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Workshop

FINANCING INVESTMENT AND THE EUROPEAN CORPORATE SECTOR

Scientific Organiser **Richard Portes** | Tommaso Padoa-Schioppa Chair, Robert Schuman Centre for Advanced Studies

Conference Room, Ground floor
Villa La Fonte – Via delle Fontanelle, 18 – San Domenico di Fiesole

2 December 2014

■ OVERVIEW

There is a widely held perception that the financing conditions of European companies have deteriorated since the financial crisis. There is also mounting evidence that financing investment – ranging from small business capital expenditure to large, long-term, infrastructure projects – has become a major and persistent challenge since the great recession. Many recent reports have documented declining levels of financing for small and medium sized enterprises (SMEs) and waning long-term sources of finance.

The objective of this meeting is to bring together officials, academics, and private sector participants to discuss these developments in order to identify areas for rigorous academic research. The programme of the workshop is structured so as to establish first a diagnosis of what has happened to the financing of European corporations and investment since the financial crisis. It will then evaluate the nature of the changes that have taken place in financing firms and investment, the effects of securitization and new forms of finance, and the general causes behind the changes in financing (supply vs demand shortages, regulation, intermediation failure, governance factors, distortions due to ownership patterns...).

The workshop is by invitation only. Each session starts with opening statements followed by a discussion involving the whole group, under the Chatham House rule.



■ PROGRAMME

08.30-09.00 REGISTRATION AND WELCOME COFFEE

09.00-09.05 Introduction
Natacha Valla

09.05-09.20 Overview of the Juncker plan
Presenter from the European Commission – name tbc

09.20-10.35 **Session 1 – Changing Financing Patterns**
Chair: **Stefano Micossi**
Introductory statements – **Marco Onado, Debora Revoltella, Sergio Lugaresi**

General discussion

- **Small and Medium Sized Enterprises (SMEs):** Specific acuteness of the financing issue, maturity structure of their debt, sector-specific vulnerabilities.
- **Infrastructure and Long Term Debt Finance:** problems specific to long-term debt finance, shortages beyond certain maturities, necessity to rethink “infrastructure finance”.
- **Bonds versus Bank Finance (or beyond):** change in the bank/bond finance balance, overbanking, substitutability between bond and bank finance, securitization and the provision of intermediated finance, new sources of funding (peer-to-peer, crowd funding, mutual and hedge funds, etc.).
- **Debt versus Equity:** change in debt/equity balance, relative shortages/excesses of debt/equity, sector and firm specific dimensions, private equity.
- **Missing instruments and markets:** appropriate, but missing, market instruments for specific investment purposes (e.g., high-risk high-return activities), national fragmentation of equity or bond markets, harmonised instruments for cross-country diversification, need for pan-European instruments (e.g., private placement).

10.35-11.00 COFFEE BREAK

11.00-12.30 **Session 2 – Causes Behind the “Reshaping” of Financing Volumes**
Chair: **Colin Mayer**
Introductory statements – **Andrea Polo, Stefano Micossi, Colin Mayer**

General discussion

- **Supply versus Demand:** identifying shortages of supply of finance versus demand for finance, country variation thereof, cyclical (crisis-related) or structural (pre-dating the crisis) supply and demand factors.
- **Information:** actual versus optimal provision of information about corporate borrowers, assessment of existing sources of information (credit rating agencies, central credit registers).
- **Intermediation:** impact of proprietary trading and issuance of derivatives on the willingness of banks to finance corporates, crowding out of commercial lending by more profitable trading activities, possible reorientation towards more traditional banking functions, pros and cons of securitisation (diversification of risks versus adverse effect on the quality of information on borrowers).

- **Governance:** possible shortening in the horizons of institutional investors, influence of short-term investors (e.g., hedge funds) on corporate activities and impact on corporate investment, governance of public-sector banks and its impact on the overall availability of financing, investment chains in equity and debt markets (via fund managers and asset managers) and their impact on the provision of equity finance, possible distortion for incentive arrangements in intermediaries.

12.30-14.00 LUNCH

14.00-15.30 **Session 3 – The Constraints to Corporate and Investment Financing**

Chair: **Natacha Valla**

Introductory statements – **Olivier Garnier, Laurent Clerc, Natacha Valla**

General discussion

- **The international dimension of financing: balance of payments (in)stability:** composition of cross border finance (bond, equity) and implications for (in)stability, acuteness in a shared currency environment, specifics in the context of a territory where only some national entities share a common currency, link between the composition of cross-border finance and FDI.
- **Long term investment in the current financial regulation context:** tougher bank regulation (esp. capital and liquidity requirements) and its impact on the provision of bank finance / SME / long-term finance, changes in the regulation of pension funds and life insurance companies and their impact on the availability and cost of equity finance.
- **The role of public sector investors:** evidence of a complementarity between public and private sector investment, economies of scale or scope to be reaped, links and interactions between the single market and infrastructure needs (in a broad sense).

15.30-16.00 **Concluding remarks**

In the three sessions, each of the three introductory statements will last about 15 minutes. That will leave substantial time for general discussion.