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REGIONAL PUBLICATIONS

CONTEXT & CASE STUDIES

JULY 2014

RESOLUTIONS EUROPE:

LOCAL INNOVATIONS TO FINANCE CITIES AND REGIONS

FMDV

Supporting local authorities to access funding

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FMDV
Supporting local authorities to access funding

FMDV (Global Fund for Cities Development) was initiated in October 2010 by Metropolis and UCLG in order to become the international organization that gathers local authorities (cities and provinces/federated states) and their networks **on the economic and funding solutions for a sustainable urban development.**

Acting as an operational instrument, FMDV supports local authorities in empowering their local economic dynamics and in accessing the necessary financial resource, in the best conditions, to finance their urban development strategies through technical expertise and financial engineering on their projects.

It also supports the design and development of project strategies and financial vehicles that give programmes or local governments access to long-term financing.

The network promotes a holistic approach on urban economy and urban development funding, both in terms of their traditional tools (bank loan, bond emission, local taxation optimization, publicprivate or public-public partnerships) and in their endogenous variation (local socio-economic revitalization, urban productivity and attractiveness, responsible green economy, local resources valorization and mobilization, and social and solidarity economy).

FMDV leads the debate between multi-scale urban stakeholders via the publication of reference works on the topic, thematic case studies and the organization of dedicated seminars.

Its operating and coordination methods promote a multi-stakeholder culture based on dynamic cooperation and exchanges between local authorities, notably **South-South or through South-South-North triangular partnerships.**

In this frame, the organization launched **an international campaign called REsolutions to Fund Cities to Rethink Economic and financial solutions** that operationalize financing for a sustainable, efficient, and resilient local development.

Based in Paris, FMDV has Regional offices for Africa based in Rabat, for Latin America based in Mexico City, for Middle East and West Asia based in Mashhad in Iran, and three national representations in Istanbul for Turkey, Brasilia for Brazil and Washington DC for the US.

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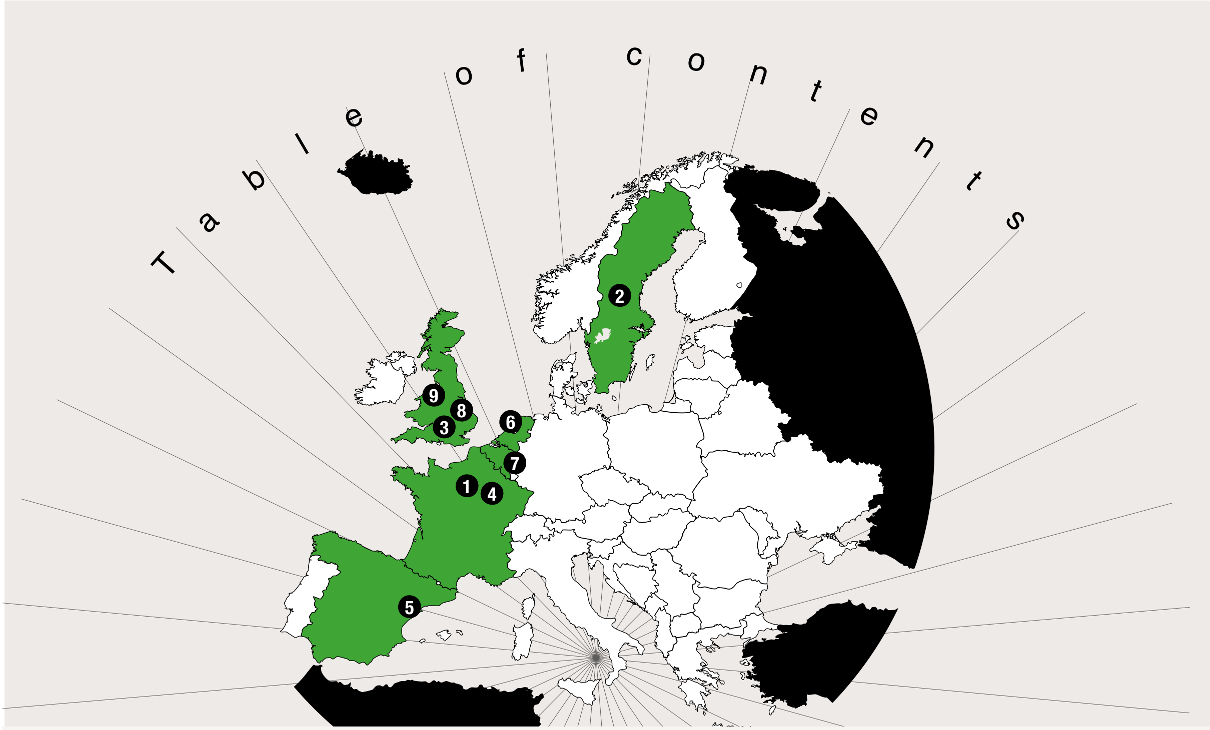
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MICHÈLE SABBAN

Vice-President
of the Île-de-France Region
President of FMDV
President of the R20

Together, Let's Make a Difference !

The Old World is faced with global unrest; it is confronted with the end of certainties formed in another century, and with complex and difficult negotiations between States and with regional institutions. Yet, it is resisting and – even better – renewing itself as it innovates and inspires. And this is largely thanks to European local governments.

As creators of wealth and opportunities, producers of the common good and of solidarity, and architects of our futures and their sustainability, European cities and regions are in close touch with solutions adapted to local realities. More flexible by nature than States and better connected with the changes in our societies, they invite us to reinvent and revitalise Europe based on its local communities, their diversity, their creativity and their influence.

At the same time, the recurring crises weaken our room for manoeuvre, stir up reflexes of deregulated and unabashed competition, and violently threaten our achievements. In this globalised world, they engender chain reactions, of which the final impacts are unknown, just as we are unaware of who will suffer from them and who will benefit from them, at least on the surface …

Recent economic and financial history will have at least reminded us of this obvious fact: no one is safe, and our fates are always more closely interconnected.

This publication and the conference that accompanies it are an invitation and a call for mobilisation, exchange and debate, as well as for the sharing of expertise and solutions that are operational, adaptable, replicable and inspiring – this not only among local European governments themselves, but also with local development stakeholders. The publication and conference are both part of the global REsolutions To Fund Cities programme, which had been initiated by the FMDV along with Metropolis and CGLU, and which the Île-de-France Region has chosen to support politically.

Here and now, subnational governments are choosing to take up leadership in the debate on funding urban development, and to determine and propose, according to their needs, their capabilities and their expertise, the terms of dialogue and negotiation with their public, private, citizen and academic negotiating partners.

Read and be inspired by these first examples we have gathered for you, meet your peers, discuss with your partners: we are convinced that it is together that we will find the most relevant, efficient, socially responsible and sustainable responses.

Lastly, join us, since we are pressed by urgency as by – above all – the wish to explore, the will to experiment, and the desire to cooperate and to build together our future society.

ANNEMARIE JORRITSMA

Mayor of Almere,
President of the Association of Netherlands Municipalities and President of the CEMR

Whether it is at European, national or local level, the economic and financial crisis has put under serious pressure our models of public financing, and forced us to rethink ways to support local economic development.

Above all, it has highlighted the challenges that poses the urbanisation of our continent. If our cities and regions contribute to a large part of the European gross domestic product, they remain places where unemployment and poverty are striking hard. Still, every day, they come up with creative solutions to make urban development more sustainable, in all its aspects, including financial.

Our cities and regions are at the heart of a paradigmatic change which they must take advantage of if they want to remain one of the main drivers of our European economies. For this to happen, three words are key: innovate, test and share!

The REsolutions programme led by the Fonds Mondial pour le Développement des Villes (FMDV) comes therefore at a perfect time, and the Council of European Municipalities and Regions (CEMR) is proud to be closely associated to this reflexion process.

Traditional financial resources are running out and no longer sufficient to implement ambitious economic, social and environmental policies. Numerous solutions exist though to optimise the management of local resources, for instance through new technologies that can trigger virtuous mechanisms of co-production.

Similarly, and notably through the advocacy efforts of associations like CEMR, we were able to enhance access to funding for European local and regional authorities. The new investment priorities of the European funds or the establishment of local government funding agencies are evidence of this.

Most importantly, it is our mayors, local councillors, our presidents of regions and other local and regional elected representatives who have had the courage to think differently, innovate and test new ideas to better serve our populations. The case studies that are gathered in this publication illustrate this perfectly.

If they are only some examples of good practices, we ought to disseminate and share them. Built on its network of over forty national associations of local and regional governments, from all over Europe, CEMR congratulates the work accomplished by the FMDV and all the partners, UCLG, Metropolis and the Île-de-France Region, and is committed to continue this sharing of knowledge.

EUROPEAN LOCAL GOVERNMENTS TODAY: INCREASED POWERS WITH REDUCED RESOURCES.

In 2014, 72% of Europeans are living in an urban environment characterised by polycentric urban structures and numerous intermediary cities. Despite a recent slowdown, European local governments are still responsible for more than 65% of public investment in Europe and in this respect are one of the major driving forces of European economies. Besides producing "growth" and innovation (67% of European GDP is generated in metropolitan regions), European metropolises are also the areas which concentrate the greatest inequalities and highest unemployment rates, with the corollary effects of increased social exclusion and poverty[1].

In addition to the budgetary impact of the economic and financial crisis, there is the growing burden of the cost of social services[2], and the cost of current and planned long-term investment requirements for renewing infrastructure and equipment[3], and also transfers of jurisdiction from the central government. Together, these factors have led to an increase in local expenditures at a time when resources are becoming drastically scarcer.

How much room for manoeuvre do European local authorities have for sustainably mobilising new resources? Which previous experiences could inspire them? What new ways of thinking are emerging from these innovative funding mechanisms?

LOCAL EUROPEAN DYNAMICS: QUESTIONING THE OBVIOUS FACTS, AND MAKING A DIFFERENCE

European local public action finds itself caught in a stranglehold by the paradox between increased responsibilities and duties, active globalisation, relatively limited financial autonomy, and uncertainty concerning available and mobilisable capacities and resources. All this in a context that requires commitment to a low-carbon and redistributive society as well as assurance that the area is "attractive and competitive". Local public action must face not only a downward trend in financial transfers from the central governments, a public-spending austerity

1. The urban and regional dimension of the crisis - Eighth progress report on economic, social and territorial cohesion, Report from the Commission (June 2013)

2. These costs resulted in respective increases of 10% and 24.5% in the social budgets of Danish and Slovakian local authorities in 2010 (Local governments in critical times: Policies for Crisis, Recovery and a Sustainable Future– Council of Europe text edited by Kenneth Davey, 2011: http://bit.ly/FMDVReso-CCRE p78- 92)

3. The investment needs are estimated to be about €650 billion per year - cf. G. Inderst, Private Infrastructure Finance and Investment in Europe, EIB Working Papers (February 2013)

policy based on sometimes controversial resource rationalisation strategies, and decentralisation processes of variable scope, but it also has to cope with a level of fiscal flexibility that is limited (depending on the governmental level) or highly exposed to the fluctuations in the economy. It also has to deal with unequal access to European structural funds and programmes, bank loans, and the markets for its long-term projects.

European cities and regions are nodal points of globalisation flows and are organised in clusters and networks; they seek to have an influence, and to make sure the voice of subnational governments is taken into account in the drawing up, revision, and implementation of European policies. They are now better taken into consideration by the European Union, which intends to adopt a European Urban Agenda, and by the OECD, which recognised for the first time in 2014 the major role they play by validating a recommendation on the effectiveness of public investment between levels of government.[4]

Largely dependent on central governments' desire to pass on the burden of the debt to subnational entities, this new situation is nevertheless an opportunity to be seized. It is a chance to rethink the European Union project by and for local authorities, at the political, economic, social and cultural levels, by offering them control and autonomy vis-à-vis the economic and financial affairs in their regions according to their mandates.

This state of affairs questions the capacity of European institutional stakeholders to organise multi-level regional governance and government, reconnected to local realities, to the challenges posed and to the new ways of working together likely to emerge. In this perspective, local economic development and the diversity of sources and forms of funding for urban development are the basis of the feasibility, viability and efficiency of their proposals.

But which funding strategies and instruments should be put in place or adapted to favour local dynamism, as well as the financing of key sector-specific policies and a fair equalisation of resources among different areas? What optimisation of and trade-offs in spending should be proposed without going against real investment needs? Which accounting frameworks and revised indicators should be used? Who are the stakeholders in the funding of local authorities, and what are the main evolutions in the ways that traditional financial backers operate? What new institutions and relationships between European urban development partners should be implemented? Which regulatory developments should be encouraged? Which local capacities should be reinforced, and how? What is required for the transition between different local development funding models, whose impact is highly dependent on the institutional, economic and societal contexts in which they emerge and are set up, together with the capabilities of local stakeholders?

To answer those questions through action, the European version of the worldwide REsolutions To Fund Cities campaign has undertaken to reveal the local European experiences and initiatives likely to inspire local stakeholders, particularly local authorities, right now.

Because solutions do exist: this publication presents a non-exhaustive but representative set of policies, strategies, mechanisms and instruments activated to finance European urban development.

LOCAL EUROPEAN FUNDING AT A CROSSROADS

European subnational governments are among the major long-term investors in Europe, and they are the main stakeholders in the transition of our systems. Yet, they are suffering from a growing lack of cash resources.

To make up for temporary liquidity gaps (e.g., a 30% reduction in financial transfers from the Spanish central government to local governments in 2011,[5] or record interest rates in Spain, Greece and Portugal), and to adapt to the structural issues inherent in our societies (in particular, reduction of the carbon footprint, ageing populations, and infrastructure needs), emergency measures were taken by certain European States to facilitate the funding of local authorities through the support of public national institutions.[6]

4. http://bit.ly/FMDVReso-governance
5. DEXIA-CCRE report on European local authority budgets (summer 2012) http://bit.ly/FMDVReso-Dexia
6. *Ibid.*

But these measures are not a long-term response to local governments' funding requirements. Consequently, new strategies for diversifying the funding of subnational governments are emerging in Europe, with an evolution of funding models towards the mobilisation of private capital and increased recourse to international, regional and national public financial institutions, together with the bond market. Examples include the intention to create Local Government Funding Agencies, and the issuing of socially responsible and mutualised bonds.

In its new 2014-2020 budgetary framework, the European Commission intends to consolidate this trend by making available financial engineering tools with a leverage effect: Financial Instruments (FIs). Proposed by the European Investment Bank (EIB), these FIs are intended to mobilise private capital, to avoid drawing on the resources of the cohesion policy[7], to support the low-carbon economy, especially through the development of public-private partnerships such as the London Green Fund, endowed with €125 million and intended to finance the city's sustainable development policy.

In addition to these *traditional* forms of financial engineering, there are complementary strategies and tools that open new resource-diversification perspectives for European local governments.

There are numerous trends today that contribute to proposing a renewal of urban development: emerging forms of post-network urban planning,[8] concepts such as the productive city or urban farming,[9] and the appearance of initiatives stemming from the share economy[10]. These developments

The success of funding strategies depends on factors like pro-active local policies combined with strong political backing and reinforced cooperation.

are still in their infancy, and echo each other. They are part of the considerations on the definition and role of public service, on common goods and the right to the city. They reflect on new types of *contractual or partnership arrangements* between "city stakeholders" and, in a globalised world, on local areas' capacity for greater resilience via "connected" re-localisation of exchange, economic activity and production.

These reflections have led to experimental initiatives that have developed into practices. For example, among the case studies presented in our work, the growing interest in the Community Land Trust,11or the development of complementary local currencies.

These practices promote values linked to use instead of ownership, and encourage a rethinking of local financial economic action, as well as local governance.

DIVERSITY AND COMPLEMENTARITY: KEYWORDS FOR EUROPEAN LOCAL FUNDING

In order to cover a broad range of proposed funding strategies and tools available to European local governments, this publication focuses on three areas of research:

- the mobilisation of "traditional" financial resources (Chapter 1),
- the optimisation of public resource management (Chapter 2),
- the exploration of local and alternative

7. In 2011, funding for the cohesion policy represented more than half of public investment in many of the "less developed" European regions.

8. The post-carbon era is an opportunity to profoundly transform the way traditional networks are organised, moving towards greater decentralisation. Article in French: "Vers l'essor des villes « post-réseau»: infrastructures, innovation sociotechnique et transition urbaine en Europe" (*The expansion of 'post-network' cities: socio-technological infrastructure and urban transition in Europe*), – Oliver Coutard and Jonathan Rutherford – LATTS – 2013.9.

9. The city becomes a new agricultural area, envisaged in terms of its production capacities.

10. According to Forbes magazine, the share economy was worth $3.5 billion in 2013, a rise of 25%. http://bit.ly/FMDVReso-Forbes

11. A system of tripartite governance and placement of investments in bricks and mortar, based on the separation of land ownership and building ownership

funding solutions that put the local economy at the heart of the local development process (Chapter 3).

The first chapter presents three strategies that re-imagine "traditional" funding solutions through a diversification of borrowing mechanisms:

- two kinds of bond issues –"eco-socio-responsible" in the Île de-France Region, France, and mutualised via the Kommuninvest local government funding agency in Sweden;
- a new kind of leverage-based financial engineering through the mobilisation of European financial instruments in London.

The second chapter explores policies for optimising and rethinking the management of local resources and investments. It analyses:

- the systems of equalisation and vertical and horizontal cooperation generated by setting up the Metropolitan Area in Barcelona,
- the (energy) cost reductions favoured by the mechanism of third-party funding applied to energy-efficiency upgrading by the mixed-economy company Energies Posit'if in the Île-de-France Region,
- the use of intelligent technologies by the city of Amsterdam to improve the efficiency, quality and impact of urban services.

Finally, the last chapter seeks to demonstrate that local economic development is an essential – or even priority – lever for funding urban development. For some years, European regions and municipalities have been fertile ground for innovative initiatives. They have questioned the notion of ownership, exploring various forms of high added-value governance, and reducing the costs of public stakeholder intervention. They have also reinforced the resilience of local economies, through the creation of sustainable local jobs and the solidarity-based and productive networking of economic stakeholders and local citizens. For example:

- the Community Land Trust of the Brussels-Capital Region,
- the complementary local currencies of Brixton in Greater London,
- the public procurement strategy in Manchester.

From the words of the elected officials and their teams, each case study endeavours to analyse the principal endogenous and exogenous funding mechanisms and tools developed and/or advocated by local authorities in Europe, and the conditions for replicating them. The required regulatory and partnership conditions are also covered, along with the issue of assessing the impact of local economic development support strategies.

Interconnected with each other, the examples presented form a coherent whole, which could not alone respond to future challenges. For even if there are many local initiatives, which indicate possible avenues for revitalising practices and the positive outcomes they provide, there are still no global policies that reconcile globalisation, sustainability and local realties. Our objective is therefore, through local activity, to reveal the complexity of the targeted objectives, and to present the value chains that lead to truly integrated funding and development of local projects. In that way, we propose to highlight the processes and steps required for a conscious transformation of models and practices.

AVENUES FOR THE FUTURE AND LESSONS LEARNED

In addition to financial transfers from the State, sources of funding for subnational governments may combine the mobilisation of European structural and investment funds, the diversification of sources and forms of borrowing, a modified tax system, policies for streamlining and optimising public expenses, and the mobilisation of local savings to finance local projects. In Europe, it is also essential to organise action and cooperation between the major European public banks, and also between local, national and regional banks.

More reactive than national governments, local governments have the capacity to implement innovative financial initiatives that contribute to changing the mindset of bankers, national and European policies, and even the international financial system (cf. the regions' stand against tax havens, which helped change the law in France and Europe).

Local governments, in their diversity, are in a position to contribute to reducing the debt of central governments (increased solvency due to the Local Government Funding Agencies) and ensuring the

Beyond the simple notion of cost, it is also a question of models and visions for the future.

funding of the energy transition (public-private company Energies Posit'if). They can also provide the levers required to support the real economy, the only true producer of sustainable prosperity.

In a changing Europe, the economic and environmental sustainability of the provision of public services based on traditional infrastructure networks remains uncertain.[12] Their overall costs can only increase, in particular because of the dependency of our systems on energy, food staples and raw materials. It has therefore become necessary to consider alternative forms of urban development in the light of comparative investment costs, and using indicators corresponding to the reality of available and mobilisable resources (natural, economic and financial).

Beyond the simple notion of cost, it is also therefore a question of models and visions for the future. The way the funding of local authorities is considered and carried out is merely a translation of these models. For example, it is not "simply" a matter of funding an urban project produced locally, but also of using and reusing local resources, and moving from a linear model to a circular model, while continuing to develop multi-functional infrastructures, insofar as possible.

Regions and municipalities are places for experimentation with interconnected initiatives that are capable of working towards several – for there cannot only be one – complementary, viable and desirable models of society. From the reappropriation of the city by its inhabitants and the groups of stakeholders who interact on and with the area, new approaches emerge for sharing responsibilities, government and governance that should be coherently promoted and developed. We see then that more than simply enabling these initiatives to exist, the role of the cities of tomorrow is to ensure their interconnectedness, in keeping with a shared and common capacity-building vision of local development.

We also see that the success of funding strategies depends on numerous factors such as pro-active local policies combined with strong political backing and reinforced cooperation between the various stakeholders involved in the transition (local associations, NGOs, networks, private sector, etc.) and between governmental levels. Other ways of enhancing the value of local resources and achieving their enlightened "monetisation" include identifying the positive outcomes of a project, quantifying them, and determining the level of complementary public aid required.

European local governments are taking action, and this publication demonstrates their efforts.

Spread the word, experience and knowledge!

12. –op. cit. Coutard and Rutherford

CHAPTER 1

RETHINKING BORROWING AND PROMOTING LEVERAGE OF EUROPEAN FUNDS

Since 2008, on average, traditional sources of funding for local governments in Europe have been diminishing (local taxes) or risk drying up (grants, subsidies and loans), due to the adjustments imposed as a result of the systemic crises. Due to lower government transfers and tighter bank lending, the trend is therefore towards diversifying resources or adapting some of the traditional financial mechanisms.

What systems of financial engineering are emerging or becoming more prevalent? What are their limits? What have we learned about the efficiency, interconnections and complementarity of those approaches and instruments? How have they been appropriated by European local authorities at different territorial scales? What have been their impacts on indebtedness, local governance, and territorial equity? What are the needs (and responses) in terms of financial capacity building for programming, management and monitoring?

The answers to these questions would require extensive cross-cutting analyses and debates among various actors (experts; institutions; public, citizen and private-sector stakeholders), though we cannot be sure that a consensus agreement would be found.

That is why, through the following three case studies, our job will be – more modestly – to illustrate the dynamics of renovation in local financial strategies, which emerged each time in specific environments, but which present strong and sufficiently contextualised indications of replicability than can inspire other European local governments.

At the same time, negotiations with public and private European banking and financial partners must continue and focus on long-term programmes. Indeed, the challenge is now to better integrate the progressiveness of partnerships and the capabilities of local governments of various sizes and context. The need is also to draw up legislative and regulatory adjustments more in tune with the reality of the relationships and interconnections among actors in globalised urban places.

Are traditional resources vanishing?

Beginning in 2009, the economic and financial crisis caused a decrease in the budgets of local governments, and consequently in their capacity for local investment and for providing the basic services for which they are responsible. Alongside the decline in tax revenue[1] and in national subsidies and grants[2], local

1. In 2011, European municipalities experienced a decrease of 1.5% in their own resources as well as in shared taxes, after a drop of 4.5% in 2010.

2. For example: -30% in Spain, from -5% to -12% in Latvia, Romania, Italy, Czech Republic, and the United Kingdom. Dexia/CEMR report “Infra-national government budgets in Europe” (summer 2012).

governments have encountered a drying up of bank loans, due to the diminished liquidity of commercial banks, but also to the collapse of specialised institutions[3], such as the Franco-Belgian bank Dexia, which estimated the lack of long-term financing for French local governments in 2012 at 6 billion euros.[4]

Though the situation varies from country to country, more difficult access to bank loans has forced local governments to accept increasingly high interest rates. In certain regions in Spain, for example, those rates reached 4.75% in 2010[5].

In Europe, while the share of EU funds in local public investment varies greatly from one area to another, they have nevertheless helped to offset some of the recent – sometimes drastic – reductions in financial transfers from central governments to local governments[6]. But which European local governments have the ability to go looking for those funds? And how long will they be able to compensate for the lack of local resources?

In fact, to overcome these financing difficulties and to diversify their resources, some local governments are innovating and deploying new funding strategies.

Diversifying resources, borrowing better and differently: the trending answer for European municipalities

While several European experiments show real potential (environmental taxes, land value capture), two innovations are particularly notable, though recent and as-yet little developed:

- new borrowing strategies via the issuing of bonds, be they individual, bundled and/or green and socially responsible;
- and the use of leveraged European financial instruments (FIs), in the context of the European Cohesion Policy.

While new borrowing strategies highlight the ability of local governments to bring together access to financial markets and sustainable urban development policies.

Each demonstrates in its own way a willingness to empower local governments, thanks to the acquisition and mobilisation of independent expertise and increased financial literacy. While new borrowing strategies highlight the ability of local governments to bring together access to financial markets and sustainable urban development policies, FIs offer the opportunity of a direct funding bridge between the European Union and local governments.

In our case studies, the new borrowing strategies, via bond issues, are analysed through two of their variations:

- Issues of non-bundled, targeted green and socially responsible bonds, (*Case study: Eco-socially responsible bond issue by the Île-de-France region*)
- and issues of bundled but non-targeted bonds through the creation of Local Government Funding Agencies (*Case study: Kommuninvest, Sweden*)

The use of European financial instruments itself is explored via one of the projects of the Joint European Support for Sustainable Investment in City Areas – JESSICA programme (*Case Study: The London Green Fund).*

3. Cities alliance (2009) Local governments and the financial crisis : an analysis http://bit.ly/FMDVReso-citiesalliance
4. La Tribune (2012) La crise continuera en 2013 http://bit.ly/FMDVReso-tribune2013 (in French)
5. The Guardian (2010) Local authorities face credit crunch amid European debt crisis http://bit.ly/FMDVReso-guardian
6. As an example, for Bratislava, the capital of Slovakia, the share of European funds in local public investment between 2007 and 2013 was 75%. Speech by the mayor of Bratislava during the Cities of Tomorrow Conference, Brussels, February 18, 2014.

We have made a conscious choice to focus on funding outside the scope of local governments (from banks, markets, the European Union) and not on local taxation. Indeed, in the context of structural, economic and social crisis, it seems vital to find solutions that depend as little as possible on the direct resources of citizens or local economic actors, whose finances are also in difficulty.

While FMDV recognises taxation as the foundation of solvability, funding, and the autonomy of local governments, the diversity and complexity of local tax systems in Europe calls for a review in itself, on a case-by-case basis. In the meantime, the exploration of these innovative financial mechanisms provides a possible answer to local budgetary needs, in a frame of reference better shared across the European Union. That is also the position of the CEMR in its report on local government funding[7].

Furthermore, these examples were chosen for their innovation, the originality of proposed solutions and their potential for replication. The case studies specifically address modes of governance, functioning, and impacts in the local areas.

Lessons learned and outstanding issues

It is clear that these dynamics require financial expertise: the development of technical capacities within local governments is, therefore, a crucial issue for the diversification of financial resources.

That being so, empowerment, even partial, will only be relative if it creates dependency on private investors. So it is clearly a question here of always seeking

The trend is towards diversifying resources or adapting some of the traditional financial mechanisms.

a balance between endogenous and exogenous resources, and of making maximum independence from market fluctuations a goal, an element of the responsible financial management of the municipality.

Other questions can also be formulated:

Can these mechanisms address the current needs of local governments in terms of financing, but also of long-term sustainable development?

What kind of local development do these new methods of financing produce?

Other points: the mechanisms described in the case studies do not all apply to all local governments. Issues relating to the size and economic dynamism of municipalities are fundamental. Small and medium-sized municipalities do not have the same strengths and expertise as larger and more powerful local governments. What connections and cooperation can be developed between them? As the case study of Kommuninvest shows, they must find alternative solutions, which often involve more in-depth and reassessed cooperation, both horizontal and vertical (strengthened interactions among actors of a given territory, new institutions and modes of relationships).

Additionally, the criterion of solvability is an essential condition. Creating financial mechanisms adapted to each level of decentralised government can contribute to reduce the debt of local authorities and therefore of central governments (balance between local administrative capacities and development of the potential of territories).

Finally, a real movement is emerging among municipalities in favour of increased transparency and cooperation, in order to guarantee stable and sustainable funding. Targeting of funds is a good example of a concrete solution that allows for the linking of mechanisms for raising funds to a model of sustainable development.

Because, to conclude, we mustn't forget that financing must not be disconnected from projects, but part of a political strategy. Financing is only viable if the projects it promotes fit into the citizens and territorial needs.

7. CCRE. 2012. Projet « Poste de travail du futur » Assurer des emplois de qualité, modernes et durables au sein des collectivités locales et régionales. Thème 1 : Le financement des collectivités locales et régionales : défis majeurs, solutions pour relancer la croissance et autres initiatives

PRESENTATION

As resource-diversification tools, socially responsible bond issues strengthen the sustainable development of regions and municipalities. We present here the example of the Île-de-France Region.

CHALLENGES

Limited budgets, diminishing government subsidies, and banks hesitant to lend: without much room to manoeuvre on tax income, European cities and regions are developing new borrowing strategies on financial markets.

On 19 March 2012, the Île-de-France Region became the first European local authority to issue socially responsible bonds for social or environmental projects targeted before issuance. That innovative financial operation was a genuine success: it raised 350 million euros on the markets, within 30 minutes and at a remarkably low interest rate. It then raised 600 million euros on 15 April 2014, when the initiative was renewed – the most important funding effort ever achieved by a European local government. These operations are part of a three-fold strategy: strengthening financial autonomy, expanding the base of responsible investors and working against tax evasion.

CASE STUDY

1

GREEN AND SOCIALLY RESPONSIBLE BORROWING: COMMITMENT AND INNOVATION IN THE ÎLE-DE-FRANCE REGION

The Île-de-France Region is simultaneously one of the most dynamic poles of wealth-creation in Europe (4.8% of European GDP in 2011) and one of the regions with the greatest inequality in France.[1] The challenges related to such inequalities, especially sub-regional ones, are therefore numerous, including the financial engineering needed to address them.

For the last fifteen years, the Region has financed part of its investments through bond issues, a trend that has intensified due to decreases in central government subsidies and transfers. It has therefore pursued a policy combining the diversification of funding sources, a responsible commitment to funding environmental and social projects, and a desire for project transparency, with a specific attention to the sources of funding in order to fight tax havens.

Green and socially responsible bond issues are a way to promote and anchor these practices. They are an element of Socially Responsible Investing (SRI), which is rapidly growing but still a niche. They hence constitute a pool of resources potentially available to local authorities, which are attractive issuers for concerned investors since they are sustainably rooted in a territory.

Green and socially responsible bond issuance: how does it work?

Such bonds are unique in that they exist to finance predefined projects with an environmental and/or social impact in the local area. The issuer undertakes to inform investors about the use of the funds and to report on the project progress and their impacts. The innovation thus does not lie in the financial engineering, which is similar to conventional bonds, but in the targeting and allocation of revenues to investments favourable to the environment or the social services of the local authority. These issues encourage the adoption by markets of new practices in accordance with the responsibilities, commitments and needs of local authorities.

In 2012 and 2014, the Île-de-France Region relied on private banks throughout the process (defining the bond rates and terms, support on the markets). Thanks to the success of the operation, the Region was able to negotiate very low annual interest rates, over 12 years, for both issues: 3.265% in 2012 and 2.375% in 2014

Repayment is made, as with conventional debt, from the Region's equity.

When diversification and responsibility go hand in hand with solidarity and transparency

Capital raised by the issuance must correspond to real short-term expenses incurred

€200 million planned, €350 million raised – Interest rate: 3.625% over 12 years – 2 months of preparation.

2014: € 600 million raised – Interest rate: 2.375% over 12 years – 1 month of preparation.

1. The intensity of poverty – the gap between the median standard of living of the poor population and the poverty level – is higher in the Île-de-France Region (20.9% vs. 19% outside of the Paris region) .An Île-de-France household of comparable situation to one outside the Paris region runs a 40% higher risk of poverty in living conditions. In *Regards sur la pauvreté en Île-de-France* – INSEE (December 2013)

This experience demonstrates the ability of European local governments to play an avant-garde role in the regulation of the financial system.

Such bonds are unique in that they exist to finance predefined projects with an environmental and/or social impact in the local area.

for projects whose impacts are quantifiable, such as the number of council housing units built or jobs created. Thus, in 2012, even before raising the funds, the targeting of investments to projects selected in consultation with the Region's operations services had been published officially: 50% to support environmental projects and 50% for solidarity-based economy projects. In 2013, the Region produced an impact report accessible on its website and provided to 23 investors (10% banks, 26% insurance companies, and 64% asset managers – 84% of which are French. By comparison, 75% of the 2014 investors were French and 85% qualified as SRI).

In 2014, the Region upped its commitment by having the projects to be funded validated by Vigeo, the extra-financial rating agency, on the basis of 11 criteria grouped into 4 areas: governance, environmental responsibility, social and societal responsibility, and economic responsibility.

Finally, since the resolution passed in June 2010 to fight against tax evasion (a source of additional income for local authorities) and to modify practices, the Region used its right of scrutiny during its selection of intermediary banks, requesting that they communicate on their activities country by country. Although inconclusive in the end, provision of that information did constitute a criterion for selecting the managing bank (in addition to the price and quality of the accompaniment offered by the bank).

Factors of success and limits of the approach

The excellent financial (Fitch and Standard & Poor's) and extra-financial (Vigeo) ratings of the Region and its projects facilitated the success of the issues. With their fifteen years of experience in traditional bonds (socially responsible bonds require no additional financial expertise), the financial and administrative services took them in stride: the 2012 issuance took two months to prepare compared to only one month for the second issuance.

Issuing bonds, socially responsible or not, nonetheless remains a tool ill-adapted to small and medium-sized governments (large amounts of capital are needed). These tools therefore remain reserved for big, dynamic local governments with little debt. The creation of Local Government Funding Agencies (LGFA)[2] in several European countries should overcome this imbalance by offering medium-sized local governments facilitated access to financial markets via bundled bond issues. It is to be hoped that the LGFAs, which currently finance the budgets of local governments and not specific projects, will develop targeting and transparency systems in order to also contribute to sustainable urban development.

Furthermore, if defining new indicators for evaluating the green, social and governance benefits of socially responsible investments remains an issue insufficiently debated by local governments (mainly by banks and NGOs[3]), Vigeo's certification of projects for the 2014 issuance, according to 11 extra-financial criteria, is encouraging. This experience in the Île-de-France Region demonstrates the ability of European local governments to play an avant-garde role in the socially responsible use of financial flows and the regulation of the financial system.

2. See the case study about the Kommuninvest LGFA in Sweden.
3. Such as the *Climate Bonds Initiative* - http://www.climatebonds.net/

2 QUESTIONS FOR

Marie-Pierre de La Gontrie

Vice-president of the Île-de-France Region in charge of financing and contracts

In addition to the efforts the Region imposes on itself in this area, a strict transparency requirement has been placed on the investors and banks that work with the Region. Have these efforts been successful? Have these conditions broadened or narrowed the Region's investor base?

First of all, it is the effort to promote transparency within the Île-de-France Region itself that enabled it to broaden its base of responsible investors. Our approach, which indicates before bonds are issued that the funds raised are going to be used for projects with environmental and social dimensions, along with our commitment to accountability for the efficient use of these funds, have thus been viewed very favourably.

In addition, the transparency imposed by the Region on financial establishments as part of its June 2010 deliberation has caused the situation to evolve. Financial establishments that are willing to work with the Region have understood they must be more transparent in their activities and more committed to fight money laundering, corruption and tax fraud.

Likewise, every time there is a consultation to raise funds, the Region requires potential funders to supply all the information relating to their presence in non-cooperative countries and territories (NCCTs) and to the mechanisms they have set up to fight illicit financial activities.

Do you think these efforts to promote transparency have created a ripple effect in France and in Europe and made other actors willing to follow your example? Can we reasonably imagine that the increase in the issuance of responsible financial instruments is going to result in a long-term evolution of the transparency of public and private organisations?

In France, a resolution similar to ours has already been adopted by 17 Regions, one Conseil Général (Departmental Council), more than 10 cities (including Paris), and one urban agglomeration community. In 2013, the French Regions association set up a taskforce to study this question.

Since 2013, national and European legislation has obliged financial establishments to provide country-by-country figures on their workforce, turnover, and taxes paid.

The Socially Responsible Bond issued by the Île-de-France Region has proven that it is possible to act in favour of sustainable financing. Many major bond issuers have since issued bonds in a similar way (Air Liquide, EDF, Unibail, and the PACA and Nord-Pas-de-Calais Regions).

History of green or socially responsible bond issues by local governments since 2008			
Date	**Issuer**	**Bond name**	**Volume**
Dec. '08	Nord-Pas de Calais Region	Socially Responsible Bond	€50 M
2009-2012	American local authorities	Qualified Energy Conservation Bonds and New Clean Renewable Energy Bonds	$895 M
Feb. '12	Pays de la Loire Region	Socially Responsible Bond Issue	€43 M
March '12	Île-de-France Region	Environmentally and Socially Responsible Bond Issue	€350 M
July '12	Provence-Alpes-Côtes d'Azur Region	Socially Responsible Bond Borrowing	€119.5 M
Sept. '12	Nord-Pas de Calais Region	Socially Responsible Bond	€80 M
Dec. '12	City of New York	Green Apple Bond	$339 M
May '13	The Commonwealth of Massachusetts	Green Bond	$100 M
Sept. '13	City of Göteborg	Green Bond	SEK500 M
Nov. '13	Kommunalbanken Norway (KBN	Green Bond	$500 M
		Total €M	2,064

This table demonstrates the recent but clear development of green or socially responsible bond issues by local governments worldwide.
- Transparent reporting to investors of the implementation and impacts of public projects - Source: Novethic

THE ESSENTIAL POINTS

Green and socially responsible bonds:

- **Targeting of socially responsible bonds to projects defined in advance by the local government for their environmental and/or social impact**
- **Extra-financial evaluation of the Île-de-France Region, and, beginning in 2014, of the projects**

Impacts for the local government:

- **Raising of large amounts of capital at low interest rates (in 2014, 600 million euros borrowed at 2.375% over 12 years)**
- **Diversification of investors, specifically responsible investors**
- **Decompartmentalised approach to projects: collaboration between the financial administration and project management services with regard to defining the bond issue's characteristics, choosing the projects, and monitoring them**

Potential impact on the public bond market:

- **Bandwagon effect for requirements of transparency and extra-financial assessments**

Further reading

Complete case study to be published on the REsolutions website:
http://www.resolutionstofundcities.org/en
A study of responsible bond issues produced by Novethic (in French):
http://bit.ly/FMDVReso-Novethic
Reporting by the Île-de-France Region (in French): http://bit.ly/FMDVReso-reporting

PRESENTATION

Kommuninvest is the Swedish local government funding agency (LGFA), which was founded in 1986. As of 2013, 90% of Swedish municipalities were members.

CHALLENGES

An LGFA is an organisation administered by local governments that pool their needs to borrow at a favourable rate. The agency, which borrows on behalf of its members, is an illustration that financial markets are directly and securely accessible for local governments.

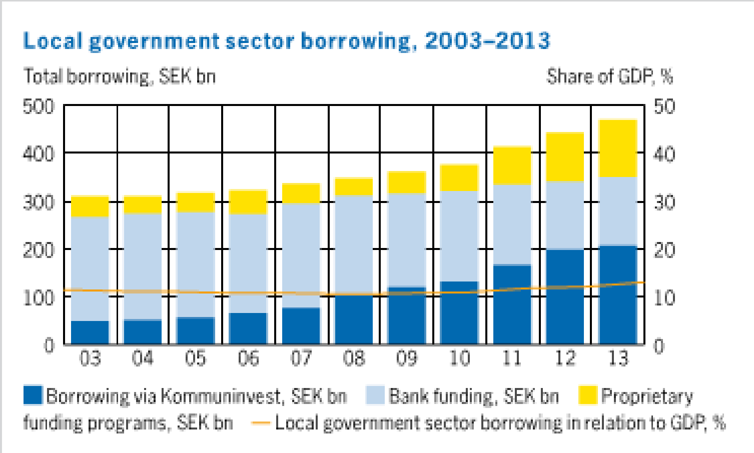
The Swedish LGFA Kommuninvest was created in 1986 by nine municipalities and a regional council that lacked the technical and structural capacities for access to financial markets. Loans were obtained individually, at high interest rates. This non-competitive market was the consequence of a series of reforms that had led to the end of state control on borrowing by municipalities and then to a near monopoly by commercial banks.

With this as a background, Kommuninvest met an urgent need for an alternative. The agency's resistance to financial crises was proven twice: in 1993 and 2008. This case study focuses on the political strategies and technical and legal mechanisms associated with the development of an LGFA.

C A S E   S T U D Y

2

A FUNDING AGENCY BY AND FOR LOCAL GOVERNMENTS: KOMMUNINVEST (SWEDEN)



(Source : http://www.kommuninvest.org/)

Kommuninvest is a cooperative bank, owned by its member municipalities and open to all Swedish local governments. Each member has one vote, regardless of its size. Membership is granted only to Swedish municipalities and regions that have good creditworthiness. Half-yearly auditing is carried out on its members, which can lead to exclusion by their peers in the event of poor financial management. Membership is subject to payment of dues calculated according to their populations.

Thanks to the leverage engendered by this capital, the agency borrows on the domestic and international markets on behalf of its members, at favourable rates. The loans negotiated by Kommuninvest are attractive for the markets because of their significance in value, and thus less costly for the municipalities. The funds raised are then loaned only to the members, in order to finance their budgets. From each loan to the municipalities, Kommuninvest deducts 7 basis points, or 0.07% of the amount, for its operating costs.

Pooling the needs of municipalities, so as to negotiate on behalf of all of the latter to obtain the best loan possible.

Cooperation at the heart of operations

The principle of Kommuninvest is thus to pool the needs of municipalities, so as to negotiate on behalf of all of the latter to obtain the best loan possible. This leads to in-depth cooperation among the municipalities.

Each member municipality bears individual responsibility for Kommuninvest within a joint guarantee system. If the LGFA faces difficulties, each member must pay back what it borrowed. This encourages the municipalities to maintain strict budgetary rules, because they act as a guarantor of last resort instead of the central government. This leads to a win-win situation: the municipalities reduce their financing costs, and the central government is relieved of the municipalities' financial responsibility for the agency's actions.

Furthermore, Kommuninvest has established strict rules to reduce risks, thanks to a diversification policy: each investor represents only 3% maximum of the total amount of loans, and the 10 major borrowers in reality represent only 23% of this same amount.[1] Also within the framework of risk minimization, the agency undertakes not to contract toxic loans by proposing only non-derivative loans.

Kommuninvest is run via participative governance: the voting members at the cooperative's annual general meeting are elected officials from the municipalities, each of which has one vote. At the operational level, the financial transactions are managed by Kommuninvest i Sverige AB, the subsidiary of the cooperative. Its board is composed of professionals. The Kommuninvest Cooperative Society is also the sole owner of the LGFA, thus ensuring that activities are in the general interest of its members.

1. Kommuninvest annual report (2013)

3 QUESTIONS FOR

Oliver Landel

Managing Director of Agence France Locale (AFL)

The AFL was founded on 22 October 2013 by 10 members. How has it adapted to the current situation in France? What obstacles has it encountered?
Based on experiences of French urban communities' grouping together to access bond markets since 2004, associations of local officials decided in early 2008 to study the feasibility of extending this approach on a long-term basis by creating a dedicated instrument. For that purpose, they observed the examples that already exist in Europe, spoke with credit rating agencies, studied the legal tools in France, and so on. This preparatory work led to the creation of a dedicated research association, which worked with experts in conjunction with local authorities, and State services. The crisis that began in 2008 and the disappearance of a major stakeholder that financed local governments could have accelerated the construction of the future AFL. Instead, it slowed down the process, because finding a solution for the disappearance of this entity proved to be complex and very time consuming. During this period, our project was given less priority.

How have local governments in France welcomed the AFL?
It has been welcomed as a tool that can diversify their risks and give them more secure access to cash. They are also hoping that it will help them to obtain a fair price from all of the players involved. In fact, the AFL has positioned itself as one player among others, and it does not allow itself to cover more than half of the needs of each local government that can join it (Regions, Departments, Communes, public corporations to promote co-operation among Communes – with their own tax base), whatever their size, as long as they have the capacity to repay their loans.

How do you think AFL is going to develop? Can we imagine that it will work with other LGFAs in Europe?
Now that it is 10 years old, its ambition is to satisfy one fourth of the annual needs of its potential members. We have been in contact with Northern European agencies since the feasibility study, and we meet them on a regular basis. For example, our supervisory council appointed Mr Lars Andersson, who was the first President of the Swedish agency Kommuninvest, as Strategy Committee Manager.

Results and impacts

Financially, Kommuninvest makes it possible for municipalities to:

- be responsible for their solvability (default on payment by a municipality would endanger the very existence of the agency);
- diversify their financial resources;
- pool and thereby reduce operation costs;
- build capacities.

Institutionally, the LGFA helps to:

- strengthen the reflex of municipalities to cooperate, including on such crucial information as the state of their finances;
- shake up the existing systems and replace them with more participative and egalitarian governance, through its cooperative status.

Administratively, the agency has been a driving force for the financial capacity building of municipalities, by:

- ¡imposing new standards of management;
- ¡organising the transfer of its expertise

The agency has been a driving force for the financial capacity building of municipalities.

to municipalities via training courses and technical seminars.

Administrative and political limits that are often unfounded

The agencies provide a viable alternative for the diversification and securing of financial resources, but there may be some reluctance when they are created, often due to poor understanding of their principles and of how they work. The main challenges are to reassure banks and investors about the stability of the LGFA, to encourage financial cooperation among municipalities and to overcome the bureaucratic obstacles of pre-existing public administrations. The LGFAs must thus give priority to raising the awareness of local decision-makers on the benefits related to cooperation.

For an LGFA to exist, it is also necessary for the central government (often the finance minister) to grant local governments the required leeway for independent access to the loan. The central government may feel this empowerment of local governments as a loss of their control over local finances, and this can act as an impediment to the establishment of the agency.

A proven and replicable system

Kommuninvest is currently the market leader in Sweden for loans to municipalities. In 2013, these loans came to 208 billion Swedish kronor (23.5 billion euros).[2] Proof of its acceptance by more traditional financial players can be seen by the triple A status granted to it by the credit rating agencies Moody's and Standard & Poor's, which note its sound finances in a growing market as well as the good management of its funds.

This long-term system of cooperation among municipalities has thus proven its worth for more than 30 years in Sweden. In Denmark, a similar system has been in operation for more than 110 years. Such agencies also exist in the United States, Canada, Italy and the Netherlands. The New Zealand Local Government Funding Agency and the Agence France Locale were created in the last two years, and others are in development in the United Kingdom or under discussion in many countries. We can thus see that the LGFA model is effective for all types of local governments in different national contexts.

2. Kommuninvest of Sweden (Mars 2014) The Swedish Municipal Sector's Internal Bank

THE ESSENTIAL POINTS

- **The LGFA Kommuninvest pools the skills and needs of its municipality members in order to negotiate loans on the market at the best possible rate. The municipalities must demonstrate their sound financial situation to join and remain members. Through the agency, the members have less costly access to markets and benefit from its financial expertise. Kommuninvest is crisis-resistant and is now the leader in the credit market for Swedish municipalities.**
- **When they are established, LGFA often (in France, the UK and Germany) face the same obstacles (initial hesitation among local governments to cooperate and reluctance by the central government) because their cooperative and participative operating methodology shakes up the established models of governance and finance. As the credibility of Kommuninvest relies on cooperation and transparency on the part of Swedish municipalities, the LGFA leads to in-depth reinforcement of the ties of cooperation among them.**
- **Finally, we could imagine the local-government members of LGFAs also cooperating to issue responsible bonds, in particular by channelling capital towards projects with proven social and environmental impact, so as to link together loans and responsible investment. This could strengthen the credibility of the local governments and as a consequence, LGFAs', which for now finance "only" local governments' budgets but have no provisions for linking the funding to specific projects**

Further reading:

The in-depth case study is available on the REsolution website, in relation with a leaflet on LGFAs available on the FMDV website.
The Kommuninvest Annual Report 2013 is available on its website:
http://www.kommuninvest.org/
Further publications on LGFAs have been produced by the institution Mårten Andersson Productions and are available on its website:
http://bit.ly/FMDVReso-AFCL
Finally, the Danish and French LGFAs explain their approach at
http://kommunekredit.com/ and http://bit.ly/FMDVReso-agencefrancelocale

PRESENTATION

Though little used during the previous budgetary period (5% of the ERDF), the European Commission is seeking to develop its Financial Instruments (FI) for the 2014-2020 period.

CHALLENGES

The European financial instruments seek to provide local governments with investment aid, especially via loans, guarantees or capital, sometimes combined with technical assistance, interest rate subsidies or guarantee fee subsidies within the same operation. Objective: to create an alternative to subsidies and attract private investors

The London Green Fund is an investment fund of €125 million, managed by the EIB. It supplies three other specific funds managed by private bodies and dedicated to waste management, energy efficiency and the renovation of public buildings. Designed to accompany London's political commitment to reduce its CO_2 emissions by 60% by 2025, it is part of the JESSICA initiative,[1] a European financial instrument that seeks to mobilise private investments to fund low-carbon projects and to create converging dynamics for sustainable local economic development.

1. Joint European Support for Sustainable Investment in City Areas (JESSICA)

C A S E S T U D Y

3

LONDON GREEN FUND: ATTRACTING PRIVATE CAPITAL THROUGH LOW-CARBON EUROPEAN PUBLIC INVESTMENT

The European financial instruments (FIs) have been re-oriented to better meet the needs and specific capacities of European regions[1]. They are designed as direct links between regions and European funds, and as catalysts to improve investment performances.

Each of the FIs has a scope of action and model of implementation that is specific, but they share broad common principles that structure their approach. These include the principle of recycling funds (revolving funds), which enables regions managing structural funds to use some EU subsidies for long-term investments.

This way, they generate the leverage needed to attract a broader diversity of public and private investors that are often reticent about getting involved in projects considered not very attractive, all the while limiting contribution from public resources. The assigned objective is to reach the levels of strategic investment needed, in the regions, for the implementation of the "Europe 2020" orientations.

Financial architecture that acts as a catalyst and is linked to the sustainable objectives of the area

The London Green Fund (LGF) is an initiative of JESSICA[2] and has been operational since 2012. The fund is fuelled by the ERDF (€62.5 million); the Greater London Authority (€40 million); and the London Waste and Recycling Board (LWARB), which is the public organisation in charge of London waste management (€22.5 million).

It quickly became apparent that support for the project implementers, not provided at first, was essential.

The LGF includes three urban development funds (UDFs), each of which has a specific scope of action and mandate to finance projects directly through equity investments and loans[3]. The funds revolve (differently for each of the three UDFs), so that their returns can be reinvested in new projects to support. The UDFs are managed independently by private fund managers chosen by the LGF and supervised by an LGF investment office. These managers are also in charge of securing complementary public and private capital according to needs.

The use of UDFs is subject to operating rules, such as the ceiling on the co-financing amount or quantified objectives that involve financial commitments (e.g. €1800 invested by the LEEF[4] must reduce CO_2 by 1 ton). Furthermore, the funds must respect the principle of *additionality,* i.e. ensure the diversity of the London urban projects supported.

Moreover, within the framework of the FIs, the management authorities undertake to plan for evaluation and monitoring of the implementation of the projects funded, at very detailed levels (contracts, technologies, etc.) to evaluate their impacts, especially for the environment, and to avoid possible failures.

Launched in 2007 and set up in October 2009, the LGF has not yet been subject to an evaluation, because the first operations started only in early 2012. Nevertheless, it is estimated that the €125 million leveraged from the fund will inject €360 to 500 million into London's low-carbon economy[5].

In 2013, around 10 projects were

1. Four joint initiatives were developed by the European Commission (Directorate-General for Regional Policy), in cooperation with the European Investment Bank Group and other financial institutions within the framework of the 2007-2013 planning period, to improve the effectiveness and sustainability of the cohesion policy. Two of them promote financial engineering instruments (JEREMIE and JESSICA), and the two others (JASPERS and JASMINE) are technical assistance mechanisms. They are currently being assessed and overhauled to better fit to local needs and capacities (new options for implementation, more flexible co-financing terms and complementary financial incentive resources). These instruments are now called Financial Instrument (FI).

2. Four joint initiatives were developed by the European Commission (Directorate-General for Regional Policy), in cooperation with the European Investment Bank Group and other financial institutions within the framework of the 2007-2013 planning period, to improve the effectiveness and sustainability of the cohesion policy. Two of them promote financial engineering instruments (JEREMIE and JESSICA), and the two others (JASPERS and JASMINE) are technical assistance mechanisms. They are currently being assessed and overhauled to better fit to local needs and capacities (new options for implementation, more flexible co-financing terms and complementary financial incentive resources).

3. In 2007, the Commission launched the JESSICA instrument with the goal of supporting sustainable and integrated urban renewal projects. It makes use of various financial tools, such as equity investments, loans and guarantees to create a favourable context for public and private reinvestment in urban infrastructure projects, with the desire to make up for market failures.

4. See detailed table of the 3 UDFs.

5. London Energy Efficiency Fund (LEEF): see detailed table of the UDFs.

	London Energy Efficiency Fund	Waste UDF, or Foresight Environmental Fund	Greener Social Housing UDF
Date of creation	August 2011	March 2011	March 2013
Amount allocated (£)	50 million	38 million	12 million
Management body	Amber Infrastructure (international consortium of investment management)	Foresight Group (British manager of capital, infrastructures and environmental investment)	The Housing Finance Corporation (non-profit social housing organisation)
Mission	Energy-efficiency improvement for real estate	Construction or extension of waste recycling infrastructures	Renovation of public buildings
Forms of funding	Loans at 1.65%/year, spread over up to 10 years	Equity investment in SMEs or new businesses. Once the project is refinanced, the shares in these businesses are sold by Foresight.	Loans <2% lasting up to 30 years (first reimbursements after the 10th year)
Eligibility criteria	• Public, private, residential or commercial buildings • Reduces the carbon footprint of the building • Financing needs between 1 and 20 million pounds	NA	Public institutions (local governments, universities, hospitals, etc.)

Presentation of the Urban development funds of the LGF - Source : FMDV

funded by the three UDFs, including an organic waste treatment plant and the renovation of a public art gallery.

Closer support for projects required, and project management by local governments called into question

It quickly became apparent that support for the project implementers, which had not been provided for in the LGF procedures, was essential. The operational environment of the financial instruments (quality and degree of maturity of the projects), as well as the administrative capacity and technical expertise required for their optimal implementation, varied to a great extent once confronted with local realities. Validating project applications thus turned out to be more complex than expected and delayed the implementation of the funds.

For example, while the mobilisation of expertise needed to determine the exact budget of the infrastructure renovation funded by the LEEF struggled to get off the ground, the Waste UDF projects were delayed due to non-alignment in agendas among the contracting parties: those that take care of supplying waste on the one hand, and those providing the customers for electricity produced by biomass on the other.

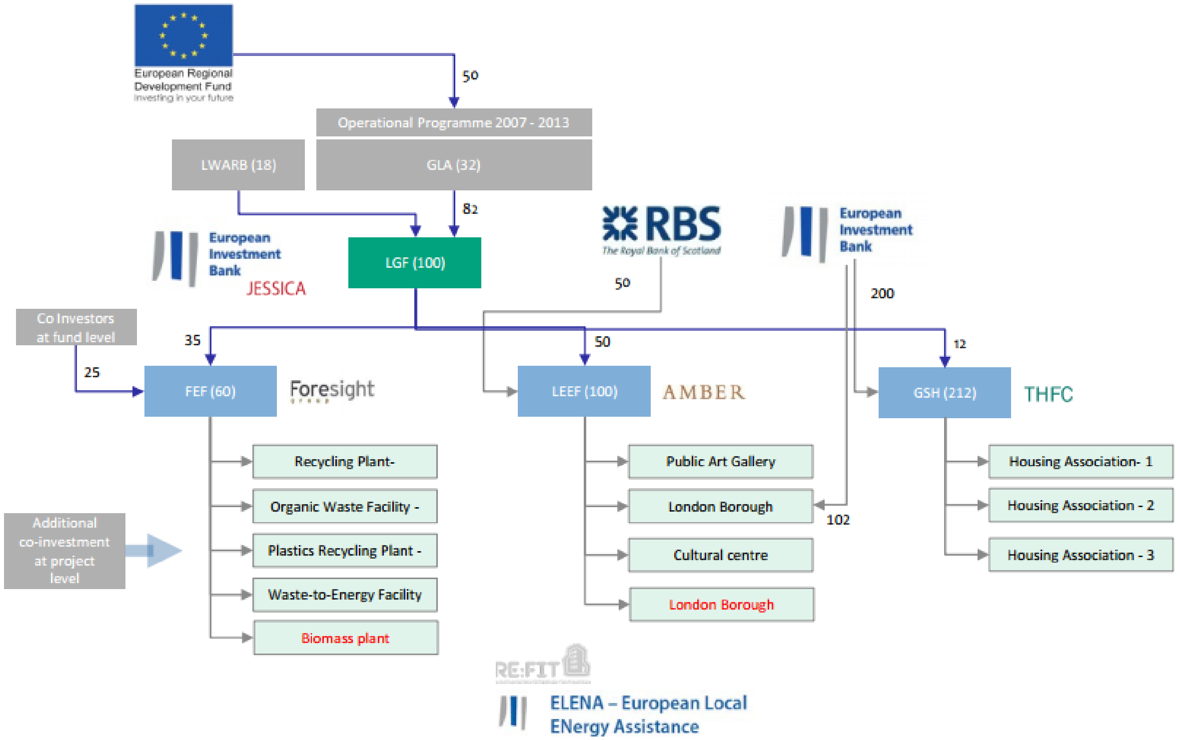
These needs in training and support, which are crucial for the success of investment operations as well as their financial viability and credibility, require the fund-managing bodies to have the available in-house expertise and human resources able to meet them. These, however, represent an extra cost that impacts the financial balance and flexibility of the local investment fund.

Following the evaluation of the impact of FIs and their adaptation to local needs, the EIB now recognises that synchronisation is required between technical assistance for the preparation and funding of projects on the one hand, and the political strategy that led to the choices of the projects selected on the other.

A final point: the choice of projects is made on the basis of their economic and financial viability, but its connection with the strategic planning of land-use management is questioned, bringing up issues in terms of coherency and the local government's management of its local development. Community projects, which often lack suitable financial engineering, thus find themselves quickly eliminated from the validated lists of candidates for UDF funding[7].

6. AEIDL, 2012. "JESSICA in London: the London Green Fund".

7. The selection of projects was called into question even within the Greater London Authority by the environmental and health committee, which criticised the top-down approach of the projects and the absence of viable community projects developed by citizen organisations.



The London Green Fund structural presentation - Source: EIB website: http://bit.ly/FMDVReso-graph

THE ESSENTIAL POINTS

As a system for funding urban development projects, the London Green Fund (LGF) is a successful example of local government appropriation of a European financial instrument. Despite a significant initial investment, the use of a revolving fund makes it a profitable financial tool in the short term for the local government.

- The LGF does not fund projects through subsidies, but rather through a revolving-fund system. This presupposes an evolution in the typology of the projects involved: from non-profit projects toward profitable projects capable of generating income.
- The LGF thus has a special approach for so-called public-service projects. While this can turn out to be viable for certain large-scale programmes, we can wonder about the trending impact of this form of use of public aid on support given to “non-profitable” local investments that take economic and/or environmental criteria into account.
- This model brings up questions with regard to local public project management and the governance of basic services to guarantee public interest: the sharing of the urban-investment risks and benefits between public and private actors remains a topic under discussion.

Further reading

EIB Financial instruments: http://bit.ly/FMDVReso-instruments
The EIB instrument “JESSICA”: http://bit.ly/FMDVReso-BEI
The City of London’s London Green Fund: http://bit.ly/FMDVReso-LGF
AEIDL study on the London Green Fund: http://bit.ly/FDMVReso-aeidl

CHAPTER 2

REDUCING COSTS AND INVESTING FOR TOMORROW: STRATEGIES AND OPERATIONAL SOLUTIONS FOR OPTIMISING PUBLIC RESOURCES MANAGEMENT

The recent crises, be they related to the economy, finance, energy or climate – coupled with the existing dynamics of decentralisation and metropolisation – have engendered an in-depth calling into question of the funding models of European countries. Many reports, for example, have underlined a desire or even a necessity to decrease, rationalise and optimise public spending, in the short as well as long terms.[1] These documents also highlight that, above and beyond financial aspects, the crucial issue is overall public-performance optimisation that has to take into account the territories' governance frameworks. The search for more integrated governance has thus become a recurrent theme in European[2], national or regional policies[3]. Far from being a monolithic approach, public-performance optimisation is thus a multi-faceted issue that combines multi-dimensional and multi-level approaches aiming at complementarity, and it requires a rethinking of the forms of funding and of government of spaces and regions.

Furthermore, cities – which are often marked by high rates of inequality and poverty as well as by a consequential ecological footprint – are perceived as environments that are conducive to developing and implementing solutions for improving public performance.

This chapter will focus on the initiatives implemented by local governments to improve public performance in terms of both governance and spending. It shows their capacity to be true vectors of innovation capable of carrying out ambitious projects within their communities.

How can costs be reduced and optimised, all the while improving the quality of public services in the short and long terms? How can current and future challenges be met with few resources? In other words, how can we do better with less?

What efforts are being made to improve forms of cooperation on the one hand and the performance of local governments on the other? What are their impacts in terms of social and territorial cohesion, economic revitalisation, and sustainability? Finally, what indicators should be used to evaluate the success

1. AT Kearney, 2013; "Economic Development and Employment at the Local Level" Working Group, 2012; Mandl et al, 2008; Allain-Dupré, 2011.

2. Integrated governance framework as part of the 2007-2013 European cohesion policy, confirmed in the 2014-2020 cohesion policy.

3. "Economic Development and Employment at the Local Level" Working Group (2012), *Développement économique, emploi, ressources humaines : pour des stratégies territoriales intégrées*, http://bit.ly/FMDVReso-adcf

Above and beyond financial aspects, the crucial issue is overall public-performance optimisation that can then become part of the dynamics of local governance.

of these measures?
These questions will be studied through the analysis of three case studies:

- The third-party funding mechanism, applied to energy renovation via the presentation of SEM Energie Posit'if in the Île-de-France region;
- The Amsterdam Smart City cooperation platform in Amsterdam;
- Distribution and regional cohesion via the creation of the Barcelona Metropolitan Area.

In these three case studies, the local governments have implemented new plans of cooperation and of spending rationalisation. While not exhaustive, these cases are nevertheless representative of the dynamics at work on the European continent and demonstrate the capacities of local governments within a context of crises. They also include present-day questioning regarding the need to take into account externalities and the long term in public decision-making.

Local governments: crucial actors in the optimisation of public performance

In this context of systemic crises, local governments have a major role to play, given the significant weight they have in public spending,[4] their key role as a public service provider and their particularly awkward position in a crisis context (increase in necessary spending and noteworthy decrease in available income). They are also key players in how public policies, citizen aspirations and local needs are linked. Indeed, despite the variance in governmental architecture in Europe, local governments are often in charge of the same prerogatives (water, transportation, training and employment, energy policies),[5] and they simultaneously work closely with the inhabitants and act as go-betweens for national institutions. They are thus invested with a real public-interest mission.

The various existing initiatives bear witness to the fact that the main challenge of European local governments is not so much the availability of resources, but the possible ways of mobilising and orienting them. What is crucial is thus to implement effective measures that can unite the various stakeholders of urban governance, as well as their resources, to work on a shared and coproduced project.[6]

Local governments: showing the way for regional development

Local governments thus seem to be positioning themselves more and more actively as facilitators in relations among private, public and citizen stakeholders, making it possible to mobilise resources in a more concerted way. This is the case of the Île-de-France Region and its local-authority partners (cf. SEM Energies Posit'if case study), which have set up a third-party

4. Responsible for 65% of public investment in Europe in 2011
5. Bauby P. and Similie M. (2013), *Governance of Basic Public Services in Europe*
6. Empirically, this shared work is often implemented within the framework of projects related to energy-efficiency improvements, a field with broad opportunities in terms of sustainable and economic development. (Urbact, 2013)

The main challenge of European local governments is not so much the availability of resources, but the possible ways of mobilising and orienting them.

funding line for energy-efficiency improvements of private buildings and are acting as coordinator among the various players involved in it. Public investments thus act as catalysts, with the goal of initiating similar dynamics put into motion by private players. More generally, the city of Amsterdam has also set up a cooperation platform among urban stakeholders (cf. Amsterdam Smart City case study), which seeks to initiate "intelligent" projects that lead to sustainable urban development, with public grants helping to develop private funding lines. Finally, the city of Barcelona and many partner municipalities have decided to create an additional government level in the form of a metropolitan area (cf. BMA case study) to coordinate the activity of the area's local governments and stakeholders, and to enable better regional cohesion.

Despite their diversity, these three cases demonstrate the dynamism of local governments that position themselves as vectors of cooperation among the various actors of urban governance, be it by creating government levels or cooperation platforms, or by setting up targeted funding lines. At various levels, these initiatives reveal a capacity on the part of different actors to mobilise financial and non-financial resources to orient regional development and initiate ambitious projects. In this respect, local governments seem to be sketching out a new type of urban governance in which their role is that of initiating, putting into relation and supervising, as well as targeting and orienting investment, rather than that of being the body in charge of funding and of the execution of large-scale projects. Public funds are thereby used with the aim of mobilising private investors as well as of encouraging the taking into account of extra-financial aspects in the choices of projects, more especially with regard to quality of life and environmental benefits.

Finally, the uniform development of local communities is perceived as one response to crises: the main city is thus no longer necessarily the centre of investments, and municipalities are grouping together in organisations that enable more uniform regional development. Municipalities joining together or with other regional players thus seems crucial in optimising resources.

Nevertheless, all these case studies came into being thanks to strong political backing and significant support from the partners. The question thus arises as to for whom the city of tomorrow shall be made, and what types of partners join in to develop it. Far from withdrawal, the policy of local governments must instead be that of guaranteeing the effective redirection of resources, so that development of the urban space is "coproduced" and not monopolised by a single type of actor.

PRESENTATION

Launched by the Ile-de-France Région and mobilizing various partners, the SEM Energies POSIT'IF aims to initiate a real momentum in favor of energy renovation.

CHALLENGES

Europe must undergo an energy transition, but this latter is being slowed down by many economic, financial, cultural and political obstacles. Improvement of the energy efficiency of the private housing stock is a crucial issue for the sustainable future of local communities. It is also a market with strong growth potential, in which the Île-de-France Region has chosen to invest in order to encourage the sustainable trigger among condominium owners.

The Île-de-France Region consumes more energy than any other French region, and it is 70% dependent on fossil resources produced outside of its territory.*
This profile has serious consequences for the region economically (energy import costs, potential jobs uncreated), environmentally (GHG emissions), and in terms of society (increasing number of households facing energy insecurity). The Île-de-France Region has thus set ambitious objectives in which improvement of the energy efficiency of buildings and support for renewable energies are playing a central role. The mixed-economy company Energies POSIT'IF was created for this purpose and is in charge of initiating a third-party-funding market in the Île-de-France Region.

* DRIEE (2013) http://bit.ly FMDVReso-EnergieIdF

C A S E S T U D Y

4 THIRD-PARTY FUNDING AND MIXED-ECONOMY COMPANY: WORKING TO IMPROVE THE ENERGY EFFICIENCY OF THE PRIVATE CONDOMINIUMS

The energy-consumption reduction objectives seem difficult to attain, as the energy efficiency projects are facing many obstacles. The foremost of these is market failures, which are closely linked to a lack of long-term vision of political, economic and financial systems.

Energy efficiency operations therefore often require significant initial investments, which have a return over the long term and a high-risk profile. Yet, most of the financial market players offer contracts for limited improvement of energy performances, with short-term payback. More generally speaking, we can still see a lack of involvement by financial players in this field. The other major obstacle is cultural, as the energy transition is often perceived as a constraint rather than a promising investment.

It is within this context that the mixed-economy company Energies POSIT'IF was created, to further the implementation of more ambitious projects and cooperation among energy-efficiency players.

Combining an innovative financial engineering with an adapted institution.

The SEM (mixed-economy company) Energies POSIT'IF (FOR "Promote, Or ganise, Support and Invent the Energy Transition in Île-de-France") has a capital of €5.3 million provided by the Île-de-France Region and its partners. It can invest in renewable energy projects and offer financial, technical and logistical aid to projects to improve energy efficiency for private condominium buildings, which are often denied public aid.

Energies POSIT'IF thus fills a gap in the building-renovation market and helps renewable energy projects by supporting the implementation of programmes that are difficult and complex to realise in an ordinary economic and financial context. For example, to encourage the condominium owners to start up energy-efficiency improvements in their building, Energies POSIT'IF offers to advance part of the funds for them, through an original "third-party-funding" instrument.

Third-party funding is a financial arrangement that enables the owner (or association of owners) of a building to finance renovation though a third party if their own funds are lacking. This third party is then paid back in instalments over a contractually defined period.

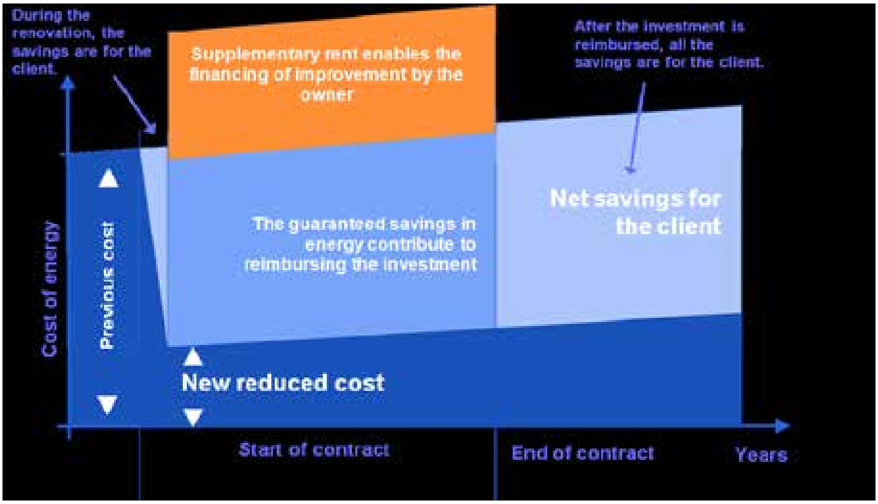
In a real estate's energy-efficiency improvements scheme, the principal of third-party investment is based on the energy savings the building occupant obtains following the renovation and that acts as the main source of payments used to pay back to the third-party funders (in this case, Energies POSIT'IF). In other words, the third-party investment relieves the client of some of the renovation financing by mobilising and securing a future financial resource: the energy savings (see figure). However, implementation of this mechanism presupposes a contractual commitment to guarantee energy efficiency, in order to reassure the owner of the building (and the third-party investor).

Energies POSIT'IF supports the implementation of programmes that are complex to realise in an ordinary economic and financial context.

The key role of Energies POSIT'IF

Energies POSIT'IF works by providing a combined offer of financing (third-party investment and subsidised loans) and technical expertise that allows it to select the appropriate projects, take on the role of coordinator and manage the technical risks over the long term.[2] It draws up a contract with condominium owners or the condominium management associations and takes care of coordination with the renovation financers, technical experts and contractors. It is also in charge of monitoring

1. As project manager, Energies POSIT'IF provides guaranteed results and undertakes to achieve a minimum level of energy savings (around at least 40%).



Third-party investment applied to an ambitious energy-efficiency improvement operation (Source: CDC, 2010)

Political backing, in terms of mobilisation, communication and funding, has been crucial in the implementation of Energies POSIT'IF.

the work, and it advances the initial financing, which is reimbursed over the long term (15-25 years). This simple way of operating limits the procedures that have to be carried out by the clients, who transform their savings in expenses into investment. For its part, Energies POSIT'IF optimises transaction costs through economies of scale. Over the long term, it seeks to initiate real dynamics in favour of energy-efficiency improvements by showing that the system is viable not only for the condominium owners but also for the players in the private sector.

A promising but still new project

As Energies POSIT'IF was created in 2013, it is difficult to evaluate the results of this initiative. However, the project, which has received awards at the national level, remains promising because it works at different levels: by correcting the market's imperfections regarding energy-efficiency improvement, it improves the energy efficiency of buildings all the while generating many positive outcomes.

Thus, these renovations aim to reduce household energy insecurity in the region, as well as the region's energy dependency; at the same time, they are factors of employment in the energy value chain.

For the condominium owners, the implementation of ambitious energy-efficiency improvement work leads to improvement in comfort and the value of their condominium, as well as in a decrease in their energy bill.

Energies POSIT'IF also helps strengthen cooperation among those involved in energy-efficiency improvement and can act as an "example" showing the profitability of ambitious energy-efficiency improvement projects, thereby encouraging other players to take over.

However, lack of commitment by the financial stakeholders, condominium owners and public authorities remains a major obstacle to the sustainability of the organisation: getting investors to become involved in such projects is thus crucial in the success

3 QUESTIONS FOR

Jean Claude Gaillot,

Chairman of the Board
of SEM Energies POSIT'IF

Who started SEM Energies POSIT'IF, and for what reasons?
Energies POSIT'IF is the result of a process initiated in 2008, in the framework of reflection on the Climate Plan and the energy transition. We identified "untapped" sectors in which no one was taking action due to the complexity of the issues, and more especially the issue of energy-efficiency improvements of condominiums. The role of Energies POSIT'IF is thus to fill in these gaps by proposing a relevant response to the existing problems.

In terms of implementation, how is the governance of the mixed-economy company structured? What are the decision-making processes?
Energies POSIT'IF has two-headed governance, with a Board and a Supervisory Council. The Board selects the projects to finance based on eligibility criteria established with the Supervisory Council. For example, the condominium must be in good shape and its management association board proactive, there must be less than 5% of units behind in their rent, the buildings must be from the 1970s, there must be the possibility of making big savings in energy, etc. The Supervisory Council verifies the Board's action after the fact. We have very participative governance, with the Board consulting the Supervisory Council often and the latter trusting the Board.

What conditions are required for constituting a similar fund?
Setting up a mixed-economy company based on the Energies POSIT'IF is not something easy. The technical backing is important, but the political backing is essential – and this above and beyond partisan divisions. This is often what acts as a big obstacle. It may also be worthwhile to consider division between investment in renewable energies and implementation of energy-efficiency improvement work, as the combination of these two areas does not necessarily meet the requirements of the banking world. It may thus be preferable to have to quite distinct instruments. This is what the Rhône-Alpes Region did, and it is an aspect to look into for new projects.

and continuation of Energies POSIT'IF. Long-term funding for the organisation thus remains a crucial issue, given the gap between the carrying out of the work and the return on investment. The challenge thus remains of structuring financial resources in this sector in order to make them ongoing and attractive.

Furthermore, Energies POSIT'IF's offer is granted especially to Île-de-France collective housing, 50% of which is made up of condominium buildings, but not necessarily to other real estate contexts. Reflection on tools adapted according to the situation must continue.

Political backing, as much in terms of mobilisation and communication as in funding, has been crucial in the implementation of Energies POSIT'IF. The public authorities are responsible for establishing a legal framework that can facilitate the realisation of such initiatives: third-party investment in France was hindered for a long time by the lack of legal measures to encourage it, and the ALUR law[3], which enshrined third-party investment into French law in February 2014, has greatly facilitated the implementation of energy-efficiency improvement operations. Finally, the mixed-economy company format of public/private shareholding seems to be especially appropriate, in that it can reassure the participating condominium owners, facilitate governance and raise large amounts of money.

3. The ALUR Law (Law for Access to Housing and Renovated Urbanism) was passed in February 2014. Its objective is to reduce housing costs for tenants and to reform the management of collectively owned housing.

THE ESSENTIAL POINTS

- The mixed-economy company Energies POSIT'IF was officially launched in January 2013 by the Île-de-France Region and became operational the same year. It is a tool dedicated to improving the Region's energy efficiency.
- The objective of this mixed-economy company is to help in the "factor 4"[1] energy-efficiency improvement of buildings and in the development of renewable energies in Île-de-France.
- There are three main aspects of its activity: investment in projects focusing on renewable energies; supporting project management of the renovation of public buildings; and financial, technical and logistical aid to projects to improve the energy efficiency of private collective housing. This last aspect is central in the activity of Energies POSIT'IF, which has implemented a relatively innovative mechanism to incite condominium owners to invest in energy-efficiency improvement: third-party investment.
- Though recently created, this organisation is promising for the future, and it seeks to be an innovative and crucial instrument for reaching national and European energy objectives, reducing the community's energy dependency and creating jobs in the value chains of the future.

1. Objective of reducing greenhouse gas emissions in the building sector 4-fold by 2050, via ambitious energy-efficiency improvement operations

Further reading

Complete case study to be published on the REsolution website:
http://www.resolutionstofundcities.org/en
Caisse des Dépôts et Consignations document on third-party investment (in French):
http://bit.ly/FMDCReso-Tiersinvestissement
To find out more on financing the energy transition (in French):
http://bit.ly/FMDVReso-Transition
Presentation document on Energies POSIT'IF (in French):
http://bit.ly/FMDVReso-SEM

PRESENTATION

New institution established in 2010, the Barcelona Metropolitan Area aims to foster an effective territorial development in a context of scarce resources.

CHALLENGES

Faced with the rise in local needs (in urban planning, development and renewal) and under the effect of globalisation, institutionalised metropolisation and inter-municipalisation represent opportunities for economies of scale, resource syndication and socio-economic performance.

Barcelona and its surrounding area are a dynamic and attractive region for investors, generating more than half of Catalonia's GDP.* The area was deeply affected by the 2008 financial crisis, and it has long been characterised by a very complex administrative situation, with intermittent political tension. However, in 2010, the area created an inter-municipal level, the Barcelona Metropolitan Area (BMA). By positioning local economic development and territorial cohesion at the heart of the metropolitan project, the BMA makes it possible to implement ambitious infrastructures and services.

* In 2011, 51% of jobs in Catalonia as well as most of its dynamic economic sectors were concentrated in the Barcelona metropolitan region.

C A S E S T U D Y

5 BARCELONA METROPOLITAN AREA: WORKING TOGETHER TO DO BETTER

Political backing from the main actors of the metropolitan area, which is crucial in implementing and continuing the institution.

Even though the need for a metropolitan institution was acknowledged and sketched out as early as the 1950s[1] the various successive metropolitan bodies turned out to be inadequate or poor performers. Adopted in 2010 by the Catalonian parliament, Law 31/2010 laid the foundations for a new institution, the Barcelona Metropolitan Area (BMA). It seeks to optimise territorial management (with a "global" profile since the summer Olympic Games of 1992) and its economic development, and to deal with contexts of systemic crisis and intensified competition among metropolitan areas at a global level. The BMA replaced three metropolitan institutions with distinct prerogatives and different numbers of municipalities. Today it is made up of 36 municipalities and has established a single metropolitan zone over which it has extended its authority.

Efficient institutional interplay: a crucial factor in mobilising resources

While the BMA represents 2% of Catalonia's land surface, it is home to nearly 43% of its population. The BMA has taken over the historic prerogatives of the previous metropolitan institutions (land-use planning and transportation, waste management, water supply and social housing)[2],and in addition has increased authority in urban planning, territorial and social cohesion, economic development, and territorial organisation.

By bringing together a team of 500 professionals into a single body, it seeks to be a vector of optimisation for resource and investment management, capacity building and good territorial governance, which will help it to implement a socially responsible, shared and inter-connected metropolitan strategy, as well as contribute to its international reputation.

The 36 member municipalities play a crucial role in financing the institution and its government. Mayors and councillors elected from each municipality sit on the Metropolitan Council, the body that supervises the public policies that are developed, appoints the president, and adopts the agreements and regulations. Some municipal competency is also shared and/or delegated to the BMA, which lightens their duties all the while increasing territorial coherency and investment performance.

The 2008 crisis affected the budget capacities of many Catalonian municipalities, strongly impacting the economic dynamism of the region. In this context, the existence of the BMA makes it possible to mobilise a large volume of resources and to implement attractive projects on a metropolitan

1. The first Barcelona Urban Planning Commission, made up of 27 municipalities, was created in 1953. The first Barcelona Metropolitan Corporation (BMC) was created in 1974 but dissolved in 1987 due to political disagreements.

2. The *Entitat Metropolitana de Serveis Hidràulics i Tractament de Residus* (EMSHTR), a water and waste management service made up of 33 municipalities; the Entitat metropolitana del Transport (EMT), in charge of transportation in 18 municipalities; and the Mancomunitat de municipis (MMAMB), the guarantor of the implementation of the metropolitan development plan worked out in 1976 in 31 municipalities.

scale. The institution has a budget of €606 million for 2014, which comes mainly from transfers from other administrative levels of the metropolitan and regional territory (45%, of which more than half comes from the member municipalities) and public taxes established by the BMA[3] (around 40%). This shows its capacity to catalyse financial resources from different institutional and territorial actors for the metropolitan project.

Local economic development and territorial solidarity at the centre of the metropolitan project

Above and beyond competencies in public service management and improvement in the quality of life of its inhabitants, the BMA allocates a significant share of its budget to capacity building and cooperation among the local administrations. This way, it combines investments for local development, equalisation dynamics and efficiency in local public action.

As an example, the 2012-2015 Investment Plan establishes an active equalisation policy, with funding lines distributed in direct proportion to the population of each municipality, as well as a specific budget dedicated to the municipalities for which the socio-economic level is lower than the average of the BMA. Further, the "Economic Activity and Quality of Life stimulation plan"[4] was designed as a specific tool to help in economic recovery, job creation and improvement in quality of life. It is structured into four sub-programmes dedicated to support for municipal housing enterprises, building rehabilitation, neighbourhood and infrastructure improvement, and competitiveness of economic-activity sectors within each municipality[5]. This 2012-2015 programme, funded by the metropolitan region at €160 million, targets private investments by achieving leverage, making it possible to double the investments made by BMA and to have strong positive repercussions on the area.

Combined with active participation in international networks and European programmes, these coordinated strategies work to revitalise the metropolitan area as a whole, establish the institutional position of the BMA, and confer it its "global metropolis" dimension.

Promising prospects for the future

The BMA is an economic and political project as much as an institutional one. It has quickly been able to show its capacity to organise itself, to gather resources and to ensure their programmatic equalisation, while at the same time distinguishing itself as a federator in both land-use planning and in the provision of public services, as well as a credible negotiator of other territorial levels (Generalitat and Diputacio). Having simplified the metropolitan administrative map and incorporated a range of competencies within a single institution, the BMA is emerging as an effective and coherent territorial leader that has generated – for the first time – real political awareness of the essence of "metropolis" and of its importance for tapping into opportunities created by its international reputation.

As the institution is very recent, it for now has few documents that can demonstrate results of plans implemented since 2011, and the effectiveness and success of projects inscribed in the short and long terms, which guarantee the credibility of the structure, have yet to be proven. However, the BMA is now consulted regularly by other budding European metropolises to share in its institutional experience. It is also producing statistical data promoting the excellence of its local dynamics and showing the prospects for an urban area with strong potential and added value.

Presently, as with any metropolitan process of inter-municipalisation, the future challenges concern continued political support from the local institutional actors (Generalitat, municipalities, Diputacio) and coherent balance between local-economy development dynamics and international competitiveness. The choice of criteria for businesses setting up there and of support for revitalisation projects brings up the question of balance between the different levels of action.

The BMA marks a breaking off with the complex administrative history of the metropolitan region, and this Catalonian experience is in the process of becoming a European reference in socially responsible metropolitan organisation and integration.

3. Taxes for water and waste management and supplement to property tax, among others

4. Pla d'estimul de l'activitat economica i la qualitat de vida4. *Pla d'estimul de l'activitat economica i la qualitat de vida*

5. As an example, this programme devotes funding lines to the renovation of infrastructures in industrial zones in order to facilitate businesses setting up there.

4 QUESTIONS FOR

Antonio Balmon

first executive vice-president
of the Barcelona Metropolitan Area

Who was behind the creation of the Barcelona Metropolitan Area? What are the reasons for its creation?
The creation of the Barcelona Metropolitan Area in 2010 was the result of a consensus among the various political and social stakeholders in the metropolitan region. It had been constructed gradually over the course of the previous few years, through a long process of dialogue and assessment based on recognition of the fact that the economic and social progress of metropolitan society required the creation of a common governance structure. Discussions on the issue were first initiated by Mancomunidad de Municipios del Área Metropolitana de Barcelona together with organisations such as the association Pla Estratègic Metropolità de Barcelona. The final result was the law to create the BMA, which was unanimously voted by the Parliament of Catalonia.

How can you explain the BMA's capacity to raise funds given the financial crisis and the newness of the institution? How are the funds distributed fairly between the different areas?
The situation of the BMA's financial structure results from the history of the former metropolitan administrative bodies. Despite the lack of funds of the local communities, it's clear that the BMA's financial situation is good compared with other local communities of the country. The main explanation is that the BMA is a technically-oriented administrative body, capable of managing major projects very effectively and achieving considerable economies of scale. For example, it is not the same thing to set up a waste treatment system for a municipality of 25,000 inhabitants as for a population of 3.2 million. In that sense, metropolitan administration is a way to do "more with less" and has enabled us to set up a policy of financial support for the municipalities in the current economic context.
The distribution of resources is in response to objectives of better social and territorial cohesion. Resources are therefore distributed among metropolitan projects that benefit the whole area and others that take into account the demographic dimension of each municipality (according to the criteria of proportionality and the reinforcement of social cohesion). The reinforcement of social cohesion criterion is based on the progressive distribution of resources, inversely proportional to each district's socioeconomic level.

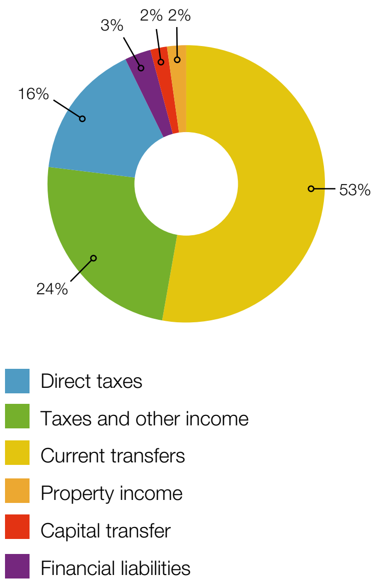
The BMA is highly involved on the international scene in terms of both networks (in particular the first vice-presidency of the FMDV) and cooperative economic actions with other cities. How does the BMA link international influence and local development?
In a context of economic globalisation, in which metropolitan areas have become new stakeholders of globalised governance, local development has become a factor of international influence. Ensuring that the metropolitan area functions properly and that there is territorial and social cohesion within it reinforces the economic capacity and international attractiveness of the Barcelona metropolis. These elements are

greatly emphasised in our economic and international promotion policies, as factors that can differentiate us from other areas and make us more competitive. For example, improving neighbourhoods or promoting service centres for companies are totally linked to objectives concerning the development of the airport or port, the quality of public services and the environment, the creation of prestigious research centres and educational institutions, and the artistic and cultural vitality of the metropolis. Everything is linked.

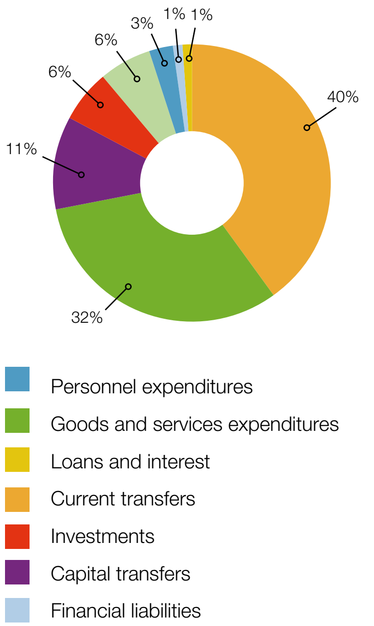
What are the assets and constraints of an institution such as the Area Metropolitana de Barcelona?

First of all, a metropolitan administrative body is a tool that is very well suited to governing and managing the global transformations that affect urban areas and environments. We address issues such as globalisation, urban population growth, environmental issues, and the new economic dynamics that mean that cities and metropolitan stakeholders have become key players in local governance. These challenges can become vectors of well-being or major risk factors. It all depends on the way urban areas and cities are governed in the coming decades. In that sense, the existence of the BMA is an appropriate tool for responding to that, and for undertaking the actions that will ensure the future well-being and progress of the metropolitan area.
Another advantage is our organisational and decision-making model, which is based on dialogue and has clear technical orientation. It is the most suitable option given our historical and institutional characteristics. We set up an administrative body with a very technical orientation: it is less bureaucratic and not very hierarchical, which enables us to respond to the needs of the metropolitan area, manage services and pool the knowledge required for our mission. What's more, the BMA system of governance enables us to involve the municipal authorities and the area's various institutional stakeholders in the coordination and execution of policies devised for the metropolitan area.
However, it is the flexibility and horizontality of the model that may be the source of its weakness – if we can use that term – insofar as that, in order to function optimally, an institution that's not very hierarchical or bureaucratic requires great capacity for creating consensus and developing cooperation. We have tried to reinforce this capacity by means of our institutional structure, but at the end of the day that depends on the qualities of the managers and directors, and on the political context.

Revenues



Expenditures



Main revenue sources and expenditure items for the BMA in 2014 - Source : Made based on BMA data

THE ESSENTIAL POINTS

- The Barcelona Metropolitan Area (BMA), an institution created 2010, is revealing itself to be a relevant level of governance that revitalises local development by making it more inclusive and coherent, and that develops competitiveness and the region's international reputation.
- The success of this institution is based on its recognition by the various levels of government, which pool some of their competencies and resources on behalf of the metropolitan project, and on the effective creation of real metropolitan leadership. Two essential elements for the success of the institution have been a culture of cooperation developed beforehand and the implementation of a rather non-hierarchical structure enabling participation by diverse metropolitan stakeholders.
- The investments by BMA encourage both the local economic development of each municipality and equality among them via the dynamics of equalisation, thereby taking it possible to avoid the pitfall of simple financial compensation for territorial inequalities.

Further reading

I General information (in Catalonian):
http://www.amb.cat/s/home.html
Article on the issues behind the creation of the BMA:
Roig i Marti J. and Haro Garcia J.L (2011), La ley del Area Metropolitana de Barcelona, una oportunidad para el territorio, in Hacienda Publica
Article on the issues of equalisation among local authorities (in French)
http://bit.ly/FMDVReso-Perequation

CHALLENGES

"Smart cities" are a new mode of urban governance and management "where digital technologies would play a preponderant role in improving relationships and flows in a given area".* They are part of the process implemented by local authorities concerned about improving their public service performance in times of economic crisis. The local implementation of technologies enabling better management and collection of data in an improved participative system is considered a major market, able to reconcile quality of life for people and companies, environmental protection, and economic growth.**

* A. Picon (2013), *Théorie et critique d'un idéal auto-réalisateur*, Collection Actualités (in French).
** Potential estimates for the market in smart city technologies in 2016 are close to €40 billion, in ABI Research (2011), *Smart City Technologies will grow fivefold to exceed $39 billion in 2016*, http://bit.ly/FMDVReso-SmartCity

The aim of the Amsterdam Smart City platform is to create new projects and partnerships among the various urban governance stakeholders, with the ultimate goal of making Amsterdam a "smart city".

C A S E S T U D Y

6

AMSTERDAM SMART CITY: THE CREATION OF NEW PARTNERSHIPS FOR A SMART CITY

The platform has enhanced the city's reputation and influence, thus attracting new investors.

16 pilot projects were implemented and 36 "smart" technologies tested during the first phase of the project (2009-2011).

71 partners involved in the platform in 2012.

For many years, the city of Amsterdam has positioned itself as a major player in the fight against global warming and the implementation of innovative projects in favour of sustainable economic development[1]. The "Amsterdam Smart City" platform came into being in that spirit. Initiated in 2009 by the Amsterdam Economic Board[2] and the electricity operator Liander, in close collaboration with the municipality, the initiative aims to implement pilot projects in the Amsterdam metropolitan area and to create new partnerships among private companies, public institutions, research organisations, and inhabitants.

In other words, Amsterdam Smart City is a cooperation platform that seeks to connect different types of urban development stakeholders in order to develop the Amsterdam metropolitan area as a "smart city". Operating as a project incubator, the platform enables a broad variety of initiatives to be tested, and the results to be shared. The city is conceived to be a laboratory of innovation, where new funding methods, technologies, and cooperative action will assist the implementation of a more efficient urban area, and a major change of mindset. Organised around 5 Themes[3] and 3 Areas[4], the aim of the initiative is to help implement sustainable economic development of the urban area, prioritising the effective and appropriate use of available natural resources.[5]

Cooperation between public and private stakeholders, essential to running the initiative

One of Amsterdam Smart City's principal success factors is the political backing of the City of Amsterdam and its association with major private partners. These associations were crucial in attracting partners, mobilising funds, and initiating the implementation of projects. The city thus gambled on private funding sources, positioning itself as a partner rather than as the main funder. The first phase of the project (2009-2011), with a budget of €4 million, was thus 20% financed by public funds from the municipality, 40% by the principal private partners, and 40% by European funds (ERDF). In the longer term, the municipality

1. In 2008, the city established the "New Amsterdam Climate", providing a framework to help the transition to a low-carbon city and fixing an objective of a 40% reduction in C02 emissions by 2025 compared with 1990.
2. An institution that brings together government agencies, research institutes and private companies, charged with reinforcing the economic position of the Amsterdam metropolitan area.
3. Living, Working, Mobility, Public facilities and Open Data.
4. Three neighbourhoods of Amsterdam, relatively different in terms of population, economic activity, and history: Nieuw West, Zuidoost, and Ijburg.
5. On the same subject, an especially useful tool, ecoBUDGET, has been implemented in the cities of Växjö in Sweden and Tubigon in the Philippines. This instrument can enhance the value the environmental capital of a city or region by integrating its contribution to collective well-being into its budget. For further information, consult the "Ecobudget" factfile on our website.

is seeking to develop private funding lines to depart from a model based on public grants, while continuing as guarantor of the area's public interest. Nonetheless, each project has its own particular funding system, which varies according to the partners involved and investment needs. Most of the larger projects have been funded through public-private partnerships (PPPs), whereas some projects requiring less initial capital were directly financed by SMEs.

An increasingly successful initiative

Amsterdam Smart City has enabled numerous projects to be established, from the moment it was launched. However, given the variety of initiatives, and the differences in scale and timeframe required to implement them, it remains very difficult to assess their impact reliably, especially in the long term.

The platform has nevertheless proved its efficacy and relevancy because the number of partners and projects has continually increased (43 projects implemented in 4 years). Amsterdam Smart City therefore seems to have succeeded in becoming a space for meeting and collaborating, and a source of inspiration for urban development stakeholders, establishing a new governance system for the city and having a positive impact on the area (800 jobs created in 3 years).

The platform has also contributed to enhancing the city's reputation[6] and influence, as a centre of technical innovation that enables sustainable growth, and therefore attracts new investors.

Finally, the platform provides a particularly appropriate scale of experimentation, making it possible to identify new practices and promising initiatives that could be implemented on a larger scale or in other contexts. In the long run, these projects will thus be potential vectors of a better quality of public services and the streamlining of local government spending.

Nevertheless, the platform has some major challenges to confront, in particular its governance system and the need to include certain stakeholders, such as citizens and SMEs, which are largely absent from the decision-making and project-implementation processes. Adjustments are therefore necessary to enable users and small companies to become real stakeholders in the sustainable and smart city, above and beyond their status as consumers of urban services.

Finally, the funding of numerous urban infrastructures by private investors arouses debate, in that their growing place in building the city calls into question the relationship among profitability, public interest and the common good, as well as the role of the municipality in fine-tuning the various objectives.

6. For example, in 2011 Amsterdam won the European City Star Award for its efforts in favour of energy transition and sustainable development, including the Amsterdam Smart City initiative. The city is also ranked fifth in Siemens' Green City Index.

THE ESSENTIAL POINTS

- **The aim of the Amsterdam Smart City platform is to bring together the main urban governance stakeholders (private companies, public institutions, research organisations, and inhabitants) so as to favour the creation of new partnerships and the implementation of innovative projects, and make Amsterdam a smart city with sustainable economic growth.**
- **The collaboration between the municipality and private companies has proved to be essential in making the project successful, but raises the question of the relationship between profitability and the common good.**
- **The construction of a platform bringing together urban stakeholders at the metropolitan regional scale enables local initiatives in favour of the development of a smart city to be linked with a more global vision of the urban area, thus questioning the governance and local funding systems.**

Further reading

Amsterdam Smart City website
http://amsterdamsmartcity.com/
More information on the various projects implemented by the platform
http://bit.ly/FMDVREso-Smartstories
Document on the issues of smart cities (in French)
L. Strauch and E. Denis (2013), Efficace, innovante, participative : comment rendre la ville plus intelligente ?, Institut de l'entreprise

CHAPTER 3

WHAT SOLUTIONS CAN HELP BRING BACK THE CREATION OF WEALTH TO LOCAL COMMUNITIES?

While many local European governments are currently rethinking their funding and the management of their resources to meet the challenges posed by various crises, some have gone even further by calling into question certain "fundamental" principles of urban development.

In this third and final chapter, we will highlight the initiatives attempting to create another approach for funding local areas, which make support for the local, socially inclusive, and solidarity-based economy a top priority.

How can we make the local level a top priority in our economic development? How can we create an economic model that generates financial profits and extra-financial benefits for the society that are socially inclusive and sustainable? What levers do local European governments have for achieving this objective? According to what cooperative model?

What role stakeholders can play from the solidarity-based social economy and the socially responsible finance sector?

How can we identify the positive outcomes of a project, quantify them, and determine the amount of government aid required?

How can we move beyond the experimental phase of these particular initiatives and ensure an overall, standardized, and collective approach to local economic development?

The case studies analysed below will attempt to respond to all of these questions. Each project attempts to encourage the development of the local economic and social fabric with local resources, but in very different ways. These vary from an associative approach to common resources in the Brussels Community Land Trust to the statistical analysis of public procurement in Manchester, and the creation of special trade areas brought about by the creation of a local currency in Brixton. Their common point is based essentially on their ultimate objective, which is to root the local economy in its own geographic area. We chose them to illustrate real political actions undertaken to bring back the creation of wealth to the local community. In addition, they can be applied by any other local government, and are experiments in which the local government plays a major role in defining and conducting them.

Toward a new approach to local and global development

Increasingly present and building on each other, there are many approaches striving to transform local areas, such as edible cities, Transition Towns, and alternative indicators of wealth and well being. The common point among all these initiatives is that they contribute to reflections on concepts such as commons and the right to the city, often advocating a break with the past so as to achieve a social, ecological, and democratic transition. Fundamentally motivated by principles of active solidarity, these initiatives invite us to renew local economic thinking. The French sociologist Jean-Louis Laville argues that these alternatives have a transformative function.[1]

Encouraging an endogenous approach, oriented toward the local area, these initiatives are complementary to traditional financing schemes (grants, transfers, local tax schemes, Public-Private Partnerships, and borrowing) and schemes to optimise the management of expenditures (in-depth cooperation, decreasing the energy dependency of local areas, redefining the levels of local government…), which were analysed in the previous chapters. They open up another way to produce, redistribute, and evaluate the wealth of the local area in which the local economy is a catalyst for local development. It is a question of (re)becoming conscious and using the significant local economic potentials available, which have sometimes been neglected due to globalisation and the consequent financialisation of the economy.

In synergy with local area management systems, these approaches attract the attention of local governments, which support them and deploy complementary financial, economic, and monitoring strategies. They make it possible to transform the organising principles of local government and related institutions, to promote fair access to public services, and to initiate a new dynamic cycle of relationships with local residents (in other words, a culture based on participation).[2] As good places for experimentation and cooperation, urban areas are conducting experiments that develop and support local practices promoting social integration and inclusion. Far from excluding or marginalising the poorest, these initiatives are helping to renew urban development in a way in which everyone can find their place.

Rethinking local area governance: re-establishing the role of local governments to support the local economy

The three case studies presented in this chapter are examples of possible transformations of the role played by local governments in the management of local areas and in the governance of urban public services. The latter are currently torn between

These initiatives complement traditional financing schemes by favouring an endogenous approach focusing on the local area.

1. For more information, you can visit Jean-Louis Laville's blog (in French): http://bit.ly/FMDVReso-laville
2. Access to public services and the urbanisation of the world, Chapter on metropolises- GOLD 3- UCLG report

A policy of endogenous local development enables the wealth created in the local area to be amplified and rooted in this area, and to consolidate local economic and social cohesion.

performance requirements and broader reflections on their sustainability, which have been conceptualized by advocates of coproduction[3] and the social and solidarity-based economy (SSE).

Coproduction consists in involving professional stakeholders and service recipients in every phase of the service chain (from design to distribution, and including control and assessment) in order to make it more effective and cut costs. It is often compared with the SSE, which according to the French Ministry of Finance, designates "a group of companies […] whose internal operations and business activities are based on the principles of solidarity and social utility. These companies operate on the basis of democratic and participative management principles".[4] Another definition, more common in other parts of Europe including the United Kingdom, and which could be called social entrepreneurship, makes a distinction between SSE organisations and others in terms of the fact that the former are motivated by public interest rather than profit. Taking account of this overall objective, these organisations have the same kinds of interests as local governments.

There is no unanimously accepted definition of the SSE in Europe, rather varying definitions according to economic and social traditions in different countries. In spite of these differences, the SSE is a concrete reality in Europe, where this sector accounts for 10% of the jobs.[5] The SSE provides a new perspective and new solutions to the challenges traditional approaches have not been able to resolve. It brings global issues down to the local level, facilitating stakeholder "ownership". These stakeholders include citizens, associations, entrepreneurs, and elected officials, who would not have been able to engage in such action beyond the local level.

In this framework, in which the governance of public services is being reconfigured (coproduction) and private stakeholders are playing a role in working for the general interest (SSE), local governments find themselves at the centre of interests that converge on sustainable local development.

Internationally, the European Commission and the OECD are behind this new "place-based approach",[6] and hope to strengthen key local leaders.[7] The major issue facing the innovative policies and strategies

3. For more information, visit www.fmdv.org or Citégo.org

4. Finance and economy portal (updated 08/11/2013, in French) *Qu'est-ce que l'économie sociale et solidaire ?* (What is the social and solidarity-based economy) Centre de documentation économies & finances (Economics and finance documentation centre) http://bit.ly/FMDVReso-ESS

5. Désert, Manon. (in French) *L'économie sociale et les élections européennes : enjeux et perspectives* (Issues and perspectives for the social economy and the European elections). Pour la solidarité (For Solidarity), working papers collection. April 2014, http://bit.ly/FMDVReso-ESSeuro.

6. F. Barça (2009) An Agenda for a Reformed Cohesion Policy- A place-based approach to meeting European Union challenges and expectations. Independent Report prepared for Danuta Hübner, Commissioner for Regional Policy http://bit.ly/FVDMReso-europarl

7.Barcelona Principles, defined within the OECD's LEED programme: G. Clark (2009) Recession, Recovery and Reinvestment: The Role of Local Economic Leadership in a Global Crisis http://bit.ly/FMDVReso-OCDE emerging in European cities and regions is to encourage the development of the values and ideas of the social and solidarity-based economy in an international context that is not very open to its guiding principles.

Concrete initiatives in favour of local economic development – the driving force behind the development of a geographic area

It is highly likely that in the fast-changing economic and social context, all local European governments are going to have to find new endogenous sources of financing for local economic development. This chapter suggests another approach to local areas and the sustainable city, and indicates a new socio-economic model rooted in daily life. In a society that has been indelibly marked by the current multifaceted crisis, local governments and local areas can initiate political actions that significantly redefine traditional development strategies, based on the already existing relations linking the stakeholders in the same area, and at no extra medium- or long-term cost to the local government.

Local economic development is largely dependent on joint action based on dialogue among all of the stakeholders in an area (elected officials, local companies, associations, and others). For these urban actors, implementing a policy of endogenous local development enables the wealth created in the local area to be amplified and rooted in this area, and in this process consolidates local economic and social cohesion. As is the case with the strengthening of public procurement policies to favour local stakeholders, local currencies, and the development of Community Land Trusts studied in this chapter, the objective is to provide local governments with the means to create win-win partnerships with local stakeholders in order to create development opportunities.

Each of these initiatives has demonstrated its usefulness and pertinence in its own way and context. However, because these are innovative policies going against the flow of major world economic trends, they are often misunderstood or victims of biases that can slow down their implementation.

Thus as a battle for people's hearts is being waged between international competition and local economic development, a new idea called system "viability"[8] is emerging. By taking into account the intrinsic positive and negative outcomes of an action or development project, this notion opens up new perspectives. We are not only trying to green the economy today, but also looking for a fairly organised system with improved local participation.

8. *Rivalité des puissances ou humanisation, il faut choisir* (in French-We must choose between rivalry between powers and humanization): Xavier Ricard's notion of viability p158 – Revue Projet « quel travail sans croissance ? » (What work without growth?) Oct-Dec 2013.

OVERVIEW

Community Land Trusts offer an inclusive and complementary alternative solution to help low-income urban households buy their own home.

CHALLENGES

The housing crisis has become an issue throughout Europe. We can see this in the growing number of evictions and homeless people, as well as in the increasingly long waiting lists for social housing*. In today's Europe, where urban areas are more and more densely populated, this is a major issue for local governments, which have a duty to defend public interest and build social housing

* In Brussels in 2011,7% of households were on a waiting list for social housing(source: CLT feasibility study for the Brussels region: http://bit.ly/FMDVReso-Etudesclt)

Social housing, which falls under sub-national jurisdiction, is unanimously acknowledged as a tool for social and territorial cohesion, but today it is facing growing pressure.
In response to this, new models of land governance, home buying, and financing of social housing such as Community Land Trusts (CLTs), are being developed in EU member states with some true innovations.
An alternative model for alleviating the housing crisis, CLTs were granted the 2008 World Habitat Award and are attracting a growing number of local governments, citizens, housing associations, and neighbourhood associations. Such is the case in Brussels, where the first CLT in continental Europe was founded on 20 December 2012, with support from the Brussels-Capital Region.

CASE STUDY

7

THE BRUSSELS COMMUNITY LAND TRUST: A MODEL OF SHARED GOVERNANCE FOR PERMANENTLY AFFORDABLE HOUSING

The Community Land Trust (CLT) system, which originated in the United States in the early 1970s, separates land and building ownership based on a horizontal property regime and distinct management rules. Each CLT has its own operating principles adapted to the area in which it is found. They are all non-profit organisations, which share three basic principles: separation of ownership of land and buildings, permanent affordability of housing for low-income households via a formula that limits the increase in value of the property, and joint governance between owner, inhabitants, and local government. The land is considered to be collective property, while households individually acquire buildings for a lower price than in a standard real estate transaction.

The Community Land Trust : theory and practice in Brussels-Capital

The Brussels CLT is made up of two organisations: the Brussels CLT Public Utility Foundation, which owns the land on which the housing units will be built, and the ASBL Brussels CLT[1], which is in charge of the daily management of the foundation's assets. The ASBL Board of Directors has tripartite representation: building residents, people from the surrounding community (inhabitants and associations) and appointed representatives from the Brussels-Capital Region each have one-third of the seats. This tripartite collegial structure generates virtuous interactions fostering shared local interests.

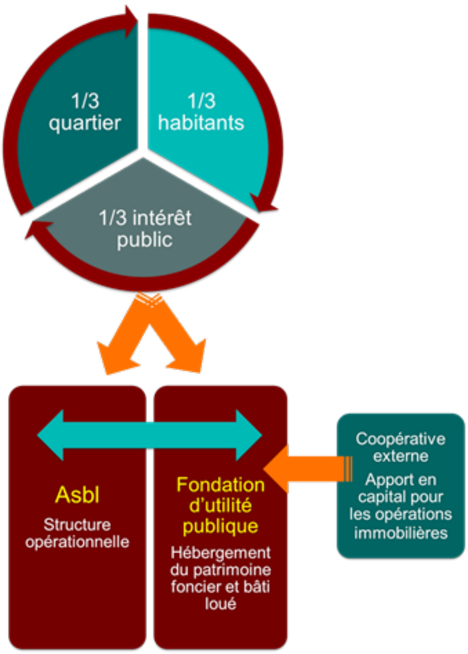
Since 2009, this new model for buying a home has been trying to offset the increasing price of real estate in Brussels. To develop, it has purchased three buildings in the municipalities of Anderlecht and Molenbeek. Its objective is to enable low- and medium-income families[2] to purchase their own home, while encouraging the development of collective activities for local inhabitants, such as affordable community day nurseries and community gardens.

Land use rights are formalised in an emphyteutic lease for the use of the land granted by the CLT to a homeowner. This lease includes several clauses and legal mechanisms that include CLT principles and enable this land use right to be extended if the housing unit is sold. For example, in Brussels these clauses stipulate that when a home is sold, its owners receive only 25% of the increase in value and the CLT 6% to offset operating costs. When the transaction is made, in addition to the initial purchase price, the new purchaser will only pay for 31% of the increase

The Community Land Trust model is based on the separation of land and the building.

1. Belgian not-for-profit association

2. Recipients of social benefits and up to €40,000 of income per year and per household, to encourage social diversity. However, CLT stipulations make the traditional real estate market more advantageous for families with income of more than €25,000 / year.



Presentation of the joint governance of the CLT - Source: http://communitylandtrust.wordpress.com/about/en-un-peu-plus-de-mots

in value. These clauses make it possible to maintain the property at an affordable price with no additional subsidies from the local government.

The Brussels CLT—a participative community-based initiative actively supported by local government

Launched in2012, the Brussels CLT is the fruit of an active and balanced partnership between a network of experienced local association sand the Brussels-Capital Region along with support from its Secretary of State for Housing, who commissioned a feasibility study in 2009. He then introduced the notion of Community Land Trust into the housing code and planned the investment of €2 million per year between 2012 and 2016 to finance the first property acquisition operations, by integrating it into the Habitat Alliance, a multi-stakeholder regional housing plan.

Support from the local government has also had a financial impact through a dual subsidy guaranteeing the model's accessibility: the first enabling purchase of the land by the CLT (up to €350/m² of land) and the second paid to the CLT (€415/m² of built surface) to reduce the sales price more for households. The aim is for the owners not to have to spend more than 30% of their income for their mortgage, which is subject to a 25-year contract with a social credit organisation (the Housing Fund). It gives households the extra help they need, and offers proof of the Region's strong commitment.

An atypical but profitable approach to homeownership for residents, people in the surrounding area, and local government

From the local authorities' point of view, this model guarantees the permanent accessibility of homes to low-income households, with no need for further government investments. CLTs help to put local savings to work, and produce significant financial leveraging effects, while also enabling more diversified funding opportunities, which would have been impossible the public sector was the only involved. The Brussels CLT acts in favour of social cohesion because it is against speculation and promotes open relations with the local neighbourhood. This CLT is an additional tool, relativity inexpensive in the medium term for the local government, and it will enable the latter to diversify its affordable housing stock.

From the point of view of households, who gain stability and feel more integrated into the local community when they become homeowners, the CLT enables them to accumulate capital, even if only a limited amount. Support for households is one of the major missions of the Brussels CLT to ensure stability and help residents feel well integrated in their building and neighbourhood. In Brussels, potential buyers receive training on how CLTs function, buying a home, and energy management, which is beneficial to the local government.

CLTs in the United States have been remarkably resilient during the crisis. The number of foreclosures was ten times less in 2010 than for traditional homeowners.[3]

3. National CLT Network. 2011-"Despite unemployment rates and subprime lending, delinquent mortgages and foreclosures continue to decline in Community Land Trusts".

2 QUESTIONS FOR

Christos Doulkeridis,

Secretary of State for Housing of the Brussels-Capital Region

How and why was the Brussels-Capital Region convinced to support the Community Land Trust model: were politicians and other officials reluctant? What barriers had to be overcome?

Given the social challenge Brussels-Capital Region has to face, I'm convinced of the need to diversify the government response if we want to ensure the right to housing for the inhabitants of Brussels. I was rapidly convinced that the CLT is a creative solution that should be encouraged, alongside conventional production tools. Above all, I was attracted by its impact on the cost of housing: it enables low-income families to buy their own home.

This model has been supported since 2009 by a broad-based platform of associations with which I started working very quickly to adapt the model to the situation in Brussels. I also commissioned a feasibility study concerning mainly the legal issues, which led to the drawing up a model defining the main framework, which had been approved by the Brussels-Capital Region government in late 2012.

At present, 3 projects are being developed, and a multiannual programming had been established over a 4-year period to produce 200 housing units. To that end, an annual budget of €2 million has been approved. In June 2013, we have been enshrining the CLT as a tool of our social housing policy in the Brussels Housing Code.

Can the CLT model be further developed in Brussels and Europe? What would be the comparative advantages for local governments applying this model, and what would be the limits of a broader application of CLTs?

I am proud that the Brussels-Capital Region is the first to have implemented this model in continental Europe. It would certainly be appropriate to apply it elsewhere in Europe. This model is in fact arousing increasing interest in neighbouring regions and countries.

As a land tenure instrument, the CLT aims to guarantee long-term access to social housing. It is hence useful in areas where there is a high demand for real estate, as well as in zones where the market is less competitive.

The CLT model aims to mobilise people, and is based on the active participation of buyers and local residents. This philosophy presupposes the implementation of significant resources to accompany any CLT project; while this may slow down its development, it makes the project more robust and attractive for potential participants.

Access to permanently affordable housing is guaranteed to low income households, with no new investments by public authorities.

T H E   E S S E N T I A L   P O I N T S

The CLT is an innovative public policy tool, an innovative long-term participative model for facilitating home-ownership, which has been adapted to many different contexts (United States, Europe, rural and urban settings),and has demonstrated that another approach to homeownership is viable, both for households and local governments. Indeed, the CLT is:

- **an operational tool for ensuring the right to housing, because it can accommodate low-income households that would not have been able to buy a home in other conditions;**
- **a force for social cohesion, because it actively attempts to create social links between residents and people living in the surrounding area;**
- **a profitable model for the local government, because it only requires a single initial investment, which is then perpetuated in the housing units created;**
- **a tool that makes households independent, because it stimulates their active participation through a home-ownership support programme.**

The Brussels Community Land Trust adds to the housing instruments available to the Brussels-Capital Region, and corresponds to its objective of promoting new kinds of housing, in partnership with local associations and taking into account the city's financial means.

Issues in adapting the model

European cities, which are becoming increasingly densely populated, must meet two major interrelated challenges: providing affordable housing while ensuring social diversity. In its role as a public service, social housing must find the means to meet these challenges. With the increasing pressure on housing today, it would be useful to draw on the lessons learned during the development of Community Land Trusts, with a view towards creating a public-interest service that guarantees everyone the right to permanently affordable housing.

The experience in Belgium highlights three principal factors for developing CLTs successfully in Europe: the respect of basic CLT principles, long-term support for households, and significant political and financial backing by the local government.

In addition, the separation of land/buildings and the collegial management of the CLT represent a novel approach to property ownership, leading to a more general reflection on "public goods" and their governance. As a result, this approach requires awareness-raising activities for the local authorities and for people living in the surrounding area. The separation must be legally authorised, which is common in countries like the United Kingdom, but less obvious in other countries, where there is a different conception of property.

There are two basic pillars for the operational development of CLTs in Europe: the CLT economic model, backed and supervised by public authorities, and control over land management.

Further reading

Brussels CLT website:
http://bit.ly/FMDVReso-CLT
Feasibility study for CLTs in the Brussels-Capital Region:
http://bit.ly/FMDVReso-Etudesclt
UN-Habitat Annual Report 2012. Community Land Trust, affordable access to land and housing. The Global urban economic dialogue series
Jean-Philippe Attard. 2013. Un logement foncièrement solidaire : le modèle des community land trusts (Solidarity-based housing: the community land trust model). Mouvements.
http://bit.ly/FMDVReso-Attard

PRESENTATION

Complementary local currencies, which are an example of citizen ownership of the monetary system, have been undergoing renewed development in Europe, in cooperation with local governments.

CHALLENGES

In a context of crises, many territorial development stakeholders are promoting local level as a relevant vector of change and of “sustainable” local and societal development. Local currencies are part of this tendency as tools that can bring economic development back to the local area and modify practices of consumption and exchange.

The recent systemic crises have intensified an already existing process by which lifestyles and forms of consumption and exchange within societies have been called into question. A number of networks and initiatives that are questioning the credibility of the players traditionally in charge of regional development (public institutions as well as private players) have acquired new visibility at a local, national or international level. A majority of these initiatives champion local action as an appropriate level of development when it comes to initiating practical and operational solutions to current and future issues (exclusion, unemployment, food, etc.). Transition Towns and local currencies are part of these.

C A S E S T U D Y

8 COMPLEMENTARY LOCAL CURRENCIES AND TRANSITION TOWNS LEARNING FROM BRIXTON

The "Transition Towns" network was founded in Great Britain, in 2006. It supports communities that want to create a future that is "more sustainable and less vulnerable to ecological, energy and economic crises".[1] Their objective is to reposition global issues locally and to make the local level a platform for proposals and changes. The Transition Towns combine processes of reflection, action and support for local citizen initiatives. They are now acknowledged internationally and include more than 1100 initiatives in 43 countries. The success of the network demonstrates the desire of many communities or municipalities to become driving forces of regional development and of the building of truly "sustainable" societies.

This type of societal project goes hand-in-hand with many initiatives that seek to reassess regional economic planning. Complementary local currencies, which are a way for citizens to take on ownership of the monetary system, are one such initiative. They have existed since the beginning of the 20th century and promote the local community as a renewed space for exchanges. Local currencies are defined as "local systems that provide the necessary framework for exchanges, organised by and for communities of citizens, through the use of a monetary organisation defined ad hoc and their own internal currency enabling accounting and payment".[2]

These currencies are not supported by the national government and are intended to be exchanged within a limited area among citizens and local businesses, parallel to the national currency. While they can come in different forms (paper money, electronic payment, etc.), what local currencies have in common is their specific economic philosophy, which seeks to bring back economic activities to the local area (use of local goods and services, enrichment of the community, and reconnection between spaces of income generation and spending), give dynamics to exchanges (encouraging the circulation of wealth and the multiplication of exchanges) and transform practices and lifestyles (creation of a community identity and of new ties among people involved in the exchange, and giving consumers a sense of responsibility).

Re-localising food production in Lambeth as much as possible would enable the spending of more than £570m (nearly 700m euros) in local products rather than on imported products.

Local currencies have gained new momentum in Europe since 2008[3] and are being used as tools that can meet short- and long-term challenges. However, it is often a challenge to implement them, starting with convincing local stakeholders of the credibility of such a system. In this context, local governments are playing an increasingly prominent role: by offering financial or logistical support, by including the local currency in their public policies or by accepting it as a means of payment of taxes or municipal wages, they seem to be becoming real actors in the development of local currencies.

As an example, we have selected the case study of the London district of Brixton, where a local currency created in 2009 in cooperation with the local government has enabled the development of many innovations, thereby illustrating the importance of local currencies and the potential of local governments in this area.

The Brixton Pound, a local currency inside a neighbourhood

Brixton, a neighbourhood in the southern part of the Lambeth district of London, is home to one of the first local-currency networks in Britain to work in an urban environment. It was the Transition Town Brixton network that initiated the Brixton Pound project, with help from several sponsors, including the New Economics Foundation (Nef). The local currency was first launched in 2009 in a paper version and then in 2011 in an electronic version (with the possibility of paying via text message), thereby becoming the first electronic payment system for local currencies in Great Britain.

1. http://villesentransition.net/
2. Fare M. and de Freitas C. (2012), *Enjeux territoriaux des monnaies sociales et complémentaires, introduction systémique*, http://bit.ly/FMDVReso-Monnaies
3. Derudder P. (2012), *Les monnaies locales complémentaires : pourquoi, comment ?*, Yves Michel publishers

2 QUESTIONS FOR

Nick Hillard,

Project Manager for B£/Council Initiatives at the Lambeth Council

What was the role played by the municipality in the creation, implementation and development of the Brixton Pound?

The partnership between the B£ and Lambeth Council is founded on mutual aspirations based on fairness and opportunity for all in our community.
In 2010 Lambeth began a journey to become a 'Cooperative Council'. This would fundamentally change the balance of power and our relationship with citizens to cooperatively find solutions to the local challenges we face. It was this vision that provided the context for a number of collaborative council and B£ innovations.
The first, in 2010, was our financial and political support for the digitisation of the paper currency. This was an essential step to develop accessibility and growth of the B£. The second was the launch in June 2012 of the B£e Business Rates Scheme which for the first time in the UK allowed businesses to use a community currency to pay their business tax. The third was the launch of Payroll Local at the end of 2012 which enabled council staff to opt to receive some of their monthly salaries in B£e.
Our latest and most ambitious venture is the Brixton Bonus (a local lottery) and Brixton Fund. For the B£ the objective of the project is to create a model that will secure financial sustainability, whilst also creating a fund to support local community projects in line with its own social and economic values. For the council this offered a unique opportunity to support a programme whose benefits would contribute to our socio-economic outcomes. The management of the Brixton Fund by the local community will also offer an opportunity to observe community led commissioning, providing valuable insight into our own cooperative commissioning ambitions.

What are the results of the initiative as a whole?

The initiative has realised numerous financial and non-financial benefits.
It has enabled increased currency circulation and opened it up to new users, both individuals and businesses. In addition Payroll Local has changed users spending patterns and behaviour to the benefit of local enterprise. The council's collaboration with the B£ has fundamentally contributed to the council's objective of creating a cooperative innovative culture. Our partnership has given us the opportunity to look at innovation as a positive vehicle for change. By embracing new ideas it has helped the council step away from risk avoidance and reap the benefits of innovation by activity managing risk and opportunities.

Today, the Brixton Pound is an acknowledged success. In 2013, more than 100,000 Brixton pounds (nearly €120,000) were in circulation, with over 250 shops accepting cash payment and 170 accepting payment by telephone. Furthermore, more than 65% of Council public servants who accepted to receive part of their salary in local currency declare that they have changed their consumption habits and are purchasing more locally. The system is being constantly improved: consultations and polls are frequently organised with local businesses, residents and the municipality in order to make the currency evolve according to expectations and needs.

Support from the local government has been essential to this success. For example, the Lambeth Council, of which a representative sits as a member of the Brixton Pound board, has authorised the use of the local currency by businesses to pay part of their taxes and by the Council to pay part of the wages of municipal employees. These measures have reinforced the currency's credibility and encouraged its development, all the while enabling the local government to start up reflection on the coproduction of services and the role of citizen initiatives in its public policies. Recently, the Lambeth Council has participated in developing the Brixton Bonus, a programme seeking to ensure the financial autonomy of the Brixton Pound and to create a fund to finance local projects.

Local governments: catalysts for bringing economic activity back to the local area?

This initiative shows the relevancy of complementary currencies for revitalising and increasing the resiliency of the local economy, insofar as the Brixton Pound enables local exchanges that would not necessarily exist just on the basis of the pound sterling. The goal is not to attract businesses to the area or to increase consumption, but rather to give dynamics to existing local organisations and the real economy[4] by redirecting demand towards local products. Local currencies also have the advantage of circulating faster than national currencies, insofar as they are not made for being saved.[5] Finally, as they are accepted only inside the local community, they make it possible to both enrich the community and to trigger a virtuous economic process in the area that facilitates the emergence of value chains.[6]

The currency put into use in Brixton goes beyond the economic dimension to create a true identity-based vector that helps implement a societal project. In this context, local governments emerge as increasingly crucial players, insofar as their support contributes to the development, continuity and credibility of the initiative. The currencies are also beneficial to local governments, as they help identify local businesses that can respond to calls for tender for public procurement (see the Manchester case study) and create new lines of funding, for tax collection for example. However, the success of such projects remains subject to the level of commitment and conscience of those involved. This brings up questions such as who participates in these networks and why, and to what degree these currencies must seek to increase the number of users.

THE ESSENTIAL POINTS

- **Complementary local currencies are currency units put into circulation as a supplement to the national currency, often at the initiative of a group of citizens united within a network in a limited area. Their aim is to be a factor of a societal project based on repositioning global issues into the local community.**
- **Implementing them makes citizens aware of the impact of their purchases and revitalises the local economy. It also develops the resiliency of the local area as well as the ties and exchanges within the community.**
- **Local governments are gradually emerging as essential players in the recognition, legitimisation and support of these initiatives.**
- **Local currencies help to make monetary systems evolve to help local areas.**

Further reading:

To find out more about Transition Towns:
http://villesentransition.net/ (in French)
To find out more about local currencies:
http://bit.ly/FMDVReso-Monnaies
(in French)
Website devoted to the Brixton Pound:
http://brixtonpound.org/

4. Less than 5% of transactions are currently made to finance the real economy. (Derudder, 2012)
5. In some cases, its accumulation is limited by a ceiling value or by the establishment of a "melting" system by which the currency depreciates if it is not used after a certain amount of time. Thus, for the same amount of currency in circulation, the local currency is used more often and leads to greater overall economic activity.
6. Network of businesses where the local currency can be exchanged.

PRESENTATION

In 2012, the UK central government spent around £260 billion in procuring goods and services, with local governments spending around £70 billion (€86 billion).*

CHALLENGES

In a period of drastic budget reduction by local British governments (-28% in 2012**), improving the management and effectiveness of public procurement is a key strategy in optimising public spending.

* CLES (2012) Progression in Procurement: Manchester City Council

** Local Government Association (June 2012) Local Government Procurement Pledge

In 2008, the city of Manchester commissioned the Centre for Local Economic Strategies (CLES, a non-profit research centre) to carry out a study of the impact of public procurement contracted by the city (worth an average of £300 million, or €370 million annually) on the local economy, by analysing the share reinvested in the community by the subcontractors. The findings contributed to better understanding of the local economic base, closer ties between the city and local subcontractors, and better orientation of public investment in order to support the city's economic and social strategy, in particular for youth employment.

C A S E   S T U D Y

9

PUBLIC PROCUREMENT, DRIVERS OF DEVELOPMENT FOR THE LOCAL ECONOMIC BASE IN MANCHESTER

This system consists in having public procurement spending concentrate and take root within the city.

M

anchester, a dynamic city conscious of the importance of local public procurement

A city severely affected by deindustrialisation, Manchester started developing innovative revitalisation methods from the 1980s and became a ground breaker in urban regeneration. Despite a redevelopment of the downtown area and a renewed economic vitality, social inequalities continued, and with them the need to better distribute locally produced wealth.

Following the first National Procurement Strategy for Local Governments launched in 2003 by the Local Government Association (LGA), Manchester reassessed its public procurement system and its impact on the local economy by setting up a Sustainable Procurement Policy. This system consists in having public procurement spending concentrate and take root within the city in order to stimulate the latter's economic base. The study carried out by the Centre for Local Economic Strategies (CLES) and the LM3 tool developed by the New Economic Foundation (see box) provided valuable findings for this strategy.

From findings of the study…

CLES's impact study made it possible to analyse the evolution of public procurement in Manchester in 2008, 2010 and 2012. As recommendations were made after the first study, the later studies were able to highlight the concrete effect of measures taken. In 2008-2009, for example, the city of Manchester spent £357 million in public procurement among 300 subcontractors, 51.5% of which were based in the city of Manchester, and in 2012-2013 this percentage grew to 69.3%.[1] There was thus a very clear reorientation towards economic players linked to the city, thanks to a series of measures developed by the city government.

It was also possible to measure the economic reach of local public procurement on the city: in 2008-2009, it came to £273 million, including city spending and the wages paid by the subcontractors to their employees living in Manchester. The catalytic impact, i.e. that which is then reinvested in the local economy by the subcontractors and their employees, is more difficult to assess but has been estimated at £687 million.[2]

The extent to which local public procurement has taken root nevertheless varies according to the economic sector. In 2012 for example, 89.2% of utilities providers were based in the Greater Manchester area, compared to 53.5% of suppliers of office supplies or municipal vehicles (wholesale and retail trade).There is in fact a limit to supply available within a local community, and (for now) some public procurement still has to be contracted with players located outside the community.

1. CLES (2012) Progression in Procurement: Manchester City Council
2. Manchester City Council (2010) Economy, Employment and Skills Overview and Scrutiny Committee, Item 8

3 QUESTIONS TO

Sir Richard Leese,

Leader of Manchester City Council

Why commissioned a study on Manchester's public procurements when 86.5% of public procurement were already spent within the Greater Manchester based companies in 2008?
The City Council commissioned the study to receive an independent verification that could provide baseline figures which that the City Council could use to promote their practice and also to inform improvement through policy changes. The work supplemented the development of a Sustainable Procurement Policy Statement and sought to identify three things. First, the extent to which suppliers were based in the Manchester City Council boundary and subsequently wards and areas of deprivation. Second, to explore how suppliers re-spent back in the Manchester boundary upon suppliers and employees of their own. Third, to understand the ethos of suppliers when it came to their own recruitment, suppliers and environmental choices.

According to CLES, between 2008 and 2012 the proportion of procurement spent with Manchester based companies raised from 51.5% to 69.3%. Is it the result of a specific set of policies implemented by the City Council to improve the impact of municipal procurements on the city economic fabric?
Central to this improvement has been the development of the CHEST which is now the North West's portal for promoting tender opportunities to raise awareness of opportunities to local businesses and particularly SMEs. Moreover, a number of activities have been undertaken to engage with the local business base: identifying gaps in spend by sector and promoting opportunities to organizations based in those sectors; regeneration officers engaging with local businesses and seeking to develop their capacity to bid; and the development of a cross departmental procurement working group. Potential suppliers have also been encouraged in the bidding process to demonstrate how they will contribute to key local priorities (e.g. worklessness) if they are successful in winning the contract.

Are there any specific environmental, social and tax requirements for local companies implemented through the public procurement strategy to boost the territorial development?
Manchester City Council's approach has been to influence the supply chain to achieve economic, social and environmental outcomes as opposed to enforcing them. This influencing approach has included promoting the dual objectives of the sustainable procurement strategy and engaging with suppliers to encourage them to address local challenges as part of service delivery. For example, the initial work undertaken in 2009 highlighted that the supply chain supported some 5225 jobs in the Manchester economy.

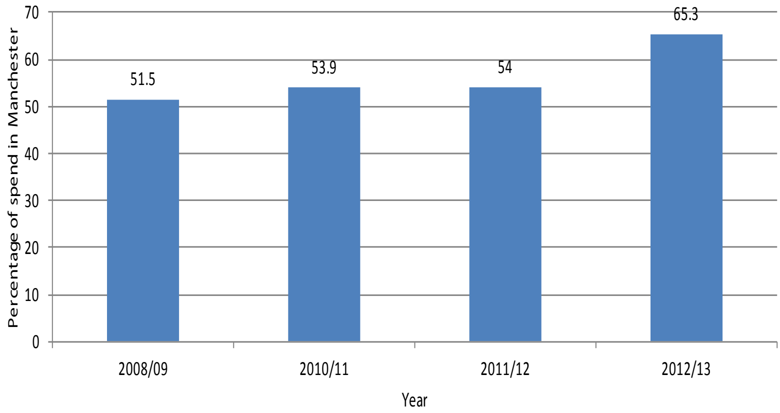
... to actions in the field
Some easy-to-implement policies were instituted following the study, with the main objective of changing the habits of local stakeholders, so as to optimise and multiply the impacts of local public procurement on the local community.

1. Identifying and giving priority to local subcontractors of the city and the Region

Targeting local subcontracting first involves identifying subcontractors that are not from the local area, as well as their sectors of activity, so that they can be replaced by businesses from the local economic base.

Furthermore, as Manchester's public procurement has an impact on the Greater Manchester region, the city has undertaken to promote the North West Regional E-procurement Portal. This online portal, also called CHEST, enables businesses to register and local governments to post offers. Manchester hopes to use this tool to facilitate access to public procurement for businesses of the entire region.

2. Creating networks and groups of exchanges



Evolution of the share of public investment in the local economy - Source : Matthew Jackson, CLES (November 2013) Maximising the benefits of procurements

Changing the habits of local stakeholders, so as to optimise and multiply the impacts of local public procurement on the local community.

The city has also created a network of its 300 main subcontractors, in order to better understand the difficulties surrounding access to public procurement (such as contracts that are too complex or inappropriate). The network is also used to communicate on issues regarding local redistribution of investments. It would seem that this intensive communication work has borne fruit, as the share reinvested by the subcontractors into the local economy rose from 25p per £1 paid by the city government in 2008-2009 to 47p in 2010-11.

Furthermore, to improve public procurement effectiveness, the city council and CLES have set up a cross-departmental working group made up of administrative managers from the departments of Corporate Procurement, Economic Development, and Education and Adult Social Care. They meet quarterly to target the issues on which public procurement could take action.

3. Promoting jobs for youth in difficulty

One of the highlights of Manchester's strategy is to use public procurement as a lever for job creation, especially in disadvantaged neighbourhoods. In 2010, CLES evaluated that 5225 inhabitants had their jobs directly from public procurement spent with local suppliers. To improve this figure, the city council favours contracts with companies that undertake to create local jobs, especially apprenticeships for underqualified youths. This refocusing on disadvantaged neighbourhoods has a visible effect: the proportion of public procurement contracted in the latter increased from 47.6% in 2008 to 59.7% in 2012.

By exploiting the economic impact of their public procurement processes, the European local authorities demonstrate their ability to affect the real economy, purveyor of sustainable local employment. Thus they demonstrate they are directly agents of change and show their competence for organizing the local economic actors.

The "Local Multiplier 3": a three-level evaluation developed by the New Economic Foundation

The impact study of public procurement on the local economy carried out by CLES in Manchester is carried out in 3 stages:

- Calculation of the total value of the public procurement in a given year (Round 1)
- The share of this amount paid to locally-based subcontractors or suppliers (Round 2)
- The percentage re-injected by these subcontractors and suppliers to their own locally-based subcontractors and suppliers (Round 3)

The Local Multiplier 3 is the result of the following calculation: (Round 1 + Round 2 + Round 3) / Round 1. In other words, the LM3 represents the percentage of the initial value of public procurement reinvested directly into local economic activity, by tracing the capital over three levels of stakeholders (the municipality, the municipality's subcontractors, and the subcontractors of the subcontractors). The LM3 is a diagnostic tool that establishes the impact effectiveness of a municipality's public procurement on the economic base of its territory.

THE ESSENTIAL POINTS:

The assessment carried out for the city of Manchester by CLES, on public procurement impact on the local economic base, has acted as a usable tool for orienting public policies. It has made it possible to:

- **highlight the fields of activities and neighbourhoods with the largest growth margins in economic development;**
- **raise the awareness of local stakeholders regarding stimulation of the local economic base through public procurement;**
- **help better orient public spending (through the creation of networks and more in-depth communication), thereby stimulating the local economy at a lower cost for the community.**

Further reading

Matthew Jackson (2010) "The power of procurement- Towards progressive procurement: the policy and practice of Manchester City Council" Centre for Local Economic Strategies: http://bit.ly/FMDVReso-procurement
Description of the LM3 diagnostic by CLES: http://bit.ly/FMDVReso-LM3
European Commission 2014 Directive on public procurement: http://bit.ly/FMDVReso-EUreform

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PROGRAMME RESOLUTIONS TO FUND CITIES

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- Transferring experience through **training and cooperation between cities**
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➔ **First activities**
- **High-level conferences:** first meeting in Paris, July 2014
- **Workshops, operational and thematic formations on key themes**
- **A dynamic of networking for acting:** creation of a Network of Chiefs of local finance for European Cities and Regions

An operational engagement for the Habitat III conference and in the post 2015 Agenda debates, sustaining the general advocacy of UCLG and Metropolis, and carrying the economic and financial voice of local authorities.

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