Loans (signatures) in 2012: EUR 52.2bln

European Union
EUR 44.8bn
(of which 6.8bn in Italy)

European Investment Bank
Capital increase

An extraordinary measure to support sustainable growth and employment

- **10bn** Paid-in capital increase
- **60bn** Of additional EIB financing
- **Up to 180bn** For investments unlocked
Europe 2020

“Generating smart, sustainable and inclusive growth in the EU”

- **Convergence and coherence**: for example in Italy Campania, Puglia, Calabria, Sicilia, “phasing-out” Basilicata, “phasing-in” Sardegna.

- **SMEs and Mid-caps**: financing to companies up to 250 employees (SMEs) and/or between 250 and 3,000 employees (Mid-caps).

- **Fight against climate change**: limiting emissions of greenhouse-effect gases and investing to protect the environment.

- **Knowledge economy**: investments in RDI in both the public and private sector.

- **Trans-European Transport Networks (TEN)**

- **Sustainable, competitive and secure energy**: renewable energies, energy efficiency, research, diversification, security.
EIB financial products

2 main products:

- **Individual loans**: projects with a capex over EUR 50m (appraisal completed by EIB)
- **Loans to SMEs and Mid-Caps** (companies up to 3,000 employees) and **global loans**: projects with a cost up to EUR 25m (appraisal delegated to a bank).
Joint initiatives with EC

- **Financial Instruments (JESSICA -Joint European Support for Sustainable Investment in City Areas- and JEREMIE-Joint European Resources for Micro to Medium Enterprises-):** use of Structural Funds in a revolving way to finance profitable infrastructure projects in urban areas and SME investments.

- **ELENA (European Local Energy Assistance):** financing Technical Assistance to municipalities or other public entities as to develop an integrated program of energy investments (renewable energies/energy efficiency).

- **JASPERS (Joint Assistance to Support Projects in European Regions):** technical support to prepare major infrastructure schemes financed by the Structural and Cohesion Funds. It provides technical expertise for any stage of the project cycle, covering technical, economic and financial questions. It is geared to providing advice, ensuring coordination, developing and reviewing project structures, removing bottlenecks, filling gaps and identifying problems. This helps increase the quantity and quality of requests for EU funding.

- **EEEF (European Energy Efficiency Fund):** launched by EC, EIB, Cassa Depositi e Prestiti (CDP) and Deutsche Bank, with an initial contribution of EUR 260m, it is aimed at providing market-based financing for commercially viable public energy efficiency and renewable energy projects within the European Union. Thanks to the participation of CDP, it has an important focus on Italy.

- **PROJECT BOND:** joint initiative of EC and EIB aimed at stimulating capital market financing for large-scale infrastructure projects in the areas of Trans-European networks in transport and energy, as well as broadband telecommunications.
JESSICA
The EU urban scenario

- National budget discipline (Maastricht, pressure on sovereign debt, lower transfers from national to local level, “rationing”, lower expenditure capacity of cities, investment without additional debt).

- De-leveraging of banking activity (financial markets offer less co-financing for investment activity).

- Reversed negative real estate economic cycle (from over-investment to under-investment).

- Impact on viability of private investments (PPPs) in urban infrastructure and urban development.

- Reduced collateral value of land and buildings, particularly in non-core areas.

- Institutional investors reshuffling their sovereign and sub-sovereign portfolios.

- End of baby-boomers’ era => from asset accumulation to management of existing property and infrastructure.
### JESSICA - integrated approach to urban strategies

<table>
<thead>
<tr>
<th>Economic crisis</th>
<th>Financial and Real Estate crisis &gt; Governmental bail-outs &gt; Impact on public sector finance &gt; Deleveraging discipline &gt; Viability of urban investment</th>
</tr>
</thead>
<tbody>
<tr>
<td>Ageing</td>
<td>Transformation in age/migration structure &gt; Impact upon public finance, labour and housing markets, infrastructure, healthcare and communities</td>
</tr>
<tr>
<td>Decarbonisation</td>
<td>Urban areas under climate change impact &gt; Decarbonisation/ Denuclearisation of EU economy &gt; Impact upon economy, social, environmental factors &gt; Smart grid technology</td>
</tr>
<tr>
<td>EU spatial integration</td>
<td>‘Single market for the cities’ &gt; 1200-2000 functional urban areas compete for location of resources and economic activity &gt; New spatial equilibrium</td>
</tr>
</tbody>
</table>

#### Integrated urban investment strategy for highly dense urban areas focused on:

- **EMPLOYABILITY**
  - (employment and unemployment structures, job creation in local population clusters, social enterprise, skills)

- **SOCIAL COHESION AND INCLUSION**
  - (migration flows, educational capabilities and re-training, disability, impact of ageing, urban poverty, etc.)

- **GREEN GROWTH**
  - (technological change for sustainable urban transformation, green development/ jobs and smart city concept)
The structure of JESSICA

EUROPEAN COMMISSION
Structural Funds

Grant (not repayable as long as EC Regulations adhered to)

MEMBER STATE
Via a designated Managing Authority

Holding Fund

optional

OTHER INVESTORS
(Public & Private)

CITIES

URBAN DEVELOPMENT FUND

Investment (equity, loan or guarantee)

Projects forming part of an Integrated Plan for Sustainable Urban Development

IFIs/Public Agencies/Banks

Contribution (repayable or non-repayable)

Where does JESSICA innovate? Urban impact funds

- Broadening the scope of measures supporting urban investment projects (efficiency & equity objectives) to ensure economically viable urban development across the EU.

- An integrated approach to urban investment strategies.

- Long-term economic viability of selected urban projects.

- **Shift from direct grants to financial instruments** implemented via intermediary investment vehicles with the long term aim of establishing revolving financial instruments.

- **Financing of revenue-generating projects** to ensure achievement of social and cultural objectives.

- A specific funding architecture:
  - Holding Funds (HF)
  - Urban Development Funds (UDFs)
Modelling JESSICA products: the Energy Efficiency case

- Arguably, majority of EE projects falls into low-ROI category
- Lower cost of capital
- Decreasing risk

Key elements to attract investors and generate project pipeline

The relation between RISK and REWARD must be balanced → appropriate modelling to be provided

Sustainability and scalability of JESSICA financial interventions.

Appropriate remuneration of JESSICA should cover the expected losses.

New types of operations for EIB.

- Promoting sustainable investments through co-financing while enabling leverage effect: \( x3-x6 \) multiplier being reachable

![Project distribution diagram]

Distribution of CO\(_2\) reduction impact (unknown)

Public Subsidies attract private sector towards projects with lower ROI

Area for public sector intervention

Target Situation

- GRANTS
- JESSICA blended
- JESSICA
- EIB + JESSICA
- EIB
- PURE PRIVATE

Without subsidies contribution

0\% 3\% 6\% 12-18\%
The JESSICA HF and UDF managed portfolio

JESSICA’s role and instruments

- To improve Structural Funds efficiency and productivity
- To increase leveraging effect
- To exploit new partnerships and synergies

Innovative financial instruments which allow for reutilization of the resources invested in the urban sector

Mobilization of public and private resources to be invested in a wider scheme of integrated urban development

Managerial, financial and implementation competences from the private sector and the institutions involved (EIB)

Holding Funds

- 18 Jessica Holding Funds currently operating in 9 Member States.

- A total amount of Eur 1.8 bn managed under the agreements undertaken with the Managing Authorities.

Urban Development Funds

- 37 agreements signed for the creation of UDFs.

- Eur 1.4 Bn resources invested in the UDFs.

- Further agreements under negotiation.

18 JESSICA HF in the Member States
37 JESSICA UDF in the Member States
EIB support to sustainable urban development

**EIB core objective:** to assist Public Authorities in defining, preparing and implementing long-term strategies for sustainable urban development.

**Technical Assistance – preparing for the 2014-2020 programming period**

i. Transition of existing Financial Instruments.


**EIB role in implementing JESSICA:**

- Supporting the establishment of a system of Urban Development Funds (UDFs / other FIs);
- Absorption of Cohesion Policy resources via financial engineering (ERDF in 2007-2013, CPF in 2014-2020);
- Providing Technical Assistance, e.g. studies to establish viability of implementation of FIs;
- Managing JESSICA HFds;
- Enabling additional funding where possible and appropriate;
- Supporting/contributing to networking platforms and “horizontal” studies to promote the rollout of UDFs and the overall JESSICA ‘philosophy’ throughout EU.
Key benefits of Financial Instruments

1. Financial Instruments have high risk tolerance and **take risks from urban projects** thus making them viable (they might otherwise not be financed by commercial banks).

2. Promote **governance and incentive structures** that are built to enhance the rate and quality of absorption of EU funds for urban development projects given investment criteria.

3. Job creation starts in cities. Urban development is a **transversal objective** under which numerous sectorial objectives can be addressed:
   - R&D and education facilities
   - Office parks and business spaces
   - Tourism and leisure
   - Cultural sights
   - Energy savings and generation
   - Other

4. Financial Instruments strengthen the **management capacity of local and central public authorities** for which Technical Assistance funds are readily available.
3 Holding Funds and 6 UDFs:

- **JESSICA HF in Sicily:**
  - AuM: EUR 143m
  - 2 UDFs (Urban Regeneration-Mobility and Energy Efficiency/ Renewable Energies)

- **JESSICA HF in Sardinia:**
  - AuM: EUR 66m
  - 2 UDFs (Urban Regeneration and Energy Efficiency/ Renewable Energies)

- **JESSICA HF in Campania:**
  - AuM: EUR 100m
  - 2 UDFs (Urban regeneration)
JESSICA in the UK – The London Green Fund

- The London Green Fund (the JESSICA holding fund for London) was established in late 2009 to invest in carbon reduction projects in line with the Climate Change component of the London Plan.
- Focused on energy efficiency, waste and de-centralised energy as the “3 biggest carbon reduction opportunities for London”
- Governed by an Investment Board, chaired by a private sector independent, and with representatives from:
  - Greater London Authority (as Managing Authority);
  - Environmental Agency; and the
  - London Waste and Recycling Board.
- Strategic relationship between public sector sponsors and UDF managers in terms of identifying and/or co-financing projects
- Considered a “trailblazer” for the UK’s Green Investment Bank, which focuses on the same initial sectors, and is also a co-investor in one of the first waste projects…
JESSICA in Poland – promoting local urban rehabilitation

Revitalisation of a former garrison building and adaptation to cultural purposes

Revitalisation of a post-industrial area located in a city centre

Urban infrastructure and office space
Some expectations towards 2014-2020

• Increased use of dedicated Financial Instruments across the EU;

• UDF as policy-driven, geographically-focused and planning-led investment vehicle supporting the sustainable transformation processes of city areas;

• New risk-sharing products could achieve higher finance volumes (guarantees and hybrid products for credit enhancement and capital relief);

• Simplified implementation modalities with streamlined rules (building on pilot experience) and dedicated legal framework;

• Potential to combine various sources of funding from different programmes and priority axes (current draft SF regulations) to carry out Integrated Territorial Investments (ITIs) orientation towards geographically-focused and a more results-orientated Cohesion Policy.

• New thematic areas of investment to allow for a larger utilization of FEI
Andrea Bua
a.bua@eib.org
Telephone: +352 4379 88734

European Investment Bank
JESSICA & Investment Funds

jessica@eib.org
www.eib.org/jessica