



Workshop – a new paradigm for Local Government finance: The trend to create Municipal Bond Agencies in Europe

Ile-de-France Regional Council – 4th of July – 2.15 to 4.30 pm

Context

Local authority capital spending pays for the roads, houses, schools but also for leisure facilities that are at the heart of our communities. This investment drives both economic growth and helps local authorities deliver efficiency services savings.

However, European central governments budget constraints, and the partial withdrawal of the commercial banks from the municipal finance sector has lead the local authorities to tricky financial situations, due notably to new capital and liquidity requirements (Basel 3)

Now, private capital markets can meet the financial demands of municipalities. Yet most of these did not have access to the private capital markets until now, as the costs for issuing bonds do not pay off on low volumes.

At the same time, municipal financing agencies exist for many decades in the Scandinavian countries and the Netherlands. It has turned out to be a well-established system,, especially during the recent financial crisis of 2008 and seems to be a suitable answer to the local government needs: based on their excellent AAA credit ratings, these capitalized local authority-owned collective agencies can indeed raise funds from bonds markets, to then lend it onto local authorities at competitive rates. They also make sure that there is a diversity of sources in capital funding, thus reducing council dependence on a single source of funds.

Inspired by Nordics agencies (KommuneKredit, Kommunalbanken, Kommuninvest, Munifin) many European countries express a great interest for this new paradigm. In France a new agency has been created in October 2013. This Agence France Locale (AFL) is likely to issue bonds and operate the first loans to local authorities by the end of 2014. In the UK, an initiative has also been taken by the Local Government Association to launch a project with the aim of creating a Municipal Bond Agency.

Objective

This workshop aims at allowing exchanges concerning the issues faced by local authorities and their partners at the time of the implementation of an Agency.

Through example and experience sharing, the workshop will thus aim at:

- Explaining the main characteristics and strengths of the agency model
- Providing with an overview of the European landscape and initiatives around Agencies
- Giving an update of the Municipal Bond Agency initiative in the UK
- Providing with feedback and lessons learned from the French Agence France Locale project
- Providing with a perspective from the European Association for Public Bank

Moderator

- Lars Andersson, Board member of the Agence France Locale and founder of Kommuninvest

Speakers

- Sir Merrick Cockell, chairman of the English Local Government Association
- Yves Millardet, CEO of Agence France Locale
- Laurence Laydier, Director local government relations, Agence France Locale
- Raphael Ravoux, EY Partner
- Marcel Roy, Director General of the European Association for Public Banks