



## EIB Group Support for the Social Sector

Since the EIB Group's inception, the European Investment Bank (EIB) and the European Investment Fund (EIF) have been contributing to European policy on growth and development through lending in support of the social sector – including health, cultural and creative industries, education and housing but also social enterprises and vulnerable groups.

As a result of its critical importance to European development and well-being, social infrastructure support has gained a permanent presence in the Bank's lending portfolio. It is key to the Bank's contribution to the EU's social agenda and underpins its activity in fostering social cohesion and innovation through social projects.

The following figures illustrate the impact of the Bank's investments in the social sector since 2000 (the number of projects – advisory and lending –, the loan amounts and the beneficiary countries vary from year to year):

**Health:** the EIB has lent about EUR 26 billion in support of health infrastructure investments (EUR 1.5 billion on average per year), including new constructions, refurbishments and new equipment. The average number of individual projects financed has been around 10 and the promoters/borrowers have comprised sub-sovereigns, private hospital operators and public-private partnerships (PPPs).

**Education:** the EIB has lent about EUR 38 billion to education infrastructure projects (about EUR 2.4 billion on average per year), split between some 25 education investment projects. The promoters/borrowers have mainly been sub-sovereign entities at municipal or regional level.

**Social housing:** the EIB has lent about EUR 13 billion to social housing projects (about EUR 1 billion on average per year). The promoters/borrowers have mainly been sovereign and sub-sovereign entities at municipal or regional level. There has been a sharp increase in recent years thanks to large-scale national housing programmes and in response to world events, such as the refugee crisis and natural disasters. We are also seeing a diversification in the types of borrowers to include housing companies, PPP structures, aggregators, intermediary banks, and Special Purpose Vehicles (SPVs). In some cases higher risk-taking involves support under the European Fund for Strategic Investments (EFSI).

In 2016

**10 million**  
people

benefited from improved  
healthcare services

In 2016

Improved facilities for

**890 000**  
students

In 2016

**120 000**  
households

in new or refurbished social and  
affordable housing

## Why invest in the social sector?

In parallel to the development of infrastructure and industrial investment, it is imperative for societies to invest in their people. Investment in the social sector is a driving force for human well-being, growth and both regional and national development. Modern health and education services are critical to this development.

Through its lending to the social sector, the EIB Group also supports the knowledge, skills, competencies and other attributes of European citizens.

## How does the EIB invest?

A wide range of sustainable investment projects are eligible for EIB finance. These include the construction, expansion or refurbishment of school, college and university buildings, clinics and hospitals. The equipment needs of health and educa-

tion buildings are also eligible (e.g. laboratory equipment, medical scanners, etc.).

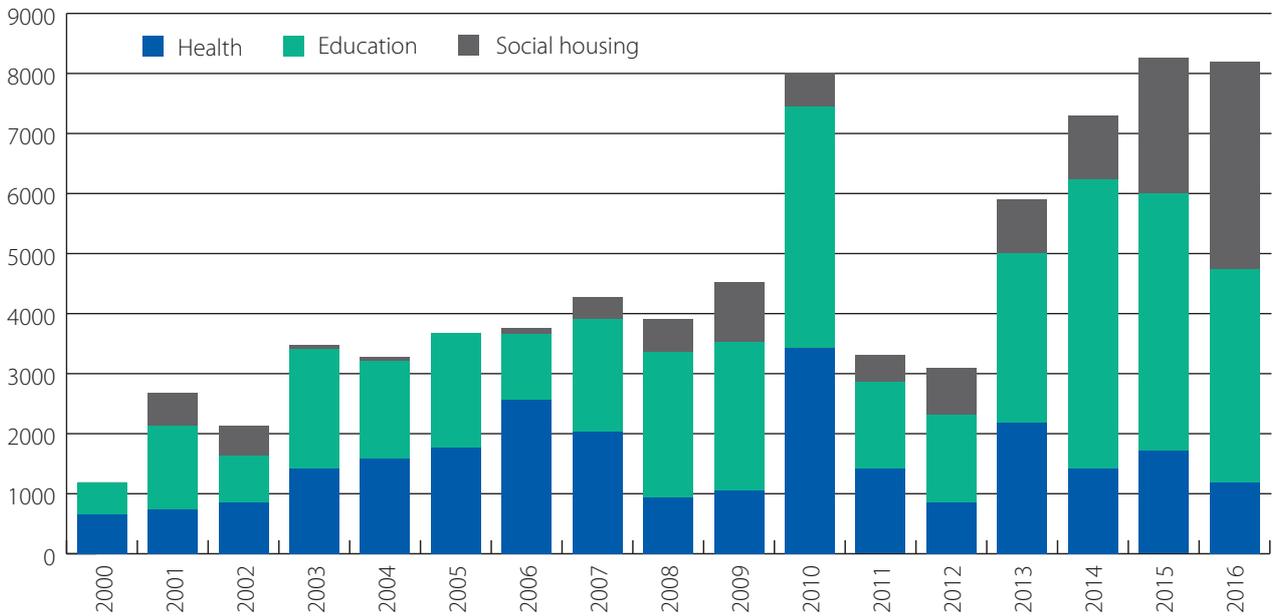
Information and communications technology (e.g. e-health, digital imaging and electronic patient record or clinical decision support systems in hospitals) and the infrastructure and systems for e-learning are also financed by the EIB. However, not all of the Bank's interventions are in the area of bricks and mortar. While physical investment is certainly important, we also invest in people (through research and development (R&D) and human capital through education). With a view to enhancing the employability of European workers and their ability to acquire the skills required by a modern knowledge-based economy, it is important to improve access to higher education and R&D.

The EIB supports this goal: the Bank's financing for intangible investment such as student loan schemes and R&D in universities and hospitals, including pharmaceuticals and other medical R&D, is on the increase.



Innovations don't drop out of the sky. Someone has to think of them and develop them. Today's students will develop tomorrow's innovations. But Europe has fallen behind the US, which spends twice as much per student in higher education. Loans by the EIB are aimed at reversing that trend. In 2015 we made our biggest-ever university loan with EUR 278 million for the University of Oxford's scientific research facilities. Across Europe 1.45 million students benefit from EIB loans.

## EIB lending to the social sector (2000-2016) (in EUR m)



## EIB financing of education sector projects

The European education system needs to be significantly boosted for it to bring major improvements to the well-being of its citizens and future productivity growth in Europe.

The EIB has made a substantial contribution to bridging the gap between education needs and tight public resources: the volume of the Bank's lending for education rose progressively from EUR 536 million in 2000 to about EUR 3.5 billion in 2016.

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

Recent loans in the educational sector include important projects in Ireland which were agreed upon in late 2016: a EUR 100 million loan to University College Cork which sets aside EUR 27 million for the first phase of the Cork Science and Innovation Park. In addition, health and innovation projects will get EUR 37 million for infrastructure. A EUR 200 million investment in 71 Irish schools that benefits 44 000 students is the largest ever EIB loan for Irish schools.



Jorge Fernández Quesada, a 22-year-old medical device design and entrepreneurship student from Málaga, was one of the first students to receive a loan for his Master's studies under Erasmus+, an EC programme managed by the EIF that extends loans to Spanish Master's students studying abroad and to other Europeans carrying out Master's studies in Spain. Erasmus+ covers tuition and living costs, and repayments don't begin until a year after completion of the degree. Jorge got his loan from Micro-Bank, the social arm of La Caixa, for a one-year Master's at Imperial College, London. Erasmus+ is projected to lend about EUR 3 billion to 200 000 students by 2020.

## EIB financing of health sector projects

Healthcare projects financed by the EIB are always viewed in the context of a wider set of health services in the region in question. The focus of the EIB's appraisal of projects is to ensure that investments contribute to cost-effective improvement in the health of the people for whom they are designed.

The EIB's appraisal looks for evidence that a project (or programme) is part of a clearly articulated health strategy aimed at improving the efficiency and/or quality of healthcare delivery.

Financing of the health sector varies from year to year and according to the needs of the sector. In 2000 the EIB Group financed projects in the health sector to the tune of EUR 652 million. In 2010, the total volume stood at EUR 3.4 billion; in 2016 it was EUR 1.2 billion.

Recent loans for healthcare projects included, for example, a EUR 20 million loan under the InnovFin Infectious Diseases Finance Facility to Transgene, a French biopharmaceutical company. The loan will help finance Transgene's new clinical developments for the treatment of infectious diseases, including chronic hepatitis B, virus-induced cancers such as HPV (human papillomavirus) and multidrug-resistant tuberculosis.



### A new generation of hearing devices

*Around 10% of the population of the developed world suffer from some degree of hearing loss. A EUR 110 million EIB loan is supporting the development of a new generation of hearing devices with the potential to improve the daily lives of millions of people.*

Danish company William Demant Holding A/S is one of the world's leading manufacturers of hearing devices. The company's EIB-backed research and development programme will harness both basic and applied research into low-power radio technologies and digital signal processing techniques to develop more effective hearing implants and instruments. These devices will enable people suffering from hearing disabilities to participate more fully in social and business life, making life easier for them by enabling smartphones to control hearing devices and helping to eradicate the stigma of hearing aids. The programme will be carried out by researchers in Denmark, France and Poland and is expected to generate around 500 patent applications.

## EIB financing of social housing

The EIB is scaling up its support for social housing, including as part of its assistance for the European refugee crisis. Overall, the volume of the Bank's lending for social housing rose progressively from approximately EUR 500 million in 2000 to about EUR 3.5 billion in 2016.

Recent loans for housing include EUR 120 million to the Federal State of Brandenburg to address the housing implications of the German refugee influx, EUR 1 billion for the construction of new social housing in partnership with the Housing Finance Corporation in the UK and EUR 400 million via the European Fund for Strategic Investments (EFSI) for energy efficiency refurbishment in private residential buildings in France.



### A better Lisbon for families and business

*Faced with floods, a declining population and outdated infrastructure, Lisbon is transforming its urban environment. In October 2016, the EIB decided to shoulder that challenge.*

The population of Lisbon had been declining since the 1960s. People left the city looking for more affordable homes in the suburbs, leaving behind many areas with outdated infrastructure. The number of people living in the city fell from around 800 000 in the 1960s to 513 000 recently. But Mayor Fernando Medina had a vision that went beyond solving individual problems piecemeal. His aim, he says, was to “change the way people live in the city”. He believed Lisbon could once again become a place where people choose to live and work – and an attractive place for visitors.

But Medina also needed the right kind of financing for the long-term infrastructure projects he had in mind. Since the financial crisis, Portuguese banks hadn't been able to finance long-term infrastructure projects. This market gap meant that the EIB was also able to use the EU budget guarantee and its own funds under the Investment Plan for Europe to make Lisbon the first EU municipality to receive direct support from the Plan. Lisbon got a 30-year EUR 250 million loan.

Certain neighbourhoods of Lisbon, including parts of the historic city centre, have become prone to regular flooding. In 2014, two major floods within weeks highlighted the need for the city to adapt to the effects of climate change. The EIB-backed project will renovate the sewerage system and build two new drainage tunnels. In future, the intense rainstorms to which Lisbon has become accustomed are unlikely to cause serious flooding. The EIB will also finance the renovation of existing social housing and the construction of new units, all of which will benefit from energy efficiency measures to mitigate the impact of climate change. The loan also covers actions to boost urban mobility and to introduce “smart city” innovations as well as building squares, parks, fire stations, cultural facilities and schools.

## EIB financing of cultural and creative industries

Beyond SME financing, there are two potential ways in which our urban development projects can have an impact here – by supporting cultural infrastructure or cultural industries:

- The EIB finances the modernisation or creation of new **cultural infrastructure** for theatres, music halls, museums, monuments or historic buildings through urban lending.
- Many cities promote **cultural industries** as a growth area under their urban strategies; for example, we have lent to the city of Manchester to finance the regeneration of brownfield sites close to the city centre to help construct office space for SMEs which cannot typically pre-let space – and some of the buildings have specifically focused on cultural industry SMEs.

## EIB instruments available for the social sector

- EIB project loans for financing individual projects whose total investment costs exceed EUR 25 million
- EIB framework loans for financing a city's or region's long-term capital investment programme
- EIB intermediated loans via local banks and other intermediaries which then on-lend to final beneficiaries (e.g. SMEs, midcaps, local authorities)
- Blending instruments, which are a variety of tools to help clients blend our financing with additional sources of investment (e.g. European Structural and Investment Funds)
- Advisory services to complement the EIB's lending activity by making technical and financial expertise available to our clients to develop and implement investment projects

For more information please visit [www.eib.org/products](http://www.eib.org/products).



## Investing in the social sector: part and parcel of EFSI



Putting Europe on the path of economic recovery cannot succeed without involving the social sector. Within the EFSI framework<sup>1</sup>, the EIB and EIF have been providing finance for the social sector, comprising projects of private and public partners in sectors such as health, education, social inclusion, small and large infrastructure, affordable housing, etc. By financing social projects, EFSI not only boosts jobs and growth, it also strengthens social cohesion throughout the EU.

Support to the social sector under EFSI is extended not only by the EIB for infrastructure and innovative projects, but also by the EIF under the Fund's SME Window.

### EFSI Infrastructure and Innovation Window

Thanks to EFSI's backing, the EIB supports the construction of affordable housing, hospitals and new education campuses, enabling mostly public-sector borrowers to finance projects for which they could not receive long-term funding in the market. Equally, together with national promotional banks or funds, EFSI enables the EIB to support even more SMEs with projects in the social sector.

### EFSI SME Window

The goal of the EIF is to enhance SMEs' access to finance and EFSI enables the EIF to scale up its support for this crucial market segment. In this context, social enterprises and social sector organisations are a key EFSI target because of their ability to deliver a positive social impact in areas such as social inclusion and labour market integration, including for the benefit of vulnerable groups. This may include interventions in education and skills development, elderly and childhood care, other public services provision or socially innovative products and services, etc.

Through three innovative investment instruments operating via intermediaries linked to incubators and accelerators, business angels, and payment-by-results schemes, the EIF empowers social entrepreneurship and fosters the development of a strong European social impact ecosystem. These targeted interventions boost EFSI's social focus and ability to deliver on EU 2020 goals for smart, sustainable and inclusive growth.

<sup>1</sup> According to the EFSI Regulation 2015/1017, EFSI eligibility for human capital, culture and health includes: education and training, cultural and creative industries, innovative health solutions, new effective medicines, social infrastructure, social and solidarity economy and tourism.

EFSI social impact investment instruments		
<i>Intermediaries linked to incubators and/or accelerators</i>	<i>Business Angels/BA funds</i>	<i>Payment-by-Results or Social Impact Bond investment schemes</i>
From pre-commercial stage up to early growth	Multi-stage investments and focus on geographical distribution	Piloting innovative funding scheme on a pan-European level



In parallel with the tools mentioned above, falling within the scope of the EFSI Equity Instrument, EFSI frontloading (making the budget earmarked for 2017-2020 available already since 2016) of the guarantee instrument under the EU Programme for Employment and Social Innovation (EaSI) contributes to guaranteeing adequate social protection, combating social exclusion and improving working conditions.

The EIB Group is committed to assessing how it can further promote the use of financial engineering and the development of new financial instruments that can serve in the future to channel additional funds to organisations devoted to social ends.

## Helping European project promoters get their projects off the ground

The European Investment Advisory Hub (EIAH) is part of the second pillar of the Investment Plan for Europe (IPE) seeking to strengthen Europe's investment and business environment through the following activities:

- Enhancing the technical and financial capacity of public authorities and private operators in the Member States to identify, prioritise, prepare, structure, aggregate and implement strategic projects that are in line with EU policy objectives;
- Contributing to a more efficient use of EU funds and leveraging private capital, including via the provision of advice on the establishment of investment platforms;
- Providing a cooperation platform for peer-to-peer exchange and sharing of know-how regarding project development.

In the social sector, EIAH provides advisory services primarily linked to assessment of the investment needs of infrastructure projects such as hospitals and education facilities. EIAH can also assist in building local capacity to prepare, develop and implement such projects. For certain social sectors, notably the health sector, EIAH may also provide advisory support on the implementation of new service delivery models.

### European Investment Advisory Hub

*Europe's gateway to investment support*

#### Social enterprises

The Hub is providing advice to a consortium of social enterprises seeking assistance in the development of their business model. EIAH is also providing advice on creating a lending platform for the consortium for which the EIB has approved an EFSI contribution.

This operation will result in more efficient and cost-effective service and infrastructure delivery for vulnerable groups such as the elderly, migrants and the unemployed.

#### Health infrastructure projects

The Hub is providing the Romanian Ministry of Health with an exceptional package of assistance which includes both expertise and funding to support the preparation of three health infrastructure projects in underserved areas. The EIAH's role has been twofold: (1) to bring the various parties within the EIB together and promote a joint proposal for action and (2) to seek the resources needed to fund and support the implementation of a consultancy package.

#### Affordable housing

The Hub is providing assistance to a social housing agency in need of specific legal advice and financial modelling for a complex project involving new construction and retrofitting of some existing housing stock and ancillary infrastructure. The Hub has been able to mobilise the assistance needed in order to accelerate the development of the project, which has recently been approved as an EFSI operation, recognising the higher risk involved in the delivery of social housing units on a relatively large scale.



## EIF products supporting social entrepreneurship

Investments in social entrepreneurship, social impact and social innovation have been part of the EIF's activity field for some time. In order to meet the needs of a largely heterogeneous market and maximise a positive and measurable social impact through a wide range of financial intermediaries, the



### EPMF

#### Cretan Diet Plus

Konstantinos Kalpadakis always had an entrepreneurial vein. He was first a customs broker, then founded an export company dealing with solid waste, and a decade later created another company in the telecommunications field. However, when the economic and financial crises hit, he was forced to give up on his telecommunications project, moved to Brussels and started a new business from scratch. Konstantinos soon understood that there was demand for authentic Greek products bought online. This market assessment led Konstantinos to the idea of creating his own resale business importing high-quality Greek food at a competitive price. He set up **Cretan Diet Plus**, an online company selling Greek food products. In 2015 Konstantinos needed extra financing that would help him to maintain imports and keep stocks full. After banks refused his loan request, he was advised to consult MicroStart, a microcredit company and an EIF financial intermediary under the EPMF programme. The loan obtained allowed him to expand the delivery of **Cretan Diet Plus** products outside Belgium, including to Luxembourg and the Netherlands.

EIF adopted a multi-product strategy based upon the following programmes:

- The **European Progress Microfinance Facility (EPMF)**, with an amount of EUR 200 million, offering a combination of loans and capped guarantee operations to microfinance institutions within the EU, co-funded by the EIB and the European Commission. The EPMF's investment period ended in 2016 and to date under this programme an estimated EUR 470 million has been mobilised across 23 EU Member States.
- The **EaSI Guarantee Instrument**, with an amount of EUR 96 million made available by the European Commission, which builds on the success of the guarantee arm of EPMF. Since its inception, 41 guarantee agreements have been signed with a wide range of financial intermediaries, including non-bank entities for a total amount of approximately EUR 59 million covering 20 countries.
- The **EaSI Capacity Building Investment Window**, part of the EaSI programme, launched in December 2016 and aiming to develop and reinforce the institutional capacity of intermediaries operating in the field of microfinance and social entrepreneurship.
- The **Social Impact Accelerator (SIA)**, a fund-of-funds launched in 2013 with an investment capacity of EUR 243 million, targeting social impact funds which, in turn, invest in social enterprises. SIA has invested so far in 10 impact funds across Europe.





SIA

### Taxi Electric

**Taxi Electric**, founded in 2011, was the first all-electric vehicle taxi service in Europe and plays a key role in employing staff over the age of 50 and formerly long-term unemployed. With the mission to “change the system”, Taxi Electric demonstrates that electric vehicles can help to keep the air clean and that there is a valuable job for everyone in society. Moreover, with the right training, certain groups of formerly unemployed people can do an outstanding job delivering a superior taxi-ride experience. Driver Ronald de Booij explains: *“I had been out of a job for many years and with my age, I did not expect to get back into the working game. But Taxi Electric recruited me, trained me, and gave me a chance to earn a job and a living, and regain my self-respect by being an active and productive member of society: it has fundamentally improved my life”*. Amsterdam-based Social Impact Ventures, an EIF-backed social impact fund, is a key investor in **Taxi Electric**. Social Impact Ventures has actively helped the company to develop and execute its strategy for accelerated profitable growth, where business and social impact grow together. *“We are very happy with Social IV’s value alignment with ours and their hands-on mentality”*, says Ruud Zandvliet, founder and CEO of **Taxi Electric**, *“they bring both commercial and social expertise to the table”*.



EaSI

### Best at Home

**Best at Home** provides personal, nursing and social care, and offers companionship in the comfort of its clients’ own homes. Asweenah Deane, the company’s founder, has created the kind of social project that helps people in need. Back in 2009, following her divorce, Asweenah went bankrupt and was not able to financially support her children. To get back on her feet, she took her chances in setting up her own business. In need of financial support to put her business idea into practice, Asweenah went to a first bank that turned her down because of her precarious personal situation. Eventually, Fredericks Foundation (UK) offered Asweenah a loan guaranteed by the EIF through the EU’s EaSI programme. In Asweenah’s words, *“Fredericks Foundation has been a real lifeline as without their financial and overall support, I would not have been able to start my business.”* Since starting her business, Asweenah has hired three employees to enable her to reach out to more people in need.



[www.eif.org](http://www.eif.org)

- The **EFSI Equity Instrument**, designed to also support social enterprises and social sector organisations and to reach less mature equity markets via different delivery modes.

The EIF is also active in the fields of education and culture with dedicated facilities:

- The **Cultural and Creative Sector Guarantee Facility**, a EUR 121 million guarantee initiative expected to generate more than EUR 600 million worth of bank loans to SMEs in the cultural and creative sectors over the next six years.
- The **Erasmus+ Loan Guarantee Facility**, aiming to improve access to finance so that students can pursue a Master's Degree in another Erasmus+ programme country, as a contribution to tackling skills gaps in Europe.

For more information please visit [www.eif.org/what\\_we\\_do](http://www.eif.org/what_we_do).



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