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Brussels economic Forum 2012: closing statement by Werner Hoyer, President of the European Investment Bank (EIB)

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On 31 May 2012, Werner Hoyer, President of the European Investment Bank (EIB), gave a speech at the 13th Brussels Economic Forum (BEF). On this occasion, he presented the current economic situation and challenges for investment. He also addressed the EIB, the crisis, and the quest for growth. The BEF 2012 offers a unique opportunity to discuss the next phase of European economic development. High level decision-makers, economists, business executives and the media will gather at the Forum to debate and exchange ideas.

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TIME	DESCRIPTION	DURATION
18:03:01	Introductory words before the speech of Werner Hoyer, President of the European Investment Bank (EIB), at the Brussels Economic Forum 2012	00:00:28
18:03:29	Soundbite by Werner Hoyer (in ENGLISH): It is a great honour for me to offer some closing remarks at the end of this year's Brussels Economic Forum. The topic of the Forum – "Sources of Economic growth — revisiting growth models in the EU" – does indeed capture the single most pressing issue for the European economy both in the short term and in the long term. In these closing remarks, I would like to highlight the central role of investments of different kinds for the transition from the crisis to a growth path and for staying in that growth path. Investment is needed, in a very abstract sense, in European unity, cohesion, institutions and policies—in short, in creating more Europe. But investment is also needed in people, in knowledge and in physical assets. As a believer in Europe, and as the President of the EIB, I am confident that my institution has a significant role to play in facilitating many types of investment needed in Europe right now. I would therefore like to link some of today's topics and discussions to the work that the EIB is doing. Let me start by putting the investment challenge into perspective. Looking back at the past 3.5 years of crisis and public policy response to it, it is important to recognize that there have been some quite extraordinary achievements in European policymaking. A number of proposals have been put forward and some of them have	00:18:48

proposals have been put forward and some of them have also featured in today's deliberations. Let me recap a few of them: Clearly the most important source of uncertainty relates to overcoming the sovereign debt crisis and its interlinkages with financial sector distress. This is a precondition for uncertainty to dissipate, confidence to be restored, and financial conditions to normalize. Public policies can also support investment activity directly. Public and publicly supported investment projects that boost economies' long-term growth potential can be front-loaded, thereby providing growth and employment stimulus also in the short run. Fiscal and structural policies are also important. Examples include more growth-friendly public expenditure policies and more investment-friendly tax systems. Structural policies, in turn, need to become more supportive of the re-allocation of economic activity, in particular by facilitating new entry, through competition policy, active labour market policy, and support to SMEs. All this can reduce uncertainty about policies and economic prospects, and thereby support the revival of investment activity. In addition, firms need access to reasonably priced funding to make long-term investments. Currently, financial markets are dysfunctional in the EU, with sovereign and banking sector stress seriously affecting firms' access to finance. And this is exactly where a public policy institution like the EIB comes in. As many of you know, the EIB was created in 1958 by the Treaty of Rome and is a publicly-owned bank. Its shareholders are the 27 EU Member States who provide the institution with guaranteed capital. The Bank has a trustworthy AAA rating, enabling it to borrow on the finest terms available. As a self-financing institution, and operating on a not-for-profit basis, the EIB passes on this advantage to its own long-term borrowers to finance long-term investment projects. For clients, EIB conditions – interest rates, but also the maturity of the loans – are more favourable than what they would obtain elsewhere. This focus on long term investment finance makes the EIB exceptionally well-placed to help restart growth in Europe in general and in the EU periphery in particular. The EIB's response to the crisis started in late 2008, as part of the European Economic Recovery Plan. Last year, in 2011, the EIB signed a total of EUR 61 billion worth of financing contracts, marking a gradual return to pre-2008 lending levels after having made an exceptional additional lending effort in 2008, 2009, and 2010. The EIB is now widely seen as a key actor in re-starting growth in Europe going forward, and it is being called on to continue making exceptional efforts to extend long-term finance to investment projects. With regard to the expectations vis-à-vis the EIB let me be very clear: The EIB can be one element of the solution but it is not the solution itself

one element of the solution but it is not the solution itself.
Ladies and Gentlemen, I mentioned at the beginning of my speech that I would like to link some of the issues discussed at the Forum today with the investment challenge facing Europe and, specifically, with the role of the EIB in helping to meet that challenge. Let me now offer some thoughts along those lines. The EIB may be best known as a lending institution. But I would like to start by emphasizing that we also combine, or blend, loans with grant money from the EU budget. Increasingly, we have an advisory role that allows us to put the Bank's significant technical and financial expertise to best possible use in strengthening the planning and execution of investment projects and programmes. In other words, the EIB not only lends—it also blends and advises. Having said that, lending is the most visible of our activities, so let me focus on it. The EIB's main concern is long term investment and growth potential. However, in the current economic environment there is a particularly compelling case for supporting investment with significant short term multiplier effects that give an immediate boost to growth and employment. I wish to emphasize that long term economic, financial and environmental soundness of investment remain preconditions for our support. But front-loading investment projects with a long term rationale is particularly important now for kick-starting growth and supporting job creation. The effectiveness of such front loading investment in individual Member States can be further enhanced by concerted economic revitalization measures at EU level. Given the differences in economic conditions across Member States and across economic sectors, the focus of the EIB's lending activities need to be tuned to the local conditions so as to maximise the growth impact of EIB lending and to alleviate local financial constraints. Especially in the Member States that are undertaking reforms to support a structural transformation of their economies, the EIB can lend support to such transformation by focussing our activities in sectors and regions where the bottlenecks for growth are most binding. Let me be a bit more specific here. The sectors with a direct impact on long term growth potential where the EIB has significant experience and can thus 'hit the ground running' include infrastructure, innovation, green investment, and small and medium-size enterprises. I will say a few words about each of these sectors in turn. Infrastructure investments represent, on average, about 50% of the Bank's lending volume and extend over a wide range of sectors, including energy, transport and urban infrastructures. Infrastructure investments financed by the Bank support under-endowed regions and contribute to resolving bottlenecks in congested corridors and regions. The

bottlenecks in congested corridors and regions. The financing of cross-border infrastructure helps to overcome typical market and policy failures, such as under-investment due to spillovers of benefits across borders or lack of international coordination. Broadband networks, enabling high-speed Internet access, have a proven and strong positive impact on long-term GDP growth and are contributing an estimated 2.1 million additional jobs in the EU-27 between 2006 to 2015. Specifically as regards the EU periphery, infrastructure projects with a potential to stimulate exports are key, as they support the structural adjustment of the economy Turning then to R&D and innovation. They are the main drivers of productivity, competitiveness, long-term economic growth and employment in advanced economies that act in a globalized environment. Large corporates have potential to introduce step-change technologies with large spill-overs within the EU's innovation system. Support to such projects is obviously in the best interest of the whole EU. Accelerating the technological deployment and the commercialisation of new breakthrough innovations is important. But so is the financing of smaller innovative companies that are part of an innovation system (e.g. industrial clusters) and of public sector promoters. Finally, human capital development is critical for knowledge creation and innovation, and that is why the EIB also supports projects fostering high-quality education and training. In the context of its support to Climate Action, the EIB finances renewable energy and energy efficiency projects that should accelerate the shift to a more resources-efficient economy and lead to job creation. The Bank will continue to support European climate policy by investing in emerging, and mature, renewable technology and energy efficiency to meet the 2020 targets. Such investments will help to demonstrate the necessity of incorporating emerging low carbon technologies to meet more stringent 2050 targets and to support European commitments to scale up financing for Climate Action in developing countries. The European SMEs sector is a core element of the European economy. Owing to their limited size and dynamic development they are a reliable source for economic growth and tend to expand their workforce at a faster pace than established corporations. Between 2002 and 2010, 85% of total employment growth in the EU was attributable to SMEs. In addition to the financing gaps to which young or limited sized companies are exposed in "normal" times, SME are strongly impacted by the ongoing deleveraging of the European banking sector, putting further pressure on the availability of suitable financial resources. The financing of SMEs represents on average 20% of the EIB's annual lending

	represents on average 20% of the EIB's annual lending. In close cooperation with a large number of banking groups across the European Union, the EIB Group reaches about 120,000 SMEs per year, thereby effectively contributing to closing existing funding gaps. The main instrument the bank uses to support SMEs access to finance is global loans to banks, with conditionality for passing through the benefit in terms of financing and for additionality. Such conditionality is particularly relevant in the current context of capital constraints and deleveraging in the European banking sector. All that I have just said concerns established areas of the EIB's operations. There are bottlenecks and failures in new segments of financial markets that warrant public policy intervention in one form or another. One such segment is trade finance. Following the first leg of the global crisis in 2008-09, world trade shrank threateningly. The main reason was a collapse in demand, but lack of finance was another important factor constraining global trade. Trade finance remains a problem in some of hard-hit EU Member States—and it is exactly in those countries where trade would be most badly needed. This is yet another area where 'more Europe' may well be needed, in the sense that trade finance support from the EU level is warranted in the absence of properly functioning national trade finance schemes. After all that I have said, I would like to finish on a note of caution. At times like this, there is an understandable temptation to look for a panacea that would fix the problems without much hard effort. The EIB can certainly do a lot to help Europe find and finance new growth models and paths, but it cannot sweep aside the need for structural reforms and transformations. They are necessary—as is investment in 'more Europe' in various forms, ranging from institutions to physical assets. Thank you.	
18:22:17	Closing words at the end of the Brussels Economic Forum 2012 to thank Werner Hoyer, all the speakers, moderators, participants, interpreters, and organisers of the event	00:01:12
18:23:30	end	00:00:00

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