Speech by Vice-President Jyrki Katainen on the Investment Plan

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Thank you Mr President, Honourable Members,

Today, this Commission is fulfilling the first promise we made when we were appointed.

We are setting out an Investment Plan that will change the way public money is used for investment in Europe.

There is ample liquidity in the market. Interest rates are very low and financial market tensions have eased. At the same time, there is a real demand for credible investment projects. And yet, investment is not happening.

There is a severe disconnect. Uncertainties and risk aversion are stifling investment flows. Public authorities can play a vital role on both supply and demand. We need to make long-term financing available for projects that contribute towards our common priorities for Europe: energy, digital, transport and innovation.

To succeed, Europe must be united and innovative.

Honourable Members,

We can only deliver a programme of this scale and ambition with the strong political support of this House. We count on your support for this Investment Plan, to sustain its high level of ambition and to send a clear message to voters that their voices have been heard.

I know that attention will concentrate today on the additional financing capacity. Important as this is, for me this is not enough in itself. As I said in my hearing, I do not want to just put numbers on a piece of paper, or money on a table.

Therefore we are presenting a major reform of investment at European level.

We want to make sure that real investments happen in the real economy and that we create real new opportunities in Europe.

The EU Investment Plan is a triangle, with three key parts:

Firstly, we will ensure that every euro invested through this plan maximises its impact on the real economy.

To achieve this, we will launch a European Fund for Strategic Investments together with the EIB. This fund will be underpinned by guarantees from the EU budget and a capital contribution from the EIB worth a total of 21 billion Euros.

The new fresh lending capacity of this new Fund will be more than 60 billion Euros to the real economy. It will be directed at higher risk investments - providing first-loss guarantees - to complement the traditional lending activity of the EIB. It will also be used to finance long term strategic investment and to provide additional finance for SMEs and mid-sized companies.

This Fund, backed by a solid EU guarantee, will bring in more money from investors in the public and private sector who will be reassured by lower risk.

We estimate that, by this multiplier effect, the fund will unlock public and private investment in the real economy to the value of more than 300 billion Euros. This is a robust, conservative assumption based on previous EIB and EU experience.

This is not about complex financial instruments for their own sake, but about making investment...
happen. To those who claim that this is not 'real' money, my reply is – nonsense. This is a very real guarantee of 21 billion Euros. To provide backing to a fund which will act as a magnet to draw in real investment, in real projects and create real jobs.

What it is not; is an expensive cash hand-out, which will damage our public sector finances and have no long term sustainable impact.

Today, we come together to deliver our part. Next step is for National governments to step in – and provide additional capital to the fund.

The Member States' contributions to the fund will be Stability and Growth Pact neutral.

In addition to this, we also look to the Member States to use their EU Structural Funds better, and to double the use of financial instruments such as loans and guarantees.

Currently, 92% of structural funds go to grant schemes. This has to change. Once that money is granted, it is gone. We need to make better use of this financing so that it goes further and has a real effect on the economy.

Honourable Members,

At the heart of this package there is a political choice.

Either we continue business as usual with traditional grants and loans – and that is as far as the money goes.

Or we use our budget the most efficient way – to support riskier borrowing and create a larger lending capacity.

This is the choice we have made. It is a new approach at European level – to change the way public money is used.

As a second pillar we want to make sure this money reaches the real economy. Together with the EIB, we are creating a transparent pipeline of trusted investments. We will be identifying viable projects at EU level, and stepping-up the necessary technical assistance to support project structuring and the use of more innovative financial instruments for Member States.

This is what investors are asking for. There is money out there, but investors tell us they need well-structured, high quality projects with access to clear and transparent information. The Taskforce led by the Commission and the EIB, with Member States, is currently identifying over 1000 projects which are ready to be assessed. We want to give a European label for the most viable ones.

We need sound investments for our future, not another bubble.

That is why we are proposing this combination of guarantees at EU level for higher risk investments along with longer term projects in line with our strategic priorities.

Together, they will enable us to start moving quickly and also to deliver sustainable investment for the longer term.

Thirdly, we want to remove barriers to investment by the private sector.

We need to step up our efforts to have better regulation. We need to work with the Member States to renew Europe with structural reforms which create more favourable investment environment, better competitiveness and create more growth and jobs.

We want to create a single market in energy, digital, capital, public procurement and services areas. This helps to remove regulatory barriers for business to invest.

There are many companies out there creating digital products. They have a Single Market in the US – but not here.

There are many people who want to invest in the energy sector, but until they have an Energy Union they cannot do so as easily as say in the food sector.

The Single Market needs to be deepened in services and in public procurement. I will support my fellow Commissioners in completing the Single Market in energy, digital sector and transport.

And I will work closely with Jonathan Hill to deliver the Capital Markets Union. We need a financial sector which serves our companies better – especially SMEs – and reduce their dependence on financing from the banks.
For me, this Single Market dimension – the third side of the triangle - is the most important part of our work and the one that can really change Europe permanently. Of course, this will not happen overnight. But we can make change together if we are determined. This is our joint responsibility.

Each of the three strands of the "investment triangle" is needed to make investment happen in Europe. Each strand reinforces the other.

I am sure some will say that the money of this new Investment Fund is not enough. We don't need - and we don't want - to maximise burden on tax-payers.

What matters is real investment, not just large sums of money sitting in a bank.

We are going to use a relatively small amount of public money to remove the fear factor and unlock the investment funds which are already there and waiting to be used.

We need just enough money to get the motor running. After that it will have a life of its own.

If Member States still believe these funds are not enough we invite them to make their own additional contributions.

For the Investment Plan to succeed Member States must take courageous decisions and the ECB will need to play its part.

On its own, this Plan is not a magic wand to transform the European economy. But, and it is a very important but, if we implement all three elements of our Plan, we will change the European investment landscape permanently, and structurally, for the better.

So let's all get to work – together - to get investments working in Europe again.

Thank you.