

JESSICA

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

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Assisting cities in the current recession

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ESPON 2013 – Open Seminar
“Territorial Development Opportunities
in the Global Economic Recession”

Prague, 3rd June 2009



CONTENTS OF PRESENTATION



- I. The Current Crisis**
- II. JESSICA Structures**
- III. Practical advice**

The Crisis and urban regeneration



✓ The roots of the crisis

- The roaring nineties and the generous early century
- Exuberance in investment and excessive leverage
- Summer 2007 – the sub-prime problem
- Summer-Winter 2008 – from subprime to financial to demand crisis
- In recession – how deep and how long?

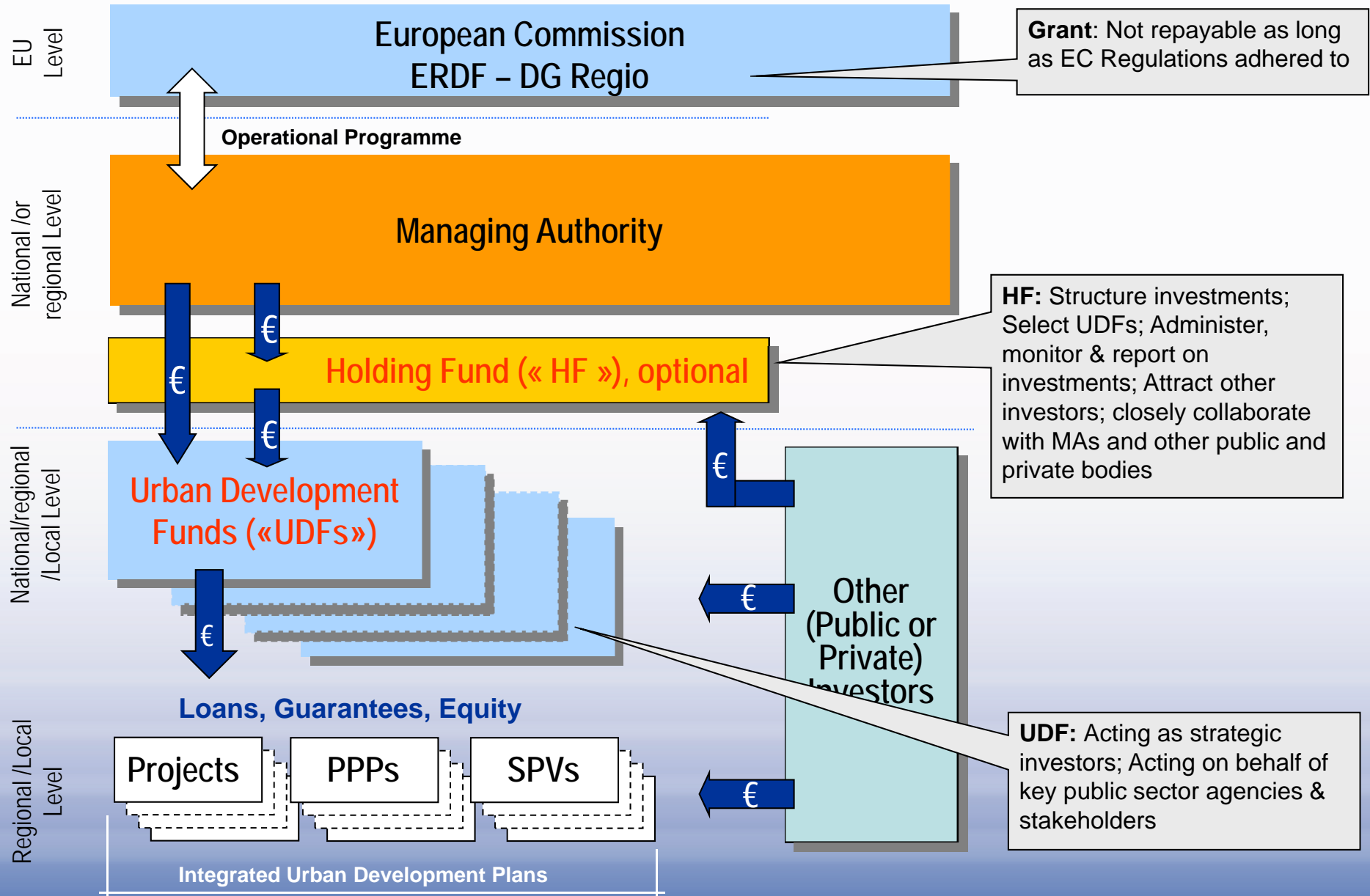
✓ Impact on cities

- First-wave impacts – the financial sector takes a beating
- Second-wave impacts – the urban economy is hit

✓ Impact on urban regeneration

- “in simple terms it means that lenders won’t lend, borrowers can’t borrow, builders can’t build and buyers can’t buy”

JESSICA COMPONENTS - OVERVIEW

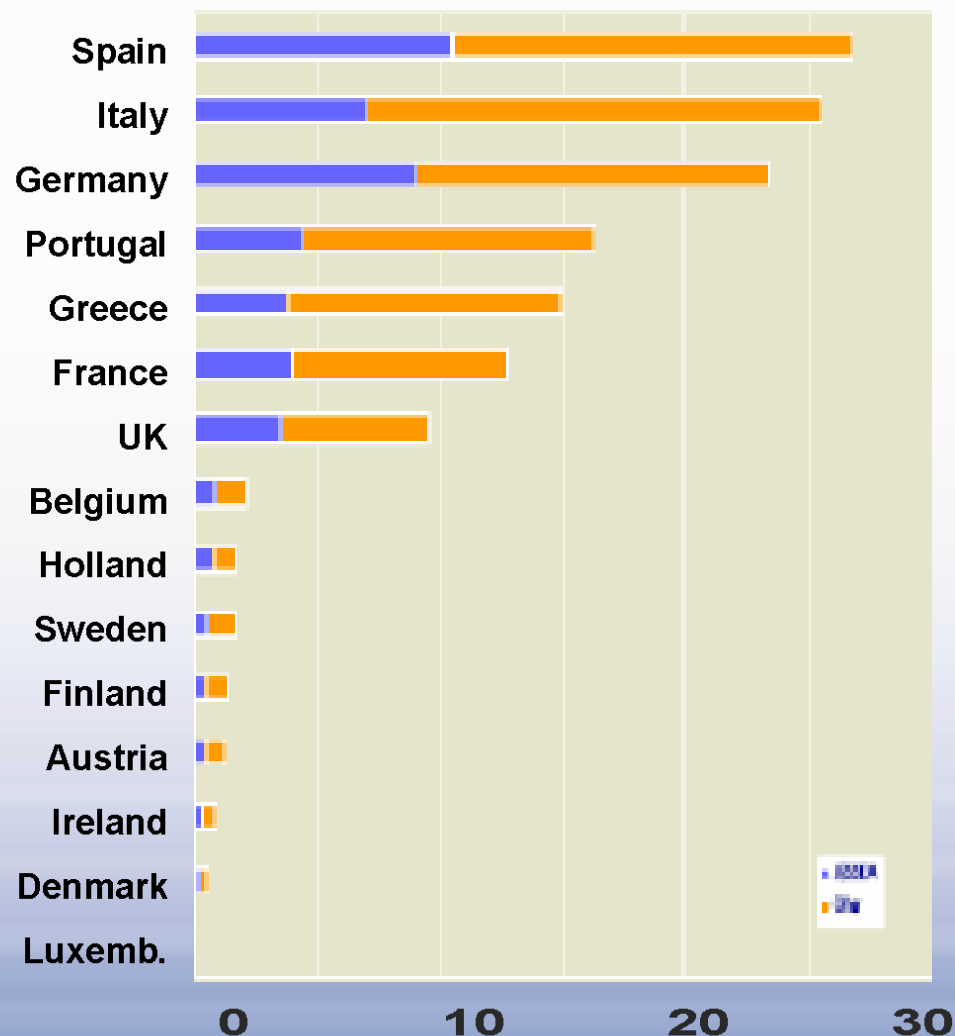
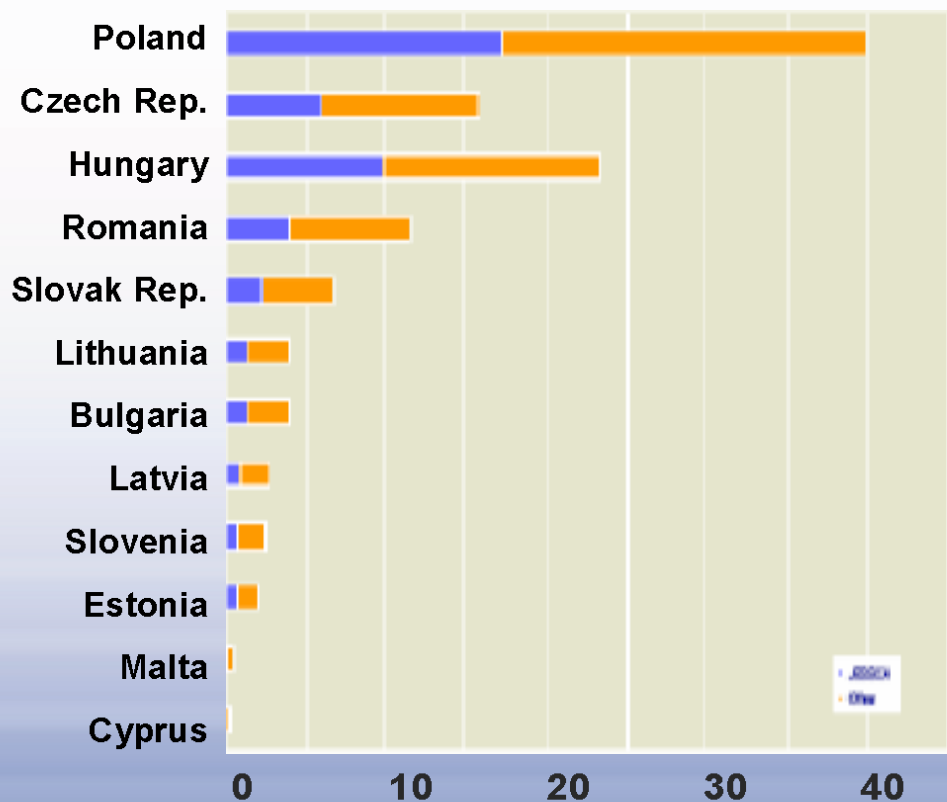


The Urban Theme in Structural Funds 2007-2013

(EIB JESSICA Preliminary study)

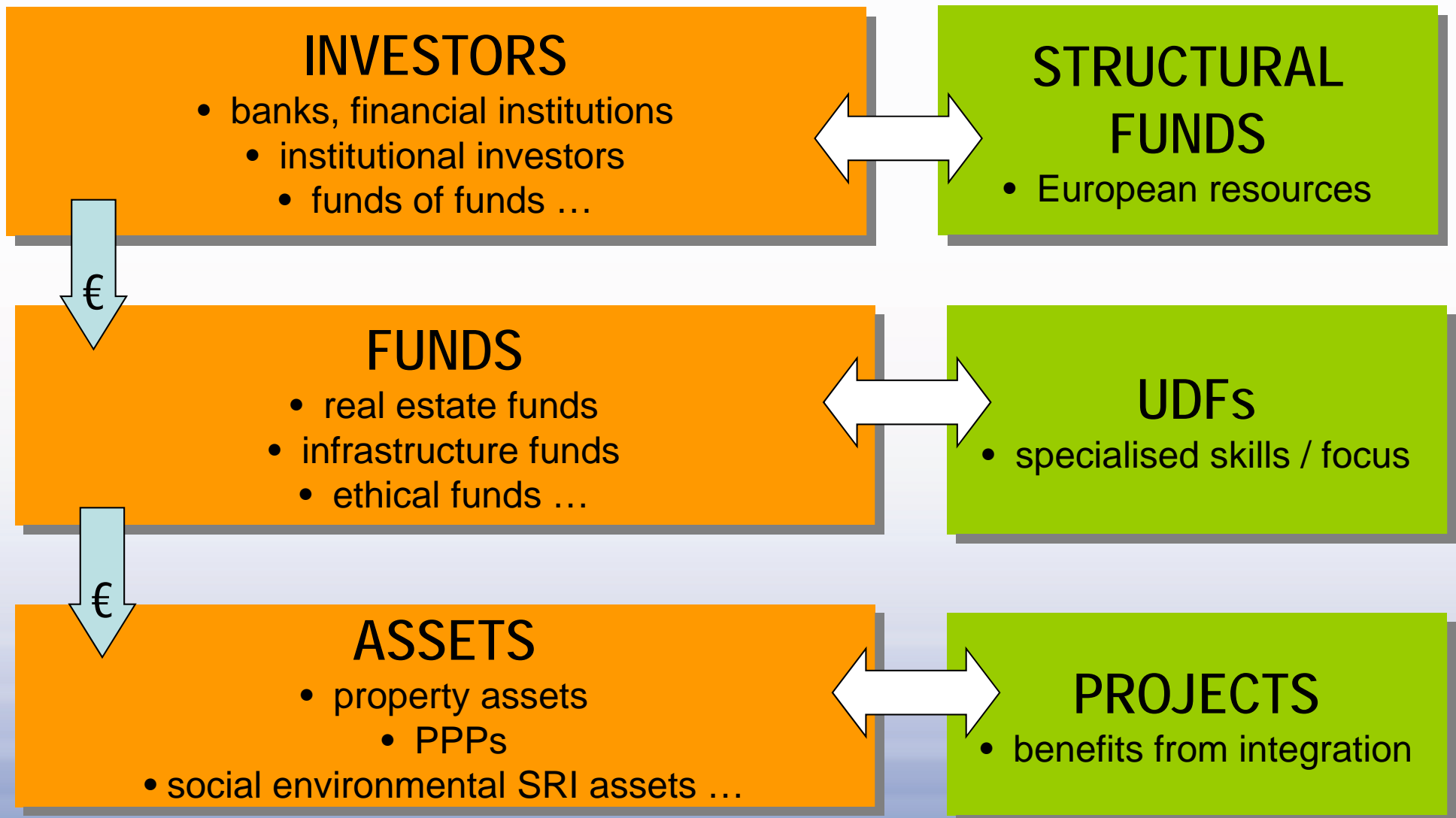


SOURCE:
JESSICA Preliminary Evaluation Study, January 2007
Deloitte MCS Ltd



Investors, funds and assets in recession

Linkages with JESSICA instruments



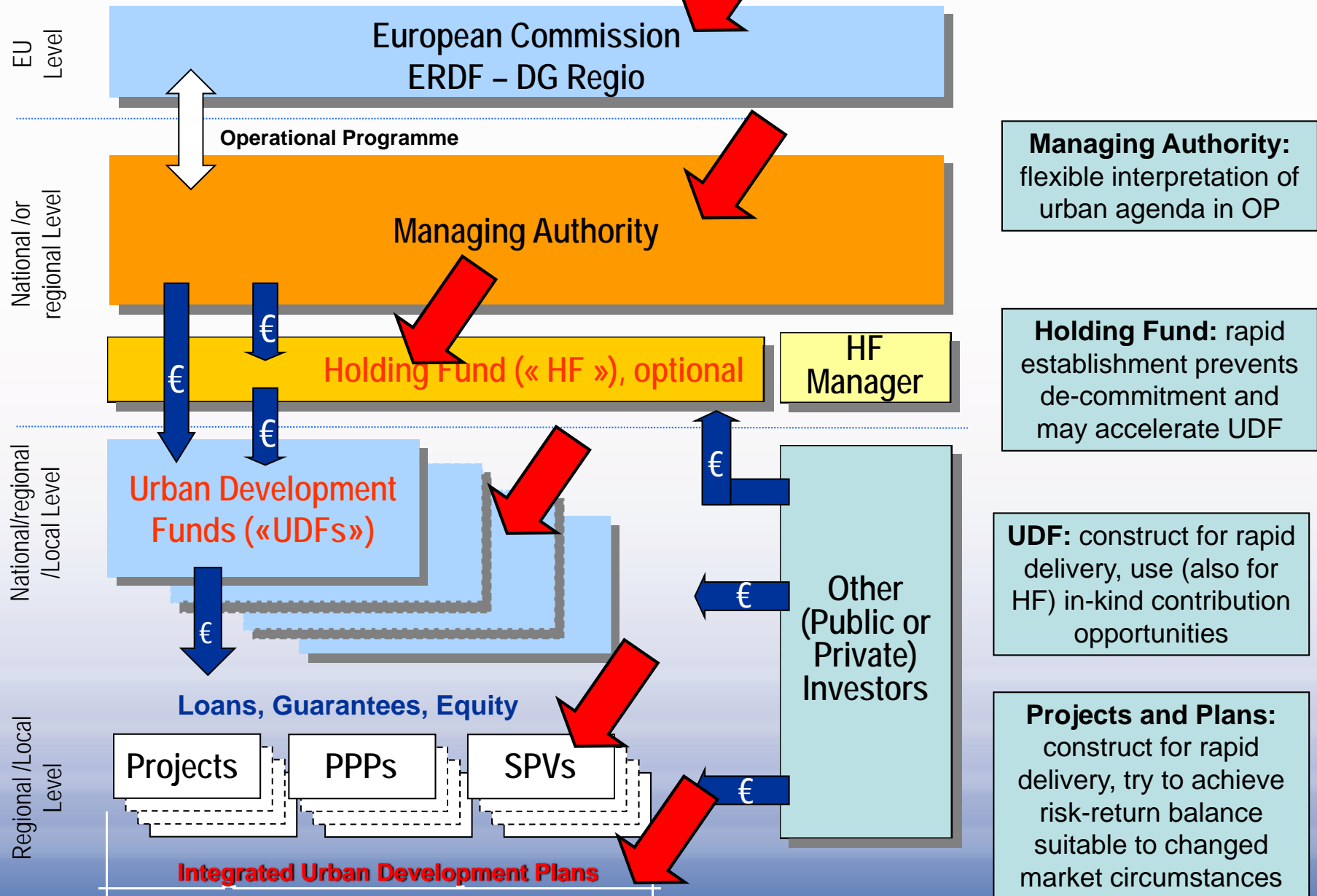
JESSICA instruments in recession times ...



- ✓ **JESSICA instruments are (mostly) supply-side tools**
 - Limited impact to fight demand collapse in the short term
 - But may play a relevant role in a long-lasting recession
- ✓ **Why bother? Two reasons**
 - See that JESSICA core long-term objectives are not compromised by the current recession
 - Give contribution to alleviating the recession

JESSICA COMPONENTS – HOW TO USE IN EMERGENCY

European Commission: facilitate use of instruments



Adapting to recessionary times



- ✓ **Amending Operational Programmes**
 - Flexible interpretation of urban agenda
 - New 4% ERDF eligibility window for expenditure on energy efficiency and renewable energy in existing housing
- ✓ **Achieving faster delivery**
 - Better balance between “ready” projects and integration
 - Reducing risk of automatic de-commitment
 - Land/buildings as in-kind contribution to accelerate delivery of matching funds

Structuring plans and projects to fit changed market conditions



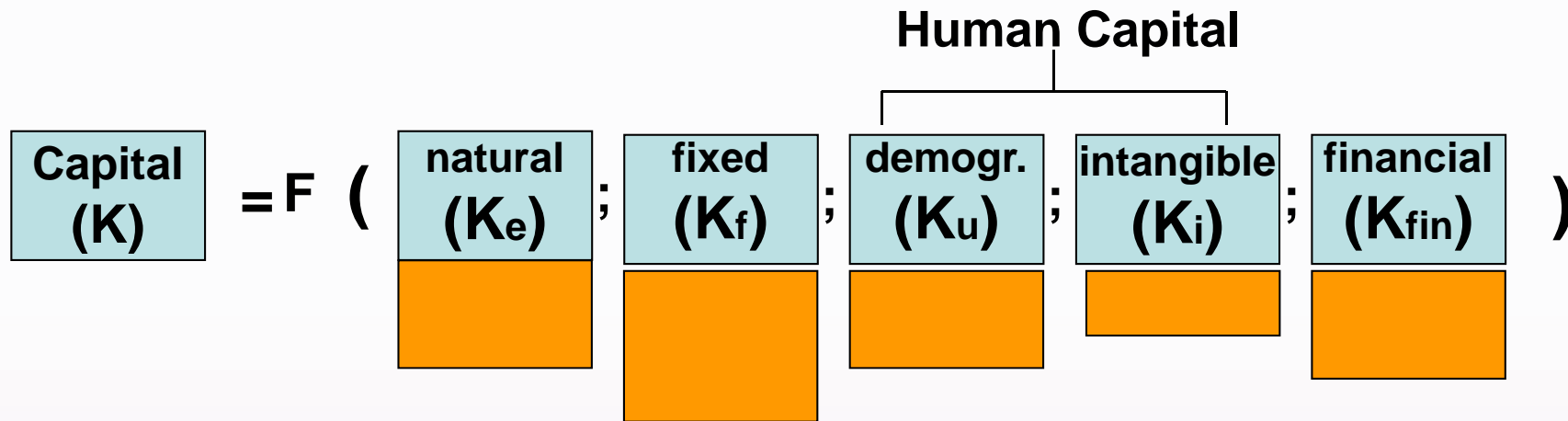
- ✓ **The Urban experience – *come prima, più di prima***
 - Urban-type investment - and more
 - flexible interpretation of integrated principles
 - focus on achieving sustainable outcomes rather than procedures
- ✓ **Construct plans and projects so that remuneration mechanisms ...**
 - are less exposed to direct short-term demand
 - achieve suitable risk-return balance (e.g. focus on minimising risk)
 - have time profile to survive long recession
 - can work with low private leverage in early phase
- ✓ ***BUT ...***
 - ... do not repeat the same mistakes !

TERRITORIAL DIAGNOSTICS FOR CITIES AND REGIONS

Assessing the Long-term Risk and Performance of Urban Assets



Characterising Urban asset base – five dimensions



Three aspects:

- sustainability of urban wealth across generations
- identify undervalued / vulnerable assets (**latent capital**) and construct value capture mechanisms
- interactions between dimensions -- risk assessment:
human capital (*skills*) ↔ age structure
demography, property values, fiscal base



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