Statement to Joint Committee on Finance, Public Expenditure and Reform and Taoiseach

Thursday 4th May – Leinster House, Dublin

Chairman, Members of the Committee,

Thank you for the opportunity to speak today on the subject of *"Improving investment opportunities in the wider economy".* You may be aware that in December we opened our first office in Dublin and joining me today is Cormac Murphy, our recently appointed Head of Office. As Vice President of the European Investment Bank (EIB) since September 2016, among my responsibilities is oversight of our operations in Ireland.

Created in 1958 under the Treaty of Rome, the EIB is the European Union's long term lending institution, owned directly by the 28 EU member states, or as we have been known more recently, "the EU Bank". Our mission is to use loans and other financial instruments to finance long-term investment projects that support EU policy.

The Bank is fully owned by the 28 member states, headquartered in Luxembourg. As well as the Bank, the European Investment Fund (EIF) was created in 1992 to further support Europe's small and mediums sized enterprises access to finance.

The self-financing EIB is the largest international public bank and the largest non-state borrower in the world. On average, we finance around 500 projects each year in over 160 countries. During 2016, the EIB provided EUR 83.8 billion, of which 90% was in the EU, supporting a total of EUR 280 billion in investment.

Our ability to support the European economy was significantly enhanced in 2015 when the European Council and Parliament agreed on a new joint European Commission and EIB initiative, known as the Investment Plan for Europe (Juncker Plan), to kick-start long-term investment in key areas. The aim is to use EUR 16 billion of guarantees from the EU budget and EUR 5 billion of the EIB's own capital, which together comprise the European Fund for Strategic Investments (EFSI), to mobilise a total of EUR 315 billion of higher risk investments in transport, broadband, energy, innovation, renewable energy, energy efficiency and SME financing.

The EIB has been a long-term financing partner for Ireland and has provided nearly EUR 15.5 billion for investment since it joined the EU (then EEC) in 1973. Our lending activities here significantly increased during the financial crisis with annual lending now representing nearly double the engagement before 2008. In the last five years, EIB lending in Ireland totalled EUR 4.2 billion, supporting, among other projects, the motorway programme, Dublin Port expansion, Dublin Airport Terminal 2, the LUAS extension, university campus expansions, schools, primary care centres and social housing, at a time when other sources of financing for enterprise and infrastructure investment were being cut back significantly.

Before the banking crisis EIB lending in Ireland averaged around EUR 400 million per year and this year we expect to provide more than EUR 1 billion. The EIB is also diversifying its engagement, last year financing 13 initiatives compared to three in 2008.

Our relationship with Irish state partners, particularly the National Development Finance Agency (NDFA) and the Strategic Banking Corporation of Ireland (SBCI), continues to strengthen. During 2014, the EIB provided a EUR 400m facility to the newly established Strategic Banking Corporation for Ireland, representing 50% of the initial funding, at extremely attractive conditions to kick-start increased lending to SMEs. More recently, the EIF and the SBCI signed the first COSME agreement in

Ireland. This transaction, guaranteed by the European Fund for Strategic Investments (EFSI), will allow SBCI to support EUR 100 million of agriculture-related loans to 2,000 small and medium-sized enterprises (SMEs) by commercial banks in Ireland over the next three years.

In additional, the EIF has supported a number of equity funds for high tech sectors, a EUR 20m Business Angels co-investment instrument with Enterprise Ireland and a guarantee in favour of Microfinance Ireland issued under the EU Programme for Employment and Social Innovation (EaSI) to support very small businesses.

To support further Ireland's strong economic recovery, particularly in the context of the growing infrastructure bottlenecks in Ireland, as well as out of recognition that Ireland is uniquely exposed to the economic effects of Brexit, the EIB hopes to increase its level of support for Irish projects.

With this aim in mind, as well as opening a permanent office in Dublin, we established with the Irish Government last December an ***Ireland-EIB Financing Group***. The Group, which is chaired by Minister Noonan, includes senior management from the EIB, led by the President and myself, alongside the Minister the Public Expenditure and Reform Paschal Donohoe and other Ministers from the Irish Government, as well as senior officials from relevant Irish Government Departments and agencies.

To support the Financing Group, a number of thematic working groups have been created covering:

- Financing Connectivity (including road, rail, air, ports, broadband, energy networks)
- Financing Social Infrastructure (housing, health, education)
- Financing Enterprise (EIF, VC, banks, SBCI, agribusiness)

Without prejudging the outcome of the detailed and constructive discussions currently taking place, areas where we have signalled the potential for greater EIB financing include:

- Increased lending to the Irish sovereign for exchequer capital projects to be identified in the Revised Capital Programme;
- Increased mobilisation of private finance, under PPPs and similar structures, for investment in roads, public transport, social housing and other areas, consistent with the Government's need to expand infrastructure investment while staying within the EU fiscal rules;
- Direct lending support for the investment programmes of Irish semi-states;
- Increased direct investment in mid-sized Irish corporates, including through equity-type products;
- Credit guarantees to Irish commercial banks to increase their lending into key sectors, such as agri-business, residential and business energy saving projects and the SME sector, consistent with the banks' own needs to preserve scarce capital while financing a growing economy and supporting those sectors particularly exposed to Brexit. To have maximum effect, such initiatives will often combine EU and national budget resources, as well as EIB and SBCI funding and capital; and
- Increased project finance for the renewable energy sector in Ireland, including solar.

The Ireland-EIB Financing Group has committed to meet at least twice a year and the next meeting, planned for late May in Luxembourg, will review progress with the objective to produce a strong pipeline of projects across multiple sectors.

I would like to conclude my opening remarks here, I would be happy to answer any questions you may have.