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Human Capital

The Bank started lending to the education and health sectors as specific objectives in 1997, after the Amsterdam Council. The activity in these two sectors was then expected to be on a small scale, for a temporary period, restricted in geographic scope and reach, and centred on consideration of the direct employment effects in these sectors. Today, however, these two sectors are permanent features of the Bank's work, largely unrestricted geographically, and treated as a top priority. Under the Bank's Innovation 2010 Initiative (i2i), they are key to the Bank's contribution to the Lisbon Strategy by supporting innovation. They support EIB activity in social cohesion and in general are placed in the context of their effect on employability, rather than employment as such.

Most of the stock of 'human capital' is for practical purposes measured in terms of education and health. The Bank usually but not always lends for the tangible infrastructure which supports human capital – schools, universities (teaching and research), laboratories, clinics, hospitals and primary and social care networks. Although the bulk of the Bank's lending is in physical infrastructure for human capital, some – such as student lending schemes and funding for research and development in university and hospital settings – is intangible. This aspect is likely to increase in future years.

Examples of lending in 2004 are *Valencia Centros Escolares* (upgrading of educational facilities in the Region of Valencia, Spain), *Finnish Research and Higher Education* (improvement of R&D infrastructure throughout Finland), *Klinikum Minden* (construction of a new hospital in Minden, Germany) and *NHS LIFT Primary Healthcare* (improvement of healthcare facilities across England). Of the Bank's EUR 43.2 billion of overall lending for 2004, direct loans for investment in human capital amounted to EUR 3.1 billion. The total of global loans for 2004 amounted EUR11.7 billion of which about 15% were in human capital. Approvals for lending in support of human capital in 2004 reached a record of around 15% of the Bank's turnover, running at EUR 3.4 billion for 30 projects. In the past seven years, the EIB has lent a total of EUR 12.9 billion for investments in health and education in almost every country of the Union (EU-25), and in Candidate and some Partner Countries. In the EU it has lent EUR 12.3 billion and outside the EU EUR 612 million for health and education investments over this period.

The Bank engages with a variety of outside partners to guide its action. These include the Commission in both education and health. A particular example is eLearning, in the sense of support for the development of the necessary tools and software as well as training in 'electronic literacy', and includes work on public-private vehicle structures for the sector. There is also liaison with the OECD in education. In 2004, the EIB and the World Bank released their first-ever joint sector study on higher education in Poland. In health, the Bank is a founder member of the European Observatory on Health Systems and Policies (together with the World Health Organization, the World Bank, several governments, NGOs and others), and also of the EU Health Property Network.

One example of the EIB's approach towards lending for human capital projects is the Bank's activities in the Balkans. Following the December 2002 Thessaloniki Council, with a view to progressively enlarged European integration, the focus has been broadened to include also investment in the Western Balkan countries. In the late 1990s and early 2000s, the EIB concentrated on the restoration of basic transport and energy infrastructure. After the first phase (which is still under way), in keeping with the recommendations of the EU Summit in Thessaloniki, in the Western Balkans the EIB has pursued an active dialogue with governments, the European Commission, the European Agency for Reconstruction and the other IFIs active in the area, with the aim of identifying and preparing operations to enhance health infrastructure and human capital resources.

In October 2003, the Bank signed a EUR 50m contract with Serbia and Montenegro to contribute to the funding of an investment programme to restore basic services in 20 regional hospitals throughout the country and modernise a research centre in Belgrade. In 2004 the Bank appraised an education project, and a follow-up health scheme.

In summary, the EIB's adoption of the development of human capital as one of its key priorities underlines the importance attached to this sector as a means of underpinning growth and employment in an extended Europe and beyond. The rapid growth in EIB lending on human capital provides clear evidence of the value added by a public policy-oriented bank in this area.

For more information on the EIB, visit the internet site www.eib.org.

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