



**SUSTAINABLE CITIES FUND.
Urban Development Fund
for the Regions of Sofia
and Southern Bulgaria**



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Set-up of Sustainable Cities Fund

Why and how SCF has been created?



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Set-up of Sustainable Cities Fund (SCF) Genesis



2008

2012

2018



IFIs
and
NBs



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Set-up of Sustainable Cities Fund Architecture



PUBLIC PRIVATE PARTNERSHIP AT THE LEVEL OF THE FUND

UNITING THE EXPERIENCE AND EXPERTISE OF:

- A STATE-OWNED MUNICIPAL FUND
- An experienced and successful URBAN DEVELOPMENT FUND under JESSICA initiative
- a reliable and well-known FINANCIAL INSTITUTION
- A PRIVATE CONSULTANCY ORGANISATION providing technical support



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Set-up of Sustainable Cities Fund

Lessons Learned from JESSICA



- **FINANCIAL INSTRUMENTS WORK** – we managed to leverage, to invest and to recycle
- **TIME MATTERS** – structuring of project activities and financing, investment process, change in mentality (from absorption to performance; from grants to long-term loans; from non-profit to revenue-generating projects) - each step takes time
- **THROUGH FINANCING PUBLIC POLICY OBJECTIVES, FIs ARE ABLE TO SHAPE THEM TO THE LOCAL NEEDS**, involving a great number of stakeholders
- **PARTNERSHIP IS ESSENTIAL** – EIB guidance; cooperation with Managing Authority for solving issues of common interest; the involvement of the partner bank in the consortium. Still, PPPs at the level of the project seem hard to establish.
- **PEOPLE ARE IMPORTANT** – not only “skin in the game”, but also “soul in the game”!



Set-up of Sustainable Cities Fund

Chronology and challenges



- Alignment of different interests and expected returns
- **END OF 2017:** SCF has been created in order to participate in the financial intermediary selection process of the FoF
- **AUGUST 2018:** SCF has been selected as financial intermediary for Sofia and Southern Bulgaria Regions
- **20th SEPTEMBER 2018:** signature of funding agreements.
- **NOVEMBER 2018:** fulfillment of preliminary conditions and publication of a call for expression of interest for projects
- Main principles of the partnership:



UNANIMITY



SEPARATION OF
ACTIVITIES



INVOLVEMENT IN
EACH PROCESS



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Operation of Sustainable Cities Fund

Main features and project approval process



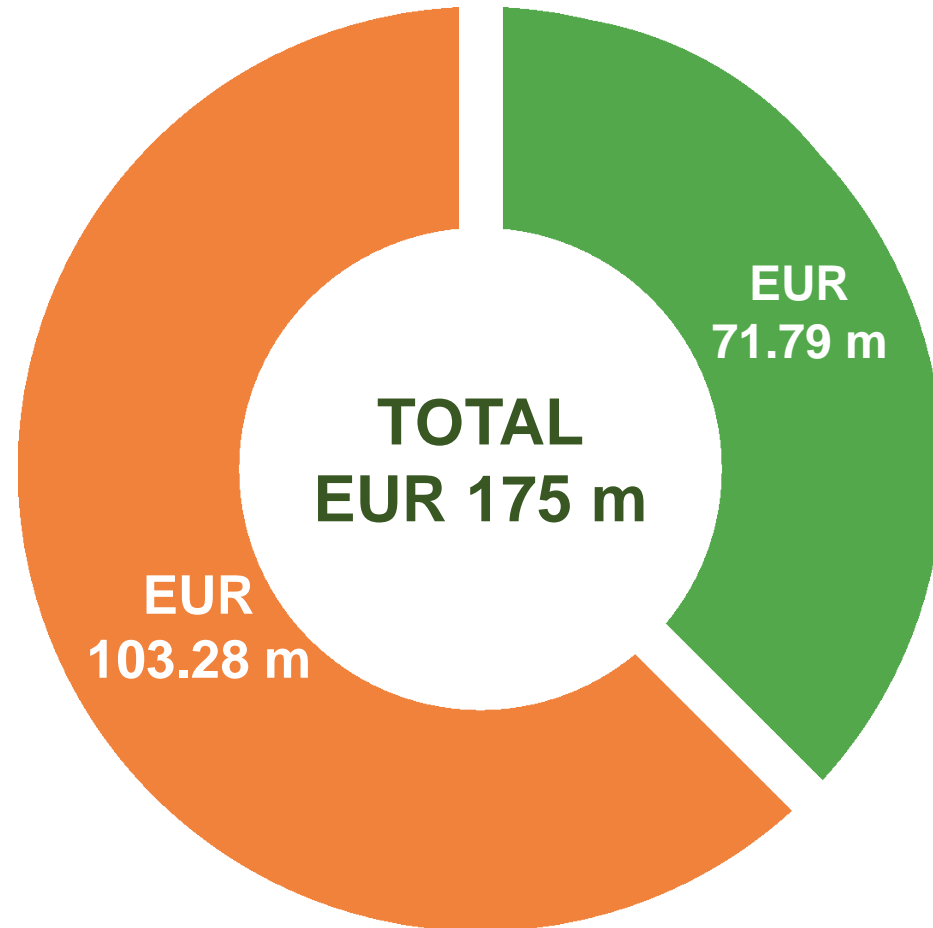
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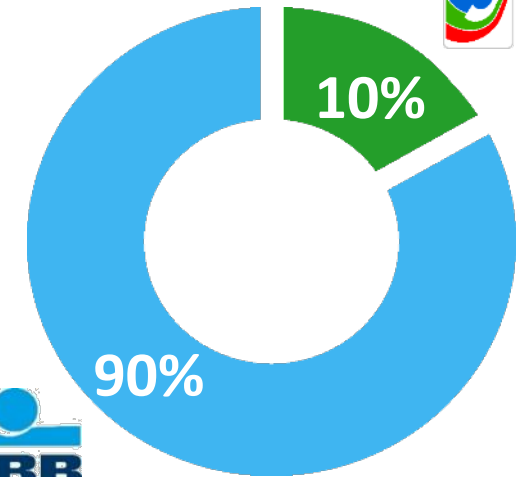
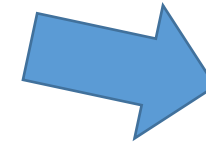
Sustainable Cities Fund Structure of financing



OP Regions in Growth
(59% of funds)
ERDF AND NATIONAL
CO-FINANCING



SCF
(41% of funds)
PROVIDED ONLY BY
THE PARTNERS

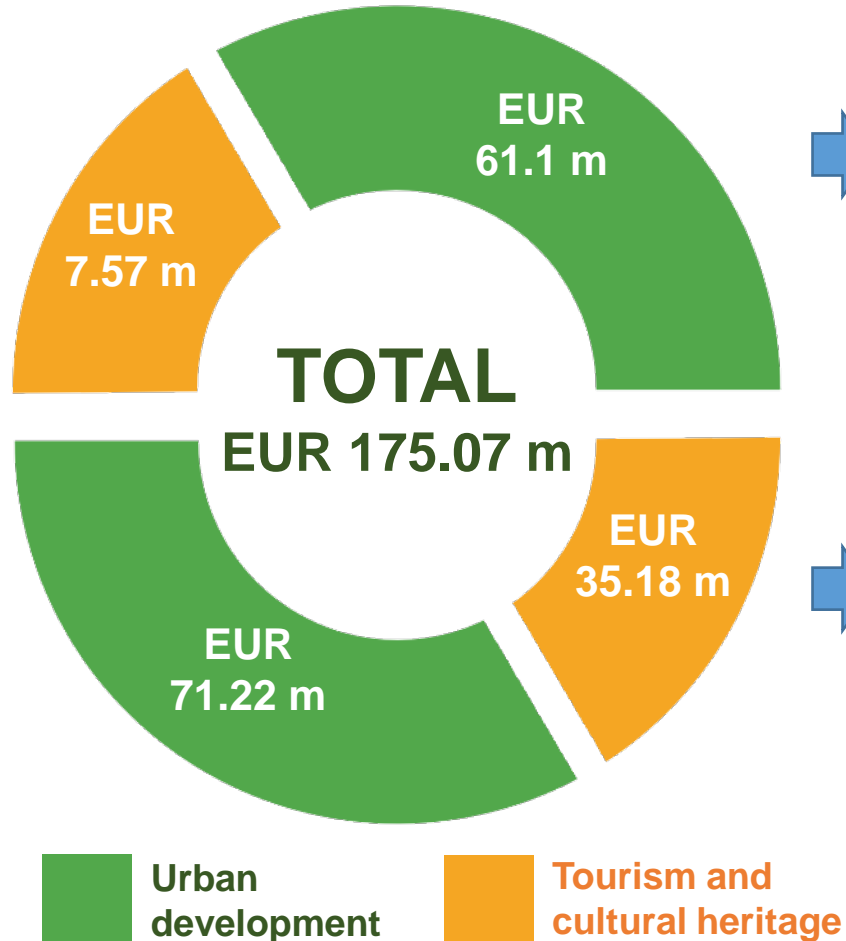


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Sustainable Cities Fund

Structure of financing



UDF SOFIA

- **Total resources** – EUR 68.67 m
- **Territorial scope** – Sofia City (PA1) and the Sofia City Region (PA6)

UDF SOUTH BULGARIA

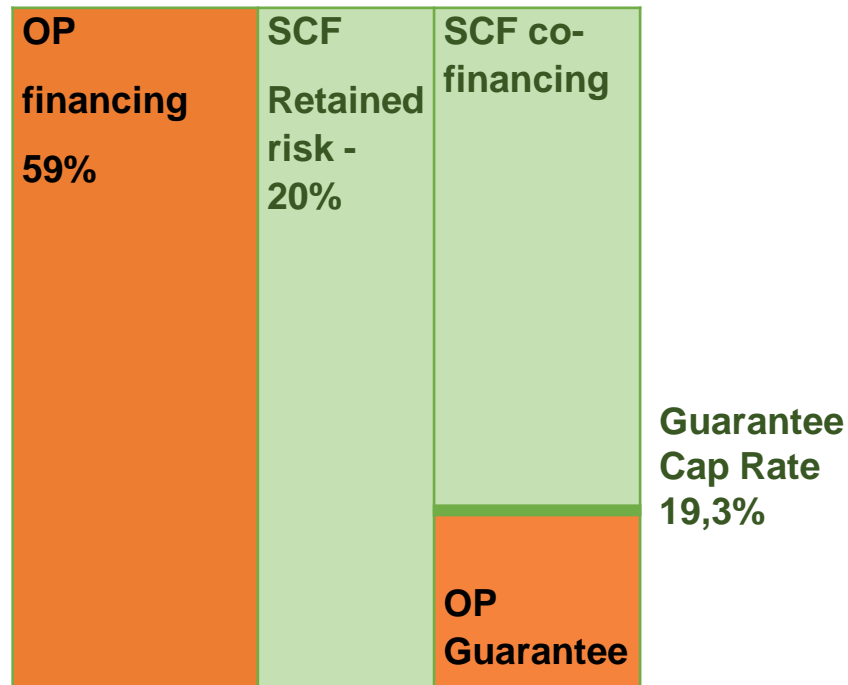
- **Total resources** – EUR 106.4 m
- **Territorial scope** – 21 eligible cities (PA1), 14 eligible regions (PA6)



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Sustainable Cities Fund Combined OP funding with Capped Portfolio Guarantee



OP contribution from FoF

- **Aim:** to facilitate Final Recipients access to finance at preferential conditions
- **Guarantee rate:** up to 80% on a loan by loan basis (credit risk retained by SCF - not less than 20%)
- **Guarantee Cap rate – 19,3%**, estimated on the basis of assessment of the expected portfolio average PD
- **Financial advantage fully passed on to the final recipient** – both in terms of interest rate and collateral reductions



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Sustainable Cities Fund Project requirements



- **FINANCIAL VIABILITY**
- Consistency with **INTEGRATED PLAN FOR URBAN REGENERATION AND DEVELOPMENT (IPURD)** – areas of impact
- Compliance with **STATE AID RULES** – GBER (arts.16 or 53) or *de minimis*
- Final recipient's own contribution – **15% minimum**
- **COMPLIANCE WITH OP “REGIONS IN GROWTH”**, Priority Axis 1 and 6



URBAN REGENERATION



URBAN
TRANSPORT



SPORTS AND CULTURAL
INFRASTRUCTURE



BUSINESS AND
INDUSTRIAL ZONES



ENERGY
EFFICIENCY



TOURISM AND
CULTURAL HERITAGE



Sustainable Cities Fund

Application and appraisal process



- **Application process:** SCF provides preliminary consultancy and technical support to the final recipient. In case the project is eligible for financing, the final recipient submits a loan application and a business plan to SCF
- **Appraisal process:** SCF has 4 step appraisal process, in which each partner is involved



SUBMISSION OF AN APPLICATION FORM



ELIGIBILITY



BUSINESS PLAN ANALYSIS



CREDITWORTHINESS AND COLLATERAL



STATE AID



25 WORKING DAYS



Sustainable Cities Fund Combination of support (i.e. FIs and grant)



- **Art. 37 (8) CPR.** Two separate operations with distinct eligible expenditures and a two step application process
- The fund is responsible for the business plan analysis and for establishing the funding gap
- The grant **covers up to 85%** of eligible project costs - **only construction works** and in some cases delivery of equipment
- The grant is complementary, the support through FI is **mandatory** for grant application in such cases



APPLICATION STARTS
IN THE UDF



FUNDING GAP
IS ESTIMATED



GRANT AMOUNT
REQUIRED



APPLICATION FOR
GRANT



TWO CONTRACTS



CLEAR
SEPARATION



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Project pipeline

Project examples – Sofia UDF

Project promoters: municipal trade companies

Compliance with IPURD: Area of impact centre

Priority axis OPRG: PA 1 (urban regeneration and sports infrastructure)

Combination of support: not allowed

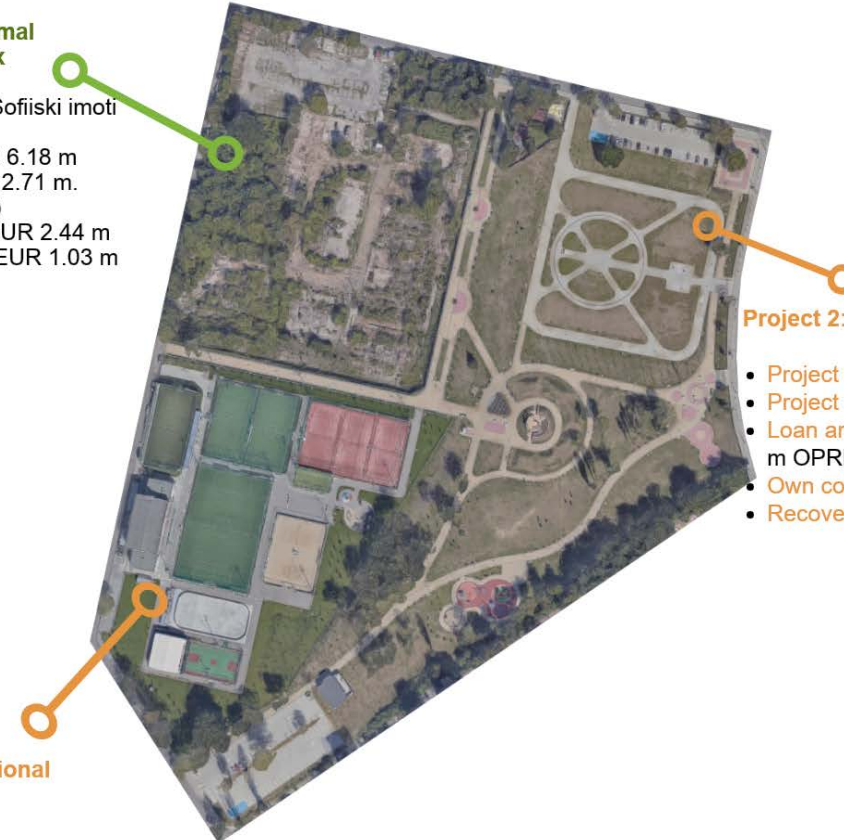
Recoverable VAT: financed by final recipients

Regenerated area: 10 ha



Project 3: Aqua-thermal recreational complex

- Project promoter: Sofiiski imoti JSC
- Project value: EUR 6.18 m
- Loan amount: EUR 2.71 m (EUR 1.6 m OPRG)
- Own contribution: EUR 2.44 m
- Recoverable VAT: EUR 1.03 m



Project 2: Park Vazrazhdane

- Project promoter: Sofiiski imoti JSC
- Project value: EUR 1.94 m
- Loan amount: EUR 0.89 m (EUR 0,44 m OPRD)
- Own contribution: EUR 0.73 m
- Recoverable VAT: EUR 0.32 m

Project 1: Multifunctional Sports complex

- Project promoter: Sports Sofia - 2000 JSC
- Project value: EUR 1.68 m
- Loan amount: EUR 1.4 m (EUR 0.7 m OPRD)
- Recoverable VAT: EUR 0.28 m



Project pipeline

Project examples – Sofia UDF



Project 3/SCF



Project 2/JESSICA



Project 1/JESSICA



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The fund at your side

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financial instruments
added value **ERDF** funding agreement revolving capacity building
governance **ESF** EU guidance
technical support seminars leverage financial intermediaries microfinance
co-financing case studies
investments **ESIF** fi-compass final recipients
business plan **Thank you** thematic objectives
advisory services guarantees loans **CF** equity
EAFRD private investors banks life cycle combination of support
conferences **EMFF** factsheets investment strategy
fund of funds managing authorities manuals