



25th Novembre 2008

**Statement
of the ministers in charge of urban development
on JESSICA**

JESSICA, FINANCIAL ENGINEERING TOOL FOR INTEGRATED URBAN DEVELOPMENT

The Ministers

- noted that extensive investment will be required for the implementation of projects for sustainable urban development in order for cities to be able to answer the challenge of climate change and of growing competition due to globalisation.
- considered that to overcome the financing constraints resulting from these challenges, urban development policy must be willing to adopt new approaches;
- therefore considered it necessary to encourage greater private sector involvement in the funding of urban development and to exhaust all potential efficiencies with regard to the use of public funds;
- considered that the EU's financial engineering tool of the cohesion policy, JESSICA, could make an important contribution to these objectives.
- underlined the broad range of possible applications for JESSICA.

The Ministers stated that the EU's financial engineering tool of the cohesion policy, JESSICA, thus contributes towards achieving the objectives of integrated urban development, as envisioned in the Leipzig Charter.

The Ministers suggested that the Member States take into consideration the conclusions and recommendations of the JESSICA expert working group (enclosed at Annex 1). At the same time, they underlined that grants would continue to play an important role in the future as JESSICA can only be used to finance projects, or clusters of projects, that are, on the whole, capable of producing revenues. They underlined the fact that JESSICA can only be implemented on the basis of integrated urban development plans.

On the basis of the working group's report, the Ministers emphasised that JESSICA includes the following key benefits:

- It widens the range of instruments to provide financial assistance to urban development investments, thus facilitating the development of case-by-case funding strategies, which may include both grants and JESSICA instruments. The resulting gains in efficiency could help to launch more urban development investments with the public funds available.
- The obligation to pay back loans and equity capital strongly increases the motivation to achieve efficiency in the implementation of urban development projects.
- Due to the revolving character of the JESSICA funds, the resources dedicated to urban development can be used in this field on a long-term basis.

- Through PPP financing, the public sector could better steer private capital and expertise to foster sustainable urban development, as envisioned by the Leipzig Charter.
- The integrated urban development plans, which are a prerequisite for JESSICA funding, provide a good opportunity to pool environmental, economic, and social goals thereby promoting the sustainable development of cities at the appropriate territorial scale.

The Ministers thanked the Commission for its second guidance note¹ on financial engineering presented at the coordination committee for the funds and its replies to the questions submitted by the JESSICA Expert Working Group.

The Ministers suggested that,

- Member States should be encouraged to create national frameworks that will facilitate the use of JESSICA instruments;
- managing authorities should consider using JESSICA instruments when implementing their Operational Programmes; a specific reference to JESSICA in the Operational Programme not being a prerequisite;
- any future revision of the Operational Programmes for the period 2007-2013 could also be considered as an opportunity for dedicating the Structural Funds to urban development, using the financial engineering tool JESSICA;
- urban development funds, whether employing Structural Funds or other resources, may be established in order to benefit from the advantages of the JESSICA framework. As a first step, pilot funds could be mobilized to assess the practical benefits of JESSICA;
- the financial engineering tools may be tailored to the characteristics and the level of risk linked to investment in integrated sustainable urban development;
- targeted publicity campaigns should be launched to increase urban development stakeholders' awareness of JESSICA;
- based on practical experience in the use of the JESSICA framework in matters of urban development in the present structural funds period, all the possibilities of facilitating the use of JESSICA should be examined with respect to what will happen after 2013;
- Member States, the EU and the financing institutions involved should implement a follow-up process to the expert working group to promote, in particular, the transfer of know-how and the clarification of any future legal and operational questions.

¹ COCOF/08/0002/00