

Conclusions

Lifecycle schools and daycare premises fund

INVEU-ICR-0001-2022 - Social investment and skills window

Financing and project details

InvestEU	80 mio €
Total cost	202 mio €
InvestEU Financial product	SISW Public Sector
Implementing partner	European Investment Bank (EIB)
Promoter – Financial Intermediary	Capex Advisors Oy
Location	Finland
Policy window	Social investment and skills
Sector	Social infrastructure in the area of education and training
Reference	INVEU-ICR-0001-2022
Investment Committee approval date	31 March 2022
Expected signature date	By the end of 2022

1. Project description and objectives

The Project relates to the financing, design, construction and maintenance of new schools and day-care premises in Finnish municipalities, using the lifecycle project finance model. It supports investments in new basic education and day-care (pre-primary schools and kindergartens) infrastructure in several municipalities across Finland by:

- modernising obsolete school infrastructure to improve pedagogical fit, thermal comfort, safety standards, students learning environments and staff working conditions;
- consolidating the school network where there is a substantial decrease in the number of younger cohorts; and
- extending the intake capacity in locations where there is an increasing demand for early childhood and comprehensive education facilities.

The project is in line with national and local and EU priorities in education. Following the new national curriculum introduced in 2016, Finland has been undergoing one of the most ambitious school redesign projects in Europe. Additionally, the project is expected to improve the energy efficiency of Finland's education estate by providing more efficient new educational facilities and by renovating existing ones.

2. Rationale

2.1. Market failure or sub-optimal investment situation addressed by the project

The Project contributes to Innovation, Digital and Human Capital policy objectives. The new and upgraded infrastructure financed by the EIB will accelerate the modernisation of teaching and learning environments in terms of functionality, green spaces, energy efficiency and

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safety, making the provision of early childhood education and basic education better across several municipalities in Finland. In addition to better employment opportunities, increased productivity and higher incomes for individuals, the Project will create positive externalities, including inclusive economic growth and knowledge externalities, as well as climate and environmental externalities.

The Project is in line with national and local priorities in education. Following the new national curriculum introduced in 2016, Finland has been undergoing one of the most ambitious school redesign projects in Europe, exchanging traditional walled-in classrooms and rows of desks for more flexible and informal open-plan layouts.

2.2. Additionality of the project

In terms of financial contribution, EIB's investment in this project sends a signal to the market about its financial viability and the Promoter's reliability and crowding-in other financiers and equity investors.

The additionality is primarily based on the long tenors (up to 30 years), matching the economic life of the asset, which is not easily available on the market. EIB's involvement and the benefit of the finance was important in ensuring the affordability of the project to the public sector, [as the benefit of the EIB's low funding costs is passed on to the project and local authorities.]

Furthermore, EIB's participation in the transaction helps introducing the innovative financing model in the Finnish market for school financing, which will enable EIB's financing to reach smaller municipalities or municipalities with smaller scale investment needs.

The proposed financing model is unique as it combines the lifecycle asset management approach of the design-build-maintain model with integrated financing and the desirable risk transfer characteristics of the PPP model and frees up municipal resources. EIB's financial structuring expertise is of significant value to the Promoter.

2.3. Global assessment

The investment Committee of the InvestEU Fund approved the use of the InvestEU guarantee on 31 March 2022 for the operation.

The guarantee supports a public good (education), where there is a general decrease in government spending for schools observed.

Additionality of the project is shown in particular through long tenor and pricing not sufficiently available on the market, as well as by the innovative structure of the financial model and its signaling effect to other investors. It also bundles smaller projects, which may have a viable demonstration effect.