Juncker’s investment plan

Martin Myant

ETUI
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.