



## **Boosting LTC in Europe: what role for private investment?**

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# I. What are the investment needs?

- Funding needs of Care Providers are primarily:
  - **Staff related** (wages, working conditions, workforce development, training etc)
  - **Infrastructural** (buildings, equipment, technology, energy efficiency, accessibility)
  - **Innovation** (new ways of providing services, flexibility, etc)
- **Public funding frameworks (rates & models) are crucial** to ensure that social services are available, accessible, adaptable and affordable for all persons with support needs (EPSR, UN CRPD)
- Equally true that **governments have constraints** on their public expenditure
  - Governments can and should invest more by prioritizing their expenditure and doing more for state income
  - Yet also important to **recognize the impact of ageing** on European society and economy will place **pressure on government spending**, even in the best of worlds.
- **We must be smarter** in knowing why, when and how private investment can play a role.

# I. Public vs Private? False debate!

Boosting private investment in social care and support (in most cases) relies on sustainable public investment and committed public support

Private investment can help

- To spread the risk of a (primarily publicly funded) investment over the period of the project itself (meaning, getting a loan to finance the construction of supported housing can allow you to spread your investment over the period in which the housing will be used)
- To spread the risk of an investment between more stakeholders: providers, public authorities and investors (meaning public authorities can share the risk of financing the testing of a new service model with private investors)

In short, private investment can help to provide more options and flexibility for the use of public investment.

# I. Why invest in Social Infrastructure?

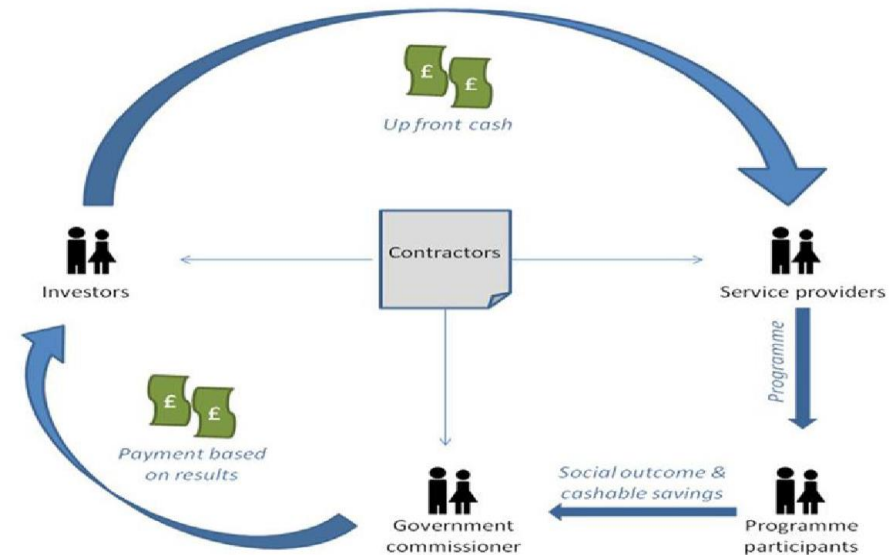
## Social infrastructure investment

- often has overall lower volatility of return(s) due to the system of an obligatory authorisation (and thus certain quality conditions) for the exploitation of the entity and the subvention systems for those recognised entities;
- is very often linked to inflation, which is very popular with institutional investors as they are thus more predictable and steady in return;
- have low correlation to other assets, which makes it unique;
- is often less exposed to market and systemic risk which is common within capital markets;
- is also a reputational matter

See EASPD Briefing: “[Why Invest in Community-Based Care](#)” (2019)

## II. What Private Investment Tools?

- Decent loans (for 95% of sectoral cases/interest), usually
  - For social infrastructure investment: usually between €500k and €15mln, long-term (25+ years for infrastructure), low interest rate, with public guarantee/support, etc
  - For covering the costs when payments after expenditure is made (pre-financing) or when public funding is late.
- Social Impact Investment and/or Performance-based instruments (no major interest by the sectors), for instance
  - Social Impact Bonds
  - Equity, quasi-equity
  - Hybrid
  - Etc



## II. Examples of Loans

Supported Living Services	Homecare Services
Construction or buying of 40 accessible studio flats for persons with intellectual disabilities across Flanders. Accompanied with support services, this would enable 40 or more persons with disabilities to live independently and in the community.	Construction of administrative headquarters to help manage, coordinate & organise home care & support services across the region; thus supporting the shift away from institutional care settings
Investment required: €9 million	Investment required: €1.8 million

Energy Efficiency	Digitalisation of Services
Making energy-efficiency adaptations to all infrastructure of one social service provider	To help build rural community-based services infrastructure, primarily via the construction of one-stop-shop support structures (integrated services) & development of an IT management platform, connecting the regional government structures of social services to the one-stop-shops
Investment required: €3 million	Investment required: €15 million

# II. Barriers to Private Investment

## ➤ MISCONCEPTIONS AND POOR COMMUNICATION

- Little experience of social service providers in dealing with banks, and vice versa (variable from country to country, or provider to provider).
- Lack of trust between the two sectors, leading to higher risk profile and lower interest in accessing loans

## ➤ EXPERTISE GAP AND LACK OF CAPACITY

- Traditional reliance by social service providers on grants and subsidies by public authorities means both investors and social service providers have limited technical expertise in working together and lack the capacity to build investment plans
- Legislative barriers: some EU Member States do not allow not-for-profit organisations to pay back interest rates of loans with public money.

## ➤ UNSUITABLE LEGAL FRAMEWORKS & INSTRUMENTS

- Heterogeneity of the social services sector means smaller investment needs; usually between €1 and 15 million.
- Banks (at all levels) argue that such small projects are rather costly for them to deal with; yet bundling of projects is complex.
- Social Impact Finance remains very limited, technically difficult and controversial

### III. What role for the EU?

- In 2015, the European Union launched the Investment Plan for Europe; which included
  - The European Fund for Strategic Investments, an EU Public Guarantee (€33.5 bln) to unblock over €500 billion worth of investment into strategic projects/companies/etc
  - The European Investment Advisory Hub and the Project Portal
  - Policy Reform, etc
- Very limited success for boosting investment in social care and support



# III. How does EFSI Work: SME window

## ➤ SME Window

- Supports loans for projects <€25 million
- Implemented through national banks to reach more SMEs
- Implemented through different:
  - COSME
  - InnovFin
  - EaSI

EFSI Guarantee  
Intervention (if  
required)

EIB Group

European Investment Fund

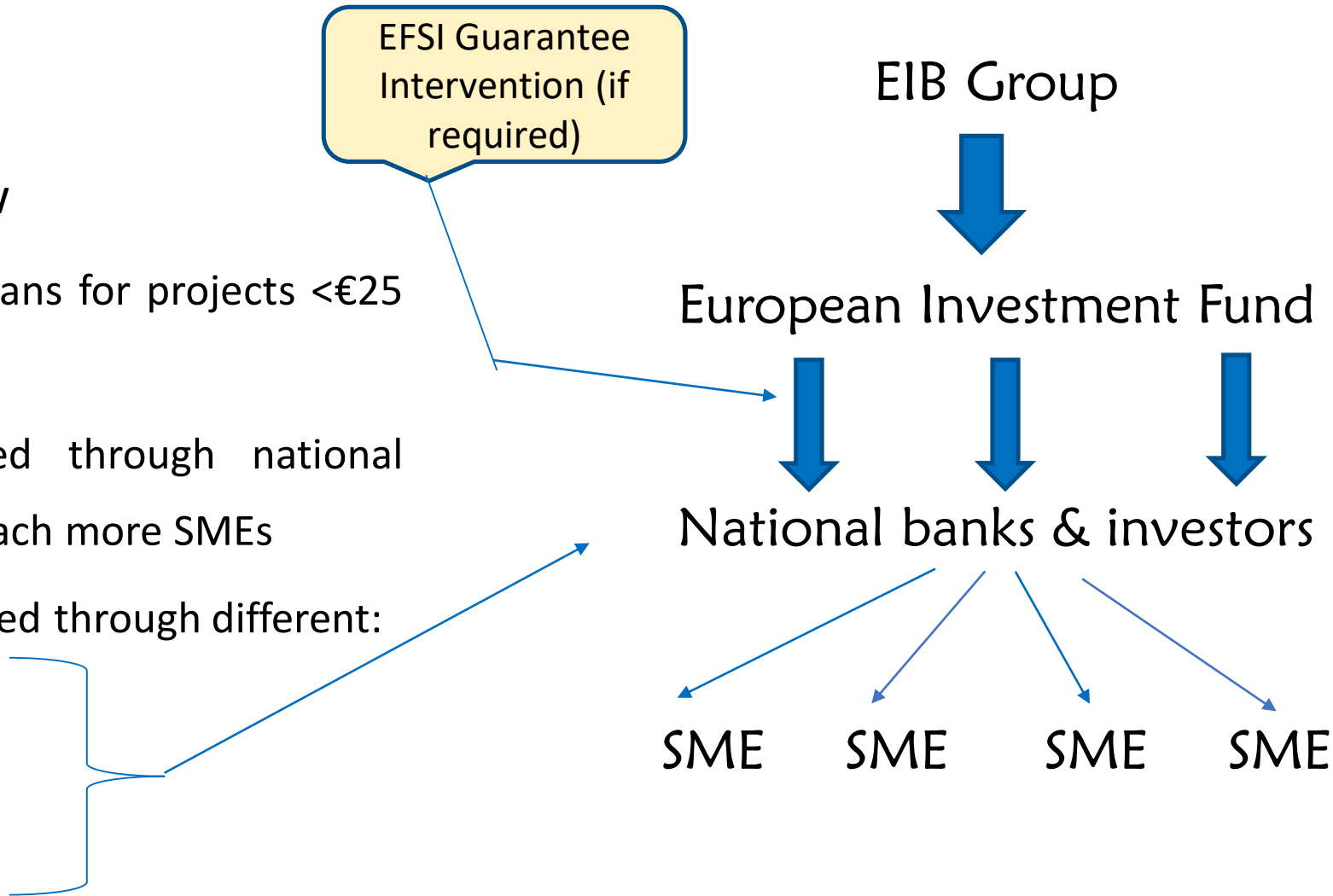
National banks & investors

SME

SME

SME

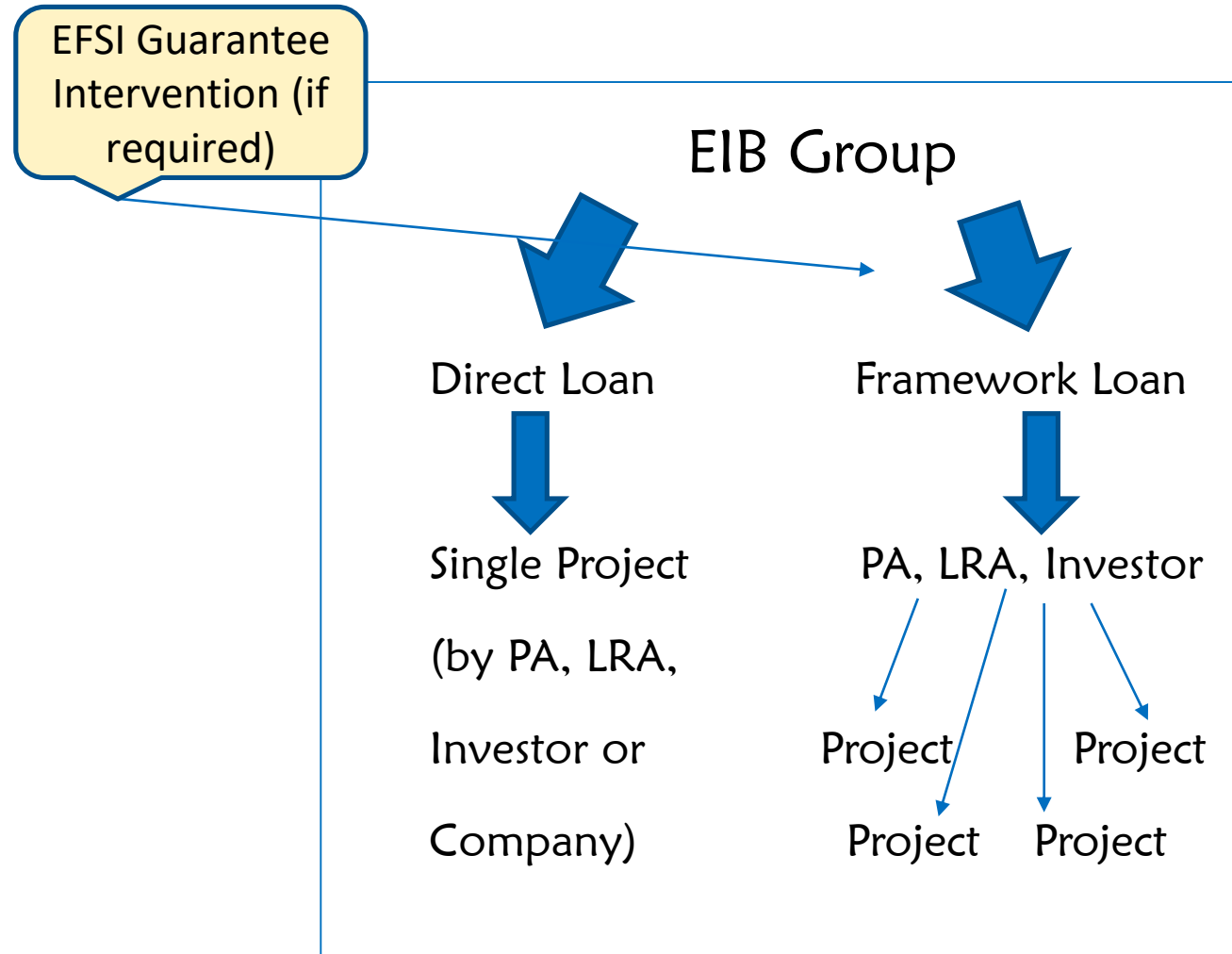
SME



### III. How does EFSI Work: Infrastructure Window

#### ➤ Infrastructure & Innovation Window

- Supports loans for projects >€25 million
- Implemented through the EIB directly
- Can help to attract other investors



### III. Infrastructure Window: good examples

#### ➤ Irish Primary Care Centres

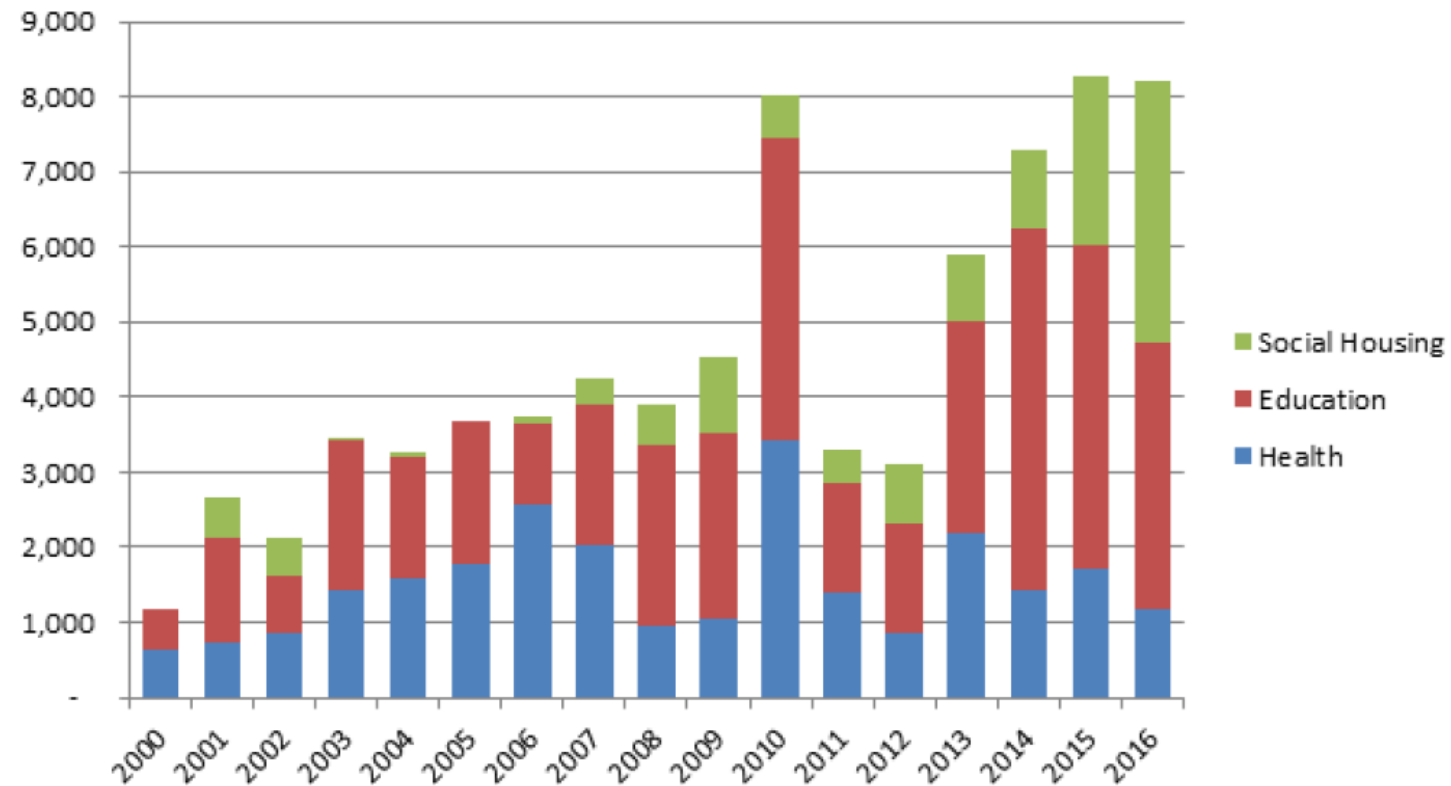
- EFSI loans of €70 million to Health Service Executive
- Build 14 Primary Care Centres, in the community
- 25 year loans, with a good interest rate

#### ➤ Care premises - Finland

- EIB loans of €50 million to Hoivatilat
- Build 58 new care facilities to help create 2,700 additional care places across Finland
- Alexander Stubb, VP EIB, « we expect further investment into the Finnish care sector soon »

## EIB lending to the Social sector, 2000-2016

EIB lending to the Social sector 2000-2016



Source: EIB

## IV. InvestEU

- The EU is currently **negotiating its next long-term EU Budget 2021-2027**
  - Replacing the EU Investment Plan, the European Commission is proposing the **InvestEU** programme.
- **Very similar** but with some improvements:
  - A **€4 bln Social Investment and Skills Window**, focusing on the needs of these sectors
  - Investment Guidelines, outlining what projects should be financed (community-based care, etc)
  - A **large Capacity Building** Programme (€500 mln +)
  - A focus on smaller projects and more implementing partners (CEB, National Public Investment Banks, etc)

## IV. A4i project

- **Alliance for Inclusive Investment in Social Care and Support.**
- **Objective:** Improving access to/delivery of social investment by boosting capacity and know-how
- Partners, include representatives from Social Care, Banking and Universities, supported by an **Advisory Board of experts** (public authorities, user groups, other investors, etc)
- **Main Outputs:**
  - Report: Advances in Social investment trends and instruments across Europe
  - European guidelines on Quality Investment Principles
  - Professional Development Programme (Universal)
  - Piloting the Programme in BE, CZ and ES; including the targeting of real investment projects



# EU INVESTMENT PLAN FOR THE SOCIAL SECTOR



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HI-CONTRAST

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ABOUT

SOCIAL SERVICES

INVESTORS

PUBLIC AUTHORITIES

HELP & ADVICE

NEWS

EVENTS



## SOCIAL SERVICE PROVIDERS

- Get access to quality loans and private investment
- Better understand and access the EU Investment Plan, including the European Fund for Strategic Investments (EFSI)
- Assess which option is most suited to your specific needs

READ MORE >



## INVESTORS

- Invest into the social services sector
- Better understand the Social Services sector and their investment needs
- Assess how the EU Investment Plan can support you to invest in the investment plans of social service providers

READ MORE >



## PUBLIC AUTHORITIES

- Find new solutions to invest in social infrastructure and innovation
- Better understand and access the EU investment Plan, including the European Fund for Strategic Investments (EFSI)
- Assess which option is most suited to your specific needs and investment plans

READ MORE >



# ANY QUESTIONS?

THANK YOU FOR YOUR ATTENTION



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EASPD – European Association of Service providers for Persons with Disabilities

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