



# CSI Europe Leipzig

## Technical Assistance Conference Seminar Report

*Seminar report of the CSI Europe Technical Assistance Conference held in Leipzig on the 3rd and 4th of December 2013*



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Please note that all presentations and documents related to the TA meeting in Leipzig can be found under sharefile in the folder “Technical Assistance”.

## Introduction

Our event in Leipzig acquired a “fairy tale” theme, perhaps appropriately for an event in the middle of Europe. Our host Karsten Gerkens summarised the discussions at the event with a story about two children, Elena and Dave, lost in the woods looking for a guide to lead them to a better place!



*“Elena and Dave lost in the woods”*

The story had a serious message, however, as it reflected the three key messages identified at the event being:

1. *People still don't know and understand how financial instruments (FIs) can be used and bridges need to be built between the different actors that can benefit from FIs such as entrepreneurs, home owners and public bodies;*
2. *Cities can and should play a vital role in implementing effective FIs and it is essential that engagement with Managing Authorities is secured to develop an active dialogue about the use of ESIF funds for FIs; and*
3. *Cities need help to maximise their effectiveness, identifying and filling skills gaps. Technical assistance in the form of resources and advice is needed to allow cities to get the independent advice and support they need to bring forward projects and develop and utilise FIs..*

## EPOUrban

The event was enhanced by the joint sessions held with the EPOUrban Project that Leipzig were hosting at the same time. The EPOUrban project is a network of Central European cities that are looking at the

privately owned housing market, with the aim of bring forward innovative schemes to renew and improve the housing as part of an integrated urban development programme.

The common ground of the two projects (and the reason why both projects cooperate in having a joint meeting) is the Leipzig approach to support private house owners with consulting (focus of EPOurban) and to develop new finance alternatives to bridge also the gap for house owners where a bank is not able to finance via commercial loans (focus of CSI).

Another relation is the improvement of energy efficiency of housing. This is a key part of the Low Carbon priority within the ESIF programme at Commission level, which provides the opportunity for securing funding for this activity within Operational Programmes currently being developed by Managing Authorities. Furthermore, there are already successful FIs established that are using ERDF monies to provide low cost loans to private homeowners towards the cost of energy efficiency home improvement works. The most notable example of this is in Lithuania where an FI is investing EUR[ ] in housing across the country.



This model has been used as the basis for an “off the shelf” model for FIs that has been developed by the EIB and the Commission as part of the supporting guidance for the ESIF and which will be available as an option for MAs to adopt in order to establish similar FIs in their areas for the next programme.

## Day One – Leipzig

After a joint introductory event at Leipzig’s “Neues Rathaus”, a magnificent late 19th Century building, the CSI Europe team met for their network sessions at the City of Leipzig’s offices at Stadtteilladen Leipziger Westen. Based on the heart of the community, the location gave the partners an opportunity to see first hand a number of the successful urban development projects undertaken in the city since the reunification of Germany.

The huge investment in the City over the last 20 years has provided the City with a strong team with a vision for the next phase of development in Leipzig. The challenge the team now faces, however, is access to finance as the availability of both national and European financial support reduces. As Karsten Gerkens explained in his introductory session, how the people of Leipzig have a great capacity for “self-help” and the energy and vision to deliver urban development in the future. The problem, however, is that the private sector banks will not fund the projects at the moment and so alternatives are needed.

At the same time, it is difficult to secure support from the regional Managing Authority, Saxony, to support



the development of FIs to address the absence of bank finance. As a result there is a likelihood that the Saxony OP will not include scope for FIs to support urban development. As a result, the City of Leipzig is considering whether it might establish its own FI without ESIF funds. Once established, this fund could act as a “basket” collecting funding from other sources that would together form a local “bank” supporting

the projects delivering the City's integrated urban development strategy.

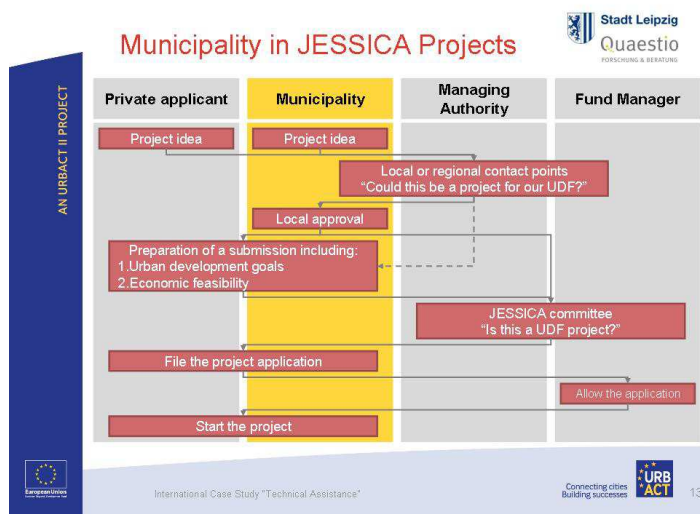
To do this, the City needs help and resources as, whilst they are skilled planning and urban development professionals, they are not bankers. Assistance is needed to help the development of the new FIs and to secure greater engagement with the MA to make the case for use of ESIF within FIs. For this reason, the conference will seek to explore the type of assistance required and how it can be secured.

## Analysis – Technical Assistance for FIs within Municipalities

The independent consultancy Quaestio, Bonn presented the findings of their study that had been commissioned by the City of Leipzig. The aim of the study was to identify where TA is needed within cities and how this need might be met in the future.

Through a series of slides, the role of the City as an intermediate in the development of FIs and projects that might access FIs was explored. The study highlighted the need for cities to retain at the heart of their work the delivery of their urban development plans (UDPs). This has been the basis for cities success in the past and should remain the case in the future. The need for robust UDPs that inform investment strategies of FIs is one theme that might be explored further in the Governance conference.

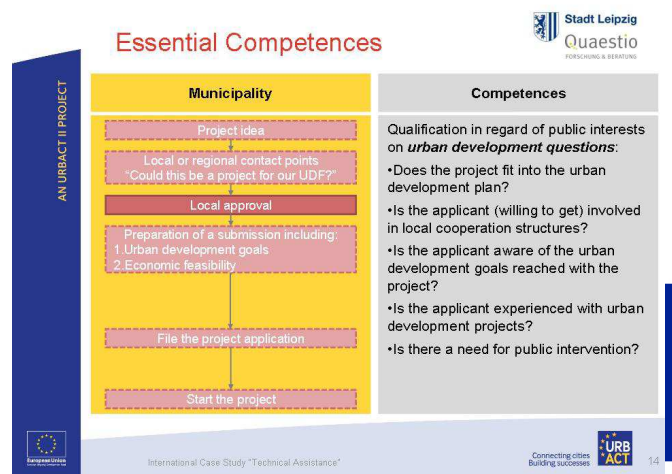
A workflow was developed that demonstrated how projects being promoted by cities in the future will have to satisfy two separate tests:



- Strategic fit with Urban Development Plan – including contributing to local priorities, engagement with local actors, delivering urban renewal, capacity and experience to deliver and need for public intervention; and
- Economic Feasibility – including credit worthiness, is the applicant trustworthy, total funding requirement, sources of other funding, risks connected with revenues, exit and security arrangements, including where the project is not successful.

By using the workflow analysis, the study demonstrated very clearly how cities are well placed, with the skills and experience needed to deliver the work around the urban development strategy. Where additional support is required is in relation to the Economic Feasibility appraisals as this does not fit with the traditional role of cities' urban development functions.

We then went on to consider how this "skills gap" can be addressed and the following were identified:



- “Learning by doing” – identifying urban development professionals with the capacity to develop through experience as projects are promoted. Urban development professionals often have to adapt to new circumstances and funding models and no doubt will continue to do so in the future;
- Identifying experts from other parts of the City’s administration. For example professionals from the finance department may have relevant skills and experience that could be used as part of a multi-disciplinary project team working with FIs;
- Recruitment of professionals with relevant skills and experiencing to the urban development teams;
- Secondment of experts from private sector stakeholders such as banks, consultancy and development companies; and
- Commissioning external experts to support the work.

The presentation was followed by a group discussion which confirmed the findings of the study broadly reflected the experience of the partner cities. In addition, a sixth measure was identified which was to secure training for the city’s professional teams to enable them to develop their own would provide a valuable additional resource to support the development of FIs and projects to access FIs.

## ELENA – the London Energy Efficiency Fund

Paul Evans, CSI Europe’s Thematic Expert delivered a presentation on the ELENA fund, a technical assistance measure developed as part of the last ERDF programme. He described how the ELENA unit was established within the EIB to support the development of Low Carbon projects by providing both technical advice and funding for the initial development of projects. The programme was accessed through applications for support and funding was provided subject to a commitment by the applicant to deliver investment of at least 20 times the amount of ELENA funding provided.



### ELENA – European Local ENergy Assistance

ELENA has been successfully accessed by a number of projects across the EU area and one example of where it has played an important

role is in relation to the London Energy Efficiency Fund (LEEF), a JESSICA fund established in London to support energy efficiency projects in the city. At the same time as the fund was established, the promoters secured ELENA support to establish a project development unit. This unit has accessed both EIB expertise and funding to enable projects to be developed by private and public sector promoters which have ultimately accessed JESSICA loan finance through LEEF.

The experience within LEEF was that the principal constraint to project delivery was the lack of “investment ready” energy efficiency projects. The reasons for this were many and varied but included the fact that this is a new sector without established funding and delivery models. The novel nature of the schemes and funding arrangements damped down demand as private sector promoters were unable to commit sufficient resources at risk to bring projects forward. ELENA funding was able to finance



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feasibility and other early project development activities that allowed promoters to ultimately successfully secure funding from LEEF and deliver the schemes.

A similar model could prove to be a significant tool for promoters in FIs in the future. Other JESSICA funds, including the North West Urban Investment Fund (Evegreen and Chrysalis) have benefited from the EIB's advice and guidance, delivered through their role as Holding Fund managers. As FIs become increasingly common across member states, the need grows for a programme which delivers both funding and advice to support the establishment and implementation of FIs and the development of projects that can take advantage of the ESIF or other funding. The ELENA model could be adapted to either expand to incorporate FIs generally or to develop a separate fund that addresses FI support for urban development.

The partners shared their experiences with ELENA and other forms of TA. The application process for ELENA funding was identified as a significant constraint. This was due to the need for significant technical knowledge being needed simply to complete the application and the requirement to secure leverage of 20x the ELENA funding provided. Other examples were shared of support from other sources, including the proposal within greater Manchester, where the ten municipalities have agreed to commit £1 million to fund a project development unit to develop the pipeline of projects. This is one example of a funding issue that some cities may seek to address in their Local Action Plans, where the development of a project pipeline of "investment ready" projects is identified as an action.

## Day Two – Network Day

The day began with presentations from two of the partner cities on their current experiences with FIs.

### Porto

Jose outlined how the Norte regional FI established by the Managing Authority in Portugal, has been successfully in securing a number of investments, including several schemes in Porto.

Whilst this is good news and shows that the model can deliver investments, the schemes in Porto have mainly been in support of the tourist sector. Although this is within the Operational Programme, the priority in the City is for schemes to address the historic centre, in particular to secure the rehabilitation of the historic residential properties in the part of the City designated a World Heritage Site.

As a result Porto, as part of its Local Action Plan will seek to establish its own fund, possibly based on the Lithuania model, targeting energy efficiency in residential properties. This will require a lot of dialogue with the MA in Lisbon to make the case for such a model to be established locally in Porto.

### Malmo

Victoria gave a different perspective on FIs, reflecting Malmo's innovative work with the EIB to address funding issues in its private housing sector. The Swedish government remains sceptical about FIs and as a result there are no immediate plans to use ESIF monies to establish FIs. Instead, Malmo are investigating whether they can establish their own FI using local money, EIB investment and investment from private landlords.

## Public Statement

A draft public statement was presented by Leipzig for consideration of the group. The statement was designed as a way of capturing a joint view from the CSI Europe and EPOUrban networks on current issues, including engagement with their Managing Authorities. The discussion between partners was difficult as there was some concern about whether political clearance would be required for several of the partners before it could be released on their behalf. There was also discussion about the wording.



There was a degree of consensus that a positive statement on the importance of FIs in delivering urban development in the future would be a good output from the conference there was insufficient time on the agenda to allow an agreed statement to be finalised. Colleagues from Leipzig agreed to develop the statement following the conference and to circulate it to members who may use it at their own discretion. A copy of the statement

issued by the City of Leipzig following the conference is attached at the appendix to this report.

## Thematic Partnerships Meetings

The group then divided into their thematic partnerships to discuss the development of their themes. Following these sessions the State aid partnership of Porto, Riga and Manchester fed back to the group their outline proposals for the conference to be held in Riga in April 2014.



It is proposed to use the meeting to inform the network on the key State aid options available for FIs including the de minimis, block exemption and notification models. Each partner city will lead on a theme and there will be an interactive session where all partners will have an opportunity to develop proposals using one of the State aid models.

## Network Meeting

There then followed a presentation on the mid-term review made by Karen Findley on behalf of the Lead Partner, Manchester. Karen outlined the findings to date which included the following strengths and weaknesses:

Strengths:	Weaknesses:
Project Management	Communication between partners
Participation at transnational meetings	Action between meetings
Documentation for Transnational meetings	Communication tools

We discussed how we should address this and agreed a number of possible measures including:

- Stronger control of agenda by Lead Expert at meetings (be a strong boss!)
- Finding time the night before meetings to discuss network business
- Stay in same hotel to allow more informal communication
- Better contact between meetings – use telephone calls/email if Webex doesn't work.

The mid-term review must be completed by 31st March for submission to the URBACT Secretariat and partners are asked to provide their submissions to the Manchester team as soon as possible to enable the final reports to be completed.



## Closing

The meeting closed with a discussion about the next phase of the work. In January the EIB will host a conference aimed at partners and their Managing Authorities. We agreed we would do what we could to secure attendance by MAs at the event. This will be followed by the State aid conference in Riga in April and Governance in Poznan in early July.



**Stadt Leipzig**



**Comune di  
Ancona**



*The aim of CSI Europe is to build on the different experiences of the partners in relation to financial instruments and urban investment. By working together we will seek to: identify common issues that affect financial instruments and work together to identify solutions; work at a local level to translate our experience to the delivery of projects and act as a voice for cities in the development of future investment models at both a local and EU level.*

*The key themes that the network will seek to explore are: Governance, State Aid, Technical Assistance and Regulation and through this work we will seek to identify new models for investment through financial instruments.*

*The URBACT II Operational programme will support the partners' work over the next three years, providing a framework for joint working and supporting the partners' local activities. The partners will work together through thematic partnerships where two or more partners will work together to explore, in depth, a key theme; transnational conferences where all the partners will come together to consider the key themes, share experiences, celebrate success and exchange ideas; and URBACT Local Support Groups established in each city, bringing together key public and private sector stakeholders to deliver a Local Action Plan reflecting the city's priorities for the network.*

*The network will also seek to develop links with the European Commission, Managing Authorities and other organisations who will help shape the role of financial instruments in the next Structural Fund programme. This may allow CSI Europe to play a constructive role in the development of financial instruments for the future support of urban development across the EU area.*



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URBACT II

**URBACT** is a European exchange and learning programme promoting sustainable urban development.

It enables cities to work together to develop solutions to major urban challenges, reaffirming the key role they play in facing increasingly complex societal challenges. It helps them to develop pragmatic solutions that are new and sustainable, and that integrate economic, social and environmental dimensions. It enables cities to share good practices and lessons learned with all professionals involved in urban policy throughout Europe. URBACT is 181 cities, 29 countries, and 5,000 active participants

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