

***European Economic and Social Committee***

***Workers' Group***

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

**Contribution of the Workers' Group**



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**Executive Summary**

As a consequence of "the economic storm that ravaged Europe and called its integration into question"[[1]](#footnote-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]](#footnote-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]](#footnote-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.

As described by EIB’s evaluation[[4]](#footnote-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:

* 1. 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;
  2. 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;
  3. **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:

1. It could support investments in education and training (Pillar 1: Skills, education and lifelong learning).
2. 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]](#footnote-5): only a few projects present, in their brief description, issues referring to these social rights.
3. 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).
4. 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.
5. 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.
6. 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).
7. In Pillar 20 (Access to essential services) it is possible to find the wider and more diversified description of potential social effects generated by the projects presented. EFSI projects are intended to deliver social outcomes by enhancing (economic) accessibility to essential services, such as energy and heating savings for households, renovation of public transport vehicles, wider dissemination of communication services (Wi-Fi, broadband and fibre).

Another relevant issue concerns **jobs creation**. At the beginning of the implementation phase Jyrki Katainen, the Commissioner for Growth and Jobs, in a debate (26/1/2015) with the Economic and Monetary Affairs Committee stated that his expectation was that **the plan would create 1.3 million jobs**. Data available at this stage of implementation are not able to justify such a prevision: at the end of September according to EU Commission Interim 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]](#footnote-6) the EFSI is supporting the European Investment Fund (EIF) **to help exceptional numbers of European SMEs to access finance**.

*Governance of the Plan*

1. 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]](#footnote-7).

1. 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.
2. 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]](#footnote-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]](#footnote-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.



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