

European cities
as drivers of
investment



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Ulrike Firniss

Vice chair WG Long Term Investment (LTI)

Our key messages

1. **Introducing more flexibility in the European Stability and Growth Pact, especially for the rules on public deficit and public debt. When investments increase the value of local governments' assets in the long term, they should be considered as productive investments.**
2. **Stronger EU support for investment platforms to finance projects and boost initiatives for social infrastructure investments.**
3. **A stronger European programme for capacity building for local authorities to enable them to make the most of the Invest EU programme.**
4. **Assessing investment gaps and presenting recommendations in the European Semester to improve long term investments at local level.**
5. **Stronger EU support for testing innovative financing schemes and tools for project development on issues such as smart cities, climate adaptation, nature and biodiversity, culture and social infrastructure investments.**



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Introduction



- **Urban areas are home to 75% of the EU population and are unique in their rich cultural heritage, diversity and liveability.**
- **To respond to pressing public concerns such as climate change and social cohesion, more long-term investment is needed at local level.**
- **Cities are ready to work with the EU institutions for overcoming barriers to long term investment. By working together, we will overcome current challenges and secure sustainable and inclusive growth to Europe.**

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1. Long term investments in cities should not be limited by European regulations introduced to repair fiscal policy

We recommend:

- **Change the European Stability and Growth Pact by introducing more and better flexibility to allow borrowing for public capital expenditures. For example, when investments increase the value of local governments' assets in the long-term period, they should be considered as productive investments.**
- **Facilitate investment by excluding only in certain sectors (such as health and education) and only for a time limited period (such as 1-year) public investment from rules on public deficit and debt. This time-limited derogation from the European rules should be introduced as soon as possible because many cities are under pression to provide care and hospital infrastructure due to ageing population.**
- **When preparing large investments projects, only the annual depreciation rate should account for the public deficit and public debt. In this way the whole investment cost would not immediately account for the public deficit and the public debt.**
- **European institutions should provide more guidelines to help public authorities to increase investment opportunities**



2. Investing in social infrastructure in cities is crucial for sustainable growth

We recommend:

- **A stronger European support for setting up thematic and geographical investment platforms dealing with social infrastructure investments. These platforms will enable local governments to create financial synergies and increase the use of joint and strategic public procurement solutions.**



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3. Support for cities to invest through the Invest EU Programme

We recommend:

- **Strengthening the strategic role of the European Investment Advisory Hub's (EIAH) technical assistance. It is crucial to create effective capacity building and provide a tailor-made assistance service to local authorities.**
- **Setting up a structural dialogue between cities and the EIB and National Promotional Banks.**



4. Assessing investment gaps and presenting recommendations in the European Semester to improve long-term investments at the local level

We recommend:

- **A stronger territorial dimension in the European Semester. The Semester should focus and properly assess trends and gaps in local investment. A stronger dialogue and cooperation with local authorities is crucial to better monitor and assess investments at the local level.**



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5. Cities needs stronger support towards testing innovative financing schemes and tools for project development

We recommend:

- **URBIS should be continued, and it should have more capacity to support urban authorities.**
- **Developing specific tools supporting investment in areas where investment uncertainty is still an issue such as smart cities, climate adaptation, nature and biodiversity, culture and social infrastructure investments**



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6. Investing in green and sustainable European Union should start from cities

European Union is facing challenges (for affordable capital across the EU) of delivering (socially) sustainable investment (which will be supporting the main project of the new European Commission).

The sustainable finance strategy needs to unlock the cities potential in driving this ambition.



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