



Local government investment gaps and barriers: Findings from the EIB Municipalities Survey 2022/2023

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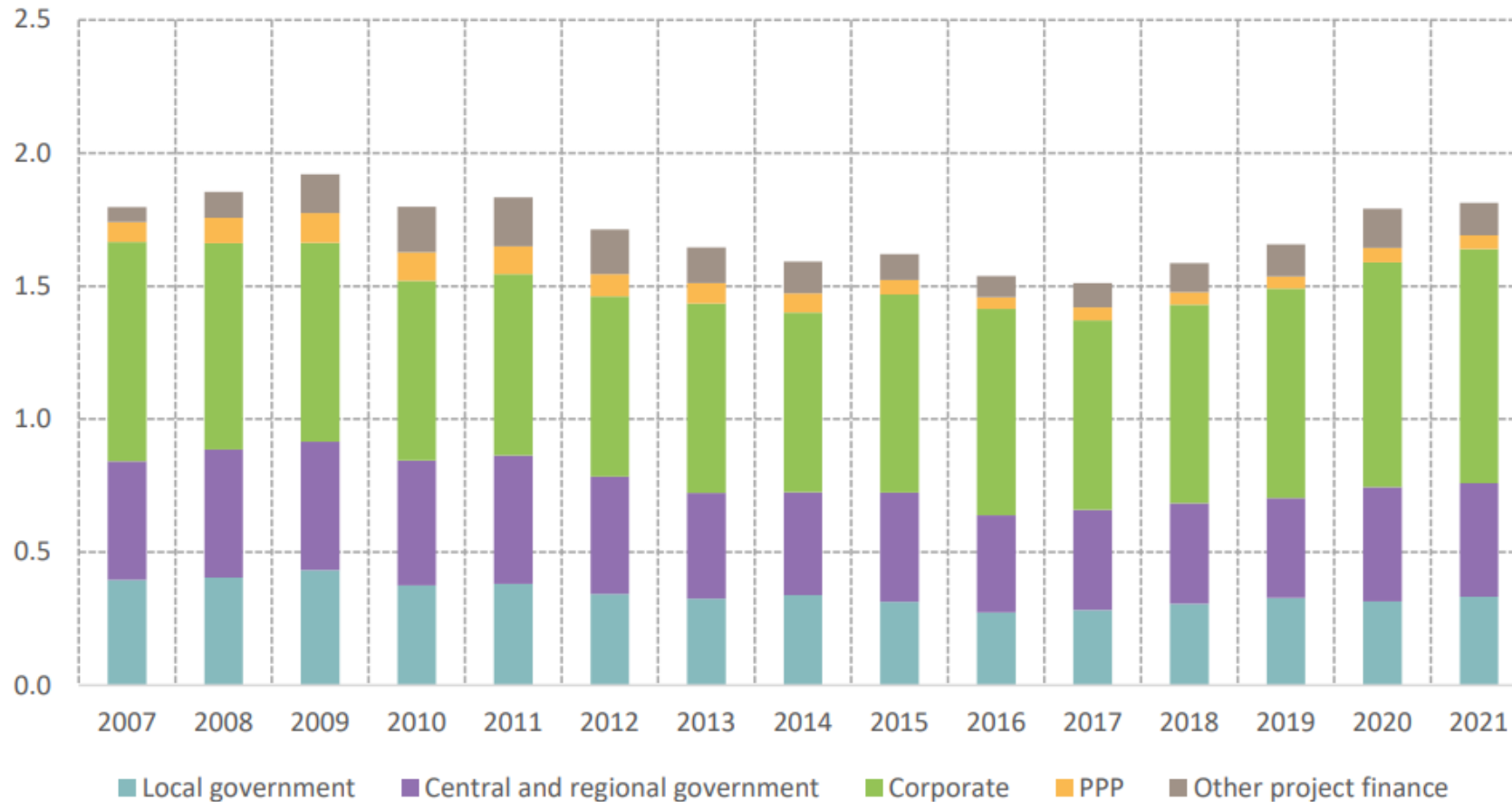
4 July 2023



European
Investment Bank

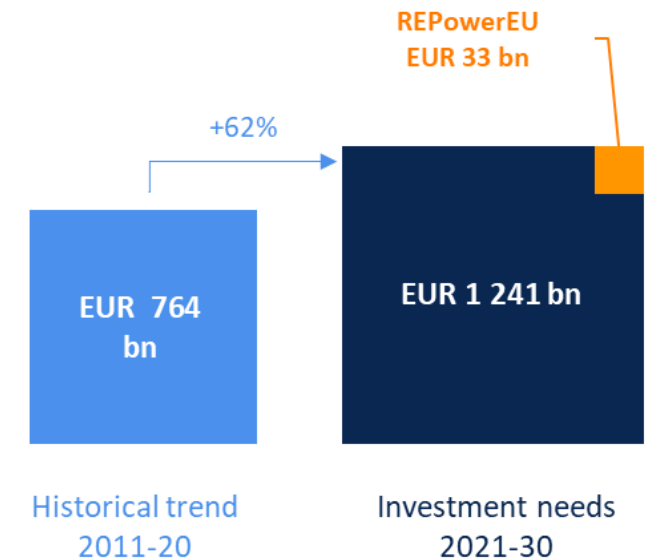
Local government has important role in meeting huge EU investment needs for digitalisation and decarbonisation

EU infrastructure investment (% GDP)



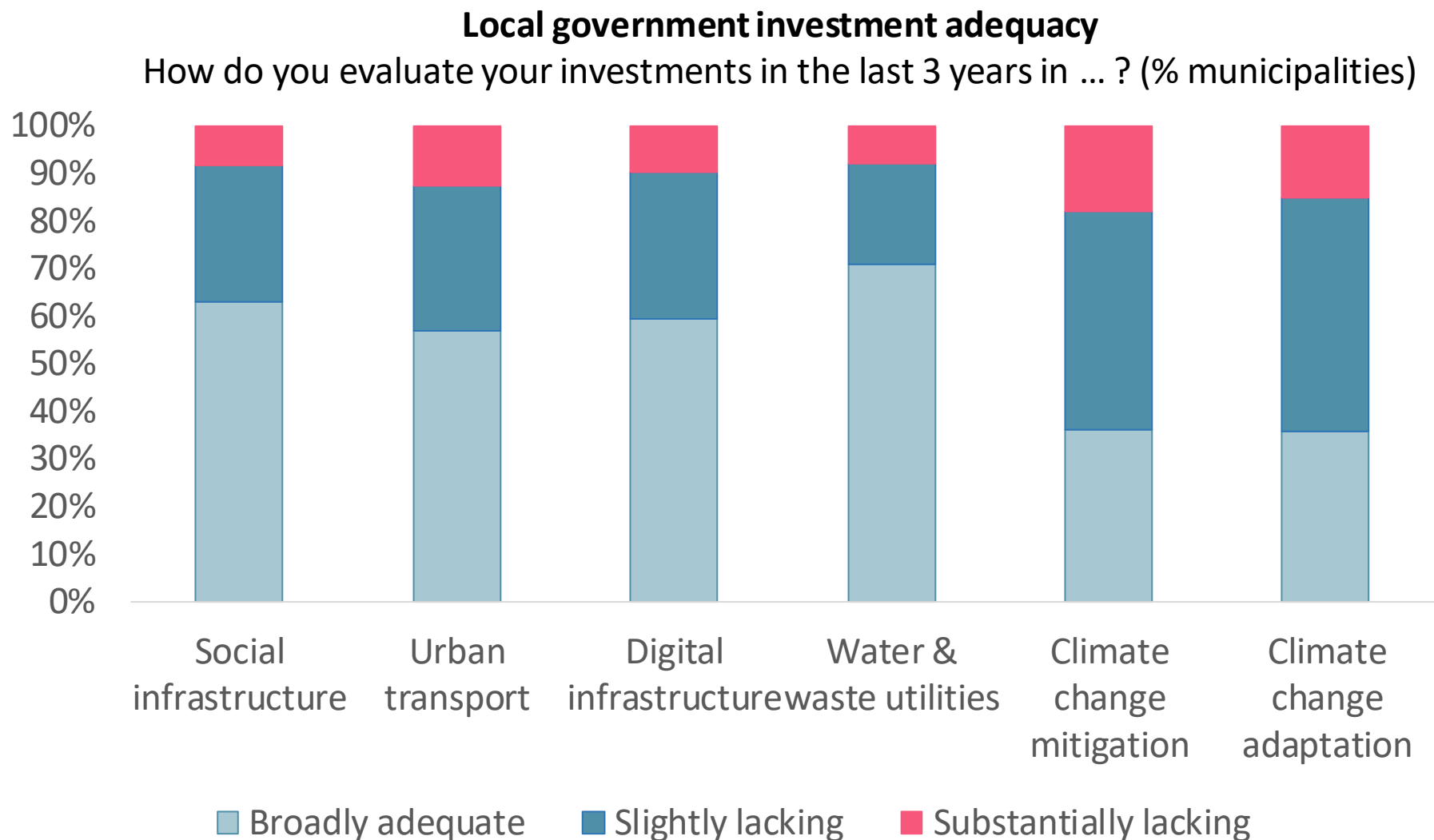
**Average annual investment needs
in the energy system
to reduce EU GHG emissions by
55% by 2030**

(EUR 2022, billion)



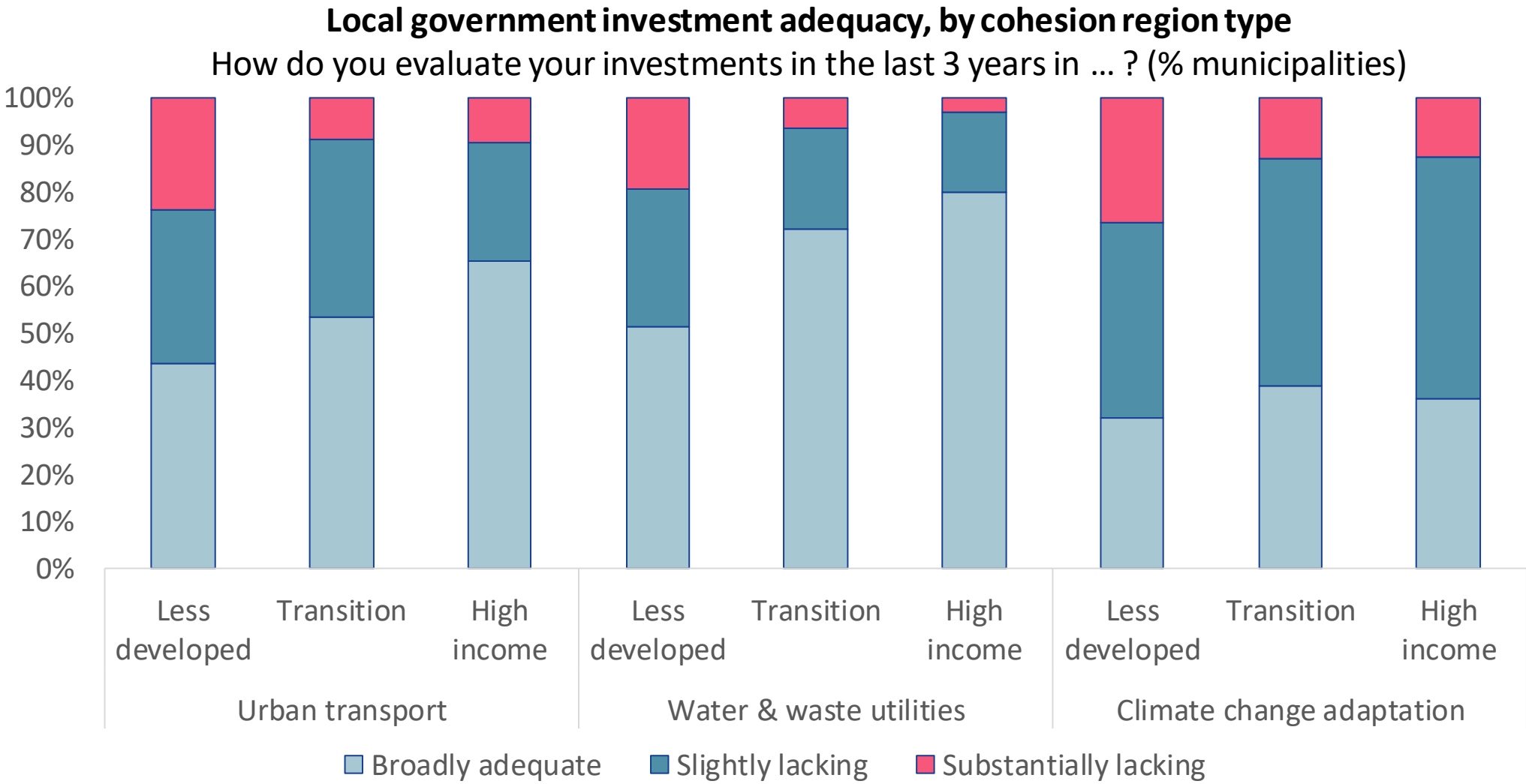
Source: EIB calculations, EPEC, Eurostat, IJGlobal.

Largest local government investment gaps indicated for climate change-related investments



Source: EIB Municipality Survey 2022.

Greater investment gaps indicated for less developed and transition cohesion regions

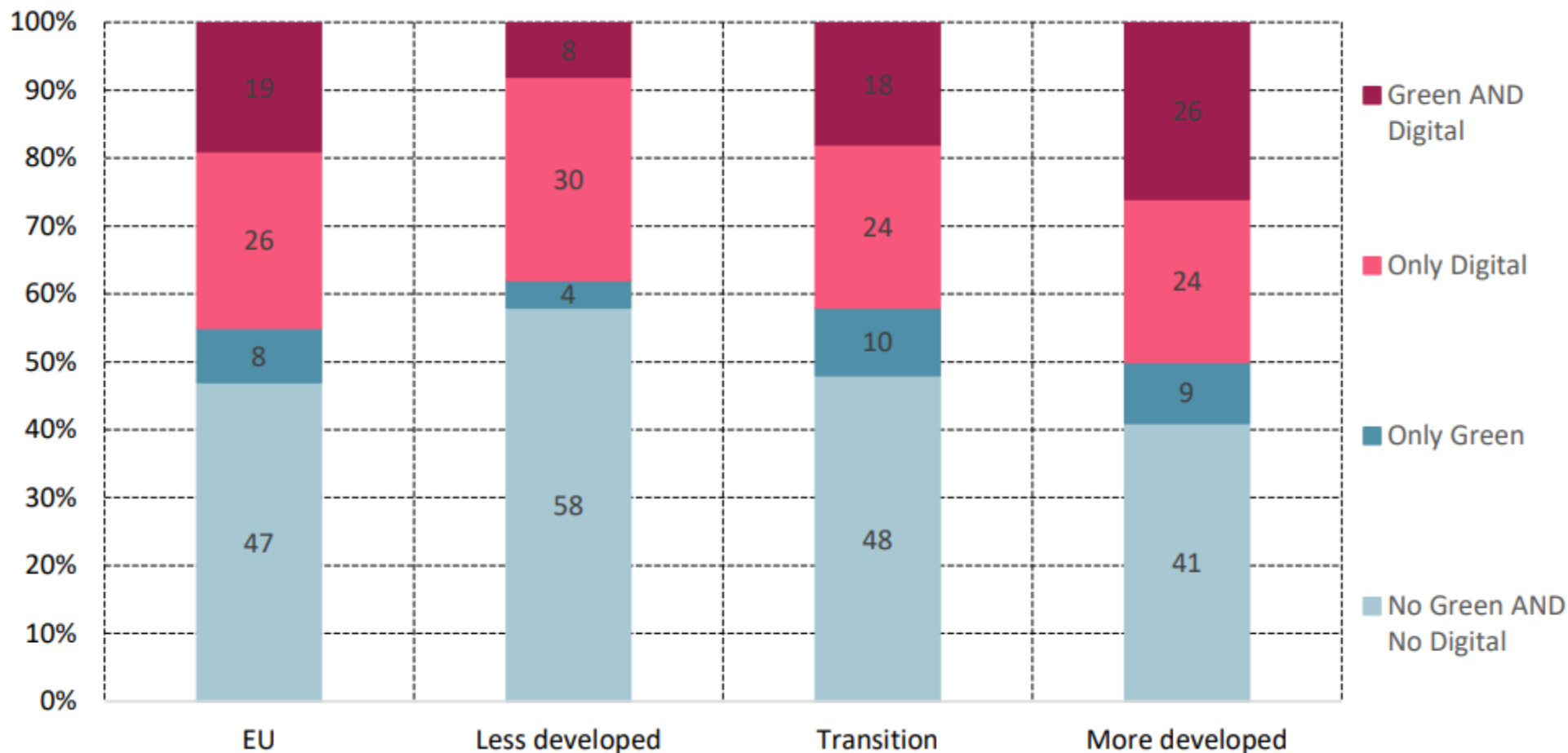


Source: EIB Municipality Survey 2022.

Municipalities more advanced in implementing measures to support the digital transformation compared to the transition to a climate-neutral economy

Progress of local governments on implementing green and digital measures, by cohesion region type

Share of digital and green municipalities in the European Union and across regions (implemented at least three digital measures out of five and three green measures out of five), (%)

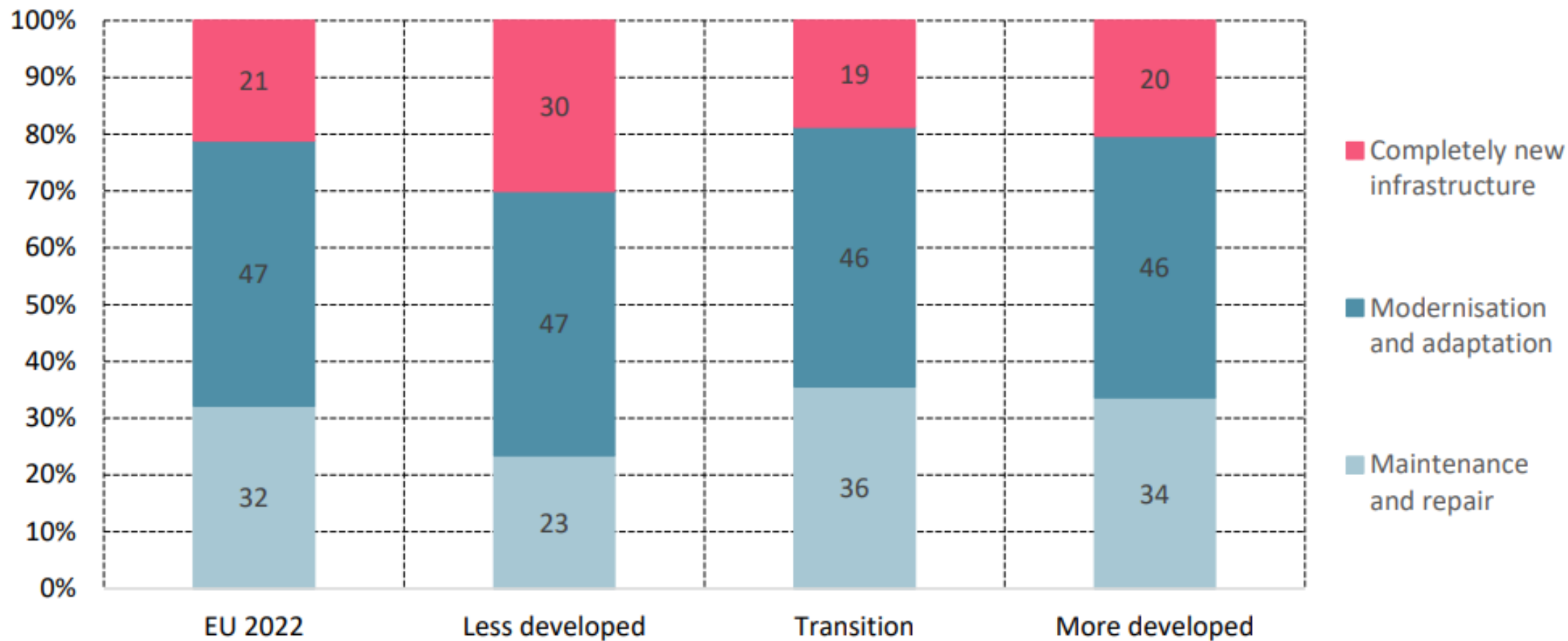


Source: EIB Municipality Survey 2022.

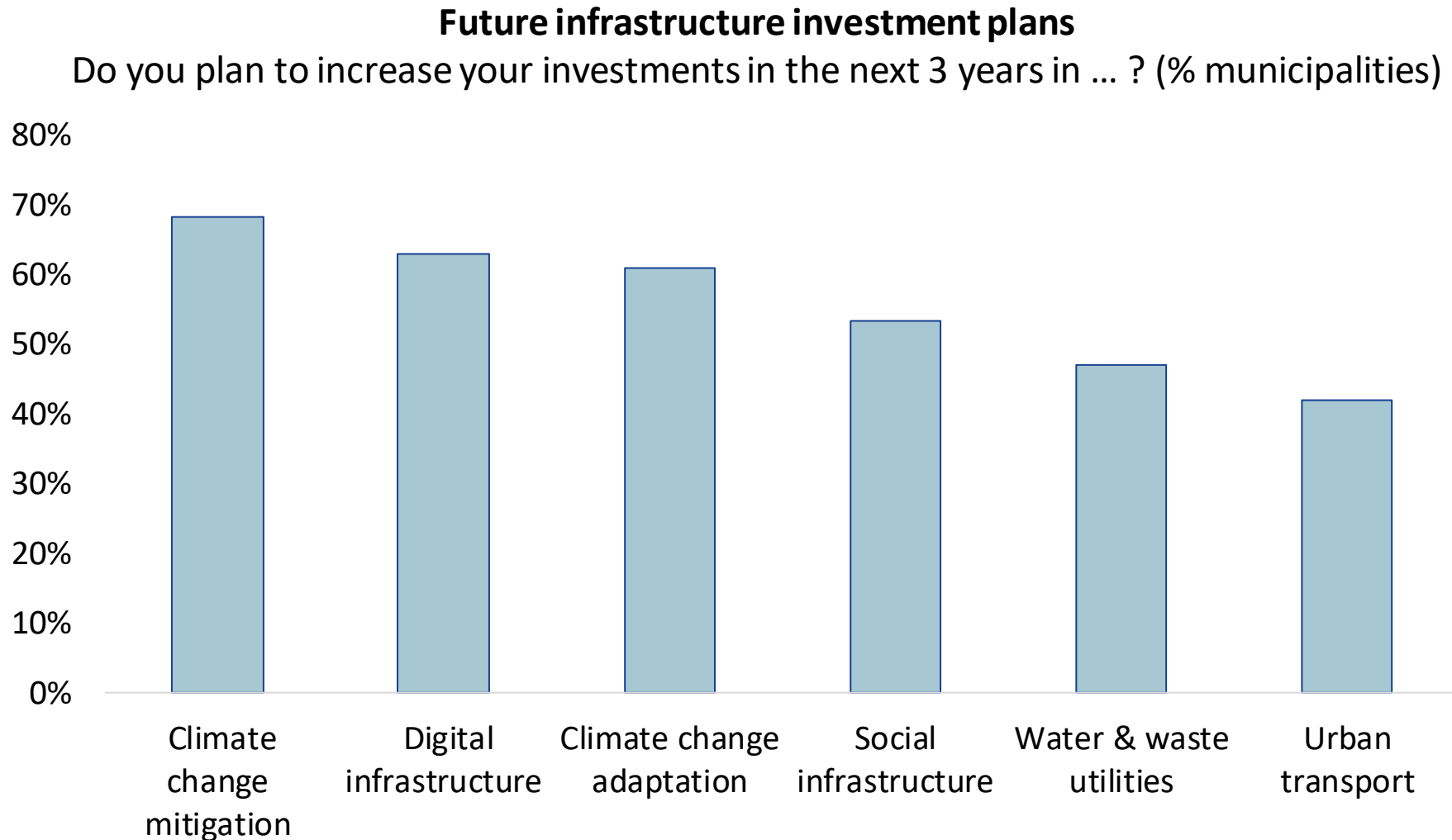
Modernisation and adaptation of infrastructure continue to be the primary areas of expected expenditures in investment across all regions

Planned infrastructure expenditure areas, by cohesion region type

In 2022-2026, except for routine maintenance, which of the following activities do you expect will have the largest share in terms of your infrastructure investment spend? (%)



Climate change related investments and digital infrastructure are largest categories where municipalities plan spending increases

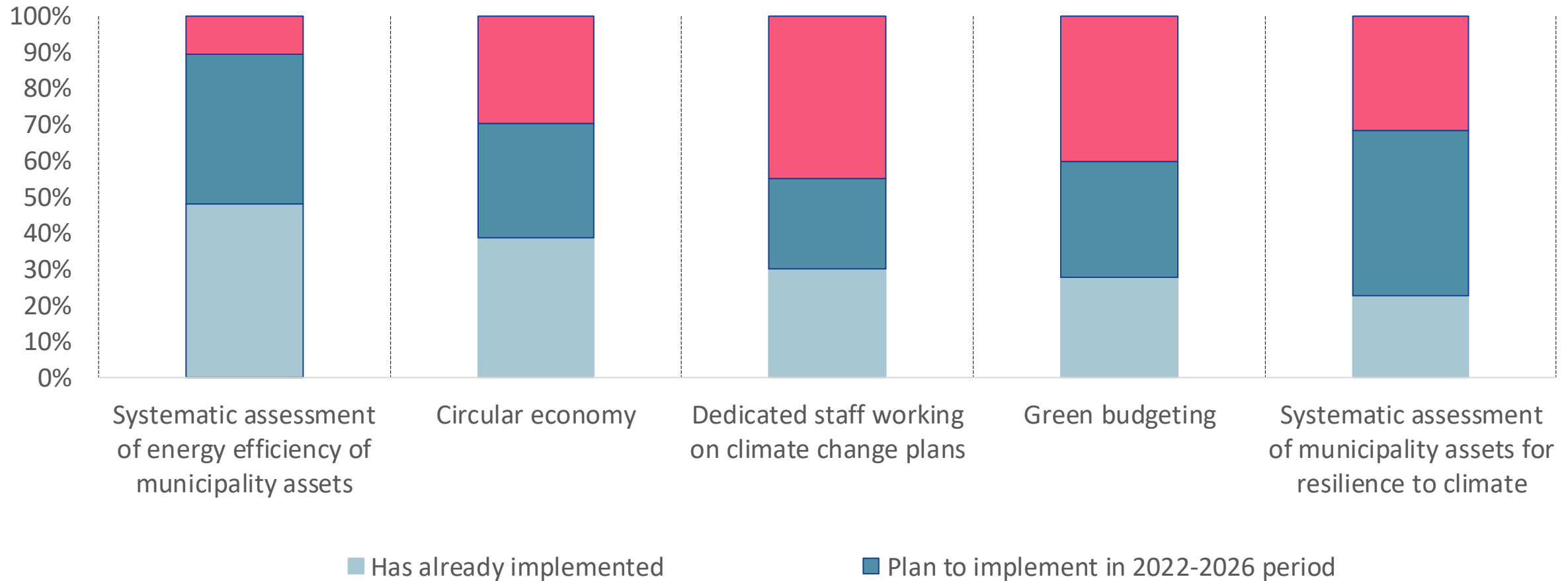


Source: EIB Municipality Survey 2022.

Energy efficiency dominates local government activity related to climate

Local government implemented and planned climate measures

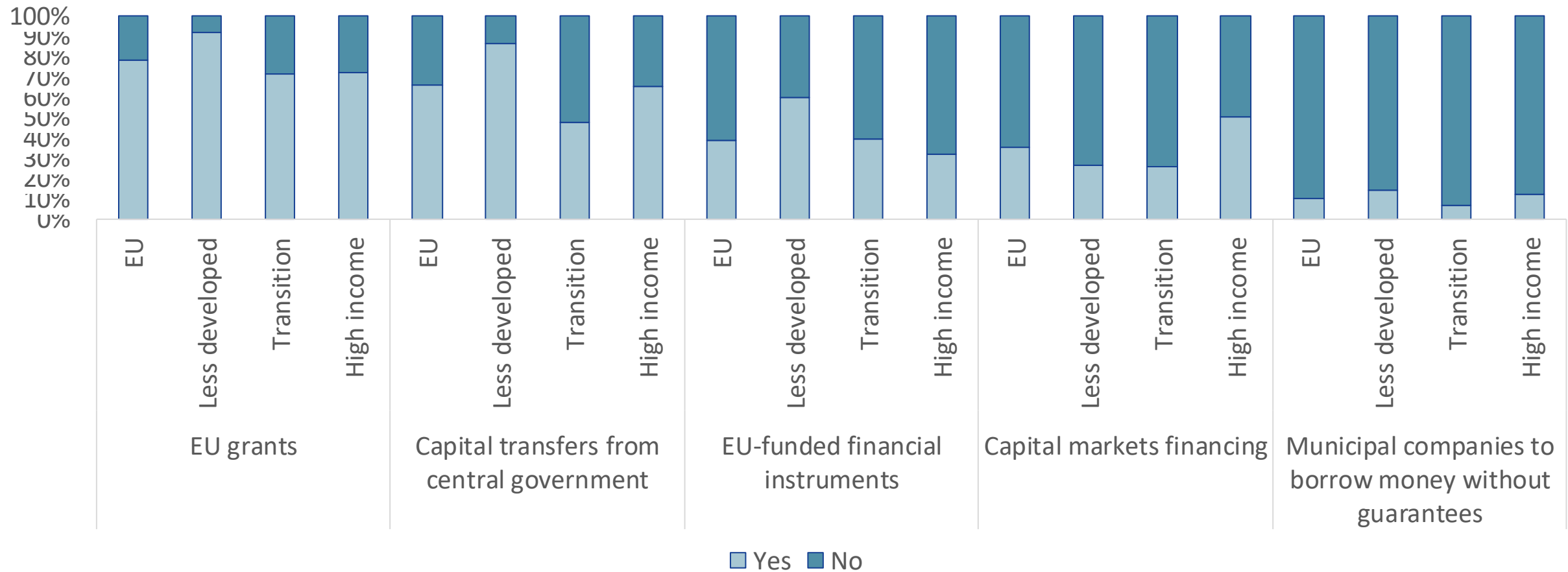
Do you plan or not to implement in 2022-2026 or have you already implemented ...? (% municipalities)



Less developed regions plan to finance future investments with EU grants and capital transfers from the central government

Municipal public investment funding plans

In the 2022-2026 period, in order to finance planned investment projects, does your municipality plan to draw on any of the following? (% municipalities)

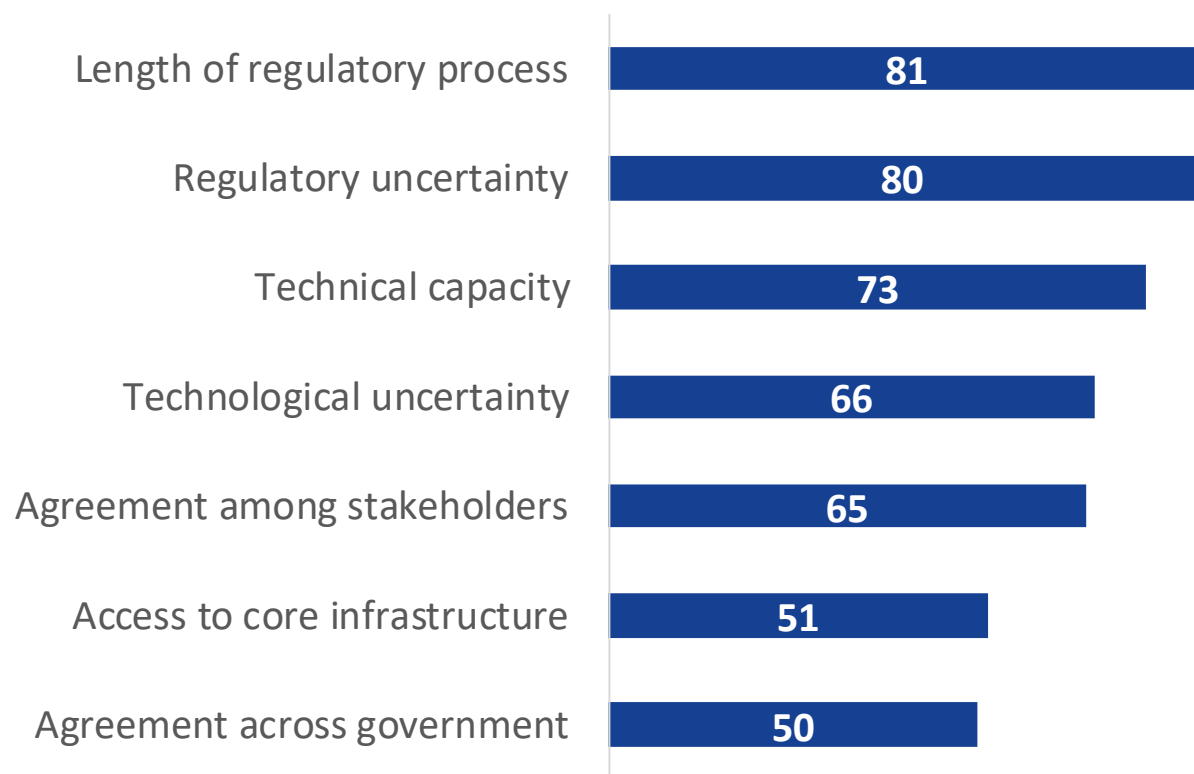


Source: EIB Municipality Survey 2022.

Apart from financing, there are large capacity constraints to be overcome for effective public investment

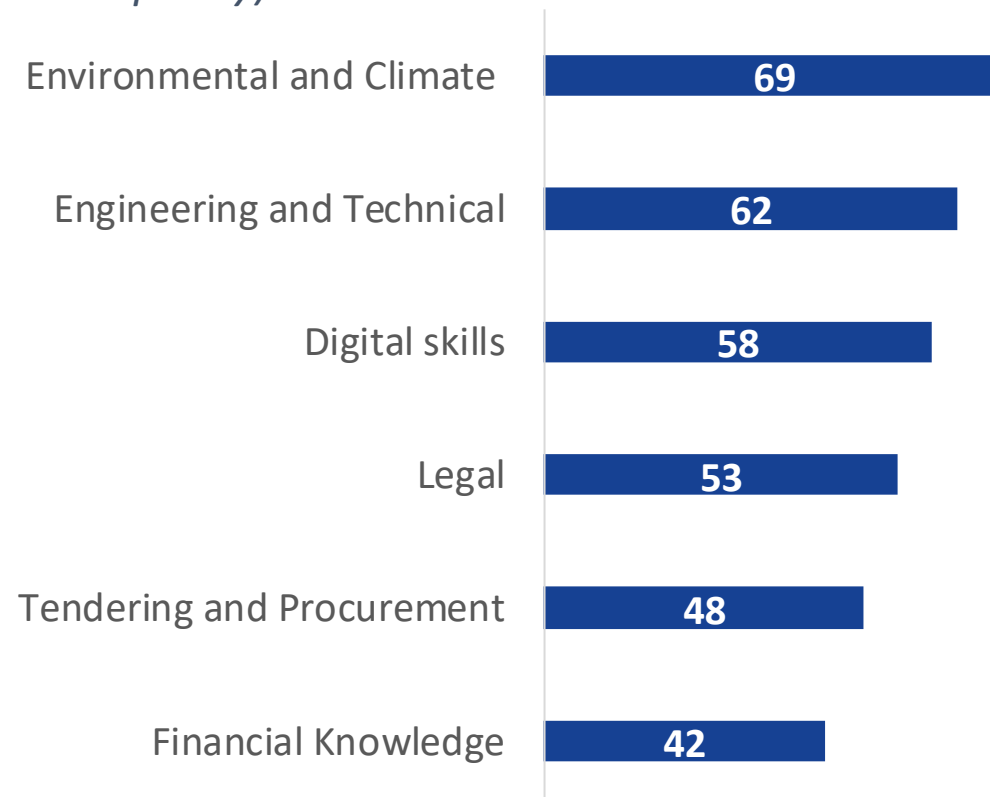
Obstacles to local government infrastructure investment (excluding financing gaps)

(% municipalities reporting as an obstacle)



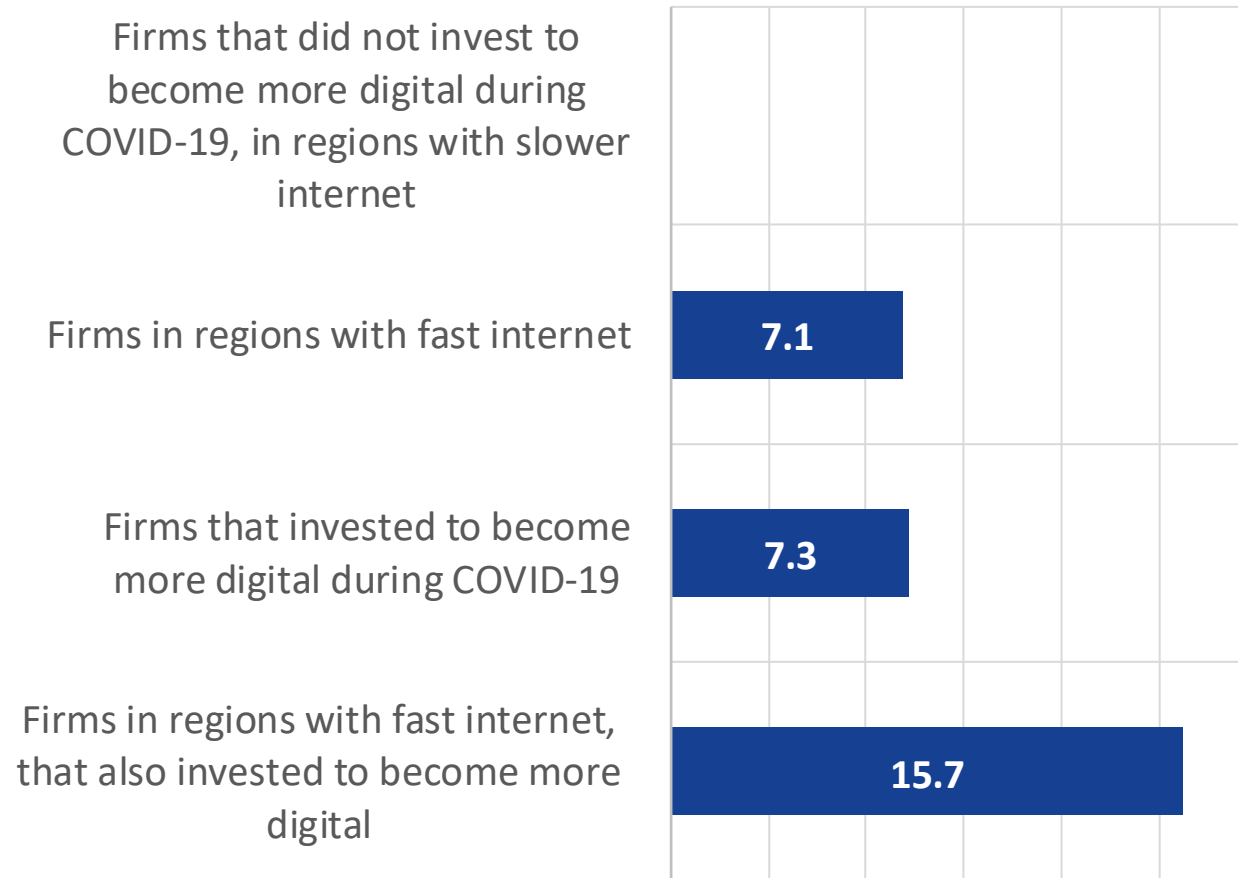
Skill gaps delaying public investment

(% municipalities reporting gaps in technical capacity)



Public investment can be catalytic for private investment, increasing the returns to investment

Additional total factor productivity (%)



Better digital infrastructure allowed additional productivity gains for firms that enhanced their digital efforts during the pandemic

Source: EIBIS 2022

EIB Municipalities Survey 2022/2023

Protecting local government investment and ensuring it is effective is critical to meet infrastructure needs:

- Public investment is an important catalyzer for private investment
- Delivering on public investment will take not just financing but putting in place appropriate skills and removing red-tape
- Local governments are making headway on digitalisation; while municipalities perceive the need to invest in climate, they are slower to implement actions to reduce GHG emissions

The state of local infrastructure investment in Europe

EIB Municipalities Survey 2022

THANK YOU



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EIB Instruments for Urban Development

Kamil DÖRFLER, Lead Urban Development Specialist, EIB

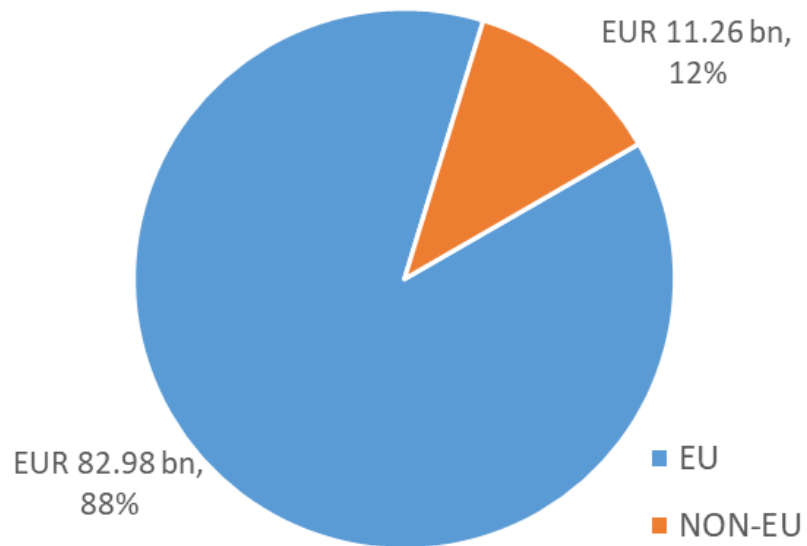
Committee of the Regions, 4 July 2023

Outline

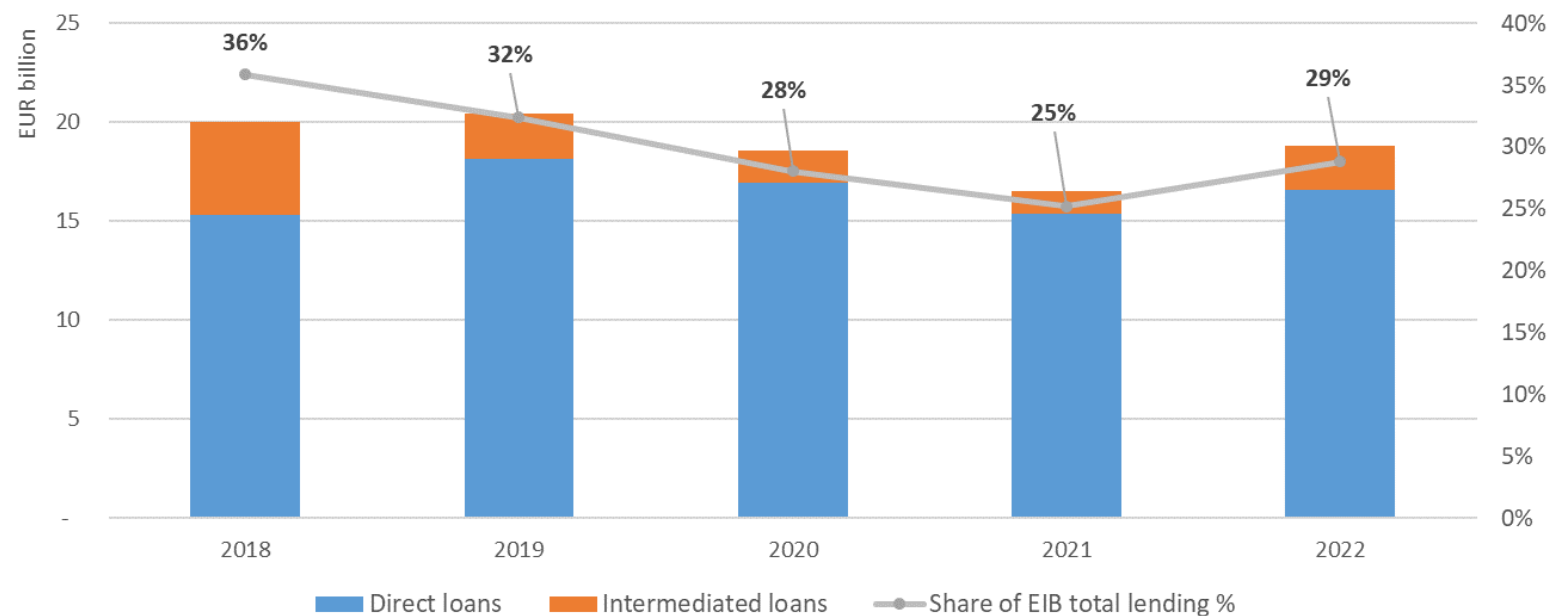
- EIB urban lending
- EIB products
- EIB project examples
- EIB trends in urban investments

EIB Urban lending

EIB urban lending, 2018-2022,
EUR 94.24 bn in total

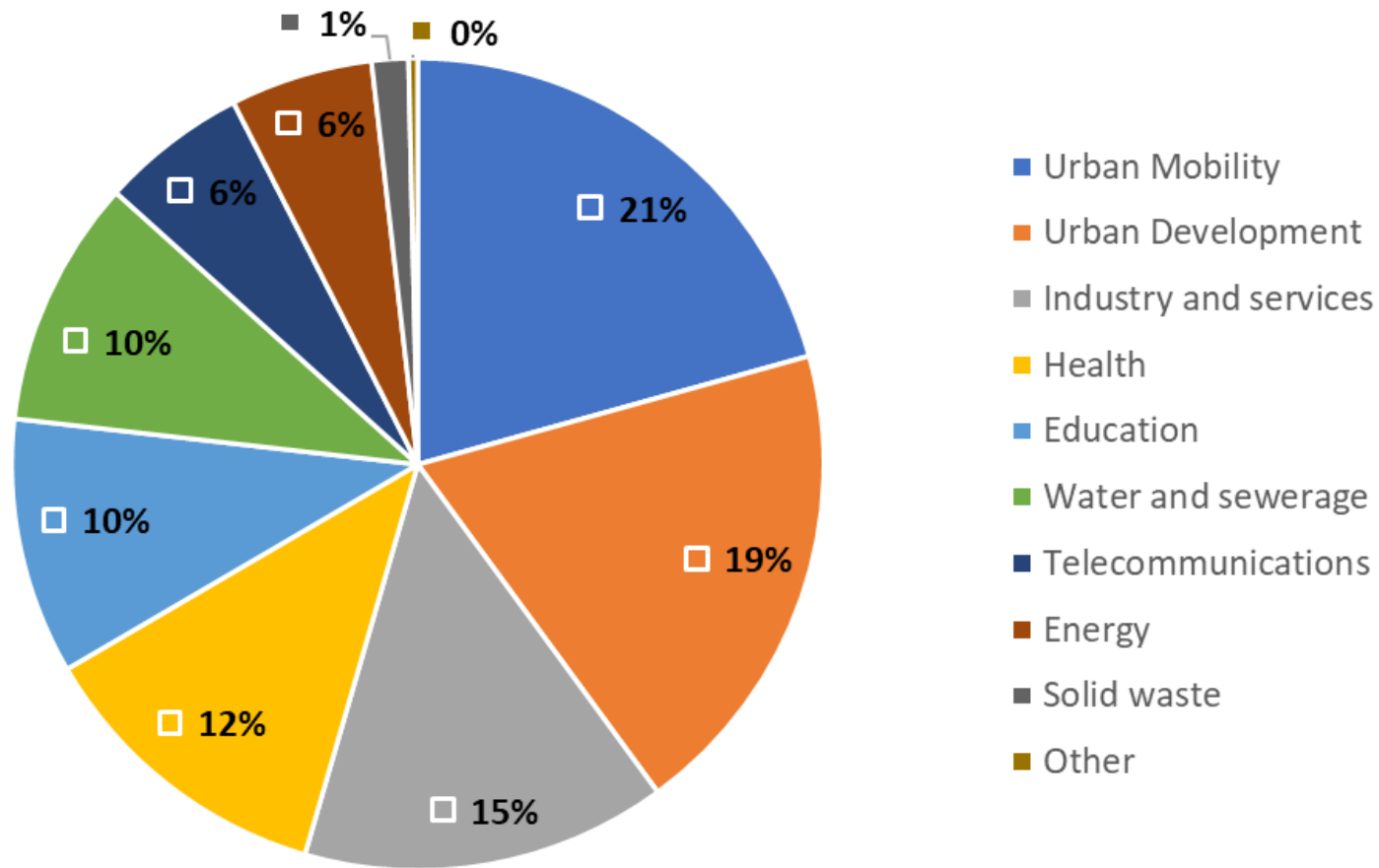


EIB urban lending (direct and intermediated),
total in 2018 - 2022: EUR 94.2bn

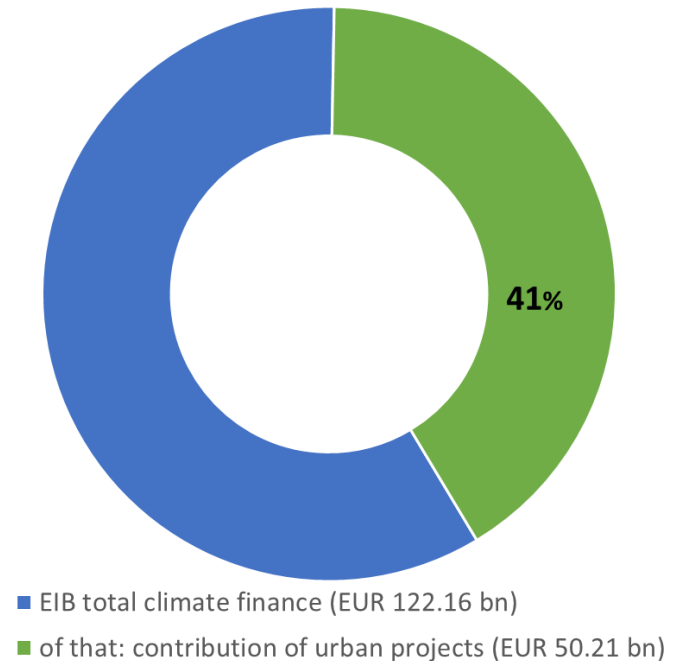


EIB Urban lending

EIB Urban lending by sector, 2018-2022, EUR 94.2 bn in total

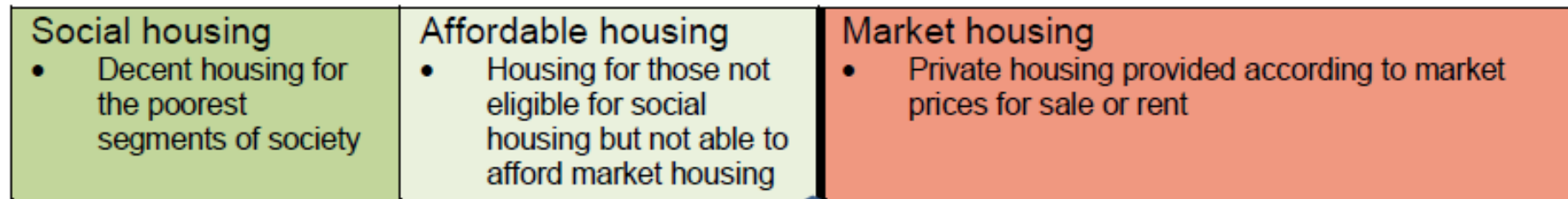


EIB climate finance in 2018-2022



Social and affordable housing sector: principles

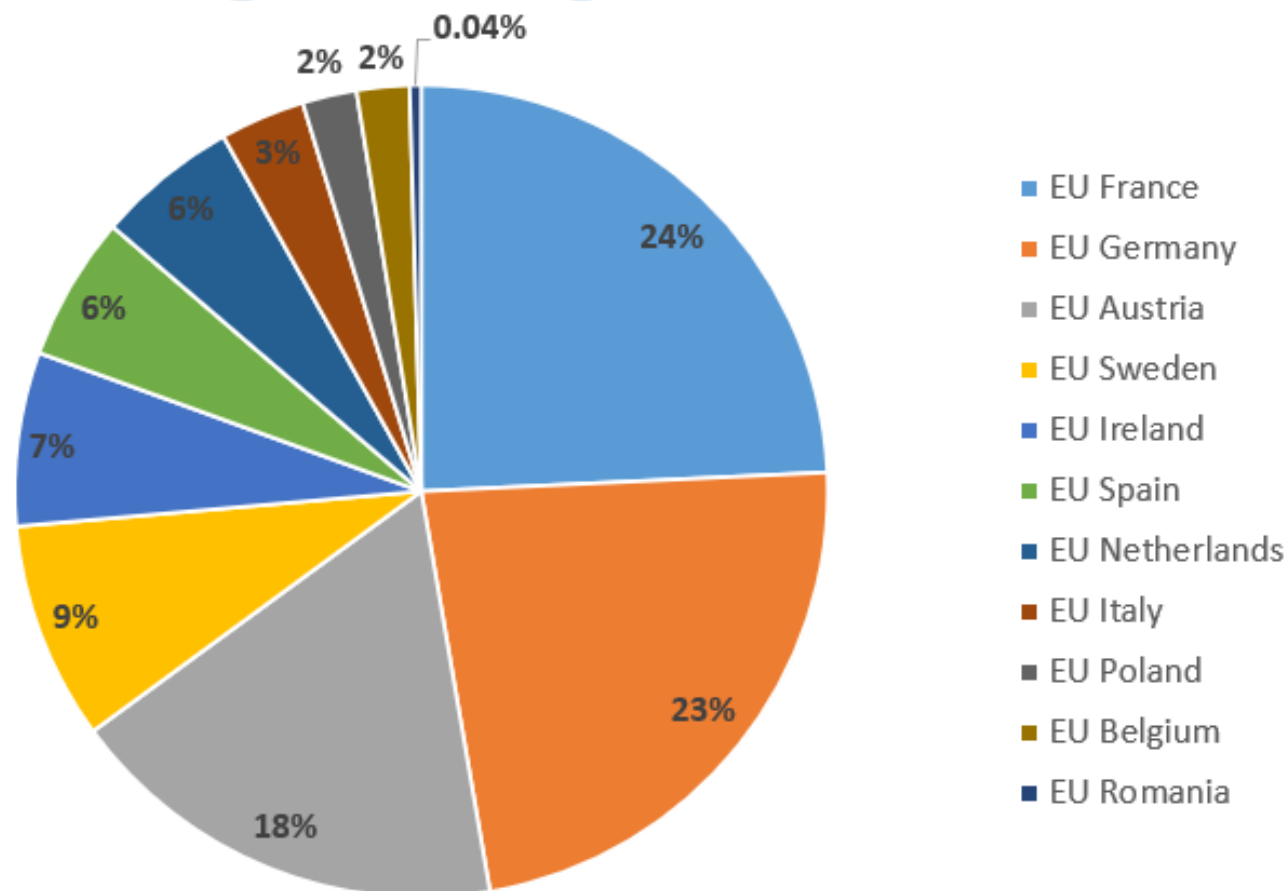
- EIB supports only SOCIAL AND AFFORDABLE RENTAL HOUSING (i.e. municipal rental housing for those in need with public support)
- No ownership housing, only rental, solid framework and transparent selection system and criteria for potential clients



- Dividing line varies by country, region or city
- Typically defined through public policy or regulation
- May relate to income, disability, key worker or other criteria

- New buildings, reconstructions and energy saving measures

EIB housing financing in the EU 2018-2022



2018 – 2022: EIB lending volumes in EU-27 (Total € 6.6 bn)

EIB financing available for local clients



Product: Investment Loans

Investment: Financing of individual investment, project implementation period of usually of 3 - 5 years.

Size: The EIB covers up to 50% of project implementation cost, a minimum amount of EUR 15m.



Framework Loans

Financing of an investment programme consisting of various and often multisector sub-schemes; usually with an implementation period of 3 - 5 years.

The EIB covers up to 50% of total implementation cost of multiannual investment programme, a minimum amount of EUR 15m.



PPP / off-balance structures / Equity / Funds

Specially prepared structure of the project with a long-term cash-flow perspective.

The EIB covers up to 50% of project implementation cost, a minimum amount TBA.

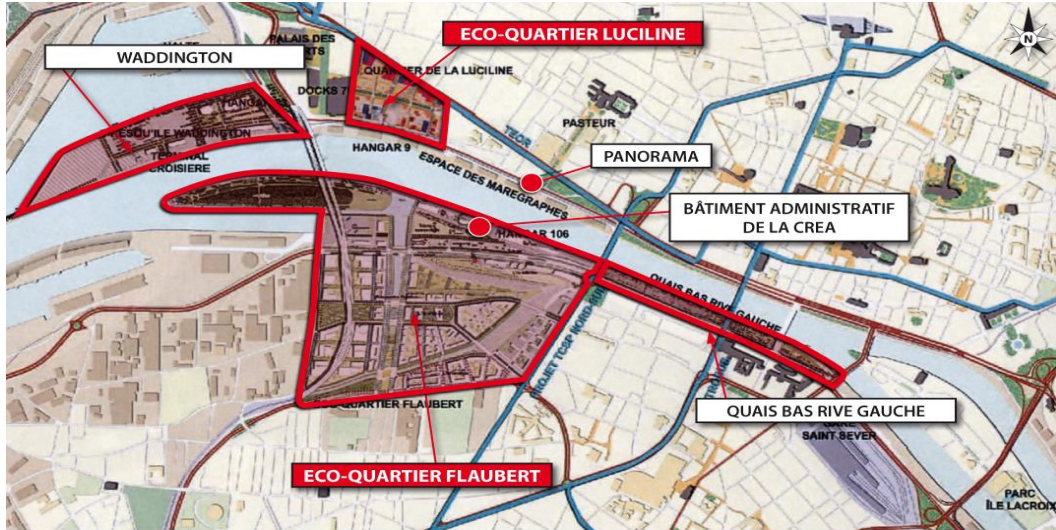
Infrastructure funds dedicated to urban development or brownfields

EU financing: EIB financing is compatible with EU grants – up to 90% of the project cost in cohesion regions and 70% outside of them.

Intermediated financing: Small investments maybe supported through a local banks (promotional or commercial)

EIB Urban financing – Project examples

ROUEN ECO-QUARTIERS FLAUBERT-LUCILINE



- Remediation of port/ industrial brownfields
- Preparation of sites for mixed residential, commercial, public space, culture, leisure uses.
- Emphasis on sustainable mobility, near-passive energy municipal building, geothermal heating network



EIB Urban financing – Project examples

KRAKOW INTELLIGENT AND SUSTAINABLE DEVELOPMENT

- Framework Loan with a City.
- Co-finance Intelligent and Sustainable Development projects
- Supports the 2030 City Strategy of Kraków aiming at using modern technology to improve urban space and public transport as well as interacting with citizens to increase quality of life.
- Covers urban roads, sustainable mobility schemes, thermo-modernization of buildings, urban renewal and regeneration, social housing, ICT and other urban infrastructure.



<http://www.eib.org/projects/pipelines/pipeline/20150404>

EIB Urban financing – Project example



GINKGO FUND

- The Ginkgo Fund is constituted as a closed-end risk capital investment vehicle (or SICAR: “Société d’Investissement en Capital à Risque”) established under the laws of Luxembourg.
- The Fund’s purpose is to acquire a portfolio of brownfield sites in Belgium and France, to clean them up using innovative environmental remediation technologies, and either to sell them for further real estate development or to proceed with real estate development through the planning and construction of energy efficient buildings (housing, and commercial or office space) with subsequent property resale.

Ginkgo I: demolition and remediation work turning the brownfield site of Mont-Saint-Guibert, Belgium, into a healthy greenspace and residential area



Financing and working with Municipal Banks and National Promotional Banks



Smart Cities in Belgium

Innovative projects to promote smarter, more sustainable cities across Belgium



Urban Development Programmes in Brandenburg

Local authorities and Social Housing Associations are Eligible Applicants



Investment Platform

Social and Affordable Housing Investments in Poland



CDLF

Consignment Deposits and Loan Fund



Greek Local Authorities

Municipal Infrastructure Projects with Several Municipalities in Greece



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EIB Urban financing– Project examples

BELFIUS SMART CITIES CLIMATE & CIRCULAR ECONOMY

- Intermediated framework loan with a bank.
 - Covers wide range of SMART investments and promoters in Belgium: Smart is not only for large cities!
 - Support to investments in urban renewal, urban infrastructure, social and affordable housing, energy efficiency, renewable energy, sustainable transport, water, solid waste and ICT.
-
- Stimulates best practice: integrated approach, innovative governance, use of tested smart technology, consultation.
 - Relies on an intermediary bank with technical capacity and market reach in the municipal market.



<http://www.eib.org/infocentre/videotheque/mooc-belfius-video.htm>

POZNAN SOCIAL HOUSING INVESTMENT FACILITY, Poland

Within Poland Social and Affordable Housing Programme

- ❖ **Description:** 1,050 new housing units in several locations in the City of Poznan. The project also includes the refurbishment of existing dwelling units, community healthcare centres, associated open space and provision for local amenities such as shops and services.
- ❖ **Project cost:** EUR 85 m. **EIB financing:** EUR 42 m. **Maturity:** 25 years.
- ❖ **Borrower and Promoter:** Zarząd Komunalnych Zasobów Lokalowych sp. z o.o. (ZKZL), municipal company 100% owned by the City of Poznan, responsible for the management of the municipal housing stock and the provision of social and communal housing. Loan to ZKZL without guarantee from the City, supported by EFSI. ZKZL benefitted from advisory services from European Investment Advisory Hub (EIAH).
- ❖ **Video Case Study:** <https://eiah.eib.org/videos/poznan-social-housing-investment-facility>
- ❖ **More info:** <https://www.eib.org/en/projects/pipelines/all/20160894>



EIB: What cities are telling us about their investment needs



Investment is recovering post-COVID:

- Cities diverted capex and maintenance investment to operating costs during the pandemic ->delayed disbursement
- User charges and other own revenue starting to recover
- Social protection schemes helped ensure social housing remained credit-worthy and investment has continued
- Anticipation of EU funding, projects are being prepared
- High over-subscription – 370 applications for EU 100 Cities Climate Mission shows sustainability remains high on agenda despite constraints

But:

- City energy bills rising dramatically (even 5-10x)
- Huge needs in some cities to support refugee integration
- Dramatic cost increases makes planning/implementation challenging
- 2/3 of EU municipalities report infrastructure gaps for climate, digitalisation and urban transport
- 80% of cities consider lack of funding as a barrier to investment – EU funding will be critical
- Over 2/3 see institutional capacity in “green” as a barrier

New opportunities – e.g. EU funding for cities is increasing

- 8% of ERDF funding allocated to integrated territorial development
- Significant scope for urban development through:
 - Resilience and Recovery Fund (RRF) – eg. for energy efficiency, urban mobility, urban revitalisation, social housing
 - Operational Programmes under the ERDF and other cohesion funds
 - Invest-EU
 - Just Transition Fund
- New initiatives:
 - EU European Urban Initiative 2021-27 – EUR 450m for innovative actions and capacity building
 - 100 Climate Neutral and Smart Cities Mission
 - Adaptation Mission
 - New European Bauhaus



EIB Advisory Support for Cities

Activity	EIB contribution
EIB Advisory Hub - URBIS	<ul style="list-style-type: none"> • Advice on project development to support urban investment
JASPERS	<ul style="list-style-type: none"> • Advice to support better project preparation for European Structural and Investment Fund projects, Pillar 1 of Just Transition Fund, IPA, CEF • JASPERS support to resolve horizontal questions affecting a sector or projects • JASPERS Networking Platform building a knowledge base
EIB advisory instruments benefiting cities	<ul style="list-style-type: none"> • EPEC – European PPP Expertise Centre • ELENA – European Local Energy Assistance • FI-Compass to support development of urban development funds / financial instruments • FELICITY – Facility for Energy Efficiency in cities • UPFI – Urban Projects Finance Facility for Med-WB region
Cities Climate Finance Gap Fund	<ul style="list-style-type: none"> • EIB co-leads implementation with the World Bank • Support for early stage project preparation outside EU • Launched 09/2020 with funding from DE, LU, in partnership with GIZ
New instruments via Invest-EU Advisory Hub	<ul style="list-style-type: none"> • C3-CETAF for Circular Cities circular economy support; • support to Pillars 2 & 3 of Just Transition Fund; • ADAPT for climate adaptation; gender facility