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New sources of funding for education

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Introduction

Public budgets are limited

Returns to education are long-term

Political motivation to invest even more in education is limited

Where does additional money come from:

- ⇒ Endowment funds
- ⇒ Donations, charities, fundraising etc.
- ⇒ Education Investment Fund

Endowment funds

Endowment fund is a basic investment from which the annual revenue (return) can be utilised for spending

To reach relevant spending levels amounts need to be high, as the spending volume depends on the interest rate (return)

E.g. to spend 50m Euro, the Endowment fund has to have a core capital of 1bn Euro, if interest rate is 5% p.a.

Key question: where does the money come from?

=> Possibly an add-on, but not as key for additional funding

Revolving funds

A revolving fund is „endowment fund“ which is recouped by repayments of beneficiaries

For example, companies benefitting from well-qualified (new) employees pay a premium to the fund or

... through loan repayments of graduates etc.

Donations, charities, fundraising etc.

Funding through endowment funds means that only the returns from the fund are used for spending (e.g. foundations in DE act this way)

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Social Impact Bonds

Idea: to enhance the quality of education

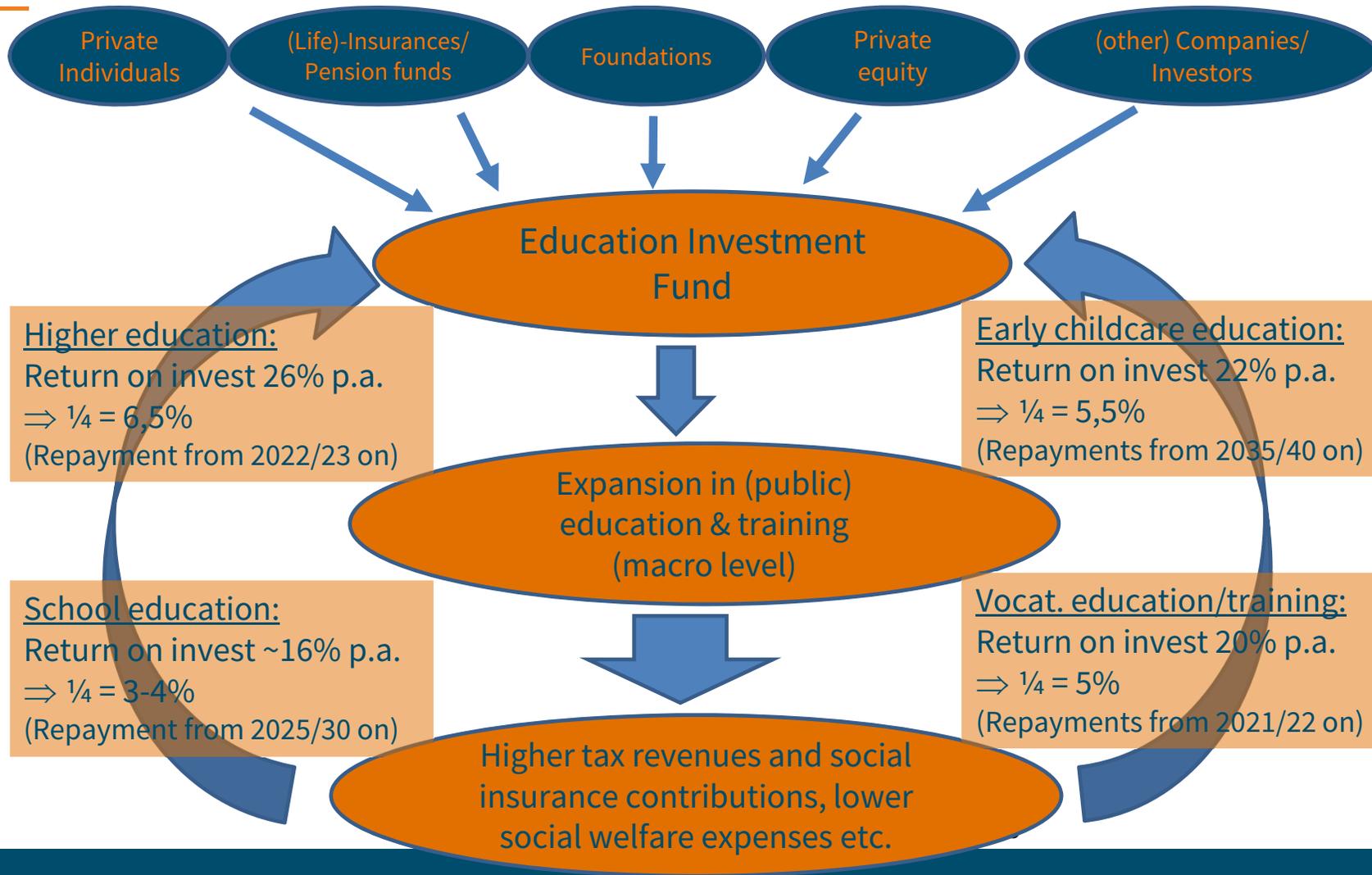
Pre-financing comes from „Investors“ (often charities) and will be paid only if certain targets (benchmarks) are met

Return is a limited interest-rate (e.g. 3-5%)

Market is evolving and showing first promising results ...

... but limited return prevents large scale implementation

Education Investment Fund



Summary

Endowment fund requires huge amounts of money for „relatively“ little additional funding per year.

Donations, charities, fundraising are insecure and may top-up fundings, but cannot form a basis for regularly increased spending

Social Impact Bonds can be a means to enhance the quality of a system (particular for certain target groups)

Reversed funds depend on the initial investor

Education Investment Fund might be a suitable option, if some technical questions can be resolved and rates of return kept a reasonable rates (and hedgefunds out of the game)

EU money (EFSI/EIB, etc.)?

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