



JOINT EUROPEAN SUPPORT FOR
SUSTAINABLE INVESTMENTS IN CITY AREAS



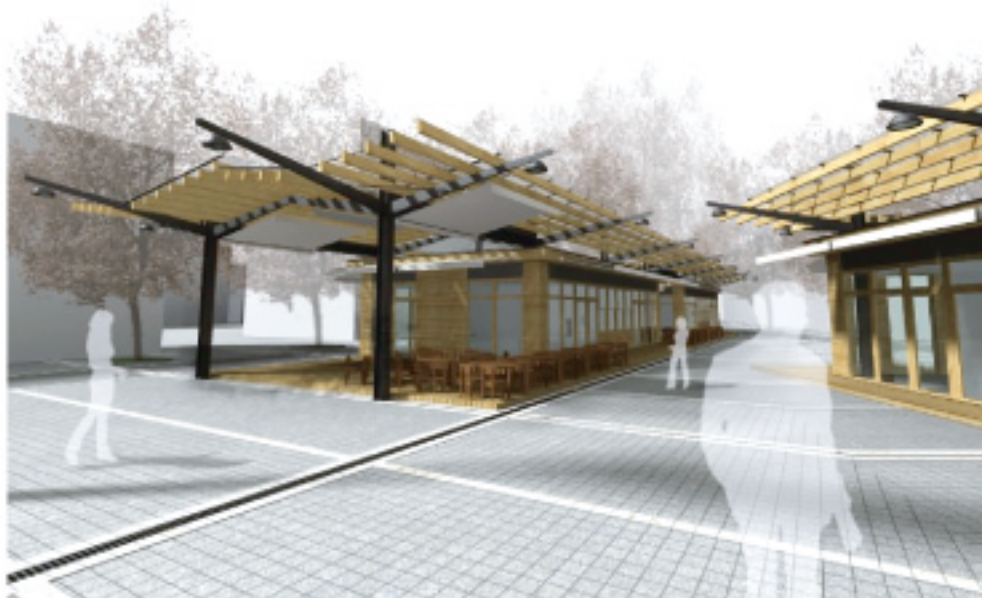
JESSICA

Operational Programme
Regional Development 2007-2013

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Investing in your future!

JOINT EUROPEAN SUPPORT FOR
SUSTAINABLE INVESTMENTS IN
CITY AREAS

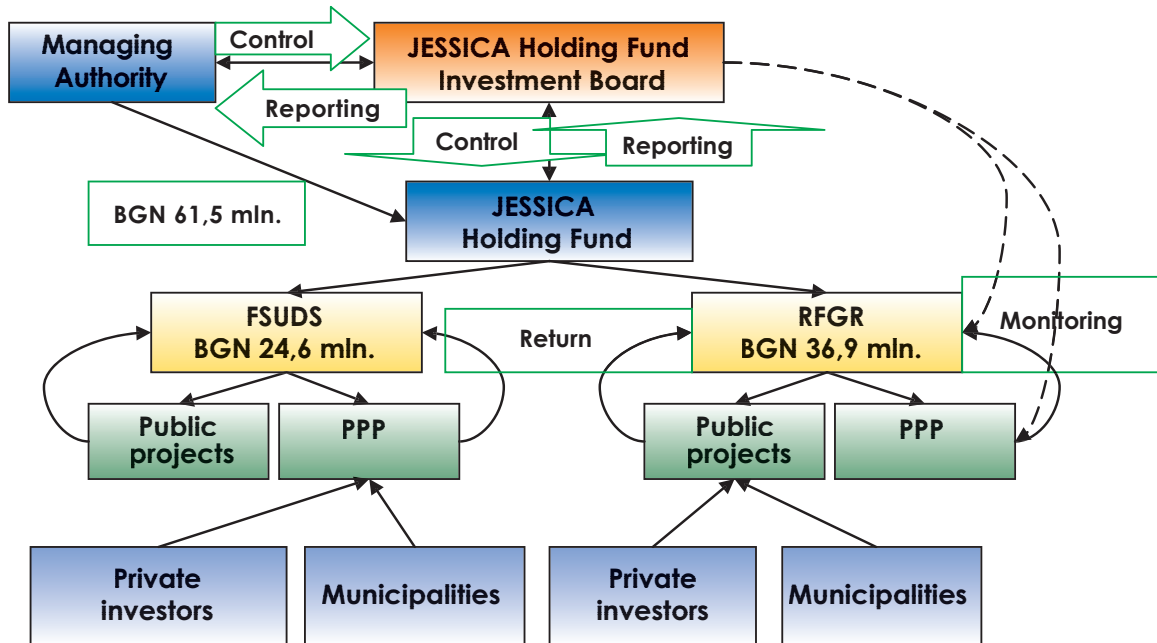


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OPERATIONAL PROGRAMME REGIONAL DEVELOPMENT 2007-2013
SUSTAINABLE INVESTMENTS IN YOUR CITY

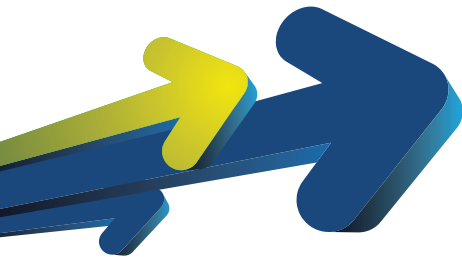


OPERATIONAL PROGRAMME REGIONAL DEVELOPMENT 2007-2013

WHAT IS JESSICA

JESSICA - Joint European Support for Sustainable Investment in City Areas is an initiative of the European Commission, developed in co-operation with the European Investment Bank (EIB) and the Council of Europe Development Bank (CEB), which was launched on the 30th of May 2006, in order to support sustainable urban investments, growth and creation of jobs in EU city areas through:

- Providing additional resources for lending and public-private partnerships and other projects for urban development in the EU regions;
- Providing financial and management skills from international financial institutions, such as the EIB;
- Providing long-term sustainability through the revolving character of the financial resources.



STRUCTURE OF JESSICA IN BULGARIA

Managing Authority of OPRD:

- Responsible for implementing the JESSICA initiative;
- Provides JESSICA funds from Operational Programme „Regional Development“ 2007-2013;
- Formulates the strategy for the implementation of JESSICA;
- Provides overall control and monitoring of the implementation of JESSICA;

European Investment Bank:

- Manages the JESSICA Holding Fund;
- Implements the JESSICA Investment Strategy and may propose its modification thereof;
- Supports the creation of Urban Development Funds in Bulgaria;
- Invests in Urban Development Funds;
- Supports the projects' identification;

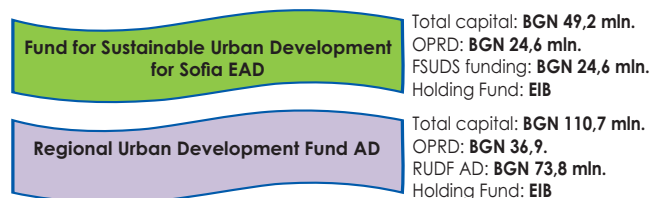
JESSICA Holding Fund Investment Board:

- Composed of representatives of the Ministry of Regional Development, Ministry of Finance, Ministry of Economy and Energy and the Council of Ministers;
- Controls the Holding Fund;
- Supported by the JESSICA unit within the OPRD Managing Authority;
- Monitors the implementation of the Investment Strategy and may offer its change;

Urban Development Funds:

- Manage the resources provided by the EIB;
- Assess the risk and profitability of project ideas;
- Select and approve eligible projects;
- Finance urban development projects and monitor their implementation;
- Collect funds repaid such as principal, interest, dividends, guarantees and guarantee fees;
- Reinvest the resources returned.

OPERATING URBAN DEVELOPMENT FUNDS



JESSICA HOLDING FUND IN BULGARIA

Strategic goals:

- To promote cohesion in the context of urban regeneration and development;
- To create opportunities for various forms of public-private partnerships in urban development;
- To support identification and funding of sustainable solutions to urban problems in the medium and long term.

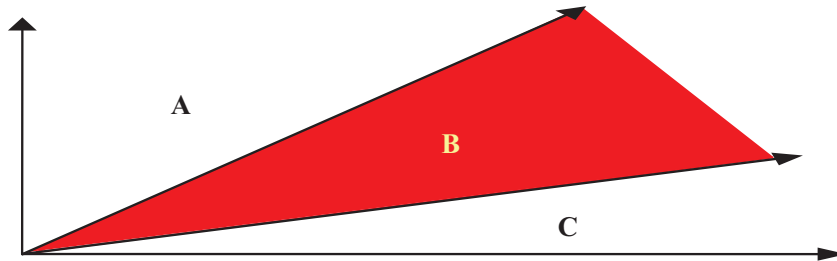
WHAT CONDITIONS SHOULD JESSICA PROJECTS MEET

JESSICA projects should meet the following criteria:

- To generate enough revenue to repay the investments ($NPV > 0$);
- Integrated Plan for Urban Regeneration and Development;
- To meet the objectives under Priority Axis 1 OPRD "Sustainable and Integrated Urban Development"
- JESSICA finances projects type B, having high visibility, but with rate of return which is unattractive to private investors under normal market conditions.
- Type A projects are funded entirely by the market.
- In order to finance projects type C a subsidy in the form of grants is used.

Important: Projects already completed can not be financed or refinanced with JESSICA funds.

PROJECT TYPES



JESSICA URBAN DEVELOPMENT FUNDS IN BULGARIA

JESSICA initiative in Bulgaria is implemented through Operational Programme Regional Development (OPRD) 2007-2013 by two Urban Development Funds (UDFs) financing investment projects on the territory of Sofia and the six largest cities.

Fund for Sustainable Urban Development for Sofia (FSUDS) has a capital of BGN 49.2 mln., including BGN 24.6 mln. from Operational Programme Regional Development (OPRD) and BGN 24.6 mln. co-financing by the fund manager; FSUDS provides low-interest loans and equity for sustainable projects in the city of Sofia.

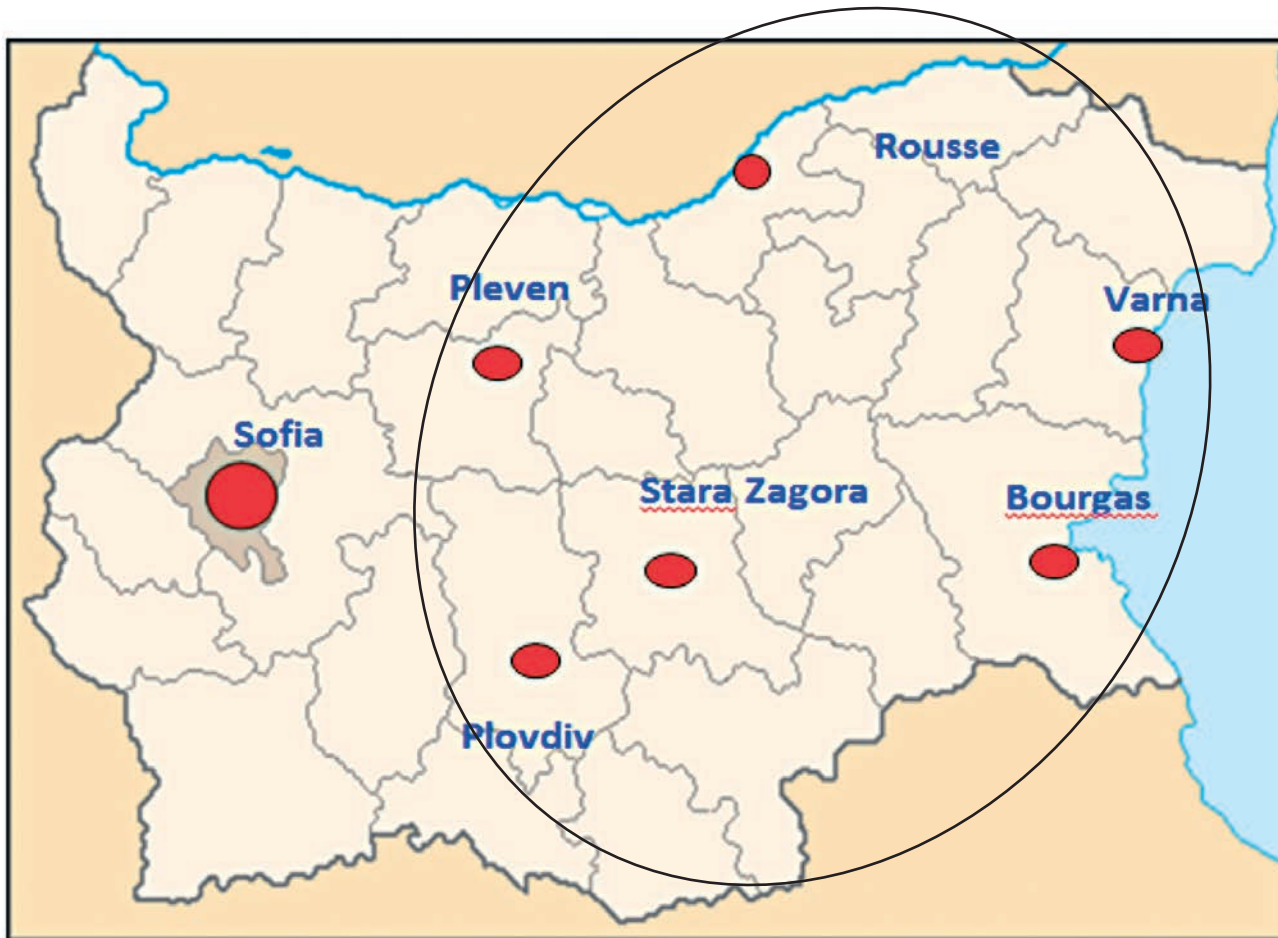
Regional Urban Development Fund (RUDF) has a capital of BGN 110.7 mln., including BGN 36.9 mln. from OPRD and BGN 73.8 mln. co-financing by the fund manager; RUDF provides low-interest loans and equity to projects in the six largest cities in Bulgaria - Plovdiv, Varna, Burgas, Rousse, Stara Zagora and Pleven.



*Stara Zagora Central
Municipal Market - BEFORE*



*Stara Zagora Central
Municipal Market - AFTER*



WHERE AND HOW TO APPLY WITH AB URBAN DEVELOPMENT PROJECT

REGIONAL URBAN DEVELOPMENT FUND AD

- RUDF AD finances projects within the Integrated Plans for Urban Regeneration and Development of the six major cities of **Plovdiv, Varna, Burgas, Rousse, Stara Zagora and Pleven**;
- Funding by the RUDF AD is performed by short / medium / long term loans and / or equity;
- If you are a / private investor / PPP and you have an idea for an urban development project, you can contact the contact persons listed on the RUDF AD website (**www.jessicafund.bg**) in the cities in order to discuss the funding opportunities for your project;
- In order to obtain the necessary funding, you should present a developed project business plan;
- After checking the criteria for project selection, risk assessment and analysis of costs and benefits, the Fund will notify you whether the proposed project is suitable for JESSICA funding and will present a specific financial offer;
- Funding for urban development projects will be provided in tranches, after the signature of an On-Lending Agreement between you and the Fund, which starts the realization of the investment;
- The repayment of the loan / redemption of equity are carried out under the terms of the On-Lending Agreement.



FUND FOR SUSTAINABLE URBAN DEVELOPMENT FOR SOFIA EAD

- FSUDS EAD finances projects falling within the intervention zones of the territory of Sofia;
- Funding by FUGRS is performed through loans and / or equity;
- If you have an idea for an urban development project in Sofia, you can contact the contact persons listed on the FSUDS EAD website (**www.jessicasofia.com**) in order to discuss together the funding opportunities for your project;
- In order to obtain the necessary funding, you should present a developed project business plan;
- After checking the criteria for project selection, risk assessment and analysis of costs and benefits, the Fund will notify you whether the proposed project is suitable for JESSICA funding and will present a specific financial offer;
- Funding for urban development projects will be provided in tranches, after the signature of an On-Lending Agreement between you and the Fund, which starts the realization of the investment;
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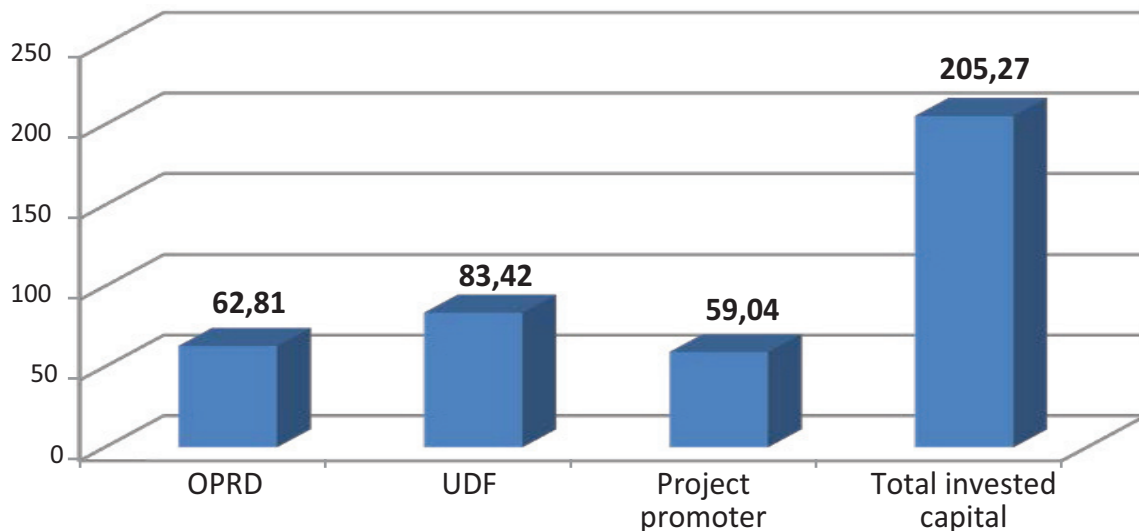


PROJECTS FINANCED BY THE TWO FUNDS

The project portfolio of the two Urban Development Funds amounts at **BGN 205,27 mln.**, of which OPRD funding is **BGN 62,81 mln.**, Funds' co-financing – **BGN 83,42 mln.**, and beneficiary own funding – **BGN 59,04 mln.**

10 on-lending agreements have been signed under the JESSICA initiative totaling at **BGN 55 mln.**, of which OPRD 2007-2013 funding represents **BGN 14,2 mln.**

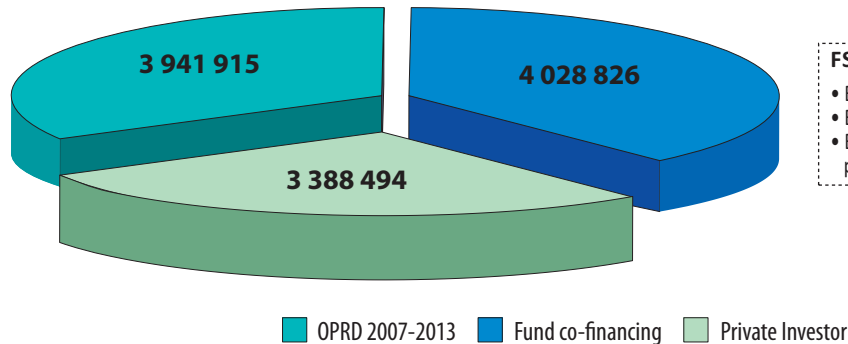
Total amounts for RUDF AD and FSUDS EAD pipelines in mln. leva



Fund for Sustainable Urban Development for Sofia EAD:

- **Project for reconstruction and capital repair of „Women's Market“ in Sofia** with project promoter “Pazari Vazrajdane” EAD totaling at BGN 8,56 mln., of which OPRD 2007-2013 funds are BGN 3,5 mln;
- **Reconstruction of “Vrabnitsa Market” in Sofia**, with project promoter “Pazari Sever” EAD Sofia, totaling at BGN 1,75 mln., including BGN 500 000 from OPRD 2007-2013;
- **Construction of a cultural and entertainment complex “Magic Castle” in Sofia**, with project promoter “Red Castle” Ltd., totaling at BGN 2,9 mln., out of which BGN 150 000 from OPRD 2007-2013;
- **Improving the quality of medical services and provision of cost-effective health infrastructure in First City Hospital in Sofia** through the purchase and delivery of innovative medical equipment. The total project cost is BGN 704 096, of which BGN 291 915 from OPRD 2007-2013 (approved).

Funding of projects approved by FSUDS EAD



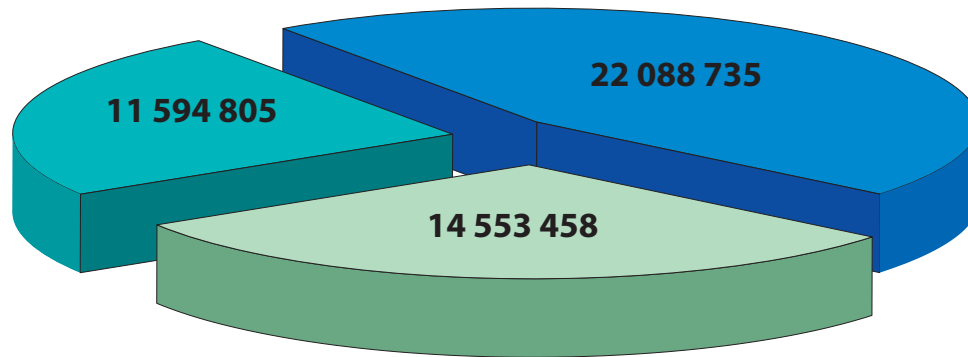
FSUDS EAD:

- BGN 3,94 mln. from OPRD;
- BGN 4,03 mln. Fund co-financing;
- BGN 3,34 mln. project promoters' own funding.

Regional Urban Development Fund AD:

- **Reconstruction of Stara Zagora Central Municipal Market**, with project promoter municipality of Stara Zagora, totaling at BGN 2,7 mln, out of which BGN 887 000 from OPRD 2007-2013;
- **Construction of a logistics center near Stara Zagora**, project initiator "Pit Box" Ltd, totaling at BGN 3,8 mln., including BGN 1 mln. from OPRD 2007-2013;
- **Construction of permanent exhibition "Flora" in Burgas** - project initiator Bourgas Municipality; total project cost BGN 3,4 mln., including 1,1 mln. from OPRD 2007-2013;
- **Construction of productive plant and rehabilitation of the industrial zone of the city of Rousse** - project initiator Witte Automotive Corp., project totaling at BGN 30,4 mln., including BGN 6,3 mln. from OPRD 2007-2013;
- **Installation of energy efficient lighting of a football field "Vereya" in Stara Zagora** - project initiator football club "Vereya" - total project cost: BGN 204 000, of which BGN 68 000 from OPRD 2007-2013;
- **Reconstruction of an existing parking for 84 cars with 56 parking lots with project promoter Varna Municipality**, value of the loan is BGN 1,4 mln., including BGN 471 000 from OPRD 2007-2013;
- **Redevelopment of the former underground facility with defense functions (bomb shelter) in an amusement attraction "Underground City" in Burgas** (pictured below) with project promoter Bourgas Municipality - total project cost – BGN 2,2 mln., of which BGN 700 000 from OPRD 2007-2013.

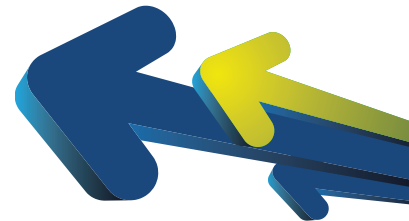
Funding of projects approved by RUDF AD



■ OPRD 2007-2013 ■ Fund co-financing ■ Project Promoter

RUDF AD:

- BGN 11,6 mln. from OPRD
- BGN 22 mln. Fund co-financing
- BGN 14,55 mln. project initiators' own funding





Rehabilitation of the Industrial Zone of Rousee



Central Municipal Market in Stara Zagora



*Amusement attraction
„Underground City” in Bourgas*



*Flora Exhibition
in Bourgas*



Magical Castle in Sofia



FINANCIAL INSTRUMENTS UNDER OPERATIONAL PROGRAMME REGIONS IN GROWTH 2014-2020

Operational Programme Regions in Growth 2014-2020 has been developed in line with the Partnership Agreement between the Republic of Bulgaria, outlining assistance from the European Structural and Investment Funds 2014-2020

Priority axes:

Operational Programme Regions in Growth 2014-2020 provides for implementation of interventions within **eight priority areas** as follows:

- Priority 1: „Sustainable and Integrated Urban Development“;

- Priority 2: “Regional Educational Infrastructure”;
- Priority 3: “Regional Health Infrastructure”;
- Priority 4: “Regional Social Infrastructure”;
- Priority 5: “Regional Tourism”;
- Priority 6: “Regional Road Infrastructure”;
- Priority 7: “Risk Prevention”;
- Priority 8: “Technical Assistance”.

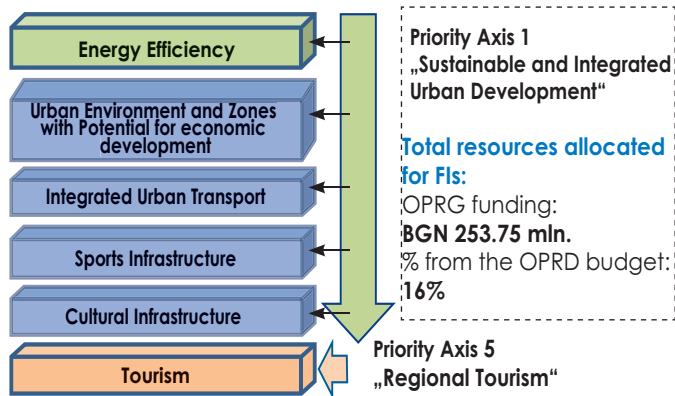
Financial Instruments under OPRD 2014-2020:

- Financial instruments **account for 16% (EUR 254 mln.) of the total budget of Operational Programme Regions in Growth 2014-2020 (EUR 1,59 bln.)**;
- Financial instruments are used to support investments that are expected to be **financially viable, but cannot generate enough funding from market sources**;
- The support through financial instruments is based on an **ex-ante assessment**, which has to find out evidences on market failure or sub-optimal investment situations, and

the estimated level and scope of public investment needs, **including types of financial instruments to be supported;**

- Investments supported by financial instruments should **not be physically completed or fully implemented** at the time of the investment decision;
- Financial instruments may be combined with **grants, interest rate subsidies and guarantee fee subsidies.**

Intervention Areas with Financial Instruments:



ELIGIBLE AREAS:

ENERGY EFFICIENCY

Types of Activities:

- Provision of loans and guarantees for repayable investments for the introduction of energy efficiency measures and the use of renewable energy in residential buildings and student dormitories;
- Renovation of the common parts of residential buildings and student dormitories, such as repair of the following main structural parts of the building (roof, facade, windows on the facade, staircase, interior and exterior corridors, entrances and platforms, elevators) vertical technical installations (water, sewage, electrical, heating, telecommunications, fire hydrants) of the building;
- Constructive activities strengthening multi-family residential buildings, dormitories;
- Implementation of energy efficiency measures in buildings and dormitories, including insulation, replacement of windows, local installations and / or links to central heating systems, gas;

- Commissioning of plants for the production of energy from renewable sources for the above buildings to meet their own energy needs, where this is technically feasible and economically viable.

Allocation:

- The financial instruments to be used for energy efficiency measures in residential buildings and student dormitory buildings will be selected taking into account the potential for return on investments and market failures identified in the respective area.
- The specific mechanism and structure of financial instruments, the types of financial products and the envisaged combination with grant support will be specified based on an ex-ante assessment for financial instruments in accordance with Article 37 (2) of Regulation 1303/2013.
- Total amount of resources allocated for FIs: EUR 43,7 mln.
- Combination with grant assistance: eligible
- Direct beneficiaries: 67 municipalities (as per the map below); Colleges, universities and legal entities managing student dormitories; financial instruments;

URBAN DEVELOPMENT

URBAN ENVIRONMENT

Types of Activities:

- Construction and rehabilitation of public recreation areas; construction, reconstruction, rehabilitation of the physical elements of urban street networks and public parks;
- Installation of energy efficient street lighting and implementation of measures to enhance the security and crime prevention.

Allocation:

- The use of financial instruments is envisaged for all groups of activities;
- Total amount of resources allocated for FIs: EUR 19,1 mln.
- Combination with grant assistance: eligible
- Direct beneficiaries: 67 cities and financial instruments (*see map of eligible cities*).

Areas with potential for economic development

- Upgrading and reconstruction of existing or construction / development of new technical infrastructure related to the business (e.g. streets providing access to and within industrial and business zones, electricity, public lighting, connections to the main gas supply, water supply and sewerage network);
- Construction, renovation, rehabilitation, reconstruction and repair of business and industrial zones, including buildings.
- Energy efficiency measures and renewable energy sources; landscaping, recreational facilities, bicycle lanes, bicycle parking and car parking lots for workers in areas with potential for economic development;
- Energy efficiency audits, construction audits of the abovementioned buildings;
- Improvement of the access for people with disabilities to the above buildings.

Allocation:

- Up to 1/3 of the resource will be disbursed through financial instruments that could benefit municipalities, private investors and public-private partnerships, which would then invest in zones of economic development, including investors with certified development projects in the meaning of the IP Act;
- Total amount of resources allocated for FIs: EUR 26,5 mln.
- Combination with grant assistance: eligible
- Direct beneficiaries: 67 municipalities and financial instruments.

Leading principles in the selection of operations:

- The projects should be situated in the 67 eligible cities under OPRD 2014-2020 from the cities from 1st to 4th level (see map);
- Eligible according to the objectives of Priority Axis 1 “Sustainable and Integrated Urban Development” and Priority Axis 5 “Regional Tourism”;



Zone with potential for economic development in Plovdiv

- Falling within the intervention zones of an Integrated Plan for Urban Regeneration and Development (IPURD) of each city;

Exception: Eligible are areas outside IPURD for the cities from 1st to 3rd level falling within group of activities "Areas with potential for economic development" within the mu-

nicipal territory and as specified in Priority 1 representing 20% of the pre-set limit of the respective Axis 1 for the relevant city.

- Expected to generate revenues;
- Projects that promote positive social and economic change

SPORTS INFRASTRUCTURE

Types of Activities:

- Construction, reconstruction, repair and equipment of sports infrastructure sports infrastructure such as sports halls, swimming pools, soccer fields; stadiums, combined volleyball and basketball courts, tennis courts and more.

Allocation:

- Total amount of resources allocated for FIs: EUR 47,7 mln.



- Combination with grant assistance: no!
- Sports infrastructure is eligible for funding only through financial instruments under OPRD 2014-2020
- Direct beneficiaries: 39 municipalities for cities within the IPUDRs; financial instruments for sites within IPUDRs for the cities of 1st, 2d and 3d level.

CULTURAL INFRASTRUCTURE

Types of Activities:

- Cultural infrastructure development by construction, reconstruction, repair, and equipment of cultural centers, theatres, community centers, libraries, opera houses, galleries, exhibition halls and other facilities, related to cultural life, including adjacent yard;
- Financial instruments for sites within IPURD;

Allocation:

- Total amount of resources allocated for FIs: EUR 31,8 mln.
- Combination with grant assistance: eligible
- Direct beneficiaries for group activities “cultur-

al infrastructure”: 67 municipalities for facilities within the IPURDs and financial instruments for facilities within the IPURDs of the 67 cities

INTEGRATED URBAN TRANSPORT

Types of Activities:

- Development of traffic management plans and establishment of automated traffic management and control systems;
- Improvement of the accessibility of city bus stations and the infrastructure leading to them;
- Construction, rehabilitation and reconstruction of street networks and transport infrastructure and its facilities;
- Walkways and sidewalks, bike paths and lanes, pedestrian areas, paths for pedestrians and cyclists, bicycle parking, underpasses, overpasses, transport infrastructure, including related activities such as signposting, information signs, markings, etc.
- Provision of noise-reduction systems, such as construction of tram tracks with anti-vibration and anti-noise elements
- Development of infrastructure and route net-

work with new destinations to remote residential areas;

- Development and improvement of urban public transport systems using buses, trams, trolleys that are compliant with the European legislation on harmful emissions from engines and measures to increase the use of renewable / alternative energy sources in urban transport. Improving links between the integrated urban transport, bus, rail and sea transport.

Allocation:

- Financial instruments for financing individual components or complete project solutions for integrated urban transport;



- Total amount of resources allocated for FIs: EUR 21,4 mln.
- Combination with grant assistance: eligible
- Direct beneficiaries: 39 municipalities for the cities from 1st to 3^d level and financial instruments for the cities of level 1 to 3

TOURISM

Types of Activities:

- Development of cultural and historical attractions of national and world significance;
- Development of tourist infrastructure needed for the attractions (tourist paths and health paths, climbing, horse riding and biking routes, picnic locations, signs, visitor information centres);
- Support for the development of regional products and market information, such as regional

marketing and impact assessment, regional visitors surveys, development of inter-municipality marketing and promotional strategies and programmes related to the tourist product,;

- Concomitant training for the staff working at the supported attractions.
- Participation in regional, national and international exchanges, exhibitions and fairs and organising of expedition trips, visits of travel agents, tour operators, writers of travel guides, journalists;

Allocation:

- Total amount of resources allocated for FIs: EUR 63,6 mln.
- Combination with grant assistance: eligible

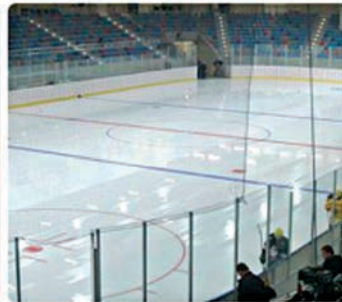
Direct beneficiaries: Ministry of Culture; religious denomination institutions; municipalities; financial instruments.



*Cultural Centre and
Modernisation of First City
Hospital in Sofia*



*Integrated Urban
Transport*



*Magical Castle inside
and Ice Arena*

CONTACTS

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OPRG MANAGING AUTHORITY

Setting up a mechanism for the implementation of JESSICA

Programming of OPRD:

- Priority Axis 1 "Sustainable and Integrated Urban Development";
- Operation 1.4 "Improvement of Urban Environment and Risk Prevention";

Selection of Holding Fund:

- European Investment Bank (EIB)

Investment Strategy of the Holding Fund:

- Concentration in the 7 largest cities;
- Correspondance to Priority Axis 1;
- Return;
- Correspondance to the Spatial Development Plan and Municipality Development Plan.

Selection of urban Development Funds:

- Fund for Sustainable Urban Development for Sofia;
- Regional Urban Development Fund: Plovdiv, Varna, Bourgas, Rousse, Stara Zagora an Pleven;

Project idea's identification:

- Identification of the facility (land / parcel / building);
- Identification of partners;
- Identification of a suitable management structure;
- Identification of indicative financial resources.

Formulation and structuring the project

- Preparation of a Business Plan;
- Cost-benefits Analysis;
- Financial and Market Analysis;
- Sources of funding;
- Consultations with local authorities, civil society and stakeholders;
- Formulation of public-private partnerships

Project's identification, formulation and structuring

Final beneficiary

URBAN DEVELOPMENT FUND

project financing

Evaluation:

- Ex-ante evaluation;
- preliminary financial evaluation;
- Conformity with State Aid rules;

Preliminary conditions:

- Preparation of indicative loan/equity conditions;
- Review by the General Credit Manager and the Risk Manager
- Decision for approval by the Investment Committee
- Informing the final beneficiary for the approval

Preparation of a credit file:

- Type of funding (loan, equity)
- Total cost of the funding;
- Terms and conditions of the loan
- Loan repayment schedule
- Interest rates / management fee
- Collaterals.
- Provisions of the on-lending agreement

Preparation of a credit file:

- Type of funding (loan, equity)
- Total cost of the funding;
- Terms and conditions of the loan
- Loan repayment schedule
- Interest rates / management fee
- Collaterals.
- Provisions of the on-lending agreement

Submission of a Business Plan:

- Compliance with OPRG;
- Compliance with the Fund Investment Strategy;
- Compliance with the IPURD;
- Possibility to generate revenues;
- Social effects;
- Sustainability of the project.

Update of the project and preparation of an investment proposal:

- Submission of additional information;
- Implementation of the preliminary conditions;
- Fine-tuning of the technical and financial side of the project.

Structuring the project:

- Court registrations;
- Obtaining permits;
- Opening of an account;

Implementation of the project:

- Announcement of the procurement procedure/s;
- Monitoring the implementation of the procedures of the Fund;
- Execution of construction works;
- Commissioning.

Contract

Submission of the project proposal

Final beneficiary

OPRG MA/ HOLDING FUND

Urban Development Fund

Payments:

- pre-payment;
- payment in tranches, in accordance with the construction phases ;
- redemption of shares/equity;

Monitoring:

- Monitoring of the regular payment of the loan installments;
- Consideration of the indicators;
- On-the-spot checks;
- Irregularities checks;
- Project reports.

Reinvestment:

- Maintenance of a separate deposit account;
- Reinvestment of returned funds in urban development projects

Payments:

- Provision of co-financing;
- Regular payments on the loan;
- Sale of shares/equity;

Reporting:

- Archiving;
- Regular progress reports;
- On-the-spot visits from representatives of the Holding Fund, Managing Authority and European Commission services;
- Monitoring of construction activities and asset management.

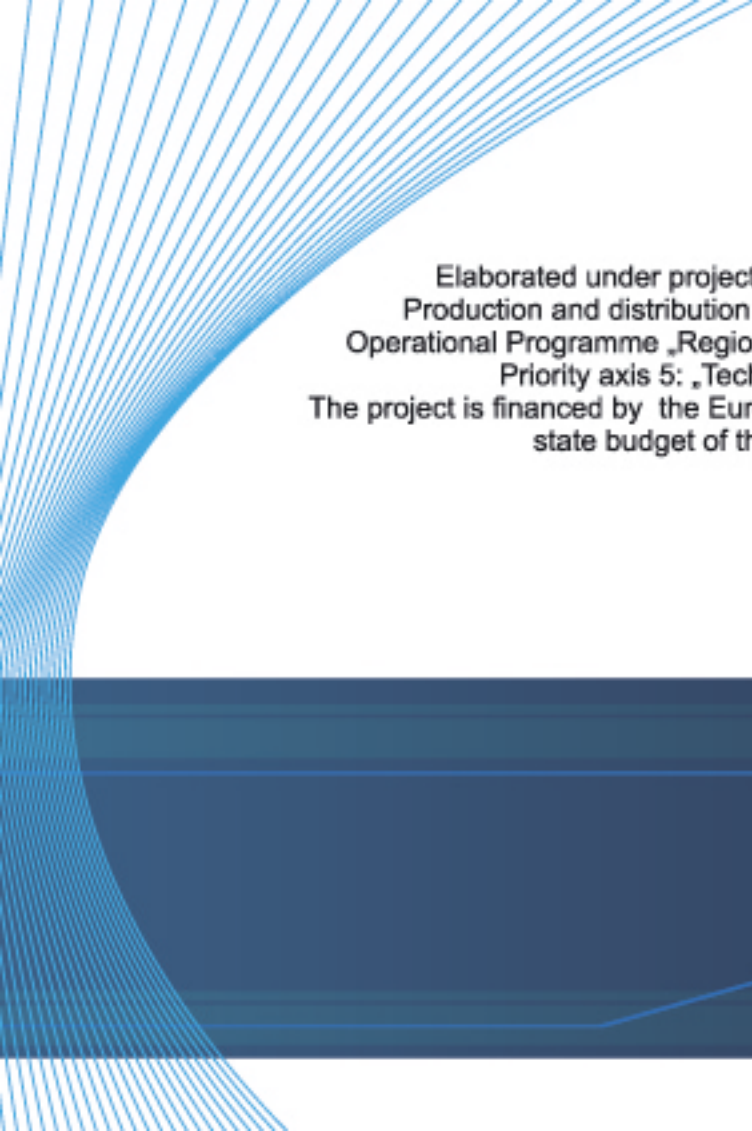
- Final project report;
- Final payment of JESSICA resources

Implementation

Final beneficiary



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