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Event Report

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Communication to members

# *The EU Investment Plan*
# *Investing in Social Care & Support*

**EPC-EASPD Conference – 27 November 2017**


## Summary

The EU Investment Plan currently has had little impact on the social sector so far, with under 4% of the European Fund for Strategic Investments (EFSI) going to social infrastructures and under 1% to social services. At a time of growing demand for community-based care and support services, the EU Investment Plan could help the social sector in accessing much-needed loans to build, innovate and provide better services. It is for this reason that the European Policy Centre (EPC) and the European Association of Service providers for Persons with Disabilities (EASPD) organised a conference bringing together relevant stakeholders from the social sector(s), potential investors and local, national and EU policymakers to discuss how to unlock investment that can help fund quality social care and support for all, and thus meet the growing needs of EU citizens.


## Full Report

### Opening remarks

**Jim Crowe, President of the European Association of Service providers for Persons with Disabilities (EASPD),** opened the conference by pointing out that most people in the room were fellow technocrats, who all share an understanding and appreciation of the European Union and its core values. But he also reminded the audience that not all citizens in EU member states agree with them. In fact, a large minority see things very differently. And so EU policymakers stand before a major challenge: they must create a social dimension to the EU in order to dismiss thoughts of secession and prove those who see the EU as a purely capitalist, neoliberal and globalist scheme wrong. Social Europe is about fostering social cohesion between and within the member states, and about the strength of the Union in general. "This is about developing a more inclusive society where people are free and able to live how they want to live."

**Herman Van Rompuy, President of the European Policy Centre and President Emeritus of the European Council,** spoke about the connection between social injustice and the roots of populism. And although it may seem paradoxical, many populists, who are often on the right of the political spectrum when it comes to cultural issues, are on the left when it comes to social issues.

The world is changing, he continued. Even countries and regions with near to full employment (Germany, UK, US) are facing deep social malaise, proving that economic factors alone cannot explain everything. Having a job no longer automatically leads to security. Wages are stagnating, and even those with work cannot always make ends meet. These phenomena are no longer marginal but common, and people are looking for someone to blame: the elites, foreigners and migrants. These issues are still the core of many a populists' appeal. In other regions (Greece, Spain) unemployment is at unacceptable levels. Traditional parties discovered too late that the social question is broader than poverty and social rights. The ones who feel left behind are not revolting in the streets, but in the ballot boxes. Additional problems he mentioned are the ageing of European societies and the increasing automatization. Citizens will have to adapt quickly and re-educate if they want to secure a place in the digital economy.

In short, huge investments are needed in the social sector, he noted. Bringing all stakeholders together is key to bridge the investment gap. The main responsibility for that is at the local and regional level, but the EU has a responsibility as well. Its aim should not be to beat populism, but to provide better protection for EU citizens. If the Union can succeed here, the collateral benefit will be the defeat of populism.

**Zoltan Kazatsay, Deputy Director-General, DG Employment, Social Affairs, Skills and Labour Mobility, European Commission,** agreed with Van Rompuy and Crowe that the needs of people are growing: the population is getting older, and the number of dependent people will rise dramatically between now and the mid-century. The impact on social systems and societies will be immense, with long-term care being the fastest growing social cost.

He too emphasised that the EU has an important role to play. It is becoming increasingly clear for everyone that the EU needs a social dimension: it was mentioned in the State of the Union a few months before, and now there is the endorsement of the European Pillar of Social Rights by the Council and Parliament, and a series of new proposals. The Pillar's 20 key principles and rights are to ensure the functioning of European labour markets and social systems. For the conference that day principles 17 (the inclusion of people with disabilities in the labour market and society) and 18 (the right to good quality long-term, community-based care) were particularly important.

According to Kazatsay, EU support instruments such as the European Fund for Strategic Investment (EFSI) are currently not being used to their full potential, especially considering the challenges ahead. And yet the implementing of EFSI is crucial for the EU social dimension, and a more general effort needs to be made to bridge the gap between financial and social stakeholders. Overall, there's an urgent need to increase investment in the social sector and make better use of the current options, with a focus on cost-efficiency. With the upcoming discussions on the Multiannual Financial Framework, now is the time to act, and the European Pillar of Social Rights is one of the bigger and better ideas for the future.

**Introduction**

**Luk Zelderloo, Secretary General of the EASPD and member of the High Level Task Force on Social Infrastructure (HLTF-SI),** highlighted that the social sector is incredibly important for jobs as well. It currently employs over 11% of the workforce in EU (in some countries close to 18%, in others 4 to 5%). During the crisis, this sector created more than a million new jobs. Investing in the social sector just makes economic sense according to Zelderloo.

He then presented the recommendations developed by EASPD to increase private investment in the social sector and thereby address the major trends in society and the sector: the shift to community-based/personalised care and support, demographic changes, economic developments and the digital revolution.

EASPD calls for a European strategy on quality social infrastructure:

- Set up a European Fund for Social Infrastructure Development (EFSID): €5 billion of EU/EIB to help unlock €25 billion investment into social infrastructure.
- Set up a high-level taskforce for quality social infrastructure to build European minimum standards and recommend policy frameworks, support and advise the development of quality projects, coordinate the Social Investment Councils.
- Set up structures to ensure an effective pipeline of quality projects.
- Create national/regional Social Investment Councils in each member state to build pipeline of bankable quality projects.
- Form an alliance on network data coordination on European social investment and social infrastructure development, or develop a European social investment data collection body.

He further clarified that national authorities should stay responsible for the well-being of their citizens, providing accessible and affordable care. But private investors can accelerate/boost access to capital for long-term investments and innovation. The role of the EU should be to disseminate information, and collect data, best practices, and tools that will make it easier for investors. At the moment, the main barriers are misconceptions and poor communication, a lack of expertise and capacity, and unsuitable tools.

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**Fabian Zuleeg, Chief Executive of the European Policy Centre** noted that social investment had been close to the heart of the EPC for a long time, before giving a proper definition of what social investment is exactly: *financial investment in human capital and social infrastructure with long-term monetary return.*

He explained there are many ways one can get a return on investment, and it is not necessarily the same as social spending in general. Unlike social spending, social investment engages finance ministers and banking executives. This narrative allows for a much broader approach, which is crucial to make progress at the policy level.

Given the pressures it is facing, the EU's success in creating a social dimension could prove to be crucial. But taking into account its limited policy means and competences, what can it do? According to Zuleeg, there are four areas wherein the EU could assume a bigger role in the field of social investment:

1) Guidance and support for member states: the European Pillar of Social Rights has been endorsed, but it needs to be turned into concrete recommendations and measures that make a difference in people's lives.
2) Economic governance framework: there should be a 'golden rule' – a mechanism to exclude certain public and social investment from deficit targets to enable countries to invest in these areas even if fiscal space is tight. It is possible but requires progress on measuring the returns on social investment. This is important to prevent moral hazard and give member states an excuse to simply increase spending.
3) Use the MFF as a window of opportunity.
4) Fully implement EFSI.

***Panel I: EU Investment Plan and Social Investment - Practical examples***

**Brian Murphy, Head of Planning, Primary Care, Health Service Executive, Ireland // Jussi Nykänen, Partner, EPIQUIS, Finland // Günter Benischek, Head of Social Banking, Erste Bank, Austria.**

**Moderator: Claire Dhéret, Senior Policy Analyst at the European Policy Centre**

*This panel focused on concrete examples of social investment projects throughout Europe, which made use of EU social investment tools.*

**Ireland**: **Murphy** presented a project to attract private/public investment for new primary care centres in urban/rural healthcare deprived areas (areas that investors are usually not attracted to). The project secured a loan from the European Investment Bank (EIB) of €70 million over 25 years, matched by funding of the Tokyo bank of Mitsubishi UFG and Talanx, in addition to a tender. 14 new primary care centres were/are being built, creating 14,000 new jobs. The project's main objectives are the integration of care horizontally, across the community, and vertically, in and out of acute care settings.

This project is a good example of integrated service delivery of primary care. The centres also include community intervention teams, which can provide rapid and integrated responses, even with acute episodes. This prevents the unnecessary use of hospital resources.

**Finland**: EPIQUIS is a financing house working on social impact bonds (SIBs). **Nykänen** explained that 'impact investing' combines financial return and impact. The SIB funds were created with the idea of financing possible solutions that can *prevent* a certain social problem from occurring, with private money taking the risks on behalf of social sector. According to **Nykänen**, the key to impact investing is measuring results and monitoring.

He then talked about how SIBs worked. EPIQUIS starts from a 'model' of a problem. It analyses the causes, what kind of situation the problem creates and what tools there are to prevent it from happening. This is followed by a tendering process, and the assignment of a building fund. Then the organisation identifies the service providers and target group and looks for suitable investors.

He added that EFSI was crucial in generating interest during the tendering process. It was the driving force behind the investment.

**Austria:** Erste Bank's goal is to enable its clients' social development goals, financially and operationally. **Benischek** recounted how one of the bank's first initiatives was to create microcredit for entrepreneurs in cooperation with Austrian government, and give start-up loans to unemployed people to start their own company.

One of the other projects he mentioned was the Social Housing Impact Fund, which seeks to establish affordable housing in Vienna in cooperation with NGOs, real estate developers, customers and banks. It was part of the social innovation network in Vienna called 'Social city Wien'. Although the project was not profitable, they managed to get back half of the losses with European Investment Fund (EIF), which enabled them to finance much more projects than anticipated.

He noted that many of their clients are sceptical at first about social investment. They ask whether it is ethical to make money from social problems. **Nykänen** said he also ran into this problem with investors. They feel that earning too much money from social problems could lead to image problems. That is why EPIQUIS introduced a cap on the profits from social investments.

**Discussion**

When the panel was asked who the investors were, they responded there was a broad range of different types: foundations, private investors, pension funds, etc. But all are socially sensitive, they noted. The challenge is to align their financial KPIs (key performance indicators) with social projects.

Then they gave an overview of the biggest barriers they encountered in accessing EU funds:

- *Lack of information sharing between and information in member states.* There is an openness and willingness to use social investment tools, but member states are slow to learn, even though there are many best practice examples. For instance: there is an EIF guarantee for social entrepreneurs, but Austria is only the third country to apply for this.
- *Lack of a holistic framework at EU level.*
- *Incapacity of banks to finance the social sector*. Banks are finding it hard to know and fulfil all the rules of the EU financing tools. Erste Bank, for instance, was the first bank that applied for an umbrella guarantee for all its investments in different countries; it was also the first time EIF developed this form of guarantee.
- *Lack of knowledge transfer between member states, social sector and EU level.*

***Panel II: What are the investments needs in social services? Are loans needed?***

**Franz Wolfmayr, Advisor, EASPD // Kirsi Konola, Head of Development, KVPS, Finland // Gildas Le Scouezec, CEO, Adapei du Bas-Rhin & Board member of Nexem, France // Stéphane Emmanuelidis, President UNIPSO, Belgium // Christy Lynch, CEO of KARE, Ireland // Sabina Lobato, Director of Training, Employment and Projects, Fundacion ONCE, Spain**

**Moderator: Thomas Bignal, Investment Policy Advisor, EASPD**

*This panel touched upon the main barriers to and solutions for social investment schemes in the member states.*

**Wolfmayr** talked about the implementation of the rights of disabled people in Austria, and especially in small, rural towns, where typical solutions do not work. Simple government funding can provide security here, but innovation needs to come from elsewhere**.** Because of inefficiency and the different approach of regions, there can be long waiting lists and different levels of quality of care.

The main barriers to involving private investors are the investors themselves. According to Wolfmayr, a new kind of identity needs to be created for entrepreneurs who want to be involved in delivering social services. The lack of clear regulation can also hamper social investment.

**Konola** spoke about Finland's changing social and healthcare sectors, and the importance of digitalisation to improve the delivery of social services. Key consideration is to include people from the social sector, which is also a great way to steer quality of care.

**Le Scouezec** observed a growing inequality between service beneficiaries and those on the waiting list in France. Generally speaking, the county was very late with the implementation of disabled rights. Most efforts now go to developing institutional frameworks.

**Emmanuelidis** focused on the accessibility of EU funding, and the different experiences of operators and stakeholders. He argued that the diversity of the sector should be taken into account. Some of the service providers in Belgium have a hard time understanding bank issues and loans. There needs to be better communication on these issues, and better cooperation and exchange of information between the banking and social sector. He also called for awareness raising about the available instruments, and finding a way to implement more continuity in the information provided so that any kind of threshold to apply for EU funds disappears.

**Lynch** discussed the Irish government's value for money review policy, explaining its best practice approach. He first raised some questions about the focus on innovation, which isn't the same as evidence-based practice. Policymakers should first look to see if anyone else has had similar ideas and ask themselves what evidence and lessons are already out there. Like everywhere else, investments are needed, and waiting lists are long.

But despite the huge investment needs in infrastructure, transport, and social care, he struggled to show the value of the deliverables to his minister. So in Ireland the focus has shifted to implementing the disability legislation in a cost-neutral manner. Now for the first time, the government has put forward delivery outcomes, based on international, research-based evidence. He noted that policymakers can write as much as they want, but unless they find a way to implement community services better, nothing will change. He concluded that profits should not be the end goal in social sector, but neither should wasteful spending.

**Lobato** called for more tailor-made information for the social sector, improving the competences and capacity of social entities, developing joint projects, and learning from inspiring initiatives.

***Panel III Proposals to unlock investment in social care and support infrastructure***

**Helmut von Glasenapp, Secretary General for Health, DG Health and Food Safety, European Commission // Dirk Coeckelbergh, Social Investment Expert**

**Moderator: Lieve Fransen, Senior Advisor to the EPC & Chair of HLTF-SI**

*This panel focused on the way forward.*

**Von Glasenapp** said he had two types of recommendations:

At policy level:

- If you want include the EU in social investment, you have to discuss the MFF. It is through the EU budget one can bring social policy into the EU mix. EFSI is good example of what is possible.
- Include Social Europe in the European semester. The Commission should look into member states' social systems, give recommendations or introduce a system of benchmarking so that member states can learn from one another.

At operational level:

- Create investment platforms that bring different projects together. Banks are not looking for €2 million projects, but €200 million projects.
- The EU level can provide technical assistance in the form of an advisory council, but also make sure that technical assistance on the ground is taken into account.
- Improve data collection.
- Set standards for impact assessments.

In short, the EU needs a social infrastructure agenda, including specialised funds. It will not be easy to structure these kind of funds because investors are very aware of the risks, and they do not want to take the first step. The slightly lower interest in the field of social infrastructure needs to be addressed as well. We need to ensure that private investors can count on stable payment from the public side, and enable investors to combine their social investment with other (social) investments in their portfolio. Microfinance and social economy are important, but they will not bring in the big money the EU needs (€350 billion every year for social infrastructure).

He concluded that the EU needs to start delivering for citizens as well. There is a window of opportunity to bring Social Europe to the next level, a political level, and to deliver concrete projects to citizens.

**Coeckelbergh** started by reminding the audience that bank money is in fact citizens' money. For that reason alone, banks should invest in social infrastructure. He continued that we cannot wait for Horizon 2020. There is a huge demand for social infrastructure, the waiting lists in many member states show this.

He furthermore explained that 90% of projects in Europe in the social sector are under €20 million, which can make it difficult to attract private investors. But private-public crowdfunding has shown that it can be successful.

He agreed with previous speakers that funding should go where the money is most needed, which means Central and Eastern Europe, and that data collection should improve. The EU also needs to get better in communicating the availability of instruments like EFSI and EIF to the member states and regions.

He then advocated the set-up of a new European high-level group for social infrastructure, wherein the social sector is included and can give guidance on social policy/advice to local councils.

***Panel IV: What next? How can we unlock investment into social services infrastructure?***

**Jiri Horecky, Vice President Federation of European Social Employers // Martin Seychell, Deputy General Director for Health, DG Health and Food Safety, European Commission // Jose Manuel Fernandes, Member of the European Parliament // Iliyana Tsanova, Deputy Managing Director, European Fund for Strategic Investments // Hubert Cottogni, Director, Head of the Mandate Management at EIF // Edoardo Reviglio, chief economist, Cassa depositi e prestiti (CDP) and special Rapporteur of the HLTF-SI**

**Moderator: Lieve Fransen, Senior Advisor to the EPC & Chair of HLTF-SI**

*The panel focused on concrete actions to unlock investment in social infrastructure and what could be done now.*

The panel agreed that what is really needed is a paradigm shift among EU policymakers and investors. Both the social sector and the EU's capacity to act are evolving. The next MFF will probably be smaller because of Brexit, so we have to rethink the use of funds, and focus more on the financing instruments that can serve as leverage.

When looking at the social sector specifically, one can see that social care and health are increasingly decentralised, resulting in a host of different delivery actors. Health care is moving away from a hospital model to a more community-based model, in which hospitals become hubs of expertise. So the need for virtual social infrastructure will have to be factored in as well. However, these kind of investment needs are less concrete and thus less attractive to investors. Bundling different projects with link-ed up investments can help, while structural funds can help make projects become more 'bankable'. Health in particular is a latecomer to private funding, but with the next MFF, there's a chance to correct that.

Regarding EFSI, the panellists said that a lot more can be done in the social sector with the current tools, if they are implemented well. There are also plenty of good ideas, but no hub to collect and disseminate them (even though money has been put aside for that). They all agreed there is no need for another big institutional fund.

Another panellist suggested that the EU level could work more closely together with national promotional banks, as they will be able to manage the guarantee for smaller projects.

- What can be done *now*:

- Collect data about the different needs in member states/regions.
- Develop a more rigorous approach to measuring outcomes.
- Develop a clear strategy with clear objectives at EU level.
- Invest in capacity building.
- Seize the opportunity of the next MFF talks, even though it could be risky as well.
- Work more with national promotional banks.
- Identify investments needs that can be tackled now.
- Organise an event dedicated to the creation of an investment advisory hub.
- Implore the Commission to focus on capacity building and a project pipeline for the next two years.
- Introduce a strong and clear percentage quota for social investment financial instruments in the next MFF.

**Concluding remarks**

**Zelderloo** first asked all three chairs to name one game changing intervention to bring investors closer to the social sector:

According to **Fransen**, this event had shown that there is a level of convergence. This needs to be transformed into a willingness to act and take pragmatic actions now.

According to **Dhéret** there are many good practices at local level, and positive steps at EU level, but the communication between the two levels of governance is not always working very well. Most of the efforts need to go towards improving this. Sometimes local initiatives will have to upscale, while bigger institutions have to become more local and more relevant for local projects and practices, she furthermore added.

According to **Bignal**, the endorsement of the European Pillar of Social Rights was an important step, but now EU policymakers have to think about how to build in standards to ensure the quality of social services and care.

**Zelderloo** then said that following this fruitful conference, EASPD will review its recommendations and then bring them to the EIB and EIF, the Commission, the different DGs and work on the implementation together with HLTF-SI. In 2018, EASPD will organise another series of events in twelve countries, and focus on improving Eastern European countries' access to EU funds and instruments. It will then evaluate its progress, and try to organise something on the previously mentioned advisory hub.

He stated that the investment needs have been made very clear, and that all stakeholders realise the sector is changing, society is changing, and that we can no longer wait to act. The EU has to start preparing for the future. Keeping this in mind, the EASPD calls for:

- Dedicated EU funds to help deprived areas, otherwise the strong will become even stronger.
- Set up a high level-group that steers, coordinates, and provides the guarantee to the investors that the investment is a correct approach.
- Work on better data collection to have a better idea of the investment needs and impact.
- Go local: the competences for developing social infrastructure is present at the national and local level.
- Include social service providers in the policymaking process.

His overall conclusion was that if the EU is serious about a Social Europe that can secure European citizens' social rights, and about equipping the sector to address the needs of tomorrow, the EU has to think big, and develop the right ecosystem that enables the social sector to develop and further promote its activities.