

JESSICA

Joint European Support for Sustainable Investment in City Areas • Joint European Support for Sustainable Investment in City Areas

Fostering knowledge economies via JESSICA investment

Rakesh Bhana

EIB JESSICA Task Force

Aarhus, 17 September 2010



EIB, the EU's Financing Arm



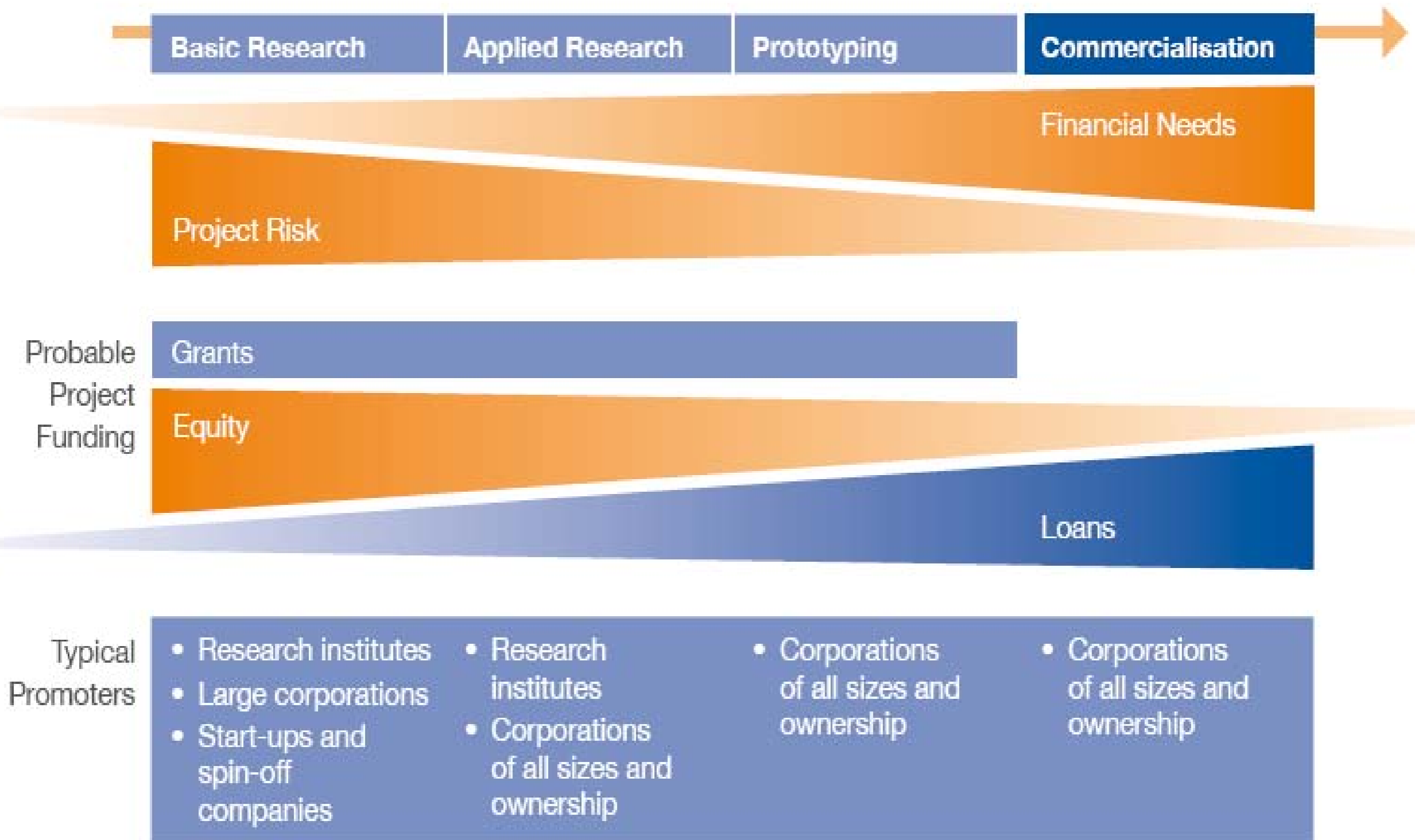
- Created in **1958** by the EC Treaty with **not-for-profit status**; owned by the EU Member States.
- **Financially self-supporting** (by issuing AAA bonds).
- In 2009, EIB lent about **EUR71bn** (+27% vs. 2008).
- **Lisbon Treaty** has broadened the range of EIB's financing instruments (which now include equity).
- **Policy driven, non-profit institution** following sound banking principles
- Activities: SMEs, Environment/Climate Change, **Innovation, Sustainable Cities and Communities**,...

EIB financing for Knowledge Economies



- **Knowledge Economy** identified as a **priority policy objective**
- In 2009, EIB lent more than **EUR18bn** for investment in the knowledge economy.
- Recent EIB loans :
 - EUR100m - Technopolis Science Parks (FI)
 - EUR200m - San Raffaele Milano R&D (IT)
 - EUR61m - Heidelberg Bioscience Infrastructure (DE)
 - EUR80m - Regional “Technopoles” (TU)

Funding RDI projects

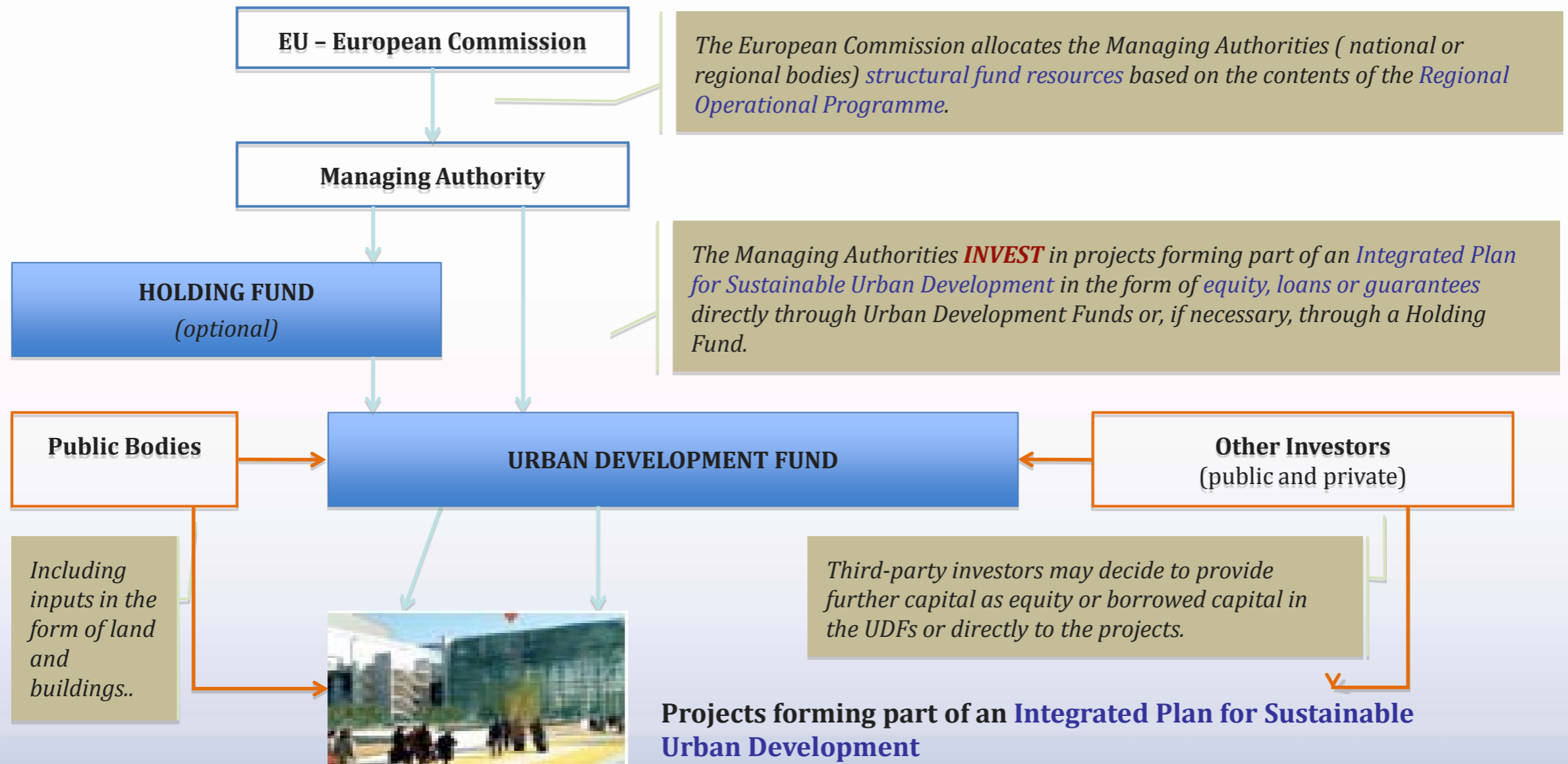


The “JESSICA” initiative...

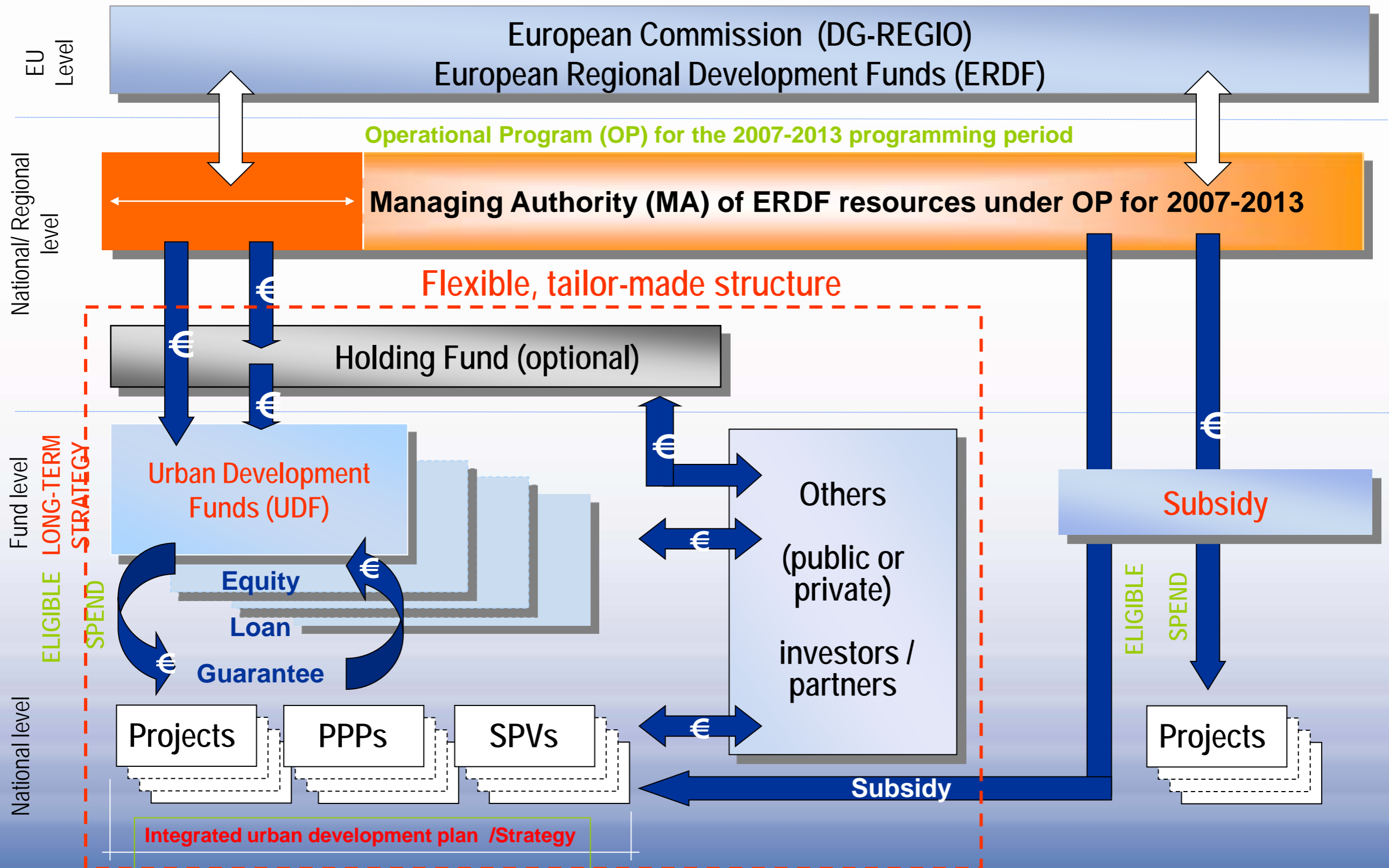


- ✓ “Joint European Support for Sustainable Investment in City Areas”:
- ✓ a Technical Assistance initiative of the European Commission (DG REGIO) launched at end of 2005, and supported by EIB, to **strengthen the urban dimension in cohesion policy ...**
- ✓ ... by applying “financial engineering” techniques to EU Structural Funds

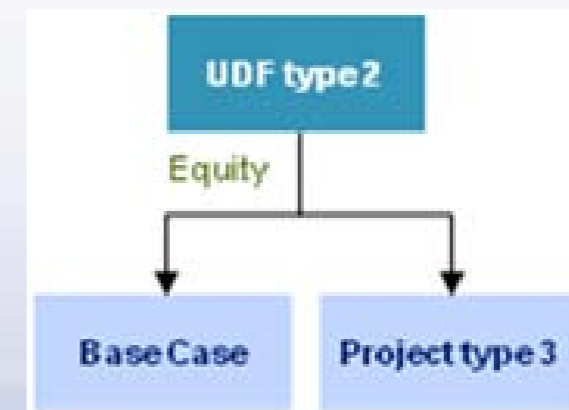
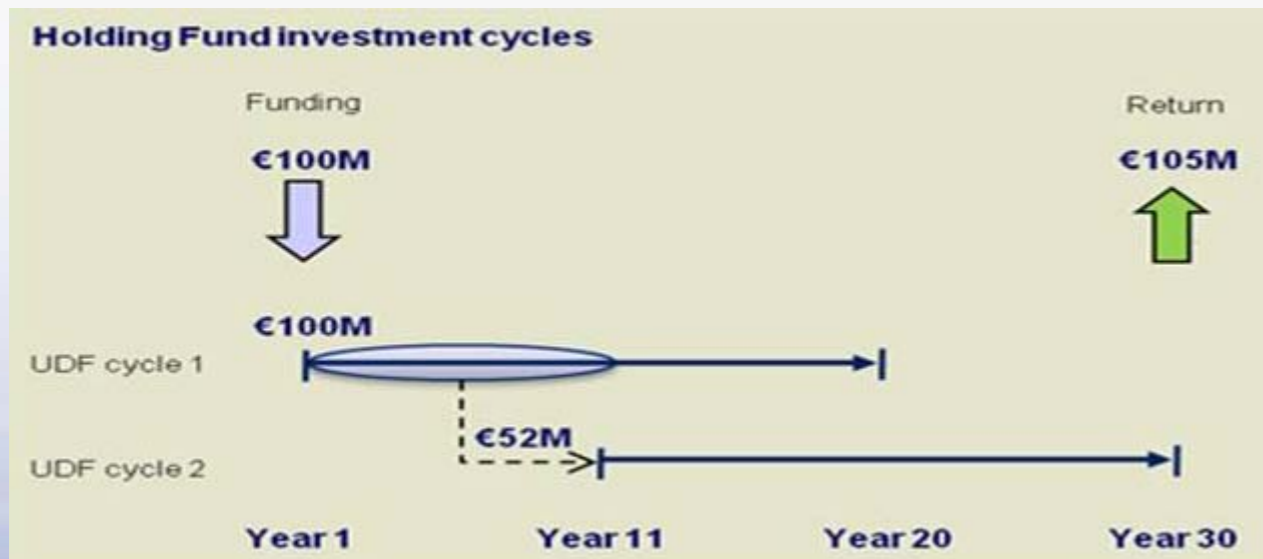
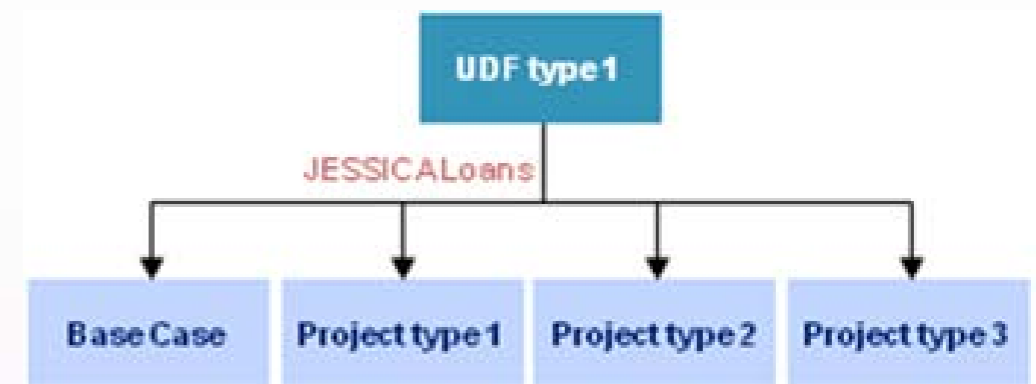
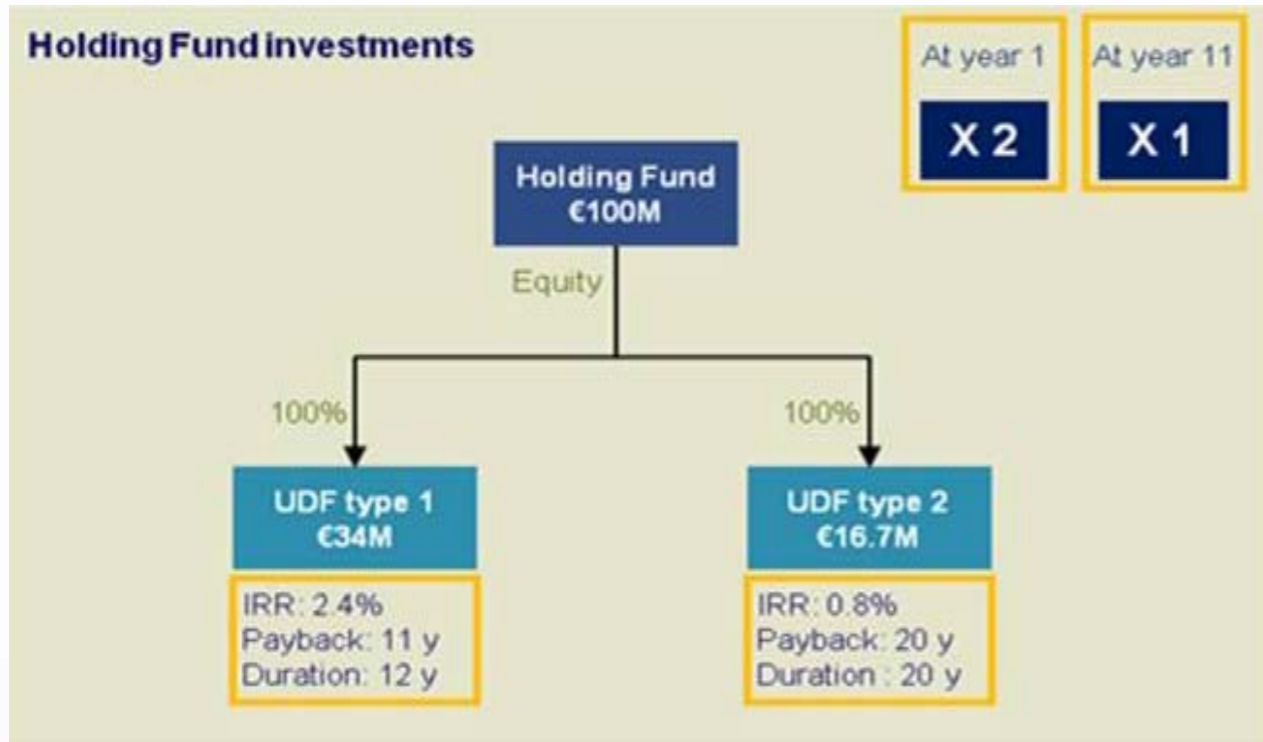
JESSICA mode of operation - overview



JESSICA structure – SUBSIDY vs INVESTMENT



HF/UDF structures





Some advantages of Holding Funds

- A Holding Fund is a fund of funds (optional) set up to invest in several Urban Development Funds
- Holding Funds :
 - allow for project funding (via UDF) *ex-ante* vs *ex-post*
 - may **accelerate** project implementation
 - assist with absorption capacity issues (paid-in amounts accounted for as “*interim payments*” under EU Regulations)
 - exploit **expertise** and **experience** in fund and/or investment selection and management
 - provide additional **leverage** opportunity (EIB, other IFIs, private sector,...)
 - reduction of **administrative burden** for MAs

Urban Development Funds



- Simply defined as **“funds investing in public-private partnerships and other projects included in an integrated plan for sustainable urban development”**
- Art. 43 of Commission Regulation 1828/2006 is **not specific on the legal form**, although a UDF should be set-up as an **independent legal entity** or possibly a **“separate block of finance within a financial institution”**
- There is a need for a **tendering procedure** and a **“business plan”**, specifying items such as **target market, operational budget, ownership structure, exit and winding up provisions**
- MAs should take precautions to minimize distortion of competition in the financial market (combine JESSICA with private funds)

JESSICA investments



- **JESSICA fund investment strategies determined by Operational Programme objectives**
- **JESSICA funds (HFs and UDFs) to invest in a portfolio of UDFs/projects.**

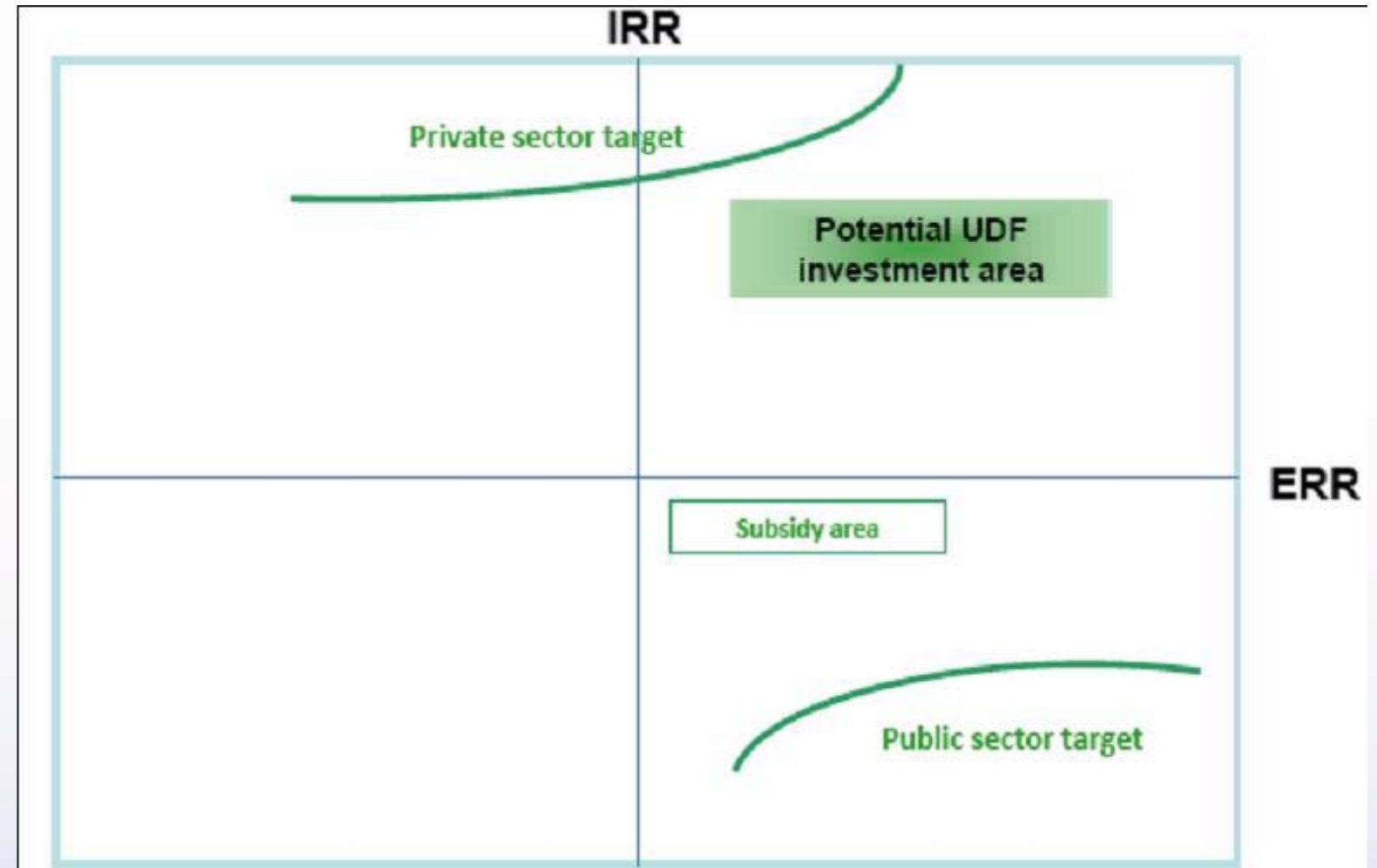
UDF portfolios covering a broad range of sectors:

- **eg. office buildings, energy efficiency schemes, industrial parks, public infrastructure, public transport, retail space, ...**

JESSICA target areas



- **JESSICA is not the whole story: many crucial investment projects require grant financing as they are non-revenue-generating**
- **JESSICA is a structure facilitating long-term strategic investment in a key segment of the urban investment market**



JESSICA Added Value



- ✓ to make Structural Fund support **more efficient and effective** through “non-grant” financial instruments, meant to create **stronger incentives for successful project implementation;**
- ✓ to **leverage additional financial resources and expertise** for PPPs and other urban development projects with a focus on “sustainable” outcomes and ability to remunerate investors (“recyclable” funds);
- ✓ to **utilise financial and managerial expertise** from international financial institutions.

EIB and JESSICA



- EIB taking a leading role, alongside DG REGIO in **promoting and developing JESSICA in Member States**
- Providing **complementary loan financing**, where possible
- **Technical Assistance** and **dissemination of best practice**, based on established expertise in lending to urban renewal/regenerations projects across the EU
- Regulations specifically provided for EIB to act as a **JESSICA Holding Fund**

JESSICA Evaluation Studies and MOUs



■ EC/EIB Evaluation Studies

Evaluation Studies	2007-09	Q1 2010	Total
Identified	50	5	55
Commissioned	41	3	44
Completed	31	11	42

➡ Total of **55 studies** requested over **19 Member States**

➡ www.eib.org/jessica

- **MOUs to confirm political commitment to pursue JESSICA**
 - 19 MOUs signed over 11 member states

JESSICA funds in place (Sep 2010)



HF		UDF
EIB	Other institutions	
Wielkopolska (PL)	Estonia	Brandenburg (DE)
Andalucía (ES)	(KredEx – loan and export guarantee fund)	(ILB – promotional bank)
Lithuania		East Midlands (UK)
Portugal		(King Sturge Financial Services)
Western Pomerania (PL)		Wales (UK)
London (UK)		(Amber Infrastructure and Lambert Smith Hampton)
Northwest England (UK)		--
Sicily (IT)		Estonia
Moravia Silesia (CZ)		(Swedbank, SEB)
Campania (IT)		Lithuania
Scotland (UK)		(Šiaulių bankas)
Greece		
Silesia (PL)		
Pomerania (PL)		
Bulgaria		

EUR 1.6 billion committed

JESSICA for knowledge quarters

Example : Erzelli Hill, Genova



Erzelli Hill - possible anchor tenants



- The engineering department of the University of Genova (UNIGE)
- One of the two main R&D centres of Ericsson in Europe
- The Headquarters of the Italian Institute of Technology (IIT)
- Laboratories of the Italian National Research Centre (CNR)
- About 150 potential national and international high-tech companies of various sizes, most of which already operate in Genova.

Science & technology park at Erzelli Hill – the site



Today



Tomorrow



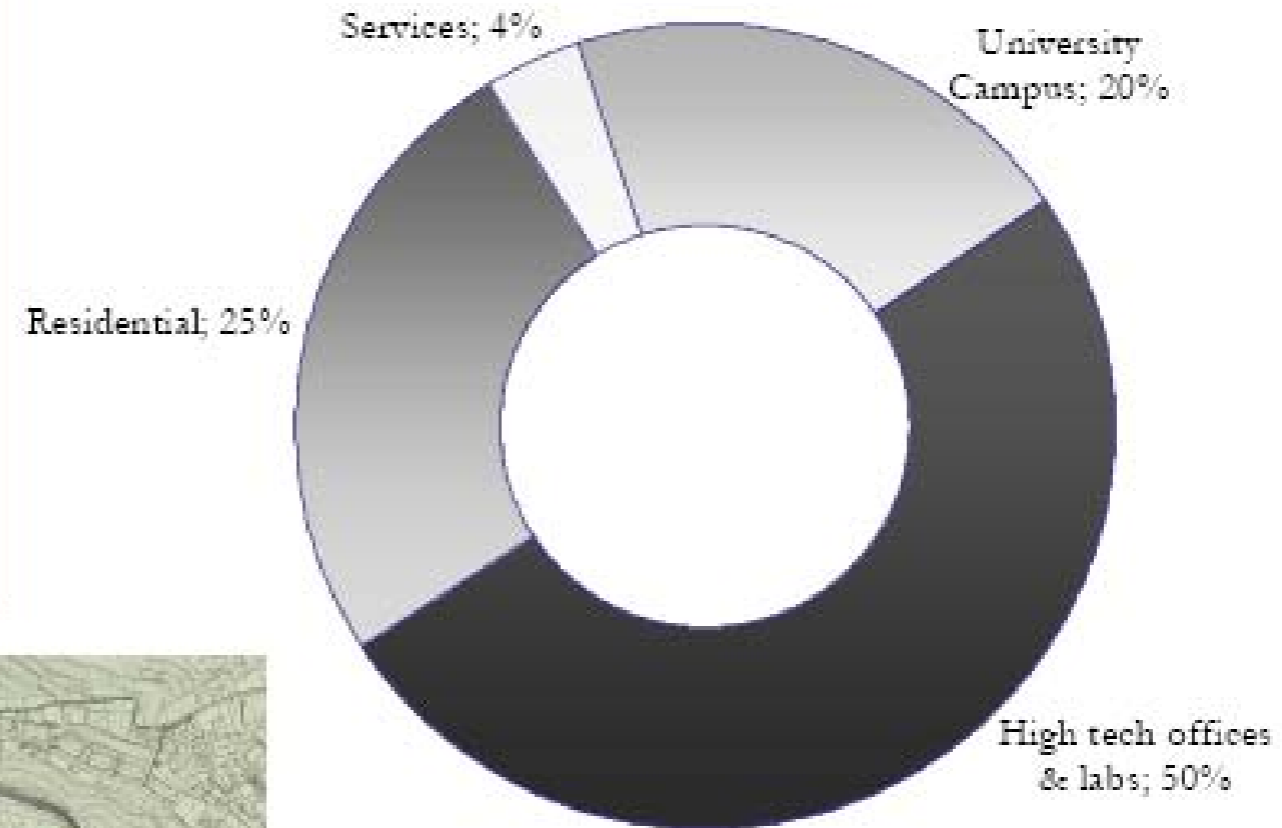
“Leonardo” project, Erzelli Hill - overview



- ✓ Establishing **new science/technology cluster**
- ✓ Project started in **2003** to create the “Leonardo Technology Village”
- ✓ Builds on the region being a **centre for manufacturing** in Italy
- ✓ Located on Erzelli Hill
 - site currently known for its “**environmental failings**”
 - open air storage of empty shipping containers
- ✓ **Private sector project promoters**
- ✓ April 2007, “**programme agreement**” was signed
 - Liguria region, municipality, Genoa University and Genoa High Tech
 - updates the integrated plan
- ✓ **EIB Framework loan** to invest in separate sectors of a new high technology and innovation park in Genoa

buildings breakdown by construction target

PURPOSE	Surface ('000 ms)
University Campus	84.4
High-tech offices, laboratories, research facilities	208.3
Residential	104.0
Shopping malls, banks & services	16.3
Total	413.0



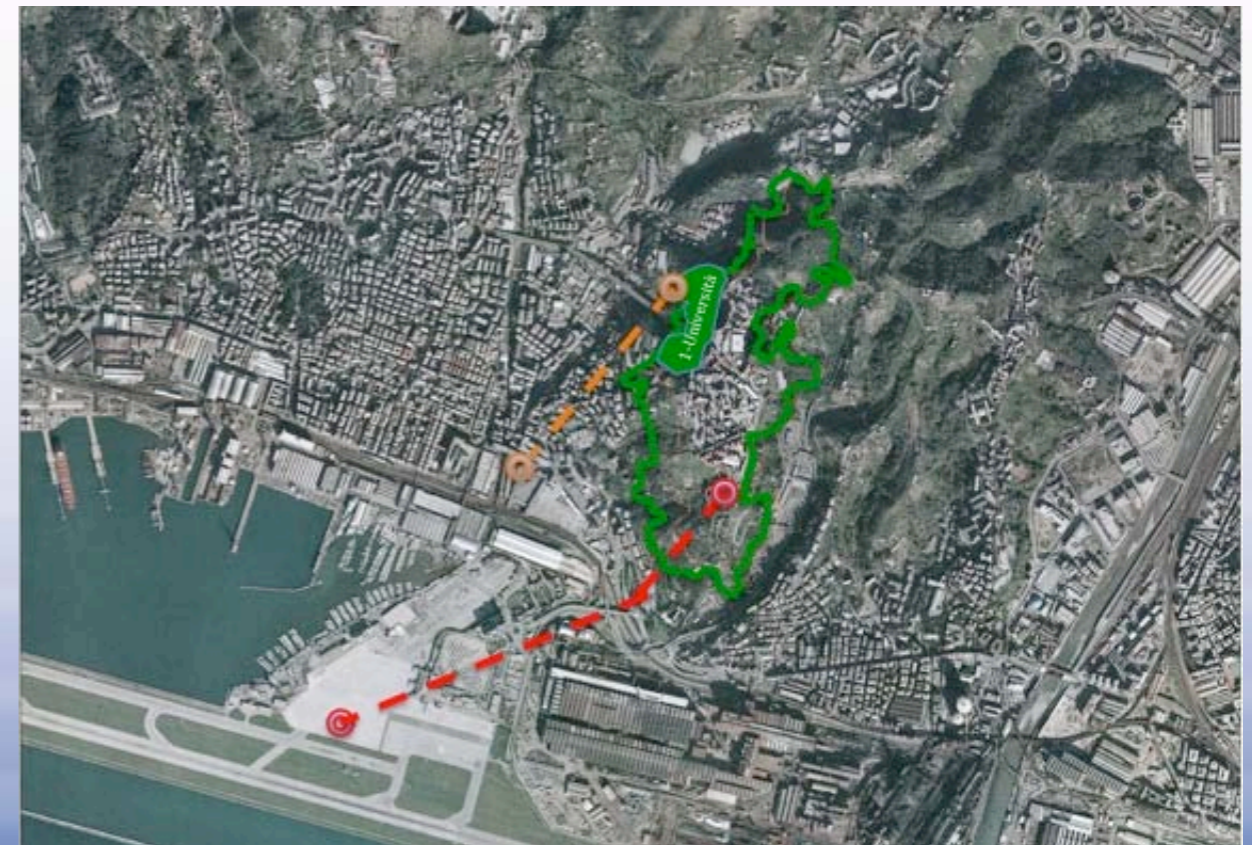
Erzelli science & technology park - project specifics



- ✓ Total area: 413,000 sqm
 - of which ca. 200,000 sqm **open space/parkland**

- ✓ Erzelli buildings :
 - 70% will be used by technology companies and public sector research institutions
 - will accommodate training and education for ca 15,000 new users
 - up to 6,000 new jobs for highly qualified professionals
 - 5,000 students

- ✓ Ties with additional measures linked to Urban Renewal of Erzelli Hill Area
 - Transport link
 - EE investments



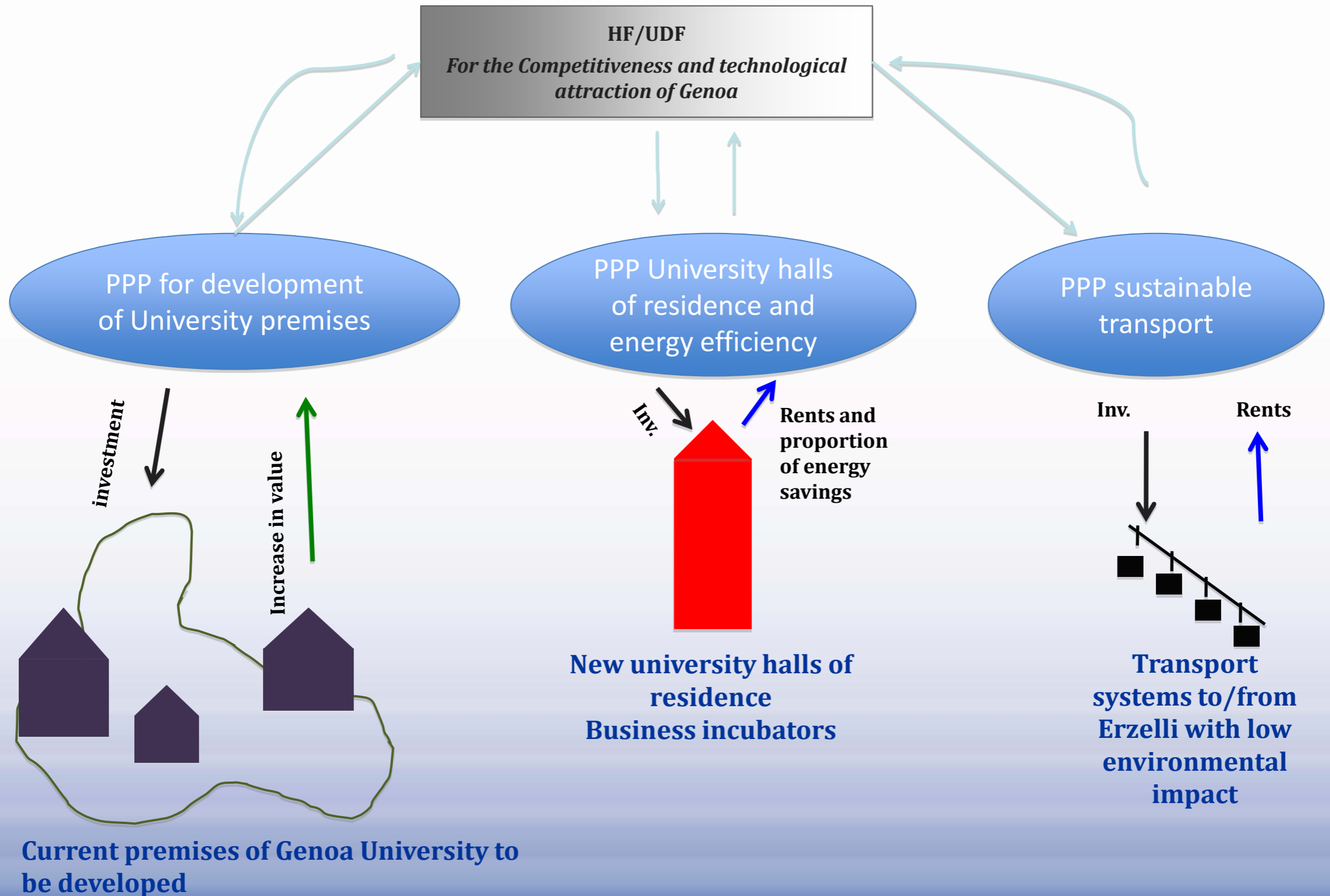
Erzelli Hill – financing aspects



- ✓ EIB framework loan operation (**EUR400m**)

- ✓ Use for EIB financing
 - **campus buildings**
 - finance innovative SME's to **(re)locate** to Erzelli Hill
 - **~30million could be used to leverage a JESSICA fund**
 - **UDF as co-financer for related urban projects**

UDF focused on attraction and retention of highly productive human capital in the technological sector in Genova – first cycle



JESSICA

Joint European Support for Sustainable Investment in City Areas • Joint European Support for Sustainable Investment in City Areas

Thank you

