

European Economic and Social Committee

EUROPEAN INDUSTRY AND MONETARY POLICY

The role of the  
European Investment Bank (EIB)

# SHORT PRESENTATION OF THE REPORT

CCMI Group III

June 21 2017



*European Economic and Social Committee*

## Main steps

- ✓ Preliminary Draft (February 2015)
- ✓ EESC Bureau decision (March 2015)
- ✓ Presentations on “Some Basic Concepts “ and “Main Issues” (March 2015)
- ✓ Initial contacts with EIB and ECB (March 2015)
- ✓ Consultations with 85 experts in EU Member States (From April 2015)
- ✓ PowerPoint presentations (continually updated) (May 2015)
- ✓ Presentation at industriAll (Brussels) (September 2015)
- ✓ Presentation at the Slovak Ministry of Finance (Bratislava) (November 2015)

# Main steps

- ✓ Round table, Brussels. (November 2015)
- ✓ All-day presentation, Bilbao. (November 2015)
- ✓ Checks and contacts with: EIB, ECB, EU Presidency, European Parliament, European Commission (January-November 2016)
- ✓ Analysis of possible changes to be proposed in the open market operations of the ECB (November 2016)
- ✓ Analysis of legal limits established by the Treaty on the Functioning of the European Union (March 2017)
- ✓ All-day presentation, Vilnius (April 2017)



# Scale of the resources involved

	<b>AMOUNT</b> (EUR million)	<b>% EURO AREA GDP</b> <b>2016 (Current prices)</b>
<b>JUNCKER PLAN</b>	<b>21 000</b>	<b>0.2 %</b>
<b>MONETARY EXPANSION PROGRAMMES</b>	<b>3 990 643</b>	<b>37.2 %</b>
<b>EURO AREA GDP</b> <b>2016</b> (Current prices)	<b>10 733 164</b>	<b>100.0%</b>

Source: European Commission / ECB / Eurostat / Bundesbank



# Indirect nature of monetary expansion

- The main problem with monetary expansion is its lack of focus. Except –in some way- in the TLTRO operations, funds are provided to banks and it's up to the banks to decide if these funds are or not invested and, if so, if they are invested in or out of the Eurozone and in productive or speculative activities.

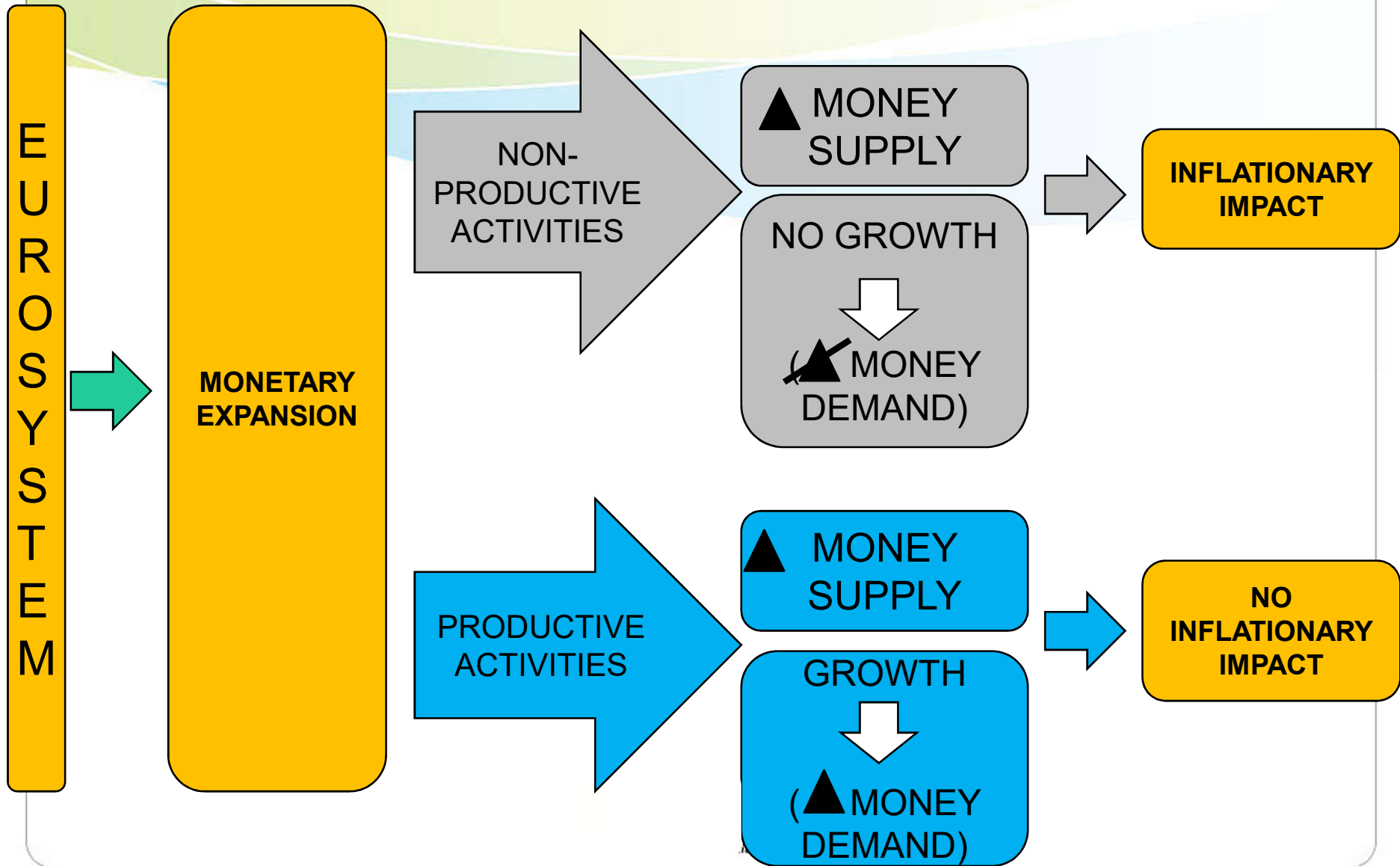


# BASIC CONCEPTUAL CONCLUSIONS

- Theoretical, legal and operational FEASIBILITY OF A NEW MONETARY POLICY MORE CLOSELY GEARED TOWARDS THE REAL ECONOMY, through more efficient transfer mechanisms that ensure that monetary resources given to the banking system are earmarked for their true purpose: lending to the real and productive economy.
- It has become clear not only that there is no justification for a monetary policy that is uncoupled from the real economy, but also that DEVELOPING THE REAL ECONOMY SHOULD BE AN ESSENTIAL OBJECTIVE OF MONETARY POLICY and that PRIORITY SHOULD BE GIVEN TO THE PARTICULAR LINK WITH THE PRODUCTIVE ECONOMY AND GROWTH.



# Monetary Policy and Growth Policy



# MAIN CONCEPTUAL BASIS

A. The basis for monetary expansion should be the need for investment in real economy.

.. If monetary expansion is not enough for that, investment and development opportunities are lost

.. If monetary expansion is bigger than the need for investment then we'll get speculation or inflation.

B. Monetary expansion should not be channelled to the banking system without conditioning it to its destination to the real objectives of money and investment policy.





## How to do it

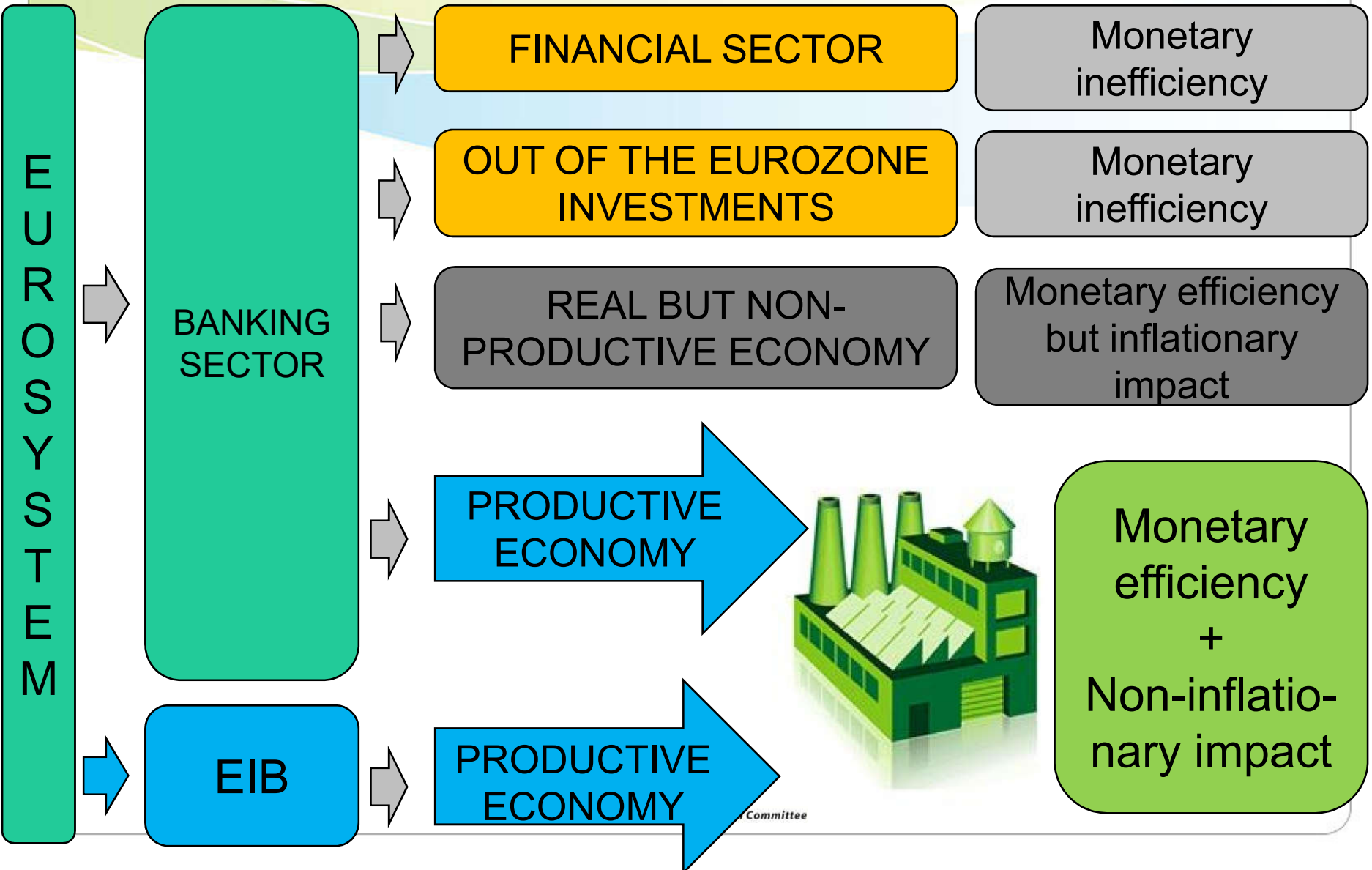
### A. BY THE ECB ITSELF

- Through new clauses in its monetary expansion operations.

### B. THROUGH THE ECB-EIB STRUCTURAL COLLABORATION



# Efficiency of Monetary Policy



# How to do it

## A. BY THE ECB ITSELF

### - Through new conditionalities in its monetary expansion operations.

- ✓ Establishing in the contracts themselves that banks are obliged to allocate the resources received exclusively to bank credit.
- ✓ The commitment that the bank credit will be transferred to the final recipient at preferential rates
- ✓ The possible establishment of preferential rates for productive credit
- ✓ The channelling of the resources provided by the ECB through specialised entities or funds
- ✓ The establishment of more strict requirements in relation to the evolution of the loan portfolio
- ✓ Formalisation of operations between the ECB and the banking system as credit accounts
- ✓ Commitments to providing information



# How to do it

## B. THROUGH THE ECB-EIB STRUCTURAL COLLABORATION

- ✓ Directing resources generated by open market operations to an EIB-managed fund
- ✓ Delegating certain powers of decision or proposal to the EIB
- ✓ Harnessing the EIB's know-how through systematic
- ✓ Directly funding the EIB (or regional or national promotional banks or agencies)



## WHAT ELSE CAN WE DO

- ANALYSIS OF TECHNICAL ISSUES
- ANALYSIS OF THE CONCEPTUAL BACKGROUND
- DEVELOPMENT OF THE ISSUES RELATED TO THE LINKS BETWEEN THE EIB AND EU INDUSTRY (Vilnius event, ...)



# WHAT ELSE CAN WE DO

## A. MORE DETAILED ANALYSIS OF TECHNICAL ISSUES

.. Reactions from the ECB and EIB on the last Report: Interest in further analysis of technical details in the options proposed on the ECB-EIB collaboration

.. Not necessary in the proposals related to new clauses in the ECB operations



# WHAT ELSE CAN WE DO

## B. ANALYSIS OF THE CONCEPTUAL BACKGROUND

.. There is a need to rethink the whole relationship between EU, financial system and industry / real economy.

..The EU institutions should make sure that money and finance are an efficient tool for real economy and development and that the contrary is not tolerated. The CCMI could have a crucial role in this issue.



## WHAT ELSE CAN WE DO

### C. DEVELOPMENT OF THE ISSUES RELATED TO THE LINKS BETWEEN THE EIB AND EU INDUSTRY (Vilnius event, ...)

.. Interest in developing the communication channels between the EIB and some regions and member states. The role of the EESC –and this project- can be quite useful for that purpose.





Thank you for your attention



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