

Statement made by Werner Hoyer to the European Parliament (29 March 2012)

Caption: Werner Hoyer, President of the European Investment Bank (EIB), replies to questions from MPs during the plenary session of the European Parliament, held on 29 March 2012 in Brussels, on the EIB Annual Report for 2010.

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[...]

Werner Hoyer, *President of the European Investment Bank* . – Mr President, it is a pleasure and an honour for me to be here for the first time in my new capacity and to respond to the report just given by Mrs Ivanova. It is a real pleasure because I believe that the cooperation between our Bank and the European Parliament should be clear, should be open and should be transparent. I consider the European Parliament an ally of the Bank in the enormous challenges which we will have to meet in the future.

Allow me first of all to thank Iliana Ivanova for her very thorough and diligent report and for her excellent cooperation with the EIB's services. We welcome the fact that even though the report has the year 2010 in the title, it not only looks at the past but also examines matters from a broader perspective and addresses some very recent developments, as well as some key orientations for the future. We share the analyses for the current situation and the challenge the European Investment Bank is facing nowadays. Much emphasis has been put on fiscal consolidation – understandably so given the state of finances in many Member States.

Across the continent, we have realised that solid public finances are key to regaining market confidence. However, tackling the problem of public debt and fiscal consolidation is only part of the equation. The other part is restoring sustainable growth, boosting job creation and stimulating competitiveness to ensure the EU maintains its position in a world economy that is now globalising at high speed.

This job-friendly growth – as the Heads of State and Government put it at the Council meeting in January – must be pursued in parallel with fiscal consolidation and this is, as you are aware, where the EIB comes into play. It comes into play with long-term investment in key drivers of economic expansion. I welcome your backing for our commitment to focus on the knowledge triangle of research and development, innovation and education. Indeed, investment in that area is vital for Europe if it does not want to be sidelined by new actors in the global game.

You will be aware that, since 2008, the EIB has, on request by the Member States and as a timely targeted temporary measure, extended extraordinary lending volumes in support of growth and jobs. Last year the Bank provided its highest ever contribution to the real economy: some EUR 60 billion actually disbursed to clients at favourable conditions and long tenors. However, this has brought us to a limit, and this was clear from the beginning. This is because the EIB does not spend taxpayers' money but obtains all the resources it needs for lending by borrowing on the markets – EUR 76 billion last year, almost half of which was from countries outside the European Union which, by the way, is also an indication of trust and confidence in the European Union.

This gradual decrease which we now have in the operation plan was planned, foreseen and necessary for us to protect the financial strength of the Bank and retain the full confidence of our investors. However, it is definitely not satisfactory; I agree with that as well.

So how do we reconcile this decrease in lending volumes with the request from our shareholders to, as it is said, strengthen support for SMEs and infrastructure and enhance action to support growth – to use the wording of the European Council meeting in January? How do we make sure that, in times of need, the EIB does not work pro-cyclically due to its capital constraints? Rather than reducing the number of projects, we have financed a lower proportion of projects – and in practice a constant number of projects – in order to maintain our impact across a wide spectrum of areas. We have also made sure not to withdraw from countries in need, as that would contradict our role.

We are aware that the current economic climate and budgetary shortfalls mean that we must find ways to do more with less. Combining EU budget funds with EIB resources, risk sharing and guarantees for financing mechanisms is one way of achieving this. However, at the end of the day we have come to the conclusion that the overall lending capacity of the EIB remains constrained by its very capital base. This means there are limits to what these risk sharing instruments can achieve.

A conventional capital increase, as you mention in your report, would definitely be the most effective way to remedy that but so far, understandably, the readiness and willingness of Member States to boost our paid-in capital appears limited. Given these constraints, another way to construct capital support for the EIB would be to allow the EU to provide quasi capital.

In the meantime, we continue to explore other alternatives in order to strengthen the Bank's capital base so as to allow the Bank to do more. We do this while very clearly and precisely following best banking procedures and sticking to very basic principles which provide, or which are the guarantee of, the preservation of the triple-A status of this Bank. This is essential for the business model of the Bank and the European Union Member States. The shareholders of the EIB should have a keen interest in the European Investment Bank, maintaining the balance – and this is the job of any bank – between risk orientation and preserving the good quality of the portfolio, in order to be able to maintain a high rating on the market, because that is the basis for our ability to borrow at very favourable rates and pass this on to the final beneficiary. That is the real economy, and that is where we must make a difference.

[...]

Werner Hoyer, *President of the European Investment Bank* . – Mr President, honourable Members, let me first of all thank you very much for this very warm welcome to the European Parliament for a long-time parliamentarian who after 25 years gave up his parliamentary seat just a couple of weeks ago. It is good to be back and to be in a debate. I welcome and thank you for so many interesting questions and suggestions in width and in depth. Unfortunately I

will not be able to cover all this in the remaining four minutes but let me assure you that I will be available to Parliament and its committees whenever you consider it useful.

I believe there is a hidden treasure in Luxembourg. You here are all experts. You are all the European Investment Bank. If I go to the politicians on the budget committees or the economic committees of the parliaments of the Member States, I find limited knowledge about the EIB. Nobody knows what a valuable instrument this is for the European institutions. This is an institution which, by its lending volume, is far bigger than the World Bank. We must make this known among our citizens in the European Union because this is something we can bring into place when it goes in favour of job creation in Europe, change in the environmental situation in Europe, climate action, and when it comes to boosting innovation, growth and employment.

We should develop this institution. Here I consider this Parliament to be one of the best allies of the European Investment Bank and this is why I do not shy away from questions of transparency, compliance and auditing. I just went through my first experiences as President of the Bank in the field of auditing and compliance and I must say that I am proud of the procedures that have been adopted and improved over the last couple of years. There is always room for improvement. I am ready to talk about this with this Parliament. We have seen that the question of transparency plays such an important role for the European Parliament. I welcome this and this is a promise I can give you.

What I would like to stress is the excellent cooperation we have with the Commission and I thank in particular Commissioner Rehn, but his colleagues as well, for this cooperation. I do not agree with the suggestion that might lie between the lines of what Mrs Gräble said. She said, do not draw funds from the European Commission, from the Union, over to the Bank. No, we have to do this together. We have to use the financing instruments of the Bank in order to reach the goals and the objectives of the Commission and the Union in general. This is the way we cooperate and this cooperation works very well.

In this context, also in view of the new instruments we are developing, it is very important to bring in the expertise of the Bank at a very early stage. What impressed me the most when I arrived at the Bank was the fact that I found not only an incredible wealth of financial and banking expertise, I found also an incredible wealth of engineering capacities, of science and technology experts, and things like that. This is so important in coming to a really sound assessment of projects and proposals and we should, in the best sense of the word, bank on that. I think the Commission is doing that again and again, because our expertise is needed again and again.

The activities of the bank have clearly been expanded from purely lending to also blending with the resources of the Commission and Parliament and the European institutions, and advising because the expertise that our bank incorporates can be made available to the Member States, to our partners in business. Business: this is the point. If I welcomed the pilot phase for the project bonds so warmly, which is obviously clear now, then this is also due to the fact that this is a very valuable instrument with which to get experience in raising private money. For the huge infrastructure challenges to be met over the next couple of years we need to be able to attract more private money and this is how the European Investment Bank can make a contribution.

A lot of things have been said about SMEs. If I look at the strengths of the economies of some of our Member States at least, or the European economy in general, one can say that here is the backbone of employment, of innovation in the European Union, so it is clear that we must strengthen them. We must also strengthen them where they are not so strong yet, but we have indeed been very active in the last couple of years. If I remember the figures correctly – we are talking about the 2010 Annual Report – more than EUR 11.5 billion was given out in cooperation with these small and medium-sized industries, overall it is about 120 000.

A last word, on innovation. In my view this is the most important thing we need to think about in looking at our overall role. Our overall role is to contribute to the competitiveness of Europe in the globalised world. The share of innovation activities we all have there is not, in my view, sufficient. So in addition to what I have said about energy and energy efficiency, new energies in the fields of SMEs, innovation might be a very important additional pillar. Thank you very much and I am looking forward to very good cooperation with this Parliament.

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