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Prêts Renouvellement Urbain « Thematic » – 2023 (Framework Operation)

INVEU-ICR-0023-2023 – Social Infrastructure and Skills Window (SISW)

Short description of the financing or investment operation and its objectives

Type of the final recipients	Natural persons Special Purpose Vehicle/Project Company SMEs (including Micro Enterprise) Public sector entity/ Public-sector type entity Mixed entities, such as public–private partnerships (PPPs) and private companies with a public purpose Education/training/related services providers, foundations, mutuals, cooperatives, social enterprises, health/social services providers, technology providers, healthcare professionals...
Countries of implementation	France including Overseas Countries and Territories (French Polynesia; New Caledonia; Saint Barthélémy; Saint Pierre and Miquelon; Wallis and Futuna)
Implementing partner	Caisse des Dépôts et Consignations (CDC)

This Framework Operation will cover the “Prêts Renouvellement Urbain” (PRU) loans that target specific districts of selected cities with a high level of social challenges (“politique de la ville”) in sectors such as education, human health and social, water supply, wholesale and retail trade, accommodation and food, public administration and defence, arts, entertainment, etc.

Specifically, this operation will cover the **Thematic Debt Financial Product** for the Social Investment and Skills Window, recognising that the EU Guarantee limit for the Thematic Product could be absorbed by the General Debt product in case it is not used / needed for thematic operations.

Global Assessment and rationale for approval

The Investment Committee of the InvestEU Fund approved the use of the InvestEU guarantee on 12 May 2023 for the above-mentioned operation.

The Framework Operation addresses important market failures. Subprojects have the nature of a public good for which the operator or company cannot capture sufficient financial benefits. When the project promoter is a municipality or another local authority, the project usually consists in urban renovation and does not generate any direct revenue. It is

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typically a public good. When the project promoter is a public agency, an NGO, or even a small business, the project usually generates a low revenue and is fragile economically, despite tax cuts in priority districts. Moreover, the complexity of the market failure is evidenced by the persistent absence (or very low level) of activities in eligible areas, both public and economic. For decades local authorities and French State have improved their strategies for urban policies, but it remains a complex issue. The current strategy consists in a holistic approach focused on very specific local areas.

The Investment Committee recognised the additionality of the Framework Operation. First, the maturity of PRU loans can reach 30 years, which remains above commercial banks. In addition, the CDC will participate in the risk-sharing mechanism supporting underlying loans, thus making an exception to its statutory requirements, taking 5% of own risk and therefore accepting higher risk levels compared to the levels generally accepted by CDC. Finally, commercial banks wait for CDC's decision to finance a project before deciding to finance it too; CDC's decision catalyses the others. Indeed, CDC is known to seek and find solutions for the project in case of difficulties; this is seen positively by commercial banks. When the project cost exceeds 10 Mn, co-financing is a condition for CDC financing; this implies crowding-in private co-financing.