Together we can do more

Next Generation EU

Factsheet: Health

16 September 2020

1. Lack of investment

The consequences of the covid-19 crisis have resulted in an increase of vulnerability within municipalities where, in many member states, they are also the owners of the local hospitals. Such a situation can have a negative impact for the recovery process. In many cases, these municipalities face significant problems when financing hospitals (which for many reasons find themselves in difficult financial conditions). Along with other notable burdens, the financing of hospitals already creates important levels of debt for these municipalities. The increasing hospital-needs and the importance of local investments generated at municipal level has already been highlighted throughout the covid-19 crisis and will be an important tool for economic recovery especially regarding the creation of jobs. There is a need for risk allocation solutions which financially allow municipalities to participate in the recovery process whilst, at the same time, allowing them to continue financing hospitals. r. In this respect, NPBIs have already taken a lot of responsibility in this important sector for society.

Even prior to the current crisis, it was already widely recognised that Capital Spending within the EU was 0.5% of its GDP in the health sector (which was, only ~5% of the recurrent spending). While capital spending grew strongly in the EU, as a whole, prior to the financial crisis (2008/2009), the overall capital spending rose by 20% between 2005 and 2007. In real terms, – this fell by more than 10% over the next six years (up to 2013) to bring spending almost back to pre- crisis levels. In effect, Capital Spending went up in Austria, Sweden, Belgium but decreased rather significantly in Greece, Italy, Portugal and Spain.

Eight Member States have a health expenditure-to-GDP ratio equal to, or above, the weighted EU-average in 2013 (7.8% of GDP): DK, FR, NL, DE, AT, BE, SE and the UK. The Member States with the lowest share of health expenditure were CY and LV (3.5% pf GDP), EE, HU BG, PL, RO, and LT (below 5% of GDP).[1]

2. Financial instruments and grants

NPBIs have been close financing partners of national governments, regions, cities and municipalities for decades. The majority of NPBIs are also engaged in implementing the Financial Instruments put forward by the European Union. This comprises financial instruments of the European Structural and Investment Funds and/or the financing of projects under specific policy instruments including Trans-European Networks amongst others. NPBIs are essential players in making this happen be it by contributing to the financial leverage by combining own resources and national funds with EU promotional instruments and/or by providing their market experience at local, regional and national levels as well as crowding-in private investors. NPBIs act as implementing partners for EU Financial Instruments thus providing an alignment of national and European policy goals.

[1] Fransen, Lieve; del Bufalo, Gino: Reviglio, Edoardo in: Report of the High-Level Task Force on Investing in Social Infrastructure in Europe chaired by Romano Prodi and Christian Sautter, Brussels 2018

Public and private project promotors are looking to receive grants which is the reason why the May 2020 proposal of the European Commission has put grants in the centre of the proposal. The EUR 9,4 bn proposed health instrument, 'EU4Health' should be distributed to beneficiaries in the form of grants. However, it should be reflected to make use of these grants as blending instruments in order to achieve higher levels of health care systems notably in EU Member States with significant underinvestment. Experience with the use of European Structural and Investment Funds will be helpful in this context.

3. Innovation, research & development

While the public sector dominates investments in health infrastructure, the private sector is the driver of pharmaceutical innovation. It became evident during the current crisis that further innovation, research and development is needed not only to identify new vaccines but also to scale-up health programmes, pharmaceutical production and distribution facilities.

NPBIs are experienced partners in innovation financing with its very specific and high risks. All kinds of financial instruments from debt to equity have been implemented. There are many cases all over Europe where large-scale programmes were developed and implemented by highly-experienced start-ups which required financing partners with experience in this field. The initial reflections of the European Commission to have more equity instruments are definitely a step in the right direction as the burden-sharing of these risks can lead to better results.

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