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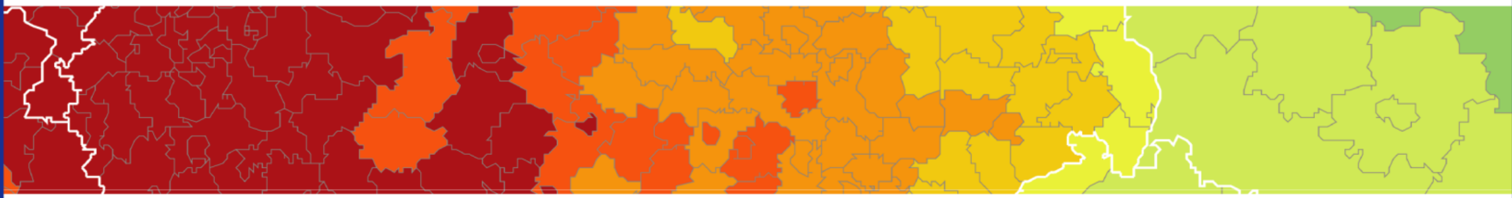

# Financial Instruments and Territorial Cohesion

Andalusia Financial Instruments 2007-2013

**Case Study Report**

30/08/2019

This applied research activity is conducted within the framework of the ESPON 2020 Cooperation Programme, partly financed by the European Regional Development Fund.

The ESPON EGTC is the Single Beneficiary of the ESPON 2020 Cooperation Programme. The Single Operation within the programme is implemented by the ESPON EGTC and co-financed by the European Regional Development Fund, the EU Member States and the Partner States, Iceland, Liechtenstein, Norway and Switzerland.



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ISBN 978-99959-55-97-7

# Financial Instruments and Territorial Cohesion

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# Abbreviations

| | |
|---|---|
| AC | Ahorro Cooperación |
| ERDF | European Regional Development Fund |
| ESF | European Social Fund |
| ESIF | European Structural and Investment Funds |
| JEREMIE | Joint European resources for Micro to Medium Enterprises |
| JESSICA | Joint European Support for Sustainable Investment in City Areas |
| JHFA | JESSICA Holding Fund Andalusia |
| MA | Managing Authority |
| NUTS | Nomenclature of Territorial Units for Statistics |
| OA | Operative Agreement |
| OP | Operational Programme |
| SPV | Special Purpose Vehicle |
| SME | Small and Medium Sized Enterprises |
| SWOT | Strengths, Weaknesses, Opportunities, Threats |
| UDF | Urban Development Fund |
| VC | Venture Capital |

# Abstract

Andalusia was a pioneer in Spain in establishing Financial Instruments during the 2007-2013 period: the JEREMIE Fund aimed at promoting innovation and industrial development through a multi-product strategy and the JESSICA Fund, was targeted at urban development projects.

At present, the JEREMIE Andalusia portfolio has an allocation of €398.7 million, which is broken down into €329 million in debt instruments, €63.45 million in risk capital and €6.25 million pending allocation. Additionally, another JEREMIE Fund for industrial SMEs has been developed outside the Portfolio Fund, in the amount of €983,000. A total of 44 percent of the projects in the portfolio (174 projects) have been completed to date. JEREMIE allowed firms to access funding in a flexible and tailored way, generating an induced investment with a multiplier of up to 3.3 (which is considered high). The main weaknesses are related to administrative burdens and uncertainty, and to the apparent concentration of investment in the region's most developed provinces. In fact, JEREMIE financial support was concentrated in Seville, which accounts for 22 percent of the total population and 24 percent of regional GDP (2015).

As for the JESSICA Fund, JHFA managed to invest €72.5 million, or 89.1 percent of the total amount, in nine projects. The JESSICA Holding Fund was also considered positive, with a lower multiplier effect and a lower impact in terms of direct job creation. Technical assistance in the structuring of projects was a differentiating element of this FI and can be considered one of the key elements for its successful execution. In terms of its territorial dimension, figures show that the nine projects supported by JESSICA were concentrated in five main Andalusian capital cities.

# 1 Background

## 1.1 Economic and regional context

Andalusia is the largest autonomous region in Spain, accounting for 17.3 percent of Spain's area and almost 18 percent of its population. Its per capita income level is only 78 percent of the Spanish average. The service sector dominates the Andalusian economy, accounting for 723 percent of the GAV generated in the region. The contribution to regional GAV by the agricultural sector (5.5 percent) is higher than the national average, as well as the construction sector (10.9 percent), while the industrial sector, which accounts for 11.4 percent of Andalusian GAV, is 6.5 points below the national average.

With more than 8.5 million inhabitants, Andalusia is home to 18 percent of the total Spanish population, making it the country's most populated Autonomous Region. This key demographic role is also reflected within a European context, where Andalusia exceeds the population of twelve EU countries.

The region experienced intense growth in the twenty-first century in terms of demographics (12 percent between 2001 and 2009), due to a boom in immigration. This has been caused by heavy economic expansion and specialisation in sectors that are extremely labour-intensive (construction, hospitality, irrigated agriculture, etc.).

This large area and population have historically led to territorial imbalances in the region’s economic, social and cultural development. In recent decades, the concentration of economic activities and the population in coastal and metropolitan areas has accelerated these imbalances.

Andalusia was one of the regions most severely impacted by the financial crisis. Andalusia lost around 9 percent of regional GDP from 2008 to 2013, and unemployment rose from 14.78 percent to 36.77 percent. In 2018, while GDP has now recovered, unemployment is six points higher than a decade ago. The economic and financial crisis also endangered public finances and their ability to increase infrastructure investments, which were almost frozen during those years.

## 1.2 Background summary of the FI

From 2007 to 2013, Andalusia pioneered the establishment of financial instruments in Spain with a JEREMIE Fund and a JESSICA Fund. JEREMIE was aimed at promoting innovation and industrial development through a multi-product strategy, while JESSICA was targeted at urban development projects. Different governance and implementation methods were established, with no apparent connection between them.

## 1.3 Scope and objectives of the FI

Due to the macroeconomic situation, which led to a sharp decline in income for public accounts and a severe negative impact on private sector profitability, there was a low investment level both by government bodies and the private sector. Under these conditions, some capitalisation of investments became necessary, in cooperation with businesses and financial institutions, by means of appropriate structuring.

JEREMIE and JESSICA had different targets as a result, although the initial rationale was the same for both instruments: to provide and facilitate appropriate funding for both innovation and SME development as well as urban infrastructure investments in Andalusia.

## 1.4 Operational issues

The JEREMIE Fund Andalusia was created in 2009 with an allocation of €235 million, with €185 million corresponding to the Multi-instrument Fund and €50 million to the Venture Capital Fund. The latter was increased by €11 million in private contributions, with the Fund growing to €246 million. The region's Agency for Development and Innovation, IDEA, was appointed as fund manager, while SOPREA, a public sector holding, was in charge of executing several of the financial instruments. In terms of venture capital, there are four managers – one public (Invercaria) and three private – that perform intermediation tasks.

On the other hand, JHFA (JESSICA Holding Fund Andalusia) was established by the Funding Agreement signed by EIB and the MA on 8 May 2009 for the 2007-2013 Andalusia OP. JHFA had a contribution of c€85.71 million from the MA. The OA was signed in May 2011 for an amount of €40 million.

At the end of 2012, another UDF manager resigned from the management of the Contingent Loan assigned and the amount under management was awarded to Ahorro Cooperación. The new OA was signed on 21 March 2013 for €40.60 million.

AC was set up as an SPV called AC JESSICA Andalusia and was managed by AC, which could grant debt, equity and participative loans. AC later sold all its infrastructure business in 2015 to GED Capital, a Spanish private equity firm, which has managed the fund since then.

## 1.5 Implementation issues

As mentioned, the JEREMIE Fund Andalusia has grown to €246 million. At present, the JEREMIE Andalusia portfolio has an allocation of €398.7 million, which is broken down into €329 million in debt instruments, €63.45 million in risk capital and €6.25 million pending allocation. Additionally, another JEREMIE Fund for industrial SMEs has been developed outside the Portfolio Fund, in the amount of €983,000.

During implementation, the Fund approved projects worth 50 percent of its portfolio, with 44 percent of the projects having been completed, formalised, or in process of formalisation. These figures are very similar to the global approvals of the reimbursable instruments managed by the IDEA agency, highlighting a lower relative number of approved and non-formalised operations.

By line of action, debt instruments account for 83 percent of the total endowment of the fund, with an unapproved percentage of 49 percent, which are concentrated in funds recently launched with the objective of supporting sustainable construction and energy efficiency. The funds with which the multi-instrument modality is endowed are executed (formalised or in process of formalisation) above 80 percent, while the two new lines are practically unfulfilled.

In terms of JESSICA, JHFA managed to invest €72.5 million, or 89.1 percent of the total amount in nine projects. GED infrastructure was in charge not only of providing finance, but also of initiating operations, advising the final recipients and creating the most proper financial structuring for the projects. Due to the lack of local capabilities for this kind of sophisticated financial projects, the high flexibility and full commitment in the initial phase were critical. According to internal reports, 40 percent of the operations were initiated directly by the UDF, and only two out of the nine projects were proposed by the private promoter.

## 1.6 Scale and budget

The latest data on the execution of JEREMIE shows that the fund ultimately allocated €113.4 million, with an ERDF contribution of €90 million. Out of the €113.4 million, €73.15 million were allocated to loans, while €35.43 were directed to capital and other products, with a smaller share for guarantees (€4.32 million).

In terms of the JESSICA initiative, the total amount of allocated funds was €81.4 million, while €72.5 million was ultimately invested. The financial product most used were participative loans (mezzanine funding), while senior debt and equity were provided to a lower degree.

## 1.7 Exit evaluations for JEREMIE and JESSICA

There is no a systematic evaluation of the JEREMIE or the JESSICA initiatives.

# 2 Main results and findings

## 2.1 Impact of the Financial Instrument

The impact of the JHFA must be understood in the framework of the financial restrictions for both the private sector and for infrastructure in Spain and Andalusia during the financial crisis.

JEREMIE supported 174 projects, including 97 loan projects, three guarantees and 74 equity operations. According to this data, the average loan operation was quite large, with an average amount of €730,000 per loan, while equity operations were significantly lower, with an average operation of €470,000 per investment.

According to the JEREMIE financial report, demand exceeded offer by a factor of three, and total induced investment was multiplied by 3.3 in the case of loans (€458 million of induced investment) and by 2.7 in the case of equity and mezzanine (€51.27 million of induced investment). These data are quite similar to initial programming, where multipliers were estimated by a factor of four for loans and two for equity. Up to 10,000 net jobs were generated (90 percent from loans).

Regarding portfolio composition, SMEs accounted for practically 100 percent of recipients (97 percent). Other metrics are as follows:

*Table 2-1: Summary of main impacts of JEREMIE*

| Recipients metrics | Product: Loans | Product: Equity |
|---|---|---|
| Impact in the internationalisation of SMEs | 39% | 25% |
| Firms interested in investing in Andalusia | 12% | 5% |
| Tech firms | 26% | 55% |
| Newly established firms | 14% | 50% |

*Source: AGENCIA IDEA (2018) Financial Report JEREMIE 2017*

In terms of JESSICA, nine Projects were funded. The JHFA provided up to 44 percent of total invested resources, with a total induced investment of €164 million, with €94 million provided by private investors, banks or other partners in the structuring of the different operations. Therefore, the multiplier factor was 2.27. The size of the projects was significantly higher than in the JEREMIE initiative.

Regarding the impacts in terms of the indicators included in the ROP ERDF for Andalusia 2014-2020, as far as jobs creation is concerned, the results are as follows: the main impacts produced by JEREMIE FI are the creation of 6,337 new jobs and maintaining another 7,768 (14,105 jobs in total). The intangible impact of the contribution to the professionalization of many of the beneficiary companies, as a consequence of the relationship with the fund, can also be noted.

According to reports, 786 jobs were created thanks to the JESSICA intervention, while total employment generated, including the induced investments, is roughly 1,863 jobs.

In the case of JEREMIE, the number of new companies created as a direct impact of the Fund as a whole is 303. The number of enterprises that have been internationalised is 38.

As far as the non financial externalities are concerned, a matrix is presented below that represents the contribution of both JESSICA and JEREMIE FIs to EU 2020 indicators (smart growth, sustainable growth and inclusive growth) as well as the contribution to territorial (Urban/Regional) development and the stakeholder involvement in terms of public-private partnership building and knowledge-sharing with the public sector with regard to FIs. A colour code is applied to assess the degree of contribution of each FI to one of the previous features, ranging from significant (dark green), average (light green) and no contribution (yellow).

*Table 2-2: Comprehensive FI Assessment Matrix*

| **FI / Non-financial externalities** | **Smart growth** | | | **Sustainable growth** | | | **Inclusive growth** | | | **Urban/Regional development** | **Stakeholder involvement** | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | Innovation | Education, training and lifelong learning | Digital society | Competitiveness | Climate change | Clean energy | Employment | Skills | Poverty | Efficiency and effectiveness in cohesion policy | PPP & knowledge-sharing | Administrative capacity in setting up and managing FIs |
| | Impact of FI on R&D investment intensity | Impact of FI on all levels of education and training | Impact of FI on uptake of ICT and development of digital economy | Impact of FI on regional competitiveness, with special emphasis on industry | Impact of FI on climate change adaptation and mitigation | Impact of FI on reduction of GHGs and uptake of renewable energies | Impact of FI on employment growth | Impact on FI on market-oriented skills | Impact of FI on number of citizens living below poverty line | | | |
| Jeremie Fund Andalusia | | | | | | | | | | | | |
| Jessica Holding Fund Andalusia | | | | | | | | | | | | |

*Source: own elaboration*

| | |
|---|---|
| | Significant non-financial externality |
| | Possible non-financial externality |
| | No non-financial externality |

## 2.2 Value-added of the Financial Instrument

According to the fund managers, intermediaries and recipients, the main value-added from these financial instruments is related to the capacity of generating and providing investment funds in times of severe financial restrictions. In this sense, JEREMIE provided the investment funding – loans and capital – needed to finance company growth. JEREMIE loans were relevant when banks are more risk-averse. Public loans allowed companies to reduce bank exposure to risky projects like SME growth strategies and R&D initiatives. In newly created startups, public funds appear to be critical in a region where private venture capital funds are almost non-existent. JEREMIE made it possible to send market signals for those promising startups which were later able to close new capital rounds. Therefore, some crowding-in appeared to affect equity investing.

Most of the firms' complaints about bureaucratic red tape claimed it made the process too intensive and, in some cases, counterproductive.

In the case of JESSICA, according to the intermediary, the main value-added was not only related to the funds provided, but also the fund manager's technical assistance role. GED indeed acted as a project originator and advisor in complex financing structures, simultaneously providing tailored funds which allowed the projects to succeed. The JESSICA fund manager supported promoters in the design, public bidding and financial negotiation phases, acting as a real partner for the project's success. JHFA provided feasibility analysis, sophisticated know-how, legal structures and risk mitigation instruments: junior tranches, mezzanine financing, equity, etc.

## 2.3 Territorial dimensions of the Financial Instrument

The geographical scope of both JEREMIE and JHFA was the region of Andalusia. Financial support was concentrated in Seville, which accounts for 22 percent of the total population and 24 percent of regional GDP (2015).

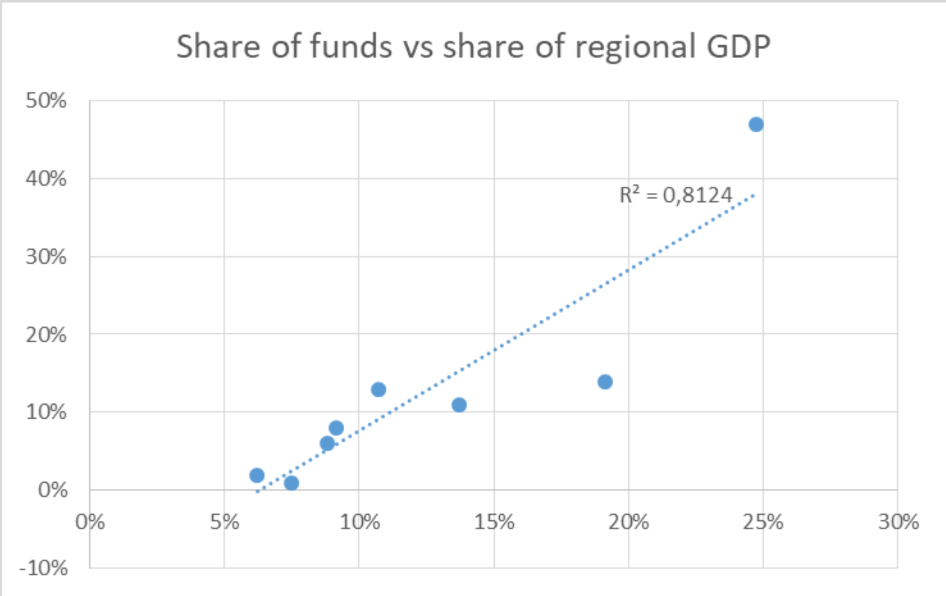
*Table 2-3: Territorial distribution of JEREMIE*

| Province (NUTS3) | % of GDP | % Of approved operations | % approved funds |
|---|---|---|---|
| Almería | 8.8% | 5% | 6% |
| Cádiz | 13.7% | 6% | 11% |
| Córdoba | 9.2% | 2% | 8% |
| Granada | 10.7% | 8% | 13% |
| Huelva | 6.2% | 3% | 2% |
| Jaén | 7.5% | 1% | 1% |
| Málaga | 19.1% | 29% | 14% |
| Seville | 24.7% | 47% | 47% |

*Source: AGENCIA IDEA (2018) Financial Report JEREMIE 2017*

As a result, JEREMIE funds were essentially distributed according to the weight of the different provinces in the regional GDP. This outcome is consistent with the number of firms and with the concentration of population and economic activity in Seville.

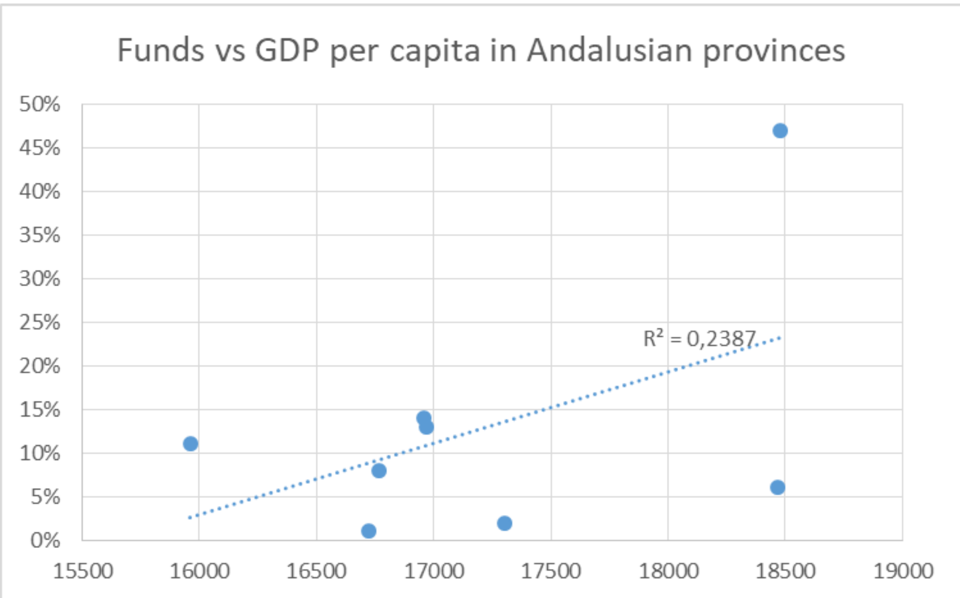
*Figure 2-1:Share of funds vs share of regional GDP*




*Source: own elaboration based on AGENCIA IDEA (2018) Financial Report JEREMIE 2017*

But if we consider the effects of the JEREMIE as a factor of internal territorial cohesion, we cannot confirm that the instrument effectively supported the most deprived areas of the region. Concentration in Seville did not allow the instruments to serve as ones that contribute to correcting provincial (NUTS3) imbalances. Most of the resources were allocated to the provinces with higher GDP per capita.

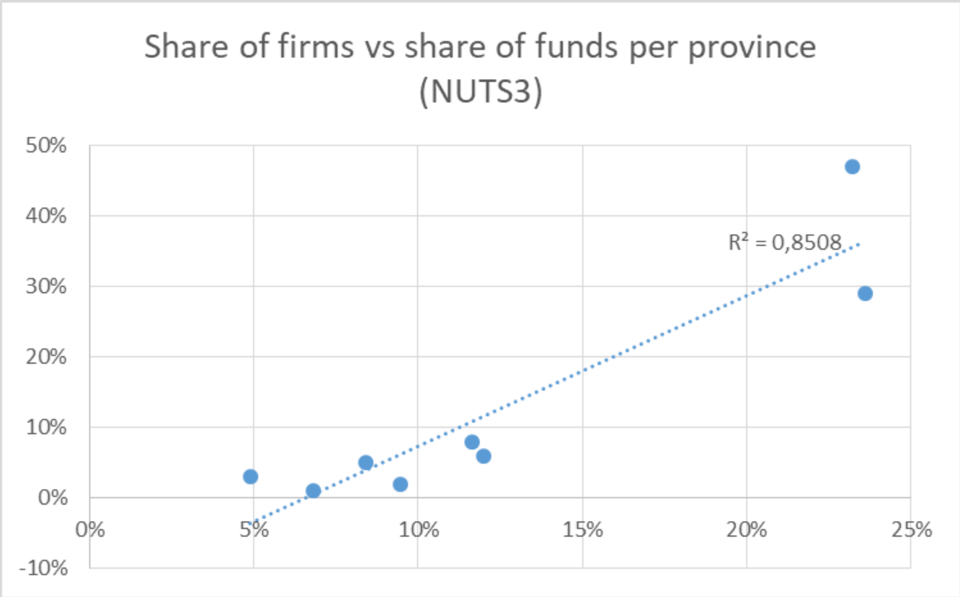
*Figure 2-2: Funds vs GDP per capita in Andalusia provinces*




*Source: own elaboration based on AGENCIA IDEA (2018) Financial Report JEREMIE 2017*

A certain “capital city effect” has been observed; Seville is the region’s capital city and the majority of firm headquarters are located there, resulting in a bulk of funding going to Seville instead of Málaga.

*Figure 2-3:Share of firms vs share of funds per province (NUTS3)*




*Source: own elaboration based on AGENCIA IDEA (2018) Financial Report JEREMIE 2017*

Regarding the JFHA, and due to the nature of the initiative, only nine projects were approved and developed, with the following geographical scope (Huelva, Jaen and Málaga did not received funding from the JHFA).

*Table 2-4: Territorial distribution of JESSICA projects*

| **Province** | **Number of projects** |
|---|---|
| Seville | 3 |
| Córdoba | 2 |
| Cádiz | 1 |
| Granada | 2 |
| Almería | 1 |

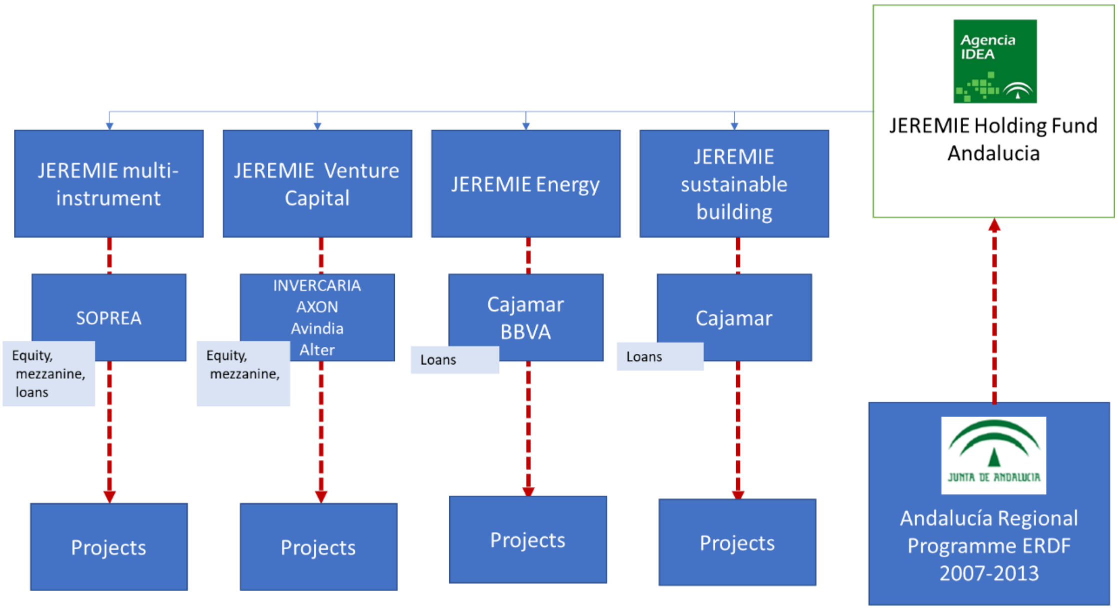
*Source: Jessica anual report 2017*

## 2.4 Governance dimensions of the Financial Instrument

The Andalusia OP (total budget €9.084 million) supported both JEREMIE (SME support) and JESSICA (urban and energy efficiency) FIs; the former under the Priority Axis 'Innovation and the Knowledge Economy' and the latter under Priority Axis 'Sustainable local and urban development'. Each of these instruments had a different governance structure.

In order to deploy the JEREMIE instrument, the Regional Development Agency, IDEA, established an independent unit in charge of the management of the JEREMIE holding funds. IDEA designated different financial intermediaries for the two instruments (multi-instrument) and the venture capital fund. The multiproduct fund was run by the public entity SOPREA. The capital instrument was initially assigned to INVERCARIA, a public sector VC fund, but later IDEA reached agreements with three private VC general partners. Two new specific funds for sustainable construction and energy were added in the middle of the period, both run by private sector banks. The investment strategy was later modified to reflect changes in economic conditions and government policies.

*Figure 2-4:Structure of JEREMIE Holding Fund Andalusia*




*Source: IDEA*

Of the €238 million allocated to the JEREMIE fund, €140 million have been invested and c€40 million have been returned. A significant amount of initial programmed money was considered non-eligible. The administrative burden is considered too high, according to final recipients, the fund manager and the financial intermediary. This burden caused delays in the approval and disbursement of funds, and it was one of the main weaknesses of the instrument.

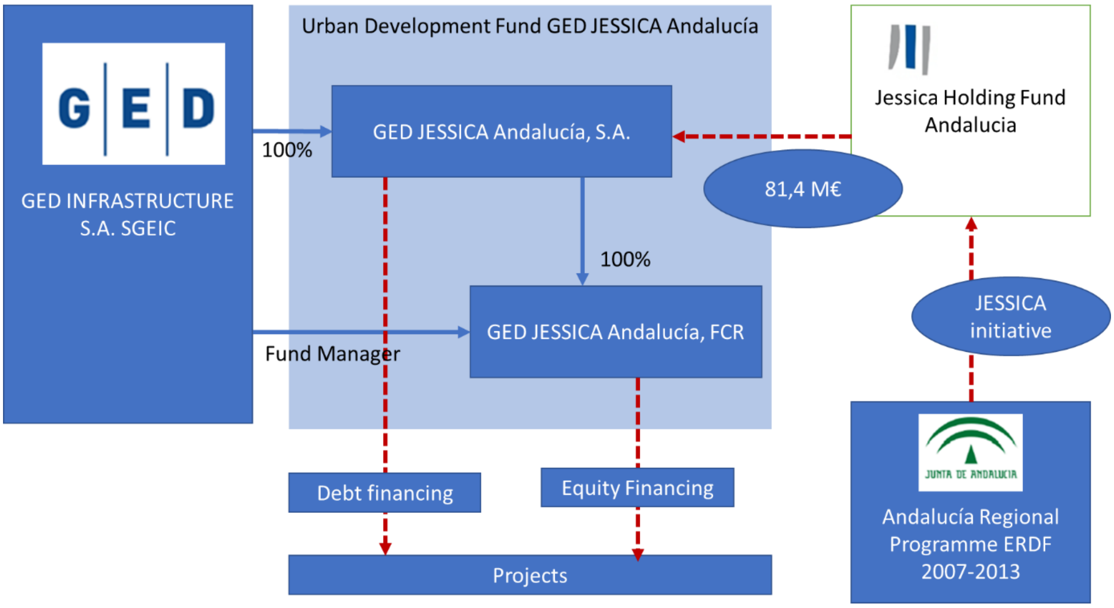
While the monitoring was considered good, and intermediaries checked 100 percent of the projects and a sample by the holding fund manager, the high amount of non-eligible investments was due to unclear instructions in the verification and validation process of each investment. The fund manager and the managing authority remarked on the critical role of the audit authority, which apparently lacked clear guidelines from the European Commission.

On the other hand, JHFA was established by the Funding Agreement signed between EIB and the MA on 8 May 2009 for the 2007-2013 Andalusia OP. JHFA had a contribution of c€85.71 million from the MA. In May 2011 the OA was signed for an amount of €40 million.

At the end of 2012, another UDF manager resigned from the management of the assigned contingent loan and the amount under management was awarded to AC. The new OA was signed on 21 March 2013 for €40.60 million.

AC was set up as an SPV called AC JESSICA Andalusia, managed by AC, which could grant debt, equity and participative loans. Later, in 2015, AC sold its entire infrastructure portfolio to GED Capital, a Spanish Private Equity firm, which has managed the fund since.

*Figure 2-5: Structure of JESSICA Holding Fund*




*Source: IDEA*

Due to the low number of projects, administrative burden was not identified as a key issue in the JESSICA delivery of funds. The EIB role appeared to be an administrative risk reduction factor, as the audit procedures and the verification and monitoring were established under its own regulations.

Some conclusions can be drawn from this analysis. The first is that there is a lack of alignment between the administrative requirements – including verification and audit – and market dynamics. Final recipients and private financial intermediaries missed a more agile procedure of approval and delivery of funds, while audit provisions were not clear enough and generated a series of ex-post problems in the validation of the investments. In JEREMIE, the administrative burden was too high compared to the amount of the investments, while in the JESSICA initiative, due to larger investments and a concentration in nine projects, this complexity was not considered a major issue. Therefore, transaction costs were one of the main weaknesses of the JEREMIE instrument. The EIB seems to have played a role, providing more certainty in the administrative management of the JESSICA initiative.

## 2.5 Strengths, weaknesses, opportunities and threats (SWOT)

According to these impacts and aspects we can identify the different strengths, weaknesses, opportunities and threats.

**Strengths**

- JEREMIE went to a specific market niche, with the intention of correcting market failures that were not addressed by other public instruments.
- According to some of the companies interviewed, they made use of the JEREMIE financial instrument for expansion projects or to survive in a context of financial restrictions.
- The advice of the EIF and other entities in its constitution was key to its success.
- Some financial intermediaries stated that JEREMIE was easily distributable and that collaboration with the public sector was very satisfactory.
- The JEREMIE multi-instrument programme was endowed with great flexibility.
- JEREMIE enjoyed significant liquidity compared to other lines. Liquidity was tremendously important in a context of strong liquidity constraints in the general government treasury.
- JESSICA has promoted a cultural change that involves shifting from grants to reimbursable financing, thinking in terms of financial sustainability, and resorting to public-private collaboration.
- JESSICA has made it possible to complete existing financing or even modify the proposed structures to improve project finance ability.
- The cooperation with experts from the public and private sectors helped to raise the level of professionalism in the execution of projects from a technical, financial, legal and management point of view.
- JESSICA has successfully covered a specific market failure. The local Public Administrations have spaces that need renovation or have to put in place plans for the provision of urban infrastructures. This market failure still exists. There are also needs in the provision of funds for private actions aimed at the restoration of urban spaces and buildings.

**Weaknesses**

- The crisis caused a change in the type of financing demanded, affecting the performance of financial instruments. Instead of demanding financing for investment, the purpose of the instrument's programmes, the companies demanded financing for debt refinancing and working capital. Although the financial instrument mitigated the closing of the financial markets, the initial scope – investment financing – did not fully respond to the companies' real needs.
- The JEREMIE execution was quite concentrated in the province of Seville, and therefore, the correlation between the use of the financial instrument and the territorial distribution of the economic activity is high. According to the collected data, it is difficult to confirm that the financial instrument served as a balancing tool for territorial disparities within Andalusia.
- Beyond the aversion to risk prevalent in private banks, the administrative requirements for obtaining financing through intermediated financial instruments were too strict for the vast majority of companies. These extremely conservative conditions led to the approval of a small number of projects, which in any event would have been admitted by the financial system without having to resort to the Structural Funds. This circumstance occurred in several initiatives, in addition to JESSICA.
- In the context of the crisis, companies were heavily indebted and could not contribute their own resources to access the financing offered. This affected the performance of IDEA financial instruments.
- The inclusion of working capital as an eligible expense of financial instruments has been valued positively by companies, helping to create more value for them. Even so, the eligibility of working capital expenses depends on subjective criteria, leading to great legal uncertainty.
- The ambiguity of the rules regarding verification processes leaves a wide margin for interpretation and legal uncertainty has serious consequences.
- The significant burden of bureaucratic work in terms of monitoring and reporting has caused potential financial intermediaries to abstain from participating in the selection procedures for financial instruments.
- Financial instruments executed by financial intermediaries may give rise to a risk to a Managing Authority, given that the management is delegated to a third party, but this does not imply loss of responsibility over the funds transferred.
- There were doubts regarding the capacity of financial intermediaries to carry out project monitoring. This is particularly true when it comes to financial instruments that handle a large number of small-volume operations, as credit institutions do not have the operational processes to perform this sophisticated monitoring. The

implementation of a system for monitoring the purpose of the investment would not be justifiable in relation to the management fee.

- There is some ambiguity regarding the consequences of a negative verification result. The possibility of repayment of the aid can be problematic for financial intermediaries, which in case of an infraction would not be guilty. An execution of a share in capital in a venture capital fund would also be problematic, since the market is not liquid.
- The JESSICA initiative was limited, as the local entities – unable to borrow more money – have had and continue to have budgetary restrictions. This has led to investments being reduced in the urban infrastructure sector and the deal flow for bankable projects was too small.
- The start-up of vehicles or special companies required highly complex administrative procedures, also explained by the demanding regulations. Additionally, and, motivated by the crisis, banks have been increasing their demands in terms of the capitalisation rate of projects.
- The projects have been carried out mainly for medium or large municipalities. Projects were more limited among the municipalities with fewer than 50,000 inhabitants, and the degree of maturity of these projects has been low, requiring significant support to develop the project. Some degree of territorial concentration has been identified, with several provinces with no investments.
- The management of the JESSICA instrument is more complex than the management and implementation of grant programmes, highlighting that the flows depend on the evolution of the project, the high risk, long follow-up periods and the very complex legal documentation.

**Opportunities**

- As both initiatives, JEREMIE and JESSICA, were adopted as pioneer programmes, most of the lessons learnt can be translated into new financial instruments for the 2014-2020 period.
- The new regulations for the 2014-2020 period have provided financial instruments with a more flexible and systematic regulation. The new regulations mitigate some of the previous administrative risks, as well as the excessive administrative burden and the legal uncertainty regarding eligibility of investments and verification and audit procedures.

- As the financial constrictions started to disappear after 2015, financial instruments can be more focused on the main target: riskier long-term investment projects, such as R&D and the scale-up of SMEs.
- The learning curve for financial intermediaries seems to be finished and most of the transaction costs in the process of identification and establishment of new funding agreements can be avoided.

**Threats**

- Due to the administrative problems raised during the previous period, the managing authority seems to be reluctant to extend new financial instruments.
- New financial restrictions due to the normalisation of monetary policy can delay the decision of some firms to make riskier investments in the field of R&D and scaling-up processes.
- Debt is still very high despite the deleveraging process in the Spanish economy, and public sector fiscal regulations could prevent local authorities from promoting and structuring new infrastructure projects.

## 2.6 Typical or flagship projects

Typical projects supported by JEREMIE are investment projects aimed to increase the scale and the performance of SMEs, with special focus on startups and tech firms. The average amount of investment was around €0.5 million.

Projects supported by JESSICA were large-scale infrastructure projects, most under the basis of project financing, where a SPV was in charge of the operation, on behalf of a municipal or local public institution. Restoration projects were the main field, while the provision of new public facilities was also included in the portfolio.

A list of selected flagship projects can be found in Annex 2.

## 2.7 Overall assessment

The JEREMIE and JESSICA Andalusia initiatives were a pilot project from which management lessons have been drawn that can be useful for a new generation of FIs. The deployment and impact of both initiatives can be considered positive in the framework of a high financial restriction, as both instruments helped to counterbalance this reality in their respective fields.

Due to the capacity of reaching a higher number of SMEs, JEREMIE allowed firms to access funding in a flexible and adequate way, generating an induced investment with a multiplier of up to 3.3, which can be considered fairly high. The main weaknesses are related to administrative burdens and uncertainty, and to the apparent concentration of investment in the region’s most developed provinces.

The JESSICA Holding Fund was also considered positive, with a lower multiplier effect and a lower impact in terms of direct job creation.

As there are no ex-post evaluations on the territorial economic impact of new infrastructures, it is difficult to assess the overall economic impact. It this case, longer maturation terms have not generated new investments, without any revolving effect in the fund.

Additionally, technical assistance in the structuring of projects has been a differentiating factor of JESSICA Andalusia and can be considered one of the key elements for its successful execution, one that must continue to be maintained for certain types of projects and final recipients.

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# List of Annexes

# Annex 1: CS elaboration process

The elaboration process of this case study has been based on the following methodologies: desk review, case study and personal semi-structured interviews. Most of the testimonials had been recorded during different interviews with the financial intermediaries (AXON capital, GED infrastructures), the fund manager (IDEA) and the managing authority (Dirección General de Fondos Comunitarios, Junta de Andalucía). These interviews took place during different processes of study and the interviewees gave their permission to use it.

The main source of information were the yearly reports from the financial instruments, including the description of projects, impact metrics and allocation of funds. No particular difficulty has been identified in the process of managing this information.

# Annex 2: Flagship projects

| **San Bernardo Station** | |
|---|---|
| Location of the project | Seville |
| Beneficiary name and type | SPORTBOX  San Bernardo S.L. on behalf the Municipality of Seville. |
| Brief description of the project | The project consisted in renovating a former train station and turning it into a marketplace and sports centre with swimming pool, spa, padel and fitness facilities and a multipurpose room. |
| Outcome of FI policy intervention | The FDU aided the municipality of Seville in the structuring of the operation, as well as providing €6.7 million (loans+equity).<br>The project recovered a previously unused 4,729 m², including 115 parking places and the restoration of 2,722 m² for commercial use.<br>The project provided 180 direct jobs in the construction phase and 38 additional jobs in the operation phase. |
| Other relevant information | The station was previously abandoned. The intervention was complementary to the restoration of the area. (Sector 20 of Seville). |
| References | http://www.javierorive.com/reforma-estacion-san-bernardo/<br><br>https://www.diariodesevilla.es/sevilla/mercado-Estacion-Cadiz-abrira-puertas_0_1141086533.html<br><br>http://www.andaluciasemueveconeuropa.com/revistahuelladigital/post-type-5.php?idC=7&idN=184&idR=58 |
| Photographic material | <br> |

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| **Los Mondragones parking garage and commercial centre** | |
|---|---|
| Location of the project | Granada |
| Beneficiary name and type | Parking Los Mondragones s.l<br>Servicio Los Mondragones s.l. |
| Brief description of the project | The project consisted in the recovery of abandoned military land leased to the municipality of Granada. The project consisted in supporting the building of a parking garage, a commercial centre and a sports centre. |
| Outcome of FI policy intervention | JESSICA contributed to the project with €10.3 million (equity+senior debt). Around 10,000 m² were built and more than 570 jobs were created during the building phase and around 100 jobs during the operation phase. |
| Other relevant information | The project was selected as an example of good practice by the Junta of Andalucía. |
| References | https://www.granadahoy.com/granada/Mondragones-Mercadona-gimnasio-parking-medio_0_660234525.html |
| Photographic material |  |

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|---|---|
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| Glamping Hub | |
|---|---|
| Location of the project | Seville |
| Beneficiary name and type | Glamping Hub S.L.<br>Startup |
| Brief description of the project | Glamping Hub is a startup aimed at providing a marketplace for luxury camping activities. It acts as a digital platform to connect demand and supply in this market niche. |
| Outcome of FI policy intervention | JEREMIE supported Glamping Hub through the financial intermediary Axon Partners and SOPREA. Several successful funding rounds have taken place after that.<br>In 2017, Glamping Hub grew by 150 percent YoY and created 75 jobs. In 2018, more than 25 additional jobs were created. |
| Other relevant information | Glamping Hub was awarded the best Spanish startup in Spain in 2017. |
| References | https://sevilla.abc.es/andalucia/sevi-startup-sevillana-confirma-boom-campings-lujo-201708070022_noticia.html<br><br>http://capital-riesgo.es/es/articles/axon-vende-parcialmente-su-participaci-n-en-glamping-hub/<br><br>https://sevilla.abc.es/sevilla/sevi-trozo-sillicon-valley-trasplantado-sevilla-201806030745_noticia.html<br><br>https://www.economist.com/special-report/2018/07/26/spains-economy-is-changing |
| Photographic material |   |

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The ESPON EGTC is the Single Beneficiary of the ESPON 2020 Cooperation Programme. The Single Operation within the programme is implemented by the ESPON EGTC and co-financed by the European Regional Development Fund, the EU Member States and the Partner States, Iceland, Liechtenstein, Norway and Switzerland.