



## Financing Needs in Social Services

December 2018

### Report on EASPD's Activities

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#### Introduction

Social Services have significant and often unmet investment needs. EASPD's 2017 report "*Investing in Social Care and Support, a European Imperative*" presented several factors explaining such trends:

- cuts to public expenditure in real terms,
- significant increase in demand for social care and support,
- the necessity to transition away from segregating institutional care to community-based services, in line with human rights obligations,
- Job creation in social services and the retention of qualified staff,
- The uptake of digital technologies by social service providers, their workers, as well as persons with support needs,
- Improving energy efficiency measures, within social services,
- Difficulties linked to social service provision in rural areas.

The High Level Taskforce on Social Infrastructure Investment, chaired by President Romano Prodi and in which EASPD participated, highlighted that in "social infrastructure" alone, Europe has an investment gap estimated at €150 billion a year over the next decade.

EASPD's 2017 report also re-affirmed the responsibility of public authorities to ensure all persons with support needs get access to quality accessible, affordable, adaptable and available social services. This being said, there is significant political, societal and economic debate on the extent to which public authorities are willing to spend to cover the current investment needs of social service provision; notwithstanding that these needs are expected to grow across Europe, in particular with regard to the ageing population and evolving family patterns.

This only re-affirms the necessity to further strengthen the case of public social investment in Europe; meaning that sufficient public investment into social services is both necessary to guarantee the quality and continuity of social services and that such investment brings a positive economic and social return for taxpayers.



It also means that public authorities, social service providers and all relevant stakeholders - irrespective of where they stand in this debate - need to identify ways in which we can be smarter in how we invest into social services.

For this reason, EASPD organized a series of activities in view of providing greater clarity to these questions:

- National Events
- European Conferences
- Creation of a Steering Board for Social Infrastructure

## National events

EASPD organized national events to discuss the private investment needs in social services and explore how the European instruments could help to meet such needs.

### Ireland

The first national event took place in Ireland on 16<sup>th</sup> April, hosted by the Mr Finian McGrath, Minister for Disability in Ireland and co-organised together with the National Federation of Voluntary Bodies. Bringing together around 20 participants from the social services sector, the Ministry of Health and the EIB, the meeting focused initially on the recent ratification of the UN Convention on the Rights of Persons with Disabilities by Ireland and what this would mean for investment needs in disability services. There was also an agreement that over the last decade there had been little to no additional investment in the social infrastructure of services such as respite care, day care or even travel fleets (buses, etc). Part of the reasoning for this was the need to cut public expenditure in order to fall in line with European fiscal arrangements. The possibility that investments triggered by the European Fund for Strategic Investments could – in principle – be excluded from debt calculations were very much welcomed by all participants. The meeting concluded with a call by Minister McGrath for Ministry officials and social service providers to meet and develop a national investment project proposal which he could then present to the Irish cabinet.

The Irish event highlighted the significant investment needs in care and support services for persons with disabilities due to underinvestment for the past decade as well as to the implications of the UN CRPD for such services. It also highlighted the importance of how the European Fund for Strategic Investments (EFSI) could provide.

### Finland

On the 3<sup>rd</sup> May, EASPD organised a seminar in Helsinki, bringing together stakeholders from Finland, Latvia and Estonia to discuss trends in service provision and the social economy, and to explore the potential use of EFSI. The event stressed the need for greater investment into high-quality, community-based infrastructure that go further than simply providing services in the community settings, but also support the full inclusion of persons with disabilities in community life. Representatives from the social and support services sector expressed an interest in the potential opportunities that EFSI could provide. Despite this, participants highlighted that for service providers to be able to benefit from such opportunities, capacity building is required by both the social and financial sector, to support the better understating of the other's sector and facilitate their cooperation. This need for capacity



building was joined by a call for more data collection on the investment needs of the sector, to help Finnish social and support services identify overall trends and needs which can be addressed with the help of EFSI. The event concluded by underlining that, most importantly, investment tools must ensure the implementation of the UNCRPD and facilitate the full realisation of the right of persons with disabilities, with the support of high-quality, community-based, person-centered services.

### Spain and Portugal

The third event organized on 11<sup>th</sup> June had a cross-border perspective, bringing together social service providers, regional authorities and academics from both Spain and Portugal. The event discussed significantly the investment needs in social services in these countries. The landscape of support service delivery is now facing multiple challenges due to the change of paradigm brought by the United Nations Convention on the Right of Persons for Disabilities. Uncertainty on implementation strategies is raising high in local governments, but even more in support service providers (SP). SP now face changing socioeconomic environments strongly requesting more conceptual answers and internal organizational transformations. Many decision-makers in SP whose core business is still based on care in special institutions for closely defined client groups fear 'transitional costs' when shifting their operation profile towards integrated community services. Thus, they find themselves 'stuck in the middle' between established routines and requested but untaken innovative steps for inclusion and integration of their activities in local service systems. Another important challenge referred to was on the financing of rural and sparsely populated areas. As regard to private investment, interest was expressed to further explore the possibilities EFSI could bring in terms of investment, but that efforts should be made to better measure social impact; with measuring impact on quality of life of persons with disabilities and their families as the way to go. Facilitating cross-border investments was also referred to as a possible added value of European financial instruments; although joint planning capacities were difficult and require support.

### Czech Republic

The fourth national event took place in the Czech Republic on the 25<sup>th</sup> June, hosted by the Czech Ministry of Social Affairs and co-organised with the Association of Social Service Providers in the Czech Republic. The workshop brought together the Ministry of Labour and Social Affairs, social service providers, academics, trade unions and the EIB. The Czech Authorities' investment budget into social services is negotiated on a year by year basis, and vary significantly; meaning that it is very difficult for service providers to predict which investments they can get and plan their own development on the medium to long-term. Such arrangements also limit the capacity of social service providers to get access to private investment. There was therefore interest by social service providers in the Czech Republic to further explore the potential of EU financial instruments to fulfil their investment needs, especially with the help of a public guarantee.

### Flanders (Belgium)

The fifth event took place in Flanders, Belgium, and brought together important disability service providers in the region. The 10 organisations around the table all had investment needs, together requiring over €200 million of private investment in the years to come for infrastructure in areas such as housing, care, administrative facilities for homecare, energy efficiency, etc. EFSI was seen as a possible good solution for financing such needs as discussions with national banks were sometimes difficult. Yet, they also stated that the bureaucratic measures required to apply to the EIB appeared



very burdensome. Another aspect discussed was the very specific positive aspects of using EFSI to finance their needs, in terms of interest rates, duration, etc. Having to fill in the application folder for an EIB loan, with the considerable paperwork they request, is not particularly encouraging even they have little information on the specific benefits they could gain from such a loan.

### Wallonia (Belgium)

On the 11<sup>th</sup> September, EASPD together with UNIPSO organised a Seminar in Namur, Belgium, bringing together organisations from the social profit sector, regional authorities, the EIB and others to present and exchange views on the different European financial instruments available. Most participants stated their investment needs; mostly in the field of infrastructure and requiring between €500,000 and €10 million. Although interested in the European instruments presented, there was regret that none were specifically targeting the amounts required. With regard to bundling, several participants expressed a possible interest; but stated that this required costly time and expertise which they did not have at that moment.

### Hungary

On the 19<sup>th</sup> September, EASPD organised a Seminar in Budapest. The event brought together representatives of social services sector, the Erste Bank and the European Investment Bank. During the seminar, the funding opportunities provided by the European Fund for Strategic Investment (EFSI) were presented along with resources available under the Economic Development Operational Programme between 2014 and 2020 in Hungary.

### Austria

The 8<sup>th</sup> national event took place on 30<sup>th</sup> November in Vienna, Austria, co-organised with the Erste Bank and bringing together social service providers, investors and authorities. The speakers expressed important investment needs in social service provision across the country, although with regional differences. Most projects were again between the €1 million and €10 million mark; thus also regretting the EFSI limitations. Interest was expressed by some local authorities and service providers to work on bundling some different programmes.

## Setting up of the Steering Board for Social Infrastructure

One of the major trends in social service provision is the transition to community-based services; a process which also entails the integration of a variety of different services: health, education, housing, ageing, etc. Similar processes are happening in these other sectors too, where all are moving towards some form of integration of services. The hospital-centric healthcare system is also moving towards more localized forms of service provision. Social housing providers are providing more and more care and support services for their clients.

As such, quality investments into these fields also increasingly have to require investments into multi-dimensional social projects. For this reason, EASPD brought together Eurohealthnet, the Lifelong Learning Platform, Housing Europe, the AGE Platform and Feantsa with the aim of setting-up the Steering Board for Social Infrastructure in order to facilitate cross-sectoral exchange, provide a unique counterpart to the EU institutions, build up capacity at national level and develop a pool of investable projects.



Together with the Steering Board for Social Infrastructure, EASPD also organised a large European Conference on “Investing in Social Infrastructure” bringing together over 100 representatives in the field of health, housing, social services and education, as well as Public Authorities and investors. The aim was to present the following documents; which were welcomed by the institutions.

The Steering Board for Social Infrastructure met 7 times in 2019 and developed together

- A Joint Position Paper on InvestEU, the European Commission’s proposal for an investment programme under the next multi-annual financial framework
  - o The Position Paper welcomed the InvestEU programme and in particular
    - The Social Investment & Skills window; and accompanying investment guidelines
    - The significant yet realistic increase in the budget dedicated to capacity building
    - The stronger focus on smaller and local projects
  - o The Paper also made several recommendations to further improve the InvestEU proposal:
    - A focus on quality projects should be prioritized
    - Creating a dedicated structure to enable representatives from relevant window-specific sectors to provide feedback to the relevant InvestEU decision-making bodies.
    - Ensuring that part of the capacity building budget is dedicated to the service providers themselves, not to build up the capacity of financial investors
    - A stronger reference to the use of the investment clause in the EU fiscal rules as public investment is crucial to unlocking investment in social infrastructure.
- A Scoping Note for Social Infrastructure Investment, detailing their view on the areas in social, health, education and affordable housing provision where private investment makes the most sense; notably a dedicated Public Guarantee to facilitate investment into projects between €1 and €15 million, with positive interest rates and over a longer duration.

## Conclusions

The outcome of EASPD’s work in the field of social investment in social services in 2019 can be summarized into five main points:

- Social services require significant investment if they are to successfully transition towards more community-based services, in line with the principles of the UN Convention on the Rights of Persons with Disabilities. Investment, though, being the main word here, given that community-based services will come with an economic and social return as they help to empower individuals to be active on the labour market, in education and training and in society as a whole. If a cost there is, it would be in not or underinvesting in community-based services; which leads to a more unequal society where persons with support needs and their families are not empowered to become active members of society, with all the socio-economic consequences that entails.



- The funding of social services must also primarily be the responsibility of public authorities; not for ideological reasons but for the simple reason that it is the only way to ensure the continuity of accessible, adaptable, affordable and available services for those who require them. Private investment, in its nature, requires the investment to be reimbursed, one way or another. Under this condition, it is difficult to understand how such continuity of social services can be guaranteed. In addition, the reimbursement of such private investment would also usually depend (albeit to varying degrees) on public investment. Therefore, rather than seeing public or private investment in opposition, it makes more sense to assess the extent to which private investment can play a role in financing social services; enabling them to innovate, build-up and improve their services; whilst also maintaining the public interest nature of such services.
- Private financing can play a role in unlocking investment into social services; primarily in two fields. Firstly, access to cheap, long-term loans for quality infrastructure projects can help providers and authorities to spread out the cost of their investment over a longer period of time; therefore reducing the immediate financial impact the investment can have. Secondly, with limited budgets, public authorities can often be less willing to invest in innovative projects; which make a lot of sense in theory but are yet to be effectively tested. This has particularly been the case since the economic crisis, therefore hindering the sector's ability to innovate, take risks and improve their services. Financial instruments which share the risk of investment between public authorities and private investors can help to unlock such investments to test unproven yet highly innovative projects. On the long run, if successful and the risk is reduced, the funding of such projects should even be taken over 100% by Public Authorities. Getting private investors to invest where it makes sense would also free up space for public investors to invest where it is absolutely necessary.
- Although this varies, the stakeholders involved often lack the expertise to know when, why and how such mixed public-private financing could work. Many questions too often remains unanswered: for which projects, how to measure the impact, how to develop the business case, how to make sure you invest in quality projects, who should take the initiative, who should bear the responsibility etc. Significant capacity building is therefore needed; be it for providers, authorities or investors, and especially at local or regional level.
- The creation of local, regional or national investment platforms; which bring together such providers, authorities and investors should be encouraged, promoted and funded. A pro-active role is needed by all involved; although probably initiated by public authorities, if we are to make progress on these issues and ensure that our social investment needs are met. The EU budget could and should play a role here.
- On the short term, the easiest and best way to create a pipeline of projects would require financial instruments to be suited to the investment needs of the sector; for projects which generally require between €1-15 million EUR. This is the significant majority of social infrastructure projects in the field of social services across Europe. The European Union should facilitate this through EFSI and the InvestEU programme.