

EIB's Perspective on the Future of the EU Cohesion Policy

by

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Minister, Commissioner, Members of the Parliament, Ladies and Gentlemen,

You will allow me to start with my thanks to the Slovenian Presidency for organising this 2-day conference (in this impressive setting of Maribor) and our appreciation for the invitation extended to the Bank.

This conference, part of a series of events inaugurated with the Cohesion Forum last September, demonstrates the importance attached to a Cohesion Policy that serves its purpose, in the context of a rapidly changing world. The Commissioner has clearly set the key principles that should guide the debate and underlined the challenges. The consultation process highlighted them. This is also confirmed by the lively debate taking place today in this room. The forthcoming Mid-Term Review of the EU Budget will add further challenging items.

EIB's views on the future objectives and scope of the EU's Cohesion Policy

The present debate goes obviously well beyond the comparatively limited policy remit of the EIB, an EU Institution, which - in many respects - is more of a "policy taker and facilitator" than a "policy maker". The Bank is, indeed, "policy driven" but the policy is essentially decided in the Council and the Parliament, on proposals by the Commission. Yet, it is with great interest that the Bank contributes to this debate - and others - since first we are definitely committed to servicing the EU policy objectives and, second, we sincerely believe that accumulated experience and strong expertise could offer valuable advice to the policy makers.

The EIB's mission is to support the objectives of the European Union through providing medium to long-term finance for investment projects and programmes. More than half of this lending (EUR 22.5 billion in 2007) supported Regional Development objectives, and more than 60% of the latter was on convergence lending per se in the EU's designated Convergence Regions, as defined under the renewed cohesion policy.

The EIB's experience in financing regional development is very old - it even predates the creation of ERDF; indeed, most of this funding has, by its very nature, a territorial or regional dimension, be it through the type of investment supported (e.g. major transport links, or employment-generating industrial activities), through the type of borrowers (often regions or cities); moreover EIB is a major co-financier notably of projects and programmes supported by ERDF and the Cohesion Fund.

Therefore, the EIB's contribution in this broad debate can offer some views on

- **the future objectives and scope of the EU's Cohesion Policy**, but also on
- **the instruments and resources** that would be made available by EIB to support such policy.

The future objectives and scope of the EU's Cohesion Policy

The debate has already advanced with a number of ideas and a series of arguments but still a lot of dilemmas. However, an already apparent important gain is the broad consensus on the need for the highest possible efficiency of action in an effort to maximise the benefits for the direct beneficiaries and optimise the indirect benefits expected by others.

Economists will most likely stress the "**equity versus growth**" dimension, or in other words, whether EU Structural Funds should act in solidarity with "poor regions", or rather focus on "innovative regions". Such options need not necessarily be conflicting, however, transparency in the targets and clarity in the texts are essential.

Policy makers and budget experts will debate similar considerations also under the angle of net payer or net receiver country positions. Whether they defend the interests of the lagging behind regions or the more successful growth poles near capitals or other large cities, they also agree that Europe is part of a global economy and is also in need to "catch-up" with other, faster moving regions of the world. The argument in favour of greater efficiency in the use of funds may also appear in this context, as the issue of limited local/regional absorption capacities remains present, and is even reinforced by Enlargement.

While it would be clearly premature to anticipate on the results of a debate which has just started, the following likely development scenarios may offer a good basis for further reflection:

- The future "map of assisted areas" is likely to be reduced further: the priority regions were already reduced between 2000-2006 ("objective 1 regions") and 2007-2013 ("convergence regions"). The post-2013 priority regions might well be further reduced to (parts of) the "new" Member States, and leave out much of what still remains under convergence in the "old" Member States.
- Unless absorption capacity issues are eased significantly, the relative weight of "regional" versus "thematic" allocations of EU Structural Funds may well shift towards the latter. The continued existence of the Cohesion Fund with its thematic focus on TENs and environment could be a model here; so could be the current "earmarking" of ERDF and ESF grants in favour of Lisbon-type activities. Such thematic support would typically cover a wide range of regions, beyond today's convergence ones (in line with the current support for the "regional competitiveness and employment" objective). Other themes might well be added. Issues related to climate change/energy, to demographic development/ migration, or to "urban hot spots" are key examples.

EIB's contribution to the instruments and resources made available by EIB to support such policy

In this context, let me briefly discuss three key elements in the Bank's current and possibly future policy support in this area:

The first one is that the Bank has gained wide experience, developed over many years of lending, in following both a regional approach as well as thematic approaches.

Let me explain: EIB has since its creation been the "Bank for the Regions", channelling important funding into "assisted areas", in support of investment undertaken by public or private promoters (or any combinations of public/private), alongside and often in co-financing arrangements with the EU Structural Funds.

Moving beyond the specific case of convergence regions, it is important to stress that EIB has equally accumulated much experience in extending

loans for investments in the other regions of the EU, if and when these investments contribute to one of the following objectives:

- Trans-European Networks ;
- Innovation, including R&D, education and training and ICT;
- Environmental protection, both in terms of natural environment as well as investment supporting the innovative and important concept of Sustainable Cities. The recent Leipzig Charter as well as the Leipzig Conclusions welcomed the EIB's role in this field, also through the establishment of JESSICA;
- SME investment, notably through credit lines with a large number of banking intermediaries, as well as by venture capital and guarantees from the European Investment Fund (including through JEREMIE), of which EIB is the main shareholder;
- Sustainable energy, including energy efficiency, renewable energy and diversification and security of energy supplies;

The second element is that the Bank has a proven capacity in helping its shareholders - the Member States - to best absorb the budgetary resources made available through the EU budget, either through mobilising its sector expertise, and/or its loan-funding capacities, where such is requested by Member States or their regions. EIB has a capacity to mobilise loans, on appropriate terms and conditions, that leverage EU grants, help complete the project's or programme's financing plan and accelerate implementation. Such financing may include, when necessary and appropriate, a TA component for project implementation.

Moreover, and specifically in the countries having joined the EU since 2004, the Bank, in close cooperation with and support from the Commission, has also mobilised its wide experience and set up JASPERS, a joint project preparation facility (with the EU Commission and EBRD) designed to help these countries, major beneficiaries of the Structural Funds, to better prepare project applications and thus improve their capacity to absorb the EU grants made available to them. I would like on this point to appeal to all those concerned to support this process. JASPERS is a unique instrument at YOUR service and, if used smartly, could have a significant multiplier effect in every country or region it is involved in. JASPERS primarily supports the Member States (and other beneficiaries in the Member States) to prepare their projects and submit the corresponding grant application to the Commission for approval. In doing so, however, it also contributes (i) to the **development of the local consultancy industry** and (ii) **helps promoters and beneficiaries to**

develop and enhance project management expertise. For this to succeed, however, it is important that Action Plans are properly and timely established, well prioritised and assigned a realistic timetable. Clear priority and realistic timetable are indeed indispensable for JASPERS to focus and deliver.

The third element to underline is that EIB loans can co-finance entire Operational Programmes: they are primarily supported by the EU Structural Funds, whereas EIB can provide all or part of the complementary financing to be mobilised by the national or regional authorities, or also by the private sector. Such "Structural Programme Loans" have been phased in during the 2000-2006 period, when 25 operations of this type were implemented with various regions, including several of the then new Member States, for a total lending amount of over EUR 4 bn. As from 2007, such programme financing alongside ERDF or the Cohesion Fund is being reinforced, mainly, but not exclusively, in the convergence regions.

The crucial issue for the future is how the EIB's delivery mechanism can even better harmonize with the needs of its shareholders. This is the object of ongoing discussions also within the EIB. A major thread of the discussion is that, where the EU decides on priority regions or other priority funding targets, and accordingly supports investment with substantial grant rates, the EIB's co-funding approach should align as closely as possible with the EU decision process and complement it in an effort to avoid additional work burden or even reduce it.

The new instruments of Framework Loans, and notably the development of Structural Programme Loans, have already bridged part of the gap between the funding approaches of the EIB and of the Structural Funds, even if the instruments as such may need some further fine-tuning. Also the EIB has heavily invested in reinforcing its technical advisory capacities, notably through the creation of JASPERS, as well as by moving to help more systematically local promoters to improve their implementation capacity (incl. through PIUs, programme or project implementation units).

In a medium term perspective, an even better synchronisation between EIB and Structural Funds over the entire programming cycle could be achievable. The objective could be to extend the EIB's contribution over the entire programme cycle, in parallel with the EU Structural Funds,

from programming and project preparation until project implementation and monitoring, rather than concentrating it on the specific point in time when the project appraisal takes place. This would enable the Bank to co-finance "organically" alongside the EU Structural Funds, as it would be an integral part of the overall programming exercise.

What could thus be designed is a new concept of an "Integrated Structural Programme Loan" (ISPL), on which, I hope, I will be able to report on a future occasion.

Mr Chairman, Ladies and Gentlemen,

Let me conclude by emphasising again that EIB considers itself as an integral part of the Community's cohesion policy, notably in the convergence regions. It also follows closely the establishment of the Territorial Agenda. The Bank stands ready to contribute to the implementation of these policies, now and tomorrow, also well beyond 2013, by working closely with the Commission, contributing to the reflexion and further developing its instruments in the fields of financing, co-financing as well as technical expertise.