

EIB's emerging response to the Urban Agenda



Gerry Muscat, Head of Division, Urban Development
Torsten Brand, Senior Policy Advisor

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Outline

- What is the Urban Agenda to the EIB?
- EIB financing under the Priority Themes
- EIB contribution to Better Funding, Better Knowledge and Better Regulation
- Examples of EIB projects relevant to the first four Partnerships
- Moving forward...

EIB – The EU Bank



- Created 1958 – specific status in TFEU
- Shareholders 28 EU member states
- A “project” bank with specialist technical staff

LENDING	BLENDING	ADVISING
Loans But also: Guarantees (trade financing) Equity participation	Combining EIB finance with EU budget (EIB+ESIF Operational Programmes) Higher risk projects for innovation (InnovFin, EFSI)	Prepare, evaluate and support implementation of projects (JASPERS, Fi-Compass, European Investm. Advisory Hub) Support for energy efficiency (ELENA) and PPP (EPEC)

Attracting FUNDING for long-term growth

What is the Urban Agenda to the EIB?

To EIB, the Urban Agenda is:

- A vehicle & partnership for decision makers/ stakeholders
- Overview about key urban challenges for Europe
- An action plan to improve urban policy at EU level
- A forum to create a knowledge base to support urban investment
- A set of principles which guide EIB lending for cities
- A framework to help EIB provide better urban financing and advice
- A stimulus to focus EIB attention to urban issues

Why is EIB Involved ?

- EIB lending is guided by EU policies and priorities
- 1997: **Amsterdam** European Council to widen EIB involvement in housing, health and urban environment.
- Strengthening focus with the Territorial Cohesion agenda of the **Lisbon** Treaty and Europe 2020 strategy.
- 2016: Pact of **Amsterdam** to be a reference point for EIB urban projects

=> Urban lending now a mainstream investment area under EIB public policy goals in areas of cohesion, infrastructure, environment, climate action.

What is “inside” the EU Urban Agenda?

Inclusive Cities

- Jobs and skills in the local economy
- Urban poverty
- Housing
- Inclusion of migrants and refugees

Green Cities

- Sustainable use of land and Nature-Based solutions
- Circular economy
- Climate adaptation
- Energy transition

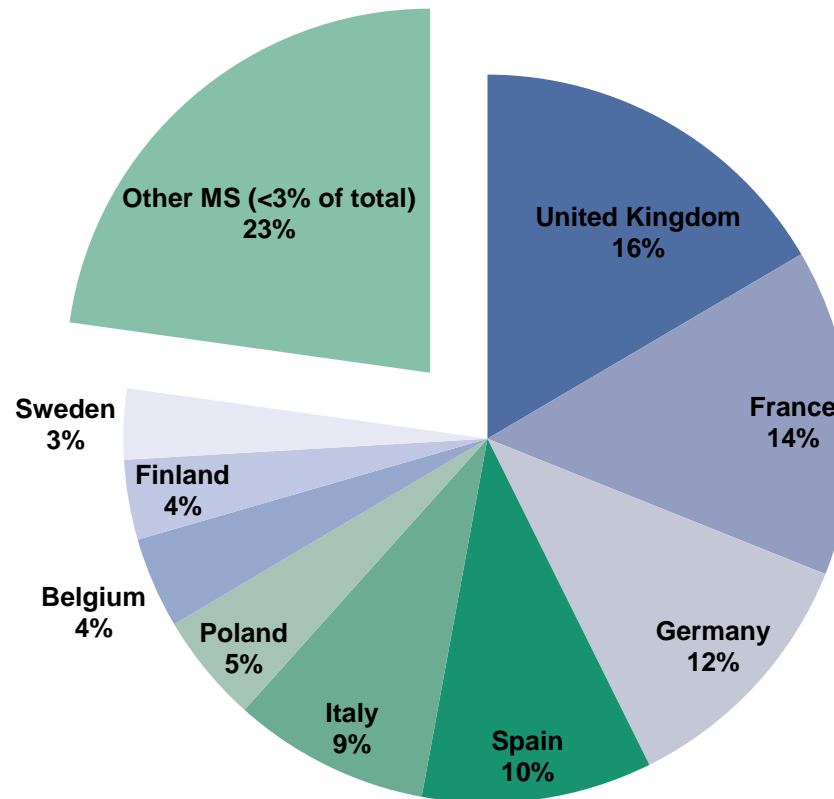
Smart Cities

- Urban mobility
- Air quality
- Digital transition
- Innovative and responsible public procurement

1. **The Priority Themes and Partnerships**
2. **The agenda for action:** Better Funding, Better Knowledge, Better Regulation
3. **The calls for Action:** In the Pact of Amsterdam, Ministers invite EIB to:
 - Help develop better funding approaches in the urban context
 - Contribute to the Partnerships especially better funding and better knowledge.
 - Reflect, where relevant, the outcomes of the Urban Agenda for the EU in its urban lending, grant-loan blending and advisory services

EIB financing under the Priority Themes of the EU Urban Agenda

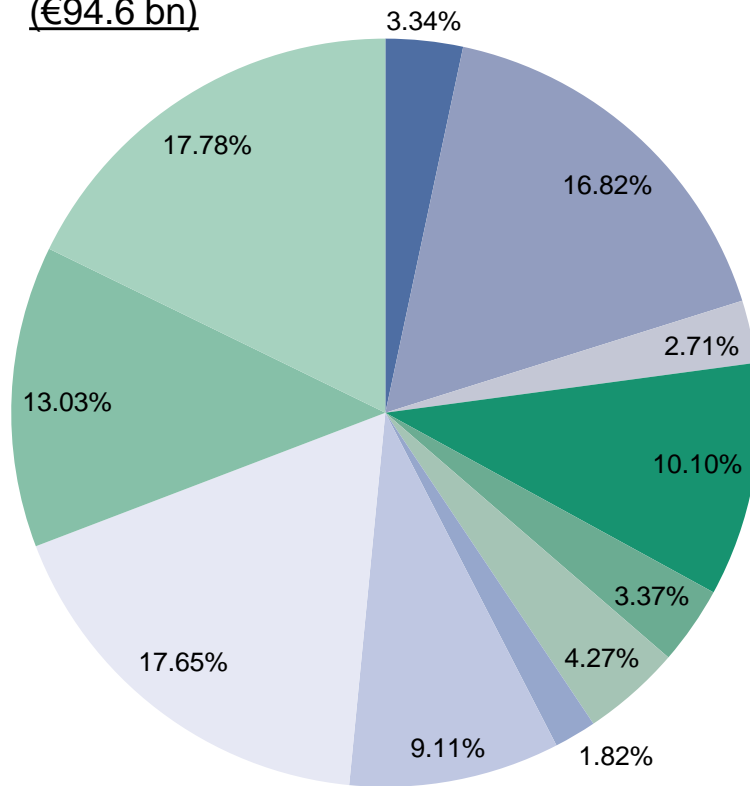
Percentage of EIB Urban Lending* by MS: Total € 95 billion (2011-2015)



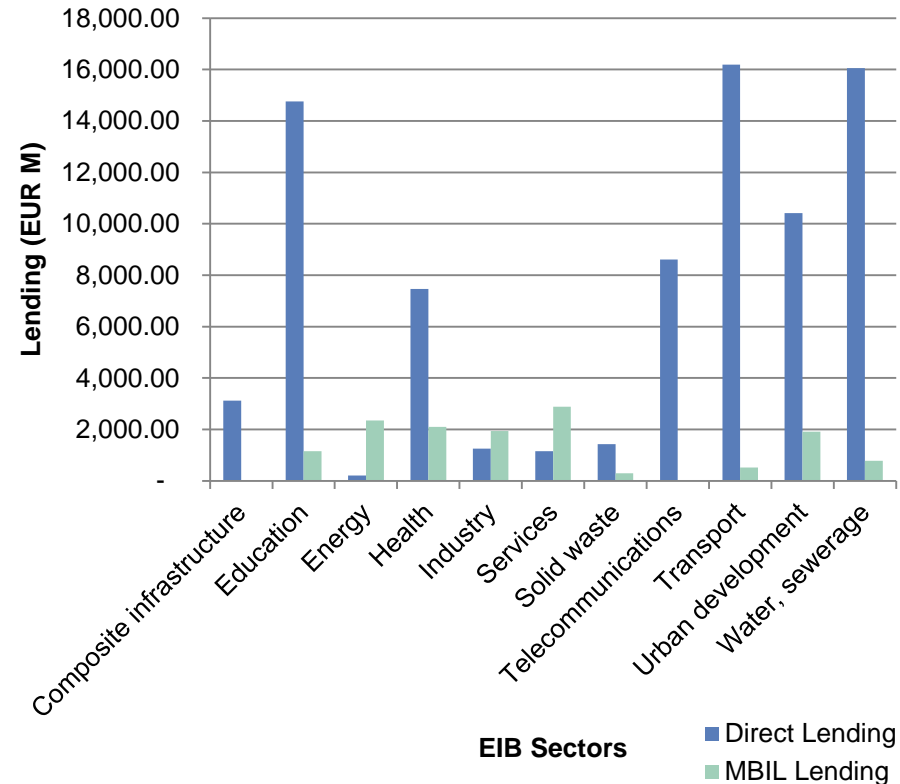
*Includes direct lending and indirect lending to SMEs and small banks in the urban sector (MBILs)

EIB Urban Lending by Sector

Total Lending by Sector
(€94.6 bn)



Direct and MBIL Lending by Sector



- Composite infrastructure
- Education
- Energy
- Health
- Industry
- Services
- Solid waste
- Telecommunications
- Transport
- Urban development
- Water, sewerage

Urban Agenda Cross-Cutting Issues – Relevance for EIB projects

X-cutting Issues	Relevance to EIB
Good urban governance	<ul style="list-style-type: none"> • Key principle impacting project quality and impacts
Sound urban planning	<ul style="list-style-type: none"> • EIB focus on planning-led development
Integrated approach	<ul style="list-style-type: none"> • Key EIB project appraisal criterion • Mixed EIB project teams across sector expertise
Innovation	<ul style="list-style-type: none"> • EIB seeks to stimulate and promote best practice • EIB finances research into smart technology and advises on new instruments
Impacting societal change	<ul style="list-style-type: none"> • EIB focus on social and economic benefits favours projects which optimise benefits to society
Attention to small and medium cities	<ul style="list-style-type: none"> • EIB intermediated loans target small towns and cities • EIB direct lending down to cities of approx. 75,000
Urban-urban, urban-rural, regional linkages	<ul style="list-style-type: none"> • Key to appraisal of wider project economic benefits

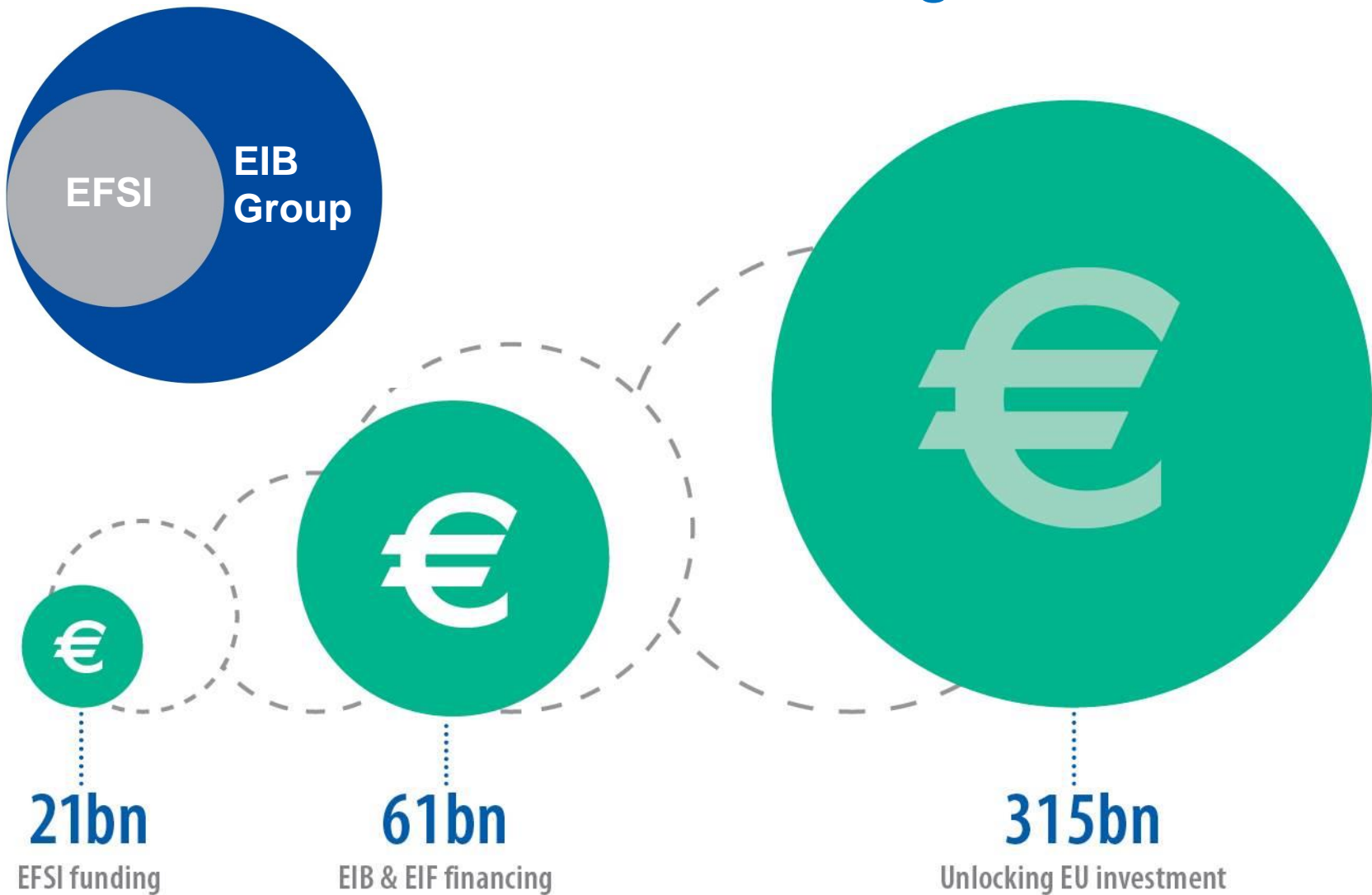
EIB Contribution:

Better Funding, Better Knowledge, Better Regulation

EIB Financing Tools for the Urban Sector

Instrument	Key Features
Investment Loans	<ul style="list-style-type: none">• Direct loan for a specific investment project or programme• Usually > EUR 100m project cost• All investment components identified / appraised up front
Framework Loans (FL) direct to a City	<ul style="list-style-type: none">• Loan to a city, usually > 75,000 people, > EUR 100m• Finances a 3-5 year investment programme• Multi-sector investments (> EUR 1-2 million) meeting defined criteria but not finally prepared at time of signing
FL via an Intermediary	<ul style="list-style-type: none">• Facility for financing smaller municipalities• Relies on a good intermediary which applies financing criteria agreed with EIB
Equity Funds	<ul style="list-style-type: none">• Investment into an urban development, infrastructure fund or brownfield fund• Targeted investment criteria leading to new investment

EFSI: Mobilising new investment



EFSI: Current Status

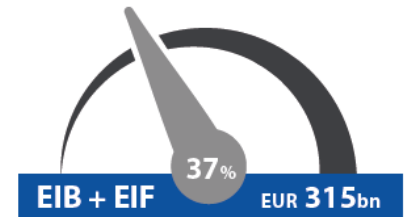
EIB Group figures

As of 19/07/2016

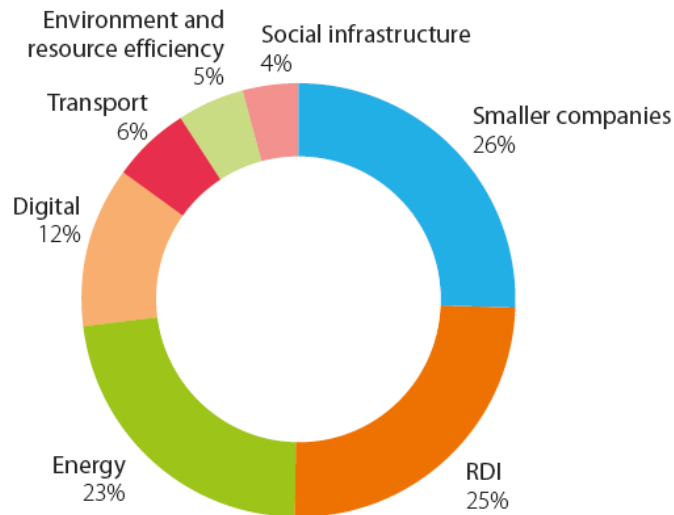
Of which
EUR 10.9bn
signed



*EIB-approved: EUR 13.6bn
EIF-approved: EUR 6.8bn



EFSI investment by sector



289 approved
transactions in 26
of 28 EU countries



Better Funding – What Kind of Urban Projects for EFSI?

Instrument	What kind of urban projects for EFSI?
Investment Loans	<ul style="list-style-type: none">• Lending to lower rated cities• Utility or SPV risk with limited recourse to city guarantees – e.g. private social housing companies• Project bonds, municipal utility revenue bonds• Lending to association of municipality structures
Framework Loans	<ul style="list-style-type: none">• Risk sharing with public or commercial banks• Lending to lower rated banks• New security arrangements involving lower capital allocation
Funds & Financial Instruments	<ul style="list-style-type: none">• Investment into urban development or brownfield funds• Investment into funds with enhanced risk appetite• EIB equity alongside EU grant in revolving urban funds targeting market failure

First Urban EFSI – Brownfield Sustainable Land-use

Ginkgo Fund

Ginkgo Fund (EUR 120m)

- invests in contaminated former industrial sites,
- remediate sites and sells the upgraded property for further real estate development.
- Approx. 12 schemes in France and Belgium
- Use of environmentally sound, efficient and innovative techniques
- Contributes to Circular Economy by bringing back brownfield sites into economic use
- Avoids urban sprawl urban sprawl.



EIB contribution: Better Knowledge

Activity	EIB contribution
European Investment Advisory Hub	<ul style="list-style-type: none"> • Advice on project development (created as part of the Investment Plan for Europe)
JASPERS	<ul style="list-style-type: none"> • Advice to support better project preparation for European Structural and Investment Fund projects • JASPERS support to resolve horizontal questions affecting a sector or projects across several member states • JASPERS Networking Platform building a knowledge base
EIB advisory instruments benefiting cities	<ul style="list-style-type: none"> • EPEC – European PPP Expertise Centre • ELENA – European Local Energy Assistance • FI-Compass to support development of Financial Instruments, including post-JESSICA urban development funds
EIB direct contribution	<ul style="list-style-type: none"> • EIB experts present at sectoral meetings, workshops • EIB engages in relevant Urban Agenda partnerships
EIB funding	<ul style="list-style-type: none"> • EIB funding for research and development • EIB loans promote innovation in urban development • EIB TA support for consultants and advisors

EIB Contribution: Better Regulation

EIB does not develop regulations, but still contributes...

Activity	EIB contribution
EIB lending	<ul style="list-style-type: none">• EIB lending not available unless regulatory and policy context meets EU requirements -> stimulus for improvement• All projects subject to legal due diligence• EIB appraises application of regulatory approach, leading to better application of regulations (eg. on the Environmental Impact Assessment – EIA)
EIB advisory	<ul style="list-style-type: none">• Review of regulatory framework (eg. EPEC work on Eurostat treatment of PPP debt)• Preparation of national guidelines (eg. JASPERS support on state aid in urban transport, Poland)
EIB-EU partnership	<ul style="list-style-type: none">• EIB contribution to cohesion policy framework (eg. via working groups, thematic meetings)

EIB contribution to the Partnerships

- EIB has participated in the first meetings of the Housing and Refugee Integration partnerships
- EIB can bring to the partnerships:
 - Advice based on knowledge of the sectors and financial instruments
 - Sharing of EIB best practice experience from projects across Europe
 - Outputs of ongoing EIB policy work (eg through EIB social housing study with Technical University of Delft)
 - Capacity to co-finance innovative projects
 - “Reality Check” for proposed “better funding” approaches

Examples of EIB projects relating to the first four Urban Agenda Partnerships

Poland Affordable Housing – EIB funding via a major National Development Bank

- EIB framework loan targeting affordable housing
- Intermediated by BGK, Poland's development bank
- On-lending to TBS's (public housing enterprises) across Poland
- Incentivizes schemes which optimize energy efficiency, revitalization, affordability via scoring system and call for applications



Inclusion of Migrants and Refugees

Germany

- ❑ Brandenburg Refugee Accommodation: EUR 440 m project (EIB loan 120 m) for refugee accommodation (113000 refugees/asylum seekers affected). Schemes are managed by local authorities and their housing companies and comprise both refurbishment or new construction;

France

- ❑ Logement des Migrants: EUR 110 m project (EIB loan 50m) to rehabilitate some 13 000 units to provide temporarily housing to the asylum seekers (65000 beneficiaries) during the procedure of processing their applications.

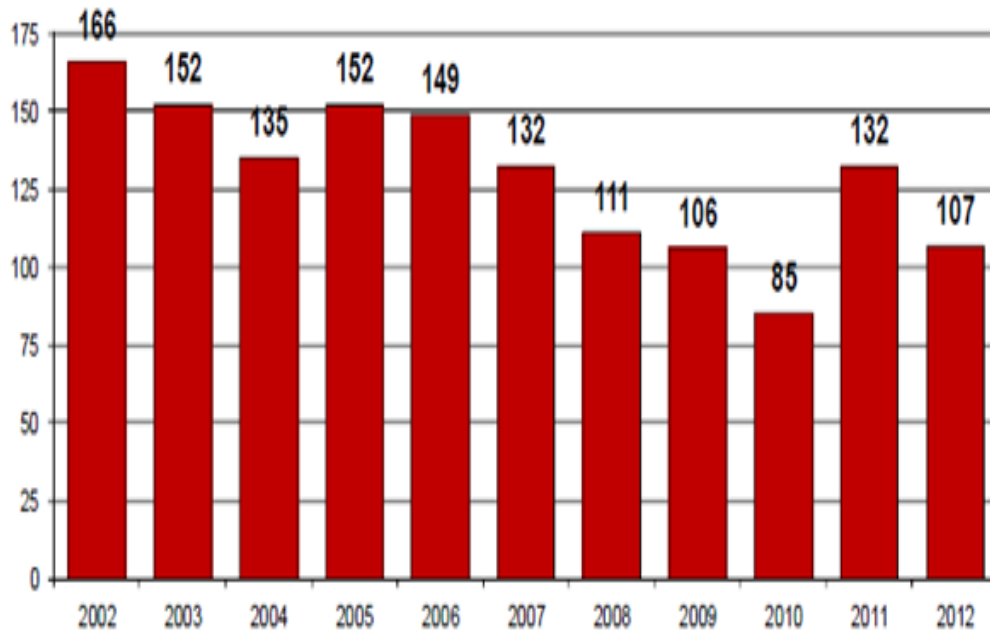
Urban Poverty – Royal Liverpool Hospital



Project cost GBP 370m

- Health and Science Campus, including a new hospital with 600+ in-patient beds
- Serves population with particularly poor health and high levels of economic deprivation
- Novel model of care, which connects integrated health and social care pathways

Air Quality – Milan M4



Number of days with level of particulates above EU Threshold of 50 μg per m^3 (target maximum of 35 days/year)

Overview

- Milan – a hot spot for road congestion, with local topography and climate exacerbating air pollution and smog
- Urban Mobility Plan 2001-2010, and Urban Master Plan approved in 2012 set the framework foster sustainable urban transport
- New Metro Line M4 is part of the strategy, which will lead to congestion reduction and air quality improvement (under construction, opening 2022)

Moving forward...

EIB-CoR Urban Agenda Toolbox

THE EU URBAN AGENDA TOOLBOX

Build your sustainable community with the EIB and the CoR

Local government matters to people all across Europe. Over 70% of Europeans live in urban areas, and 55% of public investment is made by regional or local governments. The European Investment Bank and the European Committee of the Regions collaborate on a range of Urban Agenda-related initiatives to share knowledge with local and regional decision-makers in order to improve access to funds and help them use existing funds more effectively. The EIB has provided EUR 95 billion in urban lending over the last five years and is extending that financing to projects with a higher risk under the European Fund for Strategic Investments, part of the Investment Plan for Europe. Along with the Bank's advisory services, these loans reflect all the Priority Themes of the EU Urban Agenda. What are those priorities? We were hoping you would ask. Take a look at projects the EIB has financed under each **Priority Theme**.



Urban Poverty

Royal Liverpool Hospital,
UK, 2013

GBP 90 million loan to fund a new 600-bed hospital that serves an area with some of Britain's highest levels of economic deprivation and poorest health standards.



Sustainable Land Use and Nature-Based Solutions

Ginkgo Funds, Belgium/France,
2010 and 2016

EUR 46 million of equity (some funded by the Investment Plan for Europe) for a fund using innovative techniques to decontaminate polluted brownfield sites, which it sells for construction of residential or commercial buildings.



Urban Mo

Budapest
Hungary

EUR 200 r
to upgrad
roads and
an integra
network.



Inclusion of Migrants and Refugees

Brandenburg, Germany, 2015

EUR 120 million to refurbish or build accommodation for 113,000 asylum seekers and refugees.



Jobs and Skills In the Local Economy

Rzeszow, Poland, 2015

EUR 145 million loan to fund a range of urban projects, including infrastructure services and transport connections to industrial enterprise zones employing local people.



Next steps for EIB in the Urban Agenda

- Participate in UDG Meetings to review progress
- Activity under Partnerships
 - Publish Delft housing study
 - Presentation to Refugee Integration partnership
- Review our lending:
 - Develop EFSI approach on urban sector
 - Expand social housing finance
 - Look at new areas like student accommodation, assisted living, social impact financing
 - Lending/blending facilities for refugee integration
- Gearing up for the New Urban Agenda - Habitat III October 17-20 Quito:
 - Participate with EC in side events eg. to present EU Urban Agenda
 - MDB and “Urban Mediterranean” side events planned

Thank you for your attention!

Any questions?



(also later via mail: g.muscat@eib.org, t.brand@eib.org)

Link to more information about EIB's urban financing:
www.eib.org/urban