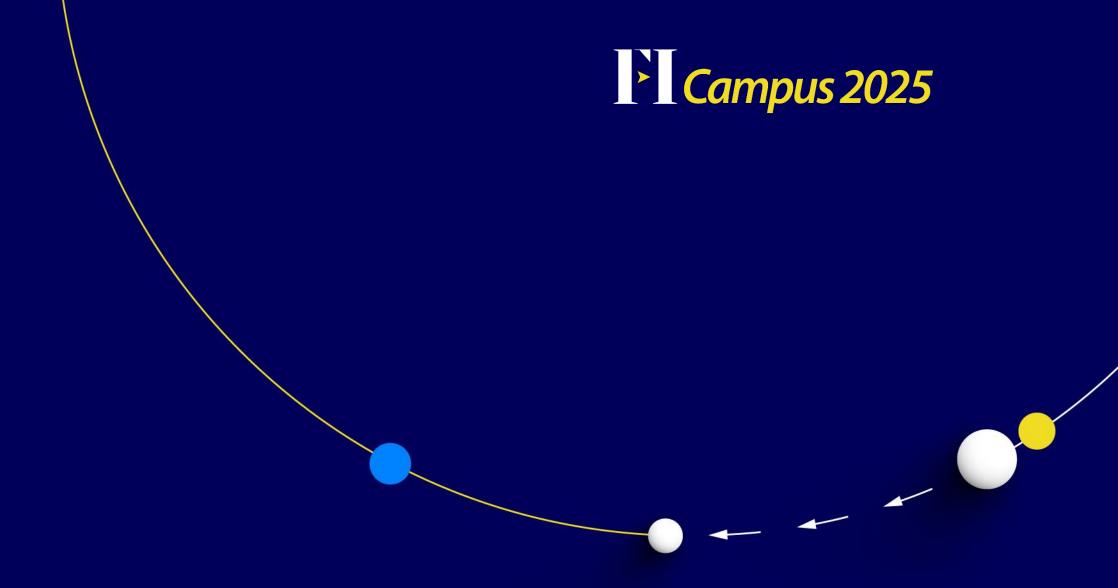


Urban development

Risio 2+3 – Level 3

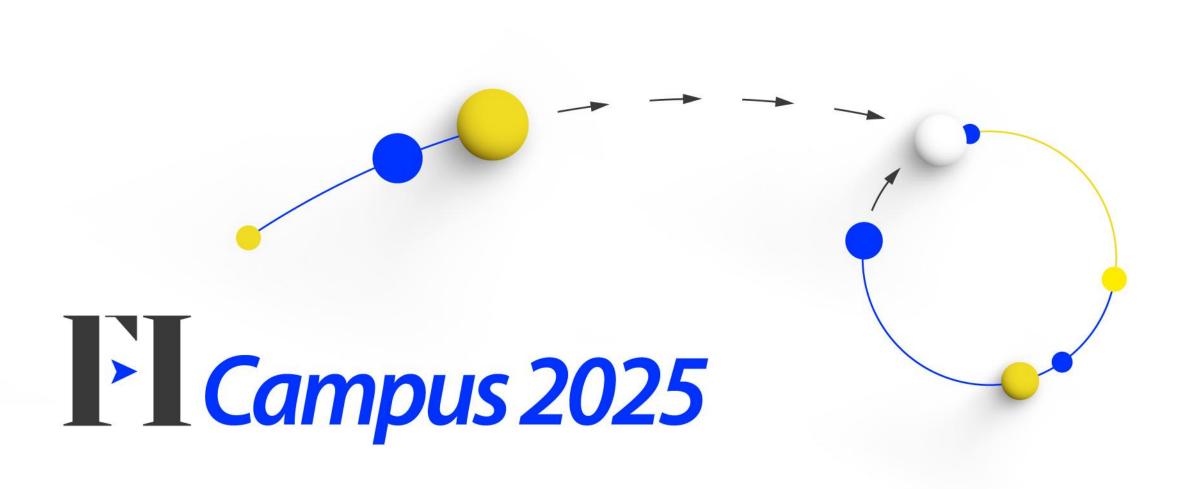
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Moderator: Desmond Gardner Financial Instruments Advisor, European Investment Bank

Vaclav Zdarek Economist, European Investment Bank

Isabel Barroso de SousaHead of the Executive Board of the IFRRU 2020 Management Structure, Portugal

Iva Petkova Director, FLAG Fund and the Sustainable Cities Fund, Bulgaria

Director, Local Investment Office, European Programmes Department, BGK, Poland

Policy Officer, Urban Unit, DG REGIO, European Commission



Pia Laurila

Ewelina Osuch





Introduction



Urban development in the next Multi-annual Financial Framework

REGULATION OF THE EUROPEAN PARLIAMENT AND OF THE COUNCIL establishing the European Fund for economic, social and territorial cohesion, agriculture and rural, fisheries and maritime, prosperity and security for the period 2028-2034 and amending Regulation (EU) 2023/955 and Regulation (EU, Euratom) 2024/2509 (SWD(2025) 565 final)

Article 3 Specific objectives of the Fund

- The general objectives referred to in Article 2 shall be pursued across all regions through the following specific objectives:
 - (a) to support the Union's sustainable prosperity across all regions by:
 - fostering the attractiveness of territories to support the right to stay including by supporting strategies for the integrated development of urban and rural areas, including support for territorial services and infrastructure;







Programme



Welcome

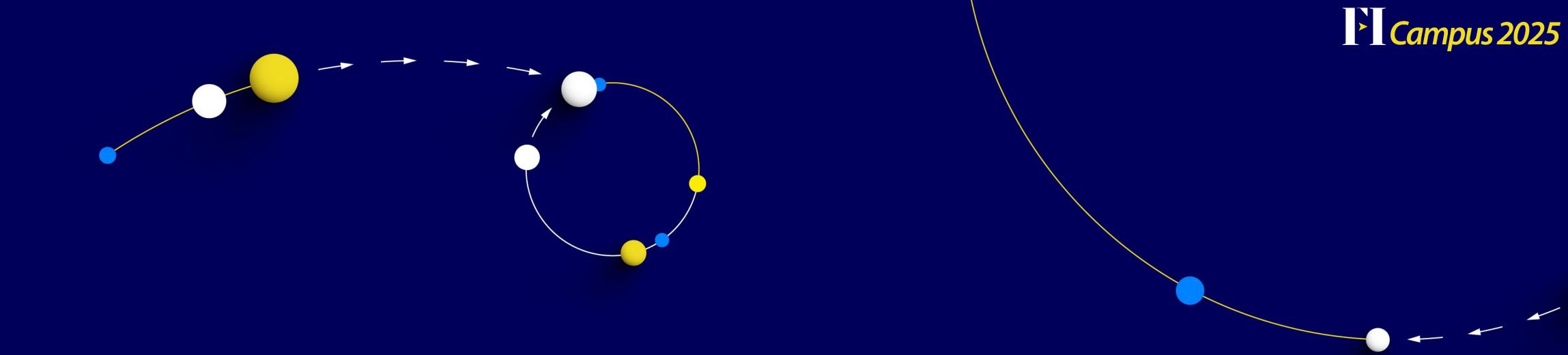
ficompass

- The EIB Municipalities Survey 2024-2025
- Practitioners' experience
 - IFRRU 2020, Portugal
 - Urban regeneration in Poland experiences of Bank Gospodarstwa Krajowego
 - Sustainable Development Fund, Bulgaria
- The EU Urban agenda
- Panel discussion and Q&A









The EIB municipalities survey

Vaclav Zdarek, Economist, European Investment Bank, Luxembourg



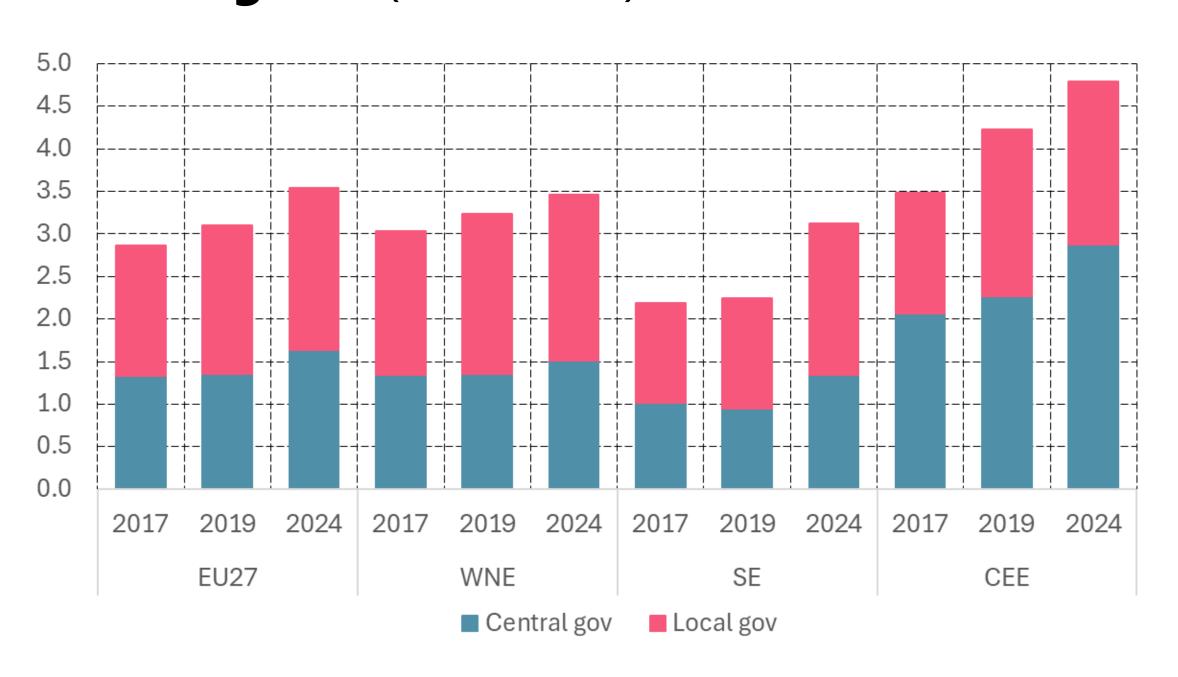




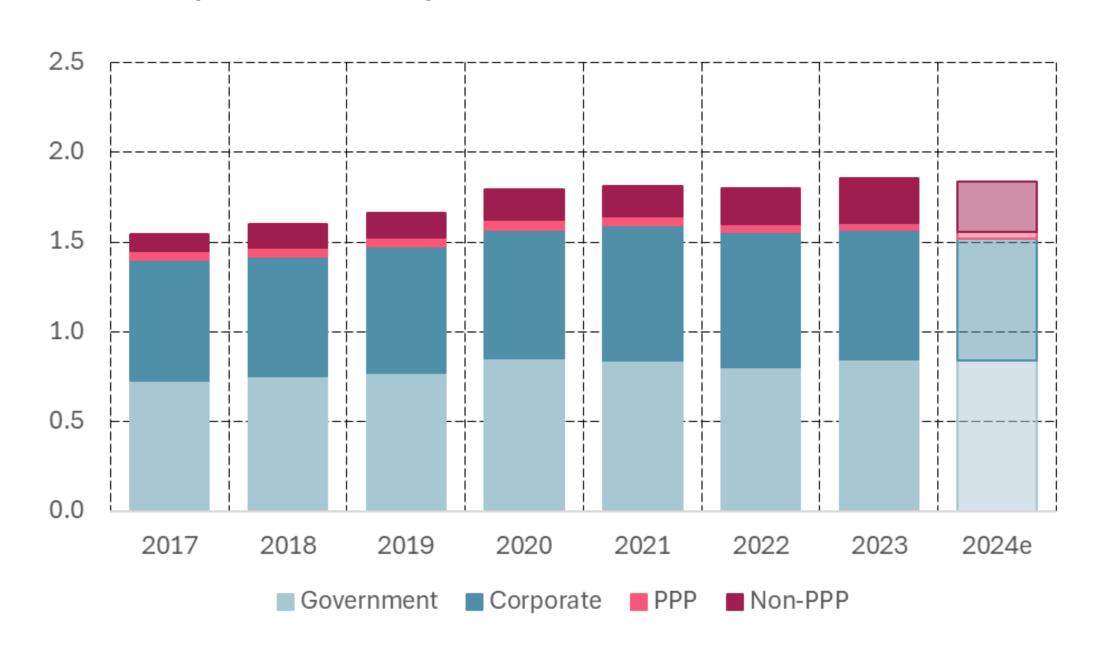


Recent increases in EU public investment largely due to subnational investments

Government investment share, EU-27 and EU macro regions (% of GDP)



Infrastructure investment, 2017–2024, EU-27 (% of GDP)



Note: investment share = Gross Fixed Capital Formation (GFCF) over GDP. EU macro regions weighted by GDP shares. WNE = Western and Northern Europe, SE = Southern Europe, CEE = Central and Eastern Europe. Source: EIB staff calculations based on Eurostat 2025 data.

Note: data for 2024 are preliminary. Infrastructure investment = transport, communication, utilities, education and health. Source: Eurostat, IJGlobal, EPEC, EIB staff calculations.

Investment





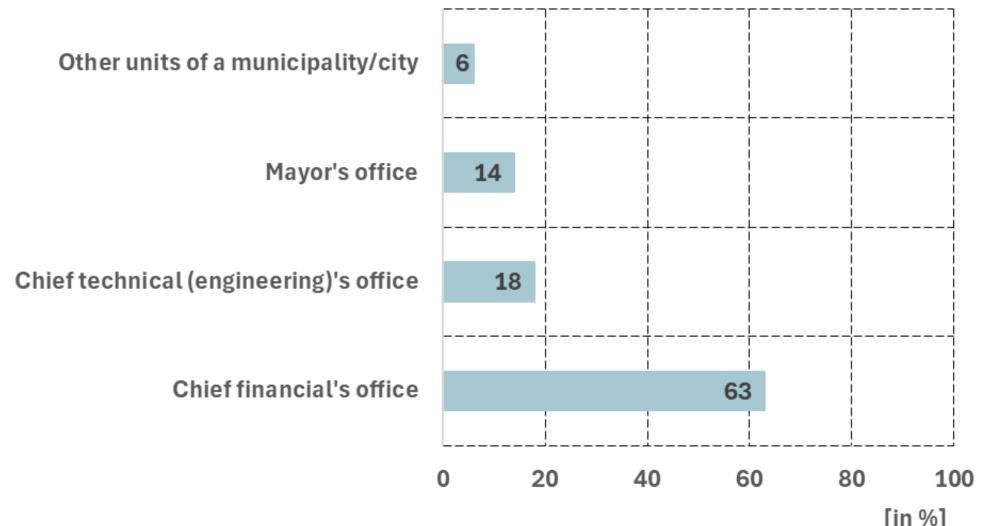


EIB Municipalities Survey



Some basic facts

- > gathers information from officials at local municipalities on local infrastructure investment activities and needs
- > four waves since 2017
- phone interviews (IPSOS)
- \succ in the 2024 wave: about 1000 municipalities and cities larger than 2000 inhabitants in the EU-27 (\approx 6% of EU population)









EIB Municipalities Survey



Main messages

- > Investments needs (to improve services)
- > Investments barriers (not all is about money)
- > Financing (EU funds)

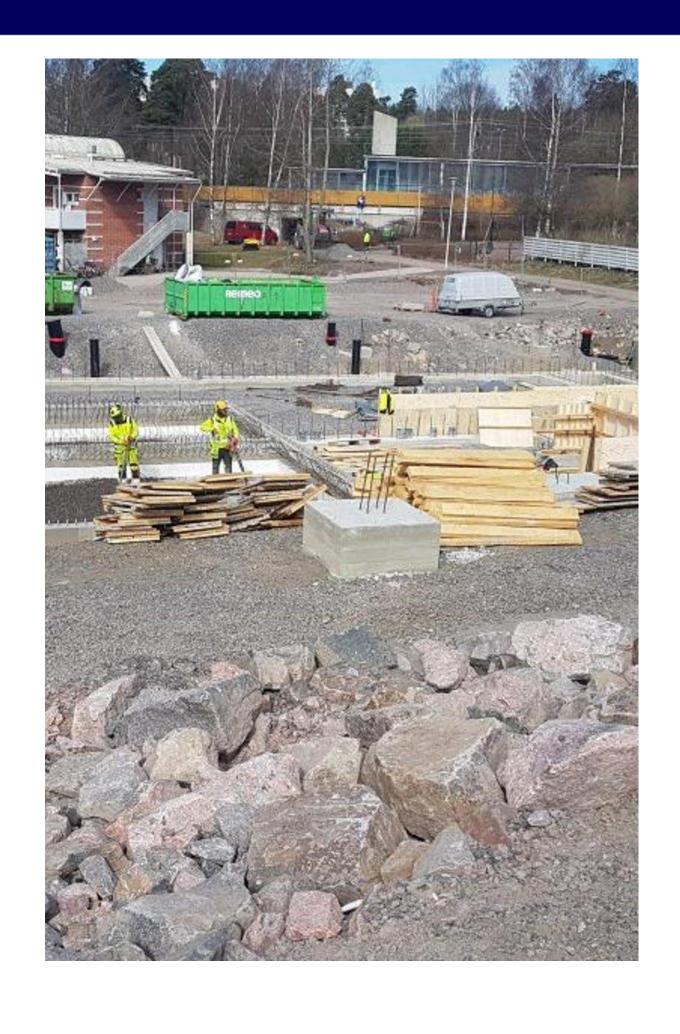


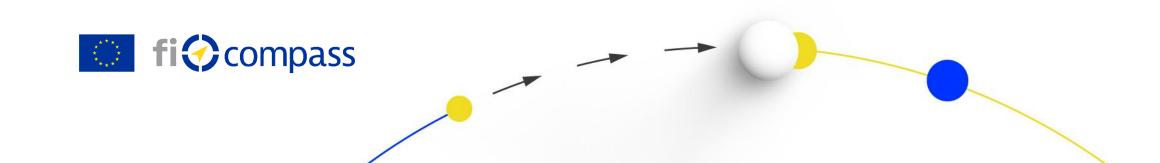




I – Investment needs







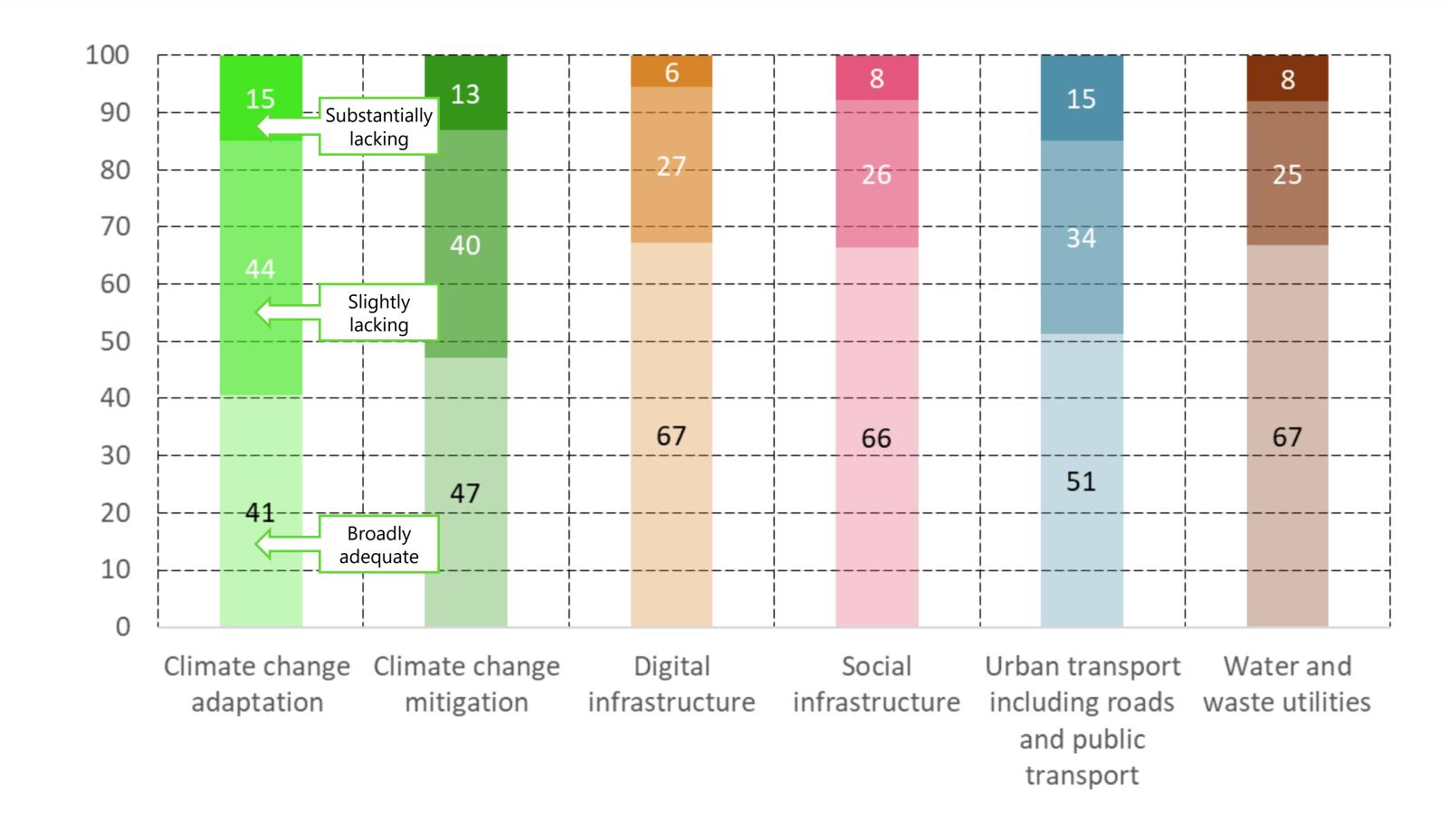






Largest needs seen in climate-change related infrastructure investments

Local government investment adequacy, 2021–2023, EU-27 (% of municipalities)









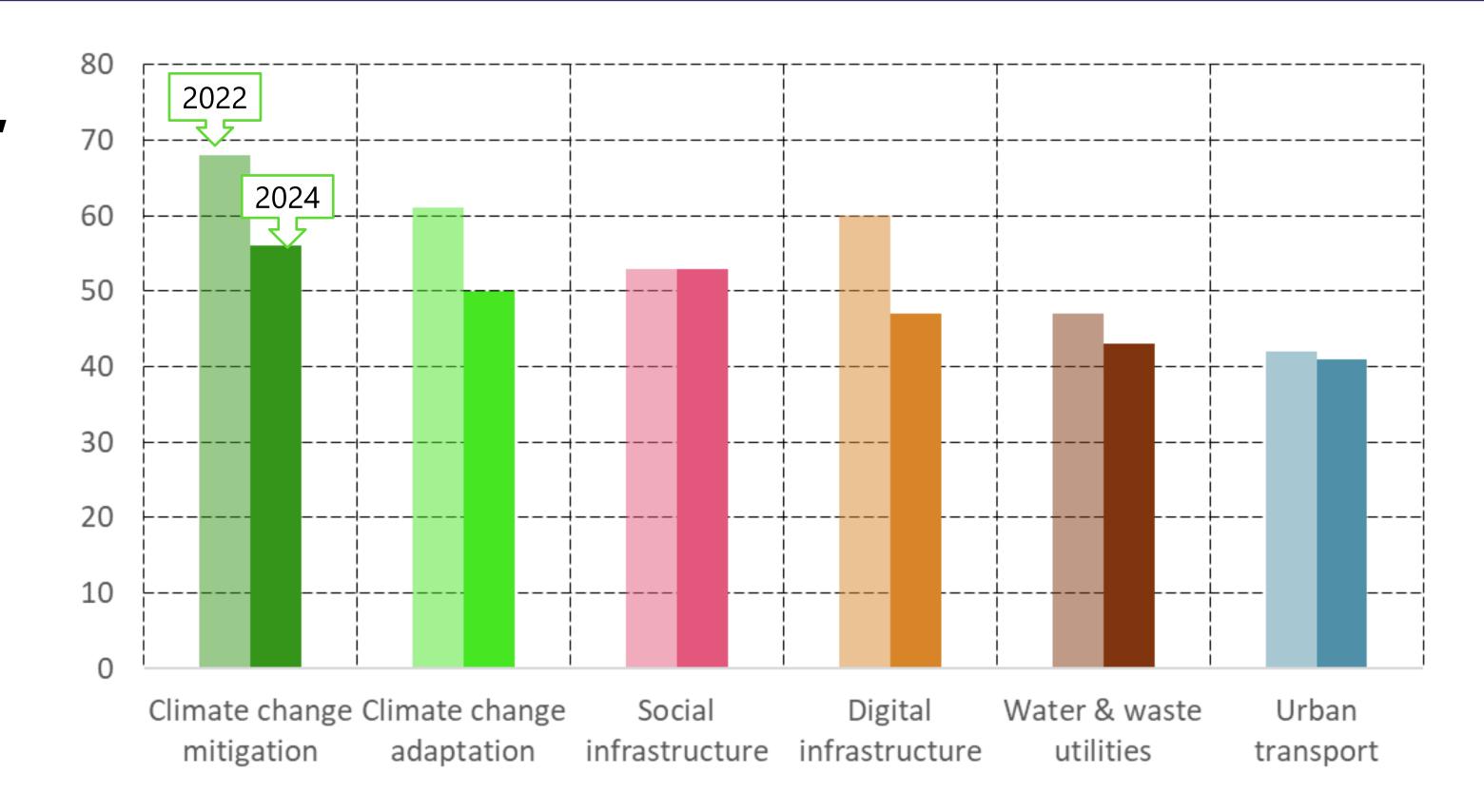


Climate change and social infrastructure are the largest categories where municipalities plan spending increases



Future infrastructure investment plans (increases), 2022 vs. 2024, EU-27

(% of municipalities)





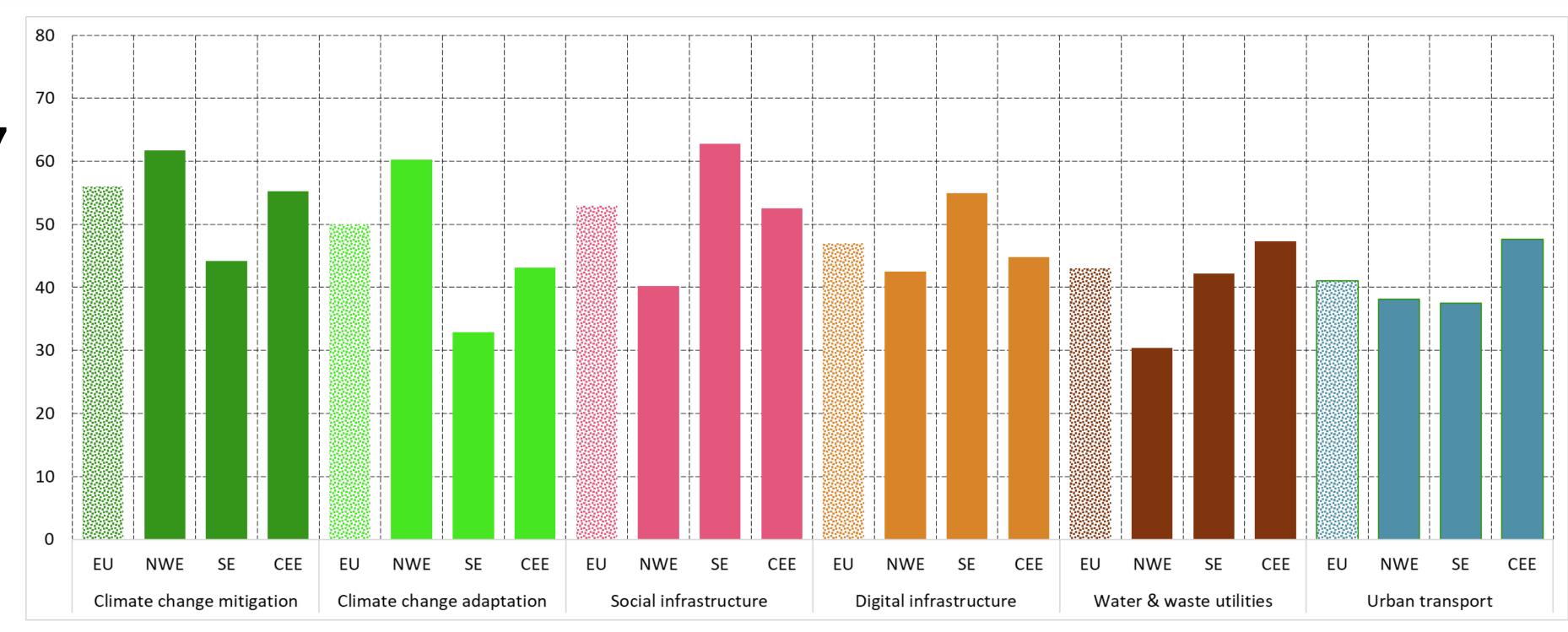




Climate change and social infrastructure are the largest categories where municipalities plan spending increases across EU regions



Future infrastructure investment plans (increases), 2024, EU-27 and EU macro regions (% of municipalities)









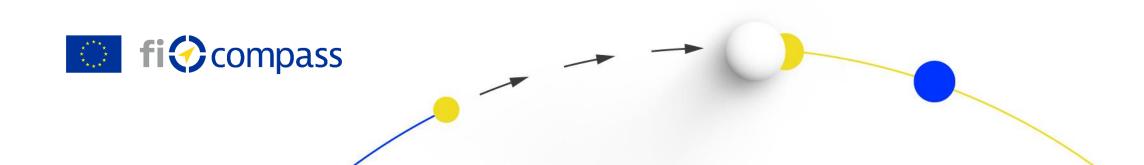
II – Investment barriers







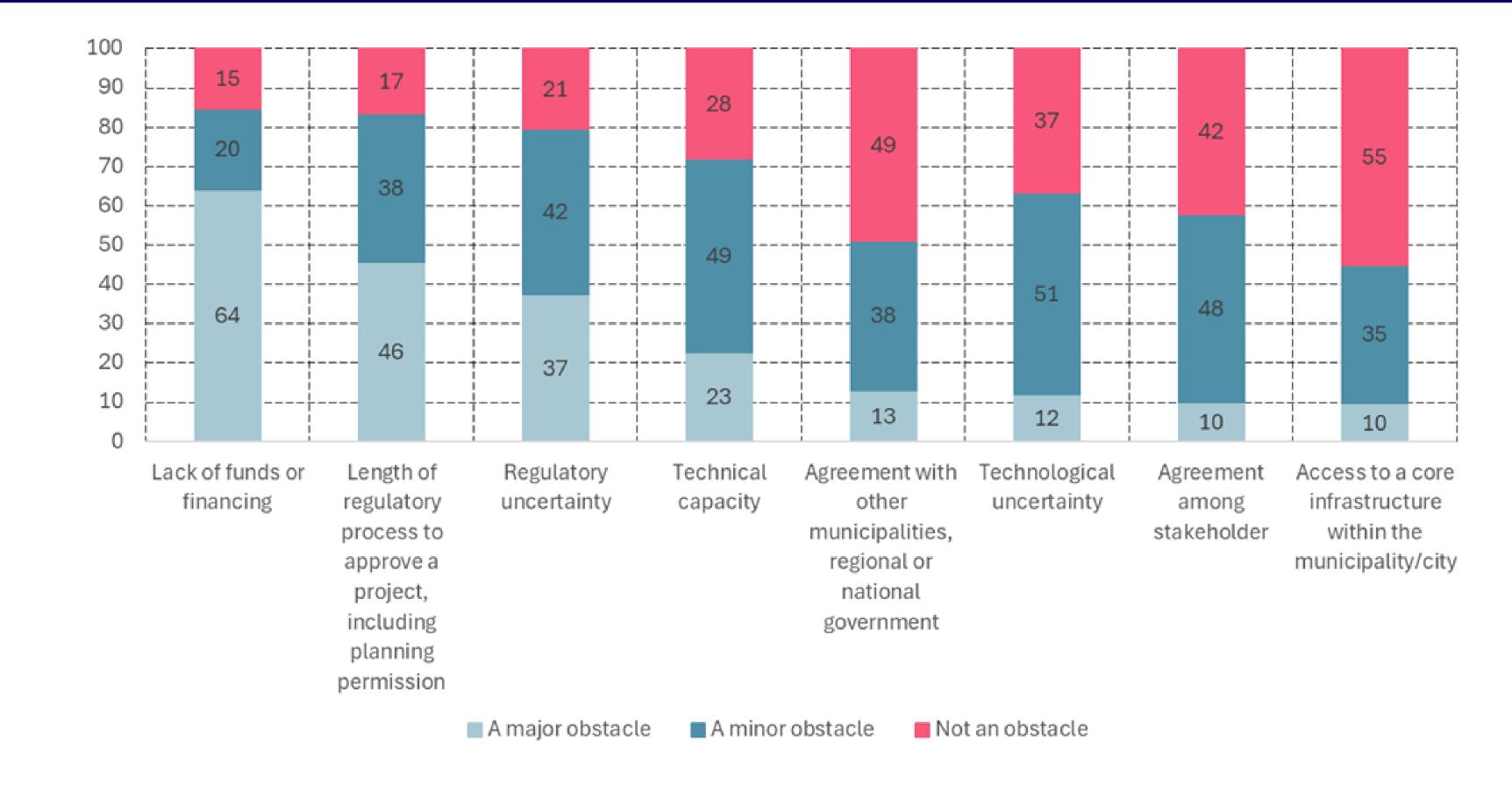






Lack of funding, red tape and regulatory uncertainty are the main barriers

Obstacles to local government infrastructure investment, 2024, EU-27 (% of municipalities reporting an obstacle)







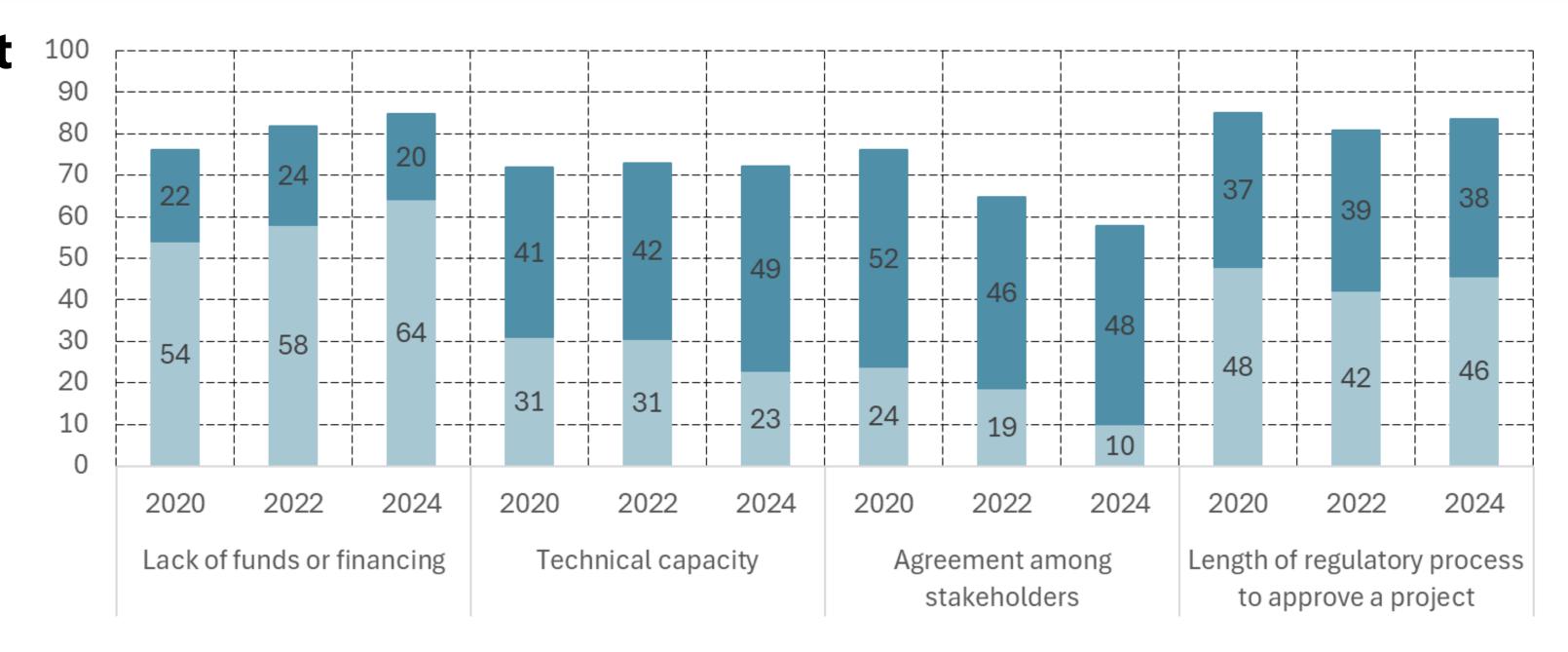




Lack of funding, red tape and regulatory uncertainty are the main barriers (II)

Obstacles to local government infrastructure investment, 2020–2024, EU-27

(% of municipalities reporting major and minor obstacles)







Source: EIB Municipalities Survey 2024.





What does it imply?



Simplification and integration create business opportunities and investment

BARRIERS



Removing one barrier increases sector output by 3.3 p.p. over a four-year period. At firm level, the best firms are the most constrained.

COST OF BUREAUCRACY



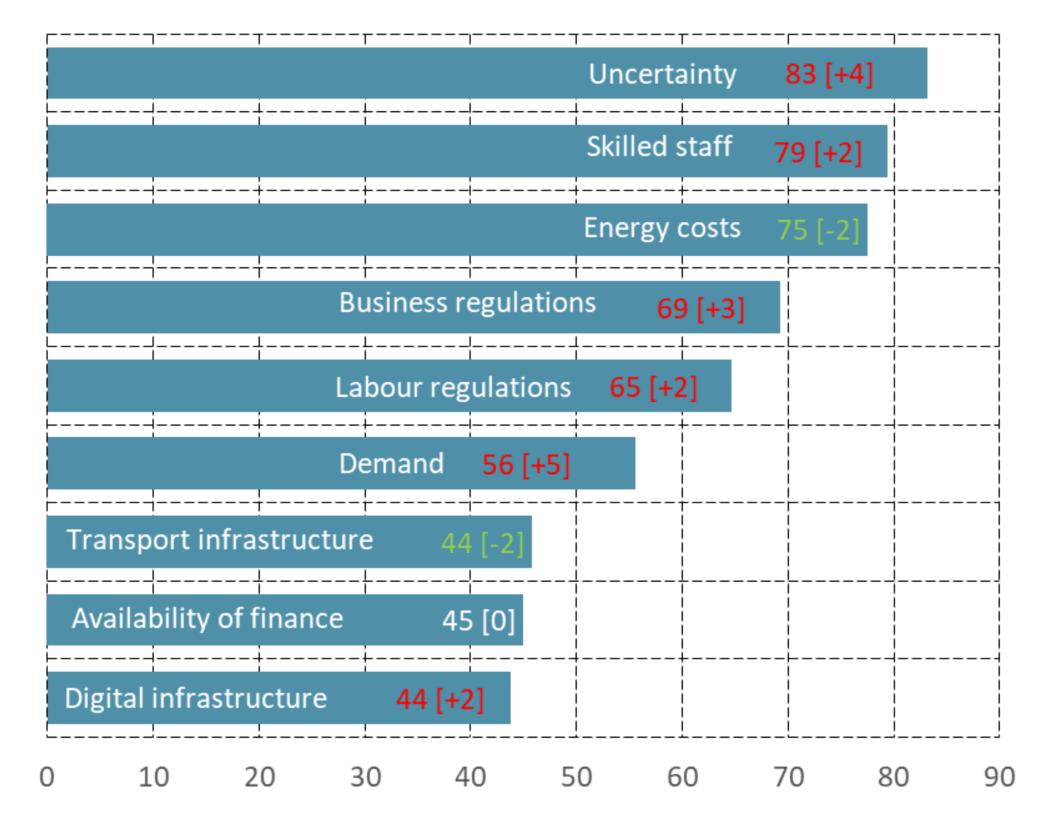
EU firms spend over 1% of turnover on staff employed only to deal with regulatory requirements. SMEs ~2%.

SINGLE MARKET FRICTIONS



62% of exporters and 66% of innovators deal with different standards and consumer protection rules

Investment obstacles in the EU (% of firms)



Note: Change between 2024 and 2025 in brackets. Source: EIB Staff calculation based on EIBIS 2024, 2025.







III – Financing







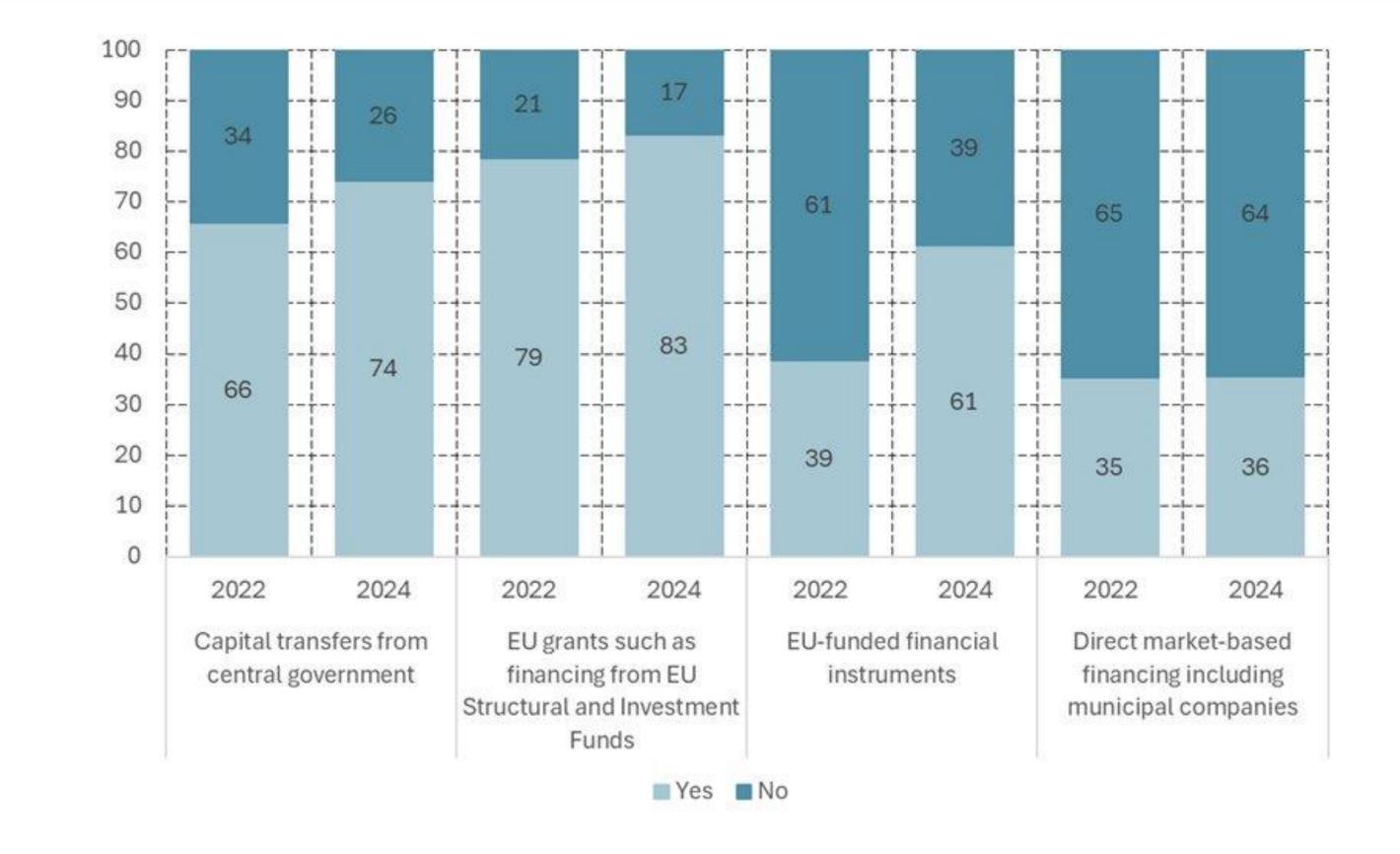






Own and project-specific financing are key to finance infrastructure project

Financing of planned municipal infrastructure projects, 2022 vs. 2024, EU-27 (% of municipalities)





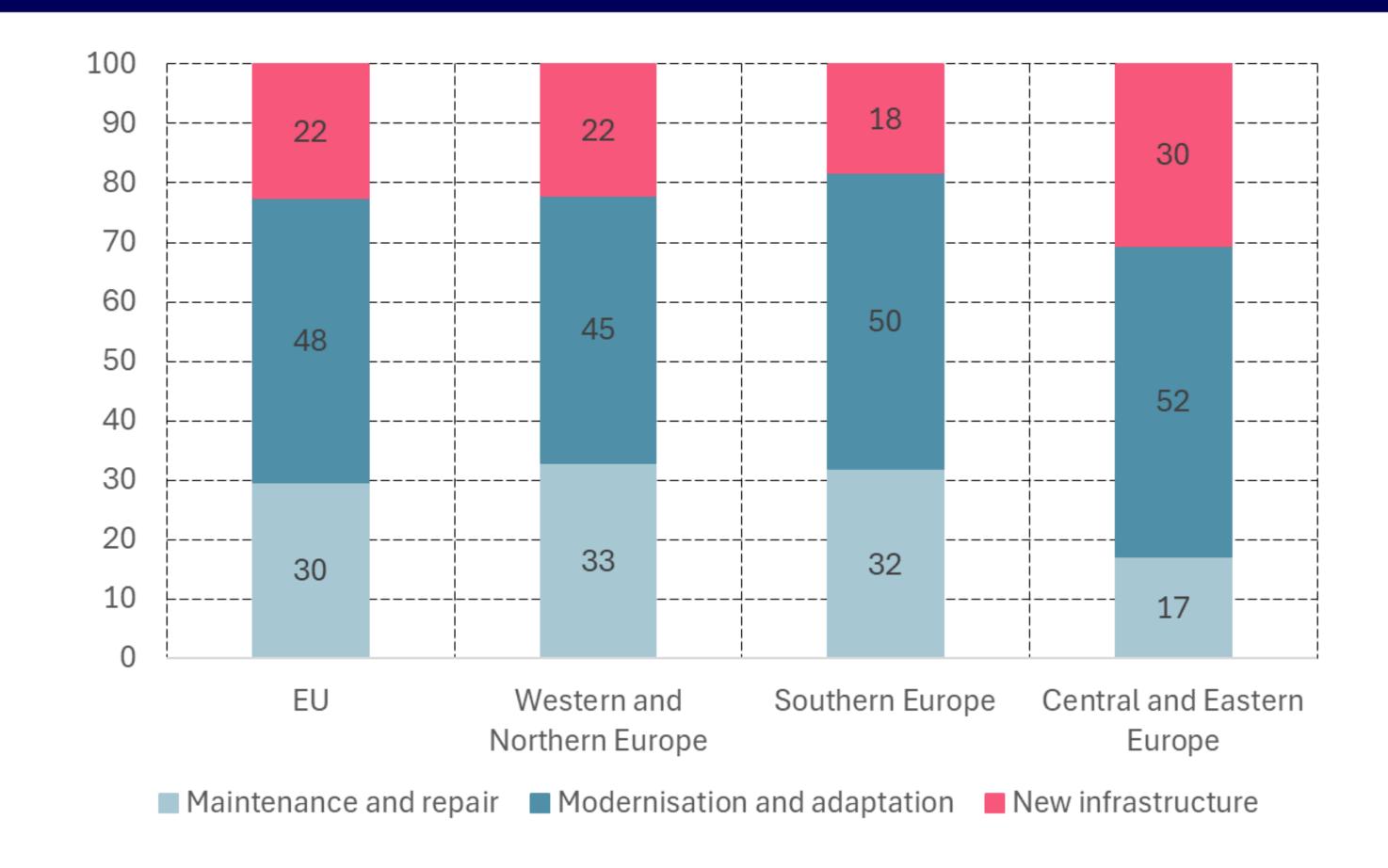




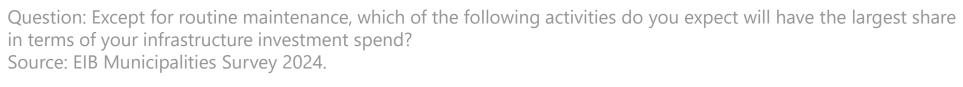


Modernisation and adaptation is the main planned infrastructure expenditure category

Planned infrastructure expenditure category, 2024, EU-27 and EU macro region (% of municipalities)











Conclusions

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Issues and challenges









Main takeways



Investment needs:

- > Over half of municipalities intend to increase investment in climate change mitigation, adaptation, and social infrastructure over next three years.
- > Significant progress in closing the gap on green transition compared to digital transition.

Barriers persist:

- Insufficient resources, such as a lack of funds and lengthy regulatory processes, remain primary obstacles to municipalities' infrastructure investment.
- > Largest obstacle to investment among experts continues to be shortage of experts in environmental and climate assessment, as well as engineering and technical skills.

Financing:

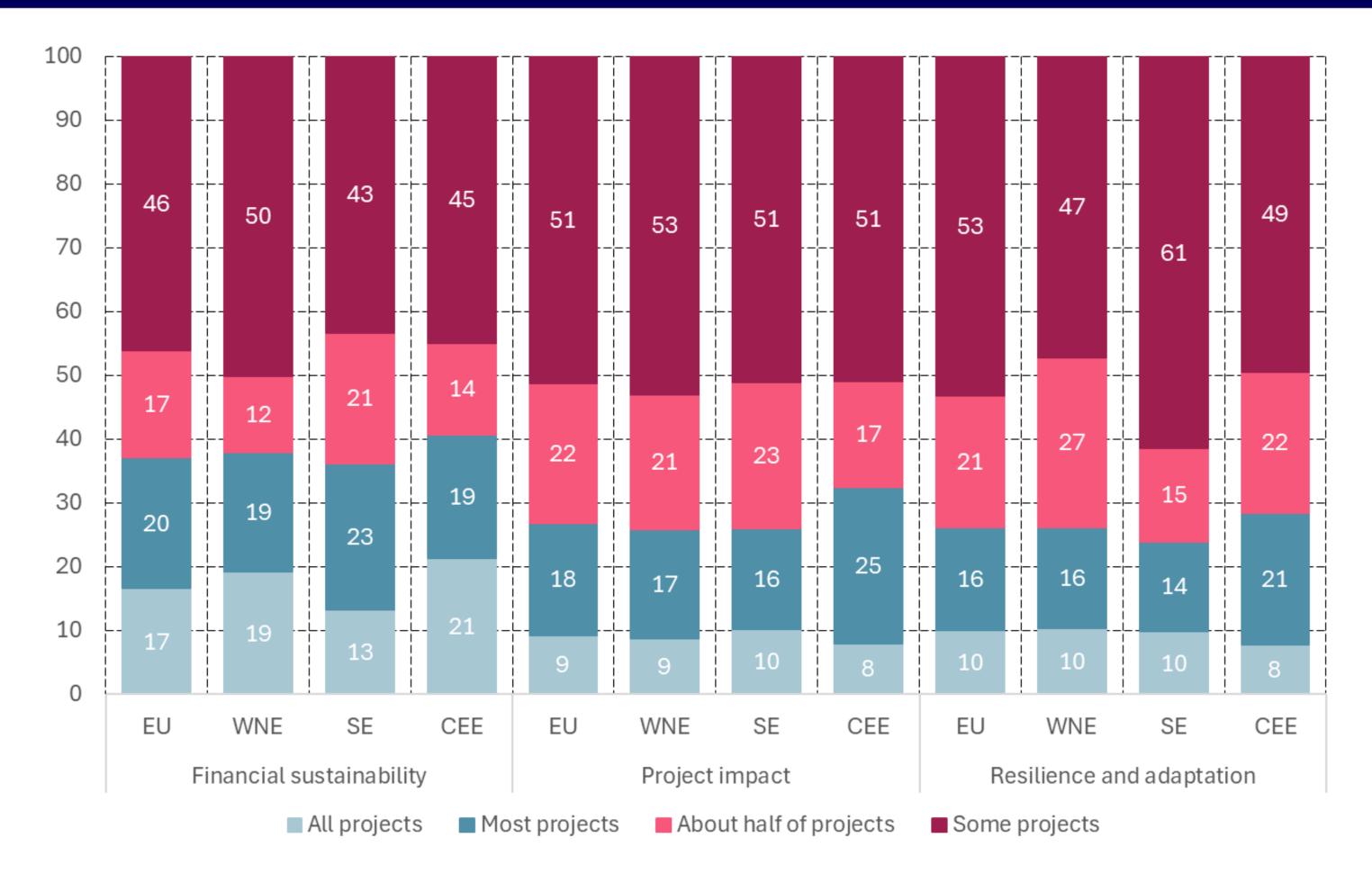
- > EU grants are the most common source of funding for future municipal projects, followed by direct transfers from the national government.
- ➤ EU funding (financial instruments) take various forms, such as EU grant money, which can be used as a guarantee to attract banks and other private investors.
 □ fi compass



Issues and challenges



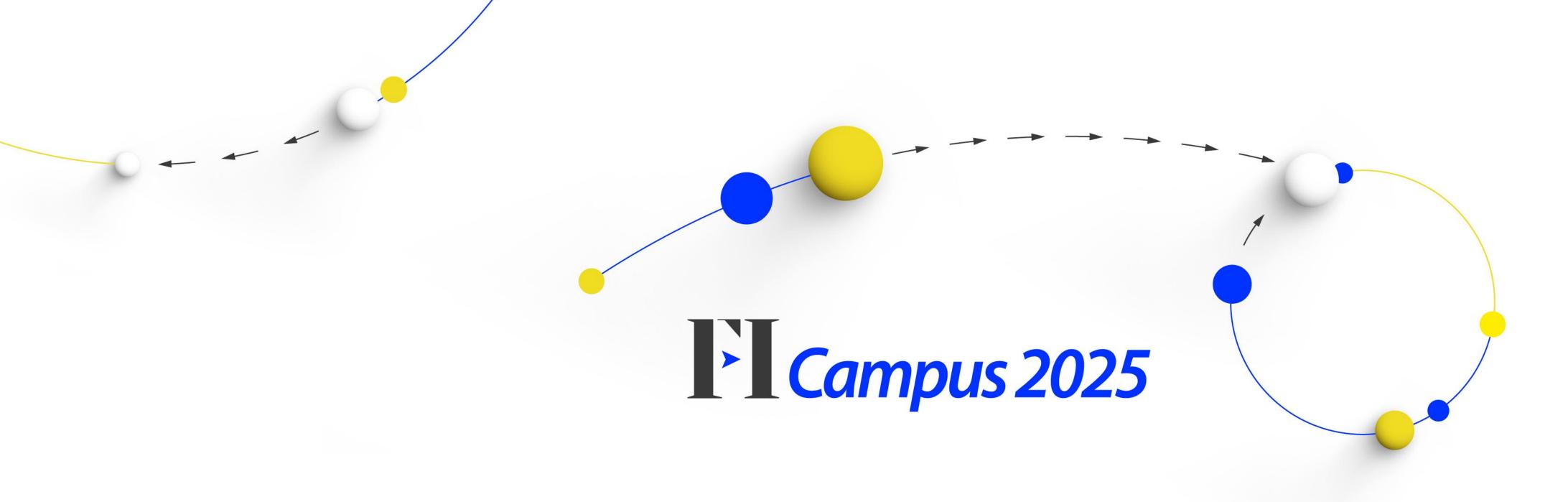
Project evaluations / assessments, 2024, EU-27 and EU macro regions (% of municipalities)











Thank you



EIB Municipalities Survey:

- current edition: https://www.eib.org/en/publications/20250028-eib-municipalities-survey-2024-2025
- previous editions: https://www.eib.org/en/publications/the-state-of-local-infrastructure-investment-in-europe

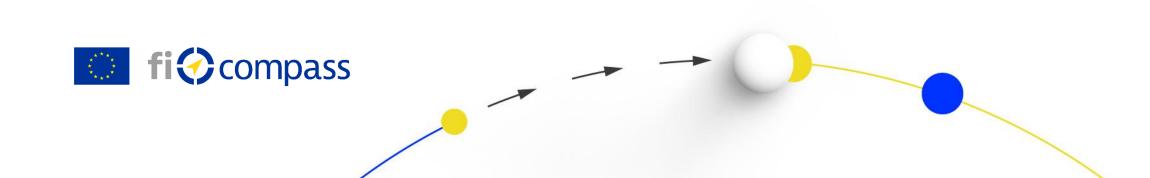
New EIB Group Portal on cohesion/regional policies:

https://www.eib.org/en/projects/topics/regional-development/impact

European | Advisory



Annex



24

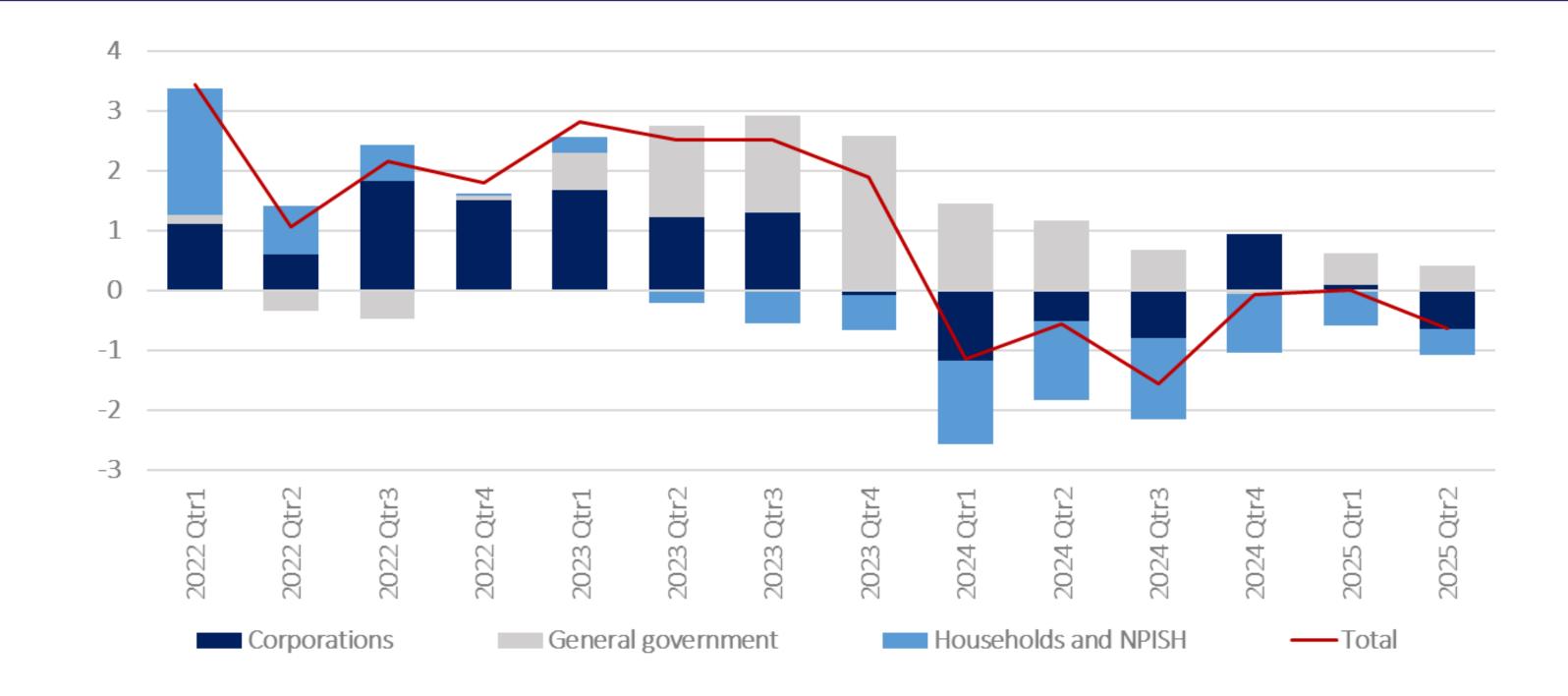




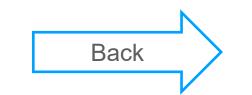
After robust growth, investment is supported by public sector policy, but stagnating overall



Growth in investment by sector, 2022–2025, EU-27 (y-on-y change, %)







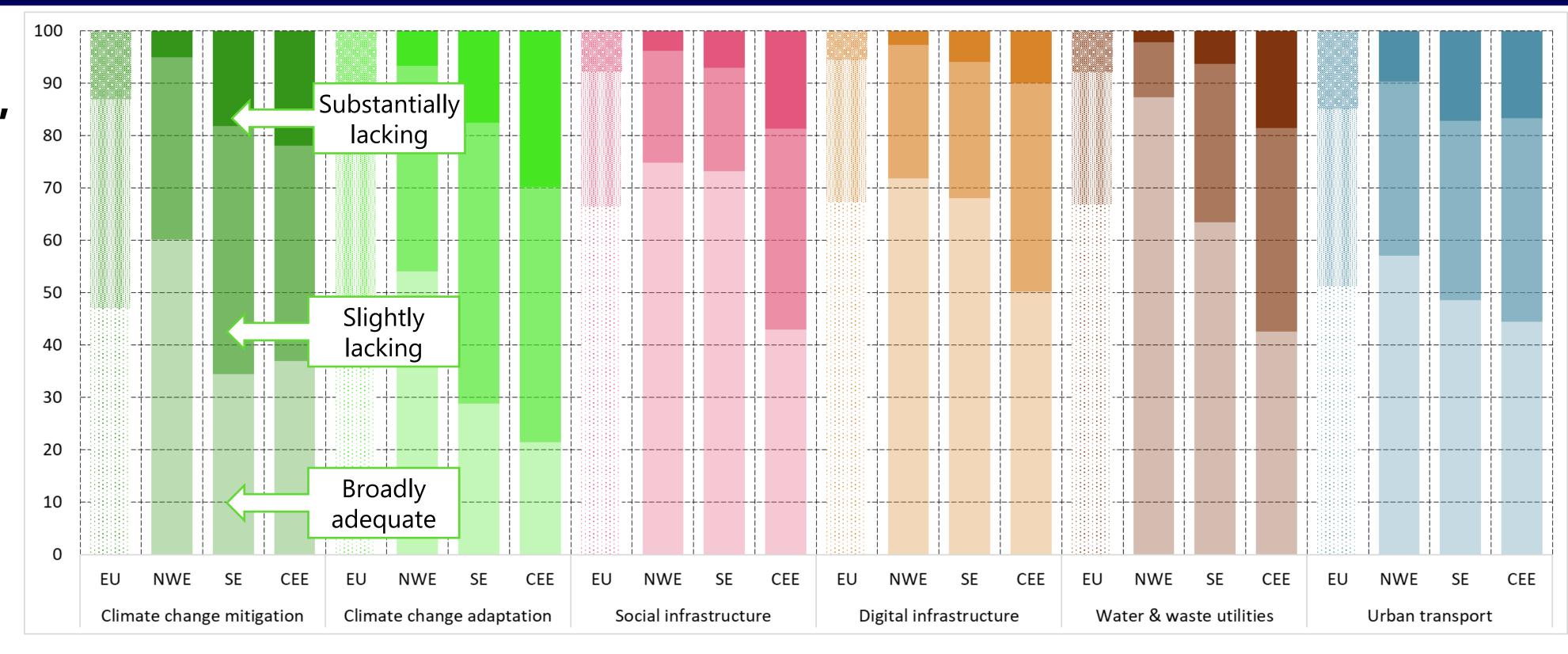






Largest needs seen in climate-change related infrastructure investments across EU regions

Local government investment adequacy, 2021–2023, EU-27 and EU macro region (% of municipalities)







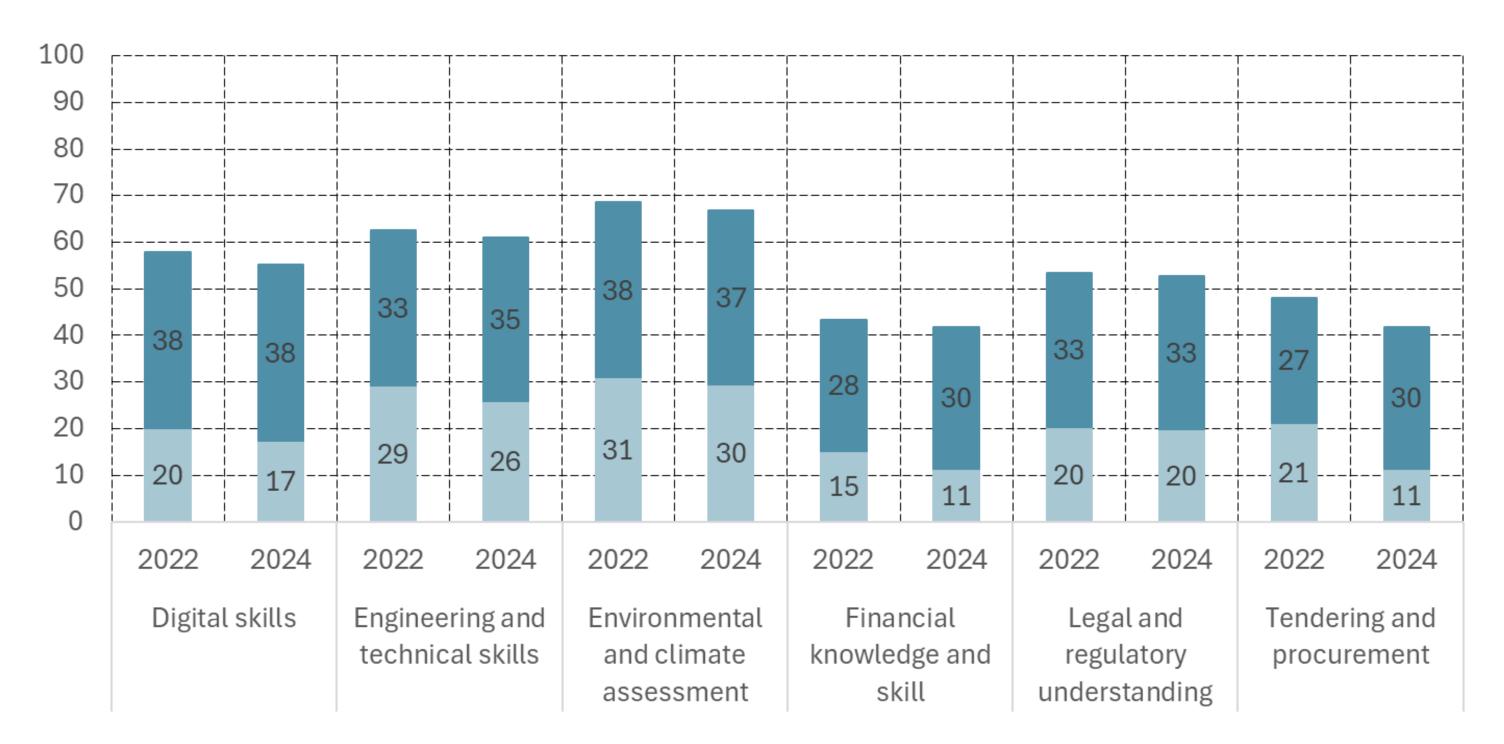
Back





Shortages of experts poses constraint to effective public investment

Skills gaps, 2022 vs. 2024, EU-27 (% of municipalities reporting as major and minor obstacles)









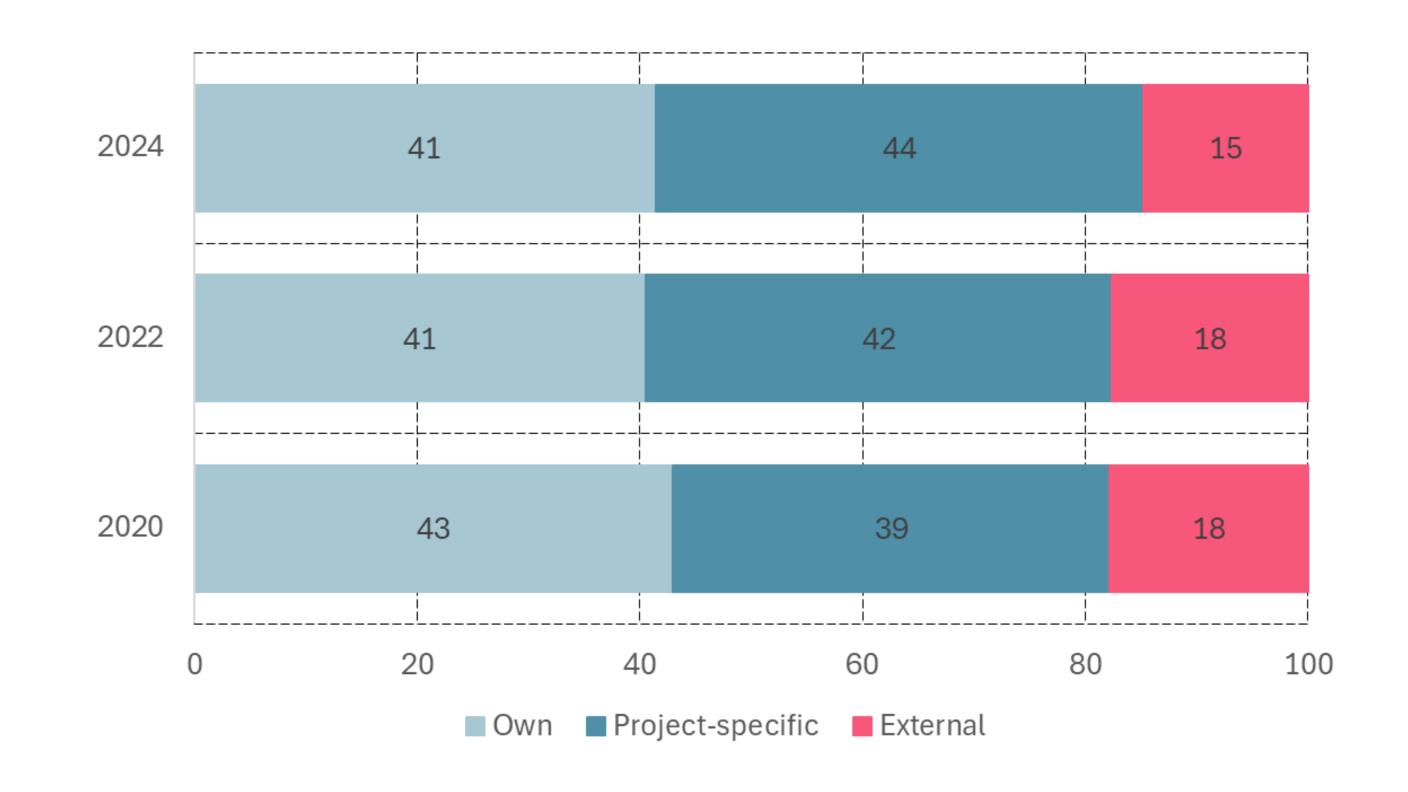




Own and project-specific financing are key to finance infrastructure project

Realised municipal infrastructure projects, 2020–2024, EU-27

(% of municipalities reporting as source)













IFRRU – Financial Instrument for Urban Rehabilitation and Revitalization (IFRRU 2030)

Isabel Barroso de Sousa, Head of the Executive Board of the IFRRU 2020 Management Structure, Portugal







IFRRU – Financial Instrument for Urban Rehabilitation and Revitalization (IFRRU 2030)



INDEX

- IFRRU 2030 → RENOVATE & BUILD TO RENT
- OVERVIEW OF IFRRU 2020
- PORTUGAL'S REALITY ON URBAN CONTEXT IN A NUTSHELL
- SUGGESTED MEASURES IFRRU 2030







IFRRU – Financial Instrument for Urban Rehabilitation and Revitalization (IFRRU 2030)



IFRRU 2030 - Transforming Urban Rehabilitation and Affordable Housing offer In Portugal

IFRRU 2030 is aligned with the Government **housing task force** to promote a **massive supply of housing**, responding to severe housing shortages and market gaps.

HOW?

- → RENOVATE TO RENT: rehabilitate buildings and restore degraded and vacant heritage, namely, public properties, and make affordable rentals available;
- → BUILD TO RENT: using faster, more efficient methods and digital tools;

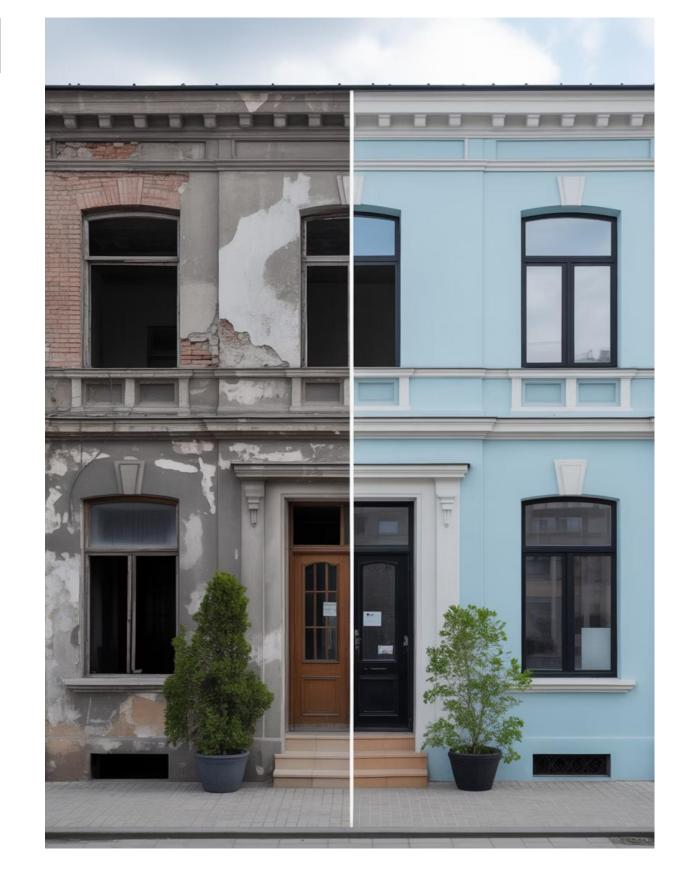
Combined with energy efficiency and seismic resilience in residential buildings.



- Ensure access to housing for those who cannot find it on the market, and to families living in severe deprivation;
- Respond to urgent housing needs arising from unexpected, temporary or unpredictable events, temporary housing needs for workers, students and elderly residences;
- General Housing supply with affordable or moderate rents, according to families income and the state support for the landlords, if needed.

IFRRU 2030 is structurally the continuation of the IFRRU 2020.













AN EUROPEAN CASE STUDY

Objectives

Promote the revitalization of urban centers through **housing** development and **economic activity**, in order to retaining population, stimulating job creation, and sustainable economic growth.

- Rehabilitation of buildings over 30 years old and abandoned industrial areas, located in specific areas, so designated and approved by municipalities;
- Eligible operations must be located within officially designated Urban Rehabilitation Areas (ARU);
- No restrictions regarding the future use of rehabilitated properties;
- Open to all types of entities: private, public, for-profit, and non-profit;
- Mandatory, integration of **energy efficiency** measures in all supported interventions.

Procedure

3 simple steps:

- 1. **Binding Municipal Opinion**: The local authority issues a binding opinion on the material and territorial eligibility of the investment;
- 2. **Energy Certification**: Conducted in parallel, issued by a qualified expert proposing tailored energy-saving solutions;
- 3. Loan Application: A single financing request, submitted to a participating commercial bank (selected by an international public tender) integrating both the rehabilitation and energy efficiency components.













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AN EUROPEAN CASE STUDY

Achievements

- 474 projects contracted;
- . €1.5 billion in total investment mobilized;
- 61% of the investment directed toward economic activity;
- 48% focused on housing-related interventions;
- 80% of beneficiaries were companies;
- 34.727 tonnes of annual energy savings achieved;
- 762.000 m² of urban space rehabilitated;
- 5.292 new <u>residents in revitalized areas</u>;
- **5.158** permanent jobs created.







After

















AN EUROPEAN CASE STUDY

Impact and Contributions

- Contributed significantly to urban regeneration and to energy efficiency objectives, as demonstrated by the numbers on the previous slide;
- Aligned with the Renovation Wave initiative, by making energy efficiency a mandatory criteria, directly improving the energy performance of buildings;
- Addressed energy poverty through (i) reduced energy consumption; (ii) improved indoor comfort; (iii) giving citizens better living conditions;
- Supported the Affordable Housing initiative, by enabling access to housing within consolidated urban areas, so promoted social inclusion;
- Promoted the enhancement of the built environment and the architectural heritage, with a focus on design quality, aligned with the principles of the New

European Bauhaus.















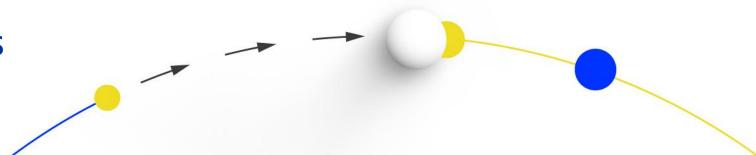
AN EUROPEAN CASE STUDY

How did it happened?

- Consolidated different financial resources into a single financial instrument. International partners (EIB and CEB) under a multi-stakeholder fund of funds model;
- Central role of municipal authorities in aligning investments with local strategies -> A national coverage but a local approach, with a Focal Point;
- Involvement of the Portuguese **Energy Agency** (ADENE) in supporting the energy efficiency agenda;
- Simplified access through partnerships with **financial intermediaries**, allowing applicants to follow a standard loan process, with **user-friendly procedures**;
- An **Investment Committee** that included representatives of the public sectors related to urban rehabilitation, housing, and municipalities association, holded regular meetings to ensured strategic alignment;
- Tailor made information system with a digital platform (SI IFRRU 2020) ensured real-time monitoring and centralized access to data and documentation, to be used by IFRRU management, financial intermediaries, managing authorities of the national programs, and more than 300 municipalities across the country;
- Strong branding, public sessions, sector-specific events, a dissemination at an international level to reach foreign investment, a dedicated email helpdesk, and permanent communication channels, supported ongoing oversight information.











IFRRU 2030

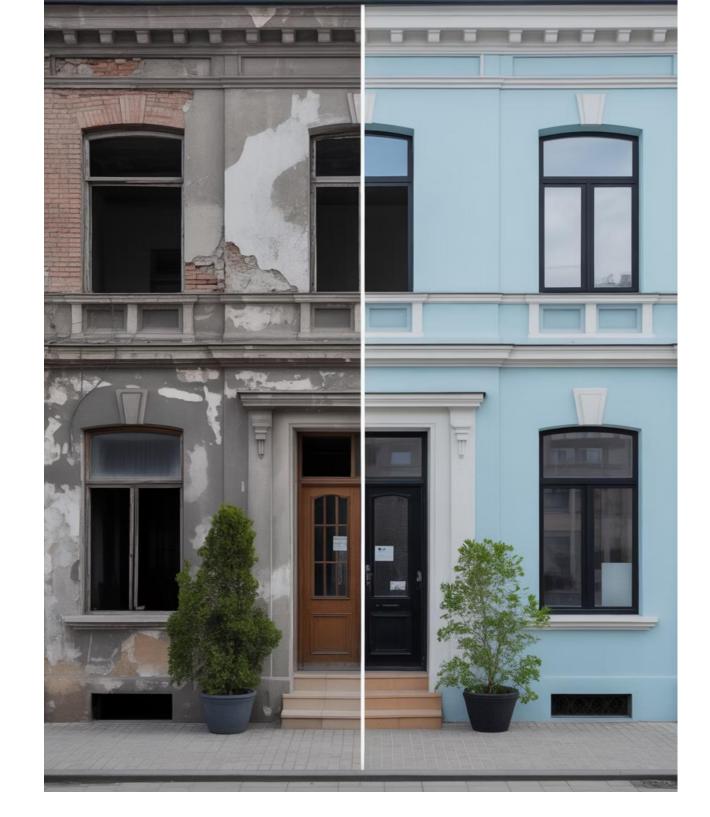
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A SUCCESS TO CONTINUE

Back to IFRRU 2030

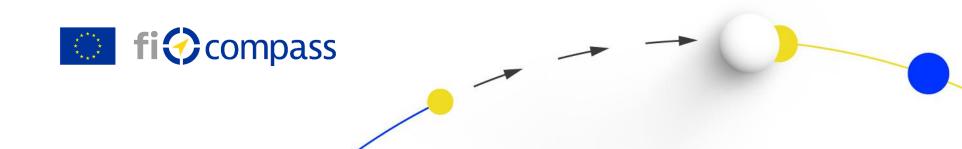
with the lessons from the past, but realist with the present:

- Portugal is facing significant **growing challenges** on the housing sector.
- Housing prices for purchase and rents (according to Eurostadt data from Q4 2024) increased by 11,6% compared to the EU average increased of 4,9%;
- For a large number of households, rents represent 40% of the income;
- 723.215 vacante dwellings (Censos 2021, INE), 30% of which require repairs or renovations to be habitable;
- Housing shortage in metropolitan areas, as Lisboa and Porto, is of 100.000 units;
- 15,7% of the population is **unable** to keep their home **adequatly warm**;
- A recent study by IHRU shows that in 2023 approximately 130.000 families were living in inadequate housing conditions;
- The lack of affordable housing disproportionally affects vulnerable groups (youth, single parents, lower-income households, migrants and increasingly affects lower-middle income).
- Several scaterred housing policies.









IFRRU 2030

FI Campus 2025

A SUCCESS TO CONTINUE

Key Innovations

- Simplified investment priorities through unified program structure;
- A unique national allocation focused on HOUSING (Renovate to Rent or Build to Rent) according to needs;
- No Territorial restriction, the intervention is based on national housing needs;
- More flexible public procurement rules for intermediary selection;
- More flexible and less bureaucratic instrument;
- · Commitment of municipalities involved on each project for a quicker licenses procedure;
- Concerning loan conditions extended grace periods and maturity terms of the loans.









IFRRU 2030

FI Campus 2025

A SUCCESS TO CONTINUE

Suggested measures

- Inventory and reactivate unused public properties and bring them back into the housing market;
- Fast-track licensing for rehabilitation and new builds, with binding deadlines to speed up getting homes on the market. Urban licensing needs to be simpler and more agile;
- Set up a property platform that tracks the full lifecycle of properties to be rebuilt and status after intervention;
- **Promote innovation in renovation and in construction**, using faster and more efficient methods like BIM, modular building, and digital tools → helps tackle labour shortages, cut costs and scale up housing solutions quickly and sustainable;
- Simplify urban planning tools to allow expansion of urban areas and make more land available for housing;
- Create a rent model tied to household income, with public guarantees or co-financing up to a certain amount to ensure affordability;
- Rethink state aid rules, including tax benefits (such as 6% VAT applicable to all rehabilitation), subsidies, exemptions, or other incentives to lower costs for promoters and individuals.











A SUCCESS TO CONTINUE

Tools like IFRRU 2030 are essential to unlocking funding and supporting urban development projects, creating the conditions for citizens to enjoy dignified living conditions, strengthening social cohesion and fostering Portugal's development as a whole.



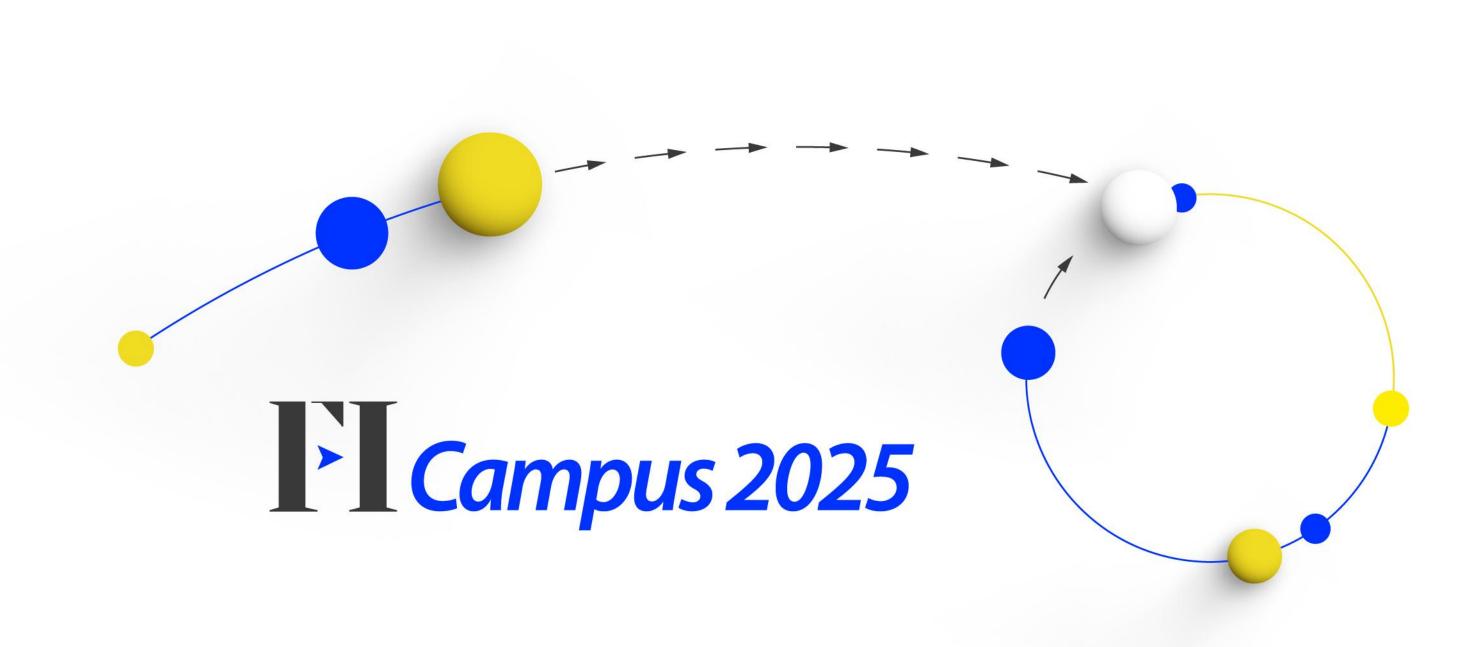












Thank you









About BGK

BGK
POLISH DEVELOPMENT

- Established in 1924
- The only state-owned development bank in Poland, strong government back-up
- Mission supporting sustainable social and economic development of Poland
- Operates pursuant to BGK act
- Head office in Warsaw plus 16 branches across Poland
- Operates abroad (Belgium Brussels, Germany Frankfurt, Ukraine -Kiev)
- Finances strategic public investments (energy/innovation/defence),
 including infrastructure projects and initiatives co-funded by the EU
- Implements FI under the National Recovery and Resilience Plan
- Fitch rating A-/ negative equivalent to the Treasury rating
- Total assets of PLN 269 bn (as of 31 December 2024)



BGK's role in implementing EU funds



- BGK manages EU funds of a repayable nature (financial engineering instruments) nearly PLN 150 billion (past and present EU periods + RRF)
- Plays different roles:
 - Financial Intermediary / Urban Development Fund JESSICA loans; repayable instruments under the National Recovery and Resilience Plan
 - Holding Fund JEREMIE scheme (Joint European Resources for Micro-to-Medium Enterprises); regional and national programmes
 - Intermediate Institution/Body Technology Credit and Ecological Credit implemented under the European Funds for a Modern Economy Programme 2021–2027
 - Paying Agency servicing payments of all (non-agricultural) EU funds



JESSICA in Poland – general scheme





Regional Operational Programme Managing Authority

Holding Fund (Manager - European Investment Bank)

Development Funds/Financial Intermediaries (e.g. BGK)

Urban Projects

(possible investors: municipalities, municipal companies, private companies, public-private partnerships and others)

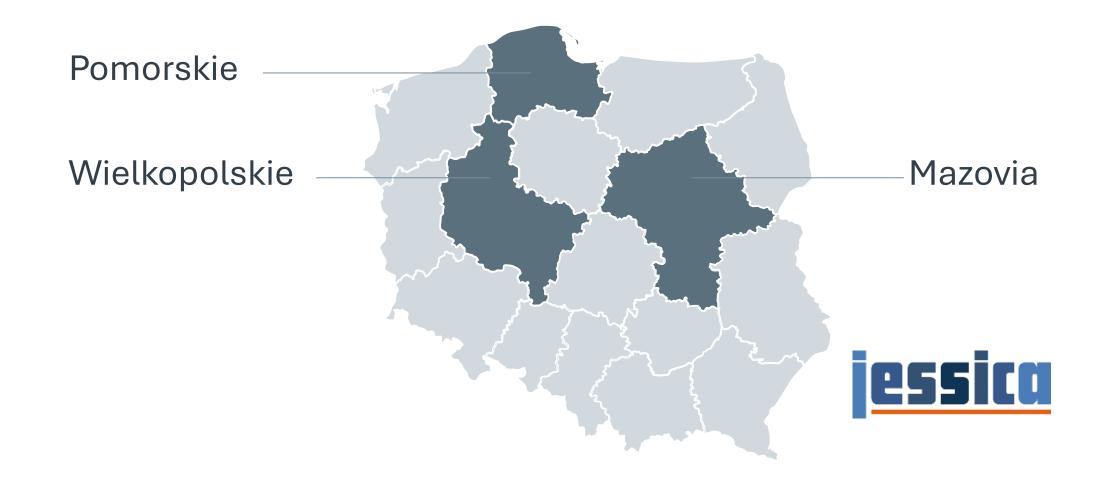


JESSICA - revitalization of urban areas



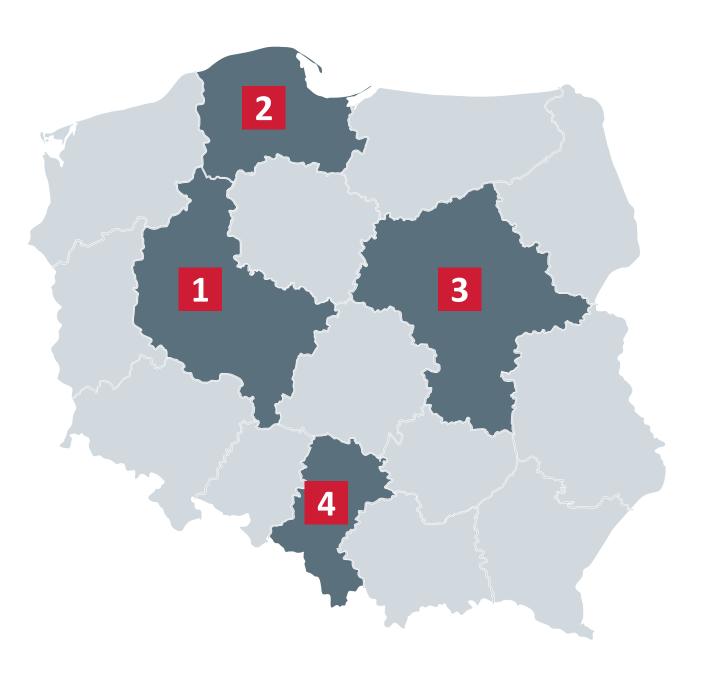
Jessica 1 2007-2013

- Urban development fund in 3 regions
- Total allocation nearly PLN 760 m (over 60% of JESSICA funds in Poland)
- Supported areas: revitalization of urban areas, supporting business environment institutions, public transport and energy efficiency and clusters



Jessica 2 2014-2020

- Operating in 4 regions
- Since 2017 (FI):
 - Wielkopolskie PLN 337 m 1
- Since 2018 (UDF):
 - Pomorskie PLN 87 m 2
 - Mazovia PLN 107 m
 - Silesia PLN 224 m 4
- Total allocation PLN 755 m
- Supported areas: revitalization (all four regions), energy efficiency (only Wielkopolskie)





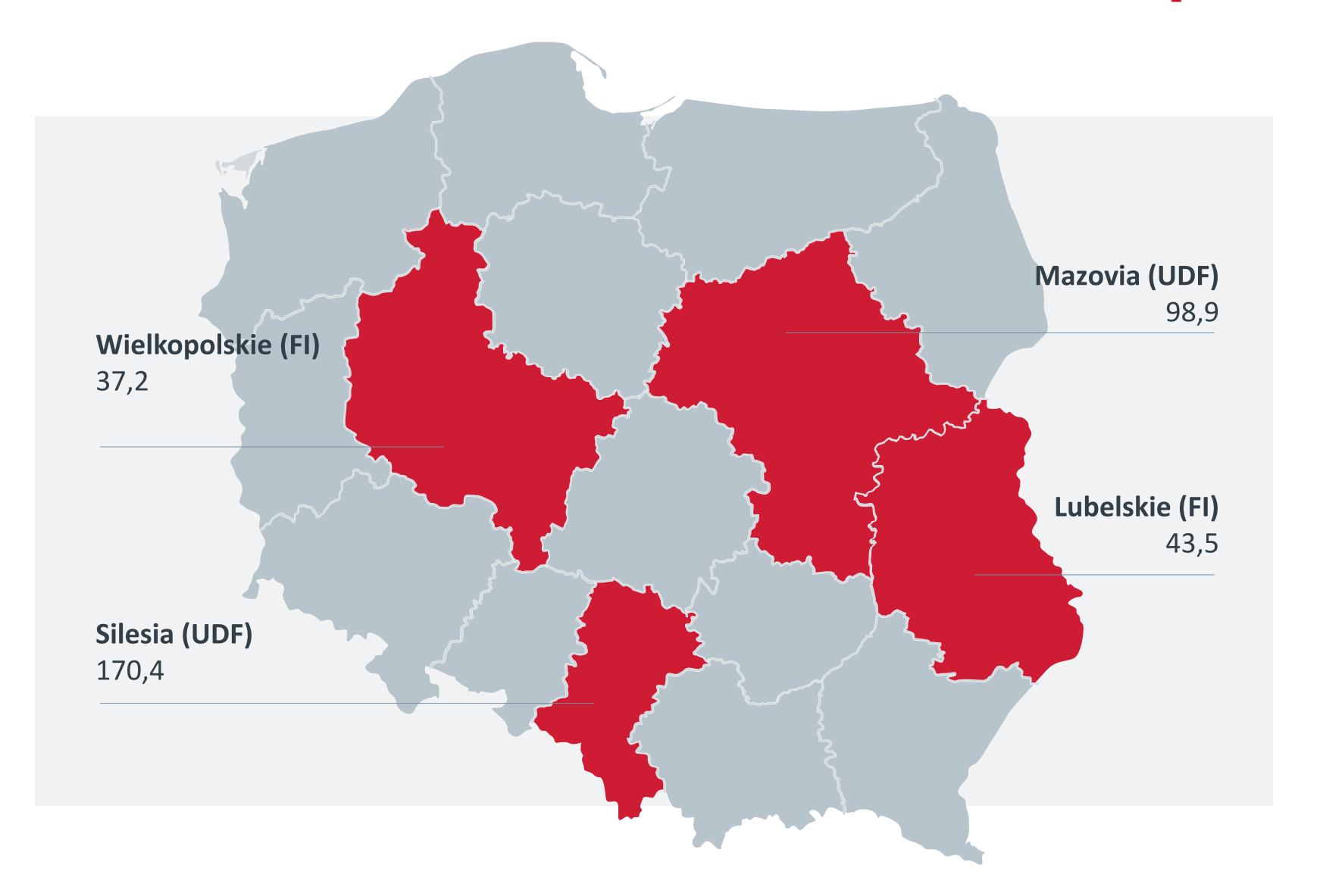


JESSICA - revitalization of urban areas



Jessica 3 2021-2027

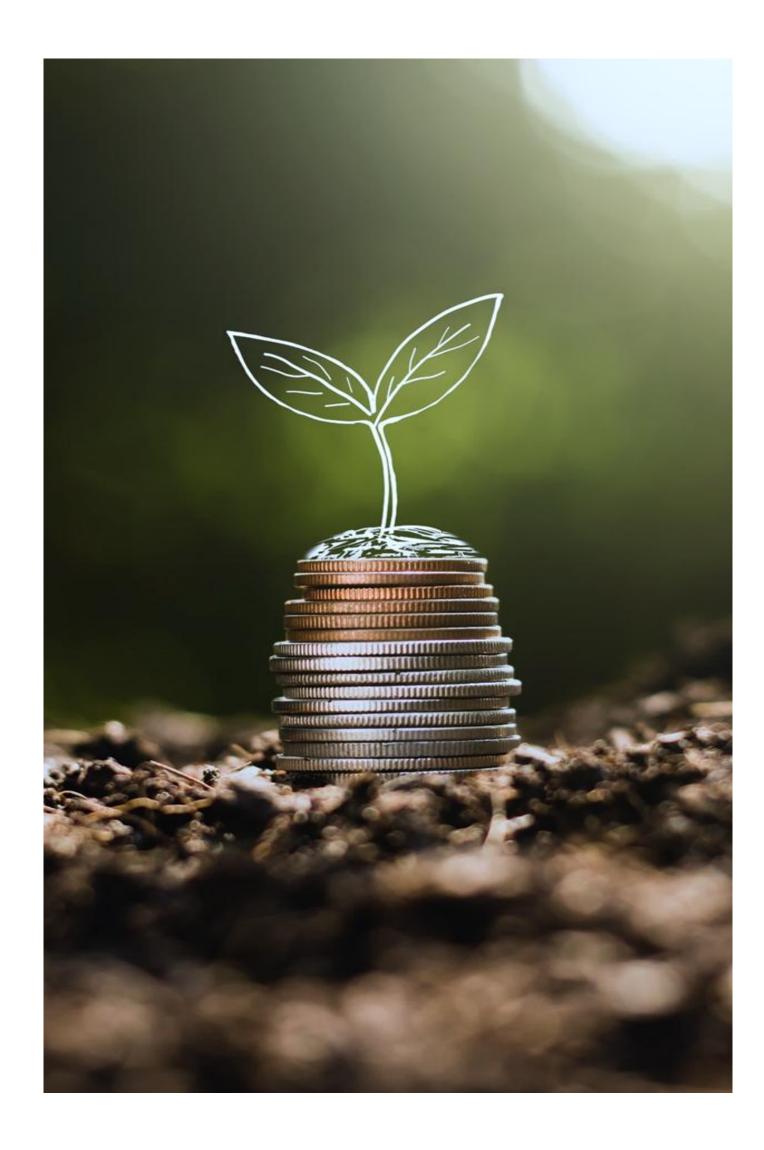
- Operating in 4 regions
- Total allocation PLN 350 m
- Supported areas: revitalization (75% of funds) and circular economy, energy efficiency, development of sustainable tourism and cultural heritage



BGK's offer for investors



- Product: preferential loans granted both in "aid" schemes (regional investment aid RIA and de minimis aid) and "non-aid" schemes (beyond public aid)
- Loan maturity: up to 15-20 years
- Interest rate: preferential set on the basis of the reference rate of the National Bank of Poland, possibly reduced by "Social Index" up to 80%
- Grace period for capital repayment: up to 12-24 months after project completion
- **JESSICA's share in investment:** up to 70-75% of total eligible investment costs (regional investment aid)/up to 100% (*de minimis* aid and non-aid scheme)
- **Investor's own contribution:** 25-30% required available co-financing with BGK commercial offer
- Collateral: in case of municipalities promissory note; in case of other entities - mortgage or other collateral
- **Loan disbursement:** based on the invoices or in advance
- No fees or commissions



Loans interest rate – social index



- The loan rate is based on the National Bank of Poland (NBP) reference rate with possibility of reduction by so called social index
- Social index (SI) is the BGK's developed index reflecting the project's influence on social, economic, spatial and environmental spheres in cities and the degree of implementation of the ROP indicators
- Loan interest rate:
 NBP reference rate (currently 4,25%)

 reduced by (up to 80%)
- The greater social impact of the project the lower interest rate
- Determined once for the duration of the loan agreement

Current minimum loan interest rate 0,85% vs. 6% - 8% in case of commercial credits



Investors and areas of financing



Type of investors



local governments



municipal companies



private investors



other entities
(universities, NGOs, PPP etc.)

Main areas of financing



revitalization of urban areas



development of public space



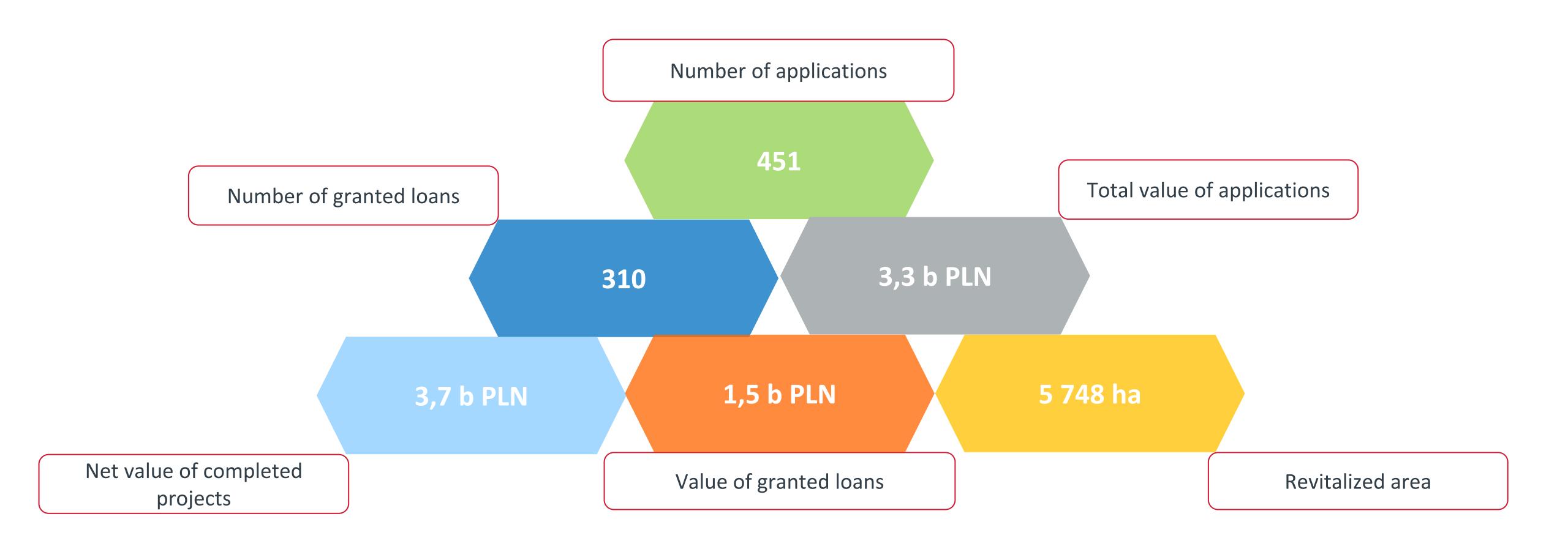
business environment & clusters



energy efficiency / renewable energy

JESSICA's effects





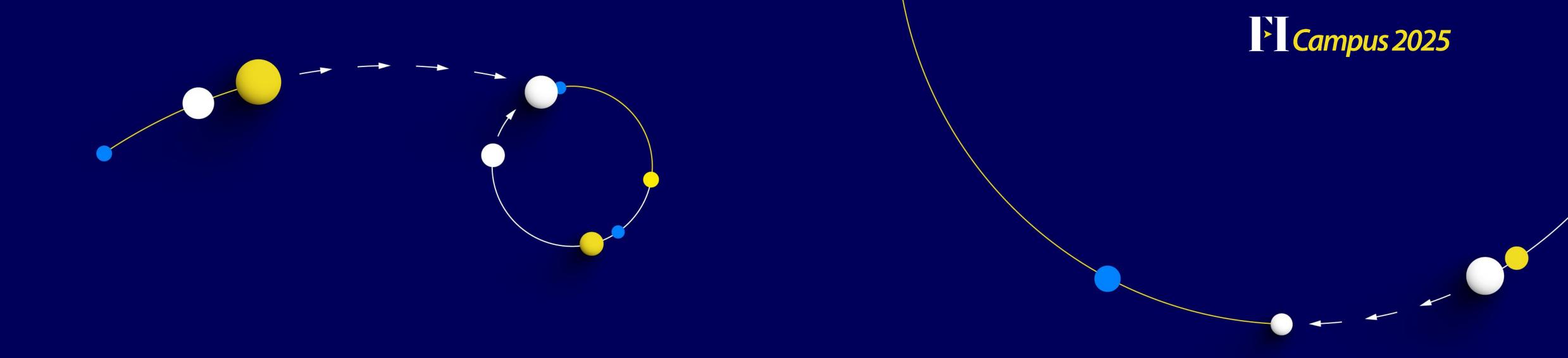
Key to the success



- Competitive financial conditions (low interest rate, no fees and commissions, capital rebate)
- Social Index Interest rate depends on the social effects of projects
- Comprehensive bank support at every stage of the loan application process
- Searching for tailored solutions in non-standard cases
- Simple and transparent procedures
- The same credit process comparing to commercial credits
- The same collaterals, whole process in one institution







Financial Instruments for Urban Development and Their Deployment in Bulgaria

Iva Petkova, Director, FLAG Fund and the Sustainable Cities Fund, Bulgaria







Urban Development Funds in Bulgaria Born and proven in times of crisis

- Previous experience with FLAG (since 2009), JESSICA (since 2012), established Bulgarian FoF in 2015
- Appropriate risk-sharing mechanisms to ensure shift from grants
- Flexible and adaptive framework to crisis
- Motivated team of experts with different backgrounds



Urban Development Funds in Bulgaria Smart use of public funds

FI Campus 2025

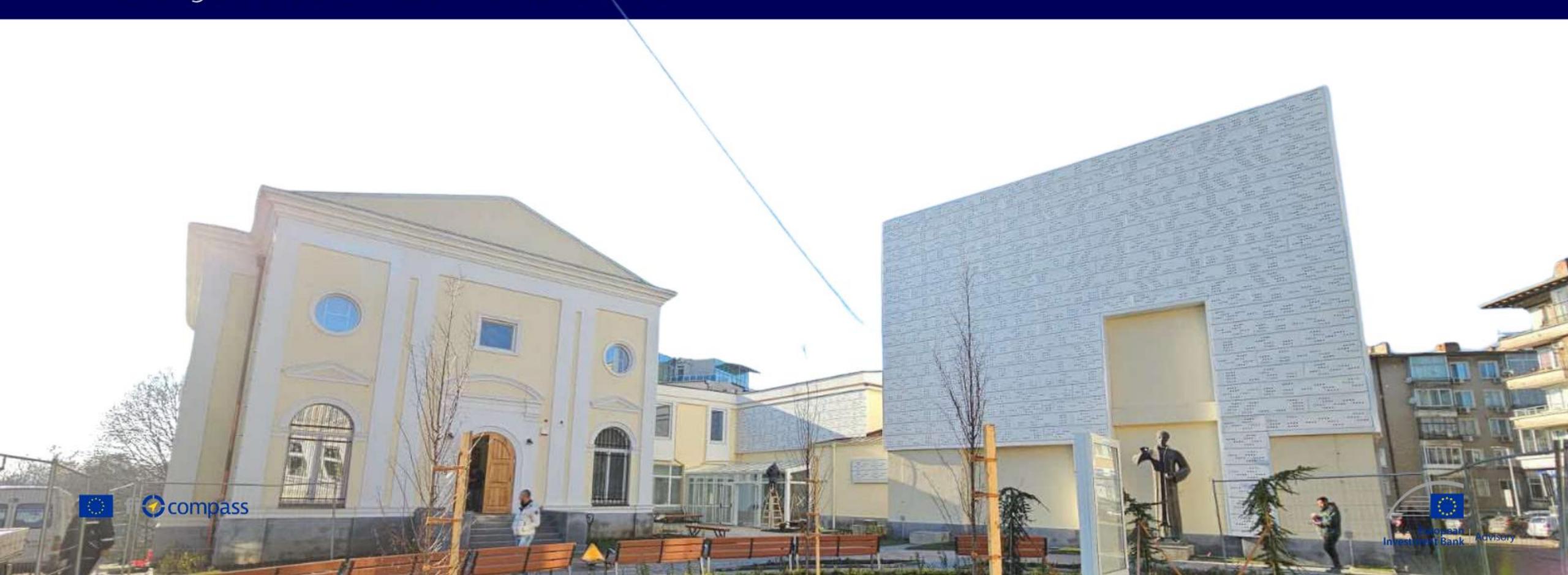
- Substantial leverage and strong multiplier effect
- Enriching partnership between the public and private sector
- Combining of grants and loans to optimise impact
- Maintaining the revolving nature of funds to ensure sustainability both JESSICA and UDFs 2014-2020 have been reinvesting funds - over € 65 m.



Urban Development Funds in Bulgaria Providing the 'Right to Stay'



- Strong municipal uptake esp. after COVID for improvement of municipal infrastructure and services
- Established complementary mechanism to UDFs in 2020 the Bulgarian Investment platform between FLAG and EIB - to reach to all Bulgarian municipalities
- Total investments (UDFs+Inv. Platform) over € 350 m.
- Strengthened local resilience and cohesion



Urban Development Funds in Bulgaria





Supported projects





Provided financing

€ 346 m





LESSONS LEARNT

- the need for specialised expertise to deploy Fls effectively;
- the impact of lengthy procurement procedures, which delay the start of implementation;
- the crowding out effect caused by increased government spending;
- the practical difficulties of combining different types of support in a coherent framework.

CONCLUSIONS

- Fls have evolved—from emergency tools to mature, strategic mechanisms;
- Fls now represent an efficient, revolving and sustainable investment model;
- Fls strengthen regions, empower communities, and express a long-term commitment to people and places;
- Fls uphold social and territorial cohesion—the very foundation of the European model.





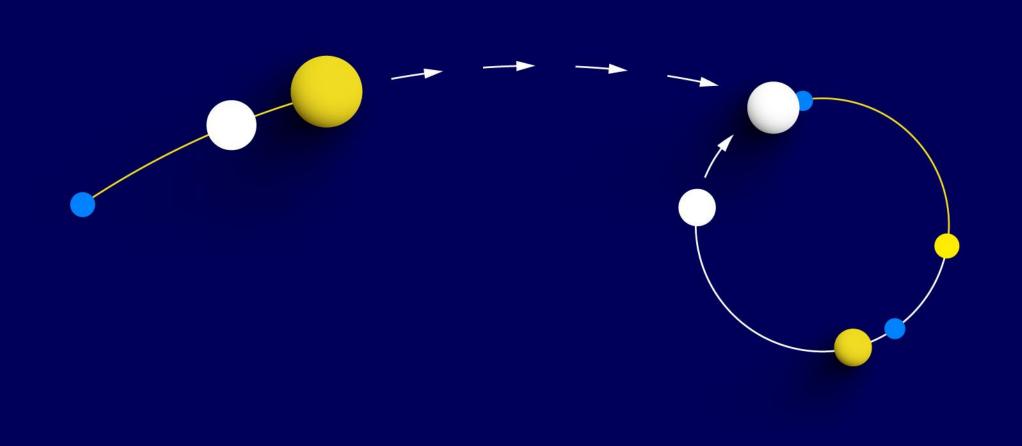


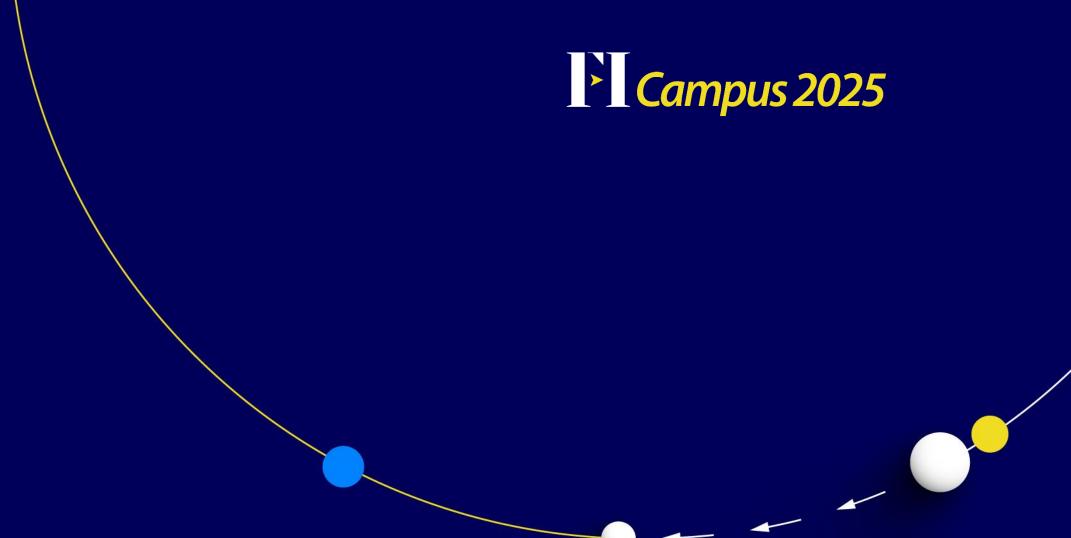












The EU Urban agenda

Pia Laurila, Policy Officer, Urban Unit, DG REGIO, European Commission









EU Agenda for Cities

Mission letter of Executive Vice President Raffaele Fitto, responsible for Cohesion and Reforms:

"To harness the potential of cities as innovation, growth and competitiveness engines, you should put forward an ambitious policy agenda for cities. This agenda should provide a clear vision for the future of the cities, looking at issues such as housing, climate action, digitalisation, mobility, social inclusion and equality."

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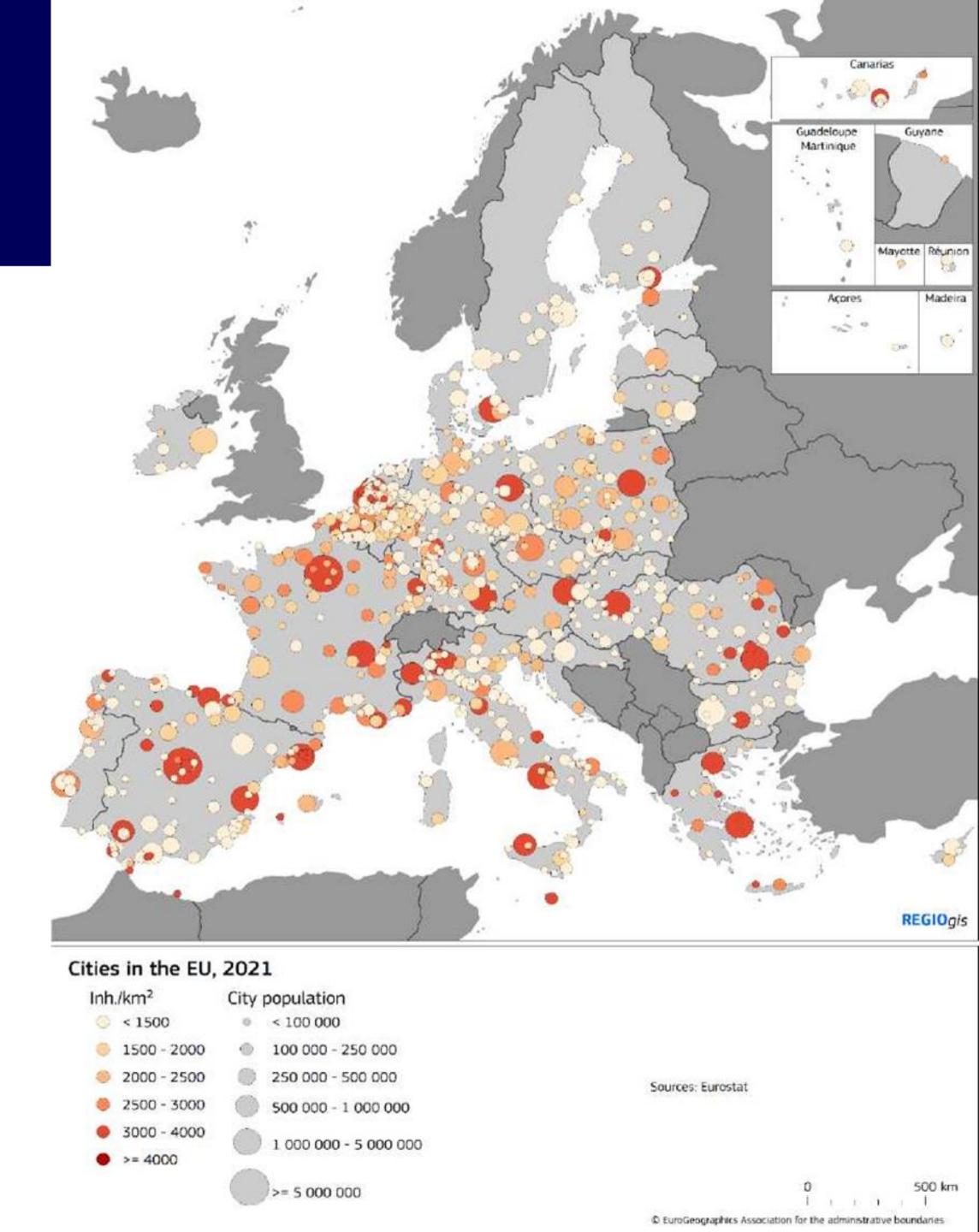




Why an EU Agenda for Cities?

- Around 75% of EU population lives in cities and other urban areas
 - In 2021, 39% of EU population lived in around 700 cities, 36% lived in around 9 000 towns or suburbs and 25% lived in rural areas
- Local and regional authorities implement approximately 70% of EU legislation – they are key actors for delivering EU policy goals



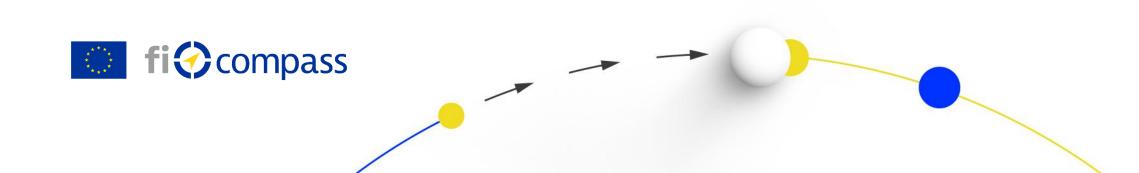


Why an EU Agenda for Cities?

- Cities are economic motors of the EU with high share of GDP and employment

 central for green, digital and demographic transitions
- Cities offer access to education, healthcare, housing, culture and other essential services
- Cities face challenges lack of affordable and quality housing, traffic congestion, climate and biodiversity crisis and related risks, social segregation, pockets of poverty, etc.









Proposed content of EU Agenda for Cities

Main aims

- Streamlining diverse EU-level support available to cities and urban areas, which is often fragmented and hard for local authorities to navigate
- Strengthening multilevel governance and cooperation by better integrating cities' interests into EU policymaking

Areas of action

- Economy, competitiveness and prosperity
- Housing
- Climate action, environment and clean energy
- Mobility

fi compass

- Digitalisation
- Social inclusion and equality
- Security, public safety and preparedness



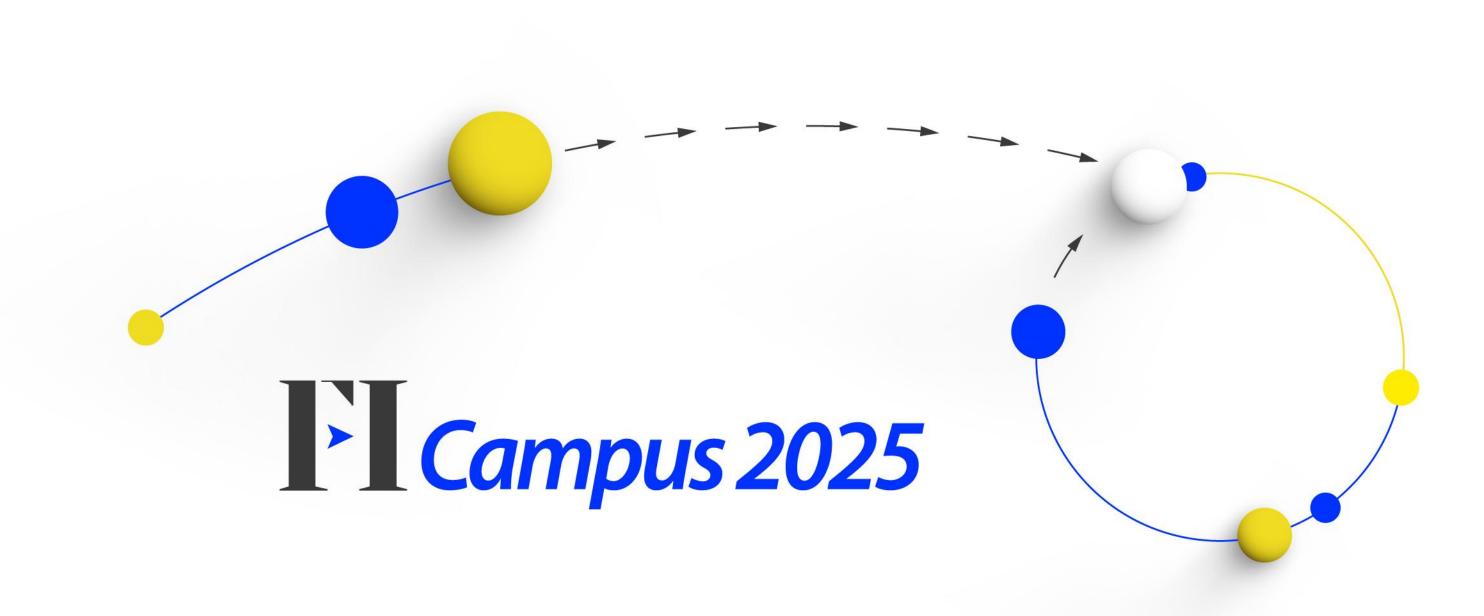


Past phases and next steps

- High number of meetings and dialogues with Member States, cities, regions and other institutions through various fora
 - Call for evidence completed results available at Commission's portal <u>Have your</u> say - <u>Public Consultations and Feedback</u> - <u>Cities – new policy agenda</u>
- Consultations and engagement of urban stakeholders through multiple events and meetings
 - Sixth edition of Cities Forum on 17-19 June 2025 in Kraków: <u>Cities Forum 2025</u>
 <u>EUI</u>
- Adoption of EU Agenda for Cities planned for December 2025







Thank you

www.fi-compass.eu















