Juncker’s investment plan

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The Juncker plan

- Forecasting at least € 315 bn additional investment over the three years 2015-2017,
- € 21 bn, € 5 bn from the EIB, € 8 bn gradually transferred from other parts of the EU budget, the remainder a guarantee,
- huge result from very little, depends on private money coming forward, and not impossible,
- But; aim unclear; short-term stimulus better done by current spending, aim for investment is long-term growth incl overcoming divergences in EU,
- But; keeping current budget rules and proposed institutional structure mean it will be biased towards countries that need it the least.

Some questions

- Good arguments for more investment (huge fall, established objectives), no comment needed,
- why it has not been happening already,
- how it will be managed,
- what other measures might be needed to make it effective,
- why such a programme should be led from the European level.

Why has it not happened?

- Special Task Force; ‘a wide array of barriers and bottlenecks’,
- policies; reducing regulation, etc,
- in fact, for private investment, key constraints (on production) recognised as ‘low demand growth’,
- [European Commission’s Business Surveys; almost all identifying any constraint, reported ‘insufficient demand’],
- other factors, much less important.

And public sector constraints?

- From list prepared by governments;
- lack of long-term finance; effects of Eurozone budget rules, unattractiveness of the projects to private lenders,
- they will remain under the plan?.

How will the plan be managed?

- Investment Committee of the EFSI, 'independent market experts',
- 'pipeline' of projects, judged adequate to guarantee, proposed from member states,
- claim; enables EIB to lend to more risky projects, EIB decides on credits
- But; stated criterion; certainty of returns, without reference to geographical or sectoral priorities, private sector investment funds like this.

What other policies do they offer?

- Continuing with existing rules on budget deficits and public debt levels, a very little flexibility in their interpretation,
- makes financing public sector projects (and most so far suggested are) extremely difficult and appear like high-risk projects,
- also raises questions over their usefulness: little point building and equipping new schools and research facilities if there is no funding to run them once completed,
- no clear dividing line investment/current spending for education, R&D.

How is it a European plan?

- no obvious argument for the programme to be run from the European level,
- some cross-border projects, but not dominant,
- the same effect - from programmes run separately in individual countries?
- EU contribution should include - access to finance for countries most severely constrained,
- EU trusted, can raise finance, can bias investment towards those in greatest need.

Is there an alternative?

- Clear aims, overcome/reduce divergences in EU + lift countries out of depression that need it the most,
- offer more investment over a longer time period,
- for clear geographical bias, need stronger institutional commitment, not decisions from financial markets,
- EIB + more institutional strength at EU level(?) + at national level to develop strategies/projects,
- obviously politically difficult (reluctance to commit finance from many sided, EIB reluctance to risk status).

Our contributions

- Benchmarking, chapter 1.
- Martin Myant, Juncker's investment plan: A start, but we need more, ETUI Policy brief, 2015.
- European Trade Union Confederation (ETUC) (2013) A new path for Europe: ETUC plan for investment, sustainable growth and quality jobs.