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For the recovery of investment in Europe

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Abstract :

Investment trends in Europe are of worrying. The causes of this are multiple, but mainly seem to lie in economic uncertainty and States' or local authorities' ability to commit, both on a financial and political level, to projects that are based on increasingly complicated financial schemes. In this context, the recovery of investment should first imply the improvement of existing national and European public measures in support of SMEs, innovation and infrastructures. It is on this basis that a greater coordination of public financial actors sharing harmonised financial goals and instruments might be given support to enable an improved catalysis of private investment to reach the goals set by the President of the European Commission, Jean-Claude Juncker.

INTRODUCTION

European investment has been declining since the beginning of the economic crisis in 2007. It has struggled to recover whilst financing requirements are more urgent than ever for peripheral countries and small businesses.

Public and private investments, which are commonly associated to the French and German points of view, should not conflict in order to promote the recovery of this vital source of growth. If we are to achieve the 300 billion € of investments hoped for by Jean-Claude Juncker [1] we gradually have to fine tune the duly pooled know-how of public financiers to achieve an improved catalysis of private financing with a resolutely European perspective in mind.

This study reviews the present negative investment conditions, their causes and their impact. It then addresses public support initiatives for SMEs, innovation and infrastructures. It then makes recommendations on how to improve the sharing of public investors' goals and instruments as well as measures to be taken by the EIB.

I – PUBLIC AND PRIVATE INVESTMENT IN EUROPE: AN EXTREMELY WORRYING TRAJECTORY THAT MIGHT WEAKEN THE UNION'S GROWTH AND THE EURO ZONE'S STABILITY

1. European investment has declined a great deal and is struggling to recover

As Philippe Maystadt [2] recently pointed out, the trend adopted by European investment is of concern. The decline in fixed capital in the EU since the beginning of the crisis is such that its level is 17% less than in 2007. There is no prospect of any increase from a general point of view and the decline has been even greater in the peripheral countries, which drifted away from the average trend in 2009, and at the beginning of 2013 registered a level that was 42% below that of 2007.

The fall in investment in Europe since 2008 is twice as greatt as in the USA and Japan. It has occurred faster than the contraction of the GDP between 2008 and 2009, thereby weakening the normal link between activity and investment. Moreover, this drift seems to be long term since the annual investment level in terms of GDP since the beginning of the crisis has been slightly below that of the last 15 years.

1. In his speech to the European Parliament on 15th July 2014 the President of the European Commission designate said he wanted to bring the total volume of investments in the EU up to 300 billion € based on the activities of the EIB and European and national instruments.

2. See the paper by the former EIB president published by the Robert Schuman Foundation Investment and financing the European Economy European Issue n° 307.

3. See the paper by Natacha Valla, T. Brand and S. Doisy, A new architecture for public investment in Europe, in CEPII Policy Brief n°4 July 2014.

4. These extremely paradoxical proportions are recalled in Valla et alii, op cit.

These trends are particularly worrying in the euro zone both from the private and public investment point of view.

As Natacha Valla points out [3] if the fall in private investment was less evident in the euro zone than in the USA between the end of 2007 and the beginning of 2009, recovery has been much weaker. At the beginning of 2014, the level of private investment in the euro zone was 15 points below the 2007 level and it now only represents 19% of the GDP of the euro zone in comparison with 25% in the USA.

The volume of public investment in the euro zone in 2013 was half that of the USA (2% of GDP in comparison with 4% of GDP) [4]. As in other industrialised countries it has been declining for a long time: it has been halved in 35 years. The most recent downward trend is linked to the 2008 crisis when some countries, particularly those on the periphery, had to undertake rapid budgetary consolidation, which were eventually disproportionate.

2. Economic uncertainty and States' ability to make commitments: major impediments

There are several causes behind the decline in investment in Europe [5] :

- A "base effect" (or return to "normal") in some peripheral countries that invested too much in certain sectors in the past,
- The drop in the project rate of return, which might be due, for example, to an over consumption of capital,
- The decline in cross-border capital flows implying a return to original domestic investments,
- Bank related regulatory constraints (Basel III) which has meant that risk adjusted assets have been reduced, particularly on SME's, innovation and the peripheral countries,
- The partitioning of the Internal Market which has restricted European business trade outlets and also private and public investment capacities [6].

However it seems that economic uncertainty is probably the greatest reason behind both the collapse and the failed recovery of investment. At first, this was due to developments in the world economy and then to the management of the euro zone crisis. At present, it involves the reduction of macro-economic divergence between the Member States with – in several instances – concern about economic policy credibility and the instability of the discouraging, contradictory as well as unstable regulatory and fiscal frameworks.

The trajectory adopted by France, a country whose economy is of an intermediate nature – both from the point of view of its structure and its position, between Northern and Southern euro zone countries – is in this regard very important both on an economic and political level [7].

In this context, the States' and local authorities' capacity to commit financially to investment projects, to mobilise the departments involved, to provide political commitment, is decisive. Their capacity to identify investment requirements and then private investment, and to coordinate with public investors, both national and European, is vital in order to federate decisions to invest. This enables to mobilise resources in the private sector in increasingly complicated financial arrangements, even in a low interest rates environment.

3. The decline in public investment is a danger for the catalysis of private investment

The decline in public investment (human capital, infrastructures, R&D) impacts negatively on potential growth. It also reduces the catalytic effects on private investment. As an example, the investments of the European Investment Bank (EIB) provide a leverage effect of 2.5 and 3 on private investment [8]. Natacha Valla also maintains that an increase in public investment in the euro zone leads to a continuous rise in production and the economy's capital stock, all the more so since public capital stock is initially high [9].

The reduction in private investment is also worrying, particularly in the short term. It can lead to capital stocks declining and remaining low for the duration. The natural obsolescence of private capital is not compensated for and technological progress is not effectively distributed. The production chain is disturbed and productivity declines. Potential growth can be affected, as well as employment.

__5.__ See Maystadt, op cit.

__6.__ The impediment that the partitioning of the internal market represents for investment is the focus of a new consensus amongst the Member States as Pierre Moscovici noted on 21st July 2014 (www.pierremoscovici.fr) even though the tools available to finance these investments do not appear to be the focus of a consensus at present.

__7.__ It is extremely positive that France Stratégie, and more recently the French Finance Minister himself (Grand Jury RTL-Le Monde-LCI, 31 August 2014), highlighted the intermediate features of the French economy which had been observed by market economists for a long time. Likewise it is useful to remember the political influence that France can have over projects to deepen the Monetary Union, or the EU, seems to depend closely on its capacity to anchor its partners' expectations and confidence. In this respect, the vital – but seldomly stressed - strengthening of the Franco-German link might also be easier if both countries were to agree on pragmatic initiatives rather than opposing one other, all too often on France's initiative, over ideological issues and proxy coalitions. The rekindling of France's economic credibility is undoubtedly the backdrop of these rapprochement measures, as confirmed by certain European political compromises in terms of appointments.

__8.__ This is why the increase in its lending volume to 60 billion € per year, enabled thanks to its recapitalisation to a total of 10 billion in 2012, is capable of catalysing between 2012 to 2015 180 billion in investments.

__9.__ See Valla et alii, op cit. We should also note that according to

II – THE RECOVERY OF INVESTMENT IN EUROPE FIRSTLY IMPLIES AN IMPROVEMENT IN EXISTING PUBLIC SUPPORT MEASURES

1. Bringing the private investor toward long term investment in the economy

One of the features of the European economy is that the member countries face major public financial constraints whilst there is a wealth of private savings (16,000 billion € in the European Union) which is mainly invested (40%) for the short term and often outside of the Union. The efficacy of any investment recovery measure must therefore be assessed according to its capacity to bring back the private investor to financing the economy long term.

In this context public investment no longer means providing the largest public spending package possible according to the logic of a subsidy that corresponds to political imperatives, but to catalyse private investment according to a logic of risk sharing. Public investors do this naturally when they raise funds on the capital markets (EIB) or when they are given a share of a savings funds (Caisse des Dépôts et Consignations) [10]. But they can also do this by using more sophisticated instruments.

2. Acting in support of SMEs, innovation and infrastructures

SMEs are of primary importance for growth and employment (with slight or absolutely no possibility of relocation) in Europe [11]. Bank intermediation represents 80% of their financing in the European Union, thereby reflecting a harmonious economic philosophy which is quite specific to continental Europe. The contribution of equity via investment capital only represents 7% of SME's financing requirements. Hence SMEs are all the more open to loans as they are reticent to opening their capital [12].

Bank constraints are one aspect of the SME financing problem. However the instability of fiscal and regulatory standards has real impact that is heightened by the mistrust they instill into entrepreneurial activity. In this context, it is vital to ensure that stable, incentive providing rules are retained along with perspectives of a credible economic policy. Support measures for loans or capital investment are to be included in this general framework.

Micro-financing can play a role in the financial development and inclusion of very small, generally individual companies, in the same way as it does in the social and solidarity economy (ESS in French). Just like loans guarantees and capital investment they are the focus of national and European public support via the EIB, the EIF and the Commission [13]. However their investment volume is naturally low and designed to finance projects with a more social rather than an economic added value.

Innovation is the second area in which investment is vital. It fosters developments in the technological domain, productivity in labour and equity as well as the development of networks. As the former President of the EIB indicated [14], its financing has been made difficult because of the risk that is inherent to activity and because of lenders' difficulty in assessing situations. At present, economic and regulatory uncertainty and the short-term approach adopted by financial actors is a problem.

Network infrastructures represent the greatest share of investment requirements. The amounts that have to be mobilised in the EU are estimated at one trillion euro up to 2020 for transport, energy and telecoms networks and 1.6 trillion euro if we add the management of waste, water and healthcare to this. Another trillion might be devoted to energy efficiency. Given the constraints placed on public finance and the importance of these investments for the modernisation of our economy, most of this effort will be borne by the private sector both in terms of its completion and also its financing. But in the long term the financing of this is affected by a dearth of bank loans as well as by the fall in "monoline" insurance brokers [15]. Finally, it seems that we should be working towards greater European influence in the drafting of accounting standards so that the profitability of long term investments can be taken into account [16].

the same author one GDP point of public investment in the euro zone immediately increases the GDP by 1.42 points. This increases in the following three years before falling slightly within five years.

10. *For example the EIB raised 72 billion € on the financial markets in 2013. The CDC was granted 40% of the sums on savings accounts.*

11. *According to the European Commission the EU's 20 million SMEs represent around 99% of businesses, nearly 60% of value added and 67% of jobs.*

12. *Likewise the exchanges devoted to SMEs have had mitigated success, both in France and prior to that in the UK. See the article by Catherine Karyotis on this issue, La bourse des PME est-elle réellement nécessaire ? in Revue Banque n° 761 June 2013.*

13. *We should quote for example the creation of the "Progress Microfinance" facility allocated to the EIF in view of financing micro-finance institutions. Of the 201 million euro invested by the EIF in micro-finance institutions FEI in Europe, public investment has catalysed 466 million €.*

14. *See Maystadt, op cit.*

15. *Insurance companies providing credit enhancements to players on the financial markets. These companies offer a bond from their own credit rating (often high) by guaranteeing payment of interest and the reimbursement of capital to their investors.*

16. *The importance of this and the reform of the European Financial Reporting Advisory Group (EFRAG) so that this will have greater influence at the International Accounting Standards Board (IASB), is defended by several*

3. There is still room to improve existing public support measures

The financing of SMEs can firstly be promoted via public refinancing mechanisms, loans guarantees and participation in investment funds. Hence the EIB provides more than 20% of its loans annually (18.5 billion € in 2013) to SMEs and the EIF devotes 100% of its work to this (3.4 billion € in 2013 in the shape of participation in capital investment funds and guarantees). Together the two institutions have mobilised 53 billion € of financing via more than 700 intermediaries [17]. The range of financial instruments for this purpose is constantly diversifying.

The leverage effect of specific support measures varies. Those of the EIF were as follows in 2013:

- For 7.9 billion € of capital outstanding (capital-investment), EIF participation catalyse 42 billion €,
- For 8.6 billion € of loan guarantees, public funds catalyse 36.8 billion €,
- For 200 million € corporate financing of micro-finance, public funds catalyse 466 million €.

Regarding equity, European capital-investment should benefit from legislation that fosters cross-border investments in addition to the capital activities of European and national public investors [18]. This is now possible with the "European passport" (adopted in the spring of 2014) that aims to facilitate fund investments in all EU countries. However, national regulatory and fiscal frameworks must also provide incentives, which is far from being the case everywhere, notably in France [19].

The securitisation of SME loans portfolio is an initiative which the EIB and then the ECB have been looking into since 2013. The idea comprises securitising bank loan portfolios which are not usually of any interest to institutional investors thereby freeing banks' regulatory capital (and therefore loans). The role to be played by the ECB in this operation, given the risks it would be bearing and the role of the States, which might possibly stand as guarantors in the mechanism, has been challenged [20].

In expectation of the end of their deliberation the EIB and the EIF agreed in July 2014 to introduce a risk enhancement mechanism on ABS portfolio securitisation operations. This tailor-made instrument is the first of a series to fall within the Bank's new risk enhancement mandate (EREM). A first estimate predicts that the mechanism might support 13 operations representing funds close to 1 billion €.

A new solution put forward by Gilles Moëc, the Chief Economist of the Deutsche Bank, would entail setting up a new corporate financing structure managed by the French CDC and the German KfW. The two public investors would cover the first loss in the event of default (10 or 20% of all loans). The institutional investors would add their participation to the liability of this structure, followed by the banks and finally the ECB [21].

This proposal seems effective and significant from a policy point of view: it confirms the importance of public/private risk sharing mechanisms, it would only cost public finances via a drop in the dividends paid by the public investors, it provides an effective back-up to the ECB's monetary stimulus, it provides pragmatic common ground for France and Germany, thereby supporting goal sharing between private and public investors and the political authorities.

Investment in infrastructures can be fostered by national and European public investors which have a decisive effect on the mobilisation of institutional investors and banks. Support to public-private partnerships (PPPs) via the development of risk-sharing financial products (subordinated debts, equity loans, pre-financing, loan guarantees or risk enhancement for bond emissions) is also necessary [22].

III – PROGRESSIVELY ACHIEVING GREATER COORDINATION OF NATIONAL AND EUROPEAN PUBLIC INVESTORS

1. Should a new European long-term investment fund be created ?

Amongst the proposals put forward by France Stratégie for a new French strategy in Europe [23] features the creation of a long term investment fund that was then developed by the Centre d'Etudes et de Prospective d'Informations internationales (CEPII) (French research centre in international economics) [24].

personalities from the public financial world and organisations. See the interview with Philippe Maystadt on this issue in the Revue Banque n° 772 April 2014.

17. *See the EIB and the EIF's SME Report, 2013.*

18. *In France the BPI is developing for example its capital-investment activities, managing 17 national funds and investing in 249 partner funds. The funds of funds activity (2.2 billion € subscriptions in 2012) has a catalytic effect on private investment of 4,4, ie 9.68 billion invested.*

19. *French capital-investment activities recovered in 2013 after a low in 2012 recording 8.2 billion raised and 6.5 billion in investments. These levels are still far from the 2005-2008 average (10.5 and 10.2 billion €).*

20. *Indeed a possible solution was for the Member States to guarantee ECB financing, in exchange for involvement in the management of the programme, thereby challenging the ECB's independence.*

21. *See Gilles Moëc point of view published in Les Échos, Pour une relance franco-allemande du crédit, 18th July 2014. The involvement of the EIB or public investors in the shape of guarantees has also been called for by Benoît Coeuré, a member of the ECB Board. See B. Coeuré (BCE) demande un soutien public plus fort au marché ABS, Reuters Eco, 27th August 2014.*

22. *The potential of public/private partnerships is a good example of the lack of "political support" to complicated financial instruments: it might be further explained by the State or local authorities, notably in France where the fast Tours/Bordeaux train line now under construction represents the greatest PPP ever achieved in the country (7.8 billion €) without the financial arrangement ever being spoken about.*

23. *On this issue see the author's article, France Stratégie fait des propositions innovantes pour la France en Europe, published by Les Échos 24th July 2014 (http://www.lesechos.fr/idees-debats).*

24. *See Valla et alii, A new*

The idea would be to create a "federal" fund within a "European public investment bank system" (EIBS) similar to that existing for monetary policy in order to direct the wealth of European savings towards long term growth priorities, employment and the Union's general well-being.

The federal fund would form the core of a restructured European Investment Bank to promote greater and more contra-cyclical activities. It would be financed to a total of around 2% of the euro zone's GDP with a public resources and to a total of 2% by private investors (institutional, debt funds, capital-investment, and even "business angels" and businesses) to reach a capital of 4% of the euro zone's GDP i.e. 383 billion €. The fund would issue debt with the international financial community to reach 10% of the GDP of the euro zone i.e. around 950 billion € (double that of the EIB), and would especially invest equity in better identified projects financed with the help of the private sector.

This proposal has several positive aspects:

- If fosters a consensus between Member States about the need to rekindle investment rather than public spending [25] and encourages a better distinction between the two [26],
- It highlights the need to direct abundant European savings, which are sometimes used inefficiently, towards financing the economy,
- It stresses the role played by public investors long term, particularly since 2008 [27], their joint initiatives and their catalytic effect on private investors,
- It encourages the creation of public investors in EU countries where there are none, to improve those that exist already, and even harmonise their governance and resources,
- It highlights the lack of risk taking on the part of the EIB, which is typified by the management of excessively small, short term financial products, as well as a lack of resources,
- It conveys the idea, put forward by French, of creating a product for European savings that can finance European projects [28],
- It insists on the need to extend and improve conditionality by linking structural reform to the financing of funds,
- It mentions the usefulness of investment mandates allocated more democratically to public investors, reflecting the proposals for a euro zone Parliament [29].

The project raises some questions however:

- The source of public capital resources is not clearly defined: the expected excess of public investment or State, European institution or national public investors' contributions are mentioned. State contributions can be criticised quite severely [30],
- Without questioning the improved borrowing capacity that is planned for, the States' and authorities' ability to contribute to projects with capital or loans, to a total of 10 GDP points is doubtful,
- The presence of private investors on the financing board would probably not lead to an improved identification of investment projects, which is undertaken at State, authority and corporate level [31],
- The coherence of the selected investments (by a large board or one that is too big) with European priorities that are duly shared by the States and their public financial branches could be brought into question,
- The new system's investment areas (energy, human capital, infrastructures, digital) are already covered by the EIB,
- The EIB's political influence, just like its arbitration capacity in the choice of investment projects, might be affected by new types of dissension amongst shareholders,
- The pertinence of allocating conditionality missions to funds or to the EIB at the same time as activity to finance the economy has not be established [32].

2. Strengthening goal and joint instrument sharing between national and European public investors

These public investment support measures show that the European Union is undergoing a transition from a "subsidy culture" to one of "financing the economy." This welcome transition is being conveyed by three vectors:

- Greater complementarity between local, national and European financial actors;
- A convergence of national and European structural economic policies [33],

architecture for public investment in Europe, in CEPII Policy Brief n°4, July 2014, available on http://www.cepii.fr/CEPII/fr/publications

__25.__ Investment requirements are indeed common to a variety of Member States including Germany. See on this issue the presentation by J. Zeuner, Chief Economist for the KfW, at the Bruegel institute dated January 2014: www.bruegel.org/nc/events/ or the interview with M. Fratzscher, Director of the DIW, for the newspaper Les Echos dated 15th September 2014, who estimates German investment at between 80 and 100 billion euro annually, particularly private investments.

__26.__ This change echoes the debate that was started then ended, and which will undoubtedly start again on the recognition of public investment in the Stability and Growth Pact. Zsolt Darvas (Bruegel) speaks for example in support of the short term exclusion of public co-financing of investment provided by the EU in the CSP rules, which seems to be very good initial compromise. See Barbiero and Darvas (2014), In sickness and in health: protecting and supporting public investment in Europe, in Bruegel Policy contribution 2014/02.

__27.__ Considering the biggest public investors in the euro zone (KfW, CDC, CDP, ICO, BEI), the balance sheet grew from 30 to 90% from 2008 to 2012. See Valla et alii, op cit.

__28.__ Before creating one single savings product for Europe, a group of Member States might agree on the principle of a national means progressively to pay back a greater share of resources to the EIB. This echoes the idea put forward by Pr. Fratzscher, Director of the German Institute for Economic Research (DIW) and chair of the new German committee on the enhancement of investment which is against any further increases in public spending to revive investment and which wants to provide the EIB with a new investment fund to develop guarantee activities to the benefit of SMEs and to finance cross-border "joint-ventures". The idea of a new fund within the EIB was also put forward to the Bruegel Institute by the Polish Finance Minister Mateusz Szczurek, at the beginning of September. The fund would total 700 billion €. Such new investment

- Enhanced complementarity of budgetary and lending tools, both locally and on a European level [34].

This transition has found real effect in the EIB and EIF's activities since the two institutions have been recapitalised recently [35]. 8.1 billion € of the community budget (a sum that is rising) has been set aside in the financial perspectives 2014-2020 in order to provide a series of financial risk sharing instruments (equity, risk capital, guarantees and others which might be combined) targeting three goals: SMEs (50% of the provision); innovation (25%) ; strategic infrastructures (25%).

Hence the EIB's responsibilities in the promotion and management of financial leverage instruments are due to increase, likewise its consulting activities. The Horizon 2020 Programme which includes the most successful financial instrument (RSFF) [36], will for example be the focus of more consultancy operations to the benefit of European R&D. In terms of infrastructure the "Connecting Europe" facility promotes the development of guarantees (LGTT) and "Project bonds" for European infrastructure networks.

A joint Commission/EIB initiative is to provide specific assistance to Member States regarding operational, methodological and also financial aspects for the implementation of decentralised financial instruments. Cooperation projects like this are underway in some countries, including France, where the EIB has signed strategic partnerships with the Public Investment Bank (BPI) and the Caisse des Dépôts et Consignations (CDC) which will enable complementarity between their respective financial products and European and national resource subsidies [37]. It is present also when the EIF recycles structural funds into the "Jeremy" fund – thereby redeploying resources for SMEs.

The existence of national public investors acting as the interface for EIB and EIF activities is vital for the success of this policy. Indeed their knowledge of the European instruments on offer, the development of national instruments which extend these, the confidence held by all of those involved, their proximity to the final beneficiaries (authorities and businesses) has been decisive to ensure the leverage effect and the appropriation of European financial means. This network should be complemented, extended, improved on a daily basis before planning any further institutional solutions.

This is what the German and French Finance Ministers– for whom the EIB is a vital institution– said they wanted at the last ECOFIN meeting in Milan on 12th and 13th September 2014 [38].

It is also by taking advantage of synergies like these that the Union will be able to reach the target of 300 billion € of investments hoped for by Jean-Claude Juncker. Undoubtedly the EIB is able to maintain a volume of loans of around 65 to 70 billion € annually, but it cannot raise as many private funds at this moment in time. Targeting 300 billion € would mean that it would have to increase its activity volume to a minimum of 75 billion € annually in the Union alone, which raises the issue of increasing its capital and creating new risk sharing instruments.

3. Encouraging the EIB to be more innovative and to take more risks

The EIB must be able to provide greater support to industrial modernisation and to the share of investments in R&D/RDI in the GDP of Member States. With this in mind it seems pertinent for the "Union's Bank" to be gradually able to acquire new financial instruments, if possible more extensive, long lasting and which are better understood by financial operators, the final beneficiaries and even the public at large.

The present, extremely positive dynamic is being impeded by two factors:

- On the one hand, the reticence of the European budgetary authority to invest major resources to the benefit of technical instruments that meet the requirements of the financial markets,
- On the other, the weakness of the financial means available pushes the Council not to commit to major, long term amounts.

Overcoming these impediments means continuing ever closer dialogue between the Commission and the EIB as well as between the EIB, national investors

capacity within the EIB could also come from the ESM's unutilised resources, as was proposed by officials in Brussels on September 22th, 2014. See Les Echos, September 22th, 2014.

***29.** See the author's article on the various options for parliament in the review Esprit August/September 2014.*

***30.** Based on the hypothesis that only the States would contribute to the capital to a total of 2 GDP points the average contribution per euro zone country, give the 2013 GDP would then be 11 billion. In all likelihood this total would be higher for the big countries. In the present context of public finance and mid-term, budgetary envelopes like this seem totally out of the question.*

***31.** On this issue the request made by the Finance Ministers of the European Commission and the EIB, at the ECOFIN meeting in Milan 12th/13th September, to deliver them a report of investment proposals seems to be a political manœuvre.*

***32.** These are different areas in fact. This mission should rather be allocated to a reformed Eurogroup in coordination with the Commission and even a European Treasury. See the report by Jean Pisani-Ferry regarding the limits of the conditionality implemented by the Troïka,, A. Sapir and G. Wolff, EU-IMF assistance to euro-area countries : an early assessment, published by Bruegel in 2013.*

***33**. The recent draft bill on energy transition presented on 30th July by the French Environment Minister Ségolène Royal, is for example inspired to a great degree by the H2020 programme.*

***34.** The contribution made by national budgetary levers is however still under debate and is the cause of mistrust in Germany for example. This point echoes – in another form - the opinion expressed by Maurice Fratzscher, op cit.*

and the Member States so that the successes of existing measures can be shared and work towards the settlement of their technical difficulties can be undertaken. Hence good practice will become more customary for the Commission's services and also for national administrations and the sharing and investment implementation methods will be better guaranteed in terms of both European and national policies.

In a wider context, the revival of a more offensive, truly European industrial policy might, according to Pierre Moscovici, become the focus of a consensus including the UK, if this were to be adequately linked with trade, competition and internal market policies. This point partly echoes the EU's external mandates and the EIB's extra-EU activities which might develop and/or improve its export finance support policy and its support to FDIs. Finally before any possible, further reform of the Stability and Growth Pact, the practical application of European budgetary rules could be slightly modified.

CONCLUSION

European investment has declined in a worrying manner since the start of the crisis and is struggling to recover. Uncertainty about the euro zone's macro-economic situation and the increasing number of regulations makes it more difficult for States to commit to structuring, complex projects. The need to protect and even increase public investment that is designed to guarantee a better catalysis of private investment is vital however. These two sources of investment cannot be conflicting: their work together is vital and can strengthen the Franco-German consensus over the mobilisation of – and new granting of resources for - the EIB. The sharing of harmonised, long term resources and instruments by all investors, both public and private, promotes a common culture of economy financing that must be consolidated.

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35. *The EIB was recapitalised to a total of 10 billion € in 2012. This capital was paid in order to encourage a greater borrowing capacity. The EIF benefited from a 50% increase in its capital in May 2014, totalling 3 to 4.5 billion €.*

36. *The "Risk Sharing Finance Facility" (RSFF) is a useful financial instrument for the funding of R&D and Innovation (RDI) projects as part of the Horizon 2020 programme. In June 2014, a new agreement with the Commission called "Innovfin" extended the share of the RSFF both in terms of products (quasi-equity and guarantees) and in terms of beneficiaries (SME and MMC).*

37. *We might quote for example the contribution made by the EIB in June 2013 of a financing package (long term loan of 750 million and a guarantee of 200 million) to the BPI to ensure the launch of "loans for innovation."*

38. *Michel Sapin and Wolfgang Schäuble believe that financial risk-sharing measures offered by the EIB to private investors should be increased: the "project bonds" which are struggling to develop are quoted as an example, but other instruments are necessary.*

39. *As stressed by Pierre Moscovici, op cit, the prospect of the enhancement of existing tools is welcomed favourably in Rome and Madrid and the idea of new financial tools is welcomed favourably from a more general point of view.*

40. *See Moscovici, op cit.*

41. *Patrick Artus recalls that regarding public investment the standards of public deficit were set independently of interest and growth rates, which is an impediment to the State's investment in France since it is difficult to assess real profitability. See Artus, Malgré des taux d'intérêt bas, la France n'investit plus, Les Echos, 28 August 2014.*

42. *As indicated by Darvas, op cit, the European Semester may foster a better coordination of national investment programmes. The Golden Budgetary Rule might also protect investments better depending on the cycle.*

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