



Brussels, 17.6.2022
SWD(2022) 172 final

COMMISSION STAFF WORKING DOCUMENT

**New European Bauhaus territorial development model (NEB TDM) financial
instrument**

New European Bauhaus territorial development model (NEB TDM) financial instrument

Contents

- Abbreviations 2
- Introduction 3
- Part 1: Strategic context of the NEB TDM 5
 - Policy context: policy objectives of the ERDF, the CF or the JTF 5
 - Ex ante* assessment underpinning the investment strategy of the NEB TDM 6
 - NEB context: the NEB’s core values from idea through implementation to outcome 7
 - A. Sustainability 8
 - B. Aesthetics 8
 - C. Inclusion 9
- Part 2: NEB TDM – terms and conditions 11
- Part 3 Guiding principles for assessing projects’ compliance with the NEB 31
 - High quality application of the NEB’s core values 31
 - Sustainability 31
 - Aesthetics 32
 - Inclusion 33
 - Participatory and transdisciplinary approach 34

Abbreviations¹

Abbreviation	Full name
CPR	Common Provisions Regulation - Regulation (EU) 2021/1060 of the European Parliament and of the Council of 24 June 2021
CF	Cohesion Fund
EIB	European Investment Bank
EIB(G)	European Investment Bank (Group)
EIF	European Investment Fund
ERDF	European Regional Development Fund
EU	European Union
FI	financial instrument
GBER	General Block Exemption Regulation - Commission Regulation (EU) No 651/2014 of 17 June 2014 declaring certain categories of aid compatible with the internal market in application of Articles 107 and 108 of the Treaty
HF	holding fund as defined in point (20) of Article 2 CPR
IAB	investment advisory board
JTF	Just Transition Fund
MA	managing authority
NEB	New European Bauhaus
NEB TDM	New European Bauhaus territorial development model
SGEI	Service of general economic interest, as explained in recital 11 of Commission Decision 2012/21/EU
SF	specific fund as defined in point (21) of Article 2 CPR

¹ CPR applies to the definitions abbreviated in the table.

Introduction

On 15 September 2021, the European Commission adopted a Communication² setting out the concept of the New European Bauhaus (NEB).

The NEB brings a cultural and creative dimension to the European Green Deal³ to strengthen sustainable innovation, technology and economy. The NEB is about the spaces where we live and the way we would like to live together, while respecting the planet and protecting nature. A triangle of three inseparable core values guides the NEB:

- sustainability, from climate goals to circularity and biodiversity;
- aesthetics, quality of experience and style, beyond functionality; and
- inclusion, including accessibility and affordability.

The objective is to apply these values simultaneously to develop the creative solutions that best address people's needs, with efficiency gains and aiming for a lower overall cost.

The NEB endorses a multilevel approach to transformation – from global to local. The green transition brings challenges that should be addressed globally. At the same time, it is at the local level that responses become tangible and make sense for people. Therefore, the NEB addresses the full scale of the transformation, from the global level all the way to the level of neighbourhoods, cities and villages.

The participatory approach inherent to the NEB involves people in all their diversity, including women (still under-represented in certain key sectors), young people and disadvantaged groups. The NEB will demonstrate examples and concepts that embody its core values and enable dissemination of good practice. The NEB will encourage participation, listening to the stakeholders and practitioners on the ground and exploring together where policy, funding and other tools are really making a difference. This necessary focus on inclusiveness ensures that no one is left behind and that the most creative solutions are born from collective innovation.

The NEB requires a transdisciplinary approach, bridging the gap between viewpoints and professions. Culture, technology, innovation, design, engineering, the arts, the social sciences, and climate and biodiversity must go hand in hand for the NEB to succeed, to empower people to create a better tomorrow.

Therefore, in the context of this Communication, a model financial instrument (FI) for territorial development is proposed to support NEB projects in Member States and to leverage public and private investment.

² [COM\(2021\) 573 EN ACT.pdf \(europa.eu\)](#)

³ [Communication from the Commission to the European Parliament, the European Council, the Council, the European Economic and Social Committee and the Committee of the Regions - The European Green Deal \(COM\(2019\) 640 final\)](#)

The New European Bauhaus territorial development model (NEB TDM) aims to provide managing authorities (MAs) implementing cohesion policy programmes with the building blocks, they could use to set up and implement the financial instrument supporting the New European Bauhaus projects in the 2021-2027 period based on the Common Provisions Regulation (CPR)⁴.

The NEB TDM builds on the positive experience in supporting urban development strategies since 2007 through FI providing repayable support to various investments, promoting territorial regeneration in an integrated way by supporting projects promoting innovation, energy efficiency and social integration⁵. The model FI is people-centred, with an open, participatory approach, a desire to push beyond boundaries, and clear and ambitious climate objectives. At the same time the model FI ensures accessible funding, making the NEB actions sustainable in the long term.

The model FI includes the possibility of a grant component to address the more ambitious objectives set based on the transdisciplinary approach of the NEB and its core values of sustainability, aesthetics and inclusion. The model FI sets out the scope for support in terms of potential projects and technical support necessary to: (i) translate investment needs into a project pipeline⁶; (ii) implement projects; and (iii) develop the skills of national and regional authorities, bodies implementing the FI and urban and local bodies. The model does not replace the existing FI for urban development or other sectoral FIs. It provides the necessary aspects that the MA⁷ should consider when setting up an NEB TDM, giving the possibility to the MA to choose the aspects that are the most appropriate to their specific environment. With this model, the MA has the flexibility to support the NEB by: (i) using a dedicated NEB TDM FI; (ii) adding a dedicated NEB TDM ‘window’ to an existing FI; or (iii) deciding on an FI of which individual projects⁸ meet the NEB’s transdisciplinary approach and core values.

⁴ Regulation (EU) 2021/1060 of the European Parliament and of the Council of 24 June 2021 laying down common provisions on the European Regional Development Fund, the European Social Fund Plus, the Cohesion Fund, the Just Transition Fund and the European Maritime, Fisheries and Aquaculture Fund and financial rules for those and for the Asylum, Migration and Integration Fund, the Internal Security Fund and the Instrument for Financial Support for Border Management and Visa Policy - <https://eur-lex.europa.eu/legal-content/EN/TXT/?uri=CELEX:32021R1060>).

⁵ In 2007-2013 these urban-development instruments usually implemented under the JESSICA (Joint European Support for Sustainable Investment in City Areas) brand. They continued to be implemented in 2014-2020.

⁶ The pipeline of territorial development projects shall contain projects that the body implementing the FI intends to finance, based upon the information available at that time.

⁷ In the entire document, reference to an MA may be understood as reference to an intermediate body (IB) as defined in point (8) of Article 2 CPR (which clarifies that an IB is a public or private body which acts under the responsibility of a managing authority, or which carries out functions or tasks on behalf of such an authority) if this IB has been identified by an MA and if written arrangements between the MA and the IB are in place in accordance with Article 71(3) CPR.

⁸ An individual project may consist of a number of sub-projects or subcontracts.

Part 1: Strategic context of the NEB TDM

The first part of the model sets out the context, including:

- policy objectives of the European Regional Development Fund (ERDF), the Cohesion Fund (CF) and the Just Transition Fund (JTF);
- programme(s) agreed under the CPR;
- the NEB's core values; and
- local or territorial integrated development strategies.

This context provides the backdrop for setting up and implementing the NEB TDM.

For 2021-2027 programmes that envisage initiatives and action aligned with the NEB's core values, the model FI sets out the principles of partnership and cooperation between:

- territorial authorities responsible for local or territorial integrated development strategies;
- local communities and people in urban and rural areas;
- MAs; and
- bodies implementing FIs where the programmes of 2021-2027 have envisaged initiatives and actions aligned with the core values of the NEB.

It also identifies possibilities to combine grant support with FIs in a single FI operation under Article 58 CPR.

Policy context: policy objectives of the ERDF, the CF or the JTF

The NEB TDM may be set up under regional, national or Interreg programmes co-financed by the ERDF or the CF. This is possible under all policy objectives⁹, but will most likely take place under policy objectives 5 and 2 (points (e) and (b) of Article 5(1) CPR, respectively).

The NEB TDM could also provide JTF support to projects in territories identified in territorial just transition plans.

⁹ According to Article 5(1) CPR, the following policy objectives are supported:

- (a) a more competitive and smarter Europe by promoting innovative and smart economic transformation and regional ICT connectivity;
- (b) a greener, low-carbon transitioning towards a net zero carbon economy and resilient Europe by promoting clean and fair energy transition, green and blue investment, the circular economy, climate change mitigation and adaptation, risk prevention and management, and sustainable urban mobility;
- (c) a more connected Europe by enhancing mobility;
- (d) a more social and inclusive Europe implementing the European Pillar of Social Rights; and
- (e) a Europe closer to citizens by fostering the sustainable and integrated development of all types of territories and local initiatives.

¹⁰ If the NEB TDM receives the programme resources contribution under policy objective 1, in particular specific objectives 1.1 (developing and enhancing research and innovation capacities and the uptake of advanced technologies) and 1.4 (developing skills for smart specialisation, industrial transition and entrepreneurship), the investment needs to be in line with the relevant smart specialisation strategy.

Ex ante assessment underpinning the investment strategy of the NEB TDM

Support to integrated territorial development must be based on local or territorial integrated development strategies¹¹. Urban strategies should use the functional area approach. Therefore, they should promote urban-rural linkages and support to functional urban areas, which include rural areas close to cities. Rural integrated strategies or strategies bringing together small towns or villages may also open possibilities for the model to be implemented in rural areas. During the programming of CPR funds, national authorities will decide on the extent of the cohesion policy contribution to the implementation of these strategies. The investment strategy of this proposed model for an NEB TDM should be based on the local or territorial integrated development strategy and aligned with the NEB's core values. If the local or territorial integrated development strategy is not aligned with these values, this should not be an obstacle for setting up an NEB TDM. In such a case, the NEB TDM will play a role by leading to adjustment or supplementing the local or territorial development strategy with the NEB's key principles and core values depending on the needs of the territorial authorities.

The *ex ante* assessment¹² is the first mandatory step in the set-up of the NEB TDM and can be prepared by the MA or external consultants under the responsibility of the MA. The *ex ante* assessment has to propose an overall investment strategy of the NEB TDM giving to the MA the necessary information to determine how the NEB TDM can best achieve the objectives of the underlying programmes. This proposed investment strategy underpins the selection process of the bodies implementing the FI. Therefore, it is a fundamental requirement that the stakeholders involved in the partnership needed for the NEB TDM (see section on partnership in the table) be involved in the *ex ante* assessment process. This ensures that the proposed strategy reflects the territorial strategic priorities, the public's views, investor appetite, and the potential bodies' implementing the FI views of where the resources can be best deployed to maximise the NEB TDM's financial sustainability and strategic impact.

Relevant links with projects promoted by other European Union (EU) policy initiatives linked to the NEB could be included in the investment strategy, e.g. the Renovation Wave's¹³ ambition to renovate public buildings, the affordable housing initiative¹⁴ aiming to renovate/create 100 affordable housing districts, the objectives of REPowerEU¹⁵ of fast forwarding the clean transition and saving energy resources, the Strategy for the Rights of Persons with Disabilities 2021-2030 including one of its flagship initiatives AccessibleEU enabling rights and a prerequisite for the full participation of persons with disabilities on an equal basis with others¹⁶ etc.

The proposed investment strategy should describe the financial products of the NEB TDM that could be designed to meet the territorial development needs integrating the NEB's core values

¹¹ Article 28 CPR.

¹² Article 58(3) CPR. The MA may use and/or update the existing *ex ante* assessment.

¹³ https://ec.europa.eu/energy/topics/energy-efficiency/energy-efficient-buildings/renovation-wave_en

¹⁴ https://ec.europa.eu/growth/sectors/proximity-and-social-economy/social-economy-eu/affordable-housing-initiative_en

¹⁵ [resource.html \(europa.eu\)](https://ec.europa.eu/energy/topics/energy-efficiency/energy-efficient-buildings/renovation-wave_en)

¹⁶ <https://ec.europa.eu/social/main.jsp?catId=738&langId=en&pubId=8376&furtherPubs=yes>

and addressing market failures in terms of financing. To maximise the NEB TDM's impact, financial products should target those investments under the NEB TDM that generate positive externalities in line with: (i) the policy objectives set out in the programmes; (ii) underlying local or territorial development strategies; and (iii) the NEB's values, thus providing social and public benefits to people. In this way, the proposed investment strategy should ensure a scale and a level of ambition that achieve long-term change. It should also ensure long-term stability of funding, beyond one investment cycle supporting the NEB's key principles and core values and the thematic axes of the transformative path¹⁷.

The MA should select the body implementing the FI in line with public procurement law or directly award a contract for the implementation of the FI in line with Article 59(3) CPR. When the body selected by the MA implements a holding fund (HF), this body should in turn select bodies to implement specific funds (SFs)¹⁸. The various aspects of the investment strategy (e.g. implementation arrangements, financial products to be offered, final recipients targeted, envisaged combination with grant support) of the NEB TDM are negotiated and agreed between the parties in the funding agreements.

NEB context: the NEB's core values from idea through implementation to outcome

The NEB TDM must be set up and implemented in line with the NEB's objectives and core values.

One of the value-added aspects of FIs is the expertise of bodies implementing the FIs to structure investments in such a way that they can be economically and financially viable, thus ensuring the policy results are sustainable. This means that only the body implementing the FI can make the decision on the investments to be supported. This principle is equally applicable to the NEB TDM, reaping the benefit of robust project appraisal and professional led investment decision making carried out by the body implementing the FI to ensure viable¹⁹ projects are supported, achieving the NEB's objectives.

The design of the NEB TDM offers a possibility to combine FIs and grant support, providing a long-term framework for financing development that embraces the three dimensions of the NEB, namely sustainability, aesthetics, and inclusion.

All three dimensions of the NEB TDM must be applied: (i) when designing the NEB TDM; and (ii) at the level of the investments²⁰ supported by the instrument.

¹⁷ Four thematic axes that the Commission decided to follow during the implementation of the New European Bauhaus identified during the analysis of the input received during the co-design phase. The four axes are: reconnecting with nature, regaining a sense of belonging, prioritising the places and people that need it the most and the need for long-term, life-cycle thinking in the industrial ecosystem.

¹⁸ Article 59(4) CPR.

¹⁹ Territorial development projects should be based on a business model, including estimated cash flows, and should target potential private investors that can ensure financial viability.

²⁰ Investment may be carried out through one or more individual projects.

Part 3 of the NEB TDM provides guiding principles for assessing projects' compliance with the NEB.

A. Sustainability

To meet the challenges of climate change and environmental degradation, the Green Deal will transform the EU into a climate neutral, modern, resource-efficient and competitive economy. The NEB TDM will deliver on the objectives of the Green Deal by ensuring that sustainability is at the core of its design, its set-up, and the implementation of all the investments. For the purpose of the New European Bauhaus initiative, 'sustainability' is understood as 'environmental sustainability'.

(i) The scope of the NEB TDM can be laid down broadly in the investment strategy of the NEB TDM, from helping to achieve the ambitious climate goals²¹, reusing materials in new products aiming for zero waste, or changing social habits, to consuming more responsibly or creating sustainable public spaces. The NEB TDM aims to make sure that professional and financial support delivers sustainable investment for individuals, communities and businesses. In this respect, it may be necessary to use grants, for example, technical support, interest-rate subsidies, capital grants or capital rebates, to help finance the sustainability measures for supported projects.

(ii) When selecting the body implementing the FI, the MA or an HF should ask the body implementing the FI to include in its offer the proposed methodology for the appraisal of projects/investments in line with the sustainability criteria of the investment strategy (i.e. the proposed mechanism, a description of roles and involvement of experts/consultants, and criteria for appraising projects/investments). The body implementing the FI should also detail in its proposed methodology how it would help project promoters to make their investments sustainable and how it ensures that there is a sufficient number of projects addressing the sustainability aspect directly while at the same time all investments in the portfolio are designed to support the overall sustainability of the NEB TDM.

B. Aesthetics²²

(i) Aesthetics could emanate from the local or territorial development strategies, the project's concept or its development stages. These aspects can determine the role of places, buildings and objects in helping foster a sense of belonging for individuals, communities and businesses. The investment strategy of the NEB TDM should include the benefit of the NEB's emphasis on aesthetics and quality of experience beyond functionality. The investment strategy should recognise the importance of cultural life and reflect the cultural diversity and cultural heritage associated with a particular territory, involving local creative communities in arts and craft, strengthening connections, and supporting healthy, sustainable and active life-styles. By ensuring financing for projects aligned with the NEB, the NEB TDM will give promoters

²¹ Set in the European Climate Law, for Europe's economy and society to become climate-neutral by 2050, with the intermediate target of reducing net greenhouse gas emissions by at least 55% by 2030, compared to 1990 levels.

²² See Commission Communication on the NEB (COM(2021) 573 final): 'quality of experience and style, beyond functionality'.

confidence to bring forward territorial projects with high-quality design. It is vital to involve architects, designers, artists and other representatives of creative industries and the people affected by the project both in the early stages of local or territorial development planning and during project design and development.

(ii) The body implementing the FI should include the assessment of aesthetics in the selection criteria of the investments to be supported. The body implementing the FI may involve consultants/designers: (i) early in the process, when assisting project promoters in structuring the project to be financed; (ii) when the projects are ready for implementation, to assess the aesthetics of investments before their approval. In its methodology / approach the body implementing the FI should describe how it will assess the fulfilment of the aesthetics criteria. This methodology /approach will be appraised in the selection process of the body implementing the FI.

C. Inclusion²³

(i) The NEB TDM will be an active promoter of the NEB principles in the region. It will ensure that the investments that it supports are accessible to all types of communities, using the grant component when appropriate (e.g. for low-income households, communities at higher risk of poverty, social exclusion, deprived or marginalised communities, discriminated, people with disabilities, etc.). For the result to be inclusive, the partnership and governance structure of the NEB TDM also needs to be inclusive.

(ii) The NEB TDM aims to finance projects promoting the sense of belonging and help give a “meaning” to places and communities. Overall, the projects should build bridges within the community and build solidarity. The process of design and implementation of projects needs to be inclusive too.

The NEB TDM will strengthen the requirement for project promoters to ensure that the design and implementation of all projects supported by the FI take into account inclusion. Given the economic environment (housing crisis, soaring energy prices and resulting energy poverty), investment in social and affordable housing is central to pursuing the inclusion of all groups of society. The effects of actions on sustainability and aesthetics should not create barriers to the affordability of environments, goods and services created under the NEB TDM and should not lead to the displacement of lower-income households from improved housing, the crowding-out of existing businesses, etc.

Innovation is a driving force in achieving the twin (green and digital) transition to a zero-carbon, zero waste economy that leaves no person or place behind. Local communities and social enterprises that aim to benefit people and the environment play a key role in an inclusive circular economy. Therefore, the NEB TDM will focus on ensuring that project promoters target economic, business, technological and social innovations in the green economy not only at the global level but also in a local context. This may be achieved by setting up a participatory process involving local communities and (social) enterprises, but also by ensuring that

²³ See Commission Communication on the NEB (COM(2021) 573 final): ‘valorising diversity, equality for all, accessibility and affordability’.

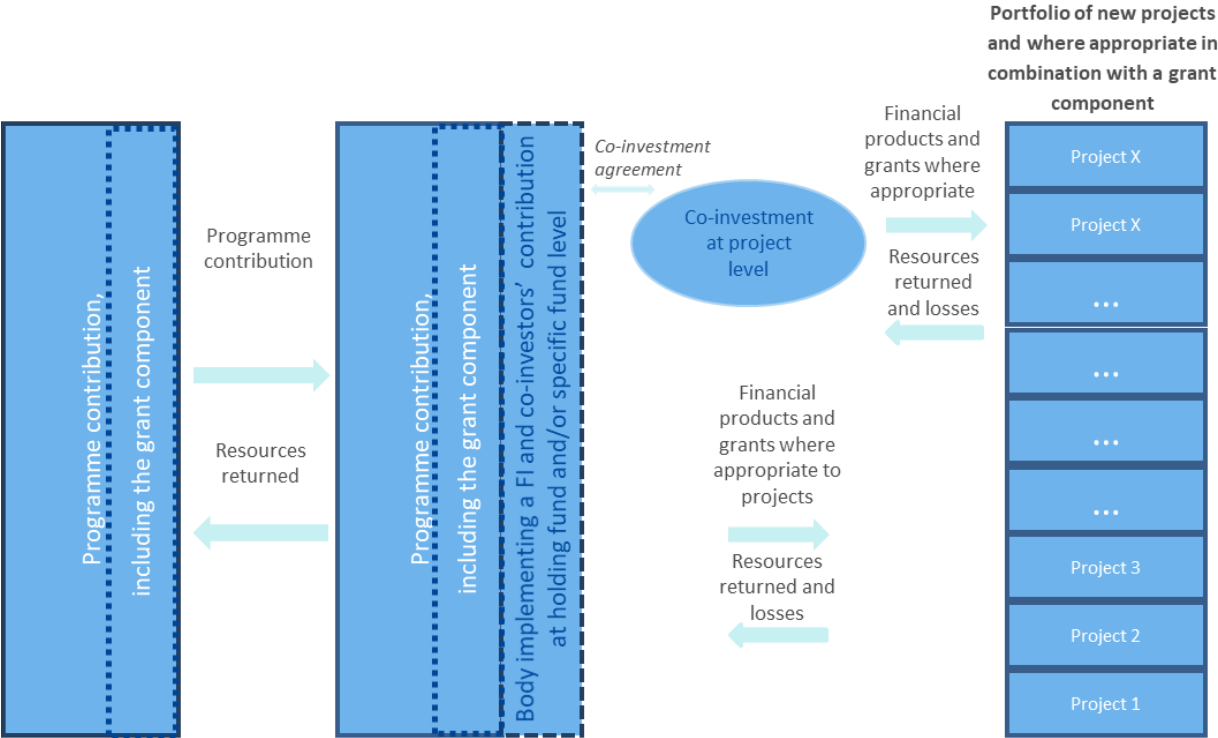
businesses create accessible products and services, adapt jobs to the skills available, and retrain the workforce so that the twin transition is also just and affordable.

The principle of inclusion is central to the investment strategy of the NEB TDM and may be extended to cover implementation and monitoring activities of the FI.

To put the transdisciplinary approach of the NEB into effect, the investments and projects carried out under the NEB TDM may also be supplemented by community-led investments to facilitate the partnership approach and to increase local people's ownership of the investments. These community-led investments may be delivered by the body implementing the FI under the NEB TDM or as a separate operation implemented by the MA or the HF. Therefore, the investment strategy of the NEB TDM should clearly describe the role of community participation in the local co-design²⁴ and project preparation, and cover complementarity with community-led initiatives.

²⁴ Co-design may include: people-led initiatives; (ii) inclusion of users of the place concerned; (iii) reshaping a place with the help of all stakeholders present; (iv) external parties that provide knowledge and capacity; and (v) a mutually beneficial relationship between local authorities and private or people-led initiatives.

Part 2: NEB TDM – terms and conditions



<p>Structure of the NEB TDM</p>	<p>The NEB TDM is a financial instrument with a grant component²⁵ in line with the provisions of Article 58(5) CPR. Both distinct forms of support may be provided by the body implementing the FI on behalf of a MA, acting either through an HF (e.g. the European Investment Bank (EIB), national promotional bank) or an SF (e.g. a financial intermediary, commercial bank, equity fund etc.).</p> <p>The FI will be implemented by the body implementing the FI, who will use the contributions²⁶ from the programme, the body implementing the FI and the co-investors to finance financial products for territorial development projects, combined with a grant component where appropriate. Territorial development projects should be aligned with the principles of the NEB and eligible under the ERDF, the CF or the JTF.</p> <p>The model is designed to be an FI providing support in the form of debt, quasi-equity and/or equity financial products where appropriate in combination with a grant component. The grant component may support: (i) the parts of the investment and activities that do not generate sufficient revenue or cost saving, or (ii) be necessary for the supporting activities of the investment.</p>
<p>Aim of the NEB TDM</p>	<p>The aims of the NEB TDM are:</p> <ul style="list-style-type: none"> to use ERDF, CF or JTF programme resources to raise additional financing for investments for territorial development that are aligned with the NEB’s principles; and

²⁵ The grant component is optional. Its use is decided based on the investment needs and the outcome of the *ex ante* assessment.

²⁶ Funds and co-financing, where applicable.

	<ul style="list-style-type: none"> • where appropriate, to use an ERDF, CF or JTF programme grant combined with the financial product to fund technical support to: (i) prepare the project pipeline; (ii) support urban / rural authority teams dedicated to mapping the projects under the local or territorial development strategy; (iii) support the local co-design, multi-disciplinary and participatory approach to facilitate the preparation of the project pipeline; (iv) provide interest-rate subsidies to reduce the cost of borrowing; (v) provide capital grants for the non-revenue generating part of the investment; and/or (vi) support a capital rebate that repays part of the loan on achievements of specified NEB outcomes.
<p>Implementation options of the NEB TDM</p>	<p>The NEB TDM may be implemented in accordance with either of the below implementation options.</p> <p>a) Dedicated NEB TDM financial instrument</p> <ul style="list-style-type: none"> • The NEB TDM may be set up with or without the HF. • The NEB’s three core values must be addressed: • (i) when designing the NEB TDM; and (ii) at the level of the investments / projects supported by the instrument. • The NEB TDM should support projects that fall under two or more of the four thematic axes of the NEB transformative path to put the multidisciplinary approach of the NEB into effect. • The multidisciplinary approach should be put into effect at the portfolio of projects. <p>b) Dedicated NEB TDM ‘window’ in the existing or newly created FI</p> <ul style="list-style-type: none"> • If an existing FI is set up with an HF structure, a dedicated NEB TDM window may be created as a separate SF or the NEB TDM window may be added to an existing product fund. • The body implementing the FI manages the portfolio of NEB TDM-compliant investments / projects. • The risk resulting from the investments under the NEB TDM window may be limited to the NEB TDM window, or the risks of all the investments managed by the body implementing the FI in the FI, including the NEB TDM window, maybe pooled. This must be decided by the MA, the bodies implementing the HF (if applicable) and the SF. <p>c) Support through the existing or newly created FI to NEB projects fulfil the below conditions:</p> <ul style="list-style-type: none"> • The supported individual projects may consist of several subprojects or subcontracts that together comply with the transdisciplinary approach and the NEB’s core values. • The NEB’s three core values have to be applied at the level of each individual project supported by the FI. • Each individual project should fall under two or more of the four thematic axes of the NEB transformative path to put the multidisciplinary approach of the NEB into effect. • NEB TDM projects are part of the overall portfolio of investments supported by the FI.

National co-financing	<p>Co-financing may be provided by: (i) national financing at programme level; (ii) financing provided by the body implementing the FI and other investors; or (iii) financing paid by third parties at project level.</p> <p>If there is an HF, the MA will entrust the HF manager with providing the programme contribution to the body implementing the SF. The HF may also contribute its own resources to the FI.</p> <p>National co-financing refers to the external financing provided for the same investment as set out in Article 59(8) CPR and excludes project promoters' own contribution. The co-financing may be private or public. It should not benefit from support under any other operations financed under the CPR nor another EU instrument.</p> <p>When national co-financing is provided at the level of investments in final recipients, the body implementing the FI should keep the documentary evidence demonstrating the eligibility of the underlying expenditure.</p>
Deadline for use of programme resources	<p>Resources of the 2021-2027 programmes used in the NEB TDM should be disbursed to final recipients no later than 31 December 2029. The capital rebate related to the amounts disbursed by the end of 2029 may also be awarded after this date.</p> <p>After 31 December, the NEB TDM may also be used to provide support covered by allocations of programmes of the subsequent programming period. In line with Article 68(2) CPR, where an FI is implemented beyond the end of 2021-2027 period, support may be provided to, or for the benefit of, final recipients, including management costs and fees, based on agreements made under the 2021-2027 programming period, if such support complies with the eligibility rules of the subsequent programming period.</p>
Programme contribution to FI: amount and proportion (product details)	<p>The size of the target portfolio of the NEB TDM (i.e. the amount of programme contribution, including the possible grant component, and the estimated leverage effect) is to be determined based on the <i>ex ante</i> assessment in line with Article 58(3) CPR.</p> <p>It is recommended that the minimum share of additional investment from private investors is 30% of the total financing at the level of the fund in order to ensure significant private participation. In the absence of any other arrangements, this rate will determine the distribution of possible losses between the body implementing the FI, co-investors (at fund and project level) and the public resources at the level of the individual projects. The grant component could be financed entirely from public resources as long as the limit of Article 58(5) CPR is respected at the level of the portfolio.</p> <p>Alignment of interest between the MA, co-investors and the body implementing the FI must be achieved as described below:</p> <ul style="list-style-type: none"> – Management fees must be performance based, as provided for under Article 68(4) CPR. – The remuneration of the body implementing the FI must reflect the current market remuneration in comparable situations, if the body implementing the FI be selected in the open competition. – The body implementing the FI must ensure that market-based co-investors provide at least 30% of the total financing commitment to the territorial development projects at portfolio level, excluding grant components. Out of this 30%, it is recommended that a minimum of 1% of the total financing commitment of the FI to each

	<p>project be invested by the body implementing the FI from its own resources on the same terms and conditions as the programme contribution.</p> <ul style="list-style-type: none"> – Financing by co-investors (at fund or project level) can either be regarded as national co-financing included in the programme contribution or as not being part of the programme contribution, but being complementary to the public contribution under the programme; – Risks must be shared evenly between the body implementing the FI and co-investors (at fund level or at territorial development project level) on the one hand, and the public contribution, on the other hand, except if the <i>ex ante</i> assessment as referred to in Article 58(3) CPR demonstrates that differentiated treatment is needed in the form of an asymmetric risk sharing between co-investors. In such cases, asymmetric profit-sharing must be given preference over downside protection²⁷. In addition, if private investors are not selected through an open, transparent and non-discriminatory call, the fair rate of return to the private investors must be determined by an independent expert selected through an open, transparent, and non-discriminatory call. If there is asymmetric loss-sharing between public and private investors, the first loss incurred by the public investor must be capped at 25% of the total investment. <p>For each territorial development project, the body implementing the FI must lay down detailed terms and conditions for financing to be provided by the NEB TDM before making an investment. These terms and conditions must be based on financial forecasts prepared for the project by the project promoters and verified by the body implementing the FI.</p>
<p>Requirements/conditions for inclusion of projects in the NEB TDM portfolio</p>	<p>The underlying transaction portfolio of territorial development projects of the NEB TDM may include combined support in the form of debt and (quasi-)equity and grants where appropriate.</p> <p>The eligibility criteria for inclusion in the portfolio are determined in accordance with the CPR, other EU law, including State aid rules where applicable, applicable national law, the programme, local integrated and sustainable territorial development strategies, and the investment strategy of the NEB TDM. The body implementing the FI should have a reasonable estimation of the portfolio's risk profile.</p> <p>The body implementing the FI must identify, invest in and sustainably manage a portfolio of NEB-compliant territorial development projects based on its investment strategy. This portfolio of investments may include projects supported by the FI combined with the grant component where appropriate.</p> <p>When deciding on the inclusion of a territorial development project, the body implementing the FI must take into account at least the following:</p> <ul style="list-style-type: none"> (a) the general description of the project and the project's timetable, including a description of the co-financing partners and shareholders and a detailed financing plan for the project; (b) the justification for selecting the project under the local or territorial development strategy, including the project's alignment with at least two thematic axes of the transformative path if implementation option (c) is chosen, the project's contribution to each of the NEB's core values

²⁷ See for example Article 16(8)(b) of the General Block Exemption Regulation (GBER).

	<p>(sustainability, aesthetics and inclusion) and an initial assessment of the viability of the project and the resulting need for NEB TDM investment;</p> <p>(c) the justification for the grant component or a stand-alone grant project (when present) that is directly linked and necessary for the FIs implementation;</p> <p>(d) the risks identified;</p> <p>(e) the project’s contribution to achieving the policy and specific objectives, including quantitative outputs, as stipulated in the relevant priority of the programme.</p> <p>When implementing the portfolio, the body implementing the FI must in particular:</p> <p>(a) stimulate the design of, identify, invest in, and lead the negotiation and structuring of financial investments including where necessary for the grant component, in viable, NEB-compliant territorial development projects that meet the requirements and criteria applicable to the relevant programme;</p> <p>(b) carry out both compliance and investment appraisal following the requirements of the investment strategy;</p> <p>(c) consult with / provide information to partners / local or territorial development strategy bodies.</p>
<p>Eligible body implementing the FI</p>	<p>The selected body implementing the FI must be a public or private body established in a Member State and must be legally authorised to provide financial products and grants under the NEB TDM to territorial development projects located in the jurisdiction of the programme that contributes to the FI. The eligible body implementing the FI must also demonstrate its ability to manage an NEB TDM, including promoting the NEB’s core values and monitoring the portfolio of territorial development projects. Eligible body implementing the FI must also demonstrate experience in the relevant target markets and a suitable track record in managing equivalent or similar projects or financial vehicles investing in projects similar to those envisaged by the NEB TDM.</p> <p>The body implementing the FI must be appropriately regulated by the relevant national financial services regulatory body, and it must follow best practice on professional bank and/or fund management.</p> <p>The MA and the HF must comply with EU and national law when selecting bodies implementing the FI. The selection process of bodies implementing the FI must include setting up appropriate risk-sharing arrangements if there is differentiated treatment.</p> <p>The selection process of the body implementing the FI must include an evaluation of: (i) the NEB TDM investment strategy; (ii) the body’s implementing the FI decision-making, overall governance approach and management capacity; and (iii) the body’s implementing the FI contribution to the NEB TDM from its own resources. When selecting a body implementing the FI, one criterion must be linked to body’s implementing the FI ability to propose and develop a portfolio of territorial development projects aligned with the NEB’s core values. This criterion must cover the mechanism for assessing a project’s compliance with the NEB’s core values and the most competitive pricing policy (see separate section) proposed by the body implementing the FI participating in the selection process.</p>

	<p>The body implementing the FI must be responsible for identifying and evaluating territorial development projects. Once selected, the body implementing the FI must manage a territorial development project pipeline.</p> <p>Investors must be deemed to be any investors that, in the reasonable determination of the body implementing the FI, are operating in circumstances corresponding to the market-economy investor principle in a free market economy, irrespective of their legal nature and ownership.</p> <p>In the context of its selection, the body implementing the FI must specify the conditions and criteria for the evaluation of co-investors. These conditions and criteria must be understandable and available to potential co-investors. The body implementing the FI must demonstrate a non-discriminatory approach to find and invest with co-investors.</p>
<p>Partnership in local or territorial development strategy, design and selection of projects</p>	<p>The NEB TDM should: (i) be an active promoter of the NEB’s principles in the region; (ii) engage with municipalities and project promoters to raise awareness of the opportunities; and (iii) through the one-stop shop, supporting the delivery of NEB-compliant initiatives. This includes the action below.</p> <ul style="list-style-type: none"> • Engaging with territorial authorities, if they desire, on their local or territorial development strategies in line with the principles of the NEB. The body implementing the FI can play a role in the co-creation of the (revised) local or territorial development strategies in the region. • Participation of the body implementing the FI as a member of a local NEB partnership. Other partners may include local authorities and national or international/cross-border private and public organisations and creative individuals active on a given territory, such as architects, designers, engineers, scientists and artists. • If twin border cities are involved, stakeholders from the urban / rural area covering both sides of the border should be associated to ensure cross-border urban / rural integration. • Early involvement and consultation on potential projects in the region in line with the NEB’s principles. The body implementing the FI should engage with project promoters, ensuring alignment of the partners to streamline the approval processes. • Availability of the beneficiary, project promoters and the other relevant stakeholders to participate on request in EU-wide activities on the NEB initiative. This may include engaging with the NEB Lab and participating in events and activities to disseminate lessons learned from the NEB TDM.
<p>Governance structure of the NEB TDM</p>	<p>The roles of the various partners should be translated into the governance structure of the NEB TDM with clear tasks to facilitate implementation. The governance structure may vary depending on the size and complexity of the planned FI, the proposed FI structure (with or without HF), the knowledge and capacity of the urban/ rural authorities and the participation of other partners and communities in design and monitoring.</p> <p>The following are likely to be involved in the governance arrangements of the NEB TDM: the MA, investors (public and private), financial institutions (public and private), and one or more experts in NEB-related investment (‘NEB experts’). The involvement of one or more NEB experts will support</p>

	<p>the ongoing participatory approach, maintaining the link between the NEB TDM and the communities in which it operates.</p> <p>The recommended governing bodies of the NEB TDM are: (i) an investment advisory board (IAB)²⁸, (ii) the body that implements the HF and (iii) one or more bodies that implement the SFs.</p> <p>(i) The role of the IAB</p> <p>The IAB is a recommended body not covered by the CPR. The IAB oversees the implementation of the NEB TDM and provides strategic steer and the key governance ‘check and balance’ in the system, giving assurance to the investors and other stakeholders on the strategic implementation of the FI. The IAB is appointed by the MA, subject to consultation/approval of other investors.</p> <p>The IAB includes representatives of: (i) urban / rural authorities; (ii) public/private (non-profit) organisations; and (iii) business, educational and social communities, and others representing interests of the local communities in the area/territory. The MA also advises the IAB on the CPR rules to ensure that NEB TDM implementation complies with these rules.</p> <p>The MA lays down the operating rules and procedures for the IAB, organises its meetings and manages its secretariat. All relevant documentation and information is made available to the IAB to enable it to exercise its tasks.</p> <p>The IAB must meet regularly, at least twice a year, at the request of the chair. Detailed minutes of the IAB’s meetings may²⁹ be made public as soon as possible after they have been approved by the IAB.</p> <p>IAB members are responsible for:</p> <ul style="list-style-type: none"> • representing the interests of the stakeholders; • ensuring the highest standards of corporate governance and transparency; • approving the initial investment strategy of the HF/SF and of its business plan and any subsequent amendments; • oversight and providing guidance on the achievement of the NEB objectives; and • monitoring the performance of the HF (if an HF is involved)/SF management team. <p>The IAB operates in an advisory and overseeing capacity and does not have statutory board responsibilities.</p> <p>(ii) The role of the body implementing an HF (if an HF is involved)</p> <p>If the MA decides on the HF structure, the body implementing an HF’s responsibilities include:</p> <ul style="list-style-type: none"> • managing the HF’s day-to-day activities; • preparing, updating and pursuing the HF investment-strategy business plan; • structuring investment funds (including allocating and re-allocating financial resources to individual SFs); • selecting the body implementing the SF to manage individual SFs;
--	---

²⁸ In case of existing FI the functions of the IAB may be absorbed by its established Investment Board, in order not to create double governance.

²⁹ As the minutes of IAB may contain commercially sensitive issues, they may not in all cases go public.

	<ul style="list-style-type: none"> • preparing and negotiating the contracts with the body implementing the SF; • monitoring fund performance and reporting to the NEB TDM’s co-investors (at fund and project level) and to the MA; and • carrying out communication activities. <p>The body implementing the HF may also fulfil the following roles (depending on the FI’s design):</p> <ul style="list-style-type: none"> • participating in the local NEB partnership and in related activities; • marketing the initiative to municipalities, project promoters, potential funders and the public; • managing the grant component if an FI combines a financial product with a grant; • possibly providing the technical-support platform (one-stop shop) if not done at the fund level and if no other arrangements have been agreed in accordance with the regional / local set-up; and • identifying leverage and long-term fund-level co-investment opportunities. <p>Amendments to the HF’s investment strategy must be approved by the IAB before being implemented. Neither the body implementing the HF nor the IAB will be involved in any decisions on investments in individual territorial development projects. This will be the responsibility of the appointed body implementing the SF.</p> <p>(iii) The role of the body implementing an SF</p> <p>The responsibilities of the body implementing an SF appointed to manage a SF may include:</p> <ul style="list-style-type: none"> • managing investment funds in accordance with the fund-management contract agreed with the body implementing the HF or with the MA if the set-up does not include an HF; • structuring funds for investments (if the set-up does not include an HF) • identifying eligible projects for investment and carrying out appropriate commercial and technical due diligence; • independent evaluation of projects on behalf of all investors and based on predefined selection criteria (this evaluation should include an assessment of a project’s alignment with the NEB’s core values as described in the local NEB framework and the SF’s investment strategy); • bearing sole responsibility for investment decisions; • structuring deals and making investments, including with grant support where relevant; • identifying co-investment partners (where appropriate / necessary); • reporting financial, output and general-performance data to the HF manager as required under the fund-management contract or directly to the MA if the set-up does not include an HF (grant and financial-product components of the investments should be reported separately). <p>In addition, the SF may be given the following roles (depending on the design of the FI):</p> <ul style="list-style-type: none"> • participating in the local NEB partnership and in related activities;
--	---

	<ul style="list-style-type: none"> • marketing the initiative to municipalities, project promoters, potential funders and the public together with the HF manager where applicable; • managing the grant component of the NEB TDM; • providing the technical-support platform (one-stop shop). <p>The MA will lay down the terms of governance at the outset. These may be changed following discussions between the MA and bodies implementing the FIs taking into account the size, the scope, the capacity and other specificities of the TDM.</p>
<p>Payments to the FIs and lending policy</p>	<p>(a) Disbursement by the MA or by the HF to the SF</p> <p>Following the signature of a funding agreement between the MA and the HF, public contributions from the programme must be transferred to the HF, which must place such contributions in a dedicated account.</p> <p>The HF selects the body implementing the SF and signs funding agreements / operational agreements. These agreements must set out the conditions for the disbursement of the programme resources by the HF to the SF.</p> <p>The investment strategy should confirm the target lending volume and the range of interest rate to be used for the financial products. The estimation of the target lending volume should take into account the estimated funds paid back (revolving of the instrument).</p> <p>Payments due must be made no later than 80 days from the date of submission of the payment claim by the beneficiary (i.e. the body that implements the HF or the body that implements the SF in the absence of an HF), in line with Article 74(1)(b) CPR. The deadline may be suspended if information submitted by the beneficiary does not enable the MA to determine whether the amount is due.</p> <p>(b) Origination of a portfolio of financial products:</p> <p>In addition to its other activities, the body implementing the FI must create, within a pre-determined limited period a portfolio of eligible debt, equity and quasi-equity for NEB-aligned territorial development projects. This portfolio must be partly funded from the disbursed funds under the programme as agreed in the funding agreement.</p> <p>The body implementing the FI must implement a consistent lending policy based on an agreed investment strategy enabling sound credit-portfolio management. The lending policy must also comply with the applicable industry standards and must reflect the MA's financial interests and policy objectives. The investment strategy must lay down the NEB principles for development in the local or territorial development strategy, target activity, target spatial areas and eligible expenditure.</p> <p>The body implementing the FI must carry out the identification, selection, due diligence of the final recipients and documentation and disbursement of the financial products in accordance with its standard procedures incorporating the appraisal of the project's alignment with the NEB's core values as described in the investment strategy of the NEB TDM and in accordance with the principles set out in the relevant funding agreement.</p> <p>If co-investors provide co-investment to territorial development projects, the body implementing FI and the co-investors providing co-investment directly to a territorial development project must sign a co-investment agreement. Such agreement lays down the terms and conditions for investment in final</p>

	<p>recipients and must specify the conditions of risk-sharing arrangements if any.</p> <p>(c) Reuse of resources paid back to the FI</p> <p>Resources paid back to the FI may be reused in the same FI (revolving in the same FI)³⁰. Returned resources can be used by the MA to support any projects of the local and territorial development strategy, including non-revenue generating projects or parts of the project/investment. The supported projects should meet the multidisciplinary principles of the NEB to enable the investments to deliver on the NEB's values beyond one cycle of investments. The detailed arrangements must be included in the funding agreement.</p> <p>(d) Loss recoveries</p> <p>The body implementing the FI must take action to recover all defaulted debt and (quasi-)equity financed by the FI in accordance with its internal guidelines and procedures. Amounts recovered by the body implementing the FI (net of recovery and foreclosure costs, if any) must be shared between the body implementing the FI and the MA in line with their respective contributions and the contractual agreements.</p> <p>(e) Interest and other gains</p> <p>Interest and other gains generated by treasury management of the EU share of the amount included in the first payment application in line with Article 92 CPR and any other EU amounts transferred to the FI but not yet disbursed to final recipients must be used as laid down in Article 60 CPR.</p>
Pricing policy	<p>The body implementing the FI should present a pricing policy and methodology to ensure that the financial advantage of the public contribution under the programme is fully passed on to the eligible final recipients, including the grant component, in accordance with the applicable State aid rules. The pricing policy and the methodology should ensure that:</p> <p>(1) the interest rate on the body's implementing the FI participation is set at market basis (i.e. according to the body's implementing the FI own policy);</p> <p>(2) the overall interest rate, to be charged on loans and subordinated loans to the eligible territorial development projects included in the portfolio, is reduced proportionally to the allocation provided by the public contribution under the programme (taking into account the fees that the MA might charge on the programme contribution);</p> <p>(3) the interest rates take into account any anticipated grant support such as an investment grant (which may reduce the financing risk of the project) or capital rebate which may result in the early repayment of part of the loan; and</p> <p>(4) the possibility for the body implementing the FI to provide a public contribution conforming to market standards is not excluded.</p> <p>If relevant, the body implementing the FI should also present a collateral policy and methodology to ensure that the financial advantage of the public contribution under the programme is fully passed on to the eligible final recipients.</p>

³⁰ Article 62 CPR.

<p>One-stop shop for NEB final recipients / project promoters</p>	<p>Financial and advisory support to final recipients can be provided through a service in the form of a one-stop shop set up as part of the single financial instrument operation³¹.</p> <p>The NEB TDM one-stop shop ensures:</p> <ul style="list-style-type: none"> • easy access to support for final recipients; • coordinated combination of FIs and grants; • economies of scale by increased pooling of funds and a better coordination among stakeholders and existing territorial initiatives; • an integrated design and screening of projects taking into account the NEB’s key principles and values; • creation of a pipeline of bankable projects; and • strengthened capacity of Member States, local and regional bodies implementing the FI, and urban/rural municipalities to work with territorial development FIs. <p>The NEB TDM one-stop shop’s activities include:</p> <ul style="list-style-type: none"> • early-stage support to encourage development of creative solutions and project ideas, through the local co-design, multi-disciplinary and participatory process; • strengthening institutional capacity of partners actively involved in design and implementation of the TDM; • technical support for preparing the projects planned to be supported by the NEB TDM, including energy audits; • participation in sharing experiences with other FIs implementing the NEB, including through the NEB Lab; and • other activities deemed necessary and justified in the <i>ex ante</i> assessment.
<p>Combination with grants in one FI operation</p>	<p>The funding agreement setting out the conditions for support should include specific rules on the use of the grant component when directly linked to and necessary for the FI in line with the result of the <i>ex ante</i> assessment.</p> <p>In particular, the grant component could be used to cover (indicative limits to the support are shown in square brackets; MAs should consider the local context as described in the <i>ex ante</i> assessment and set limits (if any) accordingly):</p> <ul style="list-style-type: none"> – costs of non-revenue generating activities that form part of an territorial regeneration project aligned with the NEB’s core principles as a general rule not exceeding [20%] of the total allocated budget; – costs of green or other publicly accessible spaces where they exceed [25%] of the total area of the supported component, up to [10%] of a given investment’s value; this could include climate-adaptation measures such as green roofs; – costs of project-development support that may be provided through a national facility like the EU-level ELENA facility; this could include technical support for all stages of preparation of the projects planned to be supported by the NEB TDM, including energy audits, as a general rule not exceeding [10%] of a given investment’s value; – bonuses for developing or using zero-emission technologies, renewables, energy efficient district heating and cooling systems, or

³¹ The one-stop shop can also be provided through two separate operations, for example, by a separate agency as a separate grant operation.

	<p>other ambitious technologies up to [30%] of a given investment's value in terms of energy efficiency; if restricted to repayable support, energy efficiency measures would focus on investments with short payback times, but with a grant component needed to support more ambitious ideas;</p> <ul style="list-style-type: none"> – the initial contribution needed for inclusive participation, e.g. in the context of energy poverty or renovation of social housing, up to [75%] of a given investment's value; – costs equivalent to revenue foregone to make the supported infrastructure publicly accessible below costs for [2 years] if contractual arrangements provide for continuation of such an arrangement for [10] years; and – other specific aspects identified in the <i>ex ante</i> assessment. <p>In justified cases, non-revenue generating activities (e.g. provision of public space such as parks), that form part of a wider, including cross-border, territorial development strategy may be supported with grants only. This means, for example, that in a given project a grant may be provided to one project promoter to supplement debt and (quasi-) equity financing to another promoter delivering another component of the scheme. Cumulatively they can produce an acceptable return for the investors and harness the potential synergies and complementarities between the various components.</p> <p>To comply with the criteria for combining FI with grants according to Article 58(5) CPR, the overall proportion of the grant component in the investment portfolio should be lower than the support provided in the form of a financial product. This would enable delivery of the NEB TDM at scale (an essential component for the viability of an FI) by targeting a wider range of investment opportunities that are aligned with the investment strategy.</p> <p>The <i>ex ante</i> assessment should justify the inclusion of the grant component. If applicable, it should also specify a lower maximum grant component for the FI. At the end of eligibility period, grant components under the NEB TDM must be smaller than the nominal value of the financial product provided to final recipients.</p> <p>The <i>ex ante</i> assessment may provide for unit costs or lump sums to be used when reimbursing costs of energy audits or other aspects where applicable.</p> <p>The funding agreement must specify arrangements for final recipients that receive grant support through the one-stop shop in the development stage of a given investment that ultimately is not implemented. Such arrangements could include repayment of the received grant support (for example conversion of grant into loan, without the need to pay interest for the past period) or termination of the agreement without the need to repay, which could be justified for risky investments that in the end are deemed not be financially viable yet or not mature enough to receive repayable support. Such support remains eligible expenditure under the programme as long as the total grant support does not exceed the value of the investments supported by the financial product.</p>
Products	<p>The NEB TDM could provide financing in the form of debt, equity, quasi-equity and grants (depending on the outcome of the <i>ex ante</i> assessment) to final recipients that contribute to the objective of the programme. The investment amount and rates must be aligned with the results of the <i>ex ante</i> assessment referred in Article 58(3) CPR.</p>

	<p>The financing can be used exclusively for the following permitted purposes:</p> <ul style="list-style-type: none"> (a) investments in tangible and intangible assets; and (b) working capital related to the eligible activities. <p>The following eligibility criteria must always be met by the NEB TDM for the investments included in the portfolio:</p> <ul style="list-style-type: none"> (a) combined financial-product and grant support should be newly originated, ruling out the refinancing of existing investments or financing of completed projects; grant support must exclude costs incurred before financing is awarded; (b) the NEB TDM’s total investment amount for the territorial development project must not exceed a maximum amount as identified in the <i>ex ante</i> assessment nor the applicable State-aid ceilings (for example, a maximum investment of EUR 20 000 000 is permitted under Article 16(3) GBER; (c) combined financial-product and grant support must provide financing for one or more of the permitted purposes in euros and/or the national currency in the relevant jurisdiction and/or in any other currency; (d) financial products may be in the form of senior debt and, subject to applicable State-aid rules, mezzanine loans, subordinated debt, equity and quasi-equity; (e) loans must not be in the form of revolving credit lines; (f) loans must have a repayment schedule, including regular amortising and/or bullet payments; (g) neither loans nor grants must finance purely financial activities and must not finance the provision of consumer finance; and (h) loans must have a minimum maturity of 12 months (including the relevant grace period, if any) and a maximum maturity of up to 360 months. 				
<p>Projects</p>	<p>Eligibility rules and the scope of programme support are the same as for the use of the ERDF, CF and JTF as a whole apart from specific non-eligible areas of investment and the specific non-eligible items listed in the CPR. At the same time projects supported by the NEB TDM should be in line with the local or territorial development strategy and complemented with community-initiated projects to put into effect the all-encompassing and multidisciplinary approach of the NEB and to address the NEB’s three core values.</p> <p>The NEB TDM must support two or more of the four thematic axes of the NEB transformative path.</p> <p>Below are examples of projects that may be financed as part of this support under the various axes:</p> <table border="1" data-bbox="528 1727 1425 2029"> <thead> <tr> <th data-bbox="528 1727 999 1776">Reconnecting with nature</th> <th data-bbox="999 1727 1425 1776">Regaining a sense of belonging</th> </tr> </thead> <tbody> <tr> <td data-bbox="528 1776 999 2029">Blending of buildings in landscape, or integration of living nature in construction, showing how biodiversity or water and soil conservation can be respected and promoted through building and planning</td> <td data-bbox="999 1776 1425 2029">Investment in the physical and economic regeneration of urban and rural neighbourhoods, including affordable housing</td> </tr> </tbody> </table>	Reconnecting with nature	Regaining a sense of belonging	Blending of buildings in landscape, or integration of living nature in construction, showing how biodiversity or water and soil conservation can be respected and promoted through building and planning	Investment in the physical and economic regeneration of urban and rural neighbourhoods, including affordable housing
Reconnecting with nature	Regaining a sense of belonging				
Blending of buildings in landscape, or integration of living nature in construction, showing how biodiversity or water and soil conservation can be respected and promoted through building and planning	Investment in the physical and economic regeneration of urban and rural neighbourhoods, including affordable housing				

	<p>Investment to ensure climate and environmental resilience, including nature-based solutions</p>	<p>Investment in the conservation, protection, promotion, development of and access to cultural heritage, including sustainable tourism infrastructure; Renovation of heritage infrastructure with a high social purpose and a low carbon footprint</p>
	<p>Physical transformation of places showing how new, renovated or regenerated built environment and public spaces may contribute to protection, restoration and/or regeneration of natural ecosystem (including soil and water cycles) and biodiversity; The use of nature-based solutions and materials could be important dimensions in the physical transformation.</p>	<p>Investment in regeneration of abandoned or challenged areas in cities, upgrading of territories and regions in decline, projects aimed at overcoming segregation and giving access to places</p>
	<p>Investment in adaptation to climate change, and investment to improve the environment in territories, including improvement of air, soil and water quality and living conditions</p>	<p>Investment support for self-employment and business creation, including business infrastructure such as workspace and incubators</p>
	<p>Investment in sustainable territorial mobility, including building territorial green corridors for active mobility and sustainable transport infrastructure</p>	<p>Investment in community-based and primary forms of healthcare and investment to improve access to health and social services</p>
	<p>Activities processes, products that convey a feeling or an experience of being part of nature and bring a change of perspective towards nature</p>	<p>Investment in development of products, processes or business models that build on local culture, traditions, knowhow, craft and contemporary diversity and creativity; It may be fashion, furniture, or interior design, but also food or other elements of daily life that carry a sense of belonging on a local scale; It can also involve the transmission of traditional knowledge, know-how and skills and its integration into new production or business context models.</p>

Prioritising the places and people that need it the most	The need for long-term, life-cycle thinking in the industrial ecosystem
Renovation and construction of social and affordable housing units with circularity in mind and contribution to inclusiveness in relation to their function or accessibility	Investment in sustainable solutions for businesses and households implementing circular-economy principles, including manufacturing
<p>Investment in physical transformation and regeneration of territories, including villages, rural areas, shrinking cities, degenerated city districts and de-industrialised areas;</p> <p>It can involve the development of ambitious social housing projects and the renovation and regeneration of the built environment to fight segregation and isolation, as well as to address particular needs of groups of individuals who are the most vulnerable, e.g. at risk of exclusion or poverty or experiencing homelessness</p>	<p>Investment in transformation of elements of specific value chains from sourcing of raw material to the recycling of waste in various ecosystems, from construction to textile and life style sectors (furniture, design, etc.)</p> <p>New processes, new materials, sustainably sourced nature based solutions and products, or new business models bringing clear benefits in terms of sustainability and circularity, as well as in term of quality of life for all</p>
Investment to meet the challenges of climate change	Investment in innovative techniques and materials to contribute to mitigate climate change, protect the environment and make places more affordable and inclusive
Investment in a ‘design for all’ approach to remove accessibility barriers to build and virtual environments and to goods and services for people with disabilities, as well as addressing aging factors.	Investment support for entrepreneurship and business development, including for the development of new production technologies and sustainable products
Development in information and communication technologies	Investment in the reuse, regeneration, life extension and transformation of all types of existing buildings
Investment in infrastructure for public employment services	Investment in new technologies including 5G, artificial intelligence, data-based tools, robotics and 3D printing technologies
Investment in higher education, including cooperation with companies;	Investments to improve the sustainability performance of materials, products and buildings

	<p>Education models and methods that integrate the values of sustainability, inclusion and aesthetics in the content of the curricular and in the learning process, including innovative models of training for professionals based on the interdisciplinary integration of science, arts and social studies</p>	
	<p>Investment in infrastructure connecting various parts of an area including urban and rural localities and cross-border connections</p>	<p>Investment in the health and social services infrastructure and in research, development and innovation, which contribute to local development</p>
	<p>Investment in spaces used for positive exchanges and community building, for instance through exemplary development and use of public spaces such as streets, squares and parks, or inspirational models of community centres, community gardens, co-creation of places that combine style with a strong social purpose and sustainability; Other small-scale initiatives, at the level of individuals, neighbourhoods and local communities identified in the local or territorial development strategy</p>	<p>Investment in tools to support design and co-creation for more sustainable building and planning processes; Methods, tools or guidance which facilitate the (self-) assessment of circularity performance for various types of goods and services</p>
	<p>The list of potential investments and activities is not exhaustive and can be extended to cover other type of actions and disciplines.</p>	
<p>Eligible final recipients</p>	<p>Final recipients must be eligible under EU and national law, the relevant EU funds programme, the funding agreement and the NEB TDM investment strategy. At the date of the signature of the financing agreement and, where appropriate, the grant component, final recipients must meet the following eligibility criteria:</p> <p>(a) they must be involved in territorial development, meaning that they must be either public or private entities with a legal status that allows them to take debts and implement territorial development projects with various ownership structures, for example combining private and public capital;</p> <p>(b) they must be active partners to regional and local authorities stimulating territorial development by investing in territorial development project; final recipients must have suitable legal interest in the asset in which the investment is made;</p> <p>(c) they must not be excluded by applicable State-aid rules (e.g. Article 1(2) to (5) GBER);</p>	

	<p>(d) they must not be part of one or more restricted sectors³²;</p> <p>(e) they must not be an undertaking in difficulty as defined in point (18) of Article 2 GBER, subject to Fund specific derogations³³;</p> <p>(f) they must not be delinquent or in default in respect of any other loan or lease either granted by the body implementing the FI or by another financial institution pursuant to checks made in accordance with the body's implementing the FI internal guidelines and standard credit policy; and</p> <p>(g) they must invest in territorial development projects that are aligned with the NEB's core values and implemented in the MA's region.</p> <p>In addition, at the time of the investment and during the reimbursement of the loan or exit from the deal, final recipients must be registered in a Member State and the activity for which the financing was disbursed must be located in the relevant Member State and region supported by the EU Funds programme.</p>
MA's liability	<p>The MA's financial liability must not exceed the amount committed by the MA to the FI under the funding agreement (Article 59(6) CPR).</p> <p>Losses covered are principal amounts due, payable and outstanding and standard interest. Late-payment fees and any other costs and expenses are not covered.</p>
Reporting and targeted results	<p>At least twice a year, the body implementing the FI should provide the MA or the HF with information in a standardised form and with a standardised scope. This information should include all the relevant aspects for the MA to comply with Article 42 CPR.</p> <p>Indicators should be aligned with the specific objectives of the relevant priority of the programme contributing to the FI and with the expected contribution of the FI to the achievement of specific objectives specified in the <i>ex ante</i> assessment. Indicators should be measured and reported at least twice a year by the body implementing the FI and aligned as a minimum with the requirements of the CPR and the ERDF/CF/JTF indicators in the ERDF/CF Regulation and the JTF Regulation.</p>

³² The following economic sectors are together referred to as the 'restricted sectors':

- (a) illegal economic activities: any production, trade or other activity that is illegal under the laws or regulations of the home jurisdiction for such production, trade or activity;
- (b) tobacco and distilled alcoholic beverages; the production of and trade in tobacco and distilled alcoholic beverages and related products;
- (c) production of and trade in weapons and ammunition: the financing of the production of and trade in weapons and ammunition of any kind (this restriction does not apply to the extent such activities are part of or accessory to explicit EU policies);
- (d) casinos and equivalent enterprises;
- (e) IT-sector restrictions: research, development or technical applications relating to electronic data programmes or solutions that (i) aim specifically at: (a) supporting any activity included in the restricted sectors referred to in points (a) to (d) above; (b) internet gambling and online casinos; or (c) pornography, or (ii) are intended to enable to illegally: (a) enter into electronic data networks; or (b) download electronic data;
- (f) life-science sector restrictions: when providing support to the financing of research, development or technical applications relating to: (i) human cloning for research or therapeutic purposes; or (ii) genetically modified organisms.

³³ See Article 7(d) of Regulation (EU) 2021/1058 on the European Regional Development Fund and on the Cohesion Fund and Article 9(c) of Regulation (EU) 2021/1056 establishing the Just Transition Fund.

	<p>Energy efficiency aspects and renewables could also be included in projects with another primary objective. Therefore, to capture the overall contribution of the NEB TDM to the priorities, indicators should include: (i) savings in annual primary energy consumption (estimated based on an energy audit or another document); (ii) additional production capacity for renewable energy; and (iii) additional renewable energy produced (estimated) in all supported projects.</p>
<p>State aid implications³⁴</p>	<p>1. Existence of aid under State aid rules</p> <p><i>At the level of the body implementing the FI, for the financial product component:</i></p> <p>State aid is normally excluded when <u>one of the below conditions</u> is met:</p> <ol style="list-style-type: none"> 1. The co-investing body implementing the FI and the MA carry out the investment on a pari passu basis, i.e.: (i) under the same terms and conditions; (ii) at the same time (via the same transaction); (iii) bearing losses and benefiting from gains in proportion to their contributions (pro rata) at any time; (iv) holding the same level of subordination in relation to the same risk class; and (v) with an economically significant participation in the risk sharing loan of the independent and private co-investors³⁵, e.g. the body implementing the FI. However, this cannot occur when a grant is provided in combination with the financial product (e.g. in case of a capital rebate or a capital grant), which would impair the pari passu principle. 2. The remuneration (i.e. management costs and/or fees) of the bodies implementing the HF and the SF as well as the loan pricing structure of the body implementing the FI reflect the current market remuneration in comparable situations. This is the case when the bodies implementing the FI have been selected through an open, transparent, non-discriminatory and objective selection procedure. 3. The financial advantage of the public contribution under the programme to the instrument is quantified and then fully passed on to the final recipients in the form of an interest-rate reduction and/or a decrease in collateral requirements compared to the market rate. The market rate can be either the appropriate market benchmarks for the specific risk and sector, or the market proxies set out in the Reference Rate Communication in situations where comparable market transactions are not easy to identify (more likely to apply to transactions involving limited amounts and/or transactions involving small and medium sized undertakings (SMEs))³⁶. When the support provided by the financial product is in the form of mezzanine loans or subordinated debt, the methodology for such calculation should be notified to the European Commission for approval.

³⁴ Without prejudice to the interpretation of the notion of State aid laid down in Article 107(1) TFEU by the Union Court, as also consolidated in the Commission Notice on the notion of State aid (Commission Notice on the notion of State aid as referred to in Article 107(1) of the Treaty on the Functioning of the European Union, OJ C 262, 19.7.2016, p. 1, available at: [https://eur-lex.europa.eu/legal-content/EN/TXT/PDF/?uri=CELEX:52016XC0719\(05\)](https://eur-lex.europa.eu/legal-content/EN/TXT/PDF/?uri=CELEX:52016XC0719(05))).

³⁵ As defined in State aid rules (in particular as set out in the General Block Exemption Regulation).

³⁶ See point 113 of Commission Notice on the notion of State aid as referred to in Article 107(1) of the Treaty on the Functioning of the European Union (OJ C 262, 19.7.2016, p. 1).

	<p><i>At the level of the final recipient:</i></p> <ul style="list-style-type: none"> • State aid may be excluded if the final recipients are entities or natural persons that are not carrying out economic activity³⁷ and therefore fall outside the scope of State aid. • In addition, if the final recipient is a very small business, that only offers services locally to clients from its Member State, and where its operation in the relevant market is negligible and unlikely to hinder investments from undertakings from other Member States, it should be assessed whether the support is liable to affect trade between Member States. In the <i>Marinvest</i> judgement³⁸, the General Court upheld a decision in which the Commission considered that a public support did not fulfil the condition of having an impact on trade, insisting on the concrete elements that the Commission had taken into account in its assessment to determine the local dimension of an activity, unlikely to attract customers from other Member States, and to determine the absence of effect (or only marginal) on the conditions of cross-border investments or establishment. <p>Where the presence of State aid may not be excluded, the support must comply with the applicable State aid rules.</p> <p>2. <i>De minimis</i> aid³⁹</p> <ul style="list-style-type: none"> • State support below the <i>de minimis</i> thresholds is deemed not to meet all the criteria for State aid and is thus not notifiable to the Commission. • The support could constitute <i>de minimis</i> aid (for support below EUR 200 000, or EUR 500 000 for SGEI <i>de minimis</i> aid, per final beneficiary over a 3-year period). • Under the <i>de minimis</i> Regulation, the gross grant equivalent of the aid (including both the loan component and the grant component) may be calculated following the methodology set out in Article 4 of the <i>de minimis</i> Regulation. <p>Where <i>de minimis</i> aid is combined with aid under GBER for the same eligible costs or for the same risk finance aid, the aid intensity shall not exceed the highest relevant aid intensity or aid amount ceiling under the relevant GBER Article⁴⁰.</p> <p>3. Compatibility of the aid under State aid rules</p> <ul style="list-style-type: none"> • State aid is compatible and exempted from the obligation to notify it to the Commission when it meets the criteria under the GBER, for example for the categories of aid laid down in Article 16 (regional urban
--	---

³⁷ Natural persons who undertake an economic activity (e.g. real-estate investor, business angel, etc.), would be considered as an undertaking for the purpose of State aid control.

³⁸ See judgment of the General Court of 14 May 2019, *Marinvest v European Commission*, T-728/17, EU:T:2019:325.

³⁹ Commission Regulation (EU) No 1407/2013 of 18 December 2013 on the application of Articles 107 and 108 of the Treaty on the Functioning of the European Union to *de minimis* aid (*de minimis* Regulation) or Commission Regulation (EU) No 360/2012 of 25 April 2012 on the application of Articles 107 and 108 of the Treaty on the Functioning of the European Union to *de minimis* aid granted to undertakings providing services of general economic interest Official Journal L 114 of 26.4.2012, p. 8

⁴⁰ See Article 5 of Regulation (EU) No 1407/2013 (*de minimis* Regulation).

	<p>development aid), Article 38 (energy efficiency), Article 45 (remediation of brownfield sites), Article 47 (waste recycling), Article 53 (culture and heritage) and Article 56 (local infrastructure);</p> <ul style="list-style-type: none">• State aid may also be found compatible in line with the rules on services of general economic interest (for applicable investments such as the construction of new social housing).• Notification to the Commission under the applicable State aid guidelines (regional aid guidelines; climate, energy and environmental protection guidelines for example), or directly under the Treaty, if the <i>ex ante</i> assessment identifies the need for public support of a nature and/or scale not permitted under any other available option⁴¹.
--	--

⁴¹ See, for example, [SA.34660 \(2012/N\) JESSICA Urban development funds The Hague and Rotterdam](#)

Part 3 Guiding principles for assessing projects' compliance with the NEB

High quality application of the NEB's core values

Sustainability

Projects supported using the NEB TDM aim to promote sustainability. Actions are expected to reduce environmental impact, promote economic activities respecting the limits of natural resources, encourage efficient use of existing resources, and help people reconnect with nature. Projects may help to protect the climate, increase resilience to climate change, protect biodiversity, reduce the use of resources and pollution, for instance, by advancing circularity, reusing existing resources (for example remanufacturing), and promoting ecodesign, nature-based solutions and the proximity economy. They may reintroduce experiencing nature to living spaces, promoting health and recreational benefits and promote awareness of the significance of the natural environment and its preservation.

Sustainability criteria may be supplemented by specific sustainability criteria based on the objectives of the respective programme and priority.

Guiding questions for the assessing the sustainability criterion (not limited to the ones listed):

- Does the sustainability dimension include a detailed and plausible description of and quantifiable parameters for the expected impact and how it will be achieved?
- Does the project embrace and promote re-connecting with nature, valuing its importance?
- What environmental aspects⁴² (e.g. carbon footprint, including temporary carbon storage⁴³, for example, via sustainably harvested wood products, pollution/waste reduction, biodiversity, sustainable transport, etc.) does the project address? The project may address one or several environmental aspects, exploring the potential for synergies, thus aiming for a broad sustainability impact.
- For climate change mitigation and adaptation, does the project meet the “substantial contribution criteria” that the Commission has defined for Construction of new buildings⁴⁴ and renovation of existing buildings⁴⁵ in the EU Taxonomy Compass⁴⁶?
- Is sustainability included as an inbuilt characteristic of the project from the conceptualisation phase on? Is sustainability broadly reflected in some of the project-related choices (e.g. material used, functions developed, etc.)? Both approaches are acceptable.

⁴² For environmental aspects other than climate the European framework for sustainable buildings [Level\(s\)](#) provides a common language for assessing and reporting on the sustainability performance of buildings. It is a simple entry point for applying circular economy principles in our built environment.

⁴³ See Commission Communication COM(2021) 800 final “[Sustainable carbon cycles](#)”

⁴⁴ [Construction of new buildings - EU Taxonomy Compass | European Commission \(europa.eu\)](#)

⁴⁵ [Renovation of existing buildings - EU Taxonomy Compass | European Commission \(europa.eu\)](#)

⁴⁶ [EU Taxonomy Compass | European Commission \(europa.eu\)](#)

- Does the project present innovative solutions for sustainability (e.g. a new process, tool or method; a new material or technology; a new combination of methods, tools or materials; a new application area of methods, tools or materials)?
- Does the project promote regenerating natural ecosystems; preventing biodiversity loss; improving air, water and soil quality and overall living conditions; or recycling waste?
- Does the project strengthen economic activities respecting the limits of natural resources?
- Does the project improve adaptation to climate change?
- Does the project offer innovative solutions based on mimicking aspects of nature?
- Does the project promote city models of the social, proximity and circular economy?
- Does the project promote preservation or renewal of green (public) spaces and their use as connecting points/ common and shared spaces in a municipality or functional area?
- Does the project promote revitalising existing spaces and reinvigorating urban centres by avoiding new land take by reusing existing but empty buildings, and avoiding urban sprawl?
- Does the project preserve or renew a built environment employing new materials or nature-based solutions and products or/and saving resources by using reused, recycled and recyclable components, with clear environmental-performance and circular-economy benefits?
- Is the project building urban green corridors for active mobility to rethink transport infrastructure and shift mobility patterns?
- Does the project include measures to reduce energy use in renovated buildings?

Aesthetics

Projects supported using the NEB TDM are expected to promote aesthetics, i.e. value, beauty and style, increasing quality of experience and promoting aesthetical value beyond mere functionality in the infrastructure aspects or public spaces created or converted. Through aesthetical and cultural means, these projects should contribute to increased sense of belonging and place-based pride and be a good fit for the overall spatial context and architectural style. Cultural assets (heritage, arts, local craft, know-how, etc.) and specific aesthetic experience are unique, and projects can connect innovative aesthetics to the cultural heritage of a place. Cultural and artistic events can be used to strengthen social interaction and to rethink nature's value, thus additionally acting as catalysts for the other NEB values.

Guiding questions for assessing of the aesthetics criterion (not limited to the ones listed):

- Does the project demonstrate a good understanding of aesthetics as a core NEB value? Is aesthetics included as an in-built characteristic of the project from the conceptualisation phase on?

- Is the aesthetics dimension reflected at a high-quality level (e.g. coherent aesthetical concept/vision presented, reflection on the project's aesthetics connects to the cultural context of the place, convincing implementation detail on material or techniques used / arts represented)?
- Does the project uses aesthetical means to strengthen the overall idea of the NEB / inspire people and communities to take transformative action?
- Is the project adapted to the specific local past and the current socio-cultural reality? An advantage would be if it considers the heritage and local uniqueness, the 'sense of the place', in terms of people, material and cultural history or way of doing things.
- Does the project promotes non-intrusive approaches preserving and underlining the beauty of the place and a congruent match between the overall aesthetics and style of the place (landscape integration)?
- Does the project strengthen the quality of experience of a place, increasing its aesthetical value through art?
- Does the project explicitly describe the design in relation to the space or functions such as the use of a specific style or design to strengthen cooperation?
- Does the project explicitly address issues related to visual comfort or aspects of the quality of experience beyond functionality?
- Does the project aim to stimulate or creating certain emotions or sensorial experiences through its design? Does it aim to improve conditions for a healthy life?

Inclusion

Projects supported using the NEB TDM are expected to promote inclusion by actions that make the most of diversity, equality social inclusion and 'design for all' principles, and increase accessibility, affordability and togetherness. This includes combating spatial segregation and isolation, increasing opportunities for various parts of the community to come together and exchange, supporting vulnerable members of the community, and promoting accessibility of key services, amenities and spaces of social interaction for everyone. Overall, projects should aim to promote solidarity and build bridges within the community.

Guiding questions for assessing of the inclusion criterion (not limited to the ones listed):

- Does the project demonstrate a good understanding of inclusion as a core NEB value and a high level of ambition?
- Is inclusion covered from the conceptualisation phase on? Does the project seek ambitious inclusion outcomes? Both approaches are acceptable.
- Is the inclusion dimension reflected at a high quality level (e.g. comprehensive consideration of various groups, especially vulnerable ones; practical provisions to ensure

accessibility and affordability; plausible data basis; promoting togetherness and community-shared meaning while also making the most of diversity)?

- Does the project address reconstruction, renovation and renewal of the built environment to bring communities closer together and address the specific needs of vulnerable groups and individuals, such as those at risk of exclusion or poverty or experiencing homelessness?
- Does the project include development of ambitious social and inclusive housing, e.g.:
 - transforming and adapting buildings by using innovative techniques, materials and sustainable building processes to make houses more affordable and inclusive;
 - providing innovative housing solutions that respond to temporary urgent needs with high aesthetic and sustainability standards; or
 - bringing together various communities and/or functions (housing, education and training, etc.) in one setting?
- Does the project apply the ‘design for all’ principle in the redesign of the built environment to remove accessibility barriers for vulnerable groups, people with disabilities, and the ageing population?
- Does the project promote adaptation or renewal of the built environment designed to restore pride and celebrate diversity?
- Does the project repurpose spaces for positive intergenerational exchange and community building while ensuring affordability and accessibility?
- Does the project ensure affordability of project activities, benefits for the community and sharing of costs, e.g. contributions from local businesses?
- Does the project connect different various entities and people, through both physical infrastructure and digital tools?

Participatory and transdisciplinary approach

A participatory and transdisciplinary approach is a key principle of the NEB. The projects should envisage a broad participation of various groups and stakeholders in various phases (co-design, implementation), build on various areas of expertise and disciplines, and ensure co-leadership and ownership by the public. Specific focus should be on actively involving current and prospective users of the infrastructure aspect or public space in question, while aiming to also involve groups that are more difficult to reach or that might have less access and resources to participate in such processes. Therefore, groups that are not easy to reach and vulnerable, including people experiencing homelessness, unemployed people, migrants and older people should be addressed. Gender equality is another important aspect. Projects should also help break boundaries between institutions, policy areas and knowledge domains. Project proposals should cover specific partners and potential stakeholders and the extent to which they are (politically) committed to the project already.

Guiding questions for assessing the criterion on a participatory and transdisciplinary approach (not limited to the ones listed):

- Does the NEB TDM demonstrate how the projects at portfolio level, help break institutional, policy and knowledge boundaries and have the potential for change in the local context?
- Does the NEB TDM investment strategy identify two or more disciplines based on the required two or more thematic axes of the transformative path?
- Is there an appropriate diversity of stakeholders involved reflecting all three NEB core values and enabling input to the project assessing it from various perspectives? Are all crucial areas of expertise included and addressed?
- Is there a specific focus and commitment to involve current and prospective users of the infrastructure aspect or public space, and groups that are more difficult to reach? Are groups such as people experiencing homelessness, unemployed people, migrants and older people addressed? Does the project address gender equality?
- Does the project describe how the public, stakeholders (e.g. civil society groups, non-governmental sectors, non-formalised creatives, private sector) and groups that are not easy to reach will be involved in the co-design and implementation of the project?
- Does the project indicate a commitment to involving the public and stakeholders in the co-design and implementation? Is this involvement integrative or merely informative? Does the project envisage a transformation by the public and stakeholders by giving them real ownership of the project idea?
- Does the project include or identify relevant expertise and disciplines, covering the various NEB sectors?

If the MA and the body implementing the FI decide to implement the NEB TDM in line with implementation option (c), the transdisciplinary criteria have to be respected at project level.