



Mr Marco Buti
Director General
Economic and Financial Affairs
European Commission
Rue de la Loi, 200
B-1049 Brussels

2 May 2011

BUSINESSEUROPE supports EU project guarantees

Dear Director General,

The business community is supportive of the European Commission's initiative to launch the debate on EU project bonds, which we prefer to call "guarantee", and is ready to contribute to the debate.

Further developing the Trans-European Networks (TENs), building up missing links and removing bottlenecks to its infrastructures is of fundamental importance. It can improve the EU's overall competitiveness and provide a valuable contribution to achieving Europe 2020 and funding long term projects.

Setting EU guarantees for large infrastructure projects in Europe can help attracting private sector investors and mobilise private savings to support EU's strategic infrastructure needs. Using appropriations from the EU budget and EIB guarantees and expertise (in collaboration with other financing partners) could be a powerful leverage to enhance the credit rating of bonds issued by project companies themselves and increase the attractiveness of long term investment to private sector participants.

Yet, it is of essence to carefully analyse the details of such a project. We therefore ask the Commission and the EIB to carry out a thorough analysis of the scope of such instrument, in line with sound risk management practices and EU treaty provisions.

BUSINESSEUROPE's main concern relates to the amount of risk taking that can be absorbed by the EU budget. If this is used as collateral for "EU project guarantees" a buffer in the existing budget should be created for this purpose. The EU itself does not have the competence under the EU Treaties to issue bonds to finance its budget or specific projects. And in no situation should member states have additional responsibility for meeting the commitments of the projects in place.



BUSINESSEUROPE thus believes that projects benefitting from such EU guarantees should meet transparent and objective selection **criteria**:

- demonstrate an EU strategic interest in line with Europe 2020 and fit the areas of expertise of the EIB;
- be economically, environmentally, and technically sound, cost-effective and with real prospect of financial viability;
- exclude any pre-allocation across Member States or sectors;
- support projects that manage to attract appropriate private sector financing.

In addition, the EU project guarantees initiative should take a holistic approach. First, it should try to better combine the mobilisation of both debt and equity as far as possible, seeking instruments that can allow risk mitigation for both categories in order to develop interest of long term investors.

Secondly, this initiative must be complemented with other measures to improve the framework conditions for investments in energy, transport and broadband infrastructure. This is of strategic interest for the EU and the next multi-annual financial framework should take this into consideration.

Finally, project guarantees should be complementary to EU funds and not prevent further developments in the use of private finance to fund public infrastructure at a smaller scale. Indeed, further improvements should take place for a more efficient take up of existing financial instruments developed by the Commission and the EIB.

Proposals to boost investment in infrastructures should be swiftly implemented. In order to make progress before 2014, the business community would welcome the introduction of pilot projects to analyse the implementation and uptake of such an initiative by private investors.

Yours sincerely,

Philippe de Buck