Conference of the European Committee of the Regions, 15 April 2015

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Opening session

An Investment Plan for Europe: Brussels' cosmetics or a response to local and regional needs?

Keynote speakers **Karl-Heinz Lambertz**, First Vice-President of the European Committee of the Regions (CoR), **Wilhelm Molterer**, Vice-President for Cohesion at the European Investment Bank and **Roberto Gualtieri**, Chair of the European Parliamentary Committee for Economic and Monetary Affairs introduced the background to the Investment Plan and points for debate.

This was followed by a panel discussion on the potential impact of the Investment Plan at local and regional level, with the participation of: **Raffaele Cattaneo**, President of the Regional Council of Lombardy, Italy, and Chair of the CoR Commission for Territorial Cohesion Policy and EU Budget; **James Watson**, Director for Economic Affairs, BUSINESSEUROPE; **Anne Bucher**, Director for structural reform and competitiveness, DG Economic and Financial Affairs, European Commission; **Rudolf Niessler**, Director for Policy, DG for Regional and Urban Policy, European Commission, and **Luiz de Mello**, Deputy Director of the Public Governance and Territorial Development Directorate, OECD. The panel and subsequent debate with the audience was moderated by **Chris Burns**, a journalist at Euronews.

Chris Burns introduced the session, describing the Investment Plan as possibly the biggest public-private endeavour in history. A strong commitment from both the public and private sector and structural reform will be necessary to achieve the desired multiplier effect on the seed capital.

Karl-Heinz Lambertz observed that the Investment Plan regularly dominated the daily agenda in Brussels. He welcomed the fact that the notion of investment had made a comeback after the austerity culture of recent years. This was very much needed, because the cumulative level of public and private investments within the EU still falls some 300 billion Euros below the yearly average before 2010. However, 're-legitimising' the concept of investment carried a certain amount of risk, as giving priority to the Investment Plan meant putting the traditional legislative activity of the European Commission aside. Jean-Claude Juncker effectively concentrated all of his resources in one area. On the subject of resources, Mr Lambertz warned that infrastructure and research projects would be put at risk if the 16 billion guarantee fund were to be raised by reallocating credits initially earmarked for the Connecting Europe Facility and Horizon 2020 programme.

Mr Lambertz referred to the Investment Plan as a cake, for which the Commission would provide the yeast. Member States would then have to contribute eggs, butter, sugar and flour, to achieve the right texture and consistency. He called for politicians to take responsibility for ensuring that projects that should not be funded did not receive financing. Such projects include separate recycling projects

which are not part of a regional development strategy. Projects should be selected using local expertise, for instance through regional investment platforms. The CoR also demanded that national co-financing be exempted from the Stability and Growth Pact in order to avoid concentrating projects in the more developed regions. This would contradict the fundamental aim of creating territorial cohesion.

Mr Lambertz concluded by recalling that the Investment Plan was only one piece in the puzzle and thus part of a more comprehensive European investment agenda. The successful programming of Structural Funds was also included on this agenda, as was clarifying the relationship between funds with similar acronyms (ESIF/EFSI). Lastly, he stated that there was a need for a thorough discussion on the topic of releasing the investment capacity of local and regional authorities, which were responsible for 55% of overall public investment.

Roberto Gualtieri's message was one of confidence. He reported that negotiations in the European Parliament were progressing well and that the leading Committees (ECON and BUDG) were heading towards reaching a compromise. He was confident that in addition to meeting the deadlines set, there would be potential to improve the Investment Plan. The Party of European Socialists had asked for this new plan as a condition for electing Mr. Juncker and he has delivered. The new plan was necessary in order to safeguard additionality and this guarantee should trigger additional investment. Reducing the cost of investment was not in line with additionality.

The other essential elements of the plan were inclusion, ownership and cooperation. The European Parliament supported improving the status of local and regional stakeholders as well as regional platforms, which are to play an active role in the Juncker Plan. Furthermore, the aim of creating regional cohesion should also be given attention, by ensuring direct investment in areas where it was most needed. Finally, Mr. Gualtieri hoped that with the support of the CoR, it would be possible to take a more flexible approach towards interpreting the investment clause in the Stability and Growth Pact.

Wilhelm Molterer had welcomed cooperation with the CoR long before the launch of the Juncker Plan. The EIB needed partners in the regions, as the crisis had a negative effect on cohesion between and within Member States. Europe's competitiveness was at risk, given the lack of potential growth in investment and serious employment difficulties that it was facing.

Mr Molterer elaborated further on the purpose of the Investment Plan and the role of the EIB. While to the public, the Juncker Plan seemed only to be about money; in reality it was much broader than that. It was a long term strategy to consolidate the public budget. Equally, it was about completing

the single market, addressing an urgent need for structural reform, tackling obstacles to investment and facilitating access to financing. According to research conducted by the EIB and its public and private counterparts, the lack of investment was not necessarily due to a lack of liquidity, but to accessibility issues and to a lack of confidence in the economic environment brought about by regulatory uncertainties.

Regions have a significant impact on investment and the EIB was looking to strengthen its partnership with local and regional authorities. LRAs define, prepare and implement projects, and form funding partnerships. On account of its track record and sound eligibility criteria, the EIB was a key partner in project selection. It also provided technical support and financial advice.

During the subsequent panel debate, **Raffaele Cattaneo** expressed his doubts that the Investment Plan would meet its objectives. In Mr. Cattaneo's view, the Juncker Plan's assessment of the situation was correct, observing that during the period 2008 – 2014 private and public investment dropped significantly and that Europe's GDP would have recovered if investment had continued. However, he went on to share some of his reservations about the plan. Firstly, the resources allocated were limited and a multiplier of 1:15 was also unrealistically high. Mr. Cattaneo also pointed out that additionality was not easy to achieve and he posed the question of what role the regions would play. Local and Regional authorities could not be expected to invest more as they lacked resources and private investors had chosen to go abroad. Nevertheless, Mr. Cattaneo agreed that there was a need to act quickly and to avoid increasing red tape.

James Watson pointed out that Brussels always loved a debate about money and institutions. He agreed that the Juncker Plan needed to move beyond the EFSI and support the digital economy, the completion of the single market and the development of a more certain regulatory environment. He was less confident on the question of additionality, noting that it was all additional money. Mainly, Mr. Watson would have preferred the money to come from a source other than the competitiveness budget. Overall, he welcomed the positive steps forward, which in his view went beyond 'cosmetics'.

Anne Bucher responded to previous remarks about the investment clause in the Stability and Growth Pact (SGP). She explained that the golden rule of investment – to exempt investment from any deficit calculation – has never been compatible with the SGP. Legally, it was not possible to extend the investment clause to the corrective arm of the SGP as the EU only discussed the deficit and did not take public expenditure at national level into consideration. The SGP investment clause was applied to the Structural Funds in some cases and this would be extended to direct contributions made to the EFSI by Member States. However, the European Commission would not extend it systematically to any co-financing provided by Member States.

Ms. Bucher emphasised the need to discuss a pan-European strategy for investment, which would support the capital markets union, the energy union and the digital single market. Large pockets of savings, liquidity and investment opportunities existed, but they needed an open channelling mechanism which was not pre-allocated and based on the principle of additionality. The Investment Portal would be an opportunity to reach out to investors and to generate new projects.

Rudolf Niessler was convinced that the Investment Plan would benefit the regions, particularly given its objectives to increase Structural Funds and to improve their impact. In the middle of the programming period, the European Commission began to include the question of strengthening the role of financial instruments when implementing programmes, in its dialogue with regions. Structural Funds are used to finance a wide range of grants and not necessarily for investing in projects which generate revenues. There are times when this is possible however, such the provision of support to SMEs. This positive experience should be built on. Working with local and regional authorities to double the use of financial instruments by 2020 would leverage some 70 billion Euros over the entire programming period and over 20 billion within the next couple of years.

He explained that the Investment Plan would provide additional resources over and above the provisions set out for regions and cities under the Cohesion Policy, the, thus regions and cities should prepare high quality projects. The Structural Funds would not contribute to the EFSI as such, but resources could be combined within the projects themselves. The European Commission was therefore involved in advisory activities, together with the EIB, with the aim of offering a more complete range of opportunities to regions and cities.

Luiz de Mello underlined the importance of subnational investment, which accounts for two thirds of total public investment in the EU. With regard to supply, there were enough resources but some were not reaching their target. Demand was also high. The focus had to be on structural reform and the governance of public investment. Spending effectively and getting governance right was a crucial step. The OECD had prepared a toolkit including recommendations on the multilevel governance of investment which had been endorsed by the CoR. The three main challenges to address were

coordination across levels of government (investment was very fragmented), readiness and capacity at subnational level and framework conditions (the ability to put in place procurement mechanisms, the ability to regulate, etc.).

During their exchange with the audience, the panellists were asked about what kind of structural reforms were expected and whether the Juncker Plan could build new relationships with institutional investors. In response to the first question, Mr Watson answered labour market reforms. Ms Bucher then assured the audience that the European Commission would revisit the question of investment in infrastructure by institutional investors in relation to the capital markets union.

Finally, the panellists exchanged views on the involvement of the regions and prioritising when selecting projects. Mr Cattaneo believed that selecting the required investment collectively was not only an issue of governance, but a question of key political importance. He was in support of a bottom-up procedure and of involving local banks and local financial institutions to a greater extent. Mr Watson emphasised the need to empower business and Ms Bucher reminded the audience that parts of the response to this need could only be delivered at European level, notably in relation to infrastructure. Sectoral policies also set priorities. Mr Molterer recalled that the pipeline initiative was only an immediate response to doubts over investment needs. This was only the starting point, not the final list of projects and cooperation with regions would be necessary to improve it. Mr Niessler added that the European Commission would think about offering regions additional support to mobilise private investment. Finally, Mr de Mello highlighted the impact of governance on setting priorities. Investment goes transcends the borders of local governments; therefore coordination would be essential in order to ensure the best value for money.

Workshop A

Local involvement in EU investment management

This workshop focused on the role that regions and cities can play in selecting, supporting and/or managing projects under the new investment plan. Participants discussed questions such as: How to make use of investment resources at a local/regional level? How will the project pipeline and the "Investment Advisory Hub" be managed? How to ensure accessibility for small-scale projects which contribute to job creation at local level? How to develop a balanced urban-rural investment plan?

The workshop was moderated by **Bas Verkerk,** Mayor of Delft, the Netherlands, and a member of the European Committee of the Regions. **Werner Schmidt**, member of the Task Force for the Investment Plan, European Investment Bank (EIB) outlined the main topic. Regional views were added by **Graça Fonseca**, Deputy-Mayor for Economy, Innovation, Modernisation and Decentralisation, Lisbon City Council, Portugal and **Alessandro Laterza**, Vice-President for Southern Italy and regional policies, Confindustria. The investment sector was represented by **Jérôme Hamilius**, Director European Cooperation and Strategy, Council of Europe Development Bank (CEB) and **Dominique de Crayencour**, Secretary-General, European Association of Long-Term Investors.

Bas Verkerk introduced the speakers and the main focus of the workshop. He pointed out that Delft, along with Rotterdam, had a long history as part of an economic cluster. The Delft University of Technology was a world renowned university and research centre.

Werner Schmidt gave an overview of the EIB stance. He explained that the backbone of the Investment Plan is a joint strategy by the European Commission and the EIB to raise EUR 315 billion of additional investments through the European Fund for Strategic Investments (EFSI). Mr Schmidt emphasised the need for a major structural and regulatory reform which included removing regulatory barriers to investment. There would be a shift towards risk provision and guarantees, while the normal approval process would still be applicable. The EFSI would take up riskier tranches in investment projects, thus allowing the private sector to join under more favourable conditions. The EIB would manage the EFSI, and finance mature, economically viable projects. These projects must also be market-oriented and demand-driven to qualify. The EIB would act as relationship manager,

providing expertise to aid the process of selecting and implementing projects. It would do so primarily through the new Advisory Hub which is to be established. He explained that the new technical assistance hub would help to ensure that projects are well-structured and that they comply with regulatory requirements. The EIB was open to project proposals which were of regional interest, as long as they are economically viable and in line with EU policy priorities. To conclude Mr Schmidt encouraged regions to consider merging projects across regional borders to create heavy-weight, cross-border projects that qualify for EFSI or for ESF funding.

This introduction was followed by feedback from the regional stakeholders: Graça Fonseca presented the Lisbon model. This model aimed to map the "city's DNA," to identify its potential and to pinpoint its competitive advantage. It highlighted the possibility of working within the area to make most of having a concentration of stakeholders in close proximity, as well as the existing ecosystems. The Lisbon-Europe2020 strategy focused on improving the existing ecosystem for more people, and on creating more jobs to build a better city. The strategy, based on clusters, moved beyond the traditional dilemma of horizontal versus vertical industrial policy. It built links between multiple stakeholders and between universities. It also created links between R&D and start-ups and SMEs, big companies and start-ups, to strengthen the local ecosystem and to generate knowledge spill-overs. It resulted in the 'Lisbon Atlantic Start-up City' strategy. As a concluding remark Ms Fonseca stressed that local authorities were closest to where things happened (SMEs, job creation, etc.) therefore they "knew best" in terms of where to find the best projects and the most suitable private partners. Ms Fonseca proposed therefore that the local level should be given the necessary tools to help the city/regions' achieve their potential.

Alessandro Laterza highlighted the need to integrate the Juncker plan into national and regional policies and to maximise the use of this plan as multiplier. The local and regional authorities could play a major role in this as there is a correlation between the Juncker plan and regional plans. Mr Laterza called for more involvement from private and regional stakeholders. It was important to ensure that regions could benefit from effectively integrating EU regional policy programmes and from the EFSI. The Juncker Plan did not constitute an alternative to Cohesion Policy, and should not be considered as a "banking approach." Instead these processes should be applied in parallel and they should complement one other. The Juncker plan should support the development of SMEs and reinforce innovation, as well as mobilising and consolidating public-private partnerships. Moreover, it was important to provide the necessary guidance on how to apply the existing rules of the Stability and Growth Pact. To conclude, Mr Laterza reiterated that there was a need for structural reform and that the Europe 2020 reforms must be implemented credibly. The European Commission should ensure that projects financed by the EFSI were in line with the Europe 2020 Strategy.

This section was followed by feedback from the investment sector. Jérôme Hamilius presented the main fields of activity at the Council of Europe Development Bank (CEB), a multilateral development bank with an exclusively social mandate. He explained that as a partner to the EC and the EIB, it promotes social cohesion and strengthens social integration in Europe by providing financing and

technical expertise for projects with a high social impact in its member states, and for local and regional authorities. Moreover, it responds to emergency situations and contributes to improving the living conditions of the most disadvantaged sectors of the population. In practice, the CEB contributes to the implementation of socially oriented investment projects through four sectorial lines of action, namely: strengthening social integration, managing the environment, supporting public infrastructure with a social vocation and supporting viable micro-, small and medium-sized enterprises. Finally, Mr Hamilius encouraged the regions to actively seek opportunities to collaborate with national development banks and other smaller investment banks, with a view to maximising the use of their relevant skills.

Dominique de Crayencour called on the private sector to complete the public sector. In his view, there is was a lack of willingness to invest and thus a focused effort to attract investments was necessary. Conditions that attract investments must be established urgently, including creating a more stable and predictable investment environment and removing sector-specific and other financial barriers to investment. He stressed that 'bankable projects' should try to attract other resources instead of relying on grants. These resources can have a significant leveraging effect. They can also act as catalysts and may ensure that capital is allocated more efficiently. Moreover they often result in more effective supervision and thus better monitoring of project implementation. Technical assistance and help with the project selection and presentation may therefore be needed in order to render projects more attractive to private investors. Mr de Crayencour drew attention to the role and potential of national development banks. He explained that these banks had both a regulatory and a financing role, and would be able to provide relevant technical advice. Furthermore they had the advantage of a local presence and their regional branches could complement the work of the EIB.

The subsequent discussion with the audience drew attention to the need to improve access to financing for rural projects, given that small local projects from rural areas can serve as examples of good practice. However, they often face difficulties in accessing funding. Another member of the audience called for clear(er) eligibility criteria for projects so that LRAs could maximise the potential of the EFSI. The panel members encouraged LRAs to seek opportunities to collaborate with national development banks on micro-project financing and urged them to amalgamate smaller projects.

Workshop B

The Investment capacity of regions and cities

This workshop focused on how EU cities and regions access financial resources for public investment in times of austerity. The session was moderated by **Wim van de Donk,** Governor Chair of the Council of the Province of Noord-Brabant and a member of the CoR. Panel members were: **Marc-Etienne Pinauldt**, Director for Territorial Capacity Building, General Commissariat for Territorial Cohesion (CGET), France; **Ken Bishop,** Head of Partnerships and Investment, Northern Ireland Local Government Association, UK; **Joan Carles Rovira**, General Director, Catalan Institute of Finances, Spain; **Marcel Roy**, Secretary-General, European Association of Public Banks, and **Brian Field,** Senior Advisor, European Investment Bank.

Wim van de Donk stressed that, for the guarantees offered by the Juncker Plan to successfully leverage private investments, good projects are needed, together with good regional investment platforms, i.e., schemes pooling together different projects in a given area. Investment platforms could successfully leverage private investments in both infrastructure and SME projects. Some sort of sound financial engineering is needed in order to achieve this. Involving regions and cities in these platforms will bring together different stakeholders, thus building trust in the Juncker Plan.

Marc-Etienne Pinauldt explained that the reduction in subnational investments in France had been greater than in other EU countries, due to fiscal consolidation needs. Local and regional authorities experienced a huge reduction in transfers from the national government, they were requested to cut down administration costs, and they have a limited investment capacity. The huge decrease in public investment in 2015 and this crisis in subnational investment in France posed major problems, given that subnational investments represent around 70% of total public investment – more that the EU average of two thirds. At present French local and regional authorities invest mainly to maintain existing investments, rather than creating new investments. They had great expectations for the Juncker Plan. He also recalled that SMEs struggled to get credit from banks. Regional investment platforms would be of great help to them, as they are an effective way to raise funds by pooling together investment projects in a given sector. The national government had implemented structural reform (e.g. reducing the number of regions from 22 to 13 in 2016) and it supports local and regional authorities, by ensuring that they have good quality and ready-to-invest projects, and by helping them to developing engineering instruments. Furthermore, the risk with the Juncker Plan was that it

augmented existing territorial imbalances in cases where the best performing regions were also those that submitted the best projects.

Ken Bishop explained how local municipalities in Northern Ireland, a 2015 European Entrepreneurial Region, acted to build partnerships for investments. The authorities worked in a difficult context. New jobs were the main social problem, businesses needed growth and "the high street needed hope". They faced challenges such as: linking up different levels of government, setting all the decision-makers on an equal footing, improving deficits and increasing funding. The eleven local councils led networks of local partners which included universities, the private sector, not-for-profit associations and local people. They worked on investment plans and community plans based on drivers of local growth. Northern Ireland's assets include a growing market for SMEs and sectors which employ skilled workers. The government and local councils in Northern Ireland felt a need to give cities and towns more freedom to implement the improved investment policies. Northern Ireland's local councils therefore adopted a bottom-up approach to dynamic, locally-driven, council co-ordinated, long-term regeneration and business growth, supported by the EU structural funds. They did so through further devolution and increasing practical partnerships.

Joan Carles Rovira stated that public banks are key stakeholders and announced that the Catalan Institute of Finance (ICF) – the development bank of the Catalan government – would be involved in implementing the Juncker Plan. The ICF, owned by the Government of Catalonia was entirely dependent on private resources. He explained that its mission was to fund businesses and to encourage industrial consolidation via direct business lending, public-private co-financing, sharing SME risk and funding venture capital. With regard to the Juncker Plan, Mr Rovira raised first the issue of additionality, which he argued should not be carried out as a theoretical exercise. Given the present lack of investment, investment projects that bring value for money should be funded without too many additionality checks. In his view, another challenge was reducing the risk for investors: the new fund should share the risk mainly with investors, rather than with lenders, in order to overcome the present lack of trust. In spite of economic recovery, public budgets were still under pressure, especially in Catalonia, the rest of Spain and Southern Europe. This has resulted in limited public investment, a problem which could be overcome by granting increased flexibility under the Stability and Growth Pact. The alternative of trying to convert public risks into private risks could lead to less investment projects being funded and or to a reduction in quality. Moreover, some investments are not eligible under EU competition policy, because they are viewed as state aid or as encouraging anti-competition developments (such as mergers). The ICF was ready to contribute to the Juncker Plan by co-investing in, or co-lending to, individual projects and well as investment platforms.

According to **Marcel Roy** the Juncker Plan not only acknowledged the EIB's contribution, but also the role that national and local banks have been playing since the beginning of the crisis, given their close proximity to local markets and their experience dealing with European and national programmes. As fiscal and financial constraints increased due to the crisis, public banks helped to fund SMES, municipalities and large infrastructure projects, designing a wide range of tailored financial

instruments to meet specific needs. Today, several national development banks have already announced their willingness to get involved in the Juncker Plan, as they would have a key role in its success. It was essential to ensure that the EFSI regulation, now being discussed in the European Parliament, complies with the subsidiarity principle, to make it flexible enough to meet specific national and local circumstances. First of all, Mr Roy indicated that it was important to adopt a broad definition of what a national development bank should be. This definition must accommodate the wide existing variety of legal frameworks, business models and products. Another key point was that procedures and rules must be kept as to a minimum and made as efficient as possible in order to avoid excess administrative tasks (e.g. in terms of information and bureaucratic requirements). In Mr Roy's view regional investment platforms were a very interesting option indeed. Ideally, decision-making for these platforms should be done at local and regional level, within the conditions agreed by the investment committee at the EIB.

Brian Field stressed that the crisis has made access to financing difficult even for sound investment projects. This was due to a heightened degree of risk aversion by commercial banks, deteriorating credit ratings and debt ceilings. Public agencies and smaller municipalities also experienced specific difficulties in accessing funding. Under such circumstances, the present "triple A" rating was a key asset for the EIB in filling this gap. Mr Field explained that preserving this status would be vital during the roll-out of the Investment Plan. The EIB was risk-averse: it is not for profit, but not for loss either. It evaluates investment projects in terms of eligibility (consistency with public policy objectives), technical and economic quality, and financial viability. On this basis, it provides resources that make its contribution – although perhaps not self-sufficient – an important part of any solution designed to meet the current financial needs of EU public administrations. The EIB's experience showed that the multiplier effect expected by the Juncker Plan was definitely possible. There was plenty of liquidity out there, but it was not invested because it was perceived as too risky, even when prices and interest rates were very low. The Juncker Plan is about finding projects that will attract investments. The initial pipeline was an indicative list of possible projects. Mr Field took an optimistic view, indicating that the Plan had the potential to deliver good investment projects, if they were well drafted and providing that the required structural reforms were implemented.

Questions and comments from the floor raised issues such as the quality of the investment projects supported under the Juncker Plan, and the related issue of whether local and regional authorities have enough administrative capacity to benefit from the Plan. The question was also posed as to which level of government was the most suitable to design investment projects under the Juncker Plan. It was noted that ensuring that roles are distributed correctly in a given country also depended on the existence of public finance agencies, which oversee the re-financing of municipalities and infrastructure projects.

In his concluding remarks, Mr de Donk stressed that the specific features of an investment project should determine the level of government involved. The Juncker Plan reveals that the public administrations in EU Member States are ill-prepared to adopt a multilevel (and multi-stakeholder)

governance approach when it is needed. This challenge highlights the strategic nature of the Juncker Plan. It will trigger a learning process, urging subnational governments to treat the Structural Funds as more than mere subsidies and to develop a genuine investment capacity.

Workshop C
Local and regional authorities improving the EU investment environment

The workshop was chaired by **Claude Gewerc,** President of the Picardy Regional Council, France and CoR rapporteur on the Investment Plan and the European Fund for Strategic Investments (EFSI). His introduction was followed by a statement by **Lambert van Nistelrooij**, Member of the European Parliament (EP) and rapporteur on the REGI committee opinion on the EFSI. **Cristina Mazas Pérez Oleaga**, Regional Minister for Economy and Budget, Cantabria, Spain and Member of the CoR explained the situation in her region, before **Konstantin Pashev**, Head of Unit at DG for Internal Market, Enterprise, Competitiveness, Industry and Growth Policies, spoke on behalf of the European Commission. **Jorge Núñez Ferrer**, Associate Research Fellow, represented the Centre for European Policy Studies (CEPS).

Claude Gewerc briefly introduced the panellists and the topic of the workshop, sharing his views as a CoR rapporteur on the Investment Plan and as a regional politician. He welcomed the fact that the European Commission had once again placed investment at the heart of its economic strategy, viewing this as a sign of strength. He underlined the importance of this change for regions and cities, many of which suffered from underemployment. The involvement of these areas is required in order to make the Juncker-plan work.

Lambert van Nistelrooij, agreed with the previous point during his account of the topic from the European Parliament's perspective. He said that modernisation took time: the process of establishing an ICT Lab which would join up knowledge and innovation was long, but it would be more effective and would have a more sustainable impact than simply building roads. The process of selecting projects shouldn't amount to "cherry-picking" by the EIB. The European Parliament wanted to be kept informed and be able to monitor where funds were spent. Not everything can be done with European money, the EP therefore wanted to establish a clear focus and to ensure better coordination between funds from different sources. The Investment Plan was indeed an opportunity to learn about setting-up a long term growth strategy, but decision makers should not lose focus.

Cristina Mazas Pérez Oleaga outlined the economic and financial profile of her region, Cantabria. The

region's GDP is barely 1.2% of Spain's total GDP. Cantabria suffered heavily from the crisis with unemployment increasing by over 110% at times. However, the region has been tackling this problem successfully since 2011. For example, by 2014 the deficit had been reduced by 70 %. According to Ms Mazas, Spain and Cantabria's critical decision was to ensure compliance with budget stability and financial sustainability law, which enhanced the country's credibility. She indicated that her region was ready to face the ambitious challenges presented by the Investment Plan for Europe. Even though the region's budget might be lower than in 2011, more money was spent on health, education, social services and employment. In 2015, its GDP should even grow by around 3%. Job creation is predicted to accelerate and could reach 10 000 this year. Concurrently, the region strived to follow the Commission's model, to become a more environmentally sustainable society based on knowledge and new technologies, with a health and education system that is undergoing continuous improvement.

Konstantin Pashev presented the Commission’s policy initiatives to stimulate industry and SME investment and entrepreneurship, which are included in the Investment Plan and other programmes. The focus remained on investment in innovation and knowledge-driven projects. He stressed that the Juncker plan included a specific focus on small and medium sized enterprises: 346 000 SME's would benefit from 1.1 billion euro. Mr Pashev supported the call for less red tape and a better climate for investments. Regulatory questions needed to be tackled together he said, and CoR members can play a key role in this because they are closer to business on the ground and see the problems with investment. He referred to the European competitiveness report on SMART specialisation, mapping comparative advantages.

Jorge Núñez Ferrer shared his experience, and his observations on how the EU investment climate is perceived outside the EU institutions, referring to recent research findings from the CEPS. He highlighted the responsibility of the regions and cities, indicating that they should that should move forward and that they should not wait for the Juncker Plan. The projects chosen should be the best ones and operational costs – such as those incurred by some regional airports – should not be forgotten.

In conclusion, President Gewerc supported the idea of collecting ideas at local and regional level and driving them forward, as the regions are catalysts for change.

Workshop D

Guaranteeing innovation and quality in local public finances and investment

Paul-Emile Mottard, Provincial Deputy of Liège, Belgium and Chairman of the European Confederation of Local Intermediate Authorities, chaired this workshop on capacity building and innovation. A case study was presented by **Bogdan Nawrocki**, Deputy Director of the Debt and Financial Policy Department, City of Warsaw, Poland. **Simon Barnes**, Director Advisory Services / fi-compass, European Investment Bank, also offered the opportunity to find out more about EIB tools. Insights from the OECD were presented by **Dorothée Allain-Dupré**, Project Manager Public Investment & Multi-level Governance, Public Governance and Territorial Development Directorate. **Manuela Geleng**, Head of Unit ESF Policy and Legislation took part in the debate on behalf of the European Commission's DG Employment, Social Affairs and Inclusion.

In his opening statement, **Paul-Emile Mottard** briefly introduced the topic of the workshop. He shared his views on local and regional economic capacity and called for added value. He also demanded that any overlap with the project funded by new Investment Fund for Europe be avoided.

Dorothée Allain-Dupré began by presenting recent economic trends from the perspective of European subnational authorities. She explained that public investment fell by 15% from 2007 levels and, more specifically, for subnational entities it fell by up to 20%. Subnational governments had increased of the use of bonds and standing debt over the last decade. Ms Allain-Dupré also discussed the problems that local and regional authorities have in accessing financing. Furthermore, she pointed out that coordinating governance between central and local levels is currently one of the main challenges to be addressed. Ms Allain-Dupré described the 12 principles of the OECD Recommendation on effective public investment and she illustrated the opportunities for subnational governments to implement these principles using case studies. Finally, she talked about the joint consultation on infrastructure planning and investment which includes different levels of government. This consultation was launched by the CoR and involved almost 10 000 local and regional stakeholders.

Simon Barnes presented the EIB instruments which are available to help regions and cities improve access to financing. This included advisory services available to help them to implement new financial instruments such as, JEREMIE, JESSICA or JASPERS. He noted that the key factor in ensuring success is the quality of project design. In relation to this, Mr Barnes outlined the role that the future advisory hub, which is in included within the framework of the new European Fund of Strategic Investments (currently under discussion), would play. This hub's mission would be to facilitate investment on the ground and it would operate independently from investment promotors. Furthermore, he described the role of the new advisory platform "fi-compass" which had helped regions to set up financial instruments for the new programming period. Moreover, Mr Barnes highlighted the added value of using private public partnership models to implement the new Investment Fund. Almost two thirds of subnational projects use this instrument.

Manuela Geleng started by stating that good governance and quality projects were crucial if financial instruments were to be implemented. DG Employment was currently in charge of monitoring capacity building thematic objectives as stipulated by the Common Provisions Regulation. Consequently, those managing authorities which decided to use the EUR 5 billion allocated to the European Social Fund would be able to modernise their administration, thus improving their management of the new financial programme. Capacity building for the purpose of managing these programmes was an ongoing issue for many regions and cities. To conclude, she clarified that the European Structural and Investment Funds could contribute also to the Juncker Plan by adding available funding at project level.

Bogdan Nawrocki emphasised that without political support large investment projects were not feasible. He outlined the situation in Warsaw, where it was necessary to create space for new investments in order to compensate for a lack of innovative products. The city had to face new challenges and the efficiency of services was a concern. Warsaw Council representatives constructed a new metropolitan administrative structure to improve the management of funds, reduce administrative borders and offer innovative financial products to beneficiaries. He concluded that the final decision on investments should be taken by local players.

To conclude, **Mr Mottard** highlighted the important role granted to regions and local communities and the need to make room for local projects under the new Investment Fund for Europe. He underlined the importance of sharing best practices and of providing technical support to local administrations in order to assure the quality and the profitability of investment projects.

Closing session
Future prospects for a multilevel alliance

The conference on the Investment Plan ended with a plenary session, where the President of the Committee of the Regions, **Markku Markkula**, and **Miguel Gil-Tertre**, a member of the Cabinet of Commission Vice-President Katainen, shared their views. They were introduced by **Brian Ager**, Secretary-General of the European Round Table of Industrialists.

In his introductory remarks **Brian Ager** commented on the Investment Plan on behalf of his association, a grouping of 55 CEOs of major global companies. Sharing the ambition to drive the EU forward, the Round Table welcomed the Juncker Commission's Plan, since more investment would lead to necessary growth and job creation in Europe. Echoing statements made during previous sessions, he indicated that there was no shortage of funds, but rather a need to cut red tape. He called for more practical, innovation friendly regulations to create trust and confidence in investment. He also insisted on a politically neutral, impact-driven approach towards selecting investment projects.

Miguel Gil-Tertre referred to the subtitle of the conference, "joining forces," as a leitmotif which will recur throughout the roll-out of the Investment Plan. Regions and cities should make use of the new European Fund for Strategic Investments (EFSI) and should contribute specifically to the third pillar of the plan: creating an investment-friendly business environment. In relation to this objective, ensuring greater consistency between all levels of was a priority for the Commission, along with removing all obstacles to investment. Processes such as the European Semester and the National Reform Programmes also contributed towards these aims.

He clarified that regional and local authorities could be directly involved in investment projects, without national gatekeepers, and he underlined that the EFSI and the European Structural and Investment Funds were not in competition with each other. He was in favour of creating scale effects through inter-regional cooperation and the clustering of projects.

In response to questions from the audience, Mr Gil-Tertre clarified that the list which contains 2 000 possible investment projects was only a working document. 80 to 90% of the list would probably never be approved, as the real selection was to be done by a panel of experts who would guarantee

that the Plan generated new, additional investments. He also agreed with the statement that the CoR was a good platform for monitoring impact and detecting possible overregulation which was hindering investment.

CoR President **Markku Markkula** briefly summarised the key findings of the conference. The Investment Plan did indeed respond to some fundamental regional and local concerns, addressing increased regional disparities in particular. He stressed the importance of ensuring that the Plan complemented EU Cohesion policy and that it was in line with other EU priorities, including: the digital single market, the Energy Union, regional smart specialisation strategies, etc. He remarked that specific attention should be paid to financial instruments for small investment projects, given the limited own investment capacity of many regions and cities and the fact that the EU economy was largely based on SMEs.

Mr Markkula reiterated calls for regional and local authorities to be more closely involved in the roll-out of the Investment Plan, particularly in the process of identifying and preparing projects, as well as in cooperative efforts with development banks. He indicated that the CoR would continue its joint efforts with the EIB and the OECD in order to support decentralised capacity building. He concluded by offering the Commission full support in its efforts to create a genuine dialogue on the investment strategy with local and regional partners.

Claude Gewerc, CoR Rapporteur on the Investment Plan and the EFSI, shared some final general remarks on the importance of Europe's regions and cities. Investment decisions were to be taken by the experts at the EIB and other financial institutions, while regional and local authorities were responsible for creating the appropriate financial and political environment. They brought together political and institutional stakeholders, industrial players and citizens and combined their strengths to create jobs and welfare.