

6th UNECE International

PPP FORUM

Barcelona | 4 - 6 May 2022

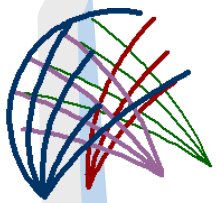


Session:

**Strengthening coordination of urban development
PPPs with the 2030 Agenda and the SDGs
06.05.2022**

Moderated by

**Prof Raymond Saner, CSEND & Basle University
Prof Mateu Turró, ESGPAR & Universitat Politècnica de
Catalunya**



Sustainability Triangle



Diplomacy Dialogue

Urban Development

- VLRs & Declaration
- City & National Link
- Policy Coherence/city for SDGs (9, 11)

Economic

Environmental

**Governance
(M+R+E)**

PfPPPs

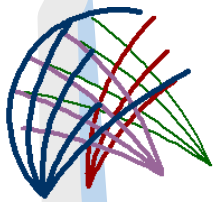
- Value for Money
- Value for Society
- Value for Future Generations

Social

SDGs

17 Goals

- Target 17.17
“Public, Private & CSO Partnerships”



Speakers



- Ms. Sedef Yavuz-Noyan, Turkey
- Ms. Angelina Nuñez, World Bank
- Mr. Juraj Jurik, GIB
- Ms. Irina Zapatrina, Ukrainian PPP center
- Mr. Andrea Tinagli, EIB - Union for the Mediterranean
- Ms. Lichia Saner-Yiu, CSEND

SDG-PPPs

URBAN DEVELOPMENT PPPs

TURKEY

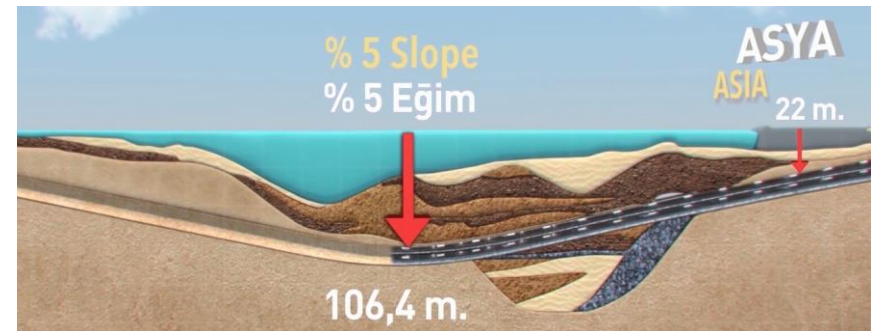
6.5.2022

Sedef Yavuz Noyan

Head of PPP Department
Presidency of the Republic of Turkey
Presidency of Strategy and Budget

Improving the Urban Infrastructure Eurasia Tunnel

- ❑ Eurasia Tunnel is a project which connects the Asian and European sides of İstanbul under the seabed



- ❑ The project also includes rehabilitation of existing approaching roads to tunnel and their surrounding environment

Improving the Urban Infrastructure

Eurasia Tunnel

❑ The tunnel reduces the travel time and helps make the city a more comfortable and healthier place to live in



❑ During 4 years of operation, 64 million vehicles used the tunnel.

❑ The tunnel made the city and its people save:

- ❖ 111 million hours of travel time
- ❖ 152.000 tonnes of gas
- ❖ 64.000 tonnes of carbondioxide emission



Improving the Urban Infrastructure Eurasia Tunnel

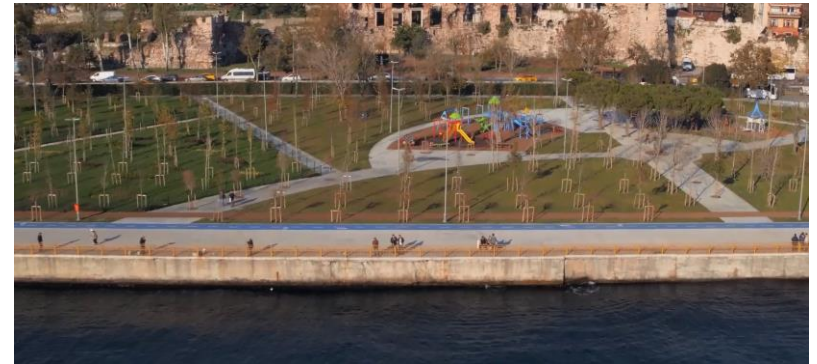
- ❑ The length of the pedestrian-only parts was increased by 5 folds on the European side of the city.



- ❑ 12,000 additional trees were planted at the coastal park on the European side, and access to the coastline was made easier through pedestrian overpasses and level crossings compliant with the disabled standards.

Improving the Urban Infrastructure Eurasia Tunnel

- ❑ Cycle track, play and exercise areas with a length of 7 km were renewed. Kid playgrounds were increased by 100 percent, while forestation was increased by 400 percent.



- ❑ A pilot biofiltration work was carried out by planting 187 trees of 13 species and 2,088 bush plants of 10 species in an area of 7,300 square meter as part of the landscape arrangements of the project. Fifty percent of the total area was allocated for the landscape.

Improving Urban Resilience Through Housing

- ❑ A comprehensive policy towards supporting modern urbanization by cooperation of central government, Housing Development Administration (TOKI) and local administrations.
- ❑ Production of sufficient and qualified social housing in healthy and liveable urban areas, especially for the citizens who do not have housing, with low down- payments and low installments with long term, as if paying rent.
- ❑ Slums, areas with a high risk of natural disasters (earthquake, flood, landslide etc.) are transformed.
- ❑ Renewal projects and not only produce renovated housing areas; but also provide major recreation areas, city parks, city quarters, trade centers for the city.

Support mechanisms

- ❑ Different methods apply:
 - ❑ Traditional Public Procurement
 - ❑ Real Asset Based PPPs

- ❑ Support mechanisms:
 - ❑ Land allocation
 - ❑ Credit assignment
 - ❑ Public relief
 - ❑ Technical assistance



THANK YOU

Public-Private Partnerships for Investment and Delivery of Affordable Housing

Angelica Nunez
Lead Operations Officer
The World Bank

The Housing Sector plays a significant role in achieving the SDGs

THE HOUSING SECTOR PLAYS A KEY ROLE IN A NUMBER OF SDGS...



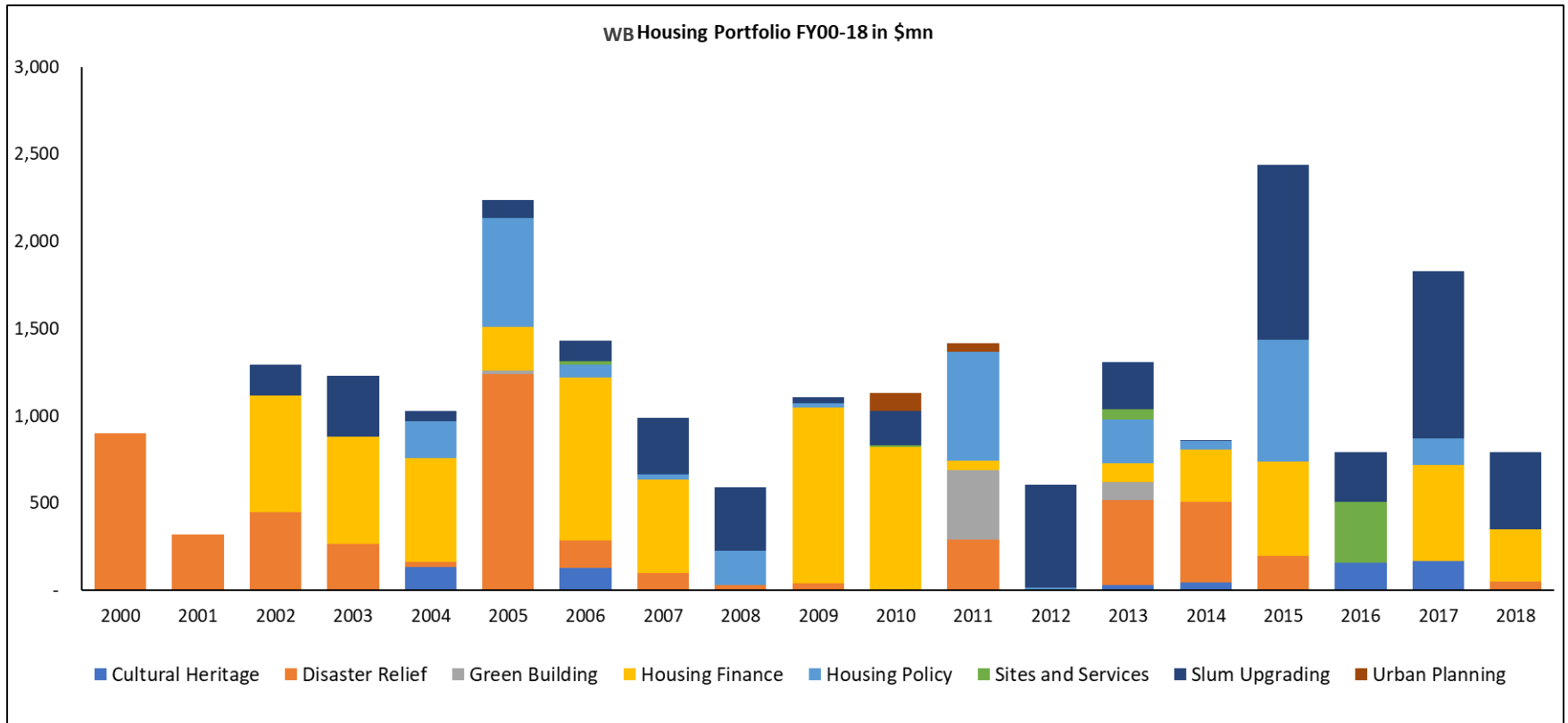
Better housing conditions increase quality of life

Healthy housing is shelter that supports a state of complete physical, mental and social well-being. It does so by providing shelter from the elements and facilitating comfortable temperatures, adequate sanitation and illumination, sufficient space, safe fuel or connection to electricity, and protection from pollutants, injury hazards, mold and pests.

Sustainable buildings improve city & community resilience

Ensuring access to safe and affordable housing – including upgrading of slum settlements – makes cities safe and sustainable. Sustainable building design, climatic and cultural adequacy of housing can improve the impact of housing in the urban environment, on climate change, and on city resilience.

The World Bank invested US\$22.3B in its housing portfolio from 2000 to 2018 – largely in Disaster Relief, Slum Upgrading and Housing Finance



Emerging Markets face numerous challenges in developing their Housing Sector

Addressing these, requires sustained commitment and support from public & private sectors

Demand

Supply

Access to Land, Urban Planning and Building

Codes: Unclear and contested land tenure, slow and costly title and lien registration. Restrictive land use and zoning regulations, unrealistic and costly building code requirements

Lack of Infrastructure Services and Standards

Road, water and sanitation, electricity, solid waste. Unrealistic and costly standard requirements and lack of climate resilient building standards

Developers Lack Financial and Technical Capacity; High Cost of Building Materials

Lack the financial and technical ability from developer/builder industry. High cost of building materials: high import content, limited adoption of new technology and lack of competition



Low purchasing power

Low incomes make housing unaffordable. Informality of employment reduces bankability of customers.

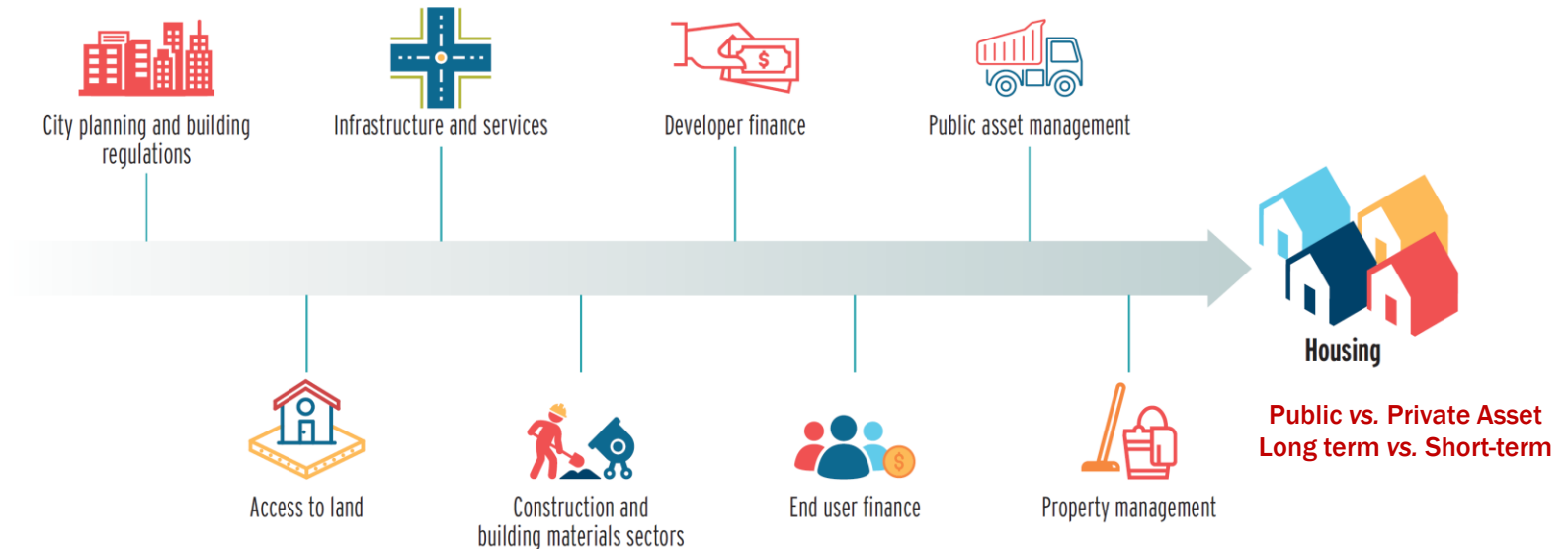
Inaccessible mortgage financing

Lack of long- term local currency funding of financial intermediaries, inability to save for down payments and low household purchasing power. Lack of adequate land administrations systems that facilitate mortgage/lien registration increase risk perception.

Inefficient rental regulations and systems

Though renting is the most common way to secure shelter in most developing countries, this has remained a neglected area by governments and by DFIs. This has led to unregulated and unstructured rental markets.

Non-traditional public-private partnerships along the Housing Value Chain Ecosystem



“A **partnership** between the public and private sectors, established through a **contractual relationship** which seeks to access private sector finance, design, construction, commercialization, maintenance or operational management for the delivery of affordable housing and, in some cases, ancillary services. The public sector contribution can be provided in the form of cash or equivalents such as land, development rights, revenues (rents/tariffs) generated from land, infrastructure and building assets, taxation relief and/or a share in the equity generated over a fixed period. The **private party's remuneration is significantly linked to performance.**”

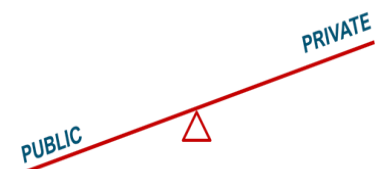
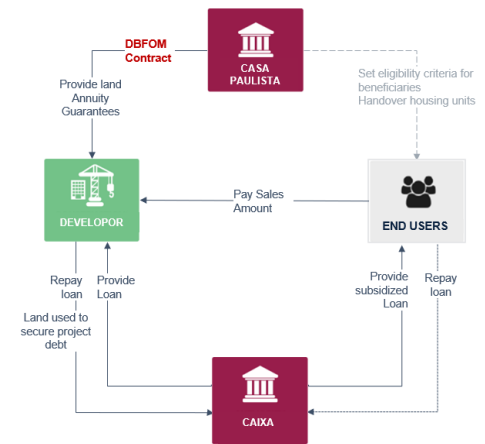
Brazil: Casa Paulista

- Initiative launched by State of São Paulo in 2012 to redevelop large urban areas (divided into 4 “special interest districts”) in downtown São Paulo
- Sites included dilapidated/underutilized areas comprising ex-industrial, residential + commercial uses (including slums)
- Objective: Re-develop into mixed use/mixed income, housing existing residents
- 14,000 affordable units + associated infrastructure within the 4 districts
- State issued a call to enter into a 20-year partnership (contract) with private player to design, build and maintain the district:
 - Public:
 - Defines and regulates special districts
 - Sets minimum number of affordable units required
 - Commits housing subsidies from existing programs (CAIXA)
 - Commits to annuity payment
 - Off-taker Guarantees
 - Private
 - Designs to meet minimum number of affordable units WITH possibility for non-AH uses (cross-subsidization)
 - Commits equity and developer finance
 - Responsible to build & maintain
- Open bidding: Based on a business plan and design. Bidders compete on annuity requirement



Brazil: Casa Paulista

- One district allocated: 3,683 housing units in one of Sao Paulo's most vulnerable territories
- 2,260 housing units were targeted at low-income families earning up to 6 six minimum wages monthly (USD 1,200). 1,423 units were targeted at families earning between 6 and 10 minimum wages (or USD 2,090)
- To date 50% of the units have been delivered and are now occupied by residents.
- Created incentives for inclusive and integrated urban design (not plot by plot)
- Annuity facilitated access to developer finance
- **High minimum requirement of social housing (>55%) resulted in very high annuity payment**
- Affordability is a concern: Most beneficiaries have been low-middle income bracket with demonstrable household income. The scheme has struggled to have success with the base of the pyramid which has a more challenging credit profile.
- Unintended consequences: High increase in land value due to rapid acquisition and speculation by developers

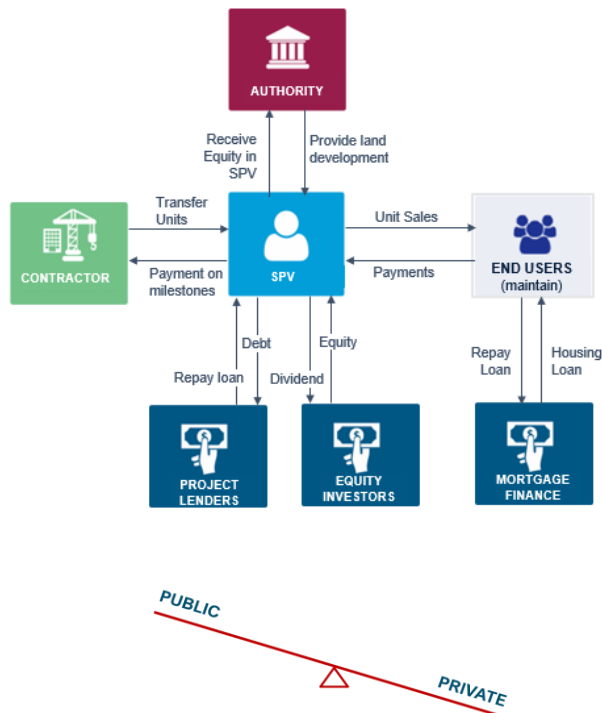


Kenya: Naivasha AH Project

- Large affordable housing deficit
- Launched in 2017 by the Nakuru County Government on a 22.4 ha site
- Objective: leverage public land for housing development. Needed a solution that would not impose legal, fiscal or performance obligations upon government
- Project anchored in 23 large employers as ‘anchor clients’ to develop 2400 units: 70% AH (between \$75-1500 pm), and 30% market housing (>\$1500 pm). Site also allows for 20% commercial development use
- County formed an SPV/project company for design, construction, financing, marketing, managing, operating and selling the units.
- Procurement focused on **capitalization of the company through an investment offer memorandum**, as opposed to a typical PPP
- Investors compete on (1) residual valuation of the land, (2) housing affordability mix, (3) equity: debt leverage and (4) phasing



Kenya: Naivasha AH Project



- Investment offers for project scheduled to close in 06/2020 but delayed due to COVID19
- County intends to put in place plans new policy and regulations to streamline and replicate
- Private sector effectively assumes ownership/ control of the SPV through equity investment.
- SPV assumes all responsibilities to provide low-income housing (design, build, financing construction, offtake identification, underwriting, financing and recovery, operating and maintenance)
- Affordability: Business Case assessment for prototype determined feasibility at between \$75-500 per month

Reflections

- 1. Responsiveness to context:** Partnership models are specific to country context (policy, legal, fiscal, institutional), city context (planning statutes, development rights, property taxations), and site context (location, developability, infrastructure, marketability).
Need for flexibility
- 2. Levels of intervention:** Need to look at **entire housing value chain:** Ecosystem level (through policies, public institutional intermediation, etc.) and at project level (land, infrastructure, and development rights).
- 3. Inducing participation:** The challenge for government is to **optimize** their **limited resources** strategically, and to gradually wean the private sector from these dependencies as the market matures.
- 4. Replication:** Strategic use of subsidies, cross-subsidies or incentives can ensure both affordability and profitability; however, **unless the subsidy or incentive is sustainable**, and that they are regularly reviewed and adjusted replication cannot be guaranteed, and market cannot be developed.
- 5. Potential for rental housing and/or crowd-investing**

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Making water infrastructure sustainable: Addressing riverine flooding with Nature-based Solutions (NbS) in the Thessaly Region, Greece

Pre-feasibility study outcomes



© Thanos Giannakakis / WWF Greece

Juraj Jurík, Director, Nature-based Solutions
Global Infrastructure Basel Foundation (GIB)

Project Partners



Funded by



Challenges in the Thessaly Region

Occurrence of extreme floods

- Mediane Ianos, September 2020
 - € 0.5 - 1 billion in economic losses

Water scarcity

- Economic consequences for cities and sectors (agriculture).

Loss of native habitats

- Lack of natural spaces for people to enjoy and for native species to thrive.



Credit: The Guardian, 2020

Ambition



Credit: <http://nwrn.eu>

1. To identify suitable Nature-based Solutions (NbS) delivering flood risk reduction services

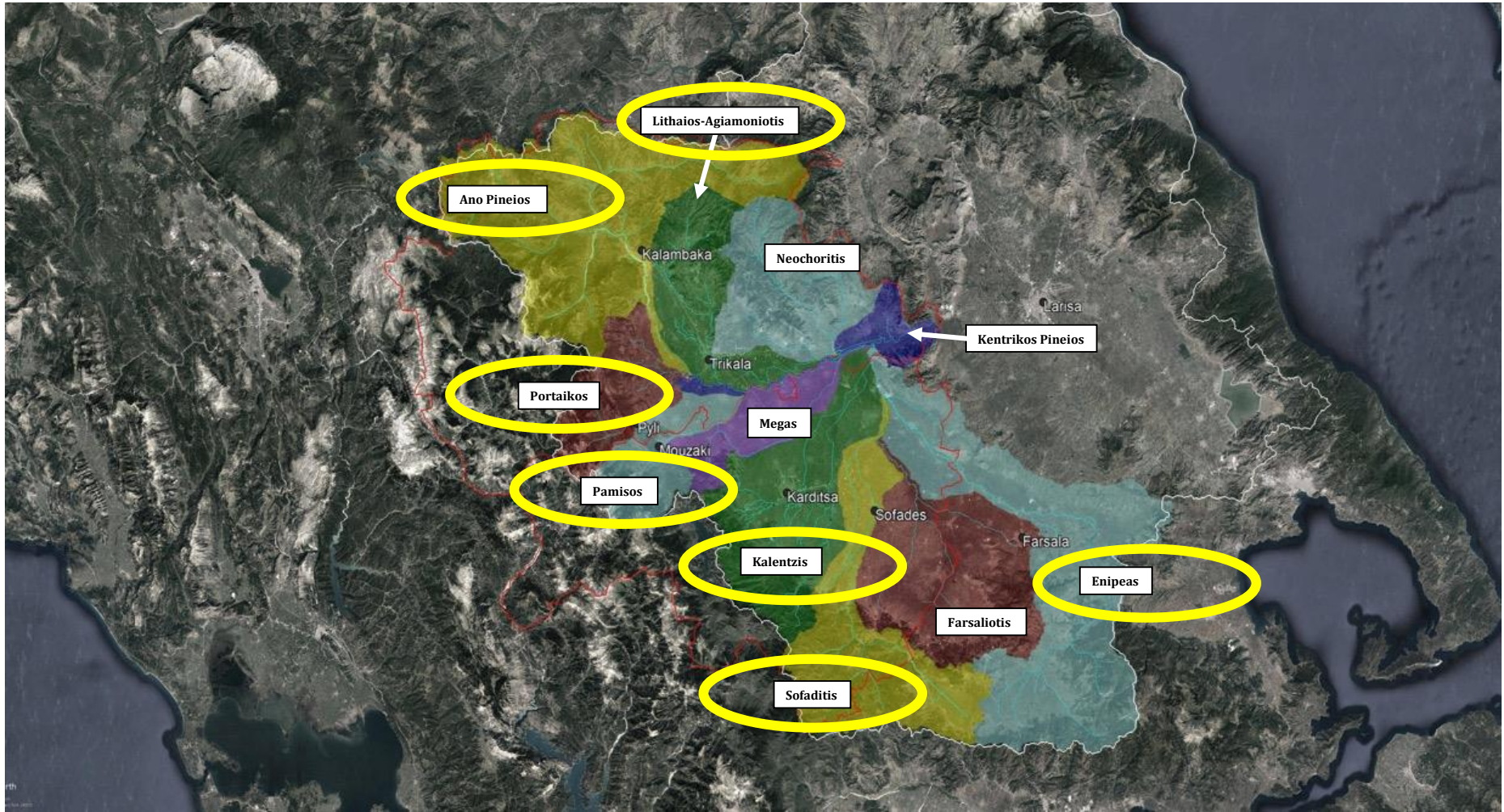
- a) Key interventions
- b) Specific location

2. To assess feasibility of NbS

Space available & land ownership, policy & governance structure, stakeholders' interest, finance.

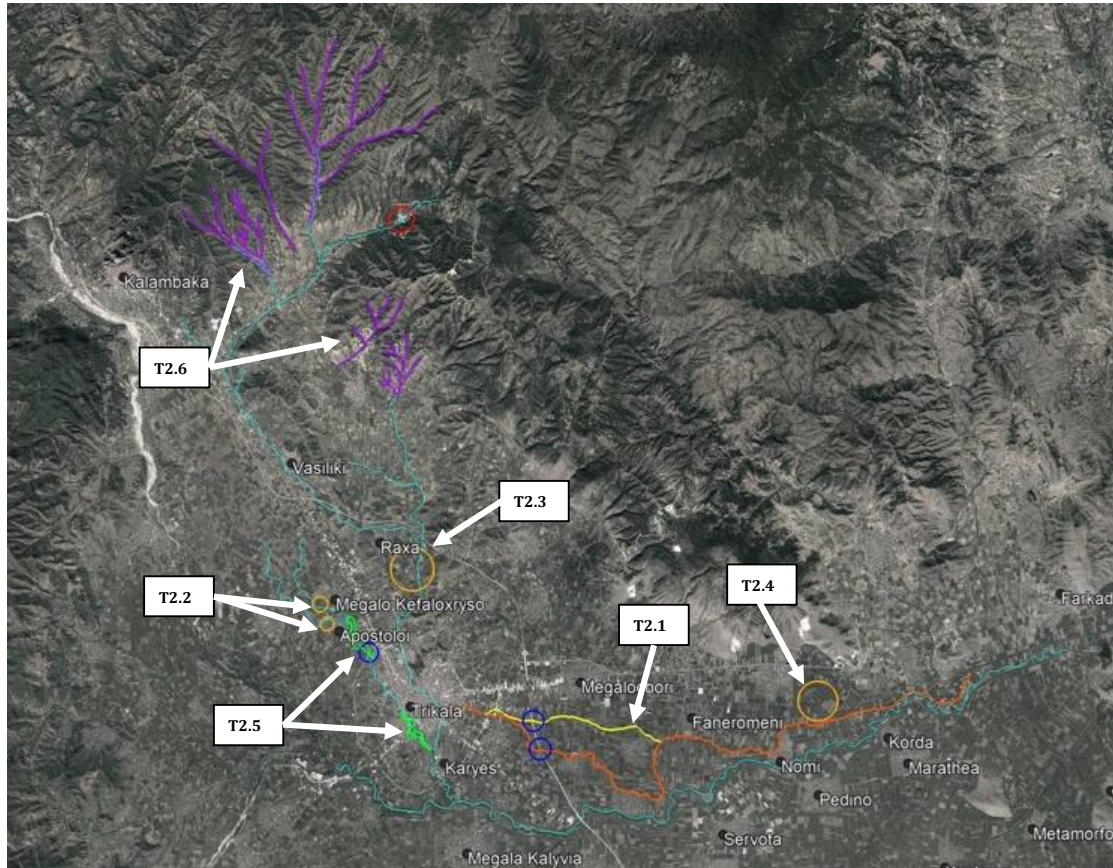
3. To identify benefits

Maximising flood safety (primary need), whilst optimising water availability, recreation and biodiversity (other regional needs).



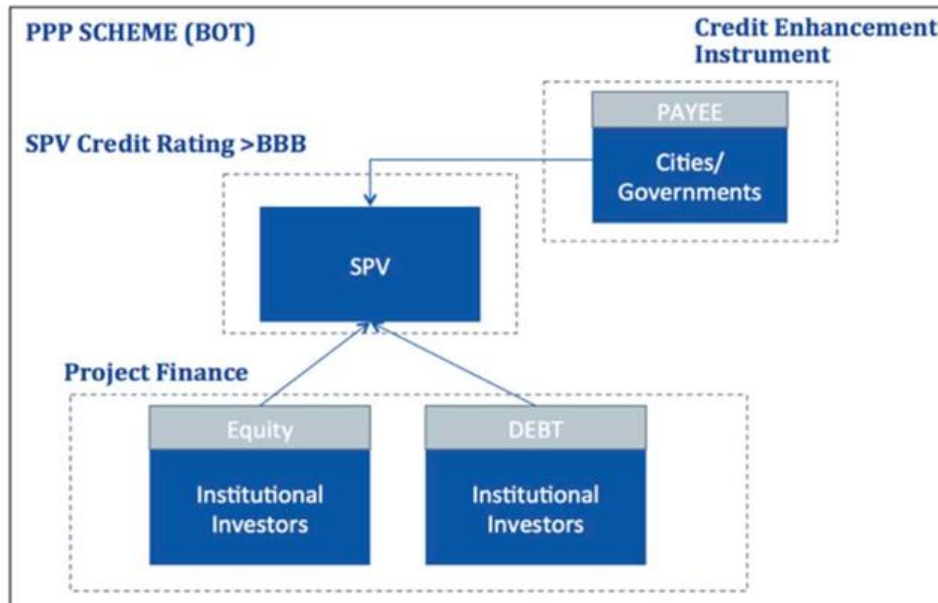
Credit: WWF Greece

Lithaios-Agiamoniotis sub-basin (Trikala)



- River Restoration
- Forest riparian buffers
- Floodplain restoration & management
- Basins, ponds and lakes
- Restoration of natural infiltration
- Targeted planting for “catching” precipitation

Financing



- 1.) The private sector can pay for the upfront development cost of the NbS asset (**BUILD**).
- 2.) An Availability scheme, typical in concessions, could be set up to remunerate the private sector using a fraction of those (non-incurred) compensation payments based on the operating performance of the asset (**OPERATE**).
- 3.) At the end of the concession agreement the investor will transfer the asset back to the public sector (**TRANSFER**).



Thank you

Contact: juraj.jurik@gib-foundation.org





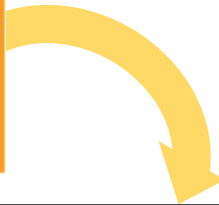
Attracting private business to rebuild Ukrainian cities considering SDGs

Prof. Iryna Zapatrina, PPP Academy, Ukraine

6th UNECE International PPP Forum – May 6



New reality in Ukraine



February 24, 2022

11.1 access for all to adequate, safe and affordable housing and basic services – on April 28, Kharkiv - 25% of apartment buildings are uninhabitable, 50% of schools were destroyed

11.2 access to safe, affordable, accessible and sustainable transport systems for all, expanding public transport, with special attention to the needs of those in vulnerable situations, women, children, persons with disabilities and older persons – most of public transport does not work on security issues, the subways are used as bomb shelters

11.4 protect and safeguard the world's cultural and natural heritage – on April 28 - 200 cultural heritage sites have already been destroyed by the war

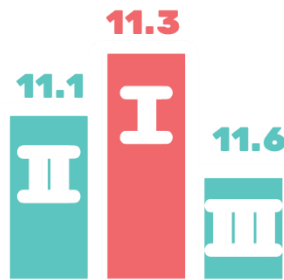
11.7 universal access to safe, inclusive and accessible, green and public spaces, in particular for women and children, older persons and persons with disabilities – on April 22, 30% of Kharkiv's citizens left the city, most of them women and children



New challenges for development of Ukrainian cities after the war: what is waiting for us?

- **People:** decrease of population, especially in some cities that were sufficiently destroyed in the war (we have near 11 mln of refugees for now, many of which will not return to Ukraine due to loss of housing)
- **Industry & life support infrastructure:** destroying of heavy industry and energy & water supply infrastructure, re-locating a lot of business to the West of Ukraine, closing of some foreign business
- **Environment:** negative consequences of explosions of energy facilities, oil storage facilities; significant part of the territory are mined, a lot of nature reserves were destructed
- **Transport:** destroyed roads, bridges, airfields, railway transport facilities, municipal transport
- **Health:** 369 hospitals were damaged, and 39 hospitals were completely destroyed in Ukraine





11.3 inclusive and sustainable urbanization, integrated and sustainable human settlement planning and management

11.1 access for all to adequate, safe and affordable housing and basic services

11.6 reduce the adverse per capita environmental impact of cities, including by paying special attention to air quality and municipal and other waste management

We need rethinking the future of the country

- new functional, spatial and logistical infrastructure planning of the country with more efficient use of land, energy, and resources
- new approach to developing cities, especially those that were sufficiently destroyed
- new requirements to location and technical characteristics of residential building and social infrastructure
- new logistic and new approach for rebuilding of life-support & transport infrastructure
- to build green, innovative and resilient infrastructure from zero level



New priorities of rebuilding cities in the context of SDGs



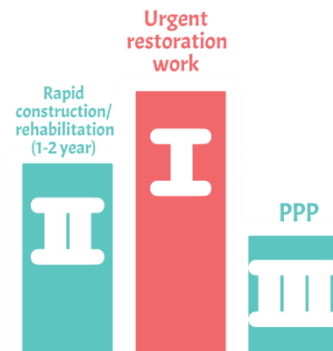
The main goal is safety:

1. mitigating the risks of military invasion



2. technical safety (requirements for housing, social and transport infrastructure):





Does it make sense to involve private business in the restoration of cities, because everything needs to be done urgently?

PPP is incredibly important for creating new generation of infrastructure facilities which need of using new innovative technologies and equipment, the experience of there using does not exist in Ukraine or is limited (modern energy, heat and water supply systems, household waste management enterprises, modern clinics, high-speed trains, tunnels, etc.)





Is private business ready to invest in urban infrastructure?

- ❑ Guaranties of political/war risks and effective demands
- ❑ Non-concession PPP based on availability payments
- ❑ Clear, understandable and fast procedures

We understand that

The government is working with international organizations to create such conditions

In the coming months, new approaches to attracting private business to rebuild Ukrainian cities will be announced



Thank you for your attention



**АКАДЕМІЯ
ПУБЛІЧНО-ПРИВАТНОГО
ПАРТНЕРСТВА**

<https://appp.com.ua/en/>



6th UNECE International

PPP FORUM

Barcelona | 4-6 May 2022

Political, Legal and Administrative Difficulties in Urban Regeneration PPPs and Incorporation of SDGs in EU and EIB Financing

Prof Mateu Turró,
ESGPAR & Universitat Politècnica de Catalunya

Mr. Andrea Tinagli
EIB - Union for the Mediterranean

**Full text is available at the end of this
chronological compilation of the speakers'
presentation material.**

Prof Mateu Turró,
ESGPAR & Universitat Politècnica de Catalunya

Mr. Andrea Tinagli
EIB - Union for the Mediterranean

6th UNECE International

PPP FORUM

Barcelona | 4 - 6 May 2022



Session:

**Strengthening coordination of urban development
PPPs with the 2030 Agenda and the SDGs**

***Call for Including Infrastructure Investment
& PPPs Explicitly in the Voluntary Local
Review Requirements (Cities)***

Prof Lichia Saner-Yiu, CSEND

Prof Raymond Saner, Basle University

Guiding Principles on People-first Public-Private Partnerships



- Principle 2 – Deliver more, better, simpler People-first projects by joining up government and allowing cities and other local levels to develop projects themselves

https://unece.org/DAM/ceci/ppp/Standards/ECE_CECI_2019_07-en.pdf



KEY MONITORING & LEARNING INSTRUMENT – VOLUNTARY LOCAL REVIEW (VLR)

The World First VLR

<http://www.changemag-diinsider.com/blog/voluntary-local-reviews-for-implementing-the-2030-agenda>



Voluntary Local Review

New York City's Implementation of the
2030 Agenda for Sustainable Development

July 2018

NYC Mayor's Office for
International Affairs

#ONENYC



What is VLR?



- ❑ VLRs is a **tool to shape local action** for global impact.
- ❑ There are as **many forms** of VLRs as local governments conducting them. VLRs are no longer simply a means for local governments to report on SDG progress.
- ❑ a VLR is **an attitude to sustainable development encouraging learning**, both about one's own city and from others, and thus clarifying internal sustainable development needs and helping to elucidate solutions.
- ❑ VLRs hold the power to amplify local sustainability by encouraging **cross-sectoral collaboration within local administrations**.

<https://sdg.itsd.org/commentary/guest-articles/how-can-voluntary-local-reviews-vlrs-amplify-local-sustainability/#:~:text=VLRs%20are%20a%20tool%20to,and%20helping%20to%20elucidate%20solutions.>

Measuring the distance to the SDGs in regions and cities

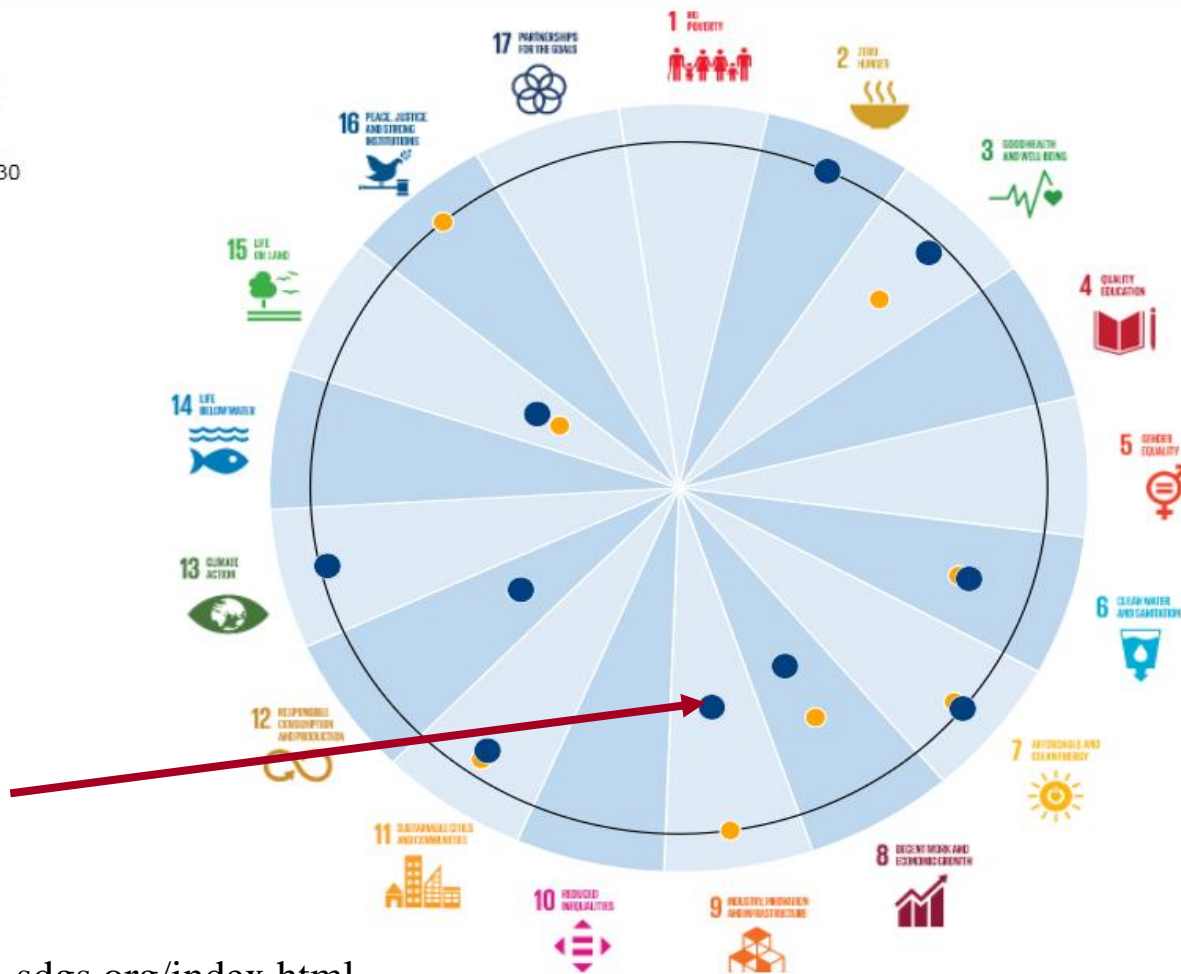


Overview of Geneva, Switzerland

See all cities and indicators

How to read this graph

- Selected city
- Country average
- End value for 2030



<https://www.oecd-local-sdgs.org/index.html>



United Nations Committee for Development Policy (CDP) 2020 Voluntary National Reviews (VNRs) Reports – Under-reported goals and targets



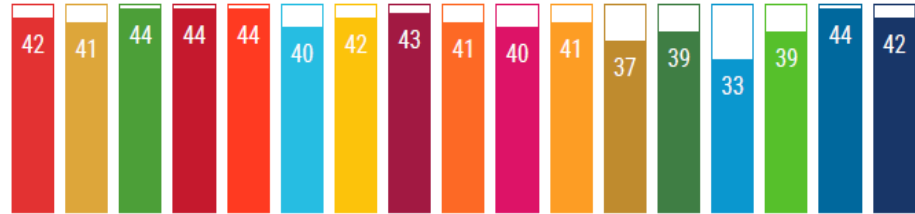
VNRs of



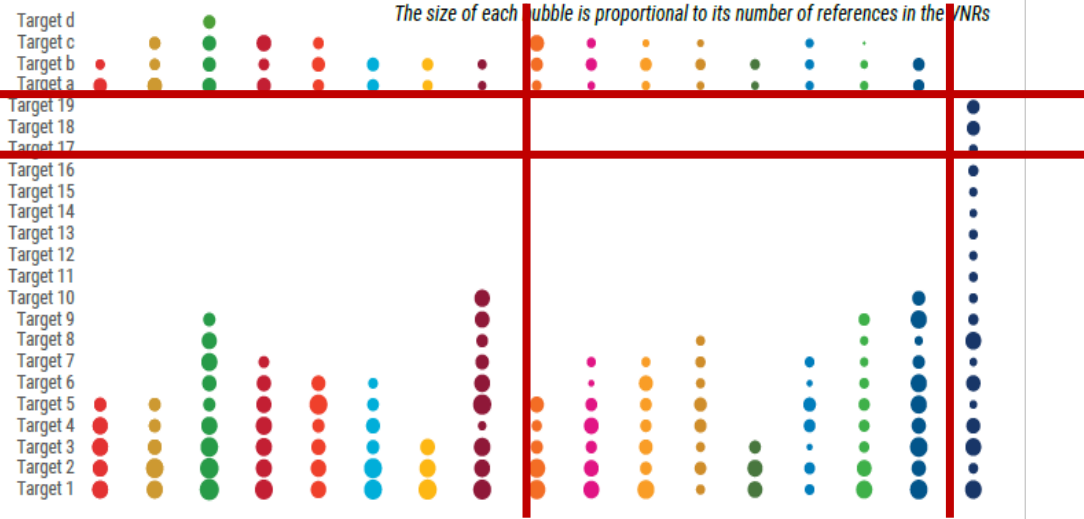
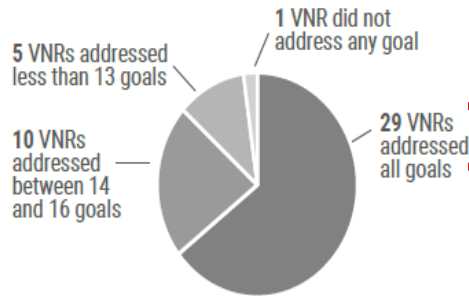
45 COUNTRIES*

Number of VNRs addressing each SDG

➔ Goals closely related to the environmental dimension of sustainable development (6, 12, 13, 14, 15) and inequality (10) are least reported on



Did all VNRs address all SDGs?



Targets least reported on relate to the environmental sustainability; the representation of developing countries in international institutions; or support to LDCs.

Targets referred to by number in the VNRs (directly or indirectly) *

➔ Goals least reported on are also those in which the coverage of targets (referenced by number) was the lowest

* Target analysis covered 35 of 45 reports



United Nations

Department of
Economic and
Social Affairs

Global Guiding Elements for Voluntary Local Reviews (VLRs) of SDG implementation

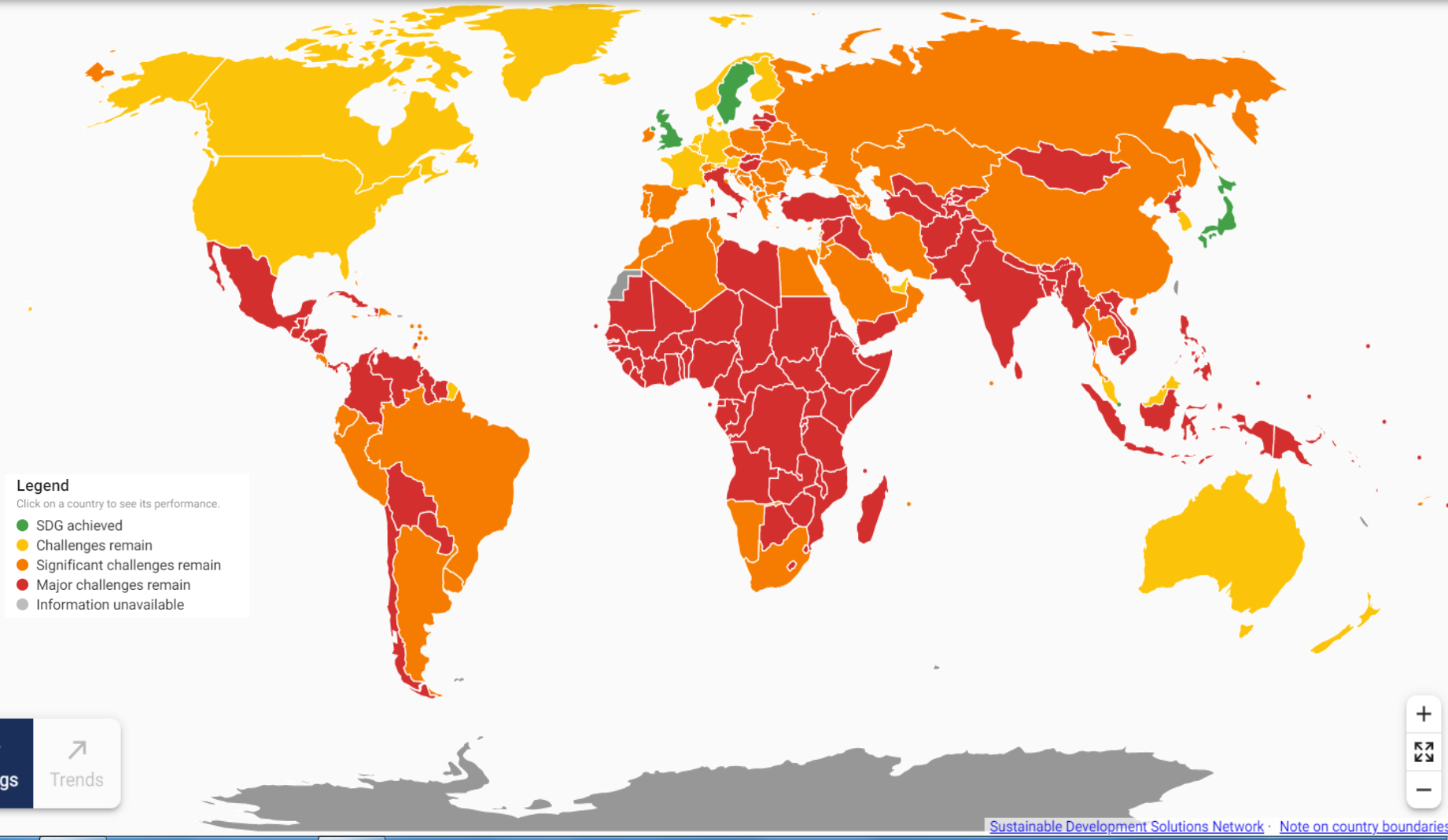
Global Guiding Elements for VLRs of SDG implementation by UN DESA (2021)



“Cities and regions can utilize this section to identify specific needs they may have in relation to means of implementation and to clarify what types of partnerships and collaboration they are interested in forging to address these needs. Cities and regions may also reflect in this section on their experiences from and actions towards decentralized cooperation, showcasing useful good practices.”

https://sdgs.un.org/sites/default/files/2021-06/GlobalGuidingElementsforVLRs_FINAL.pdf

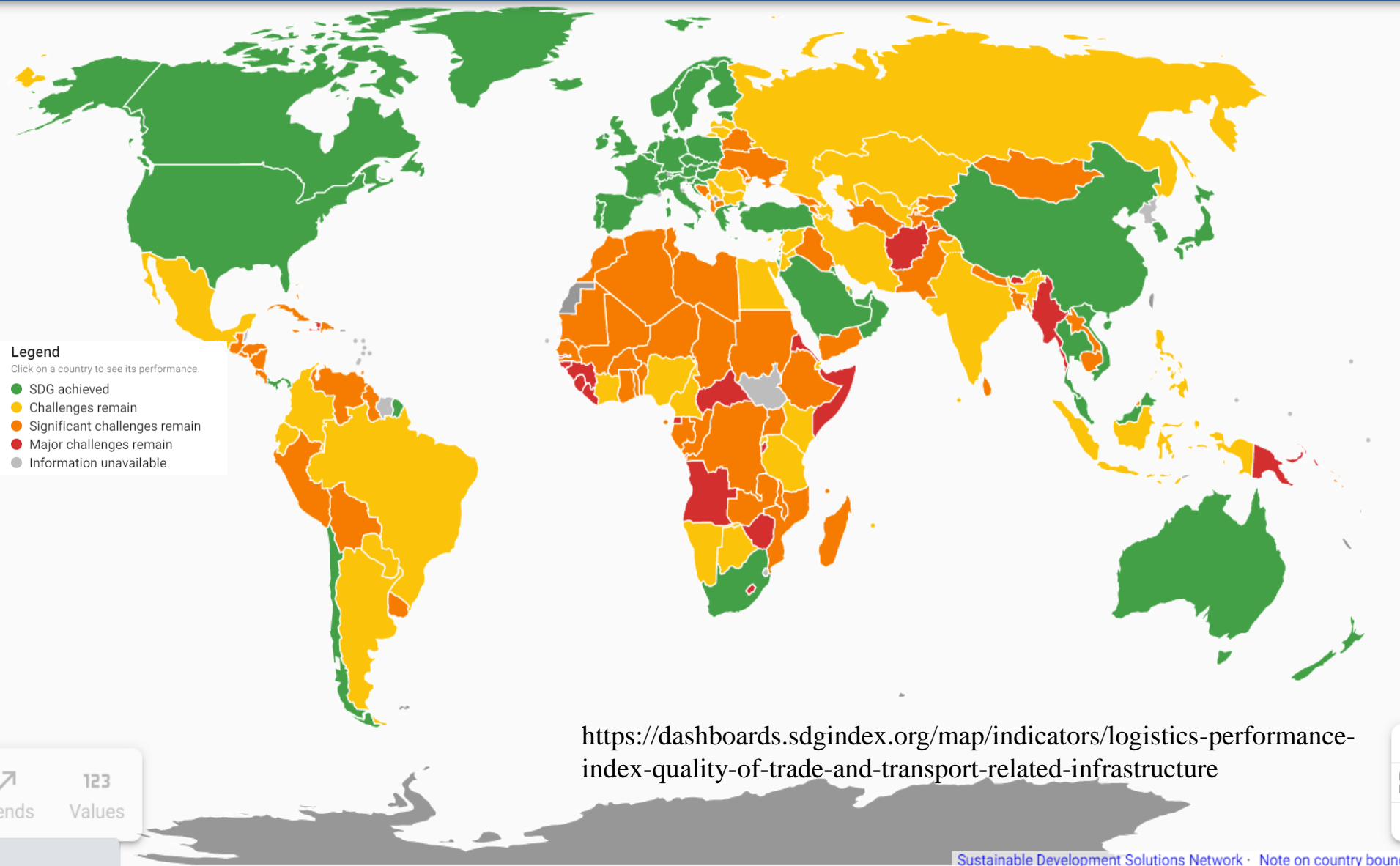
SDG 9, 3Is



★ Ratings ↗ Trends

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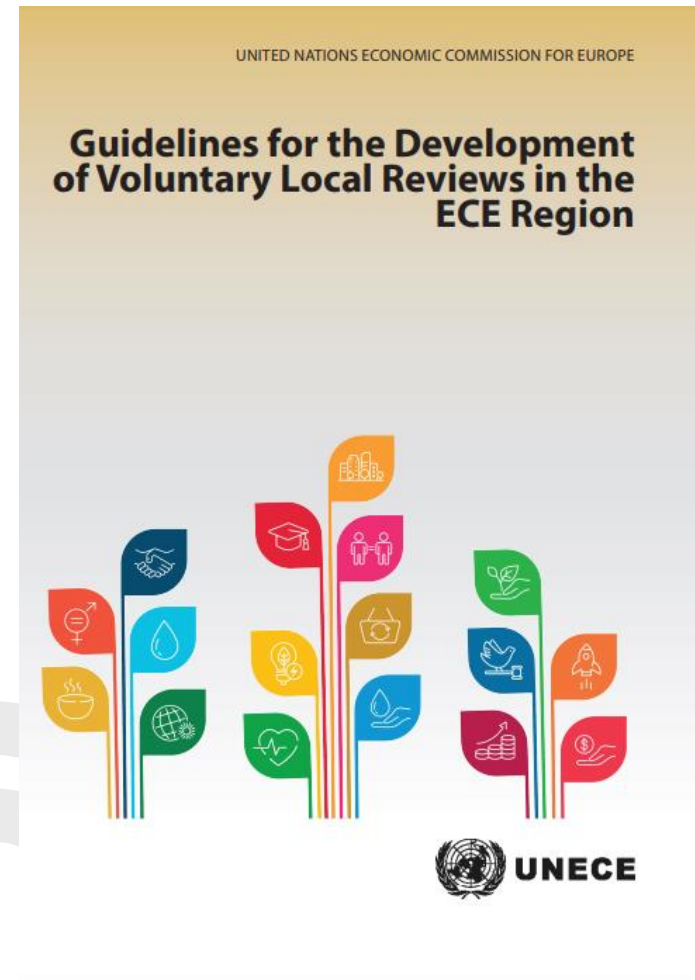
Logistic Infrastructure Index



UNECE Guidelines (2022)



Guidelines for Development of Voluntary Local Reviews in the ECE Region (2022)



<https://unece.org/sites/default/files/2022-02/VLR%20guidelines%20en.pdf>

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UNECE Forum “Making the PPPs fit the 2030 Agenda”

Barcelona, 4-6 May 2022

Session: Strengthening coordination of urban development PPPs with the 2030 Agenda and SDGs

“Political, legal and administrative difficulties in urban regeneration PPPs and incorporation of SDGs in EU and EIB financing”

Mateu Turró, ESGPAR & Universitat Politècnica de Catalunya (*)

Andrea Tinagli, European Investment Bank and Union for the Mediterranean (*)

Mateu Turró’s presentation:

1, Issues in urban regeneration and PPPs

The rapid urbanization of the world requires the need for development of new physical spaces, but also requires repurposing urban settings that are not fulfilling their expected role. It often makes a complete transformation necessary. This transformation is usually referred to as urban regeneration. Many historical city areas, which represent the monumental and historical essence of the urban area are in need of regeneration, but many modern brownsites, such as degraded residential areas or derelict industrial or commercial sites require also a full redesign. These modern brownsites do not show, in general, any particular value, even from the social point of view and do not require heritage protection.

Urban regeneration is technically complex, notably in the case of historical areas, and, in spite of being market-driven, it is also, politically, a very sensitive process. Regeneration of valuable urban areas requires strong planning to protect a city’s heritage and the environment. The process must also be supported by social engineering to solve the problems created by urban degradation and, on the other hand, to avoid excessive gentrification. In our practical experience, the transformation of derelict urban areas can only be successful if it ensures a critical mass of transformative actions -physical and community-building ones, which need appropriate governance solutions and financing structures. These integrated investments must meet the overarching condition of economic efficiency—an unescapable condition of any public intervention, and must focus on People First and ESG aspects. Why? Because, at the end of the day, urban regeneration success will be measured on how the environmental and social problems are solved.

The governance component of urban regeneration is more critical than in most other urban projects, due to the large number of stakeholders and interests and, particularly in historical areas, due to the piecemeal distribution of property, which includes public, institutional and, mostly, private ownership. Given the weight of private interests, large-scale urban remodeling is, inevitably, a public-private partnership (PPP). PPPs must attend to the concerns of the public sector, the NGOs, and private owners of buildings. They must also protect the wellbeing of the inhabitants and other users of the area. However, the legal and administrative framework is not always adapted to the requirements of urban regeneration and may

become more of a burden than a facilitator for those engaged in the process. In this context, selecting a suitable governance scheme can be quite difficult, but is possibly the most critical factor for a successful outcome of the regeneration process.

In fact, the governance model adopted will drive the financial structure, which will necessarily have to count on public money. Public investment focuses on infrastructure and the provision of basic services and is justified by the positive externalities generated by the regeneration. However, the renewal of private properties may often require public support in the form of grants, tax waivers or other mechanisms that have an impact on public budgets. Such support is one of the most difficult aspects of urban regeneration governance. Actually, the quality of the cadaster (official ownership register) is key to both facilitate the implementation and to structure the public support. In historical areas, the distributed ownership of the urban assets, both public and private, is a major challenge to carry out the planned regeneration.

Urban regeneration financing will heavily depend on the structure adopted for the PPP governance. Private investors and financiers require certain returns and need projects to keep to deadlines. The public sector has its own set of bidding and management conditions. Bringing together the requirements for public financing with those of private stakeholders is particularly complex and requires adapted mechanisms to provide the long-term flexible funding that is essential for financial sustainability. It is a clear case for blended finance, but the grant component must be supported by clear covenants that commit the beneficiaries to comply with the technical criteria and the time constraints. This also means that PPP managers must have a specific financial expertise in terms of real-estate asset valuation and project finance.

2. European support for urban regeneration PPPs

The former ideas are somehow the background of the European institutions support to urban renewal and development. Due to the subsidiarity principle driving EU policy (decisions should be taken, when reasonable, at the level closest to the citizen), urban regeneration projects have not become mainstream until the 2007-2014 Agenda, notably through the JESSICA initiative. The main argument for the intervention of the EU level in a sector that could be deemed to belong to the municipal level, was precisely the importance of the E and S components, which have an increasing European focus. The Urban Agenda was accepted about 15 years ago by the ministers of the EU responsible for urban matters. Following the test cases of the URBAN programmes, the JESSICA initiative was a major step to establish this Agenda.

JESSICA was created by the European Commission (EC) and the European Investment Bank (EIB) to allocate Structural Funds to urban renewal and development. The Commission recognized the need for private participation for urban regeneration to succeed. JESSICA made funds provided by the EC recoverable, without retribution, to allow for continuous reinvestment in the same region. Through the establishment of Urban Development Funds, that were fed by EC, EIB and commercial bank monies, the promoter of the urban regeneration programme would obtain better conditions than those accessible through the capital

market. Introduced prior to the financial crisis, when funding was relatively scarce and interest rates rather high, the idea received general acceptance by the potential beneficiaries and by the banking sector. However, the collapse of the real estate market and the impact of the crisis on banks and on interest rates was devastating for the initiative. Already it was handicapped by bureaucratic procedures not designed for initiatives, such as urban regeneration PPPs, which require flexibility and a certain level of confidence in private promoters.

The difficulties in dealing with the complexity of urban regeneration meant that JESSICA Urban Development Funds were put towards easier sectors, such as energy transition or public transport, where PPPs are simpler. The initiative did solidly establish the eligibility of urban projects in the different EU financing mechanisms in the 2021-2017 Agenda. However, the practical difficulties encountered in the implementation of JESSICA probably explain that the initial focus of the European Commission on projects has been somehow diluted in favor of more diffused procedures passing the responsibility of the application of EU money to the lower administrative levels. This transfer of responsibility involves, however, some risks. EU funds should only be assigned to high-quality projects. A political redistribution of funds that would not be bound by a strict control from the Commission that the objectives of efficiency and sustainable development are held, could easily lead to a waste of scarce resources. Urban regeneration and reconstruction - in the case of Ukraine, which will be presented in this session, should be a major concern for the EU and, as explained before, its financial support should be channeled through adapted PPP mechanisms.

3. Urban regeneration PPPs, a most suitable case for ESG financing

Urban regeneration is a sector particularly suited to ESG objectives, because it is an efficient way of recycling built areas and improving the environment. If carefully planned, it improves the social tissue and enhances public participation in decision-making. But urban regeneration is quite a complex process that requires expertise, management flexibility and a careful and persistent monitoring over its long deployment period because there are many potential events that are unforeseeable and may severely affect its outcome. It also needs an ad-hoc financing structures that, in most cases, will involve public grants, because locational and urban quality advantages might not be sufficient to lead to real estate prices that are competitive in the wider urban area. The financial design, including such grants and long-term loans, must ensure financial sustainability, which is not easily achievable due to the many potential risks that could affect the process, including those resulting from ESG issues.

The involvement of the private sector is essential to implement many aspects of the urban regeneration programme but the support of the relevant administrations is needed, at least in infrastructure and public space and to arrange the provision of public services. The structure of the resulting PPP must be adapted to each case and it may take different forms even within a single regeneration project. In general, a high-level structure, such as a specialized agency may be needed to coordinate the whole process and to distribute available financial support, but secondary PPPs, dedicated to specific projects within the regeneration programme, are also needed.

These “project PPPs” will be used to carry out components of the regeneration plan, which could be public services or residential and commercial ventures.

For successful regeneration PPPs that truly benefit the public, requirements related to the environmental, social and governance aspects must be clearly specified in the covenants of the PPP contracts and should be properly controlled. An independent assessment of the ESG aspects, such as the rating provided by ESG PAR, as well as its monitoring of those aspects during the execution of the works and the early phases of operation, would reduce the main risks of failure so often caused by poor social engineering and inadequate governance. It would also provide better assurances for promoters and for investors concerned about their Corporate Social Responsibility.

In conclusion, PPPs are necessary for the practical implementation of urban regeneration, a sector that is particularly suited to start implementing a project-oriented approach to support the Sustainable Development Goals. It should therefore become a leading sector to apply a new approach to project evaluation that incorporates environmental, social and governance aspects with proper indicators that would result from an independent assessment. International Financial Institutions should play a leading role in this endeavor and my friend Andrea will explain how their present programmes are being adapted to this approach.

Andrea Tinagli’s presentation:

I want to transmit a positive message because SDGs are at the heart of the activities of both European Investment Bank and, of course, the European Union.

The EIB has been working on the design, development and implementation of a value-added framework that would strengthen the measurement of EIB’s additionality and impact. Beyond pure measurement, this would also allow to better demonstrate and communicate how the Bank, as public institution, makes a difference in the lives of EU citizens and of those in the third countries where it operates.

The EIB methodology includes an additionality assessment based on three pillars: Pillar 1, named POLICY, evaluates to what extent EIB operations address sub-optimal investment situations and investment gaps resulting from market failures. It thus answers to the question WHY the Bank’s intervention is justified. While ensuring that the project is eligible for EIB financing, Pillar 1 provides an estimate of the relative size of investment needs, measuring the degree of the market failure that the EIB’s intervention tackles.

Pillar 2, named PROJECT QUALITY AND RESULTS, evaluates to what extent the project addresses the market failures identified under Pillar 1. It is built up from the weighted scores of four indicators: GROWTH (the Economic Rate of return), Social Benefit (as difference between the ERR and the Financial Rate of Return), Employment, and ESG. Particularly important to complete the additionality and impact assessment, the Social Benefit indicator helps measure the economic and social benefits created by the project, in addition to the revenues it generates for the

financial investors: the excess benefits improve social welfare by lessening market failures, hence increasing additionality.

Pillar 3, named EIB CONTRIBUTION, evaluates how the EIB facilitates a project through providing financial or non-financial support, which complements what is available from other market sources. Among others, Pillar 3 will measure the extent to which the EIB's involvement has a catalytic role in mobilising other financiers (Crowding-in indicator), the benefits provided by the EIB's financing structure beyond the price advantage and longer maturity (Customised Terms indicator) and all dimensions of the EIB's technical advice (Technical contribution and Advice indicator).

The results of the assessment are evaluated both ex-ante and ex-post and for reporting purposes, the impact on Climate Action, Cohesion and a mapping with the Sustainable Development Goals is also performed.

It is a sophisticated and well elaborated instrument. But it is a living instrument that should be constantly adapted to the new environment. In particular the digital and green transition require new and more sophisticated tools to analyse the externalities of each investment, what before we called the SOCIAL BENEFIT, its coherence with a systemic sustainable development and in general its impact on people. Big Data and Artificial Intelligence will help in continuously refining the evaluation of impact investments and predict the effects on SDGs both direct and indirect, both positive and negative. Research is needed to provide new theoretical frameworks for the definition and measurement of sustainable investments at system level and how this translates at single investment level.

How to calculate expected loss and probabilities of default? How to take into account the optionalities offered by each project in relation with the volatility of the environment?

Those are the new challenges that experts should tackle to develop effective methodologies for project selection and evaluation.

New forms of "public private partnerships", where the State takes on limited financing risks can be very helpful in mobilising private capital. The advantage of these "risk-sharing" instruments, is that they are market-based and they steer investment towards the public good, harnessing the full range of creativity of the private sector, and requiring only a small amount of public funds compared to the investments mobilised.

The new financial framework of the European Union for the '21-'27 period clearly plays this role both within and outside the European Union.

Inside the European Union, the [InvestEU guarantee Fund](#), disposes of an EU budget guarantee of €26.2 billion backing the investment of the European Investment Bank Group and other financial partners.

The InvestEU guarantee Fund supports financing and investment operations across four EU policy priorities, all in lines with SDGs, and at least 30% of all the investments will be made in areas directly supporting Europe's green transition. The

investment will focus on: Sustainable infrastructure, Research, innovation and digitalisation, Small and medium-sized companies and Social investment and skills. While the urban agenda is not explicitly mentioned, all the area just mentioned are usually components of structured urban plans, in particular those linked to the regeneration of derelict areas. As such, they can benefit from the guarantee of the EU financial instruments but they must be presented in the appropriate manner.

Outside the European Union, a similar approach is obtained through the new external policy instrument, the NDICI Global Europe and especially through the European Fund for Sustainable Development PLUS. It disposes of €40billion to guarantee sustainable projects linked to the Green Deal, the EU Global Gateway, the digital transition and assuring a Just Transition for all.

For the two guarantee instruments, the European Commission engaged with the EIB to develop appropriate scoreboards that incorporates all the elements allowing to justify the additionality of investments, also taking advantage of EIB experience and practices developed for its own activities, described above.

All this is an important development in the EU policy in supporting projects conceived under a PPP framework where the **People first** approach is at the forefront of the financial architecture.

And this is the result of a long adaptation process that started already in the 2007-'13 EU programming period where the urban dimension played an important role as explained by Mateu with the JESSICA pilot Initiative.

Let me have the last words to the Union for the Mediterranean, Institution where I am currently acting as EIB senior representative, based at the Palau de Pedralbes, only a few meters from these premises.

The UFM is fostering the continued dialogue among countries of the Mediterranean shores, supporting the non-EU partners to develop best practices in the achievement of SDGs. In the Urban Agenda, a representative example of a UFM Labelled Regional Project is the **UPFI Urban Projects Finance Initiative**.

The main objective of UPFI is to identify and prepare potentially replicable and innovative urban integrated projects by offering to project promoters a grant for project preparation and subsequent access to funding. The initiative aims at accelerating the implementation of such urban projects and enabling them to become bankable to the standards of the EIB and other European Financial Institutions.

This is perfectly in line with Mateu's message that the project dimension should be strengthened for structured urban project in order to maximize their impact and sustainability.

Thank you very much

() The presentation at the Forum reflects the opinions of the authors and does not commit in any way the institutions that are mentioned.*



Thank You