

BRIEFING
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InvestEU: Short Briefing Paper





Social infrastructure is what holds our societies together. We need to see social infrastructure as what it is: an investment into the future and precondition for democracy, social mobility and justice. It is estimated that we annually lack €150 billion of social investment for the upcoming ten years in Europe. This infrastructure is mostly needed in the areas of social care, social housing, health and education. Despite pressures on the welfare state and social expenditure, we must ensure that public institutions allocate sufficient funding to enable and secure affordable, available, accessible, adaptable and quality services in this field. The InvestEU programme is a possibility to supplement this process by spreading out the risk of public investment through other long-term investment mechanisms. The maintenance and improvement of the above mentioned standards must be our top priority in this process.

What is InvestEU?

The InvestEU Fund is the new umbrella structure for EU financial instruments. In essence, it is a **budget guarantee to facilitate investments**. It will utilize guarantees from the EU budget to elevate for investments in certain sectors and acts as a medium of last resort. The Fund should therefore increase financial investment in the EU.

The European Commission states that the InvestEU programme is aimed to “**boost job creation and strengthen investment** and innovation in the EU.” InvestEU comes into force in the next Multiannual Financial Framework (MFF) **between 2021 and 2027**. It is considered the successor of the European Fund for Strategic Investments (EFSI) and is hoped to **trigger 650€ billion in additional investment**. The programme is meant to be as flexible and reactive as possible: Its purpose is to react market changes (or failures) and adapt to changing policy priorities¹. To facilitate the implementation of InvestEU, apart from the actual InvestEU Fund, there will also be an **InvestEU Advisory Hub** to provide technical support and assistance as well as an **InvestEU Portal** to bring together investors and project promoters.

Four **policy areas** will be supported under the InvestEU framework

- Sustainable infrastructure
- Research, innovation, and digitalisation
- Small and medium-sized businesses
- **Social investment and skills**

How will it work?

Hypothetical example for the “social investment and skills window”

A social service provider in France requests a loan of 4€ million for an infrastructure project in the field of education, skills and training. For this project, the provider will need a loan from the bank. The provider can guarantee that it can pay back at least 75% of the 4€ million loan with its own resources (such as public or local subsidies). The remaining 25%, including the interest rate, is planned to be financed through donations and crowdfunding. The bank might worry about these 25%, and this is where the InvestEU Fund could step in. If this infrastructure project were part of InvestEU, it could guarantee the remaining 25% of the provider's investment. The aim is for the provider to find its own financial resources to pay the loan back. However, the bank will be more likely to grant the loan with reasonable conditions if the project is backed with this EU guarantee.

Social Investment Window

As the name implies this window is meant to deploy projects that strengthen the social dimension of the European Union with a **substantial focus on employment, skills, labour markets and self-entrepreneurship**. It states that the “window shall aim at upwards convergence, reducing inequalities, increasing resilience and inclusiveness through promoting employment including entrepreneurship and self-employment, social enterprises and social economy, social inclusion, improving citizens' health, well-being and overall

1. http://europa.eu/rapid/press-release_MEMO-18-4010_en.htm



quality of life boosting education outcomes and skills provisions and supporting a just transition to a low carbon economy.”

Furthermore, the aim is to **increase access to and availability of social enterprises to support finances** and investment operations related to social investment. **Investment guidelines** exist for the separate windows. This also applies to the social window. It states that “support from the InvestEU Fund will be underpinned by a single EU budgetary guarantee supporting financial products that address a diversified portfolio of risks. This may include bank guarantees, loans, equity, mezzanine debt, dedicated funds and investment platforms.” Support under this window shall be in line with operations under the ESF+. However, participation in the ESF+ is not a precondition to access InvestEU financing.

Our stance on InvestEU

- ✓ We welcome the fact that the “Social investment and skills” window has been created and responds to the **increasing need to invest in social cohesion**, inclusion, advancements of skills and higher standards of living.
- ✓ We furthermore welcome the fact that **guarantees made available for social investments have been doubled** as compared to such investments in its predecessor “European Fund for Strategic Investments” (EFSI).
- ✓ We see strengths in the development of **window-specific investment guidelines** that take into account the various challenges and requirements in different sectors.
- SOLIDAR demands that InvestEU takes a **more pronounced approach towards quality social projects** that meet the requirements of affordability, availability, accessibility and adaptability.
- We remain cautious when the guidelines state that “the InvestEU Fund shall seek to strengthen private sector engagement to help deliver the European Pillar of Social Rights”.

Social service provision must not be commercialized in any way and the involvement of private, profit-seeking agents must never implicate a deterioration or commodification of services.

- We strongly encourage a **more systematic use of the investment clause 2.2** in the Stability and Growth Pact to help unlock social infrastructure investment. Through this clause, the Pact allows Member States to deviate from the Pact’s rules when they are co-financing investment projects.
- The **governance framework for InvestEU must be more inclusive** and involve social service providers who are closest to the ground and have therefore a vital contribution to this process.
- The funds made available for **capacity building must heavily benefit the social service provision sector** and not the investors alone. We therefore strongly encourage that **a significant proportion of this dedicated budget is used to directly build capacity within the social sectors.**

Our focus in the “Social Window” must be to leverage significant investment into local and innovative social infrastructure projects. The ultimate aim must be to have a significant social impact on the lives and societies of people in Europe. The InvestEU programme is an opportunity to channel money into social investments, but we must see a bigger focus on bottom-up approaches with smaller and local projects. The Social Window shall do its name justice and build capacity within the social sector rather than solely be beneficial for investors.

solidar

Rue de Pascale 4-6
1040 Brussels
Belgium
T +32 2 500 10 20
F +32 2 500 10 30

Twitter: @SOLIDAR_EU
Facebook: SOLIDAR
www.solidar.org
solidar@solidar.org

Responsible Editor:
Conny Reuter

Author:
Beate Beller

SOLIDAR is a European network of membership based Civil Society Organisations who gather several millions of citizens throughout Europe and worldwide. SOLIDAR voices the values of its member organisations to the EU and international institutions across the three main policy sectors; social affairs, lifelong learning and international cooperation.



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