Keynote address by

Johannes Hahn, Commissioner for Regional Policy, European Commission

Ladies and Gentlemen,

It is for me a great pleasure and an honour to welcome you today at the opening of this conference that we are organising about the JEREMIE and JESSICA initiatives.

I would like to start by referring to the crucial role that Cohesion Policy plays in fostering strategic investment capable of generating economic growth and ensuring solidarity in Europe.

Nevertheless, as demonstrated in particular by the events of the past two years Cohesion Policy must be flexible to adapt to the challenges with which European economies are confronted and at the same time ensure that EU funds are spent efficiently and effectively.

JEREMIE and JESSICA are two "Cohesion Policy Joint Initiatives" that were developed by the Commission in collaboration with the EIB Group – in the case of JESSICA also with the Council of Europe Development Bank (CEB) - and I would like to underline their relevance in making Cohesion Policy more effective and sustainable in the 2007-2013 programming period.

Both initiatives promote the use of financial engineering instruments within the framework of Cohesion Policy and there are advantages of using this type of instruments particularly in a context of scarce public resources that - either at European or national level - are insufficient compared to the increased investment needs with which national and regional authorities are confronted all over the EU.
In this context, I am not only referring to the more obvious possibilities that financial engineering instruments offer such as:

- recycling funds over the long term;
- capacity to attract additional funding; or
- ability to pool together additional expertise and know-how of different partners.

But, I also wish to stress the fact that providing repayable assistance creates enhanced incentives for better performance on the part of the beneficiaries including:

- better quality of projects; and
- greater financial discipline

thus, contributing to a more efficient use of European resources.

As we know, JEREMIE and JESSICA are innovative instruments that by their nature change the way in which Cohesion Policy has been traditionally delivered.

For that reason, I believe it will be useful to briefly review how the initiatives are developing and what has been achieved so far.

As regards financial engineering instruments, it is worth mentioning the importance of the Evaluation Phase that will usually take place and during which Member States and regions interested in the initiatives are provided with technical assistance in the form of tailor made Evaluation Studies aimed at assessing the viability of the instruments in their respective areas.

After this evaluation, it is then possible to launch the next step that concerns the actual implementation of the initiatives by creating the appropriate structures - or in other words, selecting or setting up the appropriate funds - through which assistance will be channelled to the final beneficiaries.

As a result of the work carried out, the state of play of the initiative is the following:
As regards **JEREMIE**:  
Thirty Holding Funds have been set up (13 operating on a national basis and 17 operating on a regional basis) in 15 Member States.  
This represents an amount of EUR 3.5bn of Structural Funds money committed to support SMEs.  
The European Investment Fund acts as holding fund regarding 11 of these operations, managing funds of around EUR 1bn in aggregate.  
In addition to the above, a further EUR 2.8 bn are committed to support SMEs through financial engineering instruments implemented without any holding fund in 8 additional Member States, bringing the support provided by the Structural Funds to enterprises to the overall figure of EUR 6.3 bn.

As regards **JESSICA**:  
The initiative has also been attracting substantial interest and positive responses from both Member States and regions and currently 19 operations are being implemented in 11 Member States either at national or regional level with over EUR 1.65 billion legally committed under JESSICA fund agreements.  
A majority of the schemes are implemented through the European Investment Bank that has been assigned holding fund tasks in 15 of the 19 funds established.  
The remaining operations are carried out either through a holding fund (in Estonia) or directly through Urban Development Funds (Brandenburg, East Midlands and Wales) via national of regional financial organisations.

We should also mention the amendment of the regulatory framework widening the scope of financial engineering instruments that can now support interventions related to **energy efficiency and renewable energy** in buildings in all EU regions.
The first such fund in Europe was set up in Greece in July 2010 and discussions are taking place with other Member States in order to assess the possibility to establish similar types of funds.

In summary, Structural Funds amounts committed to financial engineering instruments already exceed EUR 8.1 billion (including support to: SMEs - EUR 6.3 billion; Urban Development - EUR 1.65 billion; and Energy Efficiency - EUR 0.2 billion), contributing in this way to build up by the end of 2015 a lasting funding legacy of EU and national public money to be reinvested in the long term to support a wider number of projects for the benefit of regions and European citizens.

These developments are quite meaningful in particular because it should be taken into account that although since the mid-'90s operational programmes in a few Member States used this kind of mechanisms for the benefit of SMEs, this is the first time that these instruments are being used on an European scale and beyond the scope of SMEs.

However, this represents a profound cultural shift regarding the way in which assistance is provided from the traditional one-off grant scheme to a more sustainable support through repayable assistance.

In order to facilitate this transition and support Member States and regions assessing the feasibility of the instruments, Evaluation Studies – as referred before - were provided free of charge to Member States and regions and soon became widely recognised as a key element to assist managing authorities in implementing the initiative.

Moreover, beyond issues related to the architecture and operational nature of the instruments, the Commission was also confronted with the need to provide a coherent understanding of the underlying legal requirements. We are all aware of the efforts deployed in this sense namely by means of the interpretative notes about financial engineering that were submitted to COCOF and use this opportunity to
remind you of the work currently carried out aimed at revising and consolidating these notes which we hope will be finalised before the end of the year.

In my view, it is also important to underline that owing to the innovative nature of the instruments, dissemination of information and best practice are essential for the successful implementation of the initiatives.

Accordingly, we have decided – in agreement with our colleagues from the EIB Group and with the support of the CEB in the case of JESSICA - to launch in March 2009 The JEREMIE and JESSICA Networking Platforms as "fora" to promote exchanges among Member States and regions interested in the initiatives.

We have been receiving very positive feedback from participants in the networking platforms that confirms their usefulness and effective contribution to accelerate the implementation of the initiatives.

It should be noted that today's conference is organised in the framework but also as an extension to a larger audience of the activities of the Networking Platforms.

I do not wish to finish my address today without a few words about our future work and the preparation of the next Structural Funds' programming period from 2014 onwards.

There is scope for a stronger role for financial instruments in the future design and delivery of Cohesion Policy and recent discussions demonstrate that there is broad support in Member States and Managing Authorities for the use of this type of instruments in the next programming period.

As mentioned before, Cohesion Policy has a fundamental role in promoting development and economic growth. However, to ensure best value for money, it must become more effective
and providing assistance through repayable investments as opposed to grants can bring a higher efficiency to public policy financing.

It is still too soon to anticipate the outcome of the discussion regarding the future of Cohesion Policy but already now there are topics that should be examined for the future.

Some examples of these include:

- Possibility to develop other financial products;
- Extending the scope of intervention for financial engineering instruments beyond the areas currently covered;
- Ensuring the right balance between simplification and operational effectiveness, particularly regarding the retention of documents for control and audit purposes;
- How repayable forms of assistance could be combined with grants in the same financial package;
- Possibility to introduce more flexibility concerning the geographical nature of Operational Programmes in order to achieve appropriate economies of scale and favour the best performance of the instruments;
- Possibility to set up an assistance mechanism to support Managing Authorities and their partners in the design and subsequent implementation of the financial instruments.

Ladies and Gentlemen,
Today and tomorrow there will be opportunities to discuss JEREMIE and JESSICA in more detail.

Your comments will give us valuable feedback which will help refine the way these initiatives operate.
They will help streamline the benefits of the instruments and the role that financial engineering will as regards the future of Cohesion Policy in the next programming period after 2013.

Finally, I would like to acknowledge the commitment of our partners to these initiatives – EIB, EIF and also CEB in the case of JESSICA – and the strong working relationship that has been established between us.

The establishment of our "Joint Initiatives" brings a new dimension to our co-operation which I hope will grow and progress into the future

We look forward to an interesting discussion this evening and tomorrow.

Thank you for your attention.