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Make the most of EU resources for your region or city

# Investing in education: Today's students develop tomorrow's innovations

The European Investment Bank (EIB) is the financial arm of the European Union owned by its 28 Member States. Founded in 1958, it operates across the EU and in more than 130 other countries. The EIB is the largest supranational borrower and lender in the world and the only international financial institution politically accountable to the EU.

## Why does Europe need to invest in education?

It is imperative for societies to invest in their people. Investment in human capital is a driving force for human well-being, growth and development at both regional and national level.

There is a **clear case for investment in education in many European cities and regions**, as today's students will develop tomorrow's innovations. The demand for young people with excellent post-secondary training and a skill-set that fits the needs of future jobs will increase. Yet, the EU lags behind other regions:

- Expenditure per pupil in the US is 40% higher for schools and double for tertiary education.
- One in seven young people in the EU leaves education and training too early.
- Less than one person in three aged 25-34 has a university degree compared to 40% in the US and over 50% in Japan (see "EUROPE 2020 A strategy for smart, sustainable and inclusive growth").

The European education system needs to be significantly boosted to close these gaps. However, the **economic crisis forced Member States to make cuts in public spending** and introduce reforms to contain costs in education, representing both a threat to resources and also an opportunity to improve the performance of EU education providers.

Recognising that investment in education is highly profitable both from an individual and a social point of view, the EU supports Member States so that they can emerge stronger from the economic and financial crisis. The **Europe 2020 strategy** lists **education as one of the five priority targets for smart, sustainable and inclusive growth**. **Youth on the Move** proposes 28 key actions aimed at making education and training more relevant to young people's needs and encouraging more of them to take advantage of EU grants to study or train in another country.

## How can the EU bank help?

To help Member States achieve these goals, the European Investment Bank supports a broad range of investments in education. **Our financing enables cities and regions to bridge the gap between education needs and tight public resources.**



We have been lending to education projects since 1997 following the adoption of the Amsterdam European Council Resolution on Growth and Employment. The volume of our lending for education rose progressively from EUR 536 million in 2000 to about EUR 3.5 billion in 2016. **Our total lending to education in 2000-2016 amounted to around EUR 38 billion.**

## What kind of projects does the EIB finance?

The EIB, the EU bank, supports projects which help to further EU policy objectives, **increasing the capacity and improving the quality of education facilities.**

EIB investments benefit a broad range of projects starting from those targeting kindergartens up to tertiary education and research. Around 30% of our sector lending aims to improve the quality of primary and secondary education. Higher education projects receive 38% of our sector lending and innovation 20%. To encourage the mobility of students and researchers we support relevant national programmes. We also finance vocational training colleges as well as student loan facilities.

Most of these projects have concerned investments in physical infrastructure. Yet there is nothing in the EU policy background that limits the EIB contribution to bricks and mortar. We are ready to invest in intangible education projects, such as teacher training or digital learning platforms.

## Who can benefit from EIB financing?

The EIB's clients are **public and private sector entities**. States, cities, regions, towns and other settlements, companies and banks funding education projects can apply for EIB financing.

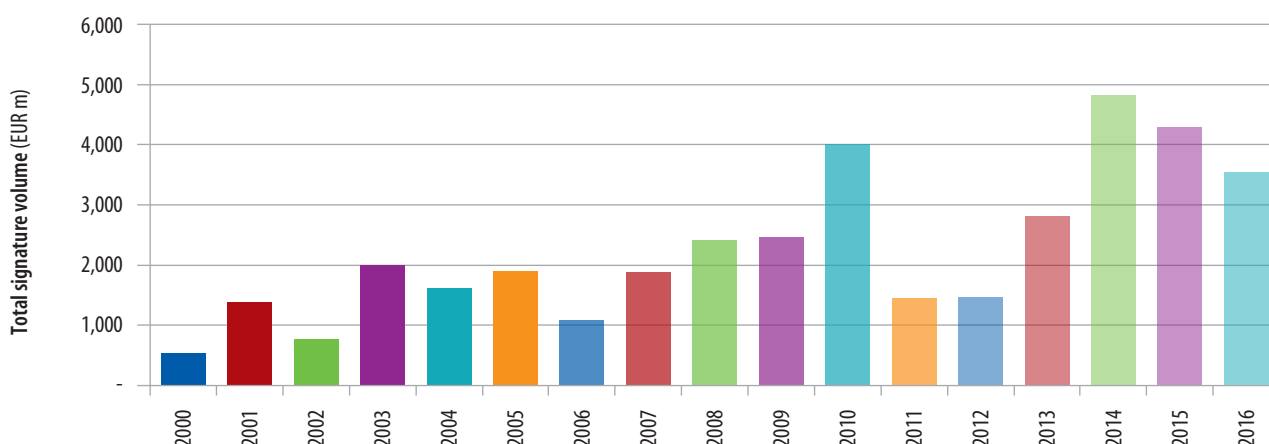
### Keeping brains at home in Greece

The EIB is providing EUR 180 million to support the creation and first operations of the new Hellenic Foundation for Research and Innovation (ELIDEK). The Foundation will provide funding for fundamental research by universities, higher technology institutes and public science institutions to support the national strategy for research and innovation, itself aligned with the National Growth Strategy. This is expected to represent around 15% of public research investment in Greece and ensure that research jobs can be created for young scientists who might otherwise leave the country to seek opportunities elsewhere. This is the first time that the EIB has backed research activity at the national level in Greece.

A typical EIB borrower is a sovereign or regional state and the beneficiary a public school or university. More recently, partly in response to the European Fund for Strategic Investments (EFSI), the Bank has also financed other projects, e.g. an association of private schools, a private university and a business academy.

Private resources are also increasingly important. The Bank has become a **significant provider of finance to public-private partnerships**, where the private sector is called on to contribute in innovative ways to the funding, construction, upgrading and operation of health and education facilities.

## EIB lending to education 2000-2016





### Modernising schools in Italy

The EIB has provided a EUR 940 million framework loan to modernise schools across Italy. A total population of over **four million pupils** will benefit from the upgrade of pre-schools, primary and secondary schools. The project aims to improve the learning environment for students and working conditions for teachers in over **20 000 schools**. In particular, the loan covers restructuring operations, compliance with safety and seismic standards, energy efficiency and the construction of new school buildings. An estimated share of 35% of the investments concerns less-developed regions in Italy.

## What financing instruments are available for the education sector?

The EIB offers a broad range of tools to support education projects:

- **Investment loan:** When a **single large investment project** needs long-term funding the client typically arranges financing on a project basis. Development of a university campus or research centre would normally fall into this category. In such cases the EIB can provide dedicated project-specific loans – or as we call them, investment loans. They usually amount to at least EUR 25 million. The EIB’s loan cannot finance more than 50% of the overall investment programme.
- **Framework loan:** **Framework loans** are a source of **long-term financing that is flexible enough to handle changes** in the investment programme over time. They can be used to finance multiple small and medium-sized projects, usually in the size range of EUR 1-50 million, typically over a period of 3-5 years.
- **Intermediated loans:** We support smaller projects indirectly, through **credit lines to local banks** or other intermediaries, which then on-lend to final beneficiaries such as school associations and local authorities.

## Can EIB loans be combined with EU financing?

Yes, EIB finance can be combined with other sources to maximise financial impact – this is what we call **blending**. Blending is also possible when using **EU Structural Funds** (Cohesion Funds, European Regional Development Funds, European Social Funds, European Agricultural Funds for Rural Development, and

European Maritime and Fishery Funds). Our dedicated **structural framework loans** support investments in education by blending EU grants and loans. There are some limitations within EIB’s lending policy:

- For regions classified as less developed, transition or under transitory measures, the EIB and the EU contributions aggregated cannot exceed 90% of the total investment cost.
- For regions classified as developed, the cumulative ratio decreases to 70%.

## How to apply for EIB funding?

Schools, regions and other potential clients interested in receiving EIB funding should contact the EIB through the normal channels (via [the EIB website](#) and [EIB offices located in the Member States](#)). The EIB loan officers analyse the risk profile of the borrower, assess the project and make a recommendation to the Bank’s management.

## Does the EIB provide advice to project promoters?

Our lending activity is complemented by technical and financial expertise available to our clients. EIB advisory services can help our clients to develop and implement investment projects and programmes, and to improve institutional and regulatory frameworks. Together with the European Commission we have established the **European Investment Advisory Hub**, which serves as a **single access point to a 360 degree offer of advisory and technical assistance** to get projects off the ground. In addition we offer a number of sector or area-specific **advisory services**.



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