



European Association of Public Banks

- European Association of Public Banks and Funding Agencies AISBL -

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Comments of the
European Association of Public Banks, EAPB
to the Commission consultation
on the future EU 2020 Strategy

The European Association of Public Banks (EAPB) represents the interests of 34 public banks, funding agencies and associations of public banks throughout Europe, which together represent some 100 public financial institutions. The latter have a combined balance sheet total of about EUR 3,500 billion and represent about 190,000 employees, i.e. covering a European market share of approximately 15%.

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General comments

The European Association of Public Banks (EAPB) welcomes the opportunity to comment on the consultation paper on the future EU 2020 Strategy. In the current point in time the EAPB believes that in comparison to the Lisbon Strategy, elements of the EU 2020 Strategy on the economic policy need to be renewed. Since the development of the Lisbon Strategy the economic situation has changed and it also turned out that the Lisbon Strategy lagged behind its expectations. Now it seems to be crucial for the next decade to help theory to become practice by measures both on community level and on Member State level. Measurable and commonly understandable indicators would support this aim. The EU structural policy - with its aim of economic, social and territorial cohesion - can provide a significant contribution to the achievement of the EU 2020 strategy's objectives. Structural funds contribute to focus regional and structural strategies of Member States, regions and cities to common objectives. Overall structural policy's aims need also in the future to be determined on EU level; Member State specific objectives have to be determined on Member State level. This approach would be a way to consider different starting points across the EU.

Exit from the crisis

It is important that the EU 2020 Strategy goes beyond responding to the current economic crisis. Recovery from the crisis, restart of the economic growth, minimising of the social and economic damage caused by the crisis are naturally the most significant challenges of the beginning of the next decade. However, we have to recognise that the current economic situation amplified the existing structural problems. While setting the priorities for the EU 2020 Strategy it is appropriate to focus on measures that can increase competitiveness and to secure the necessary community funds for this objective.

Competition policy and state aid

The elimination of the obstacles for the single market - especially in case of cross border services - has to remain an important priority which contributes to the increase of the economic and social welfare on the long run. At the same time, the protection of the single market and the competition does not contradict the arguments for state aids based on appropriate and at community level unified principles that take into account different

parameters in some cases, while supporting the objective of European integration. It must however be avoided that the competitiveness of an economic region is put at risk. Therefore a system of objectives and tools of state aid policy is required.

It is important that the EU 2020 Strategy in terms of incentives and subsidies contains principles and methods - at EU and national level - that would improve the competitiveness and the international technological adaptability of the companies operating in Europe. This would also contribute to reduce development gaps across the EU. The various tools of community grants, subsidies and incentives can help to realise the above. Furthermore, objectives set by the EU 2020 strategy may not be constrained by too strict state aid rules.

Concerning the nature of aid instruments, the ratio of revolving finance instruments should be increased, compared to grant instruments as

- Revolving finance instruments distort competition less than subsidies.
- Revolving finance instruments generate further funds for development and by this also increase the sustainability.
- Revolving finance instruments are preferential - especially when budgetary resources are limited - as funds can be allocated more than once.

Subsidiarity and co-operation

The EAPB argues for a better co-operation between the EU and the promotional banks in the Member States as such co-operation is the basis of efficient and effective development measures. Furthermore, bearing the principle of subsidiarity in mind, the EAPB recommends to provide further EU funds for programs concerning EU innovation policy to national and regional promotional banks and development institutions. This is motivated by the fact that local promotional institutions have the best knowledge of their regional market and EU initiatives can easily be implemented to existing contacts and distribution channels. Moreover, application and approval processes can be kept simple for the regional and local enterprises.

For this reason, the EAPB would support new initiatives which would national promotion structures facilitate to pass-through EU funds as long as the range of products are in line with EU key objectives in terms of promotion. However, in order to respect conditions and requirements specific to a Member State, national specifications should be provided for. Intermediaries should be allowed to apply EU budgetary resources coequally to other financial instruments (guarantees, promotional loans, own funds). Concurrence between EU initiatives and national promotional initiatives should be avoided as this would hamper the efficient utilisation of resources. Combined refinancing and risk-sharing mechanisms are

appropriate instruments in order to enhance the co-operation between national and international financial institutions. Financing platforms, which bundle diverse funds and resources of promotional institutions, being in place with the aim to invest in predefined development domains, provide the opportunity for further co-operation in which all parties concerned would benefit from existing customer relations and the exchange of experiences.

Employment

In terms of employment with a view of growth and jobs the EAPB recommends to not only subsidise employment. Rather more the economic structure and investments should be supported. To this end an integrated approach has to be applied that manages the regulation of state aid and competition policy together with education policy and research, development and innovation.

Further remarks

EAPB members also report that some tools to promote access to finance did not meet all expectations. This also due to the strict conditions in terms of state aid. The general framework conditions (e.g. state aid rules and administrative regulations) for EU companies, especially for small- and medium-sized enterprises, have to be improved further in order to increase their competitiveness on a global level.

The EAPB is very much interested in an EU 2020 Strategy that contains objectives that lead to an ameliorated economic situation, with achievable perspectives being better to be realised than the previous strategy focusing the last decade.