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POSITION PAPER ON THE FINANCING OF SOCIAL SERVICES

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Social Platform is the largest civil society alliance fighting for social justice and participatory democracy in Europe. Consisting of 48 pan-European networks of NGOs, Social Platform campaigns to ensure that EU policies are developed in partnership with the people they affect, respecting fundamental rights, promoting solidarity and improving lives.

KEY MESSAGES

I. *No matter whom the provider is or the source of funding used (public or private), member states must retain responsibility for setting the legislative, regulatory and financial frameworks for social services policy to ensure that a profit-making logic does not prevail over the general interest enshrined in the mission of these services. Provision of services must respect users' human rights and guarantee a high level of quality.*

II. *Public budgets must ensure adequate financial support for the provision of social services, as this represents an effective investment for and an essential element of cohesive and resilient societies. Sources of private funding can complement public budgets especially in the countries hit hardest by the economic crisis. When private funders are involved, public authorities must ensure that donors and investors act in the general interest and that private financing is subject to high transparency requirements.*

III. *When funders, institutions, donors or investors request social impact measurement of a specific service from applicants, it should be possible to choose among existing methodologies and tools to find a measurement technique best suited to the specific service to be funded.*

INTRODUCTION

Everywhere in Europe, the demand for social services is growing due to demographic and societal changes, the economic crisis, and increasing rates of unemployment, poverty and social exclusion. At the same time, public budgets are shrinking and expenditure for social services has been cut in many member states, to implement austerity measures.

Private sources are being used to complement public financing for social services. Civil society organisations (CSOs), social economy actors and social enterprises are growing everywhere and many of them provide social services. Competition is rising among service providers, as more businesses are interested in providing social services, at least in some sectors.

Governments and the European Commission put pressure on the efficiency and effectiveness of social service delivery. In some countries, particularly the Anglo-Saxon ones, public authorities are using "payment by results" in social services: the underlying principle is that providers are paid according to the outcomes they achieve, as opposed to the activities they carry out[1].

The aim of this paper is to provide recommendations that identify the key elements for a policy framework that ensures sustainable financing for social services. Another aim is to help clarify the different roles the public, private and voluntary sectors have to play in this complex scenario.

[1] We suggest the reading of "Payment by results and the voluntary sector" by NCVO

Specific proposals:

I. No matter whom the provider is[2] or the source of funding used (public or private), member states must retain responsibility for setting the legislative, regulatory and financial frameworks for social services policy to ensure that a profit-making logic does not prevail over the general interest enshrined in the mission of these services.

Why?

- With more businesses interested in delivering social services and more private funders or investors willing to support social initiatives, without an appropriate regulatory framework there is a risk of creating a dual system of service provision with businesses and funders limiting their activities to more profitable areas and users.

- There is also a risk that if privately funded services become unprofitable, they will be withdrawn to the detriment of those persons whose well-being is dependent on them.

- In the EU access to services of general interest, including social services, is a human right[3]. The EU institutions and member states share responsibility for ensuring that these services operate in a way that respond to their mission of general interest.

- According to Protocol 26 of the Lisbon Treaty, the EU and its member states share common values in relation to services of general interest, including social services:

    - a high level of quality, safety and affordability
    - equal treatment
    - the promotion of universal access and
    - the promotion of user rights.

How?

- When member states set the legal, regulatory and financial frameworks for social services, they must ensure that non-discriminatory universal access to quality, affordable and accessible social services is guaranteed to all people living in Europe.

- Public authorities also need to ensure that services are available throughout the whole territory of a country, including rural and remote regions and for target groups with multiple and complex social needs[4].

- Public authorities remain accountable for the provision of services even when they decide not to deliver them directly. They should bear responsibility for setting strategic social service policy objectives through dialogue with stakeholders,

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[2] The provider can be a public authority, a non-profit organisation, a social enterprise, a business.
[3] Charter of fundamental rights of the EU: access to placement services (art. 29), social security and social assistance including housing (art. 34), health care (art. 35) and access to services of general economic interest (art. 36).
[4] Social services, as well other services of general interest, are an essential component to ensure social and territorial cohesion and a cornerstone of the European Social Model.

without external pressure from for-profit private financers. Finally, they also remain responsible for monitoring and evaluating service delivery, by involving users too.

- To help public authorities in this task, the European Commission could propose a regulation (on the basis of art. 14 TFEU and Protocol 26) to set the economic and financial conditions that enable social services to fulfill their mission of general interest.
- The European Commission should clarify what the best procedure is to finance integration of services and one-stop shops (different providers and authorities work together to design integrated services). Partnerships and collaborative models of service provision shouldn't be financed through competitive procedures. The Commission should also clarify ways of financing social services other than through public procurement that are compatible with EU rules.

II. Public budgets must ensure adequate financial support for the provision of social services, as this represents an effective investment for and an essential element of cohesive and resilient societies. Sources of private funding can complement public budgets especially in the countries hit hardest by the economic crisis.

Why?

- The provision, commissioning and funding of social services of general interest is a member state responsibility (art. 14 TFEU).
- The Social Investment Package considers social spending, including expenditure in social services, not a cost but a social investment[5]. Accordingly, private financing should not replace public budgets commitments.
- Private financing tools should not be considered *a priori* as a way to save public money or to bring efficiency gains in public spending[6].

How?

- To ensure adequate public budgets for social services, member states and authorities should engage in fighting tax evasion and avoidance, undeclared work and corruption in public administrations. At national level, authorities should also undertake a revision of their taxation policies to ensure fairer redistribution.
- Public authorities, financial institutions and foundations should promote the use of hybrid funds that are composed of both public and private funds. Existing good practices show that the public sector can provide public guarantee schemes so that interest rates are lower and financial institutions or investors are more willing to invest without expecting a high return.
- Public authorities, financial institutions and investors should ensure that financing is accessible throughout the whole life cycle to support social investments both in the short and long run.

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[5] As Social Platform we agree that social investment is the provision and use of finance to generate both social and economic returns, aimed at addressing emerging social risks and unmet needs for the well-being of people and socially cohesive societies. See Social Platform's position on the Social Investment Package.

[6] Studies on PPPs or PFI (private finance initiatives in the UK) present a very mixed picture, which suggests that there is no systematic difference in efficiency. For example, the UK Treasury Select Committee 17th report – Private Finance Initiative; IMF 2004 Public-Private Partnerships March 12, 2004

- Representatives of CSOs and social enterprises should be associated with institutions in an open dialogue on why and where “new” financing instruments are necessary and on how to favour long-term rather than short-term financing and hybrid financing (public and private). “New” financing instruments should complement existing ways of financing rather than replacing them.

- The development of alternative financial tools that mobilise the savings of the population should be encouraged[7].

- All private financing tools should be developed in cooperation and dialogue with CSOs and social enterprises.

- When private funders are involved, public authorities should ensure that donors and investors act in the general interest and that private financing is subject to high transparency requirements.

- Social Impact Bonds should not be used to finance social services in a mainstreamed way. However, in some cases they can be a useful tool to test interventions and to promote innovations, where government funding is not available.

III. When funders, institutions, donors or investors request social impact measurements of a specific service from applicants, it should be possible to choose among existing methodologies and tools to find a measurement technique best suited to the specific service to be funded.

Why?

- As stated by the European Economic and Social Committee (EESC), social impact measurements aim to assess the social outcomes and impact created by specific activities of a social enterprise and not the enterprises itself, even if the structures of social economy enterprises themselves contribute to social value creation.

- For an organisation, engaging from shifting assessing outputs and participation rates to measuring the impact is a very useful process that requires time and resources. Therefore, institutions and investors should not require the measurement of the organisation’s overall activities, but focus on the activities to be funded. This is to avoid a process that would become too burdensome.
- For non-profit organisations and social enterprises, being able to measure the social impact is useful for improving management control and increasing legitimacy.

How?

- The method employed to measure the social impact cannot be devised top-down. It should be decided upon with the involvement of stakeholders, including service users, and should be tailored to suit each individual organisation and circumstance.

- Measurement of the social impact should be qualitative, not only quantitative. For example, if an organisation is tasked with helping ten young people enter the work force and only succeed with eight, the personal progress made by the two

[7] For example, with the “social bonds” offered by UBI Banca in Italy, citizens decide to invest their savings in obligations that are devoted to social projects; similar systems exist in France and Austria to mobilize savings for social housing.

remaining individuals should be measured as well, e.g. they may have learnt important social and professional skills during the process that will help them to find work in the future.

- Public authorities and investors should avoid financially supporting only those services whose results can be easily measured, while neglecting meaningful initiatives that address very complex needs and whose impact can be assessed only in the medium- or long-term.

- The role of funders should not extend to defining the objectives of the organisation. The development of "indicators" is a process in which both the organisation and the funder should participate on an equal footing. They could develop capacity building for social impact measurement.

- The Commission should encourage the development of operational tools specifically addressed to social entrepreneurs and local authorities, starting with the development of the seven areas identified in the report of the Social Impact Measurement sub-group[8].

[8] Sub-group of the Commission's Expert Group on Social Entrepreneurship – point 15. Further Development Points, page 50.

SPECIAL FOCUS

Social impact investing

Social impact investing is defined as investments into companies, organisations, and funds with the intention of generating a measurable, beneficial social and environmental impact alongside a financial return[9].

In September, the G7 published a report named "Impact investment: the invisible heart of markets[10]" according to which $1 trillion of new investments are available on the financial markets to tackle social problems more innovatively and effectively.

This report claims there is an urgent need for a revolution in government purchasing, with paying for successful delivery of specific outcomes as its core; however, it lacks a civil society perspective.

The notion of services of general interest is completely absent. The report does not make a distinction between financing a social service of general interest and supporting activities of businesses engaging in corporate social responsibility (CSR). It contains recommendations to governments to remove all possible obstacles to the development of a market of impact investment, some of which are quite worrying; for example, it recommends relaxing regulations that prevent social sector organisations from generating revenues. It doesn't indicate who pays for what along the investment process; for example, there is no reference to who pays in order to put in place the investment system and who pays in order to check it.

At the same time, the EESC issued an opinion on social impact investing, fully supported by Social Platform[11]. The opinion shares our concern that a social enterprise perspective is lacking in the G7 debate. In particular, the following recommendations are very important:

- Social impact investing (SII) must be seen in the context of the Social Investment Package and the Social Business Initiative.
- SII should not replace, but rather complement the public responsibility of financing core activities in the social sector.
- SII is one component of the social financial ecosystem.
- Specificities of social enterprises must be considered - access to high-quality services and continuity of services.
- Best models for SII are hybrid capital solutions - the Commission should explore the broad financial ecosystem needed.
- Social economy and social enterprises are underdeveloped in many member states - developing a social investment market is only secondary.

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[9] Definition given by the Global Impact Investing Network (GIIN).
[10] The report is available at www.socialimpactinvestment.org; alongside the international report, national reports are available from the UK, IT, FR, DE, US, Australia and Japan.
[11] Opinion of the European Economic and Social Committee on Social impact investment, INT/747, 11 September 2014

European Structural and Investment Funds

European Structural and Investment Funds (ESIF) – particularly the European Social Fund (ESF) and European Regional Development Fund (ERDF) – can play a transformative role in shaping social services and social infrastructures that is additional to the budgets of member states.

We recommend member states to:

- Make better use of complementarity between ESF and ERDF to allow the development of appropriate services around social infrastructures (for instance, renovation of social housing and training of residents on how to save energy).
- Strengthen the institutional capacity of public authorities in managing ESIF funds by all possible means, including specifically in planning, organising, delivering or commissioning social services.
- Do not decrease direct investments addressing persons with disabilities, as accessibility has been mainstreamed as a pre-condition for the use of all ESIF funds.
- When revising decisions on investment priorities in member states, do not use demographic data in a simplistic manner. For example, if a specific country or region is characterised by a low birth rate, as investment might still be necessary; if not to build new infrastructures, to improve the inclusiveness and accessibility of existing facilities.

We recommend the Commission to:

- Monitor if ESIF Funds are used by member states to implement the Country Specific Recommendations on poverty, social inclusion, employment, education and lifelong learning, social infrastructure and services.
- In cooperation with member states, identify the reasons why payments by member states are much below their commitments, and require them to put in place adequate corrective actions.
- Monitor member state planning of measures to reinforce the capacity and skills of all stakeholders delivering social services, both under the ESF and the ERDF.
- Monitor in the context of the ESF that the 20% earmarking for social inclusion and fight against poverty is respected

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