

Romano Prodi

A new deal for Social Europe: investing in social infrastructures¹

2018 was a difficult year for humanity – but we remain full of hope for 2019.

The challenges we face in Europe and across the world are serious, to be sure - but I am convinced each of us has the determination and courage to make it a great year.

The spectre of de-globalization looms, with a trade war between the United States and China;
the uncertainty created by Brexit;
Hungary, Poland and Romania backsliding on the rule of law; and the continued rise of populism.

Our European Union is confronted with an existential crisis.

Across the region, unhappiness among populations and distrust of politicians is already high.

Our social models are under pressure – with a huge and as yet unsatisfied requirement to **modernize** and **adapt** to the needs of all our citizens, and the opportunities presented by a digitally-transformed world.

Is any of this surprising?

The aftermath of the Eurocrisis has caught Member States in dire fiscal straits, a choice between two competing evils - between Scylla and Charybdis.
Pressures for deficit reduction constrain the domestic policy space for social investment reform, while populists - increasingly successful with disenfranchised citizens - resist austerity measures.

¹ Introductory speech to a meeting with the EU Commission – Brussels, Jan. 23rd 2019

Look at the recent standoff between the Commission and Italy's government over its fiscal stimulus commitment.

And the *gilets jaunes* backlash against President Macron's reform momentum in France.

There is a clear and urgent need for us to be **brave** and **ambitious** for a genuine Social Europe - and I commend this Commission for its efforts in this direction.

The Juncker Commission took on an ambitious swath of social policy initiatives - it is my honour to offer my support and address you today, sharing my thoughts about social infrastructure investment based on the report we launched last year.

I chaired the high level task force for this report, working closely with the Commission, the European association of promotional and public banks, and the E I B.

Public investment in social infrastructure during the Eurocrisis reached a 20-year low.

This was most acute in three sectors that are absolutely critical for the wellbeing of Europe's citizens., now and in the future: **Health, Education** and **Housing**.

Current investment in social infrastructure in the EU is estimated at 170 billion euros per year.

The minimum infrastructure investment gap in these sectors is estimated at 100 to 150 billion euros, representing a total gap of at least 1.5 trillion euros between 2018 and 2030.

Social infrastructure are critical to our future because they shape the nature of our society, and make social services and investments in human capital possible.

High-quality large-scale investments in social infrastructure are especially required in the EU now given our ageing populations, radical structural changes in labour markets, and the opportunities presented via technological innovation. A digital Europe, and connected world, are coming.

So - can we risk **not** making those much-needed investments in social infrastructure?

An ageing population will have serious and prolonged impacts, particularly on the affordability of health, and on long-term care and pensions.

This is in addition to substantial investments needed in education and competence development.

And all while demand for affordable energy-efficient and accessible housing continues to grow - and incomes grow less than the cost of housing and energy.

The large majority of social infrastructure is backed by scarce public money.

Two-thirds of investment is made by local administrations.

These challenges are at the heart our Report - **which calls for a new deal for Social Europe.**

I am, of course, delighted that our work has helped this Commission to boost its own reflections on a more socially equitable and responsive Europe for all our citizens.

And in particular, to prepare InvestEU with a groundbreaking new social window, and to catalyse more financing and technical support for a high-quality social Infrastructure and investment agenda.

The reality is that Europe's social infrastructure gap cannot be closed with public finance alone - and we have a great opportunity now to catalyse private investment for social infrastructure and services.

A dedicated window for social investments will help to improve the social investments in many of the regions with the greatest needs. I fervently hope this window will get larger and play an ever more central role in the future social policy of the Union.

The question is this: how a pipeline of essential projects secure financing can to close the enormous gap we identified.

I therefore want to reiterate the importance of supporting stakeholders to prepare a pipeline of bankable projects - and call on us all to take the initiative to make this happen now.

The HLTF is ready to support a group to work, together with the Commission, and with a short time delivery if needed.

The right framework will be in place once the new MFF and InvestEU are successfully adopted and operationally launched in 2021 – and there is no time to waste.

I therefore urge your Commission, President Juncker, to use all the instruments and resources still available to step up our collective level of ambition.

Only then can we make real, meaningful progress to help our citizens with the greatest need - and ideally make these efforts visible to all in advance of the upcoming European Parliament elections.

In short, we can effect real change in Europe – if we seize the moment.

I am, of course, ready to fully support you, and to call on long-term investors to join up.

The networks of promotional and public banks, together with the EIB, could join forces with local authorities, funds and NGOs. Across Europe, already, there existing best practice and models that could be widely shared - and so quickly increase the number of initiatives we can deliver rapidly.

Here's an example: housing.

We know that the cost of energy and rent of basic housing is increasing far faster than salaries of citizens.

This creates a vicious circle in which many people pay near to 40 percent of their income for housing, paying unaffordable prices to keep their homes warm or cool, while increasing numbers of people wait and wait on never-ending waiting lists for social housing; others depend on subsidies to pay for their heating and risk becoming homeless.

The numbers are staggering.

Many older or disabled people have to leave their homes prematurely, and are on waiting lists to enter special institutions. If their homes and social services could only be adapted and updated, they could stay in their own communities - with all the benefits that brings.

The Commission, EIB and banks have already made major efforts - but if we do not step up, together, now, in the pace and level of ambition, then the situation will only get worse – with serious and costly human and political consequences.

We can show the leadership in Europe, right now, to use all the resources available to finance projects that are ready to go now, to support more affordable, energy-efficient and accessible housing – and to deliver improved access to social and healthcare services.

I call on all parties to work together and to publish clear guidance and case studies as examples for other stakeholders to start developing a new pipeline of bankable projects and investment platforms, and widely communicate these aspirations and concrete activities to regional authorities and other relevant parties.

Personally, I am wholly committed to mobilising public and private long-term investors to step up their efforts **now**.

I am convinced that, by working together, we can and will make a difference.