

VIPA

www.vipa.be

Building for tomorrow's care
and welfare needs

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VIPA =

Flemish Infrastructure Fund
for Matters relating to the
Individual

VIPA's mission

“VIPA’s mission is to subsidy initiatives for a high-quality, accessible and affordable infrastructure for the provision of care and services within the framework of matters relating to the individual.”

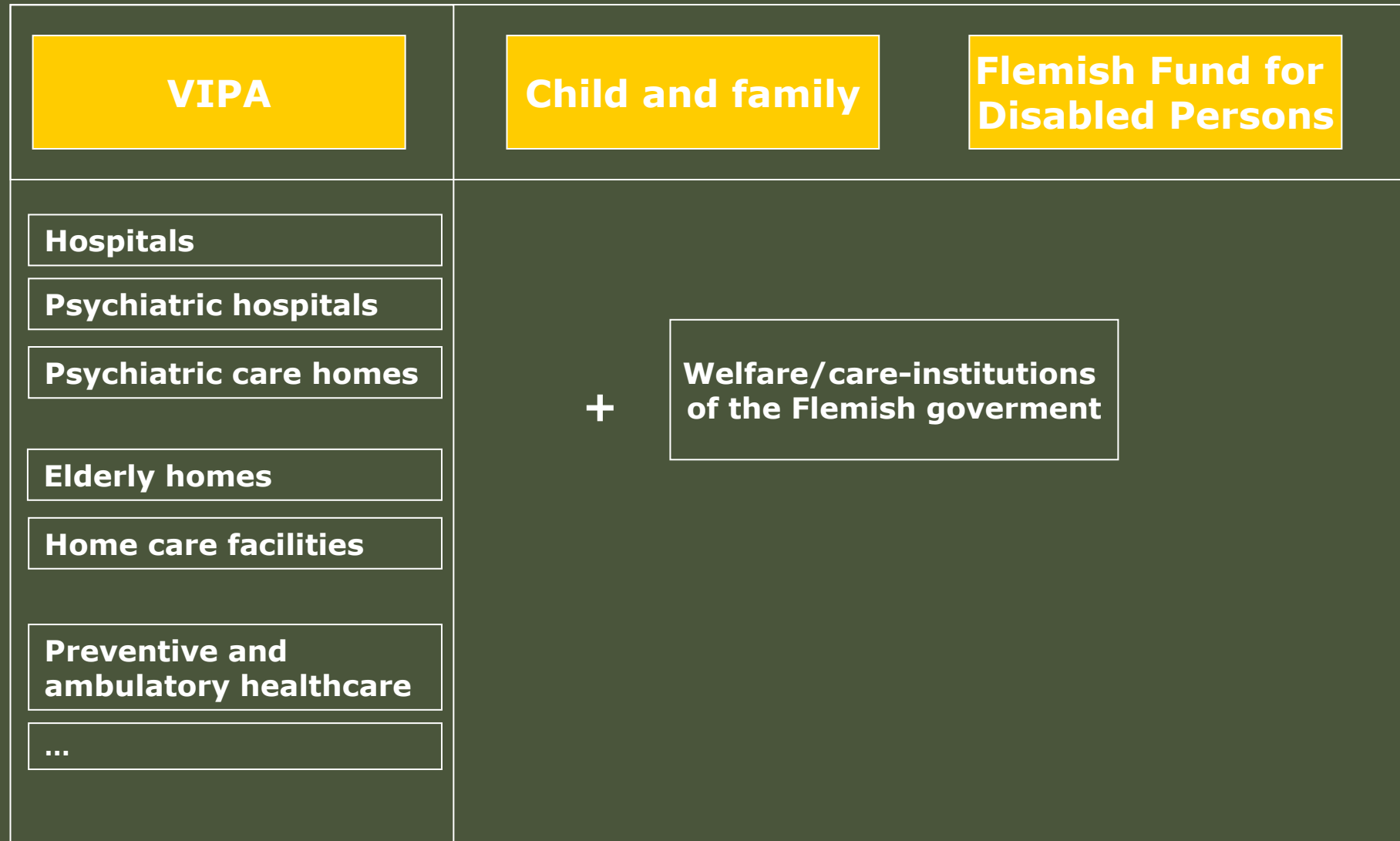
Core tasks

1° the funding of the infrastructure of welfare and care

2° Build, finance and maintenance of 4 Flemish institutions in sector of welfare and care

3° Build, finance and maintenance of a Flemish institutions of education

Scope of application



VIPA's objective

Flemish government wants to realise facilities which:

are accessible and performant

provide in high-quality and affordable care

are in accordance with the actual comfortstandards

Characteristics

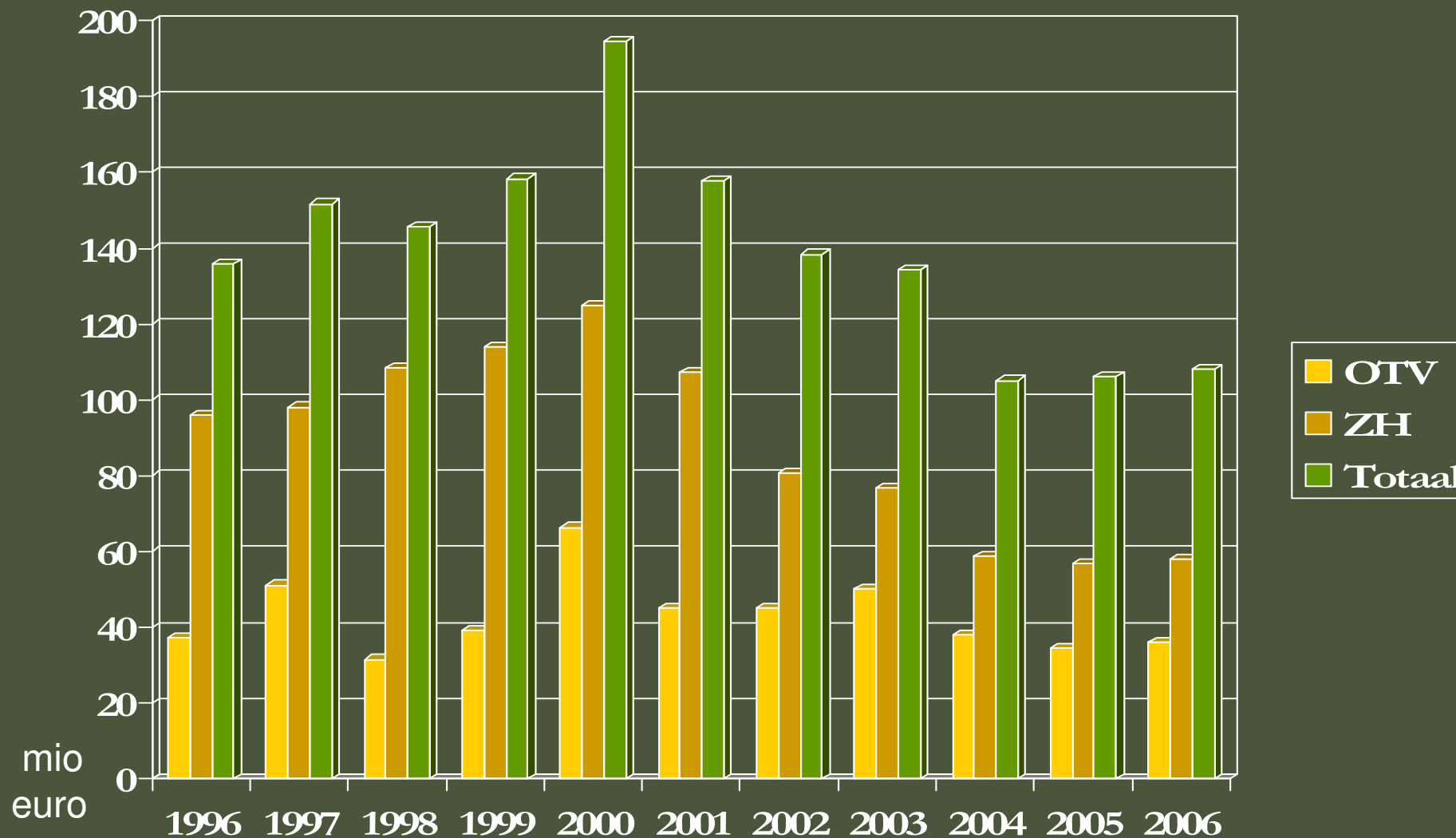
60% investment subsidy – 40% guarantee (for loan)

550 €/m² - max. m²/resident (65 m²/resident for elderly houses)

Reservation in 1 year

Does not apply to the commercial private sector

VIPA-budget 1996-2006



Evaluation 2006

Bottle neck

Slow procedure – a lot of control

No standardization of knowledge

Diversity in financial systems (PPP, DBFM, ...)

New VIPA-mission

“VIPA’s mission is to develop initiatives and provide funding for a high-quality, accessible and affordable infrastructure for the provision of care and services within the framework of matters relating to the individual.”

New core tasks

1° the funding, in any way, of the infrastructure

2° the coordination, steering and direction of public-public and public-private partnership

3° the promotion of knowledge and expertise in terms of concept, finances and technical engineering

What?

- ❑ Maximum guidance and support
- ❑ Evaluating realised projects in terms of concept, finances and technical engineering
- ❑ Carrying out research or having research carried out into the conceptual, financial and technical engineering aspects
- ❑ Co-operative venture with PPP Centre of Expertise
- ❑ Participating in PPP projects for the development of mutual knowledge
- ❑ Providing policy advice
- ❑ Facilitating knowledge sharing and disseminating knowledge

New procedure: alternative funding

Subsidy promise (= commitment of overall package of subsidies) and direct funding during the realisation period of the infrastructure (in instalments) are abandoned.

Spreading of funding over period that is to some extent related to economic life of infrastructure (20 years).

Linked to functional application of infrastructure to be justified (by reviewing standards for use).

New procedure: benefits

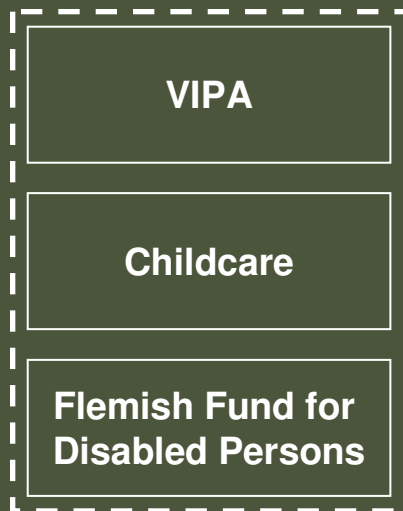
Simplification of procedure

Increased accountability of initiators

Considerable acceleration in the procedure

VIPA-reorganization

1 PROCEDURE – 3 FUNDS



1 PROCEDURE – 1 FUND



VIPA

Alternative subsidies

Sector of elderly and home
care facilities

Problem: waiting lists

Sector of elderly and home care facilities: 63 dossiers

- Totalling 318,675,843 euro
- Oldest dossiers on waiting list since December 2002

Sector of care facilities: 45 dossiers

- Totalling 414,670,947 euro
- Oldest dossiers on waiting list since October 2003

Sector of care for the disabled: 15 dossiers

- Totalling 7,190,440 euro
- Oldest dossiers on waiting list since November 2004
- Priority to dossiers for capacity extension, which causes delay in replacement works.

17 March 2006 Flemish Parliament Act

Inserts Article 7bis into VIPA Act, which allows:

- VIPA to grant alternative forms of investment subsidies to initiators within the limits of the budget appropriations; the Flemish Government lays down the further modalities;
- an investment guarantee to be granted to initiators who make an investment, in conformity with the adopted master plan and VIPA standards, and which fits in with the programming; the Flemish Government defines additional requirements and may provide for limitations to the investment guarantee.

Implementing orders

- Flemish Government Decree of 1 September 2006 regulating alternative investment subsidies granted by VIPA
- Flemish Government Decree of 1 september 2006 regulating the alternative investment guarantee provided by VIPA

Basic principles of alternative funding

- ❑ Subsidy promise (= commitment of overall package of subsidies) and direct funding during the realisation period of the infrastructure (in instalments) are abandoned.
- ❑ Spreading of funding over period that is to some extent related to economic life of infrastructure (20 years).
- ❑ Linked to functional application of infrastructure to be justified (by reviewing standards for use).

Scope of application

Which sectors ?

1° Elderly and Home Care Facilities

2° Care Facilities

3° Facilities for the Disabled

Procedure of alt. investment subsidies

- 1° Phases 'approval of care strategy' and 'approval of technical/financial plan or master plan' are retained.
- 2° Instead of subsidy promise (commitment of subsidies = financial commitment) now:
agreement in principle (AP), also valid for two years.
= approval of project plan for possible future allocation of annual subsidy instalments.
AP is not a commitment of subsidies; therefore no financial commitment.
Application dossier is nearly identical (more strict requirements on financial plan and concept paper).

Procedure

- Phases 'approval of subsidy decision' and 'allocation advice' lapse.
 - Little added value
 - Simplification of procedure
 - Increased accountability of initiators
 - Considerable acceleration in the procedure

- Possibility to submit reasoned request for amendment of agreement in principle until 90 days before start of works (does not suspend validity of initial AP).

Procedure

- ❑ Initiator submits copy of instruction to commence works to VIPA.
 - Date of instruction or order is very important moment.
 - Is basic date for determination and indexation of subsidy instalment.
 - Is basic date + 1 year for first application of subsidy instalment.

- ❑ No more modifications are accepted after works have started.

- ❑ If works for a project have started, no AP can be granted for that project.

Procedure

3° A first subsidy instalment can only be applied for at the earliest 1 year after the date on the instruction notice to start the works. After that, the next subsidy instalments can be applied for each time after one year for the following 19 years.

Calculation of subsidy instalment:

- Basic amount = same as currently calculated on the basis of the current VIPA sectoral decrees
- A fixed coefficient, which is determined in advance, is applied to that basic amount each year.

Procedure

- Evaluation: distinction between applications:
 - during the construction phase: annual thorough (on site) inspection of substantiating documents by VIPA (financial and technical engineering) and IAA Care and Health (functional);
 - after occupation: annual testing against standards for use such as capacity utilization/number of activities.

Standards for use

- ❑ The Institute of National Accounts requests: “sector-specific and quantifiable standards that can be annually monitored and that are sufficiently high so as to prevent the majority of the facilities from automatically meeting them”.
- ❑ On the other hand, the sectors are in constant development; it will not be possible to continue to apply the proposed standards without any modifications and that is why future adjustments or changes must be possible.

Standards for use

- Rest homes: occupation 85 %
- Day care centres: occupation 50 %
- Short stay centres: occupation 50 %
- Local services centres: 190 activities
- Regional services centres: 95 activities

- + Transitional measures for entirely new initiatives

Standards for use

- Minister may grant derogation in exceptional cases:
 - Exceptional + beyond the initiator's control
 - After elaborately reasoned request
 - After advice of Finance Inspectorate and agreement of Flemish Minister responsible for budget
 - To be applied annually

- If standard not met = pro rata reduction of the subsidy instalment for that year (in accordance with rule of three).

How do we proceed in practice?

Submitted dossiers on waiting list, declared admissible BEFORE 01/01/2005, convert to alternative procedure in 2006.

To this end initiators have been asked to provide VIPA with additional information :

- Current financial data and cost estimate
- Replies to remarks in advisory opinion from Co-ordination Commission
- Checking validity of permits

Evaluation and then ratification by VIPA Co-ordination Commission. After that, receiving favourable opinion from Finance Inspectorate. Finally, submitting draft of agreement in principle to Flemish Minister for signing.

How do we proceed in practice?

Submitted dossiers on waiting list, declared admissible AFTER 01/01/2005, convert to alternative procedure in 2007. To this end, these initiators will receive a request early 2007.

Submitted applications that have not yet received favourable opinion from the Commission and newly submitted applications will be dealt with in 2008.

Annual restriction on sum of all basic amounts of granted agreements in principle:

- for 2006: sector of elderly and home care facilities : 229 million euro
- sector of care facilities : 127 million euro
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- for 2007: sector of elderly and home care facilities : 100 million euro
- sector of care facilities : 196 million euro

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Alternative guarantee

Sector of elderly and home
care facilities

Guarantee –Scope of application

- ❑ NPOs and public centres for social welfare, insofar as they have been granted an agreement in principle for an alternative investment subsidy.
- ❑ This decree does thus NOT apply to the commercial private sector.

Principle of investment guarantee

- ❑ Instead of guarantee on the non-subsidised part of the investment (40%)
- ❑ Now limited to 90 % of eligible cost price + 90 % of an interest subject to a ceiling.

Change compared to previous guarantee:
increased responsibility for initiator

Guarantee procedure

1° Application of AP for guarantee at the earliest at the same time as application of AP for alternative investment subsidy

Application dossier contains:

- Decision to apply for guarantee
- Financial plan showing that the exploitation will be cost-effective and sufficiently guarantees the repayment of the loan
- Advice from financier on financial plan of project
- Drafting of funding agreements for overall project
- Declaration from initiator with regard to conventional mortgage
- Declaration from financier with regard to pari passu rule

Examination and decision:

- Opinion from financial expert of VIPA or external advisor
- Decision by VIPA

Procedure

2° Application of investment guarantee at the earliest at start of works

Application dossier contains:

- Decision to apply for guarantee
- Updated financial plan + opinion from financier
- Possibly copy of most recent annual account (+ possibly report from company auditor)
- Funding agreements for overall project

Examination and decision:

- Opinion from financial expert of VIPA or external advisor
- Decision and signing of loan agreement

Investment guarantee contribution

- ❑ 0.35% on loan capital
- ❑ 0.015% per year validity of loan
- ❑ To be paid within 30 days after co-signing by VIPA

Sanction = no guarantee

VIPA can create mortgage on buildings :

In case of first rate mortgage: costs at the expense of VIPA (=guarantee contribution), the rest at the expense of the institution

Guarantee obligations of institutions

- ❑ Performing works in conformity with the granted agreement in principle.
- ❑ Not encumbering property of project by security for the benefit of third parties without Minister's consent.
- ❑ Not alienating or encumbering property by a real right without Minister's consent. Is only possible for a change in use in matters relating to the individual.
- ❑ Not changing the concrete use without Minister's consent.
- ❑ Informing the financier in writing of applications for a change in use or for alienation
- ❑ Managing the funds with due diligence during depreciation period (minimum of 20 years)

Guarantee obligations of financier

VIPA **may** impose the obligation to submit an annual certificate from the mortgage registry office that no mortgage has been taken out on the property by third parties.

Sanction: demanding repayment of loan or suspension of guarantee.

- Works not carried out in accordance with AP.
Sanction: demanding repayment of loan or suspension of guarantee.
- Not taking out any mortgages or mortgage authorization or demanding the repayment of the loan without Minister's prior consent (No reply within 20 days = consenting).

Guarantee obligations of financier

- In case of selling out, pari passu settlement between VIPA and bank.
- Giving notice to VIPA within six weeks in case of non-compliance with payment calendar.
- Submitting documents to VIPA.
- Financiers cannot grant permission to initiators for a change in use, alienation or encumbrance with a real right without Minister's consent.