



European Commission
DG Regional Policy



MEMORANDUM OF UNDERSTANDING

in respect of

**A COORDINATED APPROACH TO THE FINANCING OF URBAN RENEWAL AND
DEVELOPMENT FOR THE PROGRAMMING PERIOD 2007-2013 OF THE COMMUNITY
STRUCTURAL FUNDS**

between

The European Commission

the European Investment Bank

and the Council of Europe Development Bank

This MEMORANDUM OF UNDERSTANDING is entered into on this 30th day of May 2006 between

The **EUROPEAN COMMISSION**, (hereinafter referred to as the "Commission"), established 200 Rue de la Loi, B-1049 Brussels which is represented for the purposes of the signature of this Memorandum of Understanding by Commissioner Danuta Hubner,

of the first part,

The EUROPEAN INVESTMENT BANK (hereinafter referred to as the "EIB"), established 100, Boulevard K. Adenauer, Luxemburg, represented for the purposes of signature of this Memorandum of Understanding by Mr Philippe MAYSTADT, President,

of the second part,

The COUNCIL OF EUROPE DEVELOPMENT BANK, (hereinafter referred to as the "CEB", established 55. avenue Kléber, F-75116 Paris, represented for the purposes of signature of this Memorandum of Understanding by Mr Raphaël Alomar, Governor,

of the third part,

OBJECTIVES

This Memorandum of Understanding records the common understanding on the principles of cooperation between the Commission, EIB and CEB in the field of urban renewal and development.

The parties hereto agree to coordinate their approach to urban renewal and development actions in the context of Structural Funds interventions for the programming period 2007-2013. More particularly, they aim:

- to facilitate the work of the authorities in the Member States in making more effective use of public resources from national and Community sources and in availing of new or additional financial products, and
- to facilitate the work of managing authorities responsible for European programmes supported by the Structural Funds who wish to use the relevant provisions of their regulations for the programming period 2007-2013, to encourage greater use of financial engineering products in urban renewal and development.

CONTEXT

In line with the objectives of the renewed Lisbon strategy approved by the European Council of 23 March 2005, the European Commission has proposed that cohesion policy should strengthen its strategic approach for the next programming period 2007-2013.

Accordingly, it has issued draft Community Strategic Guidelines for Cohesion, adopted by the Commission in July 2005, which set the European agenda for growth and jobs as the main priority for cohesion policy. Special attention is paid in these Guidelines to the specific needs of certain territories, such as urban and rural areas, with a view to achieving balanced development and removing obstacles to growth.

At their meetings in Rotterdam in November 2004 and in Bristol in December 2005, ministers responsible for urban policy stressed the substantive contribution that cohesion policy can make to the development of sustainable communities. The European Parliament, in its report on the urban dimension in the context of enlargement ⁽¹⁾, called for sustainable urban development to be included within the mainstream of cohesion policy and the European Structural and Cohesion Funds.

The EIB and CEB have been financing urban renewal and development projects, including social housing components, for many years through a wide range of banking products, applying eligibility and quality criteria aligned with sustainable urban strategies. This targeted loan financing provided by the two Banks is expected to complement public resources (Community and national) in the Operational Programmes supported by the Structural Funds, to develop an appropriate response to the growing need for investment in sustainable urban communities.

TITLE I- Programming the Structural Funds, Planning and monitoring integrated urban renewal and development plans and actions

Within the remit of the above-mentioned context, the Commission, the EIB and CEB have resolved to establish a coordinated approach, in the framework of the programming period 2007-2013, regarding integrated urban renewal and development. This coordinated approach concerns, notably, support for the preparation and implementation of NSRF and Operational Programmes co-financed by the Structural and Cohesion Funds, including where appropriate social housing in the context of integrated urban renewal and development.

1. National Strategic Reference Frameworks (NSRFs)

Where NSRFs concern urban renewal and development strategies, the parties hereto agree to coordinate their position, including any possible assistance to Member States regarding their preparation.

2. Integrated plans for sustainable urban development.

Integrated plans for sustainable urban development and renewal are defined as those including an appropriate mix of consistent actions and projects, contributing to sustainable urban communities satisfying, as far as possible, the principles agreed at the Bristol Ministerial Meeting of 6 December 2005.

¹ EP(2005)0272 Report on the urban dimension in the context of enlargement

The European Regional Development Fund will co-finance actions and projects forming part of integrated plans for sustainable urban development and renewal, where these fall within its scope of intervention, as defined by the relevant regulations for the programming period 2007-2013.

3. Preparing Operational Programmes

The Operational Programmes financed by the Structural Funds and Cohesion Fund, are negotiated in partnership between the national or regional authorities and the Commission, and formally adopted by the latter. In accordance with the regulations for the period 2007-2013, the Commission in partnership with the national and regional authorities will endeavour to include, where appropriate, integrated urban development and renewal plans and actions within the Operational Programmes. Where such plans and actions exist, and in agreement with the relevant authorities at national and regional level, the EIB and CEB will seek to identify important projects that may be suitable for their support and, where appropriate for support from other financial instruments and products, including private sector contributions.

Where the EIB and CEB contribute to the preparation of Operational Programmes, they will also seek to include indicative amounts of financing that they could make available for integrated urban renewal and development actions.

4. Efficient governance of integrated plans for sustainable urban development

The success of integrated plans for sustainable urban development depends on efficient management, under suitable governance structures. These structures should be presented as far as possible in the programmes, along with the necessary capacity-building and support measures and the required resources for technical assistance to finance such measures. Advice on these structures, to be discussed between the parties hereto, could be made available to the national and regional authorities during the preparation of the relevant Operational Programmes.

5. Monitoring implementation of operational programmes including integrated plans for sustainable urban development

The parties hereto, in partnership with the competent national or regional authorities, wish to exchange information and, where appropriate, to coordinate their respective monitoring of operational programmes and co-financed projects, when they relate to sustainable urban development and renewal.

TITLE II- Financing of social housing projects

The EIB and CEB intend to adopt a coherent approach with regard to the conditions for the financing of social housing. Their approach, including the definition of social

housing, should be adaptable to the circumstances of specific countries. It should also take into account the definition of social housing in Article 7 paragraph 2 of ERDF Regulations, in particular where the same project is financed by a combination of EIB and/or CEB loans and ERDF contributions".

Integrated plans for sustainable urban development and renewal addressed by operational programmes can include a social housing component, possibly eligible for loan financing by the EIB and CEB in accordance with their rules and procedures, or by ERDF contributions where eligible. The participation of other IFIs, public banks and, where appropriate, commercial banks and other private sector participants in social housing development, would be encouraged. The EIB and CEB will only support financially sustainable and technically and environmentally adequate social housing projects that form part of an integrated urban renewal and development plan and/or a carefully considered housing strategy, which gives priority to urban renewal over greenfield developments.

TITLE III- Coordination with Commission initiatives

1. Coordination with JESSICA actions within operational programmes

In the framework of the new strategic approach, the European Commission began development in February 2006, in consultation with the European Investment Bank and the Council of Europe Development Bank, of a new initiative for sustainable urban development in the regions of the European Community supported by the Structural and Cohesion Funds: **Joint European Support for Sustainable Investment in City Areas (JESSICA)**.

The coordinated approach agreed between the parties hereto will contribute to better preparation and successful implementation of urban projects to be co-financed by them, including under the JESSICA initiative. It is however independent of interventions by the EIB or the CEB under the JESSICA initiative aiming at leveraging financing for projects supported by urban development funds, notably in case the EIB is mandated by Member States or managing authorities to assume holding fund management tasks under this initiative.

However, the parties hereto agree to hold at least annually and in cooperation with Member States and managing authorities joint meetings in order to exchange information on their respective experiences under this initiative in view of coordinating their approach, jointly define best practices and optimise complementarities of their actions.

2. Coordination with JEREMIE actions within operational programmes

The coordinated approach agreed between the parties hereto, does not preclude the EIB group, through the EIF, being independently involved in the sustainable communities concept through interventions under the JEREMIE initiative, improving access to finance

for micro to medium enterprises, small businesses and artisans, which will necessarily have a major urban dimension.

3. Coordination with JASPERS

The coordinated approach agreed between the parties hereto is independent of any interventions by the EIB under the JASPERS initiative, providing technical assistance facility to help in planning, programming and preparation of projects in the beneficiary Member States. The limited resources available under JASPERS will be concentrated on the preparation of major projects, notably in transport and environmental infrastructure. However, some resources could be devoted to assisting Member States or managing authorities in the preparation of integrated urban development plans and their key projects, depending on JASPERS annual action plans and availability of resources

TITLE IV- Status of Memorandum of Understanding

This Memorandum records the understandings of the parties hereto and does not create legally binding obligations.

IN WITNESS WHEREOF, each of the parties hereto has caused this Memorandum of Understanding to be signed in their respective names and to be executed in four originals, one for the Commission, two for the EIB and one for the CEB, as of the date written below.

Brussels, this 30th day of May 2006

Signed for and on behalf of
THE EUROPEAN COMMISSION

Signed for and on behalf of
THE EUROPEAN INVESTMENT BANK

Danuta HÜBNER
Commissioner for Regional Policy

Philippe MAYSTADT
President

Signed for and on behalf of
THE COUNCIL OF EUROPE DEVELOPMENT BANK

Raphaël ALOMAR
Governor