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**Financial instruments for urban development in Poland  
EIB Fund of Funds, Silesia**

**Piotr Skiba, European Investment Bank**



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# Financial Instruments for Urban Development in Poland

## EIB Fund of Funds Silesia

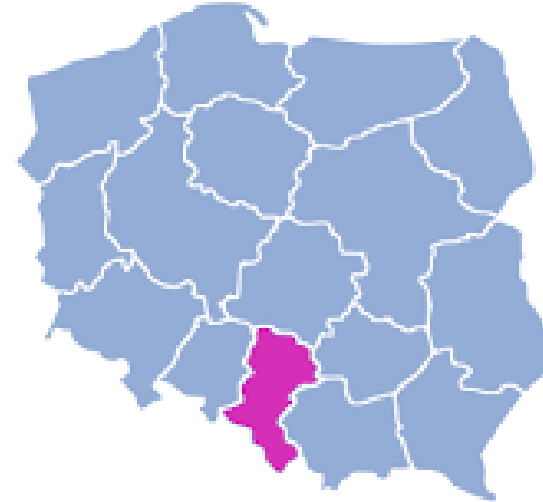


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Brussels, 29 November 2017

# Why Silesia Region?

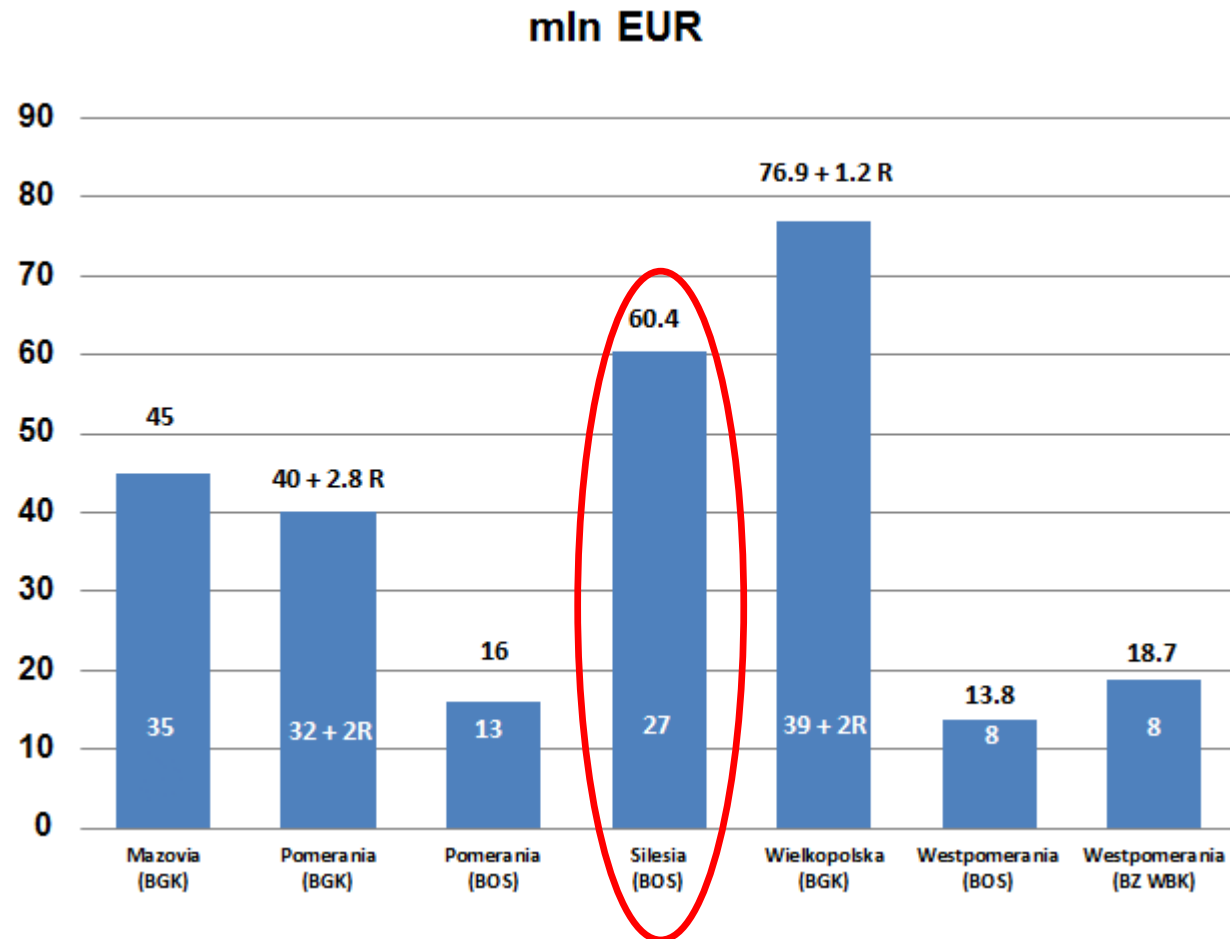


- Silesia is **the second region** in Poland in terms of population (4.63 million) with **the highest population density** (375 persons / km<sup>2</sup>)
- Region with **the highest urban population** (77.7% of total population in 71 cities)
- The **Upper Silesia Urban Area** is the largest urban area in Poland and one of the largest in the EU (up to 3.5 million inhabitants)
- High intensity of **degraded and post-industrial urban areas** with **negative economic, environmental and social impacts**
- Significant challenges related to **negative demographic processes**



**Urban regeneration is one of the strategic goals in the Silesia Region**

# EIB as JESSICA Holding Fund Manager 2007-2013



- More than EUR 260m under EIB's management
- 5 EIB Holding Funds implemented in 5 regions
- 7 Urban Development Funds
- Full disbursement of funds into Urban Projects by 30 April 2016
- 160 Investment Agreements amounting to EUR 274.8m + 4 Revolving IAs amounting to EUR 4 m

# JESSICA Holding Fund Silesia 2007-2013 - milestones



1. In **October 2009** EIB submitted to the Managing Authority the JESSICA Evaluation Study demonstrating the potential for the use of financial instruments in urban sector
2. In **January 2010** the MA and EIB signed the Memorandum of Understanding laying down the general terms of future cooperation (start of negotiations of the Funding Agreement)
3. Funding Agreement was signed by both parties on **9 July 2010**
4. In **April 2011** the EIB launched in OJEU the Call for Expression of Interest to select UDFs:
  - 1<sup>st</sup> stage - evaluation based on exclusion and selection criteria: 6 offers received, all applicants invited to the 2<sup>nd</sup> stage
  - 2<sup>nd</sup> stage - evaluation based on award criteria: selection of Bank Ochrony Środowiska S.A.
5. Approval of the selection of the UDF by the JESSICA HF Silesia Investment Board in **August 2011**
6. Signature of the Operational Agreement with the UDF **on 24 October 2011** in Katowice
7. First Investment Agreement signed in **April 2012** (revitalisation of a former cinema located in the city centre of Tychy and its adaptation for cultural and entertainment purposes)
8. Last Investment Agreement signed in **25 May 2015** (*Mediateque* in the city of Tychy)



**design phase** (points 1 – 3): 10 months



**set-up phase** (points 3 – 6): 15 months



**implementation phase** (points 6 – 8): 44 months



- JESSICA in Silesia was aimed to support the following urban projects:
  - revitalization of urban areas,
  - revitalization of post-military and post-industrial areas and
  - multifunctional approach to degraded areas (economic, educational, touristic, social and cultural functions)Each urban project must have been part of an **integrated plan for sustainable urban development!**
- The Silesia MA contributed **PLN 249.6m** equivalent of EUR 60m (85% - ERDF, 15% national match-funding)
- In addition, the UDF contributed own funds amounting to **PLN 225.5m** (leverage: 2.2)
- By end-2015 all JESSICA funds were disbursed to **27** urban projects totaling **PLN 263.8m** (**104%** of the OP contribution to the UDF)
- Final Recipients: SMEs, large enterprise, self-government units and companies, NGOs
- Results:
  - number of users of revitalised urban infrastructure: 693 thousand
  - surface of revitalised area: 38 ha (impact on 108 ha)
  - Number of newly created jobs : 219
  - number of newly created enterprises: 21

# Example of JESSICA Project – Mediateque of XXI Century (1)



- Scope of the project: Design and execution of works aimed to give new functionalities to the building through the construction of:
  - the City Public Library in Tychy;
  - the Concert Hall with social and technical facilities; and
  - business premises for commercial purpose
- Sources of financing:
  - JESSICA loan: **PLN 22,253,351.49** (66,12% of total investment costs)
  - Council of Europe Development Bank (CEB) loan: **PLN 9,426,936.32**
  - City of Tychy's own financing: **PLN 1,970,933.14**
  - Total investment cost: **PLN 33,651,220.95** (net of VAT)
  - VAT recoverable: **PLN 7,630,882.81**
- Project's milestones:
  - 27 September 2012 – submission of loan applications for financing under JESSICA and CEB loan
  - 10 July 2013 – signature of the JESSICA Investment Agreement with Bank Ochrony Środowiska S.A. (Urban Development Fund) and of the loan agreement with CEB
  - 19 July 2013 – signature of contract for construction works
  - 31 December 2015 – completion of construction works and receipt of certificate of occupancy
  - 15 March 2016 – financial clearance of the project under the JESSICA loan
  - 31 March 2016r. - financial clearance of the project under the CEB loan



# Example of JESSICA Project – Mediateque of XXI Century (2)



- Achieved results: a public utility building with surface of **5 834,80 m<sup>2</sup>**, including:
  - the City Public Library: 2 744,13 m<sup>2</sup>
  - the Chamber Orchestra AUKSO: 782,60 m<sup>2</sup>
  - 3 business premises: 369,27 m<sup>2</sup>
  - common parts and technical premises: 1 938,90 m<sup>2</sup>

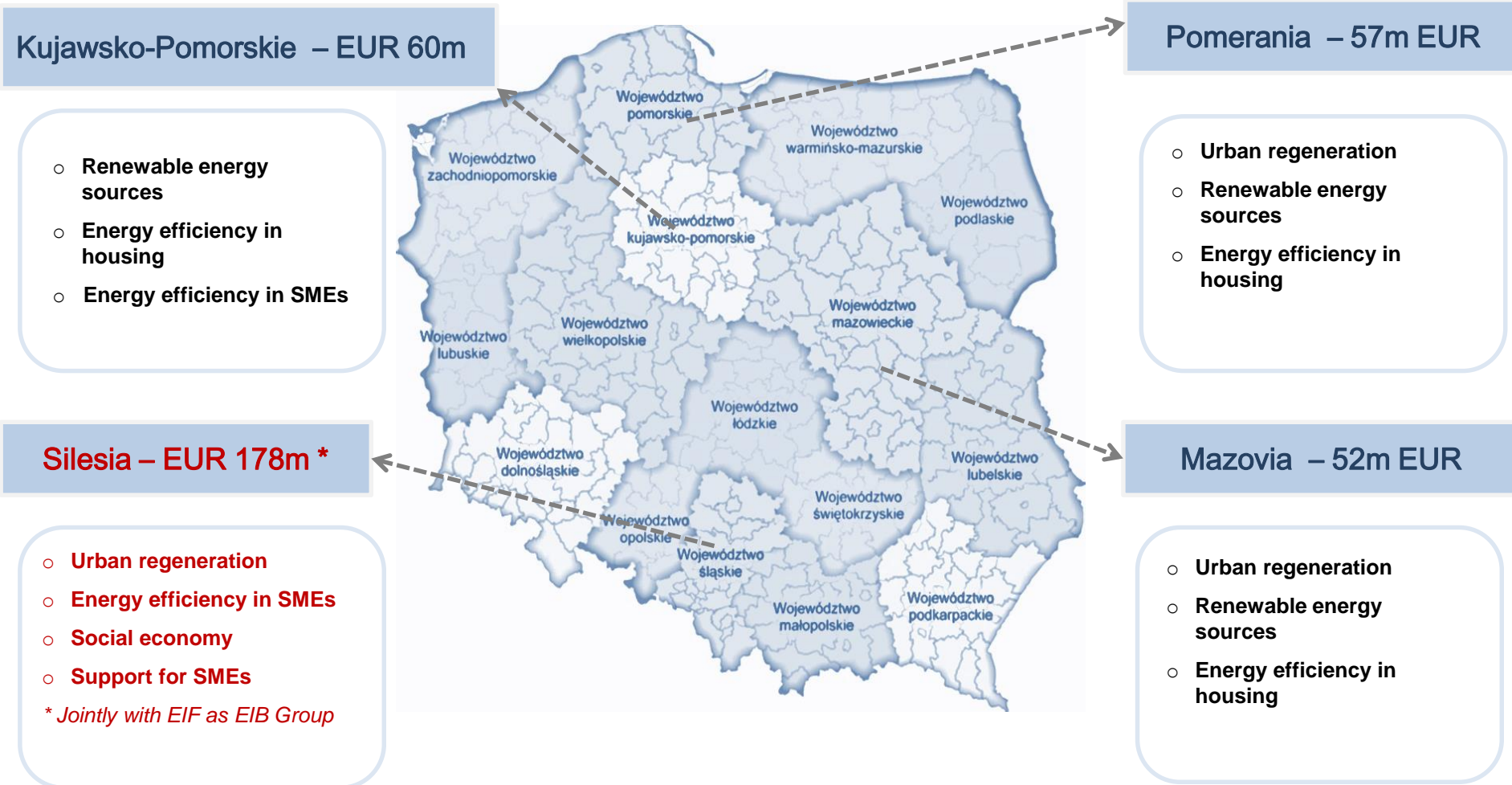
BEFORE



AFTER



# EIB Group Financial Instruments 2014-2020





- Successful implementation of the JESSICA Initiative in Silesia contributed to the continuation of co-operation also for the 2014-2020 programming period
- EIB and EIF (as EIB Group) acting as FoF Managers implement all ESIF financial instruments in Silesia
- Ex-ante Assessment finalised by the Managing Authority in **December 2014** confirmed market gaps in the urban sector
- Based on the conclusions of the Ex-ante Assessment EIB and the MA signed the Memorandum of Understanding in **November 2015**
- Trilateral Funding Agreement (EIB, EIF and MA) was signed on **30 November 2016**
- Silesia MA contributed for urban regeneration **PLN 207.8m** equivalent of EUR 48m (85% - ERDF, minimum 15% to be provided by the financial instrument) which is **the highest** such allocation in Poland
- FIs for urban regeneration are expected to support:
  - conversion of degraded and unused industrial facilities into cultural and other facilities
  - regeneration of post-military and post-industrial areas to create new functions (education, entertainment, sports, culture or economic activities)
  - regeneration of old and degraded urban areas, including investments to improve public safety and investments in basic technical and social infrastructure
- Financial product: investment loans with preferential interest rates (based on social effects) and long tenors (up to 20 years)



- Based on the Investment Strategy and Business Plan EIB developed the Call for Expression of Interest to select financial intermediaries (“CEoI”)
- CEoI was approved by the Investment Board
- In line with EIB’s procurement procedures CEoI was published in OJEU
- **2 offers** were received for urban FIs
- Based on the evaluation of offers, EIB recommended to the Investment Board to approve the selection of Bank Gospodarstwa Krajowego as the Financial Intermediary
- Investment Board approved the selection of BGK
- After formal notification of the results to both applicants, EIB and BGK started negotiations of the Operational Agreement

**Thank you!**

**Questions?**

**Piotr Skiba**

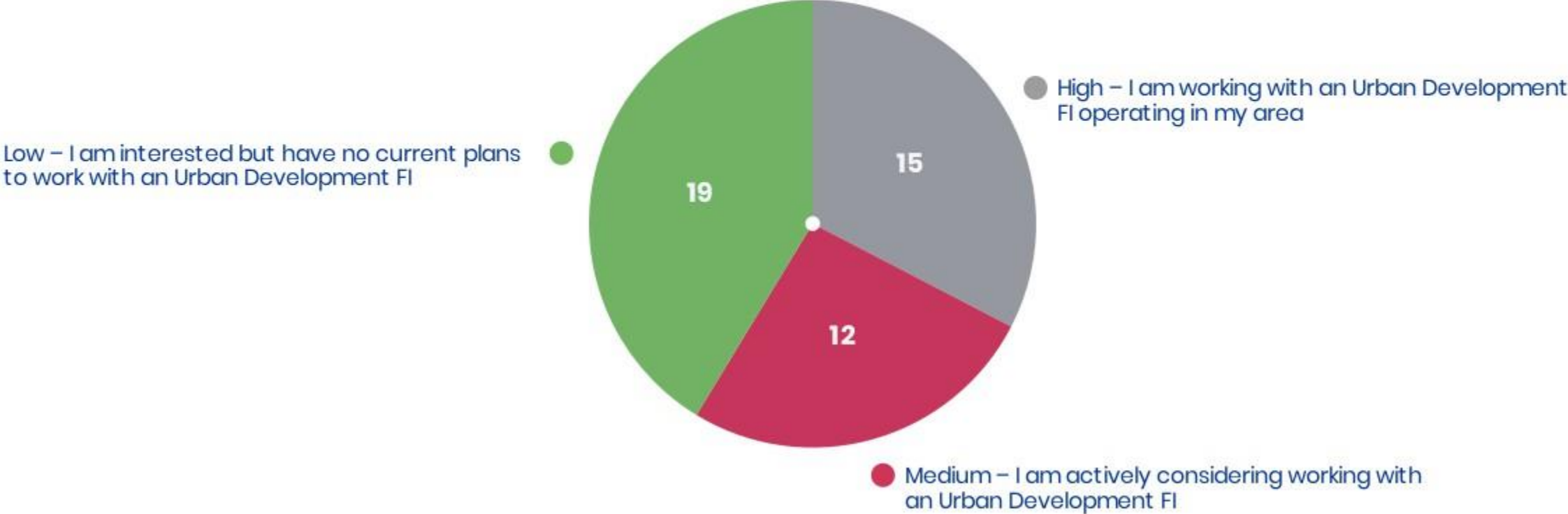
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# What is your current experience with FIs for Urban Development?



# How challenging have you found the following issues?

