URBAN DEVELOPMENT NETWORK WEBINAR SERIES

Six building Blocks to Sustainable Urban Development

03, 09, 13, 17, 19 and 25 November 2020

The Urban Development Network

European Commission

SESSION 5 : Funding and Finance
Thursday, 19th November 2020, 10:00-12:00

Handbook of Sustainable Urban Development Strategies:

Multiple funding sources as the key for integration and sustainability

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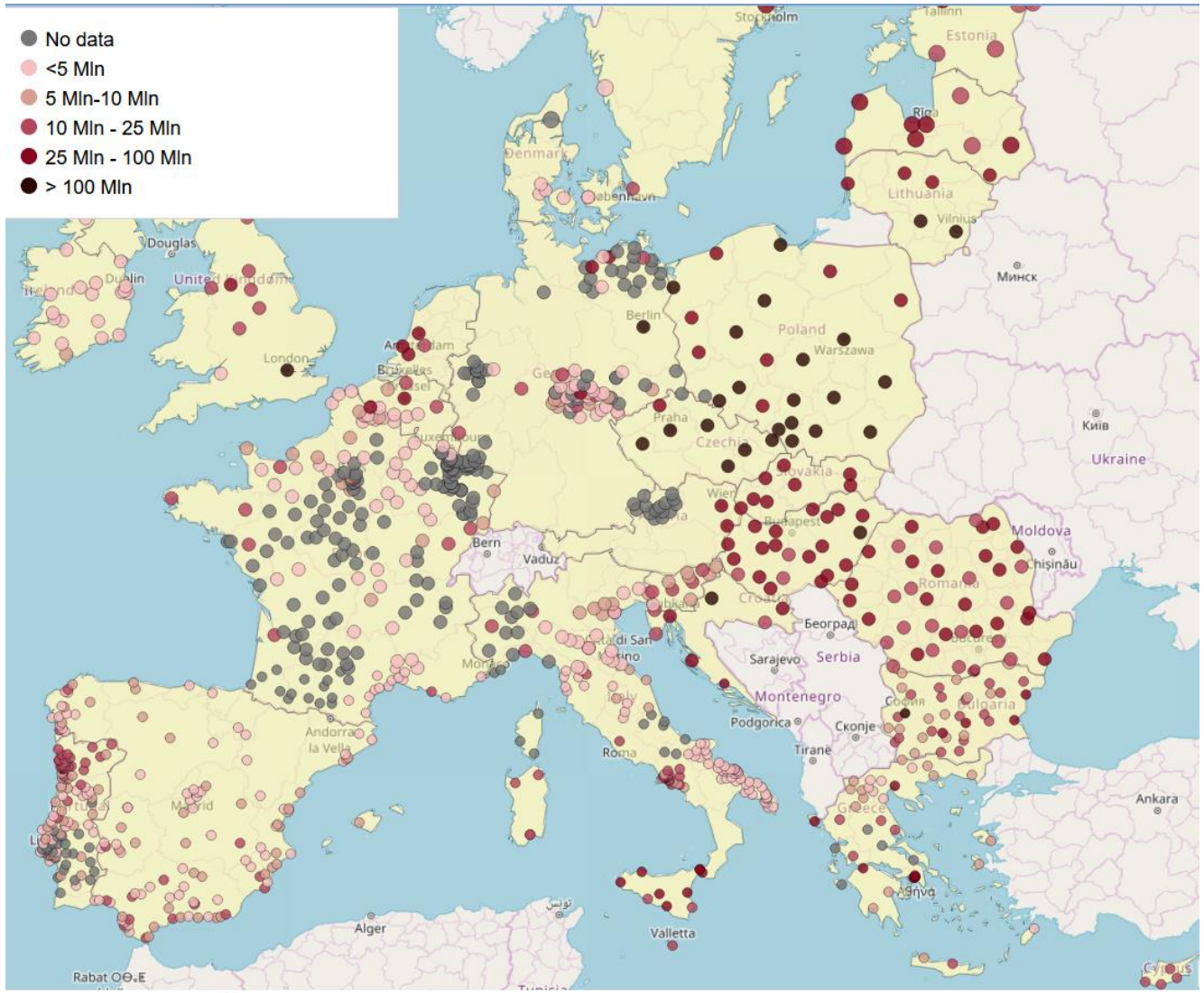
Funding and Finance for SUD

- To tackle the complexity of urban issues and address those interrelated social, economic and environmental issues in a strategic and integrated manner, **a range of Funding sources and Financial Instruments would have to be deployed**.

- Combining funding sources is not only a matter of doing more with less but also a matter of identifying the necessary resources and **channeling them to projects that are best suited to address the policy issues at hand**



- 39% of strategies, for which there are data, commit less than 5 million euros of EU contribution.
- Strategies with larger ESIF budgets (>25 Meuro) are overwhelmingly located in EU13 MS. Roughly 1 in 2 such strategies target FUAs and use ITI.
- 21% of urban strategies integrate more than one fund
- 18,5 % drew from two funds, while only 2,3% drew from three or more funds

Main Issues

1. **Integrating ESI funds between them and with domestic funding**

2. **Involving private investors and the third sector in Sustainable Urban Development Funding Strategies**

3. **Enhancing the use of Financial Instruments and Financial Products in Integrated Sustainable Urban Development**

First issue

Integrating ESI funds between them and with domestic funding

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Integrating ESI funds between them and with domestic funding

The main reasons for combining multiple sources of funding is operational effectiveness. Integrated urban development tries to address a diverse set of interconnected issues and therefore a wide range of suitable funding sources is available.

BUT

Each fund has different priorities, targets, and requirements in awarding funding.

Key Recommendations

- Highlight the social, economic and environmental dimensions of the issues facing the target area and how they are reflected in EU policy priorities, so that your SUD can target appropriate EU funds.

- Consider whether establishing a Strategic Funding Unit could be a suitable mechanism in your context.

- Coordinate different managing authorities, especially when it comes to calls for projects and monitoring systems.

- Put synergies in place between funds through regulatory mechanisms and instruments at local level, when necessary

Second issue

Involving private investors and the third sector in Sustainable Urban Development Funding Strategies

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Second issue

Involving private investors and the third sector in Sustainable Urban Development Funding Strategies

How could SUD strategies be utilised to manage the risks associated with implementing an investment programme?

How could private sector engagement be facilitated?

Key Recommendations

- Include potentially ‘bankable’ projects in SUD strategy
- Reduce policy, planning and political risks through sound strategy design and stakeholder engagement
- Building up know-how and trust takes time: Enter into a dialogue early on in order to expedite the private sector-led project maturity process. LAs should focus on cultivating relationships with investors.
- Organise projects and multiple funding sources in an ‘Investment Programme’ format.

Third issue

Enhancing the use of Financial Instruments and Financial Products in Integrated Sustainable Urban Development

Third issue

Enhancing the use of Financial Instruments and Financial Products in Integrated Sustainable Urban Development

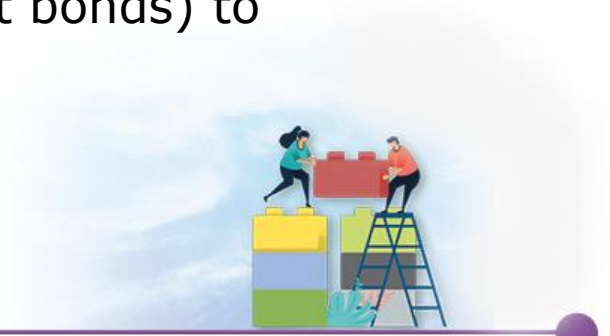
What has been the rationale for and use of ESIF financial instruments in urban development?

What role does the EIB play in supporting the use of financial instruments and financial products in SUD strategies?

How can LAs bring financial instruments and financial products into the SUD strategy funding mix?

Key Recommendations

- Use financial instruments to multiply the effectiveness and impact of ESIF funding in urban development.
- The ‘Investment Platforms’ format can be used to diversify risks, to reduce overheads and to become eligible under the InvestEU initiative.
- Use the European Investment Advisory Hub (EIAH) for tailor-made technical and financial advice.
- Explore the use of novel financial products (green bonds, social impact bonds) to complement the financial strategy of an investment programme.



City cases

Bilbao: Multiple funding sources serving the city's long-term strategy

Athens: Pioneering the 'Investment Programme' approach

Gothenburg: Innovative use of financial products

HANDBOOK: urban.jrc.ec.europa.eu/urbanstrategies

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