European Committee of the Regions

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

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Table of Contents

List of abbreviations

CoR	Committee of the Regions
EC	European Commission
EFSI	European Fund for Strategic Investments
EIA	Environmental Impact Assessment
EIB	European Investment Bank
EIF	European Investment Fund
ESIF	European Structural and Investment Funds
EU	European Union
EU15	Austria (AT), Belgium (BE), Denmark (DK), Finland (FI), France (FR), Germany (DE), Greece (EL), Ireland (IE), Italy (IT), Luxembourg (LU), Netherlands (NL), Portugal (PT), Spain (ES), Sweden (SE), United Kingdom (UK)
EU13	Bulgaria (BG), Croatia (HR), Cyprus (CY), Czech Republic (CZ), Estonia (EE), Hungary (HU), Latvia (LV), Lithuania (LT), Malta (MT), Poland (PL), Romania (RO), Slovakia (SK), Slovenia (SI)
ICT	Information and Communication Technology
KPIM	Kujawsko-Pomorskie Medical Investments
LRAs	Local Regional Authorities
OP	Operational Programme
PPP	Public Private Partnership
RDI	Research, development and innovation
ROP	Regional Operational Programme
SME	Small and medium-sized enterprise
SPV	Special Purpose Vehicle

Executive summary

This report analyses the involvement of LRAs in the design, implementation and management of investment projects financed with the support of EFSI. The report is based on:

- a **quantitative and descriptive overview** of the most recent data in EIB and EIF databases on EFSI projects and covers the use of EFSI financing by sector, by geographical distribution of projects, 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** in the management of EFSI financing for LRAs. The case studies are:

  - Kujawsko-Pomorskie Healthcare Program III, City of Torun, Poland, Kujawsko-Pomorskie Region (Poland);
  - Lisbon Urban Renewal Housing Climate, Lisbon (Portugal);
  - InnovFin agreement – Regional promotional institutions supporting innovative small and medium-sized enterprises (SMEs), North-Rhine Westphalia, Hesse, Berlin, Hamburg, Brandenburg, Rhineland-Palatinate, Schleswig-Holstein (Germany);
  - Investment Fund TRI in Nord-Pas de Calais, Nord-Pas de Calais (France);
  - Società Gasdotti Italia - Gas transmission, Marche and Abruzzo Regions (Italy).

Key data as at May 2017 show:

- The total investment related to EFSI approved projects[1] is EUR 36.9 billion (EUR 27.9 billion from the EIB and EUR 9 billion from the EIF), of which EUR 24.2 billion is signed;

- In terms of total investment, EFSI had mobilised EUR 194 billion which is 62% of the EUR 315 billion target for the end of 2018;

[1] *Approval* of EIB projects by the EIB Board of Directors is a requirement for financing negotiations with project promoters which, if successful, lead to the financing agreements being *signed*. Information on operations which may be commercially sensitive are temporarily withheld. *Pre-Approvals* are umbrella operations that have been approved under EFSI but which cannot be counted towards the EFSI objective until sub-projects have been signed. See Annex I for further detail.

- EFSI projects are mainly concentrated in the EU-15: France, Italy, Spain and Germany are the most involved countries in EFSI projects financed by the EIB; for EFSI projects financed by the EIF, Italy is first followed by France;

- Projects implemented at local/regional level account for 35% of projects financed and signed by the EIB and 7% of projects financed by the EIF; projects implemented at national level and transnational level represent 37% and 25% respectively of projects financed and signed by the EIB and 82% and 11% of projects financed by the 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;

- Projects involving LRAs, on average, have a higher EFSI financing, compared projects not involving LRAs;

- Nearly one third of EFSI resources support SMEs, one fourth are for Energy projects, and one fifth for Research, Development and Innovation (RDI) projects; the remaining investments are split between Digital, Transport, Social infrastructure, and Environmental projects;

- Projects in the Transport sector have the highest average EFSI financing, EUR 135 million, followed by Digital, Energy, and Environment and resource efficiency. 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:

- Local authorities find that financial instruments are complex (including ESIF).

- Riskier projects may not be desirable for regional authorities.

B) Skills and technical capacity:

- Even well-structured authorities do not always have the necessary knowledge of legal and financial requisites and enough specific expertise to apply for the EFSI programme.

C) Intrinsic complexity of managing EFSI financing:

- The implementation process for the application and contract drafting can be complex, with high administrative efforts and costs. In addition, detailed and regular reporting implies considerable administrative effort and ICT investment.

- Eligibility rules in some contexts (environment) could be too strict. EFSI financing is targeted on very innovative projects, while sometimes the whole strategy is very innovative, rather than individual projects.

- Complex procedures for public authorities responsible for fund management can cause problems. The process of selecting the fund manager could be very challenging.

D) Context conditions:

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

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

A) Strategic role of EFSI in addressing market failures or sub-optimal investment:

- EFSI financial support perceived decisive for the effective implementation of higher risk projects and a key contribution to the investments.

B) Effective long term planning:

- The adoption and implementation of consistent development policy based on an integrated approach, supported by long-term vision.

- Even more important, a long-term integrated infrastructure investment programme solves much more complex social challenges, than supporting for single-point projects.

C) Efficient governance:

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

D) Know-how in financial instruments:

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

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

A) In relation to the cultural attitude:

- General awareness raising activities;
- Dissemination of LRA's success stories (i.e. good practices).

B) In relation to skills and technical capacity:

- Targeted information for LRAs;
- Training for LRAs;
- National support for preparing application.

C) In relation to the intrinsic complexity of managing EFSI financing:

- Better consideration of national framework;
- More flexibility of funding requirements;
- Simplified and quicker processes are very important;
- Simplified reporting;
- Simplified eligibility rules.

Introduction

This study is the Final Report for an analysis of the role of Local Regional Authorities (LRAs) in the implementation of the European Fund for Strategic Investments (EFSI), in order to understand key opportunities and challenges and how LRAs can be more involved in the implementation of EFSI initiatives.

This report has the following structure:

- **Chapter 1** describes EFSI in figures by sector, by geographical distribution of projects, by investment size, by scale of the projects, and by involvement of LRAs. Data in this section are mainly taken from the project database provided by the EIB and EIF websites and relate to projects financed by the EIB and by the EIF. Data in this Report were updated in May 2017.

- **Chapter 2** includes key results from the analysis of five case studies. The results cover key challenges and lessons learned experienced during implementation of the projects as well as recommendations to enhance the management of EFSI financing and improve their effectiveness.

- **Chapter 3** describes the case studies in more detail, especially for the project context, key characteristics, main objectives, governance structure, management and implementation with specific focus on the role of LRAs, results, challenges faced during implementation and lessons learned with a focus on the management and use of EFSI financing, as well as recommendations for more efficient and effective use of EFSI financing.

- **Annex I** includes a table with all the projects listed in the EIB website, with information and definition of variables provided by the EIB and the EIF plus the information from desk analysis to understand the type of LRAs involved in the initiative and their role.

- **Annex II** describes the methodology for the selection and implementation of the case studies.

- **Annex III** contains references to the studies, reports and academic research used in the report.

1. EFSI in figures

1.1 Introduction to EFSI

Announced in November 2014 as an initiative of the European Commission together with the EIB Group, EFSI is part of the Investment Plan for Europe[2]. It aims to use public funds to unlock larger amounts of private financing for strategic economic and technically viable investment projects with a higher risk profile than ordinary EIB activities.

For the European Commission, “EFSI should not be a substitute for private market finance or products provided by national promotional banks or institutions but should instead act as a catalyst for private finance by addressing market failures so as to ensure the most effective and strategic use of public money and should act as a means of further enhancing cohesion across the Union”[3].

EFSI is seen as part of a comprehensive strategy based on three pillars; mobilising finance for investment, getting investment to reach the real economy and improving the investment environment in the Union. The aim is to boost competitiveness and economic recovery, contributing to employment creation and the enhancement of SME access to finance.

The decline in investment in the EU from 2007 to 2013 underpinned the rationale for establishing EFSI. As per its Regulation, EFSI is expected to maximise the mobilisation of private sector capital where possible. Thus far, approximately 62% of total investment mobilised by EFSI is from the private sector.

EFSI is a EUR 21 billion initiative provided jointly by a guarantee from the EU budget and EIB funds (Figure 1.1). By targeting high-risk projects in the areas of strategic infrastructure, education, research, development and innovation (RDI), renewable energy and resource efficiency, as well as support for SMEs and Midcaps, EFSI is expected to trigger EUR 315 billion of investment.

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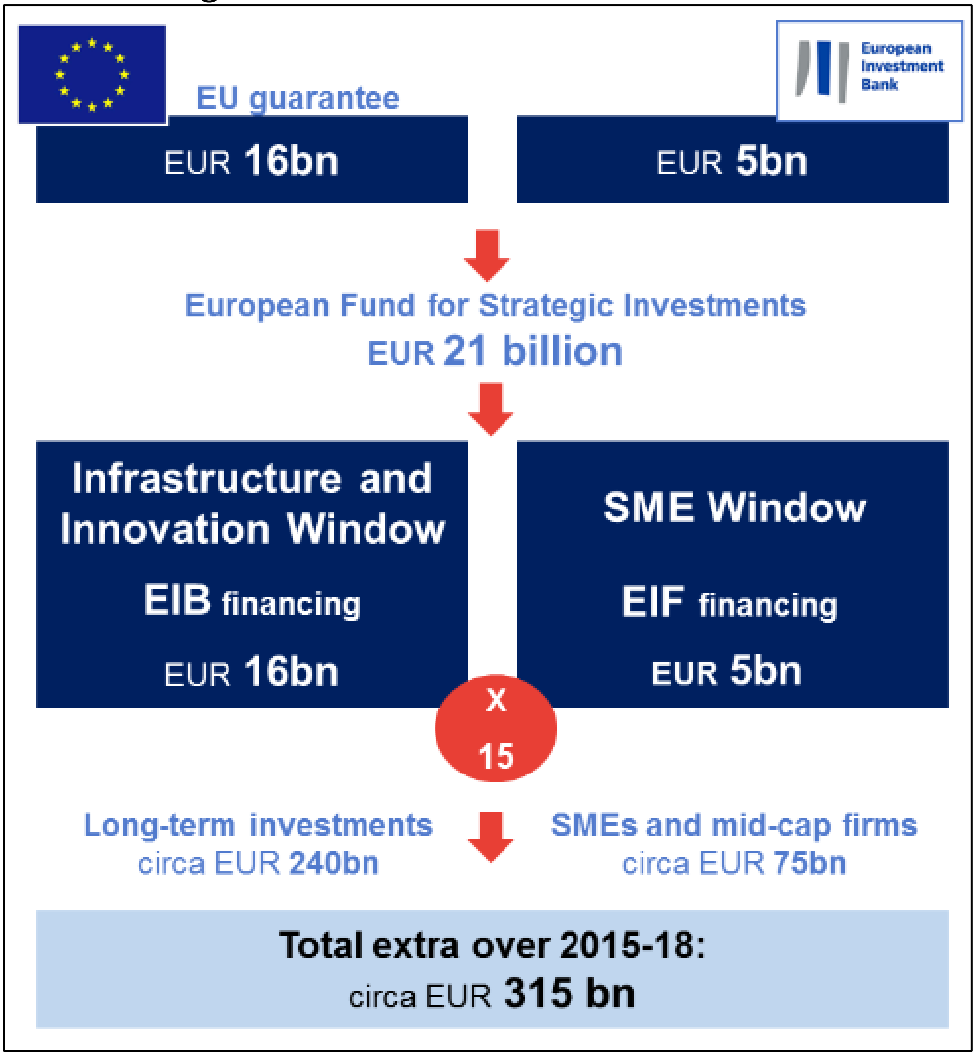
[2] European Commission (2014).
[3] European Parliament and Council (2013).

Figure 1.1: Initial EFSI sources of funds



Source: reproduced from European Investment Bank (2015), p.3.

The EIB makes use of the EFSI '**Infrastructure and Innovation Window**', targeting economically viable, higher-risk projects within the EU that contribute to any of the following objectives[4]:

- **RDI,** through projects that are in line with Horizon 2020, education and training, health, demonstration projects and research infrastructure;

- Development of the **energy sector** in accordance with the Energy Union priorities, including security of energy supply, and the 2020, 2030 and 2050 climate and energy frameworks, through renewable energy, energy efficiency and energy savings, as well as development and modernisation of energy infrastructure projects;

[4] EIB (2015), p.11.

- Development of **transport infrastructure**, equipment and innovative technologies for transport, including through smart and sustainable urban mobility projects, and projects connecting nodes to TEN-T infrastructure;

- Financial support to entities with up to 3,000 employees with a particular focus on **SMEs and small mid-cap** companies, through the provision of working capital, investment and risk financing;

- Development and deployment of **information and communication technology**, through digital content and services, high speed telecommunications infrastructure and broadband network projects;

- **Environment and resource efficiency**, through environmental protection and management projects, strengthening eco-system services, sustainable urban and rural development and climate change actions;

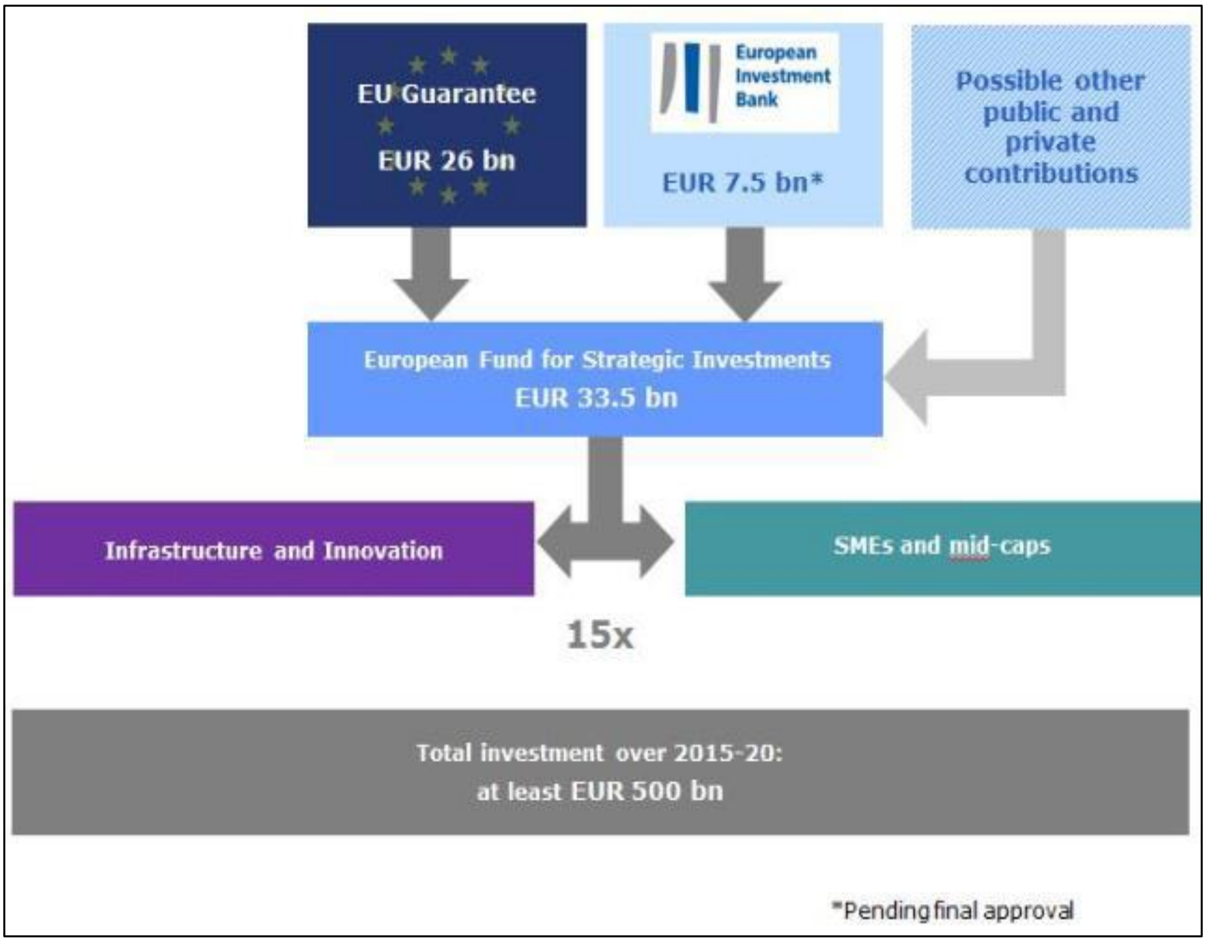
- **Human capital, culture and health,** through education and training, cultural and creative industries, innovative health solutions, new effective medicines, social infrastructure and tourism projects.

The remaining EFSI financing is managed by the EIF through the '**SME window**'. This provides intermediated financial support via portfolio guarantees or investments, to entities with up to 3,000 employees, with a particular focus on **SMEs and small mid-cap companies** (firms with up to 499 employees).

EFSI was originally established for three years (2015-2018), but in September 2016[5], the European Commission proposed an extension to 31st December 2020. The new proposal, referred to as EFSI 2.0, includes an **increase in the EU guarantee from EUR 16 to 26 billion and in EIB capital from EUR 5 to 7.5 billion**, **which should mobilise private and public investment of EUR 500 billion by 2020** (Figure 1.2). The proposal also focuses on project sustainability, enhanced geographical coverage, ways to reinforce take-up in less developed regions, enhancing the transparency of investment decisions and governance procedures, and reinforcing the social dimension by means of additional financial instruments.

[5] European Commission (2016a).

Figure 1.2: Proposed EFSI sources of funds



Source: reproduced from European Commission (2016b).

With EFSI support, the EIB Group ensures additionality by helping to address market failures or sub-optimal investment situations, provide funding for projects that are viable but which have a higher risk profile than projects normally supported by the EIB. In short, EFSI provides the EIB Group with the capacity and opportunity to[6]:

- explore **new markets** and serve new clients that were previously considered too risky;
- develop **new financial products** for existing and new clients that are better suited for more complex and riskier projects (e.g. subordinated debt, capital market instruments, credit enhancement instruments);
- design **new forms of cooperation** (e.g. investment platforms, coordination agreement with National Promotional Banks, co-

[6] Committee of the Regions and European Investment Banks (2016), p.2.

financing with Sovereign Wealth Funds and other institutional investors) and of blending with EU funds, including European Structural and Investment Funds (ESIF) managed by EU managing authorities at national or regional level.

Urban and regional development projects are two important components of EIB financing activities. By increasing the EIB risk-bearing capacity, EFSI increases the EIB's flexibility in financing urban and regional projects by taking additional risk, for example relating to the risk profile of the borrower, the investment size, the security available for the project, or risks associated with the project itself. This implies that, through EFSI, the EIB reaches borrowers and counterparts who could not previously access EIB financing regardless of the technical and economic merits of their projects, such as[7]:

- **cities or regions** with a lower credit rating (e.g. municipalities or regions whose credit rating is limited to sub-investment grade by a national rating);

- **municipal or regional companies** (e.g. utilities, transport companies, private social housing companies) with limited recourse to public sector guarantees;

- **companies or structures** owned by associations of municipalities;

- **investment funds** with an enhanced risk appetite (e.g. long tenor, long-term investment strategy, focus on very specific sectors such as brownfield decontamination and redevelopment);

- **financial intermediaries** with lower credit rating, including those selected to implement financial instruments using ESIF;

- **national/regional promotional banks or commercial banks** through risk-sharing structures;

- **investment platforms**.

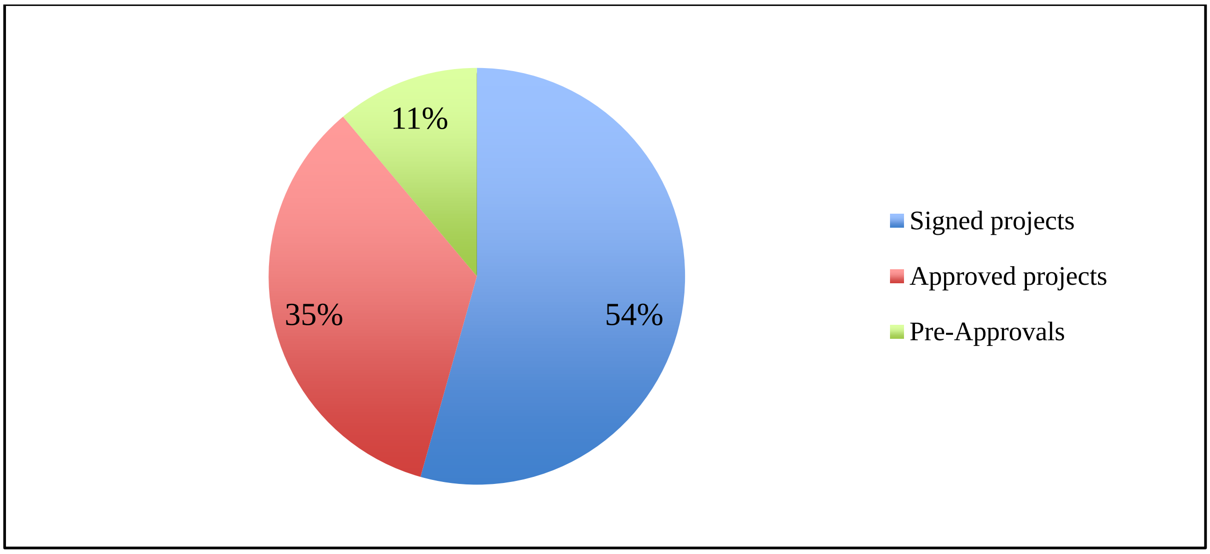
[7] Committee of the Regions and European Investment Banks (2016), p.3.

1.2 EFSI by sector

As at May 2017, the total investment related to EFSI approved projects[8] was EUR 36.9 billion (EUR 27.9 billion from the EIB and EUR 9 billion from the EIF), of which EUR 24.2 billion was signed[9]. In terms of total investment mobilised, this represents EUR 194 billion or 62% of the current target (by end of 2018) of EUR 315 billion.

According to the EIB database on EFSI projects[10], there are 252 listed projects financed by the EIB, of which 137 have been signed (54% out of the total), 87 approved and 28 are under appraisal (Figure 1.3). According to the EIF database on EFSI projects[11], there are 91 listed projects (the EIF does not distinguish between signed and approved/pre-approved projects in its database).

Figure 1.3: Number of EFSI projects (financed by the EIB)



Source: own elaboration from the EIB projects database.

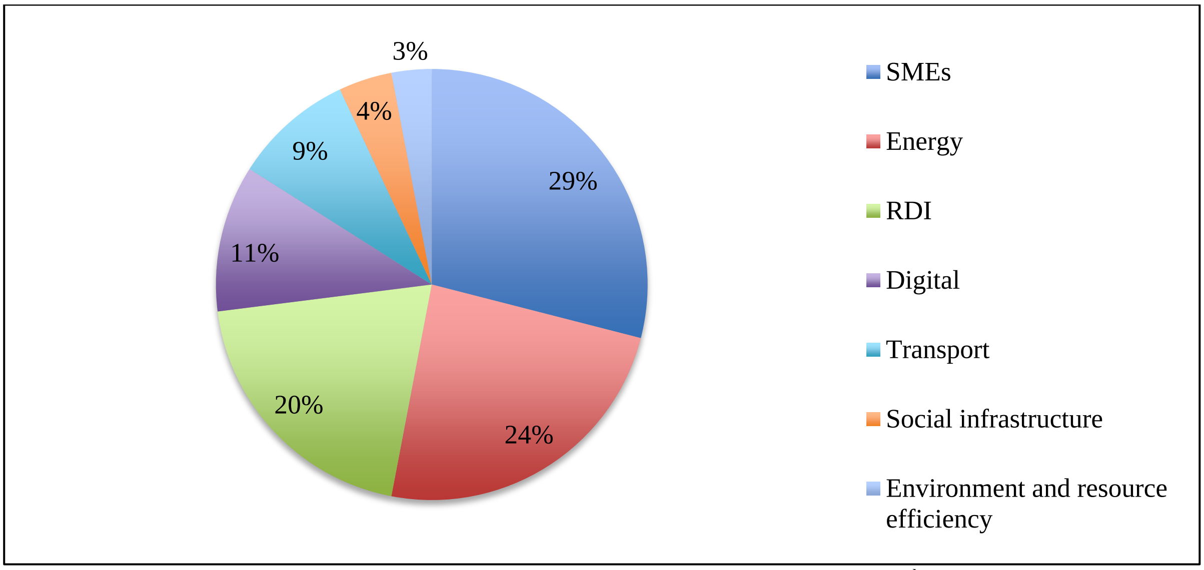
[8] ***Approval*** of EIB projects by the EIB Board of Directors is a requirement for financing negotiations with project promoters which, if successful, lead to the financing agreements being ***signed***. Information on operations which may be commercially sensitive are temporarily withheld. ***Pre-Approvals*** are umbrella operations that have been approved under EFSI but which cannot be counted towards the EFSI objective until sub-projects have been signed. See Annex I for further detail.

[9] According to the EIB figures dashboard published on 16th May 2017. http://www.eib.org/efsi/efsi_dashboard_en.jpg.

[10] http://www.eib.org/efsi/efsi-projects/index.htm.

[11] http://www.eif.org/news_centre/press_releases/all/index.htm?year=0000&category=efsi&keywordList=

Figure 1.4: EFSI investments by sector (EIB and EIF approved operations)



Source: reproduced from the EIB figures dashboard published on 16th May 2017, http://www.eib.org/efsi/efsi_dashboard_en.jpg.

Of the EIB and the EIF approved investments (see Figure 1.4, based on the figure dashboard by the EIB[12]), **29% is to support SMEs, followed by energy projects (24%)** and then **RDI (20%)**; the remaining investments are split between digital, transport, social infrastructure and environmental projects. For projects financed by the EIF[13] the percentage of investments for SMEs is 44% followed by RDI with 37%, digital with 15% and social infrastructure with 4%.

A more detailed picture is provided in Table 1.1, which displays the number of EIB projects by sector, considering all the projects (signed, approved and pre-approved). In this table, multi-sector projects are disaggregated by sector: therefore, if a multi-sector initiative involves both environment and energy, it is counted in both the energy, and the environment and resource efficiency sectors. **The highest number of projects relate to energy** (24% of the total). This sector also has the highest percentage of approved and signed projects, followed by SMEs and RDI. Regarding projects under appraisal, SMEs represent the majority with 53%.

[12] http://www.eib.org/efsi/efsi_dashboard_en.jpg
[13] http://www.eif.org/what_we_do/efsi/efsi_dashboard_eif_en.jpg

Table 1.1: EFSI projects approved, signed and under appraisal by sector (financed by the EIB)*

Sector	Signed		Approved		Pre-approval		Total	
	Number	As % of the total	Number	As % of the total	Number	As % of the total	Number	As % of the total
Energy	47	24%	30	28%	5	14%	82	24%
SMEs	31	16%	16	15%	19	53%	66	20%
RDI	37	19%	22	21%	1	3%	60	18%
Transport	26	13%	11	10%	4	11%	41	12%
Social infrastructure	17	9%	10	9%	3	8%	30	9%
Digital	16	8%	6	6%	1	3%	23	7%
Environment and resource efficiency	19	10%	11	10%	3	8%	33	10%

Source: own elaboration from the EIB projects database.
*Note: if projects are counted by column, the sum is higher than the actual number of projects (137 signed, 87 approved, 28 under appraisal) because, as explained in the text, multi-sector projects are counted more than once.

1.3 EFSI by geography

Table 1.2 displays the use of EFSI geographically. For transnational projects, the table counts one project for each of the countries involved. **France, Italy, Spain and Germany are the countries most involved in EFSI projects financed by the EIB**. They have also the highest number of signed projects. **For EFSI projects financed by the EIF, Italy is first with 22% of the total followed by France with 12%.**

Table 1.2: EFSI projects by EU country

Country	Financed by the EIB								Financed by the EIF	
	Signed		Approved		Pre-approval		Total			
	Number	As % of the total	Number	As % of the total	Number	As % of the total	Number	As % of the total	Number	As % of the total
Austria	2	1%	2	2%	2	4%	6	2%	-	-
Belgium	10	5%	1	1%	1	2%	12	3%	3	4%
Bulgaria	1	0%	0	0%	2	4%	3	1%	4	5%
Croatia	1	0%	1	1%	2	4%	4	1%	2	2%

Cyprus	0	0%	0	0%	1	2%	1	0%	-	-
Czech Republic	3	1%	0	0%	1	2%	4	1%	4	5%
Denmark	4	2%	1	1%	1	2%	6	2%	4	5%
Estonia	2	1%	1	1%	1	2%	4	1%	1	1%
EU Countries	8	4%	7	6%	4	7%	19	5%	-	-
Finland	12	5%	6	5%	1	2%	19	5%	-	-
France	29	13%	14	13%	3	6%	46	12%	10	12%
Germany	24	11%	11	10%	1	2%	36	9%	5	6%
Greece	6	3%	1	1%	1	2%	8	2%	5	6%
Hungary	1	0%	0	0%	2	4%	3	1%	3	4%
Ireland	7	3%	2	2%	1	2%	10	3%	1	1%
Italy	24	11%	12	11%	5	9%	41	11%	18	22%
Latvia	0	0%	3	3%	1	2%	4	1%	-	-
Lithuania	2	1%	4	4%	1	2%	7	2%	1	1%
Luxembourg	2	1%	0	0%	1	2%	3	1%	3	4%
Malta	0	0%	0	0%	2	4%	2	1%	1	1%
Poland	16	7%	6	5%	2	4%	24	6%	4	5%
Portugal	9	4%	5	5%	4	7%	18	5%	1	1%
Romania	2	1%	3	3%	3	6%	8	2%	1	1%
Slovakia	2	1%	1	1%	1	2%	4	1%	1	1%
Slovenia	0	0%	0	0%	2	4%	2	1%	1	1%
Spain	21	10%	16	15%	5	9%	42	11%	3	4%
Sweden	13	6%	5	5%	1	2%	19	5%	3	4%
The Netherlands	4	2%	2	2%	1	2%	7	2%	1	1%
United Kingdom	14	6%	6	5%	1	2%	21	5%	4	5%

Source: own elaboration from the EIB and EIF projects databases.

As shown in Table 1.3 **the number of projects is mostly concentrated in the EU-15** with 83% of EIB signed projects and 76% of EIB approved projects. This percentage decreases to 54% for pre-approvals. The EU-15 also has 55% of projects financed by the EIF.

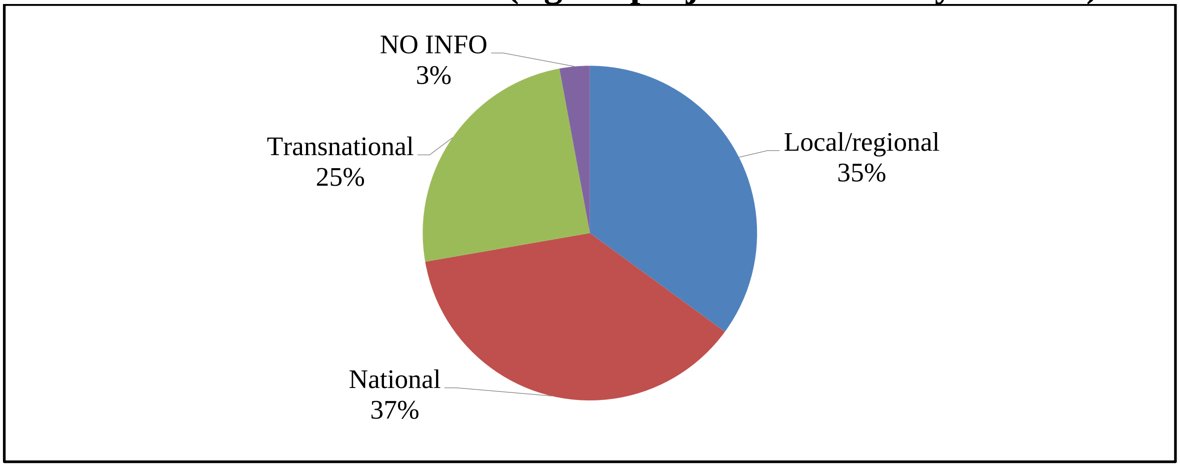
Table 1.3: EFSI projects by EU-15 and EU-13

	Financed by the EIB			Financed by the EIF
	Signed	Approved	Pre-approval	
EU-15	83%	76%	54%	55%
EU-13	14%	17%	39%	39%
Other*	4%	6%	7%	6%

Source: own elaboration from the EIB and EIF projects databases.
* Category of project labelled as 'EU countries' (see Table 1.2) in the EIB projects database.

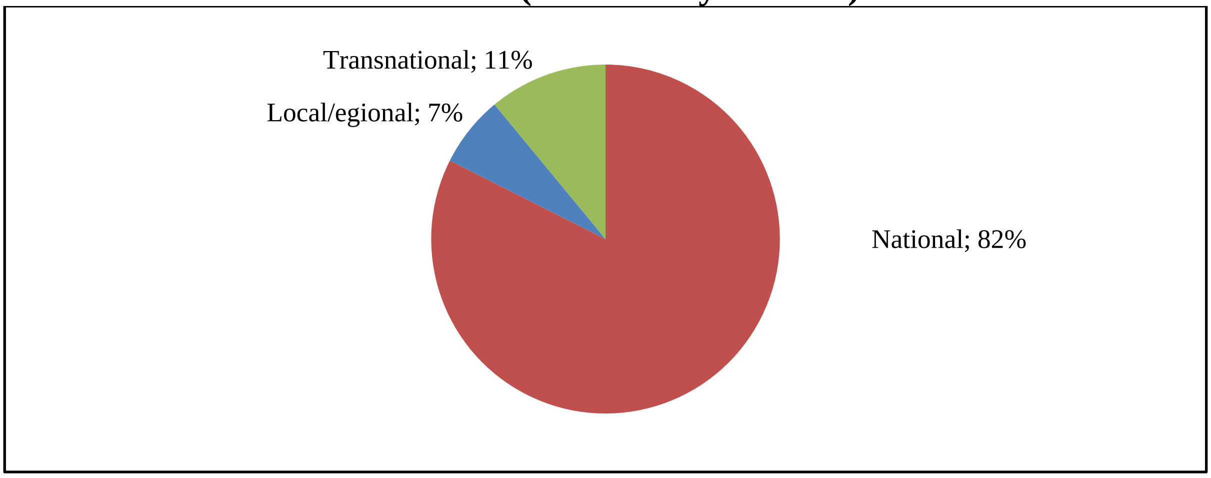
The following two figures show the scale of the project[14], intended as the geographical coverage - local/regional, national, or transnational - of EFSI projects financed by the EIB (Figure 1.5) and the EIF (Figure 1.6). **Over one third of the signed projects financed by the EIB are local/regional, over one third national, and about one quarter transnational. For those financed by the EIF, regional/local projects account for 7% of the total.**

Figure 1.5: Distribution of EFSI projects based on the local/regional, national and transnational scale (signed projects financed by the EIB)



Source: own elaboration from the EIB projects database and desk research (see Annex I for additional detail).

Figure 1.6: Distribution of EFSI projects based on the local/regional, national and transnational level (financed by the EIF)

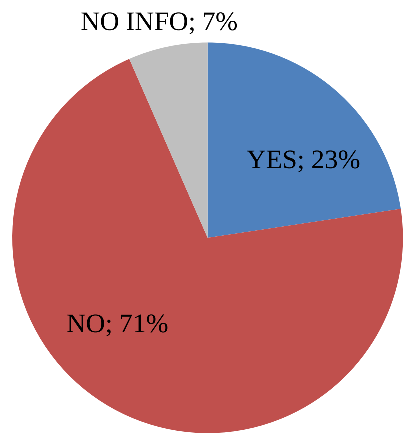


Source: own elaboration from the EIF projects database and desk research (see Annex I for additional detail).

[14] The scale of projects was determined from the EIB website (EFSI project databases), the EIB news article accompanying signature of the project, or the project promoter's news release. Where the project contained two or more countries, the project was deemed to be 'Transnational'. Otherwise the EIB news article was analysed for more information. For a project to be 'National', it had to encompass all regions of the country, or not to have any geographical restrictions within the national borders. Likewise, if the description of the project revealed that only a city or region directly benefit from the investment, the project is labelled 'Local/regional'. In addition, projects that impact only a few neighbouring regions have been labelled also as 'Local/regional'. See Annex I for further detail.

However, local or regional projects do not directly imply that an LRA is involved; and, vice versa, a national or transnational project could also have LRA involvement. Through desk research and information provided by the EIB and EIF website[15], it is estimated that **less than one fourth of EFSI projects financed by the EIB and 4% of EFSI projects financed by the EIF involve at least one LRA** (Figure 1.7 and Figure 1.8 respectively). According to the desk analysis[16] LRAs are involved in many forms. These include manager of the project and EFSI financing, project promoter, shareholder, provider of additional financing, monitoring team representatives, as well as coordinating local authorities, municipalities and stakeholders, consultation, environmental assessment, land property transfer and facilitating administrative authorisations.

Figure 1.7: Involvement of LRAs in EFSI projects (financed by the EIB, signed projects)

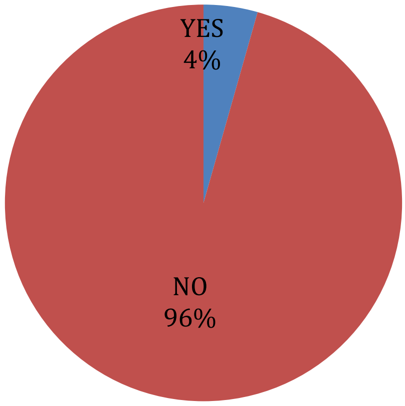


Source: own elaboration from the EIB projects database and desk research (see Annex I for additional detail).

[15] As with project scale, the same sources were used to determine if an LRA was involved; the EIB website (EFSI project list), the EIB news article accompanying signature of the project and the project promoter's news release. In some cases, the involvement of LRAs was obvious from the EIB website, the LRA had a leading role in the project (as manager or main stakeholder). However, in most cases confirmation of LRA involvement had to be confirmed through the website/news release of the project promoter, or of the project, when the LRA had a different role in the project. See Annex I for further detail.

[16] See footnote 12 and Annex I.

Figure 1.8: Involvement of LRAs in EFSI projects (financed by the EIF)



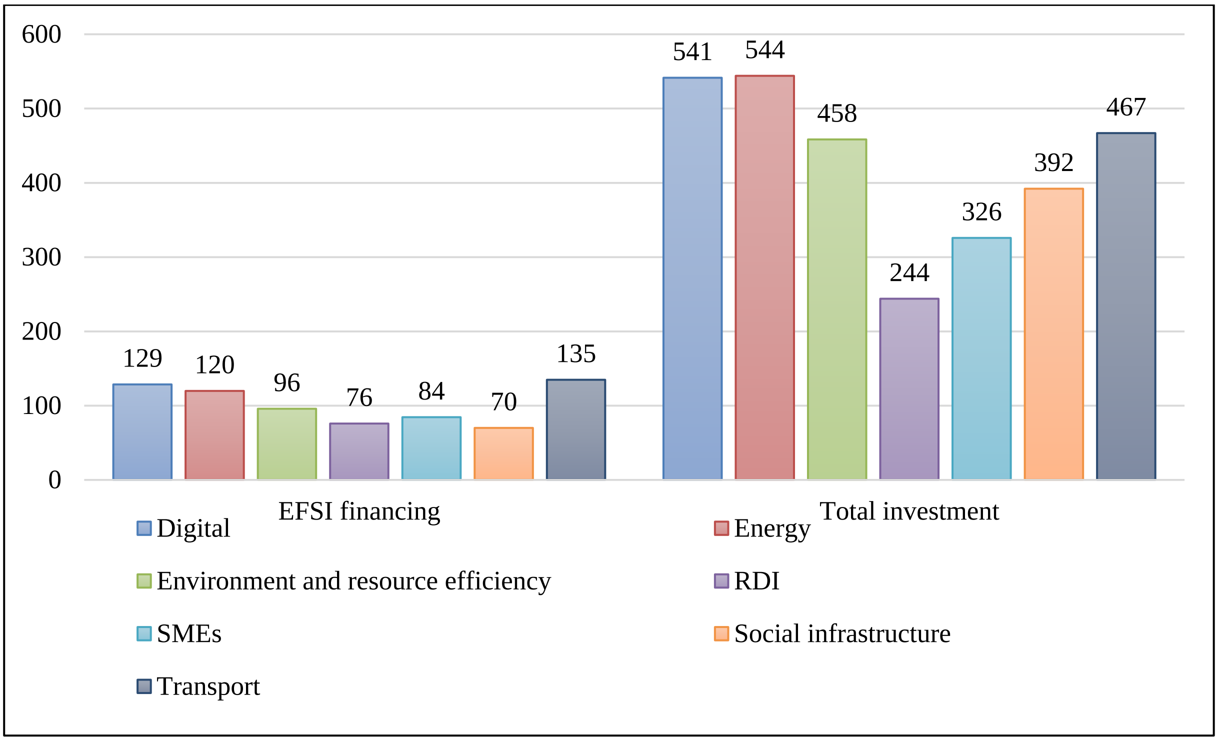
Source: own elaboration from the EIF projects database and desk research (see Annex I for additional detail).

1.4 EFSI by size of investments

The next three figures illustrate the average size of EFSI projects (EFSI financing and total investment) by sector, project scale and LRA involvement. Figure 1.9 shows that projects in the Transport sector have the highest average EFSI financing with EUR 135 million, followed by Digital, Energy, then Environment and resource efficiency. Energy has the most invested, with EUR 544 million, followed by, Digital, Transport, then Environment and resource efficiency. The average investment for projects financed by the EIF is EUR 210 million[17].

[17] The EIF database does not provide data on the EFSI financing but only on total investment. Moreover, according to information in the projects list, 87% of projects involve SMEs, and the remainder is divided between 'agri', 'early-stage', 'innovative', 'microfinance' and 'renewable'. This categorisation of the project therefore differs from the one provided by the EIB and EIF dashboard (see Figure 1.4).

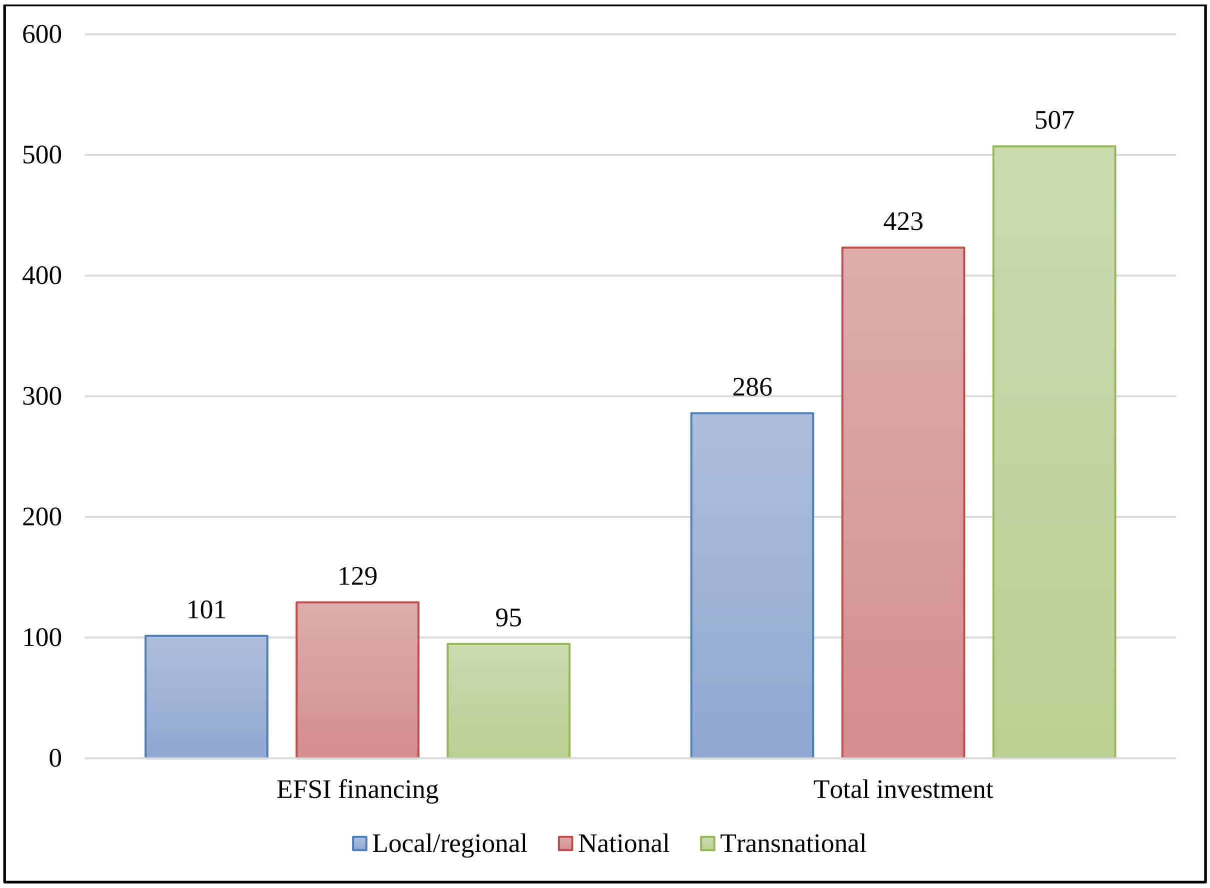
Figure 1.9: Investment by sector* (financed by the EIB, signed projects; average size, EUR million)



Source: own elaboration from the EIB projects database (see Annex I for additional detail).
*Note: Size of investment is not disclosed for six EFSI financing projects and for 27 projects for Total investment. Multisector projects (i.e. projects that involve two or more sectors) are disaggregated and added to each sector average.

Investments by project scale (Figure 1.10), show that national projects have the highest average (EUR 129 million), followed by the local/regional (EUR 101 million). For total investment, transnational projects dominate, with EUR 507 million. Comparing the three dimensions, regional projects have the lowest ratio of 2.8 for total investment to EFSI financing. National projects have 3.3 and transnational 5.4. The average investment for projects financed by the EIF is EUR 98 million for local/regional, EUR 134 million for national and EUR 229 million for transnational projects.

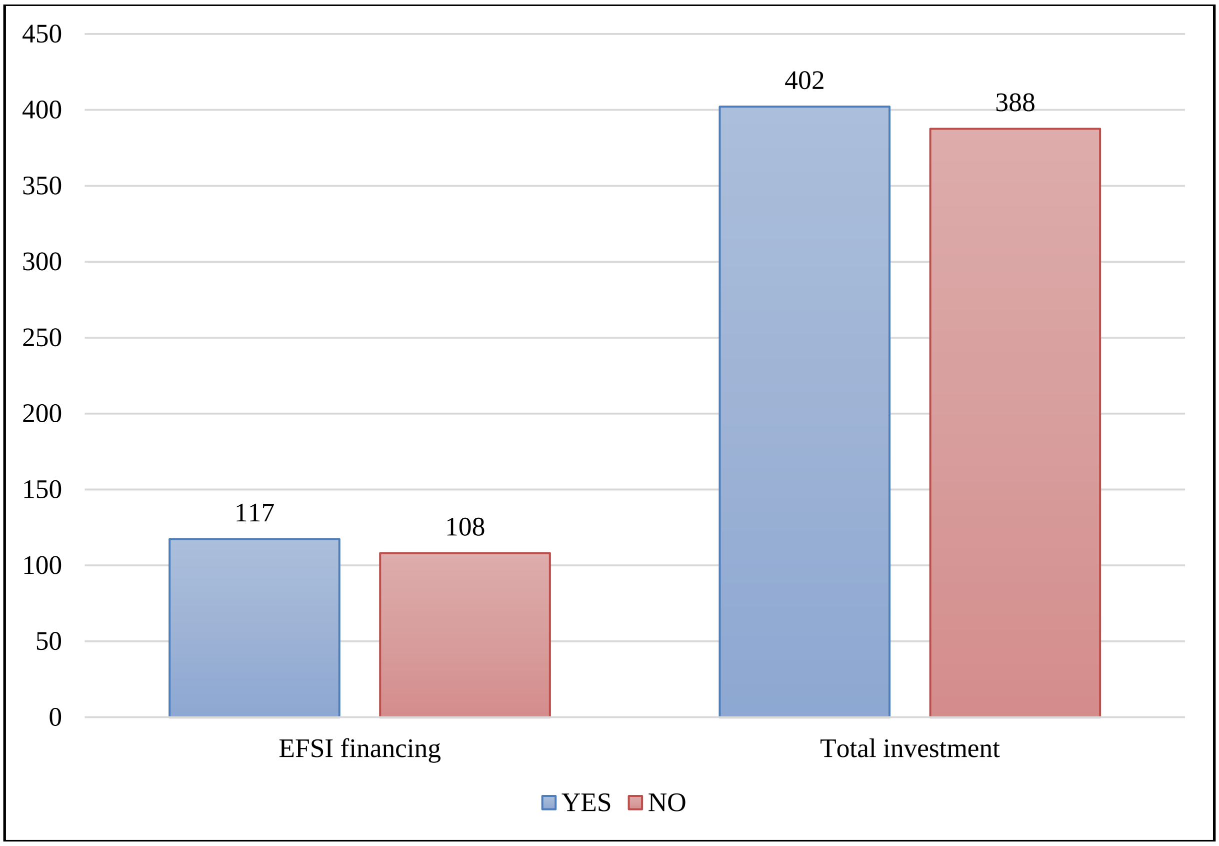
Figure 1.10: Investment by project scale (financed by the EIB, signed projects; average size, EUR million)



Source: own elaboration from the EIB projects database and desk research (see Annex I for additional detail). Size of investment is not disclosed for 6 projects for EFSI financing and 27 projects for Total investment.

Finally, Figure 1.11 shows the average investment according to the involvement of LRAs in the implementation of projects (signed projects financed by the EIB). Projects involving LRAs average EUR 117 million in EFSI financing, compared to EUR 108 million for projects not involving LRAs. The same proportion can be seen in terms of total investment.

Figure 1.11: Investment based on LRA involvement (financed by the EIB, signed projects; average, EUR million)



Source: own elaboration from the EIB projects database and desk research (see Annex I for additional detail). Size of investment is not disclosed for 6 projects for the EFSI financing and for 27 projects for Total investment.

2 Main challenges and lessons learned for LRAs in the implementation of EFSI

This chapter summarises and assesses the main challenges LRAs face in the implementation of EFSI. The chapter is based on desk analysis and analysis of five case studies which are described in the following chapter.

2.1 Key findings from desk analysis

According to reports on opportunities for LRAs to use EFSI financing and potential obstacles to investments at local and regional level[18], two types of obstacles can dampen the participation of LRAs in EFSI projects. These are the limited attractiveness of EFSI at regional and local level for LRAs and SMEs, and structural bottlenecks within LRAs.

For the first type, a key reason for limited attractiveness of EFSI for LRAs is the eligibility requirements for projects. These may be demanding for SMEs and LRAs which experience difficulties in meeting their budget balance, or in developing well-structured and long-term projects. Other types of issues which might discourage LRAs are related to the financial EFSI features as[19]:

- overcoming minimum requirements for the size of projects: for instance, for midcap companies the loan volume must be between EUR 7.5 and 25 million. For projects under EUR 25 million the EIB provides intermediate loans to local, regional and national banks;

- overcoming slow disbursement of the loan; the project is signed subject to the fulfilment of pre-disbursement conditions and after signature the project remains under consideration for six months.

The second group of (internal) challenges includes:

- **Governance and Public Administration**: deficiencies in quality, efficiency and transparency of public administration, including

[18] C. Ferrante (2016), Committee of the Regions (2016a), Committee of the Regions (2016b) and Committee of the Regions (2016c).
[19] See C. Ferrante (2016).

coordination between different services and sectors within the public administration; lack of coordination with other levels of government and weak multilevel governance; lack of coordination/cooperation with other actors outside public administration (private sector, civil society, etc.).

- **Accessing and managing investment funds**: obstacles linked to insufficient human resources and other capacities within the LRAs in planning, designing, submitting and managing public investments, including EU funds; mismatch between the functions and financial resources of local/regional governments and inadequacies in equalisation schemes.

- **Public procurement and Public Private Partnership (PPP):** excessive length of procedures, legal framework fragmentation and uncertainty; insufficient competition in tendering procedures; complexity or inefficiency in the public procurement framework; weak management of PPPs.

- **Business environment:** frequently changing regulatory framework and lack of stability and predictability; burdensome rules, procedures, licences, permits, etc.; lengthy and costly compliance requirements, especially for starting a business; planning uncertainties and construction permits difficult to obtain; late payment affecting SMEs; difficult to access finance for SMEs; difficult to combine multiple public and/or private funding channels.

- **Essential pre-conditions**: scarce availability of an appropriately skilled labour force and employment policies to support this; inadequately developed transport networks and other infrastructure, notably Information and Communication Technology (ICT).

2.2 Key findings from the case studies

2.2.1 The role of LRAs in the implementation of projects

The five case studies (Table 2.1) include two projects implemented at urban level (Portugal and Poland), one at regional level (France), and two at multi-regional level (Italy, with two regions involved, and Germany with seven federal states involved). The roles of LRAs in the management of EFSI financing and their degree of involvement in projects differ across the five experiences. In particular:

- **Management of the EFSI financing:**

  - With the exception of the Portuguese case, LRAs do not directly manage EFSI financing but have regional public-owned companies (Poland) or regional financial institutions (Germany and France) in charge of fund management and project implementation.

  - In Italy, EFSI financing is managed by a private company with national coverage.

- **Involvement of LRAs:**

  - With the exception of the German case which involves seven regional promotional banks, the regional authorities (in France, Italy and Poland) or urban authorities (Portugal) are directly involved in the project.

  - In all five cases, the projects also involve many regional stakeholders and institutions, such as municipalities, local banks and universities, as well as public and private companies.

  - LRAs are involved in defining the project, implementing strategy and defining the governance structure, targets and expected results. In the Italian case the LRAs have more definite role. Due to the specificities of the project, the two regions were not involved directly in the implementation but in the assessment of the environmental impact, coordinating stakeholders' opinions and collecting feedback from local municipalities about the project.

  - In two cases, the project is part of a wider strategy with different initiatives and targets. These are for urban renewal in Portugal and for making the regional economy totally reliant on renewable energy in France. In the remaining three cases, the project is more specifically focused on a single initiative (support for innovative SMEs in Germany, modernisation of a hospital in Poland, construction of a new gas pipeline in Italy).

Table 2.1: Type and role of LRAs in the five case studies

Project	Main LRA(s) involved	Role of the LRA(s)	Other local actors involved	Project promoter	Role of the project promoter
Kujawsko-Pomorskie Healthcare Program III (Poland)	Kujawsko-Pomorskie Region (Marshall and the Regional Executive Board)	Definition of strategy under the ERDF ROP and the governance structure	• Municipality of Toruń • Independent public health care facilities in Toruń	Kujawsko-Pomorskie Medical Investments (Company owned by the Kujawsko-Pomorskie Region)	• Management of the EFSI financing • Investor in the project
Lisbon Urban Renewal Housing Climate (Portugal)	Municipality of Lisbon	Definition of Urban Rehabilitation Strategy	• Municipal companies: GEBALIS (Social Housing), EMEL (Parking), and SRU LISBOA OCIDENTAL (Urban Regeneration) • Lisbon University	Camara Municipal De Lisboa	• Management of the EFSI financing
InnovFin agreement – Regional promotional institutions supporting innovative SMEs (Germany)	Six regional promotional institutions	Lending to SMEs	-	NRW.Bank (State Development Bank of North Rhine-Westphalia)	• Management of the EFSI financing • Coordination across the promotional institutions
Investment Fund TRI in Nord-Pas de Calais (France)	Nord-pas de Calais Regional Council	Definition of the TRI strategy	Crédit Agricole Nord de France (Regional Commercial Bank)	• Nord Capital Partenaires (Joint Subsidiary of Turenne Capital and Crédit Agricole Nord de France) • Finorpa (Regional Fund Manager)	• Management of the EFSI financing • Responsible for individual investment decisions
Società Gasdotti Italia - Gas transmission (Italy)	Marche and Abruzzo Regions	Environmental Impact Assessment	Local Municipalities	• Società Gasdotti Italia (Industrial company in the gas sector)	• Management of the EFSI financing

2.2.2 Key challenges in the implementation of projects

The key challenges faced by LRAs in the use of EFSI financing are different and vary case to case (see Table 2.2). They can be summarised in four broad categories:

A) Cultural attitude:

- While regional institutions have significant experience in managing financial instruments, **local authorities find financial instruments to be complex (including ESIF)**.

- **Riskier projects may not be desirable for regional authorities**.

B) Skills and technical capacity:

- Well-structured authorities do not always have the **necessary knowledge of legal and financial requisites** to apply for the EFSI programme. **Specific expertise is needed to fulfil all the conditions**, which is not always available within LRAs, especially smaller urban authorities.

C) Intrinsic complexity of managing EFSI financing:

- The **implementation process** for the application and contract drafting, when combining different regional institutions or stakeholders into a joint structure, and the related coordination activities **can generate high administrative costs**. In addition, detailed and regular reporting **implies considerable administrative effort and ICT investment**.

- **Eligibility rules in some contexts (environment) could be too strict**. EFSI financing is targeted on very innovative projects, while sometimes the whole strategy is innovative, rather than individual projects. Moreover, for promotional bank programmes, eligibility criteria are perceived as very strict and limit the possibility of funding innovative enterprises or innovation. Long lists of eligibility criteria and the detailed information required lead to fewer applications. Another problem is the **short availability period** of just two years. Normally a promotional bank programme is available for at least five years. Taking into consideration the high costs of implementing this programme with legal advice from highly qualified solicitors, high reporting requirements and therefore high IT-costs, implementing a two-year programme can be difficult for regional promotional banks.

- **Complex procedures for public authorities responsible for selecting fund management** can cause problems. The process of selecting the fund manager could be very challenging, both for preparing the tender and also for selecting a good fund manager.

D) Context conditions:

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

Table 2.2: Key challenges emerged from the case studies

Challenge		From the case study in: Poland	Portugal	Germany	France	Italy
A) Cultural attitude	*Financial instruments perceived as complex*				✓	
	LRA's reluctance to implement riskier initiatives					✓
B) Skills and technical capacity	*Lack of expertise within LRAs*		✓		✓	✓
C) Intrinsic complexity of managing EFSI financing	*Complex implementation process/ high administrative effort and ICT investment for reporting activities*	✓		✓	✓	
	Eligibility rules too strict and limited repayment period		✓	✓	✓	
	Complex procedure to select the fund manager				✓	
D) Context conditions	*Pre-condition obstacles or complex national regulatory framework*	✓	✓			✓

2.2.3 Lessons learned and key recommendations for improving the involvement of LRAs in the implementation of EFSI

The case studies highlight important success factors and lessons learned (Table 2.3) in managing the above mentioned challenges and in the efficient use of EFSI financing. These can be grouped into the following categories:

A) Strategic role of EFSI in addressing market failures or sub-optimal investment situations:

- Especially in regions heavily affected by the financial crisis and where commercial banks are more reluctant to finance riskier projects, **EFSI financial support is decisive for the effective implementation of higher risk projects and a key contribution to the investments**.

B) Effective long term planning:

- The adoption and implementation of consistent **development policy based on an integrated approach** (strategy and an integrated investment programme), **supported by long-term vision** is seen as fundamental for successfully using EFSI financing and facing key challenges.

- Even more important, a long-term integrated infrastructure investment programme can **solve much more complex social challenges,** than supporting for single-point projects.

C) Efficient governance:

- **A clear and efficient governance and institutional structure** are key pre-conditions to successfully implementing financial instruments. **Dynamic planning and rigorous management of the strategy** are important too.

- The involvement, cooperation and efficient coordination of stakeholders are important **for positive recognition of the project in the local community and for political support and shared political consciousness**.

D) Know-how in financial instruments:

- **Previous experience of using and managing financial instruments and of carrying out programmes within the framework of the EIF** can significantly limit difficulties.

- **EIB support for the LRAs** in coordinating and following-up the design and set-up of the fund is also an important success factor.

- **The presence of an in-house financial intermediary** can limit the problems in using and managing EFSI support for regional authorities.

Table 2.3: Key lessons learned

Lessons learned		From the case study in:				
		Poland	Portugal	Germany	France	Italy
A) Strategic role of EFSI	*EFSI financing decisive for the effectiveness of the project*	✓	✓	✓	✓	
B) Effective long term planning	*Structured, integrated and long-term strategic approach*	✓	✓		✓	✓
	Long-term integrated infrastructure investment programme	✓	✓		✓	
C) Efficient governance	*Clear and efficient governance structure and sufficient administrative capability*		✓	✓	✓	
	Involvement, cooperation and efficient coordination of stakeholders	✓	✓		✓	✓
D) Know-how in financial instruments	*Previous experience of using financial instruments*			✓	✓	
	Support from the EIB	✓			✓	✓
	In-house financial intermediary decisive for efficient management of EFSI financing	✓				✓

Moreover, to enhance the management of EFSI financing and improve their effectiveness, the case studies highlight key recommendations:

A) In relation to the cultural attitude:

- **General awareness raising activities** need to be implemented to improve accessibility enhancing overall information and promotion;

- **Dissemination of LRA's success stories** to increase the credibility through the impact of the other projects (i.e. good practices).

B) In relation to skills and technical capacity:

- **Targeted information for LRAs.** Smaller LRAs, with less personnel resources, find it difficult to overview the options and easily assess funding possibilities from EFSI;

- **Training for LRAs.** Many LRAs, and especially urban authorities, do not have enough expertise to be able to apply for support. Institutional and administrative capabilities should be enhanced with training on:

  - cost-benefit-analysis;
  - budgetary management and eligible costs (for EU funding in general);
  - Strategic planning and implementation.

- **National support for preparing application.** Many cities need more support for the preparation of the application. National representation could provide a specialised support team. Such a team would be able to discuss options and solutions and to support the application process based on the requirements of each programme.

C) In relation to the intrinsic complexity of managing EFSI financing:

- **Better consideration of national framework.** The European Commission should clearly understand that the prerequisites for application can differ widely between countries and that these should be considered within the programme requirements. For example, criteria for obtaining financing should take into account the capacity of a municipality to incur indebtedness. A framework loan may not comply with national legislation, especially when measured by the value of the financing contract and not by disbursements made over time (multiannual).

- **More flexibility of funding requirements.** LRAs would appreciate more flexible funding to better match the development strategies of the city. It is difficult to match an urban strategic plan with the EU funding framework. In the current situation, urban authorities can succeed only if assisted by national players with extensive financial expertise, which could be too great a challenge for new projects applying for EFSI support.

- **Simplified and quicker processes are very important. The current criteria for granting loans are cumbersome**. If local banks are overburdened with administrative tasks, there is a risk that the programme will not be accepted. So, a balancing act is required between the aims of the EU and the implementation partners.

- **Simplified reporting** seems also to be needed**.**

- **Simplified eligibility rules,** to allow the selection of projects that are not very innovative, but which are part of an innovative strategy.

3. Case studies

This chapter describes the five case studies selected for this report (see Annex II for details concerning the methodology to select the case studies).
These are:

Name of the Project	City/Region (country)	Type of project
Kujawsko-Pomorskie Healthcare Program III	City of Torun, Poland, Kujawsko-Pomorskie Region (Poland)	• Urban • Health sector
Lisbon Urban Renewal Housing Climate	Lisbon (Portugal)	• Urban • Transport • Environment and resource efficiency • Social infrastructure
InnovFin agreement – Regional promotional institutions supporting innovative SMEs	North-Rhine Westphalia, Hesse, Berlin, Hamburg, Brandenburg, Rhineland-Palatinate, Schleswig-Holstein (Germany)	• Multi-regional • Innovative companies (SMEs, small mid-caps)
Investment Fund TRI in Nord-Pas de Calais	Nord-Pas de Calais (France)	• Regional • Environment and resource efficiency
Società Gasdotti Italia - Gas transmission	Marche and Abruzzo Regions (Italy)	• Multi-regional • Energy • Smaller companies

The next sections describe each case study in detail in terms of:

- Context for the project;
- Key characteristics of the project;
- Main objectives of the project;
- Governance structure for managing and implementing the project, with specific focus on the role of the LRAs;
- Main results;
- Main challenges faced in the implementation of the project, with a focus on the management and use of EFSI financing;
- Lessons learned from the management and use of the EFSI financing;
- Key recommendations for a more efficient and effective use of EFSI financing.

3.1 Kujawsko-Pomorskie Healthcare Program III (Poland)

Location	Kujawsko-Pomorskie Region (Poland) 
EFSI financing	EUR 57 million
Source of financing	EIB
Additional ESIF financing	ERDF co-financing (unspecified)
Total investment	EUR 152 million
Sector	Health 
Timeline	2016-2019
LRA(s) involved	Kujawsko-Pomorskie Region 
Project promoter	Kujawsko-Pomorskie Medical Investments (KPIM)
Web links	*EIB link:* http://www.eib.org/projects/pipelines/pipeline/20150207 *Official (Polish):* https://www.kujawsko-pomorskie.pl/biuro-prasowe-kontakt/informacje-prasowe/30308-nowoczesna-medycyna-przyjazna-architektura

3.1.1 Summary

This case study focuses on the project to rehabilitate Rydygier Hospital in the city of Toruń, in the Polish region of Kujawsko-Pomorskie.

The project value is approximately EUR 125.6 million. Under an EFSI guarantee the EIB has lent around EUR 57 million to co-finance reconstruction and fitting-out of the hospital. It is the first EFSI public-sector project in Poland and also combines EFSI financing with ESIF grant support.

The project is part of a regional long-term integrated investment programme, to achieve the technical and professional hospital standards required by Polish and European law.

3.1.2 Context

The region covers approximately 18,000 km^2 (5.7% of the country) and has about 2.1 million inhabitants (2015; 5.4% of the country). It is a NUTS2 unit located in the central-northern part of Poland. Administratively, the region was established in 1999. The functions of regional capital are split between Bydgoszcz and Toruń. Bydgoszcz serves as the seat of the centrally appointed governor, while Toruń is the seat of the elected Regional Assembly and of the Marshall and the Regional Executive Board elected by that assembly. The regional GDP per capita in 2013 was 56% of the EU average and the unemployment rate was 18.2% (against the country average of 13.4%)[20]. According to EIB data in April 2017[21], the EIB decided to provide financial support under EFSI to 15 Polish projects. The value of approved projects is PLN 18.3 billion (EUR 4.36 billion[22]), including an EFSI share of PLN 6.3 billion (EUR 1.5 billion). The 15 investments rank Poland 4th in the EU for investments mobilised by EFSI and ESIF support in the Infrastructure and Innovation Window. Contracts have been signed for 11 of the 15 projects, worth some PLN 11.6 billion (EUR 2.8 billion), with an EFSI commitment of PLN 4.1 billion (EUR 954 million).

Projects promoted by LRAs constitute a significant part of EFSI-supported investments in Poland. One third of the approved Polish projects (Table 3.1), totalling PLN 2.632 billion (EUR 627 million) with EFSI support of PLN 1.342 billion (EUR 320 million), are from LRAs.

[20] Eurostat.
[21] As at 11th April 2017.
[22] Exchange rate: 1 EUR=4.2 PLN (May 2017).

Table 3.1: Polish projects financed by EFSI financing

Project promoter	Number of projects	Project value PLN million (EUR million)	EFSI support PLN million (EUR million)
LRA	5	2,632 (627)	1,342 (320)
Central government	3	5,397 (1,285)	2,086 (497)
Private (banks)	4	9,322 (2,220)	2,464 (587)
Private (other)	3	908 (216)	430 (102)
Total	15	18,259 (4,347)	6,321 (1,508)

3.1.3 The project

The Rydygier Hospital in Toruń is owned and managed by Kujawsko-Pomorskie regional authorities. The rehabilitation project costs approximately EUR 125.6 million. Under the EFSI guarantee, in November 2016 the EIB has extended a loan of around EUR 57 million to co-finance reconstruction and fitting-out of the hospital.

The project is pioneering in two respects; it is the first EFSI public-sector project in Poland and also combines EFSI financing with ESIF grant support, which is financing another part of the rehabilitation. The investment includes a major project[23] co-financed under the Regional OP Kujawsko-Pomorskie 2014-2020 as well as smaller investments under national OP Infrastructure and Environment 2014-2020.

3.1.4 Objectives

The project is part of a regional long-term integrated investment programme focused on achieving the technical and professional hospital standards required by Polish and European law. *The Development and Modernisation Programme in Regional Hospitals* has been implemented since 2009 with the following objectives:

- raising the standard of medical services;
- modernising hospital infrastructure and increasing energy efficiency;
- improving the usability, functionality and aesthetics of health care facilities;
- equipping health care units with medical and non-medical equipment for providing medical services.

[23] In the meaning of CPR Article 100.

The investment programme's three phases so far have all been co-funded by the EIB:

- Phase I – 2010 – major beneficiaries: Regional Children's Hospital and Oncology Centre, both in Bydgoszcz; investments in other facilities; PLN 873 million (EUR 208 million);

- Phase II – 2015 – major beneficiary: Regional Specialist Hospital in Włocławek; investments in other facilities; PLN 323 million (EUR 77 million);

- Phase III – 2016 – beneficiary: Rydygier Hospital in Toruń (within the framework of EFSI).

The long-term economic and social objectives were formulated by the regional authorities under the Kujawsko-Pomorskie development strategies (current generation 2014-2020 adopted in 2013[24]). According to the current strategy, one strategic goal for regional development policy is to support active society and efficient services, which includes continued improvements in health care delivery.

The regional authorities support not only self-owned and managed health care facilities, as in this case, but also those owned and managed by local authorities in the region and serving as primary care facilities. This is done mostly through ESIF ROP funding.

The objective for the EFSI project is to improve health care in the region and the city of Toruń through expansion and reconstruction of the regional Rydygier Hospital. The project scope envisages:

- construction of a new main building added to the existing building (being an ESIF major project),
- construction of buildings for the infectious diseases hospital and six psychiatric wards,
- construction of an administrative building, which will also accommodate an automatic pharmacy,
- construction of a four-storey car park.

More specifically, goals are[25]:

[24] Kujawsko-Pomorskie Development Strategy to 2020 (2013).
[25] http://europa.eu/investeu/projects/hospital-toru%C5%84-extended_en

- merging 6 clinics, with administrative savings and more medical staff;
- 2,000 staff caring for 86,000 patients a year;
- increased number of beds from 551 to 1,059;
- increased floor area from 20,000 to over 50,000m²;
- 57,000m² of green space, including roof gardens of 2,000m².

3.1.5 Governance

The governance structure needs to be analysed in the context of the Kujawsko-Pomorskie regional authorities as:

- Creator of the regional development policy, programmer and one of the prominent executors of the region's development strategy (owner of the *Kujawsko-Pomorskie Development Strategy to 2020* as well as *The Development and Modernisation Programme in Regional Hospitals*);
- Owner, manager and investor in regional hospitals;
- Managing authority for the ESIF ROP 2014-2020;
- Owner of Kujawsko-Pomorskie Medical Investment (KPIM) as a vehicle to invest in the modernisation of regional hospitals;
- Stakeholder in the multi-level governance of ESIF and healthcare policy in Poland;
- Stakeholder in development of local administration units in the region, i.e. cities, districts, communes;
- Partner and client to financial institutions, namely the EIB.

In all of these roles, the regional authorities are represented by the Marshall and the Regional Executive Board, and operationally by departments in the Kujawsko-Pomorskie Marshall Office, or owned and supervised bodies, such as KPIM.

As the project is implemented under a well-functioning integrated approach to regional healthcare modernisation (i.e. the *Kujawsko-Pomorskie Development Strategy to 2020* as well as *The Development and Modernization Programme in Regional Hospitals*), the regional authorities have undertaken a series of steps for a successful governance structure and investment. Since 2007 the regional hospitals have been consolidated into functional administrative structures. To make optimal use of existing hospital infrastructure as well as to carry out the necessary investment, several regionally-owned independent medical entities have been merged into larger and more powerful providers of comprehensive diagnostics and treatment. These cover practically all basic areas of medicine around the three major regional cities – Bydgoszcz, Toruń and Włocławek. This consolidation has achieved economies of scale, investment and modernisation of health infrastructure.

The merger of independent public health care facilities in Toruń was executed through Rydygier Regional Polyclinical Hospital in Torun taking over other institutions like the Regional Dental Centre, the Regional Children’s Hospital, the Regional Hospital for Infectious Diseases, the Regional Psychiatric Centre, and the Regional Ambulance Service Station.

To execute the investments, the regional authorities established KPIM in 2009. This special purpose company is also the EFSI project promoter and borrower from the EIB on behalf of the region. KPIM as implementing body of *The Development and Modernisation Programme in Regional Hospitals* is an investor in the rehabilitation of Rydygier Hospital on behalf of the regional authority as the hospital owner. KPIM manages the EFSI rehabilitation project, organises tenders and manages construction and service deliveries. The company was also responsible for all contact and negotiations with the EIB for the EFSI loan contract, which was signed by the Regional Executive Board and the region’s treasurer.

In terms of governance, the regional authorities are also the ROP managing authority, signing the Rydygier Hospital ERDF grant agreement and accounting for proper expenditure of ESIF funding. The ESIF major project also requires a quality review or EU Commission acceptance procedure, with the involvement of the regional authority as the managing authority. There are also national-level stakeholders, the bodies deploying ERDF support from the national OP, including the managing authority in the Ministry of Economic Development, the implementing body for the health sector priority axis in the Ministry of Health.
The project’s financial plan assumes funding from:

- EIB (EFSI loan);
- ERDF (ROP and some from the national OP Infrastructure & Environment);
- the hospital's own funds.

For any EFSI/ESIF combination, the financing needs to be clearly demarcated to prevent double-funding from the EU and to highlight the own contribution. The Rydygier Hospital clearly separates EFSI and ESIF investments. The ESIF investment under the ROP covers only the ‘construction of a new main building added to the existing building’ whereas all the other tasks are covered by EFSI. Importantly, the obligatory national contribution to ESIF investment is provided from the region’s hospital own funds, whereas the 50% contribution to back the EFSI loan includes an ESIF contribution (both from the ROP and the national OP).

Highly importantly, the governance structure needs to be clear for timely, efficient and lawful public procurement, as well as management of the hospital's operations (Rydygier Hospital) during implementation.

3.1.6 Achievements

Successful completion of *The Development and Modernisation Programme in Regional Hospitals* – Phases I and II, as well as obtaining finance for Phase III with EFSI and ESIF funds have been achieved through the integrated approach framework to health in the Kujawsko-Pomorskie region.

By April 2017, after successful public procurement processes and selection of most contractors for works and services, construction at the Rydygier Hospital had started. Importantly, the hospital's full activity continues, despite the work.

3.1.7 Main challenges

The main challenges were mostly related to managing the EFSI-ESIF combination:

- **The regulatory framework is complex and attention is needed to fulfil all the financial conditions** - i.e. proper provision of own contribution and demarcation of EFSI/ESIF expenditures.

- Furthermore, **all project assumptions for both funding sources need to be coherent and targets/achievements need to be overseen** to fully comply during programming and implementation of both EFSI and ESIF parts of the project.

- Avoiding **EFSI project 'gold-plating'**, not adding requirements beyond the legal/formal framework. In this case, the EFSI loan was conditional on recognition of the project from a *Steering Committee on Health Care,* established under the Polish *Partnership Agreement 2014-2020* at the Ministry of Health. This supported coordination of ESIF in medicine, but did not assess individual investments. **This requirement was met with support from all the stakeholders**.

3.1.8 Lessons learned

The regional authorities underline that execution of **large-scale modernisation investment was possible owing to consistent long-term work** related to:

- improved organisation in the functioning of hospitals (including consolidation);
- adoption and implementation of a consistent development policy based on an integrated approach (the strategy and the integrated investment programme);
- establishment of a special purpose company for investments (KPIM);
- implementation of investments with the support of a financial partner (EIB).

An important success factor was also **the supportive role of all stakeholders**, including the Ministry of Economic Development (also as national coordinator of the Juncker Plan), the Ministry of Health, the EIB and the City of Toruń.

Combining different funding sources, including EFSI and ESIF can be successful though demanding in the regulatory environment of both frameworks.

Cooperation is important, with both the host local authority (the City of Toruń) and with contractors for construction and services delivery. **The City of Toruń is extremely important for positive recognition of the project in the local community and acceptance for inconveniences during construction.** Project implementation involves multilateral meetings with all stakeholders, including the regional authorities, KPIM, Rydygier Hospital, the City authorities and the contractors.

3.1.9 Conclusions and recommendations

This case study shows how **EFSI and the combination of EFSI-ESIF can successfully support LRA investment in health care.**

The funding can offer significant benefits when **used in a well-functioning integrated approach to regional healthcare modernisation**. Provision of financing for investments under a long-term integrated infrastructure investment programme (like *The Development and Modernisation Programme in Regional Hospitals* of Kujawsko-Pomorskie) can **solve much more complex social challenges** (like modernising the infrastructure of the entire region’s health care system) rather than just support single-point projects (which, by nature, cannot always impact the entire system, or the surrounding environment).

For institutional capacity, **significant policy effects can be achieved with a strategic approach, continuous long-term policy and strong coordination of policy implementation by the regional executive**.

For EFSI accessibility, currently in Poland, **national coordination by the Ministry of Economic Development plays a key role, as does the EIB**, offering information and support to potential candidates. Project development by candidates is also important.

3.2 Lisbon Urban Renewal Housing Climate Framework Loan (Portugal)

Location	Lisbon (Portugal) 
EFSI financing	EUR 51 million (1st tranche) of EUR 250 million
Source of financing	EIB
Additional ESIF financing	-
Total investment	EUR 523 million
Sector	Transport; Environment and resource efficiency; Social infrastructure
Timeline	Approved on 19/07/2016; signed on 08/11/2016
LRA(s) involved	Municipality of Lisbon
Project promoter	Municipality of Lisbon
Web links	*EIB link:* http://www.eib.org/infocentre/press/releases/all/2016/2016-256-eu-supports-the-modernisation-of-lisbons-infrastructure-with-a-eur-250-million-eib-loan-under-the-investment-plan-for-europe.htm

3.2.1 Summary

Lisbon was the first municipality to benefit directly from EU support under ESIF. The EIB and the Municipality of Lisbon signed the first EUR 51 million of a 30-year EUR 250 million framework loan under EFSI to support urban regeneration in the city and long-term growth and competitiveness.

This EUR 250 million EIB framework loan will finance urban infrastructure in selected areas of the city, improve the quality of public spaces, renovate schools and cultural equipment and complete the regeneration of the river front.

3.2.2 The context

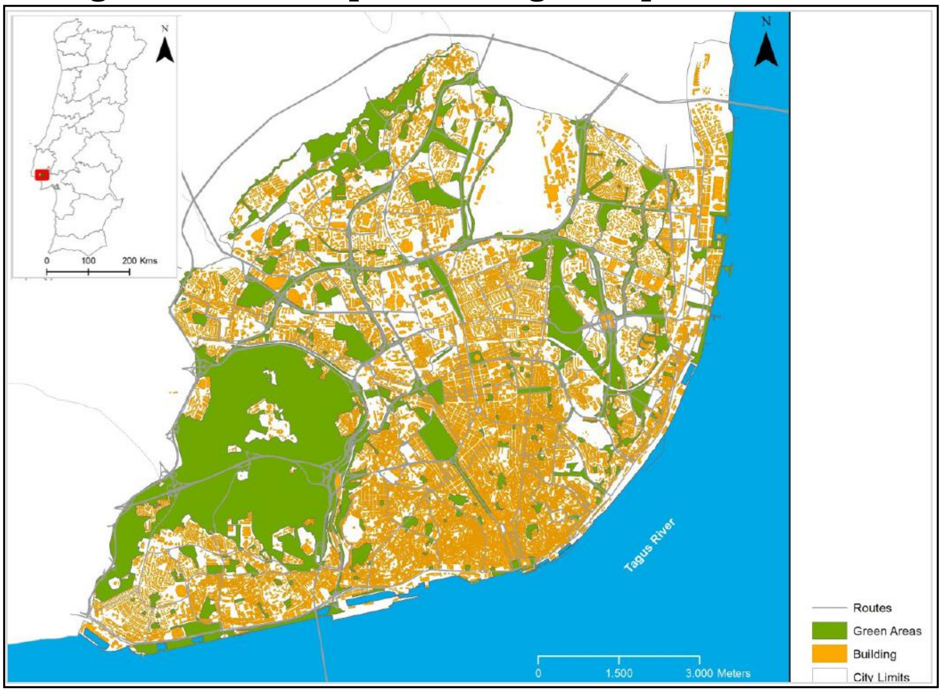
Lisbon is the capital and major tourist and economic centre of Portugal. The city has a population of around 513,000, within a metropolitan area of 2.8 million people. The city lost about 240,000 inhabitants over the last 3 decades, mostly due to a lack of affordable housing adapted to families' modern living standards[26]. There was also insufficient or outdated urban infrastructure and increased flooding.

Within the built-up area (Figure 3.1) there are about 52,500 housing units (2011 census) with a majority of buildings built at the beginning of the last century. Most degraded buildings are in the historical centre, where some 45% are in need of repair[27]. There is a high share of old and historical buildings in Lisbon. Many of them require refurbishment but the refurbishment rate is less than 1% per year.

Lisbon would like refurbishment to consider a holistic approach, including energy and indoor environmental quality, as well as the design of the surrounding public space[28]. Although, demographic and physical decay in Lisbon's inner city has been countered by some initiatives in the last 15 years and renovation programs in several city districts have started, Lisbon's inner city is still markedly lagging behind most other EU capitals for renovation and investment[29].

[26] European Investment Bank (2017).
[27] Pinto, C., Domingos, A.L., Pinto M. M., and Pousada C. (2016).
[28] Wendt W., Padilla M., Fanderl N., and Hawxwell, T. (2016).
[29] http://blog.goethe.de/weltstadt/archives/120-Lisbons-Obstinacy.html

Figure 3.1: Built up area and green spaces in Lisbon



Source: reproduced from Pinto, C., Luísa Domingos, A., Manuel Pinto, M, and Pousada (2016).

Due to the form of the landscape and the town, the local geology, building in ancient water streams and the incapacity of the old sewer system, Lisbon is also heavily affected by natural hazards, particularly flooding**.** Dense urban occupation further increased this problem both above and below ground. Some of the neighbourhoods in Lisbon, including parts of the historic city centre, have faced regular flooding. In 2014, two major floods within weeks highlighted the need for the city to adapt to the effects of climate change. Additionally, the sewer system of Lisbon is unitary and separate, extending over about 8.4 km^2. This system is already seriously aging[30]:

- 21% of drains were built before 1919;
- 43% between 1919 and 1960;
- 24% between 1961 and 1980;
- and only 12% since 1980.

As highlighted in the European Construction Sector Observatory's country profile on Portugal[31], the country's housing and construction sector was also strongly affected by the economic and financial crisis. The number of companies in the construction sector fell by 19% between 2010 and 2013. Furthermore, from 2008 to 2014 construction of buildings declined by 57% and the gross

[30] Pinto, C., Domingos, A.L., Pinto M. M., and Pousada C. (2016).
[31] European Commission (2016c).

operating rate decreased from 36.7% in 2008 to 8.5% in 2013. Since the beginning of the crisis and the fiscal consolidation requirements, access to finance has been problematic due to difficulties in both the banking sector and the public sector. On top of this, the Portuguese construction sector is still affected by late payments and a tight national budget, which hinders investment in civil engineering. Consequently, construction of new dwellings dropped by 83% from 2008 to 2015 and housing availability and accessibility has become a major issue.

3.2.3 The project

The proposed framework loan concerns financing for the Municipality of Lisbon 2016-2020 Investment Programme. **Lisbon is the first EU municipality to receive direct support from EFSI.** Following the financial crisis, Portuguese banks have been unable to provide long-term loans that match the economic life of various components of the project such as urban infrastructure and housing. Municipalities could not access the capital markets and Portuguese banks were unable to provide long-term finance for this project. **So the EFSI loan addresses serious market failure in Portugal**.

The project focuses on urban development and covers urban renewal including mobility and climate change adaptation. It comprises schemes in urban and brownfield areas in Lisbon, integrated in the Urban Rehabilitation Strategy (Estratégia de Reabilitação Urbana de Lisboa 2011/2024), approved in 2011. This includes modernisation of public buildings, urban development, construction and rehabilitation of urban roads, parks, car parks, public squares, drainage, social housing, schools, cultural facilities and other municipal infrastructure. The strategy is also consistent with the higher-level Municipal Master Plan, (Plano Diretor Municipal), last updated and approved in 2012, with a Strategic Environmental Assessment in line with the SEA Directive 2001/42/EC provided to the EIB[32].

The total investment is EUR 523 million[33], of which EUR 51 million is a 1st tranche) of EUR 250 million from EFSI financing. The framework loan includes mainly small and medium-sized sub-projects (less than EUR 50 million) - most of them related to urban infrastructure, urban rehabilitation and renovation - but

[32] European Investment Bank (2016a).
[33] Indicative expenditure per year: 2016: 25%, 2017: 35%, 2018: 23%, 2019: 11%, 2020: 7%.

also includes a larger project related to the drainage system[34] as well as projects related to social housing[35]. In more detail, the framework loan covers:

- Rehabilitation of urban roads/streets (250km);
- Reconstruction and enhancement of 30 public squares;
- Innovative urban mobility solutions such as urban lift and escalators in pedestrian city circuits, a funicular railway, bike sharing, eCar and an ICT smart mobility platform;
- Diversified urban regeneration interventions, including requalification of public buildings and public spaces, as well as new underground and surface parking spaces that are predominantly residential and Park and Ride;
- Smart City innovations such as license plate recognition systems, car access control systems in historical neighbourhoods, parking meters with license plate registration and integrated with a control centre, etc.;
- Parks and green areas;
- Reorganisation and modernisation of fire stations, including construction of 11 new ones;
- Infrastructure accessibility targeting the elderly, families with young children and disabled people;
- Cultural facilities including museums, libraries and other city archives (e.g. photography);
- School renovation;
- Upgrade of existing drainage networks, including the construction of a 5.5 metre internal diameter tunnel, 5 km long;
- Social housing, for both migrants and vulnerable local residents (412 new social housing units built and rehabilitation of another 960).

[34] Management and prevention of floods and risk management under the city's 2016-2020 drainage master plan, to improve the resilience of vulnerable areas in the city's historic centre and other locations.
[35] Financing Contract between City of Lisbon and EIB, 21st October, 2016.

3.2.4 Objectives

The project will contribute to the overall development of the city and enhance life and business conditions in Lisbon. In addition, the project should foster economic development by taking into consideration changes in demographic and economic conditions, improving mobility within the city and adapting to climate change. These are prerequisites for improving its attractiveness to people and investors.

The project's measures and actions will improve everyday life for inhabitants. Their social relations and routines will benefit from enhanced mobility, as well as the rehabilitation of social housing, upgraded municipal infrastructure, schools, cultural centres, and other public service infrastructure.

Specific attention will be given to social benefits by regenerating urban areas and reducing the shortage of social housing. The planned relocation project will improve the quality of housing and living conditions for eligible households with below-average income in two urban neighbourhoods.

The Bairro da Boavista and Bairro Padre Cruz, locations planned for new construction, will have to temporarily re-settle about 760 families due to the demolition of existing social housing units and subsequent construction to higher standards. The Municipality of Lisbon has broad experience in resettling people, from past relocation projects in the 1990's, including the relocation of 60,000 people from 20,000 shanty town dwellings to 17,000 social housing units.

The resettlement process is legislated and planned in a participatory way. Temporary accommodation is in Lisbon, with similar living space but better technical standards. Additionally, housing units will be adapted for disabled or elderly people (where needed) facilitating social integration and the identification and care of vulnerable groups and people with special needs. After completion of reconstruction, families will be able to stay in the temporary accommodation, which many have chosen to do in the past.

A small number of social housing units to be financed under this EIB operation may be dedicated for refugees and asylum seekers. Such investments would alleviate the situation created by new arrivals in Lisbon in the coming years.

Sector specific objectives focus on **the use of resources and environmental effects**. The net environmental impact is expected to be positive. As a signatory of the Covenant of Mayors for Climate and Energy, Lisbon is fully committed to

Climate Action. This is one of the drivers in urban planning and projects, including mitigation and adaptation measures as part of the City investment programme:

- Under the urban renewal scheme, EIB funds will finance the renovation of existing social housing and the construction of new accommodation. The investments are expected to bring a number of positive effects in terms of climate mitigation. These include energy savings in public buildings and social housing from insulating walls and roofs, changing windows and other energy efficiency measures.

- The scheme includes pedestrian areas and bicycle paths as well as Smart City components, which contribute to sustainable mobility and climate mitigation.

- Lisbon is developing its Climate Adaptation Plan, which identifies the main climate risks for the City (i.e. long drought periods, heat waves, heavy rainfall and floods) along with the vulnerable areas. The plan also proposes actions to develop and design projects addressing these risks.

- The Lisbon Master Drainage Plan addresses climate adaptation. One of the main investments of this operation, the drainage system, takes account of climate change. It is designed to cover more intense rainfall and a rise in sea level.

- Lisbon is also improving its resilience against earthquakes, given its location in a seismic area. This is particularly relevant for the new social housing, which will comply with the latest design codes. Furthermore, the new facilities associated with the reorganisation of the fire brigade and other emergency services will eliminate vulnerabilities from structural weaknesses, which were recently identified in the main building housing these services.

3.2.5 Governance

The project promoter is the Municipality of Lisbon while final beneficiaries are the Câmara Municipal de Lisboa (CML) and the municipal companies responsible for each major investment component; GEBALIS (Social Housing), EMEL (Parking), and SRU LISBOA OCIDENTAL (Urban Regeneration).

The EFSI project is based on the city’s major strategic investment plan which lays down a multi-annual investment strategy for urban renewal, management of floods and social housing. **With this strategy, the city is emphasising urban**

regeneration as a central future development objective. The capital's master plan approved in 2012, is a strategic tool guiding the city's development and was the background for the EFSI application.

To apply for EFSI, the Portuguese national government must agree to the investment plans and the funding. This means that the national audit court has to approve the contract with EIB before implementation can start. This approval process is still ongoing.

For implementation of the EFSI project, the city of Lisbon is responsible for the project and autonomous in its decisions. During the application process, a private bank with experience in EIB funding provided important support, including advice on legal and financial issues organising information for the candidature, especially the relevant regulations and laws. The city's authorities did not have access to the detailed knowledge of some requirements and legal prerequisites of the application**, so specialised support from the national bank was decisive in the success of the application.**

Within the city of Lisbon, for fund raising the *Lisboa/Europa 2020 Mission Team* started work in April 2012 and should:

- mobilise partnerships with the University, the business community and social and cultural institutions;
- maximise Lisbon's contribution to Europe 2020 strategy implementation;
- optimise the use of financial resources in the 2014–2020 period.

In addition, a specific team, the *Lisboa XXI Programme Management Team*, is responsible for the EFSI project management. Within this team, managers have been defined for each topic (urban renewal, floods, social housing). These are responsible for linking activities within city departments as well as collecting information and data. This team of about 10 people is also responsible for monitoring and compiling indicators for reports to the EIB.

These two teams (Lisboa/Europa 2020 Mission Team and Lisboa XXI Programme Management Team) implement the overall strategic investment plan.

3.2.6 Achievements

For monitoring, the city of Lisbon has defined a number of indicators which will be reported to the EIB during implementation. EFSI financing is not available until the EFSI project is approved by the national audit court. According to the requirements, reporting will start as soon as the funds are used.

Even though Lisbon has not received funding yet, implementation of strategic investment plan activities foreseen in the EFSI project has started already. About 10% of the planned projects have been implemented using the city's own financial means.

3.2.7 Main challenges

Even large cities do not always have the necessary knowledge of legal and financial prerequisites to apply for the EFSI financing. This refers not only to the regulation of the program itself but even more to the question of how to comply with these requirements within a national framework. Thus, major institutional and administrative challenges in accessing and managing funds are that:

- fulfilling all the requirements of the application process is very difficult and demanding;
- specific expertise is needed which is not always available within authorities.

Lisbon was able to apply because of the capacity of its municipal experts and then only with the support of a private bank. For smaller communities this is even more difficult.

Furthermore, **there are pre-condition obstacles**. Dealing with investment and debt is politically sensitive in Portugal. A lot of national regulations and laws have to be considered when planning and implementing such projects.

3.2.8 Lessons learned

The EIB loan is considered to be a key contribution to the effective implementation of the investment programme, not only the proposed amount but also the long maturity compatible with the long life span of the investment. EIB co-financing of the promoter's multi-annual investment program would also be key to fostering participation from other banks.

Lisbon's application has been successful and will contribute considerably to sustainable development in the city. So far, experts see the most important success factors as:

- a **current strategy with mature and clear ideas** for the major investment plan, which formed the basis of the application;
- **political support** with good political leadership and committed decision makers;
- **project management skills** which facilitate efficient and effective implementation.

3.2.9 Conclusions and recommendations

The main recommendations resulting from the case study are:

- **Better consideration of national frameworks.** The European Commission should clearly understand that the prerequisites for application can differ widely between countries. This should be considered within the programme requirements.

  Lisbon shows highly dynamic economic development which has been supported by the active involvement of the mayor of the city. The city now has good finances and was able to establish a range of programmes supporting businesses and investment. Nevertheless, the country had to cope with severe financial challenges in the past so many other Portuguese cities have difficulties in applying for EFSI financing. The regulations concerning public debt are also a concern since investment options are constrained by these in many cities. The criteria for obtaining finance has to consider the capacity of the municipality to incur indebtedness, since it has a direct impact on the country's public debt. The provision of a framework loan is not adequately in line with Portuguese national legislation. Indebtedness is measured by the value of the financing contract and not by the multiannual disbursements. The municipality tried to find a solution to make as few contracts as possible within the framework loan but had to reduce the amount of the first funding to put it on an annual basis.

- **Training for LRAs.** Many LRAs/cities do not have enough specific expertise to be able to apply. To enhance institutional and administrative capabilities and to make it easier for cities, training would be needed in terms of:

  - knowledge about cost-benefit-analysis;
  - budgetary management and eligible costs (for EU funding in general);
  - strategic planning and implementation.

- **Targeted information for LRAs.** In particular, this concerns:

  (1) How to cope with the wealth of information;
  (2) Being able to filter information sources according to needs.

  Today, potential applicants have to screen various sources of information about EU funding from different European institutions and on a number of different websites. Smaller cities, with less personnel resources, would find it difficult to keep an overview of the options and easily assess the possibilities for funding.

- Related to that challenge, the Lisbon team proposes establishing an information platform that would provide information according to the type and needs of applicants, such as LRAs. A search engine could ask for the type of applicant (e.g. city/region), the needs and types of planned actions. From this information, the platform could prioritise and filter to show only relevant information about available programs and funding options.

- **More flexibility of funding requirements.** In general, the city of Lisbon would appreciate more flexible funding to better match the development strategies of the city. It proved very difficult to match the strategic plan of Lisbon with the EU funding framework. Without the support and expertise of the Portuguese national bank this matching would have been extremely difficult to elaborate and finalise. Greater flexibility in terms of content would ease implementation of activities and measures. At the moment, existing strategies partly have to be readjusted or only selected parts may receive funding. Another barrier for flexible use of EFSI financing is the maximum repayment period of 20 years, even with long-term investment.

- **Combination of public and private initiatives.** For the development of cities and regions a combination of public and private initiatives and financing is needed. Therefore, combined access to funding – for public and private actors – is necessary. It would be useful to include the possibility of extending conditions offered to municipalities (at least better conditions than offered by commercial banks) to private partners. As an example, social housing would be improved if public authorities or private investors are supported to buy the land and private investors have access to funding for investment in buildings. Support would include low interest rates on loans for both partners, or on private partner loans if public land is provided. To make use of combined national investments and EU funds and to increase total investment the private sector should also be able to receive funding.

- **National support for information and training.** Lisbon is one of only a few cities in Portugal with the capability and expertise to apply for such funding programs due to its personnel resources. Even so, support was valuable and necessary. Many cities would need even more support for preparation and application. National representation could provide a specialised support team for EU programs and EU funding. This team would be able help, discuss options and solutions and support the application process based on the requirements of different programs.

3.3 InnovFin agreement – Regional promotional institutions supporting innovative SMEs (Germany)

Location	North-Rhine Westphalia		Hesse	
	Berlin		Hamburg	
	Brandenburg		Rhineland-Palatinate	
	Schleswig-Holstein			
EFSI financing	N/A			
Source of financing	EIF			

Additional ESIF financing	-
Total investment	EUR 110 million
Sector	Innovative companies (SMEs, small mid-caps)
Timeline	June 2016-2018
LRAs involved	Six regional promotional institutions: Wirtschafts- und Infrastrukturbank Hessen (WIBank), Investitions- und Strukturbank Rheinland-Pfalz (ISB), Investitionsbank Schleswig-Holstein (IB.SH), Hamburgische Investitions- und Förderbank (IFB Hamburg), Investitionsbank des Landes Brandenburg (ILB) and Investitionsbank Berlin (IBB)
Project promoter	NRW.Bank
Web links	*EIF link:* http://www.eif.org/what_we_do/guarantees/news/2016/efsi_innovfin_nrw_bank.htm *NRW.BANK link:* https://www.nrwbank.de/de/corporate/presse/pressearchiv/2016/160620_PI_Innovative_Unternehmen_deutsch.html *Official (German):* http://www.innovationskredit.eu/

3.3.1 Summary

The InnovFin SME Guarantee Facility provides guarantees and counter-guarantees for debt financing from EUR 25,000 to EUR 7.5 million for innovative SMEs and mid-caps with less than 500 employees. The facility is managed by the EIF and is rolled out through financial intermediaries – banks and other financial institutions – in EU Member States and Associated Countries. Under this facility, financial intermediaries are guaranteed by the EIF against a proportion of losses incurred on eligible debt financing.

The InnovFin agreement enables NRW.BANK together with six other regional (state-owned) promotional institutions to provide loans to innovative companies in seven German federal states: North-Rhine Westphalia, Hessen, Berlin, Brandenburg, Hamburg, Rhineland-Palatinate and Schleswig-Holstein. Smaller innovative companies can now more easily obtain loans and benefit from favourable credit conditions from their regular banks. The willingness of the banks to lend has increased because they are exempt from 70% of the credit risk. That has been taken over by the regional promotional institution.

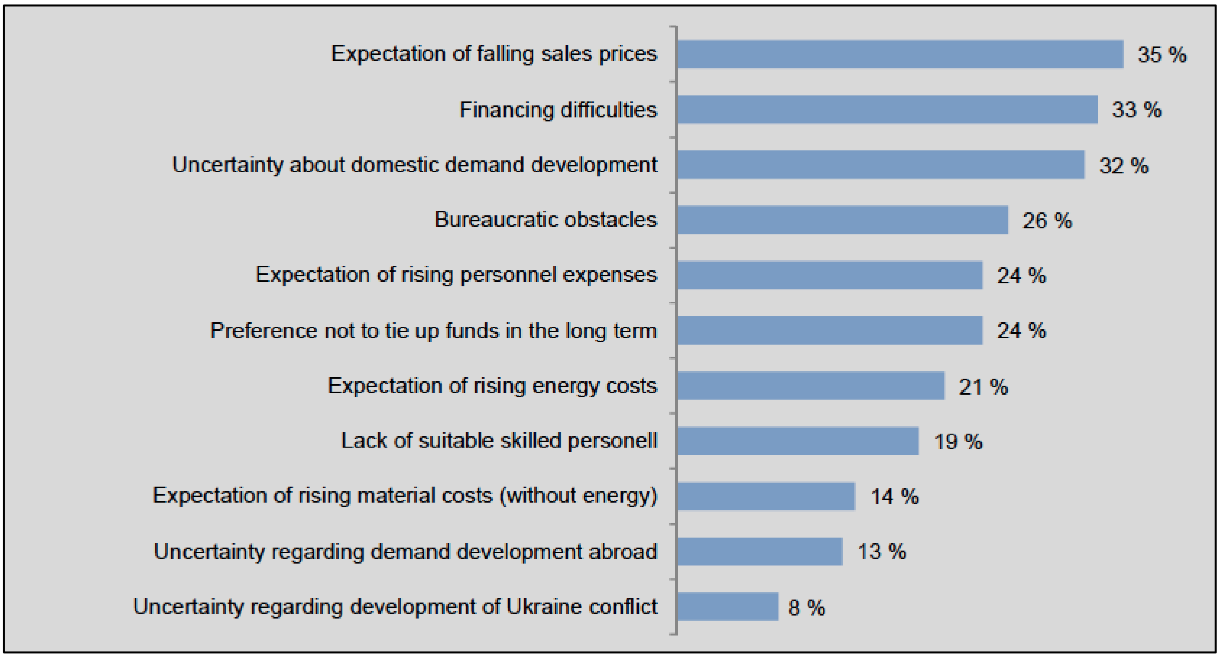
3.3.2 The context

A study carried out by the KfW banking group shows that a lack of funding is the most significant barrier to innovation for small and medium-sized enterprises[36]. The study also shows that the greater the level of innovation in a company, the more frequently it has difficulties with access to finance. Funding difficulties hit hardest those companies that are most important for the structural change and competitiveness of the German economy. In addition, company size is important as financing innovation poses considerably greater problems for small and young enterprises than for larger and older enterprises[37].

Regarding investments in innovation, firms in the manufacturing sector with 50 to 250 employees are the most active. About 89% of them invested or sought investment in 2013[38]. As in other European countries, the share of investors decreases with firm size. However, investment activities of SMEs in Germany have weakened in recent years, especially in the manufacturing sector. More specifically, firms in the manufacturing sector with 50 to 250 employees were also the most active in terms of product or process innovation. About 68% of them innovated in 2011–2013, whereas only 28% of the firms with less than 10 employees implemented innovations in the same period. Both the share of process innovators and the share of product innovators have fallen since 2006–2008. Given that innovative SMEs grow faster in terms of employment and turnover, this is a worrisome trend.

[36] KfW (2015).
[37] KfW (2009).
[38] KfW (2015).

Figure 3.3: Reasons for abandoning, postponing or downscaling investments



Source: KfW (2015).

On average, about half of investment by SMEs is financed from their own funds and about one third by debt. Only in the construction sector is the share of external funds considerably higher at 40%. Subsidised loans and grants make up about 16% of funding in the manufacturing sector and about 12% in the service sector. Alternative sources of finance, such as mezzanine or venture capital, play only a minor role.

An interesting pattern also emerges from a comparison of the investment financing structure across different firm sizes. While micro enterprises finance about 55% of their investment from their own resources, small firms with less than 50 employees finance some 46% of their projects with internal funds. Surprisingly, self-financing is again more important for medium-sized enterprises with 50 to 249 employees, accounting for about 55% of their investments.

However, in comparison with the rest of the EU, access to finance is less of a barrier for German enterprises[39]:

- Depending on size and financing needs, SMEs can choose between various banking groups providing long-term loans and other forms of finance.

[39] Deutsche Bank (2013).

- Promotion banks facilitate credit supply but do not tolerate unprofitable investments, or a weak business model.

- SMEs have a high and still increasing own capital ratio – not least to remain less dependent on bank lending.

3.3.3 The project

In June 2016 the European Investment Fund (EIF) and NRW.BANK and six regional promotional institutions signed an InnovFin agreement benefitting from the support of the EFSI. InnovFin supports innovative and fast growing SMEs and small mid-caps in Germany. The starting point of the agreement was a call for tender by the EIF. NRW.BANK – in co-operation with six other regional promotional institutions – submitted an application.

The InnovFin SME Guarantee supports:

- SMEs investing in the production or development of innovative products, processes and/or services that have a risk of technological or industrial failure;

- SMEs and Small Mid-caps that are fast growing enterprises, so their workforce or turnover has increased by at least 20% p.a. over the last 3 years;

- SMEs and Small Mid-caps that have significant innovation potential or are research and innovation intensive enterprises, satisfying at least one innovation criterion from a pre-defined list.

Under the InnovFin SME Guarantee, EIF provides EU-supported guarantees or counter-guarantees to financial intermediaries to cover losses on a portfolio of SME loans. The guarantee covers up to 50% of the loss on each new eligible loan, bond or lease, originated typically during a two-year period. The guarantee ensures reduced credit risk and lower capital requirements. **The EIF encourages financial intermediaries to pass these benefits on and extend new debt financing to innovative enterprises on more attractive terms.**

The InnovFin agreement enables NRW.BANK together with six regional promotional institutions to provide loans to innovative companies in seven federal states of Germany. The six institutions are state development banks: Wirtschafts- und Infrastrukturbank Hessen (WIBank), Investitions- und Strukturbank Rheinland-Pfalz (ISB), Investitionsbank Schleswig-Holstein (IB.SH), Hamburgische Investitions- und Förderbank (IFB Hamburg), Investitionsbank des Landes Brandenburg (ILB) and Investitionsbank Berlin (IBB).

The main characteristics of the agreement are:

- to improve access to loans for innovative and fast growing SMEs and small mid-caps (firms with fewer than 500 employees);

- the loans are granted during a period of two years (2016–2018) with the support of a guarantee provided by EIF;

- financial intermediaries are guaranteed by the EIF against a proportion of their losses incurred on the debt financing covered under the facility;

- the agreement does not promote a specific sector. The criteria for funding are the size of the company – SMEs as defined by the European Commission – and fast growth or innovation, as defined in the agreement.

The process for granting credits starts with the final beneficiary applying for credit at their local bank which in turn addresses NRW.BANK, or one of the other six regional promotional institutions, for refinancing and a release of liability. The promotional institution assumes liability for 70% of the risk on the loan granted by the local bank. The EIF also provides guarantees on debt financing for the promotional institution (50% of the risk taken on by these institutions). In summary, the credit risk is then 30% local bank, 35% promotional institution, 35% EIF. So, with a credit default the EIF covers 35% of the losses.

Difficulties in access to finance are one of the major constraints for small and medium-sized enterprises. **The willingness of local banks covered by InnovFin to grant loans has increased** because they are now exempt from 70% of the credit risk, which has been taken over by the regional promotional institutions and the EIF. The agreement is expected to generate EUR 110 million of loans. NRW.BANK assumes credit default rates of 5-6% and the EIF assumes a part of the liability under these defaulted loans. At the same time, innovative and fast growing companies benefit from favourable credit conditions.

3.3.4 Objectives

The objectives of the agreement are:

- to help fast growing and/or innovative SMEs to enhance their competitive ability and to provide and safeguard jobs and apprenticeships;

- to improve access to loan finance for innovative and fast growing SMEs and small mid-caps (less than 500 employees);
- banks should offer more favourable credit conditions, because they are now exempt from 70% of the credit risk, which is assumed by a regional promotional institution and the EIF;
- to promote companies and not individual projects;
- funding recipients are commercial companies and the self-employed;
- to generate EUR 110 million of loans within the seven federal states.

In general, this agreement reflects the EU's commitment to rapidly launch concrete initiatives under the EFSI, accelerating lending and guaranteeing transactions capable of boosting jobs and growth in the EU.

3.3.5 Governance

NRW.BANK and the other six regional promotional institutions operate on the same level. **NRW.BANK has a coordinating function across the seven institutions, including communication between the EIF and the group**. Compulsory reporting to the EIF is also handled by NRW.BANK.

NRW.BANK is the state development bank of North Rhine-Westphalia. Its mission is to support its owner – the state of North Rhine-Westphalia – for structural and economic development. Its three fields cover economic development, housing and urban development. NRW.BANK uses a wide range of tools – including low-interest loans, equity financing and advisory services. It cooperates with all banks and savings banks in NRW on a competition-neutral basis. NRW.BANK takes into account existing offers from the Federal Government, the North Rhine-Westphalian government and the EU in its offers.

In contrast to commercial banks, NRW.BANK’s customer base is primarily local and house banks[40] and other channels for development funds. NRW.BANK operates in a strictly non-discriminatory manner towards other financial institutions. The bank’s competition-neutral relationships with cooperative, private and savings banks are based on the ‘house bank principle’. NRW.BANK operates in the following fields:

[40] In Germany a company will normally have a primary relationship with a single ‘house’ bank (Hausbank).

- securing and improving the small and medium-sized business sector, especially through finance, including venture capital, for business start-ups and business expansion;
- social housing;
- urban development;
- infrastructure initiatives;
- agricultural, forestry and rural initiatives;
- environmental protection, technological and innovation initiatives;
- social, cultural and scientific initiatives.

NRW.BANK also provides finance for central, regional and local authorities and special-purpose associations under public law and participates in projects financed by the EIB or similar projects in the interest of the community.

With only a few exceptions, all seven regional promotional institutions use the same criteria for lending to SMEs. NRW.BANK has fixed a maximum loan of EUR 7.5 million – the other banks of EUR 3 million. Although the InnovFin SME Guarantee Facility provides guarantees and counter-guarantees on debt financing of between EUR 25,000 and EUR 7.5 million, NRW.BANK has set a minimum loan amount of EUR 100,000, since the same administrative effort is required for each loan. In the view of NRW.BANK an appropriate balance is needed between revenues, administrative effort and the expenses of inspections.

NRW.BANK did not hire additional staff to carry out the programme, which runs within the daily lending business. NRW.BANK provides reports quarterly and for any unusual occurrences. The local banks are in close contact with the end customers, reporting to NRW.BANK at least once a year and whenever a borrower is in serious financial trouble.

3.3.6 Achievements

The agreement is expected to generate EUR 110 million of loans, of which NRW.BANK intends to allocate EUR 30 million.

Since the programme has only been running since the summer of 2016, interim results are not yet available. In the view of NRW.BANK it takes some time for the programme to be a focus of local banks.

3.3.7 Main challenges

The main challenges are:

- **The implementation process for the agreement** – combining seven regional promotional institutions into a joint structure, especially for the application and contract drafting – **is perceived as complex**, with high administrative efforts and costs.

- **The eligibility criteria are very strict and limit the possibility of funding innovative enterprises or innovation**. At the moment promotional programmes have to be easy to understand without requiring excessive information. Long lists of eligibility criteria and greater information requirements lead to fewer applications.

- **Another problem is the short availability period of just two years.** Normally a promotional programme is available for at least five years. Taking into consideration the high costs of implementing this programme, with legal advice from highly qualified solicitors, high reporting requirements and high IT-costs for a programme available for just two years, implementing such a program can be difficult to justify for regional promotional banks.

- The EIF provides standard contracts, but **within this agreement two specific features** had to be taken into account:

  - the ‘house bank procedure’: **loans are not given directly by NRW.BANK** to the end customer, but by the local bank.

  - the programme structure: under the common roof of EIF, **seven different partners have to be coordinated**.

- **The due diligence process by the EIF**: the stringent evaluation of all contract partners (NRW.BANK and six regional promotional institutions). This included the current situation of each bank as a credit institution, their organisational structure, their processes for allocating loans, risk assessments and an analysis of their strengths and weaknesses.

- Detailed and regular reporting to the EIF **requires considerable administrative and IT-efforts.** There are a lot of data to be reported quarterly to the EIF by the regional promotional banks. So a lot of time and effort has been needed to implement the program.

3.3.8 Lessons learned

It is still too early to draw conclusions on the success of the programme since figures for the first quarter of 2017 are not available yet.

However, NRW.BANK is experienced in carrying out programmes within the framework of the EIF and has no difficulties with this one. It has participated in the EU's COSME programme since 2011. Moreover, **the German regional promotional institutions have sufficient institutional and administrative capability to implement EU-financing instruments for lending to businesses**.

3.3.9 Conclusions and recommendations

According to the experts involved:

- **Simplified reporting** to the EIF.

- **More flexibility in granting credits**: the more precisely funding objectives are defined, the more difficult it is to implement them. InnovFin funding objectives are already broadly defined, but the contents should be defined even more widely. With fewer loans, less interest is shown by local banks and NRW.BANK.

- Local banks suffer from high pressure on margins. **So simplified and quicker processes are very important. The current criteria for granting loans are too cumbersome**. If local banks are overstrained with administrative tasks, there is a risk that the programme will not be accepted. So, a balancing act is required between the aims of the EU and the implementation partners.

3.4 Investment Fund TRI in Nord-Pas de Calais (France)

Location	Nord-Pas de Calais (France)	
EFSI financing	EUR 20 million	
Source of financing	EIB	
Additional ESIF financing	EUR 12.5 million (ERDF)	
Total investment	EUR 100 million	
Sector	Environment and resource efficiency	
Timeline	Approved on 22/09/2015; signed on 03/12/2015	
LRA(s) involved	Nord-pas de Calais Regional Council	RÉGION Nord-Pas de Calais
Project promoter	Nord Capital Partenaires	NORD CAPITAL Partenaires
	Finorpa	fi finorpa
Web links	*EIB link:* http://www.eib.org/infocentre/press/releases/all/2015/2015-237-nord-pas-de-calais-15-meur-dans-un-fonds-dinvestissement-dedie-a-la-troisieme-revolution-industrielle.htm *fi-compass case study:* https://www.fi-compass.eu/publication/case-studies/case-study-cap-troisi-me-r-volution-industrielle-nord-pas-de-calais-france	

3.4.1 Summary

The project is an EFSI-loan to CAP TRI SAS, an investment fund contributing to the 'Troisième Révolution Industrielle' (Third Industrial Revolution, TRI) in Nord-Pas de Calais (now part of the Hauts-de-France region). This programme aims to support the region in becoming the first carbon-neutral French region by 2050. This fund is the fruit of a joint initiative between the Nord-Pas de Calais Regional Council and CCI (Chamber of Commerce and Industry) Nord de France.

The fund is looking to provide investments of EUR 100 million and is conducting fund raising among potential public and private investors. CAP TRI's objective is to invest equity and quasi- equity mainly in SMEs, as well as in mid- caps and Special Purpose Vehicles (SPVs) with projects linked to all or some of the five pillars of the third industrial revolution and its transversal axes.

3.4.2 The context

Nord-Pas de Calais is one of the highest energy consuming regions in France. GHG emissions per inhabitant are 30% higher than the French average[41], whereas renewable energy in consumption is only 25% of the average. Road networks, industrial activity and urban density give the region a high ecological footprint, with elevated air pollution. For mobility, almost all the region is urban. Energy is primarily consumed by industry, especially the steel industry, and secondarily by transportation and housing. In 2010, the region produced 47.5 terawatt hours: 77% from nuclear plants, 21% from thermal plants using fossil fuels, and only 2% from renewable energy. The share of renewable energy is very low compared to France's average of 12% and in Nord-Pas de Calais primarily comes from wood.

Similar to most European regions, SMEs and mid-caps in Nord-Pas de Calais face difficulties in accessing finance for various reasons[42]. They are perceived to offer an unattractive return on investment, there is a lack of available long-term capital, in addition technological and market risks are often considered too high. A recent poll launched by the region and the CCI showed a need for financing (mainly equity) of approximately EUR 257 million, based on existing demand[43]. By extrapolating this, potential demand for 2016-2018 could reach EUR 951 million.

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[41] Région Nord- Pas de Calais, CCI Région Nord de France (2015).
[42] *fi-compass* (2016).
[43] Région Nord- Pas de Calais (2013).

3.4.3 The project

In 2013, the Region and the regional CCI jointly published a master plan[44] to regenerate the area through the TRI. The master plan targets zero carbon emission by 2050, with the region being totally reliant on renewable energy sources by then. The transition of the region would depend on several energy and environmental strategies:

- the regional climate strategy for 2050 (adopted in 2013) ambitiously looks to reduce GHG emissions by 75% compared to 1990, energy consumption by 60% and increase renewable energy production by a factor of ten;

- the Regional Climate Plan for Air and Energy (2012) looks to reduce energy consumption in 2020 by 20% and GHG emissions by 20% from 2005 levels;

- the Research and Innovation Strategy for Smart Specialisation (2013) aims to transform the region into a knowledge based economy, with new skills, know-how, training and energy sources;

- the Regional Transport and Mobility Scheme (2013) sets out guidelines for sustainable transport.

- The TIR Master Plan is based on five pillars[45] (Figure 3.4):

    - Pillar 1: moving to renewable energy through sector and fiscal incentives and facilitating industrial exports, capturing benefits from investments in Northern Europe.

    - Pillar 2: transforming buildings into micro-power plants, while prioritising thermal energy efficiency. A large-scale retrofitting and refurbishment program will be combined with land conversion in brownfield sites and former mines. These two programs, driven by the region, enable upgraded buildings and land regeneration. Old mines or industrial sites are converted to restore biodiversity, a first step towards a Biosphere Valley. The business model is based on increasing the value of land and real estate.

[44] Région Nord- Pas de Calais (2013).
[45] Région Nord- Pas de Calais (2013).

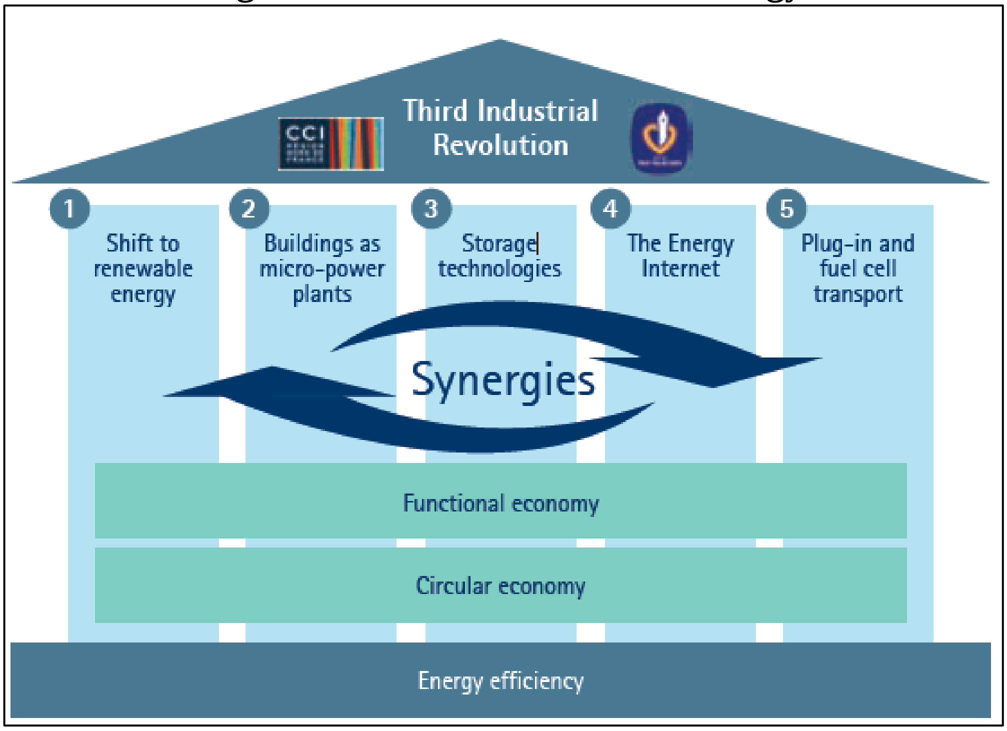
- Pillar 3: increasing energy storage, including taking into account energy exchanges with neighbouring countries or regions and the effects of the first two pillars.

- Pillar 4: the Energy Internet, is directly linked with Pillar 2, the Biosphere Valley rehabilitation program. Pillar 4 aims to roll out a smart grid across the whole region, by opening access to detailed historical energy consumption data. Real-time access to data enables the region to adjust and optimise energy production and exports with demand response programs ('effacement') in residential or industrial buildings.

- Pillar 5: plug-in and fuel cell based transport as part of a Logistics Internet. The pioneering Zen-e-Ville program under Pillar 2 would be part of a collaborative logistics plan, where electric trucks and warehouses are shared among material and goods providers. Conversely, these projects will provide the opportunity to test and demonstrate plug-in and multimodal solutions before regional deployment that goes beyond moving goods to people.

• Along with the five pillars, the strategy is also based on three transversal axes (energy efficiency, functional economy, and circular economy). These provide additional dimensions, driving a new development model in terms of methods, questions, tools and governance.

Figure 3.4: Pillars of the TIR strategy



Source: reproduced from Région Nord-Pas de Calais (2013).

Financial support for the TIR requires innovative investment tools. For the region a financial instrument called – *CAP Troisième Révolution Industrielle* (CAP TRI) has been developed. This is supported by the 2014-2020 ERDF Operational Programme of the Nord-Pas de Calais region.

Energy efficiency is the thematic focus of the project (Low carbon economy – Thematic Objective 4). The financial instrument aims to help SMEs and mid-caps who modernise their equipment and machinery to improve energy efficiency, or to increase the use of renewable energy.

The region, as managing authority, contributed EUR 12.5 million of ERDF support to the financial instrument, alongside other investors (Table 3.2): Crédit Agricole Nord de France (a regional commercial bank) and the EIB, using a guarantee from the European Fund for Strategic Investment (EFSI). The financial instrument therefore starts with initial investment funding of EUR 37.5 million, as well as EUR 2.5 million for technical support in the form of grants to help prepare projects for funding from the financial instrument.

The aim is to reach a total investment of EUR 100 million with contributions from other public and private investors. The financial instrument is meant to attract and encourage co- financing with other investors. The latter may include Nord Capital Partenaires and Finorpa (via funds other than CAP TRI), or other investment funds.

CAP TRI is expected to facilitate total investments of EUR 200 million, 16 times the contribution from the ERDF OP. This will be achieved by systematically seeking co- investment of at least 50% at project level.

Table 3.2: Breakdown of resources

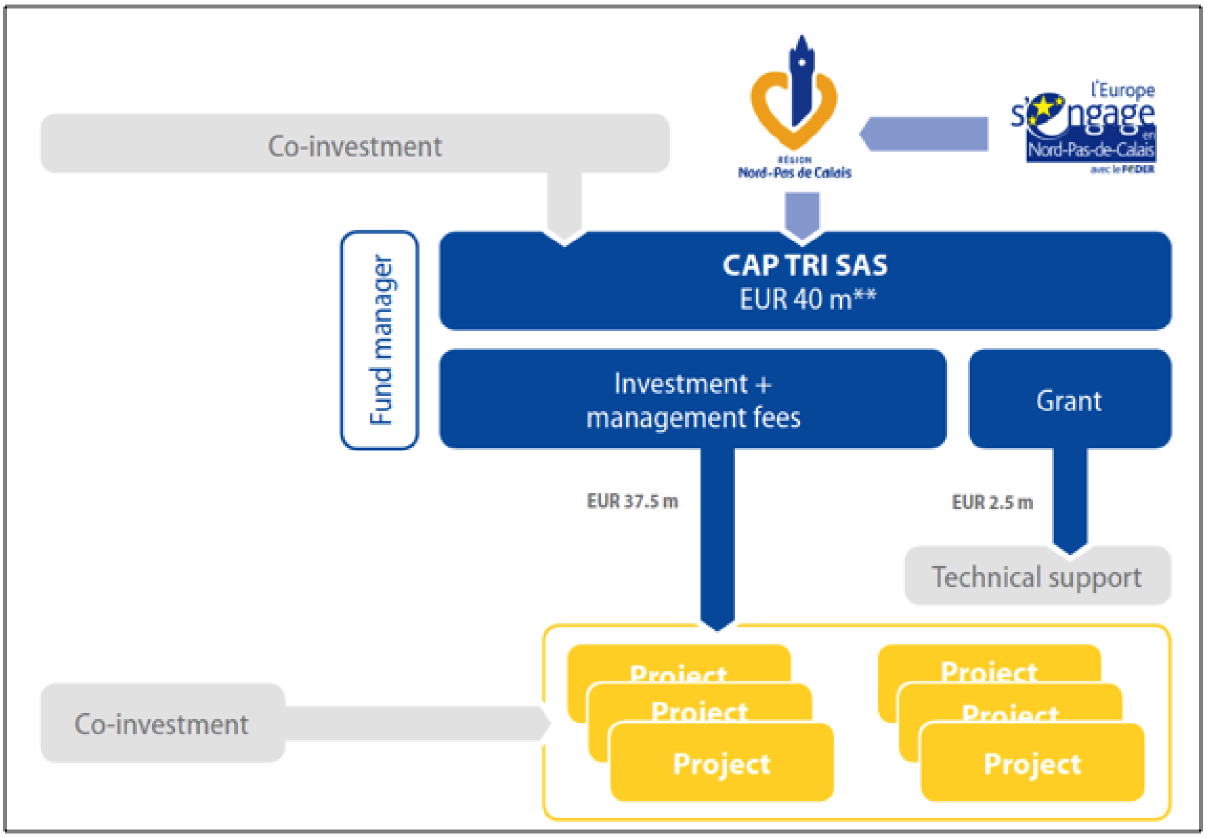
Source	EUR million
ERDF	12.5 + 2.5 in grants for technical support
EFSI	Up to 20
Crédit Agricole Nord de France	5
Total	Up to 37.5
Total investment	100

The financial products provided by the financial instrument consist of equity or quasi-equity financing ('prêts participatifs') usually for EUR one to five million per underlying investment, with some exceptions. The fund envisages financing between three and six SMEs or mid- caps per year for an average of EUR three million, resulting in a total of EUR 10 to 18 million per annum. The fund only takes minority stakes and envisages exits after five to nine years.

The fund also expects grants for technical support of up to EUR 100 000 per final recipient. These will cover technical advisory services for the preparation of applications by final recipients (including process optimisation and proof of concept support) as well as financial and legal advice (including drafting business plans, market analysis, and company structuring or restructuring). Two types of technical support are proposed:

- Expertise to label the project as a 'CAP TRI project' (flash expertise). This is mandatory for each project to be financed by the financial instrument at a later stage.
- Technical support to monitor project developments up to receiving financing from the financial instrument.
- The fund manager decides on whether to support a project with technical support taking into account: (i) the quality of the management team, (ii) compliance of the projects with the TRI, and (iii) the technical and financial maturity of the project.

Figure 3.5: Combination of investment and technical support grants in CAP TRI



Source: reproduced from *fi-compass* (2016).

3.4.4 Objectives

The fund will finance projects that fit within the five pillars and the three horizontal axes of the TRI strategy and[46]:

- increase the development and competitiveness of companies, by growing their capital (equity);
- be a long-term shareholder, taking part in the decision making of companies;
- establish a close relationship locally between the team (based in the region) and company directors.

More specifically, the fund aims to support SMEs and mid−caps or special purpose vehicles to improve the energy efficiency of their equipment and machinery, or to develop renewable energy projects. Final recipients need to[47]:

- have a project requiring growth capital;
- work in at least one of the sectors (except finance) contemplated by the TRI road map;
- have its headquarters or subsidiary in the region, be willing to establish a subsidiary in the region, or be willing to develop a project in the region;
- have a coherent project with a clear strategy based on market analysis and presented in a structured business plan;
- respect rules related to financial transparency;
- contribute to inclusive, innovative and sustainable growth;
- not experience financial difficulties as per the EU regulation on State aid, or need rescuing or restructuring.

Projects are selected on criteria linked to the TRI road map (including the renewable energy produced, or volume of CO_2 emissions avoided) as well as additional criteria related to environmental, economic and social impact. Some criteria are qualitative and others are quantitative.

The fund manager assesses the number of pillars or horizontal axes covered by each project, the extent to which it contributes to the TRI road map and how this project interconnects other pillars and horizontal axes.

[46] *fi-compass* (2015).

[47] *fi-compass* (2016).

3.4.5 Governance

The region already had experience of implementing financial instruments in the 2007-2013 programming period. These focused on SME financing (including venture capital and growth financing) and renewable energy projects.

For the 2014-2020 programming period, the region had initially envisaged several financial instruments covering different investment areas, including SMEs, energy efficiency in housing and public buildings, urban and industrial brownfield regeneration, as well as smart grids. These financial instruments were expected to be implemented through a fund of funds.

However, at that time, TRI was a highly advanced road map prepared by the region and was considered a top priority which would benefit the regional economy. So the fund was designed and set- up focusing on TRI. This also created positive momentum for the development of further financial instruments using ESI Funds for other investment areas under the region's ERDF OP.

The ex- ante assessment identified market failures and financing gaps. This convinced the region to initiate the fund and earmark EUR 15 million of ESI Funds from its ERDF OP for 2014- 2020. This was expected to be supplemented with funding from the EIB and private sector investors.

The region defined a set of requirements for the fund manager, to support the selection process including:

- an experienced and established team, demonstrating strong knowledge of the region and its market;
- a proposed investment strategy for the financial instrument, building on parameters highlighted in the ex‑ante assessment, showing a clear understanding and approach to low carbon economy investment challenges in the region;
- a strategy for co‑investment at the financial instrument level (for a minimum of EUR five million from the fund manager's own resources, or from other private investors attracted by the fund manager) as well as at the project level;
- a business plan demonstrating a reasonable financial return commensurate with the risk to be taken by the financial instrument;

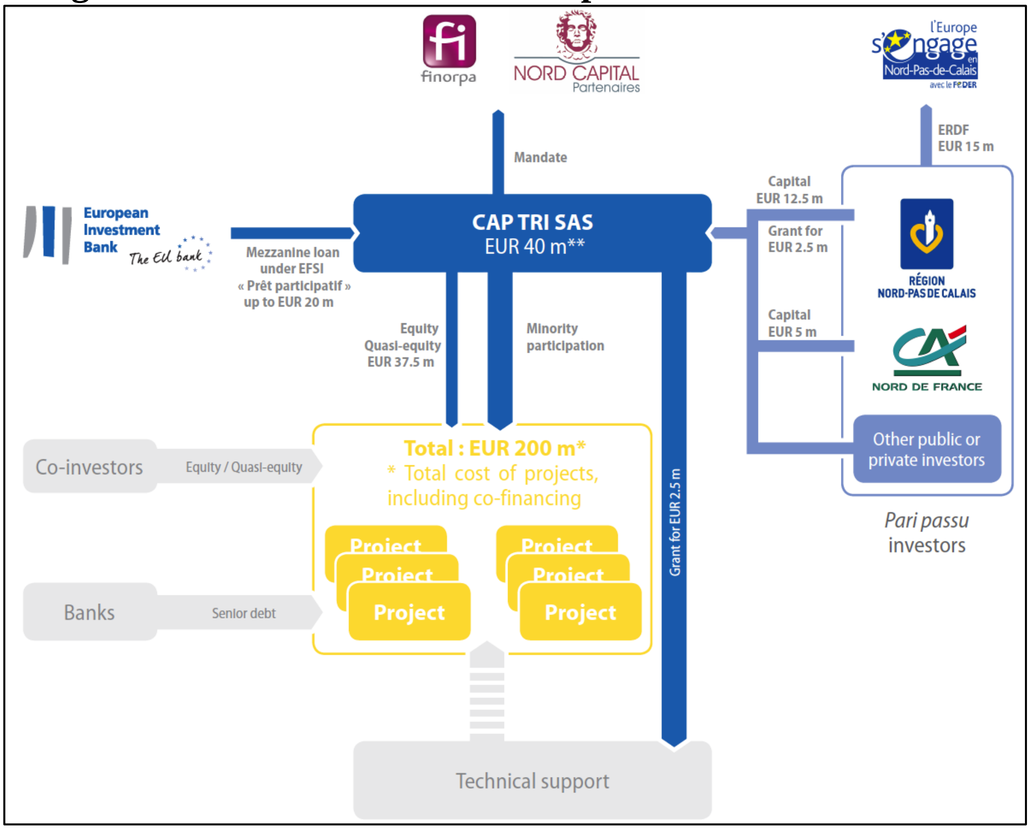
- a good understanding of the technical support required and method of delivery;

- clear and well‑established procedures regarding key tasks including management, monitoring, reporting, conflict of interest management, and quality control; and

- a performance‑based and competitive remuneration structure for the fund manager.

The EIB was able to invest in the financial instrument thanks to an EU guarantee from EFSI. In December 2015 agreements were signed between the region, the fund manager and the other investors in the financial instrument. According to these, CAP TRI is managed by Nord Capital Partenaires (a joint subsidiary of Turenne Capital and Crédit Agricole Nord de France) in partnership with Finorpa (Figure 3.6), a regional fund manager authorised by the French regulator ('Autorité des Marchés Financiers') and compliant with the Alternative Investment Fund Managers directive. The fund manager was selected through an open and transparent procedure carried out under the rules of the Public Procurement Directive 2014/18/EC, following publication of a contract notice in the Official Journal of the European Union.

Figure 3.6: Governance for the implementation of CAP TRI



Source: reproduced from *fi-compass* (2016).

The levels of governance are:

- A Supervisory Board, which controls the financial instrument’s activities and authorises accounts proposed by the fund manager. Members of the Supervisory Board are shareholders in the fund.

- A Consultative Investment Committee, made up of shareholders and independent experts, which provides opinions on investment and reinvestment projects.

- The fund manager, who is responsible for individual investment decisions (as well as reinvestment, exit, conversion or reimbursement of convertible bonds), management and administration and who also ensures that investments are made on a commercial basis.

3.4.6 Achievements

CAP TRI was officially launched in December 2015. By November 2016, meetings with more than 60 project promoters had been held and 30 projects analysed in detail.

3.4.7 Main challenges

While implementing the project, the main challenges were related to the **new legal environment** (especially in combining ESIF and EFSI financing), and technical aspects of setting-up the fund. In addition, there are **eligibility rules**. EFSI financing is targeted on very innovative projects while the strategy of the fund manager is not just dedicated to innovative companies. In the specific case of CAP TRI, the whole strategy is very innovative, rather than individual projects.

Additional challenges are related to the mind-set of local communities. While regional institutions have significant experience in managing financial instruments, local communities find **financial instruments to be complex, difficult to implement and challenging for the monitoring and the reporting requirements**. Even if in recent years the use of financial instruments has increased, some reservations remain.

Other problems relate to **complex procedures for public authorities responsible for fund management**. The process of selecting the fund manager is very challenging, both for preparing the tender and also for selecting a good fund manager.

Such difficulties are not specific to the use of EFSI financing, since they are the same when implementing any ESIF supported financial instrument.

However, the institutional and administrative complexities have been faced thanks to widespread competence and experience in the Nord Pas de Calais region for dealing with financial instruments. The combination of EFSI and ESIF funding did not represent an additional burden.

Conversely, the combination of ERDF funds together with EIB funds produced leverage without causing specific difficulties.

3.4.8 Lessons learned

Without support from the EU guarantee under EFSI, the EIB could not have invested in CAP TRI in the way it did. According to the EIB's Credit Risk Policy Guidelines, the provision of a mezzanine loan in the CAP TRI Investment Platform would not have occurred, or not to the same extent, without the EU guarantee under EFSI, because[48]:

- it is both a financial instrument and an Investment Platform aiming to **finance energy efficiency projects with a high risk profile**;
- the investments made by the Investment Platform are expected to be in the form of equity or mezzanine debt, which are **inherently riskier than standard senior loans**;
- the type of financing provided by the EIB **is a mezzanine loan with very advantageous characteristics for the financial instrument** (which would not be possible without the EFSI guarantee).

These advantages are passed on to final recipients as increased access to finance and better conditions.

Another success factor is the **clear and efficient governance structure**. Roles are clearly defined and management of the fund is well structured. Cooperation between the fund manager and shareholders is good and there is no major complexity.

Dynamic planning and rigorous management of the strategy are important too. The legitimacy of TRI as a road map for the region has ensured that CAP TRI is part, as a financing tool, of a wider and well-structured strategy to

[48] Reproduced from *fi-compass* (2016).

produce behaviour change in all stakeholders (students and workers, enterprises, economic and political leaders) in the region.

A key factor of success is the **shared political consciousness of the context**. Universities, and specifically academics, lead biosphere awareness by educating students and by monitoring progress of the Third Industrial Revolution using sustainability, social and economic indicators.

Finally, an efficient tool for the success of the project was the **EIB support provided to the managing authority** in coordinating and following-up the design and set-up of the fund.

3.4.9 Conclusions and recommendations

Given the experience of the region in using and managing financial instruments and the well-structured strategic framework, there are no specific difficulties. The only recommendation raised during the case study, concerns **simplification of the eligibility rules** to allow selection of projects that are not very innovative, but which are part of an innovative strategy.

3.5 Società Gasdotti Italia - Gas transmission (Italy)

Location	Marche Region	
	Abruzzo Region	
EFSI financing	EUR 44 million	
Source of financing	EIB	
Additional ESIF financing	-	

Total investment	EUR 88 million
Sector	Energy; Smaller companies
Timeline	Approved on 16/06/2016; signed on 15/09/2016
LRA(s) involved	Marche region Abruzzo region
Project promoter	Società Gasdotti Italia S.P.A
Web links	*EIB link:* http://www.eib.org/projects/pipelines/pipeline/20150815

3.5.1 Summary

This investment programme involves the construction of the Cellino-San Marco pipeline - section II, a 75-kilometre-long, DN500 gas pipeline with a maximum operating pressure of 75 bar. The pipeline will run between the provinces of Fermo and Teramo, respectively in the Marche and Abruzzo regions in eastern Italy, with an additional 13 small distinct components in various other regions. The project aims to modernise and replace existing, but obsolete, gas infrastructure. The project is managed and implemented by the Società Gasdotti Italia company (SGI).

The project will help to improve the security, safety and reliability of gas supply. For the EIB's objectives, financing this project will contribute to energy supply security and to network modernisation, maintaining and improving quality and reliability. It is also in line with the EIB's policy of lending to gas networks.

3.5.2 The context

According to the 2016 Annual Report[49] on the state of services and activities published by the Italian National Authority for electricity, gas and water

[49] http://www.autorita.energia.it/allegati/relaz_ann/16/RAVolumeI_2016.pdf

systems, gross domestic consumption of natural gas, increased by 5.6 billion cubic meters (bcm), rising by 9.1% to 67.5 bcm in 2015, from 61.9 bcm in 2014.

The main increases were for thermoelectric power generation (+16.8%), residential and tertiary consumption (+11.8%) as well as a significant increase (+7.7%) in other uses, especially for commercial transport. The increased final demand was consistently accompanied by an increase of 9.8% in net imports, or 5.4 bcm over the period, returning to 61.2 bcm; while exports decreased by 16 million m^3.

In 2015, national gas production fell by 5.3%, reaching 6.8 bcm. As the gross domestic need grew by 9.1%, the national consumption covered by national production fell to 10% from 11.5% in 2014. According to data published by the General Directorate for the Safety and Environmental Protection of Mining and Mining Energy Efficiency, part of the Ministry of Economic Development, production in 2015 of 6.9 bcm was 34% from mainland deposits and 66% from sea deposits. The amount of gas extracted from mainland deposits of 2.4 bcm, declined by 2.9% from the level of 2014.

The main industrial groups in the gas sector are Eni, Engie (ex GdF Suez), Edison and Enel, whose outputs were respectively 58.4, 41.6, 23.8 and 18.4 bcm.

There were no changes to the natural gas transport system in 2015, with ten companies managing the National and Regional Gas Transport Network. Snam Rete Gas dominates with 93% of the networks. The second operator is SGI, which manages 1,561 km of network. Of this 508 are part of the national network, where SGI is fully interconnected and integrated with the network owned by Snam Rete Gas. There are other minor operators who have small sections of the regional network.

The most significant criticalities for the current SGI system have been caused by urban expansion in certain sections of the network. These have reduced distances from the main pipes, which require reduced operating pressures and, consequently, transport capacity in the coming years.

This criticality would be exacerbated by the expected increase in intra-day oscillations caused by a progressive increase in intermittent consumption due to non-programmable energy from renewable sources.

This phenomenon will affect the two main backbones: the line from the Molise region to the Province of Rome (Lazio region) and the Adriatic line between the provinces of Teramo (Abruzzo region) and Fermo (Marche region).

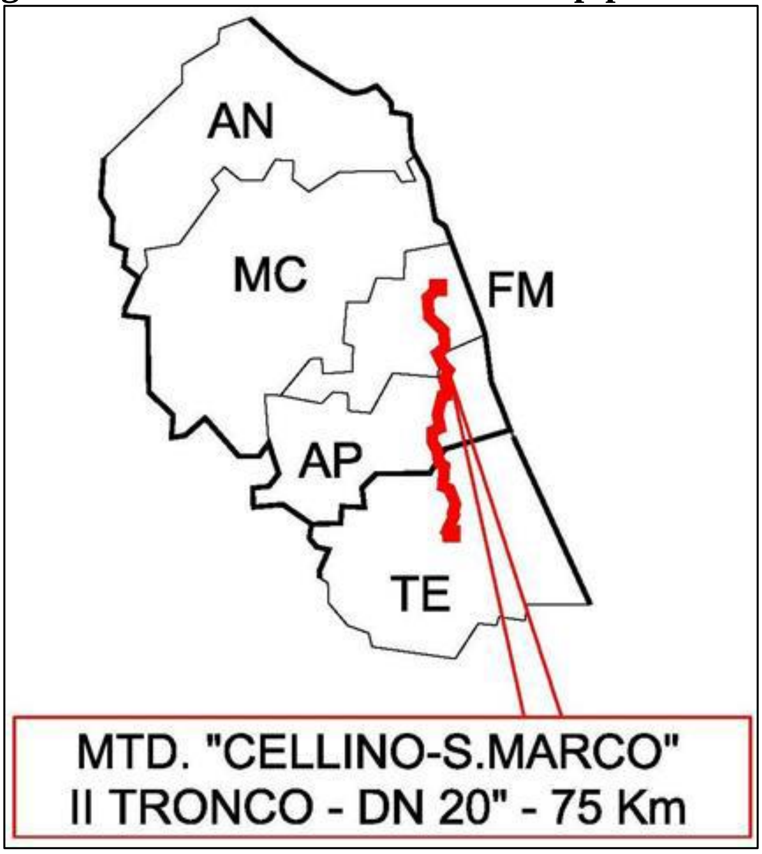
On the Adriatic line intervention is planned to avoid congestion in this section over the next few years. This is necessary to meet the future needs of interconnection with storage fields being developed in the area and to complete a north-south corridor.

3.5.3 The project

The project provides for laying a pipeline with a pressure of 75 bar, with the necessary facilities and infrastructure. The Cellino-Teramo-San Marco pipeline Section II, is 75 km long (Figure 3.7). Of this 23.5 km crosses the municipalities of Teramo, Bellante, Campli, Sant'Omero, Civitella del Tronto, Sant'Egidio alla Vibrata and Ancarano in the Teramo province of the Abruzzo region. An additional 53 km will be laid through Ascoli Piceno, Castorano, Castel di Lama, Offida, Ripatransone and Montefiore dell'Aso in the province of Ascoli Piceno and through Monterubbiano, Fermo, Monte Urano and Sant'Elpidio a Mare in the Marche region's province of Fermo.

The total investment will be approximately EUR 88 million, half of which will be financed through EFSI.

Figure 3.7 – The Cellino – San Marco pipeline route



Source: reproduced from SGI (2015).

The pipeline will affect the Italian regions of Marche and Abruzzo, enhancing the current regional network along the mid-Adriatic coast. This will be a continuation and completion of the Cellino – San Marco first trunk pipeline, started in November 2011. The new pipeline has been included in the National Pipeline Network with a Decree of 19th December 2011 (Ministry of Economic Development). An Environmental Impact Assessment was completed on 30th June 2013, with a special agreement between Marche and Abruzzo. Implementation of the project is expected from April 2017.

The project was identified as a priority because:

- along the Adriatic coast SGI is running at 85% of maximum technical capacity;
- the current San Marco - Carassai, Carassai - Poggio San Vittorino pipeline has already shown significant criticalities during stress tests with a risk of breaks during periods of peak demand;
- S.G.I. received a request for connection to the network from a new gas field being developed by Edison.

The SGI transport system is a set of high pressure gas pipelines that extends for 1,600 km with pipes whose diameter varies between 2 and 20 inches and includes the networks:

- Ex Cellino in the east, between Marche and Abruzzo;
- Ex SGM in the west, that extends from Lazio to Puglia (passing through Molise and a small part of Campania);
- Collalto (in Veneto, province of Treviso);
- Garaguso (Basilicata);
- Cirò (Calabria);
- Comiso (Sicily, province of Ragusa).

The project is part of a ten-year investment plan set-up by SGI[50] for the modernisation and improvement of gas infrastructure in Italy (Table 3.3 and Figure 3.8). This was conceived under the National Energy Strategy (Strategia Energetica Nazionale) as part of several energy policy objectives:

- Competitiveness - to significantly reduce the energy cost gap for consumers and businesses, gradually aligning with European prices in major European countries, creating a competitive market.

[50] SGI (2015).

- Growth - encourage sustainable economic growth through development of the energy sector. For the transport sector, this means complete integration with the European market and network, enabling Italy to become a nation of exchange and export and to offer high value added services.

- Security - strengthen security of supply, especially in the gas sector, and reduce dependence on foreign sources by diversifying sources of supply.

- Environment - to reach the environmental objectives set out in the '20-20-20 Package' and to play a leading role in the ‘Roadmap 2050' for a carbon-free Europe.

This plan will significantly contribute to facilitating the management of gas flows in line with the need for the Italian system to strengthen security and allow exchange and export.

The plan identifies the following priorities:

- further diversification of supply sources with increased import capacity;
- development of adequate storage capacity;
- increased interconnection and backward capacity between the networks.

These interventions will enable Italy to play a key role in the transit of gas from North Africa and, through the Trans Adriatic Pipeline, from Central Asia to continental Europe, becoming a terminal of the Southern Gas Corridor and an important hub for the Mediterranean.

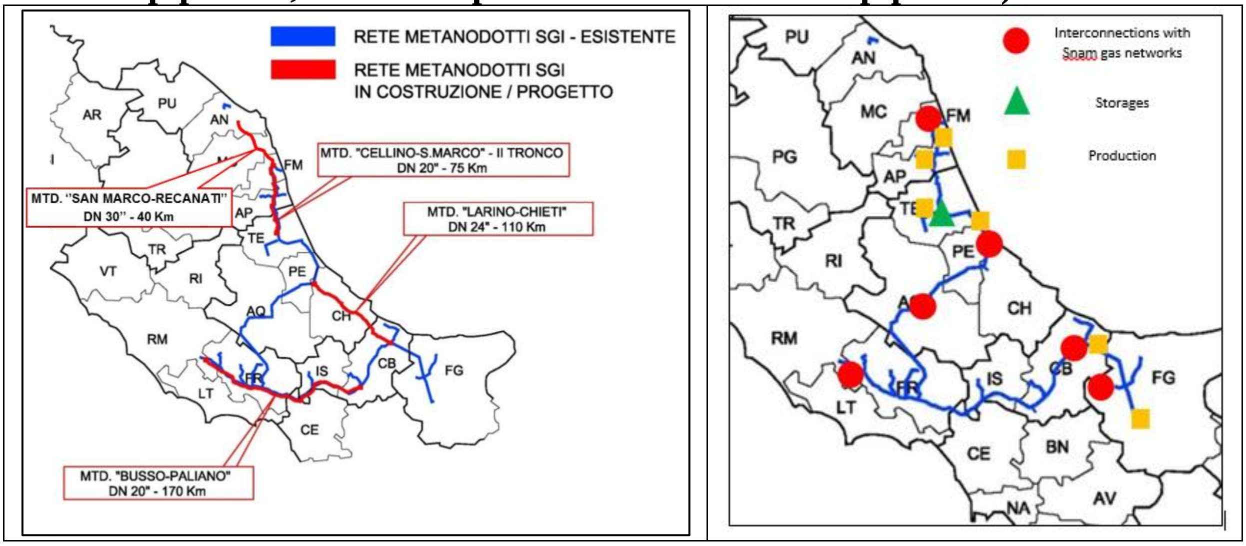
Table 3.3: Investment plan for gas infrastructure

Projects	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	Total 2014-2023
Pipeline Busso - Paliano	53	47	19	4							123
Pipeline Cellino San Marco II tronco	1	1	5	30	30	12					79
Pipeline Larino - Chieti		1	1	1	5	30	45	37			120
Pipeline San Marco- Recanati			1	1	1	2	3	9	30	13	60

Compressor Control Unit										10	10
Other minor pipeline projects	3.5	1	2.5	3.5	3.5	3.5	3.5	3.5	3.5	4.5	32.5
Connections	1	0.7	0.5	0.5	0.6	0.6	0.6	0.6	0.6	0.6	6.3
Other investments	1.5	2	1.5	1.2	1	1	1	1	1	1	12.2
TEN-YEAR INVESTMENT PLAN (Total)	**60**	**52.7**	**30.5**	**41.2**	**41.1**	**49.1**	**53.1**	**51.1**	**35.1**	**29.1**	**443**

Source: reproduced from SGI (2015).

Figure 3.8 – Main ten-year development projects (left side: blue line = current pipelines; red line = planned/in construction pipelines)



Source: reproduced from SGI (2015).

3.5.4 Objectives

This project is necessary to complete the existing pipeline between the municipality of Sant'Elpidio a Mare in Marche and Teramo in Abruzzo. This will guarantee continuity of the gas transmission system between the national strategic interconnections of Snam Rete Gas and the areas of northern Abruzzo and southern Marche, with a renovated pipeline of adequate diameter.

The new pipeline project will increase the volume of gas capacity in the Adriatic line transmission system, necessary to cover increased civil and industrial demand in the provinces of Ascoli Piceno and Fermo and increases related to Central Gas Capparuccia, property of Società Adriatica Idrocarburi.

The infrastructure will rationalise connections to the existing network, making the gas transport system in the area more flexible. It will also allow the SGI network to establish new strategic interconnections with other industrial players, such as Edison Storage, Italian Gas Plus and LNG terminals.

The outline of the pipeline has been defined by applying the following criteria:

- minimise constraints to private property, resulting in metanodotus using, as far as possible, service corridors in existing infrastructure;

- the possibility of restoring the areas to their original condition with the pre-existing soil, minimising environmental impact;
- using as far as possible agricultural land and avoiding or limiting areas of future development for residential or industrial buildings;

- avoid areas subject to hydrogeological disruption or landslides and wetlands or peatlands;

- ensure the personnel responsible for running and maintaining the pipeline can access it and operate safely.

3.5.5 Governance

The project is realised by SGI, which is a beneficiary of EFSI support, according to the ten-year plan and the national energy strategy.

The environmental authority of the Marche region has been identified as the lead authority for issuing the environmental permit[51] and the Environmental Impact Assessment (EIA). The environmental permit requires that mitigation measures outlined in the EIA and the requirements listed on the environmental permit are implemented. The EIA and the environmental authorisation do not mention issues that could be an obstacle to acceptance by the EIB[52]. Public consultation and publication of authorities' decisions are mandatory under Italian legislation for EIAs. Project implementation will include mitigation measures outlined in the EIA and are conditions in the financial contract.

For the smaller programme components, the EIB introduced in its financial contract a requirement for the promoter to provide screening by the local environmental authority, either individually or bundled according to the local authority competent for each region. The promoter should also allocate EIB funds only to components where the EIB has approved the completed approval process.

[51] European Investment Bank (2016b).
[52] European Investment Bank (2016b).

EFSI financial support became available after approval of the EIA and will be managed by SGI.

The role of the two regions is to:

- Meet the Ministry of Economic Development at the Conferenza dei Servizi to discuss and agree on the overall project strategy and define the steps for realisation.

- Implement the EIA (Marche region).

- Collect and discuss opinions of local and urban authorities for territories involved in the pipeline on the usefulness and feasibility of project. For example, one of the municipalities, Sant'Egidio alla Vibrata, involved in the construction of gas transmission presented a negative opinion. In its view the pipeline precluded implementation of other local projects and had significant negative effects on agricultural activities. In the minutes of the municipal council, it is reported that the local authorities were not involved in the definition of the project.

- Solve all disputes raised by local authorities, providing explanations or requesting further guarantees from the project promoter.

- Establish mitigation measures to be implemented by the project promoter in order to compensate the local communities.

3.5.6 Achievements

Realisation of the gas infrastructure started in April 2017.

3.5.7 Main challenges

Public consultation and publication of authorities' decisions are mandatory under Italian legislation for EIAs. The consultation process has required more time than foreseen, causing some delays in realisation of the project.

Moreover, the project, from the beginning, was expected to generate positive spillovers for the local communities within the two regions. However, critics and doubts by local communities were solved during the EIA.

SGI does not see any major challenges.

3.5.8 Lessons learned

For regional authorities, there is a general perception that EFSI financing is not easy to manage and it is not clear how to use them in relation to the budget balance.

Moreover, **riskier projects that require the support of EFSI are not seen as desirable for regional authorities**, which prefer to use better known public and European funds to support their initiatives.

For the project promoter, SGI, EFSI financing was not difficult to manage. When a project is well designed and set-up, financially and technically, it is not challenging to obtain and manage the EFSI financing. Moreover, a **private actor may provide more rapid and efficient management of EFSI financing than a public actor**, which could be limited by administrative burden, lack of expertise and budget balance restrictions.

An important success factor was identified in the **prompt and continuous assistance provided by the EIB** to SGI in the initial phase of the project. The flow of information between SGI and the EIB has been constant and effective.

3.5.9 Conclusions and recommendations

Apart from this project where a very specific role was played (EIA assessment) according to the national legislation, Marche region has not started any EFSI project yet, due to a lack of knowledge in understanding how to efficiently use the EFSI financing and its impact on the budget balance. The region is re-programming allocation of the ESI Funds and has not yet decided on whether to use the EFSI financing or not. These **problems can be more pronounced in regions**, such as Marche, **which do not have an in-house financial intermediary** to support regional public institutions in the management of EFSI financing.

The region **would welcome an institutional platform** – at national and/or EU level – providing technical assistance and information to regional authorities on the use and management of the EFSI financing. This could also help **overcome the reluctance of public actors to implement riskier projects**.

Annex I. List of EFSI projects financed by the EIB

The table in this Annex (Table A.1) details the information available and collected from official databases, press articles, fiches and project websites with a twofold aim of:

- providing statistics for Chapter 1 in terms of sector and geographical distribution, size of investments, involvement of LRAs;
- providing information for selection of the case studies.

Information for projects financed by the EIB (252 at May 2017) is mainly derived from the project list table (see Figure A.1), EIB press articles and fiches. The EIF does not provide a table for the current 91 projects, so the information is mainly from EIF press articles and project fiches. All other information has been collected through project websites.

Figure A.1: Screenshot of the database of signed EFSI projects financed by the EIB (web format)

Signed projects

Title	Country	EFSI financing	Total investment related to EFSI	Sector	Approval date
Curetis	Germany	25m	50m	RDI	11/30/2016
Upstream	Greece	25m	50m	Smaller companies RDI	11/28/2016
CGD Employment & Start-ups Programme	Portugal	70m	196m	Smaller companies Social infrastructure	09/23/2016

Source: EIB website.

Definitions of variables in the EIB database:

- ***Approval*** of EIB projects by the EIB Board of Directors is a requirement for financing negotiations with project promoters which, if successful, lead to the financing agreements being ***signed***. Information on operations which may be commercially sensitive are temporarily withheld. ***Pre-Approvals*** are umbrella operations that have been approved under EFSI but which cannot be counted towards the EFSI objective until sub-projects have been signed.

- ***EFSI financing*** is the tranche of an operation that benefits from the support of EFSI. This amount will sometimes differ from the total EIB financing amount of the same operation. Signed projects are listed with the actual amounts agreed in the contract. This may differ from the amounts initially authorised by the EIB Board of Directors.

- ***Total investment related to EFSI*** refers to the total financing amount expected to be attracted for any particular EFSI project. This amount might come from public or private sources, and it includes EFSI financing provided by the EIB.

In addition to the six fields of the EIB database (Title, Country, ESIF financing, Total investment related to ESIF, Sector, Approval date), for the study the following fields have been added though desk analysis:

- Signature date (only for signed projects);
- Level of the project (Private, Private-public, Regional, National, Transnational);
- LRA involvement (Yes/No);
- LRA involved (name of the local/regional authorities involved);
- Role of the LRA (a description of the LRAs' involvement);
- Project promoter;
- Website (link to the EIB news article of the signature of the project, and/or of the news article on the project promoter website).

These newly added fields have been filled in manually for the 137 signed projects financed by the EIB and 91 projects financed by the EIF. The 'signature date' and 'project promoter' are available from the EIB website, while the other information was extracted either from the EIB news article on the signature of the agreement, or from the official website of the project/project promoter.

The **scale** of the project, intended as the geographical coverage, was determined from:

- the EIB website (EFSI project list);
- the EIB news article accompanying signature of the project; and
- the project promoter's news release.

Where the project country column in the EFSI databases contained two or more countries, the project scale was determined to be 'Transnational'. In other cases, the EIB news article was analysed for more information on the scale of the project. For a project to be categorised as 'National', it need to encompass all the regions in a country, or not to have any geographical restrictions within the national borders. Likewise, if the description of the project revealed that only a city or region directly benefit from the investment, the project is labelled

‘Local/regional’. In addition, projects that impact only neighbouring regions, have been labelled also as ‘Local/regional’.

Box A. 1 – Examples of information from EIB articles and project fiches to determine project scale

LAS PALMAS BUS RAPID TRANSIT (local project)

Construction and bus fleet increase of a segregated 11 km bus rapid transit system **in the municipality** of Las Palmas, the capital of the island of Gran Canaria, in Spain.

PRZEWOZY REGIONALNE ROLLING STOCK MODERNISATION (regional project)

Purchase of new and modernisation of existing rolling stock for Przewozy Regionalne, **a regional** rail passenger operator.

ILIAD FRANCE TRES HAUT DEBIT – (national project)

The project concerns the expansion of advanced fixed broadband telecommunication infrastructure **in France** by an alternative telecommunication services provider, to provide FTTH (fibre to the home) based very high speed broadband services.

The same sources were analysed to determine **the involvement of LRAs**:

- the EIB website (EFSI project list);
- the EIB news article and fiches accompanying signature of the project;
- the project promoter’s news release.

In some cases, the involvement of LRAs was straightforward and could be attested from the EIB website, especially when the LRA had a leading role in the project (as manager of the EFSI financing or main promoter of the project). However, in most cases confirmation of LRA involvement had to be obtained from the website or news release of the project promoter, or project. This was the case when the LRA had a different role such as; provider of additional financing or representatives on the monitoring team, or was involved in local authorities, municipalities and stakeholders, consulting, environmental assessment, providing land property transfers, or facilitating administrative authorisation.

Box A. 2 – Examples of information available from EIB articles and project fiches to determine the involvement of LRAs

SPEE EN PICARDIE This Framework Loan will co-finance energy refurbishment of existing residential buildings, predominantly houses. The investment will concern energy efficiency improvements of the building envelope and the heating systems, and the use of renewable energies embedded in buildings. The co-financing will be channelled to the final beneficiary through a financial and technical intermediary attached to the **Regional Council of Picardie** (Régie Régionale du Service Publique de l’Efficacité Energétique).

Table A.1 – Database of projects used for the report

Title	Country	EFSI financing	Total investment related to EFSI	Sector	Approval date	Signed date	Dimension	LRA involvement	LRA involved	Description of the involvement of LRA	Project Manager	Website
Grifols Bioscience R&D Spain	Spain	100m	241m	RDI	21/04/2015	28/10/2015	Transnational	NO			Grifols	link
Arvedi Modernisation Programme	Italy	100m	194m	RDI	21/04/2015	22/05/2015	Local/regional	NO			Arvedi group	link
Copenhagen Infrastructure II	United Kingdom; Germar	75m	1275m	Energy	19/05/2015	01/07/2015	Transnational	NO			COPENHAGEN INFRASTRUCTUR	link
Äänekoski Bio-Product Mill	Finland	75m	281m	Energy; Environment and resource eff	15/04/2015	12/06/2015	Local/regional	YES	Finnish Governement, local environmental authorities of the municipalities of the towns close to the plants and the Regional Council of Central Finland	EUR 32 million subsidy from Finnish Governeme	Metsa Group	link
Capenergie 3 Fund	EU Countries; Italy; Gern	50m	Not disclosed	Energy	21/07/2015	23/07/2015	Transnational	NO			Omnes Capital	link
Nobelwind Offshore Wind	Belgium	100m	542m	Energy	22/09/2015	21/10/2015	Transnational	NO			Parkwind, Sumitomo Corp, Zeewind I	link
Galloper Offshore Wind	United Kingdom	314m	1556m	Energy	22/09/2015	22/09/2015	Transnational	NO			SIEMENS AG, RWE AG, UK GREE	link
Midland Metropolitan Hospital PPP	United Kingdom	148m	468m	Social infrastructure; RDI	22/09/2015	11/12/2015	Local/regional	YES			SANDWELL AND WEST BIRMINC	link
TI - Accelerated Fixed High Speed BB rollout	Italy	500m	1421m	Digital	17/11/2015	14/12/2015	National	NO			Telecom Italia	link
Smart meters - Project Spark	United Kingdom	478m	1378m	Energy	21/07/2015	02/12/2015	National	NO			Calvin Capital	link
SEM Énergies POSIT'IF Île de France	France	100m	200m	Energy	28/10/2015	07/12/2015	Local/regional	YES	Regional Councils and Local authorities	Regional Councils and Local authorities held the :	SEM Energies Posit-if	link
Spee en Picardie	France	24m	58m	Energy	06/11/2015	07/12/2015	Local/regional	YES	Regional Council of Picardie	Constitution of the SPEE to help people in energy	Regie Regionale du Service Public de	link
IF TRI en Nord - Pas de Calais	France	20m	Not disclosed	Environment and resource efficiency	22/09/2015	03/12/2015	Local/regional	YES	Region of Nord-pas de Calais		Private company to be created	link
Redexis Gas Transmission and Distribution	Spain	160m	326m	Energy	19/05/2015	22/12/2015	National	NO			Redexis Gas SA	link
Qredits Loan for SMEs	The Netherlands	20m	327m	Smaller companies	22/09/2015	15/12/2015	National	NO			STG QREDITS MICROFINANCIER	link
Trenitalia Regional Rolling Stock	Italy	300m	617m	Transport	17/11/2015	23/12/2015	Local/regional	NO			Trenitalia spa	link
Accessibility Ports Infrastructure	Spain	105m	425m	Transport	15/12/2015		National	NO			Organismo Publico Puertos del Estado	link
2I Rete Gas Smart Metering	Italy	200m	415m	Energy	15/12/2015	18/12/2015	National	NO			2I Rete Gas spa	link
Ginkgo Fund II	France; Belgium; EU Cou	30m	Not disclosed	Environment and resource efficiency	17/11/2015	11/02/2016	Transnational	YES	Municipal, regional and prefectural authorities	Environmental monitoring and investment scrutin	Ginko Advisor sarl	link
Mirova Eurofideme 3 Co-Investment Wind Sweden	Sweden	12m	Not disclosed	Energy	26/10/2015	30/09/2016	Local/regional	NO			Mirova	link
Novamont Renewable Chemistry	Italy	15m	93m	RDI	15/12/2015	29/04/2016	Local/regional	NO			Novamont spa	link
Heidelberger Druckmaschinen - Printing RDI	Germany	100m	ca. 300m	RDI	10/03/2016	31/03/2016	National	NO			Heidelberger Druckmaschinen AG	link
Alsace très haut debit	France	Not disclosed	Not disclosed	Digital	21/10/2015	05/04/2016	Local/regional	YES	Region of the Alsace	The Region of the Alsace is the manager of the pr	Region of the Alsace	link
Raffineria di Milazzo	Italy	30m	225m	Energy; Environment and resource eff	17/11/2015	04/04/2016	Local/regional	NO			Raffineria di Milazzo spa	link
ICO Infrastructure Risk Sharing Loan	Spain	25m	Not disclosed	Energy; Transport; Social infrastructu	15/12/2015	12/05/2016	National	NO			Instituto de Credito Oficial	link
Normandy Dairy Production Facility	France	55m	125m	Smaller companies	10/03/2016	11/04/2016	Local/regional	NO			Cooperative Agricole laitiere les maitı	link
Agro Food Industry RDI (MGF)	Greece	15m	31m	RDI	12/04/2016	06/05/2016	Local/regional	NO			Creta Farm Industrial and Commercia	link
Growth Equity Fund Mid-caps	Spain; Portugal	40m	Not disclosed	Smaller companies; RDI	12/04/2016	22/04/2016	Transnational	NO			Nmas1 Capital Privado Sgeic, S.A.U.	link
Beatrice Offshore	United Kingdom	292m	2466m	Energy	21/10/2015	20/05/2016	Transnational	YES	The Highland Council, Moray Council and local communities	Stakeholders4	Beatrice Offshore Windfarm Limited	link
Primary Care Centres PPP	Ireland	70m	135m	Social infrastructure	21/04/2015	25/05/2015	National	YES	Local Authorities	Meetings with local authorities prior to submissio	Minister for Public Expenditure and R	link
Calvin Smartmeter Roll-out	United Kingdom	52m (1st tranche)	2115m	Energy	19/05/2016	08/06/2016	National	NO			Calvin Capital	link
Energiepark Bruck Onshore Wind	Austria	40m	65m	Energy	10/03/2016	02/06/2016	National	YES	Lower Austria and Burgenland	Shareholders of the project manager	Energiepark Bruck GmbH	link
A6 Almere Motorway PPP	The Netherlands	79m	234m	Transport	10/03/2016	08/06/2016	Local/regional	YES	Local Authorities	Designing the PPP project included coordination	Kingdom of the Netherlands	link
HBOR Risk-sharing for Mid-caps and other Priorities	Croatia	50m	Not disclosed	Smaller companies	22/09/2015	23/11/2016	National	NO			HRVATSKA BANKA ZA OBNOVU	link
Nord - Pas de Calais THD	France	105m (1st tranche)	333m	Digital	21/10/2015	24/12/2016	Local/regional	YES	Regional Council Nord-Pas de Calais, Northern Departmental Council	Managing, co-financing the project, preventing op	Syndicat Mixte Nord-pas de Calais	link
D4R7 Slovakia PPP	Slovakia	427m	639m	Transport	21/10/2015	21/06/2016	National	YES	Municipalities	Collaboration for land property transfer	Ministry of Transport, Construction ar	link
SaarLB - RE Project Finance Guarantee	Germany; France	100m (1st tranche)	356m	Energy	21/07/2015	30/06/2016	Transnational	NO				link
Eastern Poland Dairy Production Facility	Poland	20m	72m	Smaller companies	15/12/2015	27/07/2016	Local/regional	NO			Spoldzielnia Mleczarska MLEKOVIT	link
Euromed RORO	Italy	200m	501m	Transport	02/02/2016	24/11/2016	Local/regional	NO			Grimaldi Group spa	link
Logements Intermédiaires - SLI	France	500m	1553m	Environment and resource efficiency	02/02/2016	21/07/2016	National	NO			Fonds dédié à des investisseurs profes	link
Combined Heat and Power Plant Kiel	Germany	105m	249m	Energy	10/03/2016	30/09/2016	Local/regional	YES	Kiel Municipality	Shareholder of the project manager	Stadtwerke Kiel AD	link
QUAERO European Infrastructure Fund	EU Countries	40m	Not disclosed	Digital; Energy; Transport; Environm	10/03/2016	20/09/2016	Transnational	NO			Quaero Capital SA	link
Susi Renewable Energy Fund II	EU Countries	65m	Not disclosed	Energy	10/03/2016	12/08/2016	National	NO			Susi Partners AG	link
Rentel Offshore Wind	Belgium	250m	1093m	Energy	12/04/2016	12/10/2016	Local/regional	YES	Société Régionale d'Investissement de Wallonie	Shareholder of the project manager	Otary NV	link
Fonds SPI - Sociétés de projets industriels	France	100m	Not disclosed	Smaller companies; RDI	12/04/2016	29/07/2016	National	NO			BPI-Groupe	link
Tripla Near-Zero Energy Building project	Finland	130m	Not disclosed	Energy; Environment and resource eff	19/05/2016	22/06/2016	Local/regional	YES	City of Helsinki	City of Helsinki has carried out exstensive assess	YIT Oyj	link
Automotive Steel RDI	United Kingdom; Sweden	160m	330m	RDI	19/05/2016	15/06/2016	Transnational	NO			GESTAMP AUTOMOCION SA	link
APERAM R&D and Cohesion regions	France	50m	Not disclosed	RDI	19/05/2016	27/06/2016	Transnational	NO			Aperam SA	link
Fond - ICO Risk Sharing Loan	Spain	125m	Not disclosed	Smaller companies	19/05/2016	14/07/2016	National	NO			Instituto de Credito Oficial	link
NBG loan for SMEs and Mid-caps	Greece	215m	Not disclosed	Smaller companies	16/06/2016	01/08/2016	National	NO			National Bank of Greece	link
Lietuvos Energija Vilnius CHP project	Lithuania	190m	Not disclosed	Energy; Environment and resource eff	16/06/2016	07/12/2016	Local/regional	YES	City of Vilnius	Stakeholder of the project manager	Lietuvos Energija UAB	link
Societá asdotti Italia - Gas transmission	Italy	44m	88m	Energy; Smaller companies	16/06/2016	15/09/2016	Local/regional	YES	Marche Region; Abruzzo Region		SOCIETÀ GASDOTTI ITALIA S.P./	link
Malin Corporation - Life Sciences Investments	United Kingdom; Ireland	70m	1425m	Smaller companies; Social infrastruct	16/06/2016	22/06/2016	Transnational	NO			MALIN CORPORATION PLC	link
LTE Volte - High Speed Mobile Internet Roll-out	Sweden; The Netherlands	125m	252m	Digital	16/06/2016	14/10/2016	Transnational	NO			TELE2 AB	link
Mirova BTP Impact Local Fund	France	Not disclosed	Not disclosed	Digital; Transport; Social infrastructu	16/06/2016	30/09/2016	National	NO			MIROVA	link
CUBE Infrastructure Fund II	EU Countries; Switzerlan	100m	Not disclosed	Transport; Environment and resource	16/06/2016	13/09/2016	Transnational	NO			CUBE INFRASTRUCTURE MANA(	link
Kujawsko-Pomorskie Healthcare Program III	Poland	54m (1st tranche)	101m	Social infrastructure	19/07/2016	19/11/2016	Local/regional	YES	KUJAWSKO-POMORSKIE Region		WOJEWODZTWO KUJAWSKO-PO	link

Annex II. Methodology for the selection and implementation of the case studies

The following criteria have been used to give a representative and diverse selection:

- signed projects with the involvement of at least one LRA in the implementation of the initiative;
- projects implemented also at local/urban level;
- combination of EFSI-backed investments with ESIF contributions (as with Calais and EstFund);
- geographical distribution (maximum one project from any Member State, and geographical coverage of the EU);
- sectoral distribution;
- availability of information/contacts;
- co-investment from public/private actors;
- size of total investment.

This selection has been made after an initial analysis of the EIB project database (see Annex I) based on projects financed by the EIB, and integrated through desk analysis for each project in order to understand if the dimension of the project is local/regional or national/transnational and whether at least one LRA has been involved (and in what role).

The five case studies have been implemented through:

- Desk research;
- Interviews with the main projects' stakeholders.

The projects' stakeholders interviewed are:

- Kujawsko-Pomorskie Healthcare Program III, Poland:
    - Ms Małgorzata Wiśniewska, Deputy Director, Department of Social Affairs, ESF Implementation and Health, Kujawsko-Pomorskie Marshall Office;
    - Mr Michał Piwowarczyk, Deputy Director, Department of Public-Private Partnership, Ministry of Economic Development, national EFSI coordination and information;

- Ms Małgorzata Tkacz, Kujawsko-Pomorskie Inwestycje Medyczne, project promoter.

• Lisbon Urban Renewal Housing Climate, Portugal:

- Mr Luis J. Antunes, Senior Adviser of Deputy Mayor Finance, SG/DAOSM/GVJPS
- Mr Jorge Lavaredas, EFSI Project Coordinator, Lisboa XXI Team Coordinator, SG/DAOSM/GVMS;
- Ms Paula Costa, Finance Municipal Director, DMF.

• InnovFin agreement – Regional promotional institutions supporting innovative SMEs, Germnay:

- Mr Michael Knappe, Head of Product Development, NRW.BANK;
- Mr Ingo Rosenow, Associate Press Officer, Team leader Digital Media, NRW.BANK.

• Investment Fund TRI in Nord-Pas de Calais, France:

- Ms Virginie Dubart, Hauts-de-France Region;
- Mr Guillaume Thomè, Finorpa.

• Società Gasdotti Italia - Gas transmission, Italy:

- Mr Loris Bernacchia, Department of Industrial Policy, Marche Region;
- Mr Fabio Travagliati, Department of EU Policies, Marche Region;
- Mr Mario Smargiasso, Department of Environmental Policy, Marche Region;
- Mr Paolo Alessio, Technical Director, SGI;
- Mr Marcello Michetti, SGI.

The structure of the interview is detailed in the following box.

Box A.3 – Questionnaire for the collection of information on the five case studies

Governance

• How are the composition, responsibilities and roles at each level of the governance structure (national/regional/metropolitan area/city)?
• What are the capacities at these levels?

- Are private stakeholders involved in the governance structure?
- How would you describe the level of cooperation between each level to manage the EFSI financing?

Achievements

- What are the output and result indicators?
- What is the role of the LRA(s) in the definition of indicators/expected results?
- What is the role of the LRA(s) in the monitoring/evaluation of results?
- Did you face discrepancies from the expected results so far?

Main challenges

What main challenges did you identify:

- In terms of institutional and administrative capacities in accessing and managing EFSI financing?
- In terms of business environment bottlenecks?
- In terms of essential pre-condition and obstacles?
- Other challenges?

Lessons learned

- What were/are the most important success factors for your case?
- What remedies did you find to overcome the challenges?
- Which key difficulties did you face in general and were there key obstacles to the achievement of expected results?
- Did the cooperation/governance structure between the different levels help prevent problems? Or did the cooperation/governance structure between the different levels make the process more complex and time consuming?

Conclusions and recommendations: What would you propose?

- Recommendations to lessen the key obstacles to EFSI at LRA level;
- Recommendations to make the EFSI platform more attractive for LRAs, especially in terms of information and awareness promotion;
- How to enhance institutional and administrative capacities of LRAs in the implementation of EFSI projects?

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