



The EIB and Financing of Higher Education Student Loans for Mobility

L. Ferreira

Projects Directorate
Innovation and Competitiveness Department
European Investment Bank

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Green paper on Mobility of Young people

Green paper on mobility identifies several constraints to mobility, *inter alia*,

- Lack of affordable housing
- Lack of funding for costs of living
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Proposition 1: Mobility...

- ▶ Funding for trans-national mobility: Erasmus and other exchange programmes
- ▶ Social Mobility
- ▶ Country mobility

Proposition 2: More private finance....

- ▶ Countries pursue three goals in tertiary education
 - Higher quality
 - Larger quantity
 - Constant or falling public spending
- ▶ Can achieve two but only at expense of the third
 - Large and tax-financed, but with worries about quality (many countries)
 - High-quality and tax-financed, but small (UK till 1989)
 - Large and good-quality, but fiscally expensive (Scandinavia)
- ▶ **The only sustainable way to achieve all three is to supplement public finance with private finance**

Proposition 3: Student loans...

- How to get students to share of the cost of their study without harming access of higher education?

HE should be “free” at point of entry

The EIB and Financing of Higher Education

1.

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The EIB and Student Loans

3.

Food for thought: pan
European Student Loan
Programme

European Investment Bank



Who we are....

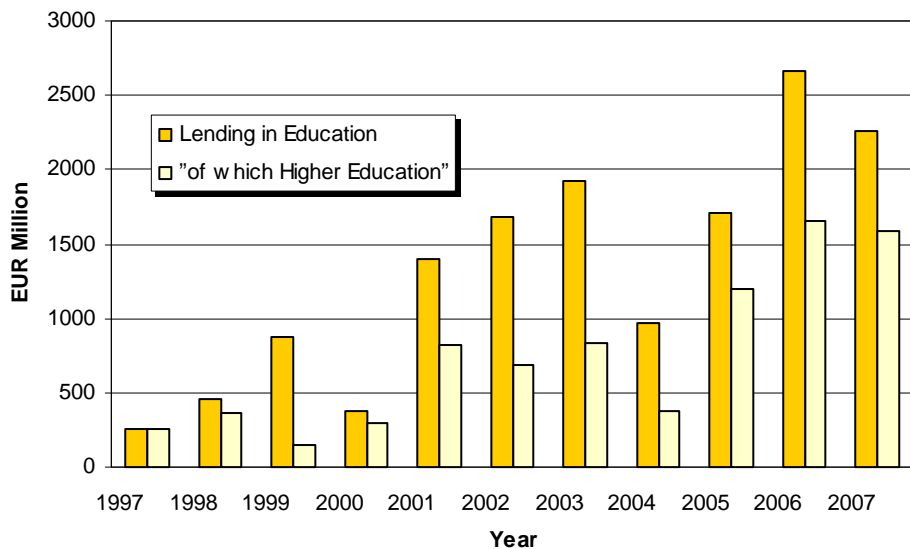
The **European Investment Bank** is the European Union's long-term financing institution. The Bank acts as an **autonomous body** set up to finance capital investment furthering European integration by **promoting EU policies**

- The EIB is owned by the 27 EU member states
- The EIB has a **subscribed capital EUR 164.8 bn**
- The EIB raises its funds on the **capital markets** (2006: EUR 48bn)
- The EIB **signed loans** amounting to **EUR 45.4 bn** in 2007
- The EIB is a **policy driven, non-profit institution** following **sound banking principles**
- EIB is actively developing **risk-sharing structures** with its banking partners



The EIB and Financing of Higher Education

EIB Lending: Education and HE



- Under ASAP investing in education and health was about investing in “hospitals and school buildings to generate employment”
 - Temporary and restricted in geographic scope
- ... now widely accepted as “human capital for employability”
 - Definitive and open throughout EU, Candidates, Med/Balkans/ACP

Some Examples...

Typical University Infrastructure

- Masaryk University
- Universidades de Madrid (Spain)
- Politecnico di Torino i2i (Italy)
- Università Bocconi (Student Accommodation)– Intl. University Bremen

R&D and Intangibles

- University-based research (Germany, Poland, Italy)
- Public Sector R&D (Germany, Hungary, Poland, Turkey)
- Business/Applied R&D (Göteborg (Sweden))
- Student Loans



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Food for thought: pan European Scheme

EIB and Student Loans

- ▶ Financing of student loans programmes
- ▶ Organized an International Policy Conference (2009)
- ▶ Is discussing with the EC ways forward on student loans

EIB and Student Loans

- **Diákhitel Központ Rt. I & II, Hungary:**
All accredited HE Institutions in Hungary
- **Banca Intesa – Politecnici Italiani:**
Milano, Torino, Bari (22 Universities, incl. 2 post Grad. schools)
Fondazione Cariplo
- **Meister Bafög, KfW, Germany:**
Entrepreneurial qualifications
- **Student Loan, Landesbank, Germany:**
Tuition fees for Universities and Fachhochschulen in NRW and Hessen

Well-designed student loan schemes....Results from Conference

Should have the following core characteristics

- Full-income contingent repayments
- Amount of loan covers all direct costs of HE
- Price of loans related to the government cost of borrowing
- But also....
 - Links with student performance
 - Entitlement should be universal
 - Portability
 - “Minimum” Impact on Budget: capability to bring in private funds
 - Management Model

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Pan European Student Loan Programme...

Is there a need for a European-level or Coordinated Solution? How can we structure such cross border-schemes?

- ▶ Countries without student loans
- ▶ Countries with student loans: conditions vary significantly
 - e.g. Portability of loans (and grants)

Pan European Student Loan Programme...

- Support introduction of schemes in countries where they do not exist
- Extension of existing schemes to include portability
- Viability of setting up a European Student Loan Programme?
 - Access to HE and to mobility
 - Mobility

Pan European scheme... Is there a need for a European-level or Coordinated Solution?

- ▶ Management model? Intermediaries (loan awarding and collection procedures)
 - European Student Loan Company
 - Window in a commercial/promotional bank
 - Consortium of Banks...
- ▶ Market failures – default guarantee fund? Who finances it?
- ▶ Financing difference in cost of living -- Differences in costs of living – financial stability of the schemes
- ▶ Lack of access to credit default information

Thanks!

Questions?