) coming to Sweden to study cannot receive the loan, if not classified as employee, family member (see also section on portability); individuals enrolled in education courses or programmes approved by the relevant authorities; individuals with no outstanding debt from a previous loan (however, this is not considered as a risk assessment criterion as it is applied uniformly for all potential applicants). Sweden also applies eligibility criteria based on merit: support, including a student loan, is only given if learners/students complete at least 75% of the courses taken. The tested period differs: it can either be the latest semester or the latest academic year. This depends on whether the student applied for support for a whole year or only for one semester. If their application is not approved, learner/students can 're-qualify' themselves for new support (including loan). New support can again be granted when the remaining courses up to 75% are approved. If the application is approved, the amount of loan (or grants) is not related to study results. The means testing is also performed, and the persons above a certain threshold are ineligible for the loan (although the threshold is quite high at EUR 14 100 per year).

UK student loan: persons are eligible if they are: a UK citizen or with continuous residence of more than three years; aged under 60 (applied for a maintenance loan, not a tuition fees loan); registered for a degree course; enrolled in first degree studies (loans for studies for second or higher-level degrees are not eligible); learning/studying full-time in courses of approved types; learning/studying in courses of accredited learning providers. The only risk assessment criterion is household income assessment. It is applied for the maintenance loan only and in 2010/11 it is applied to only 25% share of this loan (proportions differ across regions). It is up to applicants to decide how much they will take. Most students try to take the full amount.

UK PCDL: loans are available to persons: aged 18 and over; settled (having either indefinite leave to enter or remain, or having the right of abode in country) in the UK; ordinarily resident in the UK for at least the three years prior to the start of the course; intending to work in the UK, the EU or the EEA when the course finishes; not having access to other options for loans; learning/studying full-time, part-time or at distance in an approved vocational course of up to two years or up to three years if the course includes one year's relevant practical work experience (undergraduate courses or first degree courses are not eligible); learning/studying in courses provided by registered learning providers. Additionally, banks assess absence of outstanding debts and the person's income: individuals must not have access to funds and savings of over GBP 16 000 (EUR 18 576) ([1]) (or they are barred from taking a loan).

UK Kent loan: loans are available only for those aged 18 and above, living in Kent Community and unable to access other sources of finance (proved on the basis of personal statement and/or questioning by loan administrators). The only risk assessment criterion is that persons applying for this loan need to provide convincing evidence that career progression will take place. For example, copies of job vacancies, offers of promotion or job if training is taken or statement of personal budget, showing how current income precluded paying for the training but increased income would give capacity to repay the cost of training. Risk assessment in this case is purely personal judgement that individuals had researched their career opportunities and identified appropriate training which would give them a realistic chance of career progression.

([1]) Conversion rate on 30 September 2010.

Source: Surveys of experts and stakeholders on VET loan schemes in Europe (2010) and literature review.

2.6.2. Preferential treatment

Information on preferential treatment has been collected only for the loan scheme in the selected eight countries. The survey shows that seven out of 12 selected schemes apply at least some preferential treatment, while in that for the unemployed in Poland preferential treatment is not officially applied, but theoretically possible (Box 4). The schemes which applied such treatment were mostly public.

Most often preferential treatment is given depending on marital status/children (Hungary and the Netherlands) or on financial standing, for example in terms of financial obligations or access to government/bank funding (France and the UK Kent loan). Some cases also give priority for low-income earners (NL-public scheme, Finland, UK-Kent loan), the long-term unemployed (Poland), those who are low-qualified but above certain age threshold (Sweden), those who are able to finance their own studies (Hungary), those studying abroad (NL-private scheme) or studying in skills-shortage occupations (NL–public scheme). These cases are described in detail in Box 3.

Box 3 **Cases of preferential treatment in selected VET loan schemes**

Finland: KELA, the managing institution, can pay the interest due on student loans. It requires low income and that the interest is not being capitalised (the bank has not added the interest due on the amount of the loan principal) or that students did not received financial aid during the five months preceding the month in which the interest on their interest-subsidised loan is due.

France: students with no other financial obligations are given priority when granting a loan.

Hungary: preferential treatment is given depending on marital status/children and method of financing studies. For borrowers with small children, receiving maternity/childbirth allowance, child care allowance/subsidy, interest is paid by the central State budget. Also, the amount of loan available depends on the method students use to finance their studies: those participating in self-financed learning can take a higher loan than those in learning financed by the State.

Dutch public loan (DUO, 2009): preferential treatment is given depending on the marital status/children, income of the parents and the chosen occupation. An extra loan (supplement) can be applied if the person has a child. There are two types of loan: the single-parent loan and the partner loan. When a person is no longer entitled to a performance-related grant and looks after a child younger than 18 without a partner, the person is entitled to a loan for this child (EUR 445.93/month in 2010). When a person is no longer entitled to a performance-related grant, looks after a child younger than 12 with a partner and the partner's aggregate income or taxable wage is not more than EUR 8 618.97, this person is entitled to a loan for the child (EUR 557.27/month in 2010). Some special conditions apply to the partners. The size of the loan depends on the parents' income: if this has fallen by at least 15% after the 'normal' reference year and this fall is expected to continue for at least three years, the person can receive a higher loan. Also, skills-shortage occupations such as teachers can get a performance-related grant during a longer period than regular students (for a further year), because their additional studies are funded as if they were initial studies.

Dutch private loan: students in HE (higher professional education institution, HBO, or university) that have earned 60 ECTS (European credit transfer and accumulation system) credits qualify for additional credit (EUR 5 000 instead of EUR 2 500).

Students in secondary vocational education institutions (MBO, *middelbaar beroepsonderwijs*) do not qualify for this.

Polish loan for the unemployed: there are no preferential treatment conditions listed in the Act on employment promotion and labour market institutions. However, each district job centre may apply preferential treatment in the loan statute it prepares. Usually there are no such preferences, but theoretically it is possible to focus on support to such as the long-term unemployed.

Sweden: preferential treatment is given to those older than 25 and those with short prior education/learning. The proportions for students under 25 years and most students aged 25 and more are 33% of grant and 67% of loan. Some persons aged 25 and more can receive more favourable proportions, 77% of grant and 23% of loan, which consequently mean lower debt. The preference primarily depends on whether the person is with short former education or training (person who has not finished upper secondary school) or not.

UK Kent loan: preferential treatment is given for those who are unable to access other financial instruments (e.g. UK PCDL) due to poor credit history, low current income.

Source: Surveys of experts and stakeholders on VET loan schemes in Europe (2010).

2.6.3. Limits to the loan size and the period when it can be used

Table 7 shows that different price levels/different levels of economic development mean that the maximum amounts which may be borrowed vary across countries (from EUR 39 in FYROM to EUR 1875 in Cyprus). In the newer Member States and candidate countries the amounts usually do not exceed EUR 200 per month; in the older EU Member States and EEA members they tend to range between EUR 300and EUR 1 100 per month. There are some exceptions: relatively small amounts in the older EU Member States and EEA members (Belgium, Italy, Dutch private loan, Finland for ISCED 3 and UK PCDL) or relatively high amounts in the newer Member States and candidate countries (Cyprus, Malta, Slovenia and the Polish loan for the unemployed).

The maximum amounts differ between learner groups in some countries. For example, with the UK student loan, learners taking a course in London (if they live away from the family home) are able to take a much larger sum than elsewhere, due to higher living costs; in Finland, Spain and Turkey the maximum amounts are diversified depending on the level of education/learning.

Most countries do not differentiate the amounts of loans available for training/studies at home and those for training/studies abroad. Only Finland, Latvia, Lithuania and the Dutch private loan foresee higher amounts for training/studies in foreign countries. In Sweden, the amount of loan is adjusted to the price level in a given foreign country.

Table 5 **Limits to the size and period of loan, in EUR ***

Country (loan scheme)	Maximum amount of the loan per month (unless specified otherwise)	Maximum period of time during which the loan can be used
AT	25 000 in total around 625/month for four years of learning/studies	Nominal duration** of education + one year tolerance
FI	Depends on age and education level: ISCED 3: 160 for learner aged under 18, 300 if 18 and over; ISCED 5-6: 300; recipients of adult education allowance: 300; studies abroad: 440 for ISCED 5-6; 360 for ISCED 3-4.	Granted and requested separately for each year
FR	15 000 in total around 375/month for four years of learning/studies	The loan guarantee is for 10 years
HU	In a publicly supported course: 143 In a privately supported course: 179	Maximum 50-70 months
NL public loan	1st period: 650, 2nd period: 853	1st period: nominal duration** of the chosen course 2nd period: additional period of three years if a person is no longer entitled to a performance-related grant but is still registered as a full-time student
NL private loan	2 500 in total (5 000 for HE studies abroad), around 63 or 125/month for four years of learning/studies	As long as the learner/student receives public loan + one additional year
PL student loan	150	ISCED 5A: 60 months ISCED 6: 40 months
PL loan for unemployed	3324 in total around 1 100 for three months average duration of training	Average duration is three months
SE	619 (for studies abroad, the amount is adjusted to the price level in a foreign country)	If aged 45 maximum duration is 49 months, if age 46: 45 months, 47: 40 months, 48: 36 months, 49: 31 months, 50: 27 months, 51: 22 months, 52: 18 months, 53: 13 months and if age 54: 9 months. No loan can be taken if older than 54. Different maximum periods are also applied for different levels of education (e.g. 48 months for higher vocational education).
UK student loan	Rates for England for 2010/11: Tuition fee loan: 3 950 in total/year around 395/month) Maintenance loan: for those living in London 8 315 in total (831/month), elsewhere in the UK 5 940 (594/month), living with parents 3 200 (320/month). Rates for other regions may be different	Granted, used and requested separately for each year
UK PCDL	360-1 230 in total (18-62/month for two years of training/studies)	Usually two years. Three years if course includes relevant practical work
UK Kent loan	3 500 in total	Loan is single one-off payment

Country (loan scheme)	Maximum amount of the loan per month (unless specified otherwise)	Maximum period of time during which the loan can be used
BE (French speaking community)	124	
BG	50-130	
CY	75 000/ family member; 150 000/ family; around 1 875/month for four years of training/studies)	
DK	367	
EE	1 917/ year (around 190/month)	
DE BAföG	324	
DE master-craftsman loan	554/month + 105/child	
EL	300	
IT	6 000 in total around 150/month for four years of training/studies	
LV	For studies in Latvia: 170/month, for studies outside Latvia: 805/month	
LT	For tuition fees, no more than the standard study price set yearly (30/month in 2009/10). For living expenses: 188/month. For studies in Erasmus: 226/month.	
LU	880	
MT	23 300 in total around 580/month for four years of training/studies abroad	
PT	416	
SK	133	
SI	21 000 in total around 525/month	
ES (Catalonia)	9 000-30 000 in total, depending on the level of education; around 225-750/month	
IS	Tuition loans (total during course or university study): For studying in Iceland 21 700; for the USA 32 400; for the UK 31 811; for EU-27 40 000. Travel loans per year per person: 250-650.	
LI	900	
NO	1 112	
HR (Međimurje County)	145	
FYROM	39	
TR	For ISCED 4-5: 100/month. For ISCED 6 (Masters): 200/month	

* One school/academic year consists of 10 months. Information for maximum period of loan is only available for selected VET schemes. If duration is not specified an average four-year period of training/studies is considered to calculate loan amounts per month.

** Nominal duration is the initially foreseen duration of learning/studies.

Source: Surveys of experts and stakeholders on VET loan schemes in Europe (2010).

Information on the maximum period during which the loan can be used was collected only for loan schemes in the selected eight countries. Usually this maximum period is equal to the duration of the learning course or study programme. However, some countries have exceptions. For example, Austria and the Dutch private loan give an extra one-year tolerance. For the Dutch public loan the additional period is three years. In Finland and in the UK student loan, the loan is granted and requested for each year (each year's loan is treated as a separate entity). Interesting examples are also Sweden (period depends on age) and the UK Kent loan (one-off payment).

2.6.4. Loan portability

A significant limitation for potential loan scheme users in Europe is portability. This has two major aspects: availability of loans for incoming foreign learners and availability of loans for country nationals leaving for learning/studies abroad. Results suggest that loan portability is limited mostly to citizens, while students who are foreign nationals are considerably less likely to get a loan.

Table 6 shows that in 28 out of 35 loan schemes foreign students can receive the loan. However, a more detailed analysis shows that only two schemes (Bulgaria and Denmark) impose no restrictions on foreign citizens. All remaining schemes impose a general residency requirement: foreign students need to have a residence permit (in some cases they need to live/work in the country for a specified number of years) to receive the loan. Loans in these countries are mostly given for foreign nationals who came to foreign country some time ago for purposes other than studying, with some countries directly specifying this condition (Hungary, Finland and Sweden). Some countries impose further requirements: using the loan only for studies in national education institutions (Spain, Austria, Poland and the UK student loan); to provide additional collateral (e.g. Spain [Catalonia] and Portugal); to be a family member of a citizen (Poland and Sweden); or to work a certain number of hours per week (the Netherlands).

Twenty-eight countries provide loans for citizens who leave to learn/study abroad. Seven countries provide this opportunity without any limitations (Austria, Croatia, Estonia, Hungary, Luxembourg, Slovakia and Slovenia) but the rest have some form of limits. The most widespread are the requirement that programmes/providers should be approved/accredited (Denmark, Finland, Latvia, Norway and Portugal) or a requirement to undertake only partial studies such as Erasmus (Germany, France, Italy, Lithuania, Polish student loan, student loan in the UK). Some countries also apply other restrictions: registered student status (Dutch public loan and Polish student loan); residency requirement (Lichtenstein and Sweden); requirement that learning/studies form a part of a national training/education programme (Finland and Dutch public loan); requirement that the learning programme is based on cooperation agreements between responsible organisations of EU Member States (DE master-craftsman loan) or proof that course/programme is not available in a country (Belgium and UK PCDL).

Only two loan schemes, Turkey and FYROM, are completely restrictive and available only for their own citizens, for training/studies in their home country.

Table 6 provides a summary on the portability of VET loan schemes in Europe.

Table 6 **Portability of loans***

Country (loan scheme)	Loan is available for foreign nationals coming to a country	Loan is available for nationals learning/studying abroad	Loan amount is different for training/studies abroad
AT	Yes, but needs to have a permanent residence and use loan for training/education in Austria	Yes, no limitations	No
FI	Yes, but needs to have a residence permit (which is given after four years of living in the country) and live for a purpose other than studying	Yes, but studies should correspond to Finnish studies or form a part of a Finnish degree programme	Yes (see Table 5)
FR	Yes, for EU/EEA citizens living in the country for five years	Yes, but only for partial studies (e.g. Erasmus)	No
HU	Yes, for EU/EEA citizens with residence permit and living in the country for a purpose other than studying	Yes, no limitations	No
NL public loan	Yes, for EU/EEA/CH living in the country for five years without interruption or, if less, they (or their parent(s)) have to work minimum 32 hours/week. Citizens of other countries are eligible with certain residence permits. Individuals with a study permit are not eligible	Yes, but only for registered full-time students in a country and for training/studies which are part of Dutch training/studies	No
NL private loan	Yes, but only if foreign nationals get public loan	Yes, but only if learner/student continued receiving public loan	Yes (see Table 5)
PL student loan	Yes, for EU nationals working/living or whose members of family work/live in Poland and who are studying in Polish HE institutions	Yes, but only for registered students in a country and only for partial studies (e.g. Erasmus)	No
PL loan for unemployed	Yes, for foreigners — family members of Polish citizens — eligible to work in Poland	No	—
SE	Yes, for EU-citizens (and equivalent) having residence permit or living or working in Sweden for 2 years or family members of Swedish citizens/residents and who did not come to Sweden for the purpose of studying. Other nationals with residence permit are also eligible	Yes, but for those who lived in a country for at least two years and for training/studies provided by institutions approved by authorities	Yes, the amounts are adjusted to the price level in a foreign country

Country (loan scheme)	Loan is available for foreign nationals coming to a country	Loan is available for nationals learning/studying abroad	Loan amount is different for training/studies abroad
UK student loan	Yes, for EU nationals residing in a country for 3 years and attending a full-time course at a UK university	No (although it can be used for periods spent abroad as part of a UK degree programme)	—
UK PCDL	Yes, but foreigner has to be settled in the UK and have a residence permit	Yes, but only if the course is not available in the UK	No
UK Kent loan	Yes, but foreigner has to be settled in Kent Community for a minimum of 1 year Yes (requirement of one year residence in Kent)	No	—
BE (French-speaking Community)	Yes, but only for children of foreign nationals resident in the region, learning/studying in French	Yes, if the course is in French and not available in the French speaking Community	No
BG	Yes, for EU citizens only	No	—
CY	No	Yes, for parents residing in the country whose children study abroad	No
DK	Yes, no limitations	Yes, but approval of school/university is required	No
EE	Yes, but only those with long-term residence permit or permanent right of residence	Yes, no limitations	No
DE BAföG	Yes, for EU nationals and non-EU citizens with certain residence permit – no minimum residence requirement; for others – 5 years residence (or 3 years parents residence)	Yes, unlimited in EU, but maximum one year elsewhere	No
DE master-craftsman loan	Yes, residence permit is required	Yes, but only in EU and the learning programme should be based on cooperation agreements between responsible organisations of EU Member States	No
EL	Yes, but there may be some restrictions applied by the bank	Yes, but there may be some restrictions applied by the bank	No
IT	Yes, only residents of Italy	Yes, but only for partial studies (e.g. Erasmus)	No
LV	Yes, for EU and other citizens with valid residence permit	Yes, but only for universities accredited in a foreign country	Yes (see Table 5)
LT	Yes, EU nationals or non-EU nationals with residence permit	Yes, but only for partial studies (e.g. Erasmus)	Yes (see Table 5)
LU	Yes, but only for those working in Luxembourg, family of a person working in Luxembourg, or resident in a country for a 5 years	Yes, no limitations	No

Country (loan scheme)	Loan is available for foreign nationals coming to a country	Loan is available for nationals learning/studying abroad	Loan amount is different for training/studies abroad
MT	No	Yes, only portable loans exist (they must be taken abroad or used for distance courses based abroad)	—
PT	Yes, no limitations, however additional collateral may be requested by banks	Yes, but only in programmes approved by the Ministry of higher education	No
SK	No	Yes, no limitations	No
SI	Yes, only residents of Slovenia	Yes, no limitations	No
ES (Catalonia)	Yes, only for studies in Catalonia, additional collateral may be requested by banks	Yes, only for Catalan residents	No
IS	No	Yes, but there are limits for the amount of loan for school fees and the number of years person can receive a loan	No
LI	Yes, but only for persons with at least 3 years of uninterrupted residence or 5 years regular residence or having a parent with regular residence 5 years residence during the last 10 years)	Yes, but only if they had five years regular residence during last 10 years and do not receive support from the country of their current residence	No
NO	Yes, special quota for students from developing countries; EU/EEA/EFTA nationals are eligible if they reside for family reasons or if they were working two years continuously before starting an education	Yes, but only for programmes approved by Norwegian Agency for Quality Assurance in Education	No
HR (Međimurje County)	No	Yes, no limitations	No
FYROM	No	No	—
TR	No	No	—
No of cases	28 'yes'/35	29 'yes'/35	5 'yes'/28

* Only the formal conditions of loan portability are considered (how/if they are applied in practice it is other issue).
Source: Surveys of experts and stakeholders on VET loan schemes in Europe (2010).

Some more unusual arrangements related to the portability of loans are described in Box 4.

Box 4 **Interesting cases of loan portability**

In **Finland** loans for a course of study which is conducted entirely outside the country are available not only for Finnish citizens but also for citizens of other EU/EEA countries or Switzerland and their family members. However, a student can get financial help from Finland providing that the studies abroad correspond to Finnish studies that would be covered by the student financial aid provisions or form a part of a Finnish degree programme. The loan amount granted for studies abroad is higher than that granted for studies in Finland.

The **Maltese** youth specialisation studies scheme is designed specifically to fund learning abroad: courses in Malta are not eligible. Also, the scheme gives preferential treatment to certain fields of education (e.g. medical, ICT, environmental, youth studies)

Availability and portability of the Dutch **private loan** is conditional on public support. Private loans are provided only for learners/students who are eligible for public loans. Similarly, foreigners may receive a private loan if they qualify for a public one. Also, those who receive a private loan may use it for training/studies abroad but only if they continue to receive a public loan.

Source: Surveys of experts and stakeholders on VET loan schemes in Europe (2010).

These portability restrictions may be difficult to overcome. First, access to loans in foreign countries is limited owing to the many barriers to be overcome: examples include the procedure of obtaining a residence permit or having to live/work in the country for a certain number of years. In many cases it is practically impossible to receive a loan in a foreign country. Second, most European countries offer loans of the same amount for nationals learning/studying abroad (Section 2.6.3) as for those studying at home. This may impede portability of loans to foreign countries as the amount of loan may appear too small to finance a learning course/study programme and to pay living costs in a country with higher price levels. Eurostudent III survey shows that one of the most important obstacles to loan portability is differences in students' purchase power across Europe, which is considerably lower for those from eastern and southern parts of Europe (HIS, 2008). In consequence, portability of VET loan schemes may, in practice, be very limited.

2.6.5. Other access conditions

Access to loans may be restricted by limited eligibility of costs or service fee. Such costs are not limited in all selected loan schemes: both direct costs (i.e. tuition fees, cost of training materials) and indirect costs (e.g. travel, accommodation, meal costs, foregone wages/opportunity costs, career guidance, child care, competence measurement, formulation of training plan) are eligible (Table A5-2 in Annex 5). However, there are some schemes which cover only certain indirect costs: the Austrian scheme covers only travel and accommodation, while the UK Kent loan covers all indirect costs except foregone wages. In contrast, there are schemes which do not control how the loan is spent by the learner/student (Box 5).

Box 5 **Cases of misuse of loans**

In most selected countries (e.g. Hungary, the Netherlands, Finland and the UK student loan) the use of loan is not monitored. Learners/students may spend their loan as they want and there is no check on misuse.

Finland has experienced difficulties with misuse of student loans, with students using their money for things such as buying a car. However, the law was changed so that, in most of the cases, the student cannot take the whole amount of loan at once but takes proportions during the academic year.

It is widely known and accepted that some people use the UK student loan money to invest because there are no regulations on use. People may use the money when and how they wish, not necessarily for education and training. Certainly before the recession, it was financially advantageous to do so, the interest rate being so low. Some stakeholders argue that this is why the government subsidy for the interest rate is not needed.

An opposite example is the Polish loan for the unemployed. A person who is granted a loan has to collect evidence such as invoices for training, accommodation, train/bus tickets, etc. These documents are to be presented to the district job centre. If funds are not used properly, they have to be returned. The detailed rules are provided in the loan statute prepared by each district job centre.

Source: Surveys of experts and stakeholders on VET loan schemes in Europe (2010).

Service fee is another important factor limiting access to loans in the selected countries (Table A5-2 in Annex 5). About half of the selected loan schemes apply some form of service fee. This usually takes the form of a one-off or yearly instalment and ranges from EUR 15-30 per year in Sweden, EUR 10-50 in Finland, to 2% of the loan amount in Austria. In Hungary and the Dutch public loan fees are included in the interest rate. The UKPCDL does not apply a service fee but a default fee may be charged by the banks. Other countries do not apply service fees.

2.7. Repayment conditions

2.7.1. Repayment

Table 7 demonstrates that repayment conditions for VET loan schemes vary significantly.

First, the period when the borrower should start repaying the loan is very different. In most cases, the repayment is postponed until after graduation, but in Belgium, Greece, Spain (Catalonia), France, Italy and Cyprus, repayment starts during studies, unless the grace period is negotiated with the loan providers. Where repayment starts after graduation, usually a grace period of up to two years is foreseen. Some countries apply an even longer period: the Dutch public loan is repaid two years after eligibility for financial support has expired; in the German BAföG is repaid five years after the maximum period of training assistance; and UK student loan recipients will not start repaying if they earn less than a specified income per month.

Among the schemes which required the borrowers to repay immediately after graduation or after taking the loan, most were private, HE-oriented and conventional. Schemes with generous grace periods were more often public, but also conventional and HE-oriented. However, the number of income-contingent schemes with longer repayment periods was larger than with short.

The period for loan repayment varies. Usually a maximum repayment period is used (10-20 years is most widespread, but it can be as little as1.5-6 years). In some countries (e.g. Estonia), the period of repayment is calculated considering learning duration and loan provision: the repayment period is the same or twice as long as the learning/studying or borrowing period, as is the case in the Polish student loan. The third approach does not set a maximum period, but collects payments until the loan is repaid (e.g. until the person is aged 65 in Hungary, Iceland or Sweden).

Probably the shortest periods of repayment are half of the learning period in Turkey, one year and a half in the Polish loan for unemployed, one to five years in the UK PCDL, and three years in the UK Kent loan. The longest maximum period (cases where no such period is set are not considered) is foreseen in Finland and in the German BAföG. There are some unusual cases, for example FYROM which can permit release from repayment obligation on achieving high marks or finishing studies on time. In Slovakia, maternity/parental leave are excluded from the repayment period. Income-contingent or hybrid schemes usually have a repayment period close to average, while conventional ones tend to the extremes.

Schemes with longest repayment periods were mostly public, while the shortest were provided almost equally by public and private actors.

Repayment conditions for VET loan schemes in Europe are summarised in Table 7.

Table 7 **Repayment conditions of the loan schemes in operation**

Country (loan scheme)	Loan repaid immediately after graduation	Maximum period for the repayment of the loan (in years)
AT	Yes	10 (20 if secured by mortgage)
FI	No, two years after graduation (may be agreed differently with a bank)	30 (but preferably should not exceed twice the time of the loan period)
FR	No, immediately after taking the loan (but repayment can be postponed after graduation)	10

Country (loan scheme)	Loan repaid immediately after graduation	Maximum period for the repayment of the loan (in years)
HU	No, three months after graduation	Until person reaches 65 (for both gender)
NL public loan	No, two years after eligibility for financial support has expired	15
NL private loan	No, one year after the final public support was received or seven years after the private loan was granted (normally this means one year after the end of the programme)	Depends on the amount, but usually 5.5
PL student loan	No, two years after graduation	Twice as long as the borrowing period; may be extended, but the loan is then transformed into a normal commercial loan
PL loan for unemployed	Yes	1.5
SE	No, 6-12 months after graduation (depends when training/studies end, spring or autumn term)	25 or number of years remaining until the age of 60 (if the schedule is followed, if not until 68)
UK student loan	No, on next April after student graduates and when earning is above EUR 18 000 a year	25
UK PCDL	No, depends on the banks, usually two months after graduation	Depends on the banks, usually one to five
UK Kent loan	No, usually three to six months after graduation (to be decided after a talk with the borrower)	Usually three (to be decided after a talk with the borrower)
BE (French-speaking Community)	Yes, for studies in HE institutions; two years after taking the loan in vocational education	5
BG	No, one year after graduation	10
CY	Immediately after taking the loan, but four-year capital holiday may be taken	20
DK	No, 1.5 years after graduation	15
EE	No, one year after graduation	Two times of nominal duration* of the programme in normal graduation. For other reasons (e.g. drop-out) 1.5 times the actual period of study, but not less than six months. Repayment period can be postponed if one enrols to new programme within 12 months and is again eligible for a loan. Maximum period is 20 years.
DE BAföG	No, five years after the maximum period of training assistance	30
DE master-craftsman loan	No, two years (may be extended to six years) after graduation	10
EL	No, usually immediately after taking the loan, grace period of 6-12 months can be taken	10
IT	No, one month after taking the loan	3
LV	No, one year after graduation or three months after exclusion from a student's list	10
LT	No, one to two years after graduation	15

Country (loan scheme)	Loan repaid immediately after graduation	Maximum period for the repayment of the loan (in years)
LU	No, two years after graduation	10 (5 if student is older than 35)
MT	Yes	10
PT	No, one year after the foreseen graduation (even if the student does not graduate)	10
SK	No, two months after graduation or loss of student status (in the latter case one month postponement is possible)	10, excluding periods of maternity/parental leave until the child is aged three years
SI	No, one year after graduation	10
ES (Catalonia)	No, depends on the level, but usually two years after taking the loan	10
IS	No, two years after graduation	No maximum period, payment until repaid
LI	No, 1.5 years after graduation	6
NO	Yes	20
HR (Međimurje County)	No, one year after graduation	The same as the borrowing period
FYROM	No, one year after graduation	The same as the borrowing period; however students may be released (totally or partially) of obligation to repay the loan on achieving high average marks and finishing studies on time.
TR	No, two years after graduation (ISCED 4-5)	Half of the period of education

* Nominal duration is the initially foreseen duration of learning/studies.

Source: Surveys of experts and stakeholders on VET loan schemes in Europe (2010).

Table 8 suggests that most selected loan schemes use a single form of repayment in monthly instalments. Only in Sweden are individuals allowed to choose between monthly, quarterly or yearly instalments, while in the Polish loan for the unemployed the repayment method is determined individually. In some cases loans can be repaid in other forms: lump sum in Finland or differentiated payments for those living outside the country or in the country, as in the Netherlands, with yearly and two monthly payments correspondingly).

For most conventional loans the period of repayment is specified in advance. In exceptional cases (Finland, Dutch private loan and UK PCDL) the exact period is not known when the person starts the repayment.

Repayment is different for income-contingent or hybrid loan schemes (in Hungary, the Dutch public loan, Sweden and the UK student loan): borrowers have to pay a certain share of their monthly income. This varies from 68% in Hungary to 12% in the Dutch public loan. These countries also have at least some specific conditions determining the borrower's monthly pay. Box 6 provides an overview of these conditions.

Box 6 **Determining repayment of the selected income-contingent/hybrid loans**

In **Hungary** the student loan is to be repaid in monthly instalments. The amount of the compulsory monthly repayments is identical within one calendar year, and is calculated on basis of the personal income stated by the tax authority. The monthly repayment is 6 or 8% of yearly gross income of two years before (income of 2008 is requested for the 2010 calculations) or the actual minimal wage (if it is greater) divided by 12 months. In the first two years, the basis of the repayment is the actual minimal wage. In Hungary there are two types of student status: self-financing and state-financing. Self-financing students may have 25% more money per month, but they will have to repay 8% of their income (minimal wage). State financing students have the right to take less money, but they will pay 6% of their income (minimal wage). Also, early repayment is allowed without any limitation or punishment. The nominal or initial value of the loan has to be repaid. In Hungary, the early repayment cash flow is even higher than the regular payment cash flow.

The institution implementing public income-contingent loans in the Netherlands — Dienst Uitvoering Onderwijs (DUO) — bases its calculations of payment due on the borrower's income data of two years ago; income for 2008 is requested for the 2010 calculations and financial capacity is not based on disposable income. This relates to the borrower's aggregate income or taxable wage as determined by the Tax and Customs Administration..DUO determines the amount of the monthly instalment by dividing borrowers' total debt by 180 months (15 years). This results in the monthly instalment, with a minimum of EUR 45.41 per month. The maximum monthly amount equates to 1/12 of 12% of the borrowers yearly income. If borrowers have difficulty paying the specified monthly instalment then they can submit a request to have their monthly instalment reduced. DUO then calculates the amount they could repay based on their income two years ago. DUO calculates the monthly instalment for each calendar year. There are exceptions. First, the income of the borrowers' partner is considered, though borrowers can request it is not considered. The repayment phase is prolonged by one month for each month that their partner's income is not considered. Second, if the borrowers' income has fallen, repayment may be re-calculated and monthly payment reduced. For example, if the borrowers' income has fallen after 2008 then the calculation of the financial capacity can be based on the income in 2009 or 2010. However, borrowers need to request DUO to do so. Finally, borrowers may suspend payments for a maximum of five years.

In **Sweden** the loan shall be repaid in 25 years or in the number of years remaining until the age of 60. The instalment cannot be under EUR 650 per year: if the debt is low, the loan is repaid in less than 25 years. The loan is considered as conventional but has some income-contingent elements, such as the potential to get reduction of the annual repayment amount which could be equal to 5-7% of gross income/year. Borrowers can get this reduction if their income during the year of repayment is so low that the yearly payment of 5 or 7% of gross income gives a lower amount to repay than the specified minimal instalment. Borrowers up to 49 years of age can have the reduction of 5% of gross income/year and at the age of 50 years or more 7% of gross income/year. The income-limits for reduction are individual and depend on the normal instalment. The new amount must fall below of the normal instalment. Annual instalments are lower in the beginning of the repayment period than at the end. This condition should facilitate the repayment for newly graduated.

The beginning of repayment of the UK student loan is tied to the income level of the individual. Borrowers start repayment in April after leaving the course; however, repayment starts only if the income is higher than GBP 15 000 (roughly EUR 18 000) per year. Whereas, with a commercial loan provided by a bank, there is always a penalty for clearing off a loan before the agreed timescale. People are actively encouraged to repay as much as they can of their student loans without any such penalty. However, it is quite possible that a person may spend 25 years earning less than the specified sum per annum and the whole loan is still outstanding. In this case the loan would be written off. For example, if someone does not start earning the threshold for, for example 20 years, the outstanding amount on the 25th anniversary of the loan will be written off (although only 9% of their earnings above pre-determined threshold for five years will have been repaid).

Source: Surveys of experts and stakeholders on VET loan schemes in Europe (2010).

All selected VET loan schemes allow for an early repayment of the loan. In Hungary early payment is promoted and cash flow through this method is even higher than the one of regular payment (Box 6). However, some schemes may apply an additional fee for person paying the loan earlier than initially foreseen (the case of the UK PCDL is discussed in Box 7).

Only half of selected loan schemes also foresee the opportunity for loan write-off. Most schemes which do not foresee loan write-off are private. Six countries write off 100% of the remaining loan amount in the case of death of the borrower: five out of six (excluding the Dutch public loan) write off 100% of the remaining loan amount in the case of disability or serious illness. There are other reasons: Hungary writes off 100% of the loan due to retirement; in the Netherlands 100% is written off after the 15 years repayment period has ended; in Poland 20% is written off for good performance and 20-99% for accidents or other unfortunate events (i.e. flood, disease) that make the repayment harder or impossible; and Sweden writes off all remaining loans when the income remains low for a long period or when the borrower reaches the age of 68.

All these repayment characteristics of the selected loan schemes are summarised in Table 8.

Table 8 **Main characteristics of repayment**

No	Country (loan scheme)	Loan repaid in monthly instalments	Repayment period specified in advance	Early repayment possible	Loan write-off possible
1	AT	Yes	Yes	Yes	No, recovered from assets or third persons-guarantors
2	FI	Yes, but lump sum is also possible	No, but preferably should not exceed twice the time of the loan period	Yes	Yes, up to 100% (e.g. disability, death)

No	Country (loan scheme)	Loan repaid in monthly instalments	Repayment period specified in advance	Early repayment possible	Loan write-off possible
3	FR	Yes, although some other methods may be used	Yes	Yes	No
4	HU	Yes	Not applicable	Yes, without any limits or charges, at nominal value*	Yes, 100% (retirement, disability, death)
5	NL public loan	Yes, but yearly payment for those living outside the country	Not applicable	Yes	Yes, after 15 years or death
6	NL private loan	Yes	No	Yes, at no extra cost	No
7	PL student loan	Yes	Yes	Yes	Yes, 20-100% (20% for learner good performance; 100% disability, death; 20-99% accidents)
8	PL loan for unemployed	Negotiated individually case by case	Yes	Yes	No
9	SE	Opportunity to choose monthly/quarterly/ yearly instalments, quarterly are the most popular	Yes	Yes	Yes, up to 100% for disability, death, serious illness, prolonged low income or remaining loan(s) at the age of 68
10	UK student loan	Yes, usually monthly instalments	Not applicable	Yes	Yes, for death or inability to work certified by a medical practitioner
11	UK PCDL	Yes	No	Yes, a certain fee may be applied on any outstanding interest that has accrued	No, banks may have some other criteria (this information is not available)
12	UK Kent loan	Yes	Yes, but it may vary by agreement	Yes	No
Number of cases		10 'yes'/12	6/9	12/12	6/12

* Nominal value is the initial amount of loan foreseen in the contract (with no accumulated interest).
Source: Surveys of experts and stakeholders on VET loan schemes in Europe (2010).

The main characteristics of repayment of conventional loans presented in Table 8 may have some other/further specifications or exceptions, reviewed in Box 7.

Box 7 **Determination of repayment of the selected conventional loans**

In **Finland,** the bank which provides the loan and students themselves may agree freely on the repayment conditions other than specified in Table 8.

Although loan write-off is not possible in **France**, certain situations (e.g. disability) could be covered by insurance included in the interest rate (there are many such practices). In case of death, the outstanding debt is included in the heritage account as a regular loan.

Dutch private loans are repaid at fixed instalments per month. Each month is equal to 2% of debt and accumulated interest. This kind of repayment lasts until the full debt is repaid. The loan is personal, but some other private banks allow parents to act as a co-signatory.

For **Polish student loans** the monthly repayment instalment is limited to 20% of average monthly salary of the graduate repaying the loan. For learners who finish the studies ranking among the top 5% of graduates 20% loan forgiveness is possible.

The **Polish loan for the unemployed** does not foresee any kind of loan write off. For death or other cases when an individual is not able to repay the loan, it is repaid by the person who provided a guarantee. Details are always listed in the loan statute prepared by each district job centre, and in the loan contract signed by the unemployed person and the district job centre.

In the **UK PCDL** learners must start to repay their loan one month after they have stopped their course, regardless of whether they are in employment or not. However, there are no restrictions if they are able to repay the loan earlier, for example before they have completed their course. Learners can avoid paying any interest on the loan if they repay the amount before they finish their course. Where repayments have commenced but the learner chooses to repay the loan before the full term, a settlement payment will apply on any outstanding interest that has accrued.

The standing point of loan scheme managers in the **UK Kent loan** is that the loan has to be repaid no matter how an individual’s circumstances develop. They would then discuss on an individual basis if any problems occurred.

Source: Surveys of experts and stakeholders on VET loan schemes in Europe (2010).

2.7.2. Interest rate

Table 9 indicates that the interest rate which would be applied if the average learner took up the loan at the moment of survey varies considerably. In some scheme loans are interest free: Liechtenstein, Turkey, the German BAföG, and the Polish loan for the unemployed, the UK student loan and the UK Kent loan. For the others, the average interest rate varies from 1% (Iceland) to 10.5% (Greece). About half of VET loan schemes use variable interest rates, the rest using a rate fixed for the period of the loan.

Rates are the lowest in schemes which are classified as public, usually fluctuating up to 3%. Five out of six schemes with 0% interest rate are public. The rates for private loan schemes usually fluctuate in the 4-10% range. In income-contingent or hybrid schemes the rate was 1-2.5%. The only income-contingent scheme with a very high rate was in Hungary (at 8.5% this is still quite low compared to others in the Hungarian market), while those of Liechtenstein and the UK student loan had 0%.

VET schemes often provide loans with interest rates linked to international or national interbank rates. There are also cases when a rate depends on whether the loan is secured by mortgage (Austria) or training/study scores (Portugal). These and other cases are reviewed in Table 9.

Table 9 **Interest rate of VET loan schemes in Europe**

Country (loan scheme)	(Range of) interest rate per annum for average borrower
AT	First 18 months: a fixed 2.9% (2.25% for loans secured by mortgage) For the remaining period: variable rate consisting of Euribor + 1.75% (between 3-6%), if secured by mortgage: Euribor + 1.25%
FI	2-3% (borrower chooses between Prime rate [banks own reference rate] or 12 months average Euribor rate, plus the bank margin [0.2-0.5%])
FR	2-4%
HU	8.5%
NL public loan	2.39%
NL private loan	9-10%
PL student loan	1.87%
PL loan for unemployed	0%
SE	2.4%
UK student loan	0%
UK PCDL	9.9%
UK Kent loan	0%
BE (French-speaking Community)	4%
BG	Maximum 7% (minimum limit depends on the banks)
CY	7.50-8.25%
DK	1.75%
EE	Bound with Euribor, but 5% maximum (if higher, government compensates the difference to the banks)
DE BaföG	0%
DE master-craftsman loan	0% during the learning and grace period; afterwards the borrower can select between fixed and flexible rate. Fixed rate is 3.2%, while the flexible rate is six months Euribor + administration costs + risk contribution; currently it totals to 2.85%
EL	9-10.5%
IT	Maximum 5.8%
LV	1.85% (based on Euribor) or 4.67% (based on Rigibor)
LT	5-8%
LU	2% (fixed)
MT	Bank base rate plus 1.75%
PT	1.27-3.4% plus a maximum spread of 1%; the spread may be reduced by 0.35% if the students get equal or higher than average training/study score
SK	3% (fixed)
SI	4.9%
ES (Catalonia)	2-4%
IS	1% (fixed)

Country (loan scheme)	(Range of) interest rate per annum for average borrower
LI	0%
NO	3.1%
HR (Međimurje county)	3.99% (fixed)
FYROM	Depends on the bank
TR	0%

Source: Surveys of experts and stakeholders on VET loan schemes in Europe (2010).

Some further detailed information on interest rates is available for the loan schemes in the selected eight countries.

Most selected VET loan schemes (12) use a variable interest rate; only in France and in the UK PCDL is the interest rate fixed for the period. Loan schemes usually apply a universal interest rate, i.e. common to every borrower. Only in three countries it is differentiated: in Austria a different rate is applied for loans secured by mortgage and those which are not; in Finland the rate is different for each borrower depending on their financial status; and France differentiates rate by types of school (Box 8).

Most selected loan schemes are liberal in terms of timing, with six out of 10 schemes applying interest after person finishes training/studies. The Polish student loan and the UK PCDL are probably the most liberal in this respect, with interest applied two years/maximum two months after finishing programme/courses respectively. There are also cases when interest is capitalised (added to principal amount of the loan) during studies, but paid only after graduation (Hungary and Sweden) or even one year after graduation (Dutch private loan). In France all interest is paid by borrowers during their studies. After graduation they repay only the amount borrowed without interest.

Table 10 **Main characteristics of the interest rate**

No	Country (loan scheme)	Interest rate …		Interest rate paid …		
		common to everyone	variable	during studies	after graduation	other
1	AT	No, different for loans secured with mortgage	Yes	Yes	Yes	—
2	FI	No, different for each borrower	Yes	Yes (1% twice a year, the rest is capitalised*)	Yes	—
3	FR	No, differentiated by type of school	No, fixed	Yes	No, all interest is paid during studies	—
4	HU	Yes	Yes	No, only capitalised*, not paid	Yes	—
5	NL public loan	Yes	Yes	No	Yes, (rate is set for successive five-year periods)	—
6	NL private loan	Yes	Yes	No, only capitalised*, not paid	No	one year after the end of training/studies
7	PL student loan	Yes	Yes	No	No	two years after graduation
8	PL loan for unemployed	Yes	Not applicable	Not applicable	Not applicable	Not applicable
9	SE	Yes	Yes	No, only capitalised*, not paid	Yes	-
10	UK student loan	Yes	Yes	No	Yes	-
11	UK PCDL	Yes	No, fixed	No	No	one month after graduation (one additional month may be granted by the bank)
12	UK Kent loan	Yes	Not applicable	Not applicable	Not applicable	Not applicable
Number of cases		9 ‘yes’/12	8 ‘yes’/10	3 ‘yes’/10	6 ‘yes’/10	1/10

* Capitalised means that interest is added to the principal amount of the loan.

Source: Surveys of experts and stakeholders on VET loan schemes in Europe (2010).

Countries differ considerably in how they set the interest rate. Box 8 provides an overview of these different approaches.

Box 8 **Determination of the interest rate in selected VET loan schemes**

Austria: the interest rate is determined by an overall assessment of the building society bank, considering among others: the costs of funds, risk premium, default risks and market competition. Different rates are applied for loans which are secured by mortgage and those which are not.

Finland: private banks decide the margin and, while deciding, consider the common financial standing and the customer's financial status. The customer decides whether the loan is bound to the prime rate (i.e. the banks own reference rate, which changes with the banks administrative decision) or to the 12-month Euribor rate.

France: the interest rate varies between 2 and 4%, linked to the characteristics of the schools. Banks have particular arrangements with some schools: for universities the usual interest rate is 3.5-4%, while for some elite schools it could be close to 2%.

Hungary: interest rate (8.5%) consists of financing cost (5.89%), cohort risk premium (1.36%) and administration cost (1.25%). If market conditions change it can change every six months on the basis of predefined algorithm. However, the only limitation set in the government Decree is that cohort risk premium cannot exceed 4.5%.

The Netherlands: the interest rate of the Dutch public loan is determined by law and set each year by the Ministry of education, culture and science. It is based on the average effective return over the month of October of the public loan, floated by the Dutch government. During their training/studies, whenever borrowers are entitled to student finance, authorities will set the interest rate for each calendar year. Once borrowers have ended their study the interest rate will be set for successive five-year periods. For the Dutch private loan, interest is at a commercial rate in line with other bank loan facilities.

Poland: the interest rate for student loans is calculated as a half of rediscount rate of National Bank of Poland (3.75% in July 2010). The maximum rediscount rate since November 1998 was 21.5% (September 2000), the minimum was 3.75% (current). The average rediscount rate since 2005 was rather stable (3.75-6.5%). Loans for the unemployed do not apply interest.

Sweden: the interest rate is decided by the government for each year. The rate is a three-year-mean of the State borrowing costs, minus 30%, as compensation for a normal tax deduction on interest costs which is not possible in a study loan. This is done to equalise the student loan to other loans.

The UK: student loan is awarded on a not-for-profit basis and the interest rate is applied to compensate for inflation (so that the loan is repaid in real and not at initial or nominal value). The interest rate for student loans is also determined in an unusual way. There is a formula based on the retail prices index for the 31st of March and the rate derived from this is applied from 1st September. In all but the most exceptional circumstances (such as happened for the first time in 2008 during the financial and economic recession) the rate does not alter until the following 1st September. Since September 2009 the rate is 0%. It was lowered several times in 2008-09: 4.8% from September 2007 to August 2008; 3.8% from September to December 2008, 3% from December 2008 to January 2009; 2.5% from January to February 2009; 2% from February to March 2009; and 1.5% from March to August 2009. In 20 years of student loans, it has never been necessary to change the September-to-August rate, with the exception of what is shown above. The interest rate is the same for student loans in all regions. The UK Treasury makes all the funding available (in England, Wales, etc.) and it is returned to the Treasury direct. Determination of interest rate of the PCDL is not known; banks did not disclose the information. The Kent loan has no interest rate.

Source: Surveys of experts and stakeholders on VET loan schemes in Europe (2010).

2.8. Management/administration of loans

Out of 35 identified VET loan schemes 22 can be classified as public and the remaining 13 as private (Section 3.1.3). In half of the public schemes and in all but two of the private schemes the loans are provided by retail banks. In the remaining schemes the loans are provided by (specialised) public institutions (with exception of the UK Kent loan).

2.8.1. Managing institutions

2.8.1.1. *Types of managing institution*

The functions of institutions managing the loan schemes were analysed in more detail for eight selected countries. Table 13 shows that types of institution operating loan schemes vary significantly. In Hungary and the UK student loan, loans are managed by specialised publicly owned institutions. In seven countries financial institutions (retail banks) have an important role in managing loans. In Finland, France and in the UK PCDL they jointly manage loans together with publicly owned institutions. The smallest schemes analysed are managed by other institutions: local labour exchange offices for the Polish loan for the unemployed and a private non-profit organisation for the UK Kent loan.

In the 12 selected schemes, the managing institutions undertake various actions: providing the loans, collecting the disbursed funds, administrative work, and fund raising.

Table 11 **Institutions operating the loan scheme**

No	Country (loan scheme)	Institution(s) …	… perform(s) the following function(s):				No of cases
			provides loans/lends money to borrowers	collects the loans disbursed	administers learners' loans (applications, statistics, monitoring)	performs fund raising	
1	AT	Retail banks	Yes	Yes	Yes	Yes	4/4
2	FI	Retail banks AND a publicly owned institution (KELA)	Yes, retail banks	Yes, retail banks	Yes, retail banks and KELA	Yes, retail banks	4/4
3	FR	Retail banks AND a publicly owned institution (State guarantee fund, OSEO)	Yes, retail banks	Yes, retail banks	Yes, OSEO	Yes, retail banks	n/a
4	HU	Specialised publicly owned institution (DKZ)	Yes	Yes	Yes	Yes	4/4

No	Country (loan scheme)	Institution(s) …	… perform(s) the following function(s):				No of cases
			provides loans/lends money to borrowers	collects the loans disbursed	administers learners' loans (applications, statistics, monitoring)	performs fund raising	
5	NL public loan	Institution under the ministry of education, culture and science (DUO)	Yes	Yes	Yes	No	¾
6	NL private loan	Retail banks	Yes	Yes	Yes	Yes	4/4
7	PL student loan	Retail banks AND public institutions (State owned bank, Bank of National Economy, Ministry of Science and Higher Education)	Yes, retail banks	Yes, retail banks	Yes, retail banks, Bank of National Economy, Ministry	Yes, retail banks and Ministry	4/4
8	PL loan for unemployed	Public institutions (district job centres at local level, Ministry of Labour and Social Policy centrally)	Yes, district job centres	Yes, district job centres	Yes, district job centres, Ministry	Yes, Ministry (manages the Labour Fund)	4/4
9	SE	Publicly owned institution (Swedish Board of Student Support)	Yes	Yes	Yes	Yes, National Debt Office	4/4
10	UK student loan	Specialised publicly owned institution (Student loans company)	Yes	Yes	Yes	No	¾
11	UK PCDL	Retail banks AND a publicly owned institution (Young people's learning agency, YPLA)	Yes, retail banks	Yes, retail banks	Yes, YPLA	Yes, retail banks	4/4
12	UK Kent loan	Private non-profit organisation (individual learning company)	Yes	Yes	Yes	Yes	4/4
Number of cases			12/12	12/12	12/12	10/12	

Source: Surveys of experts and stakeholders on VET loan schemes in Europe (2010).

2.8.1.2. *Stability of managing institutions*

The stability of managing institutions is a crucial issue for education loan schemes, as stability guarantees more experience among loan scheme managers and, in turn, the better establishment of the loan scheme in the country's educational system and positive, objectively reasonable, expectations among its customers. In most of the 12 selected VET loan schemes, the managing institution remained the same during the previous five years (Table A5-4 in Annex 5). In the UK PCDL it changed twice, although it could be argued this was only reorganisation of the same managing institution. In Hungary, although it remained the same yet, the recent changes in the management staff may bring significant reforms in the working of the institution as well (Box 9).

Box 9 **The change in the Hungarian loan scheme management**

While the survey was being carried out in the countries selected for the in-depth analysis, the newly established Hungarian government decided to change the management staff in several public institutions, including the Student Loans Center (DKZ, Diákhitel Központ Zrt) managing student loans. This sudden change of management included plans how the existing loan scheme might be changed in the immediate future. A few possible changes have been discussed:

(a) the present specialised non-profit institution should be turned into a specialised state-owned bank. It is thought that this would make the scheme more transparent, less state-controlled, more prudent, new products could be introduced, less state-guarantee, more professional liquidity management and risk management techniques. However, the State should introduce a large amount of equity to fulfil the capital requirement, regulation is stricter for a bank, and a profit-seeking operation may lead to financial and political problems;

(b) such a newly established bank would introduce a new product, loans for HE graduates (for purposes including buying real estate, car, etc.). As such graduates are a good clientele, this would make the portfolio more favourable. However, the basic objectives (social mobility, access to HE, promotion of human investments, etc.) of the student loan scheme and the European Investment Bank (which provides a large share of needed funds for the scheme) are not in line with these plans;

(c) a more efficient collection mechanism would be introduced: bad debts would be sold to private collectors, which is expected to be more efficient than the current collection by the tax authority. It has been argued, however, that the tax authority should remain in the collection process at least to some extent, as its participation makes the borrowers more disciplined.

Source: Surveys of experts and stakeholders on VET loan schemes in Europe (2010).

2.8.2. Number of administrative staff

The total number of employees managing loans (handling applications, statistics, monitoring) is similar (close to 100) in most cases, despite significant differences in the size of the schemes. However, only a few countries could provide an exact number is for comparison; many could only provide estimates. For example, in Austria, the Polish student loan, the Polish loan for the unemployed, and the UK Kent loan, management is a part-time (sometimes very insignificant part) activity for the administrative staff. In some cases (France, Polish student loan) only the public employees could be counted, while most administrative work is done by private actors. The number of borrowers per one administrative staff member is quite similar (2000-3000) in France, Hungary and the UK student loan. In Finland figures were calculated on the basis of several new contracts per year, thus the number of borrowers per employee may be much higher in absolute terms.

Table 12 provides information on the estimated number of employees administering the loans and the number of borrowers per employee.

Table 12 **Size of staff administrating loans**

No	Country (loan scheme)	Number of employees administering loans	Number of borrowers per employee administering loans (average of 3 years)
1	AT	~100 (but also other types of loans)	6* (total)
2	FI	~100	*1 103*
3	FR	2 (only public sector)	3 074*
4	HU	~90	2 810
5	NL public loan	~75	n/a
6	NL private loan	n/a (confidential information)	n/a
7	PL student loan	11 (only public sector)	27 521*
8	PL loan for unemployed	~25 (part-time; potentially up to 400)	*3**
9	SE	~100	13 946 *
10	UK student loan	1 600	2 095
11	UK PCDL	n/a (confidential information)	n/a
12	UK Kent loan	1 full-time equivalent (many people working part-time)	n/a

* Incomparable data for lack of full information (e.g. only public staff known, no information from participating banks, many people involved only part-time, etc.)

NB: Numbers in italics are based on the number of new loan contracts signed each year, instead of absolute number of borrowers.

Source: Surveys of experts and stakeholders on VET loan schemes in Europe (2010).

2.8.3. Collection mechanisms

The collection of the funds owed by learners is carried out using various approaches. In all cases for which information is available, the letters, emails or text messages and telephone calls are most often used to assist the collection of funds (Table A5-3 in Annex 5). Some countries have adopted more innovative solutions as well. For example, an e-solution was developed in Sweden, which is used to facilitate the tracking of payments and remaining debt for the user and to create user-friendly provision of information about the loan. Some countries use stricter collection measures. In Hungary, after six months delay in payment, the borrower is added to the ‘bad borrowers’ list and the debt is collected by the tax authority in lump sum. In the Dutch public loan, bailiff services are used to collect payments for bad loans. In the UK student loan, good repayment is secured by the tax authority, which collects the instalments automatically through the payroll of employers (Box 10).

Box 10 **Collection of repayment in the UK student loan**

Instalments for repayment of the UK student loan are made automatically through employers' payrolls. Employers are obliged to report annually all amounts due to Her Majesty's Revenue and Customs, the tax authority collecting repayments. As most repayments do not need to be collected directly from borrowers, the potential for bad loans is reduced.

However, in some cases repayments need to be collected directly. When the borrower's income is not on an employer's payroll (e.g. the person works abroad or is self-employed), borrowers have to arrange repayment directly with the Student Loans Company, using the usual collection techniques (such as letters, text messages, emails, etc.). For borrowers residing abroad, the income threshold which obliges repayment is calculated according to the average earnings in the country of residence. However, the former loan scheme manager who provided his answers for the questionnaires (3A and 3B in Annex 7) reported that the collection of repayments from borrowers residing abroad has been a problem.

Source: Surveys of experts and stakeholders on VET loan schemes in Europe (2010).

The loan schemes in which more innovative repayment collections were applied are mostly public (Sweden, Dutch public loan and UK student loan) and income-contingent or hybrid (Hungary, Dutch public loan, Sweden and UK student loan).

2.8.4. Evaluation and monitoring arrangements

Table 13 shows detailed information on evaluation and monitoring arrangements for VET loan schemes across Europe. In 27 out of 34 ([10]) schemes there is a monitoring institution. In 29, statistical data are collected. Schemes with no monitoring institution and/or with no statistical data collected were usually private (i.e. Dutch private loan, UK Kent loan, German master-craftsman loan, schemes in Greece and Malta). Among public schemes, only the Polish loan for the unemployed has no monitoring institution, while in Estonia it has no monitoring institution and no collected statistical data.

Institutions implementing the loan schemes vary. They include the relevant departments in ministries or even the parliament (in Slovakia), specialised loan providing institutions, external public evaluators, such as the National Audit Office in Liechtenstein or the Central Bank in Austria, as well as external private auditors, as in Hungary.

([10]) No information available for the former Yugoslav Republic of Macedonia (FYROM).

Only in 21out of 34 VET loan schemes are the monitoring/evaluation reports prepared and publicly available in national language and/or English (some summaries are provided in Table 13). In some schemes (Belgium French-speaking community, Cyprus and Turkey) the relevant reports are prepared, but are kept confidential.

However, while monitoring and evaluation activities in the selected VET loan schemes are widespread, few had any quantified targets set. The exceptions are the Hungarian loan scheme, where functioning at a zero profit was identified as a quantified target, and the UK student loan, which has a wide variety of targets, ranging from those related to customer satisfaction (percentage of customers evaluating the services positively, share of time when the online/telephone assistance was available) to efficiency-related targets, such as the default rate, deviation from the planned budget, etc.

An interesting system of monitoring activities aimed to check the details of the applicants is applied by the loan managing institution DUO in the Dutch public loan. Box 11 briefly describes this system.

Table 13 **Evaluation and monitoring arrangements of the loan schemes**

Country (loan scheme)	Statistics are collected	There is an monitoring institution	Quantified targets are set for the scheme	Monitoring/ evaluation reports are prepared and publicly available	No of cases
AT	Yes	Yes, Austrian Central Bank	No	No	2/4
FI	Yes	Yes, Ministry of Education and Culture in cooperation with KELA	No	Yes	3/4
FR	Yes	Yes, OSEO	No	Yes	3/4
HU	Yes	Yes, external private auditor (e.g. Deloitte, Ernst and Young)	Yes, zero profit level	Yes	4/4
NL public loan	Yes	Yes, DUO	No	Yes	2/4
NL private loan	No	No	No	No	0/4
PL student loan	Yes	Yes, Ministry of Science and Higher Education	No	Yes	3/4
PL loan for unemployed	Yes	No	No	No	1/4
SE	Yes	Yes, Swedish Board of Student Support	No	Yes	3/4
UK student loan	Yes	Yes, Department for Business, Innovations and Skills	Yes	Yes	4/4
UK PCDL	Yes	Yes, Young People's Learning Agency	n/a	Yes	3/4

Country (loan scheme)	Statistics are collected	There is an monitoring institution	Quantified targets are set for the scheme	Monitoring/ evaluation reports are prepared and publicly available	No of cases
UK Kent loan	No	No	No	Yes	1/4
BE (French-speaking community)	Yes	Yes, Court of Auditors		Not accessible to public	2/3
BG	Will be when the scheme starts operating	Yes, Ministry of Education		Will be when the scheme starts operating	3/3
CY	Yes	Yes, the private bank providing the loan		Not accessible to public	2/3
DK	Yes	Yes, Danish Education Support Agency		Yes	3/3
EE	No	No		No	0/3
DE BAföG	Yes	Yes, Federal Ministry for Education and Research		No	2/3
DE master-craftsman loan	Yes	No		No	1/3
EL	No	No		No	0/3
IT	Yes	Yes, Ministry of Education, Universities, and Research		No	2/3
LV	Yes	Yes, the Administration of Study and Research		Yes	3/3
LT	Yes	Yes, State Studies Foundation		Yes	3/3
LU	Yes	Yes, Ministry of Higher Education and Research		Yes	2/3
MT	No	No		No	0/3
PT	Yes	Yes, Ministry of Science, Technology and Higher Education		Yes	3/3
SK	Yes	Yes, National Council (the parliament)		No	2/3
SI	Yes	Yes, Slovene Human Resources and Scholarship Fund (loan scheme managers)		Yes	2/3
ES (Catalonia)	Yes	Yes, AGAUR (loan scheme managers)		Yes	2/3
IS	Yes	Yes, National Audit Office		Yes	3/3
Li	Yes	Yes, National Audit Office		Yes	3/3
NO	Yes	Yes, Ministry of Education and Research		Yes	3/3
HR (Međimurje County)	Yes	Yes, local government of Međimurje County		Yes	2/3
FYROM	n/a	n/a		n/a	n/a

Country (loan scheme)	Statistics are collected	There is an monitoring institution	Quantified targets are set for the scheme	Monitoring/ evaluation reports are prepared and publicly available	No of cases
TR	Yes	Yes, PM's Office, General Directorate of Higher Education Loans and Boarding Institution		Not accessible to public	2/3
No of reported cases	29/34	27/34	2/11	21/34	

Source: Surveys of experts and stakeholders on VET loan schemes in Europe (2010).

Box 11 **Inspections/checks in the Netherlands**

The inspections and checks in the Dutch public loan are carried out by the managing institution DUO to verify that the applicant has provided the correct information and meets the eligibility requirements, so that no support is provided to ineligible persons. Checks are performed to confirm that:

(a) applicants live separately from their parents: proof that the address is different may be requested;

(b) the home address provided in the application is correct: it is checked with the Municipal Personal Records Database;

(c) the registration with the educational institution provided in the application form is up to date: checked every month by DUO;

(d) the income of applicants and/or their parents or partner (when a partner's supplement is requested) is not higher than pre-determined amount: it is checked with the Netherlands Tax and Customs Administration.

When the eligibility requirements are not met, applicants are requested to repay the funding for which they were ineligible. Learners' personal data are processed in accordance with the Dutch Data Protection Act.

Source: DUO, 2009.

2.8.5. Guidance and information services

Most countries only promote their respective loan schemes by establishing and maintaining the websites and preparing various brochures targeted at potential borrowers (Table A5-5 in Annex 5). Often, the branches of relevant financial institutions are used to widen the provision of information and guidance geographically (e.g. France, Polish student loan, Dutch private loan, UK PCDL). Other, less popular, means include eye-to-eye advisor services and telephone hotlines (more popular in the UK). Finland and Hungary use the widest variety of available means to promote the loan schemes. An interesting provision exists in the Polish student loan, where education institutions are obliged to provide guidance services about loans (by organising advertising campaigns, preparing brochures, etc.) to participate in the loan scheme.

The collected information about the guidance and information services provided to clients does not necessarily reflect how accessible the information really is for potential borrowers. For example, although the Polish loan for the unemployed has several guidance services, judgements by national stakeholders indicate that it is quite complicated for potential learners to get full information on the loan scheme.

2.9. Role of government, financial institutions and other actors

2.9.1. Role of government

While several VET loan schemes analysed are classified as private and use private funds, only in a few of them do government (at national, regional or local level) have no role.

As Table 14 illustrates, the most common role played by governments in VET loan schemes in Europe is setting the eligibility, repayment and other rules (26 out of 35 schemes), and monitoring and evaluating the implementation of the schemes (24 schemes). In many countries governments are involved in provision of different subsidies (interest rate subsidy, loan guarantees) and financing administrative costs. In 14 schemes the loans are actually provided by the governments ([11]): the provision of loans by a public actor implies that the government is also involved in financing of the administration costs. In Malta and Slovenia, government agents collect the applications for loans and check them against eligibility requirements before sending them to banks.

The role of the government is greatest in the Danish and Slovakian schemes: the Icelandic, Macedonian, Norwegian and Turkish governments are also significantly involved. The least government involvement (where such a role is still present) is in Austria, where it only finances the subsidy.

([11]) in Lithuania, the loan provided by the government will be replaced by one provided by retail banks and credit unions in the following few years.

Table 14 **Role of government in operation of VET loan schemes**

Role	Countries	No of schemes
None	CY, EL, **NL private loan, UK Kent loan**	4/35
Providing loans	BE, DE BAföG, DK, IS, LI, LT, FYROM, NO, SK, TR, **NL public loan, PL loan for unemployed, SE, UK student loan**	14/35
Setting rules (eligibility, repayment, etc.)	BE, BG, DE BAföG, DE, EE, ES, HR, IS, IT, LI, LT, LU, LV, FYROM, NO, PT, SK, TR, **FI, FR, HU, PL student loan, PL loan for unemployed, SE, UK student loan, UK PCDL**	26/35
Financing subsidy (interest rate or other*)	BE, DE BAföG, DE master-craftsman loan, DK, EE, IS, LU, LV, FYROM, NO, SK, **AT, PL student loan, PL loan for unemployed, SE, UK student loan, UK PCDL**	17/35
Financing administration costs	BE, BG, DE BAföG, DK, IS, LI, LU, LT, LV, FYROM, NO, SK, TR, **FI, NL public loan, PL student loan, PL loan for unemployed, SE, UK student loan**	19/35
Paying interest rate for specific target groups	DE master-craftsman loan, DK, EE, ES, HR, IS, LT, LV, FYROM, MT, NO, SK, **HU**	13/35
Providing loan guarantees (partial or full; as a safeguard against defaults)	BE, BG, DK, DE BAföG, EE, HR, IS, IT, LT, LU, LV, PT, SK, **FI, FR, HU** (not for borrowers, but for managing institution)	15/35
Monitoring/evaluating the implementation of the loan scheme	BE, BG, DE BAföG, DK, ES, HR, IS, LI, LT, LU, LV, FYROM, NO, PT, SI, SK, TR, **FI, HU, NL public loan, PL student loan, PL loan for unemployed, SE, UK student loan**	24/35
Other	MT, SI (in both cases — receiving applications, checking for eligibility and sending them to bank)	2/35

NB: The codes in bold indicate the schemes in selected countries.
* e.g. subsidy to savings of the borrower (Austria), tax deduction (Finland)
Source: Surveys of experts and stakeholders on VET loan schemes in Europe (2010).

In the sample of 12 selected schemes, governments usually set rules (on eligibility, repayment, etc.), finance administration costs and/or subsidies or carry out monitoring and/or evaluation activities. Government institutions less often pay interest rate for specific target groups (especially compared to how widespread this practice is in the other countries), provide loans or loan guarantees.

However, the very important function of governments in the selected countries is the provision of subsidies: Table 15 provides information on which State subsidies are applied. Most often the governments provide general alleviations (e.g. grace periods or loan write-off) and interest rate subsidies. The latter can be either general (common to each borrower) or targeted at certain groups (e.g. borrowers with children, low-income students). Less often governments in the selected schemes bear the risk of non-repayment: only respondents from four schemes reported that the State guarantee is provided in their scheme. The schemes, which provide more than one type of subsidy, were more usually public.

Table 15 **Types of state subsidy**

No	Country (loan scheme)	General interest rate subsidy	General alleviations (e.g. grace periods, loan write-off)	Targeted support	State guarantee	Other	No of subsidy types
1	AT					Subsidy to the savings of the borrower	1/5
2	FI		Yes	Yes, interest rate subsidy	Yes	Tax deduction	3/5
3	FR				Yes		1/5
4	HU		Yes	Yes, interest rate subsidy	Yes, for the whole managing institution		2/5
5	NL public loan	Yes	Yes				2/5
6	NL private loan	N/a, government has no role in this scheme					
7	PL student loan	Yes	Yes	Yes	Yes		4/5
8	PL loan for unemployed	Yes					1/5
9	SE	Yes	Yes				1/5
10	UK student loan	Yes	Yes				1/5
11	UK PCDL	Yes	Yes				1/5
12	UK Kent loan	N/a, government has no role in this scheme					
Number of schemes		6/10	7/10	3/10	4/10	2/10	

Source: Surveys of experts and stakeholders on VET loan schemes in Europe (2010).

In some countries the government may allow for tax deduction to be used to recover part of the payments made (Finland) or provide subsidy to the saving payments made by the borrower (Austria). These and other cases of State subsidy are reviewed in Box 10.

Box 12 **Examples of State subsidy in the selected VET loan schemes**

Austria: the government provides a subsidy to the saving payments of borrowers prior to them taking the loan. The subsidy amounts to 3.5% of the saved amount per year, but not more than EUR 42 for one person per year (2010 conditions). This subsidy is to be paid back if borrowers do not use the deposits (and the loan) for the defined purposes (e.g. vocational education). Further, compared to an ordinary bank loan, the fee (0.8% of the loan amount) is not applicable to building society loans.

Finland: the publicly owned institution (KELA), jointly managing loans with retail banks, can pay the interest due on a student loan. Criteria are low income or the fact that the interest on the borrower's market-rated loan is not being capitalised or that students have not received financial aid during the five months preceding the month in which the interest on their interest-subsidised loan is due. Also, students may receive a student loan tax deduction if they complete their degree within the set time and if, at the end of the semester of the degree completion, they have more than EUR 2 500 in outstanding student loan debt. As the State also provides a loan guarantee, all of these measures are taken to reduce the number of loans which have to be repaid by the guarantor (the State). Finally, the State also provides general alleviations, allowing for a grace period of two years for the repayment of the loan and loan write-off of up to 100% in case of disability or death.

France: the State only provides a loan guarantee to all borrowers, for at most 70% of the loan amount and for the maximum period of 10 years. Other types of State subsidy are not applied.

Hungary: government provides targeted child care subsidy (interest rate allowance). For customers raising small children, receiving maternity/childbirth allowance, child care allowance/subsidy, interest is paid by the central State budget; the customers may receive an specified interest subsidy. Government also provides general alleviations: a grace period of three months for the repayment of the loan and loan write-off of 100% in case of retirement, disability or death.

The Netherlands: the Dutch public loan provides a general subsidy for the interest rate (in 2010 it is only 2.39% per annum) and provides the following general alleviations: a grace period for the repayment of the loan equal to two years after eligibility for financial support has expired and loan write-off for the remaining amount of loan after 15 years or death.

Poland: student loans and credits are granted from the Student Loan and Credit Fund, by commercial banks on preferential terms. The fund is financed primarily by state-budget subsidies, the amount of which is fixed each year (in 2007, about EUR 26.8 million; in 2008, EUR 37.3 million; in 2009, EUR 23.1 million), by interest on the fund's deposits in other banks and by other sources. The fund's resources are used to finance a part of interest on credits taken by students, grace period of 2 years for the repayment of the loan, costs of loan write-off (as the loans are guaranteed by the State) and its administrative costs (of the fund).

Sweden: 30% of the interest rate of the usual loans (for other than education purposes) is tax-deductible. VET loans are not subject to this deduction, therefore the government provides a general interest rate subsidy of 30% to compensate. Government also provides general alleviations: a grace period of 6-12 months for the repayment of the loan and loan write-off of up to 100% in case of disability, death, serious illness, prolonged low income or remaining loans at the age of 68.

The UK: the interest rate in student loans is applied merely to compensate for inflation and thus it is always lower than commercial ones. Also, the student loan foresees general alleviations: a grace period for the repayment of the loan whereby borrowers start to repay the loan the year after they graduate and if they earn more than specified amount per year (currently EUR 18 000) and loan write-off in the case of death or inability to work certified by a medical practitioner. In the PCDL, the government compensates the interest rate for the learner during the period of learning and for one month afterwards and foresees a grace period of 3-6 months for the repayment of the loan.

Source: Surveys of experts and stakeholders on VET loan schemes in Europe (2010).

Literature suggests that general State subsidies (e.g. for compensating interest rate for all borrowers) should be well-justified (e.g. proportional to the objectives of the scheme to be achieved) and handled with care (e.g. Ziderman, 2004). This is especially relevant for the newer EU Member States and candidate countries, as well as some less economically developed older EU Member States. There are three main arguments. First, competing demands (especially increasing needs for pension and healthcare systems in aging societies), business cycles, accelerating development of technologies, and thus increasing costs of investment in education and training, create huge pressures on public budgets. Second, private returns from participating in VET both justify and make possible an increased role of private cost-sharing. Finally, general State subsidies in loan schemes are regressive: when they do not differentiate, do not charge beneficiaries and all is paid for by taxpayers, this mostly results in financial help to wealthier learners who are much more likely to participate in learning. This is valid not only for HE, but also for VET. Considering the need for increased private cost-sharing in VET (e.g. Fletcher, 2003) general State subsidies in loan schemes will become even more regressive than they are now. Highly subsidised public education loan schemes very often fail to offer larger loans, hence improving learner's living standards, and/or use some of the saved taxpayer income for better targeted action to improve equity of the scheme (based on Barr, 2004a). General State subsidies could result in low accessibility to those VET learners who are in the greatest need of financial assistance; governments should be particularly careful in designing and implementing their general subsidies.

Literature suggests that State subsidies are most justified in the case of those loans schemes aimed at ensuring equal opportunities (Ziderman, 2004). However, analysis shows that governments apply very few measures in this regard. Only in three (Finland, Hungary and the Polish student loan) out of the 12 selected VET loan schemes is targeted State support provided for specific (most often disadvantaged) groups, although usually the disadvantaged find it most difficult, if not impossible, to borrow for VET. Opportunities such as the use of EU structural funds could be more widely applied to achieve better targeted State support strategies.

2.9.2. Role of financial institutions

When financial institutions have some role in VET loan schemes, it is usually the provision of financial resources for loans and/or distribution of loans. Most current loan schemes are financed from private sources which most often are provided by retail banks (Table 3). Such is the case in Finland, France, the Dutch private loan and the UK PCDL. However, as it was reported by loan scheme managers, the provision of financial resources for loans for learners is rarely a very profitable business area for the retail banks. The banks are usually willing to participate in the schemes for another reason: provision of (in many cases long-term) loans is a good way to attract and maintain a population of good clients, who are learning in good educational institutions and are likely to have high average income in the future. This is noticeable, for example, in France where the loans target more elite schools.

Therefore, in the loan schemes financed and/or provided by banks very often government provides loan guarantees to minimise the default risk for the banks and, consequently, interest rate for the borrowers (Table 15).

Sometimes the financial institutions provide other functions, such as assisting individuals to save financial resources for their future training (Austria), acting as a middleman (Polish student loan), ensuring geographical coverage of guidance through their branches or ensuring the short-term balance of the loan scheme. Other functions of financial institutions are described in Box 13.

Box 13 **Examples of different roles of financial institutions**

In Austria, VET loans are provided by a particular type of retail bank, the building societies (*Bausparkassen*). The loans provided in these institutions (no matter for which purposes) differ from the usual in that the building societies at first provide the function of savings bank and assist the potential learners to save money for their education. The building societies add the subsidy provided by the State to the future learners to their savings account. Afterwards, the building societies provide the loan function usual in other systems.

The State-owned Bank for National Economy has an interesting role in the Polish student loan. It acts as a middleman between the ministry and the retail banks providing the loan. It receives the funding for administration costs, interest and loan write-off from the ministry and transfers interest rate subsidy and compensations for loans written off to the retail banks. The bank also collects the monitoring data and statistics, which are then transferred to the ministry for analysis.

Guidance is also a function of the retail banks participating in the operation of the schemes. A significant advantage of private banks is their network of (local) branches, which allow dissemination of information and wider guidance in geographic terms.

The banks also usually ensure the short-term balance (providing credit to the borrowers in the red at the end of the month).

Source: Surveys of experts and stakeholders on VET loan schemes in Europe (2010).

Some of the international donors also play a significant part in the introduction and support of VET loan schemes in Europe. Particularly active is the European Investment Bank, which usually provides loans for public authorities (both national and regional) wishing to establish, expand or receive additional financing for a new VET loan scheme. The European Investment Bank is committed to promoting loans for education and training in Europe and is currently searching (as evidenced by the International Policy Conference on Student Loans organised in January 2009) for new ways to do this.

Box 14 **Role of the European Investment Bank in supporting provision of loan schemes in Europe**

By 2009, the European Investment Bank had supported five different education and training loans initiatives in three EU countries: Germany, Italy and Hungary. In all these cases, the European Investment Bank provided a loan to national actors for development of VET loans systems.

The largest amount of loan (EUR 100+150 million) was provided for the Hungarian system to cover part of new student loans. The loans taken out from a State-owned investment bank and the subsidy from central budget were the main sources for student loan financing in the first couple of years. In 2003/04, the issuing of bonds was introduced. In parallel, the importance of repayments and prepayments from clients increased steadily. DKZ also received state funding to cover some operating costs and the risk premium to maximise the transfer of benefits to students. The European Investment Bank provided a loan, which offered the DKZ long-term resources, reducing the maturity mismatch between the expected maturity of DKZ's assets and the maturity of student loans provided. As of the academic year 2005/06, funds for the operation of the student loan scheme — including covering default risk or operating costs — were coming exclusively from the money and capital markets, and not from the government budget. The system is striving to become self-sustainable and be able to repay the funds taken (Ferreira and Farkas, 2009).

The fact that some of the schemes have been significantly supported by the European Investment Bank also creates an additional guarantee for sustainability. For example, the new management of the Hungarian loan scheme was planning to introduce some noticeable changes (at the time of this research), but such changes were slowed down by the fact that spending European Investment Bank funding must be according to the Bank's conditions. Therefore, the involvement of the European Investment Bank may increase not only financial sustainability (preventing the change of financial decisions which may severely demotivate potential borrowers), but also the political sustainability of the particular loan scheme.

The European Investment Bank is currently considering various functions it could play in the future in supporting loans for learning in Europe. Possible ways in which this support may be used include developing a pan-European scheme, create a fund to provide financing or guarantees directly to banks, sharing part of the risk with banks and public actors, and providing funding to a bank which would be able to extend the VET loan scheme in several countries.

Source: Presentation of Romualdo Massa Bernucci in the International policy conference on student loans, organised by the European Investment Bank on 22-23.1.2009.

2.9.3. Role of other actors

Table 16 suggests that tax authorities, education/training institutions and employers are involved in the operation of the loan schemes to some degree. Tax authorities usually provide income data. Education and training institutions supply enrolment data or confirmation about the status or results of the learner, while employers have information about the borrower's income. In some cases institutions may perform other functions: for example, in the UK Her Majesty's Revenue and Customs deducts loan repayments from employers' payrolls for all employees with outstanding loan amounts and in Hungary educational institutions cooperate with the public managing institution in promoting the loan scheme among its potential clients.

It seems that the most active parties other than government are intensively involved in operation of loan schemes in Finland, Hungary, the Polish student loan and the UK student loan. In Poland, a separate body is involved in providing loan guarantees for learners in rural areas (the Agency for Restructuring and Modernisation of Agriculture).

Analysis shows that there is still much room for higher involvement of other actors in the selected VET loan schemes. For example, collection of repayments could be delegated to tax authorities who could be an effective collection agent in many countries. The help of tax authorities may be useful not only in income-contingent, but also in conventional schemes (Ziderman, 2004).

Table 16 **Role of other actors (if any) and their functions in the selected schemes**

No	Country (loan scheme)	Tax authorities	Education/ training institutions	Employers	Other actors	No of types of actors
1	AT		Yes, provide enrolment data	Yes, if necessary, provide income statement of the borrower		2/4
2	FI	Yes, provide income data	Yes, provide information about students		Yes, Finnish credit information register provides information on students' credit status	3/4
3	FR					0/4
4	HU	Yes, provide income data, collect bad loans	Yes, provide enrolment data, communicate		Retail banks help with administration and public relationship and provide bank account series	3/4
5	NL public loan	Yes, provide income data				1/4
6	NL private loan				Yes, Bureau of Credit Registration maintains a register of people with private loans and provides data to the bank	1/4
7	PL student loan		Yes, confirm the status of students		The Bank for National Economy (*Bank GospodarstwaKrajowego*) provides loan guarantees (70-100%), collects monitoring data and sends them to the ministry; The Agency for Restructuring and Modernisation of Agriculture (*AgencjaRestrukturyzacji I ModernizacjiRolnictwa*) provides loan guarantees for those living in rural areas (80-100%)	2/4
8	PL loan for unemployed					0/4
9	SE	Yes, provide income data	Yes, provide enrolment data and study results to verify eligibility			2/4

10	UK student loan	Yes, deduct loan repayments from employers' payrolls for all employees with outstanding loan amounts	Yes, confirm the status of students	Yes, employers are required to report all amounts due annually to tax authorities		3/4
11	UK PCDL	n/a	n/a	n/a	n/a	n/a
12	UK Kent loan					0/4
Number of cases		5/11	6/11	2/11	4/11	

Source: Surveys of experts and stakeholders on VET loan schemes in Europe (2010).

2.10. Links to other VET cost-sharing mechanisms

VET loan schemes usually form only part of the overall learners' support system. Often, other VET cost-sharing mechanisms are in place and are closely related to the loan schemes. These mostly include grants and tax deduction possibilities but there are other links between loans and VET financing mechanisms, described in Box 15.

Box 15 **Links between loan schemes and other types of education and/or training financing mechanisms**

Building savings loan for financing of education (*Bauspardarlehen zur Finanzierung von Bildungsmaßnahmen*) is linked with another financing mechanism which finances education and training in **Austria**: saving schemes. Prior to taking the loan, the individual saves money. During this period the State provides subsidies for the saving payments of the individual. State subsidy shall be paid back if individual does not use the deposits (and the loan) for the defined purposes (e.g. VET or HE). However, the use of saving scheme is not obligatory for borrowers; the loan can also be taken on its own.

The student loan in **Finland** is related to a tax deduction mechanism. Learners may receive a student loan tax deduction if after completing education at the set time they have an outstanding debt of more than EUR 2 500; 30% of debt exceeding this sum may be deducted. The interest rate paid on the student loan is tax deductible, too. The student loan is also closely related to study grants, as they form the same student support system in Finland.

In **the Netherlands** one form of the existing public loan variations is a performance-related grant which consists of a basic grant, a supplementary grant and a student travel product. Learners/students initially receive a performance-related grant in the form of a loan. When they obtain their diploma within 10 years, their performance-related grant is converted into a gift. If students fail to graduate, they must repay their grant. The Dutch private loan is closely tied to the Dutch public loan: learners are allowed to take the private loan only if they already receive the public support.

In **Sweden** the study loan (*Studielån*) is part of the student support system. The student support system consists of a grant and the voluntary loan: about 70% of the grant receivers choose to take the loan too.

In **the UK**, the PCDL can be taken to top-up the other forms of learner support (e.g. if the grant finances only part of the cost of learning, the rest may be taken as a PCDL). The student loan may also be used in parallel with other financial support measures (assistance for the disabled, financial help from the employer, private scholarships, learned societies, charities and trusts).

Source: Surveys of experts and stakeholders on VET loan schemes in Europe (2010).

2.11. Recent changes in the design/operation of selected loan schemes

From 2005 to 2010 significant modifications were made to 7 out of 12 selected loan schemes. None of them were reported to be significantly modified due to the financial crisis and economic downturn ([12]); all modifications have been made for other reasons. Box 16 provides details of these modifications.

Box 16 **Significant modifications to loan schemes from 2005 to 2010**

The student loan in **Finland** was amended in 2005. In this, the students were granted the right for student loan tax deduction and the amount of the loan which can be taken by the learner per month was raised. The amendments came in to operation on 1st August 2005.

In **Hungary** radical management turnover took place in July 2010. This was due to the recent change of government: all State owned firms were treated similarly. For more details on these changes (Box 9).

As the repayment of the **Dutch public loan** was too complex and few debtors knew that a means tested repayment scheme existed, certain changes have been made as of 1st January 2010. The main changes are obligatory means testing, simplification of the calculation of how much needs to repaid monthly, and a maximum five years during which no repayments have to be made.

In the **Polish student loan**, the new resolution of the Ministry of Science and Higher Education of 18 May 2010 modified the system of student loans to make it more flexible and transparent: the new regulation simplified the procedures for confirming student status to the bank (student ID card instead of special certificate). In the

([12]) A significant limitation to this conclusion is that the information on the impact of the economic and financial crisis was provided only for two private VET loan schemes (Austrian and Dutch schemes). The findings may be different if more private VET loan schemes provided by retail bank were included in the analysis.

previous regulation, students were able to receive credit for the next period of study provided that they make progress in learning; the new regulation eliminated this condition. There is a new definition for calculating the income per person in the student's family that will better reflect the student's financial situation and the comparability of the income of applicants for credit. The new regulation also provides for suspension of loan repayment for a maximum of 12 months if the borrower is in a difficult financial situation. Moreover, the loan guarantees provided by the Bank of National Economy have been extended to a larger group of low-income borrowers (some of them were offered 100% guarantee instead of the earlier 70%).The regulations applicable to the Polish loan for the unemployed were changed, so that since 2009 not only the unemployed, but also job-seekers (people actively looking for an alternative or additional job) are eligible to use the loan scheme.

In the **UK student loan** there has been a phasing-in of separate systems for the four member countries of the UK; this was part of a long-term plan. In 2009, changes were also made to the **UK PCDL**. It was rebranded (professional and career development loan instead of career development loan) to be more attractive for potential users and was assigned to be managed by a different organisation (Young People’s Learning Agency instead of Learning Skills Council, which was dissolved).

Source: Surveys of experts and stakeholders on VET loan schemes in Europe (2010).

However, the financial crisis and economic downturn had some influence on loan schemes: positive, such as increased take-up, and/or negative, such as larger share of delayed repayments. Box 17 illustrates the impact of the financial crisis and economic downturn on loan schemes in some of the countries. Some of the schemes, such as Austria, France, the Dutch private loan, Poland (both schemes) reportedly were not affected by the recent negative financial and economic developments.

Box 17 **Impact of the financial crisis and economic downturn on loan schemes**

In **Finland**, the impact of the financial crisis and economic downturn was twofold: on the one hand, it contributed to the increased take-up of loans, as more people were willing to study during the economic downturn, but it also raised expenses from State guarantee liability, as the number of borrowers unable to proceed with the repayment rose.

In **Hungary**, the financial crisis and economic downturn had two main negative effects. First, the take-up of loans has reduced as borrowers have become more risk averse, falling from above 30% to 20-21%. The Government attempted to mitigate this negative effect by adopting an effective communication strategy. Second, the crisis and economic difficulties resulted in an increasing number of repayment delays. The loans institution (DKZ) is trying to offer easier conditions to clients in difficulty and has decided to introduce more careful customer relationship management.

In **the Netherlands** the effects of the financial crisis and economic downturn are not yet very clear. The amount of loans is steadily increasing each year, but this cannot be directly assignable to the negative financial and economic developments as this growth has been going on for at least eight years already.

In **Sweden** the financial and economic downturn had positive impact: increased take-up of loans (reported growth of 8% between 2008 and 2009) and lower interest rates in the coming years (as the government sets the interest rate every year based on its average borrowing costs over the past three years).

The **UK student loan** had experienced a similar effect as in Sweden; the willingness of the potential learners to take loans has increased. It was reported that in 2009-10 there was a rise of 35% in the number of applications for student finance for HE.

Source: Surveys of experts and stakeholders on VET loan schemes in Europe (2010).

Recent negative financial and economic developments had no significant influence on the plans of governments in the selected countries. Only three of analysed countries — Hungary, the Netherlands and Finland — had plans, pilot projects or needs to change existing loan schemes (at the time research was carried out). In Hungary and the Netherlands changes were likely to follow changes in government (in Hungary, various plans, including the introduction of new services for the borrowers, such as savings loans, were proposed). In Finland the plans were more predictable/specific: from August 2011 the income limits of the interest assistance were to be raised, the amount of the State guarantee for student loan was to be increased to up to EUR 600 per month for those studying abroad (for both higher and secondary education), and the loan guarantee was to be admitted automatically without learners applying, if they receive the study grant. The desk research also showed that there were plans in the UK to change the mechanism by which the learners pay for their education (see the more detailed description of the UK context in Annex 3). This would have some significant implications for the UK student loan and/or the UK PCDL.

3. Analysis of performance of selected VET loan schemes in Europe

3.1. Key statistical data

3.1.1. Number and type of clients

Table 17 shows the aggregate number of learners/students who received a loan, although some of the data correspond to loans given out in a certain year. The extremes in terms of number of clients are seen in the Polish loan for the unemployed (only about 37 people used this scheme in 2008/09) and in the UK student loan, which supports three or four times more people than all of the other schemes combined and plays a significant role in the UK education system. However, such numbers can be attributed to the tuition fees applied at universities in the UK, and to the increasing availability of university places. The quickest growth in the number of clients was present in Hungary and the UK (excluding small schemes with distorted percentages), while schemes in the Nordic countries grew slower or even shrank in terms of their user numbers.

Female learners are usually the larger share of reported loan users. This is the most notable in Sweden where 61% of all applicants receiving the loan were female. Male learners applied more for the Dutch public loan and the Polish loan for the unemployed.

In all countries for which such data were available, the loans were mostly used to finance full-time learners.

In France, Finland and Sweden, the loan scheme was most popular among those aged 15-24, while in Hungary, Austria and the Dutch public loan, the age group 25-34 was more likely to take up loans.

The data on foreign nationals and nationals learning abroad is scarce. In Finland and Sweden (for which the data are available) 10% and 8% of borrowers respectively use the loans for courses abroad. In Hungary it is quite different; the actual portability of loans is extremely low.

Table 17 **Number of clients using the loan schemes**

No	Country (loan scheme)	Measurement (aggregate number of borrowers* or number per annum)	Number of clients			Growth/decline %	
			2006/07	2007/08	2008/09	2006/07-2007/08	2007/08-2008/09
1	Austria	All borrowers	419**	617**	753 **	+47.2	+22.0
2	Finland	Per annum	*114 063*	*109 199*	*107 659*	*-4.3*	*-1.4*
3	France	All borrowers/per annum (only one year of functioning)	n/a	n/a	6 147	n/a	n/a
4	Hungary	All borrowers	234 161	253 149	271 329	+8.1	+7.2
5	NL public loan	n/a	n/a	n/a	n/a	n/a	n/a
6	NL private loan	n/a	n/a	n/a	n/a	n/a	n/a
7	PL student loan	All borrowers	287 669	304 101	316 430	+5.7	+4.0
8	PL loan for unemployed	Per annum	*127*	*24*	*37*	*-81.1*	*+54.2*
9	Sweden	Per annum	*242 000*	*234 000*	*238 000*	*-3.3*	*+1.7*
10	UK student loan	All borrowers	3 094 900 ***	3 342 100 ***	3 621 400 ***	+8.0	+8.3
11	UK PCDL	Per annum	*11 811*	n/a	n/a	n/a	n/a
12	UK Kent loan	n/a	n/a	n/a	n/a	n/a	n/a

* Number of current clients (still repaying or haven taken a loan).

** Data provided for 2007, 2008 and 2009; data provided only for one of four building societies providing such loans (about 33% market share).

*** Aggregate number for England, Northern Ireland, Scotland and Wales.

NB: Numbers in *italics* are based on the number of new loan contracts signed each year, instead of absolute number of borrowers.

Source: Surveys of experts and stakeholders on VET loan schemes in Europe (2010).

In the Polish student loan, information was also collected on the use of the loan for learning in private and public educational institutions (83% of the loans were used in public institutions).

Table 18 shows how selected VET loans are broken down according to gender, full-time or part-time learning, age, and share of portable loans. Only those schemes for which at least some of such information is available are presented.

Table 18 **Breakdown of the loan scheme users by characteristics (%)**

Group of learners	AT	FI	FR	HU	NL public loan	PL student loan	PL loan for unemployed	SE
Female	50.2	58.4	n/a	57	49	n/a	32.4	61
Male	49.8	41.6	n/a	43	51	n/a	67.6	39
Full-time learners	n/a	100	n/a	70	n/a	77.8	n/a	90
Part-time learners	n/a	0%	n/a	30	n/a	22.2	n/a	10
Aged 15-24	153	67.8	86	25	12	n/a	n/a	55
Aged 25-34	44.3	28.7	13	65	63	n/a	n/a	31
Aged 35-54	35.0	3.4	n/a	10	25	n/a	n/a	14
Aged 55-64	5.4	0.08	n/a	0	0.2	n/a	n/a	0
Foreign nationals	n/a	<5.5% (*)	n/a	0.002	n/a	n/a	n/a	7
Nationals learning abroad	n/a	~10	n/a	0.0005	n/a	n/a	n/a	8
Other statistics available, please specify here:	n/a	n/a	n/a	n/a	n/a	Public HEIs: 83; non-public HEIs: 17	n/a	n/a

* Only the total number of foreigners using any kind of student support is known.
Source: Surveys of experts and stakeholders on VET loan schemes in Europe (2010).

3.1.2. Take-up and drop-out rates

As Table 19 suggests, loan take-up rates differ throughout the sample. In Austria and the Polish loan for the unemployed, although the exact take-up rates are not known, it is safe to say that these rates are low, as the numbers of loan contracts signed are very small. The opposite case is seen in the UK student loan, which was used by more than 80% of eligible learners: these data are only for England and Wales and the rate in Scotland is reportedly consistently lower due to larger debt aversion and lower occurrence of tuition fees. The other younger loan schemes (Hungarian and PL student loans) had take-up rates of about 10-25%; the Scandinavian countries, with better established schemes, had take-up rates of roughly 40-50%. Although this is much higher than in most countries, the Finnish loan scheme managers claimed that such a percentage is well below policy expectations.

Table 19 **Take-up rates for loan schemes**

No	Country (loan scheme)	Take-up rates (%)		
		2006/07	2007/08	2008/09
1	AT	n/a	n/a	n/a
2	FI	40.2	38.2	37.0
3	FR	n/a	n/a	n/a
4	HU	24	22	20
5	NL public loan	n/a	n/a	n/a
6	NL private loan	n/a	n/a	n/a
7	PL student loan	11.4	10.8	10.5
8	PL loan for unemployed	n/a	n/a	n/a
9	SE	n/a	n/a	40.0-50.0
10	UK student loan	England: 80.0 Wales: 81.0	England: 80.0 Wales: 83.6	n/a
11	UK PCDL	n/a	n/a	n/a
12	UK Kent loan	n/a	n/a	n/a

Source: Surveys of experts and stakeholders on VET loan schemes in Europe (2010).

Using this statistical information and the opinions of experts, the 12 selected VET loan schemes can be classified in the following two groups:

(a) extensive schemes, which have been able to attract a large share of borrowers (had a high take-up rate) and were likely to have significant national impact: Finland, Hungary, Dutch public scheme, Sweden and UK student loan;

(b) marginal schemes with low take-up rate and without significant impact on individuals and companies and overall education system at the national level (although the impact at micro-level could be still high): Austria, France, Dutch private loan, Polish student loan and loan for the unemployed, and the UK PCDL. The impact of these schemes is much lower because either they were (initially) designed to target niche groups or they turned out to be unattractive for borrowers and/or poorly managed or unable to reach the intended policy objectives.

Loan scheme take-up rates largely depend on the level of subsidy provided by the government: the higher the subsidy, the more attractive the loan is for borrowers and the higher is the take-up rate. For example, Hungary has a relatively low take-up rate, equal to 20%, and the interest rate is not heavily subsidised by the government. Other countries that can afford higher subsidy offer more attractive loan conditions.

The low take-up rates of loans for VET may also be explained by the fact that learners tend to doubt if VET will provide benefits which will repay the investment. The evidence from the UK (Callender, 2002) includes a survey of UK further education learners in 1998, which showed that those who believed that they would benefit financially from taking a VET course were twice as likely as those who did not think they would benefit financially to consider taking out a loan. This is particularly true for conventional loans, while income-contingent loans should, in principle, reduce this effect.

Information on the drop-out rate from the analysed loan schemes is completely absent and no surveyed loan scheme manager was able to provide this kind of data.

3.1.3. Total volume of loans

Table 20 indicates that information on loan total volumes is scarce. Available information shows that, in absolute terms, UK student loans (providing on average EUR 31 468 million in 2006/07, 2007/08, 2008/09) and the Swedish scheme (EUR 18 863 million on average in the same period) are the largest loan schemes among the eight selected countries. The smallest are the Austrian and the Polish loan for the unemployed. The total volume of loans is closely related to the take-up of loans: the schemes with highest/lowest loan amounts had the highest/lowest take-up rates. In terms of volume of loans per borrower, in Poland and Hungary the sums per borrower are several times smaller compared to the other selected (Western European and Nordic) countries.

Table 20 **Total volume of loans and volume of loans per borrower**

No	Country (loan scheme)	Volume of loans (m EUR)			Volume of loans per borrower (EUR)		
		2006/07	2007/08	2008/09	2006/07	2007/08	2008/09
1	AT	*6.140	*8.48	*21.20	14 653	13 743	28 154
2	FI	**1 310.40	*1 318.20	**1 310.90	*11 488*	*12 071*	*12 176*
3	FR	n/a	n/a	49.50	n/a	n/a	8 052
4	HU	469.00	549.00	627.00	2 002	2 168	2 310
5	NL public loan	n/a	n/a	n/a	n/a	n/a	n/a
6	NL private loan	n/a	n/a	n/a	n/a	n/a	n/a
7	PL student loan	***563.10	***612.00	519.60	1 957	2 012	1 642
8	PL loan for unemployed	0.039	0.019	0.024	*307*	*791*	*888*
9	SE	18 619.00	18 828.00	19 142.00	13 423	13 535	13 614
10	UK student loan	26 154.00	31 405.00	36 845.00	8 450	9 396	10 174
11	UK PCDL	76.20	n/a	n/a	*6 451*	n/a	n/a
12	UK Kent loan	n/a	n/a	n/a	n/a	n/a	n/a

* Data provided for 2007, 2008 and 2009; data provided only for one of four building societies providing such loans (about 33% market shares).

** Total loan stock at the end of each year. Data provided for 2006, 2007 and 2008.

*** Data provided for 2007, 2008 and 2009.

Numbers in *italics* are based on the number of new loan contracts signed each year, instead of absolute number of borrowers.

Source: Surveys of experts and stakeholders on VET loan schemes in Europe (2010).

3.1.4. Repayment

The proportion of learners/students repaying their loan varies significantly throughout the schemes analysed. While about two thirds of the clients for the UK student loan are repaying (although some of the older borrowers will be hitting the 25 year writing-off limit soon), only slightly more than a third of Hungarian and just one eighth of the Polish (student loans) loan users have started their repayment. In Austria, all clients are reportedly repaying. This can be attributed partly to differences in the start of repayment. In Poland, learners are allowed a grace period of the length of studies plus two years, while in Hungary, where the repayment is significantly higher, borrowers must start repaying three months after their period of learning.

Sweden and the UK have a significant share of borrowers who leave the country and are hard to track for the repayment. For example, in Sweden about 65 000 loan scheme clients are living abroad. In times of growing international mobility, this trend may become a very serious issue for the loan schemes in other countries as well.

Table 21 **Number of clients in total and share of repaying clients**

No	Country (loan scheme)	Number of clients (aggregate or per year)			Share of repaying clients (%)		
		2006/07	2007/08	2008/09	2006/07	2007/08	2008/09
1	AT	*419	*617	*753	100	100	100
2	FI	**114 063	**109 199	**107 659	Unknown (309 200 total)	Unknown (297 469 total)	Unknown (285 901 total)
3	FR	n/a	n/a	6 147	n/a	n/a	n/a
4	HU	234 161	253 149	271 329	36.4	38.5	39.7
5	NL public loan	n/a	n/a	n/a	Unknown (379 683 total)	Unknown (420 258 total)	Unknown (466 993 total)
6	NL private loan	n/a	n/a	n/a	n/a	n/a	n/a
7	PL student loan	287 669	304 101	316 430	23.6	13.0	12.7
8	PL loan for unemployed	**127	**24	**37	n/a	n/a	n/a
9	SE	1 387 000	1 391 000	1 406 000	87.0	88.0	87.0
10	UK student loan	3 094 900	3 342 100	3 621 400	61.7	63.6	64.8
11	UK PCDL	**11 811	n/a	n/a	n/a	n/a	n/a
12	UK Kent loan	n/a	n/a	n/a	n/a	n/a	n/a

* Data provided for 2007, 2008 and 2009; data provided only for one of four building societies providing such loans (about 33% market shares).

** Number of loan receivers per year instead of total aggregate is provided.

Source: Surveys of experts and stakeholders on VET loan schemes in Europe (2010).

By far the largest number of loan contracts written off (fully or partly), and the amount of money allocated for that purpose, is reported in Sweden where borrowers do not have to repay a large part of the loan taken for the secondary level courses if they proceed to tertiary education afterwards. The largest amounts collected in repayments are reported in the Dutch public loan (about EUR 4 million on average), although the number of users repaying (around 400 thousand) is significantly smaller than in the UK (more than 2 million) and Sweden (around 1 200 000). This leads to an assumption that the methods for calculating repayment may differ in some countries. The default rate ([13]) is highest in Hungary, omitting the Swedish case. The default rate is very low in the UK student loan and the Dutch public loan (both are public and income-contingent or hybrid).

Available data on repayment and writing-off of the loans are presented in Table 22. It is likely that stakeholders, when providing statistics on the number of contracts written off, did not differentiate between deliberate non-repayment and non-repayment due to death, disability or other justified reasons. Statistics on the number of contracts and amounts written, and on the calculated default rate, should be viewed with this limitation in mind.

([13]) In this case the default rate is calculated as the number of written off loans divided by the total number of loans (averages during 2006/07, 2007/08 and 2008/09).

Table 22 **Repayment and writing off of the loans**

No	Country (loan scheme)	Total amount of repayment (million EUR)			Number of contracts written off			Average default rate ([a])	Amount written off (million EUR)		
		2006/07	2007/08	2008/09	2006/07	2007/08	2008/09		2006/07	2007/08	2008/09
1	AT	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
2	FI	130.0	117.6	181.3	([b]) 4 947	([b]) 6 635	([b]) 7 471	2.13	([b]) 1.30	([b]) 0.70	([b]) 15.60
3	FR	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
4	HU	34.0	46.0	56.0	5 481	7 770	10 658	8.23	6.20	8.00	11.30
5	NL public loan	3 285.6	3 954.6	4 770.8	n/a	2 967	4 328	0.82	14.24	9.05	18.39
6	NL private loan	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
7	PL student loan	n/a	n/a	n/a	n/a	n/a	n/a	([c]) 2.32	1.50	1.50	1.20
8	PL loan for unemployed	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
9	SE	1 172.0	1 203.0	1 287.0	([d]) 66 000	([d]) 72 000	([d]) 68 000	([d]) 9.35	63.00	68.00	86.00
10	UK student loan	754.6	896.3	1 261.5	4 200	6 500	8 500	0.29	8.11	13.12	44.99
11	UK PCDL	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
12	UK Kent loan	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a

([a]) Calculated as number of written off loans divided by total number of loans (averages during the last three years).
([b]) Data provided for 2006, 2007 and 2008.
([c]) Only total data during 12 years of operation available. Average was calculated for the whole period.
([d]) Including loans partly written off as part of the state.
Source: Surveys of experts and stakeholders on VET loan schemes in Europe (2010).

Box 18 **Returns on the learner lending**

Where information was available, repayment and the recovery ratios were calculated according to established academic practice (Shen, Ziderman 2009). These ratios reflect to what extent loans and their costs can be recovered and incorporate the effects of State subsidy, default loss and administrations costs.

The repayment ratio measures how much of a loan an average borrower is required to repay: it is defined as the ratio of required repayments to the loan size received, both measured in terms of present values. If the repayment ratio is less than 100, it indicates the extent of the hidden grant. The recovery ratio is measured by the ratio of total (discounted) repayments to total (discounted) outlays. It also includes the effect of default losses and administration cost.

The table below presents the three ratios where the relevant data were available. Low repayment rates are mainly due to subsidised interest rates which can be aggravated by the long study, grace and/or repayment periods (the table shows these data as well).

Returns on student lending

Country (loan scheme)	Interest rate	Study + grace + repayment period	Repayment Ratio (state subsidy) (%)	Recovery Ratio № 1 (state subsidy and default loss) (%)	Recovery Ratio № 2 (state subsidy and default loss and admin cost) (%)
AT	Euribor+1.75%	4+0+10	109.0	n/a	n/a
FI	prime rate + margin of (0.2-0.5%)	4+2+12	109.0	109.0	107.5
FR	Treasury bond rate	5+0*+10	100.0	n/a	n/a
HU	Refinancing cost + Risk. pr. + administrative cost.	5+0.25+16**	111.0	105.0	100.0
NL public loan	Treasury bond rate	5+5+15**	100.0	n/a	n/a
NL private loan	Market rate	4+1+5	139.0	n/a	n/a
PL student loan	Half of the prime rate	4+2+8	92.9	n/a	n/a
PL loan for unemployed	0%	1+0+1.5	93.2	n/a	n/a
SE	Treasury bond rate	4+0.75+15	104.1	99.0	96.9
UK student loan	Inflation rate	3+0.75+14**	89.1	n/a	n/a
UK PCDL	0% during the studies; then a reduced customer rate	3+0.2+5	83.4	n/a	n/a
UK Kent loan	0% (charitable foundation)	2+0.5+3	96.7	n/a	n/a

* In France students start to repay immediately, during the study period.

** In income-contingent or hybrid repayment, the repayment period is not predetermined. These values are estimations for typical borrowers.

We can conclude that hidden grants (1-repayment ratio) are significantly smaller in the selected schemes than in many non-European schemes worldwide reported in literature (Shen, Ziderman 2009). The most subsidised schemes are in the UK and Poland, while the least subsidised one is the Dutch private loan. The repayment ratio was generally higher in private and HE-oriented schemes. Data on defaults and administration costs are not available in many cases; recovery ratios are calculated only for Hungary and Sweden, which proved to be highly efficient in these terms.

Source: Prepared by the authors on the basis of surveys of experts and stakeholders on VET loan schemes in Europe (2010).

3.1.5. Costs

The comparable data on spending per borrower can only be estimated for two of the four schemes for which the total financial cost ([14]) to the State budget has been reported: Hungary and the Polish student loan. The Hungarian scheme involves considerably less cost per borrower than the Polish one. Although the costs of Finnish and Swedish schemes have been calculated per one new contract during the year and are not comparable, it is clear that even if the absolute numbers of borrowers were taken, it would be more costly. The administration cost of the Polish student loan is very low, while Hungary is the most significant of the comparable countries. In some cases it is not possible to calculate the administration cost. For example, in the Polish loan for the unemployed, the management of loans is devolved to local labour offices and such information is not collected from them.

Specific loan scheme costs are presented in Table 23.

([14]) Usually it includes administration costs, money spent by the State as subsidy (interest rate subsidy or other), State guarantee, write-off of loans provided by the State, etc.

Table 23 **Costs of the loan schemes**

No	Country (loan scheme)	Total amount of administration cost (million EUR)			Administration costs as % of total outstanding debt	Total financial cost to the state budget (in million EUR including all public costs)			Financial cost of one borrower to the state budget (average) (EUR)
		2006/07	2007/08	2008/09		2006/07	2007/08	2008/09	
1	AT	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
2	FI	n/a	n/a	~2.50	0.20	*18.1	*25.2	*23.0	*201*
3	FR	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
4	HU	6.60	6.9	7.00	1.35	1.6	2.6	3.8	10
5	NL public loan	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
6	NL private loan	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
7	PL student loan	**0.19	**0.2	**0.18	0.0003	**26.8	**37.3	**23.1	96
8	PL loan for unemployed	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
9	SE	76.00	79.0	83.00	0.45	480.0	513.0	586.0	*2 212*
10	UK student loan	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
11	UK PCDL	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
12	UK Kent loan	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a

* Data provided for 2006, 2007 and 2008.

** Data provided for 2007, 2008 and 2009.

NB: Numbers in *italics* are based on the number of new loan contracts signed each year, instead of absolute number of borrowers.

Source: Surveys of experts and stakeholders on VET loan schemes in Europe (2010).

3.2. National monitoring/evaluation reports

Conclusions drawn from monitoring/evaluation reports available for eight selected VET loan schemes in Hungary, the Netherlands, Poland, Finland, Sweden and the UK are summarised in Box 19.

Box 19 Summaries of the available monitoring/evaluation reports of the selected VET loan schemes

In **Finland** the loan scheme was evaluated some time ago in 1999-00, together with other aspects of education financing (Raivola et al., 2000). The report identified three main problems: effectiveness, in that learners did not use enough the opportunity to get the loan, choosing to work during their learning; eligibility of learners having a note in the credit information register (equity concerns); sustainability of the scheme and increasing State expense in paying the guarantees for bad loans. The problems of the market-based student loans at the moment of evaluation could be seen in the reduced number of students using the loan and the increasing number of students having financial difficulties in paying back the student loan. The report also identified reasons why the loan scheme was relatively unpopular. the main being that learners do not want to be the only people (in the society) who need to finance their living with debt. Another identified reason was that students have grown up in an unstable economic environment and have learned to look at the banks with distrust. The students were also feeling insecurity with the prospects of future employment opportunities.

In Hungary, the loan scheme was evaluated in 2007 by conducting a survey of 1 508 students covering the loan period of 2005-07 (Tárki, 2008). The survey found that the students were increasingly using the loan to pay tuition (share of tuition payers among loan takers was increasing), and that the students having taken the loans were able to spend more on their tuition. Of the respondents, 78% replied that the loan has helped them become more financially independent from their parents in funding their learning costs; it was also found that parental support was larger for those learners who did not take out the loans. Regarding the deadweight effect, 41% of the borrowers reported that they could not have continued their learning without the loan. Effectiveness was measured at the time of the survey showed take-up rate of about 23%. The survey also determined the key factors which determine the take-up of the loans: income level was the decisive factor, while the type of study programme did not play a large role in making the decision to take up a loan. Responses showed that 54% were afraid of indebtedness and defined this as a reason for not taking the loan. Other mentioned reasons for not taking the loan included presence of other income sources and high income level.

The Dutch public loan has been evaluated by National Institute for Family Finance Information (NIBUD, Nationaal Instituut voor Budgetvoorlichting; independent foundation advising on household finance) in January 2010 (NIBUD, 2010). Although efficiency was not measured in terms of default rate or other more straightforward indicator, information was collected on the awareness of students about their debt. It was indicated that 40% of the students who have a debt do not know the interest rate and the term of repayment; 20% do not even know the size of their debt. In terms of equity, only 27% of students in vocational education (MBO, *middelbaar beroepsonderwijs*) and 46% of students in higher vocational education (HBO, *hoger beroepsonderwijs*) had taken the loan, while the share of students in HE with a loan was as high as 61%. The report also provided some information about the effectiveness of the **Dutch private loan**: only 13% of learners willing to continue their education and ineligible for further public support were planning to take a private loan. The report recommends more and better provision of information to students about the terms and conditions for loans, such as introduction of monthly updates on the debt situation and other (internet-based) tools.

The Polish student loan is monitored according to the Ministry of Science and Higher Education regulation from 27 April 2007 on contracts between Bank Gospodarstwa Krajowego and banks regarding the rules of usage of resources (Dz. U. Nr 87, poz. 583). Each bank granting a student loan is obliged to present to the Ministry of Science and Higher Education by 30 April of every year the information on loans granted. This information is detailed and contains data on the number of borrowers by types of university, academic year, type and course of education, number of learners who applied for the loan, number of learners who met the loan criteria, number of granted loans, and number of repaying clients. Information provided by the banks is then summarised and presented in the *Student loan report* (DFS, 2010), which is essentially the aggregation of the monitoring data provided by the banks. This mechanism helps to monitor mainly the outcomes (e.g. number of loans granted), but not the process of granting loans.

In Sweden, the recent report of the Institute for Labour Market Policy Evaluation (IFAU) (Björklund et al., 2010) examines the functioning of the Swedish loan scheme among other aspects related to educational policy and the labour market. The student loan was evaluated as a potentially efficient way to enhance equity in recruitment to education. The report mentioned that the establishment of the new system in 2001, when the formerly income-contingent loan was transformed into a conventional one, made borrowers more aware of the economic return on education. Regarding the impact of the loan scheme, between 30 and 60% of HE students would not have started the education without student support (grant and loan). To some extent, the loan scheme was also evaluated in the 2009 report of parliamentary Student Welfare Committee (Studiesociala kommittén, 2009). On impact, the committee concluded that the loans had very little to do with choice and success of learners. The write-off of loans for learners moving on to HE was identified as a significant deadweight cost of the scheme. In terms of equity, it was concluded that the scheme sufficiently encourages persons from all social backgrounds to take up learning. While evaluating the effectiveness, it was noticed that the loans are much less popular among the lower educational level learners, as the economic return is harder for them to see . It was proposed to lower the share of loan and increase the share of grant in the support for lower educational level learners.

The **UK student loan** has a set of objectives and many targets to be achieved during operation. The *Annual report and accounts 2008-09* of the Student Loans Company (2009) provides a measurement of most of these targets. However, although the efficiency of operation is monitored, important aspects, such as equity sustainability or impact are not considered. Instead, the chosen indicators correspond to customer satisfaction, handling of applications, and availability of online services. The efficiency of the system is measured by several indicators, different for the income-contingent and mortgage-style (for borrowers under the older system, which make a decreasingly small share of all borrowers) repayment. The share of persons who are due to be in income-contingent repayment, but are not currently in any repayment channel, was as low as 0.47% (the target was set at 1%). The target of 33% of all mortgage-style loan accounts less than 24 months in arrears, and reported as overdue in the previous month where repayment was made, was not achieved (the actual share was 31.4%), but the figure of 8.5% of all loans which are in arrears was achieved. The efficiency in usage of resources was measured by calculating variance between planned and actual spending of the Student Loans Company's budget. The target set at the interval of -5% to +2.5% was achieved.

The other evaluation criteria of the scheme were partly covered in the *Independent Review of Funding and Student Finance* (Universities UK, 2009) provided by Universities UK, an association of HE institutions. The review praises the increased availability of loans, especially in the period of lower income and higher unemployment and the scheme's impact in making the education available to worse-off learners. However, there is an expressed concern about the sustainability of the scheme, seen as costly to the State. The equity of the loan scheme is also reported to be insufficient, as part-time and postgraduate students were excluded from the scheme.

In October 2010, the *Independent review of higher education funding and student finance* (Browne et al., 2010), popularly known as Browne Review, published its findings, including some evaluation of student loans. The review notices that the system of student support in the UK is very confusing and complex, and this increases the aversion of learners to using the finance system. The student support system is often misunderstood by its risk averse users and the student loans, although much more favourable, are grouped together in their minds with credit card debts and commercial mortgage style loans. It is argued that means testing is a heavy burden for certain families and that the level of support for students from low income households is not sufficient and fails to attract them to education. Also in terms of equity it is argued that, as the loan is generally interest-free, even the wealthiest students receive subsidies from the government (while these subsidies could be allocated to low income learners). Some students use the government subsidy regardless of whether or not they really need it. Another equity related issue is the threshold of income above which the repayment has to start, which was set according to 2006 wages and means that many low-income borrowers are actually earning more at the moment.

The evaluation report available for the **UK PCDL** was commissioned by the Learning and Skills Council (LSC; then the managing institution of the scheme) and produced in January 2008 (LSC, 2008). Surveys of learners, learning providers, and other stakeholders were carried out covering the period of learning 2001-06. The impact of the PCDL scheme was evaluated positively: more than 80% of learners agreed that the loan helped them develop new skills and had a positive impact on their qualifications, income, employment prospects or future training. The deadweight effect was estimated to be low (with half of respondents saying they would not have been able to take the course without the loan and only 13% saying they would have definitely taken the course), but it was also reported that most borrowers had decided to learn before they explored the PCDL as a funding option. However, the learning providers indicated that the loan scheme was very important in giving an opportunity for those without sufficient financial resources to take the learning. This was confirmed by the survey findings that, for nearly 90% of the learners, PCDL were the only source of financial assistance for which they were eligible. The scheme was also reported to have created over GBP 90 million (EUR 104.49 million) of additional wage revenue. In terms of equity, it was noted that people living in London and South East England (the most economically prosperous areas in the UK) were significantly overrepresented among the scheme users. This raises significant concerns about the ability of people from less economically developed regions, as well as people with lower income in general, to access the loan. However, it was reported that 60% of loan takers earned GPB 15 000 (EUR 17 415) per year or less, so most of the borrowers were low-income. Access to loans did not differ significantly between ethnic groups. The sustainability of the scheme was also evaluated positively, considering the low cost to the public purse.

Other issues evaluated by the report included the relationships of the LSC with learners and learning providers, learner satisfaction with the loan, collection of management information by the LSC (considered as a key weakness), and handling of applications.

The report (National Skills Forum, 2008) prepared by the National Skills Forum (a non-profit organisation) in 2008, raised some important issues of equity in provision of loans for education and training in the UK. The report argued it is unfair that the **UK student loans** are not available for full-time further education learners, while the full-time HE learners enjoy such a right; meanwhile, the only loans available for most of further education learners are the PCDL, which have less favourable conditions and on which government spending is much less. The report calls for revision of the student loans scheme, to allow adult learners entering further education access to the equivalent types (including income-contingent type) of loans as adults studying in HE.

In 2010, the PCDL scheme was also to some extent evaluated in the *Independent Review of Fees and Co-Funding in Further Education in England* (Banks et al., 2010). It was argued that while the scheme is very useful and beneficial to learners, and at the same time sustainable, low and decreasing take-up means that it is not accessible to all potential users. The Review suggested that the allocation of government funding for the scheme is insufficient.

The evaluation of the **UK Kent loan** is available for 1999-05; it was performed by the Individual Learning Company itself (Individual Learning Company, 2006). Most data collected for evaluation were gathered from a survey of borrowers (33% of the 240 persons having used the loan).

The impact of the loan scheme is evaluated very positively; it is reported that among the borrowers who took the loan, earnings in the short term (from taking the loan to 6 months after the training course) grew by GBP 4 000-5 000 (EUR 4 644-5 805) per annum; about 80% of learners reported career progression after training funded by the scheme. The scheme was also evaluated as having given a good opportunity for learners to fund courses at or below their level of qualification, therefore causing 'lateral progression', While government priorities are mostly targeted at people at the lower end of qualifications spectrum and towards younger people, this scheme targeted adults in need of vocational training, usually outside of national qualifications framework. The report also claims that the deadweight effect of the loans was small, as for most borrowers this was the only opportunity to fund their learning. The efficiency of the loans was also evaluated positively, with the default rate contained at about 10% at the time. As a large share of loans was repaid soon and the money could be reused, the estimated multiplication effect of the loans compared to conventional grants was about 3.5. In contrast, administration costs were reported to be as high as 10% of the total amount of loans provided. The report also indicated that publicity for the loan scheme could have been better and that better monitoring of the training providers would have been beneficial.

Source: prepared by the authors based on literature reviewed.

3.3. Opinions of stakeholders on loan scheme performance

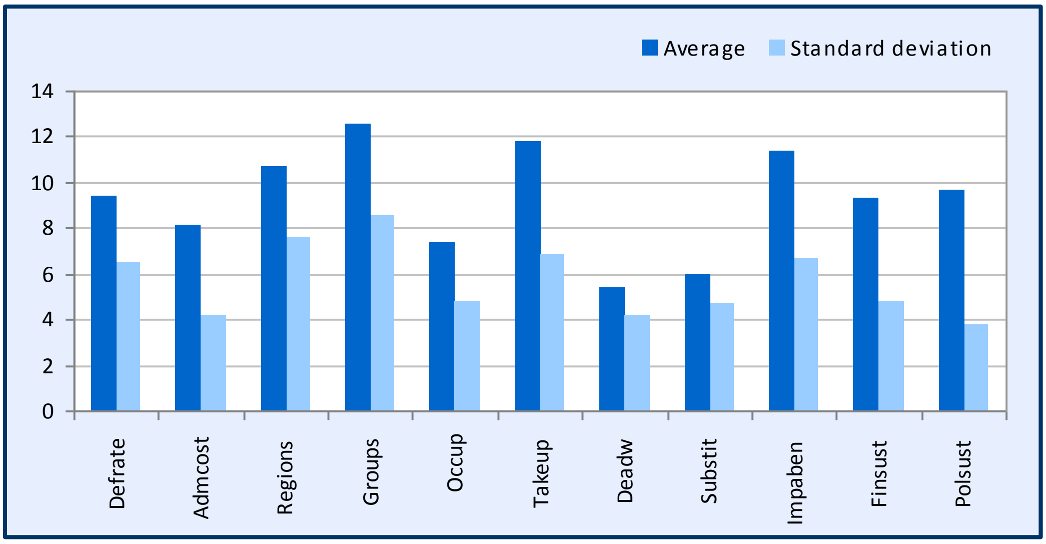
Efficiency, equity, effectiveness, impact, and sustainability of 12 selected loan schemes were evaluated using multi-criteria scoring method analysis (for more information see Annex 2). This section examines which schemes perform better according to each evaluation criterion. The evaluation is based on the opinions of key stakeholders surveyed in relation to each individual loan scheme ([15]). The stakeholders were first asked to identify which evaluation criteria they considered more or less important by adding weights to them. Second they provided their assessments of loan schemes by giving them grade points.

([15]) These typically included the following group: a loan scheme manager, a representative of the learning providers, a representative of VET learners, an independent financial expert, and an independent expert from academia or non-governmental organisations. The stakeholders provided their grades only in relation to schemes they have expert knowledge about.

3.3.1. Evaluation criteria weights

Stakeholders tended to prioritise the accessibility of loans to disadvantaged groups: the core element of equity and the take-up rate which is the share of all eligible individuals taking loans (effectiveness). Less important were low default rates (efficiency), the accessibility of loans to people coming from disadvantaged regions (another equity sub-criterion), the high impact on beneficiaries of loans and the sustainability both in financial and political terms. Deadweight and substitution effects (impact), and administrative costs (efficiency) received the lowest weighting. However average stakeholder weights concealed great variations in their opinions and value judgements. The highest consensus — the lowest relative standard deviation — was demonstrated in relation to political sustainability, financial sustainability and administrative cost. The average weights by sub-criteria and the standard deviations are summarised in Figure 5.

Figure 3 **Average sub-criteria weights and standard deviations by evaluation sub-criteria**



Source: Surveys of experts and stakeholders on VET loan schemes in Europe (2010).

Further analysis revealed country-specific and stakeholder-specific weight patterns. Stakeholders in the Netherlands and Sweden tended to give higher than average weights for equity criteria, while Hungarian and Austrian stakeholders considered equity less important for the loan schemes and heavily stressed the importance of efficiency and financial sustainability. French, Dutch, Finnish and UK stakeholders emphasised effectiveness, while the Hungarian, Austrian and Swedish favoured impact criteria. With individual outliers eliminated, all stakeholders provided relatively similar weights to the administrative costs and political sustainability criteria.

There were also differences in opinions between different types of stakeholders. Loan scheme managers stressed the importance of the default risk, the accessibility of loans to disadvantaged groups of beneficiaries, take-up rate and impact on beneficiaries. Stakeholders representing VET learners and independent experts from academia or non-governmental organisations gave clear priority to accessibility of loans. Learning providers were in favour of accessibility of loans to beneficiaries from less developed regions. Learning providers, financial experts and independent experts prioritised short-term effectiveness measured in terms of take up rates of loans rather than longer-term impact of loans on beneficiaries, which was of particular concern to VET learners and important to loan scheme managers. Financial experts naturally emphasise financial sustainability, and this was also an important concern among loan scheme managers. Sustainability criteria in general were weighted higher by stakeholders representing institutional actors rather than VET learners or independent experts. Efficiency of loan schemes was of low priority to VET learners, but important to loan scheme managers.

High diversity of the weights helps to explain why education financing issues raise so many conflicts of interest and are so difficult to handle politically. Extreme weight-sets can also be a sign of misunderstanding or interpretation problems. The research team made every effort to avoid these by iterative consultations with individual respondents.

3.3.2. Loan scheme grades

The grades provided by stakeholders reflect their subjective assessment of loan scheme performance. Table 24 provides the simple equally weighted average grades given (for each evaluation criterion) by the different stakeholders on a scale from 1 to 5; where 1 is equal to ‘very poor performance’, 2 is equal to ‘poor performance’, 3 equal to ‘medium performance’, 4 equal to ‘good performance’ and 5 to ‘excellent performance’. The table also provides information on the basic loan design characteristics (access, type of repayment, type of provider, level of subsidy and private-public classification).

Table 24 **Equally weighted average loan scheme grades by evaluation criteria and basic loan scheme design characteristics**

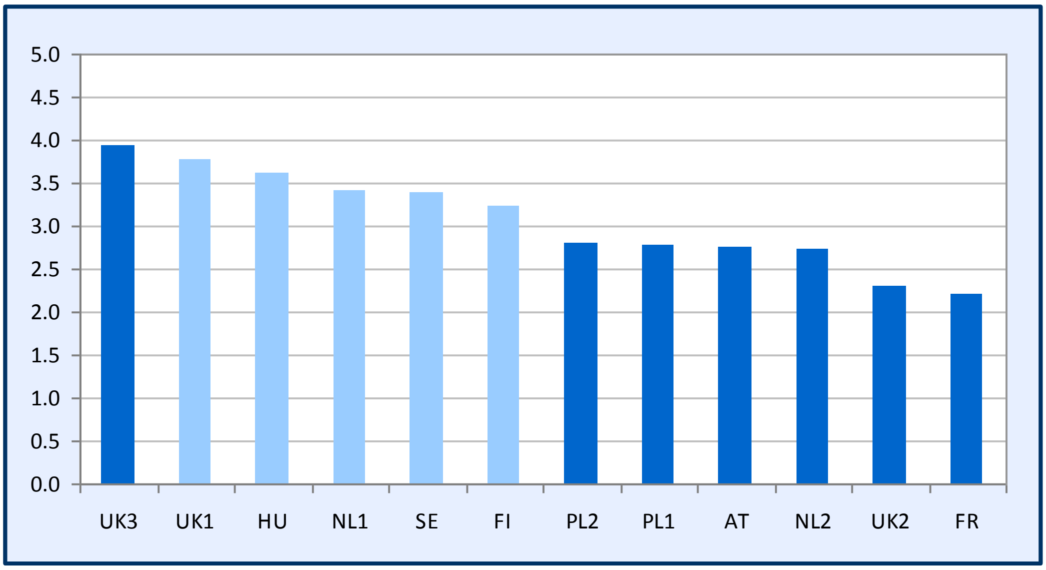
Country (loan scheme)	Evaluation criteria and grades					Design characteristics				
	EFFI	EQUI	EFFE	IMPA	SUST	ACC	REP	INST	SUBS	CLASS
AT	4.1	3.5	2.0	3.5	4.3	HE	M	SI	Low	PR
FI	3.7	4.5	2.8	3.7	4.3	VET	M	RB	Low	PU
FR	4.0	2.5	2.2	2.2	2.8	HE	M	RB	Medium	PU
HU	4.6	4.2	2.8	4.4	4.8	HE	IC	SI	Low	PR
NL public loan	3.5	4.3	3.4	3.4	3.3	VET	IC	SI	Medium	PU
NL private loan	3.0	4.3	3.0	2.4	2.3	HE	M	RB	Low	PR
PL student loan	3.4	2.2	3.0	2.5	3.3	HE	M	RB	High	PU
PL loan for unemployed	3.5	3.9	3.0	2.6	2.8	VET	M	SI	High	PU
SE	3.3	4.3	3.5	3.3	3.9	VET	IC	SI	Medium	PU
UK student loan	2.7	4.7	4.6	2.9	2.5	HE	IC	SI	High	PU
UK PCDL	4.4	2.0	2.0	2.6	4.5	HE	M	RB	High	PR
UK Kent loan	4.0	4.7	3.5	4.4	3.5	VET	M	RB	High	PR

ACC = Access: HE – more HE-oriented loan schemes; VET – more secondary education- /VET-oriented loan schemes.
REP = Repayment: M — mortgage-type/conventional repayment is dominant; IC — income contingent or hybrid repayment.
INST = Institutional design: SI — the lender is a specialised institution; RB – the lender is a retail bank.
SUBS = Low state subsidy: if the interest rate of the loan is higher than the financing cost of the state (Treasury Bond rate or prime rate); Medium state subsidy: if the interest rate equals the financing cost of the state; High state subsidy: if the interest rate of the loan is less than the financing cost of the state (see Box 18 for more detail).
CLASS = Public-private classification: PR — private loan scheme; PU — public loan scheme according to the Eurostat classification rules.
EFFI = efficiency.
EQUI = equity.
EFFE = effectiveness.
IMPA = impact.
SUST = sustainability.
High values are in blue cells.

Source: Surveys of experts and stakeholders on VET loan schemes in Europe (2010).

Most schemes received high grades for equity criteria, the notable exceptions being the Polish student loan, the UK PCDL and the French scheme. Four out of five highly efficient schemes were also assessed as highly sustainable: Hungary, Austria, the UK PCDL and the UK Kent loan. Many of the schemes received less than satisfactory grades (below 3) for effectiveness and impact criteria, because they did not cover large shares of all eligible learners or their long-term impacts on beneficiaries were considered to be rather low. The graphic illustration based on calculating the simple average of effectiveness and impact criteria for each loan scheme is provided in Figure 4.

Figure 4 **Average grade for effectiveness and impact**



Source: Surveys of experts and stakeholders on VET loan schemes in Europe (2010).

The five schemes represented by light blue columns in Figure 4 are the extensive schemes (Section 3.1.2) while the remaining ones are marginal.

To rank the 12 selected loan schemes, all evaluation criteria and their relative significance to stakeholders were considered, using the combination of weights and grades. The weighted averages of the grades normalised to a scale of 0-100% were calculated. The aggregate score was the simple average of the individual scores and showed how well each scheme satisfied stakeholder expectations. Table 25 presents the scores and ranking of the loan schemes.

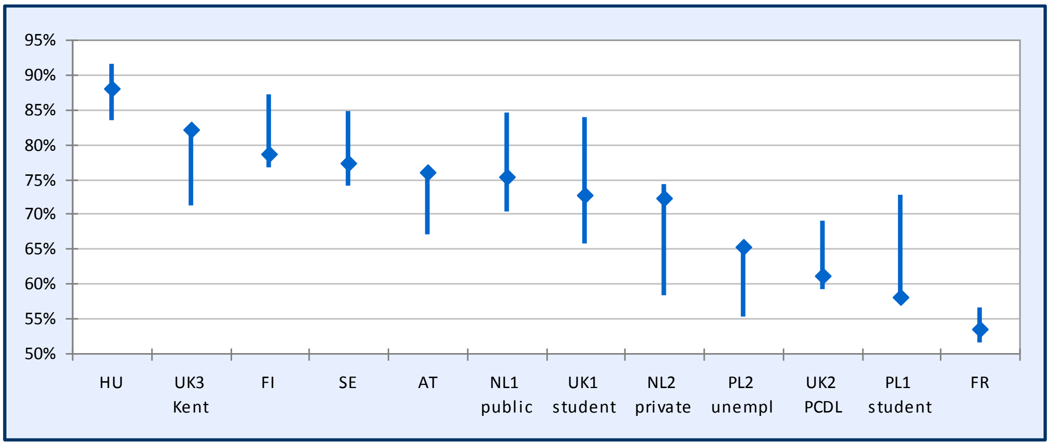
Table 25 **Scoring and ranking of the schemes**

Country (loan scheme)	(%)						RANK
	LSMAN	LEARPRO	VETLEAR	FINEXP	INDEXP	SCORE	
HU	84	92	83	94	88	88	1
UK3-Kent loan	84	92	100	47	88	82	2
FI	87	79	71	78	79	79	3
SE	80	73	74	84	75	77	4
AT	81	—	44	85	94	76	5
NL public loan	74	86	86	58	73	75	6
UK student loan	81	76	60	65	81	73	7
NL private loan	—	60	76	81	72	72	8
PL loan for unemployed	83	66	54	67	55	65	9
UK PCDL	—	58	56	73	58	61	10
PL student loan	59	56	73	53	49	58	11
FR	27	60	49	66	66	53	12

Source: Surveys of experts and stakeholders on VET loan schemes in Europe (2010).

A sensitivity analysis was also conducted to examine the stability of the scoring and the ranking. It was revealed that the standard deviation of the weights was significantly higher than that of the grades. Grades were more reliable because they were assigned by the experts based on their knowledge of how the schemes actually performed. In contrast, weights reflected abstract preferences, which could be more exposed to overstatements and inconsistencies. Thus sensitivity analysis focused on how the scores would change if individual weights were replaced by average country, stakeholder and overall average weight sets. Different weights resulted in different scores. Figure 5 summarises the ranges of possible scores where lines show the minimal and the maximal values, while the point indicates the initial score presented in Table 25.

Figure 5 **Ranges of possible scores**



Source: Surveys of experts and stakeholders on VET loan schemes in Europe (2010).

Sensitivity analysis revealed that scores could be different depending on the weights used. The range which the score could vary within was smaller than 10% only in Hungary, Austria and France, meaning that their positions were relatively stable. It could be also inferred that some schemes might be overestimated (UK Kent loan, Austria, Dutch private loan and Polish loan for the unemployed) while some of them might be underestimated (Finland, UK PCDL and Polish student loan).

Given the limitations of data (e.g. individual scores were highly variable, the result depended largely on the selection of stakeholders for the survey) and the substantive differences between extensive and marginal loan schemes, the detailed ranking of schemes was seen only as indicative. However, it was very helpful in establishing relatively stable broader groups of more and less successful schemes among those categorised as marginal or extensive (Table 26). The final grouping of schemes by the assessment of their overall performance revealed that Hungary, Finland and Sweden were more successful in the group of extensive schemes. In the group of marginal schemes the UK Kent loan, Austria and NL-private loan were seen as better performing.

Table 26 **More and less successful extensive and marginal schemes**

	Extensive schemes	Marginal schemes
More successful schemes	HU, FI, SE	UK Kent loan, AT, NL private loan
Less successful schemes	NL public loan, UK student loan	FR, PL loan for unemployed, UK PCDL, PL student loan

Source: Surveys of experts and stakeholders on VET loan schemes in Europe (2010).

3.4. Influence of design characteristics on loan performance

The relationship between the key design characteristics of loan schemes and their performance was examined mainly by using qualitative comparative analysis. However, the multi-criteria scoring method also provided some useful insights.

Using the second approach, the design characteristics of loan schemes were analysed in relation to their equally weighted average grades received under different evaluation criteria. The sample size (12) was too small to derive statistically reliable conclusions in this high-dimensional and multivariate setting but points can be made on the basis of information provided in the Table 27 without any reference to their statistical significance.

Table 27 **Average grades by design characteristics**

Design characteristics	EFFI	EQUI	EFFE	IMPA	SUST	All criteria
Average-HE	3.7	3.3	2.8	2.9	3.5	3.2
Average-VET	3.6	4.3	3.2	3.5	3.6	3.6
Average-M	3.8	3.5	2.7	3.0	3.5	3.3
Average-IC	3.5	4.4	3.6	3.5	3.6	3.7
Average-RB	3.8	3.4	2.8	3.0	3.5	3.3
Average-SI	3.5	4.3	3.5	3.3	3.5	3.6
Average-LOW	3.7	3.9	2.8	3.3	3.7	3.5
Average-HIGH	3.6	3.5	3.2	3.0	3.3	3.3
Average-PU	3.4	3.8	3.2	2.9	3.3	3.3
Average-PR	4.0	3.7	2.7	3.5	3.9	3.6

HE = more HE-oriented schemes;
VET= more secondary education- /VET-oriented loan schemes.
M = mortgage-type/conventional repayment is dominant.
IC = income contingent or hybrid repayment.
SI = the lender is a specialised institution.
RB = the lender is a retail bank.
PR = private loan scheme.
PU = public loan scheme according to the Eurostat classification rules.

EFFI = efficiency.
EQUI = equity.
EFFE = effectiveness.
IMPA = impact.
SUST = sustainability.

Source: Surveys of experts and stakeholders on VET loan schemes in Europe (2010).

VET-oriented schemes were considered, on average, as efficient as HE-oriented ones. However, they were better graded in equity, effectiveness and impact. Income contingent schemes were considered, on average, as having lower efficiency (which could be due to the higher administrative costs), but they received significantly higher grades for equity, effectiveness and impact. Loan schemes managed by specialised institutions were considered, on average, as having lower efficiency (again potentially higher administrative costs when setting up a new specialised institution rather than using existing ones), but they were given higher grades for better equity, effectiveness and impact. Highly subsidised schemes were considered, on average, similar to the less-subsidised ones in efficiency. Highly subsidised schemes received higher grades for short-term effectiveness (subsidies helped to improve the take-up of loans), but lower grades for equity, long-term impacts and sustainability than lower subsidy schemes. Private schemes received higher grades than public schemes for efficiency, long-term impacts and sustainability. However, they were considered to be less effective in the short term (take-up was rather low).

VET-oriented, income contingent or hybrid repayment, specialised institution based, low State subsidy and private schemes tended to receive higher average stakeholder grades and these findings might have important policy implications.

However, the method used had limitations, such as small sample size, subjective opinion of the stakeholders, and simple weighting. Therefore, correlation between design characteristics of loan schemes and their performance was also carried out using qualitative comparative analysis tools. This also allowed consideration of selected contextual factors.

The analysis is based on surveys of experts and stakeholders, data on living costs from various sources (Table A3-1 in Annex 4), and statistical indicators (including cost-sharing ratios and nominal GDP per capita from Eurostat, indicator helping to differentiate between types of education systems, first age of selection in the education system, and the need for VET loans). The design characteristics are considered as independent, performance of loan schemes as dependent variables. Statistical indicators serve as independent or conditional variables. The analysis below includes only those independent and context variables which explain at least 75% of all VET loan scheme variations, i.e. variables contain no more than three exceptions in the negative or the positive outcomes combined. The limitations of the qualitative comparative analysis method are discussed in the methodology chapter (Annex 1).

The analysis helped to identify design characteristics which were both, necessary and sufficient in explaining the performance of the sample of 12 loans ([16]). The results are presented by five evaluation criteria: effectiveness, efficiency, equity, impact and sustainability.

Effectiveness

Take-up rates were high in schemes that:

(a) did not carry out risk assessment (Finland and the UK Kent loan carried out risk assessment, but take-up rates were high, while Hungary had low take-up rate although the condition was met ([17]));
(b) had income-contingent or hybrid repayment (except for Finland);
(c) allowed long repayment periods (except for Hungary and Austria);
(d) were operated by public institutions (except for the Finland; Hungary and the Polish loan for the unemployed);
(e) were established for a long time (except for France and the UK PCDL).

([16]) The full table with all values of the variables is presented in Annex 6.

([17]) Henceforward the schemes which have a positive value of the dependent variable without meeting the conditions and the schemes which meet the conditions, but have a negative value are separated by a semicolon (;).

All these conditions could be considered meaningful, as they implied that take-up rates depended on the awareness (higher in longer operating public institutions), risk adversity (lower in ICLs with long repayment periods), and access (risk assessment might help the loan function, but reduced access to certain beneficiaries).

Efficiency

The default rate was low in the schemes:

(a) operated by private institutions (except for Hungary; Finland and Dutch private loan);

Administrative costs were lower in:

(a) small schemes (except for Finland, the UK Kent loan and the Polish student loan);
(b) private schemes (except for France and Austria);
(c) schemes with short repayment periods (except for Hungary; the Polish student loan and loan for unemployed);
(d) schemes with high interest rates (except for France, the UK Kent loan and student loan).

While it was clear that private, small, short-term loans were easier to administer, the high interest rate might be an indication of other characteristics that affect both the dependent and the independent variable. The Hungarian loan scheme was atypical with regard to half of the conditions, suggesting that some other factors were behind its efficiency.

Equity

Accessibility of loans to members of disadvantaged social groups ([18]) was better in the schemes that:

(a) had preferential treatment arrangements (except for the UK student loan and France);
(b) offered long repayment periods (except for the Dutch private loan, the UK Kent loan and Austria) in countries where living costs were high (except for Finland, Hungary and the UK PCDL).

All these characteristics meaningfully related to equity.

([18]) Out of three equity sub-criteria (Annex 2), rated by the national experts as by far the most important one.

Impact

Deadweight effect ([19]) was low in schemes:

(a) without a State subsidy (except for the Dutch public loan, Hungary and Austria);
(b) aiming to increase access to education and training (except for Dutch private loan and Sweden);
(c) operating in education systems with early stratification of pupils into vocational and academic paths (except for the UK Kent loan and Austria);
(d) operating in countries with high levels of private financing of education (except for Hungary; the UK student loan and the UK PCDL).

Substitution effect ([20]) was low in schemes:

(a) with differentiated interest rate (except for Hungary, France and the UK Kent loan);
(b) classified as private (except for Finland; the Dutch private loan and the UK PCDL).

Overall impact on beneficiaries ([21]) was high in schemes that offered long maximum repayment periods (except for the UK Kent loan and the Dutch public loan).

The schemes which increased access to education and training to those who were unable to do so with private funding (e.g. differentiated interest rate could be an indication of this) were particularly successful in avoiding the crowding out of private funding. Meanwhile, the prevalence of the State subsidy factor raised the risk of crowding out private funding.

Sustainability

Financial sustainability was high in schemes that operate in countries with low private financing of education (except for the UK PCDL, the Polish student loan and the loan for the unemployed).

([19]) Deadweight effect: when beneficiaries of the loan mechanism would have financed similar training through private means in the absence of loans.

([20]) Substitution effect: when beneficiaries of the loan scheme substitute supported training/courses for training which has not been supported or is less supported.

([21]) Impact on the following two groups of beneficiaries is considered in this study: on individuals (e.g. on acquisition of new skills, job prospects, qualifications, interest in training, earnings, etc.) and on companies (e.g. on productivity, turnover, competitiveness, etc.).

Political sustainability was high in schemes that:

(a) do not apply preferential treatment (except for Finland; the UK student loan and the Polish loan for the unemployed);

(b) do not have differentiated interest rates (except for France, the Polish student loan and the UK PCDL).

With universal treatment of all beneficiaries such schemes are more resistant to pressures from less favoured groups looking to receive preferential treatment. This result favours provision of any targeted support from outside the loan scheme rather than offering subsidised interest rates or other in-built preferential treatment arrangements.

Qualitative comparative analysis is subject to all drawbacks related to qualitative analysis methods (outlined in Annex 1). Therefore, all meaningful relationships (and arguments based on them) between design characteristics of loan schemes, their performance and contextual factors should be treated with caution.

3.5. SWOT analysis of selected loan schemes

3.5.1. SWOT analysis of 12 selected loan schemes

The analysis (based on the opinion of experts and stakeholders) identified several main strengths, weaknesses, opportunities and threats which were more or less common to all 12 selected VET loan schemes, independent of their specific design characteristics or country context. The results are summarised in Table 28.

Table 28 **SWOTs of the 12 selected VET loan schemes**

Strengths	Weaknesses
• facilitating cost-sharing; • improving access to education and training; • increasing overall investment into human resources;	• complexity of the administration (cooperation of several stakeholders); • overwhelming bureaucracy;

Opportunities	Threats
• increasing role of the education industry, increasing participation rates; • technical development towards an automatic internet-based service; • more efficient communication strategy to reach all potential borrowers.	• economic crisis and/or recession; • volatility of market interest rates; • scarcity of state funding and guarantees; • increase of default rates; • operational risks (system break down, loss of data, etc.); • debt aversion of the borrowers; • international mobility of students and graduates; • ageing of the population (older age and greater age diversity of learners); • aversion of student organisations towards any cost-sharing initiatives; • conflicts of interests between stakeholders; • populist policy-makers.

Source: Surveys of experts and stakeholders on VET loan schemes in Europe (2010).

SWOT analysis was also carried out separately for five extensive and seven marginal loan schemes. The results are presented below and are preceded with a short summary of the main features of the loans falling into each group.

3.5.2. SWOT analysis of extensive schemes

The extensive schemes (Finland, Hungary, Sweden, the Dutch public loan and the UK student loan) were among the best scored and ranked (Table 25) and had many common design characteristics (Table 24):

(a) access was relatively wide: many of the extensive schemes covered secondary education/VET;

(b) repayment was income-contingent or hybrid (except in Finland). All the loans, within the sample of 12, with income-contingent or hybrid repayment fall in the group of extensive schemes. Although Finland had no income-contingent elements, it was possible to renegotiate continuously and modify the repayment conditions;

(c) schemes were classified as public (except in Hungary) and were operated by specialised public institutions (except in Finland);

(d) government played an active role. Even if scheme was operated by the banks (as in Finland) or classified as private (as in Hungary) the State was involved in operating the scheme;

(e) the level of interest rate subsidy was medium or low. A high subsidy level was observed only in the UK student loan where the interest rate was linked to the inflation rate (retail prices index), thus the real interest rate was zero. However, the survey and the literature review indicated that the UK student loan was likely to be reformed to address the budget-constraints by reducing the State subsidy;

(f) repayment periods were long and most schemes did not require repayment to start immediately;

(g) interest rates were differentiated;
(h) schemes have been in place for a long time, although most experienced modifications in the last five years (except in Sweden).

In terms of performance, five extensive schemes were effective by definition in that they had high take-up rates. National experts considered such schemes equitable, having high impact on beneficiaries (except the Dutch public loan), but at the same time having high default rates and high administrative costs (except Hungary) as well as low political sustainability (except Finland).

It appears that the most important strengths of the extensive schemes are:
(a) universal eligibility rules which enhanced access for many groups — availability of loans for different levels of education/VET learners. Widened eligibility did not necessary harm financial stability but increased significantly the effectiveness and the impact of the scheme;
(b) robust, well-established and comprehensive public schemes with significant take-up rate; a vital component of the education system;
(c) large enough loans to cover a significant part of education and training costs;
(d) a transparent and specialised managing institution, which seems to perform better in dealing with different and often conflicting stakeholders interests without losing sight of the basic policy objectives;
(e) flexible disbursement and repayment conditions.

Extensive loan schemes were assessed as attractive for the students and financially sustainable.

Attractiveness was achieved mainly by making the loans accessible for many groups, flexible disbursement and flexible repayment rules, and by effective guidance and information services. Flexible repayment rules were particularly important in reducing the debt aversion of borrowers. Higher subsidy (UK student loan) was another way to increase loan attractiveness.

Financial sustainability required low State subsidy and tight control (especially when the subsidy was higher) as well as efficient and well established collection mechanism/management practices to reduce default rates and administrative costs.

Introduction of higher subsidies was sometimes controversial: it had a positive effect on attractiveness, but jeopardised financial sustainability. The likely trade-off between attractiveness and financial sustainability — when introducing subsidy — may be illustrated by the Dutch public loan example, in which a higher level of subsidy had to be coupled with means testing to help to maintain financial sustainability. At the same time, means testing reduced the attractiveness of this scheme and made it more demanding administratively.

The following weaknesses of the extensive schemes were also identified in addition to the ones presented in Table 28:

(a) too high subsidy aggravated deadweight effect and created an arbitrage opportunity (i.e. students could borrow at subsidised rate and earn a profit by reinvesting it: such cases were noticed in the UK student loan);
(b) too low subsidy discouraged borrowers (Hungary, Finland and Sweden);
(c) the loan did not fully cover education costs (Hungary and Finland);
(d) debt aversion of the disadvantaged groups of learners was not (fully) addressed (Hungary Finland and Sweden).

The opportunities for future improvement mentioned by the stakeholders were also linked to the attractiveness of the loan and financial sustainability: (further) extension of the eligibility criteria to different types and levels of education and training; change in learner attitudes through more efficient communication (Hungary and the UK student loan), reduction of administrative burdens; keeping default rates low even in periods of recession by applying more efficient risk management techniques (i.e. data-mining, behavioural scoring of the clients, diversification, hedging, securitisation, etc.).

Most threats to extensive schemes were similar to the ones presented in Table 28. However due to their larger scale, the costs of any State support (direct financing, interest rate subsidy, asset or liability side guarantee) required greater public expenditure which might become a bottleneck. Excessive reliance on State support made extensive schemes highly sensitive to financial and economic crises and/or political changes (e.g. the reform process in the UK, the new law on student lending in Finland or the recent management turnover in Hungary).

3.5.3. SWOT analysis of marginal schemes

The marginal schemes (Austria, France, Dutch private loan, Polish student loan, Polish loan for the unemployed, UK PCDL and UK Kent loan) had generally lower scores and ranks (Table 25).

They varied in terms of design characteristics (Table 24), but all provided conventional loans with inflexible repayment and short repayment periods (the latter excluding Austria). They were operated by private institutions (except the Polish loan for the unemployed) and the State played a passive role, usually by financing the interest rate subsidy and/or providing default guarantee. The level of subsidy was high in many of the schemes (it was low in Austria and medium in France).

In terms of performance, marginal schemes had only low take-up rates in common, but differed substantially in terms of efficiency, impact, equity and sustainability characteristics.

Table 29 summarises the positive and negative scheme-specific aspects (according to the views of the stakeholders) and provides some explanation why marginal loan schemes are unable to operate on a larger scale.

Table 29 **Scheme-specific SWOTs of marginal schemes**

Country (loan scheme)	Strengths/opportunities	Weaknesses/threats
AT	Nature of the scheme: student loan linked to a saving account (people save money, the State subsidises it, and the saving bank offers favourable loan conditions for educational purposes	Lack of State subsidy in the form of lower interest rate and greater loan write-off.
FR	Favourable loan conditions (selected and tailor-made by banks). Low default rates and administration costs	Loan, practically, limited to bright students of the elite schools (*grandes écoles*).
NL private loan	Loan adding to the students' resources (piggybacked on the public scheme).	Limited access due to age, and mode of study eligibility criteria and discouraging market interest rates.
PL student loan	Favourable loan conditions.	Long and complicated administration process. Lack of appropriate law interpretation. Banks may charge extra hidden costs. Loan amount insufficient to cover tuition fee and living costs.
PL loan for unemployed	Tailored for the unemployed and particularly for CVET learners. Favourable loan conditions. Administered by district loan centres Low default rate and the administration costs.	Too complicated and bureaucratic. Lack of institutional network. Lack of flexibility. Scarcity of information.
UK PCDL	Open to a wide range of learning providers. Interest rate 0% while studying and then a moderate market rate in the repayment period. Can be extended to other levels of VET.	Money available limited. Potential deadweight effect high since borrowers have to be creditworthy. Inequitable: the requirement for good credit-rating discriminates against disadvantaged social groups.
UK Kent loan	Very flexible condition. Supported by a charitable foundation Available for people with poor financial history who were unable to access traditional public and private sources of funding.	Rigidity of the repayment conditions (borrowers have to start repayments even if the retraining is unsuccessful).

Source: Surveys of experts and stakeholders on VET loan schemes in Europe (2010).

Among the marginal schemes, niche schemes targeting specific groups of borrowers (Austria, Dutch private loan and UK Kent loan) were considered as more successful (Table 26). The UK Kent loan could be considered as the best performing marginal scheme analysed in this study. It is a pilot project financed by a charitable foundation and proved to be very successful in serving the specific needs of disadvantaged borrowers and attracting alternative sources of loan funding (currently the scheme is essentially dormant, providing only occasional loans out of repayment income). Box 20 provides stakeholder views on this scheme.

Box 20 **The UK Kent loan: example of a successful niche scheme**

Loan scheme manager: '[…] the scheme demonstrates that a light touch scheme can be significantly more cost-effective than a bureaucratic public scheme or a commercially based scheme, i.e. a positive role for third sector organisations. Having demonstrated the approach, the scheme has become largely dormant. As an organisation we only revive it — or assist someone else to revive it should we be asked. We are now addressing other work programmes'.

Representative from the financial sector: 'The Kent loan has been a marvellous experiment. It was devised as a pilot to reach those who can't access the main national loan scheme (Professional and Career Development Loan) because they don't meet the financial criteria imposed by the commercial banks that operate it. It was an experiment that has been very successful on a small scale in the area and for the categories of people it was designed to support. It was a targeted scheme that was tailored around the needs of individuals and it would be too expensive in terms of the personal information and guidance support necessary to offer such a flexible scheme on a national basis. So unfortunately it does not offer a national structure for loans to support individuals training for employment without modification'.

Independent expert: 'This was a great scheme and one the charity was very proud to support. We like to demonstrate solutions that meet particular gaps in mainstream systems and so our support for the Kent loan was never intended to be long-term. But there was no enthusiasm to take this up and run it alongside other mainstream training support systems. It is not an expensive system and our experience was that it had a huge impact on those individuals who received loans under the scheme. Nor was the repayment rate significantly worse than for other loan schemes'.

Representative of learning providers: 'Really pleased that this scheme exists to support people who want to break out of poverty/unemployment by providing an interest-free loan to train or retrain for suitable local employment. This is a marvellous loan scheme that should be run out on a national (UK wide) basis, but managed locally like the Kent loan is'.

VET learners' representative: 'I could not have funded my IT professional retraining course without the loan. Experience of this course (and the loan scheme) gave me the confidence to return to education and training. I had to retrain because my sector suffered in the credit crunch and I needed training to move into a new sector (information technology). Generally the UK is very poor at providing support for mid-life professional retraining and this loan scheme is a good example of what is needed.'

Source: Surveys of experts and stakeholders on VET loan schemes in Europe (2010).

4. Experience of non-European countries in improving loan scheme performance

In this section some well-developed and robust loan schemes for education and training outside Europe are investigated: they include Australia, Canada, New Zealand, South Africa, South Korea and the US ([22]). Background information on loan schemes was collected from various sources, including websites, brochures and annual reports on the respective schemes, journal articles and comparative studies and other ad hoc sources, such as telephone calls to the loan administrators.

The first step of this investigation was to have a general description of these schemes (Annex 8). Then, to draw lessons for European policy-makers, information was selected on how these schemes are being improved in terms of attractiveness, efficiency, equity, effectiveness, impact and sustainability, with a special emphasis on the role of loans in financing VET.

Efficiency

The efficiency of a scheme can be measured by the repayment ratio and the recovery ratio introduced by Hua and Ziderman (2009) (Box 18). Table 30 contains estimations of these indicators for selected loans in non-European countries.

([22]) Case studies on student lending of other non-European countries — China, Hong Kong, Philippines and Thailand — can be found in Ziderman (2004).

Table 30 **Hua and Ziderman measures based on 2007 data**

Country (loan scheme)	Repayment ratio (effect of State subsidy) (%)	Recovery ratio (effect of State subsidy and default) (%)
US: federal direct loan (subsidised)	80	76
US: federal direct loan (non-subsidised)	83 (83 in 1995)	79 (59 in 1995)
US: federal direct loan (income-contingent)	73	70
Canada: student loans programme	99	74
Australia: higher education contribution scheme (HECS), higher education loan programme (HELP)	74 (52 in 1995)	
New Zealand: student loan scheme	59	
South Africa: national student financial aid scheme	50	36
South Korea: loan scheme provided by the Ministry of Education and Human Resources Development	72	

Source: Hua and Ziderman (2009).

Most systems are heavily subsidised due to the favourable loan conditions. The least subsidised scheme is that in Canada, which has the highest repayment ratio of 99. State subsidy has also significantly decreased in Australia. The extent of the State subsidy did not change between 1995 and 2007 in the US direct loans scheme, but the default loss is significantly lower now. Also, while a significant difference in repayment and recovery of subsidised and non-subsidised US direct loan could be expected, the difference is only slight. In South Africa the recovery is surprisingly low: only 36% of the loans could be recovered due to high imbedded subsidies and high default rates. Add the administration costs to the default rates and the recovery ratio falls to 25%.

Non–European countries have some significant experience in meeting and dealing with efficiency challenges, the main ones being:

(a) high administrative and total financial costs caused by the loan scheme to the State budget;

(b) high default rate and difficulty in collecting repayments.

In a recent discussion on the administrative costs of loans for education and training in the US the main question was which of the schemes — direct loans ([23]) or guarantees provided for private loans — create greater administrative costs. The loan scheme, in which the private banks provided the loans and the government provided a full guarantee, has existed since 1965 ([24]).

([23]) Loans provided directly by the government, where the borrower deals with only one institution, the Direct Loan Servicing Center, on all the loan-related matters.

([24]) The Federal guarantee was provided by an agency called Sallie Mae, the nation's leading saving, planning and paying for education company. While Sallie Mae was

Some of the policy-makers argued that a system of direct loans would be less costly; research (Lucas and Moore, 2007) backed their opinion, although the difference in maintenance costs proved smaller than expected. The guarantee system gradually shifted toward direct loans. Currently (2010), all new federal student loans have to be made as direct loans.

Default losses can be reduced for example by:

(a) changing the collection mechanism; when shifting the retail bank based model to a specialised public institution (direct loan) in the US and in Canada, they have radically changed the institutional setup and the collection mechanism. It can be argued that profit-seeking banks receiving full federal guarantee are not so much interested in following the borrowers and enforcing repayment; it is much easier for them to call down the guarantee. A specialised federal-level lender institution may have better incentive to collect repayments.

    In New Zealand and Australia, income-contingent loans are publicly administered and repayments are collected via the tax system from the beginning of the operation of the scheme ([25]). As repayment of the student loan scheme in New Zealand is executed by the tax authorities through the employer of the borrower, the default rate is expected to be marginal. In Australia (where the repayments are collected alongside the yearly income tax declarations directly by the Tax Office) the repayment ratio in 1995 was only 52%, but it has improved to 74%. However, it is difficult to collect repayments from borrowers working abroad. While in the UK (where the learners residing abroad have individual payment arrangements) this problem is dealt with, in Australia borrowers working abroad do not have to file an Australian tax return, therefore they are not required to make any repayments, providing an incentive for graduates to leave the country.

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originally created in 1972 as a government-sponsored entity, the company began privatising its operations in 1997, a process it completed at the end of 2004, when the company terminated its ties to the federal government.

([25]) There are three organisations involved in the management of the student loan scheme in New Zealand. The Ministry of Education (MoE) is responsible for the design and gives advice to the government about student loan policies. The StudyLink, a division of the Ministry of Social Development, processes loan applications and manages student loan accounts. The Inland Revenue assesses and collects loan repayments. In Australia HELP loan schemes are jointly administered by the DEST, the Australian Tax Office and the HE institutions. The tax office manages the repayment process. (İsaoğlu, 2008).

(b) limiting the exposure; the maximum total debt was limited to USD 57 500 (EUR 42 245) (no more than USD 23 000 (EUR 16 898) in subsidised loans) for undergraduates. In Canada, various limitations on the size and period of the loan were imposed to avoid high total costs to the budget. The maximum amount of the loan for full-time learners cannot exceed 60% of the learner's financial needs and cannot be more than CAD 210 (EUR 150) a week; the learners may receive the loan for up to 340 weeks ([26]). For part-time learners there is a lifetime limit: their debt cannot exceed CAD 10 000 (EUR 7 137).

(c) making the repayment conditions more flexible, adjusted to the borrower's conditions: the US and Canada adopted a more flexible repayment approach (the repayment may now depend on the income and the family size of the borrower, income thresholds under which there is no repayment obligation) and the credit history checks. (Federal student aid, 2010) The conventional (mortgage-type) loan schemes with very short period of repayment (2-8 years), currently in South Korea, are planned to be replaced by income-contingent loans to reduce the significant default losses. In Australia (as in the UK and New Zealand), the repayments are income-contingent.

Equity

Non-European countries have taken some significant steps towards achieving greater equity in provision of education loans. These included:

(a) providing subsidy to poorer learners: while the HE system of the US can be considered as one of the most efficient in the world, despite growing enrolment rates, the financing system is socially exclusive for the disadvantaged (due to lack of funding, lack of information, complexity of the system and the debt aversion of poorer people). The measures taken to alleviate this include a subsidy for direct loans, which is provided in case of demonstrated need for financial assistance and entitles the learner to a lower interest rate. The Department of Education also pays the interest, instead of learners, while they are enrolled and during the grace period (six months). The equity of the loan scheme may also depend on whether the academic performance of learners is used to determine eligibility or preferential treatment. It could be assumed that disadvantaged learners may

([26]) Full-time students enrolled in doctoral studies are eligible to receive financial student assistance for a maximum of 400 weeks, while students with a permanent disability and those who received Canada student loans before 1 August 1995 are eligible to receive financial student assistance for a maximum of 520 weeks.

less probably achieve academic success for their unfavourable social environment and lack of decent lower level education, and thus may be excluded from the loan scheme. However, in South Africa the merit-based system is combined with loan preference for poorer learners, with disadvantaged learners (of African descent, from low-income families) making up 95% of borrowers.

(b) making loan schemes more universal by extending the eligibility rules to other programmes and subgroups (sometimes by involving previously ineligible VET learners): some important provisions outside Europe have also been made to ensure greater involvement of VET learners in loan schemes. In 2008, in Australia it became possible for learners in the VET sector to take out student loans. In Canada, an amendment was made in 1981, when it became possible for learners enrolled in classes for an irregular period of time (the regular time was 26-32 weeks) to get student loans. This was beneficial for those who attended courses in vocational schools or community colleges. In 1983, loans for part-time learners were also introduced.

Effectiveness/Impact

While the take-up of loans in non-European countries has mostly been high (often because of favourable conditions), there are some concerns whether the loan schemes have been able to provide sufficient financial resources to learners:

(a) take-up rate: 'In Austria HELP loans are in high demand. For instance, 413 085 of the 550 579 students who were studying in a place supported by the Commonwealth in 2004 chose to defer their tuition fee payments. Availability of OS-HELP loans (scheme for HE students studying overseas) are also increasing considerably since their establishment in 2005, from 5 000 to around 20 000 in 2008' (İsaoğlu, 2008). The take-up of loans significantly depends on the conditions which the loan schemes can offer. In Australia, interest rates are adjusted to inflation, so real interest rates are zero. This is a costly general subsidy which is reflected in the low repayment ratio, but it helps take-up of loans, especially in the disadvantages groups. The interest rate in New Zealand has been changed several times. It ranged from non-subsidised interest rate of treasury bond rate + 0.9% in 1996 to 7% subsidised rate (along with 'no-interest-while-study' policy) in 2000 and to 0% rate since 2006. Many experts considered the New Zealander system in the period of 1996-00 as the best (Barr, 2004a) due to the non-subsidised interest rate and income-contingent repayment. Meanwhile, the take-up rate was constantly increasing during 1999-08 and reached 83%.

(b) Cost coverage: in the US and Canada, public loans sometimes do not provide sufficient financial resources for the learners and they have to turn to private loans, which usually have higher rates and less advantageous repayment plans. This problem can be reduced by developing and putting more emphasis on the learner work system. in cooperation with other public actors. One proposed development was favourable tax rules applied for companies employing learners even for 6-12 hours a week. This would reduce the need for the learners to take a private loan and increase the share of needed costs covered by the public loan scheme. In Australia three student loan schemes are available to support the HE students. HECS-HELP and FEE-HELP loans are available to cover tuition fee costs only while OS-HELP loans are used for accommodation and travel expenses, if studying outside Australia. However, there is no public loan scheme which is available to cover living costs of HE students in Australia. Therefore, HE is not free at the point of entry (İsaoğlu, 2008).

(c) Participation in education: In Australia and New Zealand the number of enrolled students sharply increased after the introduction of student lending (in 1989 and 1992 respectively). This increase is due to many other factors but robust student loan schemes assisted. In South Korea, participation in HE is one of the highest in the world (70-80%) and the education loan market is really alive and diversified. There are six main government related loan systems, and many companies have their own subsystems. Most of the financial institutions also offer loans to learners, designed specifically according to their needs.

Sustainability

The questions of political and financial sustainability are also central to most non-European VET loan schemes. While the loan schemes seem to be politically stable, there are issues regarding their financial sustainability.

Political sustainability is very high in the US, where the dominant political principles act as a safeguard against radical changes. Any important change to the loan scheme would have to be grounded in professional consultations, as was the case during the introduction of direct loans. Political stability also does not seem to have been a problem in Australia: because of strong political consensus, beginning with 1989, the student loan system has been continuously developing and expanding the set of learners eligible to obtain a loan.

The prospects for financial sustainability are less optimistic. While the abandonment of State guarantee in the US helped to reduce the costs of the loan scheme, the ‘removed bankruptcy protection’ means that the outstanding loans are very risky to the loan providers, and the learners can also very quickly find themselves facing penalties for non-repayment. Quite a large proportion of the currently outstanding loans are private, increasing the danger even more. In New Zealand, loan scheme financial sustainability is questionable, as an interest-free loan scheme is a heavy burden for the State budget and financial constraints in the long term. This may even prove to be a cause of political instability too. While the Canadian loan scheme has been mostly consistent and stable during the last half a century or so, the relatively high interest rates and the accompanying high default rate mean larger vulnerability to it financially as well.

Lessons

Several general conclusions can be derived from experience of non-European countries in improving the performance of their respective loan schemes ([27]):

(a) many loan schemes are heavily subsidised by the State (which has a positive influence on take up-rates), but State financing is becoming scarce in many cases, therefore the size of the subsidy tends to decrease and subsidies become more targeted;

(b) to ensure greater equity in the loan schemes, subsidies are increasingly directed at disadvantaged groups (in particular poorer learners);

(c) eligibility is being extended to part time students, VET learners, students studying abroad (but foreign students are still excluded from most of the schemes);

(d) efficiency is enhanced by several means:
    (i) limitation of personal debt (setting a maximum amount and period for receiving a loan);
    (ii) shift from a retail bank model to a specialised public institution;
    (iii) making repayment rules more flexible.

([27]) For more good practice issues in design and reform of education loan schemes derived from the experience of non-European countries see also Ziderman (2004).

5. Conclusions and recommendations

In view of the rising demand for education and training, increasing education and training and living costs, limitations of public budgets and result need for higher private investments, loans — allowing individuals to cover the costs of learning from their future income — can be an important option.

The report reviewed implementation of loans in 33 European countries (27 EU Member States, EFTA/EEA (Iceland, Lichtenstein, Norway) and candidate countries (Croatia, the former Yugoslav Republic of Macedonia, Turkey)), with a special focus on 12 schemes in France, Hungary, the Netherlands, Austria, Poland, Finland, Sweden, and the UK. Most information was collected via surveys of loan scheme managers, VET financing experts and other key national stakeholders as information from secondary sources was scarce. The difficulties encountered by survey respondents in providing/accessing the information showed that most European countries still pay little attention to monitoring progress and evaluating the performance of loan schemes for (vocational) education and training.

5.1. VET loan schemes in Europe

The report analysed 35 loans schemes which are used to cover (partly) the costs of VET.

The pioneering countries in introducing loans were Sweden (1917), France (1934) and Norway (1947). Many schemes were established in 1961-71; the later expansion period started in the 1990s (involving many newer EU Member States and also candidate countries) and seems to be continuing.

The report introduced several typologies among 35 VET loan schemes: by type of repayment (conventional and income-contingent/hybrid schemes), by level/type of education and training covered (more secondary education/VET and more HE-oriented schemes) and private-public classification. Comparative analysis showed that most schemes were conventional (27 schemes), more were HE-oriented (22 schemes) and classified as public (22 schemes).

European schemes vary considerably in terms of covering different types and levels of learning; the elaborated typology ‘more secondary education/VET’ and ‘more HE-oriented’ tries to reflect education sector support. A closer look at the coverage reveals that some 32 out of the 35 schemes provide loans for HE;

11 for upper secondary education; 14 for post-secondary education and 10 for continuing VET. The wider availability of loans for HE may be explained by the existence of tuition fees in some countries. In contrast, the costs for secondary education (general and VET) are usually met by governments and enterprises leaving no/lower need for loans. Few loans support continuing VET, possibly because it is often job related and governments may see it as the responsibility of enterprises or individuals. The large number of loans for HE may reflect the preference of policy-makers given to the development of this education sector and the perceived higher rates of return compared to the returns on lower levels of education.

Financing VET through loans is strongly associated with the country, including appropriate institutions and sufficient administrative capabilities, the extent of the State support available, the overall situation of the given economy (especially living costs), returns on and overall attractiveness of VET, and the borrowing and saving habits of the population.

The analysis of 35 schemes shows that more aim to support participation in education and training in general or ensure high participation levels rather than ensure equal opportunities. The objective of loans should be well-defined as this is vital for the overall design of the scheme (e.g. the level of government subsidy) and its performance, including its financial sustainability, over the longer term.

Maximum amounts learners can borrow vary according to standards and costs of living across the 33 European countries. They range from EUR 39 per month in the Former Yugoslav Republic of Macedonia to EUR 1 875 per month in Cyprus. Average interest rates vary from 1% in Iceland to 10.5% in Greece. About half of the loans have variable interest rates and the others have a fixed interest rate for the duration of the loan.

Some 28 of 35 schemes provide loans for foreign students and 29 provide loans for learning abroad, though almost all of them impose some restrictions. Only in five countries is the size of the loan different for learning at home than abroad. In practice, loans seldom aid mobility for learning.

The review shows that almost all European countries have VET loan schemes in which the government plays some role (only in five countries was no such loan identified). The governments are usually involved in setting eligibility, repayment and other rules as well as in monitoring and evaluating implementation. In 14 schemes the government acts as loan provider. An important government function is provision of subsidies, which can be direct (interest rate subsidy, grace periods for repayments or loan write-off) and indirect (government guarantee that reduces the lender’s risk).

Results show that general subsidies, available to all borrowers, can be very expensive for the State budget. If they are too high they could result in substantial deadweight. Further, national evaluation reports indicate that government support often results in low accessibility for those VET learners who are in the greatest need of financial assistance, as most of benefits of general subsidies are derived by wealthier learners who are much more likely to participate in learning. High subsidies should be carefully targeted, particularly towards disadvantaged learners. Too few measures are implemented in this regard.

Many VET loan schemes do not have guidance and information measures aimed at reaching those target groups which need loans the most, but are at the same time most debt-averse.

The analysis revealed that financial institutions had at least some role in all private and in most public VET loan schemes. In case of latter, financial institutions play a largely operational role, managing the money, paying out loans, collecting repayments and helping customers with short-term difficulties in repaying loans. There is also a significant role for international donors, such as the European Investment Bank, which help to promote VET loan schemes in Europe and guarantee their financial and political sustainability.

Several loan schemes are highly vulnerable due to current political issues in their countries. The Hungarian scheme has recently undergone a significant management change, the new French scheme has been severely criticised in the political field, and the student loan scheme in the UK faces significant budget cuts and further reforms.

5.2. Performance of selected loan schemes in Europe

5.2.1. Which type of loan scheme works better…?

The analysis (multi-criteria scoring method) was based on the opinions of surveyed experts and stakeholders. To assess performance, five evaluation criteria were used: effectiveness (take-up rates), efficiency (lower default rates and lower administrative costs), equity, impact (impact on beneficiaries, deadweight and substitution effects), and sustainability (financial and political).

The report grouped the selected 12 VET loan schemes into extensive schemes operating at large scale and, likely to have significant impact on individuals and companies at national level (i.e. Finland, Hungary, Sweden, the UK student loan and the Dutch public loan,) and marginal schemes without significant nationwide effects (i.e. Austria, France, the UK Kent loan and PCDL, the Dutch private loan, the Polish student loan and the Polish loan for the unemployed). Marginal schemes were not necessarily unsuccessful when they were developed as niche schemes targeting narrow groups of learners or based on an individual approach to working with loan applicants (such as the UK Kent loan).

Most of the 12 loan schemes analysed performed well in terms of equity, the notable exceptions being France, the Polish student loan and the UK PCDL. The most efficient schemes were Hungary, the UK PCDL, Austria, the UK Kent loan and France. They were also considered the most sustainable, with the exception of France. Half of the assessed loan schemes received less than satisfactory grades for impact criteria. Three quarters of all schemes either did not cover large shares of all eligible learners or their long-term impacts on beneficiaries (individuals and their employers) were considered to be rather low.

The final ranking of schemes, according to all evaluation criteria and considering the stakeholder opinions on their relative significance, revealed that Hungary, Finland and Sweden were more successful in the group of extensive schemes. In the group of marginal schemes, the UK Kent loan, Austria and the Dutch private loan were seen as better performing. Half of the less successful schemes were considered to have low sustainability prospects.

5.2.2. … Under what circumstances and for whom?

The multi-criteria scoring method analysis revealed that more successful loan schemes had the following key characteristics:

(a) extended eligibility (VET learners, part time students, etc.);
(b) flexible repayment with built-in income safeguard;
(c) operated by a specialised institution (and less by the commercial banks);
(d) low level and/or better targeted subsidies;
(e) involving private funds and classified as private.

These findings are in line with the lessons derived from experience of non-European countries in improving the performance of their respective loan schemes, where:

(a) eligibility is being extended to part time students, VET learners, students studying abroad;
(b) many loan schemes are heavily subsidised by the State (which has positive influence on take up-rates), but as state financing becomes scarce in many case the size of the subsidy tends to decrease and subsidies become more targeted (at disadvantaged groups, in particular poorer learners);
(c) efficiency is enhanced by several means:

(i) limitation of the personal debts (setting maximum amount and period for receiving a loan);
(ii) shift from a retail bank model to a specialised public institution;
(iii) making repayment rules more flexible.

Qualitative comparative analysis aimed to identify and explain the reasons behind better or worse loan scheme performance by correlating their performance measures (each evaluation criterion) with their key design characteristics and contextual factors.

Higher effectiveness was best explained by absence of risk assessment of loan applicants, income-contingent or hybrid repayment, long repayment periods, operation by public institutions, and a longer track record of operation. In terms of efficiency, default rates were low in schemes operated by private institutions. Administrative costs were lower in small, private schemes with short repayment periods, and high interest rates, though it was clear that private, small, short-term loans were easier to administer. More equitable loan schemes tended to have the following characteristics: preferential treatment arrangements and longer repayment periods in countries where living costs were high. Higher impact on beneficiaries was observed in the schemes with longer maximum repayment periods. The deadweight effect tended to be low in schemes without a State subsidy and aiming to increase access to education and training. Deadweight effects of loan schemes were also low where they operated in educational systems with early stratification of pupils into vocational and academic paths and in countries with high levels of education private financing. Substitution effects tended to be low in schemes with differentiated interest rates and classified as private. Greater political sustainability was high in schemes that do not apply preferential treatment and do not have differentiated interest rates. With universal treatment of all beneficiaries such schemes are more resistant to pressures from less favoured groups willing to receive preferential treatment. This result favours provision of any targeted support from outside the loan scheme rather than offering subsidised interest rates or other in-built preferential treatment arrangements.

5.2.3. SWOT analysis of loan schemes

Extensive loan schemes (Finland, Hungary, Sweden, the Dutch private loan and the UK student loan) were both attractive for the learners and financially sustainable. Overall attractiveness in these systems was usually improved by higher subsidy and/or by flexible loan conditions including universal access, flexible disbursement, and flexible repayment rules such as built-in income safe-guards and early repayment option. The latter rules were important for targeting the debt aversion of potential borrowers. Financial sustainability was usually ensured not only through tight control of the state subsidy system, but also with well-established management practices reducing both default rates and administration costs. The major challenge was how to reconcile the requirement for flexible disbursements and repayments with low administrative costs and simplicity. The main weaknesses of extensive schemes usually related to heavy administrative burden, high subsidy aggravated deadweight effect resulting in money being used for purposes other than financing VET and failure in satisfactorily addressing the (debt aversion of) disadvantaged borrowers. The opportunities for extensive schemes were usually related to extension of the eligibility criteria, more efficient communication and management techniques to attract new borrowers and reduce default rates. Major threats to this type of scheme were mainly related to State subsidy: the larger the scheme, the greater the financial pressure on the State budget. Further, excessive reliance on State support could make these schemes highly sensitive to macroeconomic and/or political changes.

Most of the marginal schemes (France, the Polish student loan, the Polish loan for the unemployed and the UK PCDL) were considered unattractive to borrowers and/or were poorly managed and unable to reach the intended policy objectives. Niche schemes targeting specific groups of borrowers (Austria, the Dutch private loan and the UK Kent loan) were considered as more successful in this regard. The best performing marginal scheme was the UK Kent loan, a pilot niche scheme financed by a charitable foundation.

5.3. Recommendations for policy and practice

Findings suggest that VET loan schemes that work well should combine the two extremes: be fiscally parsimonious and attractive to learners as well as, if commercial sources are to be used, to private lenders. The common denominator for both extremes is the role of the State.

States could take the following actions to improve VET loan schemes across Europe:

(a) schemes with flexible repayment rules (e.g. income-contingent or hybrid repayment, built-in safeguards for special life events, early repayment options, longer repayment and grace periods) appear to perform better than the rigid ones with (usually) fixed monthly repayment. Income-contingent schemes usually allow for most flexible repayment. Yet, for lack of public resources (as schemes have to be financed for long time before repayments from the borrowers start to accumulate), administrative capacity and/or very well-developed and efficient income tax collection system, income-contingent schemes are problematic to establish in many European countries. However, existing conventional schemes may be improved to reduce their defaults and increase take-up and overall impact. Examples of possible improvements include:

(i) a gradually increasing repayment schedule may help to reduce the extra burden young VET graduates suffer during the first years of their career;

(ii) flexible use of deferred repayment may help to solve temporary repayment difficulties for borrowers;

(iii) more innovative actions such as administrative simplification, standardisation and automation using IT solutions could increase system flexibility;

(b) the optimal strategy for subsidising VET loan schemes is very difficult to define because a higher subsidy makes the loan more attractive to borrowers but may jeopardise the financial sustainability of the scheme. The following lessons may help in designing and/or improving State subsidy strategies:

(i) both forms of subsidy, direct financing and State guarantee, should be carefully designed. For example, full State guarantee may encourage banks to collect from the government rather than from the borrower;

(ii) too much subsidy could result in restrictions and limitations in the eligibility criteria and/or the loan amount. As findings of national evaluation reports showed, this can lead to lower sustainability, effectiveness and impact of the loan scheme at national level;

(iii) if the general interest rate subsidy is too high there is a risk that money will be used for purposes other than financing VET: learners may borrow at a low rate and, for example, invest at a higher one. Usually an interest rate subsidy is based on the political argument that a non-subsidised rate would impose too heavy a repayment burden (ratio between repayment and income) on borrowers. This assumption should be always checked prior to subsidising and the interest rate should be lower (subsidised) only if the repayment burden is too heavy;

(iv) the level of State subsidy should depend on the objective(s) of the scheme to be achieved. Evidence suggests that for most schemes which aim to increase participation in education and training or access to finance in general there is no strong justification for extensive State subsidies. They are most justified for loan schemes aimed at ensuring equal opportunities. National evaluation reports indicate that the disadvantaged usually find it difficult, if not impossible, to borrow for

VET. Therefore, the State should carefully choose the target groups for its subsidies and ways to support them. There are plenty of alternatives to consider in supporting the disadvantaged:

- development and properly supported enforcement of eligibility and risk assessment criteria;
- well-targeted state guarantees;
- harmonisation of loans with well-targeted grants (see third recommendation below);
- introduction of more flexible repayment conditions and/or, where possible, introduction of income-contingent loans (analysis shows that the latter are the best in addressing the disadvantaged);
- proactive targeting policies to address better the needs of disadvantaged borrowers; mostly because of debt aversion, low numbers of disadvantaged learners apply for loans, not all those most in need. The UK3-Kent loan may be considered a good example in targeting financially disadvantaged borrowers though difficult to replicate on a large scale. Newer EU Member States in particular may use EU structural funds to support their better targeted VET loan policies;

(c) implementation of VET loans should be closely linked with other VET cost-sharing mechanisms, especially with grants. But these mechanisms should be clearly separated with well-defined separate objectives. Results show that links with other mechanisms could increase the performance of VET loan schemes as well as their overall attractiveness. For example, grants may be a better financial instrument to support the disadvantaged than loans which have higher administrative costs and additional collection costs (the Dutch public loan is a good example in this respect). For other objectives, borrowers could receive a limited State subsidy depending on their socioeconomic status. Also, it is worth considering coordination of loans with, for example, tax incentives, individual learning accounts, or saving schemes. Financial institutions, carefully considering the benefits and drawbacks of their involvement, could play a more intensive role in establishing and improving such links: Austria seems a good example in linking VET loan and savings schemes promoted by the financial sector. However, closer links with other VET cost-sharing mechanisms might require significant administrative capacity and more intense coordination with other policies (see point d);

(d) the State should coordinate implementation of VET loans not only with overall VET financing policy, but also with other (wider) policies closely related to it. For example, the State could use tax or social security systems to ensure more efficient collection of loan repayments. States could also coordinate more closely education and labour-market policies by creating more favourable conditions for part-time work for students who have VET loans (e.g. introduce favourable tax rules for employers, as proposed in Canada and the US). Further, states could promote the use of charity funds for VET loans for those unable to access commercial sources of finance to which various stakeholders would contribute;

(e) incentives for a larger role for financial institutions may be foreseen, for example, to attract additional commercial capital which is essential in implementing large scale loan systems, especially in less economically developed countries with limited public spending capacity. Also, financial institutions could be more involved in creating/launching more efficient and flexible loan disbursement techniques, in providing guidance for beneficiaries or in assisting individuals to save money that could be used for future training. Further, the feasibility of a well-targeted pan-European loan scheme for VET, with a more significant involvement of international donors such as the European Investment Bank, to foster mobility of learners in Europe could be considered. These institutions could help to promote VET loan schemes in Europe and guarantee their financial and political sustainability. Involvement of other actors, such as national tax authorities or employers, could be examined to improve, for example, collection of loans. However, the State should be also cautious in cooperating with financial institutions or other actors such as employers, considering their usually different (often profit-oriented) objectives; such cooperation strategies should be carefully designed before introduction;

(f) non-financial measures should be considered as well as subsidies. First, critical attention should be given to ensuring the financial and political stability of VET loan schemes. For example, the stability of government financing decisions could build up social trust and, therefore, the attractiveness of loan systems to borrowers. Special focus should be given to creating monitoring and evaluation capacity, including widespread use of ratios of loan repayment (how much loan the borrower has to repay) and recovery (differences between total repayments and total outlays) to assess the financial viability of loans, training of those responsible for operation and overall improvement of performance management techniques. The latter are of special importance in public schemes which tend to be less efficiently managed. The results of this report and findings of available national evaluations reports suggest that more efficient guidance and communication strategies should be employed. For example, there is a significant link between willingness to take a loan and the belief that training could improve one's financial circumstances. Therefore, personal consultations with the borrowers or well-targeted communication of, for example, research findings on the rates of return of VET could be important tools for increasing the attractiveness of VET loans.

To conclude, there is no single best loan scheme model for financing VET in Europe. However, there are some core principles of 'good practice' to be considered when designing and implementing VET loan schemes:

(a) extended eligibility (for a higher number of VET learners, part-time learners, etc.);
(b) flexible repayment with built-in income safeguard;
(c) operated by a specialised institution;
(d) low level and/or better targeted and justified subsidies;
(e) classified as private and involving private capital;
(f) possible involvement of financial institutions and other actors (e.g. tax authorities) in repayment collection and other administrative activities;
(g) links with other VET cost-sharing mechanisms;
(h) use of 'whole of government' approach in implementation of loans as well as of overall VET financing;
(i) use of non-financial measures (e.g. increased monitoring and evaluation capacity or more efficient guidance and communication strategies) to support loans.

There are various approaches in Europe with many distinctive successful features of separate national schemes which help to resolve the problem of being flexible and simple at the same time. However, these successful features cannot be instantly borrowed by other countries. The national context, including institutions, administrative capacities and country-specific socioeconomic factors, should be considered to make institutional transfer successful and the loan scheme appropriate for its national context.

List of abbreviations

Country codes

EU	European Union		
BE	Belgium	LT	Lithuania
BG	Bulgaria	LU	Luxembourg
CZ	Czech Republic	HU	Hungary
DK	Denmark	MT	Malta
DE	Germany	NL	Netherlands
EE	Estonia	AT	Austria
IE	Ireland	PL	Poland
EL	Greece	PT	Portugal
ES	Spain	RO	Romania
FR	France	SI	Slovenia
IT	Italy	SK	Slovakia
CY	Cyprus	FI	Finland
LV	Latvia	SE	Sweden
		UK	United Kingdom

HR	Croatia	LI	Liechtenstein
FYROM	Former Yugoslav Republic of Macedonia	NO	Norway
IS	Iceland	TR	Turkey

List of other abbreviations

BAFÖG	Bundesausbildungsförderungsgesetz [Federal Education and Training Assistance Act]
CAD	Canadian dollar
CVET	continuing vocational education and training
DKZ	Diákhitel Központ Zrt. [Student Loan Centre] (HU)
DUO	Dienst Uitvoering Onderwijs [Service of education provision] (NL)
EEA	European economic area

EFTA	European free trade area
EUR	Euro (European monetary unit)
GBP	United Kingdom pound sterling
GDP	gross domestic product
HE	higher education
ISCED	international standard classification of education
IVET	initial vocational education and training
KELA	Social insurance institution (FI)
OSEO	State guarantee fund (FR)
PCDL	professional and career development loan
SWOT	strengths, weaknesses, opportunities and threats
USD	United States dollar
VET	vocational education and training

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ANNEX 1
Methodology

Model of analysis

Figure A1 summarises the basic logic of the research model used. This model helps to analyse the relationship between independent variables (design characteristics of the selected VET loan schemes) and the dependent variables (performance of the VET loan schemes). Our hypothesis is that institutional design also strongly determines the performance of the loan schemes. A thoroughly designed loan scheme that considers economic theory, empirical evidence and national context (including overall legal and administrative framework) is much more likely to achieve its policy goals. The model presented in the Figure A1 is used primarily for the in-depth analysis of 12 selected VET loan schemes.

Independent variables
The independent variables are design characteristics of loan schemes. Figure A1 provides the list of design characteristics of VET loan schemes included in the report. The list is not exhaustive. There are other, more detailed, loan scheme features (e.g. the minimum amount of loan, temporary suspension of loan payments or cap on maximum interest rate changes). However, the design characteristics included in the Figure A1 are considered as the most important in this report and no other additional characteristics are analysed. All design characteristics presented in Figure A1 are analysed only for 12 VET loan schemes in eight countries selected for in-depth study (see 1.3 Table 1). Meanwhile, characteristics marked in blue are analysed for all schemes identified in this report.

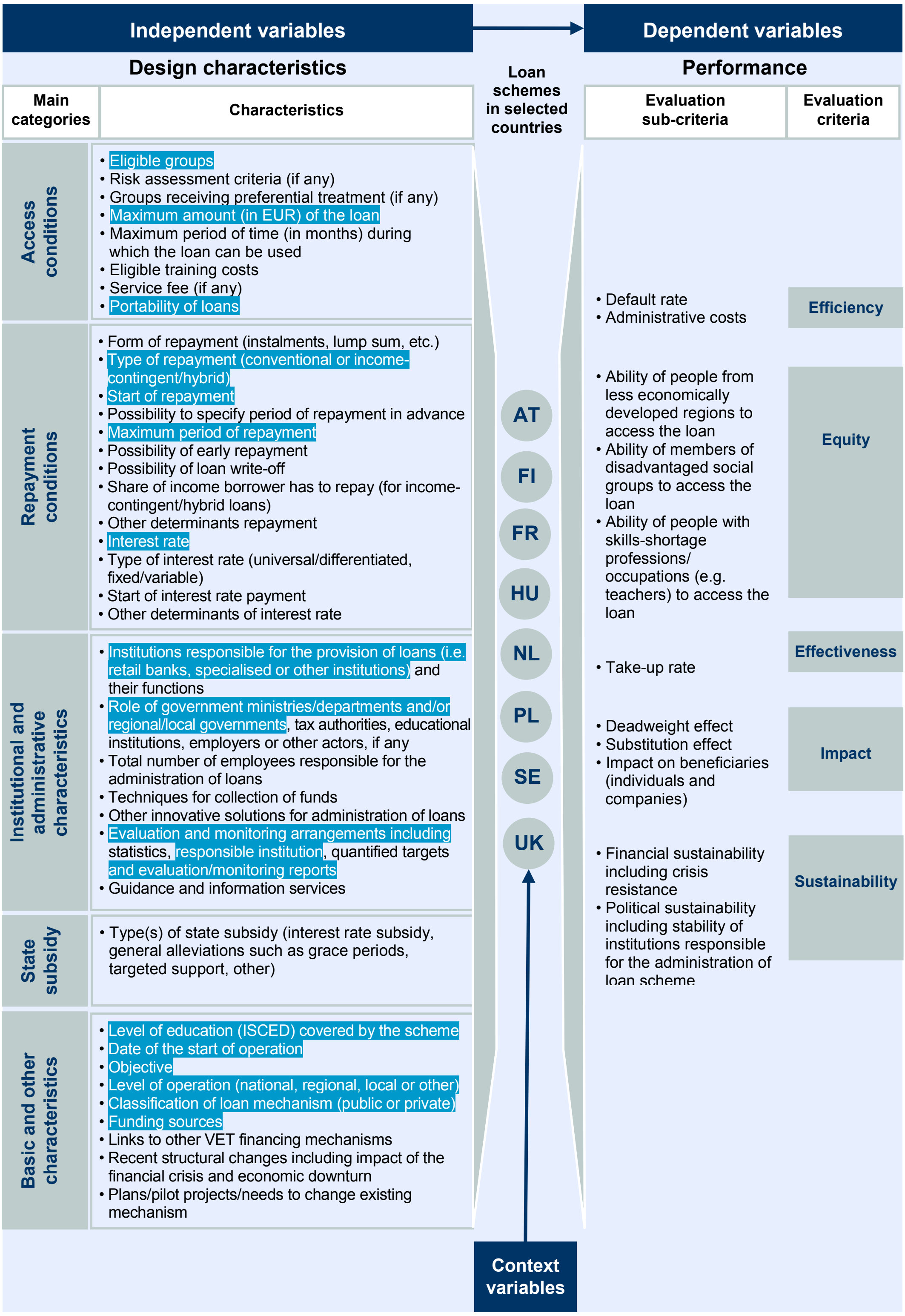
Dependent variables
The dependent variables characterise the performance of VET loan schemes, analysed for 12 selected schemes in this report. Performance evaluation sub-criteria are aggregated into five main evaluation criteria: efficiency, equity, effectiveness, impact and sustainability. In this analysis only the most important dependent variables are selected. The definition of each dependent variable performance sub-criterion is provided in Annex 2.

Context variables

Context variables might also have significant influence either on the design characteristics of loan schemes or interfere with their performance. Context variables are different in each country due to different macroeconomic, political and cultural environments. It is essential to control for context variables all along the research.

Context variables in this analysis were used during selection of countries for in-depth analysis. They included the following indicators: share of private financing of education institutions, employment protection level, public balance, general government debt, inequality of income distribution, GDP per capita, level of out-commuting, cross-border labour mobility, level of unemployment and political stability. Context variables have been also used in qualitative comparative analysis in assessing the relationship between the context and loan scheme performance variables.

Figure A 1 **Model of analysis***



* All design and performance characteristics are analysed only for 12 selected VET loan schemes; design characteristics marked in blue are analysed for all VET loan schemes identified in this report.

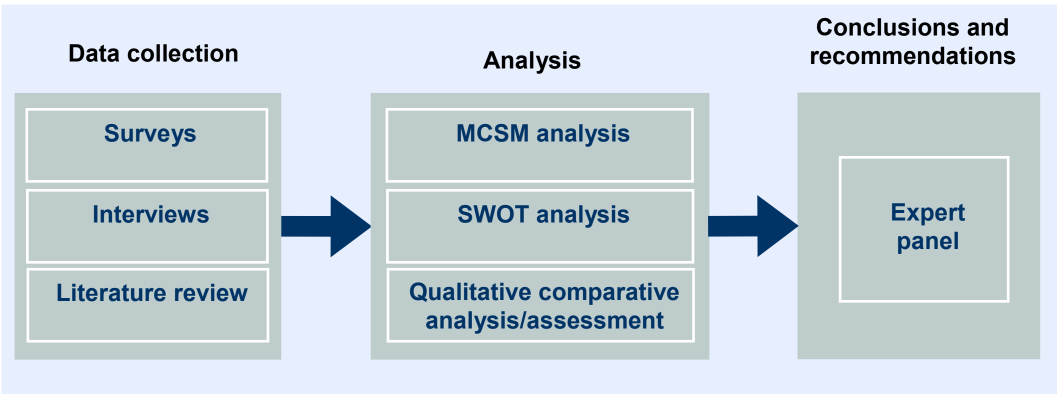
Source: Prepared by the authors.

Research methods

The choice of research methods was determined by the subject. Consistent and comprehensive analysis of the operation and performance of VET loan schemes across Europe was largely non-existent before the launch of the study. Therefore, the first task was to map and review existing schemes in 33 European countries, using a literature review and initial survey. The second task, to examine in-depth the use of loans in the eight selected countries, had a number of stages: finding and surveying loan scheme managers on the detailed characteristics of the schemes; collecting stakeholder opinions on their efficiency, equity, effectiveness, impact and sustainability; clarifying all responses using email and/or telephone interviews; providing a comprehensive comparative analysis of loan scheme operation; and assessing their performance. Due to a significant number of independent and dependent variables (considerably exceeding the sample size of 12 schemes in 8 countries) the use of statistical correlation, multiple regression models or similar techniques to explore direct connections between variables was not possible. Qualitative methods were used to assess scheme performance. Finally, an expert panel was used to verify findings, conceptualise and formulate the most important messages and policy recommendations.

Figure A2 summarises research methods used in this report and shows how they correspond to each other.

Figure A 2 **Use of research methods**



Source: Prepared by the authors.

Data collection methods

Accurate data and evaluations of the existing loan schemes were collected through several surveys addressed to different stakeholders, plus additional interviews carried out via telephone and/or e-mail, which helped clarify and check the questionnaire responses. The surveys were carried out from March until October 2010.

Initial surveys were conducted to map existing loan schemes in Europe, to support selection of countries for in-depth analysis and gather contact details of loan scheme managers for each scheme. Surveys were sent to ReferNet national coordinators or (in countries which do not belong to the ReferNet network or where it was not able to help) to those familiar with VET loans. Initial surveys were carried out from March until April 2010.

A general survey was launched with the aim to collect more detailed information on existing loan schemes in 33 countries (omitting those selected for in-depth analysis) which would allow a short comparison in the final report. A questionnaire was sent to loan scheme managers (preferably) or qualified experts on VET financing representing countries for which at least one loan scheme was reported during initial surveys. Eight countries selected for in-depth analysis were not included in this survey. The general survey was undertaken from June to September 2010. The template of the questionnaire is provided in Annex 7.

Two detailed surveys were carried out from June to October 2010 to collect data for eight countries selected for in-depth study:

(a) the first focused on in-depth factual information on design characteristics, and the performance of loan schemes in eight selected countries (this survey is referred to as the detailed survey on factual information). The survey aimed to provide input for comparative analysis and assessment of loan schemes in eight selected countries. A questionnaire was sent to loan scheme managers (preferably) or a qualified expert on VET financing representing the selected country;
(b) the second detailed survey focused on subjective assessment of the performance of loan schemes in eight selected countries (this survey is referred to as the detailed survey on subjective information). This survey aimed to provide input for the multi-criteria scoring method and SWOT analyses. A questionnaire was sent to the following five national level stakeholders:
    (i) loan manager or (if not available) representative of loan provider familiar with implementation of the loan (one person per loan scheme);
    (ii) VET learner representative (one per scheme);
    (iii) representative from learning providers (one per scheme);
    (iv) representative from financial sector (one per scheme);
    (v) independent expert from academia or non-governmental organisation (one per scheme).

Only one type of respondent, the loan scheme manager, was consulted in both detailed surveys. In the detailed survey on factual information, the loan scheme managers were asked to provide objective facts, while in the one on subjective information they were asked to provide subjective judgment on the performance of a particular scheme, to assess its strengths and weaknesses and to single out possible future tendencies (opportunities and threats) with regard to its implementation in their country. Other national level stakeholders were involved only in the latter survey and provided their subjective judgments.

Where there was more than one loan scheme per selected country (the Netherlands, Poland and the UK), questionnaires from different loan scheme managers and the, usually different, four remaining national stakeholders, were collected for each scheme. This totals 12 questionnaires (one for each loan scheme) for the detailed survey on factual information and 60 questionnaires (five for each of 12 loan schemes) for the detailed survey on subjective information. At the end of this second survey a total of 58 questionnaires were collected. Questionnaires have not been received from loan scheme managers for the Dutch private loan and the UK PCDL and from representatives of learning providers in Austria and the UK PCDL. Meanwhile two questionnaires for the same category of stakeholders were received for Hungary (one from a former and one from a current loan scheme manager) and Sweden (questionnaires from two different independent experts).

Table 2 summarises the basic characteristics of these two surveys; the questionnaires can be found in Annex 7.

Table A1-1 **Main characteristics of project surveys**

Question	Type of survey: Initial survey	General survey	Detailed survey on factual information	Detailed survey on subjective information
Which countries are covered?	Countries that have VET loan schemes	Countries that have VET loan schemes except the eight selected for in-depth analysis	Eight countries selected for in-depth analysis	Eight countries selected for in-depth analysis
What is the focus?	Factual information on design characteristics of loans and contacts	Factual information on design characteristics of loans	Factual information on design characteristics/ performance of loans	Subjective information on performance of loans
What is the objective?	Support the selection of countries for in-depth analysis and gather contact details of loan scheme managers	Basic information for short country description	In-depth factual information for comparative analysis and assessment	In-depth subjective assessments for comparative assessment
What type of information is requested?	Objective	Objective	Objective	Subjective
Who completes it?	ReferNet national coordinators or (if not available) persons familiar with VET loans	Loan scheme manager or qualified expert on VET financing	Loan scheme manager or qualified expert on VET financing	Five national level stakeholders (including loan scheme manager or qualified expert on VET financing)

Source: Prepared by the authors.

Two other methods for data collection were also used: interviews and literature review. Interviews by email or telephone were carried out for most, if not all, questionnaires collected through the three above-mentioned surveys. The primary aim of the interviews was to clarify the answers provided and obtain the missing ones. The interviews have also provided useful insights into the national context of the loan schemes. The literature review was mostly dedicated to gathering useful insights on loan scheme performance to be used in comparative assessment of VET loan schemes in the selected countries.

Analysis methods

The following qualitative methods were used to assess the performance of loan schemes: rating method (multi-criteria scoring method), analysis of strengths, weaknesses, opportunities and threats (SWOT) and qualitative comparative analysis. Qualitative methods avoid the problem of small sample size; they are designed especially for the situation when a complex entity must be evaluated against numerous quantitative and qualitative criteria and they are suitable for policy-makers because they permit understanding of the structure of complex systems. The sections below describe these methods.

Multi-criteria scoring method analysis

The purpose of the multi-criteria scoring method analysis is evaluation of efficiency, equity, effectiveness, impact, and sustainability of 12 loan schemes selected for in-depth analysis. It also helps assess which loan schemes perform better overall and meet stakeholder expectations. The method is based on:

(a) weighting the evaluation criteria in terms of their importance to stakeholders (100% weight is divided subjectively between 11 sub-criteria);
(b) ranking the loan schemes in terms of their performance as perceived by stakeholders (based on simple equally weighted average grades given by the different stakeholders on a scale of 1 to 5);
(c) calculating the weighted averages of the grades normalised to a scale of 0-100%, demonstrating how well each loan scheme satisfied stakeholder expectations.

The scores are then used to rank the loan scheme mechanisms and the results are tested with sensitivity analysis. The basis for multi-criteria scoring method analysis is key stakeholder opinions of each individual loan scheme (see also information about surveys above). The multi-criteria scoring method analysis not only provides a simple assessment of schemes according to evaluation criteria, but also factors in their relative importance to stakeholders.

SWOT analysis

SWOT analysis was used to identify the key internal and external factors of the loan schemes in eight selected countries. SWOT analysis groups information into two main categories:

(a) internal factors: strengths and weaknesses which come from the internal environment;
(b) external factors: opportunities (positive) and threats (negative) caused by the external environment.

Information for the SWOT analysis was collected through the surveys of VET loan scheme experts and stakeholders in Europe (2010). Each stakeholder was asked to identify and justify the key strengths and weaknesses of a particular loan scheme in terms of its design characteristics and performance. Also, stakeholders were asked to identify and characterise the political, financial/economic, sociocultural, technological, legal/regulatory, demographic or other impacts of external factors. The answers from national stakeholders were aggregated so that the SWOTs could be analysed for each loan scheme. The survey findings were supplemented by the literature review.

Qualitative comparative analysis

A qualitative comparative analysis was used to identify loan scheme design characteristics (independent variables) and contextual factors which significantly influence performance (dependent variables) of the selected VET loan schemes. The list of independent variables (design characteristics of loan schemes) for the qualitative comparative analysis was chosen from the surveys of experts and stakeholders on VET loan schemes in Europe (2010). In the rare cases when values were not available estimation based on all collected information was provided.

After initial analysis the following context variables were selected for qualitative comparative analysis: share of private financing of education institutions, first age of selection into the education system, GDP per capita, maximum living costs of students and the need for VET loans. Following the initial analysis of independent and context variables, only those independent and context variables which explain at least 75% of all VET loan scheme variations (i.e. variable contains no more than three exceptions out of 12 cases in the negative or the positive relationship combined) were considered. Not a single variable explained all the variation in the 12 schemes.

All dependent variables were included in the analysis, even if the balance between positive (e.g. variable values ‘high’) and negative (e.g. ‘low’) outcomes clearly favoured one outcome. For instance, political sustainability is high in four schemes and low in eight, implying that the variation among the low sustainability schemes is expected to be greater, whereas any exception in the high sustainability schemes carries a higher weight, as a single exception is 25% of the cases with that outcome. In this case a differentiated interest rate can be considered a sufficient and necessary condition of political sustainability (since it explains 75% of the variation), but two highly sustainable schemes, the Polish student loan and the UK PCDL apply differentiated interest rate, meaning that the independent variable is sufficient in only a half of the cases where political sustainability is high.

The dependent variables were based on subjective judgements of loan scheme managers and other national stakeholders collected through the surveys of experts and stakeholders on VET loan schemes in Europe (2010). Stakeholder opinions of different performance sub-criteria for the same loan scheme were included in the analysis after an average of their subjective judgements (points given by them on each sub-criterion) was calculated. This was done to prevent the evaluation of the loan scheme being biased due to dominance of opinions of one type of stakeholder. In the rare cases when subjective judgements were not available they were changed with the available data or (if not possible) with our estimates based on information already collected. Ideally, each scheme should be evaluated by all five national stakeholders. However, for some of the loan schemes, three (for the UK PCDL) or four (for Austria and the Dutch private loan) subjective judgements were available. For two countries subjective judgements were available from six stakeholders as more than one stakeholder (i.e. two loan scheme managers for Hungary and two independent experts for Sweden) in the same category provided a judgement.

The independent, context and dependent variables were dichotomised, i.e. all loan schemes were divided in two groups. In many cases the division was simple (yes/no), whereas when numeric values were used, they were dichotomised according to the median value as, for example, high or low performing.

Tosmana software ([28]) was used to conduct the comparative qualitative analysis. The software does not test the strength of the relationship, but it reveals covariations between relevant design characteristics of loan schemes as well as context factors and scheme performance in terms of formal logic. The result of the qualitative analysis is a list of sufficient (a certain value of the independent variable leads to a positive value of the dependent variable) and necessary (absence of a certain value of the independent variable leads to negative value of the dependent variable) conditions ([29]). This list has to be further analysed to establish whether the relationships are meaningful in addition to being logical. However, if sufficient and necessary conditions coincide, it can be presumed that the relationship is not accidental.

([28]) Available from the Internet: http://www.tosmana.net [cited 28.11.2011].

([29]) In formal logic they are often illustrated as A → B for sufficient conditions, and -A → -B for necessary conditions, where A is an independent and B a dependent variable.

Methods for verifying conclusions and recommendations

Draft final results of the analysis were presented and discussed in detail during the workshop organised by Cedefop in Thessaloniki on 4 October 2010. The workshop was attended by loan scheme managers, VET financing experts and other national stakeholders from several European countries including the eight countries selected for in-depth analysis.

After the workshop an additional expert panel was held to verify findings, and to conceptualise and formulate the most important messages and policy recommendations. It included VET financing experts qualified in the field of this study.

Analysis approach

The study is essentially a comparative analysis. The overall approach to the research is qualitative, as the small sample size and lack of comparable quantitative data about the loan schemes does not allow using quantitative methods.

Major limitations

The major limitations of the report result from the lack of previous systematic research and the drawbacks of qualitative research approaches (as the use of quantitative methods was not possible due the small sample size and lack of comparable quantitative data).

First, the comparative analysis can never ensure that all the relevant factors and conditions have been considered and studied. Despite all efforts, it proved impossible to access complete information on VET loan schemes identified in EU/EEA and candidate countries. Even the indicators, which are most important in measuring performance of the loan schemes, such as the take-up rate of loans, were not available in many cases. Literature on loan schemes in English is quite scarce; in some cases it was hard to find any information in the national language. The lack of systematic previous research on European loan schemes in general and particularly in relation to VET also meant that the findings, such as typology of the loan schemes or their overall assessment, cannot be compared with previous studies of the same kind.

Second, the number (and diversity) of schemes studied was not matched by sufficient observations on each loan scheme. The opinions of loan scheme managers, VET experts and other key stakeholders on a particular scheme are not representative of all possible stakeholders in a particular country. Also, collection of answers from these stakeholders was impeded by unavailability of some potential, their, language difficulties and/or the size of the workload foreseen for the respondents. The limited number of observations can lead to identification of accidental, rather causal relationships.

Finally, an important limitation of this report is associated with different approaches to VET in European countries, where there is much variation. For example, although education at vocationally-oriented HE institutions was considered to be under the scope of this report, loan scheme managers and VET experts in some countries regarded this level to be a part of the HE system and claimed the study was not applicable in these cases. The definition problem was partially solved by defining the level of education for which the loans could be used according to the international standard classification of education (ISCED).

ANNEX 2
Key terms and definitions

Key terms	Definitions
Vocational education and training (VET)	Education and training which aims to equip people with knowledge, know-how, skills and/or competences required in particular occupations or more broadly in the labour market (Cedefop, 2008).
Lifelong learning	All learning activity undertaken throughout life, which results in improving knowledge, know-how, skills, competences and/or qualifications for personal, social and/or professional reasons (Cedefop, 2008).
Initial vocational education and training (IVET)	Vocational education carried out in the initial education system, usually before entering working life. However, some training undertaken after entry into working life may be considered as initial training (e.g. retraining). IVET can be carried out at any level in vocational education (full time school based or alternance training) pathways or apprenticeship (Cedefop, 2008).
Continuing vocational education and training (CVET)	Education or training after initial education or after entry into working life, aimed at helping individuals to improve or update their knowledge and (or) skills, to acquire new skills for a career move or retraining, and (or) to continue their professional development.
Vocational education and training for unemployed (UVET)	Vocational training targeted at the unemployed, registered as such with their respective national employment service and seeking employment opportunities.
VET cost-sharing mechanism	Method and source through which funding is made available to VET participants. Cost-sharing mechanisms include collective financing arrangements (where employers and/or employees and/or social partners share the costs) and public-private cost-sharing. The VET cost-sharing mechanism analysed in this report is a loan scheme (types and definitions are provided below). The report also mentions other cost-sharing mechanisms such as subsidy-based (i.e. grants), tax incentives, training funds, and savings schemes.
Loan scheme	In VET, a loan scheme allows individuals to borrow financial resources on favourable conditions to cover part of their VET costs. The report focuses on the following two types of loans: traditional (or mortgage-type) loans and income-contingent or hybrid loans (definitions are provided below). Although some private loan schemes are analysed in the report, analysis mainly focuses on public loan schemes, i.e. schemes in which government plays at least some role.
Conventional (traditional or mortgage-type) loan scheme	Loan scheme in which the repayment is made over a specified time period, usually in a form of fixed monthly instalments. This is the most widespread type of VET loan schemes in Europe. Fixed periodic payments are usually calculated on the basis of a designated interest rate and maximum loan repayment period. Fixed payments may impose a heavy burden on borrowers in the first years following graduation, given their low starting salaries and higher risk of unemployment (Ziderman, 2004).

Key terms	Definitions
Income-contingent or hybrid loan scheme	Loan scheme in which periodic loan repayment instalments are determined as a proportion of the borrower's income in certain period. There is no pure income-contingency and in most cases income-contingent loan repayment starts at some pre-determined level of personal income. There may also be hybrid schemes which, for example, use a conventional (fixed) repayment model, but below certain level of pre-determined personal income the borrower may ask for income-contingent repayment (as in Sweden). This type of loan scheme imposes a lower repayment burden on borrowers in the first years of repayment. Income-contingent loan schemes are usually introduced in countries with sound administrative and strong legal frameworks, well-developed, universal, transparent and effective systems of income tax collection and efficient payment mechanisms (Chapman, 2005; Ziderman, 2004).
Efficiency	Policy evaluation criterion indicating the extent to which the selected policy measures have produced maximum results from given inputs. In this report efficiency is assessed on the basis of two sub-criteria: • default rate: a share of all given loans which are written off as uncollectible; • administrative costs: costs for the management of the scheme including information and guidance to applicants or recipients, risk appraisal, contracting, payment of loans, checking and following-up of instalments, dealing with bad loans and all other related management functions.
Equity	Policy evaluation criterion indicating the extent to which policy measures have provided target groups with an equal chance to participate in the supported activity and succeed. Success should depend only on certain personal characteristics such as motivation, desire, effort, and, to some extent, ability, but not on circumstances outside the control of the individual, such as the financial position of the family, geographic location, ethnic or racial identity, gender and disability (Hoxby, 2001). In this report, the equity criterion is applied at policy effectiveness/impact levels to measure the extent to which VET loan schemes have contributed to raising the participation of the following social groups that usually have lower access to VET: people from less economically developed regions, members of disadvantaged social groups and people with skills-shortage professions/occupations (e.g. teachers).
Effectiveness	Policy evaluation criterion indicating the extent to which specific policy objectives have been achieved, or are expected to be achieved during or immediately after policy intervention. It focuses on short-term outcomes. In this report effectiveness is assessed on the basis of one of the most important sub-criteria, take-up rate, which is a share of borrowers from all eligible individuals.
Impact	Policy evaluation criterion indicating the extent to which general policy objectives have been achieved, or are expected to be achieved long-term after policy intervention. In this report impact is assessed on the basis of three sub-criteria: • deadweight effect: when beneficiaries of the loan scheme who would have bought similar training/courses from their own finances benefit; • substitution effect: when beneficiaries of the loan scheme substitute supported training/courses for training which has not been supported or is less supported; • impact on two groups of beneficiaries: on individuals (e.g. on acquisition of new skills, job prospects, qualifications, interest in training, earnings, etc.) and on companies (e.g. on productivity, turnover, competitiveness, etc.).

Key terms	Definitions
Sustainability	Policy evaluation criterion indicating the extent to which positive effects (e.g. stable and safe operation of the loan system) are expected to last long after an intervention (e.g. public financing) is terminated or political conditions have changed. In this report sustainability is assessed on the basis of two sub-criteria: • financial sustainability: ability of the loan scheme to ensure good cost recovery without jeopardising the central budget and to resist the negative effects of financial crises and economic downturns. Financial sustainability is related to a common misconception is that initial loan scheme capital can be regarded as a revolving fund, with the build-up of annual loan repayment receipts providing the funds for new loan commitments. However, repayments will always be lower than original sums borrowed because of government subsidies, repayment default and administrative costs. Therefore, loan schemes are likely to require more than initial infusion of capital by the government (Ziderman, 2004); • political sustainability: stability of management structures of the loan scheme and its ability to adjust to the changing political and social environment (e.g. changes of governments, social partners' interests).
Multi-criteria scoring methods	Multi-criteria scoring methods, sometimes called multi-criteria decision making, is a discipline to support complex system analysis and aid decision-makers who are faced with making numerous evaluations of these systems. Measurements in multi-criteria scoring methods are executed on different scales and, therefore, provide the opportunity to include subjective indicators, qualitative opinions and various preferences. Preferences in multi-criteria scoring methods are essential; the outcome of complex system analysis depends on who is making the decision and what their goals and preferences are. Because of these features, this methodology is perfectly suitable for large scale policy assessment and strategy analysis.
SWOT analysis	A method for analysis of internal (strengths and weaknesses), as well as of external (opportunities and threats) factors for success of the policy mostly used to identify an appropriate strategy for action.
Qualitative comparative analysis	The technique of qualitative comparative analysis aims at finding causal relationships between independent and dependent variables in samples where the number of cases is low and the usual statistical analysis techniques cannot be applied. It increases to the maximum the number of comparisons that can be made among cases. This technique combines the strengths of qualitative (depth of information) and quantitative (broadness of information) approaches.

Source: Prepared by the authors.

ANNEX 3
Information on countries/schemes selected for in-depth analysis

Austria

In Austria about three quarter of pupils opt for the vocational stream in upper secondary education, so any changes in the system of vocational education affect large numbers of learners. The country also has an extensive apprenticeship system, but participation in CVET is considerably low, as most of the qualifications are expected to be acquired in IVET (Busemeyer, 2009). Tuition is subsidised, thus the largest share of learner expenses consists of accommodation costs (30%) and transport (7%). Family reliance among learners is not very high (families cover 27% accommodation costs on average) (HIS, 2008). The large learner cohort and tuition subsidies require massive investment from the public sector. In 2000, the government was spending EUR 96 million on ISCED 4 alone (Beidernikl and Paier, 2003). Living costs in Austria are comparatively low, and, coupled with government support, reduce the demand for loans to support education and training. However, the market for loans is created through the large numbers of learners.

In Austria, education loans play a lesser role than in most of the other countries selected for the in-depth analysis. Education in public institutions is free of charge. As the loans are mostly used for learning in private institutions which apply the tuition fees, the take-up rate is very low. The loan scheme analysed is the Building savings loan for financing of education (*Bauspardarlehen zur Finanzierung von Bildungsmaßnahmen*) since 2005 provided and managed by *Raiffeisen Bausparkasse*, one of four financial institutions providing such loans in Austria, holding about one third of the Austrian savings loans market. Each year from 2007/8 to 2009/10, this company only gave out about 700 loans for educational purposes, so if the market share is true for the education loans as well, only some 2 100 such loans were provided by building societies in Austria every year. Comments from key stakeholders also show that the education loan scheme is very little known, probably because most education is provided without tuition fees and does not need additional financial support. Education savings loans are mostly used to finance expensive or long-term education and training, by a relatively small target group, who define education related expenses as an investment giving good returns).

However, this system of education loans is interesting for its relation to the Austrian tradition of savings loan. The education savings loans are provided by building saving banks (also called building societies, original *Bausparkassen*); specialised banks, which purpose is to finance loans for building of private households.

The most usual relationship of borrowers with the *Bausparkassen* is in two phases:

(a) saving phase: during this phase the individual is saving money on a building saving contract with the building society. For the savings amount the individual gets an extra premium paid by the State. All the savings brought in by the individual and the State also receive interest. The State premium (although not the interest) is also exempt from taxes;

(b) loan phase: individuals take out an advantageous loan. The amount saved in the first phase will result in a quite favourable interest rate. The amount available for borrowers to take as a loan also depends on the amount they saved before. The loan is conventional and has to be repaid in monthly instalments.

However, the premium provided by the State to the savings of the borrower prior to taking the loan has to be paid back if the borrower does not use the deposits (and the loan) for the defined purposes. If the saved money is used for other purposes, the borrower loses the premium.

It is also possible to take out a loan from a *Bausparkasse* without the saving phase. In such cases the individual may take a ‘intermediate loan’ which can be transformed into a savings loan after 18 months of use.

In 2005, the system which worked well for building purposes was extended to be available for educational purposes too. The rationale behind this was that, although at first sight very different, both building loans and education loans correspond to the investment in one’s future and, therefore, both can be funded by the State. One significant difference relevant for the loan providing institutions is that the borrowers for education purposes are usually less settled in the labour market and often do not have a degree at the moment of borrowing.

Finland

Much VET provided in Finland is public. Municipal authorities are obliged to contribute to VET financing. Of VET providers, 80% are maintained by municipalities or their federations (Cedefop and Kyro, 2006). In addition to tuition subsidy, learners are also offered a free daily meal. They pay for textbooks, work clothes and materials. Permission from the Ministry of Education is necessary for institutions to charge tuition fees (Cedefop and Kyro, 2006). Apprentices are typically paid 80% of the wages of a skilled worker in their field. This type of training is more common among adults than young people (Cedefop and Kyro, 2006). It is not common for adult learners to rely on family support: only 23% of learners receive family support to cover accommodation costs (HIS, 2008). Therefore, the existing loan is more extensive than could be expected in the free public VET system.

Finland has one of the oldest systems of financial support for learners (established in 1969) among the countries analysed and certainly one of those which were reformed most times. Unlike in other Nordic countries, where loans are granted by the government, the State in Finland decided only to provide guarantees, while the loans themselves were left to be given by private banks. This approach was selected because of doubts that the government would be able to afford the funding of the student loans. Important amendments to the scheme were made in 1983, when the interest assistance was foreseen due to then heavy student debt loads and high unemployment, causing large numbers of students unable to repay; in 1992, when the banks complained about low profitability of student loans, market-based loans were introduced; and in 2005, student loan tax deduction was granted to students.

The current system of students support consists of three main parts: study grant, housing allowance, and student loan (*Opintolaina*) guarantee. The system of student support, including the loan scheme, is managed by the Social Insurance Institution of Finland, called KELA. To qualify for a loan guarantee, the learner must be receiving a study grant or an adult education subsidy. A few exceptions include younger learners or those receiving other financial assistance for learning, who are temporarily ineligible for a grant. They are eligible for the loan guarantee without a grant. An interesting feature of the Finnish scheme is that EU/EEA/Swiss citizens resident in Finland for a purpose other than studying are able to request the State guarantee for a loan to study abroad, if they fulfil the eligibility criteria for receiving the study grant.

Learners can choose to apply for the State guarantee each year or for the whole period of learning (the eligibility of the learners is in any case approved again before the start of each academic year). Even if the loan guarantee is renewed automatically, the loan must be raised yearly. Once the State guarantee has been approved, the learners may themselves contact the banks and agree the interest rate, repayment conditions and other features of the loan. Once provided, the State guarantee is valid for 30 years.

Although the take-up rate of loans in Finland was significantly higher than in most other countries analysed, reaching around 40%, it was reported that such take-up rates do not satisfy the policy expectations. Certain provisions have been recently adopted to increase the popularity of loans, including raising the upper income eligibility threshold, raising the amount of the loan itself and offering automatic State guarantee.

France

IVET in France is provided in vocational schools (*Lycée professionnel*). On-the-job apprenticeship (about one third of all learners in 2005) with part-time studies is another option, where learners also receive a salary for their work (Speake, 2007). All learners receive subsidised public education, but, depending on their choice, they may also get paid for their on-the-job learning. A study of university level learners revealed that many adult learners still depend on family support: 61% reported receiving family assistance to cover accommodation costs (HIS, 2008). With a medium level of living costs, substantial government spending and the opportunity to earn from paid apprenticeships, there is little market for loans in France.

The current system of Loans guaranteed by the State (*prêts bancaires garantis par l'État*) is the youngest among the systems analysed in detail. The older scheme of honour loans (*prêts d'honneur*) was interest-free, but available only to students who did not receive scholarships, and the maximum amount taken was only EUR 3 800 in total (EUR 2 000 on average). It has been replaced by the new system of State guaranteed loans in 2008 and the reform has not yet reached its full potential. Therefore, the evaluation results of this scheme should be taken with caution, as two years is probably too short to draw firm conclusions.

The objective of the reform was to launch a system of education loans, which would not require means-testing, parental or third party guarantees, and which would allow all students, scholarship recipients or not, to take a larger sum of money. The guarantee fund was set up by the government for 20 000 loans per year (which was thought to be a very modest target). The maximum amount of loan is EUR 15 000. The State guarantee is valid for 70% of the outstanding debt and expires 10 years after the first payment is received by the borrower.

Several banks (five at the moment) agreed to provide loans to learners who have to apply directly to the banks for the loan.

The management of the loan guarantee was dedicated to OSEO, a public establishment usually providing support for innovation, SMEs and business initiatives, and guaranteeing other types of loans. The overall management of the loans is left to the retail banks participating in the scheme.

All of this meant that, aside from the guarantee and the related fact that learners can borrow more, the designed loan scheme very much resembled a simple private loan. The banks applied service fees, and differentiated the interest rates based on the education institution in which the learner is enrolled, primarily targeting the learners in elite schools, who were most likely to end up being future 'good clients'.

The actual take-up rate of the loans was not as large as expected initially. By May 2009, only 3 600 loans ([30]), and by the beginning of 2010, only 6 600 loans at an average of about EUR 8 000 each were provided. One key reason for this is the culturally established aversion of learners to loans and the widespread attitude that the education should be provided for free. Therefore, student unions strongly oppose the loan scheme and advocate a political discussion to change the system of education financing.

In addition to the loans guaranteed by OSEO, many retail banks offer mortgage type loans for studies in HE. Such loans are generally limited to French citizens, students of HE institutions, and parental guarantee/collateral is usually required. This means that such loans were probably mostly used by wealthier students studying in the *Grandes Écoles*, whose parents were able to provide a guarantee and/or collateral. This means that elite education is overrepresented both in the guaranteed and non-guaranteed loans market, while VET at lower ISCED levels is somewhat excluded.

Hungary

Reportedly, vocational education does not enjoy high prestige in Hungary, and average monthly income of persons with ISCED 3-4 qualification is 17% lower than the national average of all education levels ([31]).The numbers of vocational school learners have almost halved since the early 1990s, and currently such schools are mainly filled with disadvantaged learners (Bükki, 2008). Education is

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([30]) http://www.letudiant.fr/loisirsvie-pratique/aides-financieres/un-nouveau-pret-etudiant-ouvert-a-tous-19614.html [cited 18.10.2010].

([31]) Here and in other cases where such income data is provided, the source is the Eurostat Structure of earnings survey 2006. Monthly income is measured in PPP for all NACE activities.

free for learners who are eligible for State funding, whereas other learners pay tuition fees.

The Hungarian student loan (*Diákhitel*) scheme was established in 2001. The features of the scheme were developed from synthesised international experience.

After its establishment, the scheme was funded by loans from a State-owned investment bank and the subsidy from central budget. In 2003-04, bonds were used to collect additional funds; however, there was a significant maturity mismatch between the funds borrowed and lent. Long duration student loans were funded by money borrowed in the short- and medium-term capital market. In 2005, the European Investment Bank provided a long-term loan for the scheme and solved the mismatch problem (Ferreira and Farkas, 2009).

At the moment the scheme could be classified as private, as all of the funds used for loans come from money and capital markets. Funding is raised under market conditions at the given time by the Student Loan Centre (DKZ), functioning as a non-profit closed joint stock company with all its shares held by the State. The long-term goal for the system is to become self-sustaining, so that no further fund-raising from private sources will be needed and it could be financed only from the funds repaid by borrowers The function of the DKZ is also to issue the student loans, collect the loans disbursed and manage student loans as a product.

The desired self-sustainability of the loan meant that borrowers formed a common risk pool with a single interest rate. The interest rate level is determined so that it covers the expenses of the scheme; this means that historically the rate has been comparably high (the current rate of 8.5% is the lowest rate ever applied). All the additional expenses of the scheme (loan losses, operating costs) fall on its users in the end.

Other general principles of loan operation included general access (no risk assessment, collateral, etc.) and its universality. The State provides loan guarantees, but in a different sense from most other systems: the guarantee corresponds to the whole institution and not to individual borrowers. The State guarantees that if the DKZ is not able to repay its debt to private investors, the State will cover the debt. This guarantee was never used during the nine years of the scheme’s operation.

The recent change in the Hungarian government brought new management both to the DKZ and to most other institutions in the public sector. Significant changes to the loan system in place until 2010, and which is analysed further in this study, were planned.

The Netherlands

The Dutch VET system consists of national, regional, sectoral and private vocational training centres (Maes, 2004). Part-time training is common, and collective labour agreements envisage funding for employee training on behalf of enterprises. There are tax incentives for enterprises to support apprenticeships. The funding of IVET is a public responsibility: students pay for the courses only when they are older than 16 (Maes, 2004). On average, persons with ISCED 3-4 qualifications earn 6% less than the national average, a narrower gap than in the other analysed countries, for which Eurostat data is available. Adult learners tend to be very independent, with only 5% of persons enrolled in universities relying on family financial support to cover their accommodation costs (HIS, 2008). Unsurprisingly, there is a developed market for loans used for education and training purposes.

Both public and private education loans in the Netherlands form part of a larger and more comprehensive system of student financial support (including grants and free travel on public transport), in place in its current form since 1986 and presently managed by DUO, an agency under the Ministry of Education, Culture and Science. Although the word ‘student’ is usually associated with HE, this is not entirely the case in the Netherlands. The Student Finance Act (revised in 2000) states that ‘if you are following an upper secondary vocational education study or are studying at a higher professional education institution or university then you will generally be entitled to student finance’ (DUO, 2009). This means that full-time learners in ISCED 3-5, aged 18 to 29, are all entitled to financial support, including loan schemes. Such wide ISCED coverage is quite rare in Europe.

The public Dutch education loans system (Bill Study Financing 2000; *Wet studiefinanciering 2000*) consists of three main types of loans, all of which may be used in parallel by the same person:

(a) performance-related grant: all full-time students are entitled to receive a basic grant (independent of parental income, but dependent on whether or not the learner lives with parents) and a supplementary grant (depending on parental income). Both grants are performance-related and depend on a student’s study progress’ in the beginning of the learning there is a grace period. Where learning is finished (e.g. diploma obtained) in a 10-year period, the performance-related grant is considered to be a gift. Otherwise, the grant is transformed into a loan and the learner has to repay it with interest. The 10-year period may be extended in case of a medical condition or other extraordinary reasons, and the grant may be turned into a gift if the learner can no longer obtain a diploma due to extraordinary structural (medical or non-medical) reasons;

(b) ordinary loan: learners can also borrow an additional amount of money (again independent of parental income), which they will have to repay with interest, regardless of their study progress. All students have access to the same amount of money; what differs is the proportion of performance-related loan (grant) and ordinary loan;

(c) tuition fee loan: while the first two are to cover student living costs, this loan covers payment of tuition fees and is only available for students in HE (ISCED 5).

While these loans differ in their eligibility requirements and purpose of funding, the debts resulting from them are accumulated and form what is called the 'study debt', which is to be repaid according to the same conditions. Further on in this report, public education loans in the Netherlands will be analysed as one where the features are the same, while the information about each separate loan type will be provided where certain aspects differ.

The loans can be taken very easily by the Dutch students. More than a quarter of borrowers use the money for purposes other than intended (e.g. travel). It has also been reported that borrowers are not really aware of borrowing conditions and do not consider their repayment abilities before taking the loan (Madern, 2010).

In addition to public loans, learners can apply for a private loan, supplied by most retail banks. Private loans provided by the banks are closely tied to the public student financial support system. To be eligible for a private education loan from banks, the learner must be the receiver of public student support and receive this support via an account held with the bank. However, a private loan bears a commercial interest rate, has a shorter repayment term; as a result it is much less popular. Only about 7% of all learners had any form of private credit (not necessarily educational) at the time of the survey, so the take-up rate of the private education loan is even lower; the public education loan was used by 46% of eligible learners. Private loans are more a kind of 'last resort' system for students. Overall, students are quite risk averse, although debt per student has been rising in recent years.

Poland

Vocational qualifications can be obtained at basic vocational schools (the duration of learning is two to three years) and technical secondary schools (four years) (Euroeducation.net, 2006c). Apprenticeship is another option; this includes an employment contract, and expenses incurred by enterprises are refunded by one of the special state funds for training (Equavet, not dated). Special funds have been available for training the unemployed for many years. Those with ISCED 3-4 qualifications tend to earn 12% less than the national average. Given the low living costs and uncertain returns, the market for loans is very limited.

In Poland there are two education loan schemes. One is the student loan and credit scheme (*system pożyczek i kredytów studenckich*), a conventional loan available only for ISCED 5-6, established in 1998. The other one is the loan scheme for the unemployed, officially called training loan, from the Labour Fund (*Pożyczka szkoleniowa z Funduszu Pracy*), functioning since 1997. It is a conventional loan available for the unemployed and job seekers (employed persons looking for an alternative or additional job, registered in the local job centre; they became eligible for this loan only in 2009) participating in training.

The student loan and credit scheme is managed by the Ministry of Science and Higher Education. It provides money for interest and loan write-off, as well as for administration costs, forming a so-called Student Loan and Credit Fund. Poland's only State-owned bank, called Bank of National Economy (*Bank Gospodarstwa Krajowego*), acts as a middleman in the scheme, distributing money and providing loan write-off from the Student Loan and Credit Fund to five commercial banks, which have agreed to provide the loans from their own capital for students under this scheme. The Bank of National Economy also helps the Ministry collect data and statistics about the operation of the loan. This loan scheme functions as a supplement to the non-repayable grant scheme.

The scheme for the unemployed and job seekers participating in training raises its funds from the Labour Fund. This fund comprises State budget subsidies, EU financing, Labour Fund loans and investment interests, and obligatory contributions from companies (the main source in recent years); its overall objectives are to alleviate the impact of unemployment, to promote employment and to make people more active on the labour market.

Although the core rules for providing loans are set centrally, they are supplied through local job centres, the local managing institutions of these loans.

However, such loans are very unpopular. In 2009, only 37 people in Poland received such a loan, although there were 1.9 million eligible unemployed. Such a low take-up rate could be attributed to several reasons, but mostly to a lack of consistent guidance. The loan scheme has not been sufficiently popularised and information on the loans may be obtained by the target group only after significant effort. Another important issue contributing to low take-up is that a variety of free training courses (funded by ESF, etc.) are available and the learners are unwilling to create additional costs for themselves.

Sweden

Vocational and general upper secondary education is provided in the same institutions: three-year upper secondary schools (Cedefop, 2009a) run by public entities (municipalities, county councils) (Stenström and Leino, 2007). Of upper secondary school pupils, 79.5% attend municipal schools. Independent schools are not allowed to charge tuition fees. Education providers are responsible for finding a workplace for on-the-job training. Sectoral training boards administer apprenticeship-like programmes for certain occupations, such as electricians. A new reform (2011) includes a new apprenticeship programme in upper secondary schools; employers receive compensation for expenses incurred (Cedefop, 2009a). Given very high learning costs and moderate family support (among university level learners, 22% rely on their families to cover accommodation costs) (HIS, 2008), loans in Sweden function as a complementary mechanism to public support for VET students, but the market for VET loans is limited.

Study loans (*Studielån*) have, in different forms, been available in Sweden since 1917. This makes it by far the oldest such system in Europe. The current system as it is functioning now was established in 2001, when the formerly income-contingent loan was transformed into a conventional one. The reason for this transformation was the high financial risk created by the loan scheme, as the default rate reached 20%. The introduction of a new and less generous system saw a reduction in default rate to 4%, but also a quite significant reduction in the take-up rate. Some borrowers are still repaying their loan on an income-contingent basis.

As in most other countries, education loans in Sweden function together with other means of support for learners; in this case the main parallel instrument is the study grant. Everyone wishing to receive financial support for education receives a grant, and about 70% of those receiving a grant, or 40-50% of all eligible learners, choose to take the loan.

As in most of Nordic countries, it is a public loan, provided, financed and managed by the government agency, in this case the Swedish Board of Student Support.

One of the interesting features of the Swedish education loan is that it can be regarded as a conventional loan having income-contingent features (loan with mortgage payments with some income safeguards). Repayment of the loan is usually conventional, but borrowers may request to pay 5% or 7% (if they are older than 50) of gross income instead of the calculated instalment. This makes sense if this percentage is less than the usual instalment, so the exemption is only used by low income borrowers. Many borrowers choose not to use this opportunity and to reduce the lifetime costs. The Swedish scheme is also called a 'modified conventional loan' because its repayment is distributed in such a way that the borrower has to pay less at the beginning and more at the end of the repayment, easing the start of repayment for new graduates.

The Swedish education loans system has an in-built mechanism providing incentive for learners to seek a higher level of education. The regulation allows up to half of the debt for studies at upper secondary level to be written off if the learner continues education at a tertiary level. This contributes to 68% of all written-off loans.

As in the Netherlands, although the learners' financial support system is called 'student support', this does not imply that only the HE is eligible for funding. The Swedish system supports education for adult learners at ISCED 2-6, CVET courses. However, learners at lower education levels are much less willing to take up loans and those starting borrowing at a lower level tend to have more repayment problems.

The United Kingdom

There is no uniform VET system in the UK, as the individual countries can decide independently. VET is free in Scotland, but not elsewhere in the UK. In each individual country, the funding, provision and management of learning opportunities is delegated to a funding council. Apprentices in the UK mostly have employee status and typically spend one day a week at their college. Financial support is available to all learners through the system of educational maintenance allowances (Cuddy and Leney, 2005). Those with ISCED 3-4 qualifications earn 16% less than the national average. Family support for tertiary education learners is medium: 30% receive support to cover their accommodation costs (HIS, 2008), yet it is not certain if the number would not be higher having in mind the network of universities *vis-à-vis* the network of VET providers. High private co-financing and general acceptance of borrowing create a market for educational loans.

Three very different education loan schemes functioning in the UK are analysed in this study:

(a) the UK student loan, an income-contingent loan available to learners at ISCED 5 seeking their first undergraduate degree and studying full-time;

(b) professional and career development loan, a conventional loan available for people who wish to enhance their career development;
(c) the Kent Community learning loan scheme, a sub-regional loan scheme, available for CVET learners and repayable in a conventional mode.

The UK student loan, which started operating in 1990, is one of the largest education loan schemes in Europe, with more than 3.5 million borrowers to date. This loan scheme is also known to have a very high take-up rate among the learners, reaching 80%. One reason for the high take up rate is that the Student Loans Company, in some cases, provides the loan as part of statutory and discretionary support available to students. The formerly conventional loan was transformed into an income-contingent one in the academic year of 1998/99, and in 2006/07 it was extended to fund tuition fee expenses (on top of covering living expenses). In the same year, it was established that only learners with income greater than GBP 15 000 (EUR 17 415) per annum have to start the loan repayment. At the moment, the loan can be of two types: the tuition fee loan may be used to pay for the tuition at education institutions (the money borrowed is transferred directly to education institutions), while the maintenance loan can be used to cover the living costs of the learner (learner receives the money).

The loans are classified as public and provided from the public budget. They are managed by a specialised government agency, the Student Loans Company.

Although borrowers do not have to repay the loan before their income reaches the threshold of GBP 15 000 (EUR 17 415) per annum, once it exceeds this figure, borrowers have to pay 9% of income above this threshold. The amounts due are deducted directly from employers' payrolls and borrowers are not involved directly in the process of collection; Her Majesty's Revenue and Customs (the UK tax authority) supervises the repayment. This allows the Student Loans Company to significantly reduce the possibility of bad loans and the number of problems with repayment. Such a system was installed because of formerly high default rates.

The only purpose of the applied interest rate applied to loans is to adjust the payment to the changing monetary value of the currency. The interest rate is calculated and applied annually, starting in September. It is derived from the retail prices index figure as at 31st March.

Despite high take-up, it could be said that student loans have always created public aversion. Increasing dissatisfaction is caused by large student debts and the failure to solve university financing problems despite rising tuition fees. The overall cultural understanding that education should be free also contributed to unfavourable views of the general public towards the loans system.

The Independent Review of Higher Education Funding and Student Finance, led by Lord Browne, has recently provided its recommendations, upon which the major part of tertiary education developments in the UK in the coming years are going to be based (Browne et al., 2010). One of the most important recommendations has been the increase of the income threshold above which the repayment of loans has to start to GBP 21 000 (EUR 24 381) per annum to decrease borrower aversion.

The professional and career development loans (PCDL), initiated in 1988, are intended to help with the educational costs that are not covered by other sources of public funding. If the costs are only partly covered, this scheme can be used to 'top up' the funding. This scheme is classified as private, as the loans are provided by private banks. The loan is provided at a commercial rate, which is quite high (9.9%). Also, unlike the student loans, they have to be repaid irrespective of earnings level and are not income-contingent. Applicants also have to take a credit test, and loans are offered only to the learners who have a good credit rating. People without a good credit rating also include those just entering the work place from training/education, who have not yet built up a credit rating. This means that the PCDL scheme is generally much less advantageous for learners than the student loan.

Eligible courses do not have to necessarily lead to a qualification, but they have to assist the development of one's career. The loan may be provided to fund a postgraduate course, technical or management training, a professional qualification, or a course at a local college or learning provider (in particular short-term courses).

The loan scheme is managed by the Young People's Learning Agency, a government agency mostly directed at promoting education among young persons, as well as by retail banks providing the loans.

Overall, the disadvantageous features of the loan (i.e. high interest rate, no income contingency, requirement for good credit ranking), particularly when compared with the student loan, mean that the scheme has not been very popular with learners, also because the target group for this loan is on average less well-off than the target group for the student loan. The views of the target group towards the PCDL scheme are reflected in the fact that, for many borrowers, a more favourable option is to take out a private personal loan to pay out the PCDL. As many of the borrowers live in low-income communities, and often banks would not be willing to give out loans to them, some borrowers revert to the illegal lending market (Ellison et al.; 2010).

To popularise the scheme, efforts were made to rebrand it, but there were no changes in its operational features. The low popularity of the scheme was noticed by the recent report of Independent review of fees and co-funding in further education in England, led by Banks (The Banks Review; Banks, 2010). The Banks Review recognised loans as the most important support mechanism for individuals in VET and recommended expanding and relaunching the PCDL system, so that it reaches more individuals. This was recommended to be done also by moving available resources from other, less effective areas of VET support.

The Kent Community learning loan scheme, established in 2000 and provided and managed by a private non-profit organisation, The Individual Learning Company, is different in its nature and objectives (exclusively social and not economic) from all the other education loan schemes analysed in this study. It is a charitable scheme and was introduced as an experiment which allowed testing the advantages of 'recycling' the money rather than giving it away. The scheme cannot be easily classified as public or private, as the funds used for the loan were raised from private sources, but they were provided as charity.

The loan is given to potential learners as a sort of 'last resort': usually borrowers were refused the PCDL because of factors such as bad credit history or low current income.

The selection of borrowers for loans is through a subjective personal evaluation by 'trusted intermediaries'. The subjective 'talk' with the potential borrower also is used to determine the size of loan provided, the repayment period and size of instalments. The individual focus on each borrower was the key difference which distinguished this scheme among others.

The loans are provided without any interest. Favourable repayment conditions contributed to the fact that 70% of funds invested were regained.

The government view of this scheme is that this is an untested and untargeted initiative and as such not appropriate for national, public funding. The individual focus, one of the key features of the scheme, cannot be scaled and loan mechanisms such as this have to be small to be able to function properly. Currently, because of the lack of core funding, the scheme is mostly dormant, only releasing occasional loans from repayment income.

In the past, another innovative type of loan for education and training was applied in the UK. In 1994-98, loans were provided to the employers of the learners under the small firms training loan scheme. The functioning of the loan itself was somewhat similar to the PCDL scheme; it was provided by commercial banks but part of the interest was covered during the period of training. The scheme was not very well known by among enterprises or local bankers but it offers an interesting example of alternative mechanisms in which the costs of education and training might be shared.

Education in the UK is a devolved matter, and the four countries have separate education systems, managed by separate national governments. While the systems in England and Northern Ireland are quite similar, the Scottish and Welsh systems differ. Especially important for this study are the differences in Scotland, where most further education and first degree level HE courses have no tuition fees. Also, the division between curriculum and awards offered in universities and further education colleges is more noticeable in Scotland than in England or Wales, where the academic drift in vocational education is clearer. Further Education colleges in both England and in Wales may offer honours degree programmes; full-time students on these programmes are entitled to Student Loans Company tuition fee loans in the same way as university students are. About 10% of all first degree students in England study at further education colleges.

There have also been continuing discussions in the UK on how the costs for education should be shared by the State and learners in the future (especially by shifting as much burden as possible from the state to learners). Even the tuition fees currently in place have been heavily criticised since their introduction in 2004, but they cover only about a third of the actual tuition expenses, and the rest of this burden is funded publicly. In the light of the recent economic and financial crisis, these costs became particularly visible and the government started looking for new ways to cut the budget for education and force learners to pay more for their education. It is even argued that the current differences in financing education in the UK might significantly diminish because of this. One of the provisions discussed is the 'graduate tax', which could replace current tuition fees. Education would be free at the moment it is delivered; however, after they get a diploma, graduates would be charged with an additional tax. This would significantly change the system of education loans in the UK, as loans to pay tuition would be redundant, and the demand of loans for educational purposes would fall significantly.

There have been announcements that a new loan scheme for VET is being planned in the UK, as an alternative to the budget cuts. Its features were to be revealed in the forthcoming Skills Investment Strategy, but it was reported that it would offer the same affordability as proposed by the Browne Review (GBP 21 000 (EUR 24 381) per annum income threshold for repayment, Browne et al., 2010).

Table A3-1 **Basic relevant data on national context of countries selected for in-depth study**

Country	Share of pupils in VET ([a])	Tuition	Living expenses (annual, PPP EUR) ([b])	Public expenditure per learner, PPS thousand EUR, 2006([c])	Direct public support to learners, % of public expenditure on education, 2006 ([d])	Household loans per capita, EUR, 2008 ([e])
AT	81% males 72% females	0	Books, materials: 500; food: 500-2000; transportation: 400; other personal expenses: 500 Total: 1 900-3 400	ISCED 2-4: –	ISCED 1-4: 0.8 ISCED 5-6: 17 Ratio: 5%	402
FI	67% males 61% females	0 (adult education fees can be charged)	700/month ([f]) for a single student/trainee; other estimates: accommodation: 200-350; food: 250; transportation: 50; other personal expenses: 100-150 ([g]) Total for a 10-month school year: 6 000-8 000	ISCED 2-4: 4.3 ISCED 5-6: 11.0 Ratio: 39%	ISCED 1-4: 3.0 ISCED 5-6: 16.2 Ratio: 19%	45
FR	50% males 69% females	0 From 180 ([h])	Health insurance: 350 (other estimate: 180 ([h]); books, materials: 450; lodging: 3 000; food: 900-1 800; transport: 405-1 000; other personal expenses: 1 800-2 000 Total: 6 905-8 600 Other estimate: 6 100 ([h])	ISCED 2-4: 8.2 ISCED 5-6: 9.8 Ratio: 84%	ISCED 1-4: 3.1 ISCED 5-6: 8.0 Ratio: 39%	1 027
HU	30% males 18% females	0 if State funded (schools are allowed to enrol full-fee-paying students, who pay 357-1 429).	Books, materials: 107-250; accommodation: 0-1 607; food: 538-1 071; transport: 246; other personal expenses: 536-714. Total: 1 427-3 888.	ISCED 2-4: 3.3 ISCED 5-6: 5.3 Ratio: 83%	ISCED 1-4: 4.4 ISCED 5-6: 15.1 Ratio: 29%	514
NL	69% males 65% females	1 450 ([i])-1 713 ([j]).	Books, materials: 800-1 000; accommodation: 3 000-7 000; food: 1 800-3 000; transport 125-700; other personal expenses: 3 000 Total: 8 725-14 700	ISCED 2-4: 7.1 ISCED 5-6: 12.4 Ratio: 57%	ISCED 1-4: 7.2 ISCED 5-6: 29.5 Ratio: 24%	2 005
PL	56% males 35% females	Entrance fees: 0.25-2.5 Certification fees: 6.5-11.0	Books, materials: 125-500; accommodation: 1 500-2 250; food: 500-1 750; transport: 75-125; other personal expenses: 250-750 Total: 2 450-5 075 Other estimates: 4 200 ([k])	ISCED 2-4: 2.8 ISCED 5-6: 4.4 Ratio: 64%	ISCED 1-4: 2.0 ISCED 5-6: 1.7 Ratio: 118%	824
SE	60% males 54% females	0 (fees amounting to 16.5-55 can be charged ([l])	Books, materials: 385-605; accommodation: 2 530-4 400; food: 2 310-5 500; transport: 550; other personal expenses: 770-1 320. Total: 6 545-12 375.	ISCED 2-4: 7.0 ISCED 5-6: 14.4 Ratio: 49%	ISCED 1-4: 6.3 ISCED 5-6: 26.1 Ratio: 24%	2 012

UK	31% males 32% females	Free for persons under 19; otherwise 4 560-6 840 ([m])	England/Northern Ireland: books, materials: 365-510; accommodation: 2 850-4 560; food: 912-1 664; transport: 365-456; other personal expenses: 1 710-2 850. Total: 6 202-10 040. Scotland: books, materials: 228; accommodation: 5 285; transport: 433; other personal expenses: 1 596. Total: 7 542. Wales: books, materials: 275; accommodation: 2 750; food: 1 231; transport: 171; other personal expenses: 1 881. Total: 6 308. National average: 6 684-10 422.	ISCED 2-4: 6.8 ISCED 5-6: –	ISCED 1-4: 1.7 ISCED 5-6: 26.4 Ratio: 6%	897

([a]) Eurostat: Pupils in upper secondary education enrolled in vocational stream, 2008 http://epp.eurostat.ec.europa.eu/portal/page/portal/product_details/dataset?p_product_code=TPS00055.

([b]) University at Buffalo, the State University of New York, Graduate School of Education, “The International Comparative Higher Education and Finance Project” (available online at http://gse.buffalo.edu/org/inthigheredfinance/). Although the data provided are calculated for tertiary students in academic streams, due to incomparability of available data on VET, the data on living costs are taken from this project, under an assumption that costs of accommodation, food, etc., do not differ greatly among education sectors. Undoubtedly, the costs of books and materials, as well as living costs if the network of vocational schools/colleges is more widespread than that of universities, are different. The ranges in data typically represent the differences between public and private institutions, or living with one’s family versus independently.

([c]) Annual expenditure in public-sector institutions by pupil/student, PPS thousand EUR, 2006 (Eurydice et al., 2009, p. 126).

([d]) Direct public-sector support (grants and loans) to pupils and students as a percentage of total public expenditure on education, by educational level overall (ISCED 0 to 6), school level (ISCED 1, 2, 3 and 4) and tertiary level (ISCED 5 and 6), 2006 (Eurydice et al., 2009, p. 138).

([e]) Eurostat: Financial transactions, Households; non-profit institutions serving households, loans (liabilities), 2008.

([f]) CIMO (2005).

([g]) JAMK University of Applied Sciences (2010).

([h]) Euroeducation.net (2006a).

([i]) Euroeducation.net (2006b).

([j]) Study in Holland (2010).

([k]) Euroeducation.net (2006c).

([l]) Euroeducation.net (2006d).

([m]) British Council (not dated).

ANNEX 4
Proposed typologies of VET loan schemes

Conventional and income contingent or hybrid VET loan schemes

VET loan schemes may be classified according to the type of repayment into:

(a) conventional (traditional or mortgage-type) loan schemes: the most widespread type of VET loan scheme in Europe; repayment is made over a specified time period, usually in fixed monthly instalments. Fixed periodic payments are usually calculated based on designated interest rate and maximum loan repayment period. Fixed payments may impose a heavy burden on borrowers in the first years following graduation, given their low starting salaries and higher risk of unemployment (Ziderman, 2004);

(b) income-contingent or hybrid loan schemes: periodic loan repayment instalments are determined as a proportion of the borrower's income in a certain period. There is no pure income-contingency and, in most cases, income-contingent loan repayment starts at some predetermined level of personal income. There may also be hybrid schemes which, for example, use a conventional (fixed) repayment model, but below certain level of predetermined personal income the borrower may ask for income-contingent repayment (e.g. in Sweden). This type of loan scheme imposes a lower repayment burden on borrowers in the first years of repayment. Income-contingent loan schemes are usually introduced in countries with sound administrative and strong legal frameworks, well-developed, universal, transparent and effective systems of income tax collection and efficient payment mechanisms (Chapman, 2005; Ziderman, 2004).

. In the table below countries are classified according to this typology

Typology	Countries (loan schemes)
Conventional VET loan schemes (27 in total)	AT, BE (French speaking community), BG, HR (Međimurje County), CY, DK, EE, FI, FR, FYROM, DE BAföG, DE master-craftsman loan, EL, IT, LV, LT, NL private loan, NO, PL loan for unemployed, PL student loan, PT, SK, SI, ES (Catalonia), TR, UK PCDL and UK Kent loan.
Income-contingent or hybrid VET loan schemes (eight in total)	HU, IS, LI, LU, MT, NL public loan, SE and UK student loan.

Source: Surveys of experts and stakeholders on VET loan schemes in Europe (2010).

More secondary education- /VET- and more HE-oriented VET loan schemes

Loan schemes can be classified by the level of education covered. However two assumptions relevant for the report in this respect must be considered:

(a) European countries have different education traditions and different classifications of types and levels of education. However, for better comparability the report is based on one common classification system: the international standard classification of education (ISCED) ([32]);

(b) this report is based on a broad understanding of VET, which does not necessarily correspond to understanding of VET in the analysed European countries. VET loan schemes in this report are considered not only schemes covering ISCED 2-4 or CVET, but also schemes covering only ISCED 5B (DE master-craftsman loan), 5B and 5A (France, Bulgaria, Cyprus, Italy, Latvia, Lithuania, Luxembourg, Slovakia, Slovenia, Spain (Catalonia), Iceland, FYROM, the Polish and the UK student loans). The report has not included loan schemes which exceptionally focus on ISCED 5A (Master) and/or ISCED 6 (PhD) studies (Greek and Spanish national schemes were excluded from the sample based on this argument). However, countries differ greatly in their understanding of distinction between VET and HE (Cedefop, 2010). The first group of countries (e.g. France, Iceland, Malta and Poland) have or develop unitary national qualifications frameworks where VET is closely linked with HE; the second group (e.g. Belgium [French-speaking community], Denmark and Romania) clearly separate the two education sectors where EQF levels 6 and 8 are reserved for HE, while the third (e.g. Belgium [Flanders] and Austria) divide these higher level qualifications into parallel academic and vocational strands.

From these assumptions, VET loan schemes can be classified as more secondary education/VET-oriented, loan-oriented or more HE-oriented. Most (22 out of 35) loan schemes are more HE-oriented: they cover ISCED 5-6 and, possibly (but not necessarily) ISCED 4 or CVET. The 13 remaining loan schemes are considered as more secondary education/VET-oriented: they cover only ISCED 2-4 CVET or are universal, i.e. cover all ISCED levels and CVET.

In the table below countries are classified according to this typology.

([32]) http://www.unesco.org/education/information/nfsunesco/doc/isced_1997 [cited 29.11.2011].

Typology	Countries (loan schemes)
More secondary education/ VET-oriented VET loan schemes (13 in total)	BE (French speaking community), HR (Međimurje County), DK, FI, EL, LI, MT, NL public loan, NO, PL loan for unemployed, SE, UK PCDL and UK Kent loan.
More HE-oriented VET loan schemes (22 in total)	AT, BG, CY, EE, FR, FYROM, DE BAföG, DE master-craftsman loan, HU, IS, IT, LV, LT, LU, NL private loan, PL student loan, PT, SK, SI, ES (Catalonia), TR and UK student loan

Source: Surveys of experts and stakeholders on VET loan schemes in Europe (2010).

Public and private VET loan schemes

VET loan schemes can be classified as public or private. Classification is based on the following three main Eurostat criteria (Eurostat, 2002; 2009):

(a) who controls the managing institution of the loan scheme? Control, defined as the ability to determine general policy, is an essential criterion for classification. Loan schemes, other things being equal, will be considered as private, if the managing institution is independent, or public, if this institution is controlled by government;

(b) where does the money come from? If a loan scheme derives more than 50% of its revenue from market activities (i.e. private sources ([33])) it is normally classified as private. If the share of market resources in the loan scheme is lower than 50%, it should be considered as public;

(c) who takes most risks? This is mainly related to State guarantee. If government does not provide a loan guarantee or it is very marginal, the managing institution faces significant financial risk and the loan scheme, other things being equal, will be classified as private. If government provides a full or significant guarantee, the scheme will normally be classified as public.

Based on these criteria, 22 of 35 identified VET loan schemes can be classified as public and the remaining 13 as private (for more detailed results see section 2.3). However comprehensive information for all the above criteria is only available for selected VET loan schemes. The remaining schemes were classified based on two criteria: source of financing and risk taking. Information

([33]) Although private loans are usually financed from bank's own financial resources there are some alternative sources, e.g. customer deposits at the bank (e.g. Austria), from bonds issued on the open market and loans from the European Investment Bank and other financial institutions (e.g. Hungary), charity funds (e.g. UK3-Kent loan).

regarding the managing institution, if added, could slightly change the typology. In the table below countries are classified according to this typology.

Typology	Countries (loan schemes)
Public VET loan schemes (22 in total)	BE (French speaking community), BG, DK, EE, FI, FR, FYROM, DE BAföG, IS, IT, LV, LI, LT, LU, NL public loan, NO, PL student loan, PL loan for unemployed, SK, SE, TR and UK student loan.
Private VET loan schemes (13 in total)	AT, HR (Međimurje County), CY, DE master-craftsman loan, EL, HU, MT, NL private loan, PT, SI, ES (Catalonia), UK PCDL and UK Kent loan.

Source: Surveys of experts and stakeholders on VET loan schemes in Europe (2010).

Extensive and marginal selected VET loan schemes

VET loan schemes can be classified by their performance. Stakeholders indicated that the most important loan scheme performance indicator was whether the given scheme was able to attract a large share of targeted borrowers (had a good take-up rate) and was likely to have a significant impact at national level. Schemes which targeted a narrow group of borrowers, and therefore reached very high take-up rates, were unlikely to have significant effects at national level. According to take-up and impact criteria, 12 selected VET loan schemes can be classified into two groups:

(a) extensive schemes with high take-up rate and likely significant national impact;

(b) marginal schemes with low take-up rate and no significant national impact. The impact of the latter schemes was limited for two main reasons:
   - (i) they were initially designed to target niche groups;
   - (ii) they turned out not to be attractive and/or manageable.

In the table below countries are classified according to this typology

Typology	Countries (loan schemes)
Extensive selected VET loan schemes (five in total)	FI, HU, NL public loan, SE and UK student loan
Marginal selected VET loan schemes (seven in total)	AT, FR, NL private loan, PL student loan, PL loan for unemployed, UK PCDL and UK Kent loan

Source: Surveys of experts and stakeholders on VET loan schemes in Europe (2010).

ANNEX 5
Tables and figures

Table A5-1 **Use of preferential treatment criteria in selected VET loan schemes**

No	Country (loan scheme)	Application of preferential treatment
1	AT	No
2	FI	Yes
3	FR	Yes
4	HU	Yes
5	NL public loan	Yes
6	NL private loan	Yes
7	PL student loan	No
8	PL loan for the unemployed	Maybe
9	SE	Yes
10	UK student loan	No
11	UK PCDL	No
12	UK Kent loan	Yes
Number of loan schemes		7.5/12

Source: Surveys of experts and stakeholders on VET loan schemes in Europe (2010).

Table A5-2 **Other access conditions of selected VET loan schemes**

No	Country (loan scheme)	Eligible training costs	Service fee
1	AT	Direct and indirect (only travel and accommodation)	2% of the loan amount one-time fee
2	FI	Direct and indirect	EUR 10-50
3	FR	Direct and indirect	No
4	HU	Direct and indirect	1% higher interest rate due to administration costs
5	NL public loan	Direct and indirect	Service fee included in the interest rate
6	NL private loan	Direct and indirect	No
7	PL student loan	Direct and indirect	No
8	PL loan for the unemployed	Direct and indirect	No
9	SE	Direct and indirect	EUR 30/year while studying EUR 15/year while repaying
10	UK student loan	Direct and indirect	No
11	UK PCDL	Direct and indirect	No (but default fee is possible)
12	UK Kent loan	Direct and indirect (except foregone wages)	No
Number of loan schemes		12/12	5/12

Source: Surveys of experts and stakeholders on VET loan schemes in Europe (2010).

Table A5-3 **Repayment collection methods**

No	Country (loan scheme)	Techniques for collection of funds including any innovative solutions
1	AT	Letters
2	FI	Letters
3	FR	Letters, telephone calls
4	HU	Letters, telephone calls, public 'bad borrowers' list
5	NL public loan	Letters, telephone calls, bailiff services
6	NL private loan	Letters, e-solution
7	PL student loan	Letters (other techniques depend on the bank)
8	PL loan for the unemployed	Letters, telephone calls
9	SE	Letter, emails, several e-solutions
10	UK student loan	Letters, text messages, emails, automatic withdrawal of payments from borrower's payroll
11	UK PCDL	Up to the banks to decide
12	UK Kent loan	Letters, emails

Source: Surveys of experts and stakeholders on VET loan schemes in Europe (2010).

Table A5-4 **Stability of the loan scheme managing institutions**

No	Country (loan scheme)	The institution managing the loans remained the same
1	AT	Yes
2	FI	Yes
3	FR	No (a new system with different responsible actors was introduced in 2008)
4	HU	Yes, but with changes in management
5	NL public loan	Yes
6	NL private loan	Yes
7	PL student loan	Yes
8	PL loan for the unemployed	Yes
9	SE	Yes
10	UK student loan	Yes
11	UK PCDL	No, the responsible institutions changed twice (in 2005 and 2010)
12	UK Kent loan	Yes
No of cases		10/12

Source: Surveys of experts and stakeholders on VET loan schemes in Europe (2010).

Table A5-5 **Guidance and information services provided to (potential) clients**

No	Country (loan scheme)	Availability of guidance and information services
1	AT	Yes, website, brochures
2	FI	Yes, website, telephone, brochures, loan scheme managers office, banks, education institutions
3	FR	Yes, website, brochures, banks
4	HU	Yes, website, media, call centre, education institutions
5	NL public loan	Yes, website, brochures
6	NL private loan	Yes, website, information at local branches of the bank
7	PL student loan	Yes, websites, formal requirement for HE institutions to provide guidance (brochures, advertisements). Banks also provide guidance and information
8	PL loan for the unemployed	Yes, website, brochures, advisor services
9	SE	Yes, website, telephone hotline, email
10	UK student loan	Yes, websites, leaflets
11	UK PCDL	Yes, comprehensive online guidance (with feedback section), eye-to-eye and telephone guidance (LSC, 2008)
12	UK Kent loan	Yes, by external guidance advisors

Source: Surveys of experts and stakeholders on VET loan schemes in Europe (2010).

ANNEX 6
Tosmana truth tables

Table A6- 1 **Full truth table: independent and context variables (all schemes are included: left — extensive, right — marginal)**

	FI	**HU**	**NL public loan**	**SE**	**UK student loan**	**AT**	**FR**	**NL private loan**	**PL student loan**	**PL loan for unemployed**	**UK Kent loan**	**UK PCDL**
Access												
Eligibility	restricted	restricted	restricted	restricted	restricted	restricted	restricted	universal	restricted	universal	restricted	Universal
Risk assessment	yes	no	no	no	yes	yes	yes	yes	yes	yes	yes	yes
Preferential treatment	*yes*	*YES*	*YES*	*YES*	no	*NO*	YES	*YES*	*NO*	*no*	*NO*	*YES*
Max. Amount	low	*low*	*high*	*high*	*high*	*high*	*low*	*low*	low	*high*	high	*low*
Max period of loan usage	long	long	long	long	short	long	long	short	long	short	short	short
Portability	yes	yes	yes	yes	no	yes	yes	yes	yes	no	yes	no
Repayment												
Type of repayment	Conven-tional	ICL	ICL	Conven-tional	ICL	Conven-tional	Conven-tional	Conven-tional	Conven-tional	Conventional	Conven-tional	Conven-tional
Max repayment period	*long*	long	*long*	*long*	*long*	long	*short*	short	Short	short	short	*short*
Interest rate	*low*	*high*	*low*	*low*	low	*high*	low	*high*	*low*	*low*	high	*low*
Differentiated interest rate	NO	YES	YES	YES	YES	NO	no	YES	yes	YES	YES	yes
Institutional arrangement												
Operated by	private institutions	public institution	*public institution*	*public institution*	*public institution*	*private institutions*	*private institutions*	private institutions	*private institutions*	*public institution*	*private institutions*	*private institutions*
Evaluation/ monitoring	yes	yes	yes	yes	yes	yes	yes	no	yes	yes	no	no
Other												
State subsidy	no	no	no	yes	yes	yes	no	no	yes	yes	yes	no
Extensive or marginal	*extensive*	extensive	extensive	*extensive*	*extensive*	*marginal*	*marginal*	marginal	*marginal*	marginal	marginal	*marginal*
Education covered (ISCED)	2-6	5-6	2-6	2-6	5-6	2-6	5-6	2-6	5-6	2-6	2-6	2-6
Duration of implementation	long	short	long	long	long	short	long	short	short	short	long	short

Objective	cost-sharing	access	access	access	cost-sharing	cost-sharing	cost-sharing	cost-sharing	cost-sharing	cost-sharing	cost-sharing	access
Classification	*public*	*private*	*public*	*public*	*public*	private	public	*private*	*public*	*public*	*private*	*private*
Links with other mechanisms	yes	no	yes	yes	yes	yes	no	yes	no	no	yes	no
Context												
GDP per capita	low	low	high	high	low	high	low	high	low	low	low	low
Stratification	late	early	early	late	late	early	late	early	late	late	late	late
Private expenditure on education institutions (% GDP)	LOW	LOW	HIGH	LOW	HIGH	LOW	LOW	HIGH	low	low	HIGH	high
Max. Living costs	low	low	*high*	*high*	*high*	*low*	*low*	*high*	*low*	*low*	*high*	high
Market for loans	no	no	yes	yes	yes	yes	no	yes	no	no	yes	yes

Variables and their values for each case are marked as follows: those affecting efficiency are marked in ***bold italic***; those affecting equity are marked in *italic*; those affecting effectiveness are underlined; for those affecting impact blue background is used; those affecting sustainability are written in CAPITAL LETTERS. Exceptions are not marked to highlight how much of the variation is explained by the respective variables.

Table A6-2 **Covariations with dependent variables**

	FI	HU	NL public loan	SE	UK student loan	AT	FR	NL private loan	PL student loan	PL loan for unemployed	UK Kent loan	UK PCDL
EFFICIENCY:												
Default rate												
Operated by	private institutions	public institution	public institution	public institution	public institution	private institutions	private institutions	private institutions	private institutions	public institution	private institutions	private institutions
Extensive or marginal	extensive	extensive	extensive	extensive	extensive	marginal	marginal	marginal	marginal	marginal	marginal	marginal
Default rate	high	low	high	high	high	low	low	high	low	high	low	low
Administrative costs												
Max. amount	low	low	high	high	high	high	low	low	low	high	high	low
Max repayment period	long	long	long	long	long	long	short	short	short	short	short	short
Interest rate	low	high	low	low	low	high	low	high	low	low	high	low
Classification	public	private	public	public	public	private	public	private	public	public	private	private
Administrative costs	high	low	high	high	high	high	low	low	high	high	low	low

	FI	HU	NL public loan	SE	UK student loan	AT	FR	NL private loan	PL student loan	PL loan for unemployed	UK Kent loan	UK PCDL
EQUITY: Groups												
Preferential treatment	yes	yes	yes	yes	no	no	yes	yes	no	no	no	yes
Max repayment period	long	long	long	long	long	long	short	short	short	short	short	short
Extensive or marginal	extensive	extensive	extensive	extensive	extensive	marginal	marginal	marginal	marginal	marginal	marginal	marginal
Max. living costs	low	low	high	high	high	low	low	high	low	low	high	high
Equity for groups	yes	yes	yes	yes	yes	no	yes	yes	no	no	no	yes

	FI	HU	NL public loan	SE	UK student loan	AT	FR	NL private loan	PL student loan	PL loan for unemployed	UK Kent loan	UK PCDL
EFFECTIVENESS: Take-up												
Risk assessment	yes	no	no	no	yes	yes	yes	yes	yes	yes	yes	yes
Type of repayment	Conven-tional	ICL	ICL	Conven-tional	ICL	Conven-tional	Conven-tional	Conven-tional	Conven-tional	Conven-tional	Conven-tional	Conven-tional
Max repayment period	long	long	long	long	long	long	short	short	short	short	short	short
Operated by	private institutions	public institution	public institution	public institution	public institution	private institutions	private institutions	private institutions	private institutions	public institution	private institutions	private institutions
Extensive or marginal	extensive	extensive	extensive	extensive	extensive	marginal	marginal	marginal	marginal	marginal	marginal	marginal
Duration of implementation	long	short	long	long	long	short	long	short	short	short	short	long
Take-up	high	low	high	high	high	low	low	low	low	low	low	low

IMPACT:												
Deadweight effect												
State subsidy	no	no	no	yes	yes	yes	no	no	yes	yes	yes	no
Objective	cost-sharing	access	access	access	cost-sharing	cost-sharing	cost-sharing	cost-sharing	cost-sharing	cost-sharing	cost-sharing	access
Stratification	late	early	early	late	late	early	late	early	late	late	late	late
Private expenditure on education institutions (% GDP)	low	low	high	low	high	low	low	high	low	low	high	high
Deadweight	high	low	low	high	high	high	high	low	high	high	high	low
Substitution effect												
Differentiated interest rate	no	yes	yes	yes	yes	yes	no	yes	yes	yes	yes	yes
Classification	public	private	public	public	public	private	public	private	public	public	private	private
Substitution	low	low	high	high	high	low	high	high	high	high	low	high
Impact on beneficiaries												
Max repayment period	long	long	long	long	long	long	short	short	short	short	short	short
Extensive or marginal	extensive	extensive	extensive	extensive	extensive	marginal	marginal	marginal	marginal	marginal	marginal	marginal

	FI	HU	NL public loan	SE	UK student loan	AT	FR	NL private loan	PL student loan	PL loan for unemployed	UK Kent loan	UK PCDL
Impact	high	high	high	high	high	high	low	low	low	low	high	low
SUSTAINABILITY												
Financial sustainability												
Private expenditure on education institutions (% GDP)	low	low	high	low	high	low	low	high	low	low	high	high
Financial sustainability	high	high	low	high	low	high	high	low	low	low	low	high
Political sustainability												
Preferential treatment	yes	yes	yes	yes	no	no	yes	yes	no	no	yes	no
Differentiated interest rate?	no	yes	yes	yes	yes	no	no	yes	yes	yes	yes	yes
Political sustainability	high	low	low	low	low	high	low	low	high	low	low	high

Key: rule (cases which conform to the regularities identified in QCA)
exceptions

ANNEX 7
Questionnaires

General survey questionnaire

Study ‘the role of loans in financing vocational education and training in Europe’ commissioned by Cedefop, Contract N° 2009-0241/AO/RPA/PLI-PSZO/Loans/016/09

Survey of national experts (2)

Public Policy and Management Institute has been commissioned by Cedefop to carry out the study ‘the role of loans in financing vocational education and training in Europe’. The purpose of this study is to gain a clear understanding of the role of loans in financing and promoting vocational education and training in Europe (27 EU Member States, EFTA/EEA and EU candidate countries). The study will explain operation of loans, evaluate their implementation and provide policy recommendations.

You have been recommended as someone who might be well informed about loan mechanism for VET that operates in <*country*>. The questionnaire below requires basic characteristics of the loan mechanism. Please complete the questionnaire, if possible, by *Date Month, 2010* and return it to Simonas@vpvi.lt (or by fax +370 52625410). Should you have any questions or remarks, please do not hesitate to write to the above e-mail address or contact Mr Simonas Gaušas, tel. +370 52497538.

BASIC CHARACTERISTICS

1. We have identified the following loan mechanism(s) for VET in your country (see table below). Please check if this information is correct, make and explain all necessary amendments.

Type of loan mechanism for VET	Short description	Initial VET: ISCED level				CVET	Other (*please specify*)*
		2-3	4	5B	5A-6		
Traditional/ mortgage-type	Loan mechanism which requires repayment of loans in fixed instalments and repayment period starts irrespectively of the timing of graduation	☐	☐	☐	☐	☐	
Income-contingent	Loan mechanism which does not require repayment until after graduation and where instalments depend on the borrower’s income	☐	☐	☐	☐	☐	

* Other types of VET or VET for specific groups, e.g. training for unemployed or apprenticeship. Please use the following definitions:

- *Initial vocational education and training (IVET)* – vocational education carried out in the initial education system, usually before entering working life.
- *Continuing vocational education and training (CVET)* – any education or training after initial education or after entry into working life, aimed at helping individuals to improve or update their knowledge and (or) skills, to acquire new skills for a career move or retraining, and (or) to continue their personal or professional development.
- *Training for unemployed* – vocational training targeted at the unemployed, registered as such with their respective national employment service and seeking employment opportunities.
- *Apprenticeship* – systematic, long-term training alternating periods at the workplace and in an educational institution or training centre.

2. What is the title of loan mechanism? Please insert the title in your national language and in English.	In national language: In English:

3. When operation of loan mechanism has started? Please specify.	

4. What is the objective of the loan mechanism?	

5. What is the level of operation of the loan mechanism? Please choose the appropriate answer (right click your mouse on the appropriate box).

a. National ☐	c. Local ☐
b. Regional ☐	d. Other (*please specify here*): ☐

6. Is the loan mechanism classified as public or private? For example if the loan mechanism is classified as public it follows that the system is part of the state budget, the balance affects the state deficit, the outstanding debt is part of the sovereign debt, etc. Please choose the appropriate answer (right click your mouse on the appropriate box).

☐ Loan mechanism is classified as public

☐ Loan mechanism is classified as private

7. Which institution provides loans to borrowers? Please choose the appropriate answer (right click your mouse on the appropriate box).

Institution	**Publicly owned**	**Privately owned**
Specialised institution	☐	☐
Retail bank	☐	
Other, please specify here:	☐	☐

8. How is the loan mechanism financed? Please choose the appropriate answer (right click your mouse on the appropriate box).

☐ Private funds (retail bank own funds and/or money and capital market, e.g. issue of bonds for purchase by legal entities and private individuals)

☐ Public budget (national, regional or local)

9. Does the government (national, regional or local) have a role in the implementation of the loan mechanism? Please choose the appropriate answer (right click your mouse on the appropriate box).	No ☐ Yes ☐

If Yes, please choose all appropriate:

i. Providing loans ☐	v. Paying interest rate for specific target groups ☐
ii. Setting rules (eligibility, repayment, etc.) ☐	vi. Providing loan guarantees (as a safeguard against defaults) ☐
iii. Financing subsidy ☐	vii. Monitoring / evaluating the implementation of the loan mechanism ☐
iv. Financing administration costs ☐	viii. Other, please specify here:________________ ☐

10. Is the access to loan mechanism universal? If not, which specific groups are eligible? Please choose the appropriate answer (right click your mouse on the appropriate box).		
Yes, any individual can apply for loan	☐	
No, only individuals who meet certain eligibility criteria can apply	☐	Please list the groups and their specific geographical, sectoral and/or occupational coverage (e.g. people in particular age group, unemployed, young parents, the low-skilled, persons living outside the capital region/in rural areas, etc.):

11. Are loans portable? Please provide your answers in the appropriate boxes below.	
11.1 Are loans readily available for learners, who are foreign nationals and come to study in your country?	Yes ☐
	No ☐
11.2 Are loans readily available for national learners, who undertake a training programme abroad?	Yes ☐
	No ☐

12. What is the maximum amount of loan that may be allocated? Please provide your answer in the appropriate box below.	
Please specify the amount in EUR	

13. What are the repayment conditions of the loan mechanism? Please choose the appropriate answer (right click your mouse on the appropriate box).		
13.1 When does repayment of the loan start?	☐	Immediately after graduation
	☐	Other, please specify when the repayment starts: _______________
13.2 What is the maximum period for the repayment of the loan? Please indicate the number of years: ______________		
13.3 What range of the interest rate would be applied if an average leaner applied now? Please indicate the range (X%-X%):______________		

14. Is the operation of the loan mechanism being monitored and (or) evaluated by public authorities or agencies?		No ☐
		Yes ☐
If yes, how advanced is monitoring or evaluation of the loan mechanism? Please choose all appropriate:		If selected, please:
i. Information on number and volume of the loans given is collected	☐	Indicate the source where statistics could be found
ii. There is institution responsible for monitoring/ evaluating progress on the use of the mechanism	☐	Provide the name of institution
iii. Monitoring / evaluation reports are prepared and publicly available in English or national language	☐	Indicate the source where report(s) could be found

15. **Are any information sources (e.g. legal acts, brochures, standard loan contract) on the loan mechanism in your country available in English or in the national language? If yes, please send electronic versions of the available document(s) to the above-mentioned email address or indicate the internet link.**
Please indicate the internet link(s) to the relevant document(s):

Thank you for your kind help and cooperation.

Questionnaire for the detailed survey on factual information

Study 'the role of loans in financing vocational education and training in Europe' commissioned by Cedefop, Contract N° 2009-0241/AO/RPA/PLI-PSZO/Loans/016/09

Survey of national experts (3A)

Public Policy and Management Institute has been commissioned by Cedefop to carry out the study 'the role of loans in financing vocational education and training in Europe'. The purpose of this study is to gain a clear understanding of the role of loans in financing and promoting vocational education and training in Europe (27 EU Member States, EFTA/EEA and EU candidate countries). The study will explain operation of loans, evaluate their implementation and provide policy recommendations.

The questionnaire below requires detailed characteristics of the loan mechanism. Please complete the questionnaire, if possible, by *Date Month, 2010* and return it to Simonas@vpvi.lt (or by fax +370 52625410). Should you have any questions or remarks, please do not hesitate to write to the above e-mail address or contact Mr Simonas Gaušas, tel. +370 52497538.

BASIC CHARACTERISTICS

1. What is the title of loan mechanism? Please insert the title in your national language and in English.	In national language: In English:

2. When operation of loan mechanism was started? Please specify here:	

3. What is the objective of the loan mechanism? Please use an official source, if possible.	

4. What is the level of operation of the loan mechanism? Please choose the appropriate answer (right click your mouse on the appropriate box).	
a. National ☐	c. Local ☐
b. Regional ☐	d. Other (*please specify here*): ☐

5. Is the loan mechanism classified as public or private? For example if the loan mechanism is classified as public it follows that the system is part of the state budget, the balance affects the state deficit, the outstanding debt is part of the sovereign debt, etc. Please choose the appropriate answer (right click your mouse on the appropriate box).
☐ Loan mechanism is classified as public
☐ Loan mechanism is classified as private

6. **How is the loan mechanism financed? Please choose all applicable funding sources:**
☐ Private funds (retail bank own funds and/or money and capital market, e.g. issue of bonds for purchase by legal entities and private individuals)
☐ Public budget (national, regional or local)

7. **Please list which information sources related to loan mechanism are readily available in your country? If you have electronic version (or scanned copies) of the selected document(s), please send them to the above-mentioned email address. If the documents are available online, please indicate their internet links.**		
a. Legal acts regulating operation of loan	☐	
b. Brochures providing information on loan	☐	
b. Standard loan contract	☐	
c. Other, please specify here:____________	☐	

ACCESS CONDITIONS

8. **Is the access to loan mechanism universal? If not, which specific groups are eligible? Please choose the appropriate answer (right click your mouse on the appropriate box).**		
Yes, any individual can apply for loan	☐	
No, only individuals who meet certain eligibility criteria can apply	☐	Please list the groups and their specific geographical, sectoral and/or occupational coverage (e.g. people in particular age group, unemployed, young parents, the low-skilled, persons living outside the capital region/in rural areas, etc.):

9. **Is a special risk assessment procedure applied to each individual taking the loan?**	No ☐ Yes ☐	
Risk assessment criteria	**Tick if criteria is directly or indirectly applied**	**Specify if needed**
a. Age	☐	
b. Nationality / citizenship	☐	
c. Place of residence	☐	
d. Labour market status	☐	
e. Parental / learner income and/or assets (means test)	☐	
f. Absence of outstanding debts	☐	
g. Academic merit	☐	
h. Other (e.g. enrolment in full-time studies, enrolment in certified programmes, enrolment in studies provided by licensed providers, diploma recognised by competitive institution). Please specify in the right column):	☐	

10. Does any of the below-listed characteristics make the applicants entitled to receive preferential treatment (i.e. are granted more favourable conditions compared to all other applicants)?		
Characteristics of applicants	**Please tick the box if this group receives preferential treatment**	**Please specify the characteristics of the selected preferential treatment(s)**
a. Age	☐	
b. Nationality / citizenship	☐	
c. Region	☐	
d. Labour market status	☐	
e. Profession/occupation (e.g. skills-shortage occupations such as teachers)	☐	
f. Training programme	☐	
g. Parental/learner income and/or assets	☐	
h. Individuals with no financial obligations (e.g. no other loans)	☐	
i. Academic merit	☐	
j. Marital status/children	☐	
k. Other, please specify here:	☐	

11. What is the maximum amount of loan that may be allocated and maximum period of time during which the loan can be used?	
11.1 What is the maximum amount of the loan per month that may be allocated? (in EUR)	
11.2 Maximum period of time (in months) during which the loan can be used? Provide the number of months (e.g. of training programme during which the loan can be used):	

12. What types of training costs are eligible? Please choose the appropriate answer and specify the details if necessary.	
☐ Only direct costs (tuition fees, cost of training materials)	
☐ Only indirect costs (travel, accommodation, meal costs, wages (foregone income), career guidance, child care, competence measurement, formulation of training plan, etc.)	
☐ Any of the above	

13. Is there a service fee which the learner has to pay to get the loan?		
a. No	☐	
b. Yes, service fee is paid as separate contribution before taking the loan	☐	Please provide the amount in EUR
c. Yes, service fee is included in the interest rate	☐	Please provide the share in %

14. Are loans portable?	
14.1 Are loans readily available for learners, who are foreign nationals and come to study in your country?	Yes ☐ No ☐
Please provide explanation if needed:	
14.2 Are loans readily available for national learners, who undertake a training programme abroad?	Yes ☐ No ☐
Please provide explanation if needed:	

REPAYMENT CONDITIONS

15. What are the repayment conditions of the loan mechanism? Please answer specific questions below and specify details if necessary/required.

15.1	The loan is repaid in…	☐ Monthly instalment	
		☐ Lump sum for each period (e.g. semester)	
		☐ Other, please specify here:	
15.2	When does repayment of the loan start?	☐ Immediately after graduation	
		☐ Other, please specify when the repayment starts: ____	
15.3	Is the period of repayment of the loan specified in advance	☐ Yes	
		☐ No	
15.4	What is the maximum period for the repayment of the loan?	Please indicate the number of years: ___________	
15.5	Is early repayment of a loan possible?	☐ Yes	
		☐ No	
15.6	Is the loan forgiveness (i.e. cancellation of all or some of loan payments for specific situations) possible?	If yes, please specify the conditions under which the loan forgiveness can be granted:	
		☐ Yes	☐ Voluntary service
			☐ Service in military
			☐ Working in public service
			☐ Working in skills-shortage occupations
			☐ Learner good performance
			☐ New parent/working mother
			☐ Disability
			☐ Other (e.g. forgiveness for loan outstanding for 25 years), please specify here:
		If available, please specify the maximum amount (in EUR)/ share (in %) forgiven:	
		☐ No	
15.7	If the loan is income-contingent, what share of income borrower has to pay each month (in %)?	Please indicate the range (X% - X%):	
15.8	How the repayment of the loan is determined?	Please describe in your own words any other repayment conditions you consider important:	

16. What are the characteristics of the interest rate? Please answer the following questions and specify details if necessary/required.

16.1	What range of the interest rate would be applied if an average learner applied now?	Please indicate the range (X% - X%):
16.2	Interest rate is…	☐ ….common to every borrower
		☐ …differentiated by groups of borrowers
16.3	When the interest rate is paid?	☐ During learning / studies
		☐ After graduation
		☐ Other, please specify here: _____________
16.4	Is the interest rate fixed or variable?	☐ Fixed for all period
		☐ Variable
		☐ Individual can choose either fixed or variable rate
16.5	How the interest rate(s) is determined (e.g. does it include such components as the cost of funds used to finance the loan scheme, the risk premium covering non-payment risks, the operating premium covering operational expenses of the loan scheme or other costs)?	Please describe in your own words:

INSTITUTIONAL AND ADMINISTRATIVE CHARACTERISTICS

17. Which institution(s) perform(s) which function in the operation of the loan mechanism? Please choose one of the following institution(s) (right click your mouse on the appropriate box).

Function	Institution			
	Retail bank(s)	Specialised publicly owned	Specialised privately owned	Other, specify: ___________
a. Provides loans/lends money to borrowers	☐	☐	☐	☐
b. Collects the loans disbursed	☐	☐	☐	☐
c. Administers learners' loans (applications, statistics, monitoring, etc.)	☐	☐	☐	☐
d. Fund raising	☐	☐	☐	☐

18. Are other actors specified below involved in the operation of the loan mechanism? If yes, please specify their role in the right column.

a. Government ministries/ departments and/or regional and/or local government	☐ Yes ☐ No
If Yes, please underline all appropriate functions: ☐ Providing loans ☐ Setting rules (eligibility, repayment, etc.) ☐ Financing subsidy ☐ Financing administration costs ☐ Payment of interest rate for specific target groups ☐ Providing loan guarantees (as a safeguard against defaults) ☐ Monitoring / evaluating the implementation of the loan mechanism ☐ Other, please specify here:	
b. Tax authorities. If Yes, please shortly describe its functions (e.g. provision of income data, collections of bad leaner loans, collection of repayments): _________________	☐ Yes ☐ No
c. Educational institutions. If Yes, please shortly describe its functions (e.g. provision of enrolment data): ____	☐ Yes ☐ No
d. Employers. If Yes, please shortly describe its functions (e.g. providing loan guarantees, providing targeted interest subsidies): ____________________________	☐ Yes ☐ No
e. Other actors (e.g. trade unions, financial institutions), please specify here:_________ If Yes, please shortly describe its functions (e.g. providing loan guarantees):________	☐ Yes ☐ No

19. Is the administration of loan mechanism sound and efficient? Please answer specific questions below, choose the appropriate answer and comment (if necessary/required).

19.1	Has the institution responsible for the administration of loans remained the same over the last 5 years (or shorter period, if loan mechanism operates for less than 5 years) If any please specify the changes here: _____________________________________	☐ Yes ☐ No
19.2	What is the total number of employees responsible for the administration (including information and guidance to applicants or recipients, risk appraisal, contracting, payment of loan, checking and following-up of instalments, dealing with bad loans and all other related management functions) of loan mechanism?	
19.3	What are the techniques for collection of repayments, esp. of overdue repayments?	☐ Letters ☐ Sms messages ☐ Emails ☐ Other, please specify:____________________
19.4	Do you apply any other innovative solutions for the administration of the loan mechanism If yes, please specify here: ____	☐ Yes ☐ No

20. Is the operation of the loan mechanism being monitored and (or) evaluated by public authorities or agencies?		No ☐ Yes ☐
If yes, how advanced is monitoring or evaluation of the loan mechanism?		
☐	a. Statistics on the use of loans is collected	Provide statistics in the table below
☐	b. There is institution responsible for monitoring/ evaluating progress on the use of the mechanism and taking corrective actions	Indicate the institution responsible
☐	c. Quantified targets are set for the mechanism	Provide relevant document(s) or indicate the source where it could be found
☐	d. Monitoring/evaluation reports are prepared and publicly available in English or national language	

Indicator (corresponding to the particular academic year)	**Academic year**			**Source if available:**
	2006/07	**2007/08**	**2008/09**	
a. Aggregate number of learners who have ever received the loan				
i. Female			%	
ii. Male			%	
iii. Full-time learners			%	
iv. Part-time learners			%	
v. Aged 15-24			%	
vi. Aged 25-34			%	
vii. Aged 35-54			%	
viii. Aged 55-64			%	
ix. Foreign nationals			%	
x. Nationals learning abroad			%	
xi. Other statistics available, please specify here:				
b. Total number of repaying clients				
c. Total volume of loans (in million EUR)				
d. Total repayment (in million EUR)				
e. Take-up rate of loans (i.e. share of borrowers to all eligible individuals, in %)	%	%	%	
i. Minimum take-up rate (if measured by county/region)			%	
ii. Maximum take-up rate (if measured by country/region)			%	
f. Drop-out rate (i.e. share of borrowers who have signed the contract, but were not able to finish the training/courses, in %)				
g. Total amount of administration cost (in EUR)				
h. Total financial cost to the state budget (in EUR including all public costs)				
i. Number of contracts which were written off as uncollectible				
j. Amount of loans written off (in million EUR)				

21. Are guidance and information services readily available for the borrowers?	No ☐ Yes ☐
If yes, please list main information sources and services available to borrowers: ____________________ ____	

STATE SUBSIDY

22. Is there any state financed subsidy imbedded in the loan scheme? If yes, please choose all appropriate:		No ☐ Yes ☐
☐	i. General interest rate subsidy	
☐	ii. General alleviations, grace periods	
☐	iii. Targeted support	
☐	iv. Other, please specify here:	
23. If needed, please provide additional explanation of the state subsidy conditions:		

OTHER CHARACTERISTICS

24. Are there any links between the loan mechanism and other types of education and/or training financing mechanism(s) (e.g. tax incentives, training funds, subsidy-based mechanisms, payback clauses, training leave)?	No ☐ Yes ☐
If Yes, please describe with which financing mechanism(s) it is interrelated with and how:	

25. Has the loan mechanism been significantly modified in the last 5 years?		
☐	No	
☐	Yes, due to the financial crisis and economic downturn	If selected, please choose the appropriate impacts and elaborate on them in the table below
☐	Yes, due to other reasons	Please specify what significant modifications have been made, their rationale and when they were implemented:

	Types of impact of the financial crisis and economic downturn.	Explain the impact on the chosen criteria.	Explain measures for reducing the chosen negative impact.
☐	**Positive impact**		
	☐ More efficient provision of loans (e.g. reduced number of administrative staff allocates the same amount of loans)		
	☐ Increased take-up of loans (e.g. more people willing to study during economic downturn and taking loans)		
	☐ Other, please specify here:		
☐	**Negative impact**		
	☐ Disordered provision of loans (e.g. lack of funds, lack of resources, etc.)		
	☐ Reduced take-up of loans (e.g. fewer eligible individuals can access/pass through risk assessment, increased interest rate deters from taking the loan)		
	☐ Reduced financial sustainability of loans (e.g. reduction in volume of repayments, higher default losses, higher drop-out rate, etc.)		
	☐ Other, please specify here		
☐	**No impact**		

26. Are there any plans/pilot projects/needs to change the existing loan mechanism?	No ☐ Yes ☐
Please specify what changes are planned, their rationale and when they are likely to be implemented:	

Thank you for your kind help and cooperation.

Questionnaire for the detailed survey on subjective judgements

Study 'the role of loans in financing vocational education and training in Europe' commissioned by Cedefop, Contract N° 2009-0241/AO/RPA/PLI-PSZO/Loans/016/09

Survey of national experts (3B)

Public Policy and Management Institute has been commissioned by Cedefop to carry out the study 'the role of loans in financing vocational education and training in Europe'. The purpose of this study is to gain a clear understanding of the role of loans in financing and promoting vocational education and training in Europe (27 EU Member States, EFTA/EEA and EU candidate countries). The study will explain operation of loans, evaluate their implementation and provide policy recommendations.

The questionnaire below requires your evaluation of effectiveness, efficiency, equity, impact and sustainability of the existing loan mechanism(s). Please complete the questionnaire, if possible, by *Date Month, 2010* and return it to Simonas@vpvi.lt (or by fax +370 52625410). Should you have any questions or remarks, please do not hesitate to write to the above e-mail address or contact Mr Simonas Gaušas, tel. +370 52497538.

In the following questionnaire we ask you to provide subjective assessment for the following loan mechanisms identified in your country:

[We provide the factual description of the given loan scheme here]

1. In what capacity do you have knowledge about loan schemes? Please choose one most appropriate:	
☐	a. Loan scheme manager
☐	b. VET learners' representative
☐	c. Representative of learning providers
☐	d. Representative from the financial sector
☐	e. Independent expert from academia or NGO
	For the scoring of the loan mechanisms we need you to grade each mechanism according to several evaluation criteria. To make this easy we first ask to provide your assessment about the importance of each evaluation criteria and then provide your grades for each mechanism.

2. In the first column of the following table we summarised the five main criteria which are the starting point to evaluate the loan schemes. In the third column we single out evaluation sub-criteria which represent ideal loan system. We ask you to weight these 5 evaluation criteria and 11 sub-criteria by distributing 100 points among them in the second and fourth columns. For instance if you think that all evaluation criteria are equally important, please give 20 points to each of them. If you want to give more points to your preferred criterion, you have to lower another in order to keep the total sum of points 100.

Evaluation criteria	Weighting criteria (Sum=100)	Evaluation sub-criteria (of an ideal loan scheme)	Weighting sub-criteria (Sum=100)
Efficiency The extent to which the		1. **Low default rate** – share of all given loans which are written off as uncollectible is very low.	

selected policy measures have produced maximum results from given inputs		2. **Low administration costs** – system operates with very low costs for the management of the mechanism including information and guidance to applicants or recipients, risk appraisal, contracting, payment of loans, checking and following-up of instalments, dealing with bad loans and all other related management functions.	
Equity The extent to which policy measures have provided its target groups with an equal chance to participate in the supported activity and succeed		3. People from **less economically developed regions** are able to access the loan.	
		4. Members of **disadvantageous social groups** are able to access the loan.	
		5. People with skills-shortage **professions / occupations** (e.g. teachers) are able to access the loan.	
Effectiveness (short-term outcomes) The extent to which specific policy objectives have been achieved, or are expected to be achieved *during* or *immediately* after policy intervention		6. **High take-up rate** – share of borrowers to all eligible individuals is very high.	
Impact (long term outcomes) The extent to which general policy objectives have been achieved, or are expected to be achieved *long period* after policy intervention		7. **No deadweight effect** – no beneficiaries of the loan mechanism who would have bought similar training / courses from their own finances benefit.	
		8. **No negative substitution effect** – an adequate number (i.e. a number which is not higher than the one planned by the loan scheme manager) of beneficiaries of the loan mechanism substitute supported training / courses for training which has not been supported or is less supported.	
		9. **High impact on beneficiaries** – high impact on individuals (e.g. improved acquisition of new skills, job prospects, qualifications, raised interest in training, increased earning, etc.) and/or on companies (e.g. improved productivity, increased turnover, strengthened competitiveness, etc.) is observed.	
Sustainability The extent to which positive effects (e.g. stable and safe operation of the loan system) are expected to last long after an intervention (e.g. public financing) is terminated or political conditions have changed		10. **High financial sustainability** – the loan mechanism is able to self-sustain without jeopardising the central budget and is able to resist to the negative effects of financial crises and economic downturns.	
		11. **High political sustainability** – the loan mechanism has stable management structures and is able to flexibly adjust to the changing political and social environment (e.g. changes of ministers, governments, social partners' interests, etc.).	

3. In the following table we ask you to grade all loan mechanisms applied in your country according to the pre-determined evaluation sub-criteria.

For your evaluation please use the scale, where 1=Very poor performance, 2=Poor performance, 3=Medium performance, 4=Good performance and 5=Excellent performance.

Evaluation criteria	Evaluation sub-criteria (of an ideal loan scheme)	Loan A	Loan B
Efficiency The extent to which the selected policy measures have produced maximum results from given inputs	1. **Low default rate** – share of all given loans which are written off as uncollectible is very low.		
	2. **Low administration costs** – system operates with very low costs for the management of the mechanism including information and guidance to applicants or recipients, risk appraisal, contracting, payment of loans, checking and following-up of instalments, dealing with bad loans and all other related management functions.		
Equity The extent to which policy	3. People from **less economically developed regions** are able to access the loan.		

measures have provided its target groups with an equal chance to participate in the supported activity and succeed	4. Members of **disadvantageous social groups** are able to access the loan.		
	5. People with skills-shortage **professions/occupations** (e.g. teachers) are able to access the loan.		
Effectiveness (short-term outcomes) The extent to which specific policy objectives have been achieved, or are expected to be achieved *during* or *immediately* after policy intervention	6. **High take-up rate** – share of borrowers to all eligible individuals is very high.		
Impact (long term outcomes) The extent to which general policy objectives have been achieved, or are expected to be achieved *long period* after policy intervention	**7. No deadweight effect** – no beneficiaries of the loan mechanism who would have bought similar training / courses from their own finances benefit.		
	8. **No negative substitution effect** – an adequate number (i.e. a number which is not higher than the one planned by the loan scheme manager) of beneficiaries of the loan mechanism substitute supported training / courses for training which has not been supported or is less supported.		
	9. **High impact on beneficiaries** – high impact on individuals (e.g. improved acquisition of new skills, job prospects, qualifications, raised interest in training, increased earning, etc.) and/or on companies (e.g. improved productivity, increased turnover, strengthened competitiveness, etc.) is observed.		
Sustainability The extent to which positive effects (e.g. stable and safe operation of the loan system) are expected to last long after an intervention (e.g. public financing) is terminated or political conditions have changed	10. **High financial sustainability** – the loan mechanism is able to self-sustain without jeopardising the central budget and is able to resist to the negative effects of financial crises and economic downturns.		
	11. **High political sustainability** – the loan mechanism has stable management structures and is able to flexibly adjust to the changing political and social environment (e.g. changes of ministers, governments, social partners' interests, etc.).		

4. What are the key strengths and weaknesses that (may) influence the implementation of the loan mechanism? Please briefly identify and justify the most important strengths and weaknesses of the mechanism by the following internal design and performance factors.

Factor	Key strength(s)	Key weakness(es)
Internal design factors		
4.1 Access conditions		
4.2 Repayment conditions		
4.3 Institutional characteristics		
4.4 State subsidy		
4.5 Other, please specify here:		
Performance factors		
4.6 Efficiency		
4.7 Equity		
4.8 Effectiveness		
4.9 Impact		
4.10 Sustainability		
4.11 Other (e.g. communication strategy), please specify here:		

5. What are the key opportunities and threats that (may) influence the implementation of the loan mechanism? Please briefly identify and justify the most substantial impacts of the following key external factors.

Factor	Key opportunity(ies)	Key threat(s)
5.1 Political		
5.2 Financial/Economical		
5.3 Socio-cultural		
5.4 Technological		
5.5 Legal		
5.6 Demographic		
5.7 Other, please specify here:		

6. If you have any personal feeling about the system, which the above did not cover, please provide your views.

Thank you for your kind help and cooperation.

ANNEX 8
Basic characteristics of non-European loan schemes

Basic characteristics of loan schemes in the US

Criteria	Basic characteristics
Schemes	+ Federal Direct Loan (FDL) – loans that are made to the student directly + Parent Loans for Undergraduate Students (PLUS) – disbursed to parents + Private schemes – made either to the student or the parent; high diversity
Objective	FDL: '[…] to help pay for the cost of a student's education after high school' ([a]) PLUS: '[…] to help parents paying for tuition and school related expense…'
Eligibility	FDL+PLUS: ISCED 4-6 Private: ISCED 2-6 and CVET ([b])
Loan amount	FDL: maximum EUR 1 350 per month PLUS: variable
Interest rate	FDL: 5.6%-6.8% (+1% loan fee deducted from each loan disbursement) PLUS: 7.9% (+3%+1%=+4% fee deducted from each loan disbursement)
Repayment	FDL: income contingent + Mortgage type, grace period six months, maximum repayment period 25 years PLUS: mortgage type, grace period six months, maximum repayment period 25 years Private: income contingent + Mortgage type ([c])
Institution	FDL: the lender is the federal government itself, the distribution of the loans takes place through the educational institutions.
Financing	FDL+PLUS: from the federal budget Private schemes: from the capital market
Portability	FDL: NO for foreign students; YES for home students studying abroad

([a]) *Direct loan basics for students*, available from Internet: http://www2.ed.gov/offices/OSFAP/DirectLoan/pubs/studentbasics.pdf [cited 30.11.2011].

([b]) If the student attends private high school, the parents often need to take private student loans out. The most widespread private student loans for this purpose are the followings: Achiever loan from KeyBank, Citiassist K-12 loans from Citibank, Sallie Mae K-12 family education loan, and Your tuition solution loan.

([c]) On the market one can find private student loans for training and programmes that the student might not be able to get federal student loans for. These private student loans are tailored for students, e.g. one can get a student loan if taking part in an apprenticeship programme and has only to pay interests during the programme.

Basic characteristics of loan schemes in Canada

Criteria	Basic characteristics
Schemes	+ Canada student loans programme (CSLP) funded by the government ([a]) + Student Assistance Office (SAO) of Quebec's and two territories' own student loan system ([b]) + Private schemes: from the capital market
Objective	'[…] to promote accessibility to post-secondary education for those with demonstrated financial need by lowering financial barriers through the provision of loans […] and to ensure Canadians have an opportunity to develop the knowledge and skills to participate in the economy and society.' ([c])
Eligibility	CSLP: ISCED 4-6 and CVET; residents of Quebec et al. cannot have access There exist province-level (e.g. in Ontario) ([d]) and private student loans for apprentices. CSLP: postsecondary students who are enrolled full-time or part-time to a programme leading to a degree, diploma or certificate. The student must have 'satisfactory progress'. Demonstrated financial need is always necessary.
Loan amount	about EUR 675 per month
Interest rate	5.25%-7.75%
Repayment	Mortgage type, grace period is six months, maximum repayment period is 15 years
Institution	Specialised institution
Financing	directly by the Canadian government
Portability	CSLP: NO for foreign students; YES for home students studying abroad:

([a]) Since the most significant element of the whole student loan system in Canada is the CSLP (about 77% of the entire population lives in the provinces and territories where it is available), only this programme is considered in the table. However, in some cases references are made to province-level and private student loans. These references are always indicated.

([b]) Nevertheless, the government makes transfer payments to these territories and Quebec for operating the student loan system.

([c]) Human Resources and Skills Development Canada, http://www.hrsdc.gc.ca/eng/learning/canada_student_loan/about/index.shtml [cited 30.11.2011].

([d]) http://www.edu.gov.on.ca/eng/training/apprenticeship/loantool.html [cited 18-10-2010].

Basic characteristics of loan schemes in Australia

Criteria	Basic characteristics
Schemes	Higher education loan programme (HELP) + HECS: higher education contribution scheme, for State supported HE students since 1989 + FEE: fee-paying HE students since 2005 + VET: students of approved VET providers since 2005 + OS: State supported HE students studying overseas ([a]) since 2005
Objective	HECS: to help 'eligible students pay their student contribution for unit(s) of study in which they are enrolled as a Commonwealth supported student' ([b]). FEE: to assist 'eligible fee paying students to pay their tuition fees' ([c]). VET: to assist 'eligible students to pay for all or part of their tuition fees at approved VET providers [...when pursuing] diploma, advanced diploma, graduate certificate and graduate diploma' ([d]). OS: '[…] to assist eligible undergraduate students to undertake some of their Australian course of study overseas' ([e]).
Eligibility	HECS+FEE: ISCED 5-6 VET: ISCED 5 OS: ISCED 5-6 State supported, undergraduate students
Loan amount	HECS: about EUR 640 per month. FEE: up to the tuition fee (EUR 700-2 000 per month). Loan amounts depend also on the specialisation of the student (the highest amounts are for students of law, dentistry, medicine, veterinary science, accounting, administration, economics and commerce. VET: up to the tuition fee (EUR 400-1 200 per month). OS: EUR 655 per month.
Interest rate	0% in real terms, adjusted in accordance to the consumer price index every year
Repayment	Income contingent, income threshold (AUD 43 150), gradually increasing income/repayment rate (4%-8%)
Institution	Specialised institution, the repayment of the student loan takes place within the scope of the annual income tax payment, direct involvement of the tax authority
Financing	The lender is the Department of Education, Employment and Workplace Relations of the Australian government. Financed directed from the State budget.
Portability	HECS+FEE: for foreign students: No; for home students studying abroad: only for State supported students and in the framework of OS-HELP

([a]) Jackson (2002); Chapman and Tan (2007).
([b]) Australian government (2010a, p. 22).
([c]) Australian government (2010b, p. 11).
([d]) Australian government (2010c, p. 1).
([e]) http://www.goingtouni.gov.au/Main/Quickfind/StudyOverseas/OSHELP.htm [cited 01.12.2011].

Basic characteristics of loan schemes in New Zealand

Criteria	Basic characteristics
Schemes	+ student loan scheme (SLS) since 1992
Objective	'… to enhance access to tertiary education by making it easier for people to study at the tertiary level.' ([a])
Eligibility	Full time and part-time students in ISCED 4-6
Loan amount	Full time students: tuition fee, course related costs, living costs Maximum EUR 1 550 per month Part time students: only tuition fee
Interest rate	1996-2000, treasury bond rate + 0.9% 2000-06, 7% + non interest while study From 2006, 0%
Repayment	Income contingent: 10% of the income above a certain threshold. Direct tax deduction
Institution	New Zealand government itself
Financing	Directly from the State budget
Portability	For foreign students: No; for home students studying abroad: Yes, however, they need to be enrolled at a HE institution in New Zealand as well, and their overseas study must be approved by the TEC.

([a]) Ministry of Education, 2009, p. 14.

Basic characteristics of loan schemes in South Africa

Criteria	Basic characteristics
Schemes	+ national student financial aid scheme (NSFAS)
Objective	'[…] to impact on South Africa's racially skewed student, diplomat and graduate populations by providing a sustainable financial aid system that enables academically deserving and financially needy students to meet their own and South Africa's development needs.' ([a])
Eligibility	Undergraduate students enrolled in a university or technikon ([b]), demonstrating financial need (i.e. loans are means-tested) and a potential for academic success, ISCED 5
Loan amount	Tuition fee but in some cases also living costs and travelling expenses. About EUR 420 per month
Interest rate	Inflation +2% for administration costs and to cover cases of default
Repayment	Income contingent repayment with a threshold (now ZAR 26 300 = EUR 2 722)
Institution	Specialised institution: tertiary education fund of South Africa (TEFSA)
Financing	Financed by the government and donations from the private sector and overseas donors
Portability	For foreign students: NO; for home students studying abroad: YES

([a]) *National student financial aid scheme*, available from Internet: http://www.nsfas.org.za/profile-mission-statement.htm [cited 1.12.2011].

([b]) Technikon: technological university (though in reality rather a college with less autonomy than universities).

Basic characteristics of loan schemes in South Korea

Criteria	Basic characteristics
Schemes	Complex system: six large State-supported student loan systems (see below); large companies and State-owned large enterprises often provide student loans for their employees and private bank schemes. + Ministry of education and human resources development (ME) + Ministry of labour (ML) + Korea research foundation (KRF) + Korea teachers' pension foundations (KTPF) + Korea labour welfare corporation (KLWC) + Government employees pension corporation (GEPC) ([a])
Objective	ME: poor students ML: employees in engineering at technical colleges KRF: academic researchers KTPF: teachers and their children KLWC: employees certified as victim of industrial accident and their children GEPC: public officials and their children
Eligibility	Undergraduate and graduate students ISCED 4-6
Loan amount	Up to the tuition fee, no living costs are covered, except for the KLWC where maintenance loan is EUR 265 per month.
Interest rate	ME: 6-7% ML: 1% KRF: 0% KTPF: 0% KLWC: 1% while study, 5% while repaying GEPC: 0%
Repayment	Conventional (mortgage type) with very short repayment periods typically 2-8 years
Institution	Mostly retail bank based but financed from the state budget, except for KRF which is operated through a specialised institution
Financing	State budget
Portability	Not available for foreigners either for foreign studies, any of them.

([a]) Kim and Lee (2003).

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Loans for vocational education and training in Europe

TI-BC-12-001-EN-N

This Cedefop report examines the design and performance of loans for (vocational) education and training across Europe and provides in-depth analysis of the loan schemes in eight selected countries: France, Hungary, the Netherlands, Austria, Poland, Finland, Sweden and the UK.

The report is largely based on information collected via surveys of loan scheme managers, experts on financing (vocational) education and training, and other key national stakeholders, as information from secondary sources was relatively scarce.

The analysis covers aspects such as types of loan, objectives pursued, access and repayment conditions, management and administration, the role of government, financial institutions and other actors.

The performance of loans is assessed according to five evaluation criteria: effectiveness (take-up rates), efficiency (default rates and administrative costs), equity, impact (impact on beneficiaries, deadweight and substitution effects) and sustainability (financial and political). The appraisal relies strongly on the opinions of the survey respondents.

The report looks also at the experience of non-EU countries in improving their loan schemes and formulates recommendations for European policy and practice.

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