

New initiatives of cohesion policy: JASPERS, JEREMIE, JESSICA

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Introduction

Preparations for efficient operation of the EU Structural and cohesion policy in the next programming period 2007-2013, currently culminating, consist of more than finalisation activities related to the National Strategic Reference Frameworks and individual Operational Programmes or other programming documents. In the next programming period, the cooperation concerning implementation of the objectives of the Structural and Cohesion Policy between the European Commission and the European Investment Bank will be enhanced through three new joint initiatives focused on investments, growth and jobs in the Member States and their regions.

The new initiatives are JASPERS (Joint Assistance in Supporting Projects in European Regions), JEREMIE (Joint European Resources for Micro-to-Medium Enterprises) and JESSICA (Joint European Support for Sustainable Investment in City Areas).

In the context of the EU Structural and Cohesion Policy, the enhanced cooperation between the European Commission and the European Investment Bank group and other international financial institutions in the field of financial innovation has several dimensions:

- providing additional loan resources for entrepreneurial projects and for development in the EU regions;
- contributing financial and managerial expertise provided by specialist institutions such as the European Investment Bank group and other international financial institutions;
- creating strong incentives for successful implementation by beneficiaries by combining grants and loans;
- ensuring long-term sustainability through the revolving character of the contribution of the European Regional Development Fund (ERDF) to activities based on financial innovations.

These reasons may explain why the European Commission focused on improving the access of each relevant entity to financial funds in the first half of 2005. The Community Strategic Guidelines for Cohesion, published by the end of June 2005, explicitly refer to the need to enhance support for start-ups and micro-enterprises, through technical assistance, grants and non-grant instruments such as loans, equity, venture capital or guarantees, and highlight the added value of undertaking these actions in cooperation with the EIB group. Evaluations and studies demonstrate a clear correlation between access to finance or risk capital for small and medium enterprises, on the one hand, and economic growth and competitiveness on the other hand. Improved access to finance and risk capital for small and medium sized enterprises is therefore a key element of the EU growth and jobs agenda ("New" Lisbon strategy) and in this context, the ERDF resources allocated to this objective in the new programming period 2007-2013 will fully comply with the Lisbon objectives.

JASPERS: new partnership in technical assistance

JASPERS aims at developing cooperation and combination of expertise and resources and organising them in a more systematic way to help the Member States to implement the EU Structural and cohesion policy in their territories. The JASPERS initiative will offer services to the Member States focused on regions covered by the new convergence objective for 2007-2013 (still underdeveloped regions with GDP per capita less than 75% of the EU-25 average, and regions within the so-called statistical discrepancy).

The service will above all help regional and local authorities and institutions to prepare major projects and project documents to be submitted to the European Commission. Based on this, the service should help to increase the quantity, quality and speed of the projects to be approved; as a result, the absorption ability of the Member States and regions concerned should directly improve and, as an indirect result, the growth and convergence throughout the EU should improve as well.

JASPERS involves partnership between the European Union (the Directorate General for regional policy), EIB and the European Bank for Reconstruction and Development (EBRD).

JASPERS will offer technical assistance to the beneficiaries in the Member States without any charges. The main objective of the JASPERS initiative is to help the Member States with the complex objective of preparing quality projects that could be approved more quickly for EU support provided by the European Commission. The technical assistance will be offered from the early stages of the project development. JASPERS should provide complex integrated assistance for all stages of the project cycle, from the initial identification of the project until the final decision to grant assistance.

JASPERS will focus on large projects supported by the EU funds (of the volume exceeding €25 million for environmental projects, and over €50 million for transport and other areas). In smaller countries, where the number of projects of such size will be lower, JASPERS will concentrate on the largest projects. The JASPERS initiative is expected to significantly contribute to the quantity, quality and speed of processing and implementing of projects; the respective legal responsibilities of the national authorities and the European Commission, however, remain unchanged.

The Member States are not obliged or bound to use the assistance offered by JASPERS; the Member States using the assistance offered by JASPERS are not in any way obliged to borrow from EIB or EBRD, although they may do so if they wish. Activities within the JASPERS initiative will be more closely coordinated with the Member States; in order to ensure smooth planning and coordination, the activities will be organized each year according to an annual action plan to be specified according to each Member State's needs.

The JASPERS initiative is managed by 50 erudite experts in technical, economic and financial analysis within the EIB. Many of these experts will gradually provide technical assistance directly in the Member States and regions, in particular in the cohesion countries, for preparing high-quality investment projects.

Key areas for JASPERS are technical assistance in trans-European networks (TENs), the transport sector outside of TENs including rail, river and sea transport, inter-modal transport systems and their mutual interoperability, management of road and air traffic, and clean urban and public transport. In the field of the environment, JASPERS focuses on projects in energy efficiency and renewable energy.

JEREMIE: increased access to finance for micro and small and medium enterprises in the EU regions

JEREMIE is an initiative of the European Commission prepared together with EIB and the European Investment Fund (EIF). It aims at supporting increased access to finance for micro, small and medium enterprises in the EU regions. JEREMIE was first officially presented by the European Commission, EIB and EIF at a ministerial meeting in Brussels in October 2005.

Increased access to finance is a priority of the "new" Lisbon agenda for growth and creation of new jobs in the struggle to increase accessibility of capital in Europe in order to create new entrepreneurial activities and development. Experience has shown that this is an area where the programme authorities would like to do more, but they lack experience and expertise as well as access to risk capital. Based on the framework for cooperation with the specialised financial institutions, the EIB and the EIF, and other international financial institutions, JEREMIE is designed to help to overcome these difficulties.

The first phase of JEREMIE consists of an evaluation of the financial products offer in the Member States and EU regions and an assessment of potential needs. The evaluations are to be conducted in 2006-2007 within a cooperation agreement between the European Commission and the EIF that work closely with the national authorities and financial institutions at a national level.

The second phase consists of an involvement in the programming actions for the programming period 2007-2013. Where managing authorities (bodies) wish to use the JEREMIE framework, they should decide to allocate resources from the programme to a holding fund. The holding fund should be a suitably qualified financial institution at national level. It is also intended that under the JEREMIE initiative, the managing bodies can ask the EIF to ensure the holding fund objectives when the programme allocates a grant to it. This could also facilitate the obtaining of additional loan capital from the EIB.

The holding fund should also organise calls for expressions of interest addressed to all interested financial intermediaries (venture capital funds, seed-capital funds, start-ups, technology or technology transfer funds, guarantee funds, micro credit providers etc.). On the basis of its specific expertise, the holding fund, working closely with the managing body, will evaluate, select and accredit financial intermediaries. It will be able to provide them with products related to investments in their equity capital, loans or guarantees including technical assistance (if appropriate).

The selected financial intermediaries will then be responsible for making funds available on acceptable competitive terms (the principles of which should be agreed and approved between the programme managing authority and the holding fund) to micro, small and medium sized enterprises. Special attention should be paid to supporting the "new" Lisbon growth and jobs agenda with an emphasis on technology and know-how transfer, start-ups, technology and innovation funds and micro credits.

The final result is that the managing body will have access to a key system that should considerably facilitate the realisation of an otherwise complex task. This task should be seen in the context of a system of activities that are crucial for the development of European economic competitiveness. Contributions from the programmes to the holding fund are considered as eligible financial flow under the ERDF.

JESSICA: sustainable development for urban areas

JESSICA is an initiative of the European Commission in cooperation with the EIB and the Council of Europe Development Bank (CEB); it supports sustainable investment rate, growth and jobs in the EU's urban areas.

The need to do more in this field has been requested in the context of the consultation on the proposal of the Community Strategic Guidelines adopted by the European Commission in June 2005 (see above). In addition, the report of the European Parliament from August 2005, "The urban dimension in the context of enlargement" called on the Commission to reinforce actions for urban agglomerations and areas. At the high-level conference involving the Presidency bodies, the regions and financial institutions in November 2005 on the topic of "Financing growth and cohesion in the enlarged EU", the proposal of cooperation which later became the base for JESSICA received support and led to an agreement between the European Commission and the international financial institutions.

JESSICA will offer the managing bodies of the EU Structural Funds programmes the possibility to use external expertise and to have greater access to loan capital for the purpose of promoting urban development, including loans for social housing, if such support is appropriate. Where a managing body wishes to participate in cooperation under the JESSICA initiative, it would contribute resources from the programme, while the EIB, other international financial institutions, private banks and investors could contribute additional loan or equity capital as and when appropriate. If projects are not supported through grants, programme contributions to urban development funds will be revolving and help to enhance the sustainability of the investment effort. The programme contributions will be used to finance loans provided by the urban development funds to the final beneficiaries, secured by guarantee schemes established by the funds and the participating banks. No state guarantee for these loans will be part of the initiative; therefore the public finance system and public debt will not be affected.

There could be two basic approaches to the JESSICA initiative application leading from the contribution from the relevant programme to support for a project.

1. Direct relationship with urban development funds

Managing bodies deciding to use the JESSICA framework will launch one or more calls for expression of interest addressed to urban development funds and the resulting ideas and proposals should then be appraised and assessed in the usual manner. Relevant criteria in this context should include the investments and projects to be subject to targeting, the terms under which they could be financed, ownership criteria and contributions of co-financing partners of the fund, the justification and intended use of the ERDF contribution, the fees and remunerations of the fund etc.

As a result of the appraisal a funding agreement should be signed between the managing (or other) body and the selected urban development fund(s), specifying the terms and conditions and the targeted investments for allocating resources from operational programmes to it (them).

Urban development funds should select and support PPPs and other urban development projects, providing them with loans, support for investments into equity capital or guarantees, but not grants. It should be possible for a given project to be supported partly by the non-grant urban development funds and partly by public grants (including funds from other Operational Programmes). Other private banks or investors may also participate. Projects could be promoted by public, municipal or private companies or enterprises or joint ventures involving the given players in any possible combination. The funds will monitor the implementation of projects by final beneficiaries. The monitoring will be reported to the managing bodies of these activities (selection of projects, implementation by final beneficiaries etc.).

2. Organisation of the JESSICA initiative through holding funds

Managing bodies have the possibility to organise financial instruments for sustainable urban development through the intermediary of holding funds. Holding funds are funds investing in more than one urban development fund, providing them with investments into equity capital, loans or guarantees. In such case the managing bodies will have the option to award a grant to the EIB that would be charged with achieving the holding fund tasks.

An agreement should be signed between the Member States or the managing bodies and the holding fund specifying the terms and conditions and targeted investments. The urban development funds are the funds directly investing in PPPs and other projects in the context of urban areas development. Projects approved by the funds for support will be financed only through equity or loans, but not through grants. It is expected that a pre-condition would be that the projects would be supported only in the context of an integrated plan for sustainable urban development.

Urban development funds will be co-managed by professionals from the banking and private sector, who should contribute financial, technical and managerial expertise and flexibility to the management of projects co-financed by the ERDF.

Brief summary

1. **The JASPERS initiative** has a primary objective to help to prepare large-scale projects focused on infrastructure development particularly in the new Member States and in the states to accede to the EU in January 2007 (Romania, Bulgaria). The JASPERS working team has been created within the EIB, comprising experts specialised in technical assistance with project preparations; the EIB also aims at creating and establishing three regional offices of the JASPERS initiative in the new Member States. The applicability of the JASPERS initiative is fully feasible.

2. **The JEREMIE initiative** is to facilitate the access of enterprises to financial funds. The Member States and their regions will have the option to use a part of the finances allocated within the Structural Funds through the EIF to use the financial instruments primarily and specifically focused on the development of micro, small and medium sized enterprises.

3. **The JESSICA initiative** provides a variant solution for projects financing focused on urban reconstruction and development combining grants and loans. Primarily, however, JESSICA will not aim at using the grant instruments; it will facilitate the use of grants combined with its instruments. JESSICA should facilitate the manners of financing for a wide range of projects based on private and public sector partnership.

Conclusion

The above-mentioned group of new initiatives established by the EU institutions has an essential objective: considering the approaching start of the new programming period 2007-2013, to facilitate absorbing the Structural Funds and the Cohesion Fund by the beneficiary countries and investing them in reasonable projects. The aim is also to increase and improve the access to financial resources in regions in order to support substantial development and establishment of new companies and enterprises and new joint projects.

The EU Structural and Cohesion Policy is expected to have a significant impact on the Member States' economies in the next programming period, especially on the cohesion countries (i.e. countries with GDP per capita under the EU average; there is a significant difference between this indicator in Spain (markedly above 90% of the EU-25 average) and the Baltic countries and Poland (only approximately 40% of the EU-25 average). In the least prosperous Member States (and we are pleased to say that the Czech Republic is not among them) the transfers from the EU Structural and Cohesion Funds may amount to up to 4% of their national GDP. The European Commission predicts that GDP in the new Member States should increase by approximately 10% by 2013. In terms of employment indicators, about 2.5 million new jobs should be created.