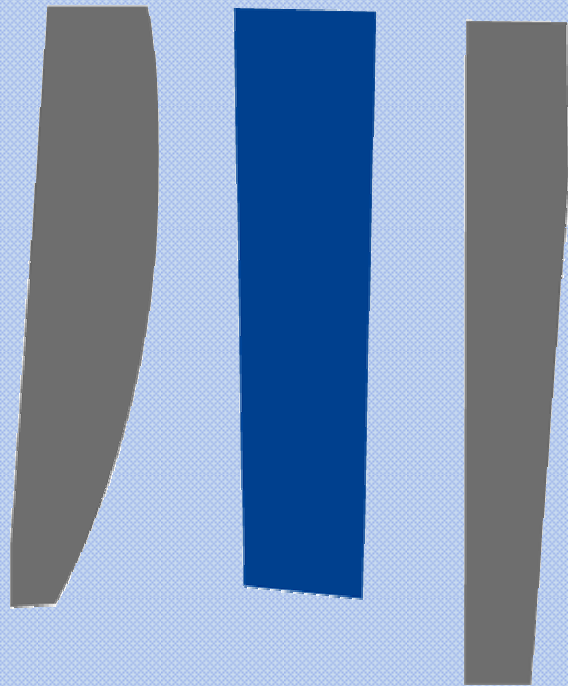


Human Capital Investment: The LISBON Challenges



**European
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THE LISBON STRATEGY

The Goal:

... most competitive and dynamic knowledge-based economy in the world ...

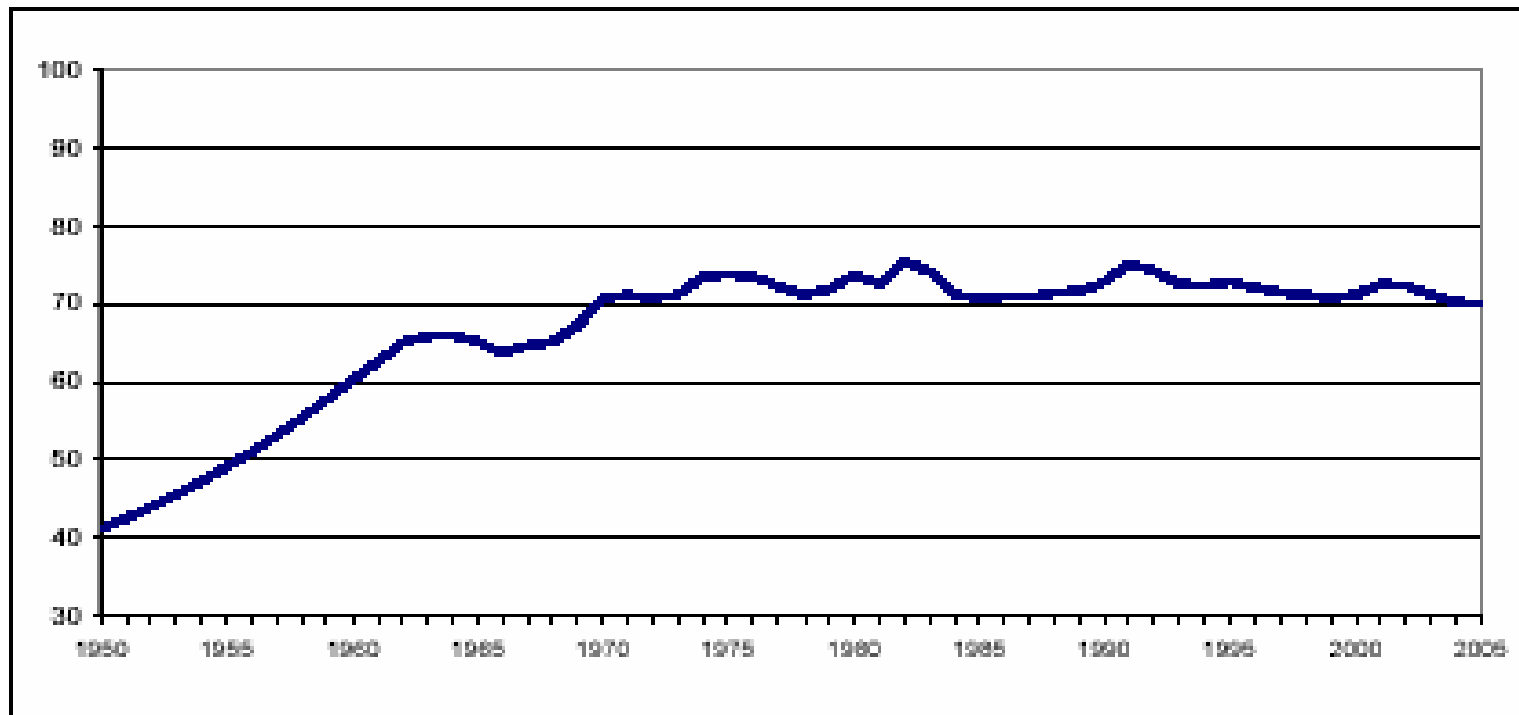
The Means:

- **Sound Macro-economic Policies Favouring Growth**
- **Business Climate, Completing the Internal Market**
- **Modernisation of the “European Social Model”**
- **Information Technology, Research and Development**
- **Labour Market Reforms, European Employment Strategy**
- **Environmental sustainability (added in Gothenburg 2001)**

Mid-Term Review 2004/05

EU Council, High-Level Group Chaired by Wim Kok
European Commission: “New Start for the Lisbon Strategy”

Figure 1: EU GDP per capita in PPS (at constant 1995 prices)
(US = 100)



Source: Commission services, 2004–05: forecasts.

Disappointment ...

Results partly attributable to unfavourable conditions and external shocks:

- **Collapse of dot.com and Telecoms bubble**
- **Economic slowdown and recession following terrorist attacks on the US in 11 September 2001**
- **Bi-lateral rather than multi-lateral trade agreements**
- **Little progress on completing the single market**
- **Challenge posed by of EU enlargement**
- **Slow pace of labour market reforms**
- **Insufficient room for capital investments**

“New Vision”: Building the knowledge economy through effective investments in human capital, i2i, R&D, and science and technology

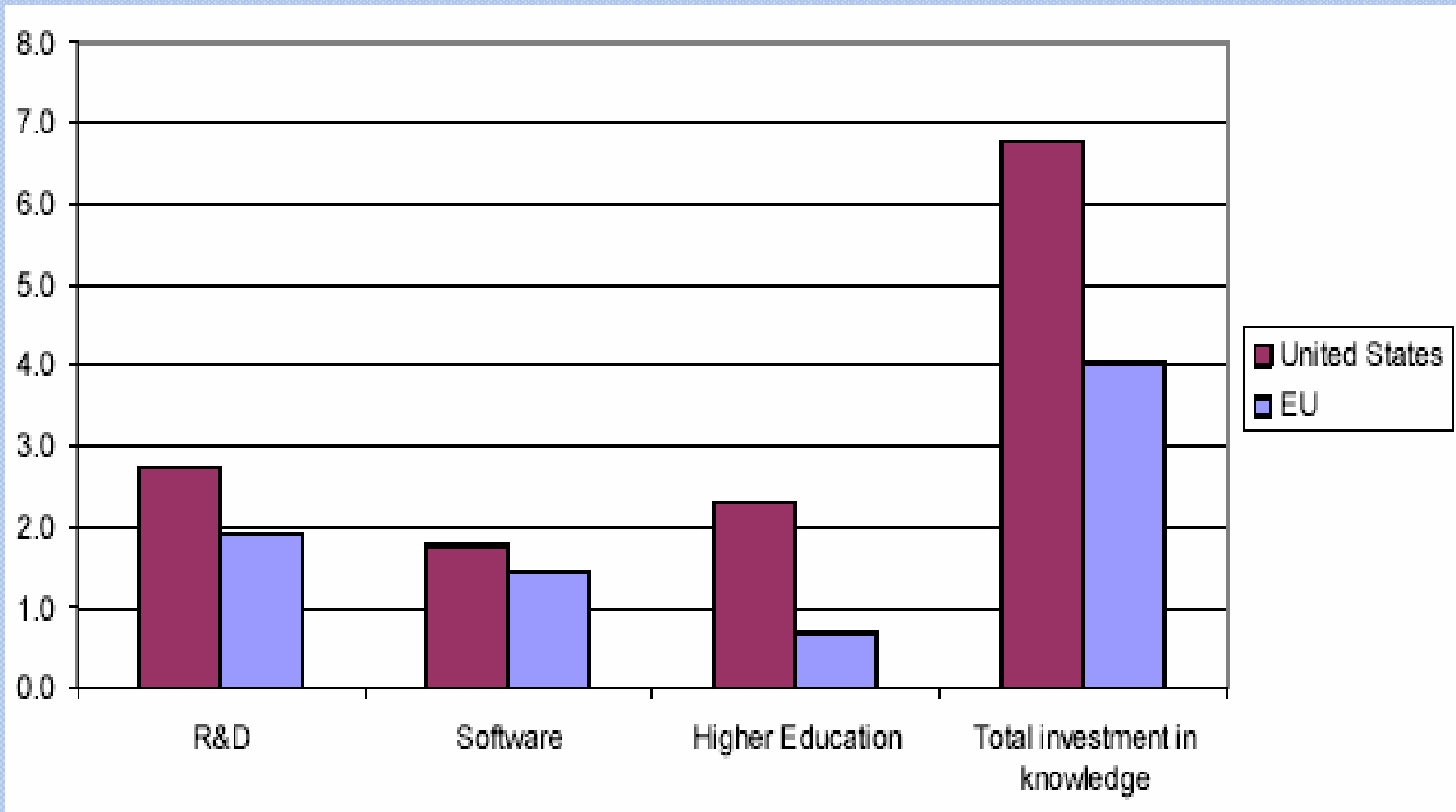
The Lisbon strategy calls for:

information society: defining a regulatory framework for electronic communications; encouraging the spread of ICTs; creating conditions for e-commerce; supporting European leadership in mobile communications technologies;

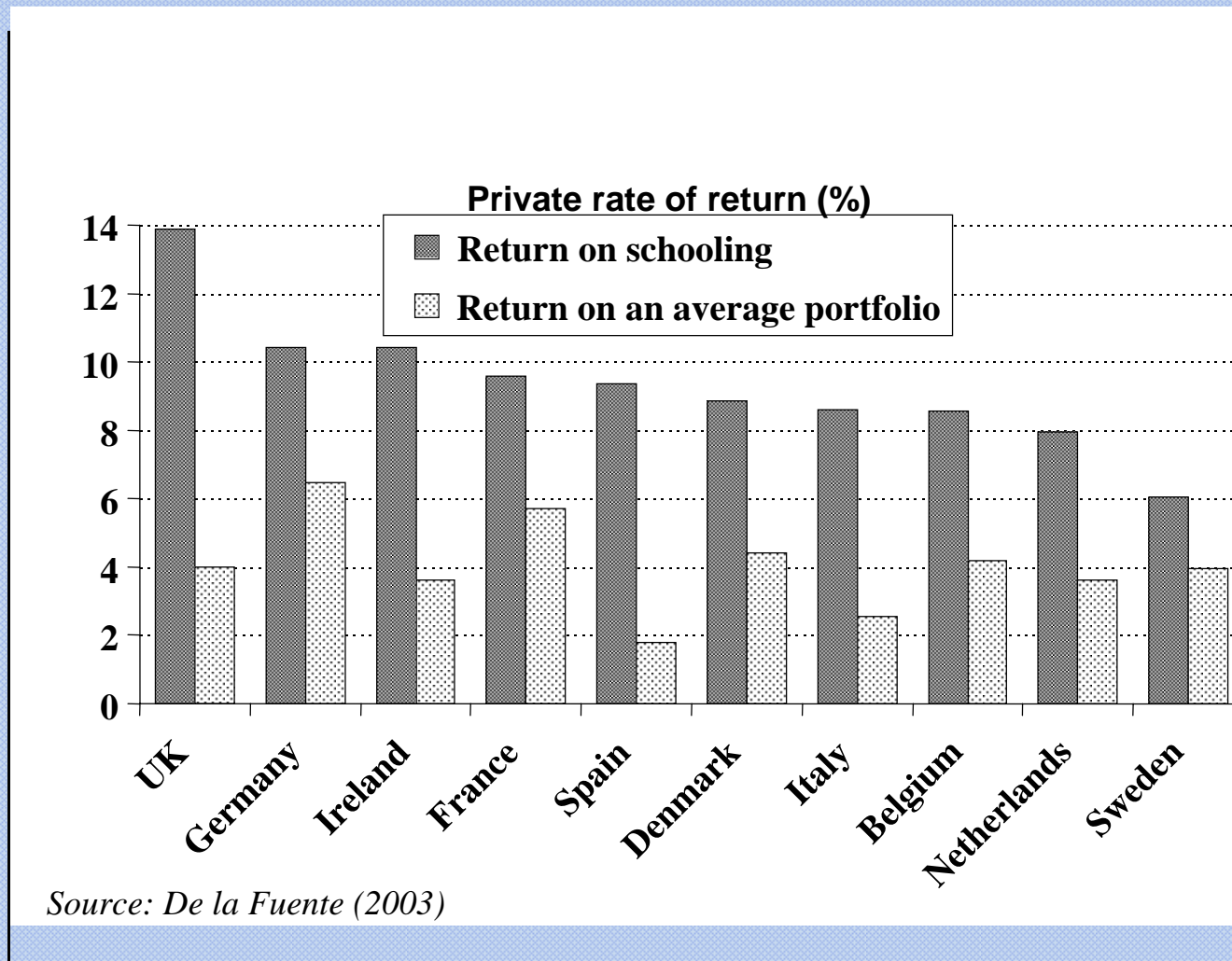
research: setting up of an area of research and innovation; boosting spending on R & D to 3 % of GDP; making Europe more attractive for its best brains; promoting new technologies;

education and human capital: halving the number of early school leavers; adapting education and training systems for the knowledge society; fostering lifelong learning for all; promoting and facilitating mobility.

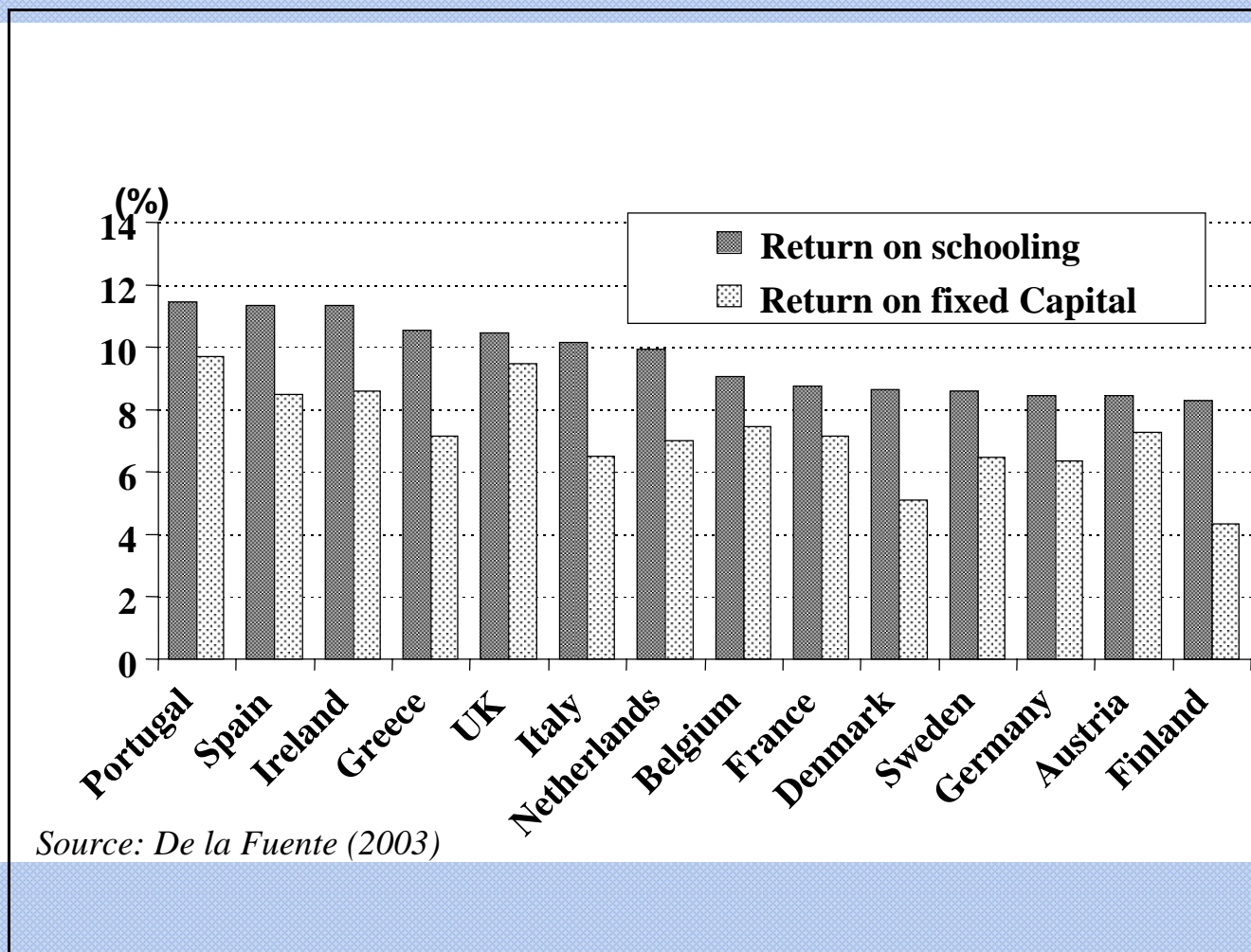
Investment in the knowledge economy EU versus US (1999, % of GDP)



Justification 1: The private rate of return on education is much higher than the average return on financial assets



Justification 2: The social rate of return to education is typically also higher than returns on fixed capital



5 priorities

- Economic and social cohesion in an enlarged EU
- Implementing of the “Innovation 2010 Initiative” (i2i)
- Development of Trans-European and access networks (TENs)
- Environmental protection and improvement
- Support for EU development aid and cooperation policies with Partner Countries, in particular through FEMIP and the Cotonou Agreement

**EIB implements EU policies;
a policy driven Bank**

“i2i” – PROMOTING KNOWLEDGE AND INNOVATION (2000-2010)



- Human capital formation;
- Information technology networks and access;
- R&D;
- Dissemination of information technology and the audiovisual sector;
- Equipping SMEs with information technologies;
- Development of SMEs and entrepreneurship.

Support for growth and employment

EIB - Human Capital Lending

Buildings: School and university infrastructures, science and multi-media labs, libraries, student accommodation

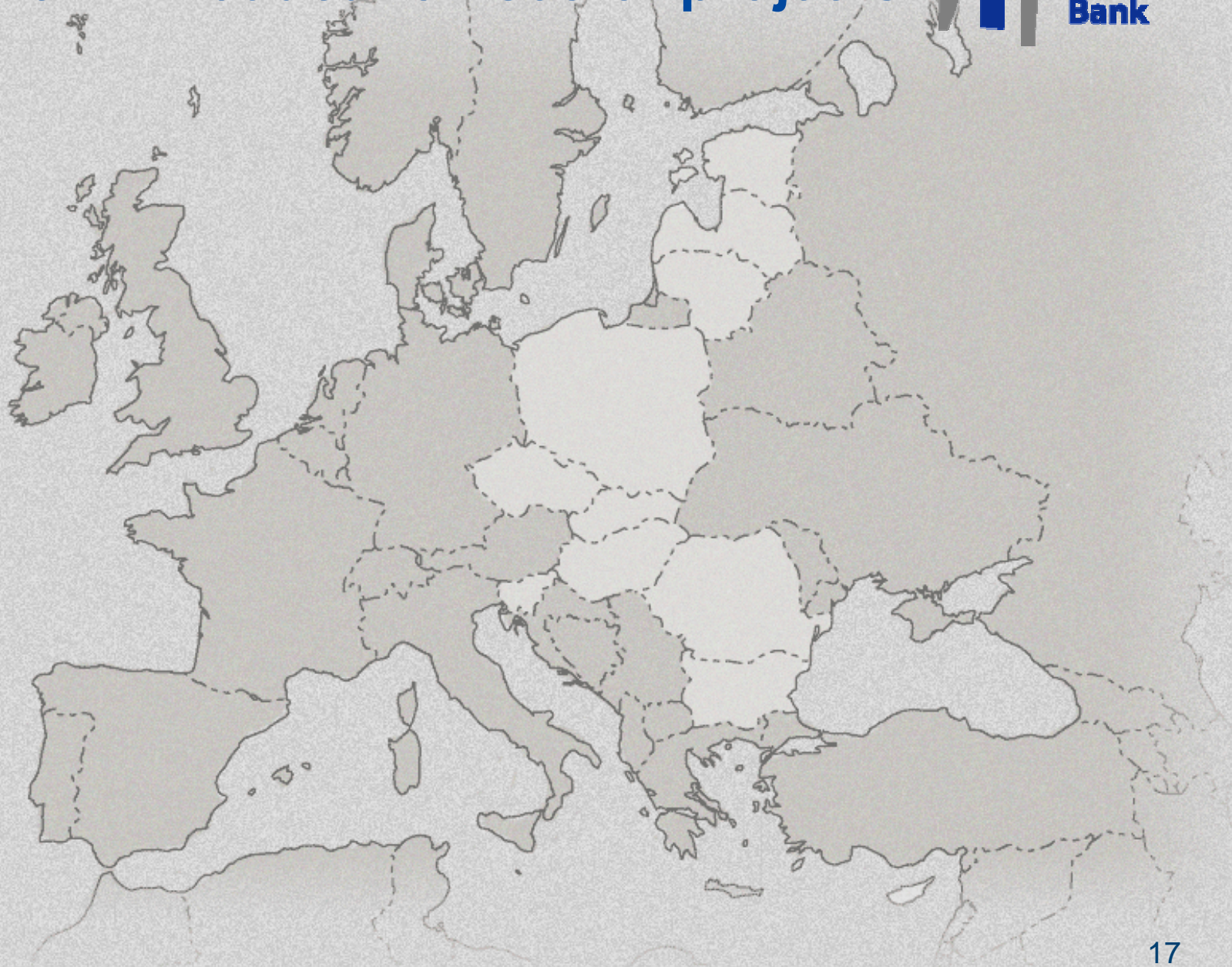
ICTs: Bandwidth to support networks, e-Learning, distance education

R&D: Science parks, knowledge and innovation centres, public and private sector R&D expenditures

Support structures: Management systems and services, teacher training programmes

Student loans

Examples of EIB education sector projects

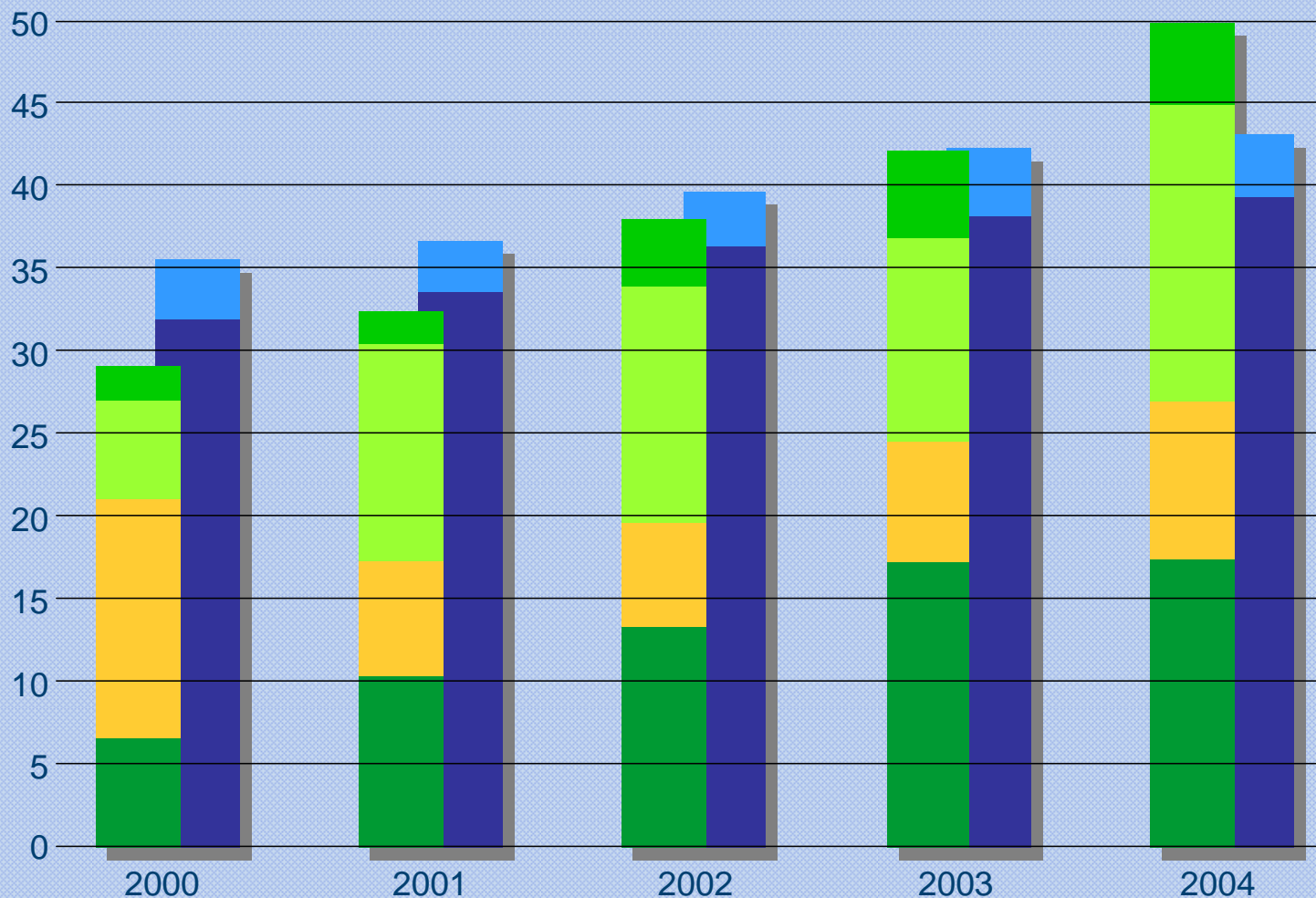




EIB LOAN ADVANTAGES AND PROCEDURES

LOANS AND BORROWINGS – BEFORE SWAPS

2000-2004



LOANS:
EUR 197.5bn

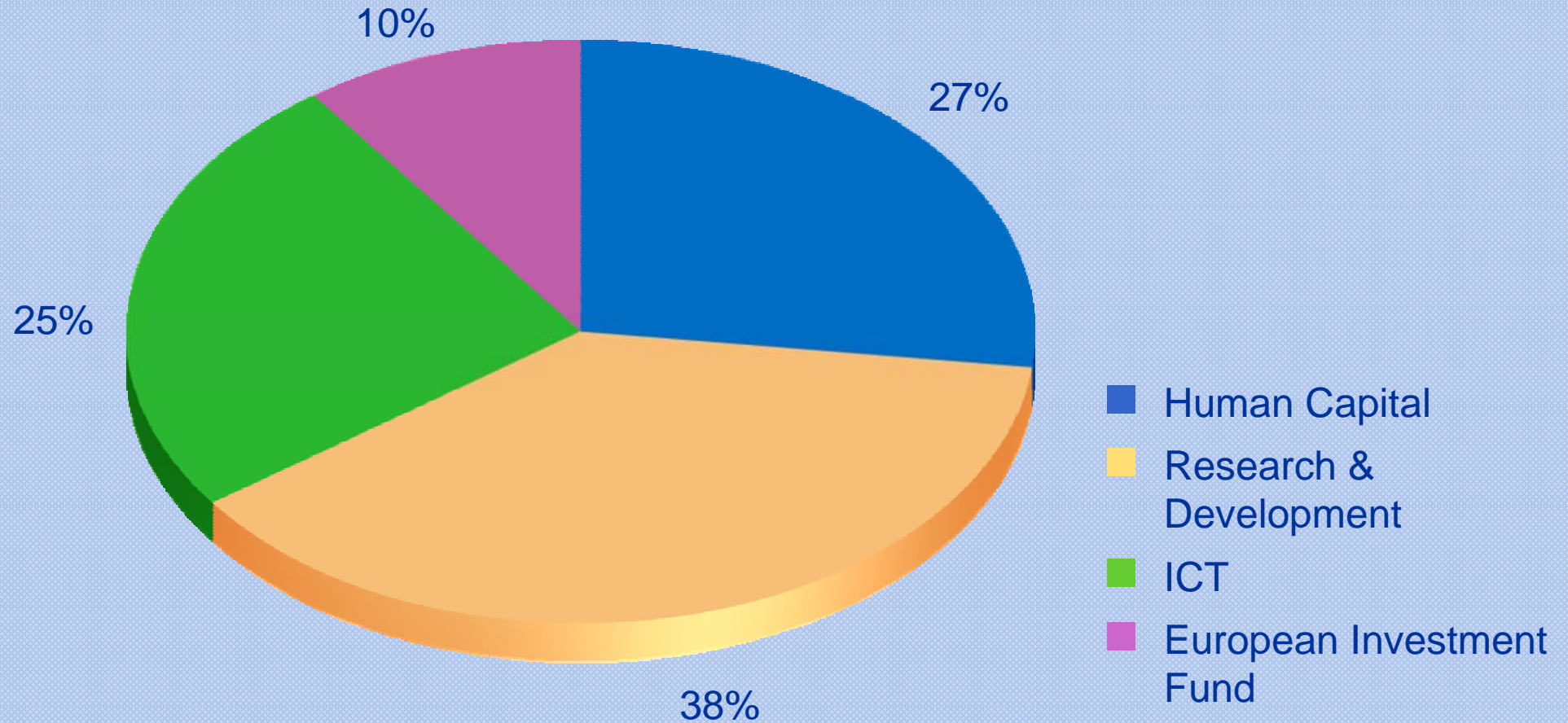
- Outside the EU
- Within the EU

BORROWINGS:
EUR 214.8bn

- Others 9.3%
- USD 24.2%
- GBP 23.2%
- EUR 43.3%

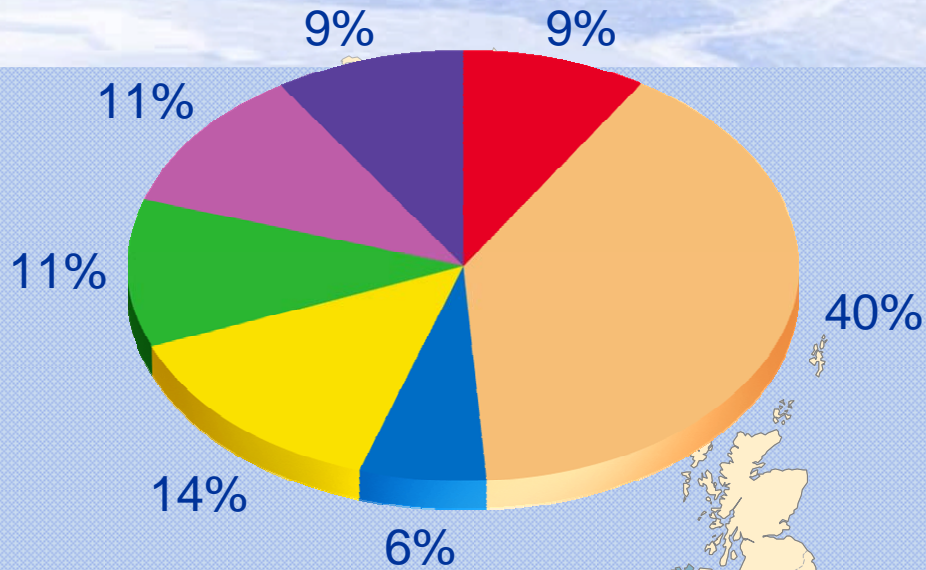
“AAA” borrower, not-for-profit lender

“i2i” (2000-2010)
EUR 26.8bn SIGNED FROM LAUNCH
(EUR 24bn EIB plus EUR 2.8bn EIF)



REGIONAL DEVELOPMENT AREAS

Individual loans 2000-2004



Par secteur

- Energy
- Communication
- Water
- Urban infrastructure
- Industry & agriculture
- Health & education
- Others

Support for less-favoured regions

Low cost of "AAA" rating funding benefit passed on to clients, for

- Large amounts;
- All major currencies
- Long maturities;
- Catalytic effect on participation of other banking or financial partners.

- Eligible for EIB finance;
- Technically sound;
- Financially viable;
- Acceptable economic return;
- Comply with environmental and procurement standards;
- Have adequate security

A project assessment with many facets

<http://www.eib.org>



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