

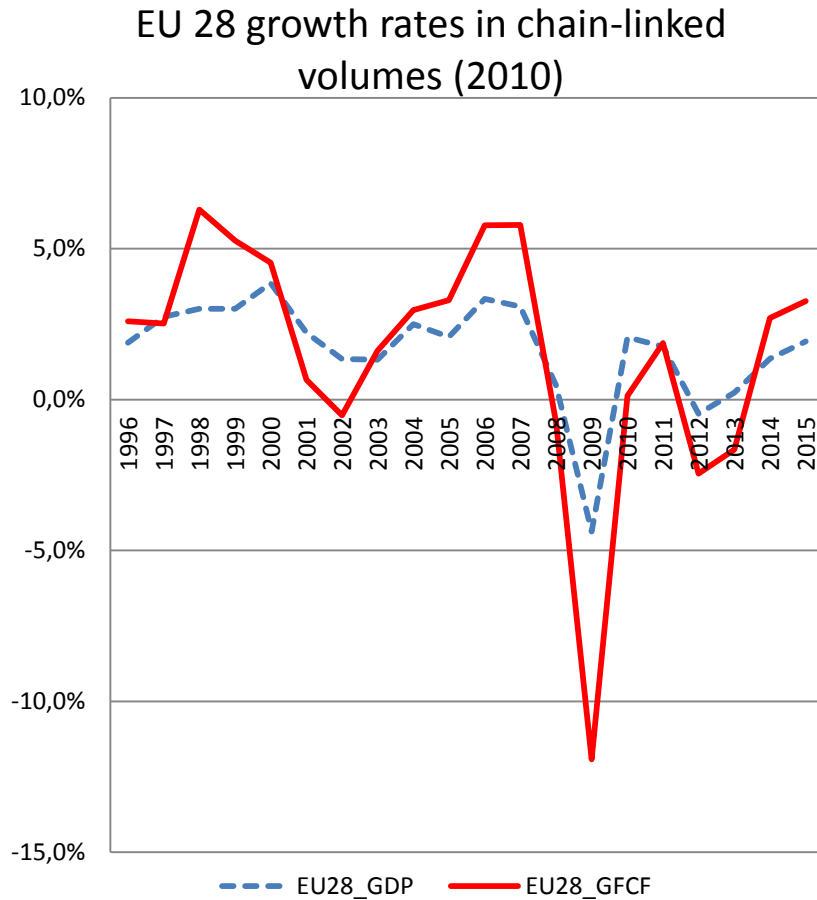
Fact Finding on Investment and the Investment Gap in France and in Europe

EIB – France Stratégie Workshop

11 March 2016

Summary Slides

Weak investment, above and beyond cyclical factors, has been a primary reason for the slow economic recovery in the EU



Sources: Eurostat.

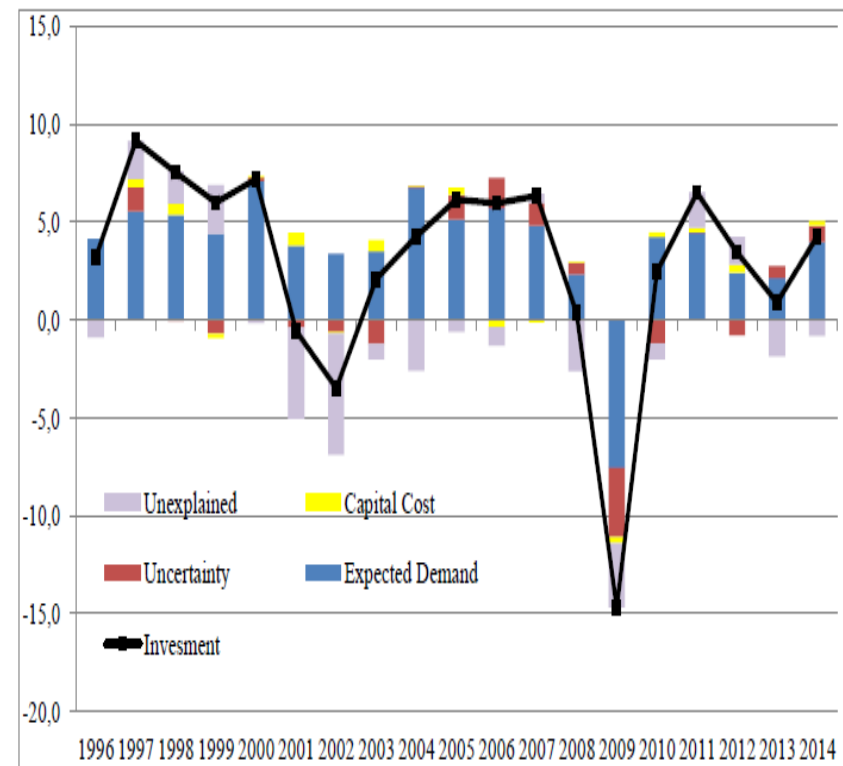
- Besides having a negative impact on current GDP, the low level of investment also negatively impacts on long-term growth potential
 - productive investment in human and physical capital that is needed for future competitiveness, growth and employment in the EU
- On the supply side, structural reforms at member state and EU level are crucial to lift potential growth and stimulate investments
- But there is also a case for well-designed public support on the demand side, that can catalyse substantial follow-on investment by the private sector

Business investment growth in advanced economies fell from 4.7% over 1996-2007 to 0.5% over 2008-2014

Bussière et al. (2015) argue that

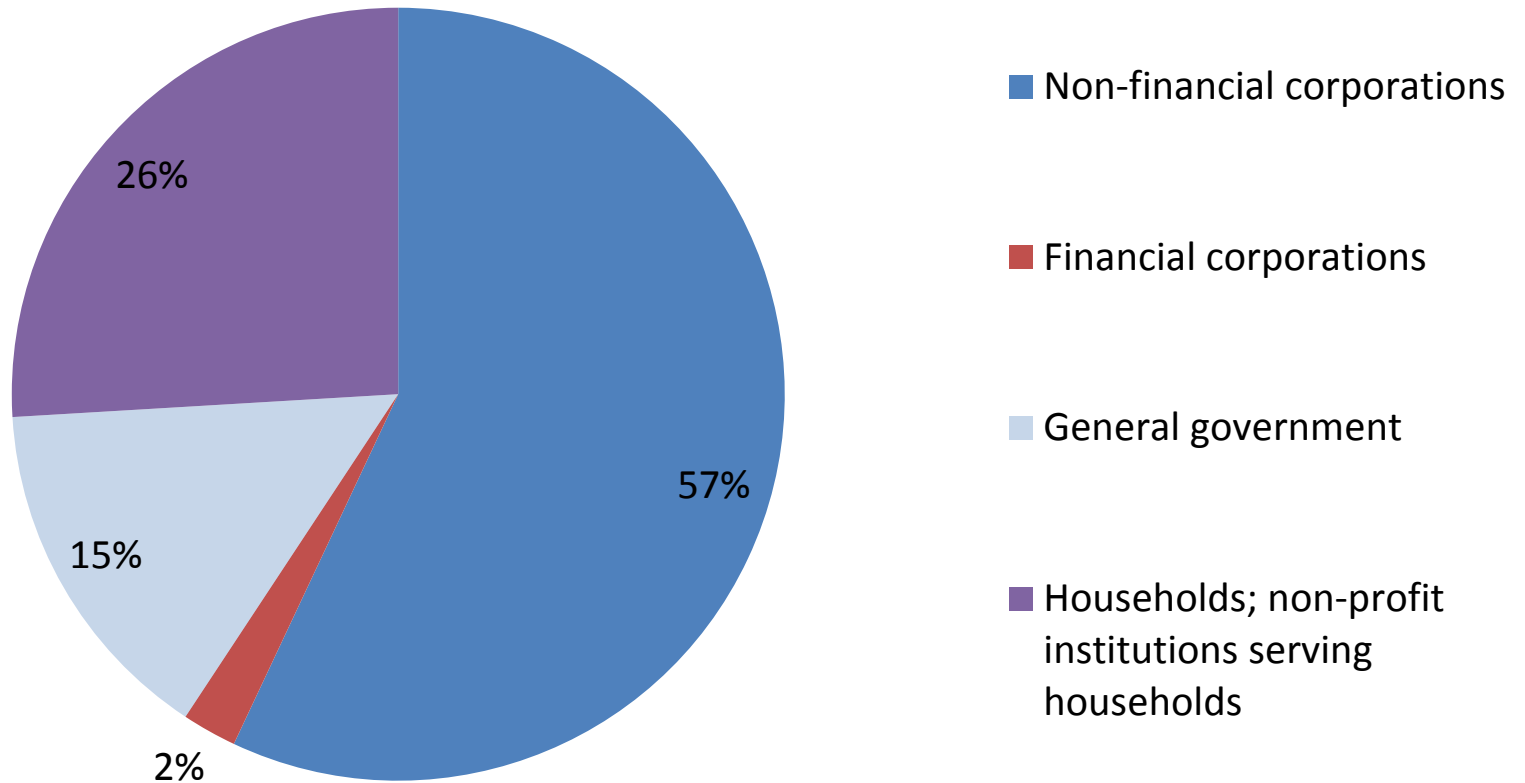
- about 80% of the recent slump in investment is due to expected demand, while 20% to uncertainty
- financial conditions (user cost of capital) have a minor impact overall (except in euro area periphery)
- over-optimistic GDP growth forecasts have supported business investment since the great financial crisis

Figure 3: Aggregated contributions to business investment growth estimated using the benchmark forward-looking model



Source: Banque de France. Data include 22 OECD countries.

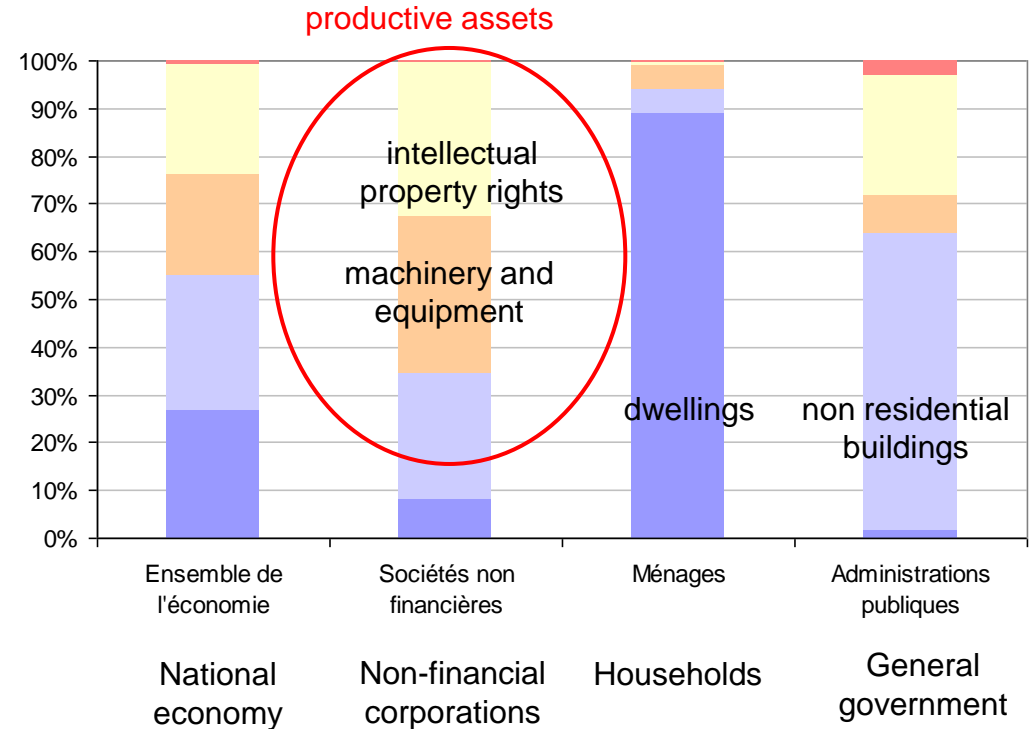
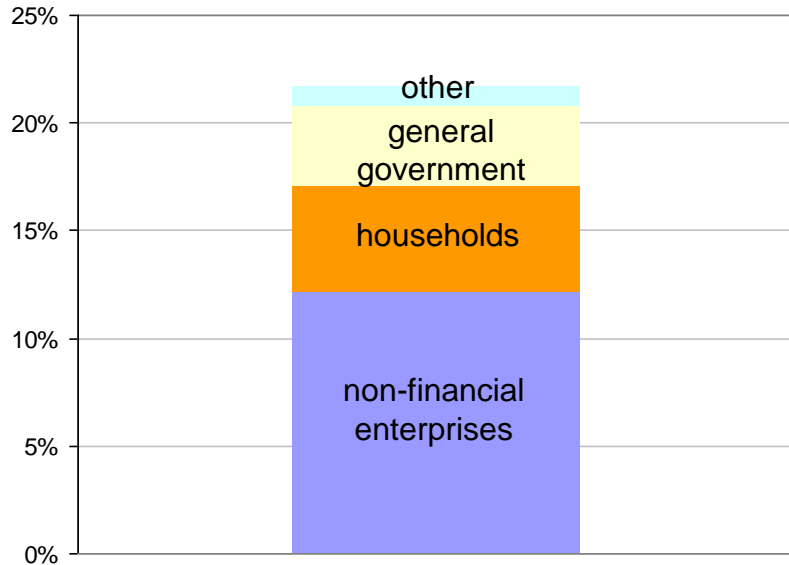
Who invests in the EU28? By sector...



Sources: Eurostat.

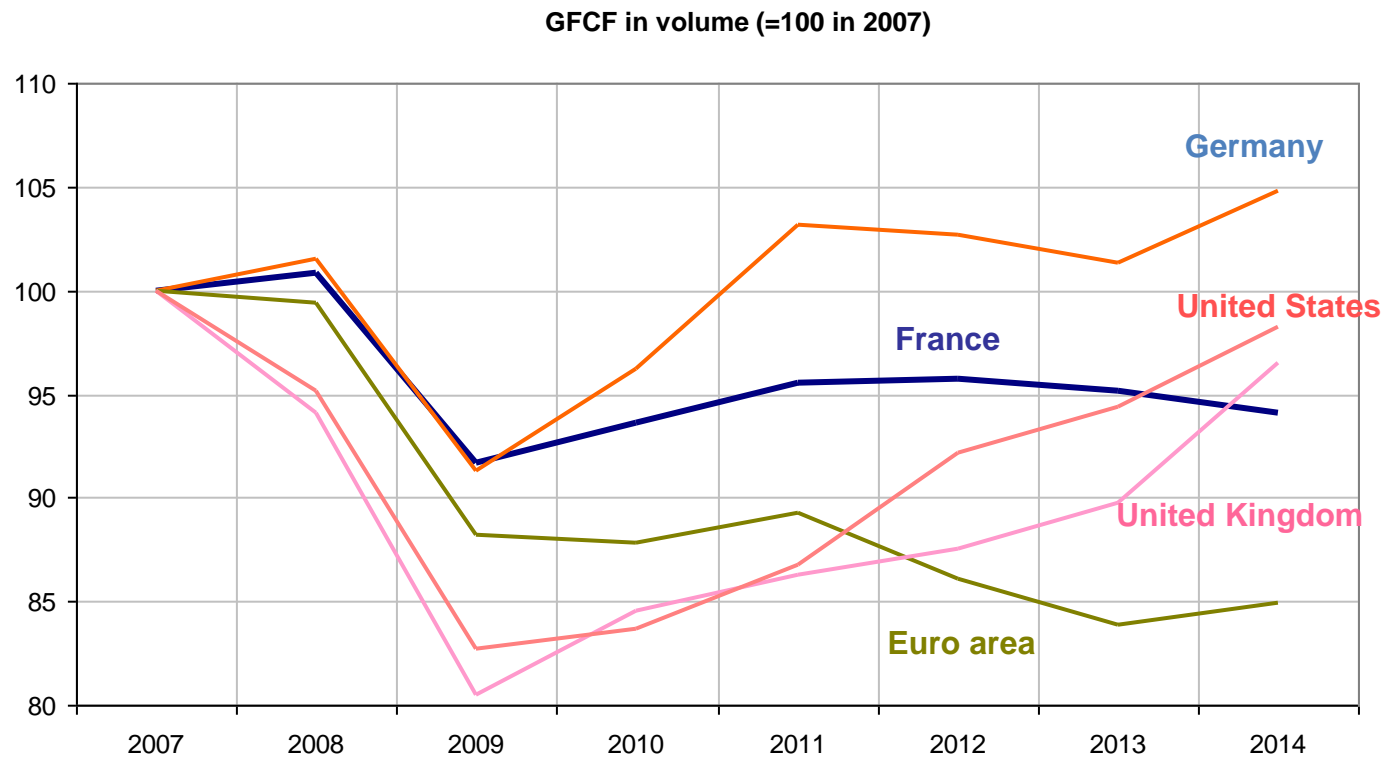
Who invests in France?

GFCF in 2014 by sector in France
(% of GDP in value)



Source: INSEE, national accounts, base 2010.

Decrease in GFCF was relatively mild in France during the crisis but recovery is slower, especially due to the decrease in households investment



Source: OECD.

3 ways to tackle the investment gap

Investment Plan for Europe



Mobilise finance for investment

- European Fund for Strategic Investments
- Cooperation with National Promotional Banks



Support investment in real economy

- European Investment Advisory Hub
- European Investment Project Portal



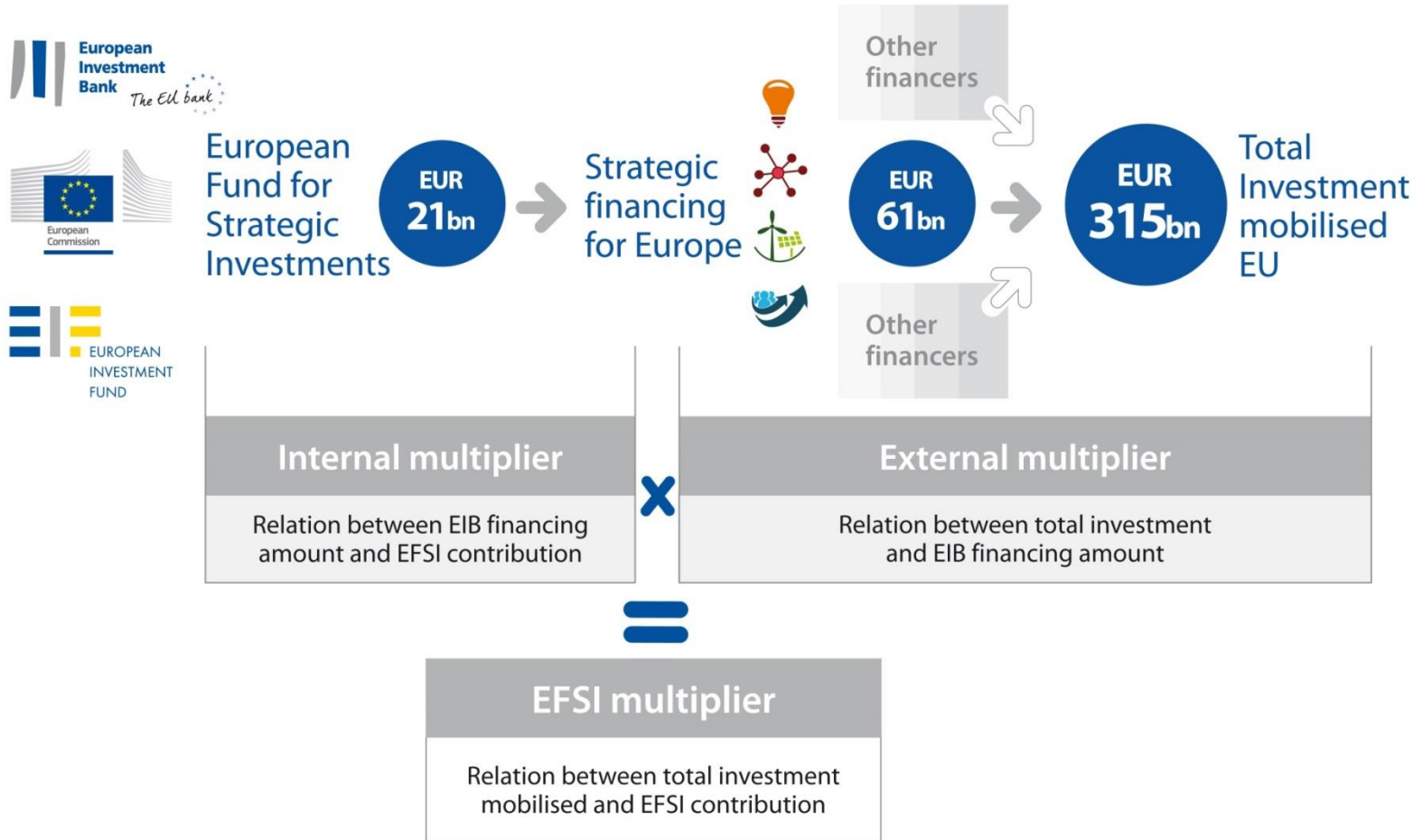
Create an investment friendly environment

- Improving the regulatory environment
- Structural reforms

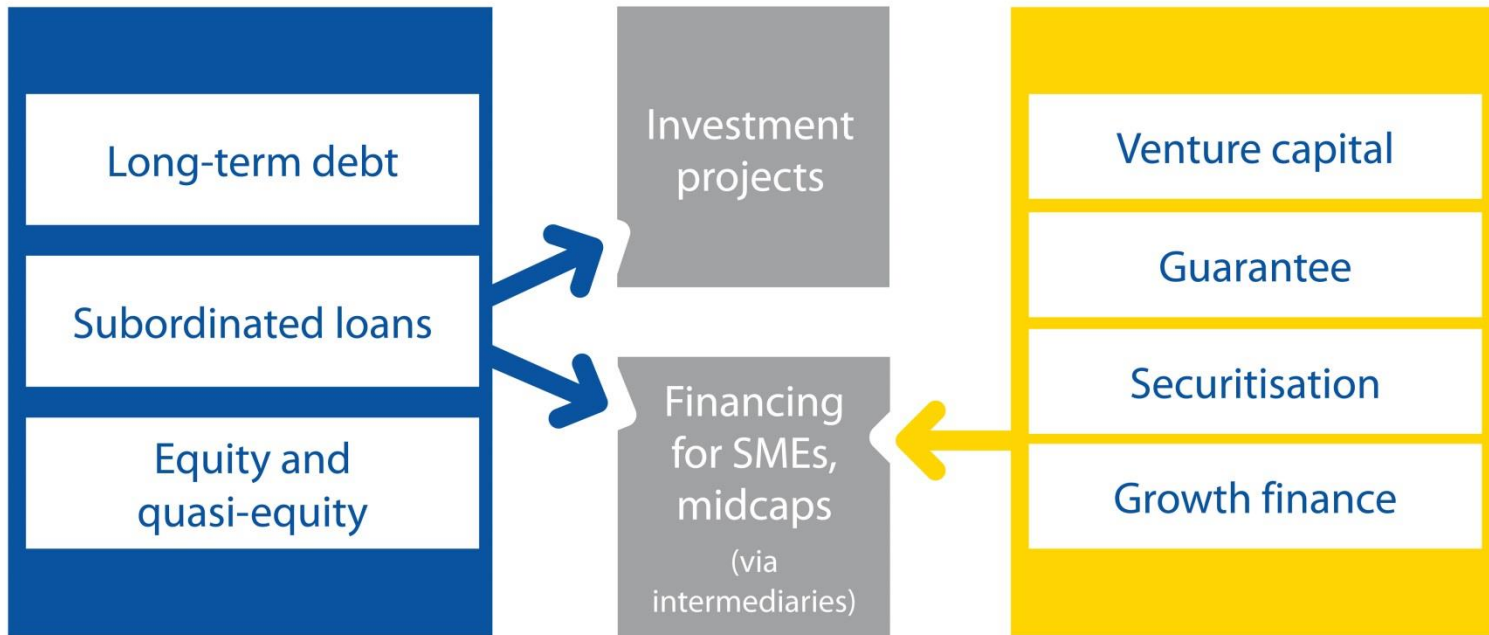


Aim: to mobilise at least €315 billion in investment across the EU

Mobilising new investment...



...with targeted products...



Continuously adapting to market needs

...to make a difference

Value added

Addressing market failures or sub-optimal investment situations

Financing operations not possible to same extent otherwise

Absorbing part of the risk to trigger additional investments



Impact orientation

Maximising growth

Supporting employment

Attracting other sources of finance

Key areas + opportunities for promoters/investors

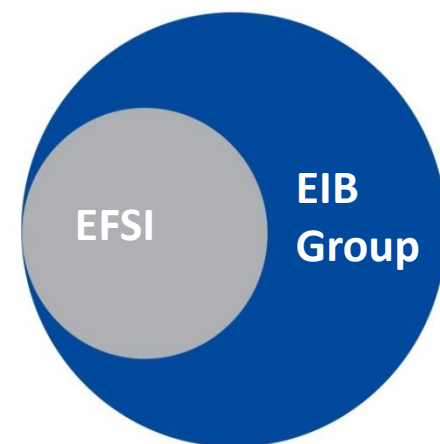
Targeting strategic public and private investment

- **Infrastructure:** including transport, energy and digital
- **Innovation:** education and training, health, research, development and innovation
- **Renewable energy:** expansion of renewable energy generation and support of energy and resource efficiency
- **Environment:** projects in the environmental, urban development and social fields
- **SMEs and midcaps:** financing support through local partner banks and institutions

EU Member States, National Promotional Banks, Investment Platforms and private sector can participate in different ways :

- **Projects**
 - Mobilisation of private sector capital (e.g. private investors, commercial banks, promoters)
 - Co-financing / Risk-sharing with EIB/EIF
- **Investment Platforms**
 - Pooling of projects with thematic or geographic focus
 - Agreement or Fund
 - Can benefit from EU guarantee via EIB
 - Cooperation with EU National Promotional Banks
- **Interest by institutional investors, third countries and Sovereign wealth funds**
 - Working group EC-EIB-China on investment cooperation

EFSI setup and governance



All EFSI operations are within the EIB Group (EIB&EIF)

- On the EIB's balance sheet (no separate entity)
- Subject to standard due diligence
- EIB & EIF governing bodies approve each operation



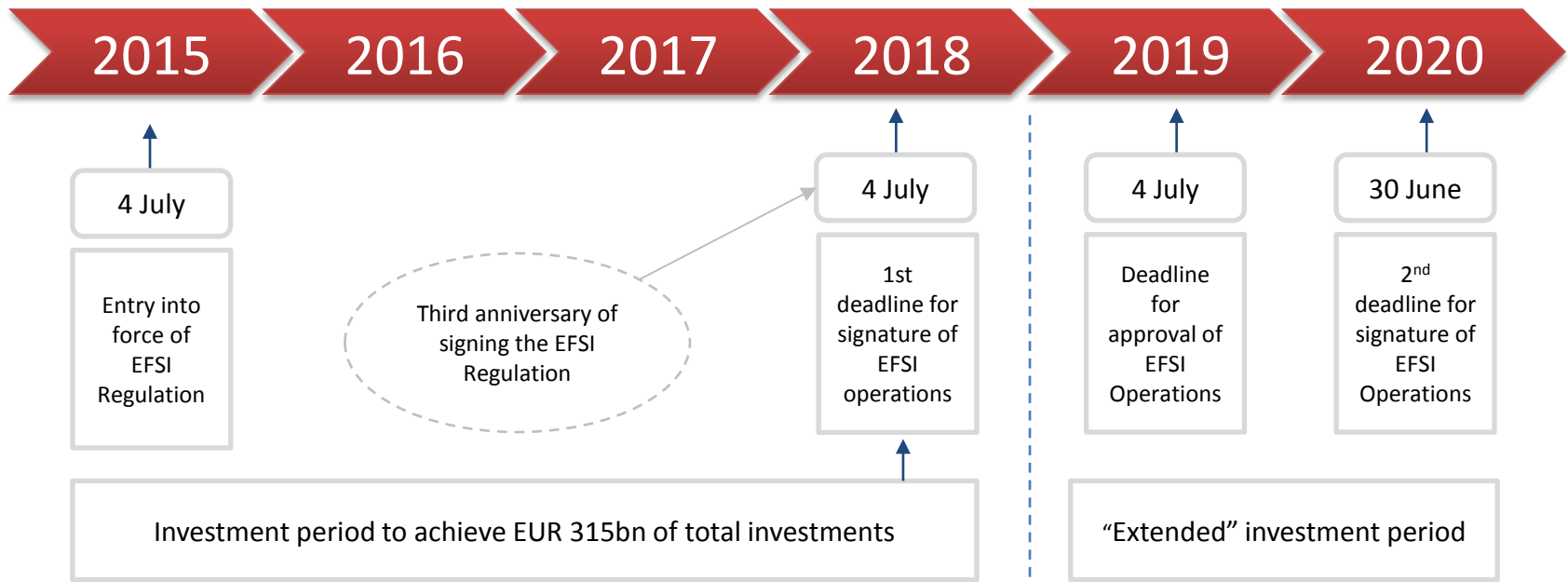
Additional EFSI governance:

- Steering Board
- Investment Committee, headed-up by a
- Managing Director



Operations already started in spring 2015

Timeline and investment period



EFSI operations to target EUR 315bn of total investment by 2018

Actual investment period runs until 30 June 2020