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# Contribution on "Improving host countries' investment environment"

by  
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## *Check against delivery*

- The theme of this conference is how to promote economic, social and territorial cohesion, and solidarity among EU Member States.
- We are living in a world that is extraordinarily different compared to 25 years ago: globalisation, demographic challenges, accelerated technological shifts and geopolitics are making the global context more and more challenging.
- The best tool we have to harness these challenges and improve the allocative efficiency of our economy is to make the Single Market function properly. That's why we must enhance, not reduce it.
- The Single Market can be a strategic delivery tool for industrial competitiveness, jobs and prosperity. We will only achieve this by fostering co-ownership of this strategic vision at European, national and regional level.  
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- This session is focused on how to improve host countries' investment climate that I think is a key topic, especially in the current macroeconomic context.
- My intervention will be on two aspects: one is the financing aspect, another one is public procurement.  
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- Improving our investment environment is key. We have to encourage investments in worthwhile assets that bring high economic and social returns by increasing the future productive capacity.
- This means, among others, strengthened investments in the real economy that could only be achieved by joint efforts between EU and Member States
- EU coordination alone is not sufficient if it is not coupled with credible enforcement actions on the ground.  
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- The EU Investment Plan launched by President Juncker has contributed to closing the investment gap back to pre-crisis levels thereby improving the investment environment across EU.
- The EFSI Fund has mobilised financing in key sectors and geographical areas, such as the Central, Eastern and SouthEastern Europe region, that suffer from market failures and sub-optimal investment situations.
- The budgetary guarantee underpinning the Fund has helped to increase considerably the number of riskier operations financed by the European Investment Bank Group.
- Just to mention a figure, almost 800.000 SMEs and mid-caps in Europe will benefit, by the end of the programme, of the SME Window of EFSI, through more than EUR 100 billion of mobilised investments. And the Infrastructure Window is not less worthy.
- Among the several initiatives financed, we supported a Bulgarian leading sunflower oil producer and grain trader. The company is using an EFSI loan to finance the construction of a new sunflower oilseed production plant and storage and logistics facilities near Varna.
- Or, here in Austria, we financed a world leader in the development of innovative powertrain systems for the global automotive and transport industries. The EFSI loan is supporting its electric drive-related activities, including projects for hybrid and fully electric powertrains, as well as systems for connected and autonomous vehicles.

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- One of the most effective tools of EFSI has been co-operation with National Promotional Banks. Through the Investment Platforms, EFSI is financing pools of projects with thematic or geographical focus.
- And of course, cooperation with Member States also means the possibility for them to contribute to the Investment Plan via EU Structural and Investment Funds.
- Very positive effects could be achieved through these collaborations, as well as through exchanges of practices among Members States on positive success stories.

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- And there is more than finance, of course: we need to support the demand-side through dedicated tools that are conducive to a positive investment climate.
- Provision of advisory and technical services proves to be essential to support the development a pipeline of investable projects.
- The Investment Advisory Hub operated by the EIB is ensuring that good ideas can be turned into viable projects that result into extra financing reaching the real economy. This is strengthening Europe's investment and business environment, and building project support capacities, particularly in CEE countries.
- The hub is complemented by a Project Portal (EIPP) that is boosting the visibility of projects to potential international investors.

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- But if we want it to be more than a one-off, if we want to have a durable impact on economic conditions in Europe, then we need also structural change aimed at removing bottlenecks to investment.
- In an economy like ours so dependent on bank financing, the ability for project-owners to tap into capital markets is essential. The Capital Markets Union initiative launched by

this Commission aims at widening access to new channels of funding, while attracting institutional investors back into the real economy.

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- Structural change also means reducing uncertainties related to overall framework conditions, that could be achieved through more transparent public procurement and tackling corruption.
- These objectives are crucial, because if only one of those conditions is missing, the whole business environment becomes weaker.
- This leads me to the second area that has an important impact on the investment climate: public procurement.
- The public procurement market in the EU represents annually around 14% of the EU's GDP (around EUR 2 trillion), spent by more than 250.000 contracting authorities on procurement of works, supplies and services.
- In the area of structural funds, around 50% of them are spent through public procurement. The way in which procurement is organised and implemented in a country therefore has a big impact on the quality of investments.
- In order to improve the implementation of public procurement in practice and underline its strategic dimension, the European Commission has published on 3 October 2017 a strategy called "Making Public Procurement work in and for Europe".
- With the strategy, we want to show how procurement can be improved, in particular by:
  1. Ensuring a wider uptake of strategic public procurement,
  2. Professionalising public buyers,
  3. Increasing transparency, integrity and better data

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- More than 50% of procurement is still decided on the basis of price alone and does not integrate quality criteria.
- Therefore, we believe it is highly important that Member States and contracting authorities at all levels increase the use of strategic procurement.
- Studies attribute up to 80% of waste in procurement to lack of the appropriate competence. This shows there's an urgent need to make public procurement more professional.
- Professionalisation helps to transform public procurement from an administrative and bureaucratic function to a strategic instrument of public policy.
- The Commission is developing various professionalisation initiatives, including an information portal with practical support tools, developing a European Competency Framework for public buyers and offering targeted training schemes.
- This is especially salient in MS in which ESIF projects are a major source of public investment: for half of the Member States they represent more than 30% of public investment.
- In the area of ESIF, there is a dedicated Action Plan with different initiatives, such as supporting peer-to-peer learning among Member States; guidance on avoiding the most common errors in ESIF projects; pilot projects with OECD on strategic procurement.

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- Analysis shows that a major part of irregularities in ESIF is linked to public procurement - whether caused by a lack of professionalisation or illicit practices, such as corruption.
- That's why it's important to ensure integrity and transparency and avoid procurement mistakes, and hence improve the business environment and increase investor confidence.
- Transparency allows the public, audit authorities to see unprofessional or suspicious behaviour, investigate it, and ensure it's corrected.
- Electronic procurement, a legal obligation with the ultimate deadline of October 2018, improves transparency. Most Member States are on track.
- In addition, registers for public contracts are promoted and supported by the EC also through funding. While non-obligatory, contract registers have been implemented by over two thirds of MS.
- Integrity support activities include digital tools but also legislation is important, such as the Commission proposal for a "Whistleblower directive" from April 2018.
- Last year, we have also introduced a mechanism to help investment by providing tailor-made assistance on the procurement aspects of large infrastructure projects. We provide advice on how best to design the procurement plan, which tools are most appropriate for the implementation of the project, both for completely new projects and later modifications.
- Such advice contributes significantly to reduce the risks of litigation, cost- and time-overruns.

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- These are examples of the support the Commission will roll-out to help authorities with procurement.
- It remains however the prime responsibility of Member States to seek for the best architecture to implement procurement in an efficient and strategic way.

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- And now let me conclude with a few words on the future. The proposals that the Commission has tabled within the future Multi-annual Financial Framework will be conducive to a positive investment climate and provide a major boost to address the financing issues of the European real economy.
- With its proposal for the InvestEU Programme, the Commission aims to bring investment support in the EU to the next level.
- This single, multi-policy investment support instrument will be based on simplified access to EU resources and easier financial rules.
- Moreover, building on the success of the current Horizon 2020 programme, the new Horizon Europe will continue to focus on supporting EU research and innovation and strengthen EU's scientific and technological bases.
- Under Horizon Europe a new European Innovation Council will provide direct tailor-made finance and support to innovators and companies with a market-creating potential.

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- To create a better investment environment in Europe, we need first to put even more emphasis on the Single Market. Not for its own sake, but for the sake of our industrial economy, for the sake of our future living standards.

- In times of challenging global conditions, we should enhance, not reduce it, and communicate better how it benefits consumers and businesses, as a delivery tool of industrial competitiveness and consumer welfare.
- This is a shared responsibility between the Commission and Member States, and I firmly believe that joint efforts between us could really achieve a lot.