

Sustainable Cities

Financing Sustainable Urban Development: the EIB Group approach



Montpellier tram lines - France

Ministerial Meeting on Sustainable Communities in Europe Bristol, 6-7 December 2005

1. European cities – striving for a sustainable future

Cities are critical actors in the social and economic life of the European Union, with approximately 80% of the population of the EU living and working in urban areas. The long-term performance of cities is linked to their ability to regenerate themselves through a proper balance between planning, centred on urban renewal, and flexibility in responding to market forces.

Cities are the engines of innovation and economic growth, but they are also frequently the locations where serious problems – inner-city decline, unemployment, physical decay, social exclusion – occur. Even in wealthier cities, pockets of deprivation may threaten economic performance, cause environmental problems and challenge social cohesion.

Technology (mostly communication-related developments: the lift, the automobile, public transport, telecommunication) and demographic, social and economic pressures have deeply transformed the structure of most European cities. One effect has been urban sprawl and social segmentation, with higher income residents increasingly settling in lightly populated suburbs or exclusive more centralised neighbourhoods, and low-income groups concentrated in decaying older areas or in neighbourhoods with very high demographic densities, often lacking services and public space. The resulting social imbalances and the segregation of activities within the urban continuum are frequently exacerbated by the migration to new suburban developments of

commercial and business activities formerly located in the inner city.

Urban sprawl results in more traffic. Suburbs, especially those with very low population densities, are difficult and expensive to serve with public transport. As a consequence, the phenomenon of suburbanisation often induces a vicious circle of degradation of public transport services and increasing attractiveness of private car usage, leading to generalised congestion and environmental pollution, and further deterioration of some old central areas.

Urban decay is also a problem in many high-density areas built as recently as 30 to 40 years ago to respond to migration pressures. The poor quality of the buildings and the lack of proper maintenance, along with insufficient space to respond to growing demands (in particular for social infrastructure and green spaces) have degraded living conditions. Moreover, such neighbourhoods are often associated with abandoned industrial sites that constitute an environmental hazard. Recent events in France and the UK reflect the dangers to community life of poor living conditions, and the negative impact that a lack of confidence in their environment can have on the expectations and behaviour of residents.

The phenomena of social exclusion and environmental decay, as well as the pattern of segregation within urban areas, take different forms and reach varying degrees of severity, depending on many factors, including physical, climatic and cultural circumstances. There is however a clear indication that

good governance and the related quality of planning and project implementation are critical in controlling such phenomena, maintaining a balance between the pressures for development and the need to enhance the quality of life of citizens. It is also clear that only a multi-sector approach, simultaneously dealing with the interrelated issues of urban transport, environment, public services, economic activity and social structure can produce the type of urban environment, adapted to the particularities of city dwellers, that would maintain a high standard of living for years to come.

In most European cities, with inner areas suffering from urban sprawl and decay, this approach leads to a strong emphasis on urban renewal, with the transformation of poorly built housing estates and the recovery of abandoned industrial or obsolete sites, so-called brownfield sites, into new integrated communities, and the improvement of areas where the most deprived citizens live. Urban renewal can have major social cohesion impacts and represents the best option for making use of valuable and scarce land assets in the inner city. At the same time, such renewal may reduce the pressure for further occupation of surrounding agricultural land and other greenfield and natural areas, and contribute to a more balanced urban structure that is less environmentally demanding. So, both environmental and social considerations, with their corresponding economic implications, suggest urban planning solutions that give priority to urban renewal for the accommodation of development pressures.

The ability to adjust the urban structure to changing economic

conditions whilst improving the quality of life of citizens is the essence of successful urban change. And this is essentially obtained by implementing strategies that take into account the complexity of the urban setting when promoting balanced development based on the renewal of derelict areas and the provision of infrastructure and services, designed to enhance the quality of urban life. These strategies necessarily require multi-sector investment programmes that complement the provision of infrastructure and public amenities with the necessary social expenditure. The mainly public investment in social aspects usually aims at reducing social exclusion, generating employment and supporting new business initiatives, and is designed to complement measures directed at improving the physical environment.

The European Investment Bank, as the policy bank of the European Union, provides financing for projects contributing, among others, to promoting Economic and Social Cohesion and the improvement of the environment. These must be technically sound and feasible both from the socio-economic and financial points of view. In general, projects are appraised individually, but the context and policy background - for instance proper integration into the wider network for transport or water cycle improvements, or more generally their insertion into a sound sector strategy - are always part of the analysis.

In the case of urban renewal and social housing projects, the Bank examines in more detail the planning context to ensure an appropriate integration of the various sectors, and it requires a comprehensive plan and a suitable

investment programme, which are considered necessary for their long-term performance. Quite often, however, projects in a number of sectors (e.g. health, education, transport) taking place in urban areas are determined by the national or regional policy frameworks governing the sector in question. EIB appraises the quality of these projects within such frameworks, and may not therefore be responding to a specific spatial policy applied to all projects in a specific location. But the lack of such a policy does not necessarily reduce the effectiveness of EIB's funding or

undermine the case for the proposed investments. The examples in this paper demonstrate that properly focused streams of investment, with EIB finance ensuring some overall coherence, provide tangible value to the urban areas involved.

As such, the approach adopted by the EIB to assist European cities is clearly aligned with the **Sustainable Communities** philosophy, at the heart of the proposal of the UK Presidency on urban policy development.

2. The urban agenda of the European Union

The argument that urban issues are intrinsically local, and therefore better dealt through national institutions, has often been invoked to limit the involvement of the European Community in this field, under subsidiarity considerations. However, the urban theme has been present in the EU agenda for a long time, due to the commonality of a wide range of problems, challenges and opportunities throughout Europe, and by the fact that cities are pivotal delivery points for many strands of EU policy:

- environment, as urban areas are major polluters and, at the same time, the areas most affected by human-produced environmental impacts; it is thus obvious that environmentally friendly cities – with clean air and water, accessible and liveable open spaces, energy-efficient, etc. – are key contributors to the achievement of the environmental objectives of the Union;

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economic and social cohesion, because imbalances are not only regional or national but take place at several spatial scales, including neighbourhoods, cities and urban regions: pronounced economic disparities are a threat to the economic success of the Union, independently of the size of the zone where they appear; at the same time cities are central actors in triggering and diffusing growth in lagging regions; therefore the economic and social cohesion objectives stressed in the Lisbon agenda need also to be addressed at the local level; and

- growth, employment and innovation, also part of the Lisbon agenda, since cities are the privileged locations from where innovations spread to the rest of the economy; concentration facilitates the generation of new ideas and the creation of businesses, which are essential for the development of a successful knowledge economy.

In part, because of this “policy overlap”, the urban agenda of the EU is institutionally fragmented across directorates and financial instruments, each dealing with certain aspects and not always acting with the necessary degree of coordination. In spite of this fragmentation, considerable experience – and some success – has been achieved in addressing urban problems in the present programming cycle of the Structural Instruments, in particular through certain ERDF-supported programmes. Some Objective 1 regions are essentially conurbations. In these areas, like Merseyside in the UK, the regional problem is essentially one of urban decline and is addressed as such in the development strategy. Objective 2 zones are also very often urban areas, given their narrower geographical scope and designation criteria which include long-term unemployment, poverty and poor housing conditions, high crime rates, damaged environment, and low educational achievement. The URBAN initiative was specifically designed to address the problems of deprived urban districts, striving for geographically focused and integrated action, which may be difficult to achieve for the other programmes.¹

¹ The URBAN initiative has been successful and has shown both the importance of quality neighbourhoods and community development in delivering environmental improvement and economic cohesion and the potential of EU-wide initiatives in this field. The structure of the programme has been replicated and extended through national neighbourhood regeneration programmes in several Member States, including Germany, France and Italy.

The current cycle of programmes will come to an end in 2006 and EU Member States are currently negotiating their reform to prepare the next cycle of Structural Funds programmes from 2007 to 2013. In July 2004, the European Commission put forward its own reform proposals, in the form of a package of draft Structural and Cohesion Funds Regulations for the 2007-2013 budgetary cycle, which Member States are currently discussing. Under the three new objectives – convergence, competitiveness and cooperation – the urban dimension becomes perhaps less evident,² but can take on a much wider scope. According to the draft Regulations, the Member States can decide to give much more relevance and have potentially more leverage to incorporate the urban dimension into the mainstream of the programming, under both the new Objective 1 and 2, with a potential for mobilising more resources and increasing overall effectiveness. This can happen at the levels of both the national strategic reference framework and/or specific operational programmes. The draft regulation on the ERDF recognises specifically the multiple deprivation nature of urban problems and the need to address them through a multi-faceted approach. Local authorities will be key partners in the process, and the commitment and participation of the private sector will also be required.

² The URBAN initiative is not maintained under the proposed regulations.

3. EIB's financing of sustainable urban development

Protecting the environment and improving the quality of life is one of the main operational objectives of the EIB, as clearly stated in the Bank's Corporate Operational Plan (COP). The COP is a three-year rolling plan approved by the Board of Directors, which prioritises the Bank's actions for the years to come on the basis of objectives decided by the Board of Governors (the Ministers of Finance of the Member States). Many EIB financed projects therefore have a very positive direct impact on the environment. Moreover, the Bank's environmental criteria for all projects strictly follow EU policies and directives.

The EIB's approach to urban investment has evolved pragmatically over the years, responding to, and in some cases anticipating and complementing, EU policies and instruments. For the last few years it has clearly striven to promote urban concentration, contain sub-urbanisation pressures and reduce demand for the development of scarce land resources in outlying rural areas, aiming at a general rationalisation of settlement patterns, which would be more energy-efficient, reduce demand for car travel and facilitate public transport usage. Against this backdrop, the Bank has developed a range of flexible products and practices that have enabled it to support sustainable urban development strategies and investment programmes. Over the past five years (2000-2004), the EIB has channelled some EUR 23 billion into projects having a direct impact on improving the environment and the quality of urban life in Europe: EUR 10 billion for

development, renovation, modernisation and improvement schemes focusing on districts, buildings and infrastructure; another EUR 10 billion for urban public transport and nearly EUR 3 billion for social housing projects. In 2004, about EUR 5.4 billion of the total of individual loans in the European Union (EUR 28.8 billion) targeted urban renewal and transport projects.

These figures are for finance specifically directed at supporting urban renewal and sustainable development. They do not include a range of investment projects located in the cities that have been supported for reasons other than urban development (i.e. education, health, industry and services), including major transport infrastructure projects, which can play an important role in regeneration. In such cases, the EIB considers their urban impact in its evaluation of the planning context and in the socio-economic analysis, but only exceptionally (e.g. main railway stations) does it require an integrated multi-sector plan. In any case, these projects are not included in the Bank's activity figures under the urban heading.

3.1 Urban renewal

Most cities have an urban development plan within which areas showing signs of physical decay and more generalised social and economic deprivation are identified as requiring special attention. These are the "action areas" usually specified in any urban renewal/regeneration plan or strategy. They tend to be the focus of EIB lending. Such plans are by definition

geographically specific and are likely to be part of multi-sector strategies designed to encourage mixed-use development to optimise land use, improve the physical environment, stimulate economic development and promote more sustainable urban communities. In practice, this is achieved by supporting, depending on circumstances, large-scale flagship renewal projects, as well as integrated programmes consisting of a number of smaller schemes (see §3.3 below).

The EIB has supported several major urban renewal projects. These have been financed as integrated schemes aimed at achieving a better use of inner-city space – sometimes by re-using derelict land and buildings, and on other occasions by revitalising historical districts suffering from urban decay and social deprivation. Most of these projects fall within the context of wider economic regeneration programmes. Examples are: the Potsdamer Platz (Berlin) development to create, following the re-unification of the city, a state-of-the-art central city district; the

renewal of the Old City in Barcelona; and the restructuring of four early 20th century gasometers in Vienna as a multi-use complex, including social housing.

The rich cultural and architectural legacy of older cities has also been recognised as a valuable resource in the rejuvenation of urban areas that, if properly exploited, can have a catalytic effect in promoting broader-based regeneration and the creation of more sustainable urban communities. In many European cities, the EIB has financed the preservation of the social, architectural and historical heritage (Rome, Turin, Venice, Bastia, Athens, Dublin, Barcelona etc.).



New court of Justice building in Liège - Belgium

Urban renewal in Liège and Mons, Belgium

In 2003, the EIB provided two loans of EUR 50 million each, one for the construction of a new court of justice building in Liège and the other for the development of a new judicial centre in Mons. This investment is helping to safeguard and showcase valuable components of the architectural heritage of the two cities and contributing to their economic regeneration.

In Liège, the construction of the new court of justice building is included in the Master Plan that was adopted in 1985, outlining the principles for development of the historical district in the northern part of the city. In the case of Mons, the vast works programme aimed at redeploying the judicial infrastructure in the historic city centre forms part of the city's development plan drawn up in 1997. The new judicial centre brings together all courts and related administrative services on one site.

3.2 Social housing

The EIB can finance housing investment, provided it forms an integral part of well-defined urban renewal or regeneration programmes, likely to produce significant and durable effects on the social and economic well-being of the targeted areas. Social housing is seen as a catalyst for regeneration, and the Bank is a potential source of funding for a component of urban regeneration that is not eligible for support from other Community financial instruments.

The rehabilitation of housing units can be financed when there is:

- A social dimension (programmes for the improvement of old housing assets belonging to non-profit entities, rehabilitation of dilapidated buildings rented or owned by low-income households);

- An environmental dimension (rehabilitation focusing on energy savings, e.g. double glazing, natural gas-fired heating systems, etc., including the restoration of classified buildings).

The construction of new residential complexes replacing derelict housing, as well as the transformation and upgrading of industrial buildings into residential units, are eligible for EIB funding, if they are part of an approved urban renewal scheme.

The Bank is now studying the possibility of strengthening its support to social housing projects in the context of social inclusion objectives, so greenfield developments could become eligible under certain conditions.

EIB financing of social housing projects in the UK

The EIB has supported 7 major housing improvement schemes in the United Kingdom. The majority of these are local-impact housing projects financed through specialised intermediaries such as The Housing Finance Corporation (THFC), The Abbey National plc and Halifax Bank of Scotland (HBOS). In 2003, the Glasgow Housing Association (GHA) was granted a loan of EUR 219.2 million for an urban renewal programme for the city of Glasgow, based on the regeneration of deprived neighbourhoods through major rehabilitation of housing, the reconfiguration of problem estates including selective demolitions, and associated environmental improvements.

First EIB social housing loan in a Mediterranean partner country - Morocco

In November 2004 the EIB approved a EUR 71 million loan to Holding d'Aménagement Al Omrane, a Moroccan public company specialising in the development of urban areas earmarked for social housing construction. Al Omrane essentially provides the primary infrastructure of new or re-constructed urban areas to relocate slum dwellers or illegal settlers, creating the required public spaces and basic amenities, and promoting the creation of employment and a better social mix. It will help to improve and sustain the living conditions of many low-income Moroccan households, and is the first EIB loan supporting the social housing sector outside Europe.

3.3 Composite urban investment programmes

The most effective way of supporting sustainable development and urban regeneration is sometimes through the investment programme of a local authority or municipality. The implementation of mutually reinforcing investment schemes in a city can promote sustainable development more effectively than their individual components separately. The Bank has signed several agreements with Italian municipalities (Rome, Florence, Bologna, Venice, Naples, Palermo, Salerno and others) to assist them in the implementation of their three-year public works programmes, encompassing the construction of basic infrastructure, public transport and environmental projects, and the rehabilitation and safeguarding of artistic and cultural heritage. In Poland, direct loans amounting to EUR 394 million have been signed since 1994 with 8 major cities, with a further EUR 170 million in the pipeline. Projects undertaken by these municipalities include the construction or modernisation of environmental infrastructure, urban transport, health, education and social housing. More recently, the Bank has supported the investment programmes of municipalities in the Czech Republic and Hungary.

Some of the above operations have included – in response to explicit requests from the Bank’s clients - social infrastructure components specifically aimed at fostering social inclusion, which is increasingly perceived as an urgent priority by many European cities. This is the case of an operation in the city of Rome (named “Rome Social

Cohesion”) targeted at social protection schemes and deprived districts, and one in Germany, where the Bank supported part of the federal Social City programme for the social and economic regeneration of deprived urban districts. In all these cases, the presence of a sound governance structure - including a robust planning and implementation framework, adequate public accountability and institutional capacity - has been central in establishing confidence that positive and concrete results would be achieved.

3.4 Sustainable urban transport projects

To qualify for financial support from the EIB, transport projects in cities must be environmentally sustainable. This is typically the case with investments in public transport infrastructure, which are expected to contribute to improving the quality of the urban environment. Promoting a shift from private to public transport and reducing congestion, not only enhances air quality and cuts noise exposure, but also helps to tackle climate change by improving energy efficiency and reducing CO₂ emissions.

Since urban transport projects are not in themselves environmentally neutral, assessing the environmental impact of such schemes is a major feature of the Bank’s appraisal. Ensuring that the net environmental impact of EIB financed projects is acceptable, and that suitable mitigation measures are implemented where needed, is an integral part of the Bank’s due diligence process.

Between 2000 and 2004, the Bank has provided funding of more than EUR 10.7 billion for the development of

urban transport systems throughout the European Union. Reflecting the trend towards more cost-effective and flexible mass transport systems, metro, light rail and tramway systems have featured prominently in EIB lending for European cities and regions (Athens, Alicante, Madrid, Barcelona, Sevilla, Valencia, Lisbon, Porto, Bilbao, Brussels, Linz, Berlin, Toulouse, Munich, Düsseldorf, London, Manchester, the Midlands, Sheffield, Dublin, Budapest, Prague, Aarhus and Kastrup).

Outside the European Union, where EIB lending for urban public transport reached more than EUR 700 million between 2000 and 2004, the Bank has

played a significant role in financing urban mass transit in cities like Bucharest, Cairo, Tunis, and various mid-sized Turkish cities.



Lyon urban transport improvement - France

Lyon urban transport improvement, France

During the last ten years, the EIB has advanced SYTRAL (Syndicat Mixte des Transports pour le Rhône et l'Agglomération Lyonnaise) some € 460 million to improve Lyon's public transport network with the aim of increasing the attractiveness of public transport, encouraging a switch from private car use in the city, and providing transport links to more deprived districts. The network now carries around 160 million passengers each year. The latest loan, approved in July 2004, provides for the extension of both the metro and tram networks; around a further 17 million passengers per year will directly benefit from this investment. This project is expected to reduce the use of private cars in the city by more than 8 million vehicle-kms per year.

4. Assisting cities through sector-driven projects

As well as projects directly aimed at supporting urban renewal and regeneration, an important contribution to the sustainable cities agenda comes from projects funded under general sectoral eligibility criteria and located in the cities. These include industrial and

service projects fostering economic growth and competitiveness – for instance diversifying the economy and orienting the local economic structure towards high value-added activities – as well as environmental infrastructure and human capital facilities.

Projects in sectors such as water supply, waste incineration, and wastewater collection and treatment, have attracted

lending totalling EUR 16 billion in the last ten years, a substantial proportion of which benefits urban areas.

Amsterdam Solid Waste Treatment, The Netherlands

This project (2004) is helping to finance the extension of a municipal waste-to-energy plant in the industrial area of the port of Amsterdam, northwest of the city centre. It will provide two additional incineration lines, designed with one of the most efficient systems for recovery of energy and generation of electricity used so far in a commercial waste incineration plant. High environmental standards will be maintained by the use of a flue gas cleaning system that will keep atmospheric emissions well within the limits imposed by national and EU legislation. The project will also enable the plant to receive waste by water transport, thereby alleviating the noise and pollution generated by road transport.

The EIB funds projects in industry and services which often accompany and support the restructuring and modernisation of the urban economy, with strong emphasis on modern and innovative sectors.



Education - United Kingdom

The Bank has financed projects in the

human capital (health and education) and information technology sectors that support, on the one hand, the urban economy and quality of life and, on the other, the i2i initiative to foster innovation, competitiveness and the knowledge economy in Europe. Across Europe, the Bank has concluded agreements with colleges and universities (France, Spain, UK, Germany, Sweden, Portugal, Italy and Austria) for the construction or improvement of hospitals and education and research facilities, contributing to the economic growth and development of the relevant cities and surrounding regions.

Environmental improvements in St Petersburg, Russia

In 2005 the EIB lent EUR 20 million to the St Petersburg water company Vodokanal for the rehabilitation and modernisation of the city's Northern Wastewater Treatment Plant. The project, co-financed by the EBRD, NIB and BNP Paribas, as well as the Northern Dimension Environmental Partnership (NDEP) and the Finnish Environment Ministry, is environmentally driven and designed to improve current sludge disposal practices. The incinerator will generate electricity and heat, and be equipped with an air pollution abatement system to meet emission limits in compliance with EU legislation. The loan underlines the EIB's support for improving the environment in St Petersburg and the surrounding regions in the Baltic Sea.

Health and Social Care Services in Helsinki, Finland

In 2002 the Bank provided funding for a 337m operation aimed at rationalising the provision of health and social services in the City of Helsinki. In Helsinki – population about 560000 – some 13% of the population is over 65 and 85% of the hospitalisation days are for patients over 65. The operation consisted of about 90 schemes covering primary care and hospital facilities for long-term patients, social assistance centres catering for older citizens and the disabled and the reinforcement of IT systems. The operation supported an overall plan to re-organise the city's health and social protection system, to ensure better service delivery while realising cost savings from the application of IT, and the re-design and consolidation of the network of social assistance centres.

5. The added value of EIB involvement

5.1 The virtuous circle

From the point of view of a city, the involvement of the EIB as a provider of finance, or in an advisory or technical assistance role can help activate a virtuous circle – EIB resources supporting high quality urban investment will foster the strength of the city's economy and its integration into the European Union; this is likely to bring about an improvement in the city's credit standing as a borrower; which in turn will reduce the cost of funding, facilitating further investment and growth.

5.2 Projects and borrowers

Provided that they are economically viable and environmentally sustainable, a wide variety of investment projects are eligible for EIB finance. Borrowers can be both public and private, including non-profits and social enterprises, provided their investment proposals contribute to sustainable urban development and prove to be financially viable. In practice, typical EIB borrowers are municipalities, local

authorities, utilities, development agencies, specialised banking intermediaries or special purpose companies. Sometimes, to enhance the long-term management capability of promoters, the EIB proposes that they establish project implementation units, supported by the technical services of the Bank.

5.3 Type of finance and complementarity with other sources

The EIB Group can provide both traditional medium and long-term financing and equity funding. Depending on the client's needs and the project size, the EIB can advance individual loans for investments costing more than EUR 25 million, normally up to half the fixed investment cost of the projects. The other half and working capital is to be provided from other sources. Although no absolute minimum figure is laid down, the Bank generally prefers to advance individual loans of no less than EUR 12.5 million. Smaller loans are available through global loans

via partner banks. Global loans are temporary credit lines opened with banks or other financial institutions operating at a European, national or regional level. These intermediaries draw on the global loan proceeds to finance, in accordance with EIB criteria, productive-sector projects undertaken by small and medium-sized enterprises, and infrastructure schemes usually promoted by local institutions. The EIF (European Investment Fund), the EIB Group's specialised arm in the venture capital sector, can address the financing needs of SMEs through portfolio guarantees and risk capital operations. The EIB does not operate on the basis of country or sector quotas and decides on the financing of investment projects on the basis of their merit. The approach of the Bank is flexible and aims to meet clients' needs, providing them with funds complementing other financial resources such as national or European grant funding, or capital market and commercial bank financing.

5.4 Innovative financing schemes

The Bank has become a significant player in the financing of infrastructure through Public-Private Partnerships (PPPs), where the private sector is called on to contribute in innovative ways to the funding, construction and upgrading of infrastructure schemes, as well as to their operation. PPPs in transport, environment and human capital projects can be particularly relevant for cities, and tailor-made to suit the client's needs and the project's requirements. Through its Structured Finance Facility (SFF), where the EIB assumes part of the project risk, the Bank can also improve the funding structure for priority projects, including urban projects.

5.5 Financial added value of EIB lending

The Bank conducts its own project appraisals which, in agreement with the promoters, can help to improve the project design and the funding structure. Its excellent credit rating (AAA) enables it to raise long-term funds on the best terms available in the market and pass on this benefit to its own borrowers, as it operates on a non-profit making basis and adds only a small margin to cover costs. Maturities are long (usually up to 20-25 years), and they can include grace periods on repayment of principal fitted to meet the projects' needs. The Bank also acts as a lever or catalyst for financing from others, and cooperates closely in co-financing with the private banking sector.

5.6 Enhanced services and instruments

The EIB has been working with the Commission, launching several initiatives which will be operational from 2006 and could provide significant support to facilitate investment in sustainable urban development and promotion of the sustainable cities agenda:

- The JASPERS initiative will assist promoters in the preparation of projects to be funded during the forthcoming programming period, with a view to improving the absorption and more effective use of Structural and Cohesion Fund grants. 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 the preparation of plans and investment

programmes with a strong urban component.

- The JEREMIE initiative, designed to support small business and crafts, training, and social enterprises, which will necessarily have a major urban dimension.

- The establishment of a PPP expertise centre that could provide additional independent advisory services to promoters on structuring projects as PPPs, and increase the ability to secure the involvement of the private sector in the best interests of projects.

5.7 The EIB Group as a long-term strategic partner

Given the variety of ways in which it can contribute to investment, the EIB Group should be regarded as a strategic partner by the stakeholders involved in sustainable urban development. The Bank strives to assist those urban renewal and development projects designed under the sustainable cities concept, which are financially viable,

not only through isolated operations but, over time, by establishing cooperative client relationships allowing a phased and tailored provision of funds for complementary and mutually reinforcing projects and programmes. Cities and metropolitan authorities are natural counterparts, because they can be borrowers and investors, and have a pivotal role in determining sustainable development strategies and producing the necessary planning and programming frameworks, but agencies and private developers participating in operations covered under these frameworks can also benefit from EIB Group's funding. The following three case studies – Barcelona, in greater detail, followed by Glasgow and Warsaw - illustrate the Bank's long-term commitment to the cities. These examples show how the intervention of the Bank, and the impact of its loans in supporting integrated programmes comprising mutually reinforcing investments as a whole, adds up to significantly more than would the sum of the individual parts, if these had been pursued in isolation.



Bursa light rail transit system - Turkey

Case studies

BARCELONA Case Study

Urban context

Barcelona, the capital of Catalonia (Spain), has a resident population of 1.5 million, down from a peak of more than 1.8 million in the not too distant past. The city is, however, the centre of a fast growing conurbation of some 3 million people and a wider metropolitan area (3250 Km² comprising 164 municipalities) with a population of 4.5 million and custodian of 2 million jobs. This makes it the equivalent of and counterpart to the capital region of Madrid, with a similar size and growth profile. From both a social and economic perspective, Barcelona is a major European metropolis. As the economic engine of Spain and the location of one of the main Mediterranean ports, it is a lively and thriving city that also attracts some 4.5 million tourists every year.

Physically, the city is severely constrained by the Mediterranean Sea and the mountain chain parallel to the coast, but it has been able to take advantage of these constraints. Indeed, Barcelona's urban structure is one of the key factors to explain its success, at least when measured in terms of its attractiveness to business (recently rated as the 5th most attractive city in Europe by the European Cities Monitor) and visitors. The rational planning of the Eixample, designed and developed by the creator of modern urbanism, Ildefons Cerdà, and occupying most of the extensive area surrounding the old town, has facilitated the successful operation of the city for some 150 years. Although the grid model and the technical, social and environmental innovations of Cerdà's plan were not followed in more

peripheral areas, particularly in the creation of very dense residential neighbourhoods, the performance of critical parts of the urban area have been maintained in spite of technical innovations such as the lift, the motor car, rail and metro systems, and developments in telecommunications technology, which have had a major impact in urban design, but were all somehow anticipated in his plan.

Urban regeneration strategy

This high-quality planning tradition was re-established in 1976 with a General Metropolitan Plan, which has been essential in preserving land for public use and controlling densities that were already excessive in some urban neighbourhoods. The presence of a robust plan, and the tools and management mechanisms for its enforcement, allowed for the control of the chaotic situation brought about by the civil war of 1936-39 and the rural-urban migrations of the 50's and 60's, initiating a period of planned regeneration. The Plan was essential to facilitate exploiting the benefits of hosting the Olympic Games in 1992, which acted as a catalyst for the execution of planned infrastructure and the recovery of decaying areas, in particular the front line, which had been somewhat isolated by a railway, the old port and the old town, and for a massive rehabilitation of buildings in the Eixample along with investment in its historical heritage. Construction and rehabilitation was complemented with significant initiatives in the promotion of culture and leisure, all giving new life to Barcelona, which has since become one of the most fashionable towns in the

world. The Forum of Cultures of 2004 tried to repeat the renewal experience of 1992. The international success of the event is questionable, but it was instrumental in finalising the regeneration of the whole coastline. After the on-going operation around the future high-speed rail station of La Sagrera, the remaining urban regeneration needs should involve much smaller operations, mostly in peripheral areas built during the 50's and 60's, and for the conversion of old industrial sites, which have been vacated as industries have moved to the periphery. In many respects, addressing the ramifications of this transfer of activities to the periphery is now the major challenge for Barcelona's urban strategy.

Transport

The performance of a metropolitan area depends heavily on the quality of the infrastructure, the utilities and, in general, the services available to the population. Transport infrastructure (road, rail and, in the case of Barcelona, the port and the airport) and public transport services are arguably the most important factors. Long-term planning for the whole metropolitan area has preserved land and the capacity to build needed infrastructure when it has been required. In spite of the usual political difficulties, both the motorway and road and rail networks have maintained capacities in response to growing needs. With the high population densities of Barcelona, the public transport system has a crucial role in securing accessibility and ensuring the good operation of the urban economy. At present the 3 million inhabitants of the conurbation generate about 700 million public transport journeys per year. Public transport services are provided in the main by conventional suburban rail,

metro and buses. The metro is particularly important, as it accounts for 46% of the peak movements into the central city. Against this backdrop, the Generalitat de Catalunya, the autonomous Regional Government of Catalonia, created the Autoritat del Transport Metropolità (ATM) in 1995 – ATM's main objective is “to articulate the co-operation between the public administration bodies in charge of the collective public transport services, as well as the infrastructure of the Barcelona area they belong to; and the collaboration with those, such as the State Administration, that are financially involved or are the owners of their own services”. The concentration of transport planning and management in a single authority, with a single tariff system, and the clarification of the roles of the various levels of government, has proved crucial in facilitating an efficient and responsive public transport system.

Other sectors

As with most major urban areas, Barcelona shows an array of changing needs in all sectors. Some can be addressed at the municipal level, but many require a metropolitan, regional or national perspective. The coordination between administrations responsible for the various types of infrastructure, utilities, social services, etc. is always difficult. Water supply, drainage and sewage treatment have been particularly problematic sectors that have required important co-ordinated investment in the past. Schools and health centres have had to follow the flow of population towards the periphery, with important consequences in the distribution of income and expenditure of municipalities. Universities have been created and used as landmarks for urban renewal.

Managing urban transformation

The former comments give an idea of the difficulties of integrated planning and programming, notably in a rather disjointed administrative setting. As already noted, Barcelona has benefited from some good plans, but inadequate governance and litigation between administrations has often hindered development. A fundamental factor in overcoming difficulties in Barcelona has been the presence of precise deadlines, such as the celebration of the Olympic Games, and a strong sentiment within the populace of ownership of the city's future and respect for its past. The latter is difficult to conceptualise and impossible to quantify, but has been essential for the success of the urban renewal process that has supported

Barcelona's transformation into a major player in the international city network.

EIB intervention

Barcelona is arguably the best example of what the EIB can do to support the development of sustainable cities. Since 1988, the Bank has financed 31 projects directly linked to the metropolitan region, amounting to investment of some EUR15 billion, which has been fundamental for its regeneration and development strategy. Under the global planning framework covering basic infrastructure, the Bank has provided some EUR 5 billion that has been essential for programming the long-term investments that will benefit future generations. Examples of EIB's role by sector are illustrated below:

Transport

Several loans to the Barcelona Port Authority have been instrumental first in the optimisation of the use of available port space and, more recently, in the substantial extension of the size of the port, which will allow it to become the logistic gate of the Mediterranean. Accompanying loans for the development of two logistic platforms (ZAL I and II) on port land, as well as to rail and road accesses, have also helped in the transformation of the port into a high-performance intermodal node able to compete with North Sea ports for Far East traffic. These projects have facilitated the recovery of valuable land in the old port area (see below) and the enormous development of cruise traffic.

Barcelona airport has gone through a substantial transformation, financed by

the Bank through AENA, the National Airport Agency. Following some relatively minor investments in the 90's, the Bank is financing the new runway and the new terminal with EUR 1.1 billion. Traffic growth, which has been substantial (from 17.1 million passengers in 1999 to 24.4 million passengers in 2004), is expected to continue and even to accelerate with the new facilities. Good air transport is essential for business and tourism, and it has certainly contributed to the multiplication by a factor of 2.4 of visitors' night stays in Barcelona since 1993.

The EIB has financed the ring roads and the metropolitan tunnels that were completed for the Olympic Games, essential for the integration of the urban

area and to reduce traffic pressure on the city centre and main accesses.

Important rail projects financed by the EIB are underway, the most relevant being the new high-speed line Madrid-Barcelona-French border, which will facilitate the regeneration of an important brownfield site around the new La Sagrera station – the latter will become a key activity node and multimodal interchange.

It is important to highlight the role of public transport in the transformation process. ATM has been able to properly coordinate the many stakeholders and produce the Public Transport Master Plan 2001-2010 (PDI), which lists priority projects to be implemented during this period. The PDI is mainly railway driven (including metro and tramways), but also includes bus stations, multimodal interchange nodes

and park-and-ride facilities. Total investment needs are about EUR 7.5 billion and comprise more than 70 investment projects. Since its inception, the EIB has been involved in the financing of the PDI and almost EUR 2 billion has already been advanced through several loans. The most important components forming part of this finance package are the new metro Line-9 (43 km in length), two tramway networks (Tram-Baix & Tram-Besós; under a PPP scheme), the extension of several existing metro lines, the renewal of rolling stock fleets, and the refurbishment of more than 50 existing underground stations to meet the needs of travellers with limited mobility. In the near future, it is the intention of both the Bank and ATM to continue this fruitful collaboration, with the appraisal of new projects imminent (e.g. multimodal interchanges nodes).

Urban renewal

Urban renewal and rehabilitation of the built environment have been critical factors in the transformation of Barcelona. The EIB has financed the infrastructure for the renewal of the old city (Ciutat Vella), including the reconstruction of the Liceu, the opera house located in the Ramblas at the core of the district, which was damaged by fire in 1994. Nearer the sea, the regeneration of the old port and the construction in an old quay of the magnificent World Trade Centre building, which is also the location for a cruise passenger terminal, are well known examples of conversion of obsolete central port sites.

In the stigmatised industrial area in the mouth of Besós river, a 180-hectare site has also been regenerated with EIB support (a EUR 90 million loan), integrating innovative urban and environmental schemes to host the 2004 Forum of Cultures. The latter was a global event sponsored by the United Nations, and the development was readapted afterwards as a new integrated sustainable community, with the biggest conference centre in Barcelona as a landmark. It includes shopping centres, residential areas, hotels, offices, beaches and parks, etc., all served by the Tram Besós, and new road and parking infrastructure.

Employing a specialised framework loan, through the Institut Català de Finances acting as financial intermediary, the EIB is also financing smaller renewal operations in several neighbourhoods of the conurbation, most of which were developed for social housing during the 50's and 60's. These are all now the subject of very detailed integrated plans for their respective localities, including social measures aimed at maintaining those characteristics that deserve preservation (identity, family and social ties, etc.), but promoting better social interaction with the provision of better amenities, public transport, etc. More appropriate and

liveable densities are an essential criterion for success, so difficult measures, such as decanting of some residents, is often necessary. The full participation of the population is therefore a prerequisite for implementation. To qualify for EIB support, the Bank requires that the integrated vision of technical (including energy efficiency criteria), social and governance (including financial liabilities) aspects are taken into account by the promoters of social housing projects and its banking intermediaries. The EIB approach is thus very similar to the “sustainable communities” policy proposed by the UK Presidency.

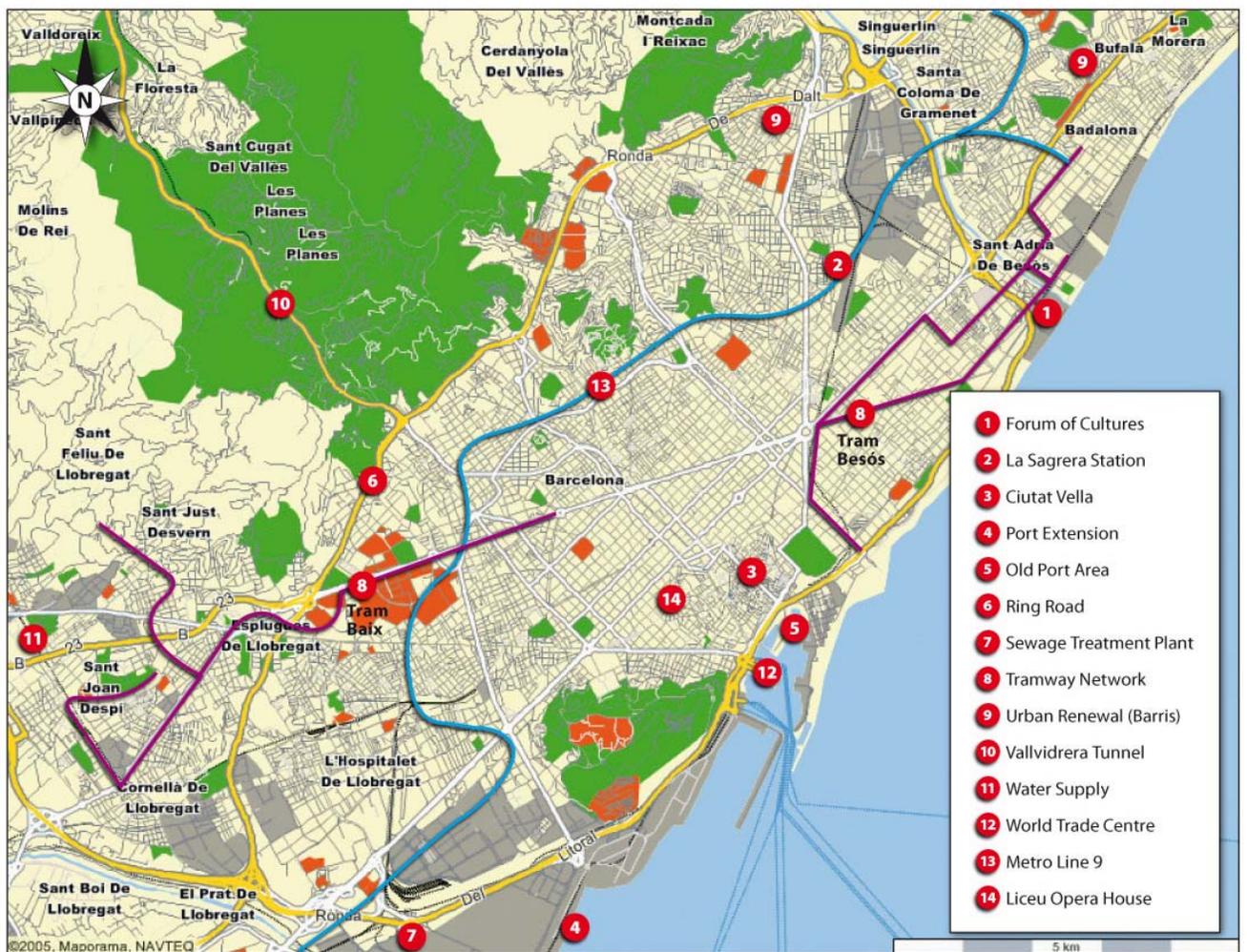
The Bank has financed several other projects aimed at adapting basic infrastructure to the growing needs of the population of the metropolitan area, which has been increasing whilst the population in the municipality of Barcelona has decreased. This population transfer has reduced excessive density in central locations and allowed for a better quality of life.

Water supply schemes to improve the quality of drinking water, major works to prevent recurrent floods and reduce

pollution through drainage collectors and reservoirs, a big treatment plant near the port extension area, a waste incineration plant and financing of utilities (notably telecoms) to improve networks, have been financed directly or through programme loans to utility companies.

The EIB has also contributed to the development of human capital in the area through loans to health and education projects and the development of SME's through global loans.

Sustainable Cities Case Study – BARCELONA - Spain



GLASGOW Case Study

Urban context

Glasgow is Scotland's largest city, with an estimated population of 585,090 (2003), and lies at the heart of the Clydeside conurbation, which has a population of some 1.5 million. The city is characterised by a number of problems, most notably severe housing stress (according to measures such as housing condition, homelessness, disrepair, multiple deprivation, etc.), relatively high unemployment, long-term population loss and increasing pressure for suburbanisation. Until the 1970s, the major issues in Glasgow were overcrowding and low housing standards, a legacy of the city's rapid and often uncontrolled growth following the phenomenal industrial development of the nineteenth century - Glasgow was notorious for its slums! More recently, however, prevailing concerns have been dominated by the ramifications of employment change, with huge job losses in manufacturing accompanied by relatively modest increases in white-collar jobs. In the last twenty years, Glasgow has lost far more jobs than most other parts of Scotland or, indeed, the United Kingdom. Job loss has led to high unemployment (the unemployment rate is relatively high at 5.34%, compared to the national average of 3.97% and the England and Wales average of 3.38), family breakdown, poverty, out-migration and, most noticeably, neighbourhood abandonment. People have left Glasgow in search of work, with the resulting loss of population exacerbating neighbourhood decline and reinforcing the cycle of decay and, inevitably, increasing social polarisation. Levels of deprivation are much higher in social

housing than in other tenures³, and more than 80% of the city's social housing stock, the dominant tenure type, is located in postcodes officially classified as being amongst the country's most disadvantaged. It is against this backdrop that housing reform and rehabilitation is perceived as being a pivotal element in the city's regeneration.

Urban regeneration strategy

Given the scale of the task of physical redevelopment and economic and social recovery, the city's regeneration strategy needed a comprehensive and integrated policy framework: housing renewal could not be pursued in isolation. This is why the quality of the residential environment, whilst considered a key driver in the regeneration effort had to be accompanied by the creation of new jobs, and on co-ordinated infrastructure development and social initiatives – to achieve successful neighbourhoods.

The City Council's planning framework for delivering such a co-ordinated strategy was delivered through the Development Plan. This comprises two elements. In the first instance, local authorities in the Clyde Valley jointly produced the Clyde Valley Structure Plan (published in 2000) for the conurbation, which has Glasgow at its core. Secondly, the City Council approved the Glasgow City Plan in 2001. This lends more detailed physical elaboration to the Structure Plan by setting out the proposed physical regeneration strategy for the city, identifying area regeneration priorities,

³ About a third of the city's total stock is social housing.

proposing land-uses for the various areas within the city, and establishing the framework within which planning decisions will be taken and implementation controlled.

EIB intervention

The Bank has endeavoured to support programmes which are key components of this larger and more comprehensive urban regeneration initiative, designed to stem the loss of population and jobs, and develop a more coherent approach to renewal by “joining-up” the existing catalogue of previously disparate remedial programmes. The intention is for an explicit integration of major physical development with comprehensive social regeneration in pursuit of more inclusive and self-reliant communities, and this is to be achieved through formal and area-specific partnerships comprising public, private and community agencies.

To date, the EIB intervention has focused on two major projects designed to promote regeneration in the most deprived localities and to address related deficiencies in social infrastructure. In the first instance, under the umbrella

Glasgow Urban Renewal, a significant loan of some EUR 230 millions has been advanced in support of improvement to social housing occasioned by the transfer of the stock from the local authority to the Glasgow Housing Association Limited (GHA) and ultimately, through a series of second-stage transfers, to smaller and more community-based local housing organisations (LHOs). This is complemented by a second major investment project entitled Glasgow Schools, with the Bank advancing some EUR 160 millions in support of improvements in the corresponding neighbourhood schools and other education facilities. Both projects are so-called framework loans, providing lines of credit for investment packages in which implementation of the individual sub-projects are often perceived as pivotal and/or key catalytic elements in the regeneration of their respective localities. They are excellent examples of the Bank supporting a relatively mature regeneration strategy with considered investment in clearly demarcated and deprived neighbourhoods, in pursuit of more “sustainable communities”.

Glasgow Urban Renewal

Total cost: GBP 1.700m (EURO 2.613m); EIB funds: GBP 150m (EURO 230m)

The project focuses on the regeneration of deprived neighbourhoods through major rehabilitation of housing, the reconfiguration of problem estates including selective demolitions, and other environmental improvements. The intent is to support the improvement of the Glasgow City Council's (GCC)

social housing stock, comprising some 81,908 units, which represents almost a third of all homes in the city. To this end, the stock has been transferred to the Glasgow Housing Association Limited (GHA), a registered social landlord (RSL) more able to deal with both the funding and implementation of the

improvement programme. The project's key aim is to reduce social marginalisation and unemployment, in an attempt to create more sustainable communities helping to stem the loss of population and jobs. Meanwhile, one of the underlying principles of the current Scottish Executive's (SE) policy is a commitment to the promotion of community ownership, in order to tackle problems such as poor housing and limited opportunity, via greater local involvement in the decision making process. The transfer of social housing units from the Council to Glasgow Housing Association (GHA), and

eventually to smaller tenant-led Local Housing Organisations, reflects this key SE policy and, to this end, the SE is providing a number of grants to support the Glasgow project. It is estimated that the upgrading programme will generate over 3,000 new jobs in the construction industry, founded on an existing high impact training and employment initiative. The Bank has judged the economic merits of the project in term of its ability to achieve the twin socio-economic objectives of fostering urban regeneration and meeting local housing need, and is confident of its success.

Glasgow Schools PPP

Total cost: GBP 278m (EURO 429m); EIB funds: GBP 105m (EURO 162m)

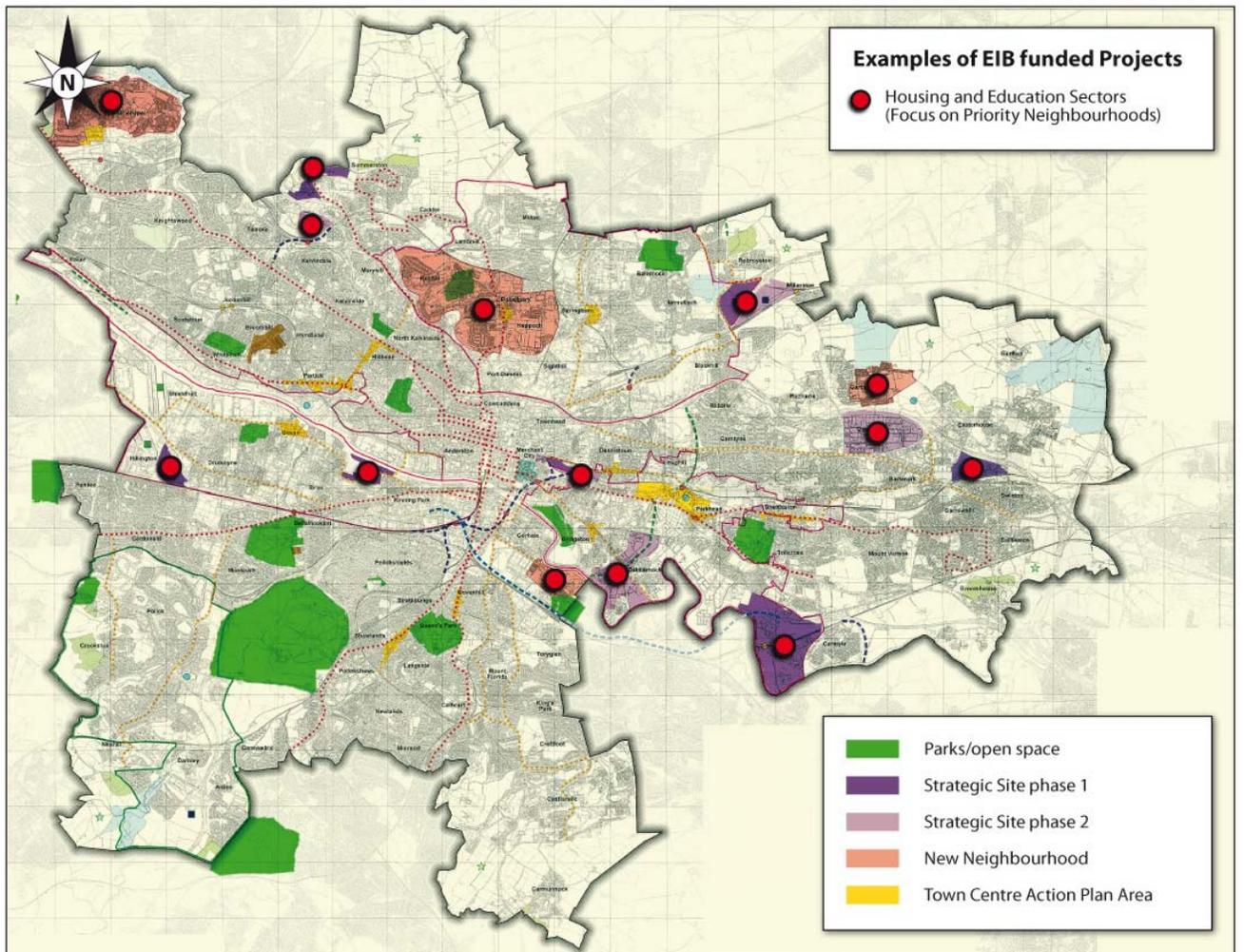
Glasgow used to suffer from the lowest secondary education attainment levels in Scotland, and its schools infrastructure was in very poor condition. The need to upgrade the secondary school stock in order to provide a more conducive and contemporary learning environment was self-evident, but so was the need for rationalisation of the estate. In the late 90s, the City Council completed a major school estate rationalisation programme, the aim of which was to use resources more efficiently by reducing the large number of surplus places in some of the city's secondary schools, whilst simultaneously boosting educational achievement in accordance with the City Council's publication, "Modernising the

Principles of Comprehensive Education in Glasgow", by providing schools with high-quality and well-maintained teaching areas, fitted with state-of-the-art technology. Against this backdrop, the Bank has supported a project involving the re-building and/or refurbishment and modernisation of 28 secondary schools and 1 primary school in the city (including the provision of an information and communications technology (ICT) system). But, perhaps of equal importance, is the manner in which the improvement programme dovetails with the housing project above, mutually reinforcing one and other in pursuit of the city's broader-based regeneration strategy.

In addition to the above, the Bank is also investing in a number of associated infrastructure projects to improve Glasgow's connectivity with its hinterland and the rest of the country. For example, a significant loan of around EUR 610 millions is dedicated to the upgrading of a priority railway line

from London to Glasgow (total cost of some EUR 3000 millions) and an investment of around EUR 100 millions is agreed for the construction of a section of the railway between Glasgow and Carlisle (total cost of around EUR 300 millions).

Sustainable Cities Case Study – GLASGOW – United Kingdom



WARSAW Case Study

Urban context

The City of Warsaw has a population of 1.69 millions, extending to some 2.5 millions for the metropolitan area as a whole, i.e. the city plus the contiguous smaller towns and highly urbanised areas. Notwithstanding that the systematic and socio-economic transformation of Poland since 1989 has been more pronounced in Warsaw than elsewhere, the Warsaw metropolitan region is nevertheless classified as Objective 1 under the Cohesion Policy of the European Commission. Warsaw is located in the centre of Poland on the West-East transport corridor from Berlin to Moscow, is the country's largest city and its administrative and commercial capital. The city is also an important educational and academic centre (255,000 students), with over 1,000 schools of various types and 62 public and private, general and faculty-oriented universities.

In economic terms, Warsaw is the country's absolute leader thanks to its capital function and locational advantages. By 2004, the city's contribution to national GDP was 12.9% and GDP per capita was 3 times the national average (approx. 60% of the EU average), making it the wealthiest of the Polish cities and the most developed municipality in the country. The city has a well-diversified economy and an unemployment rate of only 6%, well below the national average of 18%.

Despite these apparently satisfactory economic development ratios, the city is facing a number of problems relating to the growing disparity between economic growth and infrastructure improvement

and development. Problems exist because of an acute maintenance backlog, and also the progressive failure of the transportation system to respond appropriately to the rapid growth in car ownership and the need to improve public transport, the inadequacy of waste water treatment, recycling and dumping of municipal household waste, insufficient quality of potable water, insufficient housing, inadequate community facilities and, beyond the commercial core, a poor and generally deteriorating urban environment. This adversely affects the attractiveness and competitiveness of the city, and the quality of life of its citizens.

Urban regeneration strategy

Such problems were recognised by the City of Warsaw in the preparation of "Warsaw's Development Strategy to 2010" and the "Planning Conditions and Directions for the City of Warsaw". The strategy outlines the socio-economic directions for the development of the capital, points out the main goals and development targets, and complements this with a study of the environmental and land-use implications designed to provide the framework for more detailed physical plans. For example, the planning parameters have already established the framework for initiatives rationalizing the public transport system including the creation of bus lanes, metro lines and park and ride facilities, the modernisation of rolling stock and the introduction of intelligent transport systems (traffic flow control, single ticketing, etc), an integrated package of measures designed to enhance municipal transit and to integrate rail transport with the tram and bus networks.

Diagnostic work as part of the planning process had begun as early as 1990, and one of the key conclusions in the final report was that the main factor limiting efficient and effective resolution of the many strategic development problems was the prevailing structure of the municipality of Warsaw. This is one of the main reasons for the 2002 legislation that led to a radical reorganisation of the municipal administration, fostering a more efficient and cohesive approach to the management of the capital. Under the new arrangements, the City is in essence responsible for strategic planning and city-wide issues, whereas implementation at the local level is devolved to the 18 newly created boroughs. The two-tier system is nevertheless highly centralised, in particular budgetary control, and the anticipation is that this will help to foster a more efficient and cohesive approach to the management of the capital.

EIB intervention

As the country's capital, Warsaw has experienced rapid growth in the service and industrial sectors, and the associated ramifications have exacerbated the need to improve urban infrastructure to respond to growing demand. The Bank's financial support is for projects at both the strategic and local levels responding to the need for urban regeneration and restructuring. It comprises the co-financing of multi-sector projects forming part of the respective capital programmes of the City and constituent boroughs, which are explicitly designed to improve the quality of urban services and enhance the quality of the urban environment, as well as significant investments in infrastructure designed to reinforce the city's status as the nation's capital and improve its international competitiveness. The EIB's support is therefore directed at projects, which are well planned, integrated and sustainable, but also help to develop institutional capacity and promote good governance.

Warsaw Municipal Infrastructure I and II

Warsaw I signed in 2003

Total cost: EUR 90m; EIB funds EUR 45m.

Warsaw II signed in 2005

Total cost: EUR 250m; EIB funds EUR 125m.

The projects responds to the new local government structure in Warsaw, with the initial loan providing funds for the financing by the new Warsaw boroughs of small and medium scale urban development projects primarily in the fields of urban renewal, rehabilitation of infrastructure and provision of community facilities (about 230 sub-

projects in all). Meanwhile, the second loan focuses on larger schemes (about 30 sub-projects in all) which, in the main, have been initiated by the City itself. The measures envisaged reflect the prevailing priorities in the latest iteration of the City's development plan and respond to well-defined and integrated strategies for renewal and regeneration

within their respective constituencies: the integration of measures carried out in different sectors is the added value expected to increase the city's attractiveness and to enhance the local capacity building. Examples of more significant schemes/sub-projects include:

- Warsaw Uprising Museum, an old tramway power station transformed into a museum (project cost: EUR 15m; completion scheduled for 2006).
- Marymont Station and Subway Construction (project total cost: EUR

25m; completion scheduled for 2006).

- "Construction of the "Siekierkowska Route" from the Wal Miedzeszynski junction to the Bora-Komorowskiego junction (project total cost: EUR 18m; completion scheduled for 2006).
- Roads modernisation programme of WAWER borough (project total cost: EUR 5.8m; completion scheduled for 2007).

Warsaw Sewage Treatment Plant

Total cost: EUR 92m; EIB funds EUR 45m.

Much of the sewage produced in Warsaw is discharged daily without any treatment into the Vistula River, the main source for the city's water supply. Contamination levels in the river are high, resulting in high purification costs, notwithstanding the fact that the drinking water quality remains mediocre. The project comprises the construction of the "Poludnie" sewage treatment plant with a daily capacity of 112 cubic meters, which will allow for collection and treatment of sewage from

the city's southern boroughs with 350 thousand inhabitants (25% of the city's surface) to serve some 20% of the population and industry of the city.

Implementation of the project will reduce the city's unprocessed sewage by 30%, resulting in a significant improvement in water quality. Other positive environmental externalities include improvement in both the quality of the Vistula River and the Baltic Sea, in line with the Helsinki Baltic Sea Declaration.

Warsaw Subway Extension

Total cost: EUR 210m; EIB funds EUR 70m.

The project comprises an approximately 4 km extension of the existing Warsaw metro in a northerly direction, with the creation of four new stations and a new

transport interchange with tram and bus services. The new terminal station at Młociny will be integrated into a multi-modal interchange node including a

multi-storey park & ride facility for 1000 cars situated next to the route of a proposed new road crossing of the Vistula river.

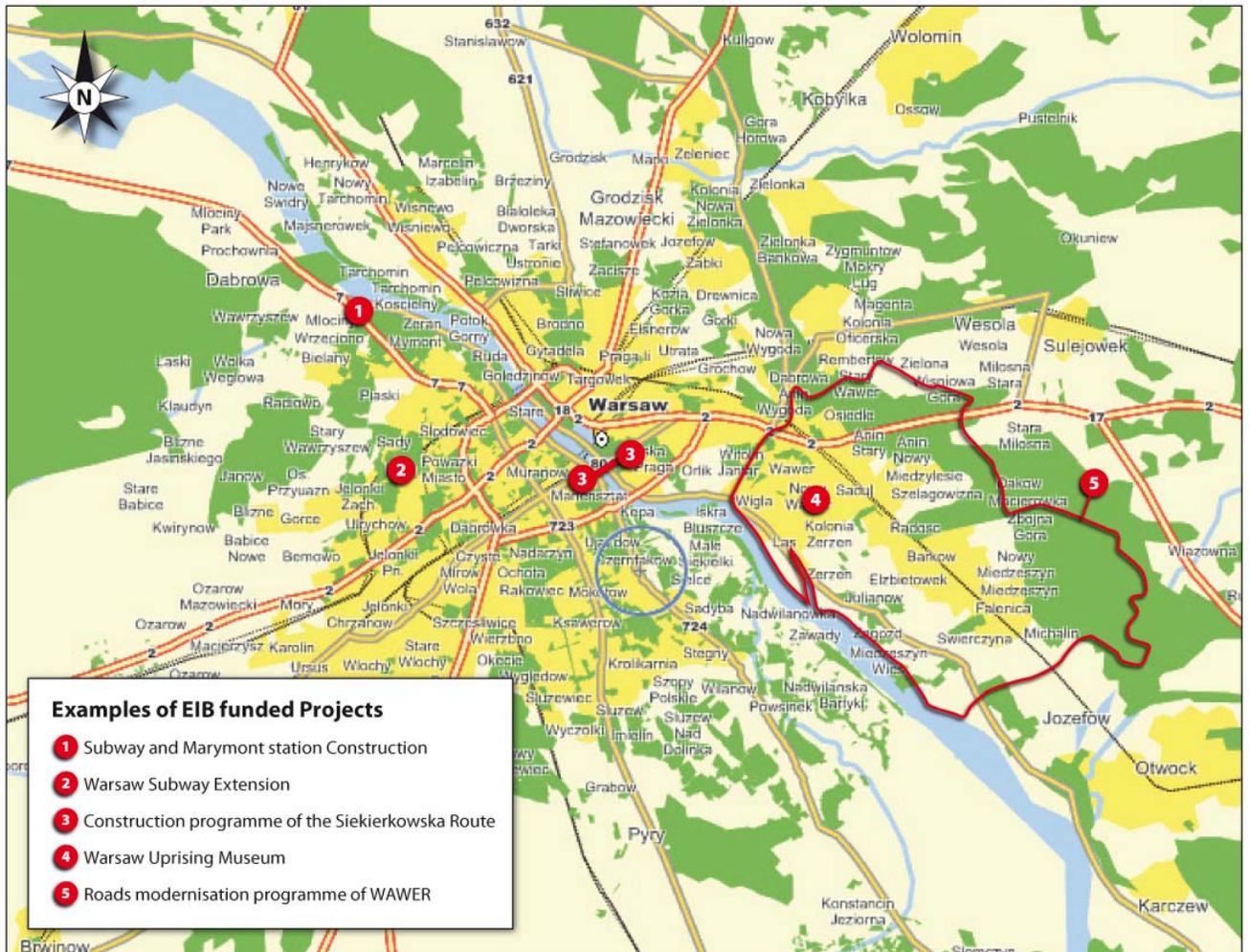
The project will help to integrate the

public transport system in the northern part of the city, together with those of the city's districts on the right bank of Vistula river, via the new bridge, and the neighbouring Lomianki municipality via a new railway line.

Through framework loans the EIB has contributed to the construction of office buildings in urban renewal areas and to the construction and renewal of social housing stock. In addition, the Bank is also either co-financing or negotiating a

number of loans that are directed at enhancing Warsaw's regional, national and international transport infrastructure, including the Berlin-Warsaw railway line, motorway and the airport

Sustainable Cities Case Study – WARSAW – Poland



Some facts and figures on EIB urban project lending

The EIB has been financing urban renewal and development projects for many years, both through individual and global loans, under the regional development or urban environment umbrellas (notably for public transport projects). Under the regional eligibility criterion, funding was limited to Objective 1 and 2 areas. From 1988 onwards, the scope of the Bank's urban renewal activities was extended to non-assisted areas under the heading of "improvement of the urban environment". Urban renewal covered investment that helped reduce severe deprivation and formed part of an urban development programme, such as urban renewal schemes, protection of environmental, historical, cultural and architectural heritage⁴. In subsequent years, the Bank financed urban renewal works in Spain, Denmark, France, Germany, Ireland, Portugal and the UK. In Italy, the EIB financed restoration works in the historical centres of many cities.

In 1997, the European Council of Amsterdam called on the EIB to step up lending for investments helping to create new jobs. The Amsterdam Special Action Programme (ASAP) was launched, allowing for the first time the financing of housing as an essential component of urban renewal and regeneration programmes. At the same time, investment in human capital (health and education infrastructure and services) became eligible. The March 2000 Lisbon Summit confirmed the priority of EIB funding in the

environmental sphere, including the improvement of the urban quality of life.

Analysis of the overall lending pattern reveals that 18 of the 25 Member States have benefited from loans in the area of urban renewal and urban transport over the period 2001-2004. These projects have amounted to € 15,6 billion in loans, distributed over 107 projects, which leads to an average loan amount of about € 150 million⁵. These projects include only those classified under the "urban environment" heading. It should be stressed that a considerable amount of lending to assist cities, much of which contributes to the sustainable communities agenda, is funded under other headings, for instance as environmental infrastructure – e.g. water or solid waste – or human capital – e.g. school or health facilities. This is also the case for several multi-sector loans co-financing Objective 1 and 2 Operational Programmes in assisted regions containing significant urban component, which are also not classified as urban. Among urban operations, those devoted to urban renewal projects are the most numerous, but urban transport projects are more important in financial terms as their project size tends to be larger. Metro or underground projects tend to be the largest of all, they commonly receive € 500-600 million (e.g. Porto or Toulouse metro), while the London underground received € 1,3 billion in the period in question. Overall, the minimum investment amount of € 25 million is respected as a minimum threshold, although individual tranches can be smaller.

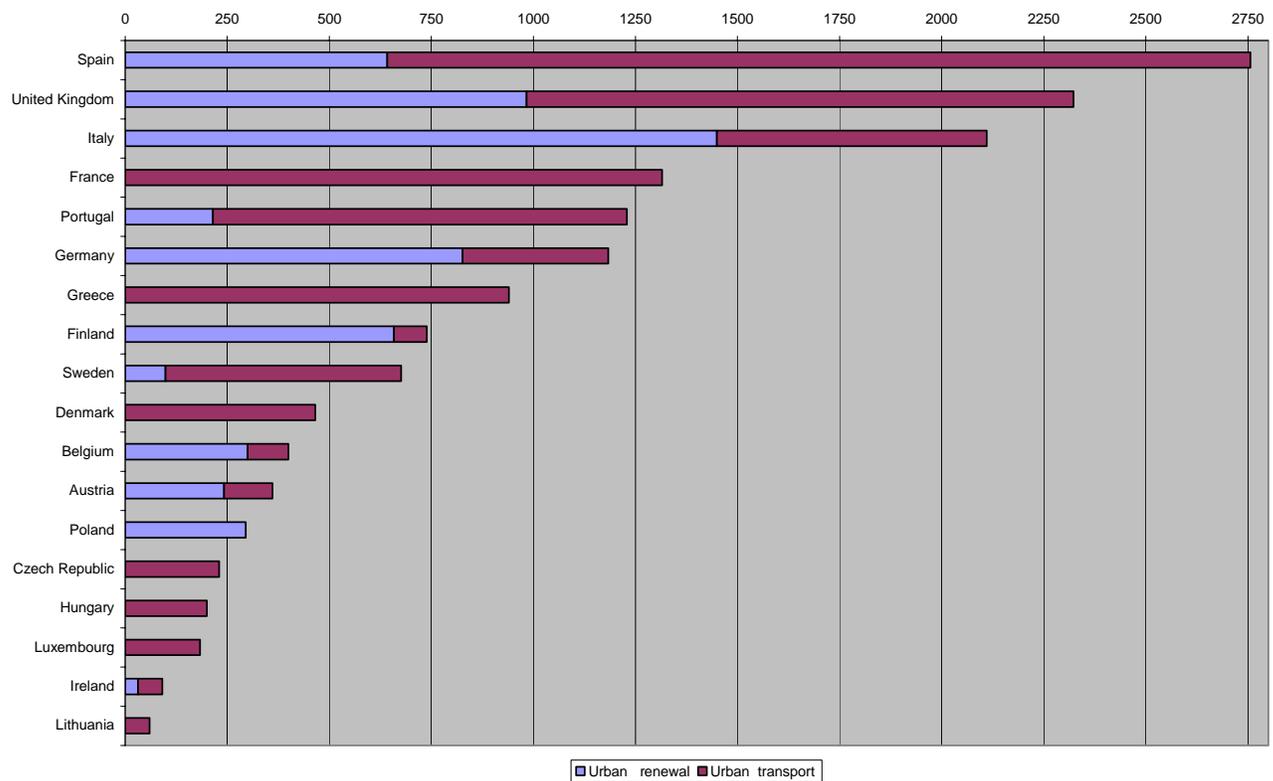
⁴ EIB – Urban Development; EIB in the Cities

⁵ Projects which have benefited from several tranches over the period covered have commonly been counted as one project.

Spain, the UK and Italy are the largest beneficiaries in the area of urban development, each receiving over € 2 billion during the period 2001-2004. No loans have been issued to countries such as the Netherlands, Estonia, Slovenia,

Slovakia, Cyprus and Malta. The under representation of the Netherlands is particularly striking, apparently due to the availability of alternative sources of funding and the AAA-rating of Dutch municipalities.

Figure 1: Overall Pattern of EIB Lending in Urban Development (2001-2004), amounts in €million



Source of data: EIB Environmental Reports 2004, 2003, 2001-2002, calculations by ECOTEC

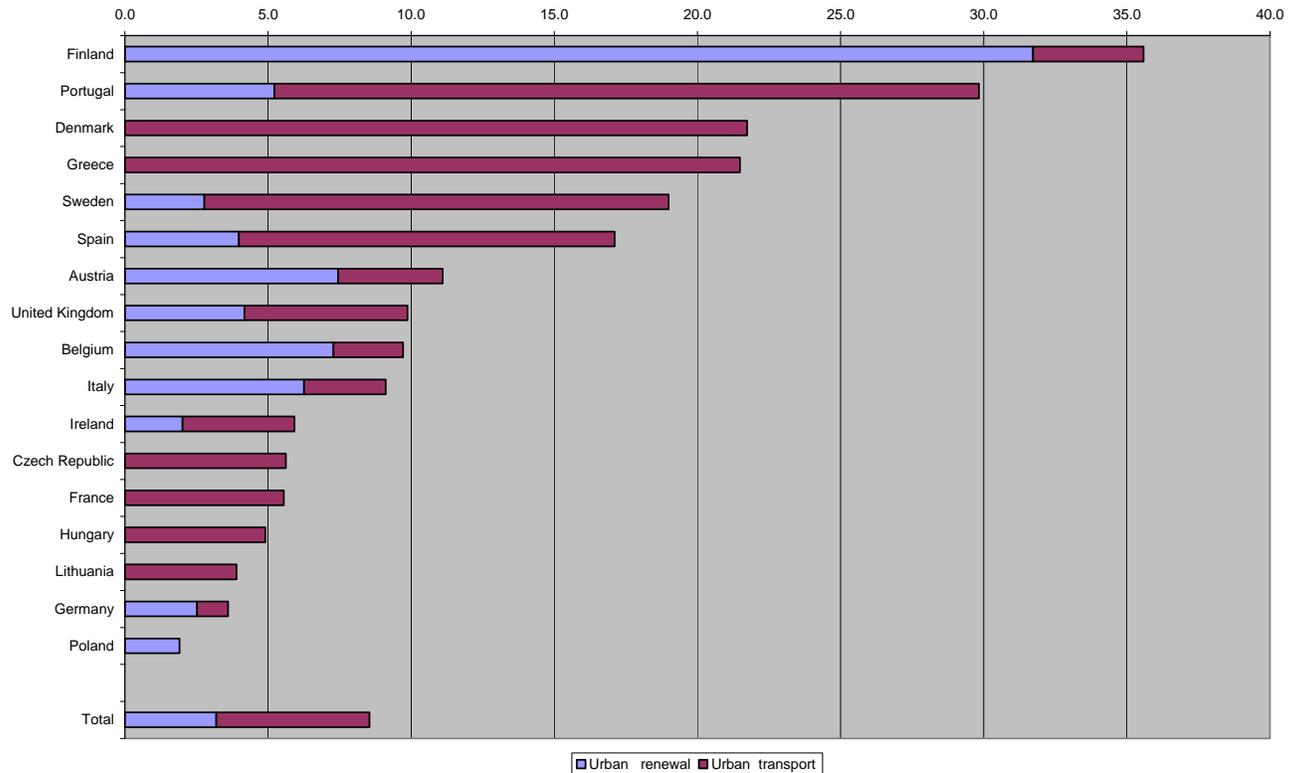
Patterns are different yet again when looking at the average **urban lending per capita** (Figure 2), although these replicate in the main those observed for overall per capita lending. Finland, Portugal, Denmark and Greece stand out as important beneficiaries in the area of urban development. The dominance of large beneficiaries such as Spain, Italy and the United Kingdom is less pronounced once their size is taken into account. Looking at urban lending as a

% of overall lending (Figure 3) is perhaps more informative. Apart from Luxembourg and Lithuania, where the results are distorted by the small size of the countries and the limited scale/number of projects, there are essentially three groups of countries – the first group, including Belgium, Finland, Portugal, Sweden and the UK, absorbs urban development loans at a proportionately higher rate than the EU average of 15%; an intermediate group,

including Greece, Spain, France, Austria, Italy and Denmark, broadly in line with the European average; a third group of relatively low absorbers, with

10% or less of urban development lending, includes Hungary, the Czech Republic, Germany, Ireland and Poland.

Figure 2: EIB Lending in Urban Development (2001-2004); amounts in €per capita/year ¹⁾

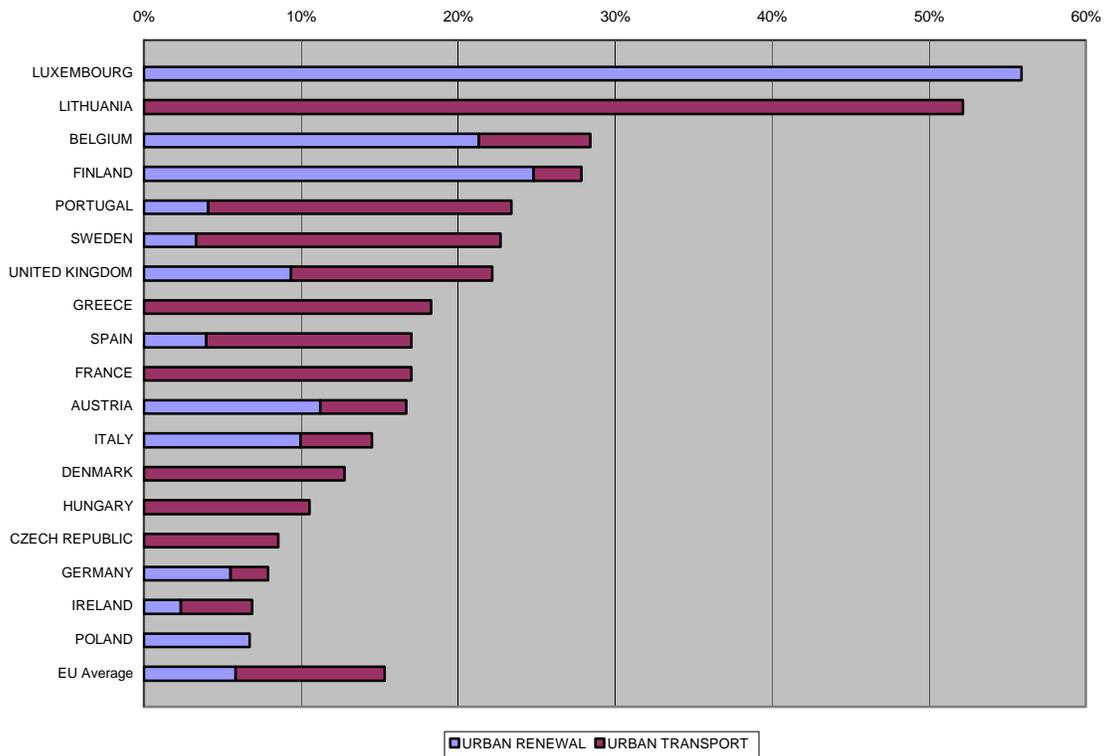


1) Luxembourg is not depicted here, as it amounts to € 104 per year due to the financing of the EU Court of Justice

Within countries, there are even differences. An analysis at the project level points to a relatively strong emphasis on urban renewal in Italy, where a range of cities takes advantage of EIB loans for urban renewal. In Belgium, an equal distribution between Flanders and the Walloon region appears to be the case, while Austrian investments favour several cities. In Germany, EIB loans in this area are mostly used for urban renewal in a wide range of cities, while France uses the Bank in this area exclusively for urban

transport, such as metros, tramways, but also for ringroads. Portugal has a broadly similar investment pattern, although urban renewal (social housing) projects have also been introduced. Spain has made extensive use of EIB loans for a variety of investments, including metros, tramways, urban renewal, and development/renewal of large buildings, such as a trade fair and an exhibition centre. In Greece, EIB loans have been used for the preparation of the Athens Olympic Games.

Figure 3: EIB Lending in urban development (2001-2004); % on individual lending



The lending pattern in Sweden is strongly biased towards urban infrastructure (rail, rolling stock, roads), while Finland focuses much more on urban renewal. Both components are represented in the UK, where several cities have benefited from EIB funding for their urban renewal (Sunderland, Halifax) or specifically social housing (Glasgow).

Amongst the new Member States, urban infrastructure support has been the most common investment, often focusing on the capital cities such as Budapest and Prague. In Lithuania, an EIB-loan has been earmarked as co-financing for the Community Cohesion & Structural Funds in the area of urban transport. Poland has introduced social housing.

These trends hint at learning and exchange patterns taking place within

national borders; once a city has been successful in applying for EIB loans, new loan requests are likely to emerge in other cities in the same country. The EIB is also transferring its experience across borders. Municipal programme lending is, for instance, becoming a successful product across the EU and even in partner countries such as South Africa. This experience, which is quintessential to the Technical Assistance programmes, such as JASPERS⁶ or FEMIP in the Mediterranean region, could be used to support the dissemination of the Sustainable Communities approach, proposed by the UK Presidency, which is in line with EIB practice in urban renewal projects.

⁶ Being developed with the European Commission and contributions from other IFIs

OVERVIEW OF EIB LOANS IN URBAN DEVELOPMENT OVER THE PERIOD 2001-2004

Country	2001-2002		2003		2004		Urban renewal	Urban renewal	Overall
	Urban transport	Urban renewal	Urban transport	Urban renewal	Urban transport	Urban renewal			
Austria									
Linz Urban Transport	30			30	24		54	30	84
Vienna Urban Renewal		75		50			0	125	125
Austrian Railway Station Modernisation			27		37.5	12.5	64.5	12.5	77
Upgrading of rundown social housing in Vienna						75	0	75	75
<i>Total</i>	30	75	27	80	61.5	87.5	118.5	242.5	361
Belgium									
Brussels Urban Transport STIB			100				100	0	100
Flemish Housing Corporation				100			0	100	100
Liege Court of Justice				50			0	50	50
Mons Court of Justice				50			0	50	50
Upgrading of social housing and urban regen. In Flanders						50	0	50	50
Upgrading and refurbishment in Wallonia						50	0	50	50
<i>Total</i>	0	0	100	200	0	100	100	300	400
Denmark									
Oerestad Urban Transport - City Line E,F+G	264.1						264.1	0	264.1
Purchase of trains in Aarhus					201.5		201.5	0	201.5
<i>Total</i>	264.1	0	0	0	201.5	0	465.6	0	465.6
Finland									
Tampere infrastructure B		16.8					0	16.8	16.8
Helsinki Leppavaara City Rail	80						80	0	80
Vantaa Urban Infrastructure		65				11.7	0	76.7	76.7
Housing Fund of Finland		300					0	300	300
City of Kotka Municipal Infrastructure C				25			0	25	25
City of Vantaa Urban Renewal				50			0	50	50
Redevelopment of urban areas throughout Finland						190	0	190	190
<i>Total</i>	80	381.8	0	75	0	201.7	80	658.5	738.5
France									
Cofiroute A86 B Phase I	200						200	0	200
Toulouse Metro	100		270		230		600	0	600
Mulhouse Tramway A			35				35	0	35
Valenciennes Tramway			110				110	0	110
Urban tram network in Clermont Ferrand					120		120	0	120
Support of local investment in urban transport sector					250		250	0	250
<i>Total</i>	300	0	415	0	600	0	1315	0	1315
Germany									
Mannheim Infrastructure Urban Renewal B		14					0	14	14
Leipzig Infrastructure Urban Renewal A+B		85		10			0	95	95
Niedersachsen Urban Renewal		75					0	75	75
Port of Hamburg Urban Renewal A		15		10			0	25	25
Urban Renewal Berlin A		100					0	100	100
Sachsen Urban Renewal (incl. Social housing)		50		100			0	150	150
Bremen Urban Renewal				40			0	40	40
Brandenburg Urban Renewal B			44.7				44.7	0	44.7
Mecklenburg-Vorpommern Urban Renewal				100		200	0	300	300
Berlin Trains and Trams			110				110	0	110
Renewal and upgrading of Bruhl District						12.5	0	12.5	12.5
Road and urban infrastructure in Brandenburg					202.1		202.1	0	202.1
Refurbishment of schools in Bremen						15	0	15	15
<i>Total</i>	0	339	154.7	260	202.1	227.5	356.8	826.5	1183.3
Greece									
Athens Tramway	100		40				140	0	140
Olympic Games Athens 2005 - A	500						500	0	500
Athens Metro			300				300	0	300
<i>Total</i>	600	0	340	0	0	0	940	0	940

Country	2001-2002		2003		2004		Overall		
	Urban transport	Urban renewal							
Ireland									
Local Authority Urban Renewal				31			0	31	31
Luas Light Railway			60				60	0	60
<i>Total</i>	0	0	60	31	0	0	60	31	91
Italy									
Salerno Urban Renewal A		25					0	25	25
Rimini Urban Renewal A		40					0	40	40
Emilia Region Urban Renewal		25					0	25	25
Lecce Urban Renewal 2000-2006		25					0	25	25
Florence Urban Renewal		100				50	0	150	150
Urban Renewal Basilicata		154.7					0	154.7	154.7
Bologna Urban Renewal III		150					0	150	150
Urban Renewal Ferrara Province A+B		65					0	65	65
Roma Urban Renewal				100			0	100	100
Genova Urban Renewal				100			0	100	100
Torino Urban Renewal				400			0	400	400
Rinascente Mezzogiorno 2A+B				135			0	135	135
Roma Urban Renewal - Social				80			0	80	80
Padova Urban Tramway			31				31	0	31
Rome B1 line construction and rolling stock						360	360	0	360
Construction of tram line in Cagliari						20	20	0	20
Small urban infrastructure in Genoa						250	250	0	250
<i>Total</i>	0	584.7	31	815	630	50	661	1449.7	2110.7
Luxembourg									
EU Court of Justice				183.8					183.8
<i>Total</i>	0	0	0	183.8	0	0	0	183.8	183.8
Portugal									
Extension of Porto Metro	443.9				200		643.9	0	643.9
Extension of the Lisbon Metro	230		80				310	0	310
Madeira Urban Renewal 2000-2006		65					0	65	65
Carris Transportes AFI A Lisbon			60				60	0	60
CGD Urban Renewal (social housing)				150			0	150	150
<i>Total</i>	673.9	65	140	150	200	0	1013.9	215	1228.9
Spain									
Madrid Metro IIF	42						42	0	42
Valencia Metro II+IIB	110						110	0	110
Barcelona Tram (DBFO)	136.1		125.1				261.2	0	261.2
Madrid Metro (PPP) B+C	700						700	0	700
Barcelona Urban Renewal		90					0	90	90
Cataluna Small and Medium urban Transport IIA	58.2						58.2	0	58.2
Tramway Tenerife	138						138	0	138
Madrid Urban Renewal		70					0	70	70
Valencia Infrastructure & Urban Renewal II		60					0	60	60
Gran Canaria Urban Renewal		60					0	60	60
Bilbao Exhibition Centre				250			0	250	250
Cataluna Urban Transport IIB			70.6				70.6	0	70.6
Castilla y-La Mancha Urban Renewal			224				224	0	224
Barcelona Metro Rolling Stock A			110				110	0	110
Alicante Tramway A			30				30	0	30
Cataluna Urban Renewal				50			0	50	50
Modernisation of trade fair in Valencia						62	0	62	62
Urban infrastructure schemes in Madrid					180		180	0	180
Acquisition of trains for Barcelona metro					140		140	0	140
Light metro line in Greater Seville					50		50	0	50
<i>Total</i>	1184.3	280	559.7	300	370	62	2114	642	2756
Sweden									
Stockholm Ring Road Southern Link B+C	270						270	0	270
Norrkoping Urban Renewal A+B		76.9					0	76.9	76.9
Goteborg Infrastructure			65.6				65.6	0	65.6
Oresund Trains II			23.6				23.6	0	23.6
Stockholm Metro Rolling Stock			108.3				108.3	0	108.3
Diversion of traffic from urban area			109.7				109.7	0	109.7
Ostersun Urban Renewal				21.9			0	21.9	21.9
<i>Total</i>	270	76.9	307.2	21.9	0	0	577.2	98.8	676
United Kingdom									
London Underground PPP	469.1		870				1339.1	0	1339.1
Sunderland Urban Renewal		122.7				112.8	0	235.5	235.5
Halifax PLC Urban Renewal		240.5					0	240.5	240.5
Glasgow Urban Renewal - social housing				219.2			0	219.2	219.2
Nationwide Building Society - Urban Renewal				144.3			0	144.3	144.3
Urban regeneration programmes including rehabilitation						143.8	0	143.8	143.8
<i>Total</i>	469.1	363.2	870	363.5	0	256.6	1339.1	983.3	2322.4
Czech Republic									
Prague Metro B	75		155				230	0	230
<i>Total</i>	75	0	155	0	0	0	230	0	230
Hungary									
Budapest Infrastructure AFI M2-road rehabilitation	125						125	0	125
Budapest Infrastructure AFI Tramcar 2 - B	75						75	0	75
<i>Total</i>	200	0	0	0	0	0	200	0	200
Lithuania									
Community Cohesion & Structural Funds - urban transport			60				60	0	60
<i>Total</i>	0	0	60	0	0	0	60	0	60
Poland									
BGK Urban Renewal - social housing		200					0	200	200
Poznan Urban Renewal & Housing A		13					0	13	13
Financing of small and medium-scale urban renewal						47.5	0	47.5	47.5
Small infrastructure schemes in Bydgoszcz						35	0	35	35
<i>Total</i>	0	213	0	0	0	82.5	0	295.5	295.5