SYNTHESIS 17 JULY 2017

SOCIAL INVESTMENT AND THE JUNCKER PLAN

Sofia Fernandes | *Senior research fellow, Jacques Delors Institute*

On 27 March 2017, the Jacques Delors Institute, in cooperation with the French Economic, Social and Environmental Council, organised a conference in Paris entitled "Social investment and the Juncker Plan", which brought together Samuel Clause, José Manuel Fernandes, Thomas Bignal, Robin Huguenot-Noël and Marcel Grignard. The following summary surveys the key points of the debate: the presentation of the Investment Plan for Europe, its contribution to social investment, the issue of how it relates to other instruments for social investment and proposals to strengthen the Plan's contribution to social investment in Europe.

On 27 March 2017, the Jacques Delors Institute organised a conference in Paris entitled "Social investment and the Juncker Plan", which was chaired by Eulalia Rubio, senior researcher at the Jacques Delors Institute (JDI). The panelists included: **Samuel Clause**, Senior Investment Manager at the European Investment Fund (EIF); **José Manuel Fernandes**, member of the Budget Committee of the European Parliament; **Thomas Bignal**, Investment Policy Advisor at the European Association of Service providers for Persons with Disabilities (EASPD); **Robin Huguenot-Noël**, researcher at the European Policy Center (EPC).

Sofia Fernandes, senior researcher at the JDI, opened the conference with a few introductory remarks recalling the importance of social investment in Europe. The discussion then proceeded on the basis of presentations by the four speakers on the following questions: to what extent does the Juncker Plan include social investment? What are the other instruments available to the EU to invest in the social sector? How to improve the Juncker Plan with a view to strengthening its contribution to social investment in Europe? The debate was followed by a closing speech by Marcel Grignard, President of Confrontations Europe. This summary recapitulates the key issues raised during the conference.

1. Presentation of the Investment Plan for Europe

In the course of their interventions, the various speakers presented the main features of the European Commission's Investment Plan for Europe, also known as the Juncker Plan. This initiative, launched in 2014 in the context of a sharp decline in investment in Europe resulting from the economic crisis, aims to mobilise at least 315 billion euros of public and private investment (2015-2017) to boost growth and employment in Europe. To this end, Robin Huguenot-Noël gave a rundown of the three mutually reinforcing pillars of the Investment Plan for Europe:

- the European Fund for Strategic Investments (EFSI), which finances projects with a higher risk profile, maximising the impact of public expenditure and mobilising private investment.
- the European Investment Advisory Hub (EIAH) and the European Investment Project Portal (EIPP)—initiatives which should help select, prepare and develop projects throughout the EU, thereby ensuring that the investments meet the needs of the real economy.
- the regulatory component, including measures to guarantee increased regulatory predictability and remove obstacles to investment, in particular by strengthening the single market, which will make Europe more attractive and multiply the positive effects of the plan.

Samuel Clause clarified the underlying logic of the EFSI (the use of European public guarantees to mobilise private investment), pointing out that this European fund benefits from 21 billion euros of European guarantees (16 billion euros from the EU budget and 5 billion euros from the European Investment Bank (EIB)). This fund is also open to—direct or indirect, via national development banks—contributions from member states. The EIF manager also expounded the two components of the EFSI: the innovation and infrastructure component (for which the EIB is responsible) and the SME component (within the remit of the EIF), with each aiming to raise 240 and 75 billion euros respectively (to reach the target of 315 billion euros). The Commission proposed to strengthen and extend the fund by 2020, boosting European guarantees to 26 billion euros for an investment objective of 500 billion euros.

INVESTMENT PLAN FOR EUROPE – THREE PILLARS		
European Fund for Strategic Investments (EFSI)	European Investment Advisory Hub	Regulatory Component
Mobilising financing for investment	Securing financing that benefits the real economy	Creating a more investment-friendly environment
• Encouraging private investment • Providing improved access to financing for new investment to SMEs and mid-cap companies • Strategic use of the EU budget • Flexibility within the framework of the Stability and Growth Pact for member states that contribute to the new EFSI	• Selecting projects and creating a project pool • Technical assistance at all levels • Cooperation between national development banks and the EIB • Monitoring at global, national, regional and EU levels, including awareness-raising actions	• Predictability and quality of regulation • Removing non-financial regulatory barriers in key sectors of the single market

The EFSI focuses its efforts on sectors of major importance to the European economy, including: strategic infrastructure (digital networks, transport and energy); education, research and development and innovation; renewable energies and energy efficiency; support for SMEs. However, the EFSI does not provide for a sectoral (or geographical) allocation of funding.

2. To what extent does the Juncker Plan enable social investment?

Thomas Bignal spoke about the types of investment for which the EFSI can be mobilised. While stating the importance of public funding in the domain of social policy, he stressed the important role that private investment can play in the development of social infrastructure:

- purely physical infrastructure: social housing, rehabilitation centres, etc.

- innovative infrastructure: training of personnel, digitisation of equipment, etc.

The EASPD adviser added that there is significant investment demand for these types of infrastructure in all European countries. To illustrate the point, he said that the EASPD asked its members if they needed loans: all responded affirmatively, and almost all said they had difficulty obtaining loans. The advantage of the Juncker plan in the social domain therefore consists in facilitating access to loans when social actors have difficulty financing themselves on the market.

In spite of the needs, the EFSI's social investment remains modest: in December 2016, less than 4% of the EFSI was used to finance social infrastructure (health, education, culture, housing, etc.) and less than 1% has been invested in social services.

BOX 1 ► Examples of social infrastructure projects financed by the EFSI

• Construction of new primary healthcare centres across Ireland with an EIB financing under EFSI amounting to 70 million euros (for a total investment expected of 142 million euros);

• Construction of a new teaching hospital in a brown field site in Birmingham, UK with an EIB financing under EFSI amounting to 170 million euros (total investment triggered amounts to 494 million euros, with an expected creation of 3800 jobs during construction and operation phases).

In light of this observation, José Manuel Fernandes and Thomas Bignal underlined that the EFSI operates on a demand-based logic and as such requires a proactive approach: for social projects to be approved, people have to put forward projects and apply for EFSI funding in the first place. However, the low share of EFSI investment in social infrastructure was qualified by two considerations.

Above all, it was pointed out that, in addition to EFSI's infrastructure investment component, the SME component also allows for the financing of social projects. Moreover, José Manuel Fernandes stressed the need for a broader understanding of the Investment Plan's social dimension that goes beyond merely taking into account the amount allocated to social investment projects. He insisted that, prior to the allocation of funds, the evaluation process should assess the impact of each proposed project on employment and social cohesion, with a preference given to job-creating projects and those making a significant contribution to social cohesion. This will become an explicit stipulation in the revised EFSI rules for the period 2018-2020. It also reinforces the idea that the social dimension of the Juncker Plan must be transversal and non-sectoral.

In a similar vein, attention was drawn to the fact that, in a 2015 report, the International Labour Organisation (ILO) estimated that between 2015 and mid-2018 more than 1.8 million new jobs could be created—directly or indirectly—through public and private investments resulting from the Juncker Plan.[1] There would also be about 200000 potential additional jobs if some of the funds were allocated on the basis of unemployment levels in the member states, and another 100000 jobs could be created through additional support for skills development (rather than a solely investment-focused allocation). This would bring the total gain from this employment-friendly approach to 2.1 million jobs.

3. What are the possible complementarities between the Juncker Plan and the other European instruments for social investment?

All speakers reiterated that the EU is already doing a lot in the social domain, notably via the European Structural and Investment Funds (ESIF). Although the EFSI complies with the additionality principle (a project must be selected only if it would not have been carried out at all or to the same extent, or within the same time frame, without EFSI support), the European authorities, in order to mobilise additional investment, wish to facilitate the combination of other EU funds with EFSI support. This is particularly important for member states struggling to attract private investment.

BOX 2 ► The Nord-Pas de Calais region – an example of a project combining EFSI support, other EU funds and private capital

A project put in place by the Nord-Pas de Calais region in France illustrates how it is possible to usefully combine support from the ESI Funds and the EFSI, in particular because the project in question has maximised private sector participation. It aims to work toward a low-carbon economy (as part of the so-called third industrial revolution or TIR). By 2050, the region, on balance, hopes to be no longer an emitter of greenhouse gases, while also boosting employment, buttressing the economy as a whole and fighting against fuel poverty. To this end, a multi-level fund has been set up, which invests venture capital in companies developing TIR projects: the region, benefitting from ESI funds, will participate by providing equity financing alongside public and private investors. The EIB, supported by the EFSI, provides the fund with a mezzanine credit and at the project level, the commercial banks provide a credit facility on favourable terms. In addition to funding, the region also provides technical assistance through a grant of up to 2.5 million euros from ESI funds.

Samuel Clause furnished two examples of good practice concerning the complementarity of the EFSI with existing instruments allowing for social investment. On the one hand, the EFSI is an accelerator in the mobilisation of funds from the Employment and Social Innovation Programme (EaSI),[2] since, thanks to the EFSI, it is possible to have early access to said programme's budget by 2020 (amounting to approximately 920 million euros for the period 2014-2020). On the other hand, the EFSI also supports the development of the Social Impact Accelerator (SIA), a fund of funds managed by the EIF which invests capital and offers quasi-equity financing for social impact funds. Thomas Bignal nevertheless emphasised that European funding programmes are not always adapted to the needs of social actors. Thus, the SIA is primarily designed to support social start-ups and is less suitable for social service providers.

4. Strengthening the Juncker Plan's contribution to social investment

he European Commission and the European Parliament have identified the need to strengthen the

1. International Labour Organisation, *An employment-oriented investment strategy for Europe*, 28 January 2015.

2. The Employment and Social Innovation Program (EaSI) is a European funding instrument aimed at promoting a high level of sustainable quality jobs, ensuring decent and adequate social protection, combating poverty and social exclusion and improving working conditions.

social dimension of the European investment plan as one of the areas for improvement of the EFSI for the period 2018-2020 (EFSI 2.0). Thomas Bignal cited a working document of the European Commission to underscore this point: "However, [the Investment Plan for Europe] is far from reaching its full potential in boosting human capital development. Additional efforts have to be deployed to design instruments adapted to this sector and to ensure that social and financial actors cooperate more closely."[3]

In the course of the debate, the speakers put forward various proposals to strengthen the Juncker Plan's contribution to social investment. We shall reproduce them below.

4.1. Improving the visibility and understanding of the plan: the added value of advisory platforms

Thomas Bignal identified a number of problems besetting the Investment Plan for Europe which limit its use for social projects. These include a lack of promotion and the insufficient visibility of the plan. Social actors do not yet consider this instrument a useful means for financing loans for social projects. He also highlighted the gap between the social and financial sectors. Historically, the social sector has been relying more on public funds and consequently does not understand the language of private financiers.

In order to increase the level of funding social projects receive from the Juncker Plan, it is necessary to raise awareness of the existing opportunities and improve the communication between the social and the financial sector. To this end, José Manuel Fernandes and Thomas Bignal played up the importance of advisory platforms. For the EASPD adviser, the first step would be to foster greater knowledge of the social services sector at the European Investment Advisory Hub, which would enable the latter to better target the sector. José Manuel Fernandes added that the synergies between this hub and other players—whether national development banks, so that they can benefit from EFSI guarantees when making investments, or similar platforms to be implemented at national and/or regional level (they already exist in some countries)—leave room for improvement. Sectoral investment platforms should also be envisaged, in particular for social projects. Investment hubs also have the advantage of facilitating the combination of EFSI loans with other sources of financing, including ESI funds.

This need for greater visibility and better promotion applies to the investment plan but also to other European instruments. Thomas Bignal mentioned the need to increase awareness of the EaSI programme but also to bolster its resources and to raise the ceiling for projects (currently set at 500 million euros), insisting that in the social service sector, the financial requirements of the relevant actors often exceed one million euros.

Thomas Bignal described initiatives developed by the EASPD to increase the visibility and foster a better understanding of the opportunities the investment plan holds for social actors. EAPSD is developing a website to promote the instruments at its disposal among the social sector[4] and, in 2017 alone, organises promotional events in six European countries as well as hosting a major European conference in November which aims to bring together all key players.

4.2. Creating a new EFSI pillar dedicated to human capital

Robin Huguenot-Noël foregrounded the need to make social investment a political priority for EFSI 2.0. This could result in the creation of a third pillar (in addition to those dedicated to infrastructure/innovation and SMEs) dedicated to investment in human capital. European guarantees would be used to encourage investment in training (the legal basis for such a European action would be Article 166 TFEU, which stipulates that the EU should support training and labour market integration in the member states).

3. European Commission, *2017 European Semester: Assessment of progress on structural reforms, prevention and correction of macroeconomic imbalances, and results of in-depth reviews*, COM(2017)90, 22 February 2017.

4. See the EAPSD's website: www.socialinvestment.eu

The EPC researcher cited as an example the proposal of a Spinelli Fund advanced by France Stratégie, despite the fact that, in its original form, the authors envisage this fund for periods of crisis (the idea is to provide European guarantees for rapid investment in skills to facilitate professional mobility in times of crisis).

In an April 2016 note detailing how to improve the EFSI, the European Political Strategy Centre (EPSC) of the European Commission presented a proposal that goes in this direction. The Commission's analysts argue that a dedicated instrument could be added to the EFSI, providing pooled finance for additional investment in existing programmes, notably for training, lifelong learning in SMEs, apprenticeships, internships, etc.[5] Some of the funding could be used to strengthen existing programs such as Erasmus+ or EaSI.

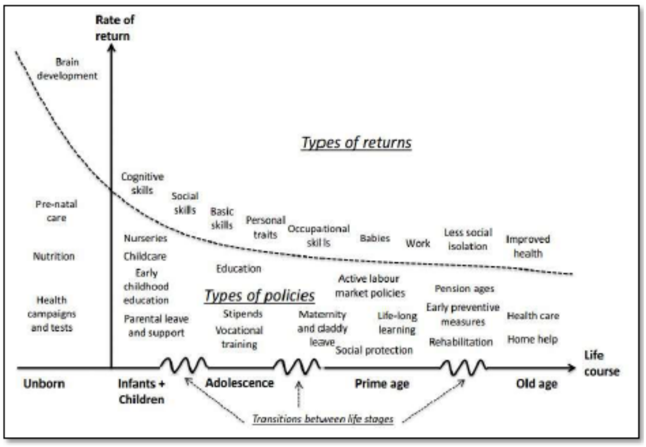
José Manuel Fernandes was skeptical of this proposal, contending that the EU already has the European Social Fund (ESF) to invest in human capital and care must be taken not to create new instruments that could call into question the utility of those already in place.

4.3. Defining a framework for assessing the social returns and improving EU social governance

Robin Huguenot-Noël accentuated the importance of defining a new evaluation framework for social returns. It is necessary to be able to measure not just the financial returns of a project but also the specific returns on investment in the social field itself. In this respect, it is certainly indispensable to use social progress indicators such as skills development, social inclusion or health improvement. Marcel Grignard dwelled on this point in his conclusion, claiming that, as far as investments are concerned, most actors adhere to a logic of financial profitability. It is difficult to integrate economic criteria (which need to be distinguished from financial ones) and social/societal factors when assessing investment proposals and deciding on which to prioritise.

The EPC researcher also emphasised the importance of ensuring that the priority given to social investment receives greater consideration in European economic governance. To be sure, social indicators are included in the macroeconomic evaluation criteria but they remain weak and poorly recognised. For European discourse and action to be coherent, it is imperative to ensure that social rights and national social spending are not sacrificed in the name of budgetary or competitiveness imperatives.

BOX 3 ► Social progress indicators to evaluate the social returns of projects



Source: Jon Kvist, *A framework for social investment strategies: Integrating generational, life course and gender perspectives in the EU social investment strategy,* Comparative European Politics, 2014 (shown in Robin Huguenot-Noël's presentation).

5. European Political Strategy Centre, *The European Fund for Stategic Investments—Maximising its Potential*, Strategic Note, Issue 11, 6 April 2016.

CONCLUSION

Marcel Grignard took up the main ideas proffered during the debate and placed them in the wider context of the action and the future of the EU. He underlined the need to rethink the European development model in the face of the profound transformation of the European economies and a growing recognition, over the last decades, of the shortcomings of a development model, which did not lower unemployment, has led to greater inequality and produces a very negative impact on the environment. According to the president of Confrontations Europe, there is a fundamental problem which consists in EU leaders' capacity to put EU's resources at the service of their political choices. It seems an obvious point but in practice it turns out to be rather difficult. He added that the social dimension of the European project should not be viewed in isolation. We are right to say that social Europe stands for the capacity to help the most disadvantaged but social Europe is much more than that: it is the ability to interlink the fate of each country and make it a common destiny for all Europeans.

On the same themes…

THE FUTURE OF THE EUROPEAN BUDGET: WHAT DOES THE COMMISSION'S WHITE PAPER MEAN FOR EU FINANCES?
Eulalia Rubio and Jörg Haas, Policy Paper No.199, Jacques Delors Institute, 29 June 2017

EXTENDING ERASMUS: A NEW IMPETUS FOR YOUTH MOBILITY IN EUROPE
Sofia Fernandes and Yves Bertoncini, Policy Paper No.198, Jacques Delors Institute, 14 June 2017

SOLIDARITY 2.0
Marjorie Jouen, Policy Paper No.196, Jacques Delors Institute, 13 June 2017

MAKING SOCIAL EUROPE A REALITY FOR EUROPEAN CITIZENS
Sofia Fernandes and Frank Vandenbroucke, Tribune - Viewpoint, Jacques Delors Institute, 31 May 2017

INVESTMENT IN EUROPE: MAKING THE BEST OF THE JUNCKER PLAN
Eulalia Rubio, David Rinaldi, Thomas Pellerin-Carlin and Enrico Letta, Studies and Reports No.109, Jacques Delors Institute, March 2016

A NEW START FOR SOCIAL EUROPE
Jacques Delors, David Rinaldi, Nicolas Schmit and Marianne Thyssen, Studies and Reports No.108, Jacques Delors Institute, February 2016

Europe for Citizens
PREMIER MINISTRE
ISSN 2257-5510

NOTRE EUROPE JACQUES DELORS INSTITUTE
19 rue de Milan, F – 75009 Paris
Pariser Platz 6, D – 10117 Berlin
info@delorsinstitute.eu
www.delorsinstitute.eu