



European Economic and Social Committee

«The investment plan and the Social Pillar: a step towards a new strategy for Europe»

Contribution of the Workers' Group



Synthesis of the Study

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Objectives and scope

As a consequence of ‘the economic storm that ravaged Europe and called its integration into question’¹ it has become clear that the **fight to growing social inequality in Europe should represent the greatest challenge** to overcome, together with another challenge, the need to relaunch investment in Europe: since the global economic and financial crisis, in fact the EU has been suffering from low levels of investment, in 2013 15 % below the highs experienced in 2007².

It is in this context that in October 2014 the European Commission President Jean-Claude Juncker, proposed as first priority as Commission President an ambitious Jobs, Growth and Investment Package. In his first speech to the European Parliament, he spoke of his wish for Europe to be ‘**triple A rating on social issues**’, putting social issues further up on the agenda. He said that **recovery from the crisis in fact calls for greater attention to those policy fields which have long-term effects**, like education and employment/social policies.

To promote a collective and coordinated effort at European level the Investment Plan for Europe (IPE) was launched in November 2014 to bring investments back in line with their historical trends.

The focus of the study is to analyse in depth the advancements of the **Jobs, Growth and Investment Package** and its contribution towards promoting a more sustainable and inclusive growth through specific actions and projects to be funded in the area of social inclusion, social cohesion and social rights.

The study is based on the **concept of inclusive growth**, derived from the development literature: it not only states that growth with equity is possible, but also that **equity is necessary for growth**. As a number of EU researches evidence, investing in growth and job creation – the top priorities of the Commission Plan – may not be enough to ensure sustainable and inclusive growth. Literature review shows there is a wide awareness among stakeholders, also from the economic sector and among policymakers, that economic growth and employment have to be accompanied by redistributive measures promoting equity and social outcomes. OECD studies evidence a positive impact that social redistribution policies have exerted on economic growth³: in fact, countries where tax and social security systems have also been used in redistribution, such as Germany, Denmark and Sweden, see their Gini coefficient fall dramatically⁴. Closing the investment gap left behind by the financial and economic crisis as well as promoting employment, in particular youth employment, and investments in human capital remain a key challenge for the EU.

‘The pursuit of severe austerity policies imposed on countries affected by high public and external debts and budget deficits is contributing to widening the gap between the most advanced countries and those affected by austerity. New policies are necessary to combine economic growth and budget deficit control with effective social inclusion policies. Poverty, insecure employment and unemployment have reached an unacceptable level. The lack of future prospects for young people represents a significant obstacle to a renewable future for Europe.’

EESC, *New measures for development-oriented governance and implementation – evaluation of the European Structural and Investment Funds and ensuing recommendations*, ECO/400, 2016

1. Main results

¹ Mazotte, N. *Striving for triple A on social issues*, Euroactiv.com 22/4/2015 <https://www.euractiv.com/section/social-europe-jobs/opinion/striving-for-triple-a-on-social-issues/>

² European Commission, Commission Communication, *An investment plan for Europe*, 26 November 2014. COM (2014) 903 final.

³ F. Cingano, *Trends in income inequality and its impact on economic growth*, OECD Social, Employment and Migration Working Papers No. 163, 2014.

⁴ Oxfam, *A Europe for the many, not the few – time to reverse the course of inequality and poverty in Europe*, September 2015.

The IPE is articulated in three Pillars:

- **PILLAR 1:** The European fund for strategic investments, funds the so called **EFSI projects**. EFSI has two specific windows: the SME Window (SMEW) and the Infrastructure & Innovation Window (IIW).
 - ⇒ **Infrastructure and Innovation (IIW)** projects are implemented by the European Investment Bank (EIB). Projects presented by investors are examined and selected by the EIB Investment Committee. Eligible projects must be economically and technically viable, support EU objectives, have a potential to leverage other sources of funding, be projects that require support from the EFSI and cannot be implemented through existing EU and EIB instruments alone⁵.
 - ⇒ **SMEW support** is delivered through **financial instruments** in the form of guarantees and equity investments intended to accelerate the roll-out of existing EC or EIB mandates⁶. The SME window is used to support start-ups, SMEs and small mid-caps with difficult access to bank funding, to promote new instruments for providing finance at more favourable terms (rates, duration, collateral).
- **PILLAR 2: The The European Investment Project Portal (EIPP)** is intended to help investment finance reach the real economy, by providing information on EU investment projects realised via a **publicly accessible database**. The publication of the projects on the EIP portal is not subject to a preliminary assessment, apart from a preliminary screening on the basis of the admission criteria⁷. The quality of the projects will be assessed only by potential investors, and, as stated on the portal, ‘The publication of an investment project on the project portal is not a pre-condition or guarantee for receiving any EU or EIB/EFSI financing support’⁸.
- **PILLAR 3:** is intended to support the **improvement of the investment environment** – it does not present specific investment projects.

The study concentrates on the first two pillars. Before entering in the details of the projects approved and signed, it is important to have **an overview of the first year and a half of implementation of the Juncker Plan**. As described by EIB’s evaluation⁹ ‘as of 30 June 2016, **262 operations had been approved under EFSI**. These operations accounted for a financing amount of EUR 17.45 billion and, based on the EFSI’s multiplier calculation methodology, represent a total investment mobilised of EUR 104.75 billion.’ Most of the operations approved and signed belong to SMEW, but for a much lower amount of money due to their lower scale.

After two years, as of 26 September 2016, the approved transactions have become 324 in 27 of the 28 EU Member States.

As stated by Vice-President Jyrki Katainen, responsible for Jobs, Growth, Investment and Competitiveness ‘The Investment Plan for Europe has proved itself to be a success. We are providing additional financing for innovative projects and SMEs under the European Fund for Strategic Investments; we are helping businesses prepare funding applications through the Advisory Hub; we are letting investors worldwide know what investment opportunities exist in Europe through the Project Portal; and we are bringing down barriers to investment through the Capital Markets Union and other EU initiatives. I am very satisfied with the Investment Plan’s results so far.’

Given the success of the Plan, President Juncker announced in his 2016 State of Union Speech that the Commission has doubled the EFSI in duration and financial capacity, allowing it to be continued in the future, from the initial three-year period (2015-2018) target of EUR 315 billion, to at least half a trillion euro of investments by 2020. In particular,

⁵ <http://www.consilium.europa.eu/en/policies/investment-plan/strategic-investments-fund/>

⁶ EIB, Operations evaluation, *Evaluation of the functioning of the European Fund for Strategic Investments (EFSI)*, 2016.

⁷ In the Commission Implementing Decision (EU) 2015/1214.

⁸ Commission Communication, *Europe investing again – taking stock of the investment plan for Europe and next steps*, COM (2016) 359 final, 1 June 2016.

⁹ EIB (2016), Operations evaluation, *Evaluation of the functioning of the European Fund for Strategic Investments (EFSI)*.

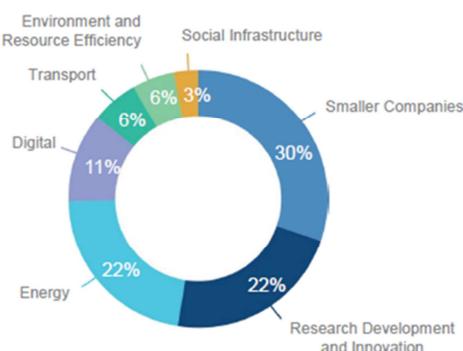
as announced in the Commission’s Communication *Europe investing again*¹⁰ it was decided to scale up EFSI-SMEW to benefit SMEs and small mid-cap companies in all Member States.

In this context which are the main results so far of the Plan **from the social perspective?**

According to various stakeholders the Plan misses the opportunity to move in the direction of promoting a more inclusive EU. Since the crisis, investments in social, employment and education policies have been reduced in some of the EU countries, especially in those countries most hit by the crisis. **The Juncker Plan and the EFSI in particular pay little attention to long-term investments in social infrastructures and services and to the needs of disadvantaged population groups in the design and implementation of infrastructural investments.**

Concerning the **sectors distribution**, seven are the sectors foreseen in the EFSI strategic orientation: RDI, smaller companies, energy, digital, transport, environment, social infrastructure. Social infrastructures represent only 3% of all EFSI investments so far¹¹, as the following chart concerning the distribution by sectors provided by European Commission Interim Report shows:

Figure 1: Efsi (IIW and SMEW) investments by sector



Source: *The Investment Plan for Europe Two years on*

The following table presents the sector distribution of the 124 EFSI IIW projects signed, presented or under approval by country up to 11 October 2016. Most of the projects cover more than one sector, and a few projects are presented by multiple countries. For this reason, in some cases the totals by country and by sector do not represent, respectively, the sums per row and column.

Table 1: EFSI - IIW Projects

Country	Sector							Total projects per Country
	Digital	Energy	Environment and resource efficiency	RDI	Smaller companies	Social infrastructure	Transport	
Austria		1				1		2
Belgium		3	1					4
Croatia					1			1
Denmark	1	1	1	1	1			4
<i>EU Countries</i>	3	7	4			2	5	10

¹⁰ COM(2016)359 final.

¹¹ https://ec.europa.eu/priorities/sites/beta-political/files/2-years-on-investment-plan_en_0.pdf

Finland	1	4	1		1				6
France	4	7	4	7	5	2	3		23
Germany		4		4	1		1		10
Greece	1	1	1	1	2		1		5
Ireland			2	1	1	2			4
Italy	1	6	3	2	5		2		15
Lithuania		1	1				2		3
Netherlands	1				1		1		3
Norway	1	1	1				1		1
Poland		2	1	1	3	2	1		9
Portugal		1	1	2	8	4	1		10
Romania					1				1
Slovakia							1		1
Spain	1	3	1	7	7	1	3		19
Sweden	2	1		1	1				5
<i>Switzerland</i>	<i>1</i>	<i>1</i>	<i>1</i>				<i>1</i>		<i>1</i>
United Kingdom	1	1	1	3	1	3	2		14
Total projects per sector	12	45	19	22	32	15	21		

Social infrastructures projects are concentrated in a few countries: Portugal with 4, the UK with 3, France, Ireland and Poland with 2, Austria and Spain with 1, and 2 presented by multiple countries. What is interesting to note is that not all projects promoting social infrastructures seem able to deliver relevant social outcomes. As the analysis evidenced, 4 out of 15 projects in social infrastructures (26.6%) do not describe any social outcome in their presentation on the EFSI portal. At the same time

37 out of overall 124 projects present a medium or high DIRECT social impact: it has been assessed by reading projects descriptions and giving a mark from 0 to 3 for their direct social impacts as described by projects promoters:

Table 2 : Potential direct social impact

	Count	%
None or low DIRECT social impact	82	66.2
Medium or high DIRECT social impact	37	29.8
Total	119	96.0
<i>Missing value</i>	<i>5</i>	<i>4.0</i>
Total	124	100.0

The **main expected and described social impacts** concern the enhancement of access to essential services, the development of rural areas, the construction of healthcare infrastructures, health and safety at work, housing, job creation.

Not much different is the situation of **EIPP projects**. As already mentioned these projects are published on the EIP portal, but the publication is not a pre-condition or guarantee for receiving any EU or EIB/EFSD financing support. So this is merely a meeting point between project promoters and international investors, launched to support the

visibility and the financing opportunities for investment projects across Europe. In this context the role of Greece is prominent: among the 120 projects published by 25 out of 28 EU countries Greece is the country that features the most with 48 projects, none of them in cooperation with other countries.

Most of the EIPP projects cover more than one sector (for this reason the total number of projects by subsector is higher than the total number of projects in all and by sector). This is the distribution of the 120 projects between the 25 sectors and subsectors:

Table 3: EIPP projects published on EIP Portal by sector

Sectors and subsectors	N. of projects mentioning a specific sector	% of projects including the sector over the 120 projects published
Knowledge and digital economy	27	22.5
Energy union	39	32.5
Transport	41	34.2
Social infrastructure and other	28	23.3
Human Capital, Education & Training	5	
Health	9	
Cultural & Creative Industries	1	
Social Infrastructure, Social and Solidarity Economy	5	
<i>Tourism</i>	13	
Resources and environment	17	14.2
Financing for SMEs and mid-caps	4	3.3

Besides Juncker’s approach moving in a direction consistent with the perspective of a more inclusive Europe, as his speeches demonstrate, unfortunately the IPE does not seem particularly able to support the principles at the base of Social Europe, also presented in the Social Pillar under elaboration. At the same time IPE does not seem to respond to the most relevant challenges the EU is facing.

1.1 The role of IPE in responding to the main social challenges Europe is facing

Reflecting on the **role of the IPE to support the main social challenges**, described in the report through Eurostat data and Country Specific Recommendations issued to Member States, it is possible to observe that:

- a) none of the EFSI/EIPP projects considered tackle **poverty and in-work poverty issues** directly, even if this represents a priority and an emergency for EU policymaking and for the creation of a more inclusive Europe;
- b) only a few projects have tackled the issue of the **demographic change** and the **ageing society**, while the development of **social infrastructures** and **social and health services** such as childcare, hospitals and long-term care residences represents a priority for a large number of MSs, as well as an area for financially rewarding long term social investments, as many studies clearly evidence;
- c) **the plan is not playing a prominent role in fighting youth unemployment** despite this challenge being addressed as an absolute priority of the Commission: none of the projects analysed explicitly mentions this potential added value. It has to be said that at this concern Europe is highly investing in a successful specific measures: the Youth Guarantee.

As the analysis of the projects has evidenced, **IPE only partially tackles a few of the Social Pillars under elaboration**, even though IPE could push relevant opportunities to intervene by supporting many of the Pillars:

- a) It could support investments in education and training (Pillar 1: Skills, education and lifelong learning).
- b) It could be foreseen that projects, to access to the EFSI guarantee or be published on EIPP website, should be assessed in respect of the conditions included in Pillars 2, 7, 8 and 9¹²: only a few projects present, in their brief description, issues referring to these social rights.
- c) Ensuring universal access to high-quality healthcare while guaranteeing the financial sustainability of health systems and issues related to the ageing society represent two of the main challenges EU MSs are facing: a few projects under both EFSI and EIPP have been developed to respond to them (Pillar 12: Healthcare and sickness benefits).
- d) While Pillar 16 on disability represents a real and conspicuous opportunity to promote private investments as the enhancement of accessibility and mobility in all living spaces (at the workplace, in public spaces, in public offices, in houses, etc.) and is able to mobilise a huge amount of resources, not even one of the EFSI projects has addressed this issue, even where this could be part of the already programmed activity.
- e) The same can be said for Pillar 17: Long-term care and Pillar 18: Childcare. These two pillars, as the previous one, represent another conspicuous opportunity to promote private investments to build new infrastructures much needed at EU level, but not even one of the EFSI projects addresses these issues.
- f) A few projects tackle more or less directly the accessibility of vulnerable categories, or population in need, to suitable housing through the development of projects promoting social housing (Pillar 19).
- g) In Pillar 20 (Access to essential services) it is possible to find the wider and more diversified description of potential social effects generated by the projects presented. EFSI projects are intended to deliver social outcomes by enhancing (economic) accessibility to essential services, such as energy and heating savings for households, renovation of public transport vehicles, wider dissemination of communication services (Wi-Fi, broadband and fibre).

Another relevant issue concerns **jobs creation**. At the beginning of the implementation phase Jyrki Katainen, the Commissioner for Growth and Jobs, in a debate (26/1/2015) with the Economic and Monetary Affairs Committee stated that his expectation was that **the plan would create 1.3 million jobs**. Data available at this stage of implementation are not able to justify such a prevision: at the end of September according to EU Commission Interim report¹³ new jobs created were about 100 000. The creation of new jobs in fact is barely mentioned in the synthesis of the projects, as if it were not the first and more relevant outcome expected by the Juncker Plan, worthy of mention to facilitate the assessment of the expected project impact by EIB. Moreover, in a few cases **it is explicitly mentioned that the project will have no impact on this concern** as it is not expected to promote new employment.

A positive outcome of the Plan concerns **the relevant role it is playing in promoting social entrepreneurship**. According to the European Commission Communication COM(2016) 359 final¹⁴ the EFSI is supporting the European Investment Fund (EIF) **to help exceptional numbers of European SMEs to access finance**. Under SMEW it has introduced provisions (by advancing funding) intended to push programmes previously launched but which found difficulties in their initial phase and lagged behind.

¹² Pillar 2: Flexible and secure labour contracts; Pillar 7: Conditions of employment; Pillar 8: Wages; Pillar 9: Health and safety at work

¹³ European Commission, *The investment Plan for Europe: two years on*, November 2016

¹⁴ Commission Communication, *Europe investing again – taking stock of the investment plan for Europe and next steps*, COM(2016) 359 final, 1 June 2016.

1.2 Governance of the Plan

The EFSI governance and implementation mechanisms do not facilitate long-term social investments and the involvement of social investors. The EFSI is demand driven and the EIB performs its standard due diligence in respect of any proposed EFSI operations, to determine the project's eligibility, mobilisation of private capital and consistency with Union policies as well as its economic, technical and financial viability. However, there are no requirements for mainstreaming social inclusion and accessibility criteria and no geographical or sectoral allocation criteria or quotas are envisaged for the most deprived areas or the most employment-creating investments. In addition, the shift from the use of grants to the use of financial instruments (as for the EFSI, but also the greater use of these instruments in the ESI Funds) is likely to penalise investments in social infrastructures and services which are not providing an immediate economic return to private investors.

At this concern it is to be noted **the lack of connection between Juncker's plan and EU Cohesion Policy Programmes**. Different stakeholders evidence the lack of synergies or interaction between the different European funding tools, considering this as a potential obstacle able to significantly reduce the effectiveness of the investment¹⁵.

In terms of **territorial distribution of investments** after one year SMEW and IIW together were concentrated in the EU15 (92 %), and under-served the EU13 (8 %), but most of the less-developed regions in Europe are found in the EU13's Central and Eastern European countries. According to a more updated statistic provided by EC and EIB, for **EFSI-SMEW**, in total amount, Italy, Spain, Germany and France appear by far the most significant beneficiaries, but when considering the amount of support by inhabitant it appears that some of the smallest countries are actually those most benefitted by EFSI SMEW support. The same can be said concerning **EFSI-IIW projects**: 20 EU MSs out of 28 have at least one project. Countries with the highest number of projects submitted are France (23), Spain (19), Italy (15), UK (14), Germany (10), all among the biggest countries of the EU, and Portugal (10). The smallest EU countries and some of the eastern countries have no projects: this is the case for 8 countries (Bulgaria, Cyprus, Estonia, Hungary, Latvia, Luxembourg, Malta and Slovenia). A part from them according to *EFSI stakeholders consultation*¹⁶ considering EFSI support and investment mobilised per capita or with respect to GDP 'it is clear that smaller MSs benefitted to the same extent as larger Member States'.

According to various positions the problem is that the Plan does not ensure that more funds will be invested in countries with the greatest needs and experiencing a difficult economic situation (ETUC¹⁷). According to CEEP¹⁸ the investments largely benefit high-income countries, which could easily do without European aid. According to OSE-ETUI investment risks to be 'biased towards projects offering quick financial returns and towards countries free from the constraints of the Stability and Growth Pact or, if already covered by Eurozone rules, facing the smallest budget difficulties'¹⁹. As Natali and Vanhercke suggest, the Juncker plan misses a unique benefit from a plan coordinated at the European level, which is that it can bring investment to countries that need it the most, raising finance from private investors who will be able to trust an EU-level institution²⁰.

EFSI 2.0 has considered this weakness and has introduced corrections for the future.

One of the weaknesses that emerged in all evaluations analysed is that one of the key points of the EFSI, the **additionality**, has not been complied with completely. The EFSI fund should support riskier investment situations or 'market failures': 'There is a general concern that additionality is not being sufficiently observed and delivered via

¹⁵ EESC, *New measures for development-oriented governance and implementation – evaluation of the European Structural and Investment Funds and ensuing recommendations*, ECO/400, 2016.

¹⁶ Efsi Secretariat, *EFSI stakeholders consultation, summary report*, 7/9/2016.

¹⁷ EU Summit in Bratislava: ETUC statement press release 23/9/2016.

¹⁸ European Centre of Employers and Enterprises providing public services.

¹⁹ Natali, D. and Vanhercke, B., *Social policy in the European Union: state of play 2015*, OSE-ETUI, 2015.

²⁰ Natali D. and Vanhercke, B. *Social policy in the European Union: state of play 2015*, OSE-ETUI 2015.

EFSI; therefore, in future it needs to be strengthened and systematically communicated.’ According to the *EFSI stakeholders consultation*²¹ the **education, health and culture sectors seem to be more challenging in this respect, as the projects in these sectors are less bankable** but ‘most probably will continue to be under-invested in Member States with tight budget constraints, although the EIB will continue its efforts in identifying promoters with economically viable projects in these sectors’.

2. Conclusions and Recommendations

Much more could have been achieved and is expected for the future from the IPE in terms of social potential impact. The recent Commission Communication *Europe investing again* highlights that ‘The mechanisms of the Investment Plan work and must be reinforced to continue the mobilisation of private investments **in sectors critical to Europe’s future** and where market failures remain. This includes investments in the areas of [...] **social and human capital and related infrastructure, healthcare**, research and innovation [...]’.

The EFSI II Window does not appear able to deliver similar relevant outcomes. It could tackle the most relevant societal challenges affecting Europe, but it hasn’t been enough developed in this direction and, according to the experts interviewed, it should not be expected to. The analysis produced shows that only a few of the projects signed, approved or under approval pay specific attention to societal challenges: growth is pursued through the exploiting of energy resources, the development of RDI, and transport. Also, within the 15 projects promoting social infrastructures only a few appear to have a strong potential social impact.

SMEW seems to be the tool intended to promote growth with the highest potential to deliver relevant social effects, considering its expected role in promoting social entrepreneurship and to develop the social economy. The EUR 116 billion in investments in its first year of operation have benefitted more than 200 000 small and medium-sized enterprises (SMEs)²².

The EIPP is no more than a meeting point where (mainly) PPP projects looking for additional private investors/funders can be presented. It allows a boost to the visibility of projects for a large network of international investors. In this way viable projects can more easily find an investor willing to support a good project. Several interesting projects are present and have been described in the report, some of them with a potential for interesting social impact. However, up to now no information is available on the return of the initiative.

2.1 Criteria for social investments and recommendations for future policymaking emerging from the study

The report has presented and discussed the limitations of the EFSI in addressing the most relevant challenges EU is facing. This section is aimed at developing possible criteria for supporting social investments and their sustainability in the presence of public budget constraints resulting from the austerity measures adopted in the EU-28 which are eroding the existing welfare systems and investments in education and training.

Moving from examples provided by effective public–private partnerships the following criteria could be considered for supporting social investments with attention to their social sustainability. As suggested in a recent ILO report²³ the

²¹ EFSI Secretariat, EFSI stakeholders consultation, Summary report, 7/9/2016.

²² President Juncker, State of the Union 2016.

²³ ILO, *An employment-oriented investment strategy for Europe*, Geneva 2015.
http://www.ilo.org/wcmsp5/groups/public/---dgreports/---dcomm/---publ/documents/publication/wcms_338674.pdf

employment and social impact of the Investment Plan depends on **key design features and distribution criteria** on how the funding is allocated both across and within countries, and whether any consideration is given to social investments and the implementation of complementary measures such as active labour market policies.

To this end, a few recommendations and related specific criteria have been formulated.

2.1.1 *Evaluation of the social impact of the projects should be enhanced*

According to ETUC, EFSI projects must be monitored to see whether they meet EU policy objectives and their contribution to societal and economic challenges²⁴. Ex-ante evaluation of projects to be supported, according to EIB, has not been carried out in a satisfactory form: 'EFSI was swiftly designed to answer an urgent political call for an investment plan in Europe. This urgency came at the expense of rigorous design and good practice in terms of ex-ante evaluations as defined by the EU Budget Financial Regulation'²⁵.

In the assessment and selection of the investments to be funded specific criteria must be set out in order to **mainstream greater attention to social inclusion and employment in proposed investments**, by including social impact and territorial criteria among the selection criteria of supported investments. The assessment of projects' social value in the EFSI selection criteria could be based on the assessment of the social impact dimension in all infrastructural projects (e.g. local workforce upskilling or RDI activities, or jobs created or goods/services of public interest created)²⁶;

Operationally, this means ensuring that:

- a) **the 'Social value' of proposed investments is clearly spelt out in investment proposals**, aligned with consolidated practice and implemented in every investment decision;
- b) **the 'social value' is properly weighted in the projects' evaluation grid** (e.g. by assessing infrastructure projects also in local workforce upskilling, new jobs created, related RDI activities, smart specialisation, partnerships with local actors etc.);
- b) **at least one member of the Independent Expert Committee has specific expertise in evaluating social impacts** and that each member of the Independent Investment Committee is provided with detailed information on the importance of taking into account the social dimension of every project;
- c) **the Investment Advisory Hub includes social investment and impact investing experts** to provide guidance on how to evaluate societal impact and build effective public–private partnerships for social investments and investments in the public good.

In this way both projects' proponents and evaluators will have to explicitly consider and mention the expected employment, social and territorial impacts of their investment proposals and selected activities will be likely to have a stronger social and employment impact compared to those selected so far. **Social impact assessment** is now a well-established component of the impact assessment procedures adopted by EU institutions; alternatively, other methodologies could be adopted for example the SUROI (Sustainable Return on Investment) criteria, based on a benefit–cost analysis²⁷. The (Social) Impact Investment takes into consideration social and environmental impact, financial return and the trade-offs between them in any investment opportunity, and it is usually adopted by charitable foundations, ethical banks, individual philanthropists and specialist impact

²⁴ ETUC, *Position on the Annual Growth Survey 2016 – for a Europe that works for workers and citizens*, October 2015.

²⁵ EIB, *Operations Evaluation, Evaluation of the Functioning of the European Fund for Strategic Investments*, (EFSI), 2016.

²⁶ See also Garonna-Reviglio eds., 2014

²⁷ See Garonna-Reviglio eds., 2014

investment funds. Different investment projects could then be compared on the basis of total risk-adjusted financial, social, environmental and resilience returns.

In addition, a share of the available funding resources should be dedicated to social investments and investments in public goods. Ensure that a share of the available funding resources is dedicated to social investments and investments in public goods as ends in themselves and not just as a complementary investment to hard infrastructure (like the 25 % funding targeted to social inclusion in the 2014-2020 ESF). This can also mean the inclusion of social investment projects as a specific category in the pipeline (for example by encouraging social businesses or third sector organisations or social investors to present and sponsor projects in the pipeline, or by ensuring that EIF-backed Social Impact accelerator is among EFSI's investment options).

2.1.2 *A more adequate geographical distribution of the operations should be ensured*

The portfolio is concentrated in a few countries and some newer Member States are so less served by EFSI: among the reasons for that the EU Commission Communication COM (2016)359 aligns the following:

- Smaller Member States have less capacity and financial capability to originate and structure bankable projects.
- Some Member States have established very early central coordination units for EFSI projects.
- Not all Member States have NPBs (national Promotion Bank) in place, helping to originate projects, or their NPBs are very recent institutions.

Among the optimisation measures the following are mentioned: “further dialogue with external partners, pro-active outreach/ information dissemination of EFSI activities (and combining EFSI with ESIF), higher involvement of local offices, specialised task force groups from EIB services to target specific regions (example of Greek team), closer cooperation with NPBs and external partners who could act as EFSI ambassadors; combination with ESIF fund shall help for cohesion regions”²⁸.

Other criteria, more focused on the enhancement of the social impact of IPE can be envisaged. In order to avoid the risk that the Investment Plan does not address more disadvantaged areas where the engagement of the private sector is particularly at risk, and to increase the employment outcomes, a criterion suggested by ILO (ILO, 2015) could be to **take into account the current levels of employment in the territorial allocation of funds**²⁹. Targeting investments to sectors with high employment intensity (e.g. care services, education and lifelong learning) could also help to have higher employment impacts. In order to ensure that the supported investments are able to leverage people with the right skill, around 5 % of funds could be reallocated towards measures to support improvement in skills and other **ALMPs**. According to ILO (2015) estimates, the job gains from such a redistribution would be in the order of 4.3 % or 0.1 million (compared to an allocation solely focused on investment), bringing the total gain of an employment-friendly approach to 2.1 million jobs. **Social innovation** and the **modernisation of social and employment policies could also be considered in the selection criteria**, promoting new policy approaches, new financing mechanism, new services and the involvement of new stakeholders (such as private companies or NGOs) in social investments. This

²⁸ Commission Communication, *Europe investing again – taking stock of the Investment Plan for Europe and next steps*, COM(2016) 359 final, 1 June 2016.

²⁹ To this end the report ILO, *An employment-oriented investment strategy for Europe*, Geneva, 2015 suggests that one third of the expected EUR 315 billion be allocated according to relative size of the economy (that is, weighted by GDP), and the remaining two-thirds by levels of unemployment. In this way total employment gains are expected to be enhanced by 9.4 % compared with no attention to unemployment levels, approaching 2.0 million after three years. In addition, those countries in greatest need would experience the highest increases in employment.

requires improvements in the capacity of operators and public administrations to deliver affordable, sustainable and high-quality services, and the individuation of the proper mix of (income) assistance, service provision and activation incentives.

2.1.3 Public and private funding streams should be aligned within the new investment framework

The connection between Juncker's plan and EU Cohesion Policy is lacking (a part from SMEW), and according to different stakeholders this lack of synergies or interaction represents a potential obstacle able to significantly reduce the effectiveness of the instruments and of investment³⁰. This is particularly the case for the Structural Funds, whose specific objectives do not match those of IPE, and in particular of EFSI - IIW. The combination of the EFSI with other EU sources of Union funding, including the European Structural and Investment Funds (ESIF) should be enhanced, and this has been considered by the Commission as a key point for EFSI 2.0 **"Complementarity between the EFSI and other EU funds is a key part of the Commission's overall commitment to ensure a better use of EU funds across all policy areas"**³¹.

a) The complementarities of EFSI and ESIF are relevant, and have been underlined in a recent EC document³², stating that "In the next few years, EFSI and ESI Funds will be able to finance significant levels of investment in Member States and their regions... While rationale, design, legislative framework and timeframe for implementation are different, there is considerable scope for ensuring coordination, synergies and complementarity for additional investments." However, the feasibility of such coordination is to be verified, given the wide differences both in the scope and type of support provided by the two types of funds. According to the EC, although ESI Funds resources cannot be directly transferred to EFSI, ESI Funds should contribute to the achievement of the objectives of the Investment Plan in complementarity with EFSI support, in a way which brings demonstrable added value and also ensures coordination and synergies;

b) EU Social Entrepreneurship Funds (SEF) and other impact investment funds such as the EIF-backed Social Investment Accelerator (SIA), recently re-capitalised with EUR 610 million (and a further EUR 300 million is in discussion with the EC) should be among EFSI's investment options and on an equal footing with European long term investment (ELTIF) funds. Broadening the scope of the definition of social undertakings under the SEF regulation review (due in 2017) will be of the utmost importance in order to ensure the take-up by impact investors and the quality and ambition of projects funded.

c) Private social investing funds should be considered investible vehicles, and projects dealing with systemic social innovation should be encouraged with higher scores in the societal value assessment.

d) Impact funds capitalised through structural funds such as the recently launched Portugal Social Innovation Initiative and the Key Fund already operating in the north-east of England offer viable examples of opportunities to align the new strategy with the Cohesion Policy, leveraging structural funds.

Also the synergies between IPE and the Social Investment Package should be explored.

In 2013 an **Investment Package** was specifically issued to promote social equality and social inclusion: this is the 2013 Social Investment Package for Growth and Cohesion (SIP) which intended to 1) increase the sustainability and

³⁰ EESC, *New measures for development-oriented governance and implementation – evaluation of the European Structural and Investment Funds and ensuing recommendations*, ECO/400, 2016.

³¹ Commission Communication, *Europe investing again – taking stock of the Investment Plan for Europe and next steps*, COM(2016) 359 final, 1 June 2016.

³² European Commission, *European Structural and Investment Funds and European Fund for Strategic Investments Complementarities. Ensuring coordination, synergies and complementarity*, February 2016
http://ec.europa.eu/regional_policy/sources/thefunds/fin_inst/pdf/efsi_esif_compl_en.pdf

adequacy of social systems through simplification and better targeting; 2) pursue activation and enabling of policies through targeted, conditional and more effective support; 3) supporting specific needs arising throughout the individual's life, with a specific attention in investing in children to address inequality and challenges faced by children through early involvement. Among the concrete measures mentioned in the document to stimulate funding in social investment a few can be considered as in line with IPE:

- a) **Supporting social enterprises' access to finance:** the Social Entrepreneurship Funds.
- b) Exploring the use of **new financial instruments** from private and the third sector to complement public sector efforts.
- c) **Social Impact Bonds**, 'which incentivise private investors to finance social programmes by offering returns from the public sector if the programmes achieve positive social outcome.'

Junker's approach, as his speeches demonstrate, is moving in a direction consistent with this perspective. Unfortunately, the IPE has not taken this preliminary experience into consideration, not even for principles to be applied to integrate growth and fight inequality, but it represents a way forward for the elaboration of an EFSI 3.0 to be more socially driven.

At the same time a risk that should be avoided is that while working on the convergence between the different EU Funds, ESIF loses its specific attention to support EU social challenges through grants able to support public funding.

2.1.4 Long-term investment plans at national and EU levels should be introduced

The individuation of social criteria and priorities requires the drafting of **long-term investment plans** at national and EU levels, detailing the projects that have priority for implementation. These plans should be drawn up with the involvement of social stakeholders and social investors in order to assess what part could be funded by private investors.

EFSI projects are by definition **market driven** and for this reason they are not expected to answer to the social challenges Europe is facing, but only to market needs: as some of the interviewees have stated, this is the role to be played by public institutions and by public investments. Private investments aim to provide a revenue for investors and social infrastructures are generally not intended to pursue this objective. According to this perspective the EU is already widely supporting initiatives aimed at tackling societal challenges through ESIF. EFSI is not a suitable tool to pursue such an objective, even if projects are assessed for their contribution to EFSI policy objectives. That said, projects are guaranteed by public funding and aim to promote a cohesive and sustainable growth. Even within private funding there is room to pursue social values. This happens in the real economy in any EU country when for example to build new houses the investor and the company are asked to pay the infrastructure costs.

A **coordination at the national level of investments** to be supported by EFSI would represent a relevant added value.

- An assessment of projects direct and indirect social impact, to be determined through a coordination with national/local stakeholders where the projects will be deployed, could determine the creation of additional multiplier effects of funds dedicated to EFSI.
- The presence at country level of a national coordination structure, or of a contact point, could help to enhance the added value of each project to the national strategy drawn to better respond to the specific challenges each country is facing, while merging the available opportunities.

2.1.5 Good governance and efficient processes should be ensured

The Juncker Plan is conceived with a minimal need for new institutions; decisions are taken by an investment committee made up of independent market experts. According to D. Natali and B. Vanhercke (2015) ‘the general picture is that of a very simple organisational and governance structure with investment decisions well removed from direct political influence’³³. ‘Given the time constraints to implement EFSI, the EIB endeavoured to keep additional EFSI-specific procedures as light as possible in order to avoid unnecessary additional work and administrative burden, while efficiently implementing EFSI’³⁴.

The need for an increased transparency emerges from the debate at all levels.

- As evidenced by EESC ‘none of the objectives are transparent and comprehensible, or can easily be monitored by economic and social and civil society stakeholders.’
- While the Structural Funds are implemented through highly bureaucratic mechanisms supported by monitoring and analyses tools, and by implementation agencies acting at national level, ‘the new governance mechanism of the recently-established EFSI lies outside the European Commission framework ... setting up a new development-oriented governance system could lead to closer coordination and open cooperation between the relevant partners’³⁵.
- The *EFSI stakeholders consultation*³⁶ evidences the need to disclose the project-based scoreboards to contribute to the dialogue between the institutions and external counterparts: ‘in addition, disclosing more information about the projects would showcase the additionality of EFSI financed projects.’ EIF, while evidencing that EFSI-SMEW operations are bound by confidentiality agreements with the financial intermediaries, nevertheless is making an effort to assess what type of information could be publicly disclosed.

The request of increased transparency has been taken into account by President Juncker in his State of the Union Speech 2016: in this context he has proposed to increase transparency even further ‘by detailing exactly **why each project was chosen** and how it meets the criteria set out in the EFSI Regulation, proving its “additionality.” To improve the EFSI further, the Commission plans **to address the issue of geographical coverage** by placing stronger emphasis on providing local, technical assistance in the Member States for those who wish to bid for funding. It also proposes to further **simplify the combination of EFSI funding applications with other funding sources** in the EU, such as the European Structural and Investment (ESI) funds ... Furthermore, the Commission proposes to reinforce the social dimension of the EFSI by increasing the total amount of **financial instruments in support of social enterprises** and microfinance from EUR 193 million to EUR 1 billion, which is expected to mobilise almost EUR 3 billion in overall investment.’³⁷.

Several stakeholders evidence the need for a stronger central, development-oriented **governance under the European Semester**³⁸, based on a small number of clear and concise objectives. **The EU semester could be seen also**

³³ Natali, D and Vanhercke, B., *Social policy in the European Union: state of play 2015*, OSE-ETUI 2015, 2015.

³⁴ EIB, *Operations evaluation, evaluation of the functioning of the European Fund for Strategic Investments (EFSI)*, 2016.

³⁵ EESC, *Opinion of the European Economic and Social Committee on: new measures for development-oriented governance and implementation – evaluation of the European Structural and Investment Funds and ensuing recommendations*, ECO/400, 2016.

³⁶ EFSI Secretariat, *EFSI stakeholders consultation, Summary report*, 7/9/2016.

³⁷ European Commission press release, *State of the Union 2016: strengthening European investments for jobs and growth*, 2016.

³⁸ EESC, *Opinion of the European Economic and Social Committee on: new measures for development-oriented governance and implementation – evaluation of the European Structural and Investment Funds and ensuing recommendations*, ECO/400, 2016.

as a tool to support an inclusive Europe: “The set of Country-Specific Recommendations for the Member States adopted by the Commission put a particular focus on investment, asking where relevant to address shortfalls in investment, notably in infrastructure and in intangible assets, as well as to adopt and implement the needed structural reforms to improve the investment environment, which are complementary with action at EU level.”³⁹ Social infrastructures could be among the infrastructures to be considered. The debate has now turned to the proposal not to calculate as part of the deficit (but only as part of the national debt) investments in social and active inclusion of the most disadvantaged. This might represent an opportunity to help the less advanced Members States in particular move in the expected right direction⁴⁰. It is equally true that, as stated by an interviewed, even if not considered part of the deficit in the Stability Pack, these debts remain as debts determined by public expenditure for the following year, even though in the same direction is the proposal of the European Commission not to take into account the contributions by the Member States to the EFSI either under the preventive or under the corrective rules of the Stability and Growth Pact.



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³⁹ Commission Communication, *Europe investing again – taking stock of the Investment Plan for Europe and next steps*, COM(2016) 359 final, 1 June 2016.

⁴⁰ Crepaldi C., Samek M., *Active inclusion: stocktaking of Council Recommendation 2008*, European Parliament, 2015