



Parallel sessions on case studies

Urban Development







Innovative financial instruments from the City of The Hague

Ton Overmeire, Holding Fund manager and ERDF programme manager









FI Campus Innovative Financial Instruments from the City of The Hague





Ton Overmeire, Holding Fund manager and ERDF programme manager

European Union European Regional Development Fund Brussels, 29 November 2017

Connecting cities Building successes



Why JESSICA

Joint European Support for Sustainable Investment in City Areas



Why Jessica

Joint European Support for Sustainable Investment in City Areas

- Increased investment needs while public resources are scarce
- Growing emphasis on the need for an Integrated Urban Development Policy



CSI EUROPE Making Financial Instruments Work for Cities



HOW TO BUILD A ROCKET



THEME PAPERS



The CSI Exercise network was established under the URBACT amongnume with a massion to make Research instruments work for cities. This sames of Thome Papers introduces the key asses for successful implementation of financial instruments to support urban development through large oid other investments patent of grants.

KEY MESSAGE

Financial instruments (Fis) are funds that invest in projects by providing loans, equity investments Orchaling subserdinated loared) or guarantees. They can be effective touch for others and Managines Authorities to use to fund Integrated Sustainable Urban Development

To successfully implement a Fi, Otien and Managing The long term advantage to using Fis in place of grant is. that the investments will be report and the money will be available for reinvestment as further projects in the future.



teen the main way European Regional Develops (DRDF) and other public funding has been provid Typically, under a IL the SDF or other public funte managed by a private sector fand manager a responsible for the appropriat of assertments, pro-

KEY MESSAGE

 Francial Instruments offer a fundamentally different way of
At the same time, cities should align their own strategies MAKING FINANCIA Oties that want to make Fis work for them rs

and meraturing of the delivery of the project.

The advantages of Fis go beyond recycling inv

their understanding of the subject to analys the scherctage of Fix established with ESIF funds in t atalaheidere. 020 programme period and more generally to A City can be entrusted to implement its own UDF or

muy participate in an Fi established by a MA, for example through nominating a member of the fund's investment committee.

supporting projects when compared with grant. Therefore

cities should work with Managing Authorities to manage the

"militaral shift" required amoreant sublic services and private

A well implemented IT will have a reliast and streamlined

government framework that answes professional led

suffacts the intel content.

investment decisions within an investment litrategy that

Authorities need to undertake an ex-ante assessment to

antablah the case for the FL and its investment strategy

CSI EUROPE

FINANCIAL INSTRUMENTS

GOVERNANCE AND

The final investment stragey should identify where its

GOVERNANCE: AT CITY LEVEL

A robust pipeline of eventment ready projects in investment from Financial metruments. Obies probably the most critical factor in the scenario should work to answe the product is understand a fund. Experience with the JESSICA Funds is that by its local actors. It should seek in identify once a market understands the type of product harriers to project development and address offered by Fit, they will start to develop schemes to them through the use of technical assistance take advantage of the investments. Nothing helps and building Inia hotween promoters and the this pricess botter than successful achemics visibly ALA and her UDF delivering development on the amount through

GOVERNANCE: AT FINANCIAL INSTRUMENT LEVEL

There is no single model for good government role in the formal governance arrangements of a FL. Funds can be managed by Financial to ensure alignment between fund and city Intermediaries or other vehicles, often strategy and embed the Fi in the urban established by public or private sector bodies. development work in its wild. This specifically for the purpose. The off the shelf may include, if the MA agrees, a City leading on the establishment of an R models provide a good guide to the type of formal structures to be used. as a separate vehicle supported by an Cities should seek to ensure that they have a



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KEY MESSAGE

with the FI's investment strategy and establish a project

stakeholders to bring forward investment ready projects.

other approval processes to de-risk development projects

which will in turn, improve the project's financial viability.

devalopment unit with the task of recording the une

of Filmmourten and hadding capacity within its local

Oties can also support Fis by streamlining its planning and

The regulatory framework for financial instruments is in Arts 37-48 of the Common Provisions Regulation No1303/2013) (CPR) and Arts 4-14 of the Delegated Republics Dis-480/20140 (DR). Art 16 of the General Block Exemption Republicon (No 651/2014) (GBRR) provides further regulation (where applicable).

The types of investment to support when development that may be made by Pix include equity investments, lows and guarantees. Fit may, as part of the same operation, also make grants to fund technical support for projects that will be funded by a future investment by the PL 25P grants towards project costs made by separate operations alongside Plinvestment

Ray requirements include: the need for an ex-enter amenument before establishing the fund, transperent processes for establishing funds; the competitive procurement of hand managers at defined manimum fee rate; pheoed drawdown of funds into the PLand clear rule regarding eligible expenditure and reinvestment of funds at m of the programme.

Netliged and local repulations are also important in the implementation of Fig and Obes should consider how they can support Po through such measures.

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KEY MESSAGE

- Technical Assistance is needed to Help build capacity within cities to make the best use of financial instruments. Funding and resources need to be mobilized so that public servants and their private sector stakeholders understand Financial instruments and how to use them to fund their priority projects
- A new kind of public servent is needed who can engage with fund managers and presect promotors in an informed way. Oties should look to their existing staff to identify individuals with the skills appropriate for this work such as staff with tunking or finance experience or experience of



KEY MESSAGE

 The use of European Structural Investment Pund (ESIP) The General Block Exemption Regulation (GMR) provides a resources, whether by grant or investment through a pafe and fast way to secure State aid congliance and should be the "first resurt" when considering products to Pinancial instrument (FI), must comply with the State be offered by Fig.

Cities are in the business of providing State aid so they Other options include 'no aid investments' and a R specific should make sure they are the experts and use notification, both of which can be effectively used to support Po, subject to market needs

WHAT IS STATE AID?

Resibilities to their full potential

The State aid rules are set out in the European Treaty and prevent Member States from subsidioing "undertakings" where it gives them an advertage in a competitive market. At urban development is a compatitive market, the use of Exception Structural Investment Fund (3597) the State aid rules.

PATHWAYS TO COMPLIANCE

This paper describes four wast in which Fig actubilities for This means that unce a City and its Managing Authority has stertified its pricety areas for investment. It should seek to support orban development can ansure compliance. "No-ani", Commission CERT and Mathematics. design the researches to be provided by Pit to react these desciby reference to the State aid pathways to compliance. The ESIF Converse Provisions Regulation requires that Pix comply with the State aid value and any Fi will be required For exemple, a fifter energy efficiency schemes in housing to determine compliance through audit and other may be able to adopt the its -miranic off the shelf modal if it monitoring processes. The pathways to compliance for orbanis seeiireg to table apertment blocks in multiple permittings.

development funds have been informed by the experience of On the other hand if the blocks are swred by one or more JESSICA funds established in the previous programme. large landsords, this sphoe may not be evaluative and the GBER Residuktion phones from a contract





The European Investment Bank is to establish, manage and maintain a Technical Assistance platform to be known as fil-company to facilitate the use of financial metrus supported by EDF resources. This will provide a valuable resource that other. Managing Authorities and their partners. can access to help implementation of favancial instruments

















JESSICA key components



Financial Instruments Structure for The Hague



How we started our revolving fund structure.

- There was the political awareness and willingness to "let go";
- We acknowledged market failure;
- > We developed a flexible investment strategy based on city policy;
- We did a state aid notification;
- We organised a competitive procurement of fund managers;
- >But we forgot to organise the project pipeline.



Development of FIs in The Hague

Offices Renewables Fishery Energy efficiency Innovation SME's 2014201520162017:4,8mln4,8 mln7,1 mln14,3 mln4,0 mln4,0 mln10.9mln17,9 mln3,5 mln3,5 mln3,5 mln1,5 mln8,0 mln4,0 mln6,0 mln1.5 mln1,5 mln

Future development of FIs in The Hague



From Jessica 2007-2013 to Jessica 2014-2020

- > Ex-ante assessment before establishing the fund
- Flexibility investment strategy
- Pipeline development
- > Phased drawdown of funds into the Financial Instrument