

POLICY BRIEF

The New EU Multiannual Financial Framework 2021-2027

Once every seven years, the European Union decides on its future long-term budget – the **Multiannual Financial Framework (MFF)**. These framework agreements provide a stable basis for implementing EU budgets for a period of at least five years. The EU budget complements national budgets of Member States by funding initiatives and policies with a European added value. The Multiannual Financial Frameworks allow the EU to focus on common policies over a period that is long enough to make sure that the intervention is effective. The long-term vision is important for potential beneficiaries of EU funds, co-financing authorities as well as national treasuries.

The current MFF covers the period 2014-2020 and allows the EU to invest around €1 trillion over that period. By defining in which areas the EU invests over a period of seven years, the Multiannual Framework is an expression of political priorities – which of course include social, societal and environmental elements.

As we are coming to the end of the previous programming period, recently, a new MFF for the period of 2021-2027 was proposed by the European Commission, targeting a budget of roughly €1.3 trillion across a broad range of different policy priorities of the European Union¹. The newly proposed MFF aims, among other things, at strengthening the social dimension of the Union.

Some of the changes in the MFF 2021-2027 that are most relevant to the Venture Philanthropy and Social Investment sector are the budgets allocated to number I.2 and II.6 of the proposed budget illustrated in Figure 1 – **InvestEU** and the **European Social Fund Plus (ESF+)**, respectively.

The two new schemes seek to (i) maximise synergies between different financial and non-financial support schemes, (ii) obtain the best possible use of existing funding mechanisms and financial instruments, and (iii) simplify the access to and management of EU interventions.

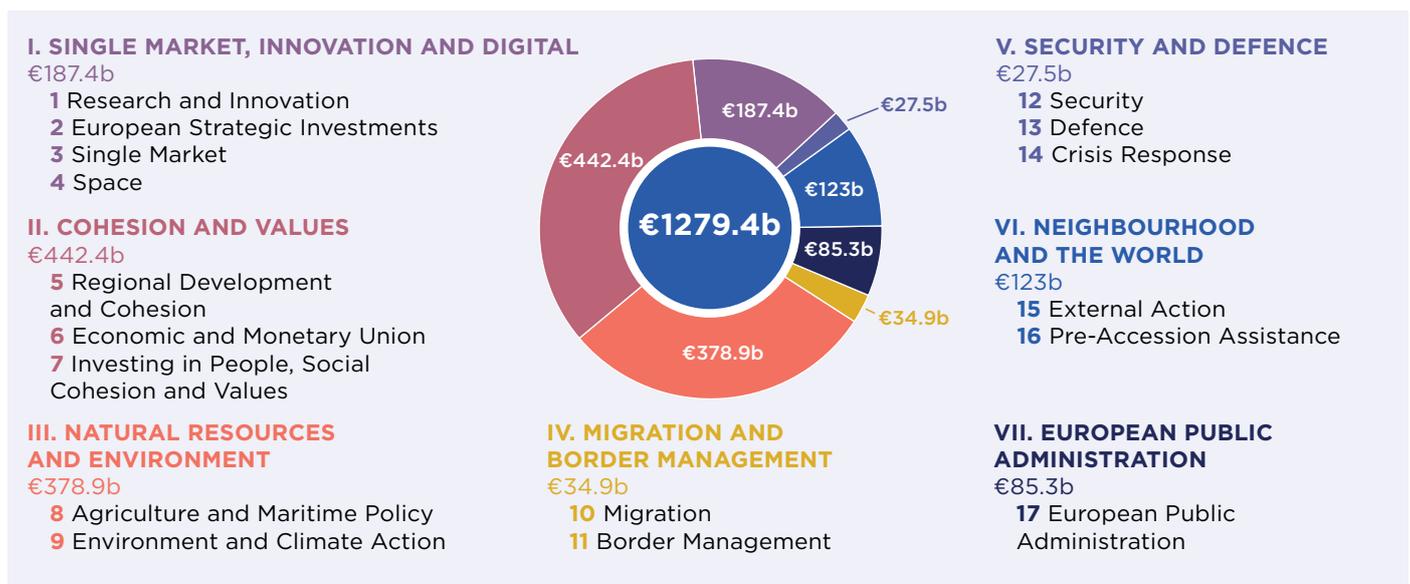


Figure 1: Proposed MFF 2021-2027 (in € billion) based on European Commission graph

¹ The new Multiannual Financial Framework is currently a proposal of the European Commission, which needs to be approved by both the European Parliament and the Council of the European Union. In a [recent meeting](#), the European Council welcomed the intensive preparatory work carried out on the Multiannual Financial Framework and calls on the incoming Presidency to continue that work, with a view to achieving an agreement in the European Council in autumn 2019.

INVESTEU PROGRAMME

I. SINGLE MARKET, INNOVATION AND DIGITAL

Building on the [Investment Plan for Europe](#), also known as the “Juncker Plan”, the European Commission (EC) launched its [proposal](#) for the InvestEU Programme in June 2018.

InvestEU will target investments promoting sustainable infrastructure, research and innovation, digital transformation, access to finance for small and medium-sized enterprises, education, skills, social infrastructure and the development and –most interesting for the venture philanthropy and social investment sector– **consolidation of market structures underlying the social economy**. If approved by the European Parliament and the EU Council, the programme will combine several EU financial instruments under one roof, thereby creating common rules and one single point of contact.

InvestEU, in its proposed form, consists of:

1. **The InvestEU Fund:** a fund to mobilise public and private investment through a €38 billion overall guarantee provided by the Union budget, of which €4 billion are reserved to social investment through the social window.
2. **The InvestEU Advisory Hub:** a point of contact to provide technical advice to investment projects seeking financing.
3. **The InvestEU Portal:** an online database that gives visibility to the projects that are seeking investment, and provides information for investors.

Through the fund, the **InvestEU Programme** aims at mobilising private capital for investments in strategic priority areas, including social investments. By **implementing de-risking and risk-sharing instruments**, InvestEU estimates to **unlock private investment** with a significant leverage: the proposed budget of €38 billion intends to mobilise around €650 billion in additional investment.

To implement the **InvestEU Fund**, the Commission foresees to collaborate closely with the **EIB Group**, which has already been successfully managing European financial instruments. In addition to the EIB Group, **international financial institutions and national promotional banks** will be directly involved in deploying the guarantee. This allows for InvestEU to decentralise the operational burden while ensuring that the deployment of capital is adapted to the local context.

The InvestEU Fund will channel investments through four different windows:

- a) **sustainable infrastructure;**
- b) **research, innovation and digitisation;**
- c) **small and medium enterprises;** and
- d) **social investments and skills.**

| Window | Budgetary guarantee | Mobilised investment (estimate) |
|---------------------------------------|---------------------|---------------------------------|
| Sustainable Infrastructure | €11.5b | €185b |
| Research, Innovation and Digitisation | €11.25b | €200b |
| SMEs | €11.25b | €215b |
| Social Investment and Skills | €4b | €50b |
| TOTAL | €38b | €650b |

Table 1 - The InvestEU Fund's investment windows

INVESTEU – SOCIAL INVESTMENT AND SKILLS WINDOW

The Social Investment and Skills window offers a range of improvements compared to the existing support to the European social investment ecosystem. The fundamental opportunity of the **InvestEU Programme** is that it integrates **a wide range of different financial instruments in one single fund**. Compared to the existing instruments under the current MFF, this integration allows for **more flexibility** as well as a **more agile investment strategy** to optimally foster national and regional social investment markets.

Furthermore, the **InvestEU Social Investment and Skills Window** allocates significantly **more budget to the Venture Philanthropy and Social Investment sector**. The programme will allocate **€4 billion** to the social window –almost doubling what has been made available under the current Multiannual Financial Framework 2014–2020. In its current proposal, a broad range of thematic areas are eligible for investments under the social investment and skills window:

- a) microfinance, social enterprise finance and social economy;
- b) demand for and supply of skills;
- c) education, training and related services;
- d) social infrastructure, in particular
 - i) education and training, including early childhood education and care, educational facilities, student housing and digital equipment;
 - ii) social housing;
 - iii) health and long-term care, including clinics, hospitals, primary care, home services and community-based care;
- e) social innovation, including innovative social solutions and schemes aiming at promoting social impacts and outcomes in the areas referred to in this point;
- f) cultural activities with a social goal;
- g) integration of vulnerable people, including third country nationals;
- h) innovative health solutions, including health services and new care models;
- i) inclusion of and accessibility for persons with disabilities.

The InvestEU Programme was specifically developed to be able to **add value to all Member States**, irrespective of the size and development of the social investment markets. The implementation of the programme through local partners aims at **tailoring the investment strategy to locally relevant market needs** and **leveraging regional and/or national social innovation ecosystems**.

Paired with the InvestEU Advisory Hub and the InvestEU Portal, the InvestEU Fund hopes to multiply its impact: the Portal will give visibility to projects seeking investment and will compile information on available funding mechanisms and capacity support for social enterprises. The **InvestEU Advisory Hub** will provide **hands-on technical assistance** to support projects in becoming **investment-ready** and filing applications to benefit from European financial instruments.

Altogether, the €4 billion allocated to the Social Investment and Skills Window under InvestEU is estimated to mobilise roughly €50 billion of private capital to flow to European social investment markets and social innovation ecosystems in the next couple of years.

INVESTEU KEY FEATURES

| | AREAS OF INVESTMENT | KEY NOVELTIES | FINANCIAL PARTNERS | COMPLEMENTARITY | IMPACT ON VP/SI ECOSYSTEM |
|----------|--|---|--|---|---|
| InvestEU | <ul style="list-style-type: none"> • Sustainable infrastructure (€11.5 billion guarantee) • Research, innovation and digitisation (€11.25 billion guarantee) • Small and medium sized companies (€11.25 billion guarantee) • Social investment and skills (€4 billion) | <ul style="list-style-type: none"> • Setting up one single governance by grouping several EU financial instruments under the same roof • Same rules across different EU funds will minimise overlaps and invigorate synergies • Technical support and assistance to help with the preparation, development, structuring and implementation of projects, including capacity building (Advisory Hub) • Accessible and user-friendly database to connect project promoters and investors (InvestEU Portal) | <ul style="list-style-type: none"> • The main implementation partner is the European Investment Bank Group • International financial institutions (such as EBRD, the World Bank, the Council of Europe Bank) • National promotional banks | <ul style="list-style-type: none"> • InvestEU can be blended with grants or financial instruments funded by the centrally managed Union budget or by the EU Emissions Trading System (ETS) Innovation Fund. In these cases, the InvestEU rules will apply for the entire project | <ul style="list-style-type: none"> • Significantly increased budget allocation for social investment and skills: €4 billion • The social investment policy window will support four areas: (1) social economy, social enterprises and microfinance; (2) skills, education, and integration; (3) health; (4) social infrastructure and services • Instruments to be deployed include loans, guarantees, equity and other financial instruments. Payment-by-Results instruments or other mechanisms could be also included • Capacity building support for social innovators, social entrepreneurs, social impact investors and philanthropist • Improvement of the accessibility of the instruments to mobilise support from philanthropists, venture philanthropists and social investors • The final aims are: (i) to strengthen nascent social market eco-system, increasing the supply of and access to finance to micro- and social enterprises; (ii) to address investment gaps in social infrastructure and services, including for education, training, health and housing |

EUROPEAN SOCIAL FUND +

II. COHESION AND VALUES

As part of the development of the new Multiannual Financial Framework 2021-2027, the European Commission issued its [proposal](#) for an adjusted regulation of the existing European Social Fund in May 2018. For over six decades, the European Social Fund has been the European Union's key financial instrument to **invest in people and creating quality employment opportunity for European citizens**.

In the same spirit, the renewed European Social Fund + (ESF+) is foreseen to be the main instrument for the European Union to **foster a more social Europe** by putting the principles of the [European Pillar of Social Rights](#) into practice. ESF+ will address initiatives to improve employment opportunities, raise the standard of living, facilitate labour mobility and increase economic, social and territorial cohesion across Europe.

The proposed ESF+ regulation merges the existing European Social Fund, the Youth Employment Initiative, the Fund for European Aid to the most Deprived, the Employment and Social Innovation Programme and the EU Health Programme. As a result, ESF+ will be a streamlined, simplified vehicle for the European Commission to provide support to its citizens.

Consolidating the regulations of the different instruments, as well as invigorating synergies between the different components will allow ESF+ to be more agile and impactful than its predecessor.

Under the new Multiannual Financial Framework 2021-2027, the proposal foresees the ESF+ to **increase in size**. The new MFF will allocate up to 27% towards the ESF+ (an increase of 4 percentage points compared to 23% of the overall Cohesion Policy budget allocated in the current programming period), which will thus amount to over €101.2 billion for the period 2021-2027.

The **ESF+** will invest in three main areas, namely:

- a) equal opportunities and access to the labour market**, including quality and inclusive education and training systems;
- b) fair working conditions**; and
- c) social protection and inclusion**.

ESF+ programmes must reflect these priorities in order to receive support, and country-specific priorities will be defined to optimally cater to local social and economic needs.

The **ESF+** can also co-invest alongside other **EU instruments**, such as, the InvestEU Programme. With a significant increase in budget, the proposal for an improved and refined European Social Fund + promises opportunities for the Social Investment and Venture Philanthropy sector heading into the next Multiannual Financial Framework 2021-2027.

WHAT'S NEXT?

For the years 2019 and 2020, the European Commission will continue to implement the programmes approved under the Multiannual Financial Framework 2014-2020, while it promotes the adoption of the proposed MFF 2021-2027.

The new MFF proposals are **now in discussion at European Parliament and European Council**. The resources to be allocated for each policy area and the modalities for implementing the different programmes will be finalised only after the conclusion of the co-decision procedure. At the same time, the European Commission continues to specify the investment strategy for **InvestEU** and **ESF+**, including the development of different concrete financial instruments to address the social investment and venture philanthropy ecosystem. It is precisely in this process, where the European Commission must liaise closely with practitioners on the ground from different geographies, to understand market needs and develop the strategy accordingly.

The **European Venture Philanthropy Association (EVPA)** collaborates closely with the European Commission in facilitating this dialogue, and to channel information from its members and practitioners on the ground to the Commission. Resulting from a long-standing partnership with the European Commission, various market consultations and interactions with experts from across the European Union, EVPA is an important platform to shape the debate between its members and the Commission around InvestEU and ESF+.

ESF+ KEY FEATURES

| | AREAS OF INVESTMENT | KEY NOVELTIES | FINANCIAL PARTNERS | COMPLEMENTARITY | IMPACT ON VP/SI ECOSYSTEM |
|------|--|--|--|---|--|
| ESF+ | <ul style="list-style-type: none"> • Education, training and lifelong learning • Effectiveness of labour markets and equal access to quality employment • Social inclusion, health and combatting poverty | <ul style="list-style-type: none"> • Merging the existing European Social Fund (ESF), the Youth Employment Initiative (YEI), the Fund for European Aid to the most Deprived (FEAD), the Employment and Social Innovation Programme (EaSI) and the EU Health Programme • ESF+ programmes and projects will focus on challenges identified under the European Semester in light of the European Pillar of Social Rights • Simplified rules for national ESF authorities and project implementers to report and indicate costs | <ul style="list-style-type: none"> • ESF+ will promote the involvement of all stakeholders throughout the different stages of implementation, including public authorities, economic and social partners, relevant bodies representing civil society and bodies responsible for promoting social inclusion • Member States are expected to allocate an appropriate amount of ESF+ resources in each programme for the capacity building of social partners and civil society organisations | <ul style="list-style-type: none"> • Complementary ensured with the Erasmus Programme, the Asylum and Migration Fund, the European Globalisation Adjustment Fund, the Reform Support Programme and InvestEU. | <ul style="list-style-type: none"> • Provisions to create a market eco-system to increase the supply of and access to finance for social enterprises • Support to microfinance and social enterprises, including through blending operations such as asymmetric risk sharing or reducing transaction costs • Support to development of social investment market, and facilitating public and private interactions and the participation of foundations and philanthropic actors in that market • Involvement of philanthropic actors, such as foundations and donors, in ESF+ actions in particular in those aimed at developing the social investment ecosystem |

EU FUNDING FOR SOCIAL ENTREPRENEURSHIP - WHAT CHANGES WITH THE NEW MFF



* No new investments can be undertaken under EFSI after 2020 but the liabilities run much longer

** No change is expected under the new MFF 2021-2027

MORE INFORMATION

In December 2018, EVPA hosted a **webinar** titled “*InvestEU - what’s in it for venture philanthropists and social investors?*”. Bernardo Urrutia, representative of the European Commission, and Dr. Markus Freiburg, founder and CEO of FASE- Financing Agency for Social Entrepreneurship, introduced InvestEU and ESF+ as part of the new Multiannual Financial Framework and presented their institutional and practical view on the opportunities and challenges regarding the new framework.

A recording of the webinar is available on EVPA's website - [here](#).

EVPA's Policy team is also available to provide more information on InvestEU, ESF+ and the Multiannual Financial Framework.

Do not hesitate to contact EVPA Policy team at policy@evpa.eu.com

FURTHER LINKS

ABOUT EVPA

- [EVPA Website](#)
- [EVPA Policy Webinars](#)
- [EVPA's Policy Work](#)

ABOUT THE MULTIANNUAL FINANCIAL FRAMEWORK

- [MFF 2021-2027](#) - EU Commission Documents

ABOUT INVESTEU

- [What is the InvestEU Programme](#)
- [InvestEU: What will it finance?](#)
- [Proposal for a REGULATION OF THE EUROPEAN PARLIAMENT AND OF THE COUNCIL establishing the InvestEU Programme](#)
- Commission Staff Working Document. [Impact Assessment](#)
- [The InvestEU Programme: Questions and Answers](#)
- [MMF - Multiannual Financial Framework - InvestEU Programme 2021-2017](#)

ABOUT ESF+

- [Proposal for a Regulation](#) of the European Parliament and of the Council on the European Social Fund Plus
- [European Commission Press release](#)

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