Financial Instruments for Cities
Workshop
Bulgaria - Cyprus - Greece

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Luxembourg, 31 January 2014
1. Lessons learnt from JESSICA 2007-2013 – alternative implementation proposals for FIs during the 2014-2020 period

2. Cities’ infrastructure and funds – Combining FIs with EIB lending
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JESSICA in the Programming Period 2007-2013
Lessons Learnt

- HF establishment mid-2007-2013
- Regulatory framework devised for grants
- No single state aid scheme for JESSICA
- Structuring/implementation of projects
- Selection of private partners
- Familiarity with SFs and state aid rules
- Discrepancies between evaluation studies, UDFs offers vs real projects
- Projects integrated in IPSUDs ex-post
- Private investors expect returns vs objectives of public interest
- Impact of financial crisis on co-financing availability
- Funding cost not enough to measure/address market failures

Time is Crucial
Capacity building is required
Project selection
Financial Products
FIs for Urban Development in the Programming Period 2014-2020 Implementation Proposals (1/2)

To Managing Authorities
Define FIs in Partnership Agreements and OPs
Proceed to preparation of ex-ante assessments soon (EIB available to provide support to MAs)
Secure resources for provision of TA to authorities for preparing plans/projects

To Cities
Consult/cooperate with private investors for identifying revenue generating projects that comply with public sector priorities
Enhance partnerships with private sector for developing sustainable investments
Prepare planning and prioritize investment areas/sectors

To Commission
Develop a flexible state aid umbrella scheme for FIs regarding urban development
Develop a regulatory framework enabling smooth implementation of FIs
FIs for Urban Development in the Programming Period 2014-2020
Implementation Proposals (2/2)

To Financial Sector
Become familiar with the new regulatory framework
Capitalise on the experience gained in 2007-2013 and existing pipeline to assist MAs and cities to prioritise their needs and structure them in a “bankable” manner
Consult with EIB for the development of marketable FIs

To EIB
Assist MAs and cities in the implementation of their ex-ante assessment studies / planning procedures
Develop financial products meeting the needs of sustainable urban investment
Provide complementary financial support
Agenda

1. Lessons learnt from JESSICA 2007-2013 – alternative implementation proposals for FIs during the 2014-2020 period

2. Cities’ infrastructure and funds – Combining FIs with EIB lending
Combining EIB lending and FIs - Existing Experience

**Direct financing to projects**

PPP for the development, operation and maintenance of 22 schools in Attica

PPP for the development and operation of the waste management facility in W. Macedonia Region

**Financing to UDFs**

**Financing schemes for supporting SMEs**

- **EIB loans to banks (Greece)**
  - Loans to banks that are on-lent to SMEs
  - Up to 50% of the banks’ lending portfolio is guaranteed through the SMEs Guarantee Fund (comprising SF funds of up to EUR 500m)

- **Entrepreneurship Fund (Cyprus)**
  - Sovereign debt provided to the Republic of Cyprus (EUR 150m)
  - The Republic of Cyprus will establish a fund aiming to select financial intermediaries for on-lending to SMEs on a risk-sharing basis for each SME loan as well as to provide SME portfolio guarantees and possibly other financial instruments
Objectives

- To increase leverage of EU funds
- To improve the risk profile of the investments’ portfolio

Mode of EIB’s support

- Framework loans to Cities and Managing Authorities
- Loans to financial intermediaries
- Direct financing to projects

In combination with FIs:

- Equity
- Guarantee schemes
- Loans
Thank you for your attention!

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