

# **„Role of Local Governments and Local Banks in Support of the Investment Plan for Europe“**

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# What does it means CoR and why CoR was created

- Created in 1994, the European Committee of the Regions (CoR) is the European Union's assembly of regional and local representatives.
- It is composed of [350 members](#) – regional presidents, mayors or elected representatives of regions and cities – from the 28 EU countries.
- Members must be democratically elected and/or hold a political mandate in their home country. Through the CoR, EU local and regional authorities can have a say on the development of EU laws that impact regions and cities.
- Since its establishment more than 20 years ago, the CoR has been working to bring citizens closer to the European Union.
- It is generally accepted that:
  - 70% of EU legislation has a direct regional and local impact
  - EU citizens must be involved in the construction of the EU
  - regional and local elected authorities close to citizens should be able to communicate their views during the preparation of the EU legislation
- CoR members live and work in the regions or cities they come from and are therefore in touch with their electorate's concerns
- Nearly 60 opinions adopted in 2015
- Various brochures, events and initiatives

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# Situation at the beginning...

- Local and regional authorities carry out over 60% of public investment in the EU. Unfortunately, the economic crisis has substantially diminished their capacity in this area. In order to reverse this downward trend, the European Commission has presented the Investment Plan for Europe, which aims to ensure a return to economic growth. National and - in our view – **regional (local) promotional banks have an important role to play in this plan.**
- These banks can be a key tool for carrying out public tasks, and can also finance important investments to stimulate economic growth and create new jobs. They should play a leading role in financing the initiatives of local and regional authorities. Their task should be to finance investments which are not or cannot be financed by commercial financial institutions owing to market failures or other external factors. From the point of view of local and regional authorities, the added value of promotional banks is first and foremost their ability to take account of public value in their assessment of a project, something which is difficult to evaluate in monetary terms.
- The strategy of the Commission and the European Investment Bank is based on the allocation - over the course of three years - of EUR 315 billion for additional investment in the Member States.

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# We are going forward....

- The investment plan makes explicit reference to the role of local and regional authorities in supporting and administering investment projects. Regions and cities must apply their expertise in transferring funds, including funds from the EFSI, to viable projects providing added value for the European economy. However, the national level has a major role to play in ensuring regulatory predictability and removing any barriers to investment.
- The Commission communication was published on 22 July 2015. In this document, the Commission provides guidance for the activities of existing national promotional banks and the creation of new ones, arguing that market failures above all else necessitate their creation. The communication also urges the creation of investment platforms. Furthermore, it points out that, even in the early stages of implementing the Investment Plan for Europe, many Member States and their promotional banks have announced that they will make their own contribution to the plan. Some countries already announced that they would take part - the largest amounts were declared by Germany (KfW - EUR 8 billion), France (CDC and BPI), Italy (CDP) and Poland (BGK).
- The investment plan also provides for the use of the European Investment Advisory Hub (EIAH). National promotional banks can also make use of the EIAH as a local entry point for potential clients and stakeholders to accelerate project development. The EIAH - in the way it is designed - draws on the knowledge of local partner institutions, including many national and regional promotional banks and local managing authorities.

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# Opinion of THE EUROPEAN COMMITTEE OF THE REGIONS

## (7th of April 2016)

- is critical of the fact that while the formal definition of national promotional banks as a rule also encompasses regional (local) banks, in practice the Commission communication focuses purely on the role of the national level and encourages the creation of new national promotional banks alone;
- draws the European Commission's attention to the considerable importance of giving local and regional authorities a greater say in the choice of financial solutions serving interests at local level. Failure to consider the position of local and regional authorities often results in support for investments which are incompatible with regional operational programmes and local strategies;
- notes the existence of significant development disparities between individual promotional systems at national level, resulting in a systemic deficit in countries and regions with a less developed culture of this type of banking; the outcome of all this could be that national promotional banks, might not always provide enough support for local authorities and enterprises. These banks should further decentralise the services they offer;
- takes the view that decisions on the creation of new institutions should be subject to an in-depth analysis on the appropriateness of creating new institutional structures, so as to avoid any unnecessary proliferation of red tape and waste of resources;
- points out that ex-post evaluation of the effectiveness of existing and newly created regional promotional banks should be long term in nature (10-15 years) given that the investment projects financed usually have a multiannual timeframe;
- stresses that the European Commission and the European Investment Bank should spell out the role of regional promotional banks and other financial institutions in the system of nascent investment platforms as a tool to accomplish the Investment Plan for Europe.

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# Good News : Malta 24 August 2016

- The Commission has found Malta's plans for setting up a development bank to be in line with EU state aid rules. The bank will carry out non-commercial activities to facilitate access to finance for SMEs and to support infrastructure investment, without unduly distorting competition.
- In July 2016, Malta notified to the Commission plans to support the creation of the Malta Development Bank (MDB) with a capital injection of €200 million and guarantees and tax exemptions worth €55 M.
- The MDB will provide funding to small and medium sized companies (SMEs) that face difficulties in financing themselves from the market. The MDB can also support infrastructure projects when financing is insufficiently or not at all available in the market. It can also participate in EU financial instruments, such as COSME (EU program for SMEs), Horizon 2020 or the [European Fund for Strategic Investments](#) (EFSI), which aims to support strategic investments in key areas throughout the EU.
- The Commission assessed these measures under EU state aid rules, which allow Member States to support the development of certain economic activities. The Commission found in particular that the MDB will provide financing to SMEs and infrastructure projects only where such financing is not available in the market. This will avoid private investment being crowded out by the state-supported development bank. On this basis, the Commission has concluded that the MDB's scope of activity will not distort competition in the Single Market.
- EU state aid rules allow Member States to grant aid to National (Regional, Local) Promotional Banks, such as the MDB, if they provide financing in areas where market failures lead to an undersupply of finance by private operators, or where the private market would not provide such financing on its own.

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# Thank You for attention!

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