The investment plan and the Social Pillar

A step towards a new strategy for Europe

STUDY

European Economic and Social Committee

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Study

The study has been realised by Istituto per la Ricerca Sociale - IRS (Italy)
The research team has been coordinated by Chiara Crepaldi with the scientific supervision of Manuela Samek Lodovici
The research team is composed by Chiara Crepaldi, Manuela Samek Lodovici, Claudio Castegnaro, and as country experts Flavia Pesce, Anne Eydoux, Elvira Gonzales Gago

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Abstract

The focus of the study is to analyse the advancements of the **Jobs, Growth and Investment Package** and its contribution towards promoting a more sustainable and inclusive growth. 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**.

According to various stakeholders the Plan misses the opportunity to move in the direction of promoting a more inclusive EU. 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. Social infrastructures represent in fact only 3% of all EFSI investments so far. A positive outcome of the Plan concerns **the relevant role it is playing in promoting social entrepreneurship**: the EFSI is supporting the European Investment Fund (EIF) **to help exceptional numbers of European SMEs to access finance**.

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

List of Abbreviations

CoR	Committee of the Regions
CSR	Country Specific Recommendations
EC	European Commission
EESC	European Economic and Social Commitee
EFSI	European fund for strategic investments
EIAH	European investment advisory hub
EIPP	European Investment Project Portal
EIB	European Investment Bank
EIF	European Investment Fund
ELTIF	European long term investment
EMPL	Directorate-General for Employment, Social Affairs and Inclusion
EMU	Economic and Monetary Union
EP	European Parliament
ESIF	The European Structural and Investment Funds
ESF	European Social Fund
ETUI	European Trade Union Institute
ETUC	European Trade Union Confederation
GDP	Gross Domestic Product
ILO	International Labour Organisation
IPE	Investment Plan for Europe
IIW	Infrastructure and Innovation Window
NEET	Neither in employment nor in education and training
SEF	Social Entrepreneurship Funds
SIA	Social Investment Accelerator
SIP	Social Investmenk package
SMEW	Small Medium Enteroprises Window
TEU	Treaty on European Union
TFEU	Treaty on the Functioning European Union
YEI	Youth employment initiative

Executive Summary

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 2007[2].
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. 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 *Europe 2020 Strategy*[3] adopts for the first time an *inclusive growth* objective introducing a specific commitment to pursue ambitious targets on employment, education and social objectives on an equal standing with the economic ones.

Main results

The IPE is articulated in three Pillars: **PILLAR 1**: The European fund for strategic investments (**EFSI)** articulated in two specific windows: the SME Window (SMEW) and the Infrastructure & Innovation Window (IIW). **PILLAR 2:** 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. **PILLAR 3:** is intended to support the improvement of the investment environment. The study concentrates on the first two pillars.

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[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] Communication from the Commission Europe 2020 – *A strategy for smart, sustainable and inclusive growth*, COM (2010) 2020 of 3 March 2010; European Council Conclusions of 17 June 2010.

As described by EIB's evaluation[4] '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.' **After two years**, as of 26 September 2016, the approved transactions have become **324 in 27 of the 28 EU Member States**.
Most of the operations approved and signed belong to SMEW, but for a much lower amount of money due to their lower scale. 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 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**. 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. Social infrastructures represent in fact only 3% of all EFSI investments so far:

- For the time being the main impact of the EFSI is on **SMEs**, having allowed a faster implementation of already planned and approved projects, but with the same volumes of support foreseen under the Union budget, anticipated rather than planned.
- Considering **Infrastructure and Innovation (IIW)** 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. All the other countries haven't presented projects concerning it. 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**. 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** (that are published on the EIP Portal to support their visibility enhancing the financing opportunities for investment by international investors, but not necessarily receiving any EU or EIB/EFSI financing support). 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. Only 23,3% of projects published concern social infrastructures but mainly in the area of tourism.

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

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

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 9[5]: 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

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

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 report 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 final[6] the EFSI is supporting the European Investment Fund (EIF) **to help exceptional numbers of European SMEs to access finance**.

Governance of the Plan

a) The EFSI governance and implementation mechanisms do not facilitate long-term social investments and the involvement of social investors. 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.
   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 investment[7].
b) 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.** 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.

[6] Commission Communication, *Europe investing again – taking stock of the investment plan for Europe and next steps*, COM(2016) 359 final, 1 June 2016.
[7] EESC, *New measures for development-oriented governance and implementation – evaluation of the European Structural and Investment Funds and ensuing recommendations*, ECO/400, 2016.

c) 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’: according to the EFSI stakeholders’ consultation[8] the education, health and culture sectors seem to be more challenging in this respect, as the projects in these sectors are less bankable.

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 [...]’.

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 report[9] the 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 and described in depth in the study:

- Evaluation of the social impact of the projects should be enhanced;
- A more adequate geographical distribution of the operations should be ensured;
- Public and private funding streams should be aligned within the new investment framework;
- Long-term investment plans at national and EU levels should be introduced;
- Good governance and efficient processes should be ensured.

[8] EFSI Secretariat, EFSI stakeholders’ consultation, summary report, 7/9/2016.
[9] 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

1. Introduction

The **financial and economic crisis** has put a severe strain on the economy and the labour market leading to dramatic job losses and changes in working conditions and job security. One of the main social consequences has been the widespread **poverty and social exclusion** across Europe.

Together with poverty and social exclusion, other (new and old) socioeconomic challenges are affecting the future of Europe:

- The **demographic challenge**, related to a rapidly ageing population posing substantial challenges to the financial sustainability of welfare systems, health and elderly care, and pension systems.
- The challenges posed by **irregular migration flows and asylum seekers** which are pressing at EU borders, escaping from poverty, human rights abuse and armed conflicts.
- The crisis has particularly hit **young people** who are facing increasing risks of underemployment, exclusion from the labour market and poverty in their life cycle.
- **The enhancement of the skills and productivity of the European workforce** is another challenge, to support Europe's competitiveness and technological change.

In this context '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... Regional development levels are not converging. In GDP terms, the gap between the most advanced regions and those lagging behind is of 14 to 1'[10].

All the above-mentioned challenges threaten EU growth and potential economic development on the one hand, and its social cohesion and inclusive growth on the other. At the same time investments, and social investments in particular, have decreased significantly over the years both in private and public investments. What seems to be common to all is that the European Union has lost its status as an attractive destination for investors.

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: IPE can be considered the first major initiative of the Juncker Commission. At the same time, President Juncker, in his first speech to the European Parliament, spoke of his wish for Europe to be '**triple A 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.**

The question is: has IPE been able to promote investments capable of enhancing growth while at the same time also tackling the most relevant challenges the EU is facing?

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

2. Objectives and scope of the study

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 aim of the study is to gather a clear understanding on:

- how the Jobs, Growth and Investment Package is able to support the President's intention to achieve a Triple A social rating, by supporting investments in policies able to advance the EU's social agenda;
- how this strategy is expected to intersect the new strategy on a European Pillar of Social Rights under elaboration;
- whether investment funds allocated to projects are intended to shape a knowledge society, and enhance the quality of life of the citizens;
- more widely, how to invest in ambitious and integrated social policies in answer to Europe's most relevant present and future challenges, by also developing specific criteria for social investment and exploring the levels needed for social sustainability in a context of strict austerity policy in crisis countries, and the erosion of mature welfare states in the EU.

In detail, the study is intended to answer the following **research questions**:

RQ1: Using the recent interim report on the Investment Plan are there indications that this investment supports sustainable growth, employment and social policies?

RQ2: Are there indications that the Investment Plan so far is useful to strengthen the social dimension and/or encourage social cohesion?

RQ3: Developing criteria for social investment – what levels would be needed for social sustainability?

The IPE is articulated in three pillars:

- **PILLAR 1**: The European fund for strategic investments, funding the so-called **EFSI projects**. EFSI has two specific windows: the SME Window (SMEW) and the Infrastructure & Innovation Window (IIW).
- **PILLAR 2: The EIPP** is intended to help investment finance reach the real economy, by providing information on EU investment projects realised via a publicly accessible database.
- **PILLAR 3:** is intended to support the i**mprovement of the investment environment –** it does not present investment projects.

The study concentrates on the first two pillars, with specific attention to EFSI, a EUR 16 billion guarantee from the EU budget, complemented by a EUR 5 billion allocation of the EIB's own capital, intended to provide funding for economically viable projects focused on sectors of key importance able to deliver a positive impact on the European economy.

3. Methodology

The study, apart from the three introductory sections, is set out in four main chapters plus a chapter on policy recommendations.

- Chapter 4 is intended to set the scene presenting the Investment Plan and the new strategy on the European Pillar of Social Rights. It explores the concept of inclusive growth, the social dimension of the EU and the main EU funds for economic and social growth.
- Chapter 5 includes the analysis of the implementation of the Investment Plan to review how it has been used so far, in which sectors and countries resources have been allocated and what kind of projects have been funded. In particular, it analyses their potential role in supporting an inclusive growth.
- Chapter 6 analyses in detail the role played by the projects funded so far by the Investment Plan to strengthen the social dimension and/or encourage social cohesion and their possible link with the principles set out in the preliminary version of the European Pillar of Social Rights.
- Chapter 7 suggests several opportunities to support social investments and their sustainability in a context of strict austerity policies and budget constraints.
- Chapter 8 summarises the main results of the study and proposes conclusions and policy recommendations for future policymaking and criteria for social investments.

The study adopts a **multi-method approach involving qualitative** (such as extensive desk research and in-depth analysis of concrete examples) **and quantitative analysis** (with the use of statistics and databases on the state of play of the Investment Plan).
In particular the following sources and methodologies have been applied.

- The study began with **an in-depth literature review and analysis** of the most recent studies available on the topic. This has allowed the research team to achieve a sound and comprehensive understanding of all the dimensions, data and information to be considered for the analysis. It has also allowed for a better specification of the research questions which this study seeks to answer, as well as the identification of the theoretical background for the analysis required in this study. A collection of positions expressed in relevant studies and position papers has been brought together to provide a variety of views on the issue among the EU stakeholders. Interviews with EU and national policymakers have been carried out.
- From a **quantitative point of view, statistical elaboration of variables/indicators** has been carried out in order to describe the types, magnitude and development of social spending and social investments in the 28 MSs (2008-2016) in relation to the socioeconomic situation of each of the 28 MSs and at EU level as a whole. Comparative tables have then been drawn up, on the basis of the most significant data, but have been put in an annex in consideration of the length of the study.
- The analysis of results achieved so far has been based on available data and information gathered from the database of EFSI projects, the database of European Investment Project

Portal (EIPP) projects, and in the **interim evaluation reports** foreseen by EFSI Regulation[11] already available. In particular:

  - o **European Investment bank's (EIB) evaluation[12]**, produced by the EIB Group's Evaluation Division. The objectives of this evaluation are to assess the functioning of EFSI and to identify aspects that could improve the future functioning of EFSI. It was delivered on 6 October 2016 and covers the period from September 2014 to June 2016.
  - o **The EC evaluation[13]**, produced as an internal document of the Commission. It provides an overview of the use and functioning of the EU Guarantee Fund during its first year of activity until 30 June 2016 in effectiveness, efficiency and relevance.

- For all projects pre-approved, approved or signed under EFSI a specific analysis has been carried out to assess for each one its potential direct or indirect social impact referring in particular to the social Pillars under elaboration. For projects with a high potential social impact and for those on social infrastructures published on the EIP Portal a more in-depth analysis has been completed.
- Three case studies have been produced to present three different policy contexts and three different types of investments in social infrastructures or in infrastructures presenting a potential social impact. The case studies have been selected on the basis of the analysis of all projects pre-approved, approved or signed under EFSI or published on the EIP Portal. One project is based in Spain and is an EIPP project on ageing and Alzheimer's disease; one is on a broad housing investment in France and the third is on regional mobility in Italy.

[11] 'By 5 January 2017, the EIB shall evaluate the functioning of the EFSI. The EIB shall submit its evaluation to the European Parliament, the Council and the Commission.' (Article 18.1). Regulation (EU) 2015/1017 on the EFSI, the European Investment Advisory Hub and the European Investment Project Portal and amending Regulations (EU) No 1291/2013 (EU) No 1316/2013, EFSI, 25 June 2015.
[12] EIB (2016), Operations evaluation*, Evaluation of the functioning of the European Fund for Strategic Investments* (EFSI).
[13] European Commission (2016), Commission Staff Working Document, *Evaluation SWD(2016)297 final,* Brussels 14/9/2016.

4. Setting the scene: the Investment Plan for Growth and the new strategy on a European Pillar of Social Rights

4.1 The concept of inclusive growth

The concept of inclusive growth, derived from the development literature, not only states that growth with equity is possible, but also that **equity is necessary for growth**. Following a couple of decades when growth was considered as the cornerstone of the fight against poverty, social exclusion and inequality, what has emerged is *the understanding that **growth alone is no panacea for social ills,** and redistributive growth was found to be likely to be more effective for poverty reduction than distribution-neutral growth*[14].

Developments in economic theory are in fact **calling into question the idea that redistributive policies hamper growth**[15]. Rather, the empirical evidence generally supports the view that **inequality hampers the sustainability of growth** over the medium term. For example, Berg et al.[16] find that longer growth spells are closely associated with greater equality in income distribution. In their econometric estimation based on cross-country data, inequality turns out to be among the variables with the strongest effects on both the pace of medium-term growth and the duration of growth spells. Too much inequality may reduce growth because it can provoke social conflict and political instability and thus discourage investments, as well as reducing investment in education and entrepreneurial activities, leading to low human capital accumulation, among the key drivers of economic growth.

The *Europe 2020 Strategy*[17] adopts for the first time an *inclusive growth* objective introducing a specific commitment to pursue ambitious targets on employment, education and social objectives on an equal standing with the economic ones. Three of the five headline targets of the Strategy for 2020 relate to employment, education, and social inclusion[18]: increasing employment; investing in skills and training; fighting poverty and social exclusion. In the EU 2020 strategy, inclusive growth is hence based on high employment and investments in education and skills, supporting social and territorial cohesion. Inclusive growth is described as:

> *… empowering people through **high levels of employment, investing in skills, fighting poverty and modernising labour markets, training and social protection systems** so as to help people anticipate and manage change, and build a cohesive society. It is also essential that the benefits of economic growth spread to all parts of the Union, including its outermost regions, thus **strengthening territorial cohesion**. It is about ensuring **access and opportunities for all throughout the lifecycle**.*

[14] Ranieri, R. and Ramos, R. A. *Inclusive growth: building up a concept* (PDF). Working Paper, 104. Brazil: International Policy Centre for Inclusive Growth, 2014. ISSN 1812-108X

[15] Pontusson, J., *Inequality and prosperity. social Europe vs. liberal America*, Cornell University Press, 2005.; Berg, A. G. and Ostry J. D. *Inequality and sustainable growth: two sides of the same coin?*, IMF Staff Discussion Note, April 2011, SDN/11/08; Berg, A., Ostry, J. D. and Tsangarides, C. G. *Redistribution, inequality and growth*, IMF Staff Discussion Note14/02, February 2014.

[16] Berg, A., Ostry, J. D. and Tsangarides, C. G. *Redistribution, inequality and growth*, IMF Staff Discussion Note14/02, February 2014.

[17] Communication from the Commission Europe 2020 – *A strategy for smart, sustainable and inclusive growth*, COM (2010) 2020 of 3 March 2010; European Council Conclusions of 17 June 2010.

[18] The other two are: research and development (3 % of the EU's GDP to be invested in R&D) and climate/energy(greenhouse gas emissions 20 % (or 30 %, if the conditions are right) lower than 1990; 20 % of energy from renewables; 20 % increase in energy efficiency).

Source: European Commission *EUROPE 2020 A strategy for smart, sustainable and inclusive growth* COM(2010) 2020 final.

The **World Bank** refers to inclusive growth to denote both the **pace and pattern of economic growth**: rapid pace of economic growth is necessary for reducing absolute poverty, but for this growth to be sustainable in the long run, it should be **widespread across labour market sectors and territories**. Inclusiveness is referred to 'equality of opportunity in terms of **access to markets, resources** and **unbiased regulatory environment for businesses and individuals**'[19]. In the **United Nations Development Programme** (UNDP), inclusive growth is seen as both an outcome and a process: it ensures that **everyone can participate** in the growth process. Inclusive growth is one whose **benefits are shared equitably**: inclusive growth thus also implies **participation and benefit-sharing**.

The inclusive growth objective of the Europe 2020 strategy is based on an *active inclusion and social investment*. According to this strategy the adoption of a **social investment approach** should allow the promotion of preventive measures with long-run returns in terms of employment, education, productivity and individual well-being. This approach has increased attention to early and preventive interventions, also addressing children and young people growing up in poverty, as well as the working poor, in order to break the cycle of social exclusion and enhance people's opportunities over their entire life cycle. Of particular relevance is the attention paid to **social innovation** and to the **modernisation of social and employment policies**, to test and promote new policy approaches, new financing mechanism, new services, and the involvement of new stakeholders (such as private companies or NGOs) in the provision of social inclusion policies. This aspect is key in considering social inclusion as a potential contributor to EU Growth, as it has been stated by President Junker in his 2016 State of the Union Speech, when talking about the role of social entrepreneurship.

4.2 The social dimension of EU

As a consequence of 'the economic storm that ravaged Europe and called its integration into question'[20] it has become clear that the **fight to growing social inequality in Europe should represent the greatest challenge** to overcome. As recalled by the Commission Staff Working Document on *The EU Social Acquis*[21] 'The social mission and objectives of the EU are to **promote the well-being of its peoples** (Article 3 TEU), to work for the **sustainable development** based on a highly competitive s**ocial market economy**, aiming at **full employment and social progress**, and a high level of protection. The EU shall combat social exclusion and discrimination, promote social justice and protection, equality between women and men, solidarity between generations and protection of the rights of the child. It shall also promote economic, social and territorial cohesion, and solidarity among Member States'.

Unfortunately, the social dimension does not represent the priority of EU policymaking due to the primary initial purpose and scope at the base of the overall EU project, aimed at the development of a

[19] OECD, *All on board making inclusive growth happen*, 2014.
[20] 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/
[21] European Commission, Commission Staff Working Document, *The EU social acquis*, Strasbourg, 8.3.2016 SWD (2016) 50 final.

European Economic Community. This is where economic and employment policies had to play a prominent role, and as a consequence, for the reason of the division of competences between the EU and Member States, it meant leaving employment and social inclusion polices mainly as a shared competence. EU priorities for many years focused mainly on economic concerns, e.g. developing a competitive single market, leaving the attention on social protection only within the narrow perspective of the area of social rights of workers. In recent years the EU common policy has evolved extending in scope to other dimensions, in line with the concept of **sustainable and inclusive growth:**

- For the first time in the history of European integration, the Treaty of Amsterdam explicitly mentions the fight against social exclusion (Art. 136, 137, 140).
- A ‘new’ chapter on Social Policy (within Title XI) was introduced, created by integrating existing Articles in the EC Treaty with the provisions of the Agreement on Social Policy based on the 1989 Social Charter (Articles 151-161 TFEU).
- The Lisbon Treaty introduced important changes in the Union’s social and employment objectives (Art. 3 TFEU) and incorporated the Charter of Fundamental Rights into the primary law of the EU.
- The Europe 2020 Strategy, launched on March 2010 to ensure (better) follow-up of the Lisbon Strategy, brings greater attention to employment and social policies. It brings in for the first time an ‘inclusive growth’ objective together with renewed commitment to ambitious employment objectives on an equal standing with the smart and sustainable objectives.
- New developments in the approach have been introduced in particular by adopting a soft coordination mechanism (the so-called Open Method of Coordination) addressing poverty and social exclusion, often with the support of EU funds and programmes.

It is in this context that in October 2014 the European Commission President Jean-Claude Juncker, in his speech to the European Parliament, spoke of his wish for Europe to be ‘**triple A 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 reach this goal, he stated that the European Semester should be not only a macroeconomic and financial coordination process, but it should also take into account the social dimension of the Economic and Monetary Union.
The 2015 Five Presidents’ report[22] provided a more detailed strategy to achieve this Social Triple A, considered also as an economic necessity for the EMU to succeed:

- promoting employment through ‘efficient’ labour market policies (flexibility, active ageing, deeper integration of national labour markets, facilitating geographical and professional mobility, etc.);
- improving education and lifelong learning policies;
- improving coordination of social security systems;
- offering an effective social protection system to everyone in the framework of the EMU.

[22] European Commission *Completing Europe’s Economic and Monetary Union,* 2015, http://ec.europa.eu/priorities/sites/beta-political/files/5-presidents-report_en.pdf

The Council adopted conclusions on social governance as part of the vision for a Social Triple A on 7 December 2015.

During Junker's mandate several initiatives have been rolled out and implemented. The State of the Union's speeches describe the Commission priorities at this concern:

- In 2015 speech Junker emphasised the social dimension of EU by saying: 'I will want to develop a **European Pillar of Social Rights**, which takes account of the changing realities of the world of work and which can serve as a compass for the renewed convergence within the euro area. This European Pillar of Social Rights **should complement what we have already jointly achieved** when it comes to the protection of workers in the EU. I will expect social partners to play a central role in this process. I believe we do well to start with this initiative within the euro area, while allowing other EU Member States to join in if they want to do so.'

What is the social pillar?

'The Pillar should build on, and complement, our EU social "acquis" in order to guide policies in a number of fields essential for well-functioning and fair labour markets and welfare systems. The principles proposed do not replace existing rights, but offer a way to assess and, in the future, approximate for the better the performance of national employment and social policies.
Once established, the Pillar should become the reference framework to screen the employment and social performance of participating Member States, to drive reforms at national level and, more specifically, to serve as a compass for the renewed process of convergence within the euro area.'[23]

On 8 March 2016 a preliminary outline of what should become the European Pillar of Social Rights was put forward by the European Commission, with the aim to open a wide debate at EU level on the essential principles common to euro area Member States, focusing on their needs and challenges in the field of employment and social policies. EU authorities, social partners, civil society and citizens have been asked to debate on the content and role of the Pillar.

- In the 2016 speech President Juncker recalled that 'we have many unresolved problems in Europe ... from high unemployment and social inequality, to mountains of public debt, to the huge challenge of integrating refugees', but in the 'agenda of concrete European actions for the next twelve months' **no concrete proposals have been put forward on the European Pillar of Social Rights** and more in general on the promotion of a Social Triple A Europe. The Commission proposals to reinforce the social dimension of EU are based on two approaches: to **support social enterprises and microfinance** through a reinforcement in this direction of the Investment Plan for Europe 'by increasing the total amount of financial instruments in from EUR 193 million to EUR 1 billion, which is expected to mobilise almost EUR 3 billion in overall investment'[24]; on the other hand, by **investing in young people,**

[23] European Commission, http://ec.europa.eu/priorities/deeper-and-fairer-economic-and-monetary-union/towards-european-pillar-social-rights_en
[24] European Commission press release *State of the Union 2016: strengthening European Investments for jobs and growth, 2016.*

enhancing the effectiveness and speeding up delivery of the Youth Guarantee 'reaching out to the regions and young people most in need.'[25]

4.3 The main EU funds for economic and social growth

The Investment Plan for Europe is set in an existing structure of measures funding more or less directly economic and social growth. As described in the *Mid-term review/revision of the multiannual financial framework 2014-2020* (COM(2016) 603 final) it can be synthesised as follows:

- **The European Structural and Investment Funds (ESIF):** this 2014-2020 legislative framework concentrates the resources on the national objectives, which are in line with the country-specific recommendations to translate the key Europe 2020 objectives.
- **Youth employment initiative (YEI):** This provides targeted support to young unemployed people living in regions with youth unemployment rates higher than 25 %.
- **Competitiveness programmes**: These lie under direct management under heading 1A of the MFF ('smart and inclusive growth'): these are programmes such as Horizon 2020, the CEF and COSME.
- **European Fund for Strategic Investments (EFSI):** To complement the existing programmes to promote job creation and growth, in November 2014 the Commission set up a European Fund for Strategic Investments (EFSI) in the framework of the Investment Plan for Europe.

4.4 The Investment Plan for Europe: the Juncker plan

Since the global economic and financial crisis, the EU has been suffering from low levels of investment: investment in the European Union in 2013 was 15 % below the highs experienced in 2007[26]. 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: IPE can be considered the first major initiative of the Juncker Commission. The aim in the long term is to support the EU's competitiveness, growth potential, and ability to sustain and create jobs.

IPE's policy objectives are the following:

- Reverse downward investment trends and **help boost job creation** and economic recovery, without weighing on national public finances or creating new debt;
- Take a decisive step towards meeting the long-term needs of the EU economy and increase its competitiveness;
- **Strengthen Europe's human capital**, productive capacity, **knowledge and physical infrastructure**, with a special focus on the interconnections vital to the Single Market[27].

The Plan is articulated in three pillars which should mutually reinforce one another:

[25] Junker, J. C. *State of the Union*, 2016.
[26] European Commission, Commission Communication, *An investment plan for Europe*, 26 November 2014. COM (2014) 903 final.
[27] European Commission, Commission Communication, *An investment plan for Europe*, 26 November 2014. COM (2014) 903 final.

PILLAR 1: The European fund for strategic investments, created within the European Investment Bank. It uses public funds to **mobilise additional private investment** and gives credit protection to the financing provided by the EIB and the European investment fund (EIF). One of the Fund's functions is to take some of the risk borne by the EIB, which will therefore be able to invest in riskier projects. **The EIB's participation is expected to attract private investment to such projects**. The fund is also ready to support small and medium-sized businesses (mostly via the European Investment Fund). The fund consists of a EUR16 billion guarantee from the EU budget and EUR 5 billion from the European Investment Bank. The European Commission estimates that the fund – the EUR 21 billion – will be able to reach an overall multiplier effect of 1:15 and will thus generate up to EUR 315 billion in total investment.

PILLAR 2. Ensuring that investment finance reaches the real economy: The European investment project portal (EIPP) and a European investment advisory hub (EIAH) have been established to help investment finance reach the real economy. **EIPP aims to provide information about EU investment projects via a publicly accessible database**. The hub provides technical assistance and support. It bundles together the existing EIB technical assistance programmes and provides additional advisory services for cases not covered by the existing programmes. The project portal will help potential investors to find information about each project and investment opportunities.

PILLAR 3. Improving the investment environment: The aim is to boost investment by **improving the business environment and easing access to finance**, not least for small and medium-sized businesses. The overall objective is to remove barriers to investment and create simpler, better and more predictable regulation in the EU, especially in the infrastructure sectors, where investments span several years or decades. To help improve financing conditions in the EU, the plan envisages the creation of a capital markets union to reduce fragmentation in the financial markets and increase supply of capital to businesses and investment projects.

Source: Council of the European Union, http://www.consilium.europa.eu/en/policies/investment-plan/

As a number of EU researches evidence[28] investing only in growth and job creation, the top priorities of the Commission Plan, may not be enough to ensure a sustainable and inclusive growth. Poverty is closely related to unemployment and underemployment, but also to precarious and low pay jobs. **Full, productive and decent employment, with education, is the main driver for inclusive growth**, being the most important source of income security and entailing broader social and economic advancement, **strengthening individuals, their families and communities**. At this concern in 2013 an investment package was specifically issued to promote social equality and social inclusion: the **2013 Social Investment Package for Growth and Cohesion (SIP)**[29] which is intended to 1) increase the sustainability and adequacy of social systems through simplification and better targeting; 2) pursue the activating and enabling of policies through targeted, conditional and more effective support; 3) supporting specific needs arising throughout the individual's life, with specific attention to investing in children to address inequality and challenges faced by children through early intervention. 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: European Social Entrepreneurship Funds;

[28] Among others the EU funded project GINI – *Growing Inequality Impact – Fp*/project http://www.gini-research.org/articles/home
[29] European Commission, Commission Communication, *Towards social investment for growth and cohesion* COM(2013) 83 final, 2013.

b) Exploring the use of new financial instruments from private and third sector to complement public sector efforts. 'Microfinancing can play an important role in this regard. The establishment of new small businesses is key for achieving the employment and inclusion targets of the Europe 2020 Strategy. However, one of the major obstacles to business creation is **lack of access to finance**, especially microcredit';
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'.

A link between these two investment packages could be fruitful for both and for the EU as a whole, but it seems this has not been explored yet.

4.5 Procedures and governance of the plan

As well described in EESC[30] the two major economic-financial instruments supporting growth in Europe present different objectives and very different procedures shaping development processes:

- **The European Structural and Investment Funds (ESI Funds)** are enshrined in the Treaties, and their purpose is to foster social, economic and territorial cohesion. They are backed by highly bureaucratic mechanisms for preparing, implementing, monitoring and analysing, which are both centralised and decentralised, and a large number of agencies are in place at EU level to oversee implementation.
- **The European Fund for Strategic Investment (EFSI)** is a market-oriented financial instrument, allowing risk capital to be supported and public, bank and private funds to be mobilised. This new governance mechanism lies outside the European Commission framework and its new organisational structure is based on needs arising from the financial and investment climate[31]. 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'[32].

Another relevant difference between the two instruments is that, despite its name, EFSI is not a fund, but 'a guarantee provided to the EIB group from the EU budget and a capital contribution provided by the EIB' [33], while ESIF is in effect a fund to promote projects coherent with EU objectives.

A few key elements concerning EFSI governance structure and functioning can be described as they are presented in the Council of the European Union website[34]:

[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] EESC, *New measures for development-oriented governance and implementation – evaluation of the European Structural and Investment Funds and ensuing recommendations*, ECO/400, 2016.
[32] Natali, D and Vanhercke, B., *Social policy in the European Union: state of play 2015*, OSE-ETUI 2015, 2015.
[33] EIB, *Operations evaluation, evaluation of the functioning of the European Fund for Strategic Investments (EFSI)*, 2016.
[34] http://www.consilium.europa.eu/en/policies/investment-plan/strategic-investments-fund/

- **EFSI governance**: This is based on a steering board and an investment committee. The **steering board** comprises four members: three appointed by the European Commission (DG ECFIN, DG ENER, DG GROW) and one by the EIB. It decides on the overall strategy of the EFSI, the risk profile of the EFSI, the operating policies and procedures of the EFSI, rules applicable to the investment platforms and national promotion banks. The **investment committee examines projects and decides** which of them can use the EU guarantee. It is accountable to the steering board. The committee is made up of eight independent market experts and a managing director. The experts are appointed by the steering board, following an open and transparent selection procedure, for a period of up to three years which can be renewed once. The EFSI is organised in a way that ensures the investment committee's operational independence. The committee takes decisions by simple majority.
- **Focus of the Plan**: The EFSI intends to focus on projects in a wide range of areas, including: development of infrastructure, research and development and innovation, investment in *education and training, health,* information and communications technology, development of the energy sector. Around one quarter of the fund is dedicated to projects supporting small and medium-sized enterprises (SMEs) as well as middle capitalisation companies.
- **Project selection criteria:** 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 alone. The projects can be implemented anywhere in the EU and in any of the eligible sectors: *there are no geographical or sectoral quotas.* It will be ensured that the EIB does not take on an excessive exposure in a particular sector or location.
- **Member State contribution**: A number of EU Member States have announced their intention to contribute to supporting projects that will benefit from EFSI financing (Member States contribution to EFSI is presented in Annex 1). Other investors, both from public and private sector, can contribute to a project or to investment platforms. The European Commission proposed that the contributions by the Member States to the EFSI would not be taken into account either under the preventive or under the corrective rules of the Stability and Growth Pact.
- **Ex-ante and ex-post evaluation**: According to EU Budget Financial Regulation[35] all projects funded by the European Institutions 'shall undertake both ex-ante and ex-post evaluations in line with guidance provided by the Commission', but due to urgency brought about by the crisis 'it was decided that EFSI would not be subject to the general Financial Regulation but would instead have its own dedicated regulation which did not require an ex-ante evaluation'[36]. A scoreboard of indicators was introduced to elect projects with higher added value in terms, among others, of: respect of the policy objectives, the quality and soundness of the project and expected outcomes. This scoreboard has been used to assess projects.

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[35] 'In order to improve decision-making, institutions shall undertake both ex-ante and ex-post evaluations in line with guidance provided by the Commission. Such evaluations shall be applied to all programmes and activities which entail significant spending and evaluation results shall be disseminated to the European Parliament, the Council and spending administrative authorities'

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

- **Procedures:** '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'[37].

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

5. Analysis review of the implementation of the Investment Plan

Chapter 5 is intended to analyse existing relevant data on the investment plan to evaluate how it has been used so far, in which sectors and countries resources have been allocated and what kind of projects have been funded, analysing in particular their potential role in supporting an inclusive growth and their possible link with the principles set in the preliminary version of the European Pillar of Social Rights, to be seen as essential for well-functioning and fair labour markets and welfare systems.

The following analysis is based on available data and information gathered in the database of EFSI projects and in the database of European Investment Project Portal (EIPP) projects, and in the **interim evaluation reports** foreseen by EFSI Regulation[38] already available:

- **European Investment bank's (EIB) evaluation[39]**, produced by the EIB Group's Evaluation Division. It has been delivered on October 6, 2016 and covers the period from September 2014 to June 2016.
- **EC evaluation[40]**, produced as an internal document of the Commission. It provides an overview of the use and functioning of the EU Guarantee Fund during its first year of activity until 30 June 2016 in terms of effectiveness, efficiency and relevance.

5.1 The implementation of the Investment Plan for Europe

As described in chapter 4 the IPE is articulated in three Pillars:

- **PILLAR 1**: The European fund for strategic investments, funding 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 EIB;
  - ⇨ SMEW projects are implemented by the European Investment Fund through financial intermediaries.
- **PILLAR 2: The EIPP** is intended to help investment finance reach the real economy, by providing information on EU investment projects realised via a publicly accessible database.
- **PILLAR 3:** is intended to support the improvement of the investment environment – it does not present specific investment projects.

The following analysis so concentrates on PILLARs 1 and 2.

5.2 Pillar 1: EFSI projects

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

[38] "By 5 January 2017, the EIB shall evaluate the functioning of the EFSI. The EIB shall submit its evaluation to the European Parliament, the Council and the Commission." (Article 18.1). Regulation (EU) 2015/1017 on the EFSI, the European Investment Advisory Hub and the European Investment Project Portal and amending Regulations (EU) No 1291/2013 (EU) No 1316/2013, EFSI, 25 June 2015.
[39] EIB, Operations evaluation, *Evaluation of the functioning of the European Fund for Strategic Investments* (EFSI), 2016.
[40] European Commission, Commission Staff Working Document, *Evaluation SWD(2016)297 final,* Brussels 14/9/2016.

evaluation[41] '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.'

- Among all projects approved 29% belong to IIW but their financing amount is 62%: IIW projects are much bigger than SMEW;
- Almost 80,7% of the signed projects refer to SMEW and only 19,3% to IIW; concerning their financial amount IIW cover 45,2% and SMEW 54,8%. Within SMEW average financial amount for project is meaningless as operations signed are then articulated in several local projects.

Table 1 : EFSI portfolio overview as of 30 June 2016

	Aggregated		**IIW**		**SMEW**	
	Approved	of which signed	Approved	of which signed	Approved	of which signed
No. of operations	262	202	76	39	186	163
EFSI financing amount (EUR billion)	17,45	10.45	10.80	4.72	6.65	5.73
Total investment mobilised (EUR billion)	104.75	66.14	57.07	22.39	47.67	43.75
Expected total investment to be mobilised (EUR billion)		315.00		240.00		75.00
% to target		21 %		9 %		58 %

Source: EIB's evaluation

After two years, as of 26 September 2016, the approved transactions have become 324 in 27 of the 28 EU Member States[42].

The EU contributes to EFSI through an EU Guarantee of maximum EUR 16 billion, complemented by EUR 5 billion provided by EIB, is articulated as follows:

- EUR 16 billion for IIW: up to EUR 11 billion for the debt portfolio; up to EUR 2.5 billion for the equity-type portfolio integrated by additional EUR 2.5 billion from EIB;
- EUR 5 billion for SMEW products: up to EUR 2.5 billion integrated by additional 2.5 to increase the risk capital resources.

Following **the intermediate EIB evaluation** (September 2016) we can sum up the main figures concerning the allocation of EFSI funds in terms of geographical distribution and sectors distribution:

Geographical distribution of EFSI FUNDS (IIW+SMEW)

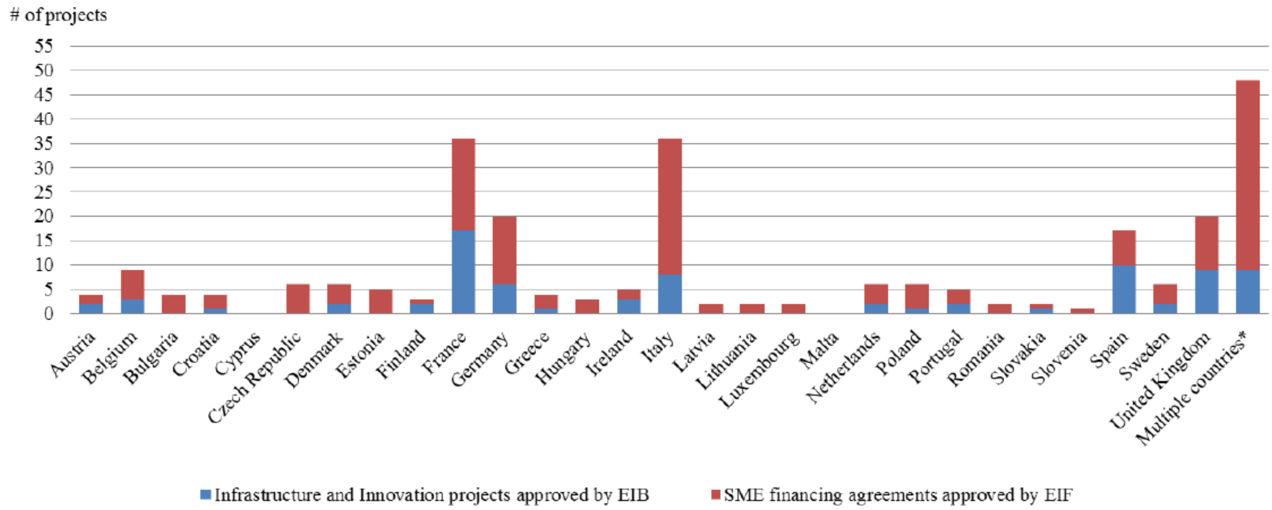
- Fifteen Member States had operations under both IIW and SMEW (Austria, Belgium, France, Germany, Greece, Ireland, Italy, Luxembourg, the Netherlands, Poland, Portugal, Slovakia, Spain, Sweden and the United Kingdom);
- One Member State had operations only under the IIW: Finland;

[41] EIB (2016), Operations evaluation, *Evaluation of the functioning of the European Fund for Strategic Investments* (EFSI).
[42] European Commission, *The investment Plan for Europe: two years on,* November 2016

- Ten Member States (predominantly found in Central and Eastern Europe) had operations only under the SMEW: Bulgaria, Croatia, the Czech Republic, Denmark, Estonia, Hungary, Latvia, Lithuania, Romania and Slovenia;
- Two Member States had no signed operations under either window: Cyprus and Malta.

As reported by the above-mentioned evaluation, when excluding multi-country operations, EFSI operations are highly concentrated in the EU15 (92 %), and under-serves the EU13 (8 %), but **most of the less-developed regions in Europe are found in the EU13's Central and Eastern European countries.**

Figure 1 : EFSI geographic coverage

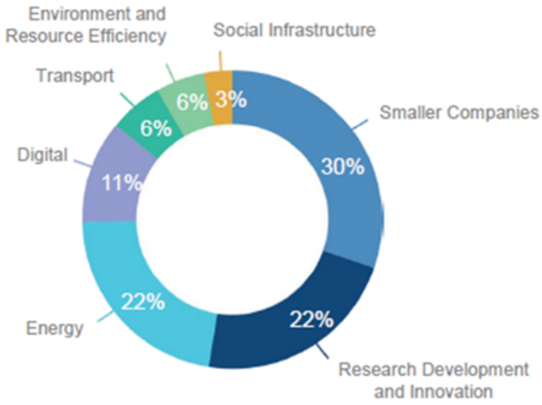


Source: European Commission COM(2016) 359 final[43]

Concerning the **sectors distribution, seven are the sectors** foreseen in the EFSI strategic orientation: RDI, smaller companies, energy, digital, transport, environment, social infrastructure. Projects may cover more than one sector: the following chart[44], concerning the distribution by sectors provided by European Commission Interim Report[45], shows the main sectors represented.

[43] European Commission, Commission Communication, *Europe investing again – taking stock of the investment plan for Europe and next steps*, COM(2016) 359 final, 1 June 2016.
[44] https://ec.europa.eu/priorities/sites/beta-political/files/2-years-on-investment-plan_en_0.pdf
[45] European Commission, *The investment Plan for Europe: two years on,* November 2016

Figure 2: Efsi investments by sector



Source: *The Investment Plan for Europe Two years on*[46]

Following EIB evaluation it is also interesting to note that the two windows have acted differently over this concern:

- Under the **IIW** all the seven sectors have been covered, but **energy accounted for 46 % of total EFSI** financing (exceeding the indicative 30 % sector concentration limit for sectors as laid down in EFSI's Strategic Orientation);
- Under **SMEW** there is a specific concentration on three sectors, **RDI being the prominent with 69 %** of total EFSI financing (SMEW has no sector concentration), followed by digital and social infrastructure. In this case, social infrastructures have been on target being part of Horizon/COSME or other projects funded under the Structural Funds, as explained below.

5.2.1 SME window

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 mandates**[47]. 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). In the context of SMEW, the **EU Guarantee has been used for two guarantee sub-windows aimed at frontloading guarantee operations under the COSME**[48] **and InnovFin**[49] financial instruments. 'The EFSI has enhanced the COSME Loan Guarantee Facility (LGF) – which guarantees loans to SMEs with a higher-risk profile, and the InnovFin – Horizon 2020 SME Guarantee (SMEG) facility – which guarantees loans to innovative and research-intensive SMEs and small mid-caps. As of 30 June 2016, 186 operations (71 equity projects – financed from the EIB's EUR 2.5 billion contribution to the SMEW, 43 COSME and 72 InnovFin guarantee operations) had been approved under the SMEW' for an overall total of EUR 3.4 billion in EFSI financing able to

[46] https://ec.europa.eu/priorities/sites/beta-political/files/investment-plan-eu-wide-state-of-play-july2016_en_0.pdf
[47] EIB, Operations evaluation, *Evaluation of the functioning of the European Fund for Strategic Investments* (EFSI), 2016.
[48] Programme for the Competitiveness of Enterprises and small and medium-sized enterprises (COSME).
[49] InnovFin – EU Finance for Innovators, launched jointly by the Commission and the EIB Group with funds from the Horizon 2020 programme and EIB Group own resources.

move an estimated amount of investments of EUR 48.4 billion to support around 180 000 SMEs and mid-caps[50].

As announced in the Commission's Communication *Europe investing again*[51], given its success, it was decided to scale up the SMEW to benefit SMEs and small mid-cap companies in all Member States. **The main impact of the EFSI on COSME and InnovFin under the current set-up is faster implementation of already planned and approved projects, with the same volumes of support foreseen under the Union budget but anticipated rather than planned**.

When considering the geographical distribution of resources, a statistic updated to 19 July 2016 provided by EC and EIB, evidence that while in total amount Italy, Spain, Germany and France appear by far the most significant beneficiaries, 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.

Figure 3: EFSI - SME Guarantee Window transactions and approved amounts at 12 October 2016

Geographical Spread in the EU

EUR m	Number of transactions	*EFSI contribution*	*EIF financing*	*Expected Mobilised Investments*
Austria	2	25	105	299
Belgium	7	78	247	965
Bulgaria	7	16	38	477
Croatia	3	4	16	106
Cyprus	-	-	-	-
Czech Republic	6	42	162	794
Denmark	4	24	96	400
Estonia	4	17	66	510
Finland	1	15	75	210
France	18	306	849	4,673
Germany	18	310	616	5,577
Greece	3	33	73	462
Hungary	3	7	13	430
Ireland	3	45	86	421
Italy	39	514	1,239	15,605
Latvia	3	4	16	123
Lithuania	4	6	26	140
Luxembourg	3	15	75	210
Malta	1	1	6	17
Netherlands	4	42	69	311
Poland	5	22	44	707
Portugal	3	42	210	588
Romania	2	5	25	70
Slovakia	1	6	6	140
Slovenia	1	8	8	388
Spain	11	196	352	5,982
Sweden	4	45	188	570
United Kingdom	13	413	558	3,994
Multi-Country	54	1,503	2,187	15,843
Total	227	3,744	7,450	60,011

**Mobilised investments correspond to expected volumes*

Source: EIF http://www.eif.org/what_we_do/efsi/ipe-efsi-geographies.pdf[52]

[50] European Commission, Commission staff working document, *Evaluation SWD(2016)297 final,* Brussels 14/9/2016.
[51] COM(2016)359 final.
[52] The figures are not part of formal EIF reporting on EFSI. Therefore, they are provisional and unaudited. They include all deals signed, irrespective of whether the availability period has already started.

Table 2 : Main countries benefitting by EFSI SMEW support by inhabitant

	in EUR
1 – Estonia	450
2 – Luxembourg	270
3 – Slovenia	180
4 – Italy	130
5 – Spain	80

Source: EIF, EIB, EC, *The EFSI SME Window - How EFSI reaches small companies*, 2 September 2016

Is SMEW supporting projects in the area of social inclusion?

Concerning sector distribution, according to the *EFSI stakeholders consultation*[53] 'the largest share of approved SMEW operations will be targeted at RDI sector (55 %) followed by digital (28 %) and smaller business (9 %)'. **Social infrastructures, health and human capital sector remains limited to 8 %.** No information is available concerning the types of projects and organisations funded under SMEW.

Efforts to work in the direction of **funding social enterprises to support social investments** are under elaboration: since July 2015 three financial products have already been launched within SMEW: a) guarantees supporting loans to SMEs with a higher-risk profile (COSME); b) guarantees supporting loans to innovative and research-intensive SMEs and small mid-caps (InnovFin – Horizon 2020); c) equity investment in venture capital and equity funds (without EU Guarantee – RCR). The other product potentially able to deliver a **social value within SMEW** is the guarantees foreseen for the EU Programme for Employment and Social Innovation (EaSI), **to foster access to microfinance for vulnerable groups, micro-enterprises and social enterprises**: it consists of a risk-sharing mechanism between the financial intermediaries and the EC. The EaSI guarantee instrument for micro and social enterprises was launched in July 2015 to offer guarantees to financial intermediaries. The maximum loan amount to a social enterprise is up to EUR 500 000 targeted to eligible social enterprises with an annual turnover or annual balance sheet not exceeding EUR 30 billion[54]. Overall, the total amount of support to these areas is expected to increase (from EUR 193 million under the EaSI programme) to about EUR 1 billion, mobilising some EUR 3 billion in additional investment.

Microfinance initiatives supported by EIF[55]

Since the EU started its microfinance initiatives, more than 100 agreements have been signed with microfinance providers, to support over 100 000 micro-entrepreneurs in 23 EU Member States. This cooperation between the EIF, the European Commission and microfinance providers aims to mobilise over EUR 1 billion of microfinance loans for micro-borrowers across the EU under *Progress Microfinance* and the *EU Programme for Employment and Social Innovation (EaSI).* Target borrowers include unemployed micro-entrepreneurs, young self-employed, minority groups, women and rural communities where microfinance can help with work integration, healthcare, social housing

[53] Efsi Secretariat, *EFSI stakeholders consultation, summary report*, 7/9/2016.
[54] Patou http://www.epc.eu/documents/uploads/pub_6127_serge_patou.pdf
[55] EIF website.

and education. Since the launch of EaSI, EIF has already signed 33 transactions in 18 countries, generating EUR 660 million of financing to over 50 000 micro-enterprises and social enterprises. EIF will not provide direct financial support to enterprises and micro-borrowers but will implement the facility through local financial intermediaries, such as microfinance, social finance and guarantee institutions, as well as banks active across the EU-28 and additional countries that are participating in the EaSI programme.

It is difficult to say at this stage in which form SMEW projects will be able to have an impact on promoting a more inclusive Europe, as for the moment it is possible to see only agreements signed with the financial intermediaries (local, regional and national banks) and not projects directly benefitting from SMEW support. A few examples of EIF operations supported by EFSI are presented in the following box:

Examples of EIF operations supported by EFSI[56]

EIF and Bpifrance agreement to support innovative French companies[57]
Under the signed agreement, Bpifrance will provide finance to innovative companies in France for a total of EUR 420 million over the next two years with the support of EFSI, allowing EIF to provide a new financing boost for highly innovative businesses under the Horizon 2020 initiative InnovFin.
The 1st transaction approved by EIF under the Juncker plan has been in May 2015, supported through the SME window of the Juncker Plan (frontloading procedure). InnovFin Agreement is composed of two products: *The EIF Innovation Loan* (320M€) aimed to finance the industrial launch of innovation. Beneficiaries are SMEs and Small Midcaps (up to 500 employees). It presents very attractive conditions as no collateral are required with 2 years grace period. The other one is *the EIF seed investment loan (100M€)* to help innovative start-ups in the negotiation of their valorization with identified investors. Thanks to InnovFin, Bpifrance has already supported more than 700 innovative companies (Target = 1245 companies). Bpifrance is currently applying for an increase of its InnovFin portfolio to continue financing innovative SMEs & small Mid-caps at favorable conditions. An additional 1790 companies are expected to be included in the InnovFin portfolio following this increase.
Two examples of recent recent EIF innovation loans:
Provepharm is a French pharmaceutical company dedicating in the development and valorization of Drug Products world wide. It needed finance for clinical studies required by the FDA to get a marketing authorization on the US market
Devisubox has developed innovative wireless photo webcams specialized to construction site monitoring. Commercialization started in 2013. It needed finance for starting to export to targeted markets : US, Germany, Emirates
Netatmo is specialized in connected objects and intelligent systems (Home camera with face recognition, weather station for smartphone etc.). It needed finance for developing new commercialization channels and investing in R&D in order to keep a competitive edge.[58]

[56] EIF website.
[57] Malo J., *The investment plan for Europe – European fund for strategic investment: state of play (March 2016)* http://clubeco.de/eco-content/uploads/2016/05/EFSI-Presentation-Deutsch-franz%C3%B6sischer-Wirtschaftsclub-20060412.pdf

EIF and Iccrea Banking Group guarantee agreements in Italy

The InnovFin agreement allows Iccrea BancaImpresa SpA to provide loans and leases to SMEs and small mid-caps in Italy over the next two years. The EU support for innovative Italian companies is expected to generate a portfolio of EUR 100 million of loans and leases. The COSME agreement will allow Iccrea leasing company and BCC Lease SpA to provide EUR 150 million of loans and leases to SMEs over the next three years: the loans and leases will be provided to enterprises that might otherwise not have access to finance. It is expected that the guarantee will allow BCC Lease to support over 14 000 SMEs.

The first operation of the second programme for enterprise signed by Cassa Depositi e Prestiti and Sace (Cassa Depositi e Presiti Group), which makes available to italian sme's the Juncker plan resources for the support to internationalization and innovation, is with Iccrea BancaImpresa and Banca Don Rizzo Cooperative Credit of Western Sicily. It finalised a credit line of EUR 400,000 intended to support innovation and international growth to "Montalbano Recycling", a SME specialised in technologies for the treatment and recycling of waste materials. The loan will support the renewal of machinery costs and functional facilities aimed at developing the expansion of the company in Europe, the United States, Mexico and the Gulf countries.

Another agreement, signed in Italy with **Mediocredito Trentino-Alto Adige,** will allow Mediocredito Trentino-Alto Adige to provide EUR 30 million of loans to innovative companies in Italy over the next two years. The agreement will make it possible for Mediocredito Trentino-Alto Adige to offer innovative companies additional financing with favourable conditions. The EFSI Agreement is considered one of the strategic objectives of the bank, as it contributes to the financial support of the most innovative and preeminent companies of the region and the north-east of Italy. This area is among the richest in leading companies specialising in new technologies in Italy.

Hamburgische Investitions- und Förderbank (IFB HH) - Germany[59] [60]

The European Investment Fund (EIF) and NRW.BANK and six regional promotional institutions have signed an InnovFin agreement for SMEs and small mid-caps in Germany, benefitting from the support of the European Fund for Strategic Investments (EFSI), the heart of the Investment Plan for Europe. The InnovFin agreement enables NRW.BANK together with the other **six regional promotional institutions to provide loans to innovative companies in seven federal states of Germany**. The six institutions are Landesförderinstitute (LFIs): Wirtschafts- und Infrastrukturbank Hessen (WIBank), Investitions- und Strukturbank Rheinland-Pfalz (ISB), Investitionsbank Schleswig-Holstein (IB.SH), **Hamburgische Investitions- und Förderbank (IFB Hamburg),** Investitionsbank des Landes Brandenburg (ILB) and Investitionsbank Berlin (IBB).

The new Hamburg credit innovation promoted by Hamburgische Investitions- und Förderbank (IFB Hamburg) supports small and medium-sized enterprises (SMEs) as well as innovative young start-ups with 10 million euro loans of EFSI fund – SME window. The Hamburg credit innovation supports, with low-interest loans:

[58] Innovative enterprise, *The EU's investment programme for research &innovation (InnovFin) and their role for long term investment in innovation - Bpifrance's Experience,* Conference 31 march, 2016- The Hague, Netherlands

[59] www.ifbhh.de/hamburg-kredit-innovation/

[60] https://ec.europa.eu/commission/2014-2019/katainen/announcements/investment-plan-europe-eif-and-nrwbank-and-6-regional-promotional-institutions-sign-agreement_fr

- the launch of products from successful, subsidized or self-financed R & D projects;
- financing for product development and launching innovation projects (technological product development and business model innovations);
- Financing the growth of innovative start-ups.

The loan allows to finance investments between EUR 100 000 and EUR 1.5 million with a term of between 5 and 10 years. The envisaged portfolio volume is EUR 10 ml.

To specifically promote **investments in social infrastructures** and to support social entrepreneurship, further financial products are under development by EIF. They will include, among others a) equity financing, including **venture capital targeting social investment** (Equity Platform) and b) products for **social enterprises** and other target groups (EaSI). In particular, EIF is elaborating a pilot initiative called **EFSI Social Investment** to target vulnerable and socially excluded groups with a focus on refugees and migrants. It will comprise EUR 100 million funding which will allow for testing the model and exploring the opportunity for possible further scaling up/expansion. Under discussion with EIF and EIB is also the possibility of proposing two interdependent pillars: 1) Social Impact Funds for mobilising private resources and channelling support to **social enterprises catering to vulnerable groups**, and developing the social economy (under discussion with EIF); 2) **Payment-by-results for scaling up social impact services** delivered by the private sector and remunerated upon the achievement of specific social objectives (under discussion with EIB)[61].

According to the European Commission Communication COM(2016) 359 final[62] the EFSI is supporting the European Investment Fund (EIF) **to help exceptional numbers of European SMEs to access finance**. The SME window is said there to have had an exceptional start, 'exceeding expectations and confirming the high market demand. Within one year, the EFSI has supported EIF transactions that are expected to mobilise a total investment value of EUR 49 billion, which is already more than 65 % of the target of EUR 75 billion to be reached over three years. Today, already more than 140 000 SMEs and mid-cap companies in 26 Member States are expected to benefit from the EFSI'[63]. Only a few months later SMEWs supported have arrived to over 200 000. But many stakeholders agree that this has been possible thanks to the nature of SMEW, intended to advance and guarantee funding already deliberated, on other EU funding sources for projects already active.

5.2.2 Infrastructure and innovation window (IIW)

The European Investment Bank (EIB) supports infrastructure and innovation projects through EFSI. Projects presented by investors are examined and selected by the EIB Investment Committee. Criteria and procedures for the selection are described in chapter 4.5.

According to the interim report released by EC[64] at the end of June 2016 under the IIW, 77 operations were already approved for a total amount of EUR 11 billion in EFSI financing, of which 40 signed for

[61] Garcea, G., *European Fund for Strategic Investments and the SME Window*, DG FISMA, 2015.

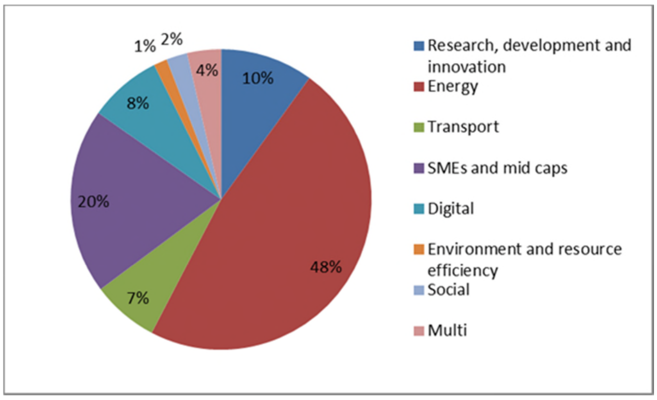
[62] Commission Communication, *Europe investing again – taking stock of the investment plan for Europe and next steps*, COM(2016) 359 final, 1 June 2016.

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

[64] European Commission, Commission Staff Working Document, *Evaluation SWD(2016)297 final*, Brussels 14/9/2016.

EUR 4.7 billion. In terms of sector distribution, energy and support to smaller companies were the two main sectors with signed operations under the IIW.

Figure 4 : IIW EFSI-related investment for signed operations (by sector as of 30 June 2016)



Source: EC evaluation – EIB and ECFIN calculations

The IRS analysis is based on more updated figures which include 124 IIW projects signed, approved or preapproved up to 11 October 2016: signed projects have reached the number of 52, approved ones are at 60 and 12 are still awaiting approval.

From a **geographical perspective** 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). The other 20 EU MSs 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). According to *EFSI stakeholders consultation*[65] while in absolute financial volumes France, Germany, Italy, Spain and the UK are the leading countries, **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 MSs**. 'In terms of EFSI investment mobilised with respect to GDP under IIW Slovakia, Lithuania and Greece are among the top five beneficiaries'.

The following table presents the sector distribution of EFSI IIW projects presented, signed or under approval by country. 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.

[65] Efsi Secretariat, *EFSI stakeholders consultation, summary report*, 7/9/2016.

Table 3: EFSI - IIW Projects (all)

Country	Sector							Total per Country
	Digital	Energy	Environment	RDI	Smaller companies	Social infrastructure	Transport	
Austria		1				1		**2**
Belgium		3	1					**4**
Croatia					1			**1**
Denmark	1	1	1	1	1			**4**
EU Countries	*3*	*7*	*4*			*2*	*5*	***10***
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**
Switzerland	*1*	*1*	*1*				*1*	***1***
United Kingdom	1	1	1	3	1	3	2	**14**
Total projects per sector	**12**	**45**	**19**	**22**	**32**	**15**	**21**	

While energy, transport, smaller companies and transport projects are quite homogeneously distributed across the EU, **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**.

Unfortunately, many projects have not disclosed information concerning EFSI financing and/or their total costs.

The following table presents the main numbers of, and values of projects where these figures have been disclosed: for this reason, it can only be taken as partial information about the total amount of funding supporting growth at country level.

Table 4 : EFSI funding and total costs for projects (excluding multiple countries projects)

Country	Number of projects	Number of project with discolsed fin. and cost data	EFSI financing (€m)	Total cost (€m)
Austria	2	1	40	74
Belgium	3	1	600	650
Croatia	1		50	0
Denmark	2	1	28	58
Finland	4	1	375	731
France	17	9	1 486	7 262
Germany	4	2	555	738
Greece	5	1	535	165
Ireland	3	2	270	662
Italy	14	13	1 908	6 029
Lithuania	3	1	260	75
Netherlands	2	0	120	0
Poland	9	8	714	1 277
Portugal	7	2	510	1 223
Romania	1	0	20	
Slovakia	1	1	427	1 332
Spain	14	7	890	2 858
Sweden	1	1	12	38
United Kingdom	9	9	2 603	11 558
19 Countries	**102**	**60**	**11 403**	**34 730**

In respect of projects relating to social infrastructure, only 12 out of the 15 projects presented have evidenced the EFSI financing requested and the total cost of the project. **In total these projects have requested support for EUR 1 053 million for projects presenting a total cost of EUR 3 423 million, about 10 % of the total assignments disclosed.**

37 out of 124 project 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 5 : 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
Missing value	*5*	*4.0*
Total	124	100.0

What is interesting to note is that **not all projects promoting social infrastructures seem able to deliver relevant social outcomes.** As the following analysis will evidence, the potential impact of this concern seems relevant in only a few cases: 4 out of 15 projects in social infrastructures (26.6 %) do not describe any social outcome in their presentation on the EFSI portal (they have been assigned mark 0). At the same time there is a good number of projects not specifically addressing social infrastructures but able to deliver relevant social outcomes.

Table 6 : Assessed direct social impact of projects signed, approved or preapproved presented - in the social infrastructure sector

	Potential DIRECT social impact				
	0	**1**	**2**	**3**	**Total**
Austria	0	0	0	1	1
EU Countries	2	0	0	0	2
France	0	0	1	1	2
Ireland	1	0	0	1	2
Poland	0	0	0	2	2
Portugal	0	0	4	0	4
Spain	1	0	0	0	1
United Kingdom	2	0	0	1	3
Total	4	0	5	6	15

	Potential INDIRECT social impact				
	0	**1**	**2**	**3**	**Total**
Austria	0	1	0	0	1
EU Countries	1	1	0	0	2
France	0	0	2	0	2
Ireland	1	0	0	1	2
Poland	1	0	0	1	2
Portugal	3	0	1	0	4
Spain	0	0	1	0	1
United Kingdom	2	0	1	0	3
Total	6	2	5	2	15

Which are the main expected social outcomes to be delivered by all projects presenting a medium or high potential social impact even though not belonging to the social infrastructure sector? 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. On which social Pillar they may impact?

Table 7 : Brief description of its explicit DIRECT contribution to support an inclusive growth

Social Pillar directly involved	**Contents**	**Description of the Direct contribution as presented in the project synthesis provided by EFSI website**
20	The project concerns the deployment of a very high speed fibre to the home in about 700 communes of the Region of Alsace in France	The project is in line with the Europe 2020 Strategy to foster smart growth and develop an economy based on knowledge and innovation
20	Programme-loan to support energy efficiency investments in private residential buildings in France. Technical and financial assistance to homeowners and homeowner associations for energy efficiency retrofit.	Saving in heating costs for households
20	Multi-sector investments, including urban development, tourism, energy and social services with public and private promoters, located the French Departments d'Outre Mer	This overall programme targets infrastructure, service facilities and small and medium-sized enterprises (SMEs) in order to tackle the causes of the overseas territories' lagging behind in social and economic development.
20	The project consists of the construction of a 24km motorway by-passing the city of Strasbourg in the west. The project will help to reduce significantly the level of congestion on the existing A35 motorway	The project will contribute to faster travel times for road users
20	Equity fund targeting small infrastructure public-private	The fund aims to make a commercial return

	partnership (PPP) projects in France mobilising private financing of maximum EUR 30m	whilst contributing to the construction and operation of needed urban, transport, telecommunication, utilities and social infrastructure which will benefit local residents, improving their quality of life
20	Concession for the design, building, financing, operation, maintenance and commercialisation of a publicly-owned passive fibre broadband public initiative network in low-density areas of the Nord Pas-de-Calais	The project aims to have over 500,000 households with fibre to the house (FTTH),
20	Installing smart gas and electricity meters for a major energy supplier in the United Kingdom. The project aims at improving efficiency of the gas and electricity distribution systems as well as customer information and awareness.	easier access to energy services
20	Framework facility to support the roll-out of portfolios of smart gas and electricity meters for a number of energy suppliers in Great Britain.	The project aims at improving efficiency of the gas and electricity distribution systems as well as customer information and awareness.
20	New rolling stock for East Anglia train franchise in the United Kingdom.	The new trains purchased will provide services with time savings due to higher, as well as increasing reliability and passenger benefits (reducing overcrowding). The new trains will all improve WIFI-coverage, passenger information system and air-conditioning systems. Consequently, the project would attract more passengers to public transport.
20	Investments in the modernisation, upgrade and development of the electricity and gas distribution networks in the province of Trento.	The purpose is to modernise the electricity and gas networks, as well as small hydropower facilities, in order to secure the electricity supply, the quality of the service and to cater for new system user.
20	The investments are envisaged to be allocated to the installation of smart metering systems in the distribution networks. These investments are aligned with the requirements of the regulatory framework, should improve the quality of service and have the potential to increase efficiency for the gas distribution sector, including potential energy savings due to customers' increased awareness of gas consumption.	reduction of energy consumption by consumers
20	The project concerns the investment programme of the water utility with schemes located in various parts of Ireland to be undertaken in compliance with the EU Urban Waste Water Treatment Directive and Drinking Water Directive.	Apart from health benefits, improved reliability and quality of services the project will generate social benefits in terms of unlocking growth potential in some agglomerations with lack of adequate water supply and wastewater services.
20	Financing of new near-zero-energy buildings and renovation investments to improve energy efficiency of existing buildings in the Helsinki metropolitan area.	saving in heating costs
20	The project consists of the acquisition of rolling stock for regional passenger railway services in the Lazio, Liguria, Veneto, Piedmont and Tuscany regions in Italy. In particular, it consists of the acquisition of 49 five-car articulated electrical multiple units (EMUs) and 250 double-deck passenger coaches.	The project will increase the quality of the services provided, and thereby will promote sustainable transport solutions, in line with EU objectives.
20	The project concerns the rollout of a new broadband access	enhanced competitiveness and accessibility

	network (combined fibre and copper solutions) in order to provide ultra-high-speed broadband services in Italy.	to Broad Band Network for final users
20 and development of rural areas	Loan to a new financial intermediary with experience in agricultural lending, to facilitate access to finance for small and medium-sized enterprises (SMEs) active in the agricultural sector	Facilitating access to finance for farmers, who are currently an underserved segment of the financial market. The credit line is expected to fund working capital needs and farm development and modernisation.
20 and development of rural areas	Investments into the expansion and capacity increase of the 4G mobile networks of the promoter's network in Sweden and in the Netherlands. Enabling provisioning of advanced mobile broadband services also in the more rural and remote areas.	The project is expected to have a positive impact on the overall creation of sustainable growth and employment in the Netherlands and Sweden.
20, Job creation	Loan to an investment company set up by public and private investors to invest in the low-carbon economy in the French region of Nord-Pas de Calais.	The project's low-carbon economy investment plan will entail job creation, economic development and more sustainable energy supply and usage.
12; 20	Construction and refurbishment of three hospitals, replacing the existing outdated facilities under a comprehensive integrated healthcare plan for the served population, "2030 Vienna Hospitals Concept (Wiener Spitalskonzept 2030)".	Quick and efficient treatment of illnesses is the order of the day; the three hospitals to be upgraded using the four PPP projects of this programme will serve as regional hubs, as well as referral centres for complicated case, ensuring quick access and integrated approach for the patients. The hospitals' parking and parks will also be redesigned and opened to the public, contributing to a better quality of life for the Vienna's citizens in general.
9, 20	Purchase of new and modernisation of existing rolling stock for Przewozy Regionalne, a regional rail passenger operator.	the modernization will enhance performance, reduce vehicle weight, transform passenger/driver comfort levels, enhance safety as well as reduce operation and maintenance costs.
19, 20	The project relates to the construction of a commercial nearly-zero-energy building (NZEB) in the Helsinki Metropolitan Area. The scope is limited to the first phase which comprises the construction of a shopping mall, a car park and a railway station. In a second phase, outside the project scope, residential and office space will be added to the same building.	The project is expected to generate additional positive impacts from the economic and social perspective by making the area more attractive to mixed-use activities including residential, offices and hotel.
7, 9, 20	Development of up to 14 primary care centres including accommodation for the primary care team and general practitioner services.	Social benefits of the project include an improved work environment for staff and additional health benefits to patients from improved facilities (increased quality of care, reduced waiting times for treatment, reduced distress, increased access).
9, 12, 20	The project involves the construction and maintenance of the new Midland Metropolitan Hospital to replace two existing outdated facilities and is part of a comprehensive integrated healthcare plan for the served population.	This modern hospital will concentrate the delivery of acute inpatient medical services at the single site, taking it over from two outdated health care facilities located in different geographical locations. The creation of the new hospital will allow the City Hospital and the Sandwell General Hospital to reconfigure the range of services. Altogether, this must have a positive impact on the quality of health care services provision for the population of the

		Sandwell and West Birmingham as well as for the working conditions of the medical staff.
19	Construction of 13.000 houses (social housing with controlled rents) in several cities in France: the French government is a shareholder	The project is part of a stimulus plan for the construction of social housing in France to increase the supply of new homes over the next five years.
19	This project involves the EIB participation in an infrastructure fund for the remediation and regeneration of polluted brownfield sites in the EU.Target investments to clean up impaired sites ("brownfields") acquired from public and private owners, using environmentally sound remediation techniques, with the end goal of selling the repositioned property to third parties, thus supporting urban renewal and regeneration.	With regard to social benefits, the projects carried out by the Fund are expected to result in the construction of social or affordable housing within the mix of residential development at redeveloped sites; between 5% and 30% of the residential developments comprise social or affordable housing.
12	The project covers the promoter's research activities in the fields of plasma-derived therapies, diagnostics and medical solutions for hospitals.	Long-term finance in support R&D investment, mainly focused on finding new applications for plasmatic proteins, including the treatment of Alzheimer's disease, vascular diseases, cardiovascular surgery and arterial thrombosis
9, 12	Replacement construction, rehabilitation and equipping of hospital facilities for the Rydygier Regional General Hospital in Torun, Poland. The project is a continuation of the ongoing EIB support to the Kujawsko-Pomorskie Region's Development and Modernisation Investment Programme with the objective to attain the technical standards for hospital operation required by Polish and EU law.	The modernisation and replacement of three outdated buildings will improve hygiene and safety conditions. The project aims at the consolidation of health care services delivery in improved hospital facilities, by providing modernized, fit-for-purpose, centralising services on one campus.
19	Construction of approximately 1300 affordable housing units with necessary infrastructure in Poland. The Promoter is the housing company owned by the City (PTBS).	The project regards people whose income is too high to benefit from social or communal housing, but whose means are deemed insufficient to secure housing in the open market.
9, 19	Framework loan to co-finance the multi-annual investment plan (2016-2020) of the city of Lisbon. The operation includes environmental remediation, prevention and risk-protection projects, urban regeneration infrastructure and social housing, including new houses and major repairs in existing stock.	The project will contribute to the overall development of the city and enhancement of the overall conditions for life and business. In addition, the project should foster economic development taking into consideration changes in demographic and economic conditions as well as improving mobility within the city, a prerequisite for improving its attractiveness to investors.
job creation	The project comprises the first European industrial plant to recycle and re-melt aviation-grade scrap titanium metal and titanium alloys. It will establish a circular economy for titanium metal and alloys in Europe.	The implementation of the project is expected to result in the creation of 63 direct jobs. This is considered important for the region
job creation	Dedicated EIB facility to finance small and medium-sized eligible investments promoted by riskier small and medium-sized enterprises (SMEs) or mid-caps, including start-ups and self-employed, and other SMEs and mid-caps creating training and/or employment opportunities.	The main objective is to support SMEs and mid-caps which promote the creation and maintenance of jobs, with a special focus on start-ups, self-employed and youth employment
job creation	Dedicated EIB facility to finance small and medium-sized eligible investments promoted by riskier small and medium-sized enterprises (SMEs) or mid-caps, including start-ups and self-employed, and other SMEs and mid-caps	The main objective is to support SMEs and mid-caps which promote the creation and maintenance of jobs, with a special focus on start-ups, self-employed and youth

	creating training and/or employment opportunities.	employment
job creation	Dedicated EIB facility to finance small and medium-sized eligible investments promoted by riskier small and medium-sized enterprises (SMEs) or mid-caps, including start-ups and self-employed, and other SMEs and mid-caps creating training and/or employment opportunities.	The main objective is to support SMEs and mid-caps which promote the creation and maintenance of jobs, with a special focus on start-ups, self-employed and youth employment
job creation	Construction and operation of new powder production lines in an existing milk processing complex	The project will secure existing jobs of the company and create 160 new positions.
Job creation	Construction and operation of a new modern milk-processing factory	Job creation
job creation	Construction of a milk powder factory and extension of the existing plant by new production lines.	The project will secure existing jobs of the company and create 100 new positions.
development of rural communities	The project concerns the deployment of innovative process technologies for the production of bioplastics and bio-chemicals that are expected to be used for a number of industrial (e.g. plasticisers, biodegradable lubricant oils for industry and vehicles) and consumer goods (e.g. renewable and biodegradable base for cosmetics, carrier bags, films and packaging) applications	Sustainable employment opportunities in rural areas. It will help to address the issue of rural unemployment and depopulation due to emigration to cities by guaranteeing the long term sustainability of the agricultural operations in regions with less favourable agro-climatic conditions

Among the 124 projects considered, only 18 seem to have a potential **medium or high indirect social impact**: they are mainly located in Belgium, France, Italy, Ireland, Poland, the Netherlands, Spain, Sweden and the UK.

Table 8 : Potential indirect social impact

	Count	%
None or low INDIRECT social impact	101	81.5
Medium or high INDIRECT social impact	18	14.5
Total	119	96.0
Missing value	5	4.0
Total	**124**	**100**

In almost all the cases, indirect social impact means support to economic development which is able **to create new jobs**. It is equally true that the creation of new jobs 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. In one particular case, it is said that EFSI support is requested for the modernisation and enlargement of a vessel fleet through the acquisition of 10 new vessels which are to be employed on the Europe–North America route, but it is explicitly mentioned at the same time that **the vessels will be constructed in China, not in Europe.**

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**. According to EIB's evaluation, indicators for signed operations under IIW (as of 30 June 2016) evidence that jobs supported can be estimated at 8 000, temporary employment impact (person years) 115 985 person/year of permanent employment impact. These figures are to be considered as 'expected project outcomes i.e. the direct effects of the operations. They do not measure indirect or induced effects (i.e. through increased economic activity) and can therefore not measure the net impact on the economy (e.g. employment created only refers to direct jobs).'

Data available at this stage of implementation are not able to justify such a prevision.

5.3 Pillar 2: EIPP projects

The European Investment Project Portal (EIPP) is an online platform bringing together European project promoters and investors from the EU and beyond, to create a common meeting point useful for both EU project promoters and international investors. It has been launched to support the visibility and the financing opportunities for investment projects across Europe to answer the need to create a transparent, forward-looking pipeline of projects that could serve potential investors.

It is expected that in the future, the project portal will also provide links to national and regional pipelines of smaller projects.

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 criteria[66]. 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 and projects already receiving EU and/or EIB/EFSI support can still advertise their project on the Portal if additional financing is necessary'[67].

IRS elaborations are based on projects published up to 25 October 2016.

At that time there were 120 projects published:

- EIP portal includes projects presented by 25 out of 28 EU countries. Only the Czech Republic, Denmark and Luxembourg are absent.
- 20 out of 120 projects are those presented by multiple countries.
- Greece is the country that features the most with 48 projects, none of them in cooperation with other countries.

The following table presents the distribution of projects between countries, evidencing among them those addressing social infrastructures:

Table 9 : EIPP projects presented in the portal at 24/10/2016

Country	Total projects	Those presented with other countries	Projects on social infrastructures	
			N. of projects	Title and sector
Greece	48	0	6	• Chios National Airport 'Omiros' • A.I.R.SEA.NET (Sea airplanes network) • Nyocontec Ltd (Tourism) • Upgrading of existing and construction of new public buildings (health and public administration) • Waterdrome network & air carrier

[66] In the Commission Implementing Decision (EU) 2015/1214.

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

				• Water Airports Network
Germany	13	9	3	• Launching products in EU (disposable for geriatric care) • NIVA_B (R&D in medical technology) • Triporg (Tourism)
UK	14	9	4	• 21st Century Schools and Education Programme: Band B (new schools) • Housing Finance Grant 2 (affordable housing) • Innovative education business models • Triporg (Tourism) • *(partner in Helenos (microfinance))*
Spain	9	1	3	• Triporg (Tourism) • AlzHup (Health and ageing) • DyCare (health devices) • *(partner in Helenos (microfinance))*
Romania	9	1	3	• Helicopter search and rescue • Helenos (microfinance) • New Frontier Education Philosophy focusing on 'Building Education for the Future'
Bulgaria	7	2	1	• A.I.R.SEA.NET (sea airplanes network)
France	7	2	3	• ITC, a business and convention French cluster (Tourism and travel) • Restoration of the Frioul Islands hangar • 'The Music Giants' (music amusement park)
Italy	6	3	4	• A.I.R.SEA.NET (sea airplanes network) • Helenos (microfinance) • The Magic Mountain Park_T (Sustainable tourism) • Waterdrome network & air carrier
Belgium	5	1	1	• Explore (educational exhibition area on science)
Estonia	5	3	0	
Lithuania	4	1	0	
Slovakia	4	3	0	
Finland	3	0	0	
Poland	4	0	2	• Hotel Baltic Spa (Tourism and wellbeing) • Helenos (microfinance)
Portugal	3	0	1	• CityGuru (tourism)
Sweden	3	1	1	• Launching products in EU (disposable for geriatric care)
Austria	2	0	1	• Eparella (production plan concerning health products)
Cyprus	2	0	1	• Fortune Health Resort (Tourism and wellbeing)
Croatia	2	1	1	• Waterdrome network & air carrier
Hungary	2	1		• Healing – energising pyramid structure (health)
Latvia	2	0	0	
Netherlands	2	1	1	• Launching products in EU (disposable for geriatric care)
Slovenia	2	0	1	• Vital & Sport Resort Kidričevo (Tourism and wellbeing)
Ireland	1	1	0	
Malta	1	0	0	

Most of the 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:

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
Research, Development & Innovation	19	
ICT Infrastructures, Including Broadband	2	
Other Digital, Including Content and Services	9	
Energy union	**39**	32.5
Renewable Energy Production	21	
Conventional Energy Production	2	
Energy Efficiency	9	
Electricity Infrastructure incl. transmission, distribution, storage and smart grids	5	
Gas Infrastructure incl. transmission, distribution, storage and LNG	6	
Fuel Extraction and Refining	0	
Energy R&D	1	
Transport	**41**	34.2
Trans European Network – Transport	15	
Multimodal Nodes (ports, airports, stations, logistic platforms)	15	
Urban Mobility Projects	15	
New Technologies and Transport Greening	2	
Vehicles and Transport Systems	3	
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	
Tourism	*13*	
Resources and environment	**17**	14.2
Natural Resources	2	
Resource Efficiency and Environmental Protection, including Blue Economy	11	
Climate Change	3	
Agriculture and Rural Development, Forestry and Bio-economy	6	
Financing for SMEs and mid-caps	4	3.3
Industry for SMEs & Mid-caps	4	

Most of the projects proposed within EIPP are PPP: Public institutions (such as the Welsh Government in project 1 – 21st Century Schools and Education Programme) collects capital funding to build and refurbish education establishments in Wales.

6. The role so far of the Investment Plan to strengthen the social dimension and/or encourage social cohesion

The aim of this study is to analyse the role played by the IPE **to promote a more inclusive growth** on the one side, and the links between the two key strategies of the Juncker Presidency: Jobs, Growth and Investments, and the European Pillar of Social Rights.
The following analysis is based on four main sources:

- a collection of positions expressed in relevant studies to bring together a variety of views on the issue among the EU and national stakeholders;
- interviews with EU policymakers;
- considerations emerging on the potential impact of the projects presented under EFSI and EIPP;
- considerations emerging through case studies on EFSI /EIPP projects.

We start by taking into consideration the main social challenges EU Member States are facing since the extensive spread of the crisis.

6.1 The main social challenges Europe is facing

The **financial and economic crisis** has put a severe strain on the economy and the labour market leading to dramatic job losses and changes in working conditions and job security. Recent changes in the macroeconomic context as well as labour market reforms enhancing flexibility have increased the uncertainty in the labour market, as indicated by the increase in unemployment, inactivity and precarious jobs. A consequence of inequalities and diffusion of low-quality jobs has been the increased difficulties for many workers to derive a decent living from employment and appropriate labour rights. One of the main social consequences has been the widespread **poverty and social exclusion** across Europe: according to Eurostat figures in 2014[68] 122.3 million people, or 24.4 % of the population in the EU-28, were at risk of poverty or social exclusion (AROPE).
In 2015, twelve countries had an AROPE higher that the EU28 average, and among them seven have even found their situation has worsened in comparison to the pre-crisis period (2008): these are Greece, Lithuania, Spain, Italy, Ireland, Cyprus and Portugal. The others are recovering or have remained stable. Most of the counties presenting an AROPE lower than the EU28 average on the contrary have worsened: this is in particular the case of Luxembourg, Estonia and Malta. Table 3.1, presented in Annex 3, includes the main figures described.

In-work poverty is particularly worrying in Romania, Greece and Spain, where it affects more than 13 % of workers. The situation has worsened in the period considered particularly in Hungary, Germany, Estonia and Italy. Table 3.2 is presented in Annex 3.

[68] 2015 is still not available.

Several **Country Specific Recommendations have addressed poverty and social exclusion** in the period 2015-2016: this is the case for Ireland, Italy, Bulgaria, the Czech Republic, Finland, Germany, Hungary, Latvia, Lithuania, Portugal and Slovenia. A few of these countries (among others Bulgaria, Cyprus, Finland, Germany, Hungary, Latvia, Lithuania and Portugal) in particular have received specific recommendations regarding in-work poverty affecting low-wage workers. In Annex 2 they are presented in their integral form.

Together with poverty and social exclusion, other (new and old) unavoidable socioeconomic challenges are affecting the future of Europe. The aim of this section is to disentangle the most relevant issues that could potentially be tackled by the IPE.

- The **demographic challenge**, related to a rapidly **ageing population:** 'The size of the age group 65+ is expected to increase from 96 million (2015) to 148 million (2060) while the population of working age (20–65) is projected to decrease from 306 million to 269 million … this implies that the EU would move from having four working-age people for every person aged over 65 years to about two working-age people. **This will pose substantial challenges to labour markets, the financial sustainability of welfare systems, health and elderly care, and pension systems**.'[69] Population ageing affects the financial sustainability of social security and social protection systems, including public health systems. However, ageing also brings potential opportunities: the elderly may significantly contribute to GDP growth and they also represent a pivotal resource to promote growth in consideration of the complex needs they bear, which require specific support, provided by both private and public organisations. In addition, a healthy ageing means, if supported in remaining active and autonomous after retirement, a wide population contributing to EU wealth in tourism, entertainment, leisure and cultural activities. Active ageing emerges as a key factor in the process of optimising opportunities for health, participation and security and as a way to enhance the quality of life as people age.
  At this concern several EU countries have received Country Specific Recommendations in 2015 and/or in 2016:
  - ⇨ **Ageing, retirement and pension system**: most of the CSRs have directly tackled the challenge posed by an ageing society but in most of the cases only in terms of the need to reinforce and reform pension systems: this is the case for Romania, Malta, Lithuania, Finland, Croatia, Latvia, Germany, Luxembourg, the Netherlands, Poland and Slovenia. Only in a few cases has the need for specific services for the elderly, and long-term-care been mentioned. This is the case for example in Austria, Spain and Slovenia.
  - ⇨ **Development of public services, social and healthcare services:** for Austria, Latvia, Slovakia, Ireland, Estonia, Finland, Romania, Bulgaria, Croatia, Cyprus, Lithuania, Portugal, Slovenia and Spain.
  - ⇨ The need to develop **childcare** is described in many CSRs: Bulgaria, the Czech Republic, Estonia, Ireland, Romania, Slovakia, Spain and the UK.

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[69] European Commission, Commission Staff Working Document *Key economic, employment and social trends behind a European Pillar of Social Rights*, Strasbourg, 8.3.2016 SWD(2016) 51 final.

⇨ **Housing** is another essential need for EU citizens, and it is particularly considered in CSRs issued for Ireland, Luxembourg, Netherlands, Sweden and the UK.

- The challenges posed by **irregular migration flows and asylum seekers** which are pressing at EU borders escaping from poverty, human rights abuse and armed conflicts. 'The growing diversity of immigration flows on origin and type has challenged the capacity of host countries to respond effectively to the different integration needs of the various migrant groups'[70]. It is equally true that the EU is characterised by labour needs in specific sectors, namely personal care and healthcare, agriculture, construction and tourism: the increased feminisation of the EU's labour force and changes in the family structure and lifestyle for example have significantly increased the household's demand for domestic and care services. Immigration can be seen as a vital source of labour supply that, if properly managed, can positively contribute to the EU's economic prosperity and cultural diversity. The challenge, and the opportunity for growth, in this case derives from the immigrant workforce being characterised by limited integration in educational attainment and participation in the labour force. Only a few countries have received CSRs for integration in education and the labour market of vulnerable people with ethnic backgrounds: this is the case for example in Belgium, the Czech Republic, Finland and Hungary.

- **The crisis has particularly hit young people who are facing increasing risks of underemployment, exclusion from the labour market and poverty in their life cycle.** This is due to the high incidence of NEET rates, the prolongation and fragmentation of school-to-work transitions, and the widespread use of low wages and non-standard forms of employment. The rise in youth unemployment began in 2007, rising from 15.9 % in 2007 to 22.2 % in 2014. In the euro area, it rose from 15.6 % to 23.7 %[71]. Table 3.3 is presented in Annex 3.
  Greece, Spain, Croatia and Cyprus are among the countries most affected by unemployment, where the situation has severely worsened since 2008. Young people are in a particularly worrying situation regarding the prospects for their future in Greece, Italy, Romania and Bulgaria, which have all seen a worsening of the situation of young NEET, a trend common in most EU Member States.
  In more general terms **the enhancement of the skills and productivity of the European workforce** is another challenge, to support Europe's competitiveness and technological change. The main challenges pertain to ensuring the high quality and inclusivity of educational systems, increasing the relevance of vocational and technical education, and facilitating the development of lifelong learning and continuing education to tackle the problems of low-skills, skills obsolescence and labour market exclusion arising from the incidence of skills-biased technological change. To address this concern, several CSRs have been issued in 2015 and 2016:

[70] European Commission, Commission Staff Working Document *Key economic, employment and social trends behind a European Pillar of Social Rights*, Strasbourg, 8.3.2016 SWD(2016) 51 final.
[71] European Commission, Commission Staff Working Document *Key economic, employment and social trends behind a European Pillar of Social Rights*, Strasbourg, 8.3.2016 SWD(2016) 51 final.

- **Active labour market policies and policies tackling unemployment**: in Austria, Bulgaria, Estonia, France, Lithuania, Poland, the UK, Belgium, Cyprus, Finland, Hungary, Italy Croatia, Portugal, Romania, Slovakia, Slovenia, Spain and in the Netherlands (in this case regarding the labour market structure).
- **Education and training**: in Estonia, Latvia, the Czech Republic, Bulgaria, Finland, Malta, the UK, Belgium, France, Lithuania, Slovakia, Spain, Germany, Hungary, Italy, Poland, Romania and Slovenia.

All the above-mentioned challenges threaten EU growth and potential economic development on the one hand, and its social cohesion and inclusive growth on the other. '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'[72]. At the same time investments have decreased significantly over the years, as the following Table shows. Since the crisis, investment in the EU has dropped significantly and countries are presenting different features, both in terms of private and public investments. **What seems to be common to all is that the European Union has lost its status as an attractive destination for investors**. The following table shows the 2008-2016 trend in total investments across Europe; in the period considered, only Malta has presented a positive trend, and Germany has remained stable. All the others have registered more or less severe negative trends.

Table 10 : Total investments in EU MSs and delta 2008-2015

TOTAL INVESTMENTS - Gross fixed capital formation at current prices – Percentage of GDP at market prices			
	2008	**2016**	**delta 2008-2016**
RO	38.4	22.6	-15.8
CY	27.3	11.7	-15.6
EL	23.8	10.3	-13.5
BG	32.9	20.0	-12.9
SI	29.6	19.0	-10.6
LV	32.1	22.1	-10.0
HR	28.1	18.6	-9.5
ES	29.2	20.7	-8.5
PT	22.8	15.4	-7.4
EE	31.2	23.9	-7.3
LT	26.0	21.0	-5.0
FI	24.4	20.1	-4.3
DK	23.0	18.8	-4.2
SK	25.6	21.5	-4.1
IT	21.2	17.2	-4.0
CZ	29.0	25.4	-3.6
LU	21.5	18.5	-3.0
HU	23.3	20.4	-2.9

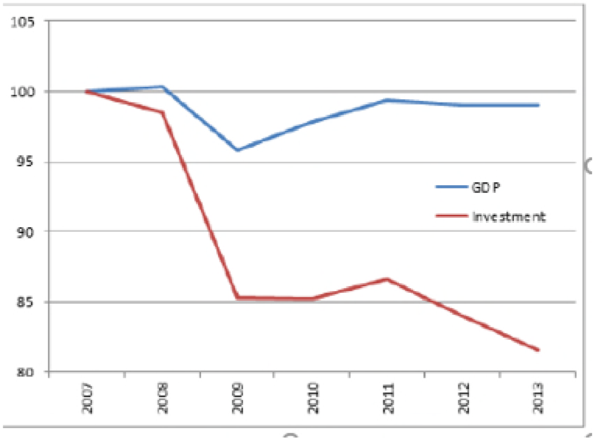
[72] EESC, *New measures for development-oriented governance and implementation – evaluation of the European Structural and Investment Funds and ensuing recommendations*, ECO/400, 2016.

EU-28	**22.6**	**19.8**	**-2.8**
NL	22.3	19.7	-2.6
FR	23.6	21.1	-2.5
IE	24.8	22.5	-2.3
PL	22.6	20.5	-2.1
AT	23.4	22.2	-1.2
BE	24.0	23.1	-0.9
SE	24.3	23.9	-0.4
UK	18.0	17.7	-0.3
DE	20.3	20.3	0.0
MT	19.6	20.7	1.1

Source: IRS elaboration on Ameco, Statistical Annex of European Economy – Autumn 2015

Even in the second period of the crisis, where GDP has begun to recover, investments have continued to decrease:

Figure 5 : GDP and Investments in Europe
2007 = 100



Source: Dario Scannapieco (2015) *A new boost for European Investments*[73]

It is in this context that the Investment Plan for Europe is being implemented. The question is: has IPE been able to promote investments capable of enhancing growth while at the same time also tackling the most relevant challenges the EU is facing?

6.2 The IPE and the social challenges: is IPE supporting countries most in difficulties and tackling the most relevant challenges EU Member States are facing?

First of all we can consider, using Juncker's declarations, which elements of the IPE seem able to intersect specific social issues and challenges.

1. The strategy is intended to **promote jobs and to fight youth unemployment in particular**: 'Europe must invest strongly in its youth, in its jobseekers, in its start-ups'[74];

[73] http://www.ifswf.org/sites/default/files/Publications/1-Scannapieco-20153009_IFSWF_VPDS_Supporting-Slides.pdf

2. IPE can promote **job creation and growth in local communities**;
3. IPE is expected to support the **realisation of social infrastructures**;
4. It is also expected to **support social enterprises and microfinance** in particular through the combination of the EFSI with other sources of Union funding, including European Structural and Investment Funds (ESIF);
5. Through the **European External Investment Plan (EIP)** the EU Commission intends to tackle the migration challenge, supported by all relevant EU policies and tools.

Besides Juncker's approach moving in a direction consistent with this perspective, 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.
Reflecting on the main social challenges recently analysed, it is possible to observe that:

1. **Poverty and in-work poverty**
   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, as it appears clear from the consistent number of countries which have received CSRs addressing this concern. But this was expected as the fight against poverty and social exclusion represents the specific area addressed by public policies. On the other hand, one can suppose that a national coordination would have allowed projects able to connect market interests with national priorities to be prioritised, to concentrate the efforts in the desired direction.

2. **Demographic challenges**
   Only a few projects have tackled the issue of the ageing society. This is for example the case for Spain, one of the countries which has received a specific CSR on the need to develop services for long-term care.

EIPP project AlzhUp - Spain
AlzhUp addresses the long-term care needs of Alzheimer's patients, their families and their carers (physicians). In the context of insufficient and reduced public long-term care provision, the project aims to provide non-pharmacological scientific-tested services that delay cognitive impairment of patients, thus reducing the social and economic costs of the illness. ***AlzhUp is a digital social health service*** helping Alzheimer's patients in active ageing, as well as their family's and practitioners' community. It covers all phases of Alzheimer's disease, from an ***initial pre-diagnosis*** in an early, mild state of the disease to the most severe phase. It includes an ***Interactive Cognitive Activation Programme***, which is a non-pharmacological therapy scientifically validated, aimed to delay cognitive impairment; in addition, an individualised ***personal bank of memories*** is built by the patient and/or the family, thus customising the service through scientifically validated algorithms and increasing its effectiveness. A third pillar of the

[74] President Juncker, State of the Union 2016.

service consists of ***gamification techniques***, through which the whole family and community is engaged in the active participation against Alzheimer's.
As a digital service, AlzhUp's business model is based mainly on monthly subscriptions of EUR 12 per month. Other sources of income are a doctor referral model, training for professionals and especially big data to help find a cure. The final aim is that in the near future, AlzhUp will be a completely free service for final users and a sustainable business. The development strategy is mixed, being both B2C and B2B. B2B is the ideal strategy in the EU, since associations, specialised centres and insurance companies already have distribution channels and access to users created. Indeed, AlzhUp has validated this business model by signing a first contract with a Spanish insurance company, Caser, in June 2016, which will provide access to 2 000 users during the first year of service and supports the model to be exported to other European companies.
The **promoter of AlzhUp** is Reta Al Alzheimer S.L., a limited liability Spanish company. It has received the support of the main Spanish associations active in the field of Alzheimer's disease (CEAFA, AFEDAZ, Torrafal, Sageco), and is at present carrying out clinical trials with these organisations. It has worked closely with the University of Salamanca, and the CRE (National Reference Centre) for Alzheimer's of the National Institute for Social Services (Imserso) and, on the side of the insurance market, Caser. Contacts are being established in France (Rennes University Hospital) and the UK (Life sciences event BioWales).
The project has received a FIWARE grant (EUR 150 000), and it has secured several other public (Spanish Ministry of Economy and a public company devoted to financially support innovative and viable projects of SMEs) and private funding (an investment company). Moreover, it obtained an excellence mark in the 2014 call for Horizon 2020 SME Instrument Phase I.

The development of **social infrastructures** and **social and health services** such as childcare, hospitals and long-term care residences represents, as evidenced in the previous section, a priority for a large number of MSs. At the same time, it can represent a huge area for financially rewarding social investments, as many studies clearly evidence.

Social infrastructures as opportunities for growth
"Globally, there is renewed interest in and understanding of the **value of social infrastructure in our economies**. But in North America, the Far East, Australia and New Zealand these investments are also seen as more than catalysts for new business opportunities that enhance economies and internal markets. **Social infrastructure brings other benefits that are essential for economic performance and human development**: attractiveness of place, employment, improvements in social and human capital, a better quality of life and critically, services for currently unmet social needs. In these countries, investors are allocating up to 10 % of their overall assets to social infrastructure compared to around only 1 % in the EU ... The logic of **social infrastructure as a catalyst for growth** in economic clusters also applies to the need for attractive, cohesive and vibrant communities"[75.]

[75] Watson J., Buján Otero A., Felli F., Wright S., Wood D., Scione L. in Garonna P., Reviglio E., *Investing in long-term Europe re-launching fixed, network and social infrastructure*, Luiss, Roma 2014

"Investment in social infrastructure is a considerable factor in the economy. Wagenvoort et al. (2010) calculated gross fixed capital investment figures of roughly EUR 100 billion per year in the EU health and education sectors (2006-2009). In other words, **social infrastructure contributes about 1 % to GDP** (0.6 % in health and 0.4 % in education). It constitutes more than a **quarter of total infrastructure spending …** Investment in education infrastructure is nearly 90 % government financed. Health infrastructure is about two-thirds privately financed, mostly by the corporate sector, which is broadly in line with the financing pattern in economic infrastructure … Some of the larger pension funds, led by Canada, have started to invest directly in infrastructure. A number of Dutch, Nordic, German, French and other pension funds are already venturing not only into schools and hospitals but also social housing, care homes, student accommodation and stadiums"[76].

This issue opens a discussion, widely present in the current debate, on the opportunity to concentrate the operations mobilised by the Juncker Plan on **private investments, instead of supporting public investment in quality services able to promote growth on an equal footing.** According to the ETUC for example, **absent from the Investment Plan is a recognition of the need to support public investment,** as the focus is principally on leveraging private funds: high-quality public services are also considered as able to support economic growth. 'Public investment should also be boosted in services such as education, health, social services, housing and public transport, as well as investment in the public sector workers who are responsible for delivering these services (ex. public employment services)'[77]. This position is supported by the OECD 'A commitment to raising public investment collectively would boost demand while remaining on a fiscally sustainable path. **Investment spending has a high-multiplier, while quality infrastructure projects would help to support future growth**, making up for the shortfall in investment following the cuts imposed across advanced countries in recent years'[78].

According to other positions expressed by economic stakeholders interviewed, **only private investments can play a role in promoting growth without indebting the public economy**; in their opinion social infrastructure assets are usually financed, owned and operated solely by public authorities as these are markets with high barriers to entry and a low or null direct economic return.

3. The role of the plan in fighting youth unemployment

As well as Juncker's commitment towards this issue, as it has been clearly evidenced in the latest Juncker's State of the Union Speech (where it was addressed as an absolute priority of the Commission), this issue has not been considered directly in the implementation of the plan: none of the projects analysed explicitly mentions this potential added value. This can be considered an indirect effect of IPE, as described by the European Commission Communication COM (2016)581: 'EFSI is making a real difference by supporting innovative projects that contribute to

[76] Inderst G., 'Social infrastructure: private finance and institutional investors', in Garonna P., Reviglio E., eds. *Investing in long-term Europe re-launching fixed, network and social infrastructure*, Luiss, Roma 2014

[77] ETUC, *Position on the annual growth survey 2016 – for a Europe that works for workers and citizens*, October 2015.

[78] OECD, *Stronger growth remains elusive: urgent policy response is needed,* Interim Economic Outlook, 18/2/2016.

job creation and growth in local communities. In this way, the EFSI is also instrumental in tackling youth unemployment'[79]. According to ETUI[80] 'Europe must invest in its young people, in its job seekers and in its start-ups' and ETUC calls for a broad action plan to fight against the high youth unemployment in Europe. It has to be said that at this concern Europe is highly investing in successful specific measures: ERASMUS, ERASMUS for Young Entrepreneurs, TEMPO, 'Youth in Action' 2007–2013, HORIZON 2020 and in particular the Youth Guarantee.

6.3 The Role of EFSI in promoting a Social Europe

The Juncker plan has sparked wide debate among the EU stakeholders to disentangle what is in and what is missing from it to support a more inclusive Europe and to support the Social Pillars.
It has to be said, in the words of an interviewee, that the EU2020 strategy is facing serious difficulties: this overall strategy does not seem to be the reference point of the EU policymaking any longer, in particular where social challenges are concerned. In most of the new strategies, programmes and initiatives of the EU2020 strategy are not considered as they were in previous years. This can be said for the Juncker Plan as well. A revision of the strategy has been announced but it is still lagging behind. At the same time, the Juncker Plan has not been specifically elaborated to deliver specific answers to social challenges and to promote a more inclusive growth; with the words of an interviewee it has been elaborated to promote and support private investments for growth able to deliver an economic return to investors. This objective alone seems to exclude, from an economic perspective, all those investments able to promote social inclusion, mainly promoted by public investments, and in general not developed to deliver an economic return.
The literature review and the interviews conducted have allowed a disentanglement of the main dimensions of analysis and the most controversial aspects of the role EIP can play in promoting a more inclusive Europe.

According to various stakeholders the Plan misses the opportunity to move in the direction of promoting a more inclusive EU. According to CEEP (European Centre of Employers and Enterprises Providing Public Services) the focus of the Investment Plan misses a social dimension: 'the list of priority areas identified by the Commission remains incomplete. Investments in transport, energy and the circular economy are of course absolutely vital. But those in healthcare, housing, social services and education are equally vital and received very little funding with EFSI 1.0; referring to the social economy in this regard is not enough. We call on the Council and the Parliament to reinforce the initial legislative proposal on EFSI 2.0, with a specific focus on investments in social infrastructures'[81].
The ETUC considers the reference to the social pillar and to the social dimension of the EU made within the latest documents and speeches as a mere vision. It expected more than a vision, and expects

[79] European Commission, Commission Communication *Strengthening European investments for jobs and growth,* COM (2016)581, 2016.
[80] ETUI, *Doubling of the resources allocated to the 'Juncker plan': no panacea,* 21 September 2016.
[81] CEEP, *State of the Union & EFSI 2.0: call for more investments in social infrastructures*, 2016.

specific proposals to improve economic policies to tackle unemployment and inequality, raise standards of living for all workers, and to create new and progressive social policies and rights[82].
The Plan and Junker's speeches do not mention the need to increase public investment in quality services, as well as in investments targeting industries with the greatest potential for sustainable growth and quality job creation[83].
According to Oxfam[84] 'measures such as the Juncker plan, hopefully in a more expanded version, should encourage investment throughout the EU to facilitate the growth and structural transformation needed to deliver better standards of living … adopting a macroeconomic framework supportive of investment, growth and decent jobs, in order to achieve social justice and long-term prosperity for all'. David Natali and Bart Vanhercke in their study for OSE-ETUI evidenced the need to set clear objectives able to provide an immediate stimulus by satisfying the needs for economic and social modernisation and at the same time by reducing the divergences across the EU[85].

The connection between Juncker's plan and EU Cohesion Policy is lacking. 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 instruments and of investment[86]. This is particularly the case for the Structural Funds, whose specific objectives do not match those of IPE, and in particular of EFSI, even though 'the EFSI Regulation highlights the importance of complementarity with the ESIF, as EFSI projects should be consistent with Union policies, including […] economic, social and territorial cohesion'[87]. It is equally true that the Regulation provides little orientation on how to achieve such complementarity, as evidenced by EIB evaluation. 'Reflection on potential complementarity between EFSI and ESIF started in the second half of 2015, when EFSI was already underway ... At the end of February 2016 the EC published a brochure, which explains the possibilities for combining EFSI and ESIF financing. This is currently the only guidance that exists on the combination of ESIF and EFSI funds, and the EIB refers to this brochure on its intranet site as part of the EFSI toolbox … few EFSI operations had received complementary finance from ESIF funds'[88]. According to EESC, 'It is imperative to ensure that the European Structural and Investment Funds create added value for the Union's priorities, particularly with reference to the Europe 2020 Strategy and to the new Commission's objectives'[89].

Attention to the territorial distribution of investments funds should be enhanced. According to ETUC[90] the Plan does not ensure that more funds will be invested in countries with the greatest needs and experiencing a difficult economic situation: to meet their concern it is important to support those countries and regions most in need of investments. According to CEEP[91] the investments largely benefit high-income countries, which could easily do without European aid: it calls on the

[82] ETUC, *Position on the flexibilities within the Stability and Growth Pact*, adopted at the ETUC Executive Committee on 8-9 June 2016.
[83] ETUC, *EU Summit in Bratislava: ETUC statement*, press release 23/9/2016.
[84] OXFAM, *A Europe for the many, not the few*, 2015, https://www.oxfam.org/en/research/europe-many-not-few
[85] Natali D. and Vanhercke, B., *Social policy in the European Union: state of play 2015*, OSE-ETUI 2015.
[86] EESC, *New measures for development-oriented governance and implementation – evaluation of the European Structural and Investment Funds and ensuing recommendations*, ECO/400, 2016.
[87] EIB, *Operations evaluation, evaluation of the functioning of the European Fund for Strategic Investments (EFSI),* 2016.
[88] EIB, *Operations evaluation, evaluation of the functioning of the European Fund for Strategic Investments (EFSI),* 2016.
[89] 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.
[90] EU Summit in Bratislava: ETUC statement press release 23/9/2016.
[91] European Centre of Employers and Enterprises providing public services.

Commission to set up a proper governance mechanism that would make it possible to invest massively in the countries in the most need[92]. According to OSE-ETUI the total investment risks are in fact to be strongly focused on countries in the least difficulty; 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'[93]. As Natali and Vanhercke suggest, 'Despite early insistence that there would be no geographical bias', in consideration of the fact that the Juncker plan is asked to finance projects with a higher risk profile while maintaining its AAA rating, it can be expected that it 'will either be biased towards the safest projects and safest countries, or will fall far short of the predicted investment volume'. Moreover 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 institution. The Juncker plan gives no such basis for ensuring support for investment in countries that need it the most ... much the same result could have been achieved by those same Member State governments using their own resources directly to promote investment'[94].

6.4 The link between IPE and the European Pillar of Social Rights

As the analysis of the projects has evidenced, IPE only partially tackles a few of the Social Pillars under elaboration. Each of them will now be considered.

The **first chapter** of the preliminary outline of the European Pillar of Social Rights is on **equal opportunities** and access to the labour market.

- **Pillar 1: Skills, education and lifelong learning**

IPE could push relevant opportunities to intervene by supporting investments in education and training. An interesting example of a project submitted to EIPP demonstrates that a PPP could be set up to promote a significant project about this concern.

EIPP Project: 21st Century Schools and Education Programme: B and B – UK

The project aims to **build new school and college facilities in Wales** through a PPP.
The Welsh Government has prioritised its commitment to bring the school and college estate up to twenty-first century standards, via both revenue and capital funding – the 21st Century Schools Programme. PPP sites are yet to be identified but will likely be located across Wales and involve new-build school and college facilities.
The EUR 630 million project will be operational from 2019 to 2024. The investment is to ensure that the educational estate in Wales has the appropriate facilities in the right locations of a suitable size to

[92] ETUI, *Doubling of the resources allocated to the 'Juncker plan': no panacea,* 21 September 2016.
[93] Natali, D. and Vanhercke, B., *Social policy in the European Union: state of play 2015,* OSE-ETUI, 2015.
[94] Natali D. and Vanhercke, B. *Social policy in the European Union: state of play 2015*, OSE-ETU,I 2015.

meet pupil demand and which are equipped to deliver the curriculum, but also to maintain schools and colleges to an appropriate standard.
The programme will help to remove schools/colleges in poor physical condition. The Band A Programme has already built, refurbished and remodelled around 150 schools/colleges in Wales. Band B will continue this investment, providing suitable learning environments and enabling education policies to be achieved. The backlog maintenance and existing capital budget is insufficient to improve the poor condition estate at the required pace; thus a revenue-funded scheme to expedite this capital improvement programme is necessary. The revenue funding will also fund a maintenance service for 25 years to keep the school/college buildings in good condition to avoid a future backlog of maintenance.

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

On the one hand these pillars should be pursued by public policies and so not expected to be delivered through private investments. On the other hand 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 9. A few projects present, in their description, issues referring to these social rights.

Two EFSI projects considering Pillar 9

Example 1: The purchase of new rolling stock for a regional rail operator evidences among other issues, the added value of a better comfort level for drivers.

Example 2: In three projects relating to the development of new primary care centres and a hospital, among other benefits there is mentioned the improvement of the work environment for staff.

- **Pillar 3: Secure professional transitions and Pillar 4: Active support for employment**

These pillars are expected to be pursued by public policies.

- **Pillar 5: Gender equality and work-life balance and Pillar 6: Equal opportunities**

These could be effectively tackled within the projects but none of them has made specific reference to gender equality or equal opportunities.

The second chapter of the preliminary outline of the document concerns **fair working conditions**. Pillars 7, 8 and 9 have already been mentioned.

- **Pillar 10: Social dialogue and involvement of workers**

The enhancement of social dialogue and the involvement of workers is a recommendation present in a few CSRs. A few projects have mentioned the intention to promote a public consultation on the projects, but mainly about the involvement of the larger community. The reinforcement of the identity and the social commitment of a local community in the realisation of a large investment represents a relevant social and economic added value to a project. Two examples below are exemplary in this regard:

Example 1: In Vienna, for the construction of new buildings on the premises of three hospitals a change in the land use plan is required. This is a standardised procedure for the City of Vienna and each changing procedure of the land use plan includes formal and standardised **consultations with the public**.

Example 2: In a more generic form, it is expressed in a few projects in these terms: The Fund will perform due diligence to ensure that potential impacts and risks and appropriate measures were identified through an environmental and social impact screening/assessment, when relevant, including satisfactory and meaningful **public consultation and participation**.

The third and last chapter of the preliminary outline of the European Pillar of Social Rights concerns **adequate and sustainable social protection.** It is composed of 10 pillars, all referring to the delivery of social services and benefits within the approach developed in the EU2020 strategy: **the shift from the concept of assistance to the concept of active inclusion**, in consideration of the aim of social policies being not only to provide (income) support and social assistance, but also to reduce the individuals' need for help, by supporting more personalised integrated services to include their **access to employment, education and training, healthcare, housing, etc**[95].

- **Pillar 11: Integrated social benefits and services; Pillar 13: Pensions; Pillar 14: Unemployment benefits; Pillar 15: Minimum income**

These pillars are expected to be pursued by public policies.

- **Pillar 12: Healthcare and sickness benefits**

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. One EIPP project in relation to the elderly (AlzhUp) has already been described. Some EFSI projects concern the development of healthcare infrastructures.

Box: Efsi projects on healthcare infrastructures

Example 1: Construction and refurbishment of three hospitals in Austria, replacing the existing outdated facilities under a comprehensive integrated healthcare plan in Vienna. The three hospitals will be upgraded using PPP projects. The hospitals' parking and parks will also be redesigned and opened to the public, contributing to a better quality of life for Vienna's citizens in general.

[95] Heidenreich M., Rice D., *Integrating Social and Employment Policies in Europe*, Elga, Usa, 2014

Example 2: The project involves the construction and maintenance of the new Midland Metropolitan Hospital (UK) to replace two existing outdated facilities and is part of a comprehensive integrated healthcare plan. The creation of the new hospital will allow the City Hospital and the Sandwell General Hospital to reconfigure the range of services. This is expected to have a positive impact on the quality of healthcare services provision for the population of Sandwell and West Birmingham as well as for the working conditions of the medical staff.

Example 3: Replacement construction, rehabilitation and equipping of hospital facilities for the Rydygier Regional General Hospital in Torun, Poland. The project is a continuation of the ongoing EIB support to the Kujawsko-Pomorskie Region's Development and Modernisation Investment Programme with the objective to attain the technical standards for hospital operation required by Polish and EU law. The project aims at the consolidation of healthcare services delivery in improved hospital facilities, by providing modernised fit-for-purpose, centralised services on one campus.

- **Pillar 16: Disability**

While this pillar 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: this is for example the case of all projects intended to promote transport or housing.

Accessibility is meant merely as broadband/fibre development or renovation of private residential buildings to enhance energy efficiency; mobility only in terms of the construction of new highways, vessels and trains, not considering the opportunity that investments in mobility could support the promotion of participation in society by disabled people. All the projects are obviously expected to comply with national and EU regulations on the accessibility of the disabled, but they could also be assessed for their potential additional contribution to the promotion of the participation of the disabled in society and in the community. This can be particularly the case in projects relating to the construction of new neighbourhoods.

EFSI projects not addressing disability in promoting investments in transport

Example 1: New trains have been purchased to renovate the rolling stock for East Anglia in the UK. Expected benefits described are: time savings due to higher frequency of trains, passenger benefits through reduced overcrowding, Wi-Fi coverage, passenger information systems and air-conditioning systems. No other added value is mentioned in the brief presentation on the EFSI website.

Example 2: The same can be said for the acquisition of rolling stock for regional passenger railway services in the Italian regions. The 49 new trains and 250 double-deck passenger carriages will increase the quality of the services provided, and will promote sustainable transport solutions in line with EU objectives. No other details regarding accessibility have been described.

EFSI projects not addressing disability in promoting investments in housing
Example 1: Within a project supported by an EIB infrastructure fund for the regeneration of polluted brownfield sites in the EU, urban renewal and regeneration will be developed with the construction of social or affordable housing within the mix of residential development at redeveloped sites.

Example 2: The project, promoted by a housing company owned by a municipality in Poland, foresees the building of 1 300 new houses for people above the income limits to access social or communal housing, but whose means are deemed insufficient to secure housing on the open market.

In all the projects on housing analysed, as described on the EFSI website, no attention has been paid to the development of new houses able to increase accessibility for the disabled.

- **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.

- **Pillar 19: Housing**

A few projects, already described, 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. Compiling more details of the French housing project it is possible to see that no specific attention to those most in need seems present.

Box : A housing project in France

The project is for the construction of 13 000 'intermediate' rental housing units targeted at middle-class households in several cities of France (the cities are not mentioned). The project does not directly involve the issues tackled by Social Pillar 19 since it is not a social housing but an intermediate housing project. It aims at facilitating the access of middle-class households to housing within urban areas and city centres, but not towards favouring the social inclusion of poor households. A potential social dimension described is the development of 'social diversity': 'The project is expected to bring important social benefits for households and local communities by providing affordable housing to medium-income households in areas where rents are currently too high for their income. This will contribute to promoting social diversity in these areas and to avoid urban sprawl (where such households could find lower rents). Therefore, the project is expected to improve the living conditions of citizens', but French urban areas, and especially big city centres, are concerned with a process of gentrification. The major problem of social diversity is not only to retain middle-class households but to allow poor households to live in city centres, where they often work and/or where they can have better access to public services that are efficient in reducing poverty and promoting social inclusion.

- **Pillar 20: Access to essential services**

This is the pillar where 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).

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 [...]'. Looking at Pillar 1 in particular, much more should be undertaken in consideration of the wide acknowledgement of the **structural investment gap in human capital at EU level** and that growth is impossible without a skilled workforce: according to BusinessEurope the only viable way to eradicate poverty and reduce unemployment is to promote labour market, education and social protection reforms to create a virtuous circle between improved competitiveness, higher growth and more job creation. 'The European Union will have to modernise education and training […] helping employees to upgrade their skills throughout their working life in accordance with labour market needs. The EU will **have to promote a more efficient use of both public and private resources** spent in education, **foster entrepreneurship** from the earliest stages of education. [...]'[96].
The issue of investing and improving skills and human capital seems at the centre of EU concerns: a forthcoming specific document, *New skills agenda for Europe*, will address the question in a broader context: 'evidence shows that a significant share of the European workforce (20 %) has only a low level of basic skills. This makes it hard to employ these low-skilled workers and contributes to structural unemployment. At the same time, many vacancies remain unfilled due to shortages of skilled labour. Equipping more people with better and more relevant skills requires appropriate funding alongside structural reforms to improve the efficiency of education and training systems'[97].

In conclusion: are investments guaranteed by IPE focusing on the more in-need countries to tackle their most relevant challenges?

The analysis of the 120 EIPP projects presented and the 124 EFSI projects allows for a number of considerations.
Among the two pillars of the IPE considered, **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 315 billion

[96] BusinessEurope, *10 priorities to boost investment, growth & employment: what companies expect from the new Commission,* Bruxelles October 2014.
[97] Commission Communication, *Europe investing again – taking stock of the Investment Plan for Europe and next steps*, COM(2016) 359 final, 1 June 2016.

Investment Plan for Europe has already raised EUR 116 billion in investments in its first year of operation, benefiting more than 200 000 small and medium-sized enterprises (SMEs)[98].

The Juncker Plan so is playing a relevant role in promoting social entrepreneurship. Under SMEW it has introduced provisions intended to push programmes previously launched but which found difficulties in their initial phase and lagged behind, by advancing funding. A set of new financial instruments, pooling resources from the programme for Employment and Social Innovation (EaSI) and EFSI, have been designed to strengthen support towards social entrepreneurship and microfinance[99]. It is equally true that the success experienced by SMEW, evidenced by all monitoring activities undertaken and according to interviews conducted, mainly depends on most of the activity being related to the advancement of funding to projects already funded under other EU funding programmes (Horizon 2020, EaSI, COSME): they have benefited from additional support and/or an advance payment, able to boost the completion of already-planned activities. It is for this reason that SMEW projects have reached the expected target more rapidly.

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.

The EIPP is no more than a meeting point where (mainly) PPP projects looking for additional private investors/funders can be presented. It has been designed in response to investors' desire to see more potential EU investment opportunities on a central information platform. 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 previous boxes, some of them with a potential for interesting social impact. However, up to now no information is available on the return of the initiative.

[98] President Juncker, State of the Union 2016.
[99] European Commission, Commission Communication *Strengthening European investments for jobs and growth,* COM (2016)581, 2016.

7. How to support social investment and their sustainability

According to the subsidiarity principle, social policies remain under the competence of member states' policies, while the EU institutions have only a soft coordination role (the so-called open method of coordination). However, European institutions could play a key role in **providing financial support to social investments**, especially in those countries hit severely by the crisis, as well in supporting the development and diffusion of **innovative and effective approaches**.
A greater focus on social investments (including public investments) and the involvement of social investors is necessary for two main reasons: the first relates to the importance of social investments and social inclusion for long-term growth; the second refers to the financial opportunities that may result from a greater involvement of institutional and private investors (such as pension funds, not-for-profit insurance, charities, philanthropy and venture capital) in long-term social investments.

7.1 Social investments are needed for long-term growth

Social investments include any investment in which social impacts are being considered by the investors. EU programmes could have a significant role, not only as a source of funding, but also for promoting social investments and innovative public–private partnerships, and financial tools. The need to address employment and social imbalances with social investments as a way to improve growth prospects is now acknowledged in the socioeconomic literature and debate.

The current debate on macroeconomic policies is increasingly underlining **the (potential) social costs of fiscal consolidation measures**, given the long-term risks and costs resulting from the lack of attention to employment and social issues and to the social feasibility of some reforms in periods of recession.

The financial sustainability of the public debt in the long run also depends on GDP growth. **Especially in recession periods**, focusing solely on the need to reduce the debt with austerity measures risks aggravating the recession spiral. This is all the more so when public investments with long-run returns in growth and social inclusion are not excluded from budget cuts.

In addition, **developments in economic theory** are **questioning the idea that redistributive policies hamper growth**[100]. The empirical evidence instead generally supports the view that it is inequality that hampers growth over the medium term, as already evidenced in the previous chapters. Too much inequality may reduce growth because it can amplify the potential for financial crises, provoking political instability and thus discouraging investments and entrepreneurial activities and leading to low human capital accumulation – one of the key drivers of economic growth. Thus not only equity but also efficiency arguments support the need for more equality in income distribution.

[100] J. Pontusson, *Inequality and prosperity. Social Europe vs. liberal America*, Cornell University Press, 2005; A. G. Berg and J. D. Ostry, *Inequality and sustainable growth: two sides of the same coin?*, IMF Staff Discussion Note, April 2011 SDN/11/08; J. D. Ostry, A. Berg and C.G. Tsangarides, *Redistribution, inequality and growth*, IMF Staff Discussion Note14/02, February 2014.

Attention to distributive issues is particularly necessary in economic unions like the EU-28, and particularly the euro area monetary union. As discussed in the ESDE 2013 report[101], the crisis has shown that **negative social and employment shocks are likely to have spillover effects beyond national borders in an economic monetary union**, given the degree of economic interdependence between MSs. Increases in unemployment or reductions in household incomes reduce national internal demand and spill over to other euro area countries through intra-euro area trade. Higher unemployment, NEET or poverty rates also erode skills and discourage labour market participation, undermining the long-term productivity paths and growth potential of other euro area Member States. Increasing employment and social imbalances may also weaken public support and the capacity of governments to apply sound policies, necessary to keep confidence in the common currency.

In the socioeconomic literature there are also **various examples of the long-run benefits resulting from education and social investment**, increasingly considered as investments with positive long-run returns in the capacity to adjust to change and prevent social risks resulting from market and/or policy failures. The empirical comparative analysis shows that there is no negative correlation between social spending and economic performance. Although with high levels of social spending, the Nordic countries, Germany and the Netherlands are placed at the top of the Global Competitiveness Index of the World Economic Forum[102].

Conversely, an example of the long-term risks and social costs associated with myopic fiscal consolidation measures is provided in a 2012 Eurofound study[103] on the economic losses associated with the increase in **youth disengagement from the labour market**. The overall cost of young people not in education, employment or training (NEETs) was estimated at EUR 153 billion, equivalent to 1.2 % of EU GDP and resulting from the productivity loss associated with low youth employment and the social and welfare costs of the increasing share of people with no work experience, living on welfare. The poverty risks for this generation are likely to be exacerbated by the recent pension and welfare reforms adopted to improve the financial sustainability of public budgets, which are increasingly linking (pension) benefits to lifelong contributions. Besides the costs to individuals, the waste of young, highly educated human resources reduces growth prospects while extending the poverty risks and income inequalities within and between generations, entailing high budget costs associated with low fiscal revenues and growing social expenditures.

In a similar way, a 2016 Eurofound report[104] estimates the economic losses due to the **gender gap in employment**. The total estimated economic cost of the lower female employment rate in the EU corresponds to 2.8 % of the EU GDP. Investments in good quality care infrastructures and services, as well as targeted employment and education policies, are necessary to support higher rates of female employment.

Another example can be seen in **pension reforms**, often treated as important contributors to the financial sustainability of public budgets, characterised by ageing trends and fiscal consolidation

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[101] European Commission, *Employment and Social Developments in Europe 2013 (ESDE)*, Luxembourg: Publications Office of the European Union, 2014 http://ec.europa.eu/social/main.jsp?catId=738&langId=en&pubId=7684

[102] Vandenbroucke and B. Vanhercke, *A European Social Union: 10 though nuts to crack, Background Report to the Friends of Europe High Level group on Social Union*, Spring 2014

[103] Eurofound, *NEETs – Young people not in employment, education or training: Characteristics, costs and policy responses in Europe*, Publications Office of the European Union, Luxembourg, 2012. http://www.eurofound.europa.eu/sites/default/files/ef_files/pubdocs/2012/54/en/1/EF1254EN.pdf

[104] Eurofound, *The gender employment gap: Challenges and solutions*, Publications Office of the European Union, Luxembourg, 2016.

pressures especially in recent years. Pension reforms have improved the financial sustainability of public pension schemes by reinforcing the link between lifelong contributions paid and benefits received, and increasing the role of private occupational and individual pension schemes, but at the cost of reduced replacement rates, growing individual risks and complexity in pension systems. The adequacy of future pensions is jeopardised (especially for the younger generations and women) when the labour market is unable to guarantee lifelong continuous employment, the financial markets are unable to deliver the expected returns on investments in occupational or individual pension funds, and public spending is constrained by increasing deficit and debt, lower growth prospects and fiscal consolidation[105]. The gravity and duration of the crisis is highlighting the risks associated with reduced welfare and pension provisions of both increased poverty risks in old age and social conflicts.

As underlined in a 2014 report of the Special Task Force (Member States, Commission, EIB) on investment in the EU[106], **investments in human capital (e.g. education and health care) and deprived urban areas are also key drivers for sustained productivity growth and social inclusion**, representing the more effective way to cut the intergenerational transmission of poverty and social exclusion.

Current projections[107] expect that Europe will face a significant high-skill shortage between 5 and 8 million people by 2020 in a number of areas that support the application of new technologies. Conversely, technological developments, globalisation and offshoring will reduce job opportunities and labour income for the low- or even medium-skilled people. Education and lifelong learning are thus crucial for reducing the skills mismatch and supporting productivity and growth. **While non-EU countries are investing in education and lifelong learning as a strategy to strengthen their competitive position in the global market, in Europe there is a significant investment gap in education**. Particularly important for growth is a long-term social strategy for quality childcare and early childhood education: it is necessary, because not only contrasts demographic ageing by supporting women employment, but it is also a way to tackle child poverty and social exclusion. According to recent socioeconomic research, social investment in individual capacities during the early years is particularly beneficial for children from a disadvantaged background, breaking the intergenerational transmission of poverty and providing large social returns. This new investment approach to childcare early childhood education is at the basis of the 2013 Commission Communication on investing in children[108].

As recognised in the Social Investment Package, universal access to affordable, preventive, curative and rehabilitative **healthcare services** not only addresses the growing needs of a rapidly ageing

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[105] On the ways pension systems have been addressed in CSRs see Bekker (2015). On the evolution of pension reforms in the EU, see a recent publication by the European Commission – DG EMPL (2015), *The 2015 Pension Adequacy Report: current and future income adequacy in old age in the EU*, Brussels http://ec.europa.eu/social/main.jsp?langId=en&catId=89&newsId=2339&furtherNews=yes. For an assessment of the different effects of pension reforms for women and men see Samek Lodovici M., Crepaldi C., *The socio-economic impact of pension systems on the respective situations of women and men and the effects of recent trends in pension reforms*. Report prepared by the EGGSI network for the European Commission, 2011. http://ec.europa.eu/justice/gender-equality/document/index_en.htm; Bettio, F. et al., *The gender gap in pensions in the UE*, report prepared for the European Commission- DG Justice, 2013 http://ec.europa.eu/justice/gender-equality/files/documents/130530_pensions_en.pdf

[106] Special Task Force (Member States, Commission, EIB) on investment in the EU, Dec. 2014 final task force report http://www.eib.org/attachments/efsi_special_task_force_report_on_investment_in_the_eu_en.pdf

[107] McKinsey Global Institute: *The world at work: Jobs, pay, and skills for 3.5 billion people*, June 2012. McKinsey Global Institute: *The world at work: Jobs, pay, and skills for 3.5 billion people*, June 2012.

[108] European Commission, *Investing in children: breaking the cycle of disadvantage,* Communication from the Commission, Brussels, 20.02.2013, COM (2013) 778 final.

population, but is also necessary for a healthy workforce, while contributing to a decrease in inequalities between different socioeconomic groups and the risk of poverty.

Demographic change and urbanisation (with 75 % of the EU population living in cities) increase the need to invest in urban areas in order to provide **social housing, public buildings and facilities**, as well as **urban services**, which are currently facing severe disinvestments due to austerity measures.

The adoption of a **social investment approach with long-run returns in employment, skills, productivity and individual well-being, has thus increased attention to early and preventive actions in order to break the cycle of social exclusion and enhance people's opportunities over their entire life cycle,** addressing children and young people growing up in poverty as well as the working poor, the low skilled, women and ethnic minorities. **This attention needs to be mainstreamed into all policy domains and investment strategies**, due to their different effects across population groups and the need to target measures by gender, age, ethnicity, location, etc. A clear example is **transport policy**. Public transport plays a crucial role in exacerbating or mitigating the social exclusion of vulnerable and disadvantaged groups, affecting their access to basic services as well as employment and social relationships. The negative effects of the transport system on the environment, safety and public health are also likely to affect disadvantaged groups disproportionally. The disadvantaged/vulnerable groups present different mobility needs (in order to allow access to education, work or healthcare, etc.), and are affected in different ways by the existing transport barriers. Therefore the social role of transport needs to be internalised within transport policies, with closer attention to the accessibility and specific mobility needs of the most vulnerable user groups. Improved accessibility for the elderly and people with reduced mobility as well as higher quality services and lower fares have to be considered, together with improved efficiency to keep public transport financially viable. There is, however, still too little attention paid to the mobility needs of disadvantaged population groups in investment strategies, as examples provided in Chapter 6 demonstrate.

7.2 Involving social investors for financial sustainability in a context of strict austerity policies and budget constraints

Policy reforms to promote and support good quality employment and social inclusion are costly and hard to implement in countries particularly hit by the economic crisis and/or under imbalance procedures. These countries have been forced to adopt drastic austerity measures to avoid excessive deficit procedures leading to cuts in investments in welfare policies or to cut existing services. This is particularly **the case of social investment policies, requiring appropriate funding and whose benefits are to be seen in the long run**.

There is however a positive development in recent years: the growing interest by the business and financial community to social impact investments and activities, e.g. those investments that target specific social objectives along with a financial return and measurement of the achievement. Although these investments do not exclude public investments, especially in those policy areas characterised by market failures, they are important in complementing public intervention and funding and in reducing the pressure on public finances. There is however a mismatch between social investors willing to supply funding and social business, third sector operators and public administrations with funding needs.

According to recent reports[109] there is a growing number of both **socially motivated investors** who are particularly interested in fuelling social change, and a broad range of **social businesses**[110] seeking to achieve social goals through the use of business techniques. Social businesses use different funding sources – public grants, charitable donations, direct investments – as well as support from the financial markets[111]. A market for investment funds aimed at social undertakings is taking shape. This reflects the increasing interest of many investors in making investments – typically as part of a wider portfolio – that aim to achieve positive social effects over and above the quest of financial returns.
The most likely **sources of non-public capital for social investment** are foundations, corporations with a particular interest in specific sectors (social services, employment services, training, education, etc.) and social enterprises, charitable organisations, social ventures, high net worth individuals (philanthropic capital), and institutional investors that have social investment or donations in their mission. Most institutional investor, and particularly pension funds, can predict a long way ahead when they will have to repay their investors and thus can invest in illiquid assets, including (social) infrastructures. The main **forms of finance** include secured and unsecured loans, charity bonds, social impact bonds, quasi-equity, equity and grants. Social banks, community development finance institutions, impact investment funds managers or intermediaries and crowd funding platforms connect investors to organisations implementing social projects. However, often social investment funds targeted at social undertakings are small with high relative costs, and face specific difficulties in fundraising and building trust across the EU without public support.

According to a 2015 GEM survey[112] the share of the population involved in social entrepreneurship activity (broad definition) in the EU28 ranged from 8.4% in Ireland to 0.7% in Bulgaria. Approximately 1 in 4 businesses founded in Europe were a social enterprise. **Social businesses in Europe are almost exclusively SMEs financed by social funds and involved in providing social infrastructures and microfinance in deprived urban areas, and in providing goods and social services to socially excluded population groups.**
The Global Sustainable Investment *Review 2014*[113], released by the Global Sustainable Investment Alliance (GSIA), reports that **between 2012 and 2014, the global sustainable investment market** (e.g. an investment approach that considers environmental, social and governance factors in portfolio selection and management) **has continued to grow both in absolute and relative terms, rising**

[109] See *Impact investments: the invisible heart of the market. Harnessing the power of entreneurship, innovation and capital for public good*, Report of the Social Impact Task Force, 15 September, 2014.
[110] In the EC Communication on Social Business, the term 'social enterprise' covers those businesses for which the social or societal objective of the common good is the reason for the commercial activity, often in the form of a high level of social innovation, where profits are mainly reinvested with a view to achieving this social objective, and where the method of organisation or ownership system reflects their mission, using democratic or participatory principles or focusing on social justice. This same definition was also reflected in the Regulation on an EU Programme for Social Change and Innovation (SEC(2011)1134).
[111] EC SEC (2011) 1512 final.
[112] Terjesen, S., Lepoutre, J. , Justo, R. and Bosma, N., *Global Entrepreneurship Monitor Report on Social Entrepreneurship*, 2011. http://www.gemconsortium.org/about.aspx?page=pub_gem_special_topic_reports; Presentation from EIF to Commission. On EVPA see http://evpa.eu.com/about-us.
[113] https://riacanada.ca/global-trends/.

from $13.3 trillion at the outset of 2012 to $21.4 trillion at the start of 2014, and from 21.5 percent to 30.2 percent of the professionally managed assets in the regions covered.

Over this two-year period, the fastest growing region has been the United States, followed by Canada and Europe. These three regions are also the largest regions in terms of assets, accounting for 99 percent of global sustainable investing assets. **In Europe, all surveyed sustainable and responsible investment strategies are continuing to grow, in aggregate, at a faster rate than the broad European asset management market.** From the beginning of 2012 to the start of 2014**, assets committed to sustainability-themed investments grew 30 percent in US dollar terms**, and assets to which exclusionary screens were applied grew 90 percent. Impact investing is the fastest growing strategy, registering a 146 percent increase over the period. The progress of engagement and proxy voting in markets such as Italy (193 percent growth in euro terms over 2012-2014), Germany (48 percent), Belgium (94 percent), Scandinavia and Switzerland signals changes in attitudes toward stewardship among European investors.

J. P. Morgan estimates suggest that social investments could grow rapidly to become a market well in excess of EUR 100 billion, underlining the potential of this emerging sector[114]. In some countries, forms of social investing have a long tradition: according to the latest GEM survey[115] the US and Australia have the highest use of government programmes, donations or grants, with half of these regions' nascent social entrepreneurs expecting to access these resources. These two economies also show the highest use of private investment, with just over a quarter of funding derived from private investment sources. Social entrepreneurs in the US and Australia also report the highest use (18%) of online crowdfunding. Community development finance in the US, the credit union and Quebec social economy movements in Canada, or the social cooperative movement in Europe are also important sources of social investments. Modern philanthropic institutions such as the *Gates Foundation* have been at the forefront of funding worldwide social projects and experimenting with market-based mechanisms, and using financial innovation to create sustainable social change.

Although social investment cannot replace public spending, it can make a significant contribution to meeting social needs, particularly as a tool to finance early intervention and innovation in welfare systems. Socially motivated repayable finance can provide social operators with the working capital to implement their products/services, and to enable them to deliver against outcomes-based commissioning.

Examples of investment approaches relevant to social investments

Outcome-based contracts: Social investors provide an initial investment targeted at actions to achieve agreed social outcomes; the commissioners pay investors if, and only if, targets are achieved. Social impact bonds are an example of this approach.

Achieving scale: Assistance in financing the expansion of small schemes so they can reach a wider audience.

Working capital: Investment to finance the time lag between spending money and receiving income can be a very useful source of finance for social projects, for example where grant payments are made in arrears.

[114] See J.P.Morgan, *Impact investments: an emerging asset class*, 2011).

[115] GEM, *Report on Social Entrepreneurship*, 2015. http://gemconsortium.org/report/49542

Financing assets: Assets, including properties for use in residential care, can be financed through the issue of specific bonds relating to those investments, sometimes known as charity bonds.

Source: London Economics, *Scaling up solutions to social care: the potential impact of social investment on social care for older people*, October 2014.

The role of **social enterprises and institutional investors** in mobilising financial and human professional resources for social investments is crucial to complement the public welfare system and support innovation and sustainable social change, and it is expected to grow rapidly in the future as attention to social and environmental sustainability is spreading in western countries. It is however **necessary to remove the many barriers to the inflows of these funds for social investments and to facilitate public–private and third-sector partnerships in generating a balance of social and financial returns**.

According to recent reports[116] among the main barriers are the following.

- **Regulatory fragmentation and uncertainty,** or regulations that disincentive institutions to invest in social impact products are one barrier. Regulatory problems can also be identified related to the application of rules on private investment funds to social investment funds, undermining their efficiency and access to the single market.
- **Political and social risks that may arise from changes in policy priorities**, due to the long-term commitments associated with social investments. There is a need for legal and regulatory safety against changes in government positions and regulations.
- **Lack of information on funding opportunities.**
- **Absence of benchmarks makes it difficult to compare asset classes.**
- **Difficulties in measuring social impacts and social returns** of investments.

The experience of Canada and Australia is very interesting in this respect, as these countries have developed a legislative framework which incentivises pensions funds to invest in infrastructures. The EU Nordic countries, the Netherlands and the UK are also going in this direction, removing existing barriers to investments in social infrastructures.

Potential measures to increase social funding could include the following.

- **Launch an Innovation Fund for Social Investments:** Building on existing programmes to tackle issues such as youth unemployment and early school leaving, poverty, child care, long-term care, refugees and immigrants' integration, lifelong learning, homelessness, etc. EU, national and regional public institutions could launch an outcomes-based innovation fund for innovative programmes that address some of the most entrenched issues in social policies. This would provide the payment by results incentive for larger-scale investors.
- **Incentivise public–private and third sector partnerships for social investment**: Ad hoc incentives from EU and national governments to local administrations could be envisaged to collaborate and partner with charities and social enterprises, as well as social investors, to support social investments and improve the delivery of social services at lower costs. Long

[116] Garonna-Reviglio eds. (2014)

term social and educational investments should also be excluded, at least in part, from budget consolidation measures.

- **Identify an independent body to support social investments:** A cross-stakeholder group of key organisations could support early activity in this area, and investigate how broad and deep these opportunities really are. Ideally the group would be led by a leading think tank, supported by specialist charities, social investors and corporates who are particularly focused on the provision of social services.
- **Reduce regulatory fragmentation and uncertainty** and provide incentives to invest in social impact services or products, such as tax benefits, simplified regulations, etc.
- **Improve information on funding opportunities and research** on how to measure investments' social impacts and social returns.

7.3 How much spending on Social Investments?

In order to answer the question of **how much financial resources are necessary for Social Investments aimed at an inclusive growth** it is necessary to undergo an in depth assessment of each policy area and each country socio-economic conditions. An indicative rough estimation may be derived by considering as benchmarks those EU Member States with the best performance in terms of social inclusion, living conditions and investments in human capital.

According to Eurostat data, the EU Nordic countries (Denmark, Finland and Sweden) are the best performers in relation to employment rates, educational attainments and social inclusion indicators. These countries are also those with the average highest public spending for:

- education (6.7 % of GDP on average in 2014, compared to 4.9 % for the EU-28 average),
- healthcare (8 % of GDP, compared to 7.2 % for the EU-28),
- and especially for social protection (23.7 % of GDP on average in three countries compared to 19.5 % for the EU-28).
- Conversely, expenditure on housing and community amenities is slightly lower on average for these three Nordic Member States compared to the EU-28 average (0.5 % of GDP compared to 0.7 % for the EU-28), probably due to their relatively better conditions compared to other Member States (e.g. southern and eastern EU countries).

In order to reach these benchmarks, average **expenditure for education should increase by EUR 251 billion**, by **EUR 11.7 billion for healthcare**, and by **EUR 586.2 billion for social protection on average for the EU-28**, with different patterns across Member States according to their initial conditions.

8. Conclusions and policy recommendations

> ‘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

As a number of EU researches evidence, described in the previous Chapters, investing in growth and job creation – the top priorities of the Commission Plan – may not be enough to ensure sustainable and inclusive growth.

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[117], but the literature review shows there is also 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. As evidenced by many studies the income distribution itself matters for growth as well. If the income share of the rich increases, then GDP growth actually declines over the medium term. In contrast, an increase in the income share of the poor is associated with higher GDP growth[118]. OECD studies evidence a positive impact that social redistribution policies have exerted on economic growth[119]. 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 dramatically[120].

8.1 Main results

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.’

[117] European Commission, Commission Communication *Mid-term review/revision of the multiannual financial framework 2014-2020* Brussels, 14.9.2016 COM(2016) 603 final.

[118] E. Dabla-Norris, K. Kochhar, F. Ricka, N. Suphaphiphat, E. Tsounta, *Causes and consequences of income inequality: a global perspective*, IMF Staff Discussion Note, 2015.

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

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

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 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**. **Investments in social, employment and education policies** have been reduced in some of the EU countries since the crisis, especially in those countries most hit by the crisis. The Juncker Plan and the EFSI 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.
- Reflecting on the **main social challenges** EU is facing, 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 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.
- 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 EFSI; therefore, in future it needs to be strengthened and systematically communicated.' According to the *EFSI stakeholders consultation*[121] 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.
- **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 sectorial

[121] EFSI Secretariat, EFSI stakeholders consultation, Summary report, 7/9/2016.

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[122].

- **Attention to the territorial distribution of investments funds should be enhanced.** The Plan does not ensure that more funds will be invested in countries with the greatest needs and experiencing a difficult economic situation. EFSI 2.0 has considered this weakness and has introduced corrections for the future.
- 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).
  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 9: 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: several projects under both EFSI and EIPP have been developed to respond to them (Pillar 12).
  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 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

[122] As underlined in a recent study commissioned by the Committee of the Regions (CoR) and quoted in an EP briefing: *While financial investments (FIs) have indeed room to increase their potential applications, in many areas of public interventions the use of grants will always be necessary, and FIs can thus only be considered complementary tools … Despite the importance attached to the leverage effect, seeking a high leverage should not be the sole objective of the public sector, but rather the final economic impact and the public goods that the projects deliver. The leverage objective is partially weakening the actual function of the FIs, as a higher leverage does not indicate that a project is socially better, but only that it is attractive enough for its private returns. A focus on leverage may lead to the excessive use of FIs, weakening the additionality principle of EU interventions, i.e. they should not be used were the private sector would intervene by itself.* These concerns were also expressed by an expert at the EP BUDG public hearing on 17 March 2016: *Financial instruments can be applied only to revenue generating projects,* and that *there are plenty of areas where the EU projects contribute to economic development (...), but where generating financial returns is impossible or impractical*. See *Financial instruments in support of territorial development*, study commissioned by the Committee of the Regions, authors: Centre for European Policy Studies (CEPS) (Jorge Núñez Ferrer and Federico Infelise), European Union, 2015, quoted in IPOL Briefing, *Research for REGI Committee: Mid-term review of the MFF and Cohesion Policy.*

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).

- 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 report 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.
- It is equally true that the **Plan is playing a relevant role in promoting social entrepreneurship**. 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. **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)[123].
- **The connection between Juncker's plan and EU Cohesion Policy Programmes is still lacking.** 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 investment[124].

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

The previous chapters have 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 report[125] the 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

[123] President Juncker, State of the Union 2016.
[124] EESC, *New measures for development-oriented governance and implementation – evaluation of the European Structural and Investment Funds and ensuing recommendations*, ECO/400, 2016.
[125] 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

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.

8.2.1 Evaluation of the social impact of the projects should be enhanced

According to ETUC, EFSI projects must be monitored to see whether they meet EFSI policy objectives and their contribution to societal and economic challenges[126]. 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'[127].

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) [128]; 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

[126] ETUC, *Position on the Annual Growth Survey 2016 – for a Europe that works for workers and citizens,* October 2015.
[127] EIB, *Operations Evaluation, Evaluation of the Functioning of the European Fund for Strategic Investments*, (EFSI), 2016.
[128] See also Garonna-Reviglio eds., 2014

benefit–cost analysis[129]. 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 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).

8.2.2 A more adequate geographical distribution of the operations should be ensured

The EFSI portfolio after one year of operations is highly concentrated: SMEW and IIW together are concentrated in the EU15 (92 %), and under-serves the EU13 (8 %), but **most of the less-developed regions in Europe are found in the EU13's Central and Eastern European countries.** 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"[130].

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

[129] See Garonna-Reviglio eds., 2014
[130] Commission Communication, *Europe investing again – taking stock of the Investment Plan for Europe and next steps*, COM(2016) 359 final, 1 June 2016.

criterion suggested by ILO (ILO, 2015) could be to **take into account the current levels of employment in the territorial allocation of funds**[131]. 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. S**ocial 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 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.

8.2.3 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 investment[132]. 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"**[133].

a) The complementarities of EFSI and ESIF are relevant, and have been underlined in a recent EC document[134], 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

[131] 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.

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

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

[134] 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

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 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.

8.2.4 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 EU 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.

8.2.5 Ensuring good governance and efficient processes

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'[135].

[135] 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.

- The *EFSI stakeholders consultation*[136] 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.'[137].

Several stakeholders evidence the need for a stronger central, development-oriented **governance under the European Semester**[138], based on a small number of clear and concise objectives. **The EU semester could be seen also 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."[139] 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 direction[140.] 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.

[136] EFSI Secretariat, EFSI stakeholders consultation, Summary report, 7/9/2016.
[137] European Commission press release, *State of the Union 2016: strengthening European investments for jobs and growth*, 2016.
[138] 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.
[139] Commission Communication, *Europe investing again – taking stock of the Investment Plan for Europe and next steps*, COM(2016) 359 final, 1 June 2016.
[140] Crepaldi C., Samek M., *Active inclusion: stocktaking of Cuncil Recommendation 2008,* European Parliament, 2015

Annex 1 - Member State contribution to EFSI

Bulgaria announced a contribution of €100 million through the Bulgarian Development Bank; France has pledged €8 billion through Caisse des Dépôts and Bpifrance; Germany intends to contribute €8 billion through KfW development bank; Italy will contribute €8 billion via Cassa Depositi e Prestiti; Luxembourg will contribute €80 million via Société Nationale de Crédit et d'Investissement; Poland will contribute €8 billion via Bank Gospodarstwa Krajowego; Slovakia announced a contribution of €400 million through its national promotional banks, Slovenský Investičný Holding and Slovenská Záručná a Rozvojová Banka; Spain will contribute €1.5 billion through Instituto de Crédito Oficial; The UK announced that it will contribute £6 billion (about €8.5 billion).

Source Council of the European Union website
http://www.consilium.europa.eu/en/policies/investment-plan/strategic-investments-fund/

Annex 2 – 2015-2016 CSR Addressing social challenges

Country	Year	Policy addressed	CSR
Austria	2015	Active labour market policies; social services; childcare and long-term-care	2, Strengthen measures to increase the labour market participation of older workers and women, including by improving the provision of childcare and long-term care services. Take steps to improve the educational achievement of disadvantaged young people.
	2016	Healthcare	1. (...) Ensure the sustainability of the healthcare system, and of the pension system by linking the statutory pension age to life expectancy. Simplify, rationalise and streamline fiscal relations and responsibilities across the various layers of government.
Belgium	2015	Tax system	2, Adopt and implement a comprehensive tax reform broadening the tax base, shifting the tax burden away from labour and removing inefficient tax expenditures.
	2015	Unemployment/skills shortages	3, Improve the functioning of the labour market by reducing financial disincentives to work, increasing labour market access for specific target groups and addressing skills shortages and mismatches
	2016	Active labour market policies; education and training	2. Carry out the intended review of the Law of 1996 on the promotion of employment and the safeguarding of competitiveness in consultation with the social partners. Ensure that wages can evolve in line with productivity. Ensure the effectiveness of labour market activation policies. Move forward with education and vocational training reforms and provide training support for disadvantaged groups, in particular people from a migrant background.
Bulgaria	2015	Active labour market policies; in work poverty	3, Develop an integrated approach for groups at the margin of the labour market, in particular older workers and young people not in employment, education or training. In consultation with the social partners and in accordance with national practices, establish a transparent mechanism for setting the minimum wage and minimum social security contributions in the light of their impact on in-work poverty, job creation and competitiveness.
	2015	Education	4, Adopt the reform of the School Education Act, and increase the participation in education of disadvantaged children, in particular Roma, by improving access to good-quality early schooling.
	2016	Undeclared work	1. (...) take measures to reduce the extent of the informal economy, including undeclared work
	2016	Social assistance and education; in work poverty; health	3. Reinforce and integrate social assistance, including relevant social services, and active labour market policies, in particular for the long-term unemployed and young people not in employment, education or training. Increase the provision of quality education for disadvantaged groups, including Roma. Improve the efficiency of the health system by improving access and funding, and health outcomes. In consultation with social partners establish guidelines and criteria for setting the minimum wage. Increase the coverage and adequacy of the minimum income scheme

Croatia	2015	Retirement	2. Discourage early retirement by raising penalties for early exits. Improve the adequacy and efficiency of pension spending by tightening the definition of arduous and hazardous professions. Tackle the fiscal risks in healthcare.
	2015	Active labour market policies	3. Tackle the weaknesses in the wage-setting framework, in consultation with the social partners and in accordance with national practices, to foster the alignment of wages with productivity and macroeconomic conditions. Strengthen incentives for the unemployed and inactive to take up paid employment. Based on the 2014 review, carry out the reform of the social security system and further consolidate social benefits by improving targeting and eliminating overlaps.
	2016	Retirement and Active labour market policies	2. By the end of 2016, take measures to discourage early retirement, accelerate the transition to the higher statutory retirement age, and align pension provisions for specific categories with the rules of the general scheme. Provide appropriate up- and re-skilling measures to enhance the employability of the working-age population, with a focus on the low-skilled and the long-term unemployed. Consolidate social protection benefits, including special schemes, by aligning eligibility criteria and integrating their administration, and focus support on those most in need.
	2016	Public servies	3. By the end of 2016, start reducing fragmentation and improving the functional distribution of competencies in public administration to improve efficiency and reduce territorial disparities in the delivery of public services. In consultation with social partners, harmonise the wage-setting frameworks across the public administration and public services. Advance the divestment process of state assets and reinforce the monitoring of state-owned enterprises' performance and boards' accountability, including by advancing the listing of shares of state-owned companies.
Cyprus	2016	Active labour market policies; health	5. Enhance the capacity of the public employment services and their provision to the long-term unemployed; improve outreach to the non-registered unemployed. Adopt legislation for a hospital reform and advance with the planned implementation of universal health care coverage.
Czech Republic	2015	Poverty; in work poverty; childcare	3. Reduce the high level of taxation levied on low-income earners, by shifting taxation to other areas. Further improve the availability of affordable childcare.
	2015	Education	4. Adopt the higher education reform. Ensure adequate training for teachers, support poorly performing schools and take measures to increase participation among disadvantaged children, including Roma.
	2016	Inclusion of disadvanteged; childcare	3. Strengthen governance in the R & D system and facilitate the links between academia and enterprises. Raise the attractiveness of the teaching profession and take measures to increase the inclusion of disadvantaged children, including Roma, in mainstream schools and pre-schools. Remove the obstacles to greater labour market participation by under-represented groups, in particular women
Denmark	2015	None	None
Estonia	2015	Active labour market policies; social services; childcare	2. Improve labour market participation, including by implementing the Work Ability Reform. Improve incentives to work through measures targeting low-income earners. Take action to narrow the gender pay gap. Ensure high-quality social

			and childcare services at local level.
	2015	Education and training	3. Increase participation in vocational education and training, and its labour market relevance, in particular by improving the availability of apprenticeships. Focus public support for research and innovation on a limited number of smart specialisation areas.
	2016	Social services	1. Ensure the provision and accessibility of high-quality public services, especially social services, at local level, inter alia, by adopting and implementing the proposed local government reform. Adopt and implement measures to narrow the gender pay gap, including those foreseen in the Welfare Plan.
Finland	2015	Retirement; Social and healthcare services	2. Adopt the agreed pension reform and gradually eliminate early exit pathways. Ensure effective design and implementation of the administrative reforms concerning municipal structure and social and healthcare services, with a view to increasing productivity and cost-effectiveness in the provision of public services, while ensuring their quality.
	2015	Unemployment; in work poverty, education	3. Pursue efforts to improve the employability of young people, older workers and the long-term unemployed, focusing particularly on developing job-relevant skills. Ensure, in consultation with the social partners and in accordance with national practices, that wages evolve in line with productivity.
	2016	Social and healthcare services	1. (...) Ensure timely adoption and implementation of the administrative reform with a view to better cost-effectiveness of social and healthcare services.
	2016	Social dialogue, labour market, migrants	2. While respecting the role of social partners, ensure that the wage setting system enhances local wage bargaining and removes rigidities, contributing to competitiveness and a more export industry-led approach. Increase incentives to accept work and ensure targeted and sufficient active labour market measures, including for people with a migrant background. Take measures to reduce regional and skills mismatches.
France	2015	Active labour market policies	3. Ensure that the labour cost reductions stemming from the tax credit for competitiveness and employment and from the responsibility and solidarity pact are sustained, in particular by implementing them as planned in 2016. Evaluate the effectiveness of these schemes in the light of labour and product market rigidities. Reform, in consultation with the social partners and in accordance with national practices, the wage-setting system to ensure that wages evolve in line with productivity. Ensure that minimum wage developments are consistent with the objectives of promoting employment and competitiveness
	2015	Unemployment	6. Reform the labour law to provide more incentives for employers to hire on open-ended contracts. Facilitate take up of derogations at company and branch level from general legal provisions, in particular as regards working time arrangements. Reform the law creating the accords de maintien de l'emploi by the end of 2015 in order to increase their take-up by companies. Take action to reform the unemployment benefit system in order to bring the system back to budgetary sustainability and provide more incentives to return to work.

	2016	Labour costs	2. Ensure that the labour cost reductions are sustained and that minimum wage developments are consistent with job creation and competitiveness. Reform the labour law to provide more incentives for employers to hire on open-ended contracts.
	2016	Education	3. Improve the links between the education sector and the labour market, in particular by reforming apprenticeships and vocational training, with emphasis on the low-skilled. By the end of 2016, take action to reform the unemployment benefit system in order to bring the system back to budgetary sustainability and to provide more incentives to return to work.
Germany	2015	Retirement; in work poverty	2, Increase incentives for later retirement. Take measures to reduce high labour taxes and social security contributions, especially for low-wage earners, and address the impact of fiscal drag. Revise the fiscal treatment of mini-jobs to facilitate the transition to other forms of employment.
	2016	Social infrastructures	1. Achieve a sustained upward trend in public investment, especially in infrastructure, education, research and innovation, while respecting the medium term objective. Improve the design of federal fiscal relations with a view to increasing public investment, especially at municipal level.
	2016	Retirement	3. Increase incentives for later retirement and reduce disincentives to work for second earners. Reduce the high tax wedge for low wage earners and facilitate the transition from mini-jobs to standard employment.
Hungary	2015	Tax system for low-income earners; in work poverty	3. Reduce the tax wedge for low-income earners, including by shifting taxation to areas less distortive to growth
	2015	Active labour market policies	4. Reorient the budget resources allocated to the public work scheme to active labour market measures to foster integration into the primary labour market; and improve the adequacy and coverage of social assistance and unemployment benefits.
	2015	Education and training	5. Increase the participation of disadvantaged groups in particular Roma in inclusive mainstream education, and improve the support offered to these groups through targeted teacher training; strengthen measures to facilitate the transition between different stages of education and to the labour market, and improve the teaching of essential competences.
	2016	Active labour market policies	3. Facilitate the transition from the public works scheme to the primary labour market and reinforce other active labour market policies. Improve the adequacy and coverage of social assistance and unemployment benefits. Take measures to improve educational outcomes and to increase the participation of disadvantaged groups, in particular Roma, in inclusive mainstream education.
Ireland	2015	Health care	2. Take measures to increase the cost-effectiveness of the healthcare system, including by reducing spending on patented medicines and gradually implementing adequate prescription practices. Roll out activity-based funding throughout the health system.

	2015	Poverty and social exclusion; childcare	3. Take steps to increase the work-intensity of households and to address the poverty risk of children by tapering the withdrawal of benefits and supplementary payments upon return to employment and through better access to affordable full-time childcare.
	2016	Health care	1.(...) Enhance the quality of expenditure, particularly by increasing cost- effectiveness of healthcare and by prioritising government capital expenditure in R & D and in public infrastructure, in particular transport, water services and housing.
	2016	Poverty and social exclusion	2. Expand and accelerate the implementation of activation policies to increase the work intensity of households and address the poverty risk of children. Pursue measures to incentivise employment by tapering the withdrawal of benefits and supplementary payments. Improve the provision of quality, affordable full-time childcare
	2016	Poverty and social exclusion	3. Finalise durable restructuring solutions to lower non-performing loans, to ensure debt sustainability of households and to encourage lenders to reduce the debt of excessively leveraged yet viable businesses. Accelerate the phasing-in of a fully operational central credit registry covering all categories of lenders and debtors.
Italy	2015	Active labour market policies; education	5. Adopt the legislative decrees on the use of wage supplementation schemes, the revision of contractual arrangements, work-life balance and the strengthening of active labour market policies. Establish, in consultation with the social partners and in accordance with national practices, an effective framework for second-level contractual bargaining. As part of efforts to tackle youth unemployment, adopt and implement the planned school reform and expand vocationally-oriented tertiary education.
	2016	Active labour market policies and poverty	4. Implement the reform of active labour market policies, in particular by strengthening the effectiveness of employment services. Facilitate the take-up of work for second earners. Adopt and implement the national antipoverty strategy and review and rationalise social spending.
	2016	Competition in essential services	5. Swiftly adopt and implement the pending law on competition. Take further action to increase competition in regulated professions, the transport, health and retail sectors and the system of concessions.
Latvia	2015	Retirement	1. Ensure that the deviation from the medium-term objective in 2015 and 2016 is limited to the allowance linked to the systemic pension reform.
	2015	Education	2. Improve vocational education and training, speed up the curricula reform and increase the offer of apprenticeships. Ensure that the new financing model of the higher education system rewards quality. Better target research financing and incentivise private investment in innovation on the basis on of the Smart Specialisation Framework.
	2015	Social assistance; in work poverty; healthcare	3. Take concrete steps to reform social assistance, ensuring adequacy of benefits, and take measures to increase employability. Reduce the high tax wedge for low-income earners by shifting tax burden to other sources less detrimental to growth. Take action to improve accessibility, cost-effectiveness and quality of the healthcare system and link

			hospital financing to performance mechanisms.
	2016	Social assistance, education; healthcare	2. Improve the adequacy of social assistance benefits and step up measures supporting recipients in finding and retaining work, including through increased coverage of activation measures. Speed up the curricula reform in vocational education, establish — with the involvement of social partners — a regulatory framework for work-based learning and increase their offer. Improve the accessibility, quality and cost-effectiveness of the healthcare system.
Lithuania	2015	Active labour market policies; in work poverty; education	2. Address the challenge of a shrinking working-age population by improving the labour-market relevance of education, increasing attainment in basic skills, and improving the performance of the healthcare system; reduce the high tax wedge for low income earners by shifting the tax burden to other sources less detrimental to growth.
	2015	Retirement	3. Adopt a comprehensive reform of the pension system that also addresses the challenge of pension adequacy. Improve the coverage and adequacy of unemployment benefits and cash social assistance and improve the employability of those looking for work.
	2016	Education and training, healthcare; social dialogue	2. Strengthen investment in human capital and address skills shortages, by improving the labour market relevance of education, raising the quality of teaching and adult learning. Reinforce the coverage and effectiveness of active labour market policies. Strengthen the role of social dialogue mechanisms. Improve the performance of the healthcare system by strengthening outpatient care, disease prevention and health promotion. Improve the coverage and adequacy of unemployment benefits and social assistance.
Luxembourg	2015	Retirement	2, Close the gap between the statutory and effective retirement age, by limiting early retirement and by linking statutory retirement age to life expectancy
	2016	Retirement	1. Ensure the long-term sustainability of public pensions by increasing the effective retirement age, by limiting early retirement and increasing incentives to work longer, and by aligning the statutory retirement age to changes in life expectancy.
	2016	Housing	2. Remove barriers to investment and innovation that limit economic development in the business services sector. Address bottlenecks that hamper housing investment.
Malta	2015	Education and training	2. Take measures to improve basic skills and further reduce early school-leaving by promoting the continuous professional development of teachers.
	2015	Retirement	3. Accelerate the increase in the statutory retirement age and link it to life expectancy.
	2016	Education and training	2. Take measures to strengthen labour supply, in particular through increased participation of low-skilled persons in lifelong learning.
	2015	Entrepreneurial activity	4. Improve small and micro-enterprises' access to finance, in particular through non-bank instruments.
Netherlands	2015	Retirement	3. Reduce the level of contributions to the second pillar of the pension system for those in the early years of working life.

	2016	Retirement, housing	3. Take measures to make the second pillar of the pension system more transparent, inter-generationally fairer and more resilient to shocks. Take measures to reduce the remaining distortions in the housing market and the debt bias for households, in particular by decreasing mortgage interest tax deductibility.
	2016	Labour market	2. Tackle remaining barriers to hiring staff on permanent contracts and facilitate the transition from temporary to permanent contracts. Address the high increase in self-employed without employees, including by reducing tax distortions favouring self-employment, without compromising entrepreneurship, and by promoting access of the self-employed to affordable social protection.
Poland	2015	Retirement and pension system	2. Start the process of aligning the pension arrangements for farmers and miners with those for other workers, and adopt a timetable for progressive full alignment; put in place a system for assessing and recording farmers' incomes.
	2015	Active labour market policies	3. Take measures to reduce the excessive use of temporary and civil law contracts in the labour market.
	2016	Retirement and pension system; education	2. Ensure the sustainability and adequacy of the pension system and increase participation in the labour market, by starting to reform the preferential pension arrangements, removing obstacles to more permanent types of employment and improving the labour market-relevance of education and training.
	2016	Social infrastructures	3. Take measures to remove obstacles to investment in transport, construction and energy infrastructure, and increase the coverage of spatial planning at local level.
Portugal	2015	Labour market Wage system; social dialogue; in work poverty	2. Promote the alignment of wages and productivity, in consultation with the social partners and in accordance with national practices, taking into account differences in skills and local labour market conditions as well as divergences in economic performance across regions, sectors and companies. Ensure that developments relating to the minimum wage are consistent with the objectives of promoting employment and competitiveness
	2015	Active labour market policies	3. Improve the efficiency of public employment services, in particular by increasing outreach to non-registered young people. Ensure effective activation of benefit recipients and adequate coverage of the minimum income scheme.
	2016	Healthcare	1. (...) Ensure the long-term sustainability of the health sector, without compromising access to primary healthcare. Reduce the reliance of the pension system on budgetary transfers. By the end of 2016, refocus ongoing restructuring plans of state-owned enterprises.
	2016	Social dialogue	2. In consultation with social partners, ensure that the minimum wage is consistent with the objectives of promoting employment and competitiveness across sectors.
	2016	Active labour market policies	3. Ensure the effective activation of the long-term unemployed and improve the coordination between employment and social services. Strengthen incentives for firms to hire through permanent contracts.

Romania	2015	Active labour market policies; Social services; poverty; social dialogue; childcare; health; education	3. Strengthen the provision of labour market measures, in particular for unregistered young people and the long-term unemployed. Ensure that the national employment agency is adequately staffed. Establish, in consultation with the social partners and in accordance with national practices, clear guidelines for setting the minimum wage transparently. Introduce the minimum insertion income. Increase the provision and quality of early childhood education and care, in particular for Roma. Adopt the national strategy to reduce early school leaving. Pursue the national health strategy 2014-2020 to remedy issues of poor accessibility, low funding and inefficient resources.
	2016	Labour Market; retirement; education; in work poverty; social services; young people	2. Strengthen the National Employment Agency's services to employers and jobseekers, in particular by tailoring services to jobseeker profiles, better linking them with social assistance, including social services, and reaching out to unregistered young people. Establish, in consultation with social partners, objective criteria for setting the minimum wage. Take action to prevent early school leaving and increase the provision of quality education, in particular among Roma. Adopt the equalisation of the pension age for men and women.
	2016	Health care	3. Curb informal payments in the healthcare system and increase the availability of outpatient care. Strengthen the independence and transparency of human resources management in the public administration. Simplify administrative procedures for business and the public. Strengthen corporate governance of state-owned enterprises.
	2016	Public services; social infrastructures; rural areas	4. Improve access to integrated public services, extend basic infrastructure and foster economic diversification, in particular in rural areas. Adopt and implement the transport master plan. Strengthen public investment project prioritisation and preparation.
Slovakia	2015	Health care	1. Improve the cost-effectiveness of the healthcare sector, including by improving the management of hospital care and strengthening primary healthcare. Take measures to increase tax collection.
	2015	Active labour market policies; childcare; education	2. Take additional measures to address long term unemployment by introducing activation measures, second chance education and high-quality training tailored to individuals' needs. Improve the incentives for women to remain in or return to employment by improving the provision of childcare facilities.
	2015	Youth unemployment	3. Improve teacher training and the attractiveness of teaching as a profession to stem the decline in educational outcomes. Increase the participation of Roma children in mainstream education and in high-quality early childhood education.
	2016	Active labour market policies and education; childcare	2. Improve activation measures for the long-term unemployed and other disadvantaged groups, including individualised services and targeted training. Facilitate the employment of women, in particular by extending the provision of affordable, quality childcare. Improve educational outcomes by making the teaching profession more attractive and by increasing the participation of Roma children from early childhood in mainstream education.

Slovenia	2015	Active labour market policies ; in work poverty; social dialogue	2, Review, in consultation with the social partners and in accordance with national practices, the mechanism for setting the minimum wage, and in particular the role of allowances, in light of the impact on in-work poverty, job creation and competitiveness. Increase the employability of low skilled and older workers. Take measures to address long-term unemployment and provide adequate incentives to extend working lives.
	2016	Health care and pensions	1. (....) Complete and implement the reform of the long-term care and healthcare systems, making them more cost-efficient to ensure long-term sustainability of accessible and quality care. By the end of 2017, adopt the necessary measures to ensure the long-term sustainability and adequacy of the pension system.
	2016	Labour market; social dialogue	2. In consultation with social partners, increase the employability of low-skilled and older workers, including through targeted lifelong learning and activation measures.
Spain	2015	Wage system and active labour market policies; poverty	3. Promote the alignment of wages and productivity, in consultation with the social partners and in accordance with national practices, taking into account differences in skills and local labour market conditions as well as divergences in economic performance across regions, sectors and companies. Take steps to increase the quality and effectiveness of job search assistance and counselling, including as part of tackling youth unemployment. Streamline minimum income and family support schemes and foster regional mobility.
	2016	Active labour market policies and education, social services; long-term-care; childcare; poverty	2. Take further measures to improve labour market integration, by focusing on individualised support and strengthening the effectiveness of training measures. Enhance the capacity of regional employment services and reinforce their coordination with social services. Address gaps and disparities in minimum income schemes and improve family support schemes, including access to quality childcare and long-term care.
	2016	Active labour market policies and education	3. Take further measures to improve the labour market relevance of tertiary education, including by incentivising cooperation between universities, firms and research institutions. Increase performance-based funding of public research bodies and universities and foster R&I investment by the private sector.
Sweden	2016	Housing	1. Address the rise in household debt by adjusting fiscal incentives, in particular by gradually limiting the tax deductibility of mortgage interest payments or by increasing recurrent property taxes, and by increasing the pace of mortgage amortisation. To alleviate the structural under-supply of housing, foster competition in the construction sector, streamline the planning and appeals procedures for construction and revise the rent-setting system to allow more market-oriented rent levels.
United Kingdom	2015	Housing; childcare	2. Take further steps to boost supply in the housing sector, including by implementing the reforms of the national planning policy framework. (the same for 2016)
		Active labour market policies, education; childcare	3. Address skills mismatches by increasing employers' engagement in the delivery of apprenticeships. Take action to further reduce the number of young people with low basic skills. Further improve the availability of affordable, high-quality, full-time childcare.

	2016	Education and training	3. Address skills mismatches and provide for skills progression, including by strengthening the quality of apprenticeships. Further improve the availability of affordable, high-quality, full-time childcare.

Annex 3: Statistical tables

Table 3.1

People at risk of poverty or social exclusion (%)		
	2015	**delta 2008-2015**
BG	41.3	-3.5
RO	37.3	-6.9
EL	35.7	7.6
LV	30.9	-3.3
LT	29.3	1.0
ES	28.6	4.8
IT	28.3	2.8
HU	28.2	0.0
IE	27.6	3.9
CY	27.4	4.1
PT	26.6	0.6
PL	24.7	-5.8
EU-28	**24.4**	**n/a**
EU-27	**24.4**	**0.7**
EE	24.2	2.4
UK	23.5	0.3
MT	22.4	2.3
BE	21.1	0.3
DE	20.6	0.5
SI	19.2	0.7
LU	19.0	3.5
SK	18.4	-2.2
AT	18.3	-2.3
DK	17.7	1.4
FR	17.7	-0.8
FI	16.8	-0.6
NL	16.8	1.9
SE	16.0	1.1
CZ	14.0	-1.3
HR	n/a	n/a

Source: IRS elaboration on Eurostat AROPE data (year 2014 in red as last available data)

Table 3.2

In-work at-risk-of-poverty rate, employed 18 years or over (%)		
	2015	**delta 2008-2015**
RO	18.8	1.1
EL	13.4	-0.9
ES	13.1	1.8
LU	11.1	1.7
IT	11.0	2.0
PT	10.9	-0.9
PL	10.6	-0.9
EE	10.0	2.7
DE	9.9	2.8
LT	9.9	0.5
EU-27	**9.6**	**1.0**
HU	9.3	3.5
LV	9.2	-1.3
UK	8.2	-0.3
AT	7.9	-0.6
CY	7.8	1.5
BG	7.7	0.2
FR	7.5	1.0
SE	7.1	0.3
SI	6.7	1.6
SK	6.0	0.2
NL	5.6	0.8
DK	5.5	0.5
IE	5.5	-1.0
MT	5.4	0.3
BE	4.6	-0.2
CZ	4.0	0.4
FI	3.5	-1.6
HR	n/a	n/a
EU-28	n/a	n/a

Source: IRS elaboration on Eurostat EU-SILC data (year 2014 in red as last available data)

Table 3.3

	Unemployment percentage of active population		NEET from 15 to 34 years	
	2015	delta 2008-20015	2015	delta 2008-2015
EL	24.9	17.1	27.1	10.5
ES	22.1	10.8	20.9	4.9
HR	16.3	7.7	21.2	7.1
CY	15.0	11.3	18.7	7.9
PT	12.6	3.8	13.5	1.3
IT	11.9	5.2	26.9	6.6
SK	11.5	1.9	19.9	3.1
FR	10.4	3.0	15.8	2.5
LV	9.9	2.2	14.7	0.0
EU-28	**9.4**	**2.4**	**16.1**	**1.9**
FI	9.4	3.0	13.1	3.3
IE	9.4	3.0	17.6	0.6
BG	9.2	3.6	23.0	4.5
LT	9.1	3.3	12.6	-0.4
SI	9.0	4.6	12.5	5.1
BE	8.5	1.5	15.5	3.0
PL	7.5	0.4	15.8	1.6
SE	7.4	1.2	7.4	-0.5
NL	6.9	3.2	8.1	2.5
HU	6.8	-1.0	16.9	-1.6
RO	6.8	1.2	21.1	7.0
LU	6.4	1.5	8.4	-1.6
DK	6.2	2.8	8.4	2.7
EE	6.2	0.7	13.3	1.0
AT	5.7	1.6	9.9	0.0
MT	5.4	-0.6	13.1	-1.6
UK	5.3	-0.3	13.2	-0.5
CZ	5.1	0.7	14.9	1.1
DE	4.6	-2.8	10.2	-2.5

Source: IRS elaboration on Eurostat data

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