



Case Study Update
November 2025

Financial instruments for urban development in Portugal IFRRU 2020



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01 Introduction

1.1 Key facts

Funding sources

ERDF regional Operational Programmes (OPs) (Norte, Centro, Alentejo, Lisboa, Algarve, Açores and Madeira), Cohesion Fund (CF) programme (OP SEUR), national co-financing, European Investment Bank and the Council of Europe Development Bank.

Type of financial product

Fund of funds with three financial instruments offering loan products.

Financial size

EUR 976.20 million total financing = 54.6 million EU Funds + 16.3 million national co-financing + 327.5 million EIB loan + 56.9 million CEB loan + 520.9 million financial intermediaries.

Thematic focus

Low carbon economy, urban development and physical regeneration of deprived communities in urban areas, affordable housing.

Timing of implementation

July 2015 to December 2023.

Partners involved

Members of the Investment Committee:

Managing authorities of the 7 Regional OPs (Norte, Centro, Alentejo, Lisboa, Algarve, Açores and Madeira) and managing authority of OP SEUR (national level)
Institute for Economic Development of Madeira (IDE-RAM)
Directorate-General for Energy and Geology (DGEG)
Directorate-General for Treasury and Finance (DGTF)
Institute for Housing and Urban Rehabilitation (IHURU)
Portuguese Institute for Tourism (Turismo de Portugal)
National Association of Portuguese Municipalities (ANMP)
European Investment Bank (EIB)
Council of Europe Development Bank (CEB)

Other entities:

National Portuguese Agency for Energy (ADENE)
Agency for Development and Cohesion (ADC)
Agency for Management of Treasury and Public Debt (IGCP)
Cabinet for Planning, Strategy, Assessment and International Relations of the Ministry of Finance (GPEARI)
Finance General Inspection Agency (IGF)

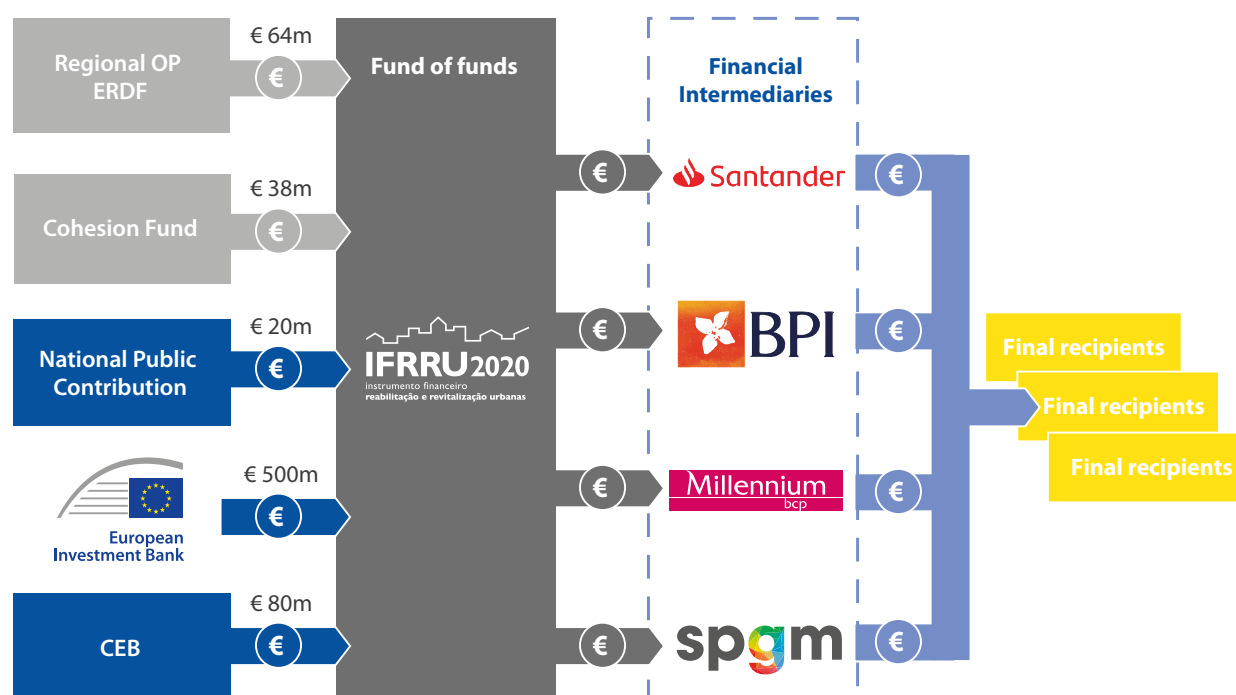
Financial Intermediaries:

Banco Santander Totta,
Banco BPI
Millennium bcp

1.2 The IFRRU 2020 financial instrument

The [fi-compass case study on the IFRRU 2020 financial instrument](#) was published in November 2019 and described the financial instrument set up to support urban development across the whole Portuguese territory. Using **EUR 102 million of ERDF/CF funds**, the promoters aimed to mobilise **EUR 1.4 billion of public and private financing** for urban development, with the aim of generating a total investment of **EUR 2 billion**. The original structure of the IFRRU 2020 financial instrument is shown in Figure 1.

Figure 1: Structure of IFRRU 2020 financial instrument, November 2019.



The case study highlighted the **multi stakeholder environment** and how it was managed through robust governance and an information system that supported sharing of financial and other information. The role of the municipalities to ensure alignment with local strategies and the National Portuguese Agency for Energy (ADENE) to support the energy efficiency objectives were also interesting and important features of the financial instrument.

At the heart of the IFRRU 2020 was the **partnership with the financial intermediaries**. Four intermediaries were selected, three to manage loan financial instruments (Santander, BPI and Millennium) and a fourth intermediary, the national mutual guarantee society (spgm) to manage a guarantee instrument (which at the time of the publication of the case study had not been implemented).

The selection of some of Portugal's leading banks, each of which has national coverage and an extensive branch network mobilised both private sector finance and expertise in relation to marketing, project origination and structuring of investments. Further, the financial intermediaries ensured that the **loan products and application processes made it simple for project promoters** to access the resources.

The case study also highlighted how the financial intermediaries had adopted innovative **communication processes**, in conjunction with the IFRRU 2020 team to promote the loans and the strong brand identity of IFRRU 2020 proved to be an important component of the campaigns with the private banks each promoting 'IFRRU 2020 loans'.

02 Update – implementation post 2019

2.1 Overview

At the close of the programme, the instrument supported a total of **474** contracted projects, representing a total investment of around **EUR 1.5 billion** and financing of approximately **EUR 976 million**. Considering the final ERDF/CF payments of EUR 54.6 million, IFRRU 2020 achieved a **leverage of 17.9**. Although impressive, the final result was nevertheless below the ambitious targets set for the financial instrument. The factors contributing to this are discussed further in section 5.2.

Figure 2: Comparison of commitment vs disbursements.

Funding source	Committed 2019 (EUR million)	Disbursed 2023 (EUR million)
ERDF (7 regional OPs)	64	46.8
Cohesion Fund	38	7.8
National public contribution	20	16.3
EIB facility ¹	500	327.5
CEB facility	80	56.9
Financial intermediaries	702	520.9
Promoter own resources	596	524.5
TOTAL	2 000	1 500.7

The guarantee instrument that was originally foreseen was not implemented, as the loan instruments proved sufficiently effective and attractive. The guarantee was designed to support projects with insufficient collateral by covering up to 70% of the loan value provided from the financial intermediaries' own resources. However, at the time of the decision in May 2019, the loan product offered under IFRRU 2020 was proving highly attractive, with favourable interest rates and conditions. Financial intermediaries generally required collateral for these loans, but in most cases, applicants were able to provide what was needed, and lenders considered this adequate to meet credit risk requirements. As a result, collateral was not regarded as a systemic barrier to accessing finance. Therefore, while smaller developers occasionally faced challenges in meeting these requirements, the guarantee product was not activated.

¹ A 'facility' refers to a line of credit or loan provided by an institution (such as the EIB and the CEB in this case) to finance a specific project or group of projects.



2.2 Managing the multi-stakeholder environment

The creation of a centralised fund management structure (the IFRRU Managing Structure) enabled consistent interpretation of rules and facilitated coordination among all stakeholders. This proved to be essential to manage the programme on behalf of the eight different operational programmes.

This centralised governance was supported by a technically robust Investment Committee, which enabled the implementation of timely corrective measures to ensure full execution of the allocated resources and alignment with policy goals. The Managing Structure ensured strong coordination involving all relevant entities (IGF, AD&C, DGEG, ADENE, municipalities, and financial intermediaries), which was achieved through regular meetings, permanent communication channels, which facilitated joint decision-making and responsive management.

The SI IFRRU 2020 system, described in the case study also proved essential for the efficient management and transparent execution of the financial instrument. It enabled real-time oversight, streamlined coordination among institutions, and consistent, centralised reporting. Although it required significant technical effort to design and implement, the system's contribution to operational control and audit readiness fully justified the investment.

Key features and benefits of the SI IFRRU 2020 system included:

- Real-time monitoring of projects and financial flows, based on monthly updates submitted by financial intermediaries;
- Centralised reporting, including detailed information on each financed operation, debt servicing, contractual documents, and due diligence records;
- Integrated access for the managing authorities, who could extract operational reports per programme directly from the system;
- Direct municipality involvement, including submission of municipal opinions and status updates on local projects;
- Data-driven supervision, with the Managing Structure and the financial intermediaries uploading compliance reports and verification checklists.

The SI IFRRU 2020 system supported the multi-level management and control framework of IFRRU 2020, structured around:

- Administrative checks performed quarterly by the Managing Structure using data stored in SI IFRRU 2020;
- On-site verifications conducted annually at the level of financial intermediaries, and occasionally at final recipient level, executed by external auditors when necessary;
- Complementary controls by the managing authorities, the Agency for Development and Cohesion (ADC), and the General Inspectorate of Finance (IGF), ensuring that the system fed into the broader control environment of the Portugal 2020 programmes.



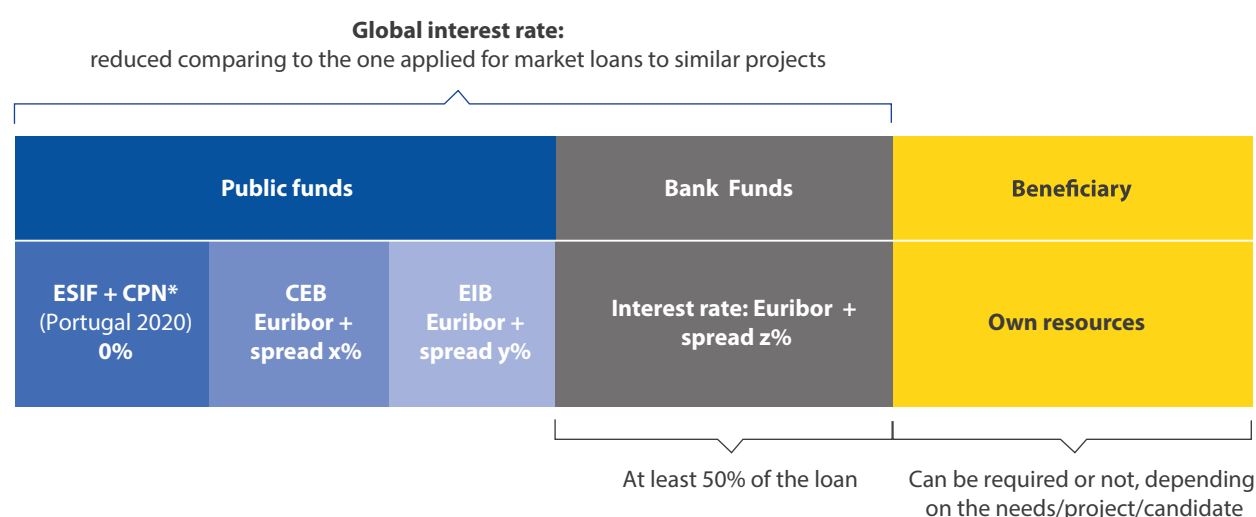
2.3 Building a strong partnership with financial intermediaries

The selected financial intermediaries, all with nationwide branch networks, ensured that IFRRU 2020 products were available across the entire Portuguese territory through more than 1 000 local branches. This wide geographic coverage enabled consistent access to finance regardless of location, including in less densely populated areas.

Furthermore, the involvement of multiple intermediaries fostered competition, leading to more attractive lending conditions for final recipients and reinforcing Portugal 2020's objectives of affordable and accessible urban investment finance.

The financial intermediaries offered loans with a fixed interest rate set below market prices, ensuring transparent pricing that passed on the benefits of lower-cost EU Funds and other public financing (as shown in Figure 3).

Figure 3: IFRRU 2020 loan pricing model.



Applications for IFRRU 2020 loans were made directly to the financial intermediaries. The process, which is described in the case study, was refined during implementation in response to feedback from applicants, financial intermediaries, and public stakeholders.

Key improvements included:

- Simplification of the application form, harmonised across all participating banks, to reduce administrative burden and improve clarity;
- Wider dissemination of practical guidance, including detailed instructions, examples, and Frequently Asked Questions (FAQs), which were progressively updated;
- Enhanced coordination mechanisms between financial institutions, municipalities, and certified energy experts, ensuring a smoother and more predictable process flow for applicants.

These adjustments were the result of an iterative learning process that reflected implementation experiences. They contributed to improved processing times, reduced error rates in documentation, and a better alignment of expectations between all actors involved. As a result, IFRRU 2020 became one of the most standardised and user-friendly financial instruments for urban development projects in Portugal, effectively reaching a diverse range of beneficiaries (from private individuals to housing cooperatives and local authorities) across the entire national territory.



2.4 Strong branding enabling effective communications

The programme has adopted a structured approach to communication. The IFRRU 2020 communication strategy, formally approved by the Investment Committee in January 2017, set out the overall communication objectives, stakeholder segmentation and positioning, alignment with the communication efforts of the operational programmes involved, a monitoring framework, and an indicative implementation budget.

To facilitate effective branding, the IFRRU 2020 visual identity (shown in Figure 4) was created at the end of 2015 by the members of the IFRRU team, in collaboration with the Institute for Housing and Urban Rehabilitation (IHRU). This new visual identity was first used in 2016. As described in the earlier case study, the IFRRU 2020 identity and branding was adopted by each of the financial intermediaries who embedded the IFRRU within their own materials.

The communication approach built on a comprehensive list of coordinated activities. Among others, it included over 100 public sessions across mainland Portugal and outermost regions such as the Azores and Madeira, sector-specific events in conjunction with urban rehabilitation weeks and professional associations, international promotion through collaboration with Portugal Global and diaspora investor networks, and a multilingual digital presence with a dedicated website, promotional videos, newsletters, and active social media channels. These earlier efforts laid the foundation for broad awareness and capacity building. The communication activity was coordinated by the members of the board.

Figure 4: IFRRU 2020 brand identity.



One of the most successful tools developed to communicate the progress of the operation was the monthly update report. The financial intermediaries submitted data to the IFRRU Managing Structure, which processed it and shared it with the Supervisory Authority, the managing authorities and municipal focal points. Using this data, a simple visualisation of the country with some key indicators – the IFRRU 2020 results map, an example of which is shown at Figure 5 in Section 6 (Achievements) – was published semi-annually on the website and distributed through other channels including social media, presentations and reports. This provided a simple and consistent tool to communicate the progress of the operation, highlighting both the regional and cross cutting impact of the investments.



Responding to change – challenges and opportunities

3.1 The COVID-19 pandemic and war in Ukraine

The COVID-19 pandemic and the Ukraine war brought significant contextual challenges which impacted on IFRRU 2020 operations. As well as resulting in increased financial uncertainty, the pandemic and the measures taken to control the disease caused severe disruption to project timelines.

In Portugal, measures aimed at increasing social distancing and preventive isolation, such as restrictions on movement, were enforced. This led directly to delays in municipal licensing procedures, supply chain interruptions, and rising construction costs, all of which slowed investment activity and complicated the implementation of projects under the programme.

IFRRU projects benefited from the general moratorium on loan repayments established by Decree-Law No. 10-J/2020 of 26 March. Also, the eligibility period was extended, first until 31 December 2022 and later until 31 December 2023, allowing for adjustments to project timelines and mitigating some of the pandemic's impact.

Regarding IFRRU contract awards, there was a sharp drop in 2020 due to COVID-19. While 2019 had seen 119 new contracts, suggesting a more optimistic execution scenario, in 2020 only 86 contracts were signed, 40% of them in the first quarter. As a result, the total allocations were first adjusted in 2020, and later the Investment Committee decided to withdraw the EU Funds and the national co-financing allocations assigned to the intangible investment component that had not been contracted or allocated to management commissions as of 30 June 2022. The uncommitted funds in the financial instrument were reallocated into the operational programmes, ensuring that resources continued to support investment priorities and programme objectives.

3.2 Response to practical challenges during implementation

Over the course of implementation, several adjustments were introduced to improve the effectiveness and uptake of funding under Priority Investment 4.3 (energy efficiency in housing). These changes aimed to simplify procedures and encourage greater execution levels:

- **Expanded eligibility for building types** (applicable from 19 July 2018): a clarification from the European Commission allowed buildings that were not previously used for housing to be eligible for support, provided that their future use would be predominantly residential. This made it possible to include a broader range of urban rehabilitation projects within the scope of the instrument.
- **Alternative performance criterion: 20% energy improvement** (applicable from 6 December 2018): originally, eligible projects were required to demonstrate a minimum two-level improvement in energy performance classification (e.g. from D to B). This threshold, while ambitious, limited the feasibility of many projects. In response, a more flexible alternative was introduced: achieving a minimum 20% improvement in energy performance, either at the level of individual units or the entire building. This change preserved the energy efficiency objective while making the criteria more attainable in practice.



- **Removal of standard cost methodology** (applicable from September 2020): the European Commission approved the elimination of the maximum standard cost methodology for eligible energy efficiency measures. This applied to the OP SEUR (from 9 September), OP Azores (from 9 September), and OP Madeira (from 17 September), reducing administrative burden and increasing flexibility for project promoters. In particular, removing the simplified cost option gave more flexibility to the financial instrument, as project promoters no longer had to stick to predefined unit prices, projects could be tailored to real renovation needs even if costs varied, and it reduced constraints and allowed case-by-case analysis of investment costs.

3.3 Adapting to competing grant programmes

The existence of grant-based support instruments, both within the operational programmes and later through the Recovery and Resilience Facility (RRF), created direct competition with IFRRU 2020's repayable financing model.

Operational programmes under 'Portugal 2020' provided funding in housing and building rehabilitation, and also in the tourism and industry sectors, where eligible expenses could include construction, renovation works, and other building activities. The RRF similarly finances public investments, notably in the area of housing (Component 1), social responses (Component 3), and energy efficiency of buildings (Component 13), which includes the Long-Term Renovation Strategy for Buildings.

Many promoters, especially for smaller projects, preferred to await non-refundable funding opportunities, which reduced the potential demand for IFRRU during certain periods. IFRRU could not effectively mitigate this competition by combining its loans with grants due to the scope of the original selection process which excluded such measures, and were thus restricted by the Public Procurement Code.



04 Achievements

The instrument supported a total of **474** contracted projects, representing a total investment of around **EUR 1 500 billion** and financing of approximately **EUR 976 million**. Considering the final ESIF payments of EUR 54.6 million, IFRRU 2020 achieved a **leverage of 17.9²**.

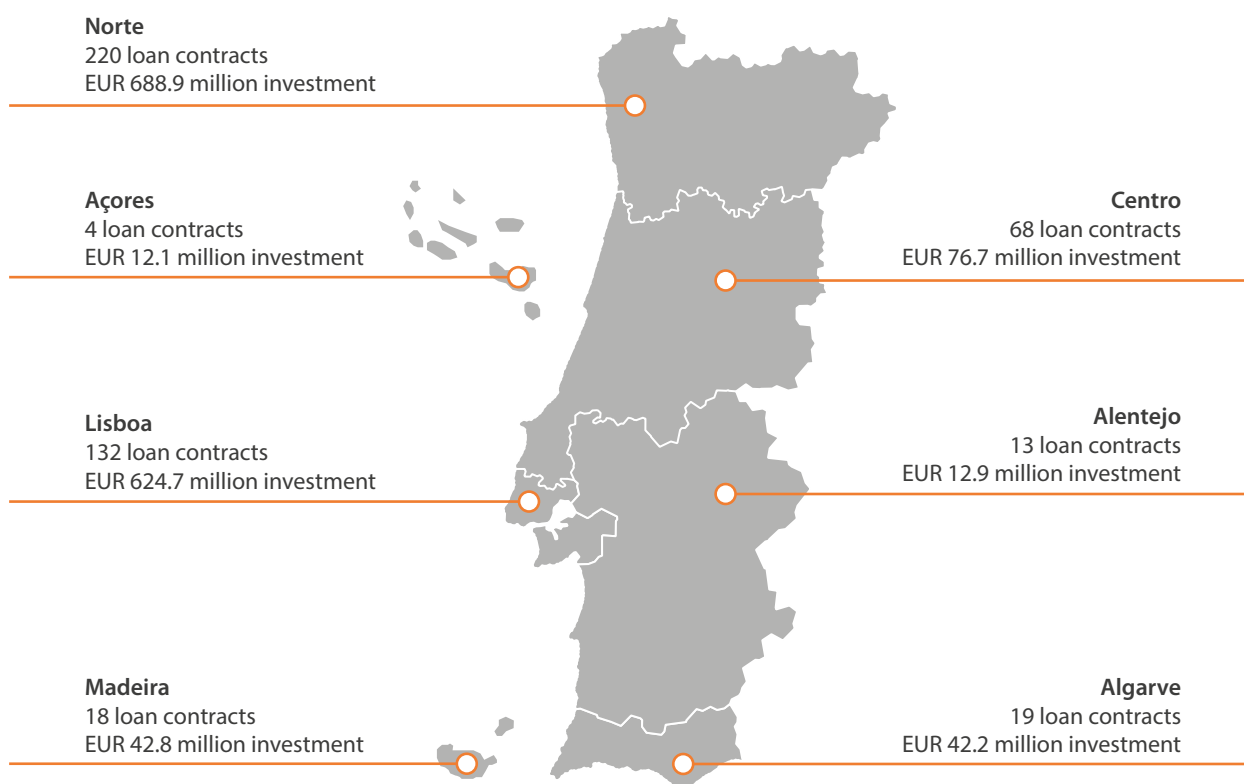
A well-defined delineation of Urban Rehabilitation Areas (ARUs) by municipalities was key to targeting investments effectively. As of the end of implementation, contracted projects were **distributed across 91 urban centres**, reflecting the programme's broad national reach.

Operations took place in a diverse set of municipalities, ranging from major cities like Lisbon, Porto, Braga and Coimbra, to smaller urban centres such as Boticas, Marvão, and Proença-a-Nova, demonstrating the programme's inclusive geographical approach.

Although larger urban centres naturally account for a significantly higher proportion of operations, due to their capacity to attract investment and their greater concentration of degraded building stock, IFRRU 2020 successfully reached smaller municipalities as well, ensuring a balanced territorial impact.

The map below provides a regional breakdown of the number of operations and contracted investment:

Figure 5: regional breakdown of the number of loans and contracted investment.

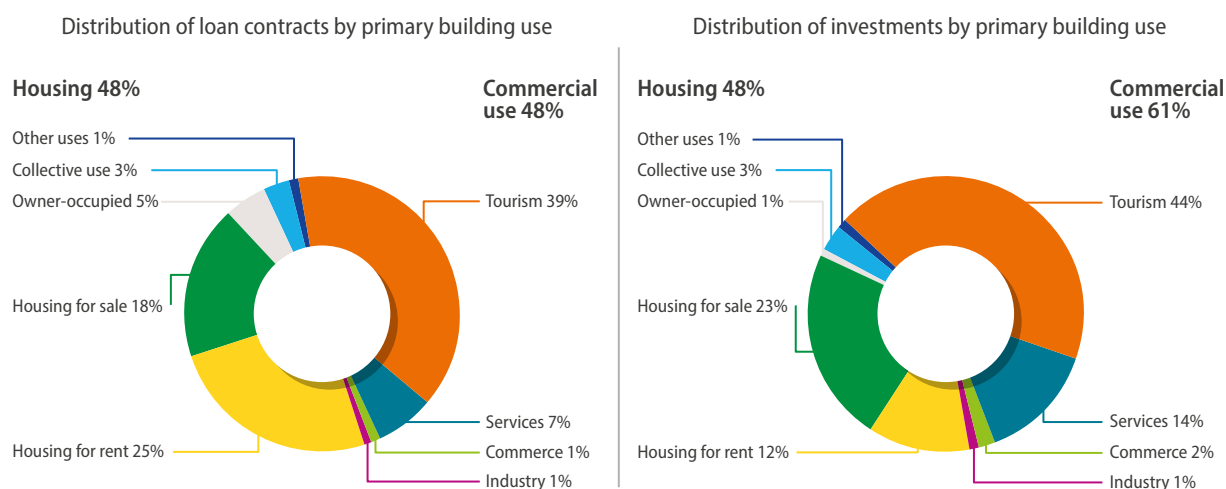


² In the context of ESIF, leverage refers to the sum of ESIF funding and the additional public and private resources raised, divided by the nominal amount of the ESIF contribution. In the case of IFRRU, the high leverage is primarily due to the significant financing attracted from the EIB and CEB, and the contributions from financial intermediaries (who were required to co-finance at least 50% of the total loan amount at the level of each transaction).

The distribution by predominant building use has remained broadly stable throughout the implementation period (see figure below).

- Buildings designated for **economic activities** account for nearly 48% of all loan contracts but represent the majority share, around 61% of total investment. This reflects the high investment requirements typically associated with such uses, particularly in the tourism sector, which alone absorbs 72% of the economic activities category in terms of investment value within this category. Other economic uses include services (23%), commerce (4%), and industry (2%);
- **Housing-related** projects represent another 48% of all loan contracts, yet they account for 35% of investment volume. Within this segment, the majority of the investment was directed towards housing for sale (65%), followed by housing for rent (33%), and a small share for owner-occupied homes (2%). This highlights the programme's support for diversified residential typologies, with a strong focus on revitalising the housing market.
- A smaller share of operations concerns **collective use facilities** such as social centres, university residences, healthcare units, and a cultural venue. These account for 3% of both the number of loan contracts and the total investment.
- Finally, 1% of both the number of contracts and the investment was directed toward projects classified under **other uses**. These include the rehabilitation of buildings used by non-profit social service organisations, entities equivalent to public bodies, and municipal service providers.

Figure 6: Distribution of loan contracts and investments by primary building use.



Source: IFRRU 2020.

Geographically, the investment priorities vary across regions.

- The Norte region shows a concentration of operations for economic activity, underlining its economic dynamism and the scale of its building stock in need of regeneration;
- In contrast, the Lisboa, Centro, and Alentejo regions have a higher number of housing-related interventions. In the Algarve, the distribution between housing and economic activities is relatively balanced;
- Meanwhile, in the autonomous regions of Madeira and the Azores, investment is predominantly directed toward tourism-related buildings, aligning with the economic profiles of these territories.



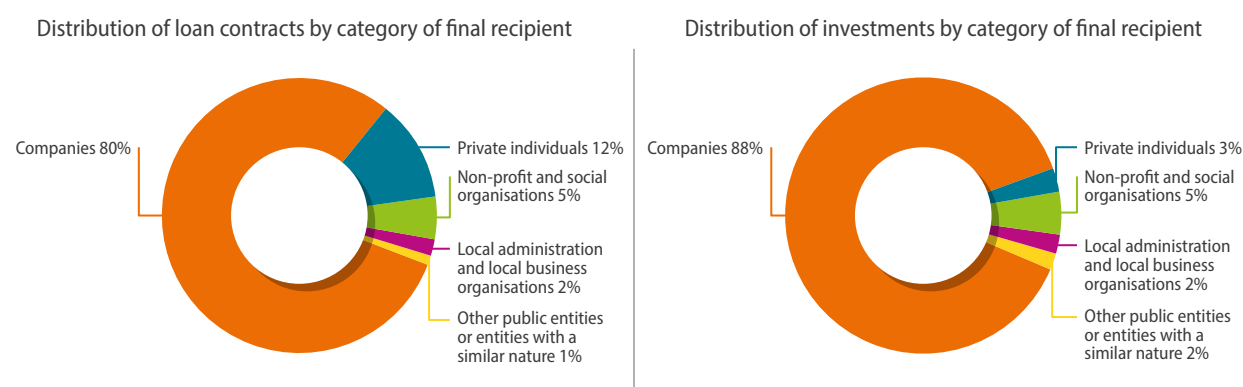
Most of the loan contracts under IFRRU 2020 were signed by **companies** (including sole proprietors), which account for 80% of all contracts and 88% of the total investment. This reflects the nature of urban rehabilitation projects supported by IFRRU 2020, which typically involve full-building renovations and require significant financial resources.

Private individuals represent 12% of contracts but only 3% of the investment volume, as their projects tend to be smaller and there are alternative financing options available, such as mortgage loans.

Non-profit and social sector organisations, including private institutions of social solidarity ('IPSS'), historic charitable institutions that provide social support services ('Misericórdias'), and NGOs, account for 5% of both loan contracts and investment.

A small share of contracts (2%) was signed by **local administrations** and **local business organisations**, while other public entities or similar bodies represent just 1% of contracts and 2% of the investment (see figure below).

Figure 7: Distribution of loan contracts and investments by category of final recipient.



Source: IFRRU 2020.

By the end of implementation, IFRRU 2020 demonstrated significant results in terms of energy efficiency, environmental sustainability, urban regeneration, and socio-economic development:

- The projects supported under IFRRU 2020 registered a total annual energy consumption of approximately **75 036 tonnes of oil equivalent**, with an estimated energy saving of **23 231 tonnes**, reflecting the effectiveness of the programme in promoting energy efficiency;
- **1 783 households** benefited from an improvement in their energy performance rating, contributing to greater residential comfort and energy savings;
- IFRRU is expected to achieve an annual reduction of **28 100 tonnes of CO₂ emissions**, supporting Portugal's climate change mitigation goals;
- IFRRU 2020 contributed to the rehabilitation of over **762 thousand square metres** of urban space, breathing new life into previously degraded areas;
- These interventions led to the creation of **4 109 new residents** in rehabilitated zones, contributing to the repopulation and revitalisation of urban centres;
- In terms of economic impact, the programme supported the creation of **4 521 permanent jobs**, promoting local economic growth and employment.



Rehabilitation in Praça do Tenerife

Sector: tourism

Thematic area: urban rehabilitation and energy efficiency

Loan amount: EUR 480 894 (EUR 151 067 from the ERDF; EUR 26 659 from national co-financing; EUR 43 756 from the EIB; EUR 259 413 from the financial intermediary)

Total value of investment: EUR 644 634

Intermediary: Banco Santander Totta

Location: Funchal (Madeira)

A private individual undertook the rehabilitation of a mixed-use building predominantly for tourism activity, with secondary use for rental housing. The investment covered a comprehensive refurbishment of the building, including construction works (EUR 284 840), acquisition of the building (EUR 170 000), energy efficiency upgrades (EUR 89 322) such as improved building envelopes, and technical studies. The project successfully rehabilitated 471m² of urban space, improving energy efficiency by reducing energy consumption from 0.01550 toe/m²/year to 0.01280 toe/m²/year, and rehabilitating 4 housing units. This contributed to better living conditions and sustainability in a historic urban centre, aligned with the objectives of urban regeneration and energy performance improvement.

Source: IFRRU 2020.

Beyond its outputs and direct results, IFRRU 2020 has delivered wider benefits through integrating urban rehabilitation, energy efficiency improvement, heritage rehabilitation, territorial inclusion, and innovative financing. This has positioned the instrument as a direct response to several priorities set by European policies for the built environment.

- **Supporting the Renovation Wave:** the Renovation Wave, an initiative by the European Commission under the European Green Deal, aims to double the energy renovation rate of buildings in Europe by 2030. IFRRU 2020 has contributed to this agenda by
 - Promoting deep renovation interventions with direct impact on the energy performance of rehabilitated buildings;
 - Making energy efficiency a mandatory criterion in supported projects, with technical assessment provided by ADENE;
 - Encouraging investments in sustainable technical solutions, such as thermal insulation, efficient climate control systems, LED lighting, and solar panel installations; and, in general;
 - By combining public and private financing in a large-scale model, combining local and national initiatives.



- **Contributions to the Affordable Housing Initiative:** IFRRU 2020 has supported the rehabilitation of residential buildings, with around 48% of projects dedicated to housing. This contribution has improved housing supply with significant gains in energy efficiency, helped combat energy poverty, and enabled access to housing within consolidated urban areas, thereby preventing uncontrolled urban expansion and promoting territorial inclusion.
- **Advancing the New European Bauhaus:** launched in 2020, the New European Bauhaus advocates an integrated approach to territorial transformation, combining sustainability, aesthetics, and inclusion. IFRRU 2020 contributed to this vision by supporting projects that enhance existing buildings and urban heritage, with particular attention to architectural quality. By promoting qualified urban densification centred on historic districts and degraded neighbourhoods, it helped avoid urban expansion, creating better living conditions and public spaces that foster community life.

Tackling housing challenges in Portugal

IFRRU 2020 has made a significant contribution to tackling housing challenges in Portugal. While it was not designed exclusively to support affordable housing, it has led to direct improvements in housing conditions and has supported both national and EU-level public policy objectives.

The financial instrument came at a time marked by a shortage of adequate housing supply and widespread deterioration of urban buildings, coupled with the challenges stemming from the COVID-19 pandemic and the war in Ukraine.

By allowing housing projects to be eligible for support, without restrictions on the type of promoter or intended residential use, the financial instrument enabled the renovation of degraded buildings, many located in historic city centres, repurposing them for residential use. This approach is closely aligned with Portugal's national housing policy goals, particularly the focus on revitalising existing buildings and promoting sustainable urban densification. The mandatory inclusion of an energy efficiency component helped combat energy poverty by reducing energy consumption and improving thermal comfort, especially in buildings with poor energy performance, thereby benefiting households most in need.

In addition, a multi-level communication strategy and close cooperation with municipalities helped to raise awareness among developers, local authorities, and citizens about the importance of urban rehabilitation with integrated energy, urban, and social concerns.

Reflows have already been used through the launch of a second financing cycle. This second cycle is funded exclusively by repayments from loans initially financed with resources from the EU Funds under Portugal 2020. These reflows are being reinvested to support new urban rehabilitation operations. It is important to note that repayments from loans funded by the EIB and CEB are not included in this second cycle and have not yet been reused. Future plans may involve extending the reuse of reflows as additional repayments become available.



Key performance indicators of IFRRU 2020 are summarised in the table below.

Table 1: Key performance indicators.

Indicator	Target	Result ³
Number of loans	285	474
Total financing disbursed to final recipients (EUR million)	702	976
Leverage	14	17.9
Total value of investments by final recipients (EUR million)	1 400	1 436
Rehabilitated dwellings in urban areas	288	565
Area of public or commercial buildings built or renovated in urban areas (m ²)	56 279	761 695
New residents in the rehabilitated buildings	214	4 109
Households with improved energy consumption	766	1 783
Primary energy consumption savings (tonnes of oil equivalent)	1 471	23 231
Annual decrease in greenhouse gas emissions (tonnes of CO ₂)	6 239	28 100
Number of jobs created	170	4 521

Source: IFRRU 2020.

The initial targets of IFRRU 2020 were generally met and, in many cases, significantly exceeded. This is partly because targets were set rather conservatively, particularly as IFRRU 2020 was seen as an innovative financing product in Portugal. Targets were set by the participating managing authorities based on their EU Fund allocations. The original financial framework, combined with the anticipated challenges (see Section 5.2) and this cautious approach to target-setting, helps explain why actual results often went beyond expectations.

3 Results as at 31 December 2023.



05 Lessons learned

5.1 Main success factors

Pooling of EU Funds from eight operational programmes

One of the most decisive strategic choices was to consolidate resources from seven regional operational programme and one national thematic operational programme into a single financial instrument. This aggregation ensured national-scale implementation with strategic coherence, harmonised application rules and eligibility criteria, and a critical financing volume that enabled negotiations with international financing partners such as the EIB and the CEB.

The resulting leverage effect was remarkably high: EUR 54.6 million of EU Funds has generated EUR 976 million in disbursed loans, mobilising total investments of approximately EUR 1.5 billion, achieving a leverage ratio of 17.9.

Strategic integration of urban renovation and energy efficiency investments

Based on the ex-ante assessment's conclusions, IFRRU 2020 has combined urban renovation and energy efficiency investments into a single, integrated financial instrument. By identifying overlapping market failures in these two areas, the instrument provided a clear rationale for addressing both objectives simultaneously. This integration was reflected in a streamlined application process, employing a single application form accepted across participating banks. As a result, final recipients benefited from simplified access to financing, submitting just one application to secure support for both urban rehabilitation and energy efficiency improvements.

This strategic approach avoided artificial project separation, better reflected real market needs and, therefore, increased operational efficiency, reduced administrative burden, simplified access, and eventually contributed to greater uptake and effectiveness.

National coverage and competition among financial intermediaries

The decision to assign financial intermediaries national, rather than regional, mandates was a strategic choice that fostered competition and enabled economies of scale. Each financial intermediary was required to operate across the entire Portuguese territory, ensuring not only comprehensive geographic coverage but also balanced fund distribution and equitable access for final recipients.

The presence of three financial intermediaries, offering IFRRU 2020 products through over 1 000 bank branches, fostered competition among them and allowed investors to secure financing under the most favourable conditions available in the market.



Absence of restrictions on final recipient type and building use

No limitations were imposed on the types of eligible final recipients, allowing access to a broad range of public and private entities, including municipalities, social and non-profit organisations, for-profit enterprises, individuals, and other public sector entities. Likewise, there were no restrictions on the functional use of the rehabilitated buildings (be it residential, commercial, public facilities, or other use) as the objective was to promote building renovation itself, rather than support specific economic activities.

This openness resulted in the diversity of operations and project promoters, contributing to the programme's inclusiveness and adaptability to the socio-economic contexts of different Portuguese regions.

Specialised, domain-specific validation of each investment

Firstly, municipalities played a key role by providing formal Municipality Opinions confirming that each project aligned with local urban development strategies and was located within designated Urban Rehabilitation Areas (ARUs) or priority intervention zones. This ensured the successful integration of investments within broader territorial planning frameworks, supporting coherent and sustainable urban regeneration⁴. Secondly, project promoters were required to commission qualified experts from ADENE's certified network to assess energy performance both before and after the works, applying consolidated technical criteria to guarantee that projects met high environmental standards. Lastly, financial intermediaries conducted thorough risk analyses and assessed the financial capacity of promoters to ensure the sustainability and soundness of the financing.

This specialised, multi-layered validation process not only enhanced technical accuracy and administrative efficiency but also maximised impact by aligning investments with both local strategic goals and financial viability.

Structured communication plan and effective local technical support

IFRRU 2020's communication strategy was implemented at three territorial levels (regional, intermunicipal, and municipal) ensuring broad and effective dissemination of financing opportunities. The programme placed strong emphasis on technical support for project promoters by offering early access to user-friendly documentation, clarifying eligibility rules, and providing tailored guidance throughout implementation. Nationwide awareness campaigns were carried out not only by the IFRRU 2020 Managing Structure but also by the three financial intermediaries, contributing to visibility and outreach. IFRRU has closely collaborated with municipalities, each of which appointed a dedicated focal point responsible for managing and issuing Municipality Opinions.

The strategic approach to communication and technical support, in close collaboration with municipalities and ADENE, contributed to the visibility and outreach of IFRRU 2020 and facilitated access to financing even for smaller promoters with limited administrative or financial capacity.

⁴ The deadline for issuing Municipality Opinions was set at a maximum of 20 working days. While this timeframe was generally respected across regions, the 20 working day period could occasionally be paused when additional information was requested from developers. However, these cases did not translate into significant delays or difficulties in project implementation, since the procedure for obtaining municipal opinions and submitting applications to financial intermediaries could proceed in parallel under IFRRU 2020.



Centralised management structure and strong technical governance

The creation of a centralised fund management structure (the IFRRU Management Structure) enabled consistent interpretation of rules and facilitated coordination among all stakeholders. This centralised governance was supported by a technically robust Investment Committee, which enabled the implementation of timely corrective measures to ensure full execution of the allocated resources and alignment with policy goals. The Managing Structure ensured strong coordination involving all relevant entities (IGF, AD&C, DGEG, ADENE, municipalities, and financial intermediaries), which was achieved through regular meetings, permanent communication channels, which facilitated joint decision-making and responsive management.

This 'single voice' approach helped avoid regional fragmentation and enhanced the efficiency, transparency, and credibility of the financial instrument.

On-going monitoring with a dedicated information system

Implementation was accompanied by monthly tracking of performance indicators, frequent meetings among the various entities involved, and the use of alert mechanisms to identify and correct deviations in a timely manner. To strengthen transparency and operational oversight, a dedicated information system (SI IFRRU 2020) was developed. This platform allowed real-time data exchange and monitoring by key actors, including the IFRRU Management Structure, financial intermediaries, managing authorities, and over three hundred municipalities, ensuring continuous performance tracking and a clear audit trail.

Investments in the monitoring system enhanced transparency, fostered trust in the management process, enabled faster decision-making, and ensured consistent oversight, leading to successful adjustments of the financial instrument during its implementation.

Adaptive implementation and continuous improvement

Throughout implementation, IFRRU 2020 remained flexible and responsive to the challenges encountered on the ground. A key practice was the establishment of regular institutional coordination, led by the IFRRU Management Team and involving all relevant entities (IGF, AD&C, DGEG, ADENE, municipalities and financial intermediaries), through regular meetings and various communication channels. The monthly monitoring of implementation indicators enabled timely detection and correction of deviations, maintaining coherence with public policy objectives. In parallel, all applicable rules were systematically compiled and made available through guidance manuals, technical notes, and standardised templates, updated regularly to reflect adjustments made during execution.



5.2 Main challenges

Impact of COVID-19 and the war in Ukraine

The COVID-19 pandemic and the war in Ukraine were the most significant contextual challenges for IFRRU 2020. The pandemic in 2020 caused major disruptions to municipal licensing, supply chains, and construction activity, slowing investment and complicating project implementation. While a gradual recovery began after initial lockdowns, the outbreak of the war in Ukraine in 2022 triggered rising energy costs, higher inflation, and increased financial uncertainty, further affecting project timelines and investment activity. These challenges were addressed during implementation through measures such as general moratoria, acceptance of adjustments to project schedules, and an extension of the eligibility period, first until 31 December 2022 and later until 31 December 2023, helping mitigate the pandemic's impact on IFRRU projects.

Complex property ownership structures

A significant challenge arose in relation to buildings under horizontal property regimes, especially in consolidated urban areas and projects led by private individuals. These arrangements often involved multiple co-owners lacking joint decision-making capacity or facing complex legal issues such as inheritance disputes, ongoing legal cases, or the absence of formally constituted condominiums. These complexities hindered the preparation of applications, delayed promoter mobilisation, and complicated the provision of necessary guarantees, making the process lengthy and, in some cases, unfeasible. During implementation, the terms and conditions of IFRRU projects did not much allow flexibility in addressing complex ownership arrangements.

Eligibility restrictions to urban rehabilitation plans

The restriction of fund application exclusively to projects within Urban Rehabilitation Plans (PARU) was another material constraint. While this prioritisation aligned with operational programme objectives, PARU boundaries did not always coincide with those of broader Urban Rehabilitation Areas (ARU), often being more limited in scope. This mismatch restricted the number of eligible projects and constrained investment opportunities. This restriction could not be adjusted during the implementation of IFRRU 2020, although the possibility of modifying it is being considered for the programme's second cycle.

Complex energy efficiency eligibility criteria

Eligibility rules related to energy efficiency were initially highly complex, despite the use of an automated tool designed to speed up and simplify assessments. The demanding nature of these criteria initially reduced the attractiveness of this financing option. However, subsequent revisions introduced simplifications that improved accessibility, partially mitigating this challenge.



Competition from non-refundable grant programmes

The existence of grant-based support instruments, both within the operational programmes and later through the Recovery and Resilience Facility (RRF), created direct competition with IFRRU 2020's repayable financing model. Many promoters, especially for smaller projects, preferred to await non-refundable funding opportunities, which reduced the potential demand for IFRRU during certain periods. The means available to IFRRU management to mitigate this competition were limited, as the calls launched by the managing authorities of the operational programmes and the terms and conditions of the procedure for selecting the financial intermediaries did not allow for such adjustments. This issue is, however, being considered in the design of IFRRU 2030.

Need for combination with grant to support some sectors

While IFRRU 2020 successfully supported housing rehabilitation, including affordable housing in several cases, it demonstrated that repayable financing alone is insufficient to make low-return social housing projects viable. Future models might therefore combine financial instruments with targeted grants or guarantees, especially to accommodate promoters with limited collateral or operating under concession regimes. Flexible governance frameworks, simplified eligibility criteria, and hybrid investment models such as project finance could be essential to improve outreach and effectiveness in this area.

Operational and coordination challenges

Operational difficulties included the strict requirements of public procurement procedures and the need for effective coordination among the numerous stakeholders involved. These factors posed significant challenges to both the design and implementation of the financial instrument, demanding effective management to ensure successful delivery of the financial instrument. These issues were addressed through the development of a tailor-made information system, the implementation of a robust monitoring framework, the establishment of strong partnerships with key stakeholders, and the deployment of coordinated governance mechanisms, as outlined in Section 6.1.



06 Outlook

The IFRRU 2020 financial instrument has laid a strong foundation for future urban development financing models in Portugal. Building on the legacy of the JESSICA initiative, IFRRU 2020 marked a significant step forward in territorial reach, thematic scope, and operational delivery. Its integrated approach, combining multiple operational programmes, international financing institutions (EIB and CEB), and domestic commercial banks, has **served as a blueprint for the design of future financial instruments under the 2021–2027 programming period**, despite operational implementation in this new cycle still being pending.

However, as of 2025, the **financing gap remains significant**. Despite mobilising EUR 1.44 billion investment in these areas, macroeconomic conditions in Portugal have deteriorated sharply in recent years. The COVID-19 pandemic and the war in Ukraine triggered rising construction costs, labour shortages, supply chain disruptions, and soaring interest rates. These shocks have increased both the cost and risk of urban investment, particularly in the construction, real estate, and tourism sectors. As a result, investment has become more conservative, and the need for public co-investment mechanisms such as IFRRU has only intensified. Further financial instruments offering risk-sharing, long-term capital, and simplified access remain essential tools to foster urban transformation in a context of reduced grant availability.

Looking ahead, the Government has approved the framework for **IFRRU 2030 under Portugal 2030**. IFRRU 2030 will build on the lessons of IFRRU 2020 while offering owners of older properties a clearer and more predictable route to finance comprehensive rehabilitation, including both structural works and energy efficiency improvements, with greater certainty on timeframes and costs. IFRRU 2030 is currently in an ongoing process of development in line with Government housing task force priorities, focusing on rehabilitating and renovating degraded and vacant heritage to make affordable rentals available. The [Renovation Wave initiative](#) is now the primary focus of the programme, targeting rehabilitation where it is most needed for Portuguese citizens, without unnecessary territorial limitations.

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