Social Services Europe

# European Commission InvestEU Proposal
## Suggested Amendments

### A. Social Services and the InvestEU Proposal

**Social Services Europe is the largest network of not-for-profit social and healthcare providers at EU level**, representing over 100,000 organisations through its 8 members: Caritas Europa, CEDAG, EASPD, EPR, Eurodiaconia, FEANTSA, the Red Cross EU Office and SOLIDAR.

As highlighted in our paper "Enabling Social Services through the Multi-Annual Financial Framework post-2020: A European Imperative" (March 2018), the EU budget plays a **key role in funding both innovation and continuity in quality social service provision**. As a result of such investment, the EU Budget contributes to improving the quality of life of all people in Europe; thus leading to **a more stable, inclusive, productive and resilient European Union**.

Our Initial Remarks on the Multi-Annual Financial Framework 2021-2027 (July 2018) welcome the general orientation of the European Commission's proposals, including on the InvestEU Proposal. The Remarks also highlight 5 positive proposals and 4 areas with room for improvement.

These Remarks form the basis of our proposed amendments to the European Commission's InvestEU Proposal. In red are the modifications we suggest to the initial proposal.

### B. Proposed amendments

| Articles | Proposed Amendments |
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| Recital (3) | In the last years, the Union has adopted ambitious strategies to complete the Single Market and to stimulate sustainable growth and jobs, such as **the Europe 2020 Strategy**, the Capital Markets Union, […] and the Space Strategy for Europe. |
| There is no mention to Europe 2020 in the detailed listing of strategic actions undertaken by the EU in the last years. This omission is surprising considering the explicit mention made to the InvestEU objective of stimulating sustainable growth and jobs. | |
| Recital (17) | As set out in the reflection paper on the social dimension of Europe,~~and~~ the European Pillar of Social Rights **and the EU Framework on the UN Convention on the Rights of Persons with Disabilities**, building a more inclusive and fairer Union is a key priority for the Union to tackle inequality and foster social inclusion policies in Europe. Inequality of opportunities affects in particular access to education, training and health. Investment in the social, skills and human capital-related economy, as well as in the integration of vulnerable populations in the society, can enhance economic opportunities, especially if coordinated at Union level. The InvestEU Fund should be used to support investment in education and training, help increase employment, in particular among the unskilled and long-term unemployed, and improve the situation with regard to intergenerational solidarity, the health sector, **the social services sector**, homelessness, digital inclusiveness, community development, the role and place of young people in society as well as vulnerable people, including third country nationals. […] To counter the profound transformations of societies in the Union and of the labour market in the coming decade, it is necessary to invest in human capital, microfinance and **the social economy.**~~social enterprise finance and new social~~ |

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| | ~~**economy business models, including social impact investment and social outcomes**~~ |

**Justification**:

- **Amendment 1 on the UN CRPD:**
  - The European Union and all EU Member States have ratified the United Nations Convention on the Rights of Persons with Disabilities. The UN CRPD is legally binding and sets out the obligations for public authorities to provide equal opportunities for persons with disabilities.
    The EU Framework on the UN Convention on the Rights of Persons with Disabilities promotes, protects and monitors the implementation of the UN CRPD in matters of EU competence; this includes matters related to EU funding and financial instruments.
    The InvestEU programme will support investment into projects, which will have an impact on the day-to-day lives of persons with disabilities in Europe. It is therefore crucial -and legally binding- that the InvestEU programme is used as an instrument to make further progress on the implementation of the UN CRPD; rather than act as a barrier.
- **Amendment 2 on social services:**
  - The social services sector, which represents social care and support for the elderly, persons with disabilities, children, as well as for other disadvantaged groups, is one of Europe's biggest growing sectors. Social services are also going through a period of transition away from institutional models of care towards community-based services. Both the growth in demand and the transition require significant investment; which is rarely sufficiently provided. InvestEU could play a very important role in supporting investment into more enabling forms of social infrastructure. The social services sector should therefore be seen as a core priority for the InvestEU programme.
- **Amendment 3 on the social economy:**
  - The Social Economy is a diverse and growing field of activity in our economies; from traditional social service providers to new(er) forms of social enterprises. Investing in such a field therefore requires instruments which take into account the full diversity of social economy enterprises and their objectives. The InvestEU programme should not limit itself to specific sub-sectors in the social economy, such as those who are more attracted by social impact investment; an instrument which has led to very mixed (and far from conclusive) results; in particular for the services' users and workforce.

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| **Recital (37)** | In the context of the InvestEU Fund, there is a need for capacity building support to develop the organisational capacities and market making activities needed to originate quality projects. Moreover, the aim is to create the conditions for the expansion of the potential number of eligible recipients in nascent market segments, in particular where the small size of individual projects raises considerably the transaction cost at the project level, such as for the social finance ecosystem. The capacity building support should therefore be complementary and additional to actions undertaken under other Union programmes that cover a specific policy area. **Particular effort should also be made to support the capacity building of potential project promoters, in particular local service provider organisations and authorities.** |

**Justification:**

The High Level Taskforce on Investing in Social Infrastructure report highlighted as a "quick win" recommendation to "build the capacity of service provider organisations and local authorities" as a means to boost social infrastructure investment.

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<tr><td colspan="2">As highlighted in EASPD's 2017 report "Investing in Social Care and Support, a European Imperative", this is also the experience of many social service provider organisations who do not always have the experience and technical capacity to transform their economically viable social project ideas into "bankable" investments for private and/or public investors.<br>Historically, much of the EU support for capacity building in this field has either been directed towards the investors (ex: EaSI Capacity Building Investments Window) or been led only through the European Investment Advisory Hub; and thus, intrinsically too far from the local innovative social projects.<br>Additional support to social, health, education and housing service providers to enable them to transform their innovative project ideas into bankable projects is therefore an absolute must; especially if InvestEU is to benefit from a "robust pipeline of investment projects in each policy window". This capacity building should also take place as close as possible to the service providers themselves and therefore at local or regional level.</td></tr>
<tr><td>Art 6.</td><td>Financing and investment operations covered by the EU guarantee which form part of the blending operation combining support under this Reguation with support provided under one or more other Union programmes or by the EU Emissions Trading System (ETC) Innovation Fund shall:<br>[…]<br>(a) Be consistent with the policy objectives and comply with the eligibility criteria set out in the rule on the Union programme under which the support is decided.<br>[…]</td></tr>
<tr><td colspan="2">Justification:<br>This proposal is very important to ensure that the InvestEU programme is not used as a means to undermine the quality rules imposed on grants supported by ESF+ and ERDF, via the Common Provisions Regulation (CPR). One of the success stories of the European Structural and Investment Fund has indeed been to support investment into community-based care and support services, which best respond to the real needs and wishes of persons with support needs (elderly, persons with disabilities, children, migrants, etc). Without such an article, there is a real danger that the blending of InvestEU with, say, the European Social Fund could lead to investment into social infrastructure projects of poor quality; unless protections are put in place to ensure that ESF rules still apply. In fact, the InvestEU programme itself should have similar limitations, in order to be consistent with Union values, the European Pillar of Social Rights and the UN CRPD.</td></tr>
<tr><td>Art. 7. 4.</td><td>Implementing partners shall provide the information necessary to allow the tracking of investment that contributes to meeting the Union objectives on climate and environment, as well as on the European Pillar of Social Rights, based on guidance to be provided by the Commission.</td></tr>
<tr><td colspan="2">Justification:<br>Contributing to "the social resilience and inclusiveness of the Union" (Art. 3. 1. (c)) is one of the objectives of the InvestEU Programme. Mechanisms must therefore be put in place to be able to measure when and how investment made by the Implementing partners meet this objective. The recently concluded European Pillar of Social Rights provides an excellent basis under which to measure such objectives.</td></tr>
<tr><td>Art. 9</td><td>NEW<br>This article should also include a section encouraging the more systematic use of the investment clause 2.2 of the Stability and Growth Pact to facilitate more national co-financing of projects.</td></tr>
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| **Art. 16.1.** | The remuneration for risk-taking shall be allocated between the Union and an Implementing partner in proportion to their respective share in the risk-taking of a portfolio of financing and investment operations or, where relevant, of individual operations. The implementing partner shall have an appropriate exposure at its own risk to financing and investment operations supported by the EU guarantee, unless exceptionally the policy objectives targeted by the financial product to be implemented are of such nature that the implementing partner could not reasonably contribute its own risk-bearing capacity to it. **The remuneration for risk-taking should also be proportional to the quality of the project(s) financed and the impact achieved.** |
| **Justification:**<br>The current proposal may tend to encourage implementing partners to focus their attention on quantity of projects financed, rather than by also taking into account their quality. This could have a creaming affect where easy-to-finance projects receive the adequate support, rather than innovative local projects with a higher impact on the quality of life of people. A mechanism which links the guarantee rate to the quality of the projects financed would help to provide a better balance between quantity and quality. | |
| **Art. 17.** | **NEW**<br>**6. The Advisory Board shall organise four window-specific Steering Boards in partnership with relevant sectoral partners at European level. The Steering Boards shall include representatives from sectoral organisations and other experts in the fields represented by each of the four policy windows.**<br>**At least twice a year, the Advisory Board shall consult the four Steering Boards on the implementation of the Guarantee Agreements and -if needed- on the preparation of relevant projects.**<br>**The Commission shall lay down detailed rules for the functioning of the Steering Boards and for the verification of conflict of interest situations.** |
| **Justification:**<br>The proposed governance framework is very top heavy with the members of each governance structure expected to come from the implementing partners or financial experts, with very little room for input from experts from the sectors benefitting. This would have negative consequences on understanding the sectoral trends, financing needs and therefore the relevant investments that need to be made. It would also hinder the uptake of the InvestEU programme in sectors with less traditional involvement with the Implementing partners (i.e. the social services sector). The Steering Boards would help to provide a bridge between the InvestEU programme and the sectors involved by having a direct and structured line of communication.<br><br>Although different in many ways to what is proposed here, the partnership principle and the monitoring committees have proved to be very successful instruments in improving the efficiency and effectiveness of European Structural and Investment Funds. A similar concept should be developed for InvestEU; albeit one suitable to the programme itself.<br><br>The window-specific Steering Boards would also be ideal instruments through which to develop the Investment Guidelines. | |
| **Art. 20.** | 1. The InvestEU Advisory Hub shall provide advisory support for the identification, preparation, development, structuring, procuring and implementation of investment projects, or enhance the capacity of promoters and |

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<tr><td></td><td>financial intermediaries to implement financing and investment operations. Its support may cover any stage of the life-cycle of a project or financing of a supported entity, as appropriate<br>The InvestEU Advisory Hub shall be available as a component under each policy window referred to in Article 7(1) covering all the sectors under that window. In addition, cross-sectoral advisory services shall be available.<br>[…]</td></tr>
<tr><td colspan="2">In our view, both the Article 20 outlining the role and activities of the Advisory Hub and the budget dedicated to it are reasonable and necessary. We therefore strongly welcome these proposals.<br><br>There is nonetheless a significant risk that this budget be used to build capacity on the investors side alone, primarily through the implementing partners; as was the case with the EaSI Capacity Building Investments Window. Our sectoral experience shows that the biggest barrier to unlocking investment in social infrastructure is the challenge in transforming the many innovative and viable social project ideas into bankable projects for investors. We therefore strongly encourage that an important proportion of this dedicated budget is used to directly build capacity within the social sectors, as highlighted by the High Level Taskforce on Investing in Social Infrastructure report. This will help to create a sustainable pipeline of quality social infrastructure projects for the years to come, supporting people at local level and financed by the InvestEU programme. The Steering Board could play the intermediary role.</td></tr>
<tr><td>Annex II</td><td>Eligible areas for financing and investment operations<br>[…]<br>11. Social investments<s>, including those</s> supporting the implementation of the European Pillar of Social Rights, in particular through<br>[…]</td></tr>
<tr><td colspan="2">The European Pillar of Social Rights is a European priority and should be the guiding instrument for all EU funds and financial instruments dedicated to investing in the social field. All social investments should be used to contribute to implementing the European Pillar of Social Rights. The use of “including those” risks placing the European Pillar of Social Rights as a secondary consideration. We therefore suggest deleting this aspect or, if needed, replacing it by “especially those”.</td></tr>
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