



JESSICA Holding Funds

**Holding Funds and Advisory
Jessica and Investment Funds
European Investment Bank**

23 October 2012

- **WHAT**

JOINT EUROPEAN SUPPORT FOR SUSTAINABLE INVESTMENT IN CITY AREAS: *A management and advisory programme, launched by the EU Commission in collaboration with EIB, to assist Member States and regions to invest Structural Funds in urban projects (including energy efficiency)*

- **WHY**

- ⇒ **Higher productivity of Structural Funds / public funds**

Increase efficiency and productivity of Structural Funds by making use of innovative and revolving financing instruments in the urban sector (complementary to grant financing)

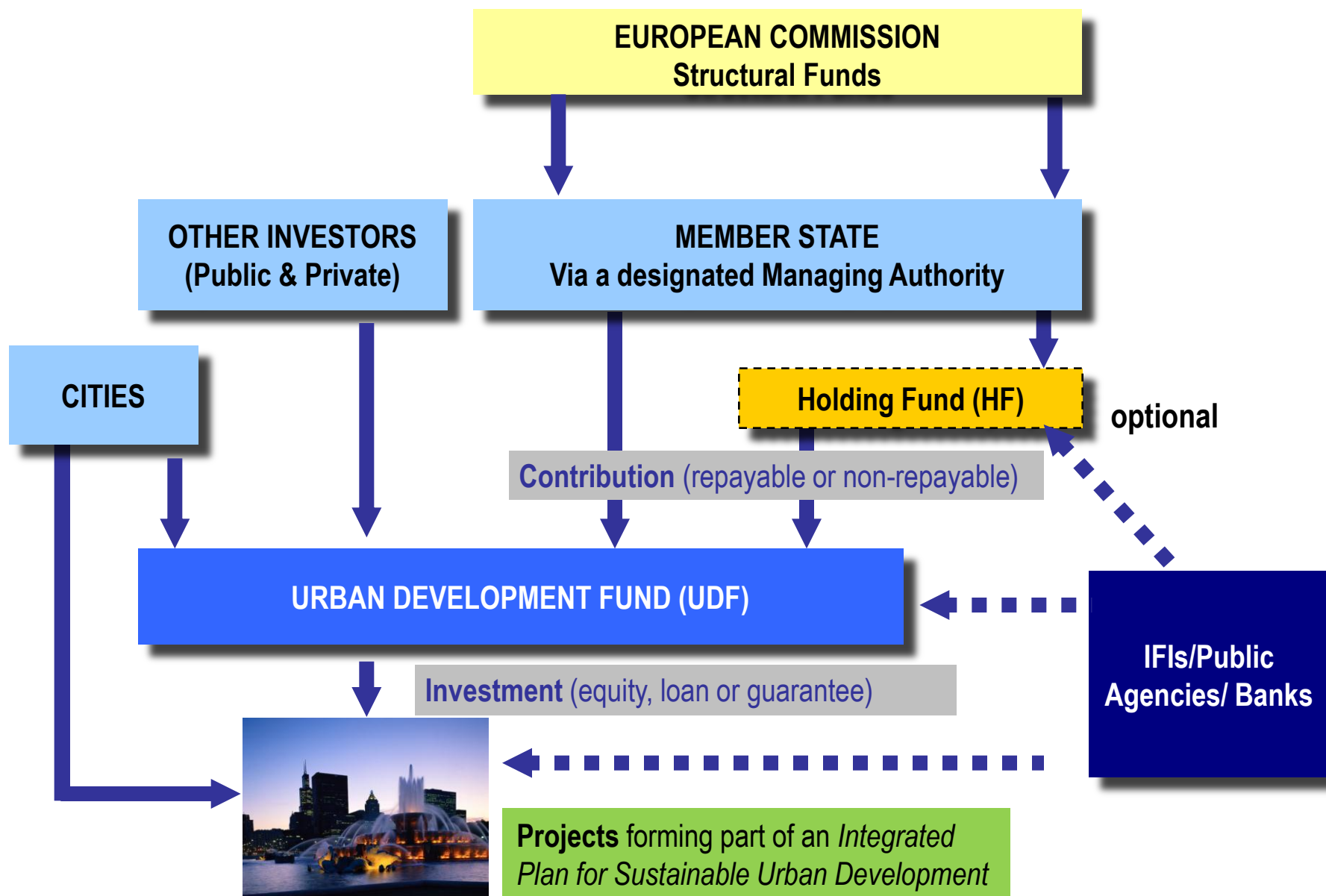
- ⇒ **Leverage effect**

Mobilise additional public and private sector resources for the benefit of sustainable and integrated urban development (schemes)

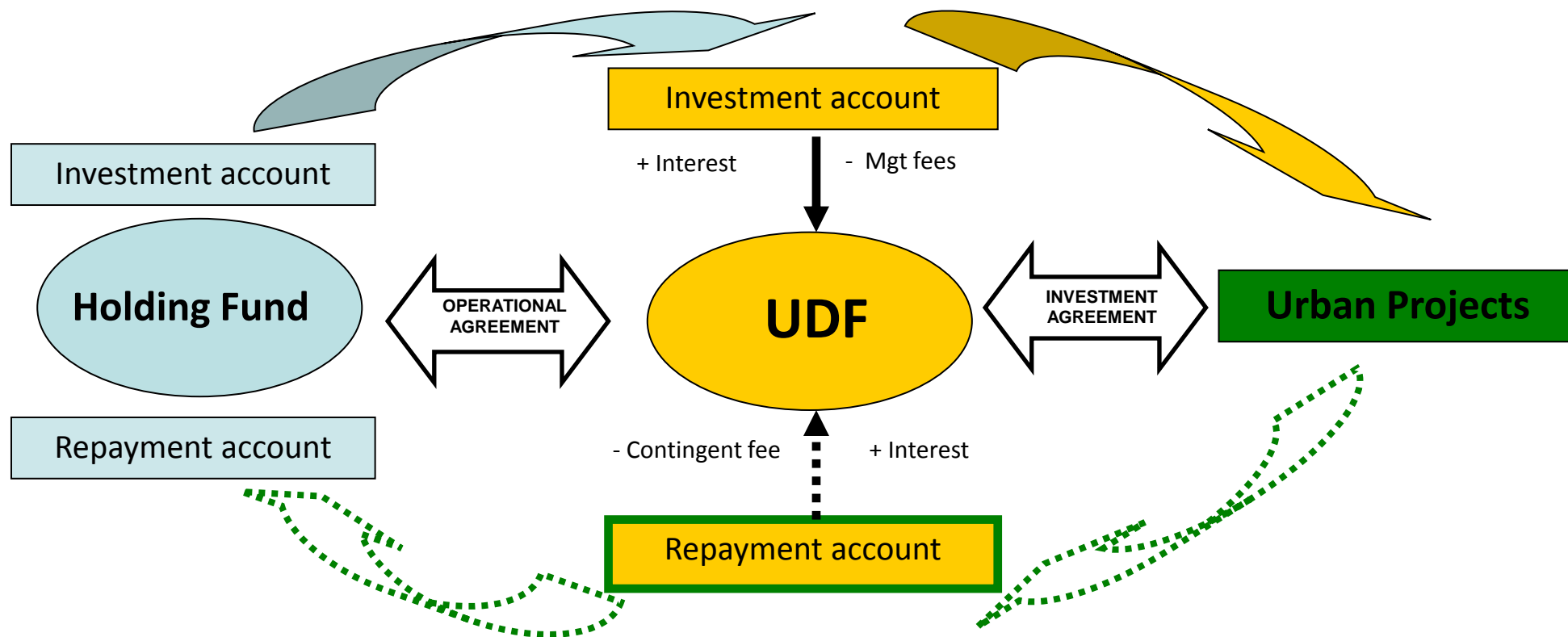
- ⇒ **Expertise - new partnerships and synergies**

Utilise financial, managerial and project implementation expertise from private sector or international financial institutions such as EIB

General JESSICA implementation model



Revolving – flows of funds (HF ↔ UDF ↔ Project)



Legal Structures

- Separate block of finance within a financial institution
- Independent legal entities governed by agreements between the co-financing partners or shareholders

Management Costs

- HF: ceiling of 2% on the total contributed amount from the Operational Program to the HF
- UDF: ceiling of 3% on the total contributed amount from the Operational Program / HF to the UDF

Managing authorities shall take precautions to minimize distortion of competition in the venture capital or lending markets

Phase 1: Evaluation Study (optional)

- Initial declaration of interest by the Managing Authority in the implementation of JESSICA

Phase 2: Establishment of Holding Fund (optional)

- Funding Agreement between the Managing Authority and HF Manager (e.g. EIB), including the HF Investment Strategy and planning, monitoring of implementation, exit policy and winding-up provisions of the UDF including reutilisation of resources

Phase 3: Establishment of Urban Development Funds

- Selection of UDFs (e.g. Call for Expression of Interest) on the basis of their technical capacity and business plan
- Operational Agreement between the HF and each UDF
- Financial support and monitoring of selected projects

- 1. Acting as a Holding Fund manager, when requested by Member States or Managing Authorities (MAs)**
 - Managing contributions from OPs on behalf of MAs
 - Arranging selection, establishment and investments into UDFs, which subsequently invest in Urban Projects eligible under the OPs
- 2. Advising and assisting national, regional and local authorities in JESSICA implementation**
 - Evaluation studies
 - Technical Assistance – a tailor-made service rather than a standard EIB product => roles and responsibilities need to be individually discussed to fit specific national/regional needs
- 3. Promoting the use of UDFs and best practice across Europe**

Tasks and responsibilities for EIB under HF option

1. HF establishment

- Funding Agreement Signature, Investment Board set-up, transfer of funds from Managing Authority to HF

2. Preparatory phase

- Market-testing, promotion, support to cities & regions in developing “Jessicable” projects
- Monitoring and reporting procedures

3. Call for Expression of Interest

4. Evaluation of Business Plans → UDF selection

5. Negotiation and signature of Operational Agreements with UDFs

6. HF investment into UDFs, monitoring of UDFs, reporting towards MAs

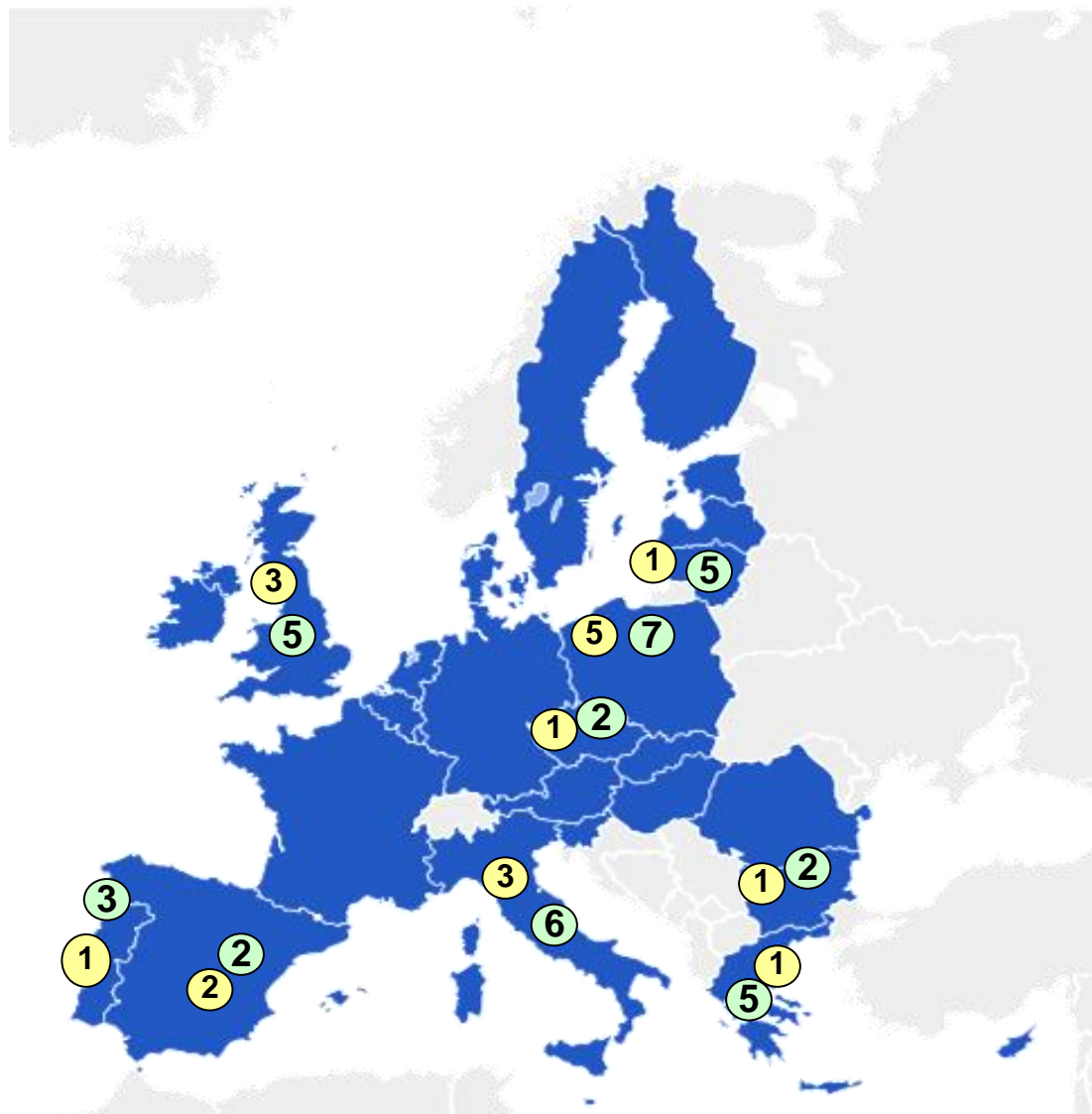
7. Advising on state aid matters, technical support in notifying to the Commission JESSICA schemes

- **Participation in HF's decision making body - Investment Board**
 - Approval of Call for Expression of Interest, UDF selection and Operational Agreements
 - Approval of HF progress and financial reports
 - Monitoring of HF's activities and performance
 - Making decisions on any potential amendments of the investment strategy and planning of the HF (following recommendations by the EIB)
- **On-going communication with HF manager with respect to JESSICA implementation**
- **State aid**

EIB as a HF manager – main advantages

- Tested and quick UDF selection process under EIB procurement guidelines
- EIB responsible for UDF controlling, monitoring and reporting to the MA – ensures compliance with EC requirements
- Model already “verified’ in practice
- MA keeps decision-making capacity whilst minimizing administrative burden
- Higher potential to attract co-financing
- Potential of EIB co-financing (synergies between EIB lending products and JESSICA financing)

JESSICA Holding Funds



18

Holding Funds

37

Urban Development Funds

JESSICA in practice

1. London

London Energy Efficiency Fund



LONDON
ENERGY
EFFICIENCY
FUND



- A GBP 100m UDF, with co-financing from Royal Bank of Scotland, blended with London Green Fund monies to provide **cheap loan financing for retrofit and low carbon heating projects in local authority, university, hospital, social housing and other public buildings.**

Low cost financing in exchange for carbon reduction benefits

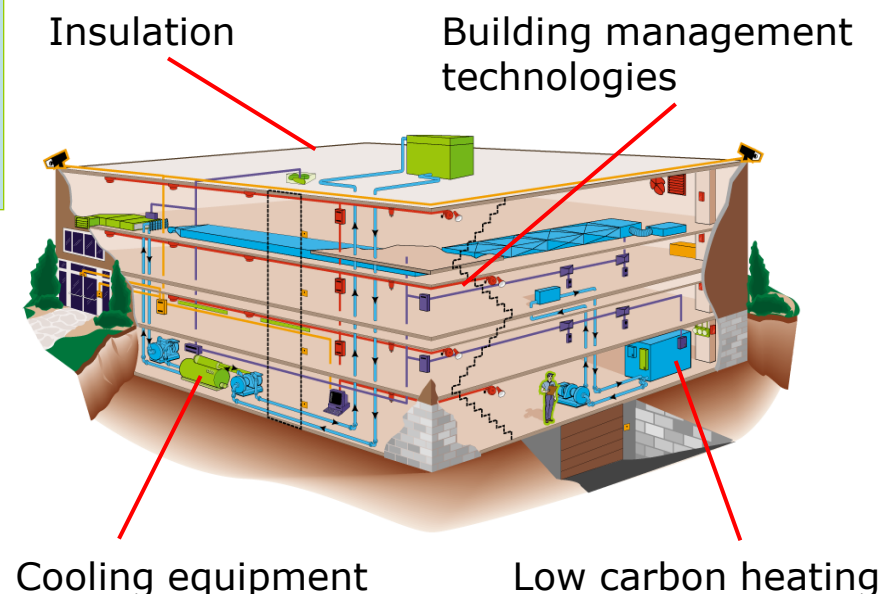
- As a provider of cheap debt, return expectations for the fund are low, but the private sector finance provider still makes a commercial return, and **the fund manager has a significant component of fees linked to maximising carbon reduction and energy efficiency impacts**

Leveraging other EIB/EC products

- The EIB managed **ELENA facility** is providing technical assistance for project preparation

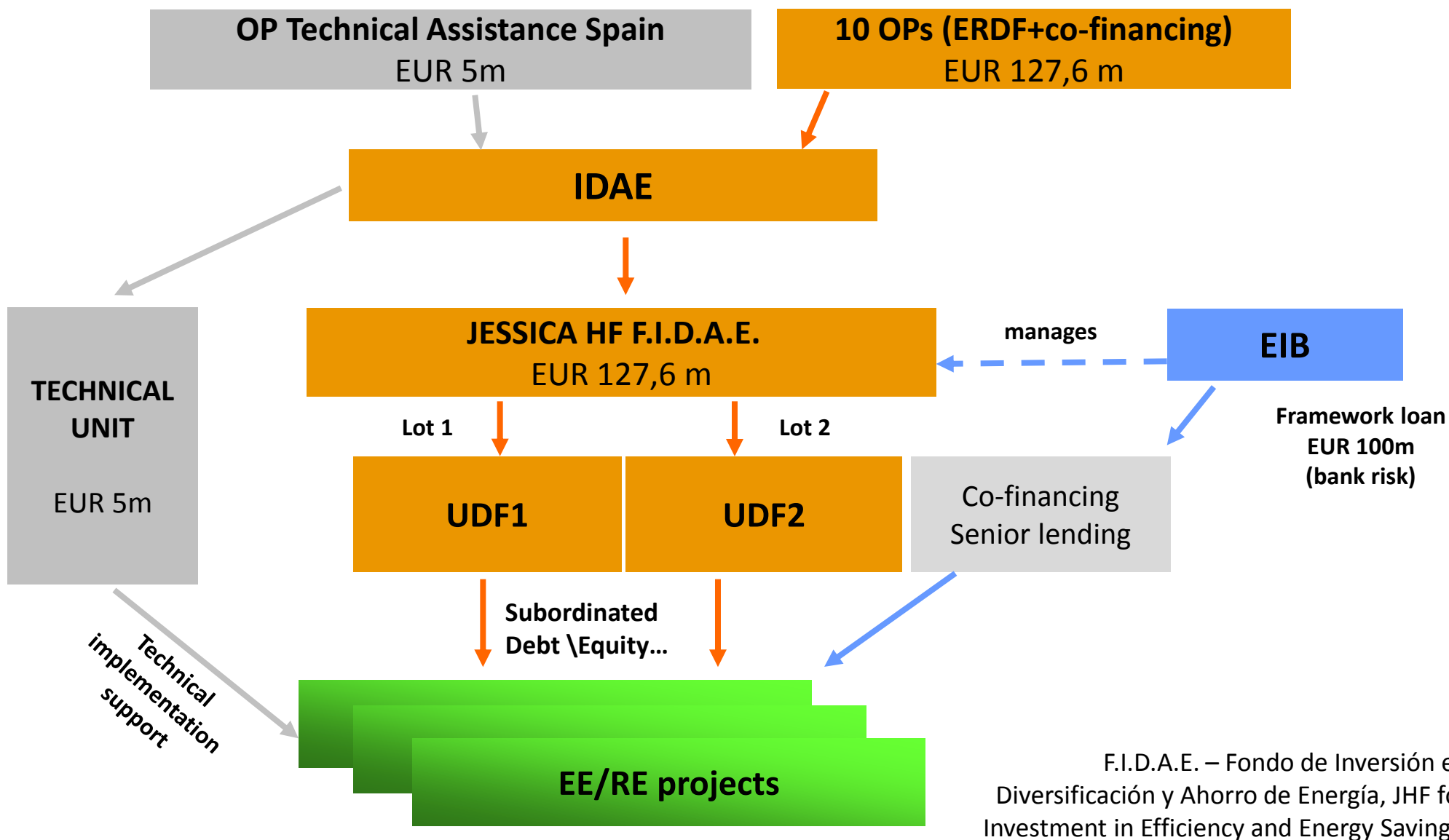


**ELENA – European Local
ENergy Assistance**



JESSICA in practice

2. Spain



Selection criteria and eligibility requirements



To be eligible, projects should fulfill the following conditions:

- Be in line with (any of) the Operational Programmes of the 10 Autonomous Communities (CCAA).
- Belonging to one of the following areas:
 - Buildings: Public buildings, including social housing and private buildings (residential services).
 - Industries: Companies of any size.
 - Transport (public and private): both fleet and transportation infrastructures.
 - Infrastructure of public services:
 - Outdoor street lighting and traffic lights.
 - Local infrastructure, including intelligent networks and information and communications technology (ICT) related to the priorities: energy efficiency, renewable energies and clean transport.
- Ensure an acceptable return on investment.
- Be included/in line with integrated plans for sustainable urban development.

The objectives for the next EU Programming Period

Delivering the Europe 2020 Strategy

Investment strategies focus on delivering sustainable growth, creating jobs and promoting innovation.

ERDF Resources to Cities)

At least 5% of the ERDF resources shall be allocated to integrated actions for sustainable urban development delegated to cities for management through Integrated Territorial Investments.

Urban Development Platform

Re-launching the dialog between MAs and Cities: Establishing an urban platform (maximum 300 cities) to promote capacity-building and networking between cities and exchange of experience on urban policy.

Energy

Investments in energy efficiency and renewable energies (Art. 4 of the Commission's proposal for ERDF Regulation.):

- developed regions shall invest at least 20% of ERDF;
- less developed regions shall invest at least 6% of ERDF.

Financial Engineering Instruments

The role of financial instruments has been strengthened to leverage more investments and deliver integrated plans for sustainable urban development (focus on jobs, energy, mobility and urban regeneration). Possibility for multi-fund programmes combining ERDF, ESF and CF.

THANK YOU FOR YOUR ATTENTION !

Contact

Holding Funds and Advisory
JESSICA and Investment Funds Division

jessica@eib.org

European Investment Bank

98-100 Boulevard Konrad Adenauer, L-2950 Luxembourg

www.eib.org/jessica

http://ec.europa.eu/regional_policy/thefunds/instruments/jessica_en.cfm