



MEETING REPORT

Financing social services. Learning from the experience of the not-for-profit sector

Berlin, 27-28 October 2016

On 27-28 October, over 20 participants from Eurodiaconia member organizations and partner organizations gathered to discuss issues related to financing social services. The conference was co-organized by Eurodiaconia, the Helsinki Deaconess Institute (Finland) and Diakonie Germany, who hosted the event at its headquarters in Berlin.

The discussion focused on different national frameworks for financing social services, explored new initiatives at EU and national levels which could boost social services provided under a not-for-profit basis and looked at partnership opportunities with other stakeholders.

Thursday, 27 October 2016

Maria Loheide, member of the Board of Diakonie Germany responsible for Social Policies and also a member of the Eurodiaconia Supervisory Board, welcomed participants and underlined some of the main challenges faced by social service provision today. Ms Loheide stressed the critical importance of public commitment towards social service provision. The state cannot overlook this responsibility or leave it in the hands of philanthropy and such role should be underpinned on adequate fiscal resources. In this regard, fighting tax evasion and avoidance has key implications over the sustainability of social services.

Jarmo Kökkö, Director of Diaconia and Social Responsibility at the Helsinki Deaconess Institute, also welcomed participants and linked the topic of the conference with the profound changes currently underway in the Finnish system of provision of social services. Mr Kökkö mentioned that, whilst around 80% of provision is still covered by municipalities, there is a trend towards privatisation which raises important issues regarding quality standards.

In her words of welcome, **Heather Roy**, Secretary General of Eurodiaconia, stressed the wide range of social services provided by Eurodiaconia members and the Christian tradition underpinning them. Such tradition places our member organizations beyond a





pure market logic, following the principle that every person should be taken care of when faced with need.

Ms Roy underlined the need to address in each case which actors and what aims are driving the provision of social services. This is a fundamental question with substantial implications for financing mechanisms. Ms Roy hoped for a fruitful discussion on the new legal framework for public procurement and the gap which can exist between EU policies and guidelines and reality at the Member State level. She also pointed at the interest of alternative forms of finance, especially for innovative services and start-up projects.

In his keynote speech, **Dr. Georg Mildenberger** (Centre for Social investment, University of Heidelberg) addressed the concept of social investment, how it works and the contexts where it can have a positive impact. He also stressed its limits. Dr Mildenberger recapped the different conceptualizations of (social) investment, including the new approach introduced by the social investment package launched by the European Commission in 2013. He reminded participants that, from the classical point of view of national accounts, social services, education and other services fall under consumption, as opposed to what the 'social investment logic' champions.

His keynote address focused on social impact investment (SII) as an instrument which lies between charity and business. He acknowledged that SII is a promising tool, especially in contexts where there is money (or savings) to be made; also to support innovation. Dr Mildenberger stressed the key importance of measurement for SII. All social impact measurement should be able to prove that investment pays off.

The discussion with the audience stressed the differences between SII and investing with a social aim (e.g., in social services). Whereas the former has a greater focus on private money, public authorities and CSOs should play a more prominent role in the latter. Participants also mentioned that SII can succeed in attracting resources for 'popular' causes, but is less keen on supporting other social projects. Participants also pointed at the conflict between practitioners and impact investors when the latter feel entitled to determine how services should be provided. The fragmentation between publicly-financed provision and provision financed from SII was also acknowledged. The first type is currently facing a shrinking space and, also, the rise of mixed formats has blurred the limits between traditional, public financing of services and impact investment.

Participants also mentioned the loss of accountability as private money becomes more prominent in the provision of services or contracting arrangements become more complex (subcontracting). There is a need to control the activity (and the quality) of such providers. In this context, not-for-profit providers should be able to capitalize on social trust gained throughout the years.

The next panel addressed how public approach can mainstream a social investment logic in social services financing. **Dr Bernd Schlüter**, member of the European Economic and Social Committee, looked at the principles which should underpin the provision of social services in the framework of his EESC opinion on the topic ([Principles for effective and reliable welfare provision systems, SOC/520](#)). In the German context, there is a Constitutional base for a state guarantee on the provision of social services even if the state has no obligation to act as a direct provider (subsidiarity principle of German social law). Under this setting, the price of services is usually the result of negotiations between public (financing) institutions and the provider. In turn, providers can define quality independently. The subsidiarity principle and its practical application make the procurement of services unnecessary.

The discussion stressed the special character of the German case, which is friendly for providers once they comply with the set of criteria defined by the state on which actors can give a service. Participants also addressed the question of new needs. In this regard, the state has a reactive position and only decides to step in and finance service needs which have been identified (and become initially financed) by private actors (donations, single projects).

Zuzana Hazan, from Slezska Diakonie, shared her perspective as a manager of several social services in the region. She mapped the motivations (and restrictions) faced by the state, providers and users to agree on the resources and quality levels for services. On one hand, the state detects needs and allocates money according to decisions which are political, economic and, also, rights-based.



On the other hand, service providers would like to offer (and be compensated for) services provided to as many users in need interventions as possible. The compensation received for services provided should be fair but competition among providers is driving prices down. In every case, providers and all actors should be aware of the specific nature of social services. Ms Hazan also stressed the need to establish a continued dialogue with users, in particular because they are best suited at detecting what should be improved about them.

The discussion focused on the conflict between the interest of contracting authorities on production only -and, hence, financing running costs- and the need to finance innovation efforts that guarantee high quality levels. Procurement frameworks are often not talking this into account.

Next, **Anna Lupi** (European Commission, DG GROW), presented the latest developments of socially responsible public procurement as enabled by [Directive 2014/24](#). Ms Lupi underlined the main social provisions contained in it: reserved contracts to encourage social inclusion; a lighter regime for social services; support given to the consideration of social and quality criteria -via technical specifications, performance conditions and award criteria-. After the publication of the Directive, the European Commission is following-up the transposition phase with an update of its guide on socially responsible public procurement and a collection of data on socially-responsible public procurement (e.g. published tenders, transposition checks and reporting from Member States).

Participants had the opportunity to get clarification on the legal boundaries of the Directive. Whilst the application of a lighter regime is compulsory (when conditions apply), there is no obligation instead for Member States to finance services through procurement schemes. Member States are free to choose any financing mechanism which complies with the requirements of transparency and non-discrimination. Contracting authorities, however, are sometimes reluctant to explore alternative procedures.

The discussion raised the issue that legislation on public procurement had implications for social protection systems, even if the EU only has a subsidiary competence in this field. Ms Lupi underlined that, dealing with the purchase of services in the open market, the EU is competent to legislate on procurement and guarantee the principles of a single, integrated market. Finally, participants shared some positive examples of consideration given to quality criteria and the related effects in terms of more positive, higher quality service outcomes.

Idar Magne Holme (Diakonhjemmet, Norway) offered an overview of the changes operated in social protection states in Europe and Norway in particular. Until the 1980s, the Norwegian welfare state was characterised by continued growth, with roughly two thirds of the GDP going through the hands of the state. In spite of relatively lower levels of inequalities and similar priorities among political parties, Norway has gone through deep changes where competition, in particular through public procurement, has become prominent. In times where the state is retrenching, the role of institutions which can keep communities together is yet more relevant. In this regard, churches, diaconal organizations and volunteering organizations are at a privileged position.

Participants discussed the importance of a refined assessment prior to determining whether commercial services are acceptable or not. Unfortunately, the debate is complicated by the lack of data on quality outcomes in different time and settings. Participants agreed that there is a place for commercial actors, but their for-profit objectives should come after the primary aim of providing quality services.

The changes operated in the Nordic context were further stressed, mentioning the mixed, increasingly complex arrangements created between commercial actors and social ones (for instance, foundations created by commercial actors; partnerships between for-profit providers and NGOs).

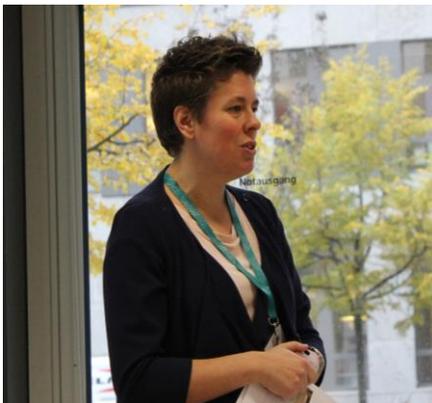
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The second day of work opened with a panel looking at how not-for-profit providers can make best use of public money for quality social services.



Dr Friederike Mussnug, from Diakonie Deutschland, offered a detailed presentation of the so called ‘triangular model’ in Germany. Aimed at putting the user at the centre between the welfare authority and the provider, the triangular model is an alternative to public procurement. It opens competition among a higher number of social services providers which are chosen by users according to their personal preference. As opposed to public procurement, where the choice of providers is made by the state, setting unilaterally a number of contracts through a procuring authority, the triangular model grants a voice to users and gives incentives to providers to compete for users’ via quality.

The access of providers to the market of social services is subject to a “participation competition”, but is not restricted in terms of number. This ‘competition’ of participants includes three different parameters: the admission to the system, a quality check, and a payment agreement, negotiated by the state and the provider. While admission is permanent, the payment agreement -which regulates remuneration for the service provider by the state- is up to renegotiation.



Next, **Anna Johansson**, from Stockholm’s City Mission presented her organisation and described its vision on a Christian NGO’s role towards public welfare. Providing about 1100 services per day, the Stockholm’s City Mission is currently a flexible, not-for-profit service provider able to innovate and ‘challenge’ the public system as a constructive competitor, covering areas which are not served by state providers. Today, the Stockholm’s City Mission finds its identity in addressing some of the challenges currently faced by Swedish society, such as lower social mobility or the rise of income gaps.

In terms of public funding, the Swedish system of financing social services is often called the “**free choice model**”. Trade-offs between cost-effectiveness and quality are penalised by users under this framework.

An extra source of funding comes from direct **public grants** provided by municipalities under project-based funding (this is, however, not a sustainable source in the long-term). A third funding opportunity are **Idea-based Public Partnerships** (IOPs). IOPs consist of social partnerships between the public sector and NGOs. In this case, an innovative service is initiated by an NGO or a consortium of NGOs, and subsequently backed up by the public sector. The positive aspect of IOPs is their consensual approach towards the formulation of problems and solutions between the state and the private sector. This model was set in 2010 and there are currently about 60 ongoing IOPs. Examples in this funding framework regard provision of trauma care for refugees, or outreach support for young irregular migrants.

Next, **Erik Zaar**, from Bräcke Diakoni gave the perspective of a Swedish social service provider active mainly in health and long term care. Sweden is characterised by a very strong presence of public actors in service provision (83%). In this framework, the NGOs (representing 2% of the services providers) find themselves competing with the stronger and better organised commercial sector, which represent the remaining 15% share. Sweden has a double system of social service funding, relying both on public procurement and, as mentioned before, on “free choice”. The public procurement act (LOU) is particularly disadvantageous for NGOs, as they represent a very small share of actors in the market. Public procurement licences last for a limited amount of time (3 or 4 years on average) and, for this reason, they hamper investment decisions among providers. As public actors receive generally higher payments for providing a service, not-for-profit providers need to excel in cost-efficiency, which represents pressure on small NGOs.

Concerning the “free choice system” (LOV), it requires an accreditation to be licensed in the services’ market, which is regulated by users’ freedom of choice. The only disadvantage represented by this system for the



provider are the very precise requirements in term of checking and reporting the service provision to the welfare authority. The increasing number of organisations providing health services results in higher pressure on the providers present in the market.

The next panel addressed the use of private money in social services.

Dr Kristiina Elenius, from the Helsinki Deaconess Institute (HDI), presented her organisation's funding strategy. The HDI has different branches of work. The Diaconal part of the organization provides services for people excluded from the public services.

In addition, HDI owns a subsidiary branch which provides private health services for companies who want to provide complementary health care and for users willing to pay for a service. The mix of two different business logics allows to reinvest profits. Through its triple identity of foundation, company and NGO, profits generated by the for-profit subsidiary are used as "own" funding to apply for public funding from the national government or from the EU. In this way, such profits have a multiplying effect on the overall resources of the organization.



Next, **Harald Karl** from the Nuremberg branch of Evangelical Bank took the floor. With a capital of about 7.1 billion euro, the Evangelical Bank is the largest Christian bank in Germany. The Evangelical Bank has a broad, diversified number of clients, from churches to NGOs working on the health and social welfare sectors like child and youth affairs, elderly care, people with disabilities, rehabilitation clinics, etc.



In all these areas the bank provides accompanying services to its clients, so they can address better their specific business needs. Sustainability is core to the bank's values and business structure: the bank is fully committed to an ethical approach towards economics, but also in the ecological and social spheres.

The bank is also active in mobilizing private funding for smaller projects: recently, a web platform has been set up to provide opportunity to better support smaller projects for a limited amount of time. Another interesting service regards providing expertise in crowdfunding. About 16 projects are currently active through the crowdfunding platform of the Evangelical Bank.

The third panel of the day dealt with strategies to invest in quality staff for diaconal social services. Introducing the topic, Eurodiaconia presented the research on [Education, training and qualification of nursing and care assistants across Europe](#), recently issued and funded through the Ecclesia Versicherungsdienst GmbH Diakonie Deutschland.

Dr **Marieke Kroezen**, from KU Leuven University and co-author of the EC report on [Recruitment and retention of the Health Workforce in Europe](#), introduced the shortage of trained health and social care professionals in Europe. This phenomenon is increasingly problematic in an aging society. Caregivers and nurses are also unevenly distributed across EU countries, with significant outflows of professionals moving from eastern EU countries towards the west. Moreover, the high level of stress and burnout cases among workers in this field pushes an increasing number of professionals out of the sector.

The recruitment of more professionals is, therefore, needed, as are good strategies to prevent people leaving the sector to search for better economic prospects. Dr Kroezen shared some good practices which have in common the importance given to more time for staff development, also combining financial incentives with



other benefits. Finally, supportive and tailored working environments are also vital to avoid excessive staff turnover.



Next, **Thomas Eisenreich** from the German Association of Diaconal Employers (VdDD) addressed the topic from the point of view of his organization, with 180 members representing about 480.000 jobs. About 10 million employees, representing the 7% of the whole EU GDP, are directly hired by the social economy in the EU: they produce a multiplier effect in EU employment thanks to the integration of people who have previously been excluded from the primary labour market and, secondly, increasing the availability of part time jobs, more appealing to people holding family responsibilities. Mr **Eisenreich** confirmed the trends already mentioned: while the number of potential users of social services is increasing with aging, the potential human

resources are decreasing. Mr **Eisenreich** also stressed the gap between the current generation of caregivers -which is aging together with users- and the newer generation, who are more keen on flexible arrangements which do not always fit the nature of social work.

Romana B lov , from Slezska Diakonie, confirmed the huge difficulty of recruiting young people willing to start a career as carers. Describing her organisation's perspective, which has also developed in a certified educational institution both for young and experienced staff, Ms B lov  stressed the core importance of good, professional staff members. With 650 full-time and 300 part-time employees, Slezska Diakonie represents the third biggest service provider in the Czech Republic, where employees are mainly linked with the caregiving profession, and includes direct caregivers, nurses and professional social workers. As caregiving tends to be perceived as a non-desirable job, the motivation and wellbeing of staff has become a priority at Slezska Diakonie. With ESF funding, Slezska Diakonia is currently putting in place a new project regarding organisation's management and effectiveness: this is aimed at monitoring the skills and qualification needs of the staff, improving the internal policy on human resources, and establishing a methodology on staff management.

Furthermore, Slezska Diakonie is engaged in the project "Personal Reserves", which aims at promoting social work and social care professions among young people graduating from high school and university. The project consists of an internship programme which may lead towards full employment in the organization or sector.



The last panel of the day discussed ideas for "*Bringing actors together for accessible, affordable and quality social services*".

Robert Anderson (Eurofound) mentioned the need to bring families and informal carers into the picture of service provision. He also addressed the issue of social services' sustainability, which can be achieved only through a successful combination of public and private resources. Anderson reaffirmed the need for quality in social services, mentioning three main groups of parameters: *fundamental quality principles* for a service, which has to be available, accessible,

affordable, person-centred, comprehensive, continuous and outcome-oriented; *quality principles for the relationship between service providers and users*, which include the respect for users' rights and users' participation and empowerment; and the *quality principles for the relationship between service providers, public authorities, social partners and other stakeholders*; which have to be measured with reference to the governance of the partnerships established.

Next, **John Halloran**, from the European Social Network, drew attention to the strong territorial dimension of caregiving, which needs to adapt to the specificities of each national environment. He also underlined the



current challenges for the sector in terms of budget constraints, limited human resources and aging of population. For this reason, he pointed at the importance of fair funding, especially with regard to payment by result mechanisms. These should take into account not only the needs of contracting authorities but also of direct service providers and users. He also underlined the need to promote shared providers' contracts, putting together health and social care in an effort towards more integration. The sector also rewards providers who are able to innovate and to think outside the box, as the development of better quality involves creativity.

Tobias Rohleder, from Diakonie Deutschland, next presented the annual theme of the organisation "Wir sind Nachbarn. Alle" (We are neighbours. All of us). Themes or campaigns are launched periodically by Diakonie Deutschland to tighten community links among its members, spread all over Germany. The annual theme is conceived as an invitation to participate with personal projects on social work of the Diaconia and to increase integration of church communities in their own neighbourhoods. Many cooperation ideas have already emerged in different regional contexts, and many are planned for the new year, involving partners of Churches and diaconal institutions, such as trade associations and companies. A final conference will be held in April 2017, gathering experts from the areas of politics, strategy, science and practice.

The last speaker of the panel was **Jarmo Kökkö**, Director of the Helsinki Deaconess Institute. Mr Kökkö presented the VAMOS project, addressing NEETs in an attempt to put them back on track to pursue their dreams and ambitions. More than a half of the users of VAMOS have been previously involved with different social services due to health, social or psychological reasons. VAMOS provides an individualised approach to its users through an integrated range of services, from individual and group coaching to career tutoring. Moreover, thanks to a good complementarity with public services, youngsters can enjoy psychiatric assistance, medical counseling and employment advice in the VAMOS facility. With a cost limited to € 2000 per user, the VAMOS project prevents higher public spending in the form of social exclusion on a permanent basis during adult life.



Finally, Mr. **Mark Kamperhoff**, Head of Department at the German Federal Ministry of Family Affairs, Senior Citizens, Women and Youth, gave a closing address to the conference. Mr Kamperhoff stressed how any discussion on how to finance social services by public authorities should be based on the recognition that services function as social investments.

Mr Kamperhoff also presented the plurality of systems for social service provision in Europe as an asset, rather than a limitation. Such diversity is usually the result of strong efforts from member states to deliver on citizens' needs in a most effective manner.

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