

Debating European Long-Term Investment Funds (ELTIFs) : the demand side

A regional reflection and conclusions - Sir Albert Bore

EU Investment Package

- The main principle behind the EU Investment Package, to boost investor confidence, is to be welcomed.
- However, what impact will the EU's recently announced €21billion investment have? The EU investment is not new or additional money, indeed some £6billion of this is being taken from the current Connecting Europe Facility and Horizon 2020 programmes.
- Is the estimated multiplier effect of 15 to deliver €315bn (£249bn) for strategic infrastructure projects over three years realistic?
- Jean-Claude Juncker himself has said that "it would be a pipedream to think that the Commission alone can ensure the total success" of the investment package. This was in reference to the engagement of national governments and the private sector, but we should not forget the local level, particularly the role of cities in this.

The local level: the example of Birmingham

- We also have to consider the role of cities and whether we have the right tools and powers to act. From the perspective of the local level, how will local and regional authorities be able to benefit from the EU Investment Package? How will the projects put forward by national

governments connect with the local level, and crucially with Europe's major cities, the main engines of growth?

- The opportunities and the need for investment in our cities are certainly there and I'd like to share with you just a few local initiatives, both physical and social, to illustrate how my city is taking forward the growth challenge;
- In Birmingham, only last month, I unveiled the city's 20-year vision for improving transport across the city – effective and efficient transportation being one of the major catalysts for growth; this includes a detailed programme of short-term schemes.
- Birmingham is also focussing investment activity on six economic zones defined by both geography and economic sector. These are:
 - An advanced manufacturing zone
 - A city centre enterprise zone
 - An environmental enterprise district
 - A life sciences campus
 - A food hub
 - And the ITEC park focussing on ICT
- I have also taken steps to tackle youth unemployment in Birmingham which are, of course, examples of social investment:
 - In Birmingham I established the Birmingham Jobs Fund in 2013 which has supported well over 1,000 young people into work or training. The Birmingham Jobs Fund re-directs £2m (€2.5m) of council funding which is pooled with grants from the National Apprenticeship Service, Talent Match Big Lottery money as well as the UK Government's Wage

Incentive Scheme – regrettably the UK Government announced this summer that it would be scrapping this last scheme. We have therefore had to modify the Birmingham Jobs Fund by varying the level of incentives available to employers, to ensure that we maintain our target of delivering a further 1,500 of our young people into jobs and apprenticeship opportunities.

–I have also launched the Birmingham Youth Promise which will be fully operational during 2015. This will provide employment, education, training, apprenticeship or experience of work within four months of leaving a job, education or training. Guaranteed.

- Cities such as Birmingham also have strong and sophisticated relationships with communities and the third sector which should be tapped into to ensure that investment opportunities are fully maximised. Strengthening the social infrastructure is highlighted as a significant feature in this new package and in order to do this cities need to move on from the so called 'triple helix' partnerships with business and academia to furthering 'quadruple helix' initiatives that embed the voice of people and communities through 3rd sector organisations in the growth agenda.
- In December 2013 I launched a Social Enterprise Quarter in the Digbeth area of Birmingham where over 50 social enterprises are based. Birmingham City Council has pledged to support the development of a thriving social enterprise sector, seeing it as an important part of a healthy mixed local economy. This has been included in our new European Structural and Investment Funds Growth Strategy as it is seen as a key route for helping to create jobs and growth, alongside other sectors, and also brings another dynamic to the mix – being rooted in the local community.

- These are all investment opportunities in a city whose transport infrastructure has been woefully underinvested in over the past 25 years, and whose unemployment rate is nearly twice the national rate of 5.8%, and is the second highest of all the UK's major cities. And this is a city in which 67% of our total income comes from Central UK government and which is being slashed significantly year on year.
- There is a clear message here about the level of local discretion with regards to local reserves. The UK economy of one of the most centralist in Europe. The imperative for investment at the local level in our major cities, such as Birmingham, is clear. So how will such a plan for long term investment funds link and add value to local growth strategies and investments?
- The Investment Package also makes reference to accessing EU resources. This is crucial as accessing EIB monies, and then passing this on to SMEs through Financial Engineering Instruments is an incredibly complex landscape and we would, for instance call for rules around state aid to be simplified so EIB resources can be tapped into quickly and effectively.

To conclude

- I want to finish with a simple message. Please do not forget the role that the local level can play in the delivery of a European Long Term Investment Fund for Innovative Social Infrastructure.
- We are already working with the Local Enterprise Partnerships in the West Midlands to develop a £125m (€157m) EU JEREMIE fund to stimulate the growth and competitiveness of our SMEs.

- However, the lack of tools and by that I mean powers and funding, are a strait-jacket preventing cities taking leadership for the very measures this new Investment Package aims to adopt.
- Remember cities are already doing much of this, but could do more. I mentioned my bold plans for transport, youth unemployment and enterprise to name a few. With the right investment stimulus these initiatives could have a long-lasting and sustainable impact.
- Can initiatives like the EU Investment Package ride the wave and capitalise on local commitment?
- Cities, in particular, are on the frontline of dealing with unemployment, an ageing population, sustainable development, and having to take bold decisions to re-structure and grow their economies. Cities also have the knowledge, partnerships, and investment-ready opportunities to ensure that such financing can have a quick yet lasting impact. The radical devolution of powers and finances - or in the case of the European Long Term Investment Funds, the access to finance - must be part of the response to ensure sustainable economic growth in Europe.