PRESS RELEASE
Brussels, 23 January 2018

Investment in Social Infrastructure in Europe needs to be boosted and there are ways to do so, points a report initiated by ELTI Association published on 23 January 2018

A year ago, ELTI Association[1] asked Romano Prodi to chair a High-Level Task-Force bringing together highly experienced persons from different backgrounds (former minister, trade-unionist, economists, representatives from public companies …) to scrutinize investments in Social Infrastructure in Europe and to find ways to enhance them. This initiative underlining the need for additional investments in health, education and affordable housing, received a strong and immediate support from European Commission Vice-President Jyrki Katainen. Several experts have analysed future developments against the current situation.

Additional investments in Social Infrastructure will be needed throughout the EU over the next 10 years. Healthcare, education and affordable housing are crucial basic elements for every single citizen. Ongoing trends such as an ageing population and new technical developments, combined with a backlog of past investments in hospitals, kindergartens, schools, universities or social housing will require additional efforts in all EU Member States, notably in the less developed regions. Today, EUR 170 billion per year are spent on Social Infrastructure mainly by local, regional or national public authorities. Taking into account foreseeable developments, Europe needs the same amount per year in additional investments to adapt Social Infrastructure to future needs. In a context of scarce public resources, this additional effort can only be achieved through the mobilisation of public and private investors.

[1] ELTI Association is composed by the following members and associate members:
Oesterreichische Kontrollbank (OeKB) Austria, Bulgarian Development Bank (BDB) Bulgaria, Federal Holding and Investment Company (SFPI) Belgium, Croatian Bank for Reconstruction and Development (HBOR) Croatia, Ceskomoravska Zarucni a Rozvojova Banka (CMZRB) Czech Republic, Caisse des Dépôts et Consignations (CDC) France, La Banque publique d'Investissement (bpifrance) France, KfW Bankengruppe (KfW) Germany, National Bank of Greece (NBG) Greece, Hungarian Development Bank (MFB) Hungary, Strategic Banking Corporation of Ireland (SBCI) Ireland, Cassa Depositi e Prestiti (CDP) Italy, Latvian Development Finance Institution (ALTUM) Latvia, Public Investment Development Agency (VIPA) Lithuania, Société Nationale de Credit et d'Investissement (SNCI) Luxembourg, Bank of Valletta (BOV) Malta, Bank Gospodarstwa Krajowego (BGK) Poland, Slovenska Izvozna in Razvojna Banka (SID) Slovenia, Instituto de Credito Oficial (ICO) Spain, Nordic Investment Bank (NIB), Council of Europe Development Bank (CEB), Long-Term Infrastructure Investors, Association (LTIIA), NRW.Bank Germany, Consignment Deposits and Loans Fund (CDLF) Greece, INVEGA Lithuania, Turkiye Sinai Kalkinma Bankasi (TSKB) Turkey

Former President of the European Commission Romano Prodi and former French Economy Minister Christian Sautter, presented today the main findings of the High-Level Task-Force's report „Boosting investment in Social Infrastructure in Europe". The report was presented at a conference in Brussels to a large audience of stakeholders from the social sector and to the European Commission, represented by Vice-President Jyrki Katainen
Although investments in Social Infrastructure have proven highly beneficial for the community, the report points out a continuous lack of investment in the sector, estimated between EUR 100 and 150 billion per year. Because these investments are mostly financed by public bodies, they exhibit a limited risk profile, allow to diversify the portfolio of investors and their volatility is mostly independent from other assets. These strengths should be further highlighted and initiatives should be taken in order to encourage and channel investments in this area.

Proposals

Long-term social investment is needed, especially in regions at the lower end of the diverging economies. Better social policies and the social infrastructure embedded in these policies, lead to greater resilience and more long-term convergence, growth and wellbeing.

This can only be done through a real boost in public and private investments, working hand in hand to provide the most appropriate, efficient Social Infrastructure and services for people. New investment models and partnerships are needed, and Europe can lead the way in this respect.

The report identifies how to shift from the present scenario with a major social investment gap, towards a scenario we define as smart capacitating strategies, by focusing efforts on empowering people. In this context, the report illustrates how major bottlenecks could be removed by - among other things - improving technical assistance, financial and non-financial regulatory affairs and facilitating financing.

Proposals of the report presented by in different timeline horizons (short, mid-term and long - term) and are articulated around three main ideas.

« Labelling » National and European institutions could grant labels to projects according to social efficiency criteria. These labels could facilitate identification and, in turn, the financing of these projects.

« Bundling » projects. As most projects are small-scale projects, requiring a limited amount of investment, bringing them together could reduce the fixed costs and favour their dissemination.

« Blending » financing. In the current state of the economy, financing for these projects cannot come from one single body. Mixing public and private financing and/or using social impact bonds, could facilitate the access of Social Infrastructure to financing, while maintaining their unique benefits for the community.

Romano Prodi said:

"Social Infrastructure is crucial for inclusive growth and as a means for strengthening the social foundations of Europe. In order to respond to citizens' increasing needs and demands, new coherent and flexible institutions and strategies are required. It's time to prepare for the future"

European Commission Vice-President Katainen, responsible for Jobs, Growth, Investment and Competitiveness, said:

"Efforts to bridge the investment gap in Europe must also contribute to making infrastructure and service provision more people-centred, accessible, and affordable. Already, more than EUR 1.2 billion of EFSI financing has been approved in the social sector, which should mobilise over EUR 6 billion in investments. And we are determined to do more. Under EFSI 2.0, we place an emphasis on the importance of investment in Social Infrastructure and social services, by facilitating cooperation with national and regional promotional banks, supporting the creation of investment platforms, and helping promoters to make full use of the advisory hub and the project portal."

The **President of the European Association of Long-Term Investors Laurent Zylberberg** added:

"National Promotional Banks and financial Institutions are key for financing Social Infrastructure projects. They already play a major role and are ready to do more with present and future tools".

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