



# **What next after JESSICA? The urban dimension of financial instruments in 2014-2020**

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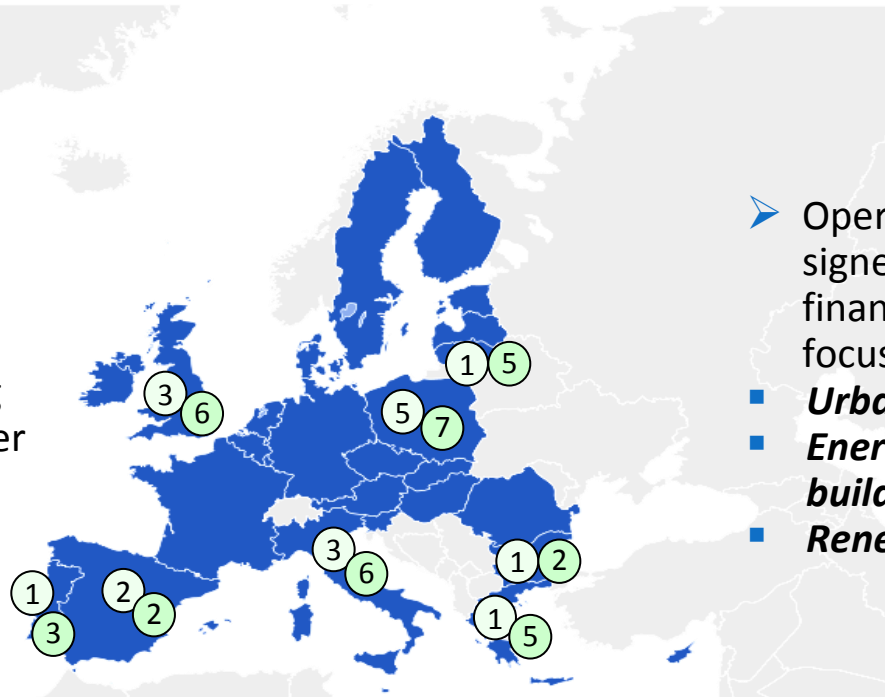
# Why use financial instruments?

- A **more efficient** use of (scarce) public sector resources, especially for revenue generating or cost saving projects
- Good **leverage potential**, also through **recycling of funds**
- Brings **financial discipline** into the project identification/selection process
- Can be combined with technical support and/or capital grants to **overcome market barriers**

# EIB-managed JESSICA Holding Funds across Europe



- EUR 1.5bn in commitments
- 18 Jessica Holding Funds in 8 Member States



○ JESSICA HF  
● JESSICA UDFs in Member States

- Operational Agreements signed with nearly 40 financial intermediaries, focusing on:
  - **Urban development**
  - **Energy Efficiency in buildings (incl housing)**
  - **Renewables**

# A number of effective but different urban models developed under 2007-13 which:

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- Invested in purely urban regeneration projects
- Invested in low carbon projects
- Were owned and operated by the private sector, the public sector and hybrids of the two
- Used different state aid approaches
- Used different co-financing, co-investment approaches
- Benefitted from different levels of EIB engagement – from limited to full role of TA provider (ELENA), HF manager and investor as per London Green Fund
- **All achieved in a relatively tight timetable and against challenging deployment deadlines.**

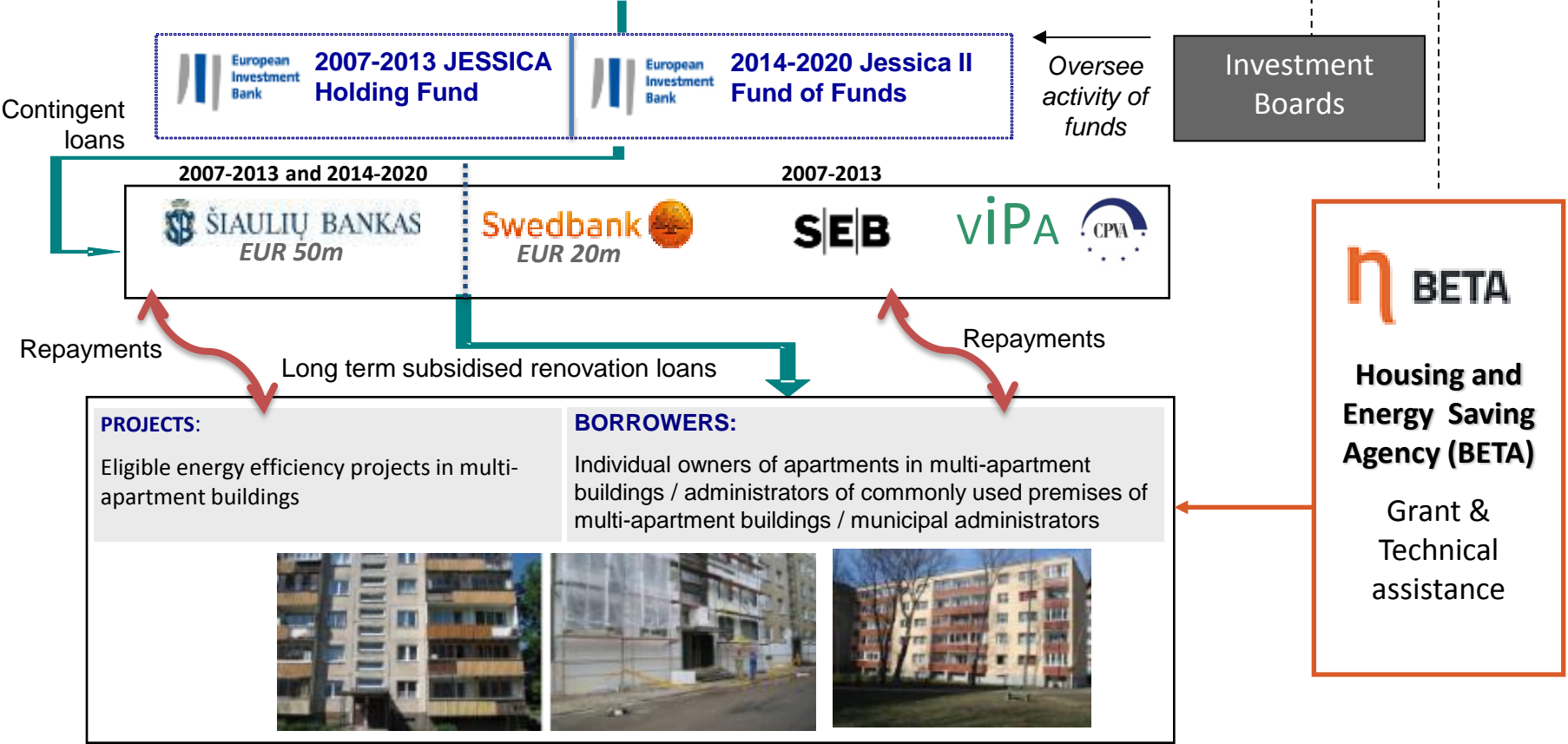
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# Increasing interest developing via networks and best practice

- JESSICA 4 Cities
- CSI Europe
- FI Compass
- Ongoing dialogue with Eurocities re tailored events
- **Together the lessons learnt, models and networks established and success to date create a very strong platform to now further develop urban based financial instruments**

# Lithuanian case study: 2007-2013 and 2014-2020

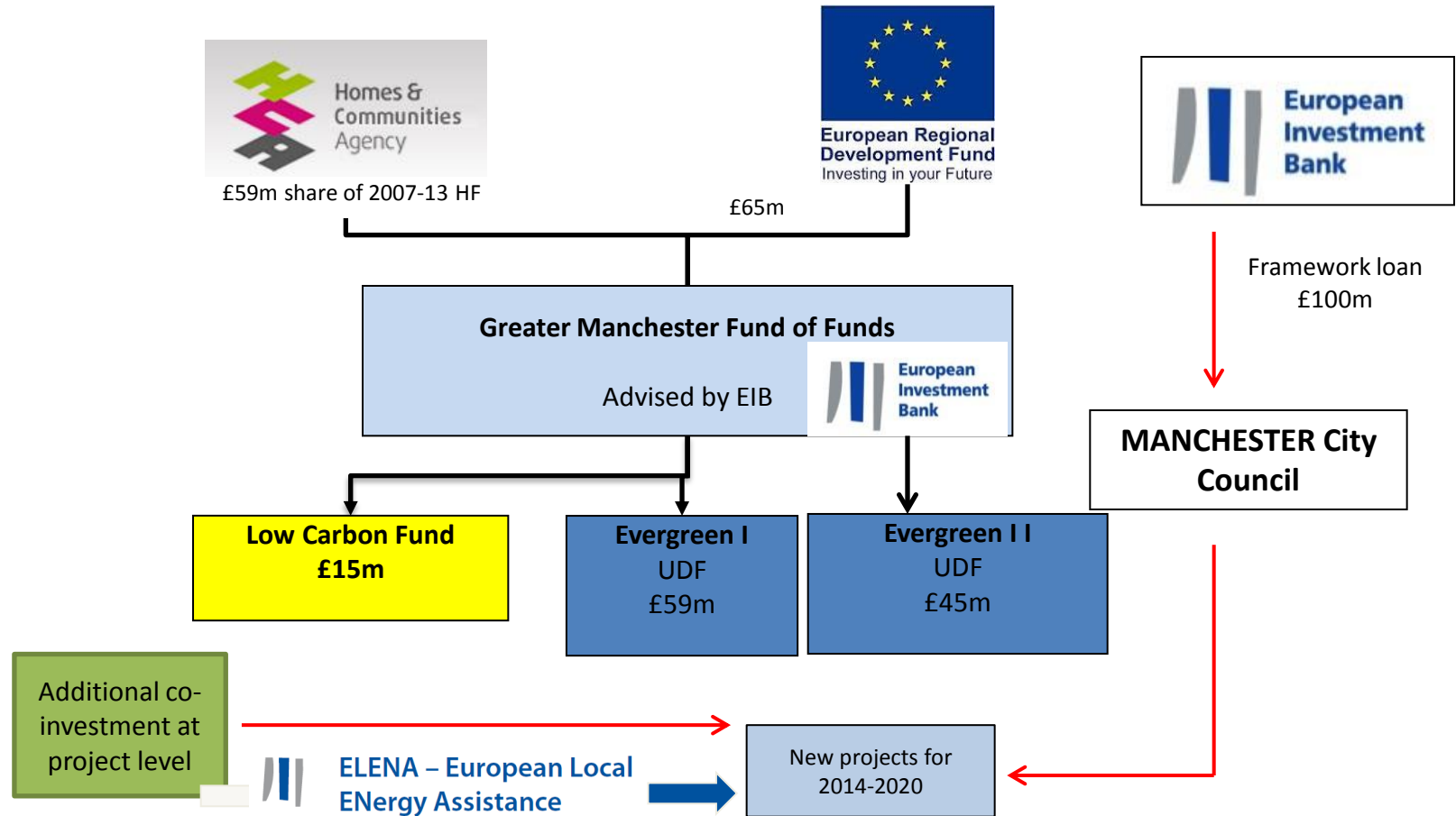
**Ministries of Finance and of Environment**  
 contribution of circa **EUR 175m** from Operational Programme  
 « Promotion of Cohesion 2007-2013 » and contribution of **EUR 150m** from 2014-2020 ESIF Operational Programme



# Benefits of JESSICA scheme in Lithuania

- **Recycling** via repayable investment - **24,000** multi-apartment blocks need to be renovated - massive financial resources therefore required.
- Large scale national programme with a potential to become an important stimulus for the economy, especially in terms of the **construction sector and local jobs**.
- Implementation of the programme for the improvement of energy efficiency will ensure **lower heating bills for residents, lower carbon emissions** and **reduce foreign energy dependency**.
- **Social impacts** such as reducing fuel poverty, improved health conditions, inclusion and potentially also youth unemployment.
- Model to combine **both capital grants with technical support and soft loans via a single delivery structure** – inspiring the “Renovation Loan off the shelf” instrument

# Northwest England case study - EIB (b)lending & advisory







## THE NORTH WEST EVERGREEN FUND

***Evergreen is public led UDF established by 16 Local Authorities which provides debt (senior and mezzanine) funding for urban regeneration projects. Fund's strong performance led to an increase in it's funding allocation***



Evergreen investments include *inter alia*:

- ✓ refurbishment of the former Colgate Palmolive factory in Manchester and its transformation into green offices spaces (*Soapworks project*; £6m committed)
- ✓ redevelopment of Manchester's former Royal Eye Hospital into biomedical centre of excellence featuring high-specification flexible office and laboratory space (*City Labs project*, £5m committed)



**Expected results, based on GBP 60m investment in 9 projects:**

- **18 ha of brownfield land** reclaimed/developed
- **160,000 sqm** of new/refurbished floor space
- Almost **7,000 new jobs created or safeguarded**
- Almost **GBP 200m of private sector co-investment** leveraged

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## Key success factors

- Should be **demand driven** – ex ante is important
- Appropriate **governance** structure
- Get a «good» **fund manager**
- Flexible **investment strategy**
- **Technical support facility** to prepare projects
- **Alignment** of grant funding resources

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# Developing the urban based financial instruments further – just some ideas

- Urban “off the shelf” model
- EFSI and ESIF combinations and investment platforms
- Financial instruments advisory services