



Support to small municipalities in Sardinia, Italy

Andrea Bua, European Investment Bank



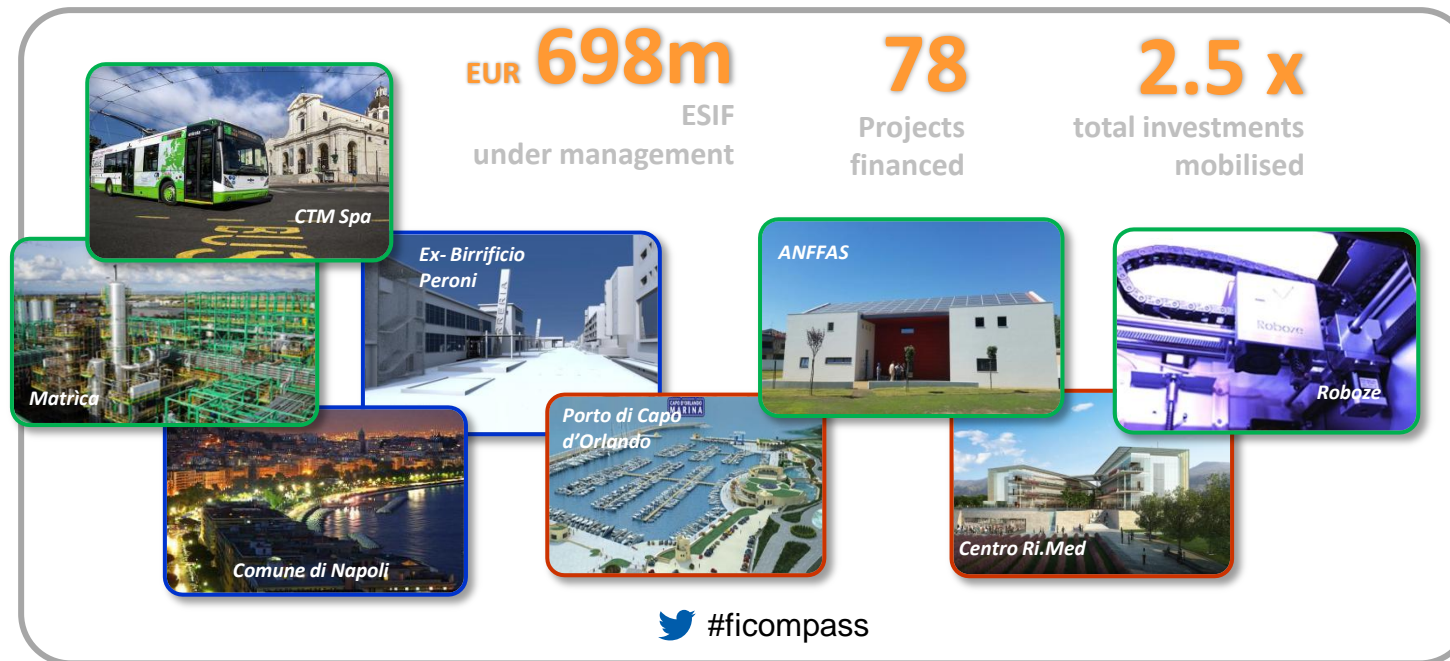
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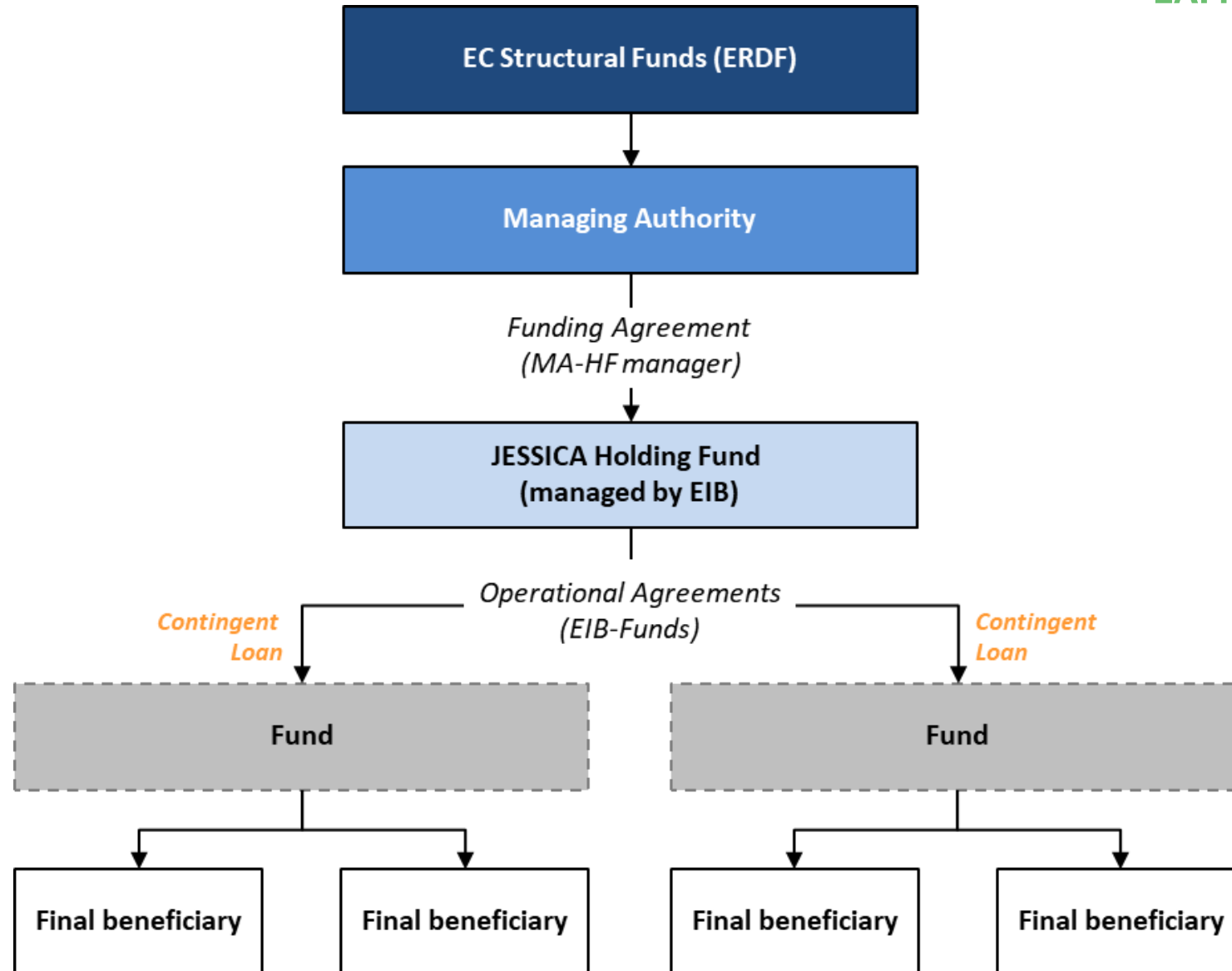
The EIB's experience with financial instruments in Italy



- ☀ **Urban regeneration:** The EIB set up Holding Funds on behalf of the MAs of the regions of Campania, Sardinia and Sicily; the Regions contributed EUR 328 million of EU Structural Funds for the programming period 2007 - 2013. The resources were used to support investments through loans and venture capital: the portfolios are fully performing.
- ☀ **Research, Innovation and Human Skills:** At the end of 2016, the Ministry for Education, University and Research (MIUR) and the EIB created a Fund of Funds focused on research and innovation, with a budget of EUR 270 million of the NOP R&I 2014 - 2020 funds on a multiregional scale (focus on the eight regions of southern Italy). The MIUR Fund also represents an opportunity to develop a **platform that attracts additional private resources, including those of the EIB**, to increase the multiplication effect of scarce public resources without burdening the national budget. A new EUR 100m FoF has now been launched to support students with their university studies.



A consolidated and simple set-up



Advantages of financial instruments



Risk tolerance advantages

Reduction of risks connected to the project structuring

- Wide range of financial products:
 - ✓ Junior/subordinated debt
 - ✓ Mezzanine
 - ✓ Equity
 - ✓ Quasi-equity
- Risk coverage instruments:
 - ✓ Loss absorption mechanisms
 - ✓ Guarantees
 - ✓ Subordinated financing

Financial advantages

Attractive conditions / incentives

- Long term financing (up to 25 yrs) vs shorter term offered commercial banks
- Competitive pricing (EC reference rate, market conform)
- Upfront disbursements for project promoters (vs grants contribution)
- Co-financing and leverage effect

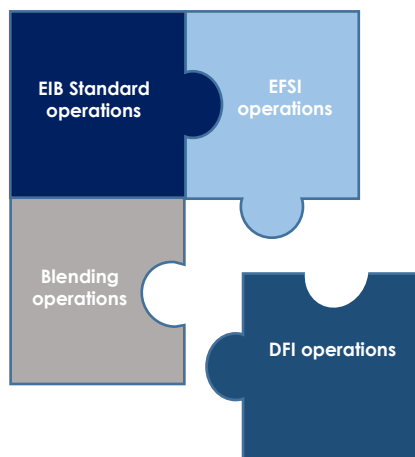
Financial instruments operations rationale: better impact



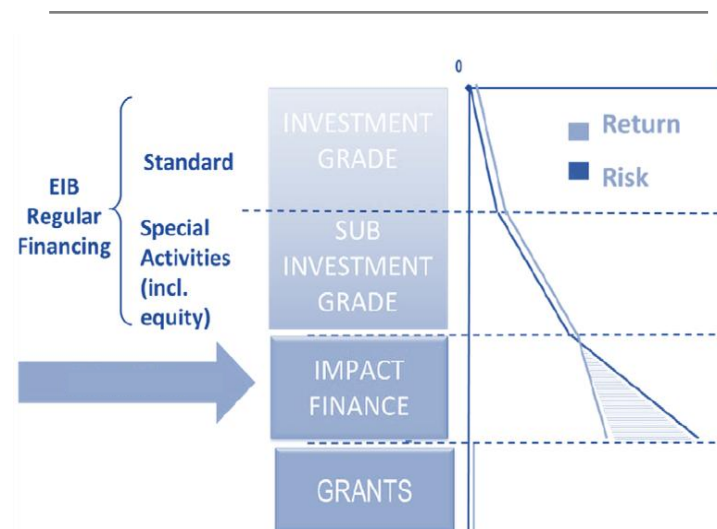
The main purpose of DFI operations is to invest ESIF resources assigned to the EIB into **economically viable projects** promoting **EU policy objectives**.

DFI must be a **complement** to the EIB core operations. They catalyse those projects that may not be financed with own resources. DFI are a unique source of resources for **impact finance and blending to foster regional cohesion in the EU**.

DFI: VALUE PROPOSITION



DFI: CAPITAL FOR IMPACT FINANCE IN THE EU



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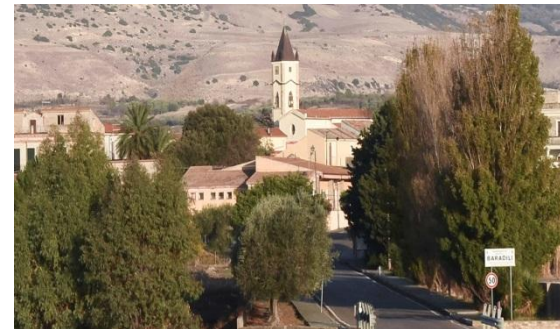
Support to small and remote municipalities – Baridili



JESSICA Fund Sardinia



- This is one example of several similar projects with small municipalities in Sardinia. It concerns various energy efficiency measures: (i) installation of a photovoltaic system in a camper car parking; (ii) installation of solar panels for water heating in the municipal sports facilities; (iii) installation of energy-efficient LED street lighting in the local park.
- The projects is promoted by the municipality of Baradili, a small village with less than 100 inhabitants in the province of Oristano.
- **JESSICA Fund Sardinia contribution:** long-term loan of EUR 119k, covering all projects costs.
- **Expected benefits:**
 - Contribution to clean energy measures;
 - In the long-term, energy cost savings;
 - Modern street lighting.



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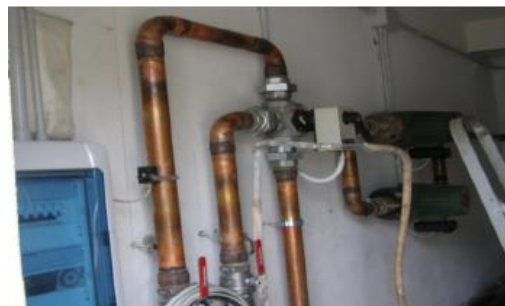
Support to small and remote municipalities – Fordongianus



JESSICA Fund Sardinia



- The project concerns energy efficiency measures: energy efficient public buildings through the use of geothermal energy.
- **Beneficiary:** Comune di Fordongianus (890 inhabitants)
- **JESSICA Fund Sardinia contribution:** EUR 200k, covering all projects costs.



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Support to small and remote municipalities – Burgos



JESSICA Fund Sardinia



- The project concerns energy efficiency measures: energy production plants from renewable sources on municipal buildings (school building, municipal office, sports facilities).
- **Beneficiary:** Comune di Burgos (920 inhabitants)
- **JESSICA Fund Sardinia contribution:** EUR 287k, covering all projects costs.



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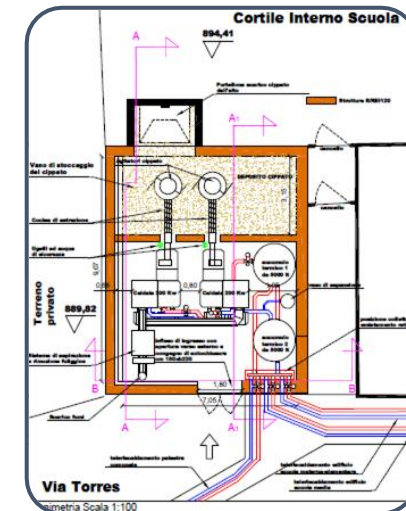
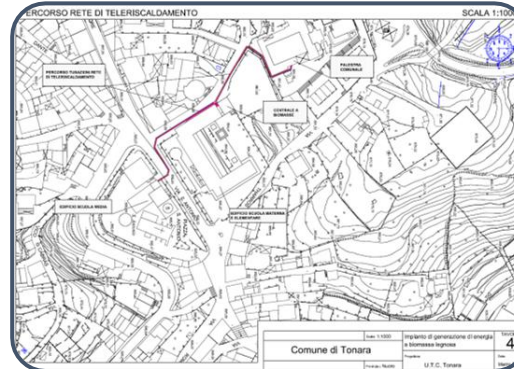
Support to small and remote municipalities – Tonara



JESSICA Fund Sardinia



- The project concerns the construction of **two biomass boilers** (moving grate boilers) for a total heating capacity of 500 kW, to be fed by **woodchips**. The project envisages the construction of a **heating network** providing energy supply to the **schools and the municipal gym** located in the surrounding area, allowing the **disposal of the outdated and polluting oil-fired boilers**.
- The projects is promoted by the municipality of **Tonara**, a small town (2,000 inhabitants) in the province of Nuoro.
- **JESSICA Fund Sardinia contribution: EUR 360k**, covering all projects costs.



Support to small and remote municipalities – Muros



JESSICA Fund Sardinia



- The project concerns energy efficiency measures: energy production plants from renewable sources on municipal buildings and replacement of boilers.
- **Beneficiary:** Comune di Muros (860 inhabitants)
- **JESSICA Fund Sardinia contribution:** EUR 100k, covering all projects costs.



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Support to small and remote municipalities – Ozieri



JESSICA Fund Sardinia



- The project concerns energy efficiency measures: realisation of a small wind plant connected to Parco della Sostenibilità.
- **Beneficiary:** Comune di Ozieri
- **Total project costs:** EUR 275k
- **JESSICA Fund Sardinia contribution:** EUR 248k



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Support to small and remote municipalities – Torralba



JESSICA Fund Sardinia



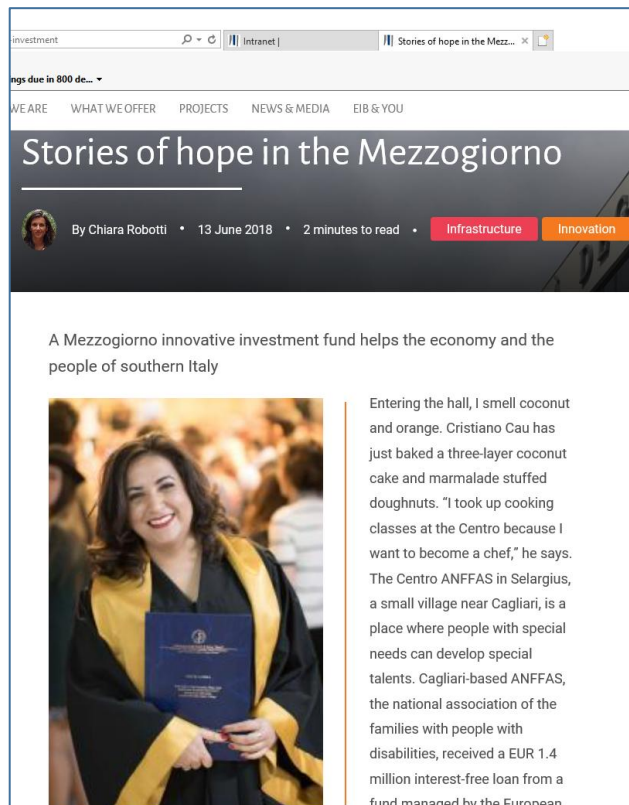
- The project concerns energy efficiency measures: energy production plants from renewable sources on communal buildings (communal houses, primary school).
- **Beneficiary:** Comune di Torralba (975 inhabitants)
- **JESSICA Fund Sardinia contribution:** EUR 342k, covering all projects costs.



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Impact but.....need of communication



Post-JESSICA: the context



Continuing high demand for investments in urban development, EE/RE in small municipalities
but:

Potential solution	Challenges
New JESSICA financial instruments	No resources available Under the ESIF-funded Regional Operational Programmes (“ROP”) 2014-2020 of the concerned Regions
Direct loan to the Regions	Limited borrowing capacities (internal limits on debt)
Direct funding to local small-scale projects	Limited risk appetite of banks, unfavorable conditions
Direct loan to UDFs	SPVs or separate blocks of finance with limited creditworthiness on a standalone basis
Setting up new financial instrument with JESSICA reflows	Long maturities of the JESSICA sub-loans, the amounts returned are spread over a long time, lacking the critical mass
Sale of existing JESSICA loans to reinvest in new portfolio	Portfolios not homogeneous/granular, compliance with EC regulation (potential audits)

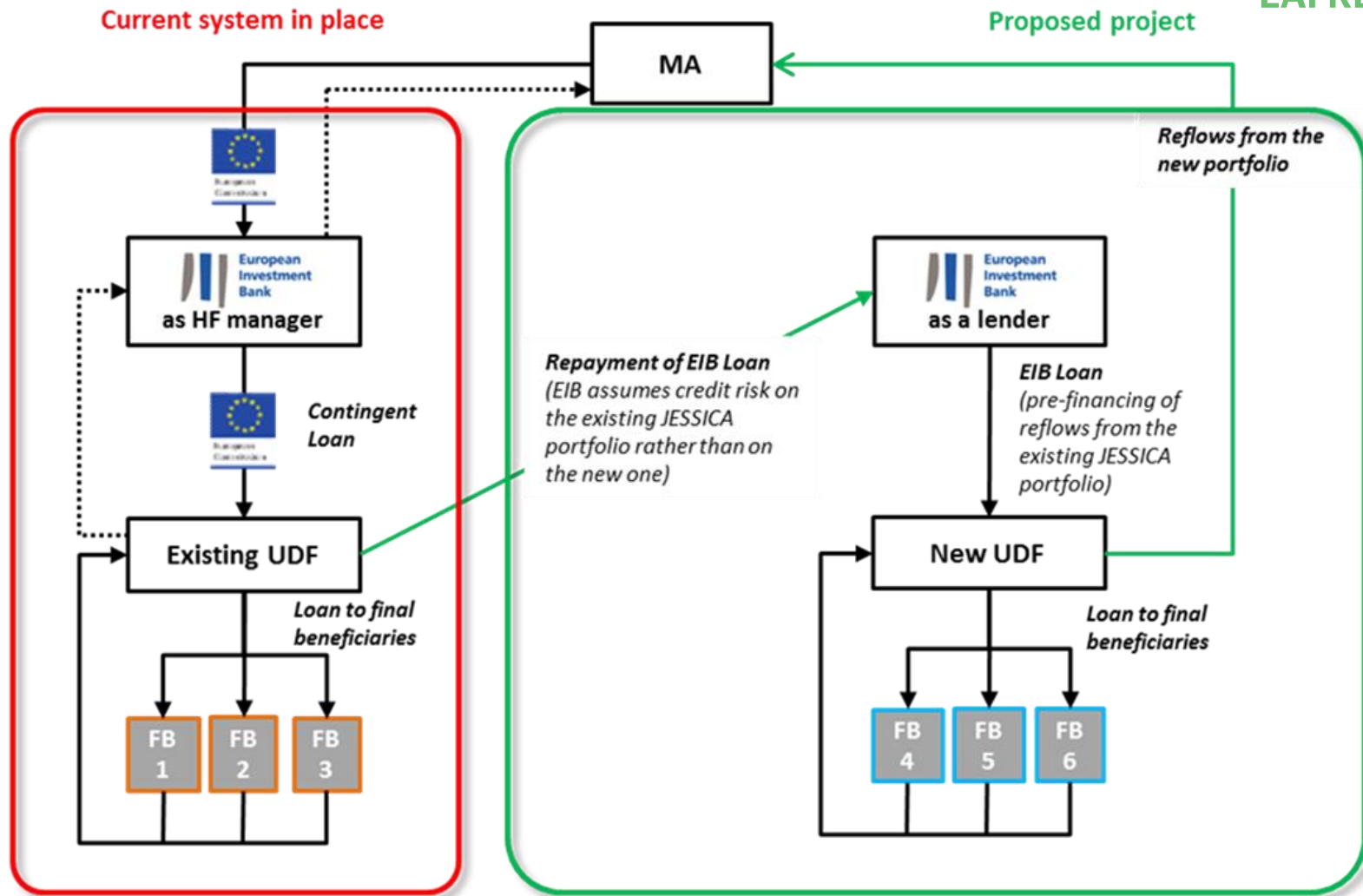


The EIB's Italian Urban Development Funds Programme will enable the anticipation of these reflows, providing EFSI-backed direct loans to UDFs with a de-linked repayment structure relying on the existing portfolios

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Transaction: structure



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financial instruments capacity building Farming
Rural development funding agreement EU guidance
added technical support co-financing ex-ante assessment final
value seminars governance intermediaries recipients
leverage EAFRD fi-compass case studies
Agriculture thematic objectives Targeted coaching
business plan equity
advisory services RDP guarantees private investors
conferences banks revolving life cycle combination
fund of funds loans microfinance CAP of support
DG AGRI Agricultural products investment strategy EIB Group