

"The EIB - Investing in a closer-knit Europe" in EUR-OP News

Caption: Interview with Philippe Maystadt, President of the European Investment Bank (EIB) since 1 January 2000, concerning the objectives of the EIB and the projects that it funds in order to fulfil them. While projects geared towards improving conditions in the less-developed regions remain a priority, investment in new technologies is increasing.

Moreover, the bank's activities have a positive influence on job creation and the establishment of the single currency.

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The EIB – Investing in a closer-knit Europe

Interview with EIB President, Mr Philippe Maystadt

EUR-OP News: The EIB's main goal has always been the strengthening of economically weak regions in the EU. Is there now evidence to suggest that the Bank's activities have not only spurred growth in such regions, but have also contributed to reducing the gap between the richest and poorest regions?

Philippe Maystadt: Indeed, the Bank's primary task is to foster economic and social cohesion within the EU and yes, we give priority to projects in Europe's regions that are lagging behind. In 2000, 73 % of our individual loans within the EU went to projects located within the so-called 'assisted areas'.

The Bank's activities are not the only factors contributing to growth in these areas but let us consider the global picture. Drawing from the *Sixth periodic report on the social and economic portrait of the regions of the EU* the data shows that over 10 years output per head in the poorest regions has converged towards the EU average.

GDP per head in the 10 poorest regions increased from 41 to 50 % of the EU average. In the 25 poorest regions, GDP per head rose from 52 to 59 %. In the cohesion countries — Greece, Spain, Portugal and Ireland — GDP per head rose from 65 % of the EU average to 76.5 %.

So, there is some evidence to suggest that the group of less developed regions is catching up, again for other reasons than just the EIB's activities. Nevertheless, the independent evaluation unit, the unit that makes a post-evaluation of the impact of the projects we finance, sought to measure the impact of investment and found that only a very small percentage of the projects didn't have a positive impact on regional development.

On the whole the conclusions are quite positive.

EUR-OP News: Is it possible to measure the effects of EIB's lendings on job creation? Could you give us some figures?

PM: The EIB's main goal is to foster growth through investment, not job creation per se — although, of course, we hope that this investment will also generate new jobs.

Measuring the impact of our projects on job creation is difficult because of the many jobs that are created as an indirect result of our investment. For example, take the construction of a new motorway. Employment will be generated by the construction work itself, this is a direct link, and there will also be some indirect effects on sub-contractors of these companies. Then, there are further impacts because this new motorway will make it easier for people to travel to find work.

So, although a precise answer is not possible, we have estimated that each year some 380 000 jobs are generated or maintained in the development of infrastructure.

EUR-OP News: There is widespread disappointment about growth perspectives of the new economy. How do you judge its prospects and what is the Bank doing in this sector? Are there new trends?

PM: The 'new economy' is a phrase used in the context of what has taken place mainly in the United States. This situation resulted from a sharp increase of investment in new technologies, which, in turn, generated accelerated growth of what economists call 'total factor productivity'.

This is probably why the United States has experienced such a sustained period of economic expansion. And although this is now slowing down, it is clear that it has been beneficial for the US economy to increase their productivity by investing much more in the new technologies.

Do we see the same phenomenon in Europe? Not yet. In some European countries, this combination of increased investment in new technologies and acceleration of productivity exists for example in the United Kingdom and Scandinavian countries. But we are only at the beginning of this process in Europe.

At Lisbon in March 2000, Europe set itself the ambitious goal of becoming the most competitive knowledge-based economy in the world. To reach this goal it will be necessary to increase investment in the new technologies and the EIB will contribute to this. Under our 'i2i Innovation 2000' initiative we intend to lend EUR 12–15 billion over the next three years for investment in this area and already since May 2000, we have agreed to loans worth EUR 1.6 billion.

EUR-OP News: How does the EIB help to promote dynamic growth of the media industry, one of the high-speed sectors in Europe?

PM: We launched 'i2i' to promote investment in the new information and communication technologies and to build new networks based on these technologies.

However, we must also pay attention to what circulates on these networks otherwise it is possible that most of the content may be of non-European origin. So, as part of 'i2i', we launched 'i2i audiovisual' in cooperation with the European Commission and we have four lines of action.

First, the EIB will provide credit lines under favourable conditions to banks specialised in the IT/audiovisual sector for funding small firms working in this field.

Secondly, we provide long-term financing directly to bigger operators such as television groups. This will finance audiovisual production, distribution, etc.

Thirdly we participate in funds that bring risk capital to SMEs in the audiovisual sector. And finally we have a joint action with the Commission within the framework of Mediaplus. We will work together in developing online services, electronic archives, and so forth.

EUR-OP News: After candidate countries join the Union, will the majority of funds go to the CEECs or will the less developed regions in western Europe continue to benefit as they have until now?

PM: When the candidate countries become full members of the EU they will be treated in the same way as the other members. They will have access to financing from the EIB under the same conditions.

It is probable that for the most part these new members turning to the EIB will be assisted areas, and assisted areas have priority. But this will not be to the detriment of other assisted areas in other Member States.

We do not operate on the basis of a budget whereby if one country receives more, less is available for others. We finance loans by borrowing and we can borrow more in order to lend more.

EUR-OP News: Sustainable development is one of the Union's strategic objectives. How do environmental concerns figure in the Bank's evaluation of projects?

PM: There has been an increase of finance for projects safeguarding the natural environment. For example, out of the EUR 3 billion lent to the accession countries in 2000, environmental projects accounted for EUR 740 million. Secondly, we also reorganised our projects directorate in order to ensure that sufficient attention is paid to environmental factors in project appraisal. Each team is responsible for appraisal of the environmental aspects of a project. There is also a coordinator for the environment who checks that each team is devoted enough to environmental aspects.

EUR-OP News: What steps has the Bank taken to support the launch of the euro?

PM: We have supported the euro through our borrowing and lending activities.

In 2000, we borrowed in 11 different currencies, mainly in pounds sterling (amounting to 49.5 % of total borrowing), euro (21 %) and US dollars (21 %) depending on the most favourable conditions. In 2001, the share of the euro will increase. We lend in different currencies, depending on the choice of our borrowers. In 2000, 45 % of the disbursements were in euro.