

The EIB Education Lending Paper: Implications for VET Finance

CEDEFOP

Thessaloniki, 15-16 October 2009

Albert Tuijnman

Structure of the Presentation

Purpose: to introduce the EIB, highlight aspects of the new education lending policy paper, review education lending portfolio, and discuss challenges for VET finance

Four parts:

- The EIB as a European institution
- Education Lending Policy Paper
- Education Lending Portfolio
- Challenges for VET Finance

1. Introducing the EIB



EIB: The EU long-term lending bank set up in 1958 by the Treaty of Rome

Shareholders: 27 EU Member States

Governance:

- Board of Governors – EU Finance Ministers
- Board of Directors – Member States & European Commission
- Management Committee – Executive body
- Audit Committee – independent, non-resident

1. Introducing the EIB

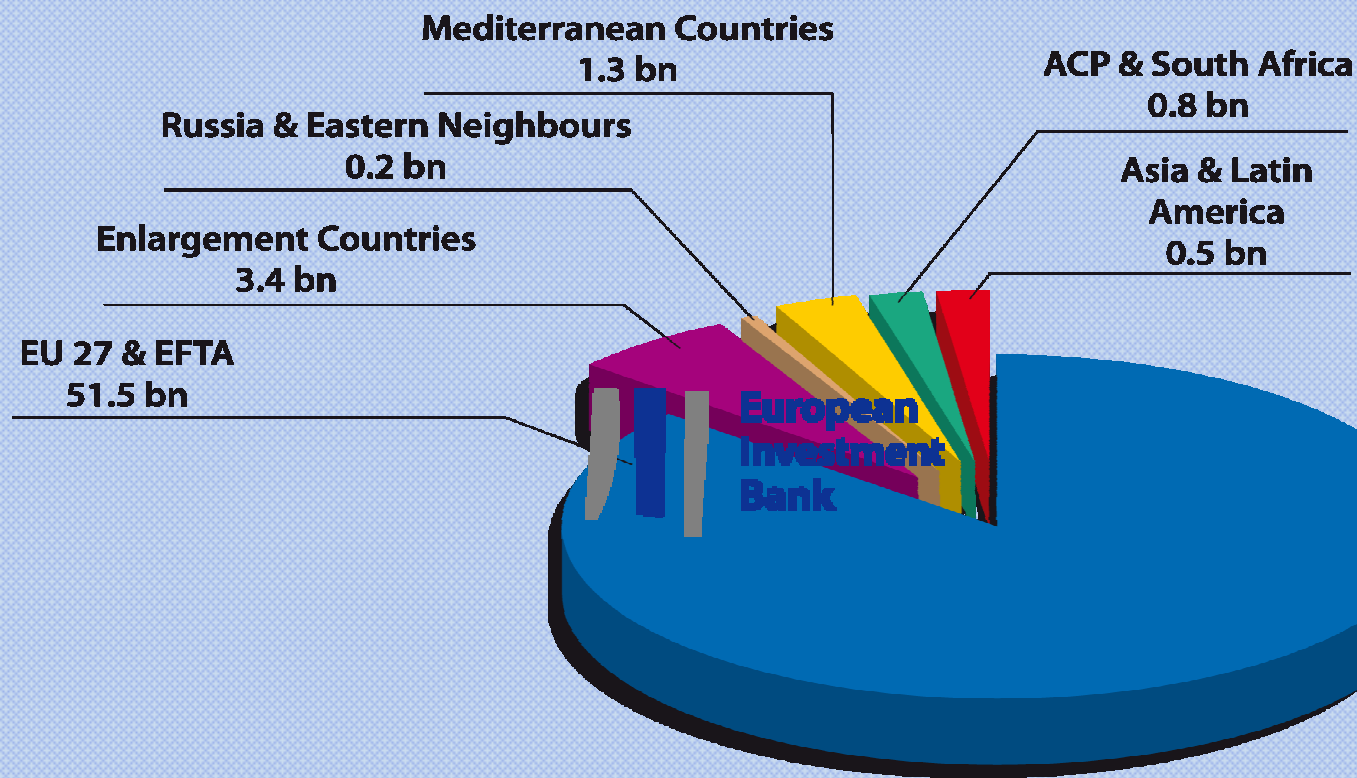


Priority lending objectives within the EU:

- Cohesion and convergence
- Small and medium-sized enterprises
- Environmental sustainability
- Trans-European networks
- Sustainable and secure energy
- Knowledge economy; 3 objectives:
 - a) Research & Development
 - b) Education & Training
 - c) Information & Communication Technology

1. Introducing the EIB

Total lending in 2008 (57.7 EUR bn)

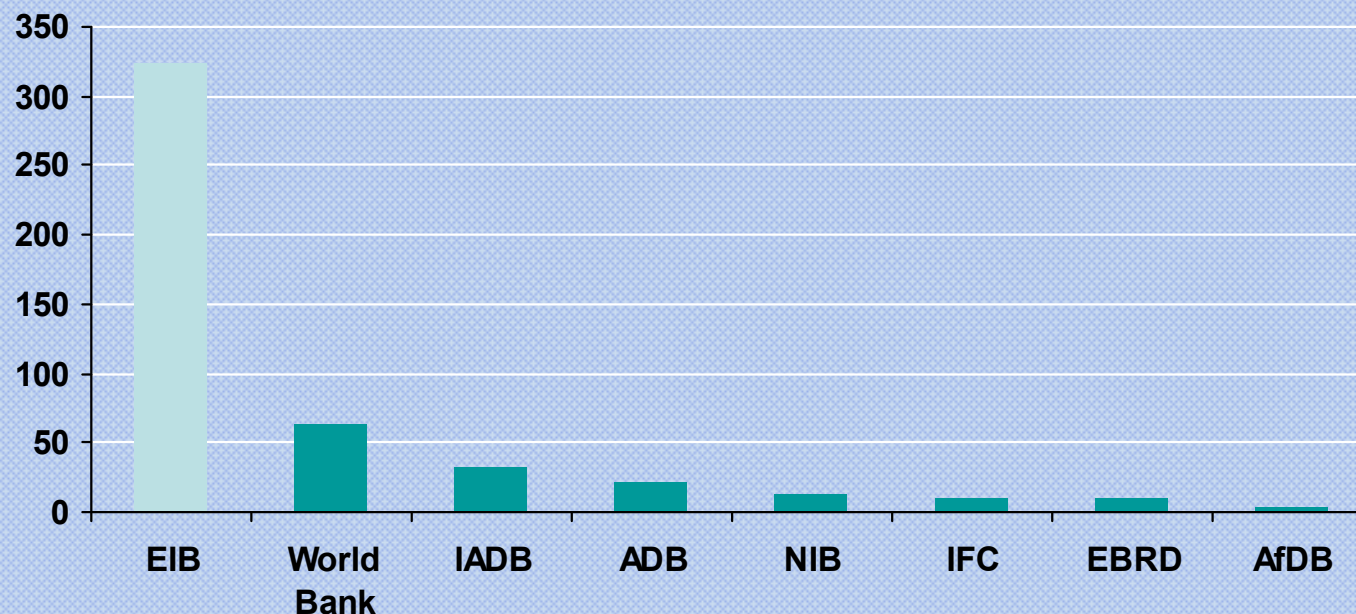


1. Introducing the EIB



Largest Supranational Lender

EUR bn



Loans outstanding (signed)

ADB, AfDB, EBRD, EIB, IADB, NIB: December 2007

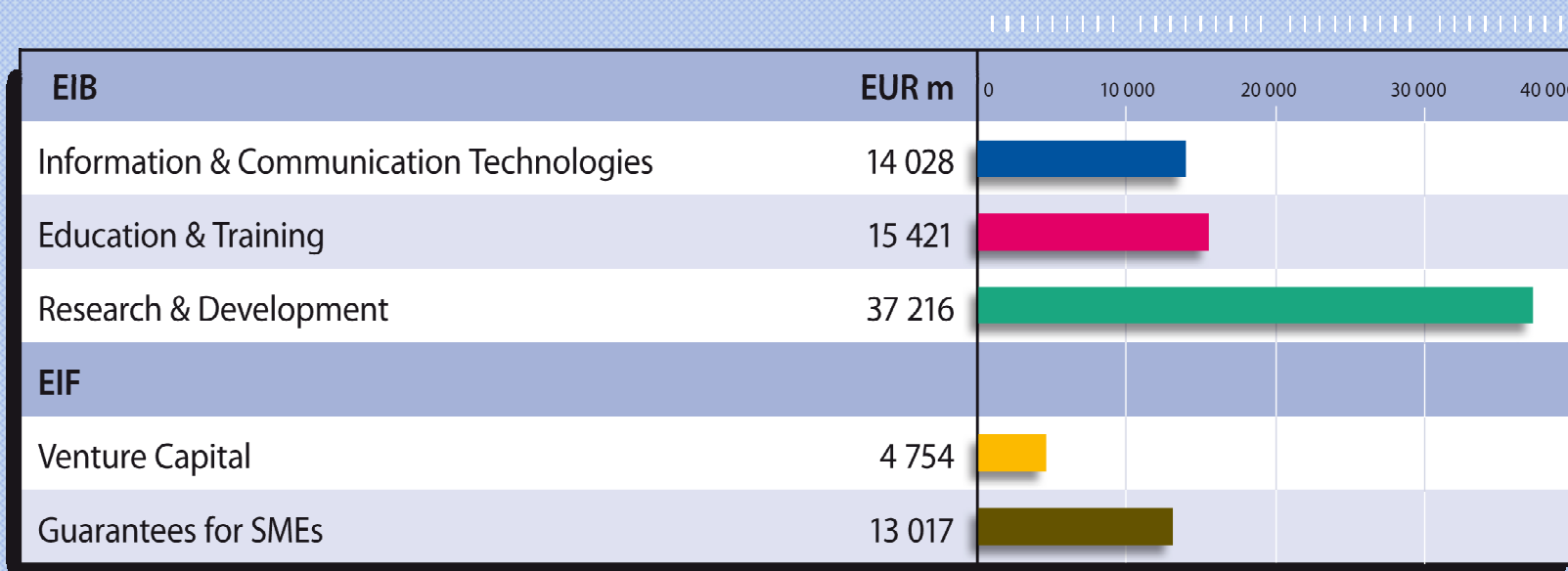
World Bank, IFC: June 2008

1. Introducing the EIB



EIB Group contribution to the Lisbon Agenda

Loans signed: EUR 68.4bn since launch in 2000



2. Education Lending Policy Paper



Education Lending Policy: Focus on Improving Skills and Enhancing Employability (Doc CA09/156 (May 2008))

- Reviews Community guidance for the education and training sector
- Traces EIB education lending since the 1960s
- Defines lifelong learning framework in the context of the Knowledge Triangle and Social Triangle
- Describes the “Quality Imperative”
- Reviews the EIB education lending portfolio
- Sets out methodological considerations in financing projects with intangible components
- Presents broad policy recommendations

2. Education Lending Policy Paper



Promoting co-operation in education and training:

- 1975: CEDEFOP
- 1976: Eurydice
- 1988: Erasmus Mundus student exchange
- 1995: Socrates teaching staff exchange
- 1997: Amsterdam European Council: EIB "... to examine its scope of intervention in the areas of education ..." Start of Bank lending actions
- 1997-1999: Amsterdam Special Action Programme
- 2000-2010: Lisbon, KE, Human Capital

2. Education Lending Policy Paper

2002: EU objectives for education and training: (a) Improving quality and effectiveness; (b) Facilitating access; and (c) Opening up education and training systems to the wider world

Renewed Lisbon Strategy (“open method”):

- Common education benchmarks and indicators
- Common higher education area
- Common research area
- Common qualifications framework
- Common e-Learning programme
- Common lifelong learning policy framework

2. Education Lending Policy Paper



- Treaty Article 149: focus on action programmes to improve education quality
- European Lifelong Learning Framework: All learning is cumulative; early success in learning builds later success. Emphasis on learning outcomes on the skills (human capital) people have acquired
- Lifelong Learning calls for human capital investment and quality in learning outcomes over a life time
- Emphasis on outcomes calls on Bank to support projects that improve “quality” more directly. This means support for “intangibles” (difficult challenge!)

2. Education Lending Policy Paper

Benefit	Private	Public
Market	Employability	Higher productivity
	Higher earnings	More net tax revenue
	Less unemployment	Less reliance on
	Labour market flexibility	welfare support
	Greater mobility	Allocation efficiency
Non-market	Better consumer efficiency	Reduced fertility
	Reduced crime	Better social cohesion
	Better health	Voter participation
	Less infectious disease	
	Improved children quality	

Sources: Walter McMahon, George Psacharopoulos

2. Education Lending Policy Paper

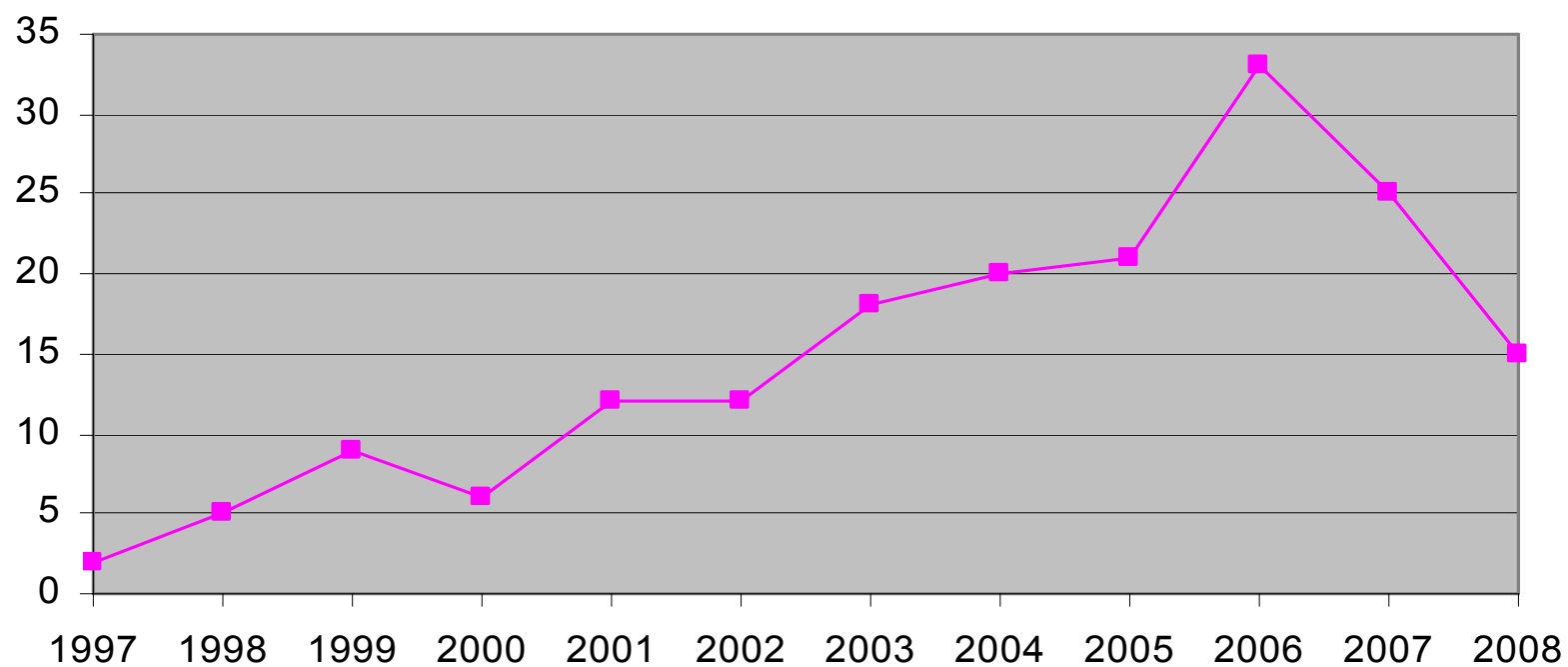
- No single European education and training policy
- Political acknowledgement of the centrality of education and training to employment, economic growth and social cohesion in the EU
- Gradually deepening co-operation among Member States in the education and training sector, driven by the “open method of co-ordination” and common benchmarks and indicators
- Voluntary process leading to gradual harmonisation in education and training policy areas, especially in the tertiary education sector
- Explicit EIB remit and growing portfolio of education and training projects; EIB share now exceeding 5% of fixed capital investment in sector in EU-27

3. Education Lending Portfolio

- 1997-2003: Only capital investment projects in physical education and training infrastructure
- 2003-2009: Also investments for support infrastructure (science parks, ICT platforms, libraries, student housing facilities, computer classrooms ...)
- 2004-2009: Also intangible investments in academic research and development projects in universities
- 2004-2009: Also micro-credits for continuing vocational and professional training of skilled workers (BAFÖG) in Germany mandated to KfW
- 2005-2009: Also student lending via intermediaries

3. Education Lending Portfolio

Chart 1. Number of EIB education sector loans approved by CA, 1997-2008.



4. Challenges for VET Finance

VET: What can be financed? => Lifelong learning!

- Initial VET (schools, academies in public sector)
- Continuing VET in public sector (active labour market training programmes; regular adult education and training programmes)
- Distance education and training (public sector)
- VET in large corporates (through direct loans)
- VET in midcaps (through intermediated loans)
- VET in SMEs (through global loans to banks)
- VET for individual workers (through micro-credits)

4. Challenges for VET Finance

VET project requirements. Projects must:

- Meet at least one of the EIB's objectives
- Have a sufficiently large investment cost
- Be technically sound
- Be financially viable
- Show an acceptable economic return
- Comply with environmental regulations
- Comply with procurement regulations
- Comply with credit risk guidelines

4. Challenges for VET Finance

Opportunities for EIB lending for VET

- Is the project well defined?
- Does the project contribute to EU policy priorities?
- What is the economic life of the project?
- What is the size of the loan required?
- Who is the promoter and borrower? Competence?
- Who incurs costs and who gets the benefits?
- Who will provide the required co-finance (25-50%)
- Who will repay the loan? Guarantees? Risk sharing?
- Repayment mechanism suited for project?

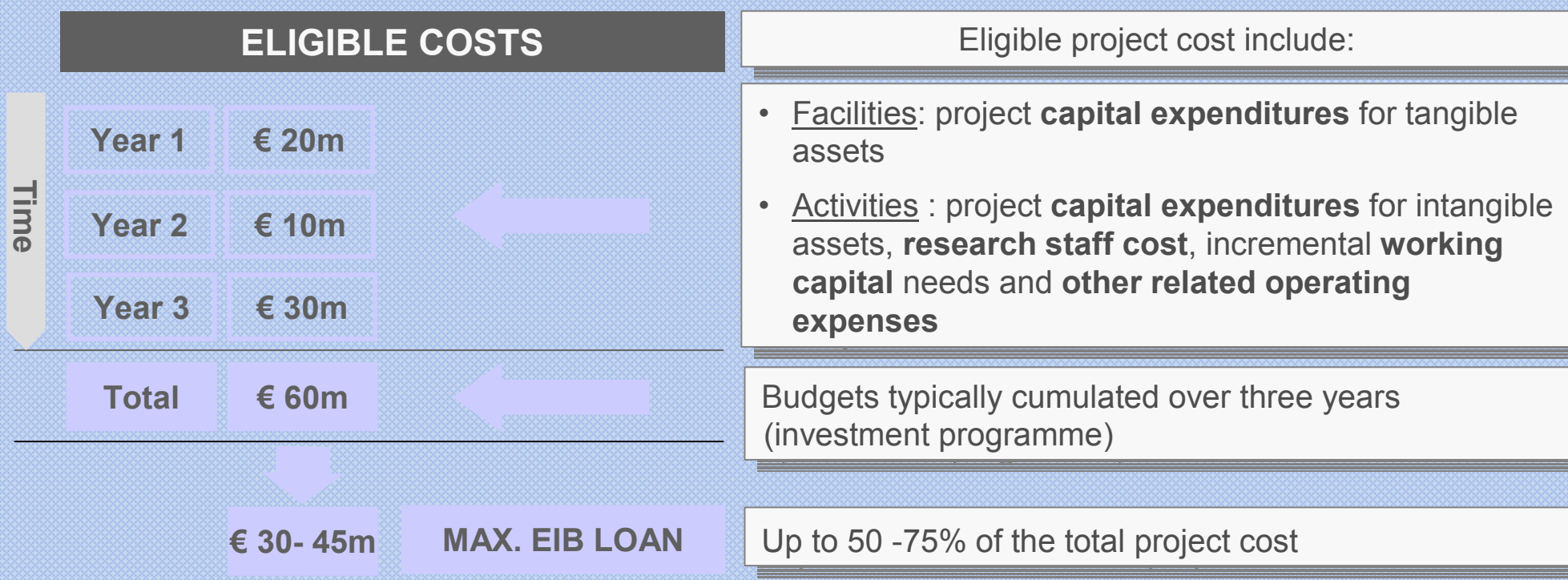
4. Challenges for VET Finance

Economic appraisal: Assessing cost-effective benefits of training programme interventions

- Is the strategic context clear? National and regional policy context? Agreed by relevant actors? Future development of the sector? Impact of project on the sector? Long term financial stability of the sector?
- Are investment objectives defined? Are objectives prioritised? What are the benefits? Who gets them?
- Is the investment solution the best available? What are the alternatives, including *do nothing*? Did “best practice” inform the solution?

4. Challenges for VET Finance

Example of a VET programme loan



The End

Thank You!

<http://www.eib.org>

Info@eib.org

tuijnman@eib.org