



**European Committee
of the Regions**

**The role of the local and
regional authorities
in the implementation
of the EFSI:
opportunities and challenges**

Executive summary

This Executive Summary was written by the CoR Secretariat-General Unit C2, and is based on the study

**"The role of the local and regional authorities
in the implementation of the EFSI:opportunities and challenges"**

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The full study "*The role of the local and regional authorities in the implementation of the EFSI:opportunities and challenges*" is available in English at: <http://cor.europa.eu/en/documentation/studies/Pages/studies.aspx>

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Executive summary

The report analyses the involvement of local and regional authorities (LRAs) in the design, implementation and management of projects financed by the European Fund for Strategic Investments (EFSI). It is based on:

- a **quantitative and descriptive overview** of the most recent data available on EFSI projects by sector, by geographical distribution, and by investment size. It also assesses the scale of the projects (local/regional, national, transnational) and reviews the involvement of LRAs.
- five case studies highlighting the different **challenges, lessons learned and key recommendations** on managing EFSI financing for LRAs. These case studies are:
 - A healthcare facility in Torun (PL)
 - An urban renewal scheme in Lisbon (PT)
 - An SME support scheme in seven German Lander (DE)
 - A "third industrial revolution" investment fund in Nord-Pas de Calais (FR)
 - A gas transmission project in Marche and Abruzzo (IT)

Key data as of May 2017 show that:

- The total investment in relation to approved EFSI projects is EUR 36.9 billion;
- In terms of total investment, the EFSI had mobilised EUR 194 billion, which is 62% of the EUR 315 billion target for the end of 2018;
- EFSI projects are mainly concentrated in the former EU15; France, Italy, Spain and Germany are the main recipients;
- Projects implemented at local/regional level account for 35% of projects financed and signed by the European Investment Bank (EIB); projects implemented at national and transnational levels represent 37% and 25% respectively of projects financed and signed by the EIB and 82% and 11% of projects financed by the European Investment Fund (EIF);

- Transnational projects have the highest ratio of total investment mobilised over EFSI financing (5.4), followed by national (3.3) and then local/regional projects (2.8);
- LRAs are involved in 23% of EFSI projects financed and signed by the EIB and 4% of EFSI projects financed by the EIF;
- On average, projects involving LRAs have a higher level of EFSI financing, compared with projects not involving LRAs;
- 29% of EFSI resources support SMEs, 25% energy projects, and 20% research development and innovation; the remaining investments are split between the other sectors;
- Projects in the transport sector have the highest average EFSI financing – EUR 135 million – while energy has the highest total investment mobilised, EUR 544 million on average.

The five case studies reveal the following **key challenges** for LRAs involved in EFSI projects, which can be summarised in four broad categories:

A) Cultural attitude:

- LRAs find financial instruments complex.
- Riskier projects may not be desirable for LRAs.

B) Skills and technical capacity:

- Even well-structured LRAs do not always have the necessary knowledge of legal and financial requirements or enough specific expertise to apply for the EFSI.

C) Intrinsic complexity of managing EFSI financing:

- The implementation process for applying and for drafting the contract can be complex, with high administrative efforts and costs, as can subsequent reporting.
- Eligibility rules in some contexts (e.g. environment) could be too strict. EFSI financing is targeted at innovative projects, whereas sometimes it is the strategy as a whole that is innovative, rather than individual projects.

- Complex procedures for LRAs responsible for fund management can cause problems, as can the process of selecting the fund manager.

D) Context conditions:

- Complex national regulations can make planning and implementing projects more challenging.

In addition, the case studies highlighted important **success factors and lessons learned** for managing these challenges and for efficient use of the EFSI:

A) The strategic role of the EFSI in addressing market failures or sub-optimal investment:

- EFSI financial support is perceived to be decisive for the effective implementation of higher risk projects.

B) Effective long term planning:

- The adoption and implementation of a consistent development policy supported by a long-term vision.
- A long-term integrated infrastructure investment programme can solve much more complex social challenges than single-point projects.

C) Efficient governance:

- A clear and efficient governance structure, dynamic planning and rigorous management of the strategy.
- The involvement of stakeholders for political support and shared political consciousness.

D) Know-how in financial instruments:

- Previous experience of using financial instruments.
- EIB support for the LRA;
- The presence of an in-house financial intermediary;

Finally, in order to enhance the management of EFSI financing and improve its effectiveness, the case studies highlight the following **key recommendations**:

A) Cultural attitudes:

- General awareness-raising activities;
- Dissemination of LRA success stories.

B) Skills and technical capacity:

- Targeted information and training for LRAs;
- National support for preparing applications.

C) Intrinsic complexity of managing EFSI financing:

- Better consideration of national frameworks;
- More flexibility in funding requirements;
- Simplified reporting and eligibility rules.