EIB financing and advisory instruments for smart and sustainable investment in cities

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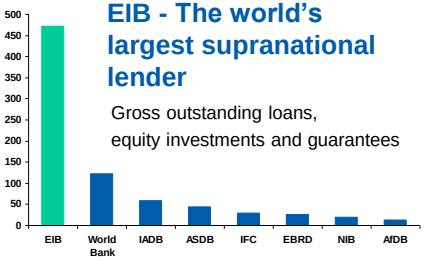
European Investment Bank

Zagreb, 15-16th May 2014

Implementing smart, sustainable and inclusive growth

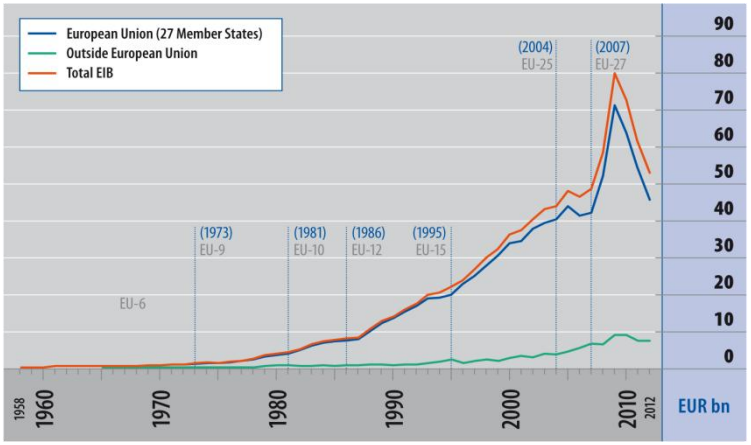
EIB - The world's largest supranational lender

Gross outstanding loans, equity investments and guarantees

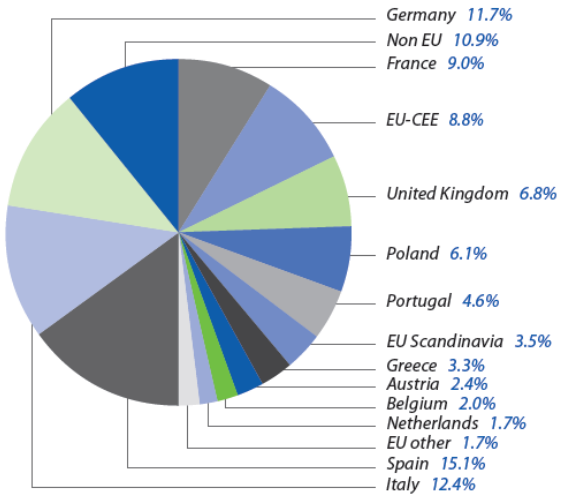


EIB Ratings	Long-term	Short-term
Moody's	Aaa	P-1
S&P	AAA	A-1+
Fitch	AAA	F1+

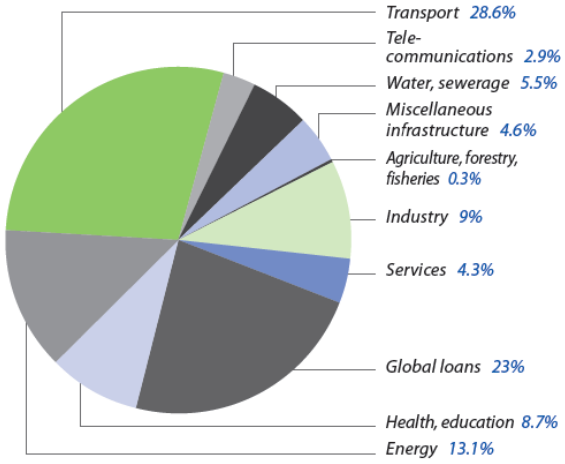
EIB lending in EUR bn



Diversified loan portfolio – by country and sector



Based on signed loans



Based on disbursed loans
As of 31 December 2012

(1) Global loans are operations with financial intermediaries

- **EIB's mandate is to assist with the integration, balanced development and economic and social cohesion of the EU**
- **Largest Multilateral Development Bank in terms of assets (€472bn in 2011, €508bn in 2012)**
- **Largest supranational borrower on the capital markets (€76bn in 2011, €71bn in 2012)**
- **2012 Loan book: €413bn, only 0.3% impaired loans**
- **Loan book: 62% infrastructure projects, 23% global loans to banks, 13% Energy, 9% Industry**

Blending, Advising and joint instruments (eg. EC + EIB + other IFIs):

- **JESSICA**
- **ELENA**
- **RSFF**
- **JASPERS**
- **….**

Global urban challenges

The global distribution of top 400 "urban areas" with at least 1,000,000 inhabitants in 2006

YEAR:	1950	2010	2030	2050
% OF URBAN POPULATION	30%	50%	60%	70%
	2.5	6.9	8.3	9.2
	(0.75)	(3.45)	(4.98)	(6.44)

EIB lending - territorial and urban agenda

- The EIB supports the **Territorial and Urban Agenda** by financing programmes and projects at regional and municipal level
  - From **2007-2013**, the Bank signed over **300** such operations representing some **EUR 55bn** of loans (contributing to **EUR 175bn** of total programme investment cost).

- **Main sectors supported at urban level**:
  - (i) urban development, renewal and regeneration
  - (ii) social and affordable housing
  - (iii) renovation of public buildings focusing on energy efficiency
  - (iv) public transport (infrastructure and eco-vehicles)
  - (v) environmental infrastructure and systems (water, solid waste)
  - (vi) education, health and social care facilities
  - (vi) and other including cultural and natural heritage.
  - Climate change is interlinked with socio-economic trends that are particularly strongly manifested in the urban environment. Climate resilience of the cities is also an area of support.

Applying some EIB financing instruments to cities …

Instrument	•Examples of potential smart city financing
Investment Loans Direct loan for a specific investment project or programme; usually > EUR25m	•Loan to a city to finance an urban renewal project with smart features •Loan to co-finance an Integrated Territorial Investment package of EU resources •Loan to a private partner to implement a smart city development programme •R&D loan to develop innovative smart city technologies
Framework Loans Loan for a programme of investments meeting defined criteria but not finally prepared at time of signing	•Framework loan to a city or region to finance a programme of small or medium smart city investments •Framework loan to co-finance sustainable urban investments under a structural fund operational programme or alongside a fund (eg. UDF) •Framework loan to a financial intermediary to finance smart city investments
Global Loans Credit lines to banks	•Multi-purpose credit line including smart city projects
Funds Investment in a fund	•Investment into an urban development fund, brownfield fund, fund specialised in smart city investment, …

Lending, Blending, Advising

European Investment Bank

Investment across sectors to support

EU priority objectives

European Investment Bank + *Structural & Budgetary Funds*

JESSICA

- Deploying EU Cohesion Policy resources via financial instruments
- Holding Funds
- Urban Development Funds advisory
- Technical assistance

ELENA – European Local ENergy Assistance

- Technical assistance for development of EE/RE projects

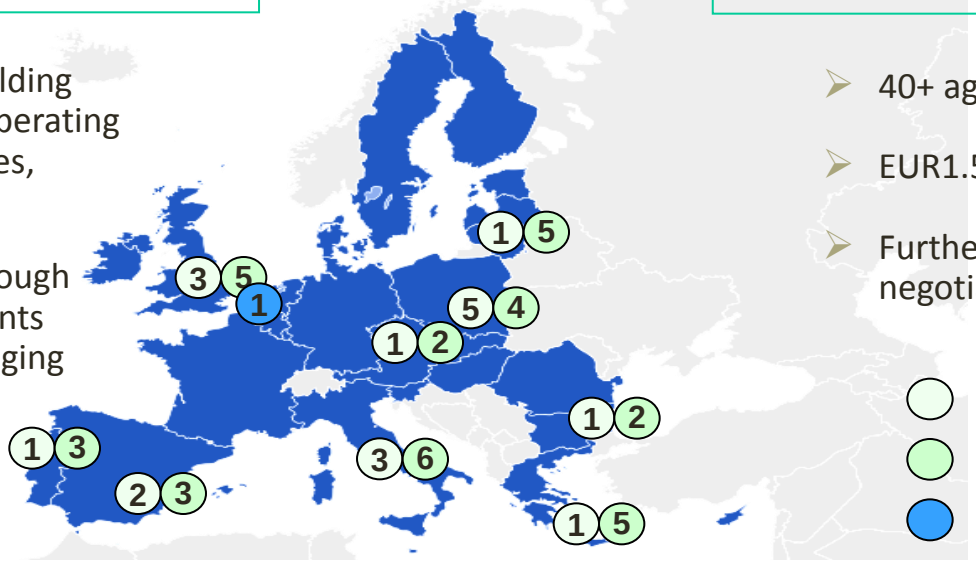
epec European PPP Expertise Centre

- Support for the development of Public Private Partnerships (PPP)

Advising example 2007-2013 : JESSICA HF/UDF

EIB Holding Funds (HF)

- 18 EIB JESSICA Holding Funds currently operating in 9 Member States,
- EUR 1.8bn in commitments through Funding Agreements signed with Managing Authorities



Urban Development Funds (UDF)

- 40+ agreements signed to date
- EUR1.5bn committed to UDFs
- Further agreements under negotiation

JESSICA HF in the Member States

JESSICA UDFs in the Member States

JESSICA Technical Assitance mandates

UK: London (EE, RE, waste), Northwest England (urban regeneration), Scotland (EE, RE, business support infr)
NL: Rotterdam (Technical assistance program)
PL: Warsaw, Katowice, Gdansk (urban regeneration)
GR: Athens (urban regeneration)
ES: Sevilla (urban regeneration), 10 autonomous communities (energy efficiency)
IT: Cagliari, Palermo (urban regeneration energy efficiency)
….

Cohesion Policy & Financial Instruments 2014-2020

- EU Cohesion Policy seeks to reduce economic, social and territorial disparities between European regions.
- For the 2014-2020 programming period, Cohesion Policy:
  - Concentrates resources on the EU2020 objectives of smart, sustainable and inclusive growth through a common set of Thematic Objectives;
  - Focuses on results and high efficiency in public funding due to financial constraints for public administrations.

- Financial Instruments for 2014-2020 can be defined as:

"Union measures of financial support provided on a complementary basis from the budget in order ***to address one or more specific policy objectives of the Union****. Such instruments may take the form of* ***equity or quasi-equity investments, loans or guarantees, or other risk sharing instruments****, and may, where appropriate, be* ***combined with grants****".*

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Main features of Financial Instruments (FI) 2014-2020

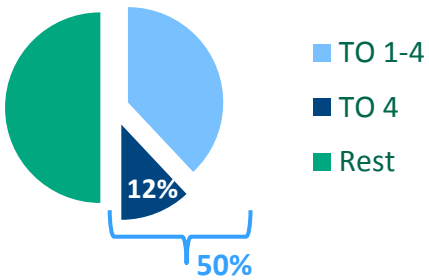
- **Wider scope** than 2007-2013 instruments: Applicable to **all <u>11 Thematic Objectives</u>** (TO):

1. RDI
2. ICT
3. Competitiveness of SMEs
4. Low-carbon economy
5. Climate Change adaptation
6. Environmental protection & resource efficiency
7. Sustainable transport
8. Employment & labour mobility
9. Social inclusion
10. Education and training
11. Institutional capacity and Public Administration

Thematic concentration of ERDF resources to TO 1-4 and TO 4:

- ***More developed regions:*** min. 80% and 20%
- ***Transition regions:*** 60% and 15%
- ***Less developed regions :*** 50% and 12%

e.g. Croatia : ERDF resources



- May also cover **transversal themes** such as **urban development**
- No limits on the amount eligible for FI
- Target market gaps identified through **ex ante assessments**
- **Combined with other instruments** (regional/national OPs) **and with grants**
- **Leverage effect** → co-financing
- Could include **grants for TA** to final recipients of FI

<u>Overall</u>: larger scope, synergies with other instruments,…

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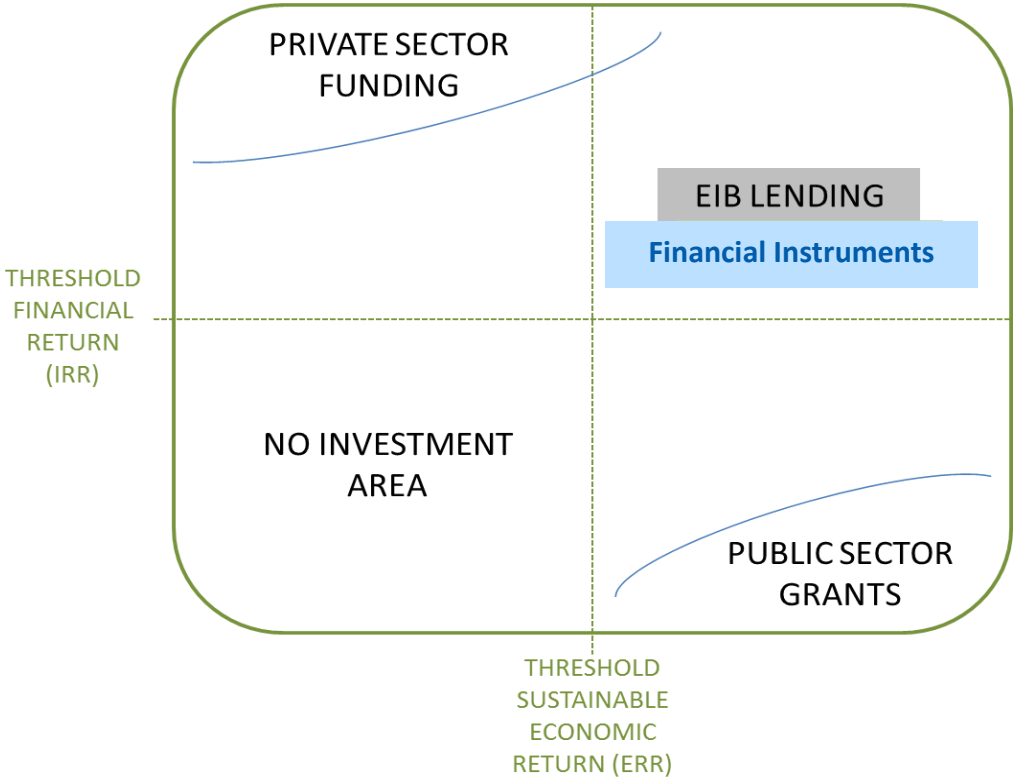
Advising example : support with Ex-ante assessment

Ex-ante assessment requirement prior to launch of Financial Instrument :

- Analysis of market failures, sub-optimal investments and investment needs
- Assessment of the added value
- Expected leverage effect
- Assessment of lessons learnt
- Proposed investment strategy
- Indication of expected results
- Provisions for review and update



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Blending example : JESSICA UK

LONDON GREEN FUND CO-FINANCING LOAN (under appraisal – subject to clearances/approvals)

- **Framework loan to finance integrated sustainable urban renewal and development projects, with a focus on resource efficiency and social housing. It will be used to co-finance the London Green Fund - a holding fund financial instrument managed by EIB, and using ESIF resources available to the Greater London region. Underlying projects will also be supported with technical assistance funding programmes from ELENA.**

- **Proposed EIB finance** (Approximate amount) **: EUR 600 million** (GBP 500 million)

- **Total cost** (Approximate amount) **: EUR 1201 million** (GBP 1000 million)

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