FUNDING AND FINANCE

Contributors

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Suitable funding and finance arrangements are a key pillar of Sustainable Urban Development (SUD) as promoted by the EU's cohesion policy. There are two long-established trends in delivering this policy (Bachtler, Mendez and Wishlade, 2017; OECD, 2018): combining multiple funding sources and, on a related note, the increasing significance of ESIF financial instruments. In the case of cohesion policy, the term financial instrument means **a mechanism which transforms EU resources into financial products such as loans, guarantees, equity** etc. Financial instruments are foreseen in Article 37 of the Common Provisions Regulation.

The rationale behind the use of multiple funding sources is that this provides efficiency gains by exploiting synergies with European Structural and Investment Funds (ESIF), and that it mobilises a wider range of actors and resources. In this way, the added value of structural funding is optimised and cohesion policy's capacity to steer and to accelerate investment is enhanced. When it comes to integrated Sustainable Urban Development (Article 7, Regulation (EU) No 1301/2013) in particular, an additional justification for combining funding sources is that integrated Sustainable Urban Development concerns itself with a diverse range of complex urban issues. Therefore, a range of funding sources have to be deployed in order to secure full funding for a programme whose scope is to address interrelated social, economic and environmental issues in a strategic and integrated manner.

Learning from data

The significance of ESIF as contributors to SUD strategies in the 2014-2020 programming period varied across member-states. According to data from STRAT-Board, 60% of the strategies committed more than € 5 million of EU funding per strategy, but utilisation of multiple ESIFs per strategy was not a widespread practice. In lower income countries, the challenge was to complement EU funds with alternative sources of funding. In higher income countries, ESIF played a role in funding investment in a limited number of regions or target areas. There, SUD strategies were able to act as tools to coordinate an intervention and used ESIFs to complement other sources of funding (national, private etc.).

The financial support for SUD via integrated territorial development was proposed to increase from a minimum 5% to a minimum 6% of European Regional and Development Fund (ERDF) resources at national level in the 2021-2027 programming period. This, in itself, adds to the momentum favouring the combination of funding sources and the broader use of financial instruments. This trend is bound to be reinforced by thematic concentration of ERDF and Cohesion Fund (CF) resources on a well-defined yet diverse range of thematic areas as well as by low growth and increasing regional disparities in the post-crisis era.

Combining funding sources is not only a matter of doing more with less but also a matter of identifying the necessary resources and channelling them to projects that are best suited to address the policy issues at hand. For example, energy efficiency in buildings could be funded via grants, but because such projects have the potential to generate revenues or savings, it is in principle feasible to finance them via financial instruments, utilising revolving funds.

The policy-oriented structure of the diverse EU funding landscape could in principle incentivise prospective project promoters to prepare policy-relevant investment projects which they may otherwise have not considered worthwhile. ESIF financial instruments in particular, are mainly aimed at tackling market failure and sub-optimal or imperfect market operation (EIB, 2015; OECD, 2018). Therefore, by extension, local authorities (LAs) which have the capacity and know how to draw funding from a diverse range of funding sources could draft investment programmes which would be better placed to support the implementation of integrated sustainable urban development plans. In the 2021-2027 programming period, it is anticipated that cities will be able to use an updated version of their existing integrated urban development strategies to access the dedicated SUD funding support. This will mean that a coherent investment programme to back up said strategies will be even more important if cities are to combine funding sources in order to implement their existing strategies.

There are a few **key challenges** (OECD, 2018; Windisch, 2019) that have arisen during the current programming period in terms of funding and financing SUD. The first and arguably most important set of challenges has to do with the **institutional and administrative capacity of local authorities (LAs)**, and to some extent managing authorities (MAs) too, to plan and manage SUD strategies . The requirement for an integrated approach was quite novel to many MAs and LAs across the EU and thus, understandably, significant familiarisation time was required. After the concepts were understood, adopted and made mainstream in the national context, it proved challenging for LAs to match the administrative requirements and target groups of various ESIF, domestic funds and financial instruments between them under the umbrella of an

SUD strategy. These requirements can extend to anything from differences in eligibility rules, to the timing of the calls, to the quality of the SUD strategies, to the design of the OP itself (which exceeds LA competence).

The second set comprises challenges connected to the **ability or willingness of LAs to take on debt**, due to:

- political and legal factors as well as debt ceiling regulations
- the small size of the LA's budget/revenue
- the small size of the projects the LA wishes to carry out

The third is the **capacity of LAs to manage programmes which combine ESIF grants with products offered by financial instruments and other private and/or domestic sources**, starting from the legal establishment of such programmes within the national legal and institutional context. In several national contexts, LAs' competencies in dealing with issues pertaining to the provision of public and merit goods and associated services.

Be careful!

Negotiating with financial institutions and being able to understand, let alone design, financial strategies of this sort is more often than not something quite novel to LAs.

Finally, **there are cases and contexts where a 'grant' culture has taken hold**. Therefore, administrative and political personnel do not see a benefit in combining funding sources and using products offered via financial instruments as part of a comprehensive investment programme. Interestingly enough, when intermediate lending is used to overcome this difficulty (for example when the EIB lends to a National Promotional Bank which in turn provides credit to projects directly), then issues arise about the capacity of the intermediary to manage said projects in an adequate way.

This building block will therefore discuss three main themes:

- the integration of ESI funds amongst themselves and with domestic funds;
- the involvement of private investors and the third sector in funding SUD strategies;
- the use of financial instruments and financial products in SUD.

The first section will address how to better align ESIF amongst themselves and with other available domestic sources. Thus, this section will also discuss issues of strategy drafting and of stakeholder coordination.

The second section elaborates on how suitable bankable projects could be developed and institutional provisions and programme designs which could tackle policy and planning risks and thus facilitate engagement with private sector investors within the SUD framework.

The third section is closely related to the second and addresses the role of financial instruments and financial products within the SUD framework.

THE INTEGRATION OF ESI FUNDS AMONGST THEMSELVES AND WITH OTHER DOMESTIC FUNDING

In this section we address:
How can ESI Funds be better integrated amongst themselves?
How can ESI Funds be better integrated with domestic funds?

The regulatory provisions for SUD strategies promoted the idea of combining multiple funding sources, although this was not obligatory. **The main rationale for this approach was operational effectiveness**: integrated urban development tries to address a diverse set of interconnected issues while each funding stream, for example each structural fund, has different thematic priorities, different target groups (companies, people etc.), different conditions for awarding funding, specific monitoring, evaluation and financial reporting mechanisms. The same applies when it comes to domestic funding streams. It could be argued that the diversity of funding rules and priorities between funding sources works against the concept of co-funding. The same could be said about the EU state aid regulatory regime. In addition, in order to address a wide range of complex challenges it would be necessary to engage multiple stakeholders and, given the scale of the issues to be addressed, to provide a mix of public, private and merit goods. An SUD strategy could therefore be utilised as a vehicle for organising said funding sources in a coherent area-based intervention programme.

A wealth of information and insights regarding how ESI funds could be combined amongst themselves and with national funding regimes comes from the Urban Development Network (UDN) workshop outputs[35]. These indicate that **a fit-for-purpose SUD strategy should be able to highlight the social, economic and environmental dimensions of the challenges facing the target area in order to identify appropriate EU funds**. This, in turn, facilitates the coordinated use of ESI funds with domestic funds at the level of the SUD strategy. Coordination becomes easier in cases where national policies and strategies take into account EU thematic priorities and the national funding regime has consolidated its funding agencies and mechanisms.

35 https://ec.europa.eu/regional_policy/en/policy/themes/urban-development/network/

How can ESI Funds be better integrated amongst themselves?

National and EU regulatory frameworks have an important role to play in defining the conditions and possibilities for integrating multiple funding sources under one strategy. During the 2014-2020 programming period, the use of multiple funds has been possible under a multi-fund operational programme (OP). In that case, the territorial delivery mechanism can be the OP itself or a multi-fund priority axis (PA). Otherwise, it is possible to select thematic objectives from different operational programmes as part of an integrated territorial investment (ITI) plan.

Learning from data

Multi-fund SUD strategies have been drafted by 15.7% of cities in the 2014-2020 programming period. Of those, 13% drew from two funds, including ESF or European Agricultural Fund for Rural Development (EAFRD), while only 2.6% (26 cases) drew from more than three different funds. ERDF covers the bulk of funding needs in all cases. The Member States where multi-fund strategies are deployed more often are mainly those which joined the EU after 2004, especially Poland, Hungary, Czech Republic, Lithuania, Slovenia (see box on Integrated territorial investments in Poland). Overall, 109 strategies used an ITI as a territorial instrument, while 31 strategies used a multi-fund PA and 14 cases used a multi-fund OP. The ITI was the most frequently utilised instrument in the few cases where more than two funds were used. In particular, 86 out of 134 strategies which utilised CF funds used an ITI, while the rest used a multi-fund PA.

Learning from practice

INTEGRATED TERRITORIAL INVESTMENTS IN POLAND

Within the 2014-2020 programming period, 24 Polish Sustainable Urban Development (SUD) strategies have been implemented by means of integrated territorial investment (ITI). Each SUD strategy refers to a functional urban area: 17 of these areas are located around the regional capitals, comprising all Polish regions (*voivodeships*); six are metropolitan areas (with over 1 million inhabitants) and the remainder are urban agglomerations of sub-regional importance.

Territories and regional authorities in charge of SUD are directly designated by the central government, which sets the joint use of ERDF and ESF, the available thematic objectives and the socio-economic criteria to delimit the functional urban areas as main criteria. Regional authorities managed a long drafting and negotiation process with all the municipalities of the designated territory to define OPs able to fit with national indicators and local inputs. The process also foresaw the appointment of Implementing Bodies, varying among capital cities, urban authorities themselves and inter-municipal associations.

The main sources of funding for this process were the funds available from the EU. Poland is investing € 6 billion in SUD-ITI strategies (11.6% of overall ERDF funds, against the minimum requirement of 5%), of which around € 2.87 billion come from the ERDF and around € 536 million from the ESF. Additionally, the National OP is contributing indirectly to ITIs (with around €876 million), as it is funding complementary projects through CF. Moreover, ITIs are co-financed with domestic resources of around € 1.1 billion (for the majority, purposely destined to functional urban areas). Polish ITIs had the highest amount of ESIF contributions in the 2014-2021 programming period of any Member State. Funds were bundled around 10 implementation priorities on average per strategy. This is exceptionally high, when compared to other Member States.

The ITI instrument was chosen for its potential added value, as a way to build a collaborative culture among territorial actors. Moreover, strategic planning skills were substantially enhanced and local authorities became much more involved in cohesion policy implementation (as opposed to acting only as beneficiaries).

For more information

STRAT-Board country fact-sheet: https://urban.jrc.ec.europa.eu/strat-board/#/factsheetcountry?id=PL&name=Poland&fullscreen=yes

Alongside their advantages, it should be borne in mind that **cross-funded measures require new ways of monitoring and assessment** (see Monitoring chapter). Deciding who will monitor and assess the strategy and the distribution of the related tasks is important. This should be decided while bearing in mind the strategy's contents and cross-sectoral characteristics.

Often, the ability to measure the integration of ITI provisions is lacking. According to Van der Zwet et al. (2017, p. 66): 'ESF has its own governance and measurement framework, which can be difficult to integrate with the ERDF system. For monitoring purposes, results are often put into "pigeonholes" in a central monitoring system and, as a result, integrated effects may be lost'. It could therefore be useful **to create a commis-**

sion for coordinating and monitoring the ITI, which would elaborate the content of the annual reports from the different OPs, propose updates to the ITI, inform the monitoring committee and contribute to its implementation (see also Cross-Sectoral Integration chapter).

Coordination between ESIF and national regimes also becomes easier when MAs engage LAs early on in the design of operational programmes. Engaging LAs early on also helps to integrate multiple topics and to enlarge the pool of possible funding resources down the line (see Cross- Sectoral Integration chapter). It is advisable to plan the management of the integrated process from the early stage of strategy drafting, in order to sharpen objectives, clearly identify beneficiaries, possible sources of funding and the way to combine them at a later stage.

It can be demanding to develop cross-cutting themes at the SUD strategy level and if the OP is not designed in a way which facilitates this, the task of integrated planning and thus of designing an integrated investment programme can become much harder.

It is for this reason that, in order to facilitate the integration of ESI funds at the investment programme level, it is necessary to set up formal and informal ways to provide multi-stakeholder inputs and feedback into OP design. This could include feedback between LAs, MAs and national institutions (Ministries etc.) whose competence lies in setting the strategic direction of OPs. This dimension is developed further in the relevant chapter on Cross-Sectoral Integration, which discusses the design of multi-fund OPs in more detail.

Assuming that policy and administrative alignment between ESIF and national regimes has been achieved, and that OPs have been designed in a way that facilitates fund integration, it is still necessary for MAs to keep the integrated nature of SUD in mind when designing and launching calls. The calls for projects pertaining to different funds may have different requirements and timing. This could impact on the ability of LAs to perform their key role in the selection of projects. The problem arises especially when sectoral separation is reflected at the local level.

Therefore, the wording and scope as well as the timing of the calls' launch facilitates the submission of projects which could attract funding from multiple sources (national or other ESIF). Drafting such calls becomes a tall order when trying to coordinate between OPs managed by different MAs. The same applies in cases where one OP is in effect set up to manage one ESI fund. To allow for some flexibility, **MAs could try overlapping call periods, bearing in mind the capacity of LAs to handle many simultaneous calls**.

Occasionally, a multi-fund approach may be deemed unachievable by an LA due to the high level of complexity and associated risks. In these cases,

synergies between funds can be achieved through specific mechanisms at the local level, and with novel instruments at the EU level (see box on Investment Platforms). It may happen that ESI funds, for instance, are not formally allocated to the strategy but effectively contribute to its implementation. This is the case with Brussels' (BE) SUD strategy, where a number of complementary strategic objectives have been identified, to which not only ERDF but also ESF can make a contribution. From an operational viewpoint, the process is smoothened by the creation of a committee that includes representatives and officials of the ESF and ERDF (Van der Zwet et al. 2017, p.75).

How can ESI Funds be better integrated with domestic funds?

In addition to the considerations pertaining to coordination between structural funds, Member States have developed and are committed to domestic sectoral strategies and foresee significant funding for their implementation. Even more so, several Member States have a developed national urban policy which is often premised on a tradition of integrated urban planning and relies on significant dedicated funding programmes.

In those cases, especially in higher income countries, the SUD strategies were introduced to the national context less as an innovation and more as an opportunity to complement national funding with EU funding. This often posed a challenge to MAs and LAs as they had to deal with two sets of issues: alignment between national and EU policy, and alignment between national and EU funding regimes, at least in terms of conditionalities and administrative procedures. **The impact of SUD strategies funded via ESIF could be enhanced further if said SUD strategies could be aligned to national strategies and funding regimes which overlap with or are complementary to their objectives.**

Learning from practice

THE FRENCH 'POLITIQUE DE LA VILLE'

The French city policy is a policy of urban cohesion and solidarity, on both the national and local levels, towards disadvantaged neighbourhoods (called the priority neighbourhoods) and their inhabitants. It is conducted by the State, local authorities and NGOs with the common objective of ensuring equality between territories, reducing development gaps between deprived neighbourhoods and their urban units and improving the conditions for life of their inhabitants.

It is implemented by means of city contracts, which integrate the actions under the European Structural and Investment Funds and are linked to the plan contracts concluded between the State and the region. First and foremost, it mobilises and adapts actions under common law and, where the nature of the difficulties so requires, implements its own instruments.

It is part of a process of co-construction with inhabitants, associations and economic players, relying on the establishment of Citizens Councils according to the terms defined in the city contracts and on co-training.

In France, the convergence of calendars between the City Contracts, the adoption of operational programs and electoral mandates represents a unique opportunity to combine political mobilisation of the ERDF and the ESF, for the benefit of residents of priority neighbourhoods.

For more information

STRAT-Board country fact-sheet: https://urban.jrc.ec.europa.eu/strat-board/#/factsheetcountry?id=FR&name=France&fullscreen=yes

An example of how alignment was achieved between SUD strategy and the national policy and funding regime is the city of Toulon (FR), where a city contract was effectively used as a coordination mechanism between various initiatives and plans covering Toulon Provence Méditerranée (see Territorial Focus chapter).

Another example of how such coordination was achieved is the city of Berlin (DE). In this case, the Future Initiative City Districts II programme (ZIS II) had an explicit goal of bundling funds from domestic and ERDF sources. A suitable allocation regulation was key in achieving this. Administrative Regulation ZIS II ERDF 2014 (*Verwaltungsvorschrift Zukunftsinitiative Stadtteil II EFRE 2014* -VV ZIS II EFRE 2014) combined ERDF and domestic funding rules. Funding procedures followed a dedicated organisational structure, and a specialised set of indicators was developed to complement ERDF evaluation. To simplify things, no financial instruments were used and no ITI and CLLD arrangements utilised.

	Project volume (€) 2014-2020	Funding partners
Action fund	max 1.500	City of Berlin Federal funds (Social City)
Project fund	min 5.000	City of Berlin Federal funds (Social City)
Building fund	min 50.000	EU (ERDF) City of Berlin Federal funds
Network fund	min 50.000	EU (ERDF) City of Berlin

FIG. 1. Funding structure per project volume and funding source in Berlin
Source: own elaboration based on:
https://www.stadtentwicklung.berlin.de/wohnen/quartiersmanagement/index_en.shtml

In the region of Tuscany (IT), the MA established an Urban Axis (Axis VI: Urban Development), and adopted a territorial strategy and regional guidelines to guide it in selecting intervention areas and proposals, following a call for expressions of interest. Proposals took the form of Urban Innovation Projects and were submitted by municipalities, who developed them in collaboration with the MA. To assist integration with national funding sources, in the selection process the MA awarded bonus points to municipal proposals which:

- were positioned within interventions already receiving funding under Regional Law 65/2014;
- were integrated with public housing projects;
- foresaw co-funding higher than the required 20%.

Finally, there are ways to deal with the complexity of the funding landscape. Even when the additional funds to be accessed are relatively small, it is still possible to draft an SUD strategy combining funding sources, without straining LAs resources. **A strategic funding unit**, similar to what Ghent (BE) did when the city decided to develop strategic funding as a competence, **could offer the necessary know-how and coordination capacity in LAs** whose investment programme size is large enough to justify the associated costs.

RECOMMENDATIONS

- Keep the integrated nature of SUD in mind when drafting calls for projects.
- Highlight the social, economic and environmental dimensions of the issues facing the target area and how they are reflected in EU policy priorities, so that your SUD can target appropriate EU funds.
  - A better understanding of local need and how it relates to EU and domestic policy facilitates the coordinated use of ESI funds and domestic funds at the level of the SUD strategy.
- Relate domestic policies and strategies with EU thematic priorities where possible and desirable and consolidate your funding regimes where necessary.
- Establish a strategic funding unit to offer the necessary know-how and coordination capacity, so long as the investment programme is large enough to justify the overhead costs.
  - Pooling resources to establish such a unit in order to serve more than one LAs is also worth considering in cases where LAs have medium-sized and small investment programmes.
- Develop cross-cutting themes, especially if the OP is not designed in a way which facilitates this.
  - MAs should engage LAs early on in the design of OPs.
  - It is necessary to set up formal and informal ways to provide input and feedback into OP design.
- Use territorial delivery mechanisms in a properly considered way to bundle more funds into the same strategy.
  - Two or more funds can be combined directly at the level of the operational programme (and strategies implemented through the operational programme itself, or through a multi-theme Priority Axis).
  - Integrated territorial investment (ITI) can be used to combine thematic objectives from different operational programmes and funds.
  - Integrated territorial investment (ITI) can be used to design holistic strategies, and to augment funding contribution, considering less conventional categories of investments for urban development.
- When an ITI is used, plan all possible sources of funding and the way to combine them from the early stages of strategy design.
  - Potential beneficiaries can be more variegated when you use more than one fund. They should be clearly identified during strategy design.
- Coordinate different managing authorities, especially with regard to calls for projects and monitoring systems.
  - MAs could agree on overlapping periods for project proposals. In this way, a project can be presented at the same time and not be rescheduled or delayed.
  - Create a commission to coordinate and monitor the ITI, which elaborates the content of the annual reports of the different OPs, proposes

updates to the ITI, informs the monitoring committee and contributes to its implementation.

- Put synergies in place between funds through regulatory mechanisms and instruments at local level, when necessary.
  - Existing competences of MAs and/or regional authorities can be utilised in order to achieve better integration of ESIF and domestic funding via incentive mechanisms and regulatory instruments. The process of drafting such regulations and mechanisms is an opportunity to garner political support that transcends party political divisions and mandates.

INVOLVING PRIVATE INVESTORS AND THE THIRD SECTOR IN SUD FUNDING STRATEGIES

In this section we address:
How could SUD strategies be utilised to manage the risks associated with implementing an investment programme?
How could private sector engagement be facilitated?

An SUD strategy identifies needs and thus provides fertile ground to come up with project ideas on how to tackle those needs. In some cases, depending on the context in each country, some projects would be best suited to public funding but in other cases there may be scope for involving other actors in the funding process (citizens, third sector), for establishing public-private partnerships or for private investors to engage with their own ideas and funding.

The integrated planning approach inherent in SUD strategies can assist in identifying a wide range of challenges which are specific to an intervention area or may even be relevant to a wider area. **When said challenges, which are often linked to negative externalities, are addressed, an area may well turn into an attractive destination for private investment**. Very often, businesses and the real estate sector are attracted to such areas, which have benefitted from improved accessibility, environmental amenities and enhanced infrastructure and social welfare provision. **Once an area is turned around in this way, the focus of public policy often shifts towards managing growth in that area**.

An SUD strategy would usually be a precursor to such an area turnaround and the challenge during its drafting and implementation is to attract investors who would be willing to invest in projects in line with its objectives (as for example the transition to a low-carbon economy). **Key to such engagement are projects that offer net revenue or a saving as well as a suitable risk-sharing protocol and therefore are potentially 'bankable'**[36]. Including such projects in an SUD strategy could widen its scope and diversify its funding sources.

By the same token, many of the investments carried out as part of an SUD strategy will provide much-needed public goods but will not generate revenue or savings. In fact, such investments in public goods may well require additional resources from the (public) agency/body which will be called upon to operate and manage them. **Engaging the third sector and civic society may well provide a way for public authorities to diffuse the costs, multiply the benefits of said investment and enhance the local sense of ownership and pride of place** by passing on the operation and maintenance responsibility to stakeholders who are willing to assume stewardship of said infrastructure.

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

One of the most significant effects of putting a sound SUD strategy in place is that it can go some way towards addressing policy, planning and political risks, and thus de-risking the investment programme of an LA.

Fully developing and implementing an LA's project pipeline according to a coherent integrated strategy which will attract the private sector will almost certainly last more than one term in office for the political personnel involved. Therefore, due to its consultation and governance provisions, an SUD strategy which has followed a participatory approach can substantively contribute to reducing political risks (see Governance chapter).

Be careful!

The timelines of project pipeline maturity rarely coincide with political timelines which, as a rule of thumb, are comparatively shorter. The projects are very likely to be completed and the impact will certainly be felt during the subsequent political term, if not later than that.

The SUD strategy incentivises a type of political organisation that promotes political consensus around stable policy priorities and investment programmes, in the medium term at least. The funding regime which Article 7 of the 2014-2020 ERDF regulation introduced and which the oncoming

[36] https://blogs.worldbank.org/ppps/preparing-bankable-infrastructure-projects

regulation[37] will build upon streamlines financial resources and policy instruments to push local, regional and even national stakeholders to plan their investments for the medium term according to area-based analysis. **Medium-term policy continuity**, which in a democratic state is ensured by said consensus, **could greatly enhance the potential of SUD strategies to integrate private funding sources in order to tackle area-specific challenges in a holistic way**.

The Six City strategy (6Aika[38]) from Finland is a good example of how six city councils came together to agree a common strategy which they committed to for the entire duration of the programme in order to be able to provide a politically stable business environment. They achieved that by close cooperation at the strategy preparation stage, in which they involved the relevant Ministry too. The six cities were building up on a long tradition of cooperation and joint lobbying on legislative matters and were faced with similar economic, social and environmental challenges. The commitment of their political personnel to the strategy allowed the six cities to play a reliable role as enablers when it came to supporting business growth. This was a key premise of their SUD strategies.

An SUD strategy is also an opportunity for LAs to vertically integrate national, regional and local policy and funding frameworks. Vertical integration in turn significantly increases the probability of successfully implementing an investment programme. An example of how this de-risking works is provided by the cases of the SUD strategies of Kavala (GR) and Heraklion (GR). The drafting process allowed the LAs of those cities to re-examine pre-existing national-level policies, regional and local statutory plans and programmes and to bring together under one strategy projects which adhered to said plans, policies and programmes. Therefore, said strategies faced fewer of the policy and planning obstacles and bottlenecks which often plague the implementation of public and private investment projects in Greece.

Feedback from key local stakeholders, like the private sector, the third sector and civic society should be incorporated during the strategy design phase and throughout the overall process. This would facilitate the design of strategies which better reflect the realities on the ground and address practical issues which beneficiaries might face at the implementation stage.

In addition to the wide range of available civic engagement techniques, participatory budgeting could also assist LAs in the de-risking process, enhance citizens' sense of ownership and facilitate project sustainability over time. Participatory budgeting was first introduced in 1989 in Brazil

[37] https://eur-lex.europa.eu/legal-content/EN/TXT/?uri=COM%3A2018%3A372%3AFIN

[38] https://ec.europa.eu/regional_policy/sources/conferences/udn_espoo/6city_strategy.pdf

and is currently a well-established practice in several cities across the globe. It is gaining ground in the EU as well, for example in Poland, Portugal and France. In Paris, in 2016, about 5% of the capital budget of the city (or approximately €100 million) was dedicated to 21 participatory budgets where almost 160,000 people voted to select between 219 project ideas[39]. This form of participatory budgeting could inform SUD strategies, with a view to improving their relevance and effectiveness (European Commission, 2009).

Be careful!

Having said that, **LAs should be well aware of the challenges of a participatory approach, like the erosion of trust if expectations are not properly managed, the influence that the process design has on actor participation, the influence of individual-issue lobbying groups etc.** (see Governance chapter).

How could private sector engagement be facilitated?

An SUD strategy drafting process which includes private sector actors creates opportunities to include private sector-led solutions and projects in its investment programme. By the same token, it is important for private sector actors and LAs to enter into a dialogue early on so as to expedite the private sector-led project maturity process. This also means that LAs who operate a project pipeline and who understand and prepare for the priorities of the oncoming programming period can engage in preparatory work for drafting suitable strategies (or appropriately adjust existing strategies). This in turn will allow them to respond to calls early in the programming period. It might even be that projects for which the LA is the promoter are complemented by a private sector project pipeline where the LA acts as the facilitator and assists with project maturity in a coordinated way so as to achieve the objectives of the strategy.

Building relationships, know-how and the trust necessary to engage private project promoters and investors takes time. The role of locally rooted financial institutions can be crucial in that respect too. In effect, the logic of the SUD strategies incentivises LAs to become active in cultivating an ecosystem which they can draw on to contribute to their long-term investment programme, backed and guided by an SUD strategy. An example from which suitable lessons can be drawn is the approach followed by the city of Tampere (FI). It plays the role of 'Solution Enabler' and 'Steward' in order to create an environment 'in which new businesses and smart solutions can emerge and grow'. Among other actions, this involves: bringing together parties which would not normally come together in order

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39 https://urbact.eu/participatory-budget

to collaborate and utilising public funding to support the ecosystem creation effort.

An option which is especially pertinent to project portfolios with a wide range of diverse and smaller scale projects, is **bundling the interventions foreseen in an SUD strategy in an investment programme and thus mixing the funds at the investment programme level**. This would mean that the LA investment programme comprises a wide range of projects, each of which could be funded from a different source, while all the projects reflect policies and priorities set out in the strategy. This is how the municipality of Athens (GR) managed to combine ESIF, EIB, national, municipal and private funds to implement its ITI for Sustainable Urban Development, called Athens 2020.

Learning from practice

THE ATHENS 2020 INVESTMENT PROGRAMME (GR)

The municipality of Athens used its long-term strategic plan, the Integrated Urban Development Plan (IUDP), to guide its 'Athens 2020' investment programme. The IUDP is a plan anchored in Greek legislation which aims to guide interventions in declining areas. The city also drafted a 'Resilience Strategy', a 'Climate Action Plan' and a statutory 'Operational Plan'. The Athens 2020 investment programme amounted to approximately € 190 million euros, of which € 85 million were bundled under the ITI Plan for Sustainable Urban Development: approximately € 68 million was drawn from the ERDF and the ESF under Article 7. Another € 55 million was drawn in via a European Investment Bank loan and the remainder came from other municipal sources, from private sources and from other (non-article 7) ESIF funds.

The investment programme spanned a range of project categories, including: Urban Revitalisation, Public Spaces and Buildings, Energy Upgrades, Waste Management, Economy and Tourism, Social Solidarity, IT and Services etc. EU regulations regarding the minimum level of national contributions applied to the entire investment programme, but state aid regulations were applied on a project-by-project basis.

For more information

https://www.cityofathens.gr/node/32182,

Including projects which can realistically be expected to be completed during the SUD investment programme lifespan lends

credibility to and inspires confidence in the strategy. However, the process of bringing a project to maturity can take a significant amount of time and effort. This is where LAs could channel the technical assistance available to them via the ERDF or other sources (see box on URBIS in the following section). Ideally, LAs could also guide project promoters and their investors to seek technical assistance from said sources, if their project proposal is eligible for this of course.

ESI funds are bound by regulations regarding state aid and, therefore, projects which are expected to generate net revenue would require detailed appraisal calculations in order to be funded by a combination of private and ESI funds. Specific, rather limited exemptions apply.

Be careful!

Dealing with state aid issues can become challenging in an investment programme that combines public funds (ESIF and national resources) with private funding at the project level. As previously mentioned, EU regulations set specific requirements that determine how public and private funds should be apportioned to any such project. Going through this process may make sense for large investments where allocating the necessary resources would not disproportionately burden the project timelines and overheads. Therefore, sufficient LA capacity is required in order to manage that risk and guide stakeholders accordingly. The competent national authorities also have a role to play in helping local stakeholders to navigate this demanding regulatory and legal landscape.

RECOMMENDATIONS

- Include potentially 'bankable' projects in SUD strategy to attract investment better aligned to strategy objectives
  - Projects are bankable when they offer net revenue or saving as a well as a suitable risk-sharing protocol.
  - The inclusion of bankable projects can widen the scope of the strategy and diversify its funding sources.
  - LAs should operate a bankable project pipeline for the short-, medium- and long-term and thus be proactive and not reactive.
- Engage the third sector and civic society in order to spread costs and multiply the benefit of investment in public goods.
  - Passing the stewardship of suitable public infrastructure to the third sector may well enhance the viability of said infrastructure and promote local ownership and pride.
- Reduce policy, planning and political risks through sound strategy design and stakeholder engagement in order to enhance the chances of an LA investment programme being implemented, and attract private investors.

- ▸ Every available opportunity should be used to create political consensus around the strategy and its investment plan, in order to provide a stable environment irrespective of political timelines.
  - ▸ Engaging the public sector, civic society and the third sector in drafting the strategy could offer significant advantages, provided the associated challenges can be managed appropriately.
  - ▸ Use participatory budgeting to enhance citizens' sense of ownership and ensure that the projects are sustainable over time.
- Enter into a dialogue early on in order to expedite the private sector-led project maturity process.
  - ▸ LAs should focus on cultivating relationships with investors. Building up know-how and trust takes time.
  - ▸ An SUD strategy investment programme should include enough projects at a suitable stage of maturity in order to generate confidence within the investor community.
- Organise projects and multiple funding sources in an 'Investment Programme' format.
  - ▸ The Investment Programme format allows LAs to manage the project pipeline and state aid issues more flexibly, thus facilitating strategy implementation and boosting investor confidence.
  - ▸ Include projects which can realistically be expected to be completed during the lifespan of the SUD investment programme.
  - ▸ Guide project promoters and their investors to seek Technical Assistance with bringing projects to maturity.
- LAs should build up their capacity to manage state aid issues and guide stakeholders accordingly.
  - ▸ The competent national authorities also have a role to play in helping local stakeholders to navigate the demanding regulatory and legal landscape.

ENHANCING THE USE OF FINANCIAL INSTRUMENTS AND FINANCIAL PRODUCTS

In this section we will address:
What has been the rationale for and use of ESIF financial instruments in urban development?
What role does the EIB play in supporting the use of financial instruments and financial products in SUD strategies?
How can LAs bring financial instruments and financial products into the SUD strategy funding mix?

There has been an established tradition of using financial instruments to deliver programme support[40] at least since 1994-1999[41], but their use at that time was focused on supporting enterprises in some Member States. Their use became more widespread in subsequent programming periods and as of 31 March 2017, 'operational programme contributions paid to the Financial Engineering Instruments in the area of urban development [...] amounted to € 1,595.59 million[42]' whereas 'the total amount committed in funding agreements to Financial Engineering Instruments from the 172 ERDF and 20 European Social Fund (ESF) operational programmes (OPs) [...] was € 16,967.80 million[43]'. In the 2014-2020 programming period, financial instruments 'represent more than 10% of ERDF resources' with more than EUR 14 billion allocated to financial instruments by the end of 2017[44].

A significant turning point for the use of financial instruments was the introduction of the 'Investment Plan for Europe', which became known as 'The Juncker Plan' after Jean-Claude Juncker, the former president of the European Commission who announced it in November 2014. The European Fund for Strategic Investments, one of the three pillars of the 'Investment Plan for Europe' is estimated to have offered EUR 65 billion in guarantees from the EU budget to the European Investment Bank (EIB), in order to mobilise market-driven investment of over € 400 billion in higher-risk projects.

Crucially, although the European Fund for Strategic Investments is demand-driven, meaning there are no sectoral or geographic quotas, it has triggered the highest percentage of investment/GDP mostly in countries in Southern and Eastern Europe[45]. Although it is too early to assess the impact of the 'Investment Plan for Europe' in terms of territorial and social cohesion, it has indeed served as a proof of concept for the potential of financial instruments in leveraging resources and managing risk, and has enhanced the role of the EIB as an EU policy implementation agent. The 'Investment Plan for Europe', which has almost run its course, will be followed by the 'InvestEU' initiative[46] in 2021 (see box on InvestEU Programme).

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[40] See the European Commission's dedicated portal for financial instruments: https://www.fi-compass.eu/

[41] https://ec.europa.eu/regional_policy/sources/thefunds/fin_inst/pdf/closure_data_fei_2017.pdf

[42] https://ec.europa.eu/regional_policy/sources/thefunds/fin_inst/pdf/closure_data_fei_2017.pdf

[43] https://ec.europa.eu/regional_policy/sources/thefunds/fin_inst/pdf/closure_data_fei_2017.pdf

[44] https://cohesiondata.ec.europa.eu/stories/s/dtw6-5akv

[45] https://ec.europa.eu/commission/priorities/jobs-growth-and-investment/investment-plan-europe-juncker-plan/investment-plan-results_en

[46] https://ec.europa.eu/commission/publications/investeu-programme_en

THE INVESTEU PROGRAMME

Additional resource

The InvestEU Programme will bring together under one roof the multitude of EU financial instruments currently available to support investment in the EU, making EU funding for investment projects in Europe simpler, more efficient and more flexible.

The Programme consists of the **InvestEU Fund**, the **InvestEU Advisory Hub** and the **InvestEU Portal**. It will further boost job creation and support investment and innovation in the EU. It will run between 2021 and 2027 and it builds on the success of the Juncker Plan's European Fund for Strategic Investments by providing an EU budget guarantee to support investment and access to finance in the EU. InvestEU aims to generate €650 billion in additional investment.

The InvestEU Fund will support four policy areas: sustainable infrastructure; research, innovation and digitisation; small and medium-sized businesses; and social investment and skills.

The InvestEU Advisory Hub will provide technical support and assistance to help with the preparation, development, structuring and implementation of projects, including capacity-building.

The InvestEU Portal will bring together investors and project promoters by providing an easily-accessible and user-friendly database.

For more information

https://europa.eu/rapid/press-release_MEMO-18-4010_en.htm

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

Financial instruments (FI), which provide investment support by way of loans, guarantees and equity participation, have been used by Member States to deliver ESIF since 1994-1999. Those can be utilised in combination with technical support, interest rate subsidies and guarantee fee subsidies[47]. Financial instruments, set up in European regions during the 2007-2013 programming period, mainly target enterprises. At that time, it

[47] https://cohesiondata.ec.europa.eu/stories/s/dtw6-5akv

also became possible to **use such financial instruments to support urban development projects, with the introduction of the Urban Development Funds (UDF)**[48]. As of 2010, **financial instruments can be used to invest in activities pertaining to energy efficiency and renewable energy.**

In 2014-2020, the overall multi-annual financial framework and ESIF policy framework aim is to deliver more of the EU's structural funding via financial instruments, which **should be approached as a delivery mode** and not as an objective in itself. MAs are obliged to 'conduct an ex-ante assessment into the potential relevance of and rationale for using financial instruments as a delivery tool' (Scottish Government, 2015).

The objective behind the deployment of ESIF financial instruments is to **tackle market failure for projects with relatively low financial performance but high economic performance** (i.e. not to crowd out market finance). The European Commission expects that the use of ESIF financial instruments in an era of fiscal retrenchment will contribute to obtaining the following benefits[49]:

- resource leverage and thus increased impact;
- gains in efficiency and effectiveness, especially when revolving funds are used;
- positive effect on project quality of the requirement to repay the investment;
- wider range of financial tools and private sector expertise available for policy delivery;
- weaning off the dependency on grants;
- supporting public policy with the use of private sector funds.

As set out in Article 38 of the Common Provisions Regulation, **responsibility for managing an ESIF financial instrument lies with MAs but** in some cases **implementation may remain with the MA or be entrusted to another financial intermediary** which fulfils the necessary requirements, like a National Promotional Bank or institution, the EIB or an International Financial Institution.

According to the European Commission's short reference guide[50] for MAs 'Activities supported by financial instruments must be judged [...] to be able to repay the investment'. Therefore, for the European Social Fund it is the reimbursement capacity of the recipient which has to be assessed, whereas, for the remaining ESIFs, the investments have to generate income or savings on future expenditure.

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[48] UDFs were first introduced by the JESSICA initiative in 2007-2013.

[49] https://ec.europa.eu/regional_policy/sources/thefunds/fin_inst/pdf/fi_esif_2014_2020.pdf

[50] https://ec.europa.eu/regional_policy/sources/thefunds/fin_inst/pdf/fi_esif_2014_2020.pdf

A UDF can be established at either a national, regional or local/city level and is used to invest in public-private partnerships and other projects included in an integrated plan for sustainable urban development[51].

There were also three holding funds, one each in the Netherlands, Italy and the UK, which specifically provided support to urban development and energy efficiency.

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

Building on previous successful experience, and faced with an 'investment gap' in the aftermath of the 2007 financial crisis, the European Commission moved to set up the **European Fund for Strategic Investments** while continuing to promote the use of financial instruments.

In light of the European Fund for Strategic Investments and the oncoming 'Invest EU' initiative, the **EIB is assuming a key role across the EU for the purpose of utilising financial instruments** to fund SUD strategies, not least because it was **entrusted with the role of delivering advisory support**.

The use of financial instruments is inextricably linked to the availability of bankable projects.

Where funding is provided as an EIB framework loan[52], the recipient will have to find the source of income that will repay the loan. **A framework loan is provided to a public sector entity, which would be the LA in the case of SUD. The loan is not tied to a specific project but is intended to fund an investment programme**. Thus, in many cases, framework loans are used to fund public sector projects which will generate efficiency gains in sectors like energy, water etc.

Although ESIF Financial instruments are premised on an ex-ante market analysis that should deal with bankability requirements, challenges could arise. The European Fund for Strategic Investments' implementation experience also highlights the fact that a lot of potential promoters were facing difficulties with preparing projects which would fit bankability requirements.

One such challenge had to do with the size of the LA's investment programme. Many LAs are neither able nor willing to borrow significant amounts of money. The EIB therefore developed a novel financial instrument, the '**Investment Platforms**'[53] which created a common

51 https://www.eib.org/en/products/blending/jessica/funds/index.htm

52 See: https://www.eib.org/en/products/loans/framework-public-sector.htm

53 https://eiah.eib.org/about/services-investment-platforms.htm

platform to manage a diverse range of financial products (investment loans, intermediary loans, frameworks loans) thus reducing overheads and allowing for smaller LAs or smaller projects to become eligible for lending.

Additional resource

INVESTMENT PLATFORMS

Investment Platforms can help to finance smaller projects and bundle funds from different sources to enable diversified investments with **a geographic or thematic focus**. They help to better share risk, make it easier to attract private investors and eventually unlock financing for individual projects. An Investment Platform can combine **EU funds, national support and financing from private investors**. The Platform itself can then provide loans, guarantees and/or equity financing to the underlying projects, depending on their specific needs.

The European Fund for Strategic Investments, the financial pillar of the Investment Plan for Europe (the IPE or Juncker Plan) can provide financial support to such Investment Platforms. The set-up of Investment Platforms can be flexible. Both public and private actors can establish such platforms (they typically also provide part of the financing); the legal form and the **financing structure depends on the projects' needs and the main investors' interests** (managed account, co-investment agreement, special purpose vehicle, etc.). Financing for economic, environmental, and social purposes can then be provided through Investment Platforms supported by the European Fund for Strategic Investments to help achieve the aims of the Investment Plan for Europe.

The Advisory Hub can give specific advice to help develop and structure Investment Platforms. Advanced proposals for Investment Platforms can also apply directly to the EIB Group for European Fund for Strategic Investment financing.

For more information

https://eiah.eib.org/about/services-investment-platforms.htm

One challenge for the effort to utilise financial instruments and financial products has to do with the preparation of a large enough project pipeline. It emerged that there was a dearth of bankable projects in the pipeline[54] across the EU. The potential project promoters

[54] https://ec.europa.eu/commission/priorities/jobs-growth-and-investment/investment-plan-europe-juncker-plan/what-investment-plan-europe_en

often needed technical support in generating an adequate pipeline of projects. Thus the EIB was brought in by the European Commission to provide the necessary support, initially via Joint Assistance to Support Projects in European Regions (JASPERS)[55] and later via the European Investment Advisory Hub (EIAH)[56]. The EIAH is 'a single access point to various types of advisory and technical assistance services. It supports the identification, preparation and development of investment projects across the European Union'. The idea behind the EIAH is that project[57] promoters approaching the EIB can receive bespoke advice and support so as to improve the quality of their proposal. Two of the relevant initiatives related to urban projects under the EIAH umbrella are the Urban Investment Advisory Support (URBIS)[58] and the support to the Circular Economy[59].

URBAN INVESTMENT ADVISORY SUPPORT, URBIS

Additional resource

URBIS is a new dedicated urban investment advisory platform within the European Investment Advisory Hub (EIAH). URBIS is set up to provide advisory support to urban authorities in order to facilitate, accelerate and unlock urban investment projects, programmes and platforms. URBIS has been developed in **partnership between the European Commission (DG REGIO) and the EIB** in the context of the EU One Stop Shop for Cities and in support of the ambitions defined in the EU Urban Agenda.

Existing advisory services are often organised on the basis of specific programmes and specific sectors, whereas urban authorities may require more urban- and location-specific advisory support, addressing both city-wide investment planning and financing needs for projects as well as integrated urban development programmes comprising a number of smaller projects within a strategic framework. Such an approach often requires an **integrated/packaged advisory offer** – and this is what URBIS will provide. Other existing advisory programmes, such as JASPERS, ELENA and fi-compass, which also provide support to urban authorities, will remain available.

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55 https://jaspers.eib.org/

56 https://eiah.eib.org/about/index

57 The term 'project' in this instance means a 'loan operation'.

58 https://eiah.eib.org/about/initiative-urbis

59 https://eiah.eib.org/about/initiative-circular-economy.htm

In its initial phase, URBIS will consist of the following three modules, to be implemented in parallel:

- increased efforts to **raise awareness** of existing instruments, programmes, and services;
- **tailor-made** technical and financial **advice** for cities, and
- exploring **innovative financing** approaches for city investments.

This service will be provided in line with the current EIAH pricing policy (whereas public sector promoters currently receive support free of charge).

For more information

URBIS: https://eiah.eib.org/about/initiative-urbis.htm

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

It is in principle **easier for an LA to combine EIB and EU funding, its own funding and private sector funding at the investment programme level than at the project level**. Funders can be quite flexible in that respect. For example, in some less developed regions, the EIB can provide funding up to 50% at portfolio level and the joint EIB and ESIF contributions can reach 90% of the programme. This means that ESIFs can be combined with EIB money, private sector and an LA's own sources to create an investment programme comprising several projects, whereby each project could be funded entirely by one individual source. Other sources which can be mobilised could include products offered by other ESI financial instruments, although these would need to be suitably tailored.

An example of how such an approach worked in practice is that of Greater Manchester (UK). It combined its EU Investment Plan with the Greater Manchester Strategy and the Greater Manchester Growth and Reform Plan and prescribed 60% use of ESI financial instrument funds. The SUD strategy was framed within said strategies and aims to assist the LA in managing the Article 7 funding in order to achieve a sub-set of the goals of those strategies, namely the transition to a low-carbon economy, and research and innovation. Projects planned in the SUD strategy could therefore draw funding from a financial instrument called 'Evergreen Fund II'.

The approach followed in the case of Portugal (IFRRU 2020) is also indicative of the possibilities that exist when national-level initiatives are coordinated with SUD strategies by virtue of their design. IFRRU 2020 is an ESIF financial instrument (fund of funds) which aims to support urban development and physical regeneration in deprived urban areas with a view to facilitating the transition to a low-carbon economy. Its funding comes from eight ERDF regional OPs and the operational programme 'Sustainability and Efficiency of the Use of Resources' (PO SEUR, Cohesion Fund); moreover, further contribution comes from the EIB, the Council of Europe Development Bank, domestic sources and commercial banks, whereby financial intermediaries were obliged to at least meet the amount of public funds committed. Project promoters contributed 30% on average. Within the regional OPs, eligible projects under Investment Priority 6.5 'Urban rehabilitation' have to be in a designated area covered by an urban rehabilitation plan (e.g. Urban Regeneration Action Plan, PARU), while those under Investment Priority 9.8 – Disadvantaged Neighbourhoods must support physical revitalization of spaces dedicated to disadvantaged communities. Support to energy efficiency in housing is then granted through IFRRU as part of the resources in PO SEUR. Crucially, before any project can be approved for funding, competent municipality has to issue a binding opinion to the effect that it is consistent with their SUD strategy.

Last but not least, the use of **novel financial products should not be underestimated** as part of the funding mix supporting the implementation of SUD strategies. The example of Alba Iulia (RO) is indicative of the opportunities that emerge in this direction. Alba Iulia sought and got a credit rating from Moody's, then borrowed directly from its citizens via a bond issue. Although that money was not used for the purposes of the SUD strategies investment programme, the example of Alba Iulia shows what is possible even in a relatively small municipality. Obviously, **LA borrowing is strictly regulated in EU Member States**. However, novel funding approaches, like Green City Bonds and Social Impact Bonds, could also be considered as part of the mix for LAs whose size, financial situation and legal context allows such an endeavour to be undertaken.

Green bonds are products whose popularity is rapidly increasing, ever since the EIB launched the first Climate Awareness Bond in 2007. A **Green City Bond would be a bond issued by an LA, whose proceeds will be used in funding infrastructure and services which accrue tangible and monetisable environmental benefits**. The first Green City Bond was issued by Gothenburg (SE) in 2013 and was soon followed by bonds issued by several US cities. According to the Green City Bonds Coalition (2015) Green City Bonds could:

- grow and diversify the investor base to include firms, individuals, funds and other retail and institutional investors who would not otherwise engage in municipal financing.

- inform and involve residents not only as constituents but also as active investors in the renewal of their neighbourhoods and their city.
- increase collaboration and synergies between different parts of municipal governments e.g. finance, housing, planning and regeneration, environmental protection etc.

Social impact bonds are another financing alternative for public sector organisations which are tasked with delivering social outcomes and in fact the EIB Advisory Hub has recently launched the Advisory Platform for Social Outcomes Contracting. **A social impact bond is a contract between the public sector and investors, to deliver social outcomes and pass part of the savings back to said investors**.

If better social outcomes don not materialise in the form of monetary savings then interest is not paid and repayment of principal may not be possible. They are therefore quite risky investments but could potentially be utilised as part of an SUD strategy, to the extent that it includes relevant projects. In these cases, social outcomes could be coupled with an amount of monetary savings to repay the partners. SUD strategies can provide a thoughtful framework for the use of this instrument in relevant integrated projects, especially if supported by an implementation or investment plan.

RECOMMENDATIONS

- Use financial instruments to multiply the effectiveness and impact of ESIF funding in urban development.
  - Financial instruments can help realise projects with relatively low financial performance but high economic performance.
- Refer to the European Investment Bank support and tools for the use of financial instruments in SUD strategies.
  - LAs can apply for framework loans to fund their investment programmes.
  - Investment Platforms can be used to diversify risks, to reduce overheads and to become eligible under the InvestEU initiative.
  - Use the European Investment Advisory Hub (EIAH) for tailor-made technical and financial advice.
- Seek to combine multiple sources of funding and financing at the investment programme level in the first instance.
  - Take into account national authorities frameworks and support for the selection of tailored financial instruments.
  - Explore the use of novel financial products (green bonds, social impact bonds) to complement the financial strategy of an investment programme.

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