European Union

The Juncker Plan is still on track

- **The European Commission posts regular updates on the advancement of the European Investment Plan, which was launched by Jean-Claude Juncker at the beginning of his mandate.**
- **To date, the European Fund for Strategic Investments (EFSI) has already approved over EUR 10 bn in financing, and will contribute a total investment volume of EUR 76 bn according to the Commission.**
- **The success of the programme will depend on how well it juggles its size target against the imperative to concentrate on projects that cannot find alternative sources of financing.**

The latest information released by the European Commission provides a good idea of the advancement of the European Investment Plan as of late March 2016. First announced by Jean-Claude Juncker when he started his mandate, the Juncker Plan was not officially launched until year-end 2014, and the first projects were not examined until April 2015.

In March 2016, a year after the start-up of the operational phase, the European Fund for Strategic Investments (EFSI) has apparently approved as much as EUR 10.6 bn in project and corporate financing, according to the European Commission. More precisely, the European Investment Bank (EIB) has approved 54 infrastructure and innovation financing projects sponsored by the EFSI, representing EUR 7.2 bn in commitments, and the European Investment Fund (EIF) has approved more than 150 financing projects for SME and mid-caps, also sponsored by EFSI, for a total of EUR 3.4 bn.

Little information is available on the regional or sector breakdown of these investments, but they generally are in line with expectations. The lion's share of infrastructure projects are in the energy and transport sectors, both in terms of the number of projects approved (31 of the 54 projects identified in the EU) and apparently the amount of financing as well. At this point, 22 of the 28 EU member states are involved in at least one investment project. The EU's five biggest economies – Germany, France, the UK, Italy and Spain, which together account for more than 70% of EU GDP – will receive 63% of EIB and EIF commitments made so far. There were some fears that the programme's funding would be concentrated in the countries that tend to work regularly with the European Investment bank, or whose national development banks have mobilised the most funds to co-finance projects[1]. So far, however, these fears do not seem to be justified, since the breakdown of projects and funding does not seem to be very different from the country weightings within the EU. That said, it is unfortunate that investment decisions were not concentrated somewhat more in the countries that are supposedly suffering from a shortage of investment.

[1] France, Germany, Italy and Poland each announced EUR 8 bn in possible co-financing via their national development banks, while Spain announced EUR 1.5 bn and the UK, EUR 6 bn.

EUR 10bn of approved financing

Infrastructure and innovations (EUR 7,2 bn) ; SMEs and mid-caps financing (EUR 3,6 mds)

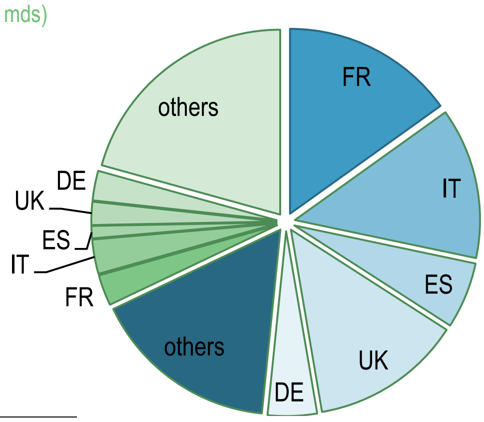

Chart Source: European Commission

A tough juggling act

A large part of the identified financing has not been approved yet, and it will apparently take some time before some of these investments are actually made and begin to have an impact on activity. On the whole, the European Commission considers that total investment spending associated with EFSI-related financing over the past year will eventually reach EUR 76 bn. Yet the pace will have to accelerate if the plan is to reach its ambitious target of triggering EUR 315 bn in investment in the European Union by the end of 2017.

Yet should top priority really be given to the programme's size? Granted, one of its key goals is to maximise leverage and to encourage large-scale investment (more than EUR 300 bn or just above 2% of EU GDP) with a minimum amount of public funds (EUR 21 bn in guarantees granted by EFSI, which could generate about EUR 60 bn in EIB or EIF financing)[2]. As another recent report[3] warns, however, placing priority on the volume of commitments increases the risk that the plan will favour investments that are easiest to implement (either because they are not very risky or benefit more easily from public or private co-financing…) or that could have been financed through the classic funding activities of the EIB, national development banks or through private investment. This would counter the initial purpose of the programme, which is to trigger more risky investments that might not have been made without the programme's contribution. It is precisely because resources are so scarce that the rest of the Juncker Plan should make a difference.

[2] For further information, see: "Eurozone: The Juncker Plan running" and "Juncker Plan: hard to implement".

[3] Investment in Europe: getting the most from the Juncker Plan, Notre Europe, Institut Jacques Delors, Rubio E., Rinaldi D. & Pellerin-Carlin T., March 2016.