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ENCOURAGING LOCAL AND REGIONAL AUTHORITIES TO INVEST

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Keen to reduce public spending, the State is involving local and regional authorities by reducing the level of their annual allowances by 11 billion by 2017 and by the combined equivalent of 72.5% of the gross saving they had brought about in 2013 over the 2013-2017 period. At the same time, transfers of jurisdiction from the State to local and regional authorities have increased the expenditure of the latter whilst the effects of the crisis are amplifying the social expenses they incur and at the same time reducing their own fiscal resources; finally, the territorial reform that is still in the process of being implemented with regard to jurisdiction at different levels of the local and regional authority system is muddying the waters.

All of these structuring factors, together with the more short-term impact of the 2014 local elections, contribute to limiting investment projects on the part of the authorities, in a context in which the recovery that is starting to take place makes such projects necessary. There was, of course, a distinct decline in investment in 2014, which is expected to continue in 2015.

In what is a restrictive context, local and regional authorities have no other choice but to increase local taxation, reduce their operating expenditure or social intervention expenditure, resort to loans or decrease their investment expenditure. Efforts currently focus primarily on the latter, despite the fact that local and regional authorities have proven to be the greatest public investors, way ahead of the State.

In order to prevent too great and too lasting an impact on investment, the government has undertaken a number of initiatives, the effects of which may, nevertheless, remain limited; these include adopting measures designed to make the mechanics associated with the VAT compensation fund more incentivising, deciding to increase the equipment grant for rural areas, introducing "subsidies for mayors undertaking building projects" and launching a series of regional public investment support conferences. Other potential avenues are also being examined, such as the creation of a local public investment fund and the introduction of a delayed amortisation mechanism.

The ESEC duly acknowledges the financial position of local and regional authorities, which remains positive, with debt levels generally under control, but also recognises that, in a context of heightening public debt, increasing debt on the part of local and regional authorities cannot be a sustainable solution. Likewise, it would not encourage a significant increase in local taxation with the aim of restoring the gross savings amassed by the authorities.

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THE RECOMMENDATIONS ARE BASED ON THREE AVENUES:

- **loosening the constraints by which local and regional authority investment budgets are bound;**
- **increasing familiarity with and the use of local assets;**
- **improving investment scheduling and encouraging greater involvement on the part of institutional and private partners, including via the Juncker Plan.**

FIRST CORE AREA:

- The ESEC would recommend reinforcing the mechanics associated with the VAT compensation fund by paying these funds themselves in the year of the causal event under certain favourable circumstances (such as in the case of authorities that are committed to maintaining or increasing their level of investment);
- it also advocates a simplification of the rules and standards that apply to local and regional authorities, as well as those that prevail with regard to the mobilisation of European funds;
- it would recommend a more efficient use of the public domain or the active management of the assets held in order to generate new local revenue;
- finally, it would call for the price of carbon to be set at European level with a view to guiding investors towards projects that are both ecologically and socially profitable in the long term.

SECOND CORE AREA:

- The ESEC would recommend that the introduction of a permanent inventory of all assets held by local and regional authorities be considered and that a series of biannual regional investment support conferences be held;
- it would also encourage the introduction of a multi-year maintenance and investment schedule for local and regional authorities that may not have one.

THIRD CORE AREA:

- The ESEC believes that the contribution of private partners should not, *a priori*, be ruled out, even though the use of public-private partnerships may fuel debate.
- It would recommend that the European Commission and the EIB be asked to quickly confirm the eligibility of the energy renovation of public buildings in the framework of the Juncker Plan and, if need be, encourage the very rapid introduction of platforms enabling local and regional authorities to pool a sufficient amount of investment of the same type and quality to benefit from the guarantee provided by said plan.