Study: Unlocking the EFSI for Social Services

Economic and Financial Context

The economic and financial crisis has had numerous effects throughout the European Union, in terms of rising levels of unemployment, increasing levels of poverty and social exclusion, slow or little growth and weak public and private investment. **The limited and decreasing ability or willingness of authorities to invest in public services has been matched by a similarly weak investment into the real economy by private investors; rightly or wrongly.** This has clearly hindered Europe's economic and social recovery from the crisis.

Re-launching Private Investment into the Real Economy

Given this situation, public authorities are seeking **to maximise the impact of public money** in certain areas **to re-launch private investment into the real economy** and increase investor confidence. This is particularly the case for easing access to funding for riskier long-term or innovative projects, mid-cap companies and small and medium-sized entreprises. For this reason, the European Commission and the European Investment Bank (EIB) launched an initiative –the European Fund for Strategic Investment (EFSI)- to help overcome this investment gap by mobilising private investment into strategic areas. EFSI is a 16 billion EUR guarantee from the EU budget, complemented by an allocation of 5 billion EUR of EIB's own capital, aiming to secure at least 330 billion EUR additional investment into the European GDP**. The objective is to address a funding gap that is hampering the ability of entreprises to expand and innovate to their full potential due to limited access to private funding for certain high-risk projects.** The EU regulation establishing the EFSI specifically indicates the importance of the EFSI supporting high-risk investments in several specific sectors: energy, transport, healthcare and "social infrastructure, social and solidarity economy" (Art 9.2.(g)(V)).

Impact of the Crisis on Social Services and Users

In the meanwhile, in particular due to demographic changes, rising inequalities and high levels of unemployment, there has been a significant increase in demand for social services; be it in the field of disability care and support, childcare, elderly care, tackling homelessness, etc. Somewhat counterintuitively, this increasing demand for care and support has been met by insufficient or reduced public funding for the sector. Not only has this put additional pressure on the quality of the services themselves, it has also led to increased waiting lists for these services. There is little doubt that this has led to the further social exclusion of disadvantaged groups throughout Europe, as well as their social networks (family, friends, etc.) who are having to pick up the care and support activities due to a lack of alternatives. This is having a doubly negative impact on job creation. It is both destroying jobs as people (often women) are obliged to leave their job to pick up the care activities and hindering the job creation potential of the social services sector linked to the increase in demand, a significant missed opportunity given the high levels of unemployment in Europe, especially of young people.

Role of the EFSI in financing Social Services

Although not a replacement for the essential adequate public funding for the delivery and continuity of high quality social services in Europe, the EFSI can play a role to finance certain specific projects where private investment already plays a role, enabling a better financial agreement between the social service provider and the financer. For instance, in the (numerous) cases where social service providers require a loan for a specific innovative project aiming to improve the quality of the services provided (community-based infrastructure, human capital, innovation in services), the EFSI may be able to both ensure that the financer is willing to support such an investment and/or secure a better deal for the service provider; and consequently for public authorities too.

The Unused Potential of the EFSI

However, up until December 2015, the EFSI has yet to invest in a project linked to the social services sector for a variety of reasons, including a lack of an instrument dedicated to the specificities of the social services sector, as well as a misunderstanding from financial intermediaries of the predictability of returns on investment into social services.

What does the study contain?

In order to bridge this gap, provide a practical explanation on how to access EFSI and better assess the reasons for why it has yet to be picked up, the European Association of Service providers for Persons with Disabilities (EASPD) commissioned a study with specific and practical reports on

1. **The Structure and Functioning of the EFSI: how social service providers could access EFSI funding**
2. **The Structure and Functioning of the EFSI: how financial intermediaries could access EFSI funding**
3. **Promoting the use of EFSI among banking networks as a tool to ease access to credit for social service providers**
4. **The concerns and main barriers on the access to instruments funded by the EFSI and more in general on the financing of social service providers**
5. **Recommendations on what the European Commission can do to promote the uptake of EFSI by social service providers**
6. **Conclusions and Next Steps**

In order to facilitate the reading of this study for each possible reader, each specific report can be read separately from one another.

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