



JESSICA

***JOINT EUROPEAN SUPPORT FOR
SUSTAINABLE INVESTMENT IN CITY AREAS***

JESSICA EVALUATION STUDY IN THE ABRUZZO REGION

EVALUATION STUDY (ENGLISH VERSION)

December 2010

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OVERVIEW OF THE STUDY

- The Abruzzo Region in August 2009 asked the European Investment Bank (below EIB) for a feasibility study for implementation of the JESSICA instruments in the Abruzzo Region.
- The EIB, through use of external consultants, has drafted this feasibility study for the implementation of the JESSICA mechanism in the Region of Abruzzo, concentrating on three aspects:
 1. Analysis of the structures that can be used as rotating funds for investments in urban development
 - Analysis of the sector of urban renewal in Abruzzo and the existing urban development structures
 - Description of an organisational scheme for the implementation of JESSICA
 - Appraisal of the appropriateness of activating a Holding Fund and of using the EIB as a Holding Fund
 - Analysis of the opportunities and restrictions, advantages and disadvantages including the questions of time for implementation within the national and regional legal context, for the creation of an Urban Development Fund and project vehicles
 - Analysis of the available sources on the regional level and the legal options and the mechanisms for their participation in the Urban Development Funds
 2. To define a strategy of investment for the JESSICA instruments, identifying the principal characteristics of Urban Development Funds and Holding Funds
 - Identification of the operative structures and the intervention strategies for the Urban Development Funds and description of possible governance structures, including the role of the Holding Fund
 - Assessment of the possibility of combining the resources of the Urban Development Fund with participation in kind and the expertise necessary to manage efficiently these financial structures
 - Identification and assessment of the Funds and the pilot projects, focusing the analysis on their characteristics, including an estimate of management costs
 - Application of financial models to the flow of returns and the value of the assets of the pilot Funds, the projects and portfolios of projects, emphasising the advantages and disadvantages of JESSICA over traditional outright grants
 - Identification of the administrative and legal restrictions and the implications of the JESSICA instruments
 3. Definition of a work programme for the implementation of the JESSICA mechanism in Abruzzo
 - identification of an appropriate organisational structure and a precise timetable for implementing JESSICA
 - assessment of the need for technical assistance
 - Recommendations based on the consequences of the JESSICA process, supporting the application and management of the JESSICA scheme within the relevant context

METHODOLOGICAL NOTE

The report is organised in three chapters, the contents of which are briefly described in the next few lines:

1. Framework of the region and the instrument
 - a. description of the JESSICA scheme;
 - b. analysis of the demography and urban planning of the Region of Abruzzo;
 - c. analysis of the financial sources available for urban development;
 - d. definition of a possible strategy for the implementation of JESSICA
2. Analysis of the JESSICA instrument
 - a. Analysis of the agreements and structures of the JESSICA scheme
 - b. Analysis and assessment of the organisational assets of the UDFs
 - c. Analysis of the implementing procedures
 - d. Definition of the best structures and procedures in the context of Abruzzo
3. Strategic operational options
 - a. Description and contextualisation of the initiatives presented by the provincial capitals
 - b. Economic financial analysis of the project with and without JESSICA
 - c. Assessment of the sustainability of the JESSICA scheme
 - d. Definition of a plan of action for implementing JESSICA

EXECUTIVE SUMMARY

JESSICA – SHORT OVERVIEW

JESSICA (*Joint European Support for Sustainable Investment in City Areas*) is a financial engineering tool created to sustain and promote urban development in the EU Countries, by the European Commission, the European Investment Bank (EIB) and the *Council of Europe Development Bank* (CEB).

The purpose of JESSICA is to improve the process of development and financing of projects contained in Urban Development Integrated Plans. JESSICA is a tool with which Structural Funds (in particular ERDF) for urban development can be used as revolving finance, allowing other financial sources (public and private) to co invest in projects.

In the following lines are analysed some key elements of the JESSICA mechanism, in comparison with the traditional way Structural Funds are allocated:

- **from grants to investments** – Structural Funds (especially ERDF) destined to the financing of urban development initiatives, with JESSICA are used in a revolving manner, the same financial resources can therefore be used more than one time and in several projects.
- **Other resources aggregation** – the JESSICA tool promotes and makes it easier third parties resources (both public and private) to co finance the same initiatives.
- **Immediate availability of resources** – Structural Funds conferred in JESSICA are immediately transferred by the EU Commission, avoiding problems of anticipating costs of the projects by local authorities, freeing resources for other initiatives.
- **Intermediate certification** – the activation of JESSICA structures (Urban Development Fund or Holding Fund) allows to make the intermediate certification of Structural Funds conferred in JESSICA.

JESSICA STRUCTURE

In order to activate the JESSICA mechanism it is needed to create some dedicated structures, that allows ERDF resources to be used as revolving finance:

- **Holding Fund** (optional) – to this structure will be given the ERDF resources insert in JESSICA, that will have to be invested in the Urban Development Fund.
The Holding Fund has to select the Urban Development Fund, approving its investment strategy and monitoring the activity.
The Holding Fund is usually established as separate capital within the European Investment Bank, that can (on the basis of European Regulations) receive directly the assignment, without having to pass through a public call for tenders.
The decision to activate an Holding Fund is in charge to the regional Managing Authority that, in case, has to undersign a Funding Agreement, in which are defined: governance structure of the Holding Fund, investment strategy, cost and commissions, duration, etc.
Nowadays within the European Community 15 Holding Funds are active, two in Italy (Sicily and Campania Region), organized as separate capital within the European Investment Bank. The main purpose of the Holding Fund is to support the Administrative Region in the management of ERDF resources conferred to the JESSICA mechanism, both in the first phase of definition of dedicated structures (Urban Development Fund) and in the following phase of managing and monitoring invested resources and defining procedures to implement.
- **Urban Development Fund** – it is the structure in which are conferred JESSICA resources to be invested (as equity, loans or guarantees) in public-private partnerships or in other projects within Urban Development Plans. It is selected by the Holding Fund by means of a call for tenders, or in some cases it is allowed the direct award of JESSICA resources. The UDF can be public, private or mixed and it can have several levels of organization, in

particular it can be established as separate capital within a Financial Institution or as independent legal entity. In Italy there are different legal structures that could be used as UDF, as like as: financial company, securities investment trust, assets dedicate to a specific transaction, banking convention, etc.

Within the Abruzzo context, given the relatively small amount of resources for Urban Development Integrated Plans (about 24 million Euro) it would be more effective the implementation of a unique Urban Development Fund, with different sub funds organized in a geographical way.

UDF structures that, on the basis of pilot projects presented and ERDF resources that will be insert, seems to be the more coherent are the financial company and the securities investment trust.

- **Structures dedicated to the realization of Urban Development Projects** – it is the structure in which JESSICA resources (from the UDF) are invested and it is the final responsible for the realization of the project.

It can be a typical structure of private public partnership initiatives (i.e. Special Purpose Vehicle) or another structures (i.e. Local Entities, Real Estate Investment trust, ...).

On the basis of pilot projects identified by the four municipalities, it seems that structures more suitable for the building and management of urban projects are special purpose vehicles, selected by mean of call for tenders.

It is important to underline that ERDF resources insert in JESSICA must be used only for admitted expenses and they must be spent and accounted with December 2015.

JESSICA PROCEDURE

Procedures that can be adopted for the building and management of projects, within the JESSICA scheme, can be the ones used in public private partnership initiatives (i.e. project financing, concession, ...) or the ones typically used by local authorities for urban projects (i.e. tender).

Procedures that in the Abruzzo context (considering pilot projects presented) seem to be the most suitable are the ones foreseen by the national legislation for private public partnership initiatives.

Because of the peculiarities of the UDF, it is necessary, in the selection process of the Special Purpose Vehicle responsible of the building and management of the project, to foresee the presence of the UDF along financial shareholders of the vehicle, defining *ex ante* the entity of invested resources, and technical features of the investment.

Acting this way it would be granted the presence of the UDF among shareholders of the vehicle and it would be allowed (indirectly) to the municipalities to have a stronger presence within the project both in the building and management phases.

Moreover the Urban Development Fund would be active also in the phase of selection and design of urban projects, interacting with Local Authorities in the definition of initiatives to be realised.

UDF INVESTMENT STRATEGY IN THE ABRUZZO REGION

The Abruzzo Urban Development Fund, with 24 million Euro ERDF JESSICA resources, even focusing on urban development, will have to consider peculiar aspects of the regional context in its investment strategy.

Some important aspects of the regional context that should be taken into consideration are: the increase of urbanization along the coast and the depopulation in the internal areas; the need for intra and inter regional effective and efficient transport nets; the need for improving and strengthening touristic infrastructures; the need for improving and strengthening logistic infrastructures for economic activities. That said, on the basis of pilot projects identified by local authorities, it can be developed a two phases UDF investment strategy:

1. Fund Start Up – in this phase already identified initiatives will be developed.
2. Fund consolidation – in this phase will be developed initiatives coherent with territorial needs in a systemic way.

PILOT PROJECTS

Local administration of the four Abruzzo municipalities identified several urban development initiatives and within them they chose four pilot projects:

Teramo - regeneration of the former psychiatric hospital, an abandoned building, covering an area of about 11.200 sqm. The project is included in the Urban Development Integrated Plan and it foresees the building of housing, all of residence, services and offices. The project has an investment value of about 72 million Euro of whom about three million are ERDF resources, the project internal rate of return is about 6,1%.

Pescara - regeneration of the free area located in front of the station, with a size of about 11ha entirely owned by the municipal authority. The project is not insert within the Urban Development Integrated Plan and the municipality of Pescara has already invested its ERDF resources for urban development. The project foresees the building of the following functions: offices, public interest infrastructures, parking area and a park. The investment value is equal to about 107 million Euro, the internal rate of return is of about 6,7%.

Chieti - integrated initiative having as core project the building of a people mover linking the higher and lower parts of the city, besides this infrastructure other works will be developed: offices, parking areas, social housing and hotel. The municipality has not issued the Urban Development Integrated Plan yet. A parametric analysis of the initiative report an investment value of about 132 million Euro, with an internal rate of return of about 3,7%. This rate could change sharply if further detailed analysis will be developed.

L'Aquila - regeneration of the ex Italtel industrial pole, an area of about 165.000 sqm. The Municipal authority has not issued the UDIP yet. It is not possible to make a quantitative esteem about the investment value and the internal rate of return because data are not available yet.

1. CONTEXT OF REFERENCE

1.1. JESSICA: Framework

JESSICA (Joint European Support for Sustainable Investment in City Areas), is an initiative jointly developed by the European Commission, the European Investment Bank (EIB) and the Council of Europe Development Bank (CEB), concerning the crucial issue of the planning and management of urban development in countries of the European Union.

This mechanism is an important element of a broad European policy. It aims to make of the continent an example for the question of urban development planning and management on the global level. This will increase the competitiveness and efficiency of European urban areas.

While innovative elements play a significant role, the JESSICA scheme is based on important experiences with the question of urban development (e.g. URBAN, URBACT, etc.) on the European level. It builds on new procedures of the European Community to prepare and implement Integrated Plans of Sustainable Urban Development.

In fact, the JESSICA mechanism was developed specifically to improve the efficiency of project implementation within Integrated Plans of Urban Development. It activates a revolving financial mechanism for the management of Structural Funds for urban development and it allows other sources (public and private) to co invest in those initiatives.

In particular, JESSICA is a scheme that gives Managing Authority the option to “transform” part of Structural Funds (especially ERDF) for urban development from free grants into “revolving financing”. The explicit objective is to increase the productivity of public funds and the efficiency of structural funds for urban development.

With JESSICA, the current concept of European contributions as free grants is overcome. This concept has demonstrated significant limits, due to both the impossibility to reuse funding and the inefficiency that is often witnessed in their allocation.

The following paragraphs highlight some of the main elements of the JESSICA scheme within the allocation/management procedure of Structural Funds.

- **From outright grants to investments:** the JESSICA scheme allows structural funds (especially ERDF) to be managed in a revolving mode, so that the same funds can be used several times in different projects, overcoming the traditional mechanism of outright grants. With this concept, in a context of economically sustainable projects, the resources that are invested are also allowed to “return” as equity dividends, interest payments on loans or fees on debt guarantees. So, these resources can be reinvested in new projects of urban development, increasing the efficiency of the system, even if the availability of structural funds in the coming programming periods is reduced.
- **Attracting other resources:** attracting additional resources is one of the objectives of the JESSICA scheme. They may come from the public or private sector, working in partnership. As explained below, the JESSICA scheme is composed (generally) of three structural levels (Holding Fund - optional - , Urban Development Fund and Project Structures). It enhances leverage, by allowing for it on all three levels of the process. Another characteristic of the JESSICA scheme is allows for profitability to be differentiated for the subjects involved. This facilitates the attraction of other resources for the process and increases incentives for other investors to participate in the initiatives.
- **Flexibility:** pursuant to the regulations pertaining to the JESSICA mechanism, it is possible that they are invested through equities, loans and/or guarantees, leaving much leeway for local decision-makers to define the mode of intervention that is most appropriate for specific project to be funded. Regions and Holding Funds or Urban Development Funds

have much discretion on the choice of structures for the concrete implementation of the JESSICA scheme.

- **Shared and cost-effective projects:** according to the JESSICA scheme, the ERDF JESSICA resources shall be invested in projects included in Integrated Plans for Urban Development that allow for positive returns on investment.
The latter two opportunities are important. On the one hand, they ensure that funds are used on projects developed through a process of consultation and sharing among citizens (IPUD projects); on the other, they emphasise the need for efficient and effective management, so to ensure the profitability needed for the functioning of the revolving mechanism.
- **International know-how sharing:** the JESSICA initiative has a European nature and abundant documentation, concerning both procedures to adopt and type of projects to implement. This allows interested Regions to benefit from many examples, case studies, feasibility studies, etc.
- **Progress reporting:** among the most critical issues for Managing Authorities is respecting the deadlines for the use of European resources, risking the decommitment of allocated but not yet reported funds. Once its components are activated (Holding Fund or Urban Development Fund), one of the advantages of the JESSICA scheme is that it makes progress reporting of JESSICA resources possible.
- **Immediate availability of resources:** with the progress report, JESSICA resources of structural funds are immediately transferred to the JESSICA scheme.
This element is an important opportunity offered by the JESSICA scheme and is not found in the traditional allocation scheme. Funds, in fact, were transferred, on the basis of the progress of the projects, and only after the presentation of invoices.
The problems of anticipating the cost of projects are overcome thanks to the immediate availability of resources, making them available for other purposes.

STRUCTURES AND SOURCES OF THE JESSICA SCHEME

As briefly anticipated in the previous paragraph, different structures compose the JESSICA scheme. They have been created to invest the resources of the European Regional Development Fund¹ and, eventually, other sources in urban development projects in a revolving manner.

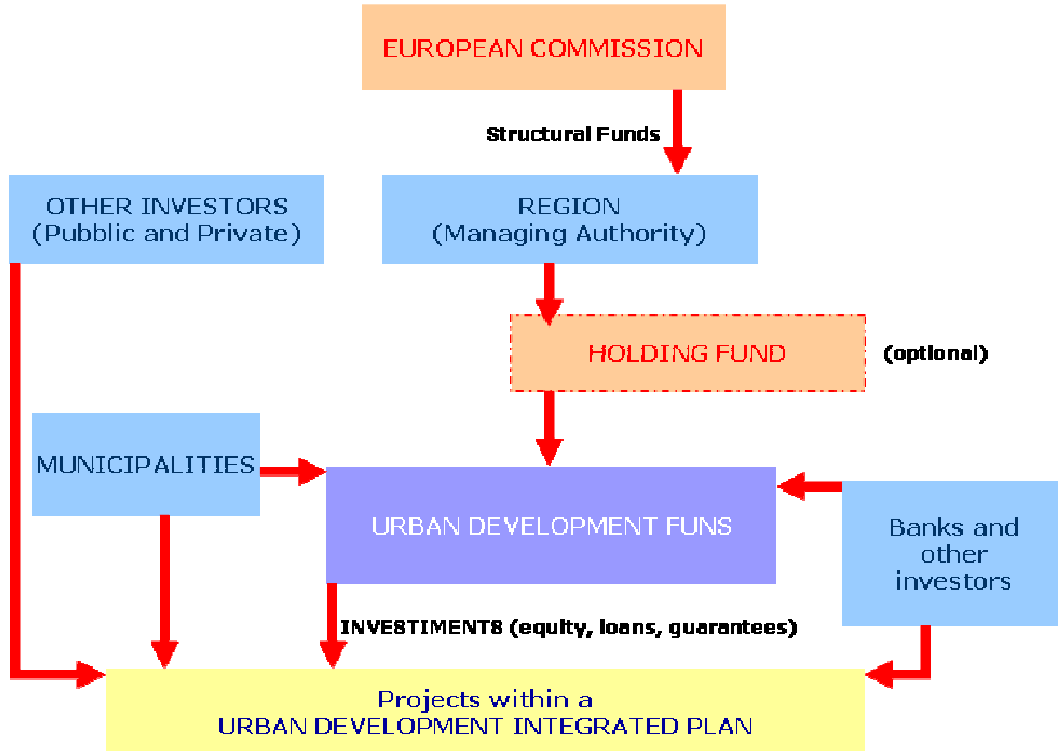
The three main structures are:

- **Holding Fund** (optional) – it may receive ERDF JESSICA resources, which shall then be invested in Urban Development Funds. The Fund is responsible for the selection of the Urban Development Funds, for approval of their strategies and for monitoring their activities.
- **Urban Development Fund** – it is the structure that invests JESSICA funds in public-private partnerships or in other projects within Urban Development Plans. It is selected by the Holding Fund or, if absent, by the Managing Authority and it operates through equities, loans or guarantees.
- **Responsible for project implementation** – it is the entity implementing the project, in which JESSICA resources are invested. It may be a typical structure of public-private partnerships (e.g. SPV) or another entity (e.g. Municipality, Urban Transformation Company, Real Estate Fund, etc.)

¹ also European Social Fund resources can be admitted for the financing of engineering tools, but at the moment there are not examples of real application

The following scheme, prepared by the European Investment Bank, highlights the entities participating in the JESSICA process and their relationships.

Figure 1 – JESSICA framework

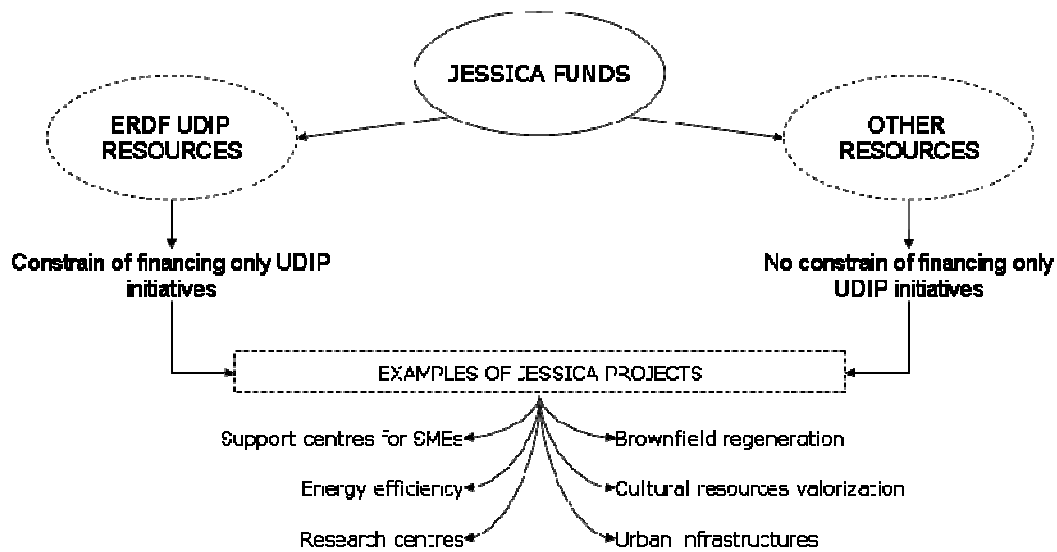


Resources within the JESSICA scheme may have different origins (e.g. Structural Funds, local resources, private sources, etc.) and may be inserted at different levels of the structure (Holding Fund, Urban Development Fund, Project Company). However, the rules, that is the main restrictions of the JESSICA scheme, concern resources from the European Regional Development Fund, especially funds that in the Operational Programme committed to projects within Integrated Plans for Urban Development.

For those resources, European Regulations establish a framework for their use (only IPUD projects may be funded). However, this framework does not apply to other JESSICA resources (e.g. Italian FAS, private funds, etc.).

Art. 8 of European Regulation 1080/2006 provides a list of initiatives that may be included in Integrated Plans for Urban Development. In particular, projects to strengthen economic growth, to rehabilitate the physical environment, to preserve and develop the historical and natural heritage, to promote entrepreneurship, to favour local and community development and to develop services for the population may all be funded through JESSICA.

Figure 2 - restrictions of JESSICA resources



JESSICA – APPLICABLE LEGISLATION

Given the European nature of the JESSICA mechanism, the most important rules are found in the European regulations on the functioning of Structural Funds (especially, the European Regional Development Fund) for the program period 2007/2013.

As far as the implementation of JESSICA in various European countries is concerned, the various rules must be respected, regarding both the structures that play the role of Urban Development Fund, Holding Fund and Developing Entity and the procedures to be followed during the process.

A brief list of the European legislation referring to the management of the JESSICA scheme is provided below. Some of the following legislation will be analysed in depth below.

- Regulation no 1083/2006, "General Regulation on Structural Funds", especially:
 - Art. 36 on the participation of the European Investment Bank;
 - Art. 44 on financial engineering instruments;
 - Art. 45 on technical assistance at the initiative of the Commission;
 - Art. 78 on the statement of expenditure.
- Regulation no 1080/2006 of the European Parliament and of the Council, especially:
 - Art. 7 on eligibility of expenditure;
 - Art. 8 on sustainable urban development.
- Regulation no 1828/2006, especially:
 - Art. 43 on general provisions applicable to financial engineering instruments;
 - Art. 44 on additional provisions applicable to holding funds;
 - Art. 46 on additional provisions applicable to urban development funds;
 - Art. 47 on interventions in the field of housing;
 - Art. 51 on in-kind contributions.

A further source that is available to fully define the structural and procedural framework of the JESSICA scheme are the so-called COCOF notes, i.e. the notes prepared by the Coordination Committee of the Funds, pursuant to art. 103 of Regulation 1083/2006.

The notes make an interpretation of European regulations for the JESSICA scheme. They are based on questions asked by various stakeholders in the process (Regions, States, organisations, etc.). Three notes have been published so far:

- "Guidance Note no 1 on financial engineering in the 2007-2013 programming period" (16/07/2008);

- “Guidance Note no 2 on financial engineering” (22/12/2008);
- “Guidance Note on eligibility of energy efficiency and renewable energy interventions in the building sector (including housing) under ERDF and the Cohesion Fund 2007-2013” (29/10/2008).

As mentioned above, the European nature of JESSICA requires that the structures and procedures of the scheme be adapted to national legislation. To facilitate this, a comparison with what has been done with other instruments of financial engineering for structural funds use may be useful: JEREMIE.

JESSICA – OPEN QUESTIONS

It has passed a limited time since the JESSICA scheme has been activate. The cases of implementation of this mechanism are still limited. Therefore, all critical aspects of the system have not yet been fully explored.

Some inconsistencies between the text of European regulations and the peculiar features of the JESSICA mechanism are one of the main critical aspects of JESSICA that have emerged in various circumstances.

Particularly, European regulations concerning structural funds assume the traditional method of resource use (outright grants). Consequently, the legislation on the nature of eligible projects, resource management, reporting, etc., refers to the traditional disbursement of funds.

The activation of the JESSICA mechanism, as well as the other instruments of financial engineering (JEREMIE), significantly modifies the reimbursement method of European resources. In some cases therefore the interpretation and implementation of European legislation can be problematic within the JESSICA framework.

In some cases, such as for the implementation of art. 55 of Regulation 1083/2006 (revenue-generating projects), it is necessary to depart from the existing legislation. As mentioned above, innovative elements of the JESSICA scheme imply operational modes that are, in some cases, different from applicable legislation in the case of grants.

Nevertheless, there is growing interest in the JESSICA mechanism, due to some European Regions entering the operational mode and due to several studies on the implementation of the instrument having been completed. These dynamics lead to a better understanding of appropriate structures and procedures that can be implemented, as well as to the identification of critical aspects within the process. *Ad hoc* questions have therefore been presented to the European Commission.

1.2. JESSICA case studies

In this chapter, a short description of the current situation concerning the implementation of the JESSICA scheme will be presented. Some feasibility studies produced in various European Regions will be quickly analyzed, as well as published calls for tenders for the selection of Urban Development Funds, with a special focus on the situation in Italy.

The figures below schematically portray the state of advancement of the JESSICA process. For each phase, Italian Regions involved in the specific procedural step will be highlighted.

STRUTTURE DI FINANZIAMENTO JESSICA IN FASE DI STUDIO

STUDI DI VALUTAZIONE REALIZZATI A LIVELLO NAZIONALE	STUDI DI VALUTAZIONE REALIZZATI A LIVELLO REGIONALE	PROTOCOLLI DI INTESA
Bulgaria; Cipro; Francia; Germania; Grecia; Italia, Lituania; Lussemburgo; Polonia; Portogallo; Slovacchia; Spagna; Svezia; Paesi Bassi	Fiandre (BE), Vallonia (BE), Moravia – Slesia (CZ), Sud Est Rep. Ceca (CZ), Finlandia Ovest, Berlino (GE), Amburgo (GE), Nord Reno Westfalia (GE), Saarland (GE), Regioni Greche (GR), Toscana (IT), Liguria (IT), Marche (IT), Abruzzo (IT), Puglia (IT), Campania (IT), Sicilia (IT) , Polonia del Sud (PL), Polonia est (PL), Andalusia (SP), Galizia (SP), Londra (UK), EIRE, Nord Ovest e Nord Est Inghilterra	Bulgaria, Cipro, Grecia, Portogallo; Moravia – Slesia (CZ), Sassonia (GE), Wielkopolska (PL), Pomerania Ovest (GE), Galizia (SP), Andalusia (SP), Castiglia la Mancha (SP), Londra (UK), Est Midlands (UK), Scozia (UK), Marche (Novembre 2009), Abruzzo (Febbraio 2010)

STRUTTURE DI FINANZIAMENTO JESSICA IN FASE OPERATIVA

FONDI DI PARTECIPAZIONE (BEI)	FONDI DI PARTECIPAZIONE (ALTRI)	FONDI DI SVILUPPO URBANO
Wielkopolska (PL) Andalusia (SP) Pomerania Ovest (PL) Lituania (LT) Portogallo (PT) Londra (UK) Scozia (UK) Grecia (GR) Silesia (PL) Pomerania (PL) Nord-Ovest Inghilterra (UK) Slesia-Moravia (CZ) Bulgaria (BL) Sicilia (Novembre 2009) Campania (Marzo 2010)	Estonia (KredEx – Fondo di Garanzia delle esportazioni)	Brandeburgo (ILB – Banca di Sviluppo Regionale) East Midlands (King Sturge) Galles (Amber Infrastructure e Lambert Smith Hapton) <u>Operational Agreement with HF</u> Estonia (Swedbank, SEB) Lituania (Siauliu Bankas (2), Swedbank) Wielkopolska (PL) (Bank Gospodarstwa Krayowego)

The JESSICA process is becoming operational. The following figure, prepared by the European Investment Bank, summarises the state of advancement for Regions currently in the operational phase of the process, in the cases in which the EIB acts as Holding Fund. The phases of the process are:

1. Funding agreement signed, activating the Holding Fund;
2. preparation of the calls for tenders;
3. calls for tenders issued;
4. Offers received;
5. selection of the Urban Development Fund;
6. Operational Agreement in place.

Figure 3 - EIB as Holding Fund

EIB Holding Fund mandate		Implementation progress								Theme
Managing Authority	Volume (EUR m)	0	1	2	3	4	5	6	Investment focus / Main area of activity	
MF - Wielkopolska (PL)	87								Revitalisation of problem areas / Business enhancement institutions in urban areas /	
MF - Andalucía (ES)	86								Urban regeneration (tourism, culture / sports, housing)	
MF - Lithuania (LT)	227								Energy efficiency in housing	
MF - Portugal (PT)	130								Urban regeneration and energy efficiency	
MF - WestPomerania (PL)	33								Urban regeneration / Urban infrastructure / Revitalisation of Szczecin	
MF - London (UK)	110								Energy efficiency in urban infrastructure	
MF - NorthWest England (UK)	110								Urban regeneration	
MF - Sicily (IT)	148								Area-based development and energy efficiency	
MF - Moravia Silesia (CZ)	20								Brownfield revitalisation	
MF - Campania (IT)	100								Urban regeneration	
MF - Scotland (UK)	86								Urban regeneration, workspace creation, energy efficiency	
MF - Greece (GR)	200								Urban regeneration, solid waste management	
MF - Silesia (PL)	80								Brownfield and city regeneration	
MF - Pomerania (PL)	57								Brownfield and city regeneration, public transport, energy infrastructure, energy	
MF - Bulgaria (BG)	33								Urban regeneration and energy	

Source: European Investment Bank

The table above shows that the EIB, playing the role of Holding Fund, currently manages more than 1,7 billion euro. Part of this amount has already been invested in Urban Development Funds, while the remaining part will be invested in Urban Development Funds, as soon as they will be selected.

Figure 4 – Funds and type of intervention

Country	Region	Funding Agreement		UDF			
		Signature date	Amount signed in EUR equivalent	Call	No of Eols	Manager	Amount signed in EUR equivalent
Poland	Wielkopolska	29.04.2009	80	Call 1	9	BGK	19
	Westpomerania	30.07.2009	38	Call 1 Lot 1 Call 1 Lot 2	7	UDF selected UDF selected	
Lithuania		11.06.2009	227	Call 1 Lot 1	7	Siauliu Bankas AB	6
				Call 1 Lot 2		Swedbank AB	6
				Call 1 Lot 3		UDF selected	
				Call 1 Lot 4		UDF selected	
				Call 2	1	Siauliu Bankas AB	20
Spain	Andalucía	8.05.2009	86	Call 1 Lot 1	6	UDF selected	
				Call 1 Lot 2		UDF selected	
UK	London	28.10.2009	116	Call 1 Call 2	6	UDF selected Call launched	
	NorthWest region of England	12.11.2009	117	Call 1 Lot 1 Call 1 Lot 2	2 1	UDF selected UDF selected	
Portugal		20.07.2009	130	Call 1 Lots		Call launched	
Italy	Sicily	19.11.2009	148	Call 1		Call launched	

Source: European Investment Bank

TYPE OF ANALYSED PROJECTS

In order to define benchmark for JESSICA projects, several feasibility studies carried out in the European context have been analysed. The types of initiative are briefly portrayed in the graph below.

PLACE	UDF FEATURES	VALUE	Hotel	Energies	Urban regeneration	Transport	Innovation research	Enterprises
LONDON	Two UDF focused on waste management	109 mlr €		•				
PORTUGAL	Regeneration and development of the Porto city centre	150mln €	•		•	•		
GERMANY Brandenburg	Loans to municipalities for urban development activities	nd				•	•	•
LITHUANIA	Loans for increasing energy efficiency in houses	227mln €		•				
ESTONIA	Loans for increasing energy efficiency in houses	57mln €		•				
POLAND Wielkopolska	Brownfield regeneration	67 mln €			•			
WALLES	Brownfield regeneration	128 mln €	•		•			
SPAIN Andalusia	Two dedicated UDF for several issues	88 mln €	•		•	•		•

The scheme shows that types of JESSICA initiatives and structures possible are varied. The mechanism is highly flexible and it allows different plans to developed.

1.3. Abruzzo – urban features

PECULIARITIES OF ABRUZZO

Abruzzo is an extremely peculiar Region in the national context: first, because of the physical features of its territory, the combination of sea and mountains that makes it unique, and then, because of its specific social and economic structure.

First and foremost, Abruzzo is a Region of Parks. Three of them are of national importance and cover a significant part of the region's land:

- The Gran Sasso and Laga Mountains National Park, stretching into Marche and Lazio, covers 150,000 hectares of mostly mountain land.
- The Regional Park of Velino-Sirente;
- The Majella National Park, of approx 150,000 hectares, made of four orographic components: the Majella itself, a large and compact limestone massif, the Morrone, the Porrara and the Pizzi Mountains, divided by valleys and plains;
- The Abruzzi, Lazio and Molise National Park.

Figure 5 - Map of Parks and reserves of Abruzzi



Together with a significant cultural heritage (for instance, the fascinating historical towns of Abruzzi), the abundant natural resources testify to the strong propensity of this territory for tourism.

However, this strong propensity does not correspond to an adequate supply of services, which are mainly concentrated on seaside and family tourism along the Adriatic coast, which does not make the most of the territory's potential.

Obviously, the great vast area of the parks and green spaces, corresponds to a limited extension of areas devoted to housing, industry, commerce, etc.

The scheme below shows where urbanised areas are located, and shows their concentration along the Adriatic coast clear.

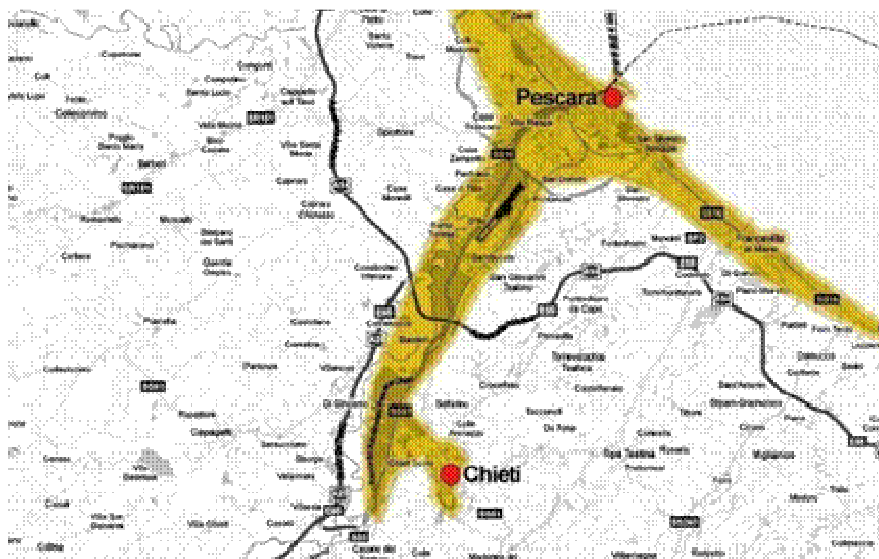
The coastal conurbation is still growing, while the depopulation of the internal area continues. Inland settlements become increasingly less dense.

Figure 6 - Concentration of urbanised areas of Abruzzi



The configuration of the urban areas and of the provinces is also atypical. Two provincial capitals, Chieti (not in a central position for the municipalities of the province) and Pescara, are extremely close to each other (approx 12 km). *De facto*, they form a single large metropolitan area. Thanks also to good infrastructure, the Chieti-Pescara axis is one of the economic strongholds of Abruzzi. Significant agricultural and industrial sites are located around this pole, especially along State Route 81 and Motorway A25.

Figure 7 - The Chieti-Pescara conurbation



The congestion of this area between housing and industrial functions is a risk of this configuration. However, the greatest peril is that of concentrating in a small area most of the financial resources available for investment and development, risking the exclusion of Southern Abruzzo.

Internal areas still are characterised by insufficient accessibility and limited integration with the coast and surrounding areas. Features that are obstacles to making the most of the existing natural and cultural resources for tourism.

Abruzzo has decent infrastructures, with adequate N-S and E-W connections (unlike other Adriatic Regions). However, many aspects remain problematical, such as inadequate regional networks (for instance, the Sulmona-L'Aquila connection) and railway system. Important road axes remain incomplete (for example, from Teramo to the sea), the Pescara airport is underemployed, local ports are small and connections with nearby Croatia are lacking, despite its increasing tourist appeal.

These problems do not facilitate regional development and promotion.

The economic system of Abruzzo is not only based on tourism, but also on SMEs (mainly services), working for companies and individual clients outside the region. Agriculture has a significant, if declining, share.

The extraction of natural gas and of oil is another important sector, at least numerically since it employs 4 to 5,000 people. This activity is at odds with the image of "green Abruzzo", focusing on tourism with its more than 100 active wells and 7 storage facilities.

Figure 8 - Distribution of gas and oil wells



To sum up, Abruzzo certainly builds on a sound foundation, thanks to the great potential of its territory, part of which is still unexploited: infrastructure and logistic nodes, such as the airport and freight terminal of Pescara, the outlet on the Adriatic Sea (as a "gateway" to the Balkans) and the presence of an industrial sector that, even if it is weak, is wide-spread and evolving.

A short list of planning and programming instruments in place in Abruzzo the purpose of which is to respond to the ongoing processes and to determine future prospects is found below.

1.3.1. Territorial Policy Instruments: Regional-Urban Planning and Programming

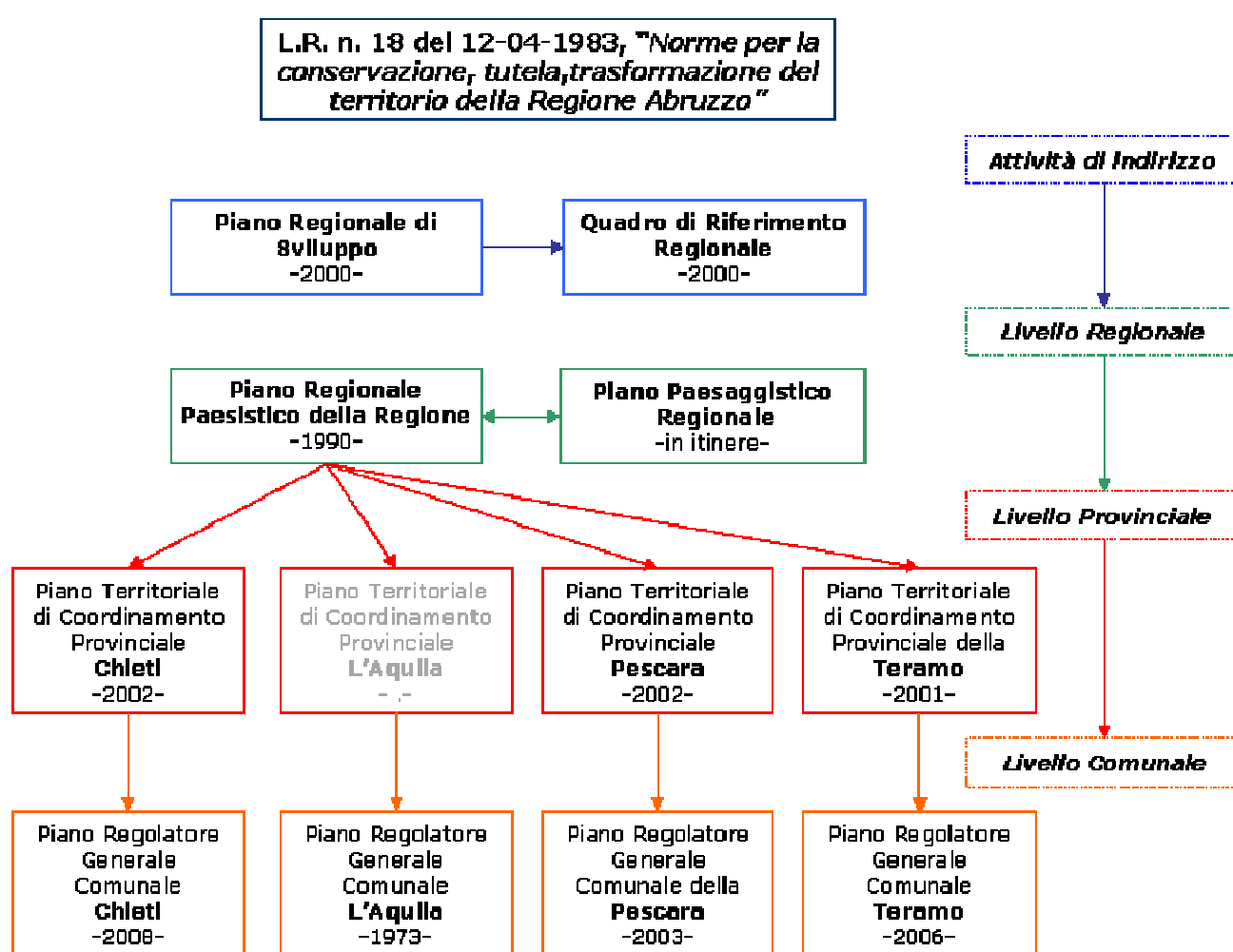
The following scheme lists the main documents concerning regional and urban planning, divided according to the territory involved.

Consistent with the provisions of national legislation, a first overview shows that it is possible to identify at least three levels of planning, each with specific competences in their respective territorial domain:

- General Town Plans at the municipal level (PRG);
- Territorial Plans for Provincial Coordination at the provincial and inter-municipal level (PTP);
- The Regional Landscape Plan at the regional level (PRP).

The table below tries to synthesise and summarise the main legislative instruments effective in Abruzzo.

Table 1 - Planning / programming instruments in force in Abruzzo



The first point concerns the Town Planning Law, which is the main framework for regional planning in Abruzzo.

Currently, the law in force dates back to 1983 ("Norms for the conservation, protection, transformation of the territory of the Region of Abruzzo"). It is certainly outdated for optimal governance of the deep territorial/social/economic transformations that have influence Abruzzo, as the whole peninsula.

The Regional Council has already approved a law ("Planning norms for territorial governance") that should substitute the current Town Planning Law. It contains, *inter alia*, fundamental principles such as the limitation of land use, energy efficiency, the quality of urban spaces, etc.

At the same time, the new Town Planning Law is significantly more complex than the law in force (mainly because of the development/decision-making process involving large parts of territory: it prescribes innovative mechanisms, defining types of equalisation in urban areas, etc.).

Many have criticised the new legislation, because of its excessive complexity and the difficulty in its interpretation: the debate continues.

The main frameworks are enumerated and briefly described below. They are differentiated according to the 3 levels above (regional, provincial, communal).

REGIONAL LEVEL

At regional level, the main framework for regional planning is the Regional Landscape Plan (PRP). It was approved in 1991 and identifies 12 domains of environmental relevance.

Since 2005, a process for update the Regional Landscape Plan (PPR) is in place, pursuant to Dlgs 42/2004. Basically, it extends the scope of application of the plan from areas of special protection to the whole region.

Between 1998 and 2000, the Regional Development Plan (PRS) and the Regional Framework of Reference (QRR) were approved. The former is a regional economic policy scheme, while the latter is the "territorial projection" of the PRS. It is an instrument for coordination and guidance of intermediate planning at the local level.

This document defines the main priorities for Abruzzo which have precedence in the allocation of financial resources:

- Development of infrastructure and transport;
- Creation and development of centres of research excellence;
- Realisation of the Apennine Park of Europe project.

Also, the QRR contains a "grid" of territorial compatibilities that provides appropriate guidance for local town planning instruments.

Regional Landscape Plan of the Abruzzi Region (PRP)	
Year	1991
Relevant territorial context	Valuable landscape areas of the Region of Abruzzo
Principal pertinent legislation	L.R. LR 03/03/1965, no 431 LR 12/04/1963, no 13
Note	Protection and guidance strategy definition; identification of areas of special protection; identification of potential interventions. Identification of different protection levels: conservation zone, targeted and limited transformation zones, ordinary zones of transformation: 10 areas of interest have been identified: - LAGA – FIUME SALINELLO; - GRAN SASSO (institution of the Gran Sasso Regional Natural Park, particularly interesting); - MAJELLA-MORRONE; - VELINO SIRENTE / SIMBRUINI / P.N.A.; - TERAMO COAST; - PESCARA COAST; - TEATINO COAST; - Pescara/Tirino Sagittario RIVERS; - SANGRO-AVENTINO River; - Aterno River.

Regional Landscape Plan (PRP)	
Year	2005 (under consideration)
Relevant territorial context	Whole regional territory
Principal pertinent legislation	Dlgs no 42 of 22/01/2004
Note	Identification of valuable landscapes, in each place, with landscape quality objectives, consistently with established principles which were adopted by the Regions with the European Landscape Convention, pursuant to the "Cultural and Landscape Heritage Code", Dlgs no 42 of 22/01/2004; definition of strategies of protection, management and rehabilitation.

Regional Development Plan (PRS)	
Year	1998-2000
Relevant territorial context	Whole regional territory
Principal pertinent legislation	LR 18/83 and LR 70/95
Note	<p>The Regional Development Plan (PRS) is the economic policy scheme guiding the whole governance of the regional territory. It coordinates general planning.</p> <p>The Plan calls for pilot actions, often with limited resources, but representative of the policies that the government wishes to develop in the future. They provide for guidance in this regard.</p> <ol style="list-style-type: none"> 1. Pilot action 1 "L'Aquila, city of research and science"; Pilot action 2 "Investing in Abruzzo" (activation of a communication program aimed at large enterprises, one-stop support, training programs, etc.); Pilot action 3 "International Market Knowledge" (the action consists in a project to support the consolidation of SMEs in traditional sectors, such as clothing, leather, furniture, engineering, and concerning internationalisation); 4. Pilot action 4 "Living the Park" (this action aims at building an endogenous capacity for the development of Park areas through promotion and rehabilitation actions for its natural, tourist, craft and cultural assets); 5. Pilot action 5 "Employment 2000" (the action brings together activities for the rehabilitation of structures for the management of the job market in order to favour the matching the demand and supply of labour in the region: information, packages, advice, etc.).

Regional Framework of Reference (QRR)	
Year	DGR 147/4 of 26 January 2000
Relevant territorial context	Whole regional territory
Principal pertinent legislation	LR 25/04/1995 no 70 "Norms for the conservation, protection, transformation of the territory of the Region of Abruzzo "
Note	<p>The QRR represents the territorial projection of the PSR. It determines guidelines and directives for regional planning and protection policy.</p> <p>The QRR provides for a grid of territorial compatibilities based on existing heuristic instruments at the regional level (land use map, landscape plans, sector plans, etc.) and to guide planning instruments, programs and projects.</p> <p>3 main objectives are identified:</p> <ul style="list-style-type: none"> - 1) "environmental quality": Apennine Park of Europe (APE) objective - 2) "urban system efficiency": increased urban mobility, enhancing rail transport and the Pescara "Liberi" airport - 3) "development of industrial driving sectors": launching integrated university-enterprise research centres; creating a Regional museum system; creating a regional cultural heritage centre.

The Abruzzo Region has also adopted (or is about to) several sector programs for various resources:

- **Water** – Water Protection Plan (Dlgs 152/99) (under consideration);
- **Soil protection** – Hydro geological Configuration Plans (L 365/00) (2 approved, 2 under consideration); Regional Forest Plan (Dlgs 277/01) (approved);
- **Air quality** – Regional Plan for Air Quality Improvement (L 351/99) (under consideration);
- **Environmental protection** – Triennial Plan for Environmental Protection (under deliberation);
- **Ecological network** – Nature Configuration Plan (30 expected: 4 for the Parks and 26 for the reserves, 14 of which have been approved so far); approved Management Plans for Natura 2000 sites that are outside the protected areas;
- **Waste management** – Waste Management Regional Plan (approved); New **Waste Management** Regional Plan (under consideration); Provincial Waste Plans (Dlgs 22/97) (4 approved/4 expected);
- **Contaminated areas** – Reclamation Plan (Dlgs 22/97) (approved);
- **Energy** – Regional Development Plan for Renewable Energy Sources (under consideration); New Regional Plan for Energy (approved); Guidelines on Wind Energy (under consideration)
- **Regional planning** – Special Territorial Projects (some approved, some under consideration);
- **Research** – Regional Strategy for Innovation (under consideration);
- **Transport** – Regional Transport Plan (under consideration);
- **Information society** – Regional Plan for the Information Society – e-government (DGR no 1319 of 27/12/2001) (approved);
- **Urban areas** – City Territorial Projections (under deliberation);
- **School** – School Registry, Vulnerability Plan of School Buildings (under revision);
- **Civil protection** – Wildfire Prevention Plan; procedure engineering for effective interventions management of Civil Protection; Regional Structural Plan for Civil Protection (in part adopted, in part under consideration).

Of these the Regional Energy Plan is particularly important as a (political) instrument for the region:

- To program and guide strategic interventions in the energy sector within the region;
- To harmonise related decisions at both regional and local level;
- To create a framework of reference for all actors—public and private—who are interested in different ways in energy issues;
- To create a database for the collection, organisation, analysis and updating of data.

The Abruzzo Energy Plan is extremely ambitious. It sets the objective to supply 51% of total energy consumption with renewable sources of energy by 2015, while at the national level the objective is 20% of renewable energies by 2020.

PROVINCIAL LEVEL

The Territorial Plans for Provincial Coordination analysed below (the one concerning the L’Aquila Province is missing) were prepared not long ago, over the two-year period 2001-2002. They were all developed approximately at the same time. Consequently, they represent a rather integrated and consistent approach. It is possible to identify specific roles assigned to provinces and, in particular, the provincial capitals.

In general, the Abruzzo PTCP, like that of other Italian regions, is mainly inspired by plans for the protection of historic and natural heritage and for land use management. However, their main strength is the value given to a participatory and shared decision-making processes. PTCPs confirm and add detail to the prescriptions of the regional plans. They identify, obviously on a large scale, the position of housing, services and industrial areas.

PTCPs:

- They identify areas to protect for their natural, landscape, archaeological, historic, or other value;
- They set fundamental functions and terms of use;

- They define and articulate demographic and employment forecasts, quantifying the density of housing areas;
- They indicate the size and position of industrial, commercial, administrative sites and headquarters of supra-municipal level, of structures for public service of supra-municipal level;
- They detail the capacity tourist accommodation, identify mobility and transport systems, as well as the network of other infrastructure of supra-municipal interest;
- They determine the maximum quantity of land that individual municipalities are allowed to assign to new housing and industrial needs over the decade;
- With special rules, they ensure a minimum percentage of housing needs for housing and tourism to be built, as well as minimum levels of social housing to be built.

In general, it is interesting to highlight that the area destined to industry is small, reaffirming the propensity of the region to services and tourism.

Territorial Plan for Provincial Coordination (PTCP) of the Chieti Province	
Year	2002
Relevant territorial context	Province of Chieti
Principal pertinent legislation	LR 18/1983 – LR 11/1999 – Dlgs 267/2000
Note	The local structures of reference are the following: the Chieti-Pescara Metropolitan System, the Environmental System, the Settlement System, and the Infrastructure System. The main directions are the promotion of areas of excellence and interventions on infrastructure to improve the mobility system. Mapping shows that the extension of industrial or craft areas is limited, while much space is free from buildings and zoned for agricultural uses. Landscape protection areas coincide largely with the Majella National Park and the coast. The number of inhabitants of most cities of the Province ranges between 1000 and 1999. Only 3 cities have more than 30,000 inhabitants: Lanciano, Vasto and Chieti (2002 data, including 2008 projections).

Territorial Plan for Provincial Coordination (PTCP) of the Province of Pescara	
Year	1998/2002
Relevant territorial context	Province of Pescara
Principal pertinent legislation	LR 18/1983 – LR 11/1999 – Dlgs 267/2000
Note	The Plan represents an integrated background for local governments. They shall refer to it in making their policies. The Plan is inspired by criteria such as environmental and nature protection, historical heritage protection, recognition of citizen rights and the promotion of participation in the determination and management of each policy. According to the PTP, the metropolitan area corresponds to a limited area within the system of valley floor infrastructure between Pescara and Chieti. It is called "inner metropolitan area". Its delimitation is atypical. The inner metropolitan area represents an area between two cities (a large "vacuum" if compared to traditional settlement in urban areas), surrounded by large structures (a university, a court, a hospital), representing the interface between Pescara and Chieti. Pescara combines features of urban metropolitan areas of the Centre-North (high destruction levels, a workforce employed in services as executives, office workers or professionals) with characteristics typical of Southern cities. The population of the greater Adriatic periphery is younger, more oriented towards the service sector and better educated. One of the most important provisions of the PTP concerns the two main rivers of the Province. Two recreational parks are proposed and should be based on integrated projects involving large parts of territory alongside the rivers in a continuous manner. This use of the river as an "infrastructuring" element is an innovation <i>vis-à-vis</i> how the area developed. Rivers were rarely seen as an opportunity for development.

Territorial Plan for Provincial Coordination (PTCP) of the Province of Teramo	
Year	2001
Relevant territorial context	Province of Teramo
Principal pertinent legislation	LR 18/1983 – LR 11/1999 – Dlgs 267/2000
Note	The PTP mainly underlines the role of Teramo, the heart of management, of the university, of research, as cultural pole with archaeological walks and museums, the sole “complex urban structure” of the Plan around which systems and poles of attraction gravitate. Naturally, it highlights the fact that more than 50% of the provincial land is under landscape protection.

MUNICIPAL LEVEL

The urban planning instruments of the cities of Chieti, Teramo and Pescara were recently approved (in 2008 for Chieti and Teramo and in 2003 for Pescara): from a certain perspective, one can affirm that their planning instruments are “up-to-date”.

General Town Plans are not only “zoning” in order to regulate construction work, but are also in part guided by planning instruments of higher level and a much more complex framework of conditions based on current visions of the territory, etc.

Provincial Capitals, as explained below, have Strategic Plans which confirm this approach and will be seen below.

PRGs are, thus, real “programs”, going beyond mere urban design.

The PRG of L’Aquila is, instead, much older, dating back to 1973.

The drafting of a new plan is currently under way, and takes into consideration the tragic 2009 earthquake.

Teramo PRG	
Year	2008
Note	<p>The PRG confirms the main urban planning choices that have already been implemented in recent years: the development of management activities in the Gammarana pole, the conversion of other abandoned industrial areas; the strengthening of university and research activities; the recovery and rehabilitation of the city centre; the reorganization of urban mobility and parking; the rehabilitation of the urban environment through parks, foot and bike paths. This could offer the right context to further develop Teramo’s lively cultural scene (art, history, archaeology, restoration, architecture, and environment).</p> <p>The most important aspect of the new PRG is the definition of an environmental structure and not just a map of potential construction sites.</p> <p>This approach includes methodical analyses regarding all environmental aspects: not only highly valuable elements that are already protected by the Landscape Plan, but also the pursuit of an environmental balance in normal agricultural areas or in areas closer those that have already been urbanised.</p> <p>Particular attention was paid to the classification of agricultural areas, in order to identify those with high production potential and those where it is possible to promote, instead, with targeted actions, complementary activities: rural tourism, quality housing, sport and recreational activities.</p> <p>The presence of industrial zones is limited to a small area alongside the northern border of the municipality.</p>

Pescara PRG	
Year	2003
Note	<p>The provisions of the Regional Framework of Reference are confirmed. Specific interventions concerning the city of Pescara are proposed and cluster largely along two lines: the area that may further acquire a more metropolitan character, particularly the Chieti-Pescara conurbation, and the Adriatic coast. For the latter, the objective is protection and promotion and concerns the Adriatic corridor.</p> <p>The city strategy is organised around poles. An urban role is defined for each pole and the influence complementary related decisions.</p> <p>The most innovative element is, arguably, the identification of a "T" system of 3 frames: rail, road and water. This aspect sees transport and its paths as key to the integration and union the various metropolitan realities.</p> <p>Such a system features a "T" framework in an area that develops along two perpendicular lines: the first one is "coastal", with Pescara as its centre of gravity; the second vector is "fluvial" and develops along the valley of the Pescara river until the municipality of Manoppello.</p>

STRATEGIC PLANS AT MUNICIPAL LEVEL

While "traditional" urban planning instruments are meant to govern urban transformation, Strategic Plans are aimed at using the territory to produce change through strong public-private integration. This allows the identification of priority needs for the city, of strategic directions, and the definition of the interventions necessary for the implementation of a specific vision.

Since 2007, on the urban level, the 4 provincial capitals of Abruzzo have started the drafting process for a Strategic Plan. They are mostly still incomplete and under preparation.

Teramo has the most advanced Strategic Plan. The city is also member of the "Strategic Cities Network" (ReCS), a national group created by 7 cities in 2004, now bringing together nearly 40 cities of all sizes throughout the whole country.

An Urban Transformation Company (STU) was also created for Teramo. It is a public company established by the Municipality and aimed at developing projects and urban transformation initiatives for degraded and/or underexploited areas. Private partners also participate in the management of the work of rehabilitation, recovery and commercialisation of areas and the buildings falling under the project.

1.4. Abruzzo – demographic characteristics

METHOD OF ANALYSIS

The analytic path pursued in this section focuses on the question of the demographic conditions of Abruzzo from a multidimensional point of view, both geographical and temporal, in an attempt to define, an initial framework for the evaluation on the fallout and scenarios linked to the earthquake.

The geographic perspective of the study consists in developing the indicators and analyses of the various geographical areas.

After an introductory section with regional details, the demographic conditions of Abruzzo are assessed in a wider national framework, the examination of Abruzzo occurs on three levels: provinces, provincial capitals, Local Employment System

Clearly they deal with overlapping spheres, for which the relevant differences will be read carefully, through the relevant indicators, and interpreted to learn the real situation of each region.

For the temporal perspective, the path pursued begins with a historical analysis of the demographic evolution of Abruzzo since the post-war period, then moves on to consider the level of competitiveness of the area in 2008 and finally arrives, on the basis of an analysis of the impact and scenarios on the interested area, to an assessment of the demographic fallout of the earthquake of 6 April 2009.

From the point of view of the impact of the earthquake, the most recent data on the demographic balance (through November 2009) have been processed to see which post-earthquake tendencies can be revealed through the official statistics.

Related to the scenarios projected, both a medium term prospect through 2020 (the period foreseen for the reconstruction) and a longer term prospectus beyond 2020 (post-reconstruction development) have been considered, in order to reflect on the possible and probable changes that may develop in the future compared to the demographic competitiveness found before the earthquake.

ABRUZZO, PRINCIPAL DEMOGRAPHIC CHARACTERISTICS

From the post-war period until today the population of Abruzzo has experienced considerable changes both quantitatively and structurally.

The analysis of these variations is possible thanks to the census data² from 1951 to 2001 and the most recent public records through 31/12/2008 (*fig. 13*). The population trend was not linear: after a decline in the twenty years (from 1,277,207 in 1951 to 1,166,964 in 1971), the following period of demographic growth, still under way, resulting in 1,334,675 inhabitants in 2008.

If quantitatively it has only recently returned to the level of 50 years ago, simultaneously the structure of the population has undergone substantial change: the percentage of the population over 65 has more than doubled from 8% in 1951 to the current 21%; on the contrary the portion of the population under 15 years of age is less than half, going from 27% to 13%.

An important factor, that has to be considered to understand the dynamics of the last decade, concerns the number of foreigners residing in the region.

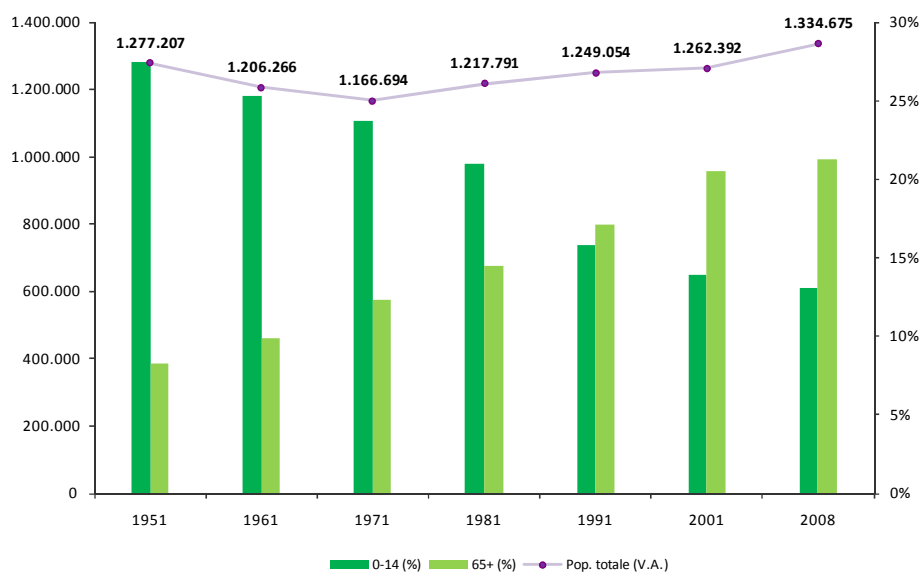
The foreigners, who in a few years gone from being 1.7% of the population to 5.2%, have contributed significantly to the demographic growth recorded since 2001 (about +72,000 people).

This high rate of growth has led their absolute value to about 70,000 in 2008; furthermore it includes a significant share of people of working age, especially 25-45 year-olds of both sexes.

² Since the censuses of 1951 and 1961 considered Abruzzo and Molise together, except for the total residents, the structural data concerning the population of Abruzzo has been the product of adjustment.

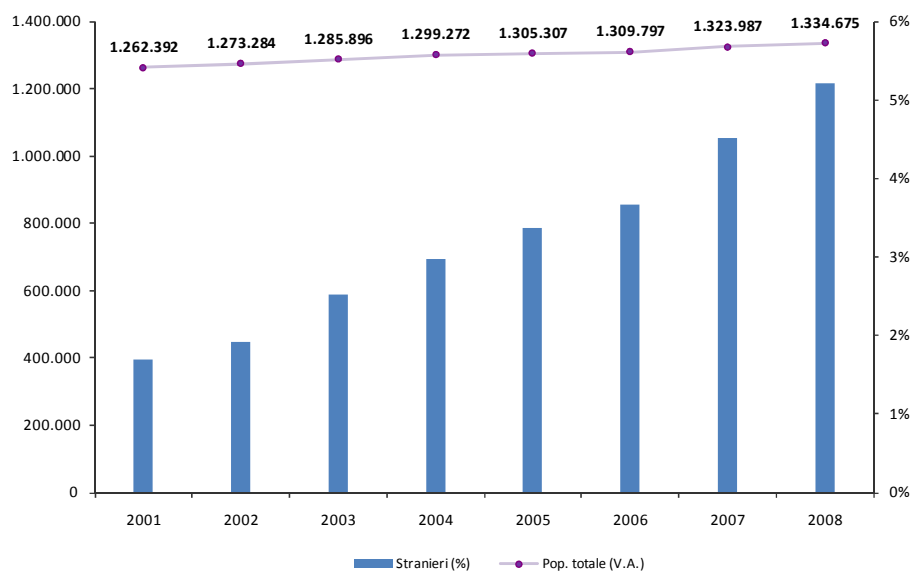
The number of foreign children is indicative of a significant presence of second generation immigrants

Figure 9 - Total population of Abruzzo and % of 0-14 year olds and those over 65, 1951-2001



Source: Population censuses 1951-2001

Figure 10 - Total population of Abruzzo and percentage of foreigners, 2001-2008



Source: Population census 2001; population register 2002-2008

1.4.1. Abruzzo in the national context

The demographic growth of the Italian population in the last decade is distributed unevenly across the country: the overall picture that tends to penalise the South of the country – at times with decrease since 2001 (Calabria and Basilicata) – Abruzzo is among the regions that have experienced significant growth, 5.7%, even if at a lower level than what has been recorded in the Centre and North of Italy.

Always in a comparison with the other regions, an up-to-date demographic profile of Abruzzo can be produced using a set of indicators:

- **Population density** – the 124 inhabitants per Km² is a relatively low figure and lower than the national average, as is the figure for the average number of inhabitants, 4,376, per municipality.
- **Age distribution of the population** – with 13 under 15 years of age per 100 residents compared to 21 per 100 over 65, Abruzzo is in a central position for both.
- **Fertility** – finds few positive features: less than 1.3 children per female indicates a real disadvantage in its capacity for generational replacement.
- **Marriage rate** – is less than the national average, with less than 4 marriages per 1000 inhabitants in 2008.

The question of the foreign presence in the region deserves further attention for its recognised importance in the framework of the most recent demographic growth of the region as for the wider national context.

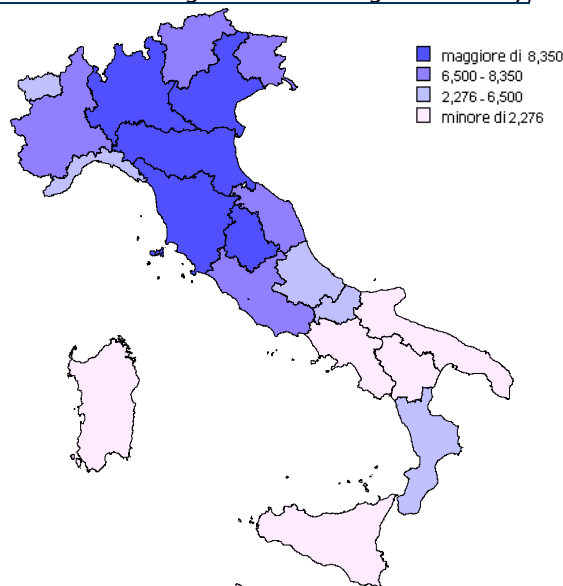
On 31/12/2008 there were about 70,000 foreigners in Abruzzo, equal to 5.2% of the total population of the region: it is an intermediate percentage between the lower figures recorded in the South of the country and the higher ones that characterise the Centre and North (fig.15).

The significant number of European foreigners, more than 70%, is divided quite evenly between those that come from the countries of the EU and those from other countries.

Numerically less significant is the presence of foreigners from Africa (11%), Asia (10%) and Latin America (5%).

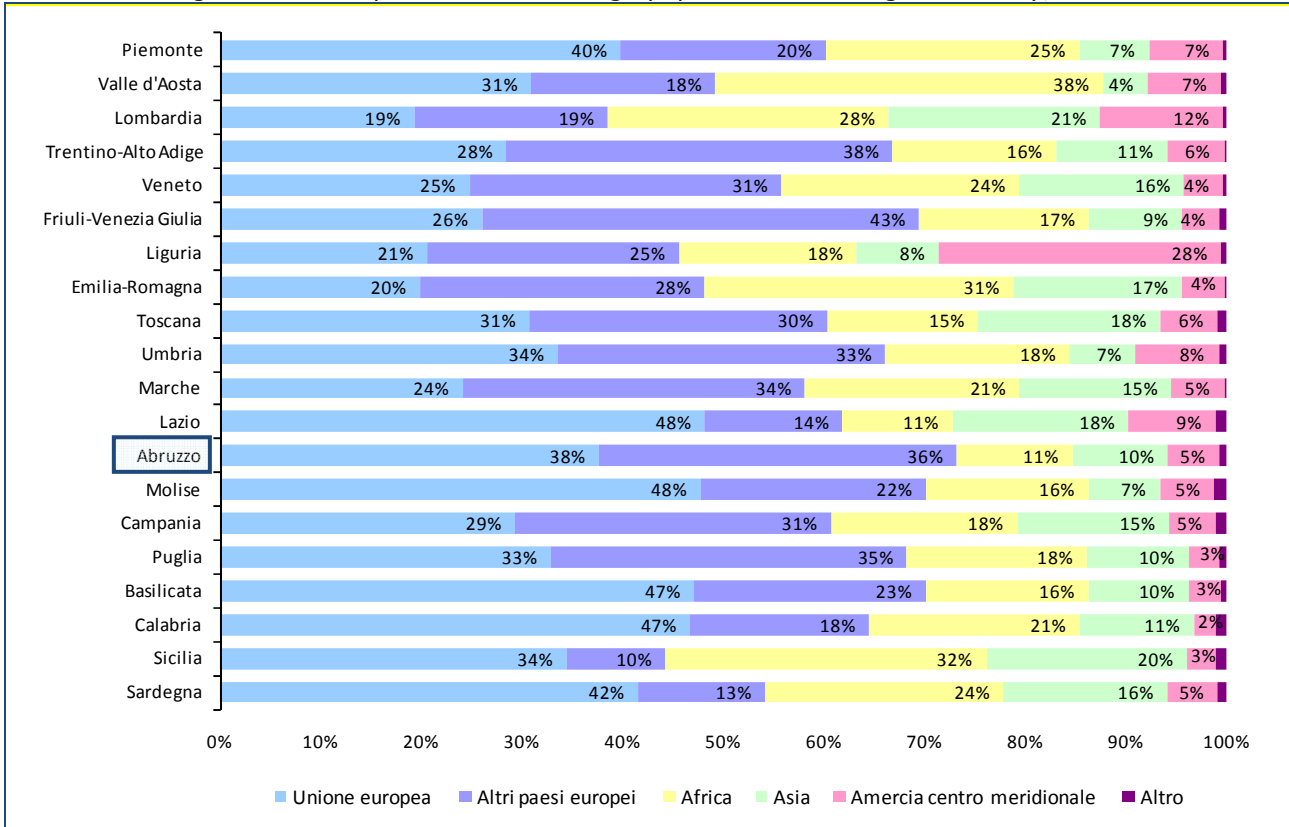
By country of origin, the most numerous are Romanians (26%), Albanian (18%) and Macedonians (7%).

Figure 11 – % of foreigners in the Regions of Italy, 2008



Source: Register of the population 2008

Figure 12 – Composition of the foreign population in the regions of Italy, 2008



Source: Register of the population 2008

1.4.2. Demographic competitiveness of Abruzzo

The analysis of the competitiveness of Abruzzo in relation to its current demographic dynamics has been carried out on three geographic levels: provinces, provincial capitals, Local Labour Systems (SLL); While the first two refer to political divisions, the SLL is a functional division of the territory particularly appropriate for the organisation of economic activity and residential settlements.

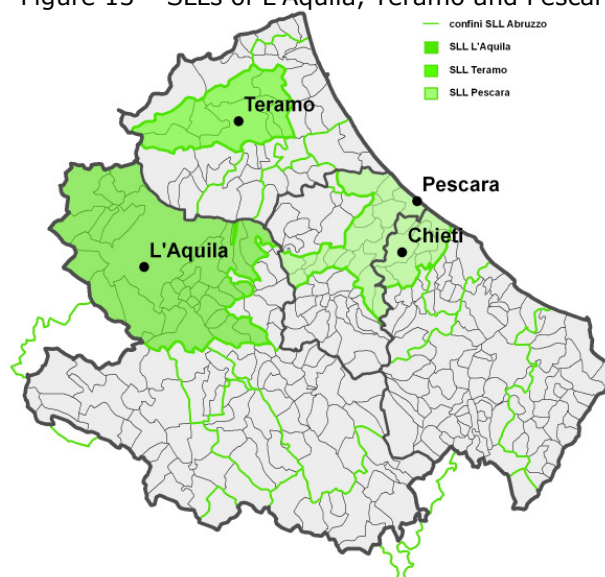
In particular ISTAT defines SLLs as “aggregations of contiguous municipalities (not necessarily in the same province or region), based on the daily movements of the population to go to work, that are revealed from census data.

In Abruzzo there are three SLLs that include the provincial capitals. L’Aquila, Teramo and Pescara (the latter also includes the city of Chieti).

The maps of these environments (*fig.17*) highlight how these are distinct from the corresponding provinces.

The differences emerge also from the analysis of the number of municipalities in each SLL compared to the province to which they belong (*tab.2*): while the SLL of L’Aquila and Teramo include only municipalities in their corresponding provinces, respectively 29 of the 108 municipalities in the province of L’Aquila (in which 33% of the population of the province resides) and 8 of the 47 municipalities of the province of Teramo (27% of the population of the province); the SLL of Pescara is made up of municipalities in the province of Pescara (17 out of 46, 77% of the population of the province) and in the province of Chieti (9 out of 104, 29% of the population of the province).

Figure 13 – SLLs of L’Aquila, Teramo and Pescara



Source: Processing based on ISTAT data

Table 2 - Number of municipalities and percentage of resident population of each Province compared to the SLL to which it belongs, 2008

		SLL				Total
		L'Aquila	Teramo	Pescara	Other	
L'Aquila	Municipalities	29	-	-	79	108
	% Residents	33,3%	-	-	66,7%	100,0%
Teramo	Municipalities	-	8	-	39	47
	% Residents	-	26,9%	-	73,1%	100,0%
Pescara	Municipalities	-	-	17	29	46
	% Residents	-	-	77,4%	22,6%	100,0%
Chieti	Municipalities	-	-	9	95	104
	% Residents	-	-	28,8%	71,2%	100,0%
Abruzzo	Municipalities	29	8	26	242	305
	% Residents	7,7%	6,2%	27,1%	59,0%	100,0%

Source: Processing based on ISTAT data

1.4.2.1. Demographic structure and generational replacement

The findings examined in this section refer to the demographic structure and the capacity of generational replacement of the population of the region.

As highlighted in the first processing (*tab. 3*) the growth in the total population recorded since 2003 concerns, although to different degrees, all the geographic levels and environments considered.

The province, municipality and SLL of Teramo show the most significant increases (from 6.8% to 7.8%); the positive results are smaller for L'Aquila (3.7% - 5.5%), Pescara (1.1% - 6.6%) and Chieti (3.5% -5%). On 31 December 2008, the province with largest population was Chieti (nearly 400,000 inhabitants); the municipality and the SLL were those of Pescara (123,000 and 361,000 respectively).

The indicators of the demographic structure produce geographic profiles that were only partially homogeneous: the greatest differences were shown in the aging index (*tab.4*).

On the one hand, the municipalities of Chieti and Pescara are oldest areas, with more than 180 over 65 year olds for every 100 15 years olds: a significantly higher figure than that recorded for the corresponding province and SLL.

On the other hand, in L'Aquila the situation is the opposite, with the lowest indicator on the municipal level (155). In an intermediate position is Teramo, with more homogenous data for the three geographic levels.

The dependency index adds other information useful for the analysis by quantifying the relationship between the active-age population and the inactive-age population. The largest burden was measured for the municipality of Pescara (67.9 potential inactive persons for every 100 potentially active) and, in second place, the municipality and SLL of Teramo and in all the provinces, with the exception of L'Aquila, the figure was between 64.9 and 65.7. In general, L'Aquila was in healthier demographic shape on all the geographical levels considered.

The indicators related to the percentage of minors, over 65 and over 80 years of age had results consistent with the considerations expressed.

Another aspect examined concerns the generational replacement of the population (*tab. 5*).

The birth rate to 2008 was sufficient to balance the death rate only in the province and SLL of Pescara, while for the other areas the natural balance is negative.

This shows a different development over time in the region, if for Pescara and Chieti on all levels of analysis, as in the province of Teramo, there have been constant increases in the last

five years, instead in the Municipality and SLL of L'Aquila recorded a constant decrease over the last five years, while for the other geographical areas the balances oscillate.

Consistently, it is observed, on all the geographical levels, Pescara has a higher average number of children per female (ranging from 1.321 in the provincial capital to 1.391 in its SLL) in countertendency compared to the figures of 2003 that were among the lowest recorded in the region, for the provincial capitals and the SLLs, only the province of Teramo expresses a similar figure (1.32%). For what concerns the average number of family members, there has been a decline compared to five years earlier, already underway in 2007, which lowers the differences between the various geographical contexts (from 2.4-2.8 to 2.4-2.5 members).

Table 3 – Total resident population, 2003-2008

		2002	2003	2004	2005	2006	2007	2008	Var % 2003-2008
L'Aquila	Provincia	298.082	302.256	304.068	305.101	305.400	307.643	309.131	3,7%
	SLL	97.820	99.887	100.592	101.190	101.468	102.185	103.026	5,3%
	Municipality	69.161	70.664	71.472	71.989	72.222	72.550	72.988	5,5%
Teramo	Provincia	289.161	293.517	296.063	298.789	301.188	306.067	309.838	7,2%
	SLL	77.972	80.061	80.392	80.703	81.290	82.951	83.289	6,8%
	Municipality	51.025	52.696	52.695	52.785	53.263	54.763	55.015	7,8%
Pescara	Provincia	302.983	305.725	307.974	309.947	311.896	315.825	319.209	5,4%
	SLL	339.112	342.124	348.899	351.198	353.322	357.675	361.485	6,6%
	Municipality	121.728	122.083	122.577	122.457	122.402	122.790	123.022	1,1%
Chieti	Province	383.058	384.398	391.167	391.470	391.313	394.452	396.497	3,5%
	Municipality	52.141	51.854	56.127	55.751	55.260	54.901	54.733	5,0%

Source: Register of the population 2008

Table 4 – Indicators of the demographic structure, 31/12/2008

		Average age	Sex ratio*	Old-age index**	Index of dependency***	% Minors	% Aged over 65	% Aged over 80
L'Aquila	Province	44,1	94,9	175,9	63,2	15,1	21,6	7,1
	SLL	43,9	94	172,3	61,2	15	21,1	6,8
	Municipality	43,2	92,5	155,2	57,9	15,3	19,5	5,8
Teramo	Province	42,6	95,6	152	65	16,7	20,6	5,9
	SLL	43	95	158,5	65,7	16,4	21,1	6,2
	Municipality	43,4	93,3	164,9	64,9	15,9	21,4	6,3
Pescara	Province	43,1	92,9	153,2	65,7	16,7	20,9	6,1
	SLL	42,9	92,8	147,3	63,4	16,7	20,1	5,7
	Municipality	44,9	88,1	187	67,9	15,2	23,2	6,8
Chieti	Province	43,7	94,9	168,8	65,4	15,8	21,7	6,6
	Municipality	44,6	92,9	181,1	62,1	14,7	21,5	6,1

* Sex ratio = (Males/Females) x100; ** Old-age index = (Pop. over 65 /Pop.) 0-14)*100

*** Index of dependency (Pop. 0-19 + Pop. Over 65)/Pop. 19-64)*100

Source: Register of the population 2008

Table 5 - Indicators of generational replacement, 2008, 2007, and 2003

		2008			A year earlier (2007)			Five years earlier (2003)		
		natural balance	aver.num. of children per female	average family size	natural balance	aver.num. of children per female	average family size	natural balance	aver.num. of children per female	average family size
L'Aquila	Province	-954	1,199	2,4	-936	1,194	2,5	-974	1,157	2,6
	SLL	-272	1,17	2,4	-272	1,143	2,4	-213	1,235	2,5
	Municipality	-110	1,086	2,5	-78	1,122	2,5	16	1,269	2,6
Teramo	Province	-221	1,325	2,5	-243	1,281	2,5	-384	1,215	2,8
	SLL	-113	1,239	2,5	-82	1,225	2,5	-142	1,221	2,7
	Municipality	-65	1,217	2,4	-37	1,244	2,4	-87	1,224	2,7
Pescara	Province	40	1,367	2,5	-125	1,309	2,6	-324	1,188	2,8
	SLL	260	1,391	2,5	176	1,321	2,5	-255	1,192	2,7
	Municipality	-98	1,321	2,4	-111	1,29	2,4	-294	1,118	2,8
Chieti	Province	-842	1,263	2,5	-968	1,226	2,5	-1019	1,169	2,6
	Municipality	-151	1,167	2,4	-129	1,107	2,5	-198	1,075	2,4

Source: Register of the population 2003-2008

1.4.2.2. Mobility of the population and territorial attractiveness

The ability of the area to attract population is measured through the means of the data on migratory movements (*tab. 6*).

For what concerns the context of Abruzzo, only the municipality of Chieti had a negative migratory balance (-0.03 people every 1000 residents in 2008), although it was an improvement over the previous year (-4.2 in 2007).

On the other hand more positive balances were found in the provinces of Teramo (+13) and Pescara (+10.5) and in the SLL of L'Aquila (+10.8). However, the trend compared to the data from 5 years earlier there was found to be a net decrease in attractiveness, in L'Aquila and Teramo, on all levels.

If parsed for all the specific segments of population the analysis takes on a particular significance (*tab. 7*). Considering the balance of the population 20-44 years of age that arrived in 2008, the attractiveness of the territory to the potentially most dynamic age group of working age can be gauged.

In 2008, as in 2007, the greatest capacity in attracting a young work force was found in the province of Teramo (+21.7); followed by the SLLs of L'Aquila (+16.1) and Pescara (+13.4).

Equally important is to control the attractiveness for children and youths under 14 years of age which normally corresponds to the family units that move. The data are more uniform in this case, but overall L'Aquila stands out (SLL +14.3, province and provincial capital +11)

Finally, analysing the changes of residence recorded in 2007 for the provinces and the provincial capitals (*tab. 8*), in this case, it is observed that only Chieti had a negative balance between applications and cancellations (-68) even if it is lower than what was recorded on average between 2002 and 2006 (-131.2) especially because of the arrivals from abroad that had more than doubled (from 170.6 to 387).

Only the province of Pescara is found to be attractive for the people arriving from all geographical contexts, in particular, considering the regional sphere, a tendency of the people of Abruzzo to move to this province was already observable in the movements between 2002 and 2006.

Even if in general the data for 2007 vary in intensity, they are in agreement with the averages for 2002-2006, an inversion in tendency in changes of residence to other Italian provinces from the municipality of Teramo (from +3.4 to -96) and from the province of L'Aquila (from +38.4 to -62) and toward other municipalities of the province from the municipality of L'Aquila (from 107.2 to -73); in this way L'Aquila is conforms to the general tendency to leave the provincial capital for municipalities of the province that already could be seen for the other municipalities in the change of residencies recorded between 2002 and 2006.

Table 6 - Indicators of net migration, 2008, 2007, and 2003

		2008 [*]		A year earlier (2007)		Five years earlier	
		Raw figures	Variation per 1,000 inhabitants	Raw figures	Variation per 1,000 inhabitants	Raw figures	Variation per 1,000 inhabitants
L'Aquila	Province	2.442	7,9	3.179	10,4	5.148	17,2
	SLL	1.113	10,8	989	9,7	2.280	23,1
	Municipality	548	7,5	406	5,6	1.487	21,3
Teramo	Province	3.992	13	5.122	16,9	4.740	16,3
	SLL	451	5,4	1.743	21,2	2.231	28,2
	Municipality	317	5,8	1.537	28,5	1.758	33,9
Pescara	Province	3.344	10,5	4.054	12,9	3.066	10,1
	SLL	3.550	9,9	4.177	11,7	3.267	9,6
	Municipality	330	2,7	499	4,1	649	5,3
Chieti	Province	2.887	7,3	4.107	10,5	2.359	6,1
	Municipality	-17	-0,3	-230	-4,2	-89	-1,7

* including new applications/cancellations

Source: Register of the population 2003-2008

Table 7 - Indicators of the attractiveness of the territory for the population 19-43 years of age (proxy for attractiveness to the younger work force) and 0-13 years of age (proxy for attractiveness to households), 2008, 2007, and 2003

		2008		A year earlier (2007)		Five years earlier (2003)	
		Attractiveness for 19-43 year olds	Attractiveness for 0-13 year olds	Attractiveness for 19-43 year olds	Attractiveness for 0-13 year olds	Attractiveness for 19-43 year olds	Attractiveness for 0-13 year olds
L'Aquila	Province	11	11	18	14,5	27	11,1
	SLL	16	14,3	17	11,4	38	11,4
	Municipality	12	11	10	7	35	16
Teramo	Province	22	10,4	21	15,4	23	16,8
	SLL	9	5,7	17	18,7	37	31,4
	Municipality	10	7,5	17	19,8	45	35,3
Pescara	Province	13	12,3	21	14,3	19	8,6
	SLL	13	11,2	20	11,9	18	9,1
	Municipality	-2	4,4	6	7,3	17	7,9
Chieti	Province	13	6,8	17	12,5	8	8,5
	Municipality	-1	1	-4	-3,2	-6	2,6

* The indicators measure ability of the areas to attract population in the age group under examination, by quantifying the number of people of that group who have been added or subtracted from the area per 1000 residents.

Source: Register of the population 2003-2008

Table 8 – Interprovincial, interregional, national and extra-national change of residence 2007

		Destination – Origin (2007):				Total
		Other provinces of the region	Other provinces of Abruzzo	Other provinces of Italy	Abroad	
L'Aquila	Province		-207	-62	3.138	2.869
	Municipality	-73	-22	15	521	441
Teramo	Province		-135	324	2.974	3.163
	Municipality	-162	0	-96	376	118
Pescara	Province		826	566	2.500	3.892
	Municipality	-721	240	254	802	575
Chieti	Province		-484	767	3.672	3.955
	Municipality	-119	-353	17	387	-68

Source: Register of the population 2003-2008

Table 9 – Annual average of change of residence 2006/2002

		Destination – Origin (Average 2002-2006)				Total
		Other provinces of the region	Other provinces of Abruzzo	Other provinces of Italy	Abroad	
L'Aquila	Province		-165,4	38,4	1.586	1.459
	Municipality	107,2	-13,2	90,4	314,6	499
Teramo	Province		-12,2	514,6	1.543	2.046
	Municipality	-29,4	3,4	3,4	161,8	139,2
Pescara	Province		568,6	381	913	1.862
	Municipality	-446	148,4	122	264,8	89,2
Chieti	Province		-391	355,6	1.320	1.285
	Municipality	-116,8	-224,6	39,6	170,6	-131,2

Source: Register of the population 2002-2008

1.4.2.3. Characteristics of the foreign presence in the region

The foreign presence in Abruzzo is examined here, with methods in line with those used in the previous sections, on the province, municipalities and SLL levels (*Tab. 9*). Overall the geographical areas of L'Aquila and Teramo are characterised by greater concentrations of foreigners than Pescara and Chieti.

The provincial data show the highest percentages: 6.2% in L'Aquila and 6.8% in Teramo in 2008. Compared to 5 five years earlier most areas have doubled in the number of foreigners: it is a trend that, even to different degrees in various parts of the region, is significantly influencing on the demographic structure and also contributing to guarantee a net increase in the population.

For what concerns the most numerous nationalities, there is substantial homogeneity in the region with a few local peculiarities to point out (*tab. 10*). The most numerous are Rumanians, who are at least 20% of the foreign presence in all contexts except in the municipality of Pescara (19%), where they are still the most numerous, and in the province of Teramo (19.2%) where Albanians are the most numerous (24.3%) and in the municipality of Chieti (25%).

Furthermore, in L'Aquila the Macedonian community seems to be particularly well established, in Teramo the Chinese community and in Pescara the Ukrainian community. Among the other communities present in the region of note are the Moroccans and Poles.

The process of settlement and rootedness of foreigners can be examined, in its most significant aspects, through a set of general indicators (*tab. 11*).

The first refers to people who obtain Italian citizenship, clearly a crucial passage in the path to integration of foreigners in the country: in 2008 this passage occurred more frequently in the provincial capitals, except for Chieti, (in Pescara 25.3 per 1,000 resident foreigners, in Teramo 24.6, in L'Aquila 20.5) rather than in the respective province and SLL.

The second indicator measures the percentage of minors among the foreigners: in this case the province and the SLL of Teramo (22.1% and 21.8%) and the province of L'Aquila (19.4%) had the highest figures.

While the so-called indicator of "multiculturalism", which refers to the equilibrium among the various national groups present in each area considered, does not reveal geographic heterogeneity, the greatest variations are in the ratio between the sexes.

In particular the numerical balance between males and females is lower in the areas of Pescara and L'Aquila compared to the same areas of Teramo and Chieti, particularly for the provincial capitals. The sexual imbalance in the immigrant communities can be thought to indicate recent immigration of the resident foreign population that has not yet been able to practice family reunification or could be characterised by short term migration.

Table 10 - Total presence of foreigners, 2008, 2007, 2003

		2008		A year earlier (2007)		Five years earlier (2003)	
		Foreigners	% of residents	Foreigners	% of residents	Foreigners	% of residents
L'Aquila	Province	19.079	6,2%	16.971	5,5%	10.587	3,5%
	SLL	6.025	5,8%	5.175	5,1%	3.253	3,3%
	Municipality	3.772	5,2%	3.243	4,5%	2.168	3,1%
Teramo	Province	20.922	6,8%	17.844	5,8%	9.280	3,2%
	SLL	4.414	5,3%	3.846	4,6%	1.794	2,2%
	Municipality	2.369	4,3%	2.022	3,7%	892	1,7%
Pescara	Province	12.676	4,0%	10.619	3,4%	5.408	1,8%
	SLL	14.957	4,1%	12.558	3,5%	6.479	1,9%
	Municipality	4.163	3,4%	3.492	2,8%	1.998	1,6%
Chieti	Province	16.964	4,3%	14.315	3,6%	7.191	1,9%
	Municipality	2.327	4,3%	2.015	3,7%	830	1,6%

Source: Register of the population 2002-2008

Table 11 - Principal nationalities of the foreigners, 2008

		First place		Second place		Third place	
		Nationality	% of foreigners	Nationality	% of foreigners	Nationality	% of foreigners
L'Aquila	Province	Romanians	27,1%	Macedonians	13,7%	Moroccans	11,3%
	SLL	Romanians	29,0%	Macedonians	19,6%	Albanians	8,0%
	Municipality	Romanians	25,7%	Macedonians	10,7%	Albanians	10,0%
Teramo	Province	Albanians	24,3%	Romanians	19,2%	Chinese	12,3%
	SLL	Romanians	22,3%	Chinese	15,5%	Albanians	14,6%
	Municipality	Romanians	26,2%	Albanians	16,3%	Macedonians	9,4%
Pescara	Province	Romanians	24,8%	Albanians	13,7%	Ukrainians	9,0%
	SLL	Romanians	23,9%	Albanians	18,3%	Ukrainians	9,0%
	Municipality	Romanians	19,0%	Ukrainians	13,8%	Albanians	11,2%
Chieti	Province	Romanians	33,4%	Albanians	24,5%	Moroccans	4,8%
	Municipality	Albanians	25,0%	Romanians	20,0%	Poles	6,3%

Source: Register of the population 2002-2008

Table 12 - Indicators of rootedness of foreigners, 2008

		number of new	% of minors	Multicultural	Index of sexual
		Italian citizens per	among the		
		1000 foreigners	foreigners		
L'Aquila	Province	15,6	1940,0%	0,92	13,4
	SLL	19,6	1820,0%	0,86	14,2
	Municipality	20,5	1590,0%	0,91	15,9
Teramo	Province	20,6	2210,0%	0,93	8,9
	SLL	19,4	2180,0%	0,96	9,1
	Municipality	24,6	1870,0%	0,92	12,3
Pescara	Province	23,6	1810,0%	0,9	13,8
	SLL	21,3	1680,0%	0,88	13,8
	Municipality	25,3	1670,0%	0,93	18,9
Chieti	Province	16,9	1880,0%	0,81	8
	Municipality	8,8	1190,0%	0,88	13

* The indicator has a value between 0 and 1 and measures the equidistribution of the make up of the nationalities of the foreign population. The higher the value the more equal the distribution.

** The indicator is from 0 to 50 and measures how many percentage points it deviates from the median of equilibrium the sexual make up of the foreign national community. The higher the value the greater the imbalance.

Source: Register of the population 2002-2008

1.4.2.4. Demographic projections and the potential impact of the transformations

The demographic projections make it possible to estimate the total population in the next twenty years on the provincial level, however it is necessary to say that these projections do not take account of the impact that the earthquake of 6 April 2009 has had on the population of Abruzzo, in particular in the province of L'Aquila, altering also its demographic dynamics.

The evolution foreseen (*tab. 12*) indicates the most consistent increases as percentages in Teramo (+6.8%) and L'Aquila (+5.6%).

Less consistent were the variations, although still positive, that were recorded in Pescara (+1.4%) and Chieti (+0.2%).

The future changes in the structure of the population in Abruzzo (*tab. 13*) seem to reflect the foreseen trends in the wider national context.

It is known as Italy is already experiencing a phase of ageing of the population that will intensify in the coming years: on the basis of the analysis carried out it emerges this phenomenon will concern significantly also the province of Abruzzo.

In 2030 the average age should be between 49 and 51, with a percentage of over 65 year olds equal to 26-28% and over 80 year olds equal to 8.4-9.3%. The ageing index calculated for 2030 indicates Chieti as the oldest province (235.9), followed by L'Aquila (226.7), Pescara (217.9) and Teramo (199.8).

According to the dependency index the province most disadvantaged will be that of Chieti (66.2). The population with the highest percentage of youths instead is that of Teramo (15.9% minors).

The projections supply indications also on how it will change the presence of foreigners in the province (*tab. 14*). According to the estimates produced, in the span of twenty years, the foreigners should more than double in Pescara (+127.6%) and slightly lower increases will be found in the other provinces (+98.3% Teramo; +92.1% Chieti; 86.4% L'Aquila).

Both the raw figure and the percentage of the total population the largest number of foreigners in 2030 should be those in Teramo (41,500 foreigners corresponding to about 12.5% of the population).

Table 13 – Projections of the population by province, 2008-2030

	2008	2015	2020	2025	2030	% Variations 2008-2030
L'Aquila	309.131	318.503	321.581	324.149	326.327	5,60%
Teramo	309.838	321.044	325.329	328.537	330.920	6,80%
Pescara	319.209	324.412	324.983	324.661	323.724	1,40%
Chieti	396.497	401.784	400.843	399.162	397.174	0,20%

Source Projections of the population on ISTAT data

Table 14 – Indicators of the demographic structure by province, 2008-2030

	Average age	Sex ratio*	Old-age index**	Index of dependency**	% Minors	% Aged over 65	% Aged over 80	
L'Aquila	2015	45,6	95,6	176,3	68,6	15,1	22,1	7,6
	2020	47	97	183,6	67,5	15,2	23,3	7,8
	2025	48,5	98,1	199,2	65,8	15,2	25,1	7,8
	2030	49,9	99	226,7	64,5	14,8	27,4	8,6
Teramo	2015	44,5	95,7	155,6	67,2	16,4	21,3	6,9
	2020	46,2	96,4	161,9	66,9	16,5	22,3	7,6
	2025	47,8	96,9	175,6	65,7	16,4	23,8	7,8
	2030	49,1	97,4	199,8	64,4	15,9	26,1	8,4
Pescara	2015	45,3	92,5	162,3	66,8	16,3	22,1	7
	2020	47,2	92,8	173,2	66,6	16,1	23,2	7,8
	2025	49	93,1	191,8	65,6	15,8	24,8	8,1
	2030	50,4	93,4	217,9	64,4	15,3	27,3	8,9
Chieti	2015	46	94,8	179,6	67,4	15,4	22,9	7,6
	2020	47,4	95,4	191,3	67	15,3	24,2	8,3
	2025	49,1	96	209,6	65,8	15,0	25,8	8,3
	2030	50,6	96,4	235,9	65	14,5	28	9,3

* Sex ratio = (males/females) x100

** Ageing index = (Pop. over 65 years of age/Pop. 0-14)*100

*** Index of dependency (Pop. 0-19 + Pop. Over 65)/Pop. 19-64)*100

Source Projections of the population on ISTAT data

Table 15 - Projections of the foreign population by province, 2008-2030

		2008	2015	2020	2025	2030	% Variations 2008-2030
L'Aquila	Foreigners	19.079	27.860	30.735	33.333	35.570	86,40%
	% of residents	6,20%	8,70%	9,60%	10,30%	10,90%	4,70%
Teramo	Foreigners	20.922	31.428	35.111	38.404	41.479	98,30%
	% of residents	6,80%	9,80%	10,80%	11,70%	12,50%	5,80%
Pescara	Foreigners	12.676	19.772	22.894	25.974	28.846	127,60%
	% of residents	4,00%	6,10%	7,00%	8,00%	8,90%	4,90%
Chieti	Foreigners	16.964	25.660	28.474	30.700	32.594	92,10%
	% of residents	4,30%	6,40%	7,10%	7,70%	8,20%	3,90%

Source: Provincial demographic projections processed beginning with ISTAT regional projections

1.4.3. Focus on the Municipalities struck by the earthquake

The definition of the area struck by the recent earthquake of 6 April 2009 refers to the list of 57 municipalities identified by the delegated commissioner n. 3 of 16 April 2009 and n. 11 of 17 July 2009 (*fig. 18*).

Figure 14 – Municipalities in the area of the crater

L'AQUILA	Cocullo	Poggio Picenze	Castelli
Acciano	Collarmele	Rocca di Cambio	Colledara
Barete	Fagnano Alto	Rocca di Mezzo	Fano Adriano
Barisciano	Fontecchio	San Demetrio ne' Vestini	Montorio al Vomano
Bugnara	Fossa	San Pio delle Camere	Penna Sant'Andrea
Cagnano Amiterno	Gagliano Aterno	Sant'Eusanio Forconese	Pietracamela
Campotosto	Goriano Sicoli	Santo Stefano di Sessanio	Tossicia
Capestrano	L'Aquila	Scoppito	PESCARA
Capitignano	Lucoli	Tione degli Abruzzi	Brittoli
Caporciano	Monte reale	Tornimparte	Bussi sul Tirino
Carapelle Calvisio	Navelli	Villa S. Lucia degli Abruzzi	Civitella Casanova
Castel del Monte	Ocre	Villa Sant'Angelo	Cugnoli
Castel di Ieri	Ofena	TERAMO	Montebello di Bertona
Castelvecchio Calvisio	Ovindoli	Arsita	Popoli
Castelvecchio Subequo	Pizzoli	Castelli	Torre de' Passeri

The province of L'Aquila was the area most affected by the earthquake (*fig. 19*) with 49 municipalities in which before the earthquake lived overall 36% of the population of the province (*tab. 15*).

The involvement of the Provinces of Teramo and Pescara were marginally involved, 8 and 7 municipalities and about 5% of the population of the province.

The characteristics from a demographic point of view of the area struck by the earthquake, and the municipality of L'Aquila that is the principle area, can be described on the basis of the indicators used in the previous section.

For a more effective framework of this data furthermore it is also compared to the values of the indicators calculated on the region as a whole (*tab. 16-18*).

The results obtained indicate how in 2008 the whole population of the area struck was 145,000 people (about 8,000 foreigners) of which half resident in L'Aquila.

For what concerns the age structure it involves an older population than the regional average, especially for the effect of the smallest municipalities. The demographic balance of the area before the earthquake was positive overall with net migration in 2008 (+1,385) that compensated for natural negative net balance (-540).

The ability to attract of the municipalities mentioned seems however in decline compared to the five previous years (net migration was +2,566).

Figure 15 - Map of the municipalities struck by the earthquake

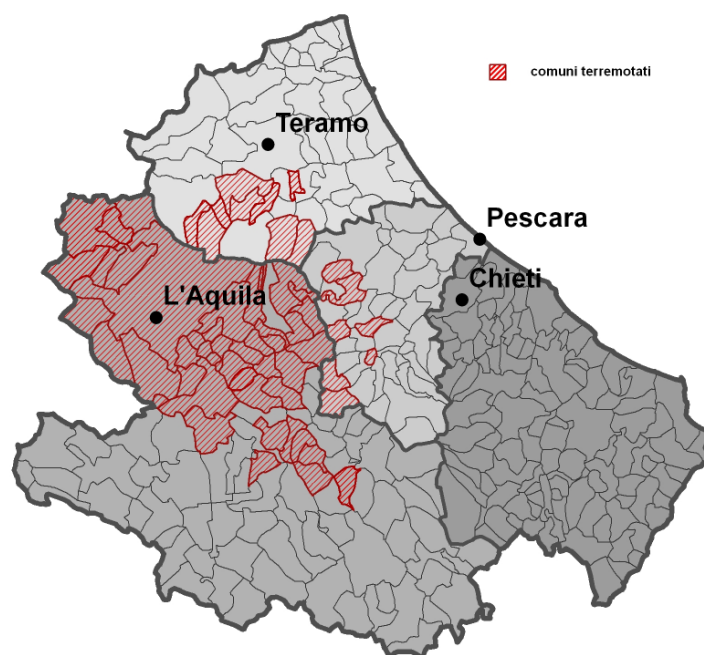


Table 16 - Number of municipalities and percentage of residents of each province struck by the earthquake, 2008

		Municipalities struck by the earthquake	Other municipalities	Total
L'Aquila	N. Municipalities	42	66	108
	% residents	36,1%	63,9%	100%
Teramo	N. Municipalities	8	39	47
	% residents	5,30%	94,70%	100%
Pescara	N. Municipalities	7	39	46
	% residents	5,2%	94,8%	100%
Chieti	N. Municipalities	-	104	104
	% residents	-	100,00%	100%
Abruzzo	N. Municipalities	57	248	305
	% residents	10,8%	89,2%	100%

Source: Register of the population 2002-2008

Table 17 - Total of the resident population and of the foreign presence, 2008, 2003

	2008			Five years earlier (2003)			% Variations 2003-2008		
	Residents	Foreigners	% of residents	Residents	Foreigners	% of residents	Residents	Foreigners	% of residents
Municipalities struck by the earthquake	144.693	7.897	5,50%	142.140	4.177	2,90%	1,80%	89,10%	2,60%
L'Aquila	72.988	3.772	5,20%	70.664	2.168	3,10%	3,30%	74,00%	2,10%
Abruzzo	1.334.675	69.641	5,20%	1.285.896	32.466	2,50%	3,80%	114,50%	2,70%

Source: Register of the population 2002-2008

Table 18 - Indicators of the demographic structure, 2008

	Average age	Sex ratio	Old-age index*	Index of dependency**	% Minors	% Aged over 65	% Aged over 80
Municipalities struck by the earthquake	44,6	94,3	187,9	63,7	14,7	22,4	7,3
L'Aquila	43,2	92,5	155,2	57,9	15,3	19,5	5,8
Abruzzo	43,3	94,6	162,4	64,9	16,1	21,2	6,4

* Ageing index = (Pop. over 65 years of age/Pop. 0-14)*100

** Index of dependency (Pop. 0-19 + Pop. Over 65)/Pop. 20-64)*100

Source: Register of the population 2002-2008

Table 19 – Indicators of net migration and net natural change, 2008, 2007, 2003

	2008		A year earlier (2007)		Five years earlier (2003)	
	Net migration	Net natural change	Net migration	Net natural change	Net migration	Net natural change
Municipalities struck by the earthquake	1.385	-540	1.217	-546	2.566	-484
L'Aquila	548	-110	406	-78	1.487	16
Abruzzo	12.665	-1.977	16.462	-2.272	15.313	-2.701

Source: Register of the population 2003-2008

1.4.3.1. First post earthquake demographic trends

The data on the 2009 demographic balance allows a first test of the eventual impact that the earthquake of 6 April has had on the population flows recorded by official statistics. The data analysed refer particularly to the period from April and November. In the reading of the results that follow are presented it should however consider that there is a gap between the real movements of the population and the formal changes of residence that are the basis of official statistics. This fact has greater weight in the case under examination in as much the residence in the municipalities effected are a necessary requirement for the access to help guarantee assistance from the State to the population effected. Furthermore, Given that the information is available for only 8 months after the earthquake, it is possible that the data recorded of the files, that can discount a delay of several months concerning the real changes of residence, are after the time considered and thus not yet available.

Thinking in terms of the stock of population totalling on 31 December 2009 does not demonstrate significant variations from that recorded on 1 April of the same year (*tab.19*). The municipalities effected by the earthquake number about 145,000 inhabitants on both dates, over half of which reside in L'Aquila. It should however be noted how the slight decline that is observed in the provincial capital, which corresponds to 500 inhabitants, is in countertendency with the trend of the region as a whole (+4,000 inhabitants).

The data of the net natural change and net migration, referring to the same April-November period, have been examined measured by comparing 2009 to the two previous years (*tab. 20*). For what concerns the net natural change the 302 victims of the tragic event a feature to note, net of this figure the statistics demonstrate a substantial continuity with what was recorded before. From the point of view of net migration for the municipality of L'Aquila going from a positive to negative figure is noted. Over all the municipalities effected by the earthquake to a significant decrease of the net figure does not correspond however to a transition to negative figures.

More detailed indications emerge from the analysis of monthly data for net migration and the two components that it produces: filings and cancellations in the register (*tab. 21*). In particular it is noted how the decline in the net decrease recorded in 2009 is caused primarily by a smaller number of new filings in the months following the earthquake. On the other hand there is also recorded a smaller number of cancellations, with the exceptions of June and September, for which the overall differences in the net compared to 2007 and 2008 do not appear to be very marked.

Table 20 - Resident population on 1/4/2009 and on 31/12/2009

	01-apr-09	31 December 2009
Municipalities struck by the earthquake	144.853	144.415
L'Aquila	73.203	72.696
Abruzzo	1.334.939	1.338.898

Source: Register of the population 2003-2008

Table 21 - Net migration and net natural change in the April-November period 2007, 2008, 2009

	2009		2008		2007	
	Net migration	Net natural change	Net migration	Net natural change	Net migration	Net natural change
Municipalities struck by the earthquake	+161*	-593*	743	-236	775	-272
L'Aquila	-200	-223	236	-50	173	-102
Abruzzo	5.829	-1.725	8.055	-662	9.993	-947

* When the processing was carried out on the ISTAT site several municipalities figures were missing for October and November 2009 (with a total of about 5 thousand inhabitants)

Source: Register of the population 2003-2008

Table 22 - Monthly trend of filings and cancellation in the register in Municipalities effected (April-November 2007, 2008 and 2009)

	2009			2008			2007		
	Filings	Cancellations	Differences	Filings	ns	Differences	Filings	Cancellations	Differences
April	173	72	101	281	199	82	314	199	115
May	109	131	-22	293	160	133	327	224	103
June	146	205	-59	232	169	63	285	154	131
July	223	134	89	360	221	139	304	211	93
August	224	115	109	322	227	95	238	185	53
September	241	307	-66	345	217	128	300	227	73
October	236	216	20	317	251	66	466	315	151
November	195*	206*	-11*	310	273	37	314	258	56

* When the processing was carried out on the ISTAT site several municipalities figures were missing for October and November 2009 (with a total of about 5 thousand inhabitants)

Source: Register of the population 2009

1.4.3.2. Medium – long term scenarios for competitiveness in the demographic sphere

The making of scenarios can be carried out in many ways and with many objectives, in this section the principle interest is to reflect on how these factors and dynamics may impact the demographic competitiveness of the area effected by the earthquake of the area compared to the forecasts before the event.

The idea is that a traumatic and tragic event like the Abruzzo earthquake produces a disruption of the local equilibria including demographic one, which on the one hand creates a particularly complex transition to manage, on the other leads to a multitude of developments in the medium - long term which ideally represent an opportunity to launch the area on the basis of a new level of competitiveness.

The inevitable change of the demographic framework that will occur in the coming years, even if it is not easy to foresee in consideration of the weakness of the signals observable today (seen in the previous section), it will undoubtedly be an important factor influencing this process. The scenarios consider five questions:

- attractiveness;
- generational replacement;
- dependency rate;
- foreign presence;
- human capital.

For each area it begins by examining a preliminary assessment on its degree of competitiveness of the provinces of Abruzzo in 2008, with particular attention given to the province of L'Aquila.

The initial assessments of their demographic competitiveness is important because, beginning with them statistical forecasts on the evolution of the competitiveness of the areas of Abruzzo in relation to the wider national context have been built³.

These forecasts are the quantitative background on which an attempt to elaborate a framework of the considerations on the potential impact of the earthquake, both in the next reconstructed phase ("scenario to 2020"), and in the longer term ("scenario beyond 2020) has been made.

The results of the analysis are described below. In general, it has been considered realistic to assume that the post-earthquake developments are to be assessed from the perspective of the re-entry of the state of emergency and the containment of the loss of competitiveness that in any case, once the reconstruction phase is finished, could give way to a new beginning for the area.

The role of demographic variables relative to this process seems to lead in two directions: on the one hand, the events that have occurred produced exceptional phenomena especially on mobility (depopulation of unusable areas, arrival of a new work force for reconstruction, etc.) introducing at least temporary changes into the context; on the other hand, the features of the demographic change that, over time, will tend to take on a structural character that could influence the social fabric in ways that cannot be ignored.

The success in the renewal of the ambitions of the city of L'Aquila and of the other effected municipalities seem to be strictly linked to the enhancement, through targeted policies and action, not only of economic investment due to the reconstruction, but also in the resources in terms of the population and work force. these resources should be carefully monitored over time to detect the changes taking place.

Until now the changes in the ability to attract, generational replacement, dependency ratio, foreign presence and human capital can only be forecast on the basis of the initial trends that emerge from the official statistics and other sources and studies available on the question⁴, as plausible arguments directed to recognising the variables that may have the greatest effect on competitiveness: this is the principle contribution the analysis carried out intends to offer.

Below are reported the principal evidence related to each question analysed, a detailed analysis of which is attached to the report:

³ This assessment derives from the analysis carried out in the Competitiveness of Urban Areas Report 2009 that is to be published.

⁴ Of particular note: Petrei F., Petrei F., *Ad un anno dal terremoto a L'Aquila: dinamiche migratorie e sociali nel post-sisma*, presentation to XLVII Scientific Meeting of the Italian Society of Economics, Demography and Statistics, 27-29 May 2010, Milan.

THEMES	IMPACT OF THE EARTHQUAKE	
	SCENARIO UNTIL 2020 (time foreseen for the reconstruction)	SCENARIO BEYOND 2020 (post-reconstruction developments)
ATTRACTIVENESS	<p>-Residence being a necessary condition for access to aid it is foreseeable that they will be only a few changes of residence compared to the moves to other areas of the region or country by the effected population. The persons most likely to move are: young professionals, families without children and the independent elderly;</p> <p>'- The efforts for a rapid reopening of the schools could at least partially limit the departure of families with children, as is already seems to be confirmed by the MIUR data on the enrolment in schools that, in the province of L'Aquila for the 2009/2010 SY, are more or less unchanged compared to the previous year;</p> <p>'- A growing increase in the work force is foreseen especially in jobs connected to the reconstruction. The movement already recorded highlights the possibility of a problem supply to the supply of the necessary housing and services for their reception.</p>	<p>-Return to the city of the people evacuated, if the living conditions allow it, will be an important return flow in the perspective of contrasting the demographic decline that threatens to limit the opportunities for social-economic development in the area. Furthermore it will monitor how the new settlements built due to the emergency (project C:A:S:E: Antisismic Sustainable Environmentally-friendly Complexes) will be developed and retrofitted in the medium – long term;</p> <p>'- If supported by adequate development policies, the stimulus for the local economy from the reconstruction of buildings and infrastructure and the renewal of businesses and services could favour, in the medium – long term, a virtuous circle for the attractiveness of the area for the work force, including the skilled, who are interested in the professional opportunities in a growing area.</p>
GENERATIONAL REPLACEMENT	<p>-The low levels of the birth rate characteristic of the area could experience a further decline , but temporary, in the next few years due to the choice of families to delay births in precarious living conditions;</p> <p>'- In the period of reconstruction, the significant contribution of families, Italian and foreign, which in recent years moved into the area of L'Aquila will disappear.</p>	<p>-The forecasts developed on the basis of the pre-earthquake data highlight the possibility of a recovery in 2030 of the capacity for generational replacement: to not go in the opposite direction, there is a need to recreate the favourable conditions for children/youth and their families for the facilities and services (schools, childcare, etc.) and at the same time to promote the image of an urban and social environment that guarantees youths a future.</p>
DEPENDENCY	<p>-The transitory phase of reconstruction is characterised especially, by the age structure of the current population, due to the probable increase of the working age population due to the migration of workers and for a demographic decrease, because of local population who have left temporarily or permanently, more generally distributed by age group.</p>	<p>-For the context of L'Aquila, in 2008 one of the oldest in Italy, before the earthquake a clear recovery was forecast. The equilibrium among the age groups of the population will depend on how the dynamics of the demographic flows will develop and stabilise relative to the evacuees and the settlement of new inhabitants. However, it is likely that a recovery will occur, in line with the forecasts, due to the structural characteristics of the data.</p>
ROOTEDNESS OF FOREIGNERS	<p>-The earthquake has activated mechanisms of control and monitoring by the police forces of the population currently in the area; this needed activity will carry on and will contribute to the departure of most illegal immigrants or of dubious legal status;</p> <p>'- On the other hand, there a massive flow of workers including foreigners that have found or are looking for employment in the construction companies with the task of rebuilding. From the first investigations of the reception and assistance centres, the predominant nationalities are: Tunisians, Moroccans and Romanians.</p>	<p>-In a context like that of L'Aquila, that before the earthquake was characterised by foreigners taking root in the local social fabric which had already begun but still in part to be completed, the new perspectives appear to indicate the possibility of a strong renewal migration in the future. An important factor on which this renewal depends is connected to the construction industry, which traditionally employs foreigners from Africa and Eastern Europe; it remains difficult to foresee the developments in the long term once the stimulus of reconstruction ends.</p>
HUMAN CAPITAL	<p>-Efforts for a rapid opening of the schools and university has guaranteed the greatest continuity possible for young people of the area to participate in education;</p> <p>'- Also because of the consequences of the negative images connected to the tragic consequences of the collapse of the university buildings and the Student House, the negative fallout has been unavoidable for the attractiveness of the University of L'Aquila for students from outside the province, which before the earthquake were about 13,000 out of more than 20,000 enrolled in the accademic year 2008/09;</p> <p>'- In the labour market, the attractiveness for skilled human capital, except for construction, is also partially compromised in the short term.</p>	<p>-The repair and reopening of the damaged buildings is a key element in the restoration of the image of L'Aquila as a university town and favouring the return of students from outside the province;</p> <p>'- Overall the high quality of the human capital educated in this area before the earthquake could be the same in the future, if the economic investments will be directed to education/research.</p>

1.5. Main urban and demographic evidences

The Abruzzo region is deeply linked to its morphologic composition, and it can be divided into two areas: mountains (in particular L'Aquila Province), costal (in particular some parts of the Province of Teramo, Pescara and Chieti)

Because of this peculiarities, the Abruzzo region has a strong touristic vocation, that is also an important economic potentiality:

- the seaside tourism (of international level) between Teramo and Pescara;
- the cultural and mountain tourism (four important parks and lots of ancient villages) that features L'Aquila territory.

The demographic framework is characterised by a generalised demographic development, featured by a transformation in the population structure, with an increase of old and foreign population.

The regional real estate market shows limited dynamics, in particular if compared with other touristic areas and taking into consideration the presence of territories with an important expansion potential (both for housing and for commercial activities and offices).

In the followings we will analyse more in detail the two macro areas identified.

Synthesis of the Urban characteristics at a Municipalities level

City	Territory	urban structure	Connections	Commercial and industrial poles
L'Aquila	vast territory, at different altimetric quotes it is divided into 12 areas, in part within the area of parks.	L'Aquila is organized patchy along the east - west direction, following the Aterno river stream.	L'Aquila is connected to the A24 highway, while the railway is not developed.	The city has mainly the role of administrative pole, there are few industrial and commercial poles.
Pescara	Pescara is located on the centre of a metropolitan area developed on a flat territory.	Pescara is the most populated city of Abruzzo, building are located mainly on the cost and along the Chieti - Pescara axis.	Within the city there is the Abruzzo International Airport. The city has good connections with external area, however it has and a insufficient public transport system.	Large presence of commercial areas.
Chieti	Located on the hill dividing the rivers Aterno and Pescara, at about 12 kilometres from Pescara.	The town is divided into two parts: the old town located on the top of the hill and the more recent area located on the bottom.	Chieti is included in the urban area of Chieti - Pescara, close to the S.S. 81 and the highway A24.	In the lower part of the city (Chieti Scalo) there is the railway station and the most important logistic pole of the region.
Teramo	Teramo is located in the north part of the region, in a hilly area close to the Gran Sasso mountain.	The urban area is located mainly in the west - east direction.	The city is well connected with outside areas: the A14 and A24 highway.	About 7 km from Teramo there is the village of San Nicolò a Tordino, one of the main industrial and commercial pole of the Province.

Synthetic demographic analysis at a Municipalities level

City	Demographic Structure	Mobility and attractiveness	Foreign population	Demographic forecast (Province)
L'Aquila	72.988 inhabitants in 2008, growing of 5,5% between 2003 and 2008. Important old people component. Decrease in the last 5 years of births.	Positive but declining net migration. Positive but declining mobility both regarding attractiveness and transfers.	Slight increase of foreign population. The most numerous foreign population is Rumanians (25,7%) followed by Macedonians (10,7%).	Data used in the analysis are ante - earthquake, in 2030 it was expected a 5,6% increase with respect to 2008 population, a progressive ageing and increase of foreign population.
Pescara	123.022 inhabitants in 2008, growing of 1,1% between 2003 and 2008. A population older than other municipalities of the region, an increase of birth ratios.	A reducing attractiveness. there is a transferring trend to Pescara from the other cities of the region.	Foreign population more than doubled (3,4% of total inhabitants in 2008). The most numerous foreign population is Rumanians (19%) followed by Ukrainians (14%).	In 2030 it was expected a 1,4% increase with respect to 2008 population. The foreign population growth is expected to be equal to 127,6% of actual numbers.
Chieti	54.733 inhabitants in 2008, growing of 5% between 2003 and 2008. Important old people component. Slight growth in birth rate.	Net migration close to zero, slightly positive in some village of the Province.	Small and recent growth of the foreign population. The most numerous foreign population is Albanians (25%).	It is forecasted a population at 2030 close to the actual one, with an higher level of old people.
Teramo	55.015 inhabitants in 2008, growing of 7,8% between 2003 and 2008. Important old people component. Declining birth rate.	Declining attractiveness of the territory. Two times increase of emigrant phenomenon.	The foreign population is about the 4,3% of inhabitants in 2008. The most numerous foreign population is Albanians (24,3%). Followed by Rumanians (19,2%).	It is expected a 6,8% growth in 2030, mainly driven by the increase of foreign population, that is expected to reach a level of 12,5% of the population. It is also expected an increase in the elder population.

1.5.1. Strategic guidelines for L'Aquila

Following the earthquake of 6 April 2009 the regional planning (ROP ERDF, PAR-FAS and Master Plan for economic development) has been reformulated, as have some of the directions of strategy and policy, on the basis of the new needs.

The catastrophic event has not only changed some of the planning and the development documents of the Region, but it has redefined its geographical terms (the city territory?) and the good governance of the Municipalities of the province of L'Aquila, as well as parts of the provinces of Teramo and Pescara.

Several structures and entities are involved in the management of the reconstruction and replanning and created *ad hoc*: the Commissioner for the reconstruction, Technical Structures of the Mission and the Management of the emergency; and traditional structures: the mayors of L'Aquila and the municipalities effected by the earthquake, the technical experts and the local authorities, alongside which there are, on various levels, numerous popular associations that participate in public hearings.

In order to organically and coherently define and structure a development strategy for the area of the earthquake, a document was drawn up jointly by: the Commissioner for the Reconstruction, the President of the Region of Abruzzo and the Technical Structure of Mission, which have identified the guidelines of the strategy for the territorial replanning.

In particular, the guidelines aim to pursue territorial replanning and development that:

- limits the problems as a consequence of the replanning of the Crater structured by functional sectors (mobility, environment, land, economy);
- reconcile the economic dynamics through prudent management and directed to conserve non renewable resources;
- promote efficiency and use of collective and environmentally sustainable means of transport;
- integration of the planning of spatial use and the protection of ecosystems;
- articulate and make compatible the larger environments contexts that characterise the land of the Crater: mountains, valleys, agricultural spaces.

From an analysis of the document several elements emerge for the development of the area of the crater over the medium term, in particular these initiatives have been proposed: the enhancement of the system centred on the high mountains and specialised in winter sports, the development of widespread facilities for tourism, the creation of an innovation pole, development of more extensive system of urban mass transport, including and connecting the 57 municipalities of the earthquake crater.

Several themes are analysed strategically, of which can be mentioned:

- **competitiveness** – the growth of places of competitive excellence that have strong ties to the territorial policies and the planned land use choices, in any case the little attention is given to the mechanisms of education, to development and to the dynamics and the needs of the locations of competitiveness.
- **Mobility** – important both for the area of the Crater and in more specific locales, and on a larger geographic scale: regional, national, and international. It is also strategic to strengthen the connections between the urban centres and the centres of tourism, in particular, the facilities for winter sports, with special and decisive attention for the problems raised by the "last mile".
- **Tourism** – the document indicates how strategic the transition towards a different form of tourist services and of the overall services supporting tourism is: accessibility, quality of the assets, efficiency and versatility of the facilities.

The strategic lines are an important element for the governance of the replanning and, for the purposes of JESSICA, the urban development initiatives should kept in mind and, where opportune, there should be an effort to implement them.

1.6. Abruzzo – financial sources for urban development

In this section, the sources most likely to be activated by the Jessica scheme for funding of urban development projects in the Region of Abruzzo that from various kinds of structures will be analysed.

The purposes of the analysis that are always linked to the JESSICA scheme are varied, in particular:

- to estimate the potential total resources that may come together within the JESSICA scheme;
- to map the “presence” of the principal financial/real estate actors in Abruzzo;
- to verify the possibility of operating in synergy with the resources/structures engaged in the post-earthquake reconstruction.

On the basis of these objectives, the principal sources and structures for urban development will be analysed below, those that have been specifically analysed within the context of Abruzzo are:

- European Regional Development Funds – Community resources managed by the region, to be used as revolving funds in what has been defined as the JESSICA scheme;
- Underutilised Area Fund – national resources, managed on the regional level that may be co invested at various levels of the JESSICA scheme;
- Banking foundations – structures that are ruled by private law, they are a product of the privatisation of the national credit system, which operates primarily through disbursements;
- Investment funds – investment bodies that concentrate on real estate initiatives;
- Funds dedicated to the post-earthquake reconstruction – financial grants coming primarily from ministries dedicated to the areas most effected by the earthquake of 6 April 2009.

Although this report does not have the purpose to deal exhaustively with the structures and procedures of the organisations that will be analysed, below the intention is to carry out an analysis that determine the size, even if preliminarily, that the JESSICA instrument could have in Abruzzo.

1.6.1. ERDF planning

STRUCTURAL FUNDS – GENERAL FRAMEWORK

The European Union, in order to pursue the development throughout the Union, allocates funds targeting Member States and Regions.

The sources which the European Union utilises are connected primarily to Structural Funds:

- European Social Fund (ESF)
- European Regional Development Fund (ERDF),
- European Agricultural Fund for Rural Development (EAFRD)
- Cohesion Funds

The European Funds follow a multiyear programme, coordinated on the Community, National and, at times, Regional levels.

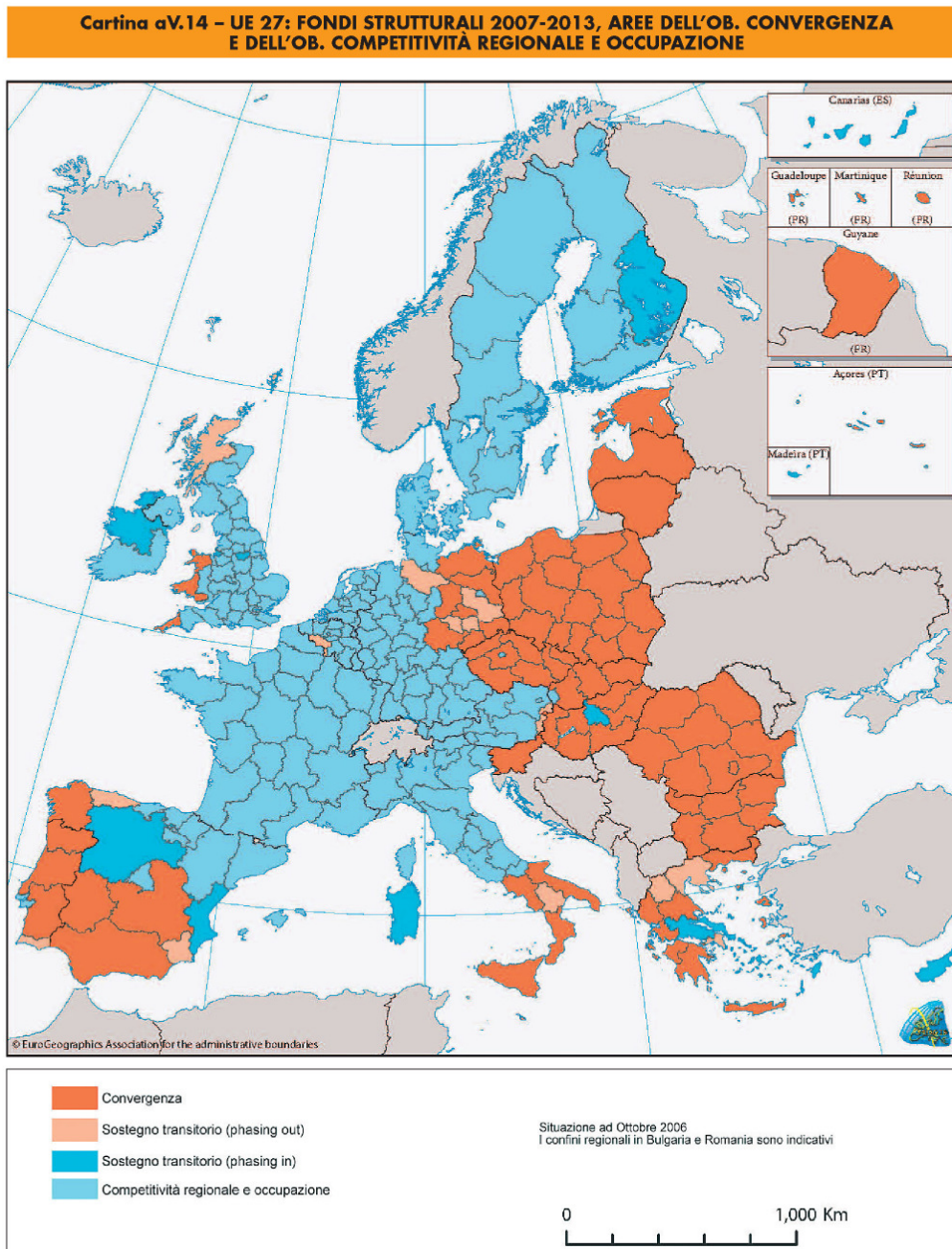
For the planning period 2007 – 2013, the total resources of the Structural Funds are about 347 billion Euros.

The Structural Funds have various purposes according to the Region/Country to which they are allocated, in recognition of the profound differences that exist across the European Community. In particular two types of regions have been identified, for which two different types of objectives have been identified:

- **Convergence regions** – in which structural funds have the purpose to accelerate convergence with the more developed regions of the EU through economic improvement and increased employment. The regions included in the convergence objective are funded through ERDF, ESF and Cohesion Funds and receive about 81.5% of all the resources available.
- **Competitive Regions** – in which the structural funds have the objective of promoting innovation, entrepreneurship, environmental protection and development of the labour market. These regions receive funding through the ERDF and ESF and consume 16% of the resources available.

The image below indicate the regions belonging to the two different purposes for the period 2007 – 2013.

Figure 16 - Community Structural Funds



OP ERDF – SOME PROCEDURAL POINTS

The OP ERDF (Operational Programme of the European Regional Development Fund) is the programme through which the Region describes the areas of expenditure and ways of use of the ERDF funds that are assigned by the European Community.

The document is based on the guidelines of the National Strategic Framework and the related community rules, acknowledging the specific needs of place.

Like all Structural Funds, also the ERDF responds to the logic of co financing, that is the spending plan (OP ERDF) foresees that the all sources are both in part co financed by community funds (ERDF) and in part by national funds (in Italy the Revolving Fund).

The procedural scheme established for the disbursement of the European Regional Development Fund and ruled by European Regulations, in particular 1080/2006 and

1083/2006 and foresees collaboration between the Community structures (European Commission), national (IGRUE) and regional (Management/Certification/Audit Authorities).

The pivotal structures of the "ROP ERDF process", some which will be analysed in greater detail below, are:

- **Managing Authority:** body on the regional level that manages the OP ERDF and establishes how it operates, makes an annual progress report of the Operational Programme to the European Community.
- **Certification Authority:** body on the regional level that certifies the financial statements and the requests for payment and submits them to the European Commission.
- **Audit Authority:** body on the regional level responsible for the control of the effective working of the management and accounting systems of the Operational Programme.
- **Revolving Fund for the enabling of Community policies:** instrument on the national level established by the Law of 16 April 1987, utilised for financing the national share of ROP.
- **Inspectorate General for financial relations with the European Union (IGRUE):** Body on the national level established to manage the Revolving Fund for enabling Community policies.

The financial relations between the European Community and the Region are defined in Regulation 1083/2006 and, very briefly, follows the scheme described below:

1. the payments of the European Commission come in the form of **prefinancing, of interim payments and payments of the final balance** that are deposited in the designated body by the Member state;
2. the Region, through the Management and Certification Authorities, annually submits to the European Commission the Progress Report of the Operational Programme, including the eligible expenses incurred and documented;
3. **prefinancing** (Art. 82 Reg. 1083/2006), value of the structural funds paid to the Region in instalments: in 2007 2% of the ROP, in 2008 3%;
4. **Interim payments** (Art. 85 ff. Reg. 1083/2006), are paid to the Region on the basis of the filing with the Commission of a request for payment and the expenditure statement;
5. **payment of the final balance** (Art. 89 Reg. 1083/2006), the Commission provides on the basis of the request for payment filed by the Member state within 31 March 2017.

One of the elements to consider carefully, within the rules on Structural Funds concerns the principle of **automatic decommitment**, contained in Art. 93 of Reg. 1083/2006, that establishes that in the case that any part of the budget commitment has not been used for payment of the pre-financing or interim payments by 31 December of the second year after the budget commitment was made, the Commission shall automatically decommit.

As was already mentioned above and as will be described later in detail in this report, the JESSICA scheme allows the principle of automatic decommitment to be limited, that in many Regions represents a serious restriction to be considered.

OP ERDF ABRUZZO – PRINCIPAL CHARACTERISTICS

The Region of Abruzzo falls under the Regional Competitiveness and Employment, so the ERDF Operational Plan has to call for a rate of co investment by the Community Structural Funds of less than 50%.

For the ERDF planning 2007/2013 Abruzzo was assigned 345 million Euro total resources, of these about 40.7% is financed by Structural Funds (Community Resources), while the rest comes from the National Revolving Fund.

The Abruzzo ERDF ROP was approved by the European Commission on 17 August 2007, made up of four operational priorities and general technical support, seen in the table below, in which the resources committed to the financing of the Integrated Plan for Urban Development have been highlighted.

Table 23 – Abruzzo OP ERDF 2007 -2013 pre-readjustment

ASSE	ATTIVITA'	QUOTA COMUNITARIA	QUOTA NAZIONALE	PIANO FINANZIARIO
ASSE I. R&S INNOVAZIONE E COMPETITIVITA'	1.1 Ricerca Industriale e Sperimentale	6.004.895	8.822.006	14.826.900
	1.2 Creazione Poli di Innovazione	7.005.710	10.292.340	17.298.050
	2.1 PMI, Innovazione tecnologica	13.010.604	19.114.345	32.124.949
	2.2 Start Up Tecnologiche	8.006.526	11.762.674	19.769.200
	2.3 Trasferimento Tecnologico	12.009.789	17.644.010	29.653.799
	2.4 Accesso al credito	9.073.356	13.329.993	22.403.349
	Totale Asse I	55.110.880	80.965.367	136.076.247
ASSE II. ENERGIA	1.1 Fonti Rinnovabili	10.008.157	14.703.342	24.711.499
	1.2 Sistemi di Risparmio Energetico	3.502.855	5.146.170	8.649.025
	1.3 Sensibilizzazione Risparmio Energ.	761.115	1.118.182	1.879.297
		Totale Asse II	14.272.128	20.967.693
ASSE III. SOCIETA' DELL'INFORMAZIONE	1.1 ITC per le imprese	4.003.263	5.881.337	9.884.600
	2.1 Banda Larga in Montagna	10.008.157	14.703.342	24.711.499
	2.2 Digitalizzazione PA in montagna	6.004.895	8.822.006	14.826.900
		Totale Asse III	20.016.315	29.406.684
ASSE IV. SVILUPPO DEL TERRITORIO	1.1 Sostegno ai PISU	16.513.459	24.260.515	40.773.974
	2.1 Valorizzazione montagna (PIT)	11.509.381	16.908.843	28.418.224
	3.1 Prevenzione rischi naturali	7.005.710	10.292.340	17.298.050
	3.2 Bonifica siti contaminati	10.008.157	14.703.342	24.711.499
		Totale Asse IV	45.036.708	66.165.039
ASSE V. ASSISTENZA TECNICA	Asse V - Supporto all'intero programma	5.504.487	8.086.838	13.591.325
TOTALE		139.940.516	205.591.623	345.532.139

Source: OP ERDF Abruzzo Region pre-adjustment

The timetable for reporting of Community ERDF Funds of the first draft of the ERDF OP, included below, calls for a percentage of expenditure of about 14% of the resources in each year of the plan.

Table 24 - Timetable Abruzzo ERDF OP 2007 -2013 pre-readjustment

Anni	Fondi FESR Comunitari	% sul totale	% cumulata
2007	18.799.458	13%	13%
2008	19.175.446	14%	27%
2009	19.558.956	14%	41%
2010	19.950.135	14%	55%
2011	20.349.137	15%	70%
2012	20.756.120	15%	85%
2013	21.171.243	15%	100%
Totale	139.760.495	100%	100%

Source: OP ERDF Abruzzo Region pre-adjustment

After the earthquake of 6 April 2009, it has become necessary to adjust the Operational Plan for the purpose of assigning a greater share of the resources to the area of the crater.

So a readjustment of the ERDF OP was carried out that establishes the inclusion of a priority dedicated to the financing of the reconstruction and regeneration of the area effected by the earthquake. With the readjustment of the ERDF OP the financial grant was not increased, so it was necessary to reapportion the resources. In the table below the current version of the Abruzzo OP ERDF can be seen.

Table 25 – Abruzzo OP ERDF 2007 - 2013 after readjustment

ASSE	ATTIVITA'	QUOTA COMUNITARIA	QUOTA NAZIONALE	PIANO FINANZIARIO
ASSE I. R&S INNOVAZIONE E COMPETITIVITA'	1.1 Ricerca Industriale e Sperimentale	3.602.937	5.293.203	8.896.140
	1.2 Creazione Poli di Innovazione	4.050.000	5.950.000	10.000.000
	2.1 PMI, Innovazione tecnologica	13.010.604	19.114.345	32.124.949
	2.2 Start Up Tecnologiche	3.202.610	4.705.070	7.907.680
	2.3 Promozione delle PMI	3.946.372	5.797.757	9.744.129
	2.4 Accesso al credito	9.007.341	13.233.008	22.240.349
	Totale Asse I	36.819.865	54.093.382	90.913.247
ASSE II. ENERGIA	1.1 Produzione di energia da Fonti Rinnovabili	5.004.079	7.351.671	12.355.750
	1.2 Sistemi di Risparmio Energetico	9.114.433	13.390.341	22.504.774
	1.3 Sensibilizzazione Risparmio Energetico	153.615	225.682	379.297
		Totale Asse II	14.272.128	20.967.693
ASSE III. SOCIETA' DELL'INFORMAZIONE	1.1 ITC per le imprese	4.003.263	5.881.337	9.884.600
	2.1 Banda Larga in Montagna	10.008.157	14.703.342	24.711.499
	2.2 ICT cittadini area montagna	6.004.895	8.822.006	14.826.900
		Totale Asse III	20.016.315	29.406.684
ASSE IV. SVILUPPO DEL TERRITORIO	1.1 Sostegno ai PISU	10.033.459	14.740.515	24.773.974
	2.1 Valorizzazione montagna	2.025.000	2.975.000	5.000.000
	3.1 Prevenzione rischi naturali	7.410.710	10.887.340	18.298.050
	3.2 Bonifica siti contaminati	10.008.157	14.703.342	24.711.499
		Totale Asse IV	29.477.327	43.306.196
ASSE V. RECUPERO E RIVITALIZZAZIONE SOCIO ECONOMICA DEL TERRITORIO COLPITO DAL SISMA	1.1 Interventi di riattivazione dell'attività produttiva	14.175.000	20.825.000	35.000.000
	1.2 Attrazione nuove imprese	4.455.000	6.545.000	11.000.000
	1.3 Sostegno alla coesione sociale	5.029.381	7.388.843	12.418.224
	2.1 Ricostruzione delle infrastrutturale e del patrimonio pubblico monumentale della città de L'Aquila	8.910.000	13.090.000	22.000.000
	3.1 Valorizzazione dei territori di montagna	1.215.000	1.785.000	3.000.000
	Totale Asse V	33.784.381	49.633.843	83.418.224
ASSE VI. ASSISTENZA TECNICA	Supporto all'intero programma	5.504.487	8.086.838	13.591.325
TOTALE		139.874.501	205.494.638	345.369.139

Source: OP ERDF Abruzzo Region after adjustment

The new priority is called: "Social economic recovery and revitalisation of the area effected by the earthquake" has attracted 83.4 million of resources overall.

To finance the readjustment the Region has acted in two ways: the overall grant of several priorities have been reduced or there has been a change in the sums designated to measures belonging to the same priority, leaving the total for the priority unchanged.

The changes below are particularly important:

- "Priority 1. R&D" has gone from 136 to 90 million Euros.
- "Priority 4. Land development" has gone from 111 to 72 million, in particular within the priority the following measures have been changed:
 - 1.1 Support for IPUD – reduced from 40.7 to 24.7 million;
 - 2.1 Development of the mountains – reduced from 28 to 5 million;
 - 3.1 Prevention of natural risks – increased from 17 to 18 million.

With the readjustment of the Operational Programme, the timetable for the reporting on the funds has remained nearly the same in comparison with the first version illustrated above.

ABRUZZO ERDF OP - JESSICA

As mentioned above, the JESSICA mechanism is an instrument of financial engineering structured in order to optimise the use of a part of the resources of the European Fund for Urban Development.

To be activated, it is necessary that the use the JESSICA instrument is provided for in the ERDF OP, in accordance with Art. 44 of Regulation 1080/2006.

In the readjusted ERDF OP 2007/2013 of the Region of Abruzzo and approved by the European Commission in November 2009, the activation of JESSICA is foreseen:

- for all of Priority IV, confronting p. 114 of the Abruzzo ERDF OP: "On basis of the necessity that will occur during the actuation of this Priority the Region reserves the possibility to activate the JESSICA initiative with the consequent involvement of the EIB and the EIF, on the basis of Reg. (EC) n. 1083/2006 art. 44.b."

- for all of Priority IV, confronting p. 125 of the Abruzzo ERDF OP: *"On basis of the necessity that may occur during the actuation of activities of this Priority the Region reserves the possibility to activate the JESSICA and/or JEREMIE initiative with the consequent involvement of the EIB and the EIF, on the basis of Reg. (EC) n. 1083/2006 art. 44.b."*

For the purposes of JESSICA, within Priority IV, the most relevant activity is certainly IV.1.1 "Support of Integrated Programmes of Urban Development" activities for which the readjusted ERDF ROP calls for the allocation of about 24.7 million, instead of the 40.7 million foreseen in the ERDF OP before readjustment.

Before the readjustment the ERDF OP called for the funds of Activity IV.1.1 were to be allocated to the provincial capitals of Abruzzo equally (about 9.5 million each), for financing projects included in the IPUDs (Integrated Programmes of Urban Development).

After the readjustment of the ERDF ROP in November 2009, it was decided to reduce the grant for Activity IV.1.1 to 24,7 million and at the same time to release the Municipality of L'Aquila from filing an IPUD.

The grant per provincial capital has thus been reduced to about 8 million for the provincial capitals: Pescara, Chieti, and Teramo.

The municipality of L'Aquila was excluded from the financing of Activity IV.1.1, while a specific activity has been included: 2.1 of Priority V (Reconstruction of the infrastructure and public architectural patrimony of the city of L'Aquila), to which were allocated about 22 million Euro.

INTEGRATED PLANS OF URBAN DEVELOPMENT

For the provincial capitals to benefit from the ERDF Funds related to Priority IV and so for the JESSICA instrument to be activated, it is necessary that they draft IPUDs: Integrated Plans of Urban Development.

The rules concerning Structural Funds, in particular Art. 8 of Regulation 1080/2006 establishes that the ERDF funds, where appropriated, support the development of participatory, integrated and sustainable strategies to defeat the serious economic, environmental and social problems that plague urban areas.

These strategies shall lead to the identification of initiatives of urban development that make possible the development of the cities and promote its competitiveness. In this framework, the projects inserted in IPUDs may foresee the recovery of urban infrastructure, the restoration and modernisation of historical centres and the conversion of industrial sites and abandoned public structures, in order to create:

- urban infrastructure;
- research poles;
- poles for the support of Universities (e.g. university accommodation, laboratories, etc.);
- improvements in energy efficiency;
- improvement of transport systems;
- supports centres for SMEs.

In order to insure an orderly and efficient operating standard, "the guidelines for the drafting of Integrated Plans of Urban Development" were defined on the regional level in May 2008, they regulate:

- the general contents of the IPUDs
 - analysis of the context;
 - strategies of vision and the priority operating objectives;
 - analytic framework of the priority interventions;
 - project sheets;
 - results of the pre-feasibility studies (perhaps)

- the procedure to follow for the realisation of IPUDs and for the use of resources, defined below.

In order to stimulate the debate, monitor its proper execution of the procedures and support the Municipalities in the realisation of the IPUDs, the creation of a Control Room has been foreseen, a body made up of one member of the Region, several institutional components of the Municipality and presided over by the Mayor or his representative.

The phases of the IPUD process, as defined in the guidelines have been condensed below.

- First phase** (estimated time 120 days from the publication of the guidelines):
 - naming of the Control Room;
 - initiation of the partnership process animated of interested parties by the Control Room;
 - mapping the plan and the interventions underway;
 - identification of the integrated planning ideas;
 - final report of the first phase by the Control Room;
 - sharing of the integrated planning ideas between the Municipality, the Control Room and their partners.
- Second phase** (estimated duration 90 days from the previous phase):
 - drafting of the IPUD;
 - Mobility Plan;
 - filing of the IPUD with the Directorate of Public Works of the Region of Abruzzo.
- Third phase** (estimated duration 120 days from the previous phase):
 - the Directorate of Public Works and Urban Areas of the Region of Abruzzo call for the Control Room for institutional coordination on the priority interventions planned in the IPUD and in the Mobility Plan;
 - initiation of the process to elaboration the priority interventions to finance with the resources available;
 - drafting the annual report by the Control Room and partners of their activities.

The guidelines of May 2008 (before readjustment) also call for a timetable for the use of the financial resources allocated to IPUDs, that total 38.7 million and that are listed in the table below.

Table 26 - Timetable of the expenditure of ERDF IPUD Funds before readjustment

ANNO	Risorse POR per annualità	Certificazioni di pagamento ai Beneficiari		Target N+2	
		Annuale	Cumulato	Annuale	Cumulato
2007	5.215.563				
2008	526.978				
2009	3.803.796	5.135.126	5.135.126	5.135.126	5.135.126
2010	7.132.118	570.569	5.705.695	570.569	5.705.695
2011	7.132.119	3.803.796	9.509.491	3.803.796	9.509.491
2012	8.501.660	7.132.118	16.641.609	7.132.118	16.641.609
2013	6.461.740	7.132.119	23.773.728	7.132.119	23.773.728
2014		8.501.660	32.275.388	8.501.660	32.275.388
2015		6.498.586	38.773.974	6.498.586	38.773.974

Source: OP ERDF Abruzzo Region after adjustment

To date only two provincial capitals (Teramo and Pescara) have drafted IPUDs and of the two only Pescara has activated any of the initiatives included in the plan. Currently, on the basis of the possibility to activate the JESSICA scheme, the municipalities of Chieti and L'Aquila are also performing the operations necessary, in concert with the Region of Abruzzo, to draft IPUDs.

Below the traditional process for allocating IPUD funds in comparison with the process of using same funds through the JESSICA mechanism will be analysed in greater detail.

1.6.2. FAS Planning

Another important regional programming document is the Regional Activation Plan (*Piano di Attuazione Regionale - PAR*) getting the majority of its resources from the Fund for Underutilised Areas (*Fondo per le Aree Sottoutilizzate - FAS*).

The 2007 – 2013 Plan (PAR FAS) contains important initiatives for urban development, that could be developed synergically with the JESSICA tool, interacting actively with other strategic plans and resources.

The 2007 – 2013 PAR FAS has been approved by the Regional governing board, it has been submitted to the CIPE (National Committee for Planning and the Economy) but it has been rejected. The Minister for Economic Development indicated possible corrections to the plan, in particular the concentration of resources on few strategic projects. Waiting for the new version of the PAR FAS, in the following table it is reported the approved version of the plan.

Table 27 – Programma Attuativo Regione FAS Abruzzo

AREA	LINEA DI AZIONE	COSTO TOTALE	RISORSE FAS	
COMPETITIVITA' & RSI	1.1.1 Sostenere la realizzazione delle Azioni Connesse individuate dalla Regione	7.000.000	7.000.000	
	1.2.1 Promozione, comunicazione e potenziamento dei servizi informativi per la valorizzazione turistica del territorio	11.500.000	11.500.000	
	1.2.2 Iniziative ed eventi culturali	10.900.000	10.900.000	
	1.2.3 Iniziative ed eventi sportivi	9.000.000	9.000.000	
	1.2.4 Sostegno ai sistemi di promozione, accoglienza e fruizione turistica nella aree PIT	3.000.000	3.000.000	
	1.3.1 Qualificazione delle strutture ricettive e sviluppo reti d'impresa per integrazione di attività e servizi, innovazioni di prodotto e processo	8.000.000	8.000.000	
	1.3.2 Incentivazione e riconoscimento dei Sistemi Turistici Locali (STL) come strumento di governance per l'offerta turistica integrata territoriale	4.000.000	4.000.000	
	1.4.1 Incentivazione e sviluppo sistema museale integrato per promozione del territorio mediante la conservazione e valorizzazione del patrimonio e dei beni culturali e architettonici	25.000.000	25.000.000	
	1.4.2 Organizzazione, sviluppo e/o trasformazione di servizi bibliotecari-informativi con impiego diffuso e mirato di nuove tecnologie	500.000	500.000	
	1.5.1 Sostenere le PMI operanti nei settori dell'industria, del commercio, dell'artigianato e del sociale nei processi di nascita, innovazione, diversificazione ed espansione commerciale e produttiva	14.000.000	14.000.000	
	1.5.2 Bottega Scuola	3.000.000	3.000.000	
	1.5.3 Migliorare l'accesso al credito delle PMI abruzzesi	46.000.000	46.000.000	
	1.7.1 Rafforzare la governance territoriale e lo sviluppo dei sistemi produttivi locali attraverso azioni di sistema volte a promuovere lo sviluppo territoriale di filiere e reti d'impresa, anche in rete europea	14.000.000	14.000.000	
	1.7.2 Sostenere la governance dei sistemi produttivi locali, tramite il sostegno alla fornitura di servizi avanzati per filiere e reti di impresa	2.000.000	2.000.000	
	1.8.1 Definizione ed attuazione di un programma di sviluppo locale.	20.000.000	20.000.000	
	TOTALE COMPETITIVITA' E RICERCA E SVILUPPO		177.900.000	177.900.000
	CAPITALE UMANO E GIOVANI	II.1.1 Interventi di messa in sicurezza dal rischio sismico degli edifici scolastici dei comuni del territorio abruzzese	23.500.000	23.500.000
II.2.1 Cofinanziamento dei Programmi dei Comuni per l'attuazione del diritto allo studio – erogazione dei servizi di trasporto e mensa		6.000.000	6.000.000	
II.2.2 Rafforzamento/supporto ADSU per le attività istituzionali		2.500.000	2.500.000	
II.2.3 Contributo agli studenti capaci e meritevoli – Borse di studio		1.000.000	1.000.000	
II.2.4 Completamento della residenzialità studentesca		2.500.000	2.500.000	
TOTALE CAPITALE UMANO E GIOVANI		35.000.000	35.000.000	
TRASPORTI LOGISTICA TELECOMUNICAZIONI	III.1.1 Infrastruttura di comunicazione integrata a banda larga della Regione Abruzzo	24.000.000	24.000.000	
	III.1.2 Sviluppo di contenuti, applicazioni e servizi digitali avanzati per l'e-government della Regione Abruzzo	20.000.000	20.000.000	
	III.2.1 Realizzazione di fermate e di parcheggi di scambio intermodale e percorsi meccanizzati finalizzata alla creazione di un modello di mobilità plurimodale e sostenibile	79.500.000	79.500.000	
	III.3.1 Potenziamento, razionalizzazione e messa in rete dell'insieme dei nodi aeroportuali e portuali con riferimento alla movimentazione passeggeri ed alla logistica merci	38.150.000	38.150.000	
	III.3.2 Completamento della piattaforma logistica abruzzese, anche attraverso la razionalizzazione e il miglioramento della rete dei collegamenti con i sistemi produttivi e di destinazione	51.700.000	51.700.000	
	III.3.3 Miglioramento dei collegamenti con Roma attraverso la realizzazione di una rete integrata ferrogomma	5.000.000	5.000.000	
III.4.1 Sostituzione, potenziamento e specializzazione del parco rotabile destinato al TPL esercitato nell'ambito regionale	20.000.000	20.000.000		
TOTALE TRASPORTI, LOGISTICA E TELECOMUNICAZIONI		238.350.000	238.350.000	
AMBIENTE ED ENERGIA	IV.1.1 Completamento ed adeguamento infrastrutturale delle reti idriche di distribuzione	7.000.000	7.000.000	
	IV.1.2 Depuratori (attuazione Piano di Azione Obiettivi di Servizio)	69.760.000	69.760.000	
	IV.2.1 Attuazione dei Programmi straordinari per lo sviluppo della raccolta differenziata, il recupero ed il riciclo e dei Programmi straordinari per la riduzione dei rifiuti e la sostenibilità ambientale dei consumi pubblici	11.600.000	11.600.000	
	IV.2.2 Completamento del sistema impiantistico di trattamento e compostaggio	12.300.000	12.300.000	
	IV.3.1 Riduzione del rischio derivante da fenomeni franosi ed erosivi	10.000.000	10.000.000	
	IV.3.2 Riduzione del rischio derivante da fenomeni alluvionali	12.000.000	12.000.000	
	IV.3.3 Riduzione del rischio derivante da fenomeni erosivi della costa	10.000.000	10.000.000	
	IV.4.1 Recuperare e rifunzionalizzare i detrittori ambientali e potenziare il sistema infrastrutturale all'interno del sistema delle aree protette della Costa Teatina	16.000.000	16.000.000	
	IV.4.2 Recuperare e rifunzionalizzare i detrittori ambientali e potenziare il sistema dei servizi di promozione della fruizione turistica delle Riserve Naturali dotate dei PAN	10.000.000	10.000.000	
	IV.4.3 Recupero e ripristino naturalistico/paesaggistico degli ambiti degradati e vulnerabili, anche mediante l'eliminazione dei detrittori ambientali	23.000.000	23.000.000	
	IV.4.4 Rafforzare la governance delle politiche ambientali attraverso il miglioramento degli strumenti di monitoraggio e vigilanza e il completamento della pianificazione dei Siti Natura 2000 al di fuori delle aree protette	2.000.000	2.000.000	
IV.5.5 Completamento della pista ciclabile del corridoio verde adriatico lungo la costa adriatica e innesto con l'entroterra nella zona del Tordino	6.000.000	6.000.000		
IV.5.6 Realizzazione di un progetto pilota di parterre infrastrutturante.	4.000.000	4.000.000		
TOTALE AMBIENTE ED ENERGIA		201.660.000	201.660.000	
POLITICHE DI COESIONE SOCIALE	V.1.1 Sostenere gli Ambiti Territoriali Sociali nell'attuazione dei Piani di Zona quali strumento di Programmazione dei servizi sociali sul territorio	10.000.000	10.000.000	
	V.1.2 Sostenere i Comuni del territorio regionale per l'attuazione degli interventi generali inerenti i servizi sociali programmati	6.000.000	6.000.000	
	V.1.3 Adeguamento sismico e miglioramento di edifici pubblici destinati ad attività sociali di tipo residenziale	12.000.000	12.000.000	
	V.1.4 Favorire la nascita e l'avviamento di nuove imprese e supportare l'inserimento nel mondo del lavoro dei giovani, mediante specifici percorsi integrati, aumentandone la professionalità e l'occupabilità	17.000.000	17.000.000	
	V.2.1 Attuazione del Piano di Azione Obiettivi di Servizio - Servizi di cura per l'infanzia	19.600.000	19.600.000	
	V.2.2 Attuazione del Piano di Azione ADI relativo agli Obiettivi di Servizio	6.250.000	6.250.000	
	V.3.1 Formazione delle risorse umane per il sistema integrato di sicurezza urbana	900.000	900.000	
V.3.2 Sostegno ai progetti per la sicurezza e la legalità	6.800.000	6.800.000		
V.3.3 Conoscenza del territorio	300.000	300.000		
TOTALE POLITICHE DI COESIONE SOCIALE		78.850.000	78.850.000	
POLITICHE DI COESIONE TERRITORIALE	VI.1.1 Verifica della sicurezza sismica, adeguamento e riqualificazione del patrimonio di edilizia residenziale pubblica esistente	8.000.000	8.000.000	
	VI.1.2 Potenziamento del patrimonio di edilizia residenziale pubblico con affitto a canone concordato nei quartieri degradati delle città	27.000.000	27.000.000	
	VI.2.1 Interventi di messa in sicurezza del rischio sismico delle strutture ove hanno sede i Municipi ed altre funzioni pubbliche comunali con esudazione delle scuole	35.000.000	35.000.000	
	VI.3.1 Sostegno agli Enti Territoriali per la definizione dei nuovi strumenti per la pianificazione urbanistica	10.000.000	10.000.000	
TOTALE POLITICHE DI COESIONE TERRITORIALE		80.000.000	80.000.000	
GOVERNANCE E CAPACITAZIONE	VII.1.1 Garantire l'efficiente programmazione e implementazione del PAR FAS attraverso attività di assistenza tecnica e di supporto alla progettazione operativa dei singoli interventi	15.513.274	15.513.274	
	VII.1.2 Implementare le attività della programmazione unitaria	5.100.000	5.100.000	
	VII.2.1 Azione di sistema per rafforzare la capacità amministrativa e modernizzare la Regione nelle materie oggetto di riforma federalista	1.800.000	1.800.000	
	VII.2.2 Iniziative per l'accelerazione degli investimenti nel campo della edilizia e delle tecnologie sanitarie	2.000.000	2.000.000	
	VII.3.1 Accrescimento delle capacity building negli Enti Locali e nell'intera filiera interistituzionale	1.000.000	1.000.000	
	VII.3.2 Innovazione e razionalizzazione nella gestione associata dei servizi pubblici locali	5.000.000	5.000.000	
	VII.3.3 Governance sismica	3.100.000	3.100.000	
	VII.4.1 Attività di assistenza tecnica alla Struttura responsabile del coordinamento del Piano di Azione degli Obiettivi di Servizio	1.000.000	1.000.000	
	VII.4.2 Supporto agli Uffici Responsabili degli interventi previsti da Piano di Azione degli Obiettivi di Servizio	1.200.000	1.200.000	
	VII.5.1 Organizzare un sistema regionale per la pianificazione, realizzazione e controllo delle politiche in materia di ricerca e innovazione	4.000.000	4.000.000	
TOTALE GOVERNANCE E CAPACITAZIONE		39.713.274	39.713.274	
TOTALE PAR FAS ABRUZZO 2007/2013		851.973.274	851.973.274	

URBAN DEVELOPMENT IN THE ABRUZZO PAS FAS

In the sphere of regional cohesion policy and related to the policy of "territorial cohesion", the Regional Implementation Programme – FAS contributes to the priority objective of "sustaining the growth and the spread of higher urban functions in the Municipalities of Abruzzo", through the Specific Objective in the intervention "*Reinforcing the planning of the local governments and the safety and quality of urban buildings*".

The Specific Objective is made up of three Operational Objectives that are implemented by one or more lines of action.

The recovery and town planning rehabilitation, together with retrofitting intervention, are of fundamental importance for the reuniting the fragmented urban fabric. New building initiatives may also be essential for the physical and social integration of the urban areas and the improvement of the quality and of the accessibility of public spaces.

New initiatives in housing construction, unchanged for the town planning instruments in place, for both public and private intervention, shall however be for the creation of qualified housing initiatives integrated with services and the possible purchase of areas of the public heritage, for the creation of public, subsidised construction initiatives or by convention with the municipality.

The initiatives most often concern run down neighbourhoods and should be of an innovative nature. They should in any case be activated in accordance with the character of the fundamental criteria of the town planning instruments in place and be compatible with the restrictions for the protection of cultural, landscape and environmental assets, as well as in accordance with the rules governing the type of initiative be they legislative, administrative or other regulations. The lines of action identified are listed below.

1. **Verification of the seismic safety and retrofitting of existing public housing** – the initiative will be in mountain communities with the exception of the 49 municipalities identified in Decree Law 29/2009 in the process of being converted, for urgent initiatives for the people effected by the seismic events in the region of Abruzzo in April 2009 and the other emergency initiatives of civil protection.

Its implementation will be through Direct Action Instruments (SAD), with procedures that will be determined by a specific Deliberation of the Regional Junta. The specific initiatives are identified on the basis of the needs expressed by the ATER (Regional Enterprise Residential Building).

As for the question of the responsibility for implementation, the ATERs represent the commissioning body while the "Public Works" Direction is the regional structure responsible for lines of action.

The same Direction can make use of and operate with the same purposes through other entities in Public Housing Construction (ERP).

Relative to the time of implementation, following the rapid investigation by Civil Protection, it could begin the phase of verification and identification of the initiatives by the ATER, that will end within 2010, then the initiatives of refitting and renewal will be implemented and will be end within 2013.

The FAS financial resources dedicated to this line of action total 8.0 million Euro.

2. **Enhancement of the public housing assets in the run down neighbourhoods of the city** - the current line of action for the enhancement of public housing assets and concerning run down neighbourhoods of the principal cities of Abruzzo.

The legal reference is the agreement that unblocked the Extraordinary Plan for public housing (established by art. 11 of the decree law 112/08, converted into law 133/08), signed 5 March 2009 Minister for Relations with the Regions and by the President of the Conference of the Regions and Autonomous Provinces.

The Unified State, Regions and Municipalities Conference, in the meeting of 12 March 2009, opened the way for the Plan, establishing a fund totalling 550 million Euros.

The Plan calls for various initiatives according to the interested groups, availability of public and private financing to be used through streamlined procedures, with tax incentives and breaks.

With the current line of actions, the Region intends to co finance initiatives in order to satisfy a part of the housing needs related to the ATER and other entities in Public Housing Construction.

Alternatively the Region may make use of a call for tenders either to the ATERs, to the Municipalities, to other entities, or on synergies that may develop between the various participants. The initiatives can be developed through integrated projects that are carefully correlated to the urban context and to the same initiative.

The FAS financial resources dedicated to this line of action total 27.0 million Euro.

Support for the growth and spread of higher urban functions in the municipalities of Abruzzo

The higher urban functions (such as: higher education and research, publishing and culture, high-tech production, financial services) are concentrated in cities. As the QSN underlines, 75% of the people in the sectors in question were found within the 72 urban SLLs, and in particular in the provincial capitals at the centre of the metropolitan areas. Furthermore, the set of higher urban functions is increasing in the various geographical divisions.

These functions effect significantly the total work force (21% in the Centre - North; 17% in the South) and represents a true locomotive of development.

The current Operational Objective intends to support the growth of higher urban functions through financial support for bringing up the facilities of the municipalities and other public services to the new anti - seismic code.

The lines of action identified are listed below:

1. Initiatives to make safe town halls and other municipal public facilities except for schools from seismic risk - Initiatives to make safe town halls and other municipal public facilities except for schools from seismic risk ?

Through the resources made available by PAR FAS, the current line of action intends to activate an adequate flow of financing by the Fund for the Prevention of Seismic Risk, established by art. 11 of the Decree Law of 28 April 2009, n. 39, in the process of being converted, for urgent initiatives for the people effected by the seismic events in the region of Abruzzo in April 2009 and the other emergency initiatives of civil protection.

The objective to make public facilities in which are located municipal functions in the whole region safer, with the except of the Area of the Crater (the municipalities indentified by the decree of the Commissioner n. 3 issued on 16 April 2009 except for what is established in clause 3 of art. 1) for which the Minister will act on the basis of what is established by letter b) of clause 1 and clause 2 of art. 4 of the Decree Law 39/2009 as amended on its first.

The importance and urgency of the objective derives also from the coming into force on 30 June 2010 of the new anti - seismic rules.

The financing of making the buildings safe will occur on the basis of the findings of a rapid investigation that will be carried out by the Civil Protection in order to identify the town halls and other municipal facilities that need retrofitting. To facilitate the initiative also the executive planning by the Municipal Authorities concerned will be financed.

Priority will be given to the mountain municipalities with the highest seismic risk and to the town halls. The line of action will be directly implemented. With the Deliberation of the Junta, the task of verifying through further steps according to the degree of seismic risk of the Municipalities the buildings that need retrofitting has been assigned to the Civil Protection. Through Deliberations of the Junta, related to the various steps of the investigation, the order of priority and the buildings to finance will be identified.

For what concerns the responsibility for implementation, the ATERs and the other entities in Public Housing Construction represent the commissioning bodies, while the "Public Works" Direction is the regional structure responsible for the line of action. Bearing in mind the carrying out of the investigation by the National Civil Protection, to be carried out in 2009, and its findings (to be included in a technical attachment with the identification of the initiatives and their priority in the first semester of 2010), the executive planning can begin and be finished in the second semester of 2011.

The initiatives of the municipalities financed through a single point of contact by executive decree as the executive plans are ready and the municipal co financing based on National Funds. Total cost 35.0 million Euros.

The resources may also be used in synergy with the resources included in art. 11 of the Decree Law of 28 April 2009, n. 39.

Support for Territorial Bodies for the determination of new instruments for urban planning

As is highlighted in QSN, the analysis of the tendencies underway in the metropolitan cities and in the territorial systems, the assessment of the results in the cities of the previous planning period (2000 – 2006), the orientations and indications elaborated by the Commission for the strategies and the interventions for the urban sphere in 2007 -2013, allow several priority challenges to be identified:

- the metropolitan areas are central to the national system (research, innovations, and advanced sectors) and this should have clear and timely influence on public policies; mobility, as well as services for individuals and businesses, environmental protection and many other collective services should be characterised by a supra-municipal and metropolitan breadth;
- the concentration of discomfort in the outlying and peri-urban areas makes it necessary for initiatives to be to the fight against marginalisation, especially in the South.

Through the current Operational Objective it is intended to define the Regional Strategic Plan and to support the local strategic plans with emphasis on the priority challenges mentioned above. The initiatives will finance the activities of the Region, the Provinces and the Municipalities necessary for the definition of all the new instruments of urban planning.

In particular, the activities of study, education, technical assistance, inter-institutional collaboration and the stimulus of partnerships necessary for the refinement of the frameworks (the Map of Places and Landscapes and local Cognitive frameworks) of the educational process of the acts (in particular those of a strategic and structural nature) and of assessment will be financed.

The other policy actions included in the Implementation Programme do not call for specific initiatives that can be included, at least in this phase, in the JESSICA initiative.

They can consider the lines of action falling under the area Transport, Logistics and Telecommunications Measure III.2.2.1.b "Improve the accessibility and mobility in the population centres and in the mountain areas through means of sustainable transport (trolleys, cableways, etc.) and intermodal combinations").

In the area of this line, 7 projects have been proposed, of these the one that concerns exclusively urban areas is Project number 7, relative to completion of the trolley system in the metropolitan area of Chieti – Pescara (currently the Pescara – Motesilvano tract is under construction) through the construction of the new tracts from the Pescara Central Station to the Airport and from the Pescara Central Station to Francavilla.

The PAR, through the current Operational Objective, aims principally to reinforce strategic infrastructure including the improvement of the road system, to increase the adoption of eco-compatible vehicles.

Two other objectives, potentially consistent with typical initiatives of the JESSICA scheme, that are called for in the Regional Implementation Programme, within the policy area "Environment and Energy" are:

- Specific Objective IV.1 "Support the Plan for the Objective for Services in the field of water and waste services".
- Specific Objective IV.2 "Improve the natural and urban environment, and prevent natural risks".

The Specific Objectives are made up of four Operational Objectives that are to be implemented in one or more lines of action.

1.6.3. The Master Plan for the recovery of production

The tremendous earthquake of last April 6 that struck Abruzzo, in particular in the area of the province of L'Aquila, occurred during a phase of economic recession.

The consequences of the earthquake accelerated the negative impact of the economic crisis on all the sectors present in the region; for some of them, the damage suffered also compromised their ability to operate.

For this reason, in agreement with the central government, the Regional Junta drafted an integrated plan of initiatives and instruments not only for the purpose to overcome the emergency of the earthquake, but, more generally, to strengthen and enhance the competitiveness of the entire regional territory to give it new opportunities for development.

The Master Plan for the direct initiatives to favour the recovery of productivity in the Region of Abruzzo pursues the objective to strengthen and enhance the territorial competencies and production, maximising new technology, favouring links to dynamic international development, activating long networks that can reach beyond the localism of the enterprises.

The document identifies several priority objectives, articulating lines of intervention, and for each line, measures and actions with the related ways implement them and an estimate of the cost of support.

The initiatives are distinguished between those that can be immediately activated, because already foreseen and/or underway, and those that can be realised in the short and medium term; for all the financing and means of operation were identified.

Within this context, the initiatives financed with resources deriving from L. 77/2009 (interventions for the people effected by the earthquakes) will be activated with priority for the areas within the so-called "crater".

Only after the activation of the financing for the actions of reconstruction and development of these areas, will it proceed to the funding of the measures related to the rest of the territory.

THE RESOURCES

The total financing appropriated for the plan is 1.787 billion euro, and it is guaranteed by funding, as a priority, through the resources for the strategic Fund for the support of the real economy.

The Plan establishes that the initiatives be integrated and strengthened through mechanisms of coherence and complementarily with the regional initiatives to be initiated in the context of the regional ROP and sums are specifically destined for the activation of the JEREMIE and **JESSICA** instruments.

the Plan begins with the idea that it is necessary bet on some "indispensible ideas" of development for the entire Region, in particular:

- creation of a Pole of "sustainable" construction – developing the techniques of biological architecture, of energy saving, in order to increase the quality of life, sustainable tourism, and the production of renewable energy. The plan intends to create the conditions for which international enterprises invest in Abruzzo (specifically in the area of L'Aquila) to make high technology products locally to be used immediately in the reconstruction and, in the medium term, in all central Italy.
- Activation of an integrated system for the supply of goods and services for the restoration of the cultural and artistic patrimony of L'Aquila and its province damaged by the earthquake.

The plan calls for the activation of a complex system that foresees, among other things, the creation of the skills able to intervene with adequate reconstruction methods, the attraction of

specialised enterprises, the enhancement of current university departments and, more generally, the creation of an environment favourable to the restoration of architectural works of extraordinary value.

Reinforcement of the chain of production of the coastal provinces, centred on the engineering, automotive (and in part fashion) sectors by increasing its potential for innovation.

1.6.4. Resources linked to the area of the crater

The resources allocated to the area of the crater and their use are determined in Decree Law n. 39 of 28 April 2009 "Urgent initiatives for the people effected by the seismic events in the region of Abruzzo in April 2009 and other emergency initiatives of civil protection", approved with amendments by the Chamber becoming Law 77 of 2009.

The act establishes the area of application of the order of the President of the Council of Ministers for the reconstruction of the municipalities effected by the earthquakes and defines the interventions by placing them by function and time in four categories:

- immediate intervention for overcoming the emergency (chapter I);
- urgent measures for reconstruction (chapter II), containing special rules for the storing, transport and disposal of materials that are produced by demolition;
- intervention for the socio-economic development of the areas effected by the earthquake (chapter III);
- measures for the prevention of seismic risk (chapter IV).

In the intervention for the socio-economic development of the earthquake effected zones (chapter III) there are initiatives which:

- free guarantees given to small and medium-sized enterprises;
- renegotiation of mortgages
- financing of already approved planning agreements for the implementation of facilitated initiatives in several industrial sectors (e.g. sustainable construction, electronics, ICT, pharmaceuticals, ...)
- resources for youth-oriented policies
- ...

Currently for the reconstruction of the cities in the area 4 billion euro have been allocated from FAS Funds, but outside PAR programming – employed by the State - and 2 billion euro made available to the *Cassa Depositi e Prestiti* – cash on hand – of which about 300 million have been spent.

THE URBAN FREE ZONE

The institution of the Urban Free Zone has the purpose to favour economic and employment recovery in the area effected by the earthquake.

According to the provisions of D.L. n. 39/09 (Abruzzo decree), converted into L. n. 77/09, the CIPE, on the suggestion of the Minister of Economic Development and hearing the Region of Abruzzo, it provides for the identification and the delimitation, within the area of the municipalities of the crater, of urban free zones on the basis of physical and socio-economic parameters, phenomena of urban and social decay and effects produced by the earthquake on the economic and productive fabric, as an exclusion from the demographic requirements of national law, beginning on 6/4/09.

The facilities established by Law n. 244 of 24/12/2007 will be applied to the Urban Free Zones. The CIPE for this has provided for the establishment of a special Fund for the financing of the Urban Free Zone, with an appropriation of 45 million euro, that sets the upper limit of expenditure.

SUSPENSION OF THE STABILITY PACT

The damaged municipalities and provinces of Abruzzo may exclude from their balance sheet from the domestic stability pact, related to each financial year of the three-year period 2010-2012, the capital investments approved before 31 December 2010 even if based on contributions had already been allocated in previous years, with maximum limit of 2.5 million euro. The Municipalities are authorised expenditure of 2 million euro in 2010, so they can pay their debts, which will be audited by a special commission of settlements named by the President of the Republic on nomination by the Minister of the Interior.

1.6.5. Investment Funds

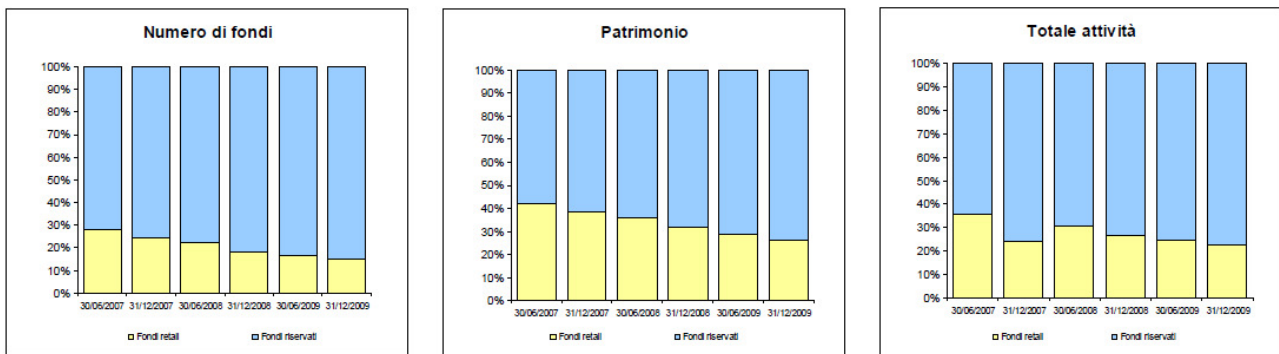
One of the structures most often employed in investment in urban development projects are Real Estate Investment Funds, regulated legal entities that operate through investment in real estate

In this section a brief analysis of these instruments will be carried out, focusing attention on the market of real estate funds in Italy and the characteristics of the market in Abruzzo.

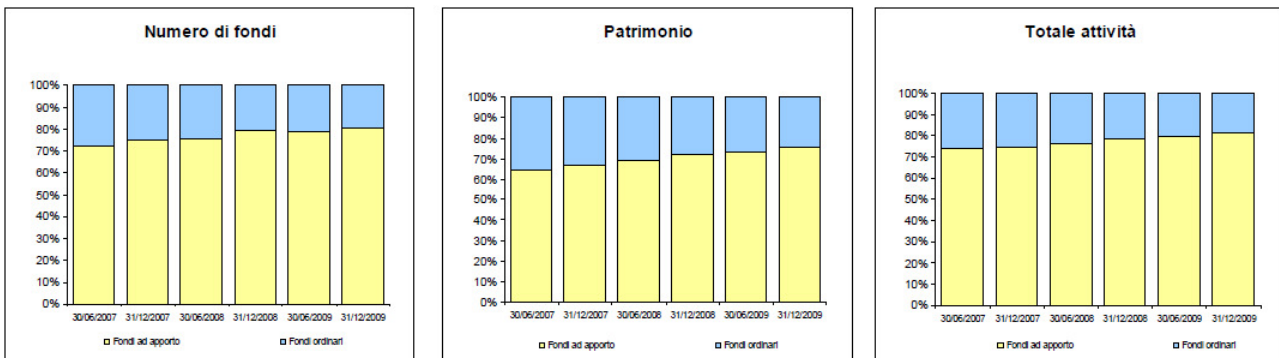
THE ITALIAN MARKET

According to the most recent Finding of Assogestioni, as of 31 December 2009, there were 154 real estate funds operating in Italy, with total assets of about 22,054.7 million Euros.

As can be seen in graphs below (Source: Assogestioni, second semester report 2009) most of the real estate funds are reserved for qualified investors (131; 85% of the total) which have assets of about 12,067 million and a positive balance of about 22,775 million.



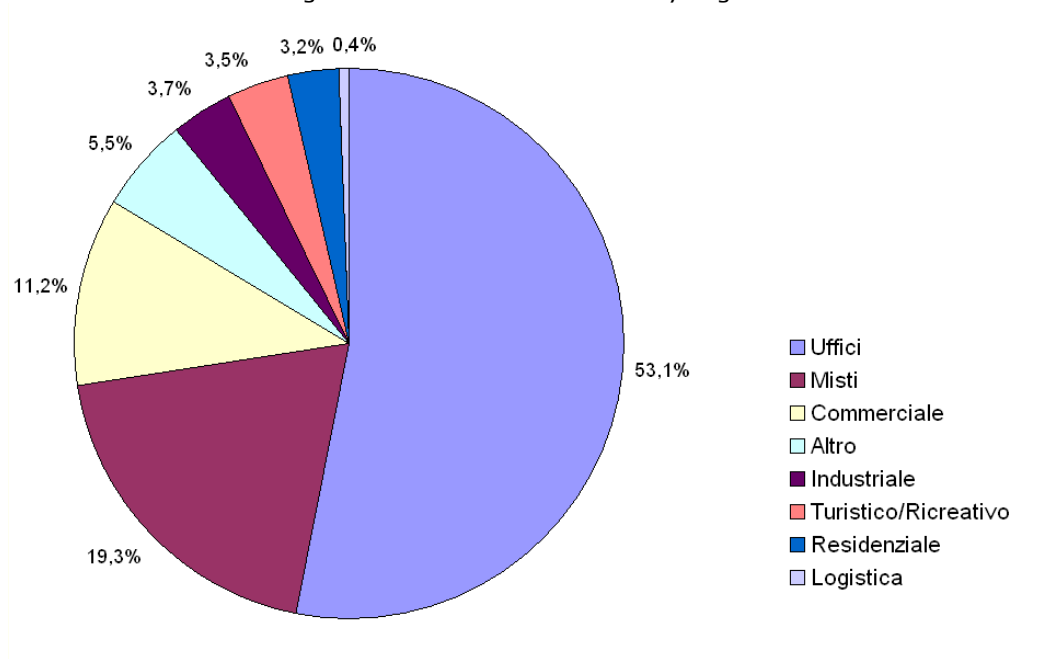
As to the how they work, the open-ended funds are much more common: 124 funds, 16,644 million in assets and a positive balance of 31,236 million, as can be seen in the figure below.



The Investment Management Company (the body that manages the fund) of the Italian real estate funds were found to be 26, 22 of which are employed exclusively in managing close-ended real estate funds.

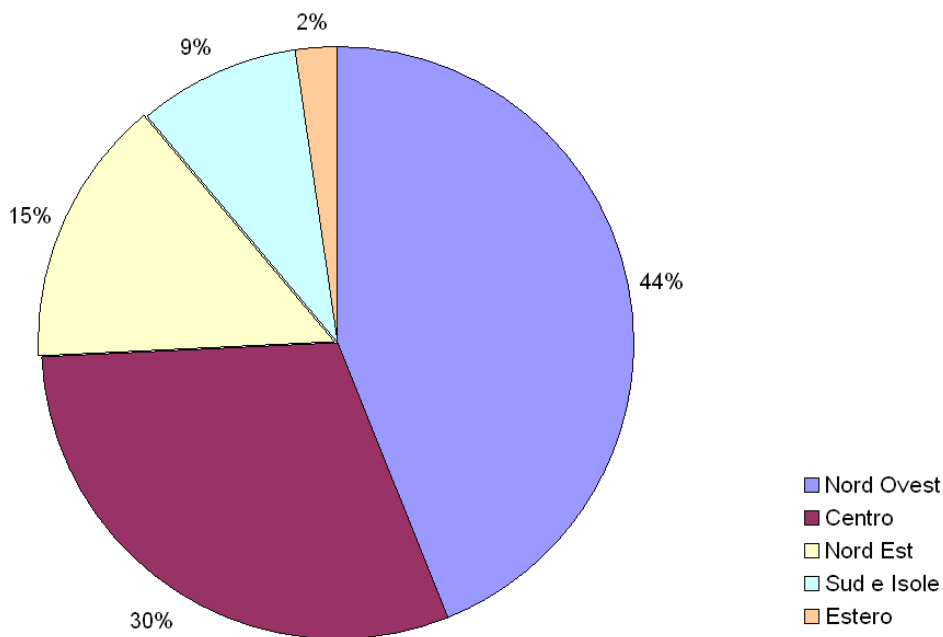
By the sector in which they work, on December 2009, the real estate funds focused on: office buildings (46 funds; assets of 11,651 million), mixed (33 funds; 4,237 million) and commercial (20 funds; 2451 million), the least developed sectors are logistics (3 Funds; 97 million) and industry (8 funds, assets of 805 million).

Figure 17 – Real Estate Funds by segment



As for the geographical distribution of investment, as can be seen in the following graph, it is concentrated in the North-west and the Centre, with smaller figures in the other areas.

Figure 18 – Real Estate Funds by geographical area



REAL ESTATE FUNDS WITH ACTIVITIES IN THE ABRUZZO REGION

In the context of Abruzzo, several real estate investment funds operate, although because most of these funds are reserved to qualified investors, the information to describe a general framework of intervention of real estate funds in the Region is not available.

As an example, an outline of the principal real estate funds operating in the Region are listed, identifying for each: the financial group they belong to, the Investment Management Company, the name of the fund, period, Net Asset Value and sector.

Table 28 – Real Estate Funds with operations in Abruzzo

SGR	FONDO IMMOBILIARE	TIPOLOGIA	NAV (31/12/2009)	TERMINE	CARATTERISTICHE DEL FONDO
FONDI IMMOBILIARI ITALIANI	FONDO DELTA	fondo immobiliare chiuso riservato	€ 193.084.682	2014	Investe in beni immobili con destinazione alberghiera, direzionale, commerciale, logistica e industriale, con particolare riguardo ad immobili con destinazione alberghiera, ricettiva, turistico-ricreativa
BNP PARIBAS REIM	PATRIMONIO UNO	fondo immobiliare chiuso ad apporto pubblico riservato	€ 143.764.282	2017	Investe complessivamente in 63 immobili ad uso non residenziale, prevalentemente riconducibili ad ex aree pubbliche
BNP PARIBAS REIM	ESTENSE GRANDE DISTRIBUZIONE	fondo immobiliare chiuso retail	€ 2.870.165	2013	Investe in immobili con destinazione d'uso prevalentemente commerciale (grande distribuzione)
INVESTIRE IMMOBILIARE	FIP FONDO IMMOBILI PUBBLICI	fondo immobiliare chiuso riservato	nd	2019	Investe complessivamente in 394 immobili ad uso non residenziale con una superficie complessiva di 2,6mln mq e un valore di mercato di circa 3,7Mld€

FONDO AQ

After the earthquake of April 2009 the Fondo AQ was created, a close-ended real estate fund managed by Europa Risorse SGR.

The fund has a duration of 6 years and assets of about 100 million Euro made up of at least 40% of share capital is fully paid up by public and private institutional investors (such as Fintecna and the shareholders of Fimit, Enpals, Enasarco and Inpdape) and by not more than 60% share by bank loans at subsidized interest rates from a consortium of banks of the area.

The activity of the Fund is purchasing apartments, on a temporary basis and without speculative intentions, in Abruzzo for the evacuees of the earthquake.

For the entire period that the real estate is rented, the Fund will be paid rent which will be paid directly by the Municipality of Aquila together with all the other Municipalities involved in the initiative, drawing on the resources approved by art. 7, clause 1, of D.L. 39/2009.

On the termination of rent contract established, the Fund will sell the apartments, preferably to the people who were assigned temporarily to them, who may benefit from public contributions or subsidized financing as provided for in order 3790 of the President of the Council of Ministers. (Source: FIMIT, 23 December 2009).

1.6.6. Banking foundations

One of the entities that typically operate for territorial development, banking foundations are to be counted, structures created at the beginning of the 90s with the renewal of the credit system as a consequence of the Amato Law n. 218/90 which required the public law financial institutions to be transformed in private law entities and the creation an "ente conferente", a different legal person than the *Banca S.p.A.* of which it held 51% of the shares.

Currently in Italy there are 88 banking Foundations (confronting ACRI, Fourteenth Report on Banking Foundations), of which 30 are found in central Italy. In the table below the geographical distribution of the system of banking Foundations throughout country is described.

Table 29 – Banking Foundations activities for geographical areas

Area geografica	Fondazioni		2007		2008	
	numero	%	importi erogati (%)	numero interventi (%)	importi erogati (%)	numero interventi (%)
NORD OVEST	17	19%	37%	31%	37%	31%
NORD EST	29	33%	34%	36%	33%	35%
CENTRO	30	34%	27%	27%	28%	27%
SUD E ISOLE	12	14%	3%	6%	3%	8%
TOTALE	88	100%	100%	100%	100%	100%

Source: Sinloc elaborations on ACRI data

As can be seen in the table above (Source: ACRI, Fourteenth Report on Banking Foundations) the Foundations in 2008 distributed more 1.67 billion Euro.

Table 30 – Banking Foundations grants per sector

Settori	2007				2008			
	Numero		Importo		Numero		Importo	
	Interventi	%	milioni di €	%	Interventi	%	milioni di €	%
ARTE, ATTIVITA' E BENI CULTURALI	10.532	35,9%	524,2	30,6%	10.700	36,4%	513,1	30,6%
RICERCA	1.947	6,6%	247,0	14,4%	1.981	6,7%	251,6	15,0%
EDUCAZIONE, ISTRUZIONE E FORMAZIONE	4.811	16,4%	206,6	12,0%	4.961	16,9%	216,9	12,9%
VOLONTARIATO, FILANTROPIA E BENEFICENZA	3.168	10,8%	178,7	10,4%	3.107	10,6%	170,4	10,2%
SVILUPPO LOCALE	1.508	5,1%	177,6	10,4%	1.646	5,6%	161,1	9,6%
ASSISTENZA SOCIALE	3.264	11,1%	167,9	9,8%	3.020	10,3%	151,1	9,0%
SALUTE PUBBLICA	1.557	5,3%	133,9	7,8%	1.602	5,4%	122,2	7,3%
PROTEZIONE E QUALITA' AMBIENTALE	561	1,9%	32,4	1,9%	490	1,7%	41,3	2,5%
SPORT E RICREAZIONE	1.084	5,7%	23,2	1,4%	1.579	5,4%	28,4	1,7%
FAMIGLIA E VALORI CONNESSI	148	0,5%	14,8	0,9%	165	0,6%	15,3	0,9%
RELIGIONE E SVILUPPO SPIRITUALE	90	0,3%	3,2	0,2%	81	0,3%	3,2	0,2%
DIRITTI CIVILI	76	0,3%	3,0	0,2%	45	0,2%	1,4	0,1%
SICUREZZA ALIMENTARE E AGRICOLTURA DI QUALITA'	0	0,0%	0,0	0,0%	17	0,1%	0,5	0,0%
PREVENZIONE DELLA CRIMINALITA' E SICUREZZA PUBBLICA	29	0,1%	1,7	0,1%	7	0,0%	0,1	0,0%
Totale complessivo	29.375	100,0%	1.715,1	100,0%	29.421	100,0%	1.676,7	100,0%

Source: ACRI, 14 report on Banking Foundations

Of the total funding distributed by the Foundations, about 9.6% concerned local development, within which there were initiatives which could work in synergy with those fundable through the JESSICA scheme.

The table below focuses on the distribution of Foundation initiatives for local development, which divides the sector into four macro activities.

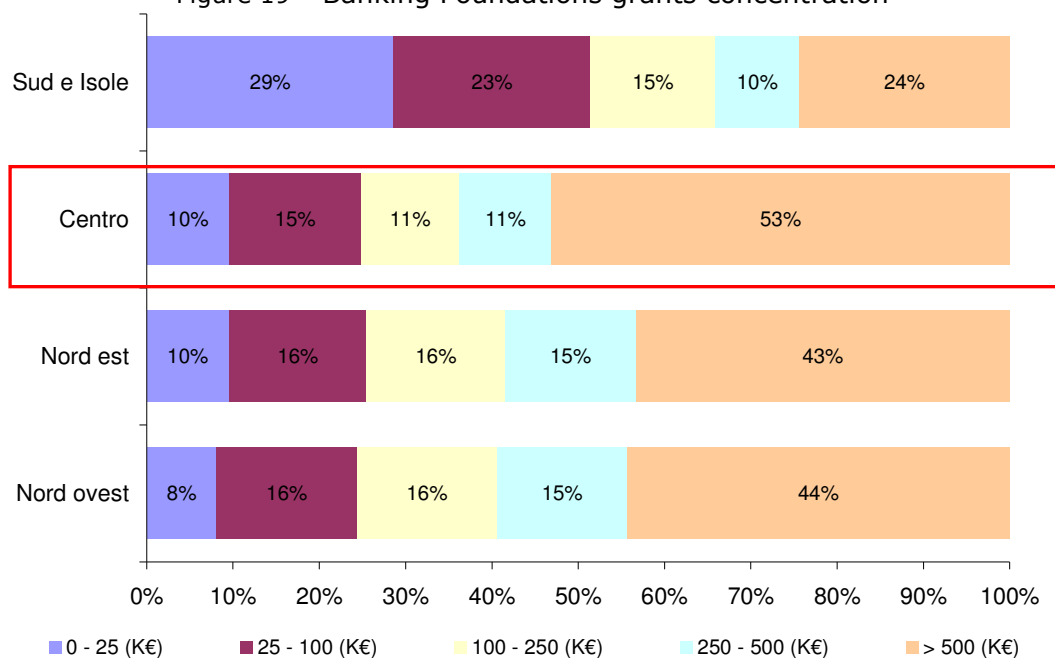
Table 31 – Banking Foundations grants per sub sector

Sotto-Settori	2007				2008			
	Numero		Importo		Numero		Importo	
	Interventi	%	milioni di €	%	Interventi	%	milioni di €	%
Promozione dello sviluppo economico della comunità locale	1.014	67,2%	152,1	85,6%	1.301	79,2%	118,7	76,1%
Edilizia popolare locale	149	9,9%	11,2	6,3%	75	4,6%	3,5	2,2%
Realizzazione di lavori pubblici o di pubblica utilità	187	12,4%	11,1	6,2%	179	10,9%	6,8	4,4%
Non classificato	158	10,5%	3,3	1,9%	87	5,3%	27,0	17,3%
Totale complessivo	1.508	100,0%	177,6	100,0%	1.642	100,0%	155,9	100,0%

Source: ACRI, 14 report on Banking Foundations

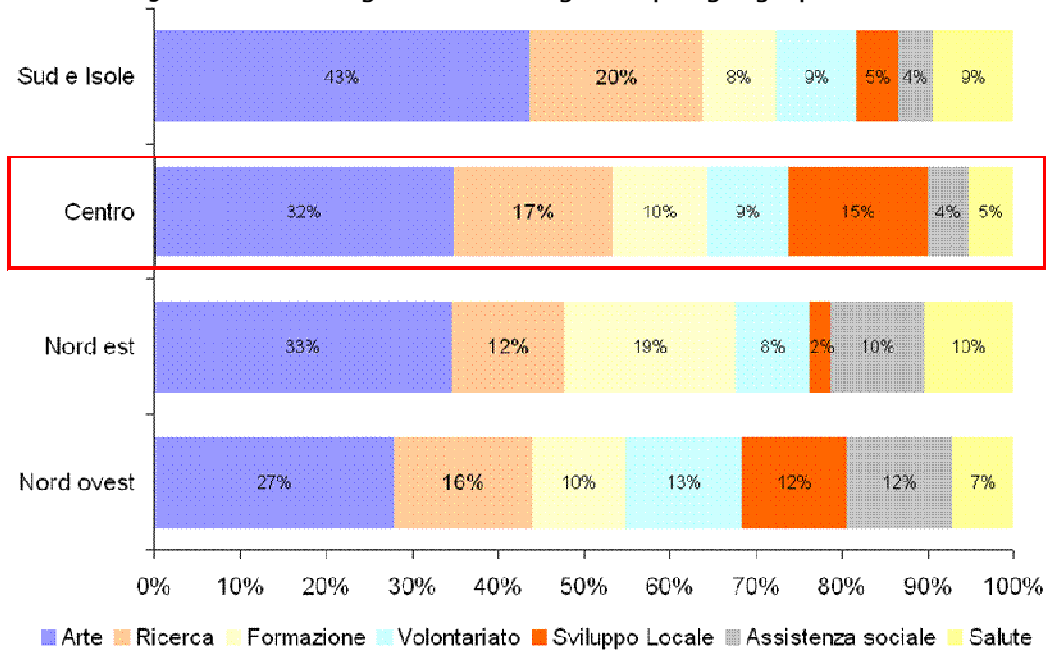
Relative to the size of the disbursements, the graph below highlights how in central Italy the average disbursements concentrate on the most conspicuous sums, in particular 53% of the disbursements have a value greater than 500 thousand Euros. This element, within the context of JESSICA Abruzzo, in which the projects included in the IPUDs are of considerable size, could turn out to be important.

Figure 19 – Banking Foundations grants concentration



Source: ACRI, 14 report on Banking Foundations

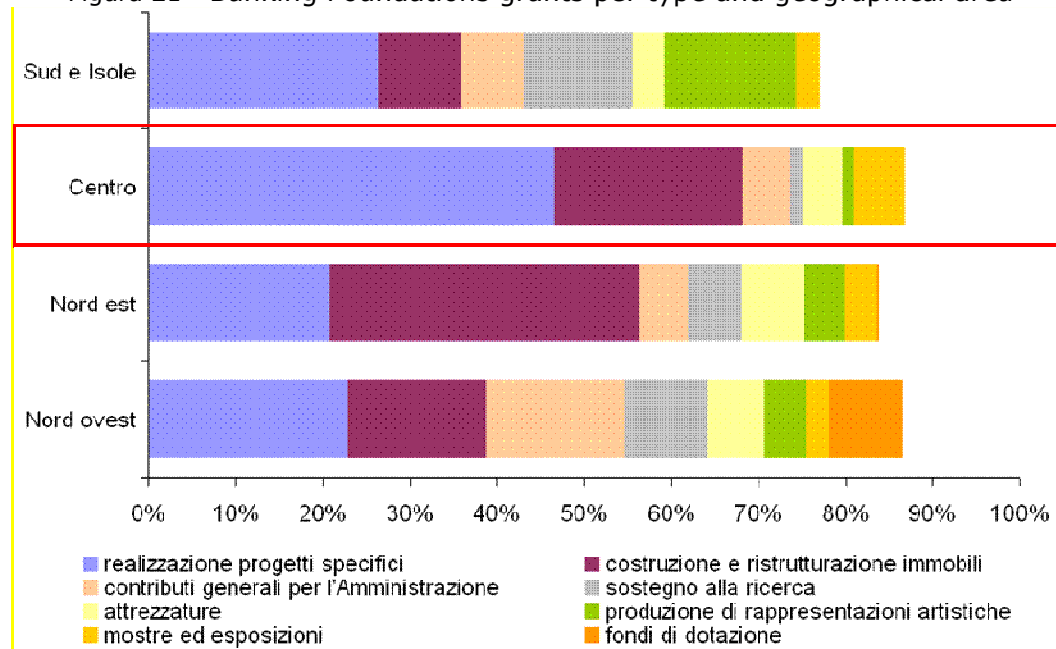
Figure 20 - Banking Foundations grants per geographical area



Source: ACRI, 14 report on Banking Foundations

A final analysis of the initiatives by banking Foundations on a national level concerns three principle types of intervention made and divides them by geographical area. From the graph below, it can be seen how, right after the specific projects, the type of intervention most often performed is the building and restructuring of buildings, which is particularly consistent with the JESSICA scheme being analysed.

Figura 21 - Banking Foundations grants per type and geographical area



Source: ACRI, 14 report on Banking Foundations

BANKING FOUNDATIONS IN ABRUZZO

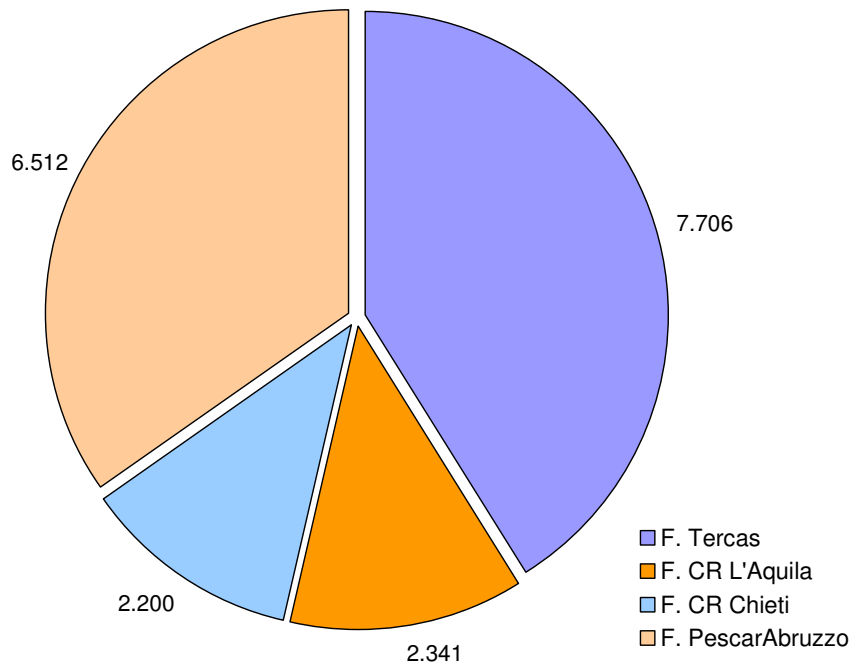
In the region of Abruzzo four banking Foundations are active, which are linked to the four provincial capitals, in particular:

- Fondazione Tercas

- Fondazione Cassa di Risparmio della Provincia di L'Aquila;
- Fondazione Cassa di Risparmio della Provincia di L'Aquila;
- Fondazione PescarAbruzzo

In 2009 the Foundations in Abruzzo disbursed about 18.8 million Euro⁵, divided as in seen in the graph below.

Figure 22 – Abruzzo Banking Foundations grants in 2009 (000/€)



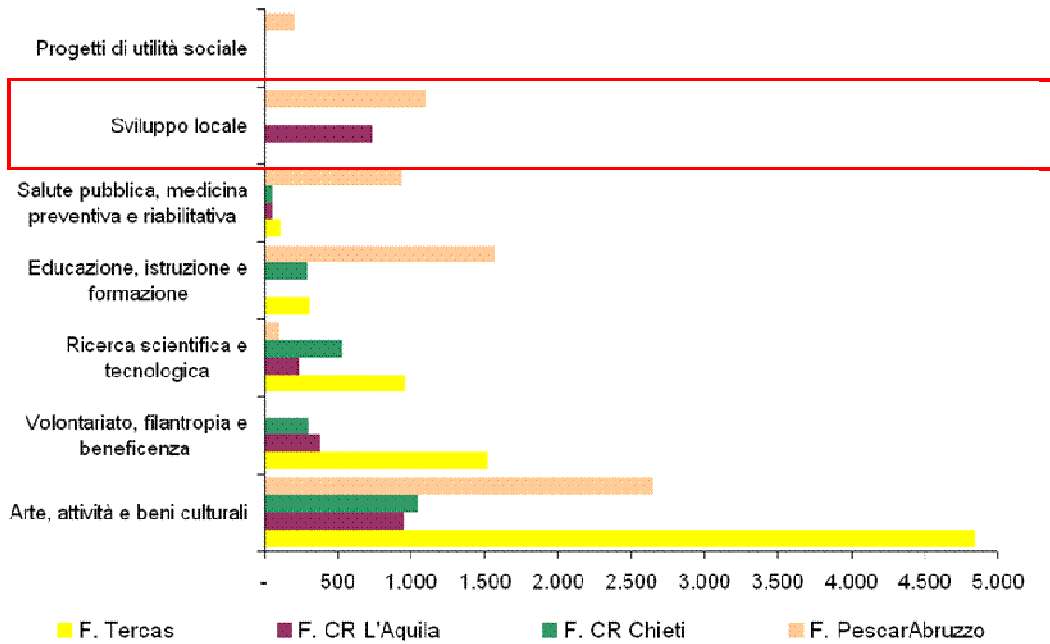
Source: Sinloc elaborations on Foundations Financial statements

In the graphs below the disbursements of the Foundations in Abruzzo reported in their 2009 balance sheets (2008 for the Fondazione Cassa di Risparmio della Provincia di Chieti) by relevant sector and eligible sectors are reported.

As can be seen the most conspicuous disbursements concern the sectors of art and community service, while only the Foundations of L'Aquila and Pescara made disbursements to the sector of local development, for a total of 1.8 million Euro.

⁵ The figure given for the Fondazione Cassa di Risparmio della Provincia di Chieti is for 2008

Figure 23 - Abruzzo Banking Foundations grants in 2009 per sector (000/€)



Source: Sinloc elaborations on Foundations Financial statements

FOUNDATIONS AND JESSICA

On the basis of the data and the analysis above, it emerges how the Foundations may be an important actor to involve within the JESSICA scheme, for this purpose it may prove useful to collaborate with them in the operational implementation phase of the JESSICA mechanism.

1.7. Abruzzo – urban development projects

In this section the principal documents of urban and strategic planning for each of the four provincial capitals of Abruzzo will be briefly presented, including the Integrated Plans of Urban Development and the initiatives underlined in interviews with representatives of municipalities.

In particular an outline of the initiatives that the Governments say are priorities for their area and that, in general terms, could become elements of the strategy for the intervention of the Urban Development Fund if the JESSICA is activated.

Among the initiatives noted and briefly outlined , for each provincial capital, a pilot project will be examined in the third chapter and analysed their financial and procedural sustainability.

1.7.1. L'Aquila, planning documents and pilot projects

PRINCIPAL PLANNING AND STRATEGY DOCUMENTS

The Municipality of L'Aquila, with the earthquake of 9 April 2009, suffered a profound shock to the planning system realised up to that point, forcing the Municipality to redefine its priority initiatives, within a context of in which new actors (e.g. the *Cabina Tecnica di Regia* – Technical Control Room) and procedures (e.g. application of free zones, tax exemption, etc.) had been created.

In this section of the report the principal planning documents, both pre and post earthquake, activated by the Municipality, the urban planning structures implemented and the principal urban development projects indicated by the local Government during structured interviews carried out will be briefly described.

The municipality of L'Aquila principal planning document is the *Piano Regolatore Generale* (General Town Plan) a document approved in 1979 and no longer responsive to the needs of the Municipality.

Piano Strategico della Città (L'Aquila 2020) – realized before the Earthquake, it defines several areas/sectors of initiatives for the development of the city, for each of which several specific initiatives have been identified.

City of Science

- development of the qualitative-quantitative *containers* dedicated to the realisation of important congresses and cultural events, particularly in science and music;
- increase of culturally innovative spaces (e.g. teaching museum).

Gran Sasso system of excellence

- rehabilitation of mountain villages and the surrounding territory, through the promotion and development of sustainable and quality tourism;
- development of a pole of excellence in the sector of mountain tourism.

Vital City

- Planning and implementation of a system of structures and services for youth, such as an increase in university housing, in sports facilities, in cultural services.

Masterplan per la Ricostruzione - strategic document drafted after the earthquake, identifies some lines of action for boosting the city:

- the creation of a Pole for "sustainable" construction
- the creation of an integrated system for the supply of goods and services for the restoration of the cultural and artistic heritage of the city and province of L'Aquila.

As mentioned above the Municipality of L'Aquila has not prepared an IPUD and, after the reformulation of the OP ERDF, with the inclusion of the new priority related to the area of the crater, it has been excused from the requirement to draft a plan; nevertheless, if the Municipality decides to recommit its own resources in Priority IV and thus to the JESSICA mechanism, the drafting of an Integrated Plan of Urban Development would be necessary.

PRIORITY PROJECTS PRESENTED

In the meeting with representatives of the municipal government, several urban development projects held to be government priorities are presented. Below are brief descriptions of these projects.

- **Ex Italtel industrial pole** – the project calls for the redevelopment of a historic industrial area currently in decline; an area of about 200,000 m², in order to reactivate the local economy and in the expectation of the concession of the status of a free zone. To fund the project state appropriations of about 8 million for revitalising the industrial sector of L'Aquila have already been approved.
- **Former Psychiatric Hospital, Santa Maria di Collemaggio** – rehabilitation and redesign of the former Psychiatric Hospital located in the neighbourhood of Collemaggio.
- **Industrial node of Bazzano (ENI Power)** – creation of a system of district heating that can be used synergically with the nearby hospital and housing estates. The initiative has the purpose to develop the sector of sources of renewable energy.
- **Institute of Animal Disease Control and Prevention** – realisation of an international research centre on the question of food security and on the basis of a project supported by the Ministry of Health. The initiative would be realised on an area of about 50,000 m², belonging to the Istituto Zooprofilattico di Teramo, in the northwest of the Municipality of L'Aquila, nearby the metropolitan area.
- **Auditorium** – project for the creation a 250 seat wooden auditorium designed by Arch. Renzo Piano, to be built in the Parco del Castello (Castle Park). To cover financial needs of the initiative, funding from the Trentino Alto Adige Region for the development of the cultural sector is foreseen.
- **Multiuse cultural district (former Multisala Garden)** – project for the rehabilitation and conversion of the former Multisala Garden, for the creation of a multiuse centre for music, dance and theatre. The resources for the project of about 700 thousand Euros are already available.
- **Sport city** – initiative to realise, on the area of the Piazza d'Armi, facilities predominantly dedicated sports and related activities.
- **Increased efficiency of the urban mobility system** – initiative for the creation of infrastructure for mobility, in particular, along the rail line Sulmona-Teramo for the tract Domenico – Scoppito.
- **Ski complex** – initiative, included in the Strategic Plan of the City, that calls for the realisation of ski lifts, catering and accommodation in the ski resort of Campo Imperatore.
- **Building school of the Province of L'Aquila** – restructuring and partial conversion of the building school of the Province of L'Aquila, located in San Vittorino.

OPPORTUNITIES AND PROBLEMS FOR THE IMPLEMENTATION OF JESSICA

On the basis of the intent of the government and the technical characteristics of the initiatives presented, it has been decided to analyse first the project to rehabilitate the former Italtel industrial complex that will be treated extensively in the third chapter.

As mentioned above, there are several important problems for the Municipality of L'Aquila to consider carefully in the implementation of the project, especially:

- the lack of an IPUD;
- it is important to control the coherence of new Axes purpose with JESSICA and UDIP, as required by Regulation 1083/2006.

1.7.2. Pescara, planning documents and pilot projects

PRINCIPAL PLANNING AND STRATEGY DOCUMENTS

The Municipality of Pescara principal planning document is the General Town Plan, a document that generally is in its guidelines consistent with current circumstances due to its recent drafting: the PRG was approved in 2003.

The Municipality also has gained considerable experience in community urban projects, having participated in the European Urban project II in the last community programme period 2000 – 2006.

In relation to the JESSICA instrument under examination, the Integrated Plan of Urban Development drafted by the Municipality of Pescara is of particular importance, the document calls for the realisation of various kinds of initiatives, for a total cost of more than 55 million Euros, as detailed in the table below .

Table 32 - IPUD Pescara

PROJECT NAME	TOTAL COST €
1- INFRASTRUCTURE INTERVENTIONS	18.500.000
1.01 "Ponte Nuovo" sul fiume Pescara	9.000.000
1.02 Ramps connecting the Attrezzato – Ponte della Libertà Axis and the roundabout connecting it with Strada Pendolo	4.500.000
1.03 Realisation of "Strada Pendolo" (tract Pescara river - Via Tiburtina)	5.000.000
2- INTERVENTIONS FOR URBAN REHABILITATION AND RECLAMATION OF PRU (Plan of Urban Recovery) "Gestimmobili"	27.928.093
<i>Public infrastructure interventions</i>	
2.01 Completion of the Pedecollinare tract De Cecco – Polo Universitario/Giudiziario of the PRU, adjustment of the existing road network and urbanisation	661.715
<i>Building interventions</i>	
2.02 Realisation of commercial, service and housing complexes	4.474.879
PII "Ex Camuzzi"	
<i>Public infrastructure interventions</i>	
2.03 Realisation of the exchange car park of Ponte nuovo and urbanisation	2.151.700
<i>Building interventions</i>	
2.04 Realisation of commercial, service and housing complexes	5.859.799
PII "FATER"	
<i>Public infrastructure interventions</i>	
2.05 Recovery of the former municipal slaughter house	480.000
2.06 Rehabilitation of the Market in Via Bastioni	300.000
<i>Building interventions</i>	
2.07 Realisation of commercial, service and housing complexes	14.000.000
3- ENVIRONMENTAL INTERVENTIONS	6.266.000
3.01 Rehabilitation of the Pineta Dannunziana Natural Reserve (Rejoining of plots 4 and 5 through the rerouting of Via Pantoni)	1.000.000
3.02 Realisation of the Literary Park in Pineta Dannunziana	300.000
3.03 Redevelopment Lungofiume – "City of Music"	4.966.000
3.04 Tribunale fotovoltaic installation and new car park	3.000.000
4- INTERVENTIONS FOR SOCIAL PURPOSES	2.149.178
4.01 Multiuse social building S. Donato (former market) and Service Centre of Via Giardino	703.127
4.02 Construction of the Student House in Via Tirino	1.300.000
4.03 Construction of a short-term shelter	146.052
5-POLICIES FOR DEVELOPMENT OF ENTERPRISES AND EMPLOYMENT	383.000
5.01 Integrated Service Centre for Development	383.000
TOTALE	55.226.271

Note: The framework of intervention can be implemented with other interventions consistent with the purposes of the IPUD. Each intervention may call for addition activities financed with other funds, private and/or public. The realisation of the P.I.I. (Plan of Integrated Interventions) FATER depends on a change of the municipal PRG. If the procedure does not go well, the intervention will be set aside

Source: Municipalities of Pescara

As can be seen, the various initiatives located in various integrated areas of the city, mapped in the plan drafted by the Municipality of Pescara, are seen below.

Figure 24 – geographic distribution of the IPUD projects



Source: Municipality of Pescara

For JESSICA it is important how the funds of the OP ERDF assigned to the Municipality will be allocated by the IPUD. The Integrated Plan of Urban Development of Pescara in particular calls for the following allocation of 9.5 million Euros initially called for by the ROP:

- **New bridge over the Pescara river** – intervention for a total of 9 million, 3.86 of which from the OP ERDF.
- **Interchange Attrezzato Axis, strada Pendolo** – project of 4.5 million entirely financed with funds of the OP ERDF.
- **Rehabilitation of the Pineta D’annunziana Natural Reserve** – intervention of 1 million Euro, entirely financed with ERDF funds.
- **Integrated Service Centre for Development** – intervention for 383 thousand Euros, for which has been allocated 130 thousand Euro of the ERDF.

As can be seen from the detailed analysis of the plans listed above, they have structural characteristics that do not allow for use for JESSICA purposes, in as much as they do not have features that allow for revolving the capital employed in them.

PRIORITY PROJECTS PRESENTED

Several priority projects for the development of the city were presented in the meetings held with the government of Pescara that could be used as pilot projects for the implementation of the JESSICA scheme.

- **Transformation of the Area di Risulta (P.P.n.1)** – project for the rehabilitation and renewal of the area in front of the station, created after the tracks were moved.

The intention of the government is to create structures of the public interest, office buildings and a large space dedicated as a car park. The area of the initiative covers about 12 hectares and entirely owned by the Municipality.

- **Transformation of the area of the marina (P.P.n.2)** – realisation of an “integrated centre” for recreation, accommodation and office space on the area of about 13.5 hectares currently the property of the Region of Abruzzo and, in part, of the Chamber of Commerce of Pescara.
- **Rehabilitation area (P:P:n:7)** – project of rehabilitation of a large area of the city, in which to realise an integrated centre for services, office space (in particular for public offices) and housing, in order to enhance the entire area through its functional character
- **Freight yard** – initiative to rehabilitate and enlarge the freight yard of the new port, an area of about 8 hectares. The project is tightly linked to the nearby freight terminal.
- **Cement plant** – the Municipality may be interested in the purchase of the cement plant located on the edge of the city of Pescara in order to rehabilitate and convert the area.

OPPORTUNITIES AND PROBLEMS FOR THE IMPLEMENTATION OF JESSICA

The Municipality of Pescara has all the planning, procedural and structural requirements for the implementation of the JESSICA instrument, however, the commitment of ERDF sources to the initiatives of IPUD not eligible for the JESSICA scheme raises an important problem for the implementation of the process.

1.7.3. Teramo, planning documents and pilot projects

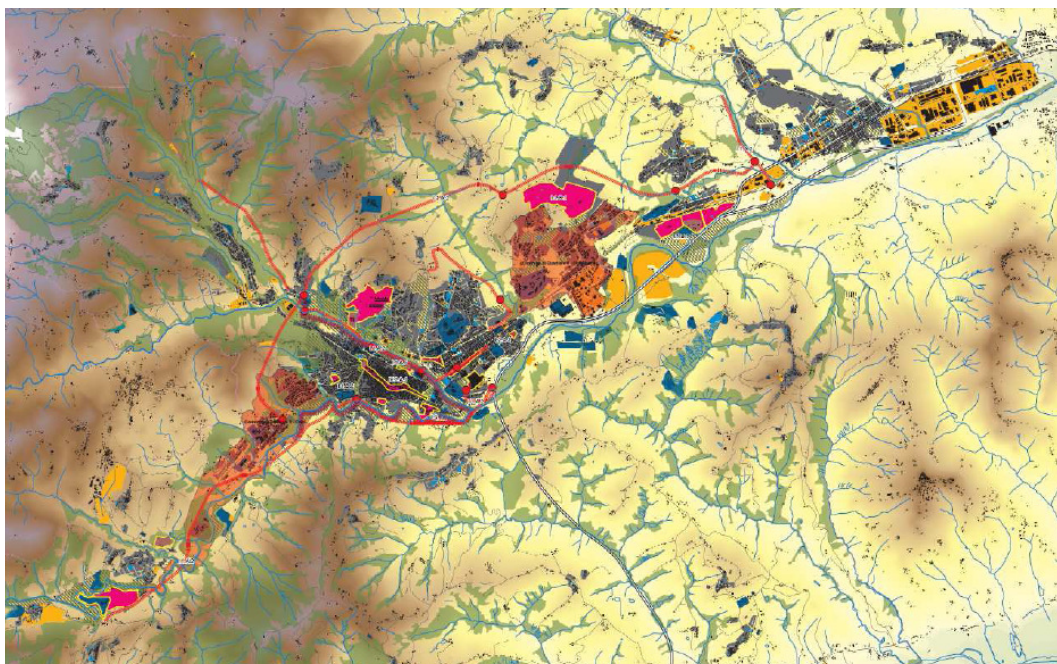
PRINCIPAL PLANNING AND STRATEGY DOCUMENTS

The city of Teramo has a recently drafted PRG, composed in 2006 and approved in 2008.

Furthermore a Strategic Plan for the city has also been drafted, called Teramo 2020, divided in the four following areas:

- environment, land, infrastructure;
- productive activities;
- culture;
- local welfare and services for citizens.

Figure 25 - map of the projects in the Strategic Plan TERAMO 2020



Source: Municipality of Pescara

On the basis of the planning themes highlighted in the Strategic Plan, the Municipality has drafted an Integrated Plan of Urban Development (IPUD) of particular importance for the purposes of the JESSICA project.

The table below refers to the first version of the IPUD, it calls for both public and private initiatives for a total cost of more than 151 million Euros of which 9.5 million come from ERDF resources.

Table 33 – IPUD Teramo

AREA	SCHEDA	PROGETTO STRATEGICO INTEGRATO	Quota Finanziamento Pubblico	Quota Cofinanziamento Pubblico/Privato	Costo totale Opera	Costo totale Opere Pubbliche + Private
1 CONA	1	Delocalizzazione Sottostazione ENEL e realizzazione piazza	€ 2.200.000,00	€ 1.500.000,00	€ 3.700.000,00	€ 3.700.000,00
	1	Viabilità di collegamento Contrada Casalena – Colleatterrato Basso	€ 898.000,38	€ 0,00	€ 898.000,38	€ 898.000,38
2 COLLEATTERRATO /PIANO D'ACCIO	2	Parco Urbano e Centro Urbano di Colleatterrato Basso, diviso in: 1. Copertura Impianti Sportivi, Piazza e riqualificazione centro di quartiere 2. Parco Urbano 3. Riqualificazione Scuola	€ 3.250.000,00	€ 2.350.000,00	€ 5.600.000,00	€ 24.500.000,00
	3	Viabilità di collegamento Colleatterrato Basso – San Benedetto	€ 1.320.297,50	€ 0,00	€ 1.320.297,50	€ 1.320.297,50
	4	Parco Urbano e Centro Urbano di San Benedetto, diviso in: 1. Parco Urbano 2. Scuola elementare	€ 3.132.027,23	€ 0,00	€ 3.132.027,23	€ 3.132.027,23
	5	Viabilità di collegamento San Benedetto – Piano D'Accio	€ 1.005.499,00	€ 0,00	€ 1.005.499,00	€ 1.005.499,00
	6	Viabilità di accesso al nuovo Istituto Zooprofilattico - IZS	€ 565.631,00	€ 0,00	€ 565.631,00	
	7	Stazione di FERMATA FERROVIARIA di Piano D'Accio	€ 285.894,00	€ 614.106,00	€ 900.000,00	€ 900.000,00
	8	Viabilità di collegamento nuova Stazione ferroviaria di Piano D'Accio – Svincolo A24 di Cartocchio / Complanare SS80	€ 2.751.395,28	€ 0,00	€ 2.751.395,28	€ 2.751.395,28
	9	Parco Urbano e Centro Urbano di Casalena	€ 0,00	€ 0,00	€ 0,00	€ 11.354.653,00
	10	Viabilità di collegamento Contrada San Benedetto – Variante Nord	€ 537.508,13	€ 0,00	€ 537.508,13	€ 537.508,13
	3 VIA LONGO	1	Intervento di recupero e riqualificazione urbanistica aree ex PEEP VIA LUIGI LONGO	€ 0,00	€ 0,00	€ 32.504.000,00
4 CENTRO STORICO	1	Riutilizzo immobili EX OSPEDALE PSICHIATRICO / Complesso ospedaliero di Sant'Antonio Abate	€ 3.648.475,00	€ 25.284.981,88	€ 28.933.456,88	€ 28.933.456,88
5 UNIVERSITA' - COLLEPARCO	1	Viabilità via Memmingen	€ 1.189.318,81	€ 0,00	€ 1.189.318,81	€ 1.189.318,81
	2	Parco Urbano e Centro Urbano di Colleparco, diviso in: 1. Spostamento Serbatoio acquedotto 2. Parco Urbano e GreenWays 3. Piazza 4. Impianti Sportivi	€ 3.868.669,55	€ 2.240.000,00	€ 6.108.669,55	€ 18.000.000,00
	3	Impianti Sportivi e Polo Universitario	€ 2.460.000,00	€ 2.480.000,00	€ 4.940.000,00	€ 18.000.000,00
	4	Parco Urbano e Qualificazione area Rivacciolo, diviso in: 1. Bioparco 2. Scuola per l'Infanzia 3. Adeguamento viabilità	€ 3.056.361,50	€ 1.460.000,00	€ 4.516.361,50	€ 21.000.000,00
6 TERAMO	1	VARIANTE NORD di collegamento San Nicolò - Via Cona	€ 0,00	€ 0,00	€ 260.000.000,00	€ 260.000.000,00
TOTALE***			€ 27.709.077,38	€ 33.449.087,88	€ 93.662.165,26	€ 151.726.156,21

Source: Municipality of Pescara

Because of the potential activation of the JESSICA tool, during the 2010, the Municipal Authority made marginal reallocation of ERDF resources, presupposing a total amount of resources of 9,5 million Euros, even if this amount (initially foreseen) has been reduced, because of the OP readjustment of November 2009, to about 8 million Euros. In the following table EDRF resources for UDIP projects are reported.

Table 34 – IPUD projects Teramo and the assigned ERDF resources

PROGETTI STRATEGICI INTEGRATI PRIORITARI						
AREA	SCHEDA	PROGETTO STRATEGICO INTEGRATO PRIORITARIO	FINANZIAMENTO PUBBLICO PISU (€)	COFINANZIAMENTO PUBBLICO/PRIVATO (€)	COSTO TOTALE DELL'OPERA (€)	
2	Colleaterrato Piano D'Accio	Parco Urbano e centro urbano di Colleaterrato Basso: PIAZZA E RIQUALIFICAZIONE CENTRO DI QUARTIERE, COPERTURA IMPIANTI SPORTIVI	1.200.000	1.000.000	2.200.000	
		Parco Urbano e centro urbano di San Benedetto: 'SCUOLA ELEMENTARE	1.600.000	0	1.600.000	
		Viabilità di accesso al Nuovo Istituto Zooprofilattico: STRADA DI ACCESSO IZS	845.000	0	845.000	
		Stazione ferroviaria di piano D'Accio: NUOVA STAZIONE	285.894	614.106	900.000	
AREA 2 - COLLEATERRATO / PIANO DACCIO			3.930.894	1.614.106	5.545.000	
3	Via Longo	1	Intervento di recupero e riqualificazione urbanistica aree PEEP: E.R.P. VIA LONGO	0	32.504.000	32.504.000
AREA 3 - VIA LONGO			0	32.504.000	32.504.000	
4	Centro Storico	1	Riutilizzo immobili ex Ospedale Neuropsichiatrico complesso di S. Antonio Abate: RIQUALIFICAZIONE EX OSPEDALE PSICHIATRICO	3.009.106	25.284.980	28.294.086
AREA 4 - CENTRO STORICO			3.009.106	25.284.980	28.294.086	
5	Colleparco Università	2	Parco Urbano e centro urbano di Colleparco: RIQUALIFICAZIONE CENTRO QUARTIERE E IMPIANTI SPORTIVI	1.460.000	2.240.000	3.700.000
		4	Parco Urbano e riqualificazione area Rivacciolo: BIOPARCO E SERVIZI SOCIALI	1.100.000	1.100.000	2.200.000
AREA 5 - COLLEPARCO / UNIVERSITÀ			2.560.000	3.340.000	5.900.000	
TOTALE DEGLI INVESTIMENTI			9.500.000	62.743.086	72.243.086	

Source: Municipality of Pescara

SOCIETÀ DI TRASFORMAZIONE URBANA (URBAN TRANSFORMATION COMPANY)

The Municipality of Teramo, within the Strategic Plan "Teramo 2020" called for the creation of an Urban Transformation Company, for which a feasibility study was drafted, although it was not followed by the creation of the structure.

The objectives of the STU were two:

1. rehabilitation of the area of the railway station of Gammarana;
2. creation of modern infrastructure in which to transfer the municipal offices.

In particular the specific initiatives found in the feasibility study were:

- a) rehabilitation of the area currently occupied by the railway station;
- b) realisation of a hotel with 80 to 90 rooms;
- c) conversion of the current station for retail space;
- d) realisation in the space of freed buildings for office space and housing;
- e) moving back the current station and creation of a new railway terminal with access at grade and realisation of an multi level underground car park (on three floors) with 600 parking space in all;
- f) transfer of the coach terminal alongside the railway station;
- g) realisation of a building for residential housing in the area of the so-called "Gammarana" belonging to the municipality;
- h) construction of a new complex for the Municipality on the area it owns near piazzale San Francesco as well as an underground car park;
- i) remodelling of the covered market near piazza Verdi and realisation above it of another building for housing and/or office space.
- j) refurbishing of the two historic municipally owned buildings in Via della Banca and in Piazza Martiri and conversion for housing and/or office space;

- k) green spaces in the zone Gammarana-Station, urban park, boulevards, gardens, foot and bicycle paths;
- l) areas equipped for resting places, urban park, boulevards and foot and bicycle paths in the zone of S. Francesco.

PRIORITY PROJECTS PRESENTED

Below is a list of the various priority interventions for the development of the city which were described by the government of Teramo during our meetings. These initiatives could be used as a pilot projects for the implementation of the JESSICA scheme.

- **Rehabilitation of the former PEEP (social housing) areas via Longo** – demolition and reconstruction of six buildings owned by the municipality of about 30 thousand m³, with an increase in the volume and rezoning of the entire area. The project, included in the IPUD, calls for financing of the work through the creating of an Ethical and Social Housing Fund.
- **Rehabilitation and redesign of the former psychiatric hospital** – project of rehabilitation of the former psychiatric hospital, a building with a gross surface area of about 21 thousand m², currently owned by the ASL, in which a mix of uses are to be developed: public and private services, accommodation, university housing, private housing and small retail services.
- **Railway Station of Gammarana** – integrated initiative that calls for moving back and locating underground of the final tract of the railway station, and the putting the bus terminal and multi-storey parking garage in the space freed. The project, that is estimated to have a cost of about 22 million is included in the feasibility study for the Urban Transformation Company of Teramo.
- **Transformation of the Gammarana area** – realisation of new retail facilities, office space and housing on the area of the Railway Station. The initiative, included in the feasibility study of the STU, the estimated cost is about 12 million.
- **Covered market near Piazza Verdi** – initiative to restructure and expand the covered market, with the realisation above it of another building for housing and/or office space. The project, included in the feasibility study of the STU, calls for the investment of about 6 million Euros.
- **Buildings in via della Banca and Piazza Martiri** – restructuring and conversion to private office space of the municipally owned buildings located in the historical centre. The project, included in the feasibility study of the Urban Transformation Company, calls for the investment of about 5 million Euro.

OPPORTUNITIES AND PROBLEMS FOR THE IMPLEMENTATION OF JESSICA

The Municipality of Teramo has the required instruments for activating the JESSICA programme, one problem could be the number of projects presented and so the fragmentation of the ERDF resources available.

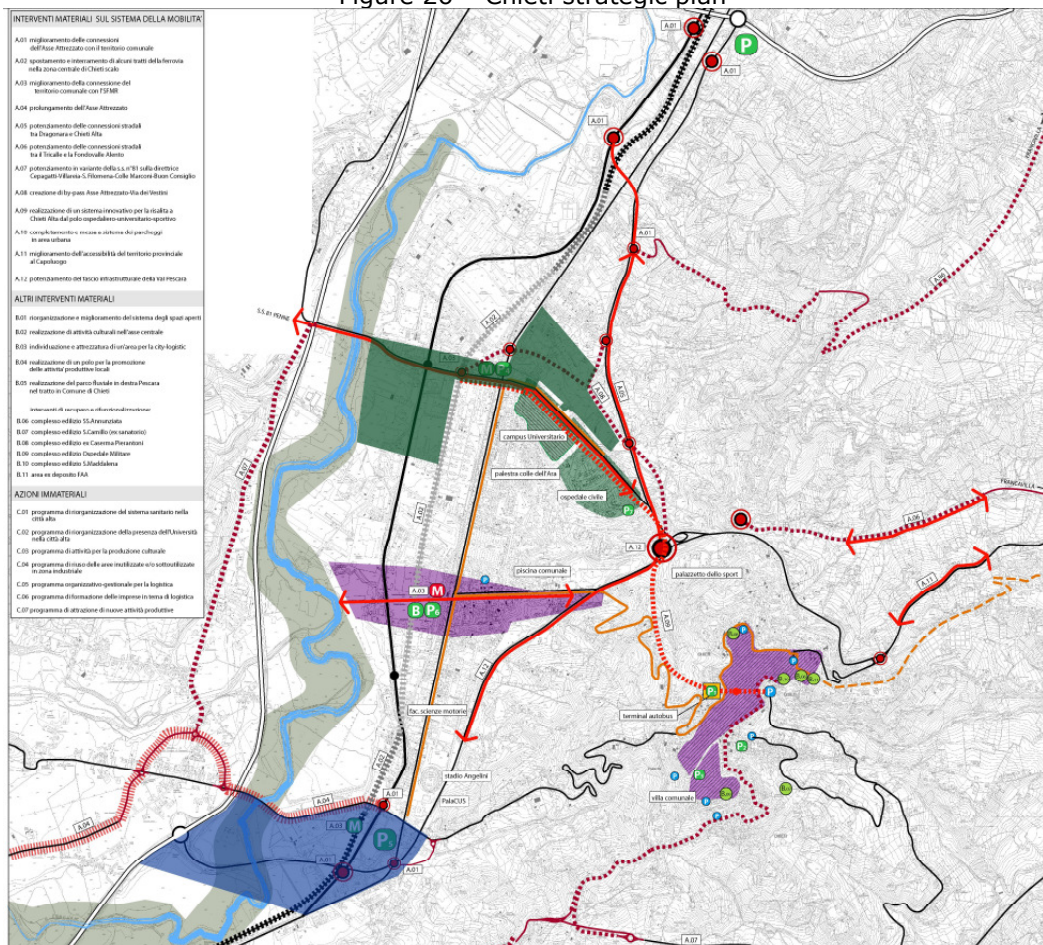
1.7.4. Chieti, , planning documents and pilot projects

PRINCIPAL PLANNING AND STRATEGY DOCUMENTS

To define its urban planning system, the Municipality of Chieti, in addition to a PRG, drafted a Strategic Plan over the course of 2007 that indentifies a series of initiatives that concern works on:

- the mobility system;
- enhancement of areas and facilities of public and private interest;
- recovery and reutilisation of urban complexes and areas.

Figure 26 – Chieti strategic plan



Source: Chieti Municipality

The interventions called for by the strategic plan can be grouped in six strategies identified and detailed in the table below.

Figure 27 – Chieti strategic plan initiatives

	STRATEGIC LINES	OBJECTIVES
1	Chieti, city of health, sport and well-being	Provide facilities for specialised health sector, sports and wellness activities
2	Chieti, city of historical memory and of cultural productivity	Enhancement of the historical heritage to play a new cultural role in the region
3	Chieti, city of logistics and services	Structuring the new services in the field of city-logistics and advanced services
4	Integration of the upper city and system of the valley	Connecting the upper city and the system of the valley and thus with the primary connecting infrastructure
5	Reconnection of the parts of the city divided lengthwise	Favouring reconnection with the river, eliminating barriers and recovery of the key urban area and fulfilling the potential of the industrial zone
6	Connecting the provincial hinterland with the metropolitan area	Facilitate the access of the provincial municipalities to the provincial capital

In the Strategic Plan several priority projects are identified, organised into three types of initiatives, that are described below.

MATERIAL INTERVENTION ON THE MOBILITY SYSTEM

- A.01 Improvement of the connection of the Attrezzato axis with the municipal territory
- A.02 Putting underground and moving some of the tracts of the railway in the centre of Chieti Scalo
- A.03 Improvement of the connection of the municipality with the SFMR (Regional Metropolitan Rail System)
- A.04 Lengthening of the Attrezzato axis
- A.05 Enhancement of the roads between Dragonara and Chieti Alta
- A.06 Enhancement of the roads between Tricalle and Fondovalle Alento
- A.07 Enhancement of the variation of the SS.81 from Cepagatti-Villareia-Santa Filomena-Colle Marconi-Buon Consiglio
- A.08 Creation of a bypass Asse Attrezzato-Via dei Vestini
- A.09 Realisation of an innovative system to connect Chieti Alta and the university/hospital/sport pole
- A.10 Completion and improvement of the car parks in urban area
- A.11 Improvement of the accessibility of the provincial hinterland to the provincial capital
- A.12 Enhancement of the infrastructure of Val Pescara

OTHER MATERIAL INITIATIVES

- B.01 Reorganization and improvement of the open spaces
- B.02 Realisation of cultural activities in the central axis
- B.03 Identify and equip an area for the city-logistics
- b.04 Realisation of a pole for the promotion of local productive activities
- B.05 Realisation of a river park on the right bank of Pescara river in the tract in the Municipality of Chieti
- B.06 Recovery and reutilisation of the complex of SS. Annunziata
- B.07 Recovery and Reutilisation of the complex S. Camillo (former sanatorium)
- B0.08 Recovery and reutilisation of the complex of the former Pierantoni military barracks

- B.09 Recovery and reutilisation of the complex of the Military Hospital
- B0.10 Recovery and reutilisation of the complex of S.Maddalena
- B.11 Recovery and reutilisation of the area of the former FAA freight yard

INTANGIBLE ACTIVITIES

- C.01 Plan for the reorganization of the health care system of the upper city
- C.02 Plan for the reorganisation of the University in the upper city
- C.03 Plan for the activities for cultural production
- C.04 Plan of reutilisation of the unused and/or underused areas in the industrial area
- C.05 Organisational-management plan for logistics
- C.06 Plan for providing training to enterprises on the question of logistics
- C.07 Plan to attract new production activities

As for the Integrated Plan of Urban Development, it needs to be said that it has not been drafted.

PRIORITY PROJECTS PRESENTED

In the meetings held with the government of Chieti, its intention to develop within the JESSICA scheme, a project that calls for the realisation of a people mover to link the higher town and the lower town of the city of Chieti was often expressed.

This project will be examined in detail in the third chapter, concerning the creation of a network connecting upper Chieti with the infrastructure in lower Chieti (which includes a health care, university and sports pole), as well as a connection between the municipal network with the regional one (SFMR) and the private network.

OPPORTUNITIES AND PROBLEMS FOR THE IMPLEMENTATION OF JESSICA

The pilot project presented by the government is consistent with the kind of initiative typically included in the JESSICA scheme, although it is necessary to underline that the Municipality of Chieti has not drafted an IPUD which is necessary if the JESSICA scheme is to be implemented.

1.8. UDF investment strategy

Analysing projects chosen by Municipalities, it is clear they face different topics related to the urban development theme.

Some are urban transformation projects of central and historical areas, as like as Pescara (transformation of the Area di Risulta and of the harbour area). There are some projects related to the reuse of existent buildings, like the former psychiatric hospital project of Teramo aimed at the revitalising of the historical city centre or the project of L'Aquila for the regeneration of the old Italtel industrial pole. There are also projects related to the public transport system, as like as the one proposed by Chieti administration with the people mover project. Some of these projects are within the planning documents (Urban Development Integrated Plans and other strategic plans).

In the **start up phase of the Urban Development Fund** it would be desirable to realise pilot projects proposed by the administrations, or other projects coherent with programmed development lines.

Identified initiatives have some weakness aspects, that will be detailed in the fourth chapter, in the followings are presented some elements:

- **ERDF resources** – actually IDUP ERDF resources are available only for Chieti, Teramo and L'Aquila municipalities, while Pescara has already committed its resources in other projects. It is also important to underline that the Teramo municipality planned to use ERDF resources on several projects and not only the former psychiatric hospital initiative.
- **Project level** – all initiatives are at a very preliminary stage, however during this evaluation study it has been possible to make different detail level analysis, in particular for Pescara and Teramo project in dept analysis have been made, for the Chieti project it has been possible to make only semi parametric analysis, and for L'Aquila project only qualitative analysis have been done, because of the absence of needed data for the analysis.
- **Financial and economic aspects** – as it will be presented in the fourth chapter, pilot projects return is not always high enough to attract third private investors. Considering the still preliminary stage of projects, it will be possible to mitigate the limited profitability of projects with the insert of functions increasing the attractiveness of initiatives.

In the **consolidating phase of the Urban Development Fund**, it will be important to define and to follow an investment strategy focused on urban development, considering also main needs of the territory and strategic plans, both at the regional and local level.

On the basis of analysis made, more relevant dynamics emerged to be considered in the UDF investment strategy setting are:

- the highly concentration of urbanisation in the costal area, with the consequent problems of transportation management and air pollution, especially in the area of Chieti – Pescara.
- The high attractiveness of the Pescara – Chieti area, with the consequent risk of urban dispersion.
- The need for a requalification of touristic infrastructure of the cost and within internal areas.
- The depopulation of internal areas, related also to a low accessibility of that territory.
- The need for a development of infrastructures, in particular logistic, for enterprises.

The Urban Development Fund will have therefore the opportunity of operating as a support tool for the territory planning, attracting third parties resources (both private and public) and channelling on initiatives coherent and functional to development strategies of the region.

2. THE JESSICA SCHEME

FRAMING THE CHAPTER

The JESSICA instrument was created to improve the allocation and use of the resources of the European Regional Development Fund by favouring combining them together with other kinds of sources.

On the Community level the legal framework for JESSICA can be found in the regulations on the operation of Structural Funds (in particular Regulations 1080, 1083 and 1828 of 2006), which provide only a few guidelines on the role and the operation of the Holding Fund and the Urban Development Fund, but they do not define in detail the entire operation of JESSICA mechanism.

This description of the procedures is therefore in part based on experience and on evaluations of the operational context of several European countries, both on the level of research and on the level of implementation.

In this chapter are described the various options: in structures, agreements and procedures of the JESSICA model by defining and analysing the practicable strategic options for implementing the Jessica model, given the restraints and opportunities that characterise the context of Italy and Abruzzo.

JESSICA in the context of the ERDF - IUDP

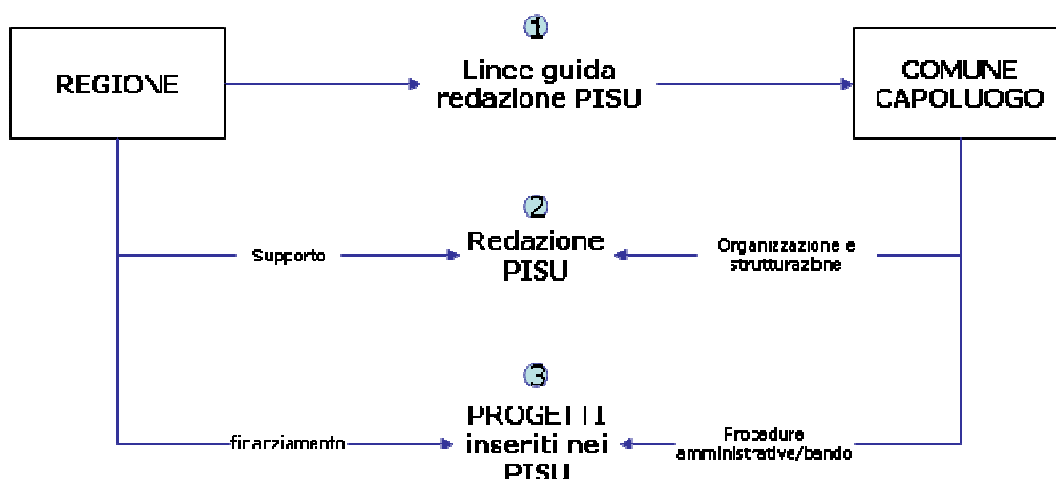
JESSICA is an instrument created in order to better utilise the resources of the ERDF allocated to fund sustainable projects within **IUDPs**.

As described in detail in the preceding chapter, the IUDPs are planning documents draw up, in the case of Abruzzo, by the provincial capitals, that establish policies for integrated and sustainable urban development.

The traditional procedure to finance projects within the IUDP foresees that part of the needs of the projects are financed through resources of the ERDF OP allocated by the Region in the form of grants.

In Abruzzo, as analysed in the previous chapter, the size of the IUDP resources is about 8 million for each of the provincial capitals and in addition a procedure has been established both for the drafting of the IUDP and for the allocation of funds, below its general features are outlined.

Figura 28 - The traditional IUDP process



From an economic and financial point of view, the flow chart of the relationships established for the allocation of ERDF-IUDP funds, illustrated in figure 30, can be outlined as follows:

1. The Regions define in the ERDF OP, that has to be approved by the European Commission, a sum intended to finance the projects within the IUDPs and the same document defines how the allocation resources will be allocated (in the case of Abruzzo, the Region has defined *ex ante* to allocate matching funds to each of the provincial capitals);
2. on the basis of the guidelines of the Region, the provincial capitals (in the case of Abruzzo) draft the Integrated Urban Development Plans in which are defined the priority initiatives, the allocation of resources and the estimated timetables and means of their performance;
3. once drafted the IUDPs, the provincial capitals to carrying out the established works, by initiating all the procedures called for by current law; during the various phases of the process, the Region, on the basis of certification of the expenses incurred, allocates the IUDP funds to the provincial capitals.

As we will see in the following sections of the chapter, the introduction of the JESSICA model allows for important procedural innovations in the management of the third phase of the process described above.

JESSICA - RELEVANT STRUCTURES AND PROCEDURES

The structure of JESSICA is within in the ERDF IUDP procedure establishing a revolving use of these funds in the service of the financing of projects that are part of the IUDP.

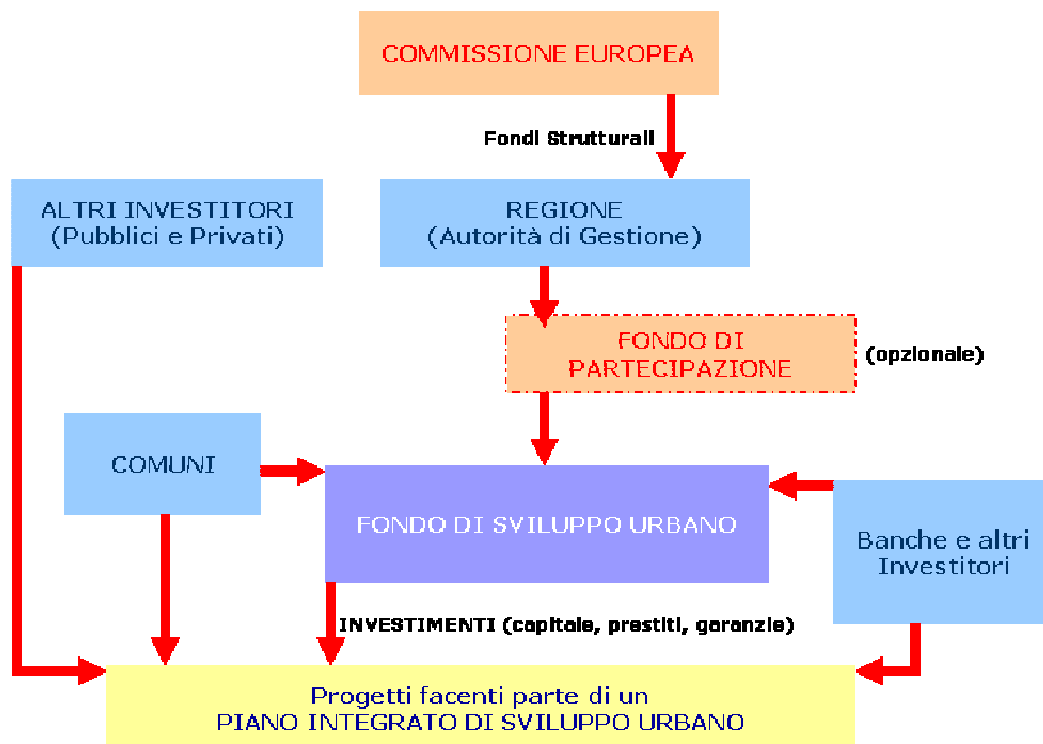
Alongside of the ERDF IUDP sources, both public and private, other financing may also be used, for example resources of foundations, institutional investors, banks, etc., they would be included in the JESSICA model, but are not subject to the specific restrictions of ERDF IUDP Funds.

As was mentioned in the first chapter, the JESSICA mechanism provides for the involvement of other structures which will be analysed in detail in the coming sections, some already involved in the model used for the allocation of traditional ERDF, as for example the Managing, Certification and Auditing Authorities, while others are specific to JESSICA, such as Holding Funds and Urban Development Funds.

Along side the bodies mentioned above, the JESSICA mechanism provides drawing up *ad hoc* contracts, in particular the Funding, Operational and Investment agreements which will be analysed in detail later in the chapter.

Finally to supply a preliminary description of the mechanism and the procedures established by the JESSICA model, a diagram created by EIB, has been included followed by a short general description.

Figure 29 - the JESSICA mechanism



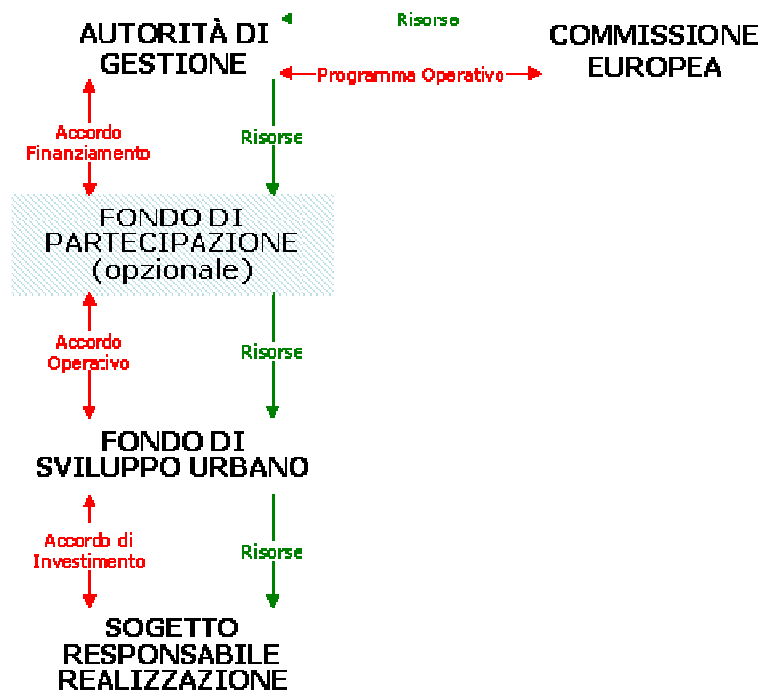
As can be seen in the above diagram, the JESSICA process is grafted onto the Community procedures related to European Regional Development Fund, provide for the following specific operational phases:

1. approval of the ERDF OP by the European Commission, within which the details of allocation of IUDP resources and procedure are specified and within which it is also foreseen the possibility of implementing the JESSICA instrument for specific lines / measures;
2. the decision of the Region to activate the JESSICA process, by placing ERDF IUDF resources and if possible others within the JESSICA structure;
3. selection and eventual start up of an Holding Fund with the task of assisting the Region in the management of the process and of investing regional resources in Urban Development Funds.
The establishment of a Holding Fund is optional and usually has the European Investment Bank as the Holding Fund, through which Regions (the Managing Authority) drafts a Funding Agreement.
4. selection of one or more Urban Development Funds by the Holding fund, if there is one, or by the Region (the Managing Authority). The relationship between the Urban Development Fund and Holding Fund/Region are regulated by an Operational Agreement.
5. selection on behalf of the Urban Development Fund(s) of projects included within the IUDF in which to invest, or through a partnership or in another way. The Urban Development Fund and that carries out the intervention, to which the UDF grants the resources through an Investment Agreement.
6. The profits generated by the projects in which JESSICA resources have been invested return, on the basis of the agreements made, to the various structures and so they may be reused to finance new urban development projects, so creating a process of self-financing.

In the next sections of the report the characteristics will be analysed and the pros and cons of structures and procedures that may be used in Italy to implement the JESSICA model will be pointed out.

In particular the structures to be analysed and procedures specific to the JESSICA mechanism are outlined briefly in the figure below.

Figure 30 - JESSICA structures and agreements



As can be observed in figure 33, the most important structures, on which the analysis will concentrate, are:

- the Managing Authority – is the body that on the regional level is responsible for the initiation and implementation of the JESSICA procedure
- the Holding Fund – is the body, specific to the JESSICA model, to which are entrusted the structural funds that the Region decides to include in the JESSICA model, charged with investing these funds in Urban Development Funds
- the Urban Development Fund – the body of the JESSICA model to which JESSICA and other public and private resources are granted by the Region to be invested in urban development projects
- Entities that carry out single initiatives – structures that carry out the urban development initiatives (e.g. SPV) in which JESSICA funds are invested in the form of venture capital, loans or grants.

The agreements analysed in the following sections are:

- Funding Agreements – signed by the Managing Authority and the Holding Fund that defines the size of the JESSICA resources from Region and the investment strategy for these resources.
- Operational Agreements – signed between the Holding Fund and the Urban Development Fund, through which are defined the mode with which the Jessica funds shall be invested and the criteria for the managing of the proceeds.
- Investment Agreement – signed between the Urban Development Fund and the entity responsible for carrying out the work, through which are regulated the relationship between the parties regarding to the initiatives to be carried out and their financing.

In the following sections each of the structures and agreements will be analysed in detail and in the operational context of Abruzzo.

2.1. Managing Authority

The Managing Authority, according to Art. 59 of Regulation 1083/2006, is a public authority or a national, regional or local public or private body, assigned by a Member State to **manage the operational programme**, according to the principals of sound financial management.

It is regulated principally by Art. 15 of Regulation 1080/2006, that provides that it carry out part of the tasks in Art. 60 of Regulation 1086/2006, in specific:

- to guarantee that the operations designated to receive financing are selected according to the criteria applicable to the operational programme and to the applicable Community and national law for the entire period of performance;
- to guarantee a computerized system to record and maintain the accounts relative for each operation performed as part of the operational programme, as well as the data necessary for financial management, oversight, verification, audit and assessment;
- to guarantee that beneficiaries and other entities involved in the performance of the operations keep separate accounts or use an accounting code adequate for all the transactions involved in its operation, in accordance national accounting law;
- to guarantee that the assessment of the operational programmes described in article 48, section 3 of Regulation 1083/2006, are performed according to article 47;
- to establish procedures for all the documents related to expenses and audit needed to guarantee an adequate audit trail is kept according to the provisions article 90 of Regulation 1083/2006;
- to guarantee that the certification authority receives all the information necessary for the procedures and verification performed in relation to the expenditure for certification; -{-}
- direct the work of the oversight committee and provide to it the documentation to qualitative oversight of the performance of the operational programme, and proving for its specific objects;
- to draft and submit to the Commission, after approval by the oversight committee, annual and final performance reports;
- to guarantee the fulfilment of the requirements regarding information and public notice established in article 69 of Regulation 1080/2006;
- to supply the Commission with information that allow it to assess large projects.

According to Art. 15 of Regulation 1080/2006, the managing authority establishes the way to execute each operation, if appropriate in agreement with the principal beneficiary.

In fulfilment of the provisions of Art. 67 of Regulation 1080/2006, beginning in 2008 and by 30 June each year, the Managing authority submits an annual report to the Commission and by 31 March 2017 a final report of implementation of the operational programme, that shall include:

- the state progress report on operational programme and of the priority parts of its specific targets [...];
- the financial implementation for the operational programme, that specifies each priority part:
 - the expenses borne by the beneficiary including the requests for payment sent to the managing authority and the corresponding public contribution;
 - all payments received from the Commission [...];
 - the expenses of bodies responsible for payments to the beneficiaries [...];
- if appropriate, the state of progress and of financing of large projects.

ROLE OF THE MANAGING AUTHORITY IN THE JESSICA MODEL

Within the JESSICA mechanism the Managing Authority plays a significant role, as it is responsible for the implementation of the JESSICA mechanism, and it may do this in one of to ways:

1. through a Holding Fund;
2. by selecting directly one or more Urban Development Funds.

If the Managing Authority decides to create a Holding Fund, it shall be responsible for the JESSICA process and thus it would face the tasks of implementation, oversight, collection the information, etc. of the JESSICA process.

Even if a Holding Fund is created, the Managing Authority is still responsible for the correct use of the funds before the Commission on the basis of the provisions of Community Regulations.

In the case in which the Managing Authority decides not to create a Holding Fund it shall carry out all the activities necessary to implement JESSICA, including:

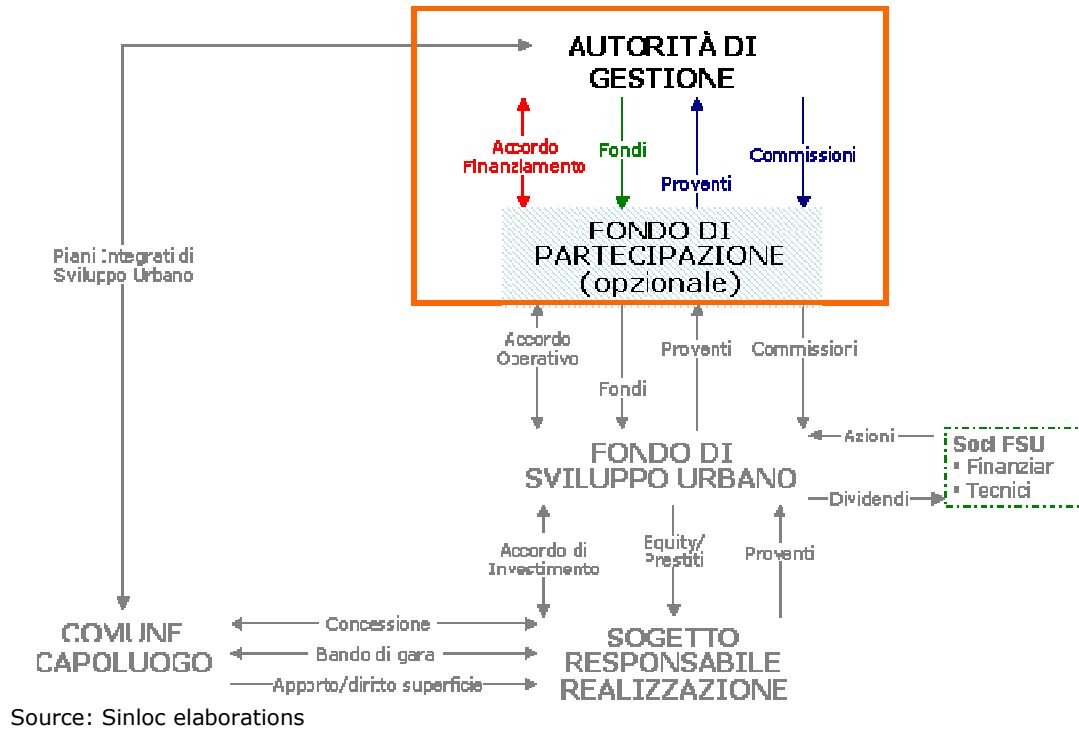
- preparation and publication of invitations to tenders (if necessary) for the selection of Urban Development Fund(s);
- the assessment and selection of Urban Development Funds;
- transfer of the resources;
- monitoring of the activities of the UDFs;
- ...

That said, if it decides to create a Holding Fund, between it and the Managing Authority a Funding Agreement shall be signed, the characteristics and features of which will be analysed in the next section.

2.2. Funding Agreement

The Funding Agreement is a contract that the Managing Authority (MA) signs with the entity it intends to entrust the role of Holding Fund (HF), in which the terms in which the Holding Fund may act to implement its principal task: the selection and investment of ERDF IUDP resources in the Urban Development Funds.

Figure 31 - JESSICA, Funding Agreement



Until now nearly all the Funding Agreements have been signed between the Managing Authorities and the EIB, with which a Holding Fund been set up, established as a separate block of capital.

The relevant Community law on the question of Funding Agreements is found in Art. 43 of Regulation 1828/2006 which establishes that the agreement shall at least establish:

- *"the investment strategy and planning;*
- *monitoring of implementation in accordance with the applicable rules;*
- *an exit policy for the contribution from the operational programme out of the financial engineering instrument;*
- *the winding-up provisions of the financial engineering instruments, including the reutilisation of resources returned to the financial engineering instrument from investments or left over after all guarantees have been honoured, attributable to the contribution from the operational programme."*

in Art. 44 of Regulation 1828/2006 establishes furthermore that:

"... the funding agreement [...] provides in particular:

- *the conditions relative for the contributions of the operational programme to the Holding Fund;*
- *a call for expression of interest addressed to financial intermediaries or to urban development funds by the holding fund;*
- *the appraisal, selection and accreditation of the financial intermediaries or of the urban development funds by the holding fund;*

- *the setting up and monitoring of the investment policy or the targeted urban development plans and actions;*
- *reporting by the holding fund to the Member States or the managing authorities;*
- *monitoring the implementation of investments in accordance to applicable rules;*
- *audit requirements;*
- *the exit policy of the holding fund out of the venture capital funds, guarantee funds, loan funds or urban development funds;*
- *the winding-up provisions of the holding fund, including the reutilisation of resources returned to the financial engineering instrument from investments made or left over after all guarantees have been honoured which are attributable to the contribution from the operational programme.”*

The principal parts of Funding Agreements are therefore related to:

- establishing the governance of the Holding Fund;
- how the Holding Fund is financed;
- the investment strategy of the Holding Fund;
- how Urban Development Funds are selected;
- the procedures for drafting further agreements;
- costs and commissions;
- accessory conditions.

A brief description of the parts of the agreement mentioned above follows.

Establishing the governance of the Fund - the Holding Fund is an instrument that the Region (MA) may create to assist in the selection and management of Urban Development Funds; it is therefore important that the Region has an active role in establishing the guidelines of the Holding Fund: in the examples of Funding Agreements to date the person presiding over how to allocate the funds (the Investment Board) is always composed of persons who express the will of the Region (the Managing Authority).

In particular, in the Funding Agreements actually signed by EIB and a Managing Authority for example it has been established the Investment Board is composed of seven independent members nominated by the Managing Authority, at least three of whom shall be experts in the field of Urban Development.

To assist the Board, the Funding Agreement shall also include two Investment Board Observers named by EIB with no vote.

In cases in which the EIB acts as the HF, the Investment Board is the executive body of the Holding Fund and, in the cases available, has the power to:

- to approve the investment strategy;
- to approve or reject the terms of the tenders for the selection of the Urban Development Funds;
- to approve or reject consultants;
- to approve Operational Agreement with the Urban Development Fund(s).

In addition to the above mentioned activities, the Funding Agreement analysed establishes that the Investment Board in addition has the tasks:

- to monitor the activities of the Holding Fund periodically;
- to define targeted means to improve its performance;
- to approve the final financial statements of the activities of the Holding Fund.

Holding Fund financing methodologies - the Funding Agreements regulates how the Managing Authority dedicates JESSICA resources to the Holding Fund, that then shall be invested in the Urban Development Funds.

This question, which will be analysed in detail in the following sections, is of considerable importance in the JESSICA process, since the restrictions found in the Community regulations on the managing of Community Funds need to be carefully considered.

Holding Fund investment strategies - the Funding Agreement determines the investment strategy that the Holding Fund shall follow in its activities, this can take the form both of general guidelines for its actions and specific instructions concerning:

- sectors of investment - in the Funding Agreement the Managing Authority (that is the Holding Fund) can determine the sectors of strategic interest in which the Urban Development Funds can invest, for example the Holding Fund may determine the kinds of action the Urban Development Fund that wins the tender will undertake (e.g. waste management in London, energy efficiency of housing in Lithuania, ...);
- geographic area of beneficiaries - they can determine how resources are allocated geographically, for example in Andalucía the strategy of the Holding Fund is to select two Urban Development Funds that operate in two different geographical areas;
- kinds of entities fit to carry out the role of UDF - the Managing Authority, that is the Holding Fund, shall determine the requirements that selected Urban Development Funds shall have, in particular concerning the kind of actions (equity, loans and/or guarantees);
- monitoring mechanism for investments - in the Funding Agreement, or in other accessory documents, shall be specified how the activities of Urban Development Funds shall be monitored;
- ...

The Funding Agreement may provide for cases in which it can delegate the investment strategy, such as:

- changes in the Operational Programme;
- significant changes in relevant Community rules;
- specific instructions from the Investment Board;
- ...

As can be observed from what has been said, the JESSICA mechanism allows considerable flexibility in how it is applied and allows considerable leeway to the Region (Managing Authority) to establish its implementation, possibly involving - especially in the case of Abruzzo - the provincial capitals in the process and maintaining the means of allocation of IUDP resources initially determined.

Holding Fund selection models - the Funding Agreement determines the means through which the Holding Fund selects the Urban Development Funds.

In the cases studied the final decision on who to entrust the role of UDF belongs to the Investment Board, in accordance with Community and national rules.

It should be underlined that the Investment Board has no right to change the proposals of the manager of the fund - the EIB - but only to accept or reject these proposals, including, in this specific case, the entity or entities selected to for the role of the UDF.

The procedures for drafting further agreements - the Funding Agreement establishes the procedures to be followed for the signing of the Operational Agreement between the Holding Fund and the Urban Development Fund.

In the examples available, it has been provided that the terms of the Operational Agreement shall always be approved by the Investment Board before they are applied.

Costs - the Funding Agreement establishes the cost of the services performed by the Holding Fund and the means through which they are paid. Considering the particular nature of the resources included in the Holding Fund, it is necessary that in the payment of the commissions for management to the Holding Fund the restrictions found in Art. 43 of Reg. 1828/2006, in particular, "*Management costs may not exceed, on a yearly average, for the duration of the assistance [...] 2% of the capital contributed from the operational programme to the holding*

funds, or of the capital contributed from the operational programme or the holding funds to the guarantee funds [...] unless a higher percentage proves necessary after a competitive tender.”

Normally given the prolonged duration of the Funding Agreement, the operations of the Holding Fund, which normally is more intense at the beginning of the contract, it is reasonable to assume, as is usually done, that the percentage of management costs is equal to, or greater than, 2% during the first part of the contract and fall in the later periods.

It is important to consider in this regard that the percentage of the costs is strongly influenced by the size of the resources granted to the Holding Fund, in particular the smaller the size of the Holding Fund, the larger the percentage of costs that it must bear.

The cases studied of available Funding Agreements provides that the Managing Authority pays the HF decreasing compensation over time, and this is not linked to the results of the investments made by the subordinate Urban Development Funds.

Accessory conditions - the Fund Agreement includes, in addition to the parts described above, clauses related to: the duration of the contract; recession clauses; conditions precedent to any liability; how to monitor the activities of the Holding Fund; liability of the parties; confidentiality restrictions; ...

Of particular importance, for determining the terms of the Funding Agreement, is the timeframe of the period of programming of Community Structural Funds, has been set for 31 December 2015.

It may be necessary, given the peculiar nature of JESSICA resources, a period for the Funding Agreement between the Holding Fund and the Managing Authority in line with Community programming (e.g. 31 December 2015), even if the nature of the underlying projects normally last longer (perhaps several decades).

To remedy this problem, ad hoc clauses may be included in the Funding Agreement or in other contracts.

2.3. Holding Fund

A Holding Fund is a structure created by Community Regulations concerning Structural Funds, in particular Regulations 1080, 1083 and 1828 of 2006 and their amendments.

From the structural point of view, Art. 43 of Regulation 1828/2008 establishes that a Holding Fund may be organised as:

- “independent legal entities governed by agreements between the co-financing partners or shareholders;
- or as a separate block of finance within a financial institution.”

As mentioned in the previous section, art. 44 of Regulation 1083/2006 provides that a Holding Fund shall be created to invest in Urban Development Funds, that in turn invest in Integrated Urban Development Plans.

Holding Funds are usually temporary instrument, at least according to the interpretation of the EIB, that supports the Region (Managing Authority) in the allocation of JESSICA ERDF resources to the Urban Development Fund(s), performing a technical and strategic function of support: it manages the procedure for the selection of UDFs, administers participation in the UDFs, determines the guidelines of actions, etc.

Another important characteristic of a Holding Fund is that the instant it is established and resources of the OP, including the ERDF share and the national co-financing share, they may be recorded as eligible expenses (annual report), before the UDFs are established and investments have been made in urban projects.

On the basis of the analyses made on the role of Holding Funds, the following strong points were found:

- they guarantee technical assistance to the Managing Authority, both in the selection of the UDFs and in the operational phase;
- they allow for annual reporting of JESSICA funds at the constitution period;
- they guarantee transparency and expertise in the management of the funds;

and the following problems:

- significant minimum critical mass (estimated at least 25-30 million);
- significant management costs (up to 2% annually of the total);
- possible duplication in the management structures of the process.

Considering the optional nature of creating a Holding Fund, even if they have been created in the big majority of JESSICA implementation cases, it is important that the Managing Authority consider creating one, in particular in connection to the aspects below:

- **the size of the resources placed in JESSICA** – the larger the size of the funds included in JESSICA, the more complicated their management can be and so the support of a Holding Fund can be important.
It is important to consider the economies of scale for the management costs of the Fund, even if on the basis of Community Regulations they cannot be more than 2% of the funds managed annually, it is reasonable to expect that they may decrease in relative cost with an increase in the size of resources managed.
- **Ability to manage the deadlines of ERDF Funds** – one of the most common problems in managing Structural Funds is that of meeting the “utilisation deadlines”, in particular in extraordinary situations such as a change in administration or the restructuring of the ROP. The creation of a Holding Fund allows the Region produce the annual report of JESSICA resources and thus not to experience their automatic decommitment (“n+2” rule)..

It is important to underline how only the creation of a Holding Fund or Urban Development Funds does not solve the problem of fulfilling the requirement of a final report, in if by the 31 December 2015 the resources have not been invested by the UDFs in urban projects, the part left out has to be returned to the European Commission.

- **State of progress of the IUDP process** – there may be situations in which with the commitment of ERDF IUDP funds is the same, but the level advancement of the projects in the IUDP are more or less advanced (e.g. project idea, preliminary project, final project, project in execution, competitive tender, ...).
If the state of progress of IUDP is very low there could be a risk of an automatic decommitment of funds occurring. In this situation the creation of the JESSICA system, supported by the establishment of a Holding Fund could be a factor that works against the decommitment of resources.
- **Expertise in the management of instruments of financial engineering** – the JESSICA system operates in a significantly different manner than traditional systems of allocation of Community funds, establishing both innovative structures and procedures.
Knowledge of the financial engineering processes associated both with Structural Funds (e.g. JEREMIE, ELENA, JASPERS, ...) is certainly an important factor for the Regions that intend to implement the JESSICA mechanism.
The lack of expertise in the management of these instruments could make the establishment of a Holding Fund more useful.
- **Transparency in the management process** – the creation of a Holding Fund, let as a competitive public tender, or the allocation of resources to primary international or national structures, can be a further guarantee in assuring the needed transparency in the process of the allocation of resources.

TYPES OF HOLDING FUNDS

As was said in the sections above, Art. 43 of Reg. 1828/2006 establishes that the Holding Funds can be established in two ways:

- as a separate block of financing within a financial institution;
- as an independent legal entity.

In the first instance the holding fund is established as “subject to specific implementation rules within the financial institution, stipulating, in particular, that separate accounts are kept which distinguish the new resources invested in the financial engineering instrument, including those contributed by the operational programme, from those initially available in the institution.” (Art. 43 Reg. 1828/2006)

In the second case (independent legal entity) the holding fund has its own legal personality and shall therefore have its own legal identity that fulfils the requirements of Community and national rules.

In both cases, as mentioned above, the management costs (in accordance with Art. 43 of Reg. 1282/2006): “... may not exceed on yearly average, for the duration of the assistance of any of the following thresholds, unless a higher percentage proves necessary after a competitive tender [...] 2% of the capital contributed from the operational programme to holding funds, or of the capital contributed from the operational programme or holding fund to the guarantee funds.”

Another element to be considered is that in both cases, once operational, holding funds shall be considered beneficiaries (in accordance with Art. 26 Reg. 1083/2006) and therefore responsible for the implementation of the actions and the administering the ROP ERDF resources according to the requirements of the Funding Agreement.

AWARDING THE CONTRACT

According to Art. 44 of Regulation 1083/2006, the Holding Fund may be created by the Managing Authority in two ways:

- a) "winning a public tender according to the applicable rules;
- b) if the purpose of the agreement is not a public service tender according to the applicable rules on public tenders, the award of a grant, defined in this context as a financial contribution by way of a grant to a financial institution with out a call to tender proposals, if this is faithful to a national law within the bounds of the treaty;
- c) the assignment of a contract directly to the EIB or the EIF."

The reason why the EIB may assigned the role directly without having to participate in a public tender is found in the special relationship that exists between the EIB and the Member States (confronting COCOF note December 2008).

The two ways of assigning the contract to a Holding Fund differ both in the procedure that shall be used to assign the contract and in the contents of the final agreement.

The **public tender requires that** (according to a COCOF note of 2008):

- the service/product will be tendered by the commissioning body in exchange for compensation;
- the terms of the service/product shall be defined by the commissioning body in the call for tenders;
- the winner of the tender meets the terms provided for in the call for tenders;
- the contract is bilateral and the commissioning body shall monitor the performance of the contract by the winner of the tender;
- the result of the public tender is a contract.

The **award of a grant** shall contain the following:

- it grants a contribution either directly to a project managed by a beneficiary or directly to a beneficiary who contributes to the policy goals of the contributor;
- the beneficiary submits a proposal to the contributor specifying the activities that shall be implemented;
- the contributor remains the owner of the resources, even if alternatives can are possible;
- the award shall not have the purpose of turning a profit for the beneficiary;
- the result of the award procedure of grants is a grant agreement.

REPORTING OF ELIGIBLE EXPENDITURE

Article 78 of Regulation 1083/2006 provides that: [...] *as regards financial engineering instruments as defined in Article 44, the statement of expenditure shall include the total expenditure paid in establishing or contributing to such funds or holding funds.*

However, at the partial or final closure of the operational programme, eligible expenditure shall be the total of [...] any payments from urban development funds for investment in public private partnerships or other projects included in an integrated plan for urban development [...].

EIB AS A HOLDING FUND

Of the various structures that may be utilised as a Holding Fund, to date on the community level, the only body that has been entrusted with this role is the European Investment Bank (with the exception of KredEx in Estonia).

The reason for this choice comes principally from the structured expertise which the EIB possesses for the management of the JESSICA process and from the possibility to designate the role to it directly, established in community rules.

As mentioned above, the choice of the European Investment Bank as the Holding Fund has peculiar advantages, other than its direct designation by the Managing Authority, in particular:

- expert knowledge of the JESSICA mechanism;
- economic and financial expertise;
- legal expertise in particular on community rules;
- considerable experience with JESSICA;
- high level of proficiency and trustworthiness of the institution;
- lower level of commissions practiced, limited to covering costs;
- ability to attract resources outside JESSICA in the selection of the UDFs phase;
- ...

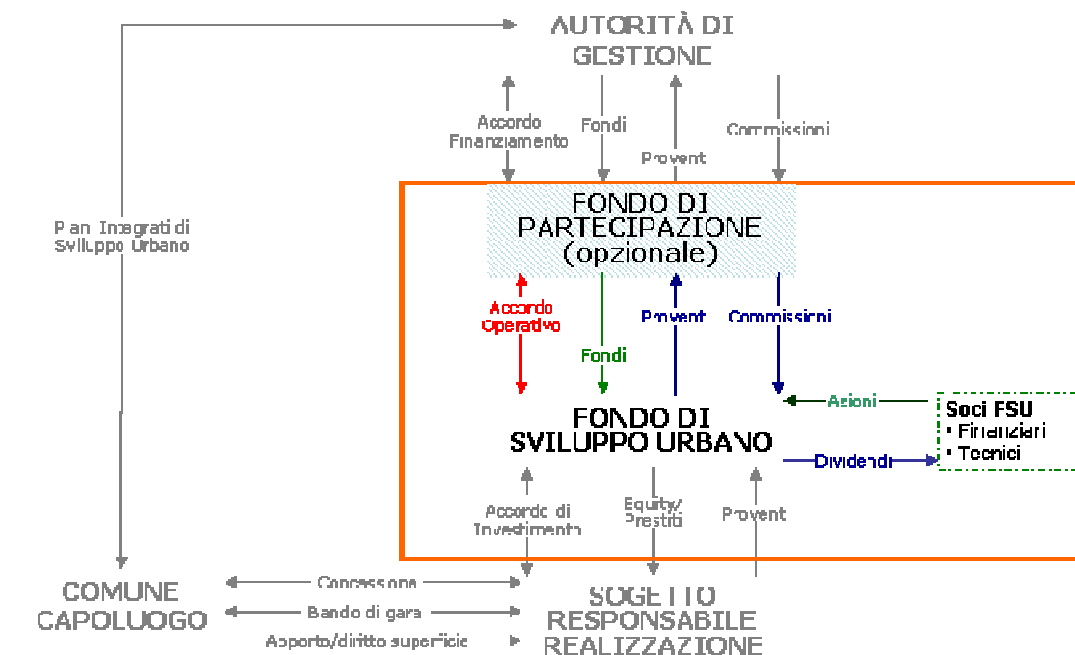
To pursue an efficient and effective implementation of the JESSICA mechanism, considering it is still in its initial stages, it is thought that it is useful to create a Holding Fund and the body most fit for this role could be the EIB.

If the creation of a Holding Fund is not possible or desired, it would still be possible for the Region to receive support from the EIB to complete the necessary procedures to initiate Urban Development Fund JESSICA and in overcoming other problems encountered along the way.

2.4. Operational Agreement

Operational agreements are contracts that the Managing Authority or the Holding Fund (if created) agree to with the entity that is assigned the role of Urban Development Fund (UDF). In the agreement are listed the conditions that the Urban Development Fund shall fulfil in investing the JESSICA ERDF resources in projects included in Sustainable Integrated Urban Development Plans.

Figura 32 - JESSICA, Operational Agreement



Source: Sinloc elaborations

As said in the first chapter, in reality, on the community level there are in advanced stages the tenders for selecting Urban Development Funds in Andalusia, England (Northwest and London), Poland and Sicily; the public tenders are concluded with the signing of the Operational Agreements.

In the rules on the Community level there are no particular requirements that have to be included in Operational Agreements, the primary provision is contained in paragraph 3 of Article 44 of that states: *"The terms and conditions for contributions [...] to urban development funds from holding funds supported by operational programmes shall be set out in a funding agreement, to be concluded between the [...] urban development fund, on one hand, and the holding fund, on the other. The funding agreement shall include at least [...]:*

- *the investment strategy and planning;*
- *monitoring of implementation in accordance with the applicable rules;*
- *an exit policy for the contribution from the operational programme out of the financial engineering instrument;*
- *the winding-up provisions of the financial engineering instrument, including the reutilisation of resources returned to the financial engineering instrument from investments or left over after all guarantees have been honoured that are attributable to the contribution from the operational programme.*

In the sections below, consistent with what is provided for in the article above, some elements that may be included in the operational agreement will be analysed.

UDF intervention strategy – it is important that the Operational Agreement define clearly the restrictions on initiatives eligible for financing by Urban Development Fund(s), since the Jessica ERDF funds, as has already been mentioned, can be reported only if utilised in

accordance with the provisions of Community Regulations. Such resources can be invested in public private partnerships or in other projects contained in Sustainable Integrated Urban Development Plans and in particular unfinished projects, included in admitted categories. Another element to consider, given the revolving nature of the JESSICA instrument, is that the JESSICA resources shall be invested in projects that are expected to have a positive return on the investment sufficient to replenish the resources of the instrument, even if Community regulations do not specify precise measures for financial viability.

Furthermore on the intervention strategy, it certainly is important to define the technical ways through which Urban Development Funds shall invest JESSICA resources in projects included in the IUDPs. In this regard the Community Regulations establish that the Fund may operate through equity, loans and/or grants. Within the context of Abruzzo, as has been underlined several times, the provincial capitals, also concerning how IUDP ERDF resources will be allocated, could play a significant influence in the process: both in the identification of strategic projects and the phase of structuring them and how they are financed. All strictly coordinated with the Region (Managing Authority) and in line with strategies of the aforementioned.

Allocation of resources to the UDF – the Operational Agreement shall define how the Managing Authority or the Holding Fund invests the ERDF JESSICA resources in the Urban Development Fund(s). There are various ways that this may occur, one means of particular interest is the one called for in the public tender to select a UDF in Andalusia (Spain), which establishes that the Holding Fund (EIB) grants a contingent loan to the Urban Development Fund whose return is strictly correlated to revenues that the UDF is able to gain from projects included in the IUDPs. This kind of investment, that could be defined as a “mezzanine loan” (hybrid financing that has both some of the characteristics of venture capital and some of debt capital), has been the one most commonly used in public tenders, similar to what can be seen in the sector of Housing Funds. This said, the way in which the JESSICA resources are allocated to the Urban Development Fund are defined by the Managing Authority or the Holding Fund and can vary from that discussed above.

Management fees – the Operational Agreement defines the size and way payment of management fees that the Urban Development Fund may withhold. Also in this case the Community Regulations establish a maximum threshold for these sums, in particular, in accordance with Article 43 of Regulation 1828 of 2006: “[...] 3% of the capital contributed from the operational programme or the holding fund [...]”. Also in this case, on the basis of several case studies it emerges the most utilised means is in the payment of management the costs of the Urban Development Fund, independently from the results of the underlying projects, to guarantee the economy of the JESSICA structure and process, it is necessary that the structure of the costs are somehow correlated to the revenues earned by the Urban Development Funds.

Ways of retrocession of proceeds – The Operating Agreement shall indicate how an Urban Development Fund restores the part of the proceeds due the Holding Fund (or the Managing Authority). Given the strict correlation between the revenues restored by the UDF and those generated by the underlying Urban Development projects, it is reasonable to assume that revenues will mature several years after the initial investment, that is when the project begins to generate a positive cash flow. It is important to note that according to Article 78 Regulation 1083/2006: “Resources returned to the operation from investments undertaken by funds as defined in Article 44 or left over after all guarantees have been honoured shall be reused by the competent authorities of the Member States concerned for the benefit of urban development projects [...]”.

Way out and reinvestment of resources – for the protection of the Holding Fund or the Managing Authority, the way out from investment in an Urban Development Fund, that shall be provided for in the Operational Agreement, that can include escape/termination clauses *ad hoc*. In reference to the utilisation of resources generated by the revenues of financed urban development projects, currently it is not clear what are the restrictions on use foreseen by the Commission, it is reasonable to hypothesise that they should be reinvested in urban development projects, without the restriction of being invested in IUDP projects.

2.5. Urban Development Fund

The Urban Development Fund is the principal instrument of the JESSICA mechanism, since it has the purpose to invest JESSICA resources in urban development projects, activating its revolving mechanism.

The principal rule that disciplines the activities that the Urban Development Fund can perform are contained in Regulations 1083 and 1828 of 2006, in particular in Article 43 of Reg. 1828, below its principal elements are described.

- **Types of interventions** – “Urban Development Funds supply repayable investments, or provide guarantees for repayable investments in public-private partnerships or other urban projects included in integrated plans ...”
In Article 46 of the same Regulation it is also provided that “*urban development funds shall invest by means of equity, loans and guarantees [...], urban projects receiving grant assistance from an operational programme may also be supported by urban development funds.*” *Where Structural Funds finance urban development funds, the funds concerned shall not re-finance acquisitions or participations in projects already completed.*”
- **Means of invention** – the Urban Development Fund operates by financing or investing in the structure that planning work, but it may not directly create an initiative.
For example, the Urban Development Fund acts as an intermediary or as a shareholder of the entity responsible for carrying out the work, so it is important that structure examined as potential UDFs operate in compliance with these limits.
- **The business plan** – shall be submitted by the Managing Authority or the Holding Fund (if there is one) and shall include:
 - [...] urban projects and the criteria, terms and conditions for financing them;
 - the operational budget of the financial engineering instrument;
 - the ownership of the financial engineering instrument;
 - the co-financing partners or shareholders;
 - the by-laws of the financial engineering instrument;
 - the provisions on professionalism, competence and independence of the management;
 - the justification for, and intended use of, the contribution from the Structural Funds;
 - the policy of the financial engineering instrument concerning exit from investments in [...] urban projects;
 - the winding-up provisions of the financial engineering instruments, including the reutilisation of resources returned to the financial engineering instrument from investments or left over after all guarantees have been honoured, attributable to the contribution from the operational programme.
- **Ways of establishment** – Urban Development Funds “*shall be set up as independent legal entities governed by agreements between the co-financing partners, that is as a separate block of finance subject to specific implementation rules within the financial institution, stipulating, in particular, that separate accounts are kept which distinguish the new resources invested in the financial engineering instrument, including those contributed by the operational programme, from those initially available in the institution.*”
- **Management Costs** - *... may not exceed, on a yearly average, [...], unless a higher percentage proves necessary after a competitive tender [...] 2% of the capital contributed from the operational programme to holding funds, or of the capital contributed from the operational programme or holding fund to the guarantee fund; 3% of the capital contributed from the operational programme or the holding fund to the financial engineering instrument in all other cases, with the exception of micro-credit instruments directed at micro-enterprises.*
- **Destination of returns**- *“returns from equity investments and loans, less a pro rata share of the management costs and performance incentives, may be allocated preferentially to investors operating under the market economy investor principle up to the level of*

remuneration laid down in the by-laws of the financial engineering instruments, and they shall then be allocated proportionally among all co-financing partners or shareholders."

- **Statement of expenditure** – the COCOF notes, in particular the COCOF note of July 2007, establish that it is the responsibility of the Managing Authority to ensure that all the supporting documents regarding expenditure of the UDF are conserved for three years after the partial or complete completion of operational programme (in accordance with art. 90 Reg. 1083/2006).

TYPES OF URBAN DEVELOPMENT FUNDS

The ample literature of the question of Urban Development Funds focuses on the ways of operating that can be implemented depending on the context in which the Urban Development Fund operates.

In the choice of the type of Urban Development Funds there are many variables to consider, some of them are considered below:

- **project phase:** the UDF can operate by investing in projects that are in various phases of their development cycles.
The initiatives that are in the initial phase of development normally have higher risk factors that can influence their outcome, while at the same time the possibility of the public investor (JESSICA) to influence the details of the project are greater.
On the other hand a project in a more advanced stage of development may have a lower risk of completion, may not leave room for the public investor to influence the project choices. In the selection of the Urban Development Fund it is important to consider the fitness for working on the planning level of the underlying initiatives, since, generally, a less advanced stage could require different technical expertise than a project at an advanced phase of development.
- **Geographic distribution of projects:** an important element to consider in the choice of the UDF is connected to geographical location of the projects to finance.
This issue is very relevant both in particularly large areas, in which knowledge of the local fabric may allow the UDF to reduce the asymmetries of knowledge with the local stakeholders and so reduce the inefficiencies of the project, and in cases in which JESSICA IUDF funds can be traced back to a specific place.
This second condition is clearly found in the Italian Operational Programmes, in which the method of allocating funds is through one of two alternatives:
 - a competitive procedure based on the characteristics of the various IUDPs (e.g. Tuscany, Sicily, ...)
 - Prior definition of the resources to allocate to the various localities.In the case of Abruzzo the OP ERDF (in its first version) establishes that the IUDP funds have been allocated to the four provincial capitals in equal sums.
In a context of this kind it is important that the UDF in its investment choices reflects the logic of the ROP ERDF in the allocation of resources and so establish rules of governance fit to commit to the various locations at least the resources that they were allocated by the ROP ERDF.
- **Share holding in the Urban Development Fund:** connected to the previous point and so to the problem of operating with resources that have a precise geographical destination, there is the question of determining the shareholders of the UDF. There are two methods:
 - totally public: with the equity brought into the UDF only from public sources, limited only to JESSICA EDRF funds, or to JESSICA EDRF funds and other public resources (FAS, other community resources, ...);
 - public private: in this case, in addition to JESSICA ERDF and other public resources, included in the UDF funds come also other private sources.

On the basis of the principal Community regulations and the notes of the Commission on JESSICA, the orientation of the community law-makers seems to be favourable to

collaboration between public and private resources within the Urban Development Fund, so increasing in this manner the leverage the process.

This way of operating raises several meaningful questions both on the level of the selection of the private entities with which to co-invest the JESSICA ERDF funds and in diluting the decision making power of the Region, because of the increase in the shares of third parties. A totally public UDF would avoid this problem, establishing public governance of the exclusively public resources, in addition, in the selection phase the Fund may not find it necessary to hold a public tender, directly assigning the role.

The exclusively public UDF itself has several important problems both for what concerns the impossibility of exploiting private leverage, and what concerns the probable need to pass on to the use of a public tender in later phases of the process.

These issues, of fundamental importance in the choice of the UDF, will be further explored in the following sections, giving ample space to the problems that exist in implementing the process.

- **Distribution of projects by sector:** in contexts in which the initiatives in the IUDPs and therefore the projects that may be financed through the JESSICA mechanism have the same project characteristics (e.g. thematic IUDPs) that may be important in establishing the Urban Development Fund in such a way that it is as well equipped as possible to work in such a context. In this way it is possible to exploit economies of learning and of purpose that a body focused on a particular sector may acquire.
- **Procedures for the caring out of projects:** the projects in which JESSICA may invest, as established by Community Regulations, may be public private partnerships or other urban development projects.
The choice of ways of operating chosen changes significantly the procedures that should be followed, both for the selection of projects/project enterprises, and in relation to the kind of financing to utilise.
Given the public nature of JESSICA funds and in particular of the areas/buildings on which generally the projects will be carried out, there are well defined rules that govern the procedures to follow.
In the selection of the Urban Development Fund to be assigned the role, it is therefore extremely important to know which kind of operating procedure is to be adopted, so as to structure the Fund in conformity with it.
- **Ways of financing projects:** the urban development projects carried out in public private partnership, as projects co-financed with the JESSICA mechanism ideally are, foresee two kinds of sources of financing: venture capital and debt capital.
The different characteristics of the two sources are principally linked to the risk profiles that they possess: the higher risk for venture capital, the lower for debt financing.
Faced with this difference, the rate of return of the two sources should be different, in particular venture capital requires a higher return than debt financing.
In addition to this important characteristic, given the public nature not particularly speculative of JESSICA funds, it can be said that, all things being equal, the UDF will bring to projects the kind of capital that is most difficult to obtain on the market.
In Urban Development projects a non speculative return can be assumed that the rarer source of financing is that of venture capital, that in the market requires a rather conspicuous rate of return and normally is not less than 10%.
However, it is important to note it is wrong to see JESSICA as a source that “balances” the rate of return of the project, requiring an under-sized rate of return, since this would contradict the rules on State Aid and the logic of investors that in the JESSICA mechanism is played by a public entity.
Instead it is correct to see JESSICA as an aggregating resource, that may receive a lower rate of return than a speculative investor, but which should not be considered in any case as a “minor shareholder”.
In the choice of how to finance projects and thus the UDF that will finance the investment, other dimensions should be considered as well, these will be analysed further in the following sections, such as:

- national rules on financial intermediaries and more generally on investments;
 - the capacity of the financing to “revolve” and so to be used on other urban development projects;
 - the ability to influence governance of projects;
 - ...
- **Degree of complexity of projects:** this element, that is linked to the distribution by sector of the projects and their stage of development, can be crucial in the selection of the Urban Development Fund.
- It is certainly true that the expertise necessary to monitor prudently and actively an urban development project is not easily acquired and it may make the difference both in the selection phase/structuring of the project, and in the execution and monitoring phases of the project, which may last in general terms for several decades.
- It is important that the entity selected as the Urban Development Fund possesses, or can easily acquire, the necessary management skills that allow the JESSICA resources to be invested well on the basis of the demonstrated expertise.

POSSIBLE STRUCTURES

As was mentioned earlier according to principal community Regulations on the JESSICA mechanism, the Urban Development Fund can be created as:

- independent legal entity;
- or as a separate block of finance within a financial institution.”

These two forms of operation established by the Community law-maker have not been directly implemented in national rules, so they have to be incorporated in the law of the individual member countries.

In this context there are various aspects that cannot be directly attributed to national rules, in particular in relation to the second kind of UDF mentioned (a separate block of finance), it is not completely clear what the interpretation of the following should be:

- **a separate block of capital:** the separation intended by the community law-maker intends for JESSICA capital seems to be principally of an administrative accounting kind rather than in terms of risk and accessibility to third parties.
The need to separate JESSICA capital from that of the Financial Institution in which it has been placed seems to derive from the requirement of autonomous accounting of community funds, if an audit trail for JESSICA funds were not possible, it would raise the problem of reporting them.
From the perspective of the separation of risk of the separate block of JESSICA capital from that of the institution in which it was created, the lack of accessibility to creditors of the “holding” company of the JESSICA funds and vice versa would not seem to be necessary, in any case the community regulations do not answer this question clearly.
- **Financial Institution:** this wording poses some problems in interpretation, since Italian national rules do not prescribe the nature of the Financial Institution, but rather establishes several kinds of Financial Intermediaries, regulated in particular in the Italian Banking Law, the so-called *Testo Unico Bancario* (Decree Law of 1 September 1993, n. 385 and subsequent amendments).
However, it is possible that for the purposes of the projects to be financed and the technical form of the financing, the national rules do not require the investor (and so the entity in which the UDF is established as a separate block of capital) be enrolled in the register of Financial Intermediaries.
This problem in particular may arise in the case, that will be discussed in detail, of dedicated assets to a specific transaction established by a firm and not enrolled in the register of financial intermediaries.

For the purpose of establishing certainly and finally the interpretation of the Regulations and its other elements, which will be analysed in the sections below, specific queries should be raised with the European Commission.

In order to identify the legal entities that in the national context may play the role of Urban Development Fund, an analysis has been carried out beginning from the legal entities identified in other feasibility studies and *ad hoc* investigation with professionals in the field, has produced the following results.

Independent legal entity;

- Financial company (registered on not)
- Mutual funds (securities or property)

Separate block of financing within a financial company;

- Banking conventions
- Assets dedicated to a specific transaction

The legal terminology listed above are those most coherent with the objectives of JESSICA, while they will not be analysed using legal terminology here that, and are potentially compatible with the UDF role, all other things being equal:

- they are not fully defined by national legislation, as for example *Trust*;
- are worse compared to the four structures mentioned above, such as SICAV;
- they do not traditionally play the role of investor and thus their usefulness is doubtful in the JESSICA mechanism, like Foundations.

In the following chapters the four structures mentioned will be analysed, parsing the cases and means that can be used in the JESSICA model.

2.5.1. Financial Companies

Financial companies are the category of financial entities that gathers together the various kinds of firms other than banks and that, as is established in the legislative decree 385/93 (Italian Banking Law) modified by legislative decree August 13th 141 , and concerns the purchase of shares, granting financing and provision of payment services.

The activities of the financial companies is therefore consistent with the provisions of JESSICA Regulations, which provide that Urban Development Funds may operate through: equity, loans and/or guarantees.

In this part it will be presented main findings and features of the two kinds of financial companies that are considered the most coherent with the JESSICA scheme, in particular:

- Financial company registered according to Art. 106 of the Italian Banking Law - these entities work on a public basis, operate acquiring shareholdings and granting loans.
- Non registered financial companies – structures operating only by mean of acquisition of shareholding in dedicated special purpose companies.

FINANCIAL COMPANIES AS UDFS

If it is decided to utilise a financial company (of whatever kind) as an Urban Development Fund two procedures may be used:

1. the selection of a private (or mixed) financial company and granting it JESSICA funds (in the form of venture or debt capital);
2. creation of a new financial company capitalised with public resources (JESSICA or others) within which to place JESSICA funds.

In the first case the Region, or the Holding Fund (if established) should, by public tender, select a financial company that already exists, with private or mixed resources, within which to place JESSICA funds.

JESSICA resources could be added through an increase in capital reserves and therefore it would be venture capital of the financial company (UDF), that is, as said above, it could be injected about as a *contingent loan*, a form of mezzanine loan the yield of which could be linked to the profitability of the urban development projects or other factors.

In the second case (creation of an in house financial company and placing in it the JESSICA funds), the Region would create a financial company with its own resources (JESSICA or others) and in which would flow together with the JESSICA resources.

These two procedures illustrate, that could be adopted for any kind of financial company that is desired (registered or not) have strong and weak points, in particular they lead to a few points for reflection:

- **designation** – if the company is completely public (owned and controlled by the Region, in compliance with the rule of analogic control), the allocation of JESSICA ERDF resources without holding a public call for tenders may be hypothesised, otherwise one would almost certainly be held in the case if the financial company were of mixed or completely private nature.
- **Governance** – if the company is established completely from public resources, its management and governance will be directed by public entities, this is a positive factor since it could better protect the “public interest” of the IUDP funds, however there could be a risk that it does not give adequate consideration to the factors of the efficiency and effectiveness of the investments.
- **Activation of private leverage** – the first case mentioned, that is the selection of a financial company that is not completely public to assign the JESSICA resources could allow

it to benefit from notable leverage from private entities on the level of the UDF as well, on the other hand the second case posed could significantly limit its recourse, on the level of the UDF to debt capital, that would be possible only through a call for tenders after its designation.

- **Economic management expertise** – in the case in which the financial company is selected through a public call for tenders from a range of private and mixed entities, one of the appraisal factors could be the level of operational and management expertise gained from similar experiences, contrarily a company created from scratch by the Region could lack the economic, financial and industrial experience necessary for properly selecting, structuring, managing and monitoring of the projects.
- ...

Once selected or established the financial company (not operating on a public basis), it could invest in project vehicles created for the purpose to carry out the initiatives included in the IUDPs in two ways:

- **injection of venture capital** – the company (UDF) will invest directly in the project vehicles by injecting capital in them. The method used for this injection and thus how the Urban Development Fund will be chosen as a shareholder of the SPV will be analysed in the following sections of the report, in any case, in principle, it may be hypothesised that the call for tenders for the selection of the project vehicle establish that one of the shareholders of the vehicle itself shall be the Urban Development Fund.
- **Disbursement of loans** – considering the type of financial company (not operating on a public basis), until it can disburse the loans it is necessary that the borrower is not a third party. To make this restriction effective, it is common practice that the shareholders of the company of the project vehicle disburse to the latter loans called “shareholder loans”, that are disbursed to shareholders by the borrowers. This interpretation it can then be hypothesised that the financial company (according to Art. 113 TUB) can operate both with venture and debt capital.

OPPORTUNITIES AND PROBLEMS

To weigh the suitability to use a financial company not operating on a public basis as an Urban Development Fund, the following strengths of the instrument:

- **Consolidated structure:** financial companies are a legal entity about which there is ample information both on the level of legal doctrine and through case studies. This experience and knowledge are important since they make it possible to organise instrument appropriately reducing potential risks.
- **Possibility of co-investment:** this factor is very important and as pointed out earlier may or may not be exploited (depending on whether the financial company was created in house by the region or selected through the market). A financial companies, based on the structure and procedure of corporations, is an entity designed for participation of various shareholders, furthermore for this purpose various classes of shares may be created to differentiate the governance rights of the shareholders.
- **Economic, financial and industrial expertise:** nationally there are many financial companies that are involved in urban development projects, carrying out an operational activities quite similar to that which would be performed ideally by Urban Development Funds. When then the Region (or the Holding Fund) decides to select a financial company “from the market”, it can benefit from the consolidated know-how for the selection, structuring, management and monitoring of projects.
In the case that the financial company is created in house, what is mentioned above would not be true, since it is difficult that the Region will have the technical skills to manage a

financial company of this kind well, this expertise could be obtained through ad hoc external consultancy.

- **Planning expertise:** in situations in which the course of urban development projects are not very far along and so it is still necessary to give detailed structure to the initiative (executive plan or even preliminary), the financial company could offer its own know-how for structuring the initiative (e.g. feasibility study, final plans, ...).
It could be assumed real involvement of the financial company (UDF), together with the Local Authority, in the structuring of the project to be carried out, on the basis of which a public call for tenders would be held.
- **Technical means of financing:** the financial company being analysed could intervene both through equity and a shareholder loan. It could therefore provide the project both the sources of financing it needs, it being understood that the source of investment most consistent with the financial company is that of venture capital.
- **Governance:** as already said previously, the governance of the financial company will have different dynamics depending both on whether it was created in house or if it was selected from among the private or mixed companies in the market.
This said, it is important to underline that the financial company, because based on the organisation of the corporation, has numerous instruments for defining the organisation's governance in detail (memorandum of association, articles of association, corporate agreements, different classes of shares, ...) that allow for better and more transparent management of eventual problems.
- **Selection of projects:** linked to the question of governance analysed above, is the question of the selection of projects. In the context of Abruzzo, this factor is particularly important, since the IUDP resources are committed to particular localities. The financial company, together with governance mechanisms it possesses (in particular corporate agreements) can establish the geographical restrictions on the investment of JESSICA resources, which reflect the requirements in the ERDF OP.
- **Tax shelter:** financial companies according Art. 113 TUB have to use for their financial statements those established for financial intermediaries, so the tax shelter for passive financial costs may be applied to all interest charges, without the 30% on Earnings Before Interest, Taxes, Depreciation and Amortization, like for traditional corporations.
- **Restrictions on shareholders and officers:** the shareholders and officers of the registered financial company shall possess the required experience and integrity established by Articles 108 and 109 of the Italian Banking Law. Within the JESSICA model, this requirement can be an opportunity for guaranteeing the transparency of the process.

Principal problematical points:

- **Restrictions on lending:** non registered financial company, in principle, may lend only to companies in which the UDF (financial company) has already a shareholding. If it decides to activate JESSICA to lend to Local Authorities rather than project vehicles, it would be required that the corporation to enrol in the register in accordance with art. 106 of the Italian Banking Law.
- ...

FIRST CONSIDERATIONS

Considering the factors that have emerged from the analysis of the previous points, a financial company not operating on a public basis is a suitable instrument for playing the role of Urban Development Fund. This structure in particular seems appropriate in cases in which:

- initiatives that utilise innovative procedures are financed, as project financing, in these cases the financial company inject the rarest of resources in the project company, that is venture capital.
- If the planning is not in an advanced stage of development, in this case the financial company could, as mentioned above, support the planning of the work. That said, for the intervention of financial companies particular problems were not found, even if in an advanced planning phase.
- It is important for the governance of funds and their use on a geographical level, that the financial company may, through governance instruments which it may create for itself, restrict certain resources to specific projects/locations.
- ...

2.5.2. Securities Investment Trust

Securities investment funds, as can be seen from the name, invest most of their resources in securities, in particular in shares of corporations traded for the most part in regulated exchanges, government securities, bonds and their derivatives.

Within the macro category of securities investment trusts, further division on the basis of different factors may be made and are presented below.

The securities investment funds most coherent with the JESSICA instrument seems to closed-ended (or semi-open-ended) and set up for institutional investors, since they have medium-long term investment horizon, are less liquid, which cannot easily be adapted to the investment profiles of retail clients, also because of the high minimum value of a share.

Within the JESSICA model, infrastructure securities investment trusts should be given special attention: securities trusts that invest primarily in infrastructure works, in particular in so-called hot (self-liquidating) works, without directly carrying out the project, but financing the special purpose vehicles.

Considering the restrictions that prohibit Urban Development Funds from directly carrying out works, the infrastructure investment trust could be an interesting option to evaluate.

As mentioned previously, there are two ways in which a securities investment trust can be utilised as a UDF:

1. establishing ex novo a trust in which JESSICA resources shall be injected by the IMCO selected;
2. injecting JESSICA resources in an existing fund that invests them in projects within the IUDP.

The first hypothesis (the creation of a new IMCO) has a much longer and elaborate time frame and procedure, it could be adapted to the situations in which there are very large total JESSICA funds, more than 50 million Euros as a rough figure, conditions that do not seem to exist in the Abruzzo case.

Operationally there are three possible procedures:

1. holding a public call for tenders to select an existing fund into which the JESSICA resources injected, dedicated to specific interventions and for specific locations.
2. A similar, but not exactly the same, hypothesis is that of injecting the JESSICA resources in a newly created compartment within an existing trust, for the purpose of mitigating the risk that the JESSICA resources are confused with the others.
3. The call for tenders to chose an IMCO that established a new property fund within which to inject the JESSICA resources.
4. Creation of an in house trust, with public resources and the allocation of JESSICA resources to it. As mentioned earlier, this option is difficult to pursue in this analytical context, since the size of the resources is limited and the Region does not possess the necessary expertise for the implementation of a complex structure like a property fund.

From what has been said the need to establish a mechanism that allows the use (and the reporting) of JESSICA ERDF resources in projects within IUDPs emerges to be restricted; two ways in which this could be prevented are:

- the establishment within the rules of the fund of a class of shares reserved for JESSICA ERDF resources, whose returns can be traced to the performance of the IUDP projects financed;
- the drafting of shareholder agreements which establish that ERDF resources injected in the trust are restricted to the financing of IUDP projects.

OPPORTUNITIES AND PROBLEMS OF THE SECURITIES INVESTMENT TRUST

Investment funds, in particular infrastructure funds, in the logic of UDFs, have strengths and weaknesses.

Principal strengths:

- **Possibility of co-investment:** Securities investment funds and, more generally, investment funds, were created for the purpose of better managing the capital of several persons. To pursue this objective the law has established well defined and regulated instruments that allow trusts to attract outside capital. A UDF organised as a securities investment fund can then create important leverage through private capital.
- **Economic, financial and industrial expertise:** there are both in the nation and internationally, various securities investment funds specialised in urban development. These entities possess the specific expertise that allows them to manage projects efficiently and effectively, both in the selection phase and in the structuring, management and monitoring phase.
- **Technical means of financing:** like a financial company, securities investment trusts as well invest primarily through venture capital. This is a positive characteristic to consider given that equity is the most scarce and rare resource for financing urban development projects.
- **Governance:** the governance and control mechanisms of securities investment funds have been structured in such a way as to protect the shareholders as much as possible, so if they choose a securities investment fund as a UDF, it would have the benefit of a structure that guarantees a high level of transparency to the process.
- ...

Principal problems:

- **Low level of structural development:** even if these have existed for several years, infrastructure trusts have not been used widely nationally, despite the existence of case studies that could be used to try to avoid making important mistakes in their organisation and the procedures to be pursued.
- **High start up and management costs:** the management costs of infrastructure investment trusts vary according to the assets managed, so it is not possible to determine certainly and safely how high they would be as a percentage of the capital managed on the basis of interviews with experts from the field it can be estimated to be between 1 and 4%.
- **Selection of projects:** the presence of various entities within the fund and an IMCO that autonomously manages the assets raises several problems concerning the shared intentions of the fund and the local authorities in the selection of projects to be financed.

In particular the choice of initiatives to finance could be centred on features of efficiency and effectiveness and ignore political variables that, considering the context, should be considered.

- ...

PRINCIPAL CONSIDERATIONS

Securities investment funds, in particular infrastructure funds, may be an appropriate structure to play the role of an Urban Development Fund, in cases in which:

- the initiatives financed use project financing, in these cases the fund would invest by acquiring shares in the vehicle company;
- the level of planning is not in an advanced stage of development, given the specialisation of the fund, this could bring with it important expertise in the selection, structuring and monitoring projects.
- there are important problems in the governance of the resources, in particular it is necessary to “anchor” a part of them to a specific location. The fund in order to better manage this kind of a restriction possesses very sophisticated governance mechanisms;
- a developed capital market exists and, in particular, it is easy to attract other investors. Securities investment funds may have better instruments for activating means to attract additional capital through the issuing of shares.
- ...

2.5.2.1. Real Estate Investment Trust

Real estate funds are financial instruments, with a maximum duration of 30 years, that transform real estate investments in shares (quotas) that allow the creation of liquidity without the investor having to acquire the real estate directly.

The fundamental characteristic of real estate funds is the fact that **at least 2/3 of its financial resources shall be invested in real estate, rights in immovable property or shares in real estate companies** (companies that have the purpose to build, refurbish, resale or leasing of real estate purchased, refurbished or built).

The percentage invested in these instruments may be reduced to 51% if at least 20% is invested in instruments that derive from operations of real estate securitisation including guaranteed credits of mortgages.

Real estate funds **may invest**, directly or through controlled companies, **in real estate companies** that have in their corporate purpose the option to carrying out construction activities, **up to a maximum of 10%** of the entire **activity of the fund**.

The trust may operate with **leveraged debt up to a maximum of 60%** of the value of the real estate in the portfolio and 20% of other instruments.

Within this overall limit, the real estate investment fund may take on loans up to the limit of 10% of the net value of the entire trust.

As for other investment funds, the Bank of Italy with the advice of Consob has to authorise its establishment.

PROPERTY FUNDS IN THE JESSICA MECHANISM

The property funds most congruent with the JESSICA instrument, seem to be close-ended, reserved to qualified investors, mixed from the perspective of establishment and from the perspective of operations.

The instrument, that at first blush would seem the most appropriate within the JESSICA model, raises important problems linked to the fact that the property fund directly carries out investment projects.

However, one of the restrictions of Urban Development Funds is that they cannot invest directly in projects, but may only purchase shares, grant loans or guarantees in Public Private Partnerships or other projects included in Urban Development Plans.

This restriction is particularly stringent for the structure of the property fund, since it is impossible to carry out a project directly without losing the tax benefits for the structure that it would otherwise enjoy.

Operating in indirectly would put property funds on the same footing as securities investment funds, while the restrictions on the make up of the portfolio of property funds would remain in place.

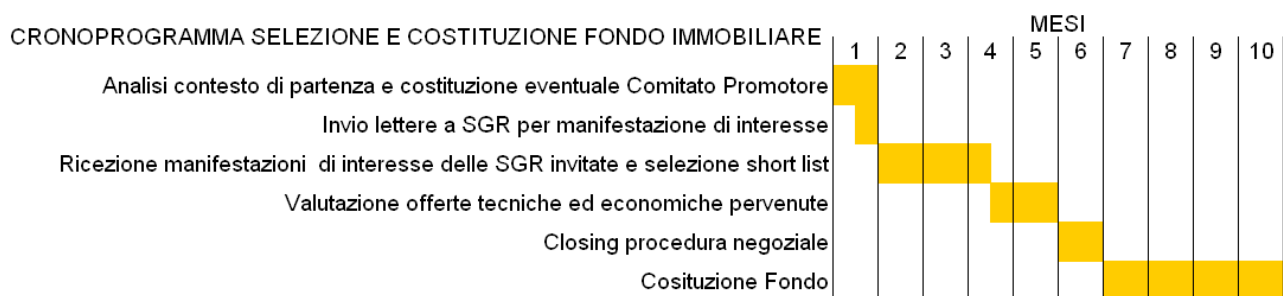
For JESSICA it is thus rather difficult to see a property fund as an Urban Development Fund, even if, with the needed adjustments, it should not be excluded, in particular this would be possible if the fund invests in shares of the project company, but losing the special fiscal benefits which it enjoys when directly carrying out the initiatives.

A more appropriate use of property funds, within the JESSICA scheme, could be “down stream” in the process, that is in the phase of developing the projects, in particular in cases of particularly complex and integrated projects.

In this case thus the Property Fund would be the structure responsible for carrying out the planning, in which the Urban Development Fund would invest JESSICA resources.

To define, in general terms, the timing necessary for the establishment of a property fund, the general timeline below is included.

Figure 33 – Timetable for the constitution of a Real Estate Fund



Source: Sinloc elaborations

2.5.3. Banking Conventions

A banking convention is an instrument typically adopted by public entities to employ resources appropriated for specific tasks, normally, through making soft credit available.

This instrument is commonly used to support businesses, for which there are numerous case studies, while it is less often used to finance urban development projects.

BANKING CONVENTIONS AS UDF

In the JESSICA model, a banking convention could act as the basis for the creation Urban Development Fund as a separate block of finance, taking the form of an agreement between the Region (Managing Authority) or the Holding Fund and one or more selected banks, with which:

1. the bank is granted a supply of credit dedicated to finance projects included in Integrated Urban Development Plans.
2. are defined the procedure for the selection of projects and their assessment;
3. are defined the rules of the governance, that is how the bank may, on the basis of its assessment and selection of projects within the IUDP in which to invest, or when necessary with the approval by the Managing Authority or the Holding Authority before it grants the loan.

This means of intervention could establish co financing by the selected bank that, as all non ERDF resources included in the JESSICA mechanism, could be used to finance:

- the same projects included in the IUDPs financed with JESSICA ERDF resources;
- projects or planning costs relevant to the objectives of the UDF but not eligible for ERDF financing and thus not accountable for community purposes.

If a banking convention is signed and it provides for the opportunity for the selected bank to co invest, two scenarios are possible:

1. the same interest rate for JESSICA ERDF resources and co invested resources from the bank;
2. a lower interest rate for JESSICA ERDF resources than that practiced on co invested resources from the bank.

If it is decided to implement a model that provides for co investment by the selected bank and an asymmetric interest rate for the resources of the bank and those of JESSICA, it is important to consider the nature of the entity to which the loans are granted, in particular two cases are foreseeable:

1. **Public institutions** – in this case JESSICA resources are lent to Municipalities or other Public Institutions that use them to finance projects included in the IUDPs. In this case there should not be problems if the JESSICA resources were lent at much lower rates than those of the market (with the limit of no interest) since Public Institutions, not operating in the marketplace, are not subject to community rules on State Aid.
Another factor that should be considered in cases of granting JESSICA resources to public institutions is that, since they are Community funds, according to the circular of 30 March 2010 of the Ministry of Economy and Finance, they should not fall within the domestic Stability Pact, even though on this point there is an ongoing debate on the extent of this regime to the national share of ERDF funds.

2. **Project companies** – JESSICA funds are granted to a vehicle that will develop initiatives, whether they be entirely public or public private partnerships.

In this case the idea of using JESSICA funds to grant loans at lower rates could encounter important obstacles connected to community rules on State Aid.

These rules, which are analysed further in the following sections establish that community funds cannot be used to finance interventions that create a competitive advantage for their beneficiaries. It is particularly problematic to define the minimum interest rate that JESSICA resources have to ask before the loan is considered State Aid. The Communication of the Commission 2008/C 14/02 that defines one way of determining minimum discount rates to apply is of particular importance. The Communication includes the following elements for setting the discount rate to be used:

- the national 1-year IBOR rate;
- rating category of the project/company;
- the degree of collateralisation of the project/company.

The table below supplies the discount rate described above.

Figure 34 - State Aid, spread applicable to the basic interest rate

Loan margins in basic points			
Rating category	Collateralization		
	High	Normal	Low
Strong (AAA-A)	60	75	100
Good(BBB)	75	100	220
Satisfactory (BB)	100	200	400
Weak (B)	220	400	650
Bad Financial difficulties (CCC and below)	400	650	1.000

Source: Communication of Commission 2008/C 14/02

On the basis of these inputs, it is possible to determine the discount rate to apply to projects so as not to violate the restrictions on State Aid. In the conclusion of the Communication the question of the lack of data on the risk of the project in particular situations are dealt with, such as start-up companies or company project vehicles (JESSICA as a typical case). In these cases the application of a spread of at least 4% on the baseline rate is fixed.

In such a context the use of JESSICA to grant soft credit to facilitate projects could face significant problems, that although it is not yet clear if for the JESSICA mechanism the method for setting interest rates presented above will be applied, or will an ad hoc method be adopted.

OPPORTUNITIES AND PROBLEMS

Banking conventions are an established instrument for intervention by Public Authorities, in this section several strengths and weaknesses of the instrument are identified in relation to the context of analysis.

Principal strengths:

- **Contractual flexibility:** within current law the parties are free to negotiate the conditions of the contract according to their needs.
- **Established expertise:** the instrument of banking conventions is used by many Public Authorities, so the accumulated knowledge concerning its procedures and implementation mechanisms is profound and well established.
- **Possibility of co-investment:** as highlighted above, banking conventions may allow for the bank to coinvest, so increasing the quantity of resources available to the project.

- **Financial expertise:** to assess financial sustainability and “bankability” of projects included in IUDPs, the know how accumulated by the bank can be utilised.
- **Management costs:** normally banking convention provide for a level of management costs that may be included in the spread practise by the bank, they are lower, because ad hoc structures for the project need not be created.
- **Lending velocity:** the use of debt capital leads to a faster return of the capital invested, in as much the repayment occurs at intervals established by the parties, allowing for a shorter period for re-establishing the capital employed.
- ...

Principal problematical points:

- **Industrial expertise:** the bank may not possess itself the necessary expertise to assess and monitor the industrial and economic aspects of the investment projects, this lack of expertise could be particularly important in the project selection phase, thus it may be necessary to use consultants ad hoc for these questions.
- **Technical means of financing⁶:** the possibility of operating through loans is a negative factor in the assessment of this instrument as a UDF. In particular because, as has been said above, the kind of capital that is scarcest in urban development projects is not normally debt capital but venture capital.
- **Selection of projects:** banking conventions, especially if structured to allow the bank to select investment projects, the investments to finance and the means through which the works will be performed decreases the power and control of the public entity.
- **Other (capital) investors:** the architecture of banking conventions does not allow for establishing the injection of venture capital by other parties in a UDF, although it is possible that the bank(s) that benefit from the convention may coinvest their own (or that of others) with the JESSICA resources it making loans. These limits, as mentioned above, is much more important the scarcer venture capital that project is able to attract is.
- **Interest rate:** the rules on State Aid, mentioned above, if blindly applied could lead to a demand that the JESSICA resources granted to the project vehicles be restored not unlike a normal bank loan.

CASE STUDIES

There are several examples of banking conventions between Credit Institutions and Public Authorities (Regions, Local Authorities, EIB,...) in Italy, below three are analysed.

1. Convention between the European Investment Bank and Mediocredito Italiano for financing SMEs (1 April 2010):

- The bank finances, using funds made available by the European Investment Bank, SMEs to deal with the needs connected to Art. 276 of the Treaty establishing the European Economic Community;
- The loan may have a maximum duration of 12 years, with a pre-amortisation period of three years;

⁶Definitive information on the possibility of implementing through a banking conventions is not currently available. The possibility is therefore, as a precaution, excluded from this report .

- The borrower has the obligation to repay the loan, both the principal and the interest, in installments every six months;
- ...

2. Convention between Finpiemonte (ROP ERDF funds Piemonte 2007/13) and Mediocredito Italiano (1 April 2010):

- the bank cofinances, together with Finpiemonte (which supplied funds from the ERDF Operational Programme Piemonte 2007/13), projects included in measures 1 and 2 of the ROP (energy efficiency and renewable energy production);
- Finpiemonte (OP ERDF resources) cofinance the allocation of a total between 50 and 70% of the total granted and for a sum never more than 2.5 million;
- the interest rate that the client pays together with the principal, at fixed intervals, is determined only on the share of the financing for which the bank utilised its own means;
- the financing can cover up to 100% of the eligible costs according to the provisions of the ROP;
- the maximum duration of the financing is six years, in the case in which Finpiemonte revokes its intervention, the sums made available by it shall be immediately refunded by the client.

FIRST CONSIDERATIONS

In the light of the above analysis and the aspects analysed in the previous sections, banking conventions could be an instrument used within the JESSICA mechanism especially in cases in which:

- the level of the projects and the procedures linked to it is at an advanced stage of development;
- financing of projects that use techniques typical of public private partnerships, (e.g. project financing) but the Municipalities are financed directly (e.g. Brandenburg model)
- initiatives are financed in public private partnerships in which there are no difficulties in attracting venture capital

2.5.4. Assets dedicated to a specific transaction

The institution of assets dedicated to a specific transaction was introduced in Italy after the amendment of the Civil Code, which allows *Società per Azioni* to separate within their own assets, assets to dedicate to the accomplishment of a specific transaction.

This institution allows a company to separate the risk of a specific investment/project from the rest of their activities and vice versa, avoiding in this way recourse to the establishment of project vehicles, that otherwise would be necessary in order to avoid altering the company's risk profile.

Within the JESSICA model, the dedicated assets could be a possible way for a UDF to be created as a separate block of capital within a Financial Institution.

The separate block of assets would be dedicated to the purchase of vehicles created to carry out urban development projects included in an IUDP.

One of the more interesting characteristics of the dedicated assets institution is the possibility to attract other investors, who can bring resources, both in money and in kind, to the specific transaction, without the resources brought being confused with those of the company setting them aside.

PRINCIPAL FEATURES

The principal law related to Assets Dedicated to a specific transaction is Art. 2447 bis-ff. of the Civil Code., from an analysis them the essential features of the institution can be identified and the procedures to follow in its application, in particular for the purpose of its use as an Urban Development Fund, can be described .

Creation – the assets dedicated to a specific transaction can be created within a *Società per Azioni*, after a decision is taken by the board of directors (CdA) by an absolute majority and enrolled in the company register, it shall indicate:

- the transaction to which the assets are dedicated;
- the goods and legal relations involved in the assets;
- the business plan in which the assets are suitable for the carrying out of the transaction, the manner and rules for their use, the transaction that is to be carried out and the guarantees given to other parties;
- the contributions of third parties, the means of control of the management and of their shares of the proceeds;
- the possibility to issue shares in the transaction specifically indicating the rights they confer;
- the designation of the auditing firm for accounting for the performance of the transaction;
- the rules for reporting of the specific transaction [...]

Assets dedicated cannot be created for the performance of the specific transactions related to activities restricted under special laws.

Entities – the assets designated by the company setting them aside cannot be more than 10% of the Net Assets of the same.

There is no explicit reference in the law on the maximum amount that can be dedicated, in money or kind, by other parties. From interviews with practitioners in the field and the analysis of the theory, there does not seem to be a restriction on the size of the contribution.

Accounting – the officers keep separate accounts and documentation [...], goods and relations in the dedicated assets are indicated distinctly in the balance sheet of the company, for each dedicated assets the officers draught a separate report, attached to the balance sheet, in the notes to the company's balance sheet the officers shall illustrate the value and kind of goods and relations included in each dedicated assets, including those contributed by

third parties, the criteria adopted for allocating of common costs and proceeds, as well as the corresponding rules of liability

Governance – for each category of share in the transaction issued, there are provisions for meetings of the shareholders who decide:

- nomination and removal of each category of the representatives, for the control or the regular carrying out of the specific transaction;
- changes in the rights granted to the shares;
- controversies with the company and on related transactions and renunciations.

In regard to the management of the company setting aside and the other contributors, the doctrine refers to the rules related to Joint Ventures contracts, regulated by Art. 2549-ff. of the Civil Code.

Winding up conditions – when it is realised that the transaction has become impossible, the officers draft a final report that has to be deposited in the office of the company register

DEDICATED ASSETS AS A UDF

As described above, assets dedicated to a specific transaction are included within the assets of an existing corporation, that may dedicate a maximum total corresponding to 10% of its Net Assets.

In the context of the JESSICA model, the transaction to whose accomplishment the dedicated assets are created shall be present for the purchase of shares in a vehicle company for the accomplishment of the urban development projects included in IUDPs.

Given the particular nature of the aforesaid activity and on the basis of the rules that indicate the possibility for the UDF to be created as a separate block of finance within a Financial Institution, it is necessary that the corporate purpose of the setting aside company is compatible with the specific transaction, and that the latter can be assimilated with a Financial Institution.

For the purpose of JESSICA thus, only some kinds of corporation are suitable for carrying out the dedicating entity and these in particular are:

- Finance companies, both unregistered and registered in the registers established by the TUB;
- Financial Companies for Innovation and Development (Regional Financial Act-SFIS), even if their purpose does not coincide perfectly with the type of activity to be pursued.

For the purposes of this report the hypothesis will not be considered, nationally there does not seem to be a case of the creation of assets dedicated for a specific transaction within a bank. If this were possible, we hold it plausible that the procedure to pursue is similar to that described above, while several precautions may be necessary concerning requirements of monitoring to fulfil and the concentration of the risks of the specific transaction.

Two courses may be followed to establish an Urban Development Fund as assets dedicated to a specific task:

1. an existing private or mixed company is selected, which shall establish within itself assets dedicated for the purchase of shares in a special purpose vehicle that pursues the projects included in the IUDPs. In this case the JESSICA ERDF funds are injected in the assets allocated to a private company, perhaps along with those of other investors.
2. The Region creates a fully public corporation in which is created the dedicated assets and within which the JESSICA ERDF are placed. In order to allow third parties to contribute their own resources to the dedicated assets, a public call for tenders may be necessary.

OPPORTUNITIES AND PROBLEMS

The institution of dedicated assets is relatively new and still has not been widely used by Italian companies, in any case, alongside several significant problems, it has important strengths; both will be analysed below.

Principal strengths:

- **Attracting other investors:** the institution of assets dedicated to a specific transaction foresees the possibility of contributions of resources by other parties, this element is very important within the JESSICA scheme, in as much as JESSICA ERDF funds could be added to the dedicated assets established in another corporation, to which further contribution from other investors may be added.
- **Limited management costs:** because new management structures shall not be created for dedicated assets, in addition to the shareholders meeting, the cost of management may be lower, taking advantage of the structure of the originating corporation.
- **Expertise of the dedicating company:** as in the previous point, that the dedicated assets may exploit the structure of the originating company is underlined, in the same way it may benefit from the expertise the latter possesses. If the choice of the UDF were to fall upon dedicated assets it would then be important that the originating company possess, or can easily acquire, the industrial and financial expertise necessary for the assessment, selection, management and monitoring of urban development projects.
- **Technical modes of investment:** as described in the previous sections, usually the littlest financial resource in an urban development project is venture capital. With assets dedicated to a specific transaction the investments would be made with that technical form, covering thus, at least in part, the equity needs of the projects.
- **Separate accounting:** the rules on dedicated assets establish a clear separation between it and the assets of the originating company, both from an accounting point of view and from the point of view of the *aggredibilità* density? of other creditors of the dedicating company.
- **Audit:** the rules on dedicated assets calls for the presence of an external auditor of its financial statements linked to the specific transaction, this feature is important in guaranteeing the transparency of the process.
- ...

Principal problems:

- **Governance:** the rules on dedicated assets, while providing the option of creating its own meeting of the contributors, in fact does not provide for a structure of governance for the dedicated assets. This characteristic leaves the final decisions on the investments in the hands of the executive body of the originating company. It is important to note how this is an important restriction both on the decision to implement the UDF as a separate block of capital and in the choice of the corporation to use as the dedicating company, so as to guarantee unity of purpose between the dedicated assets and the originating company.
- **Lending velocity:** the use of venture capital requires a much longer period for the retirement than debt capital, so if it is decided to use dedicated assets as an Urban Development Fund it would be necessary to consider that from a temporal perspective of investment would be substantially longer and that therefore the risk tied to the internal dynamics of the dedicating company should be considered.

- **Nature of the specific transaction:** given the limited national experience concerning the use of this instrument, it may arise in some cases problems with the acceptability of establishing dedicated assets in which the specific transaction is, as in the case of JESSICA, of a series of urban development projects.
In this case the transaction would not be a single event, but a series of initiatives, that may even be independent of each other. The prevalent doctrine supports interpreting “transaction” as a series of projects, even if it is necessary to conduct a more profound analysis with the competent authorities to resolve the problem.
- **Corporate purpose of the dedicating company:** as mentioned above, one of the major problems that places severe limits on the use of instrument under analysis, is the inconsistency of the specific transaction with the corporate purpose of the dedicating company. Also this element has to be born in mind when deciding whether to implement this kind of UDF or not.
- **Limited experience:** even if the institution of dedicated assets has existed for several years, there are still a limited number of companies that have decided to utilise it in their activities, so there does not yet exist a quantity of consolidated experience that allows us discuss with complete confidence with all the possible scenarios that could arise.

CASE STUDIES

The case study that is presented refers to dedicated assets established in 2010 within Financial Company of the Veneto Region, “Veneto Sviluppo”, to supply venture capital to SMEs in Veneto.

- The dedicated assets was established by Veneto Sviluppo with the purpose of purchasing minority and temporary shares as risk capital for SMEs in the region for two purposes:
 - to promote the economic and social development of enterprises in Veneto;
 - to favour the economic development of the company invested in and the increase its value.
- The dedicated assets are functional to the pursuit of the purposes of that the territorial entity (the Region) has clearly established in its founding documents.
- Other entities may contribute resources to the dedicated assets through a contract of association in the equity, that shall discipline how the transfer of other contributions are made, the ways to control the management of the resources and shares in the results.
- The duration of the dedicated assets is fixed, except for early dissolution of the same, at 10 years, the duration, however, is understood to be automatically extended until the complete liquidation of the equity participations.
- In the management of dedicated assets, Veneto Sviluppo utilises the assistance of a specific Technical Advisory Committee formed by 5 members with direct experience in the assessment and analysis of investments, with the task to analyse the outcome of the selection process and express their pondered and non binding opinion on the question:
 - as to the suitability of activating an in-depth assessment of the investment (due diligence);
 - on proposed decisions on investment or disinvestment.
- Even though dealing with temporary shares the exit is almost never predetermined, but as a function of the development of the equity, the channels through which disposal could be realised:
 - repurchase by shareholders and/or by the founding business group;
 - sale to a new company or to an institutional investor;
 - listing on an Exchange (only for *società per azioni*)

FIRST CONSIDERATIONS

The instrument of assets dedicated to a specific transaction, on the basis of the detailed analysis carried out above and the context in which it should operate, it turns out, on first analysis, particularly suitable to situations in which:

- a reliable separating structure exists, whose corporate purpose is consistent with the specific transaction and whose investment decisions for the dedicated assets can be significantly influenced by the contributors;
- the interventions to be realised call for the normal procedures of public private partnerships, such as project financing, and therefore there is a need for venture capital to finance the work;
- ...

2.5.5. UDF – a comparative analysis

In order to determine which structures are most suitable to play the role of an Urban Development Fund in various operational contexts several dimensions have been analysed, for each dimension the strengths and weaknesses of the various structures identified have been indicated in order to furnish a tool for the necessary detailed analysis.

In particular we have identified four dimensions of analysis to be considered in the selection of the Urban Development Fund:

- flexibility in mode of intervention;
- operational expertise;
- suitability of the governance system;
- costliness of the instrument.

FLEXIBILITY IN MODE OF INTERVENTION

Here the concept of flexibility is understood as the possibility of the Urban Development Fund to operate using various technical forms of investment, use of leverage and to define the kind of investment in full autonomy.

On the basis of the available information a framework has been created that compares the five structures and highlights which of them have the greatest room to manoeuvre.

As can be seen in the figure below (in which the black dots indicate the more flexible solutions, while the white dots indicate the more rigid ones), the structures that were found to be more flexible from the point of view of investment are: (registered) financial companies and dedicated assets (understood as dedicated assets within a registered financial company).

This is obviously a qualitative result and, for the proposal that is made, it should not be understood as a definitive judgement on the structure but as an instrument of support for the analysis.

Financial companies in particular have a dynamic structure, being able to operate through equity, loans and guarantees.

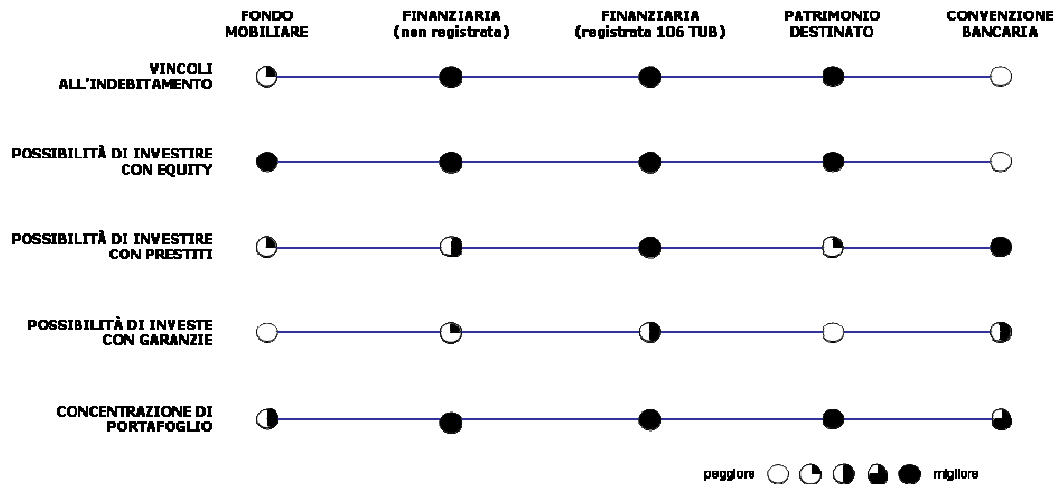
As has been said previously, the technical form of investment depends significantly on the kind and stage of the project, so there may be situations in which only one mode of intervention is optimal, in these situations, obviously, these considerations would be irrelevant.

From the point of view of indebtedness, it may be observed how a financial company, whether registered or not, has the ability to amply exploit financing and, theoretically, to an unlimited degree.

This element takes on even more importance in the case of the Managing Authority, rather than the Holding Fund, decides on placing the JESSICA funds in the Urban Development Fund as borrowed capital (if possible a loan to quota) rather than venture capital.

In this case the UDF shall be able to receive JESSICA funds, that formally are characterised as similar to loans.

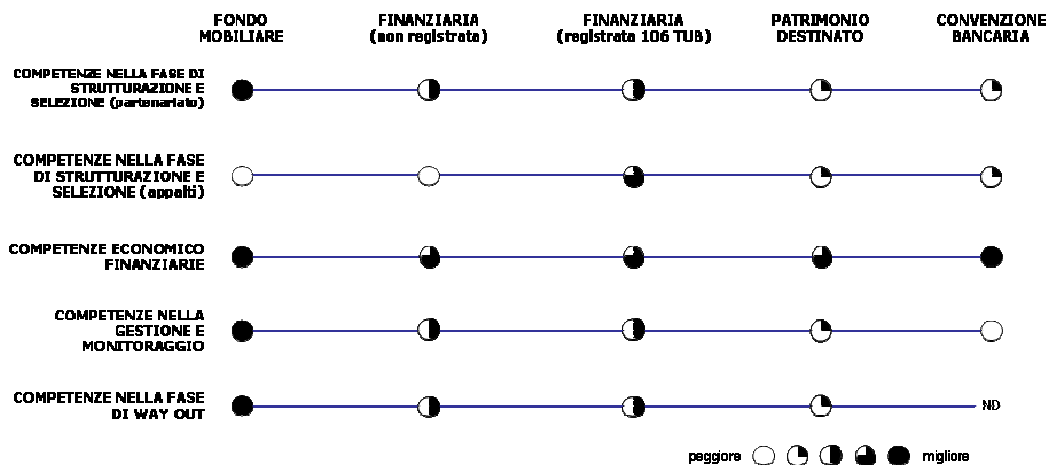
Another important strength of financial companies is that it may possess a strategic line of action without having to stop at the restrictions of concentrations of investment, restrictions that are found in common investment funds.



OPERATIONAL EXPERTISE

This element is of primary importance in “non standard” investments as those in urban development may be, in as much as the possession of expertise in managing complexity, interdependence and risks that may arise in the various phases of the project, it is an asset to consider carefully in the selection of an Urban Development Fund.

In order to determine expertise we have outlined the procedure of the project: structuring and selection, management and monitoring, way out. In making a judgement, which should not be considered definitive as has been said above, the financial company has been considered a company with consolidated experience in the field of urban development and the institution of dedicated assets has been considered as possible to create within a financial company.

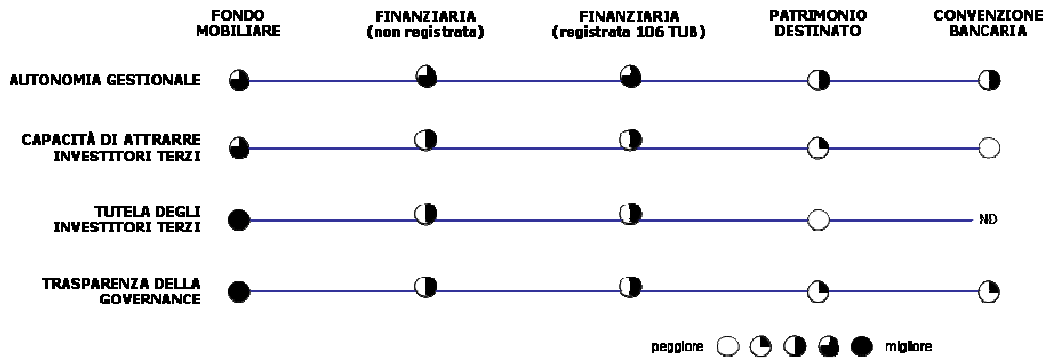


As reported in the figure above, common mutual funds/investment trusts are structures that possess the operational expertise to manage the investment process.

As can be seen it has not been possible to express a judgement on the capacity of banking conventions to manage the way out phase, in as much, unlike the other structures, they operate through loans, the problem of a way out of the investment through sale of shares is not raised.

SUITABILITY OF THE GOVERNANCE SYSTEM

Within the JESSICA model, in which there are numerous restrictions on operations and the allocation of resources, it is important that in the selection of the Urban Development Fund the strengths and weaknesses in the structure of governance are weighed.

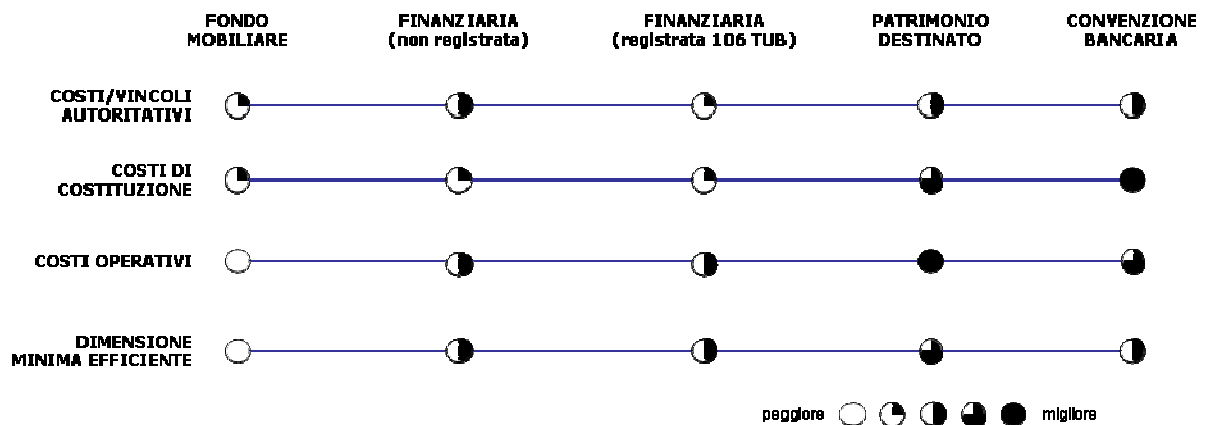


As you can be observed in the figure above, mutual funds/investment trusts have the most developed systems of governance analysed, they allow a high degree of control and protection of shareholders and in particular of minorities. It is useful to give particular attention to the structures that are associated with the “separate block of finance within a Financial Institution” as in a banking conventions and, especially, assets dedicated to a specific transaction. In both cases it can be observed how the system of governance is quite lacking, in particular in dedicated assets an *ad hoc* executive body for the dedicated assets does not exist, it is the decision making body of the originating corporation that decides the investments to be made and how they will be implemented in the last instance.

COSTLINESS OF THE INSTRUMENT

A factor of certain importance in selecting the Urban Development Fund is the costliness of the instrument, understood both in terms of money of construction and management and in terms of the time needed to get the approval necessary from the competent authorities.

As one could guess, it is not easy to estimate the size of the costs *ex ante*, but they depend on several variables: the size of the resources managed, market conditions, etc. In the classification below we used cost estimates derived from interviews with experts in the field, white dots imply elevated costs and the block dots represent the opposite.



As one can see the structures that are the most costly (in the widest sense of the term) are Mutual Funds/Investment Trusts, in addition to the notable management costs, they are subject to a rigid process of approval by the Bank of Italy. As it is easy to imagine, the least costly are the non registered financial companies, that in addition to not needing approval from the oversight bodies, normally they have low start-up and management costs.

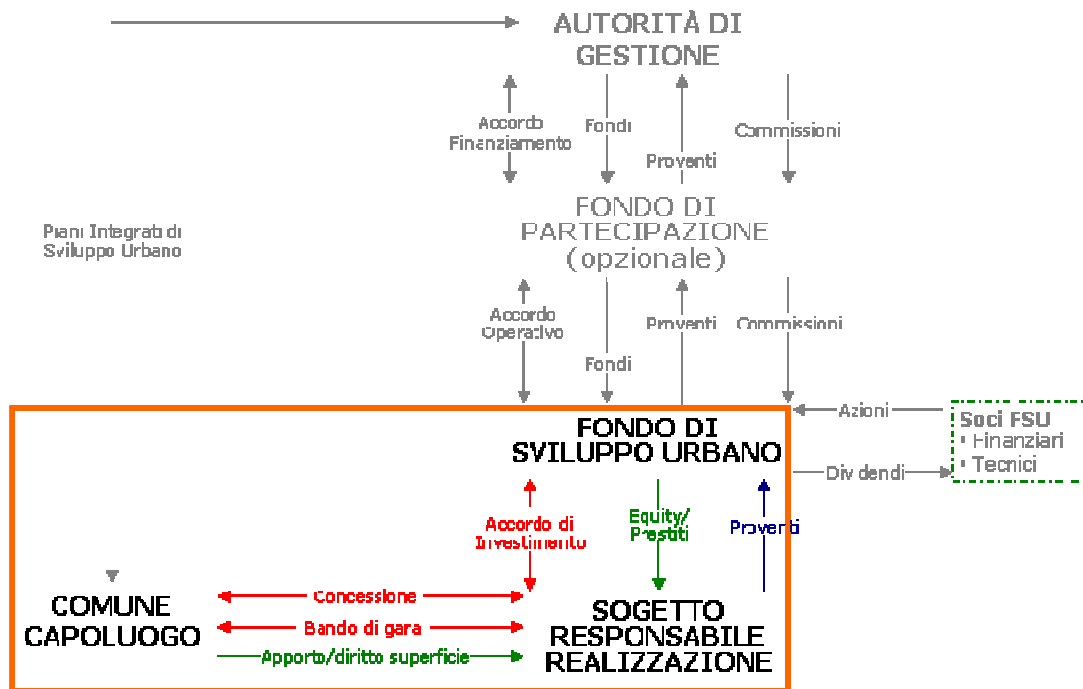
FIRST CONSIDERATIONS

From the elaborate analysis in this chapter it is clear how, beginning from the identification of the structures and from their legal and structural restrictions, it is necessary to consider numerous factors, that they can differ profoundly depending on the context of the analysis, in order to select the most fit UDF.

2.6. Investment Agreement

An Investment Agreement is a contract between an Urban Development Fund and the entity that realises out the work which determines how and with what specifications it is to be carried out.

Figure 35 - JESSICA, Investment Agreement



Source: Sinloc elaborations

The community rules do not refer to the instrument of the investment agreement, so it may be assumed that it may be negotiated and structured between the parties freely and autonomously.

The reasons that led the EIB to call for this agreement in the creation of the JESSICA instrument are linked to the protection of the Holding Fund and in particular the use of JESSICA resources, at least those coming from ERDF, which are subject to detailed restrictions on their use and accounting.

In particular the Investment Agreement may define:

- the characteristics of the investment plan (economic, financial, industrial and other conditions);
- the characteristics of the financing (technical form, duration, earnings, how to retrocede the profits or interest, way out ...);
- how controversies between the parties will be handled;
- ...

On the basis of the modes of investment called for in community Regulations, two kinds of agreement according to which a UDF invests have been identified:

1. in public private partnership;
2. in other projects included in a Sustainable Integrated Urban Development Plan.

PUBLIC PRIVATE PARTNERSHIPS

In this case it is foreseeable than the financing of the Urban Development Fund will be granted to the typical structures of a Public Private Partnership, such as project companies or other

parties that carry out the work (e.g. property funds, urban development companies (*Società di Trasformazione Urbana*), ...).

In this case the agreement will have as its counterpart the UDF a body that is normally a question of a private nature with its own legal personality.

The legal form of the investment agreement will depend on the circumstances and the characteristics of the project itself.

As will be described in more detail later in the report, the presence of public surfaces and/or public funds in the operation makes probable the drafting of special agreements between project companies, Local Authorities and the Urban Development Fund.

In particular, in certain conditions, it could be useful that the Public Authority in the phase of the selection of the special purpose vehicle to establish that the SPV selected has to have the Urban Development Fund as a shareholder/lender and include the restrictions of the funding agreement related to how the resources of the UDF are used; these considerations will be explored further below.

OTHER PROJECTS INCLUDED IN A IU DP

As established by Community Regulations, there is second way the Urban Development Fund may intervene is through investment in other projects included in an IU DP.

On the basis of the restrictions of the UDF to operate only through equity, loans or guarantees and so prohibition on developing works directly, this second means of operation of the UDF may be traced back to the hypothesis that the UDF grants JESSICA funds to Local Authorities which use them to carry out the work.

In this case therefore only one possible way for the Urban Development Fund to operate, that is loans to Local Authorities (or a company it controls) which will carry out the urban development projects in the way they find most suitable.

Within the way of operating the investment agreement, may take different forms, establishing once again the restrictions on the use of resources which the beneficiary final must respect.

2.7. JESSICA Operating Procedure

As said in the section on Investment Agreements, this may take different forms and substance depending on the nature of the parties and the operational procedure implemented for carrying out of the projects included in the IUDPs.

The question is important in as much, in the vast majority of cases, the projects are done in areas and/or buildings that are public property, in particular in Abruzzo, belonging to Municipalities.

Because of the role of Public Authorities, it is necessary, in activating the processes, to follow the procedure established by law and in particular the provisions of Code on Public Procurement, D.Lgs. 163/2006 and its amendments thus in the rest of the chapter the procedures that that may be created will be identified and described.

OPERATIONAL MODES FOR THE REALISATION OF PUBLIC WORKS

If until 2008 a Public Authority could use one of two roads for the carrying out public works: a tradition call for tenders and concession for construction and management, since 2008, with the introduction of the third corrective decree (Decree of the Council of Ministers of 01/08/2008) a new procedure was introduced, leasing *costruendo*. So the procedures that may be followed are:

- concession for construction and management to a private initiative (project financing);
- concession for construction and management to a public initiative (concession);
- a construction call for tenders;
- leasing *costruendo*.

The four options listed above may be analysed from various perspectives, one important dimension of analysis to consider concerns who is liable/responsible during the various phases of the process: planning, construction and management.

In the figure below the party which is liable for the phases of the process in each option, despite the key role played by the Local Authority in the planning within which works are framed.

Figure 36 – Available procedures

	Progettazione	Costruzione	Gestione	Riferimenti normativi
Appalto	Ente Pubblico	Ente Pubblico	Ente Pubblico	Codice degli Appalti, parte II, Titolo I,II,III Artt. 46 – 141
Concessione	Ente Pubblico	Soggetto privato	Soggetto privato	Codice degli Appalti, parte II, Titolo III, Artt. 142 – 151
Project Financing	Soggetto privato	Soggetto privato	Soggetto privato	Codice degli Appalti, parte II, Titolo III, Artt. 153 – 160
Leasing	Ente Pubblico	Soggetto privato	Soggetto privato Ente Pubblico	Codice degli Appalti, parte II, Titolo III, Art. 160-bis

Source: Sinloc elaborations

As can be seen, the two most "extreme" procedures concerning the "room" left for the Public Authority are calls for tenders and project financing.

In the first case it is the Public Authority that manages the whole process thus taking on all the risk, although in project financing it is the private entity (the project vehicle) that takes on the

risk of the project and manages the phases, as was said above, within the restrictions of plan drafted by the Public Authority.

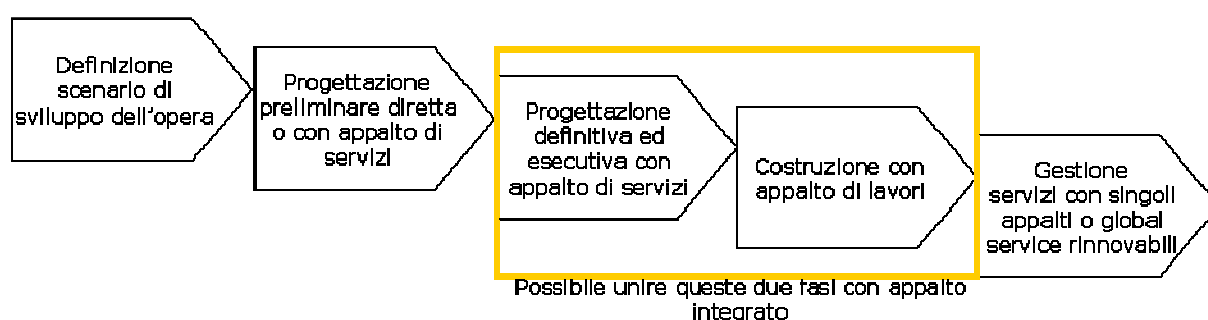
Below an analysis of the principal characterises of the four procedures is furnished.

TENDER

The procedure of a call for tenders is most commonly used by public authorities to carry our public works; there is a clear and established legal framework and many public institutions have a wealth of experience with it.

The call for tenders procedure establishes that the Public Authority directly finance all the phases of the process, operating as the commissioning body for a series of invitations for tenders (at least three), each of which shall activate proposals, appraisal, selection and monitoring of its execution.

Figure 37 – Tender proces phases



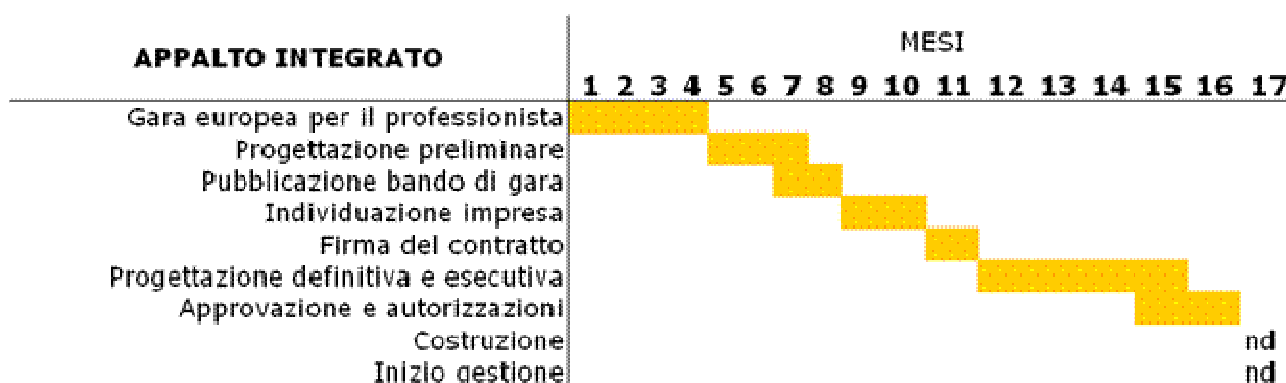
Source: Sinloc elaborations

There are five phases of the process that the Public Authority shall follow, they may be reduced to four if it decides to use an integrated public procurement procedure. The procurement procedure, within the JESSICA model would be possible only in cases in which the Urban Development Fund lends the JESSICA resources directly to the Public Authority.

In this case, permitted by Community Regulations, the establishment of a public private partnership would not occur, so the leverage coming from private resources would be foregone.

However, this does not eliminate the possibility that JESSICA resources lent to the Public Authority be employed to finance contributions (even as an outright grant) to urban development projects using public private partnerships.

As for the time needed to carry out the (integrated) public procurement procedure, on the basis of similar experiences, a timeframe has been estimated below and it foresees a period of about 16 months from the initiation of the procedure to the beginning of construction.



CONCESSION

Concessions, as defined in Art. 143-ff., are a procedure that takes the form of a call for tender that has the purposes of:

- executive planning at least;
- the construction of the work;
- the management of services related to the work for a fixed number of years.

The concession procedure is characterised by three important factors:

1. the commissioning body (Public Authority) shall possess at least the preliminary plans for the work (it may possess a final plan for which the bidders are only invited to do the executive planning);
2. the company that wins the call for tenders (the so-called Concessionaire) is responsible for the raising of the financial resources necessary (both in the form of loans and equity) for carrying out the work;
3. the same company is responsible for the operational management of the work, financed by the Public Authority as compensation for the services rendered and for the use of the structure. Through this compensation, the company should be able to remunerate the capital (equity and loans) invested for carrying out the work.

Figure 38 – concession phases



Source: Sinloc elaborations

A concession is certainly one of the most interesting procedures in the JESSICA model, since it allows private enterprises to participate significantly in the process, without precluding public bodies (Local Authorities) from having significant influence on the project.

Use of this procedure which implements fully the guidelines of the Community lawmaker which provides for the Urban Development Fund the role of investor in Public Private Partnerships and the JESSICA mechanism generally as a model that can catalyse the use of public and private resources for carrying out urban development projects.

PROJECT FINANCING

Project Financing, regulated by Art. 153-160 of the Code of Public Procurement, is a procedure that expresses itself in a call for tenders that has the purposes to:

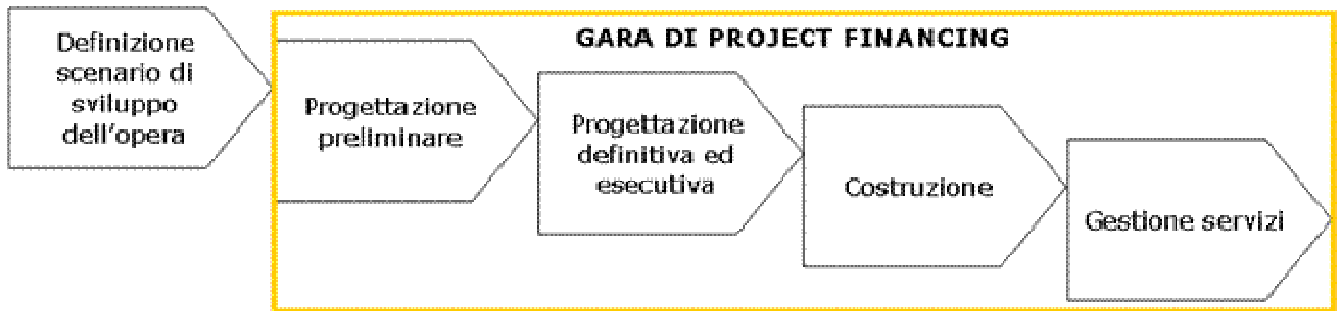
- preliminary, final and executive planning;
- the construction of the work;
- the management of services related to the work for a fixed number of years.

As in concessions, the procedure can be characterised by the fact that the winner of the contract (the so-called Concessionaire) has the job to raise the resources needed for the construction and to structure its management so as the work can repay these resources, with the cash flow foreseen in the management phase, paid out by the public authority.

Unlike the concession, in project financing the preliminary planning is assigned to the winner, while the commissioning body only has to provide a feasibility study.

In the figure below the two phases of Project Financing are presented (concession to build and management of the private initiative).

Figure 39 – Project Financing process phases



Source: Sinloc elaborations

The call for tenders of Project Financing can be carried out in three ways:

1. single phase promoter;
2. two phase promoter;
3. additional promoter.

The three methodologies, as can be seen in the figure below, define the phases of the selection process of the entity that will carry out and manage the work and for which the call for tenders was held.

It is impossible to pronounce judgement on the procedure most appropriate for the JESSICA model, however the possibility that the Public Authority chooses from a range of procedural options is seen positively in the overall economy of the process.

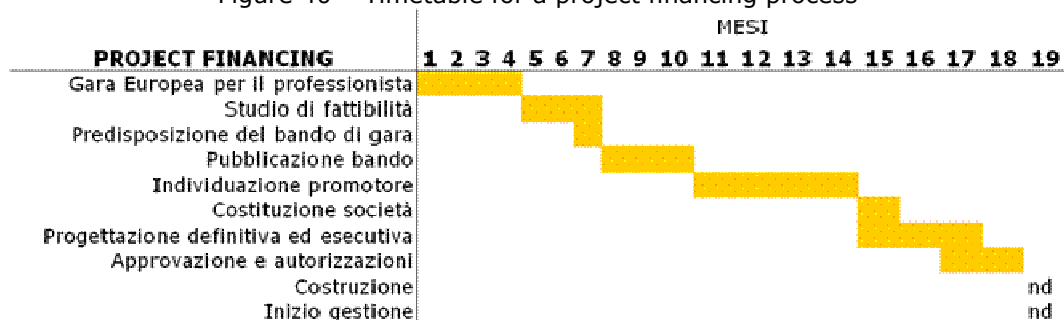
For Jessica the procedure of project financing, like that of concessions, is a desirable option, because it fully responds to the purposes of the JESSICA model.

In this case, the private company has more flexibility in defining the project, freeing the Public Authority from the need to structure the project in detail and manage a large number of calls for tenders.

As was said above, if on the one hand this procedure seems to be the most desirable from several perspectives, on the other hand, of all the options, it leaves the least room for public intervention, which however still has the leverage of urban planning and so *de facto* restricting the realisation of the work within well defined limits, furthermore, the provision that the Urban Development Fund (a so a public body) be part of the project structure that realises the work, provides the public authority with another guarantee.

In the figure below there is a timetable that estimates the timing of the project financing procedure, from the initiation of the process to the realisation of the work.

Figure 40 – Timetable for a project financing process



Source: Sinloc elaborations

LEASING

Leasing *costruendo* (of public property), regulated by Art. 160-bis of the Code of Public Contracts is an innovative procedure that has the purpose:

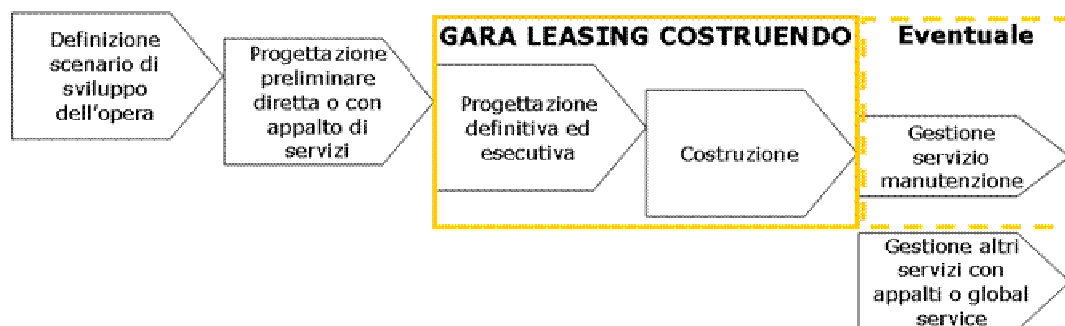
- executive planning at least;
- the construction of the work;
- possibly functional management.

With this procedure it is the leasing company, selected through a call for tenders, that:

- finances the realisation of the work, assigns it to a construction company (that can named in the call for tenders or selected afterwards).
- delivery of the finished work to the public body, which, on the final inspection, will pay an annual fee for the use of the structure and the related services (maintenance, technical assistance, insurance).

In the figure below the various phases of the process foreseen in the procedure of leasing *costruendo* are highlighted.

Figure 41 –Leasing costruendo process phases



Source: Sinloc elaborations

Within the JESSICA model the leasing procedure can be initiated in two ways:

1. The public body operates as the beneficiary of the financing of the Urban Development Fund, using its resources to pay the leasing company.
2. the leasing company is financed directly by the Urban Development Fund and functions as a special purpose vehicle.

COMPARATIVE ANALYSIS OF THE PROCEDURES ANALYSED

At least from the perspective of JESSICA, it seems to have the most advantages are concessions and project financing, procedures that lend themselves naturally to managing public private partnerships.

It should be underlined however that given the possibility for Public Bodies to directly receive SF in the form of subsidised loans (since they are not subject to the restrictions on profitability established by the rules on State Aid), the convenience of more conventional procedures, in particular calls for tenders, have to be carefully considered.

2.7.1. State Aid

In the implementation of the JESSICA model it is opportune to consider and analyse carefully the sources of risk that may arise and may be the cause of procedural obstacles.

In the previous sections of the report the sources of risk of the possible structures for the role of UDF and the procedures that could be implemented have been analysed, in this section a risk based on law which could influence the JESSICA model significantly will be examined.

This restriction, which derives from the community rules on the question of State Aid has been identified in several feasibility studies on the implementation of JESSICA, without being able to define precisely its implications and size to date.

The community rules on State Aid are extremely detailed and it is beyond the scope of this report to discuss all their aspects exhaustively and in detail, rather our intention here is to underline the principle problems that the rules may place on the functioning of the JESSICA model.

The principle reason that leads to the examination of the question of State Aid in relation to the JESSICA model is that the transfer of community resources to companies working within the structures of Public Private Partnerships could be harmful to competition by giving to the beneficiary of the transfer an advantage over its competitors.

There are two levels in particular on which the rules on State aid could have an impact:

- The level of the Urban Development Fund – the transfer mechanism and payment of JESSICA resources to the UDF have to be in line with the restrictions established in the rules on State aid.
- The level of planning - payment requests from the UDF to the company which have been allocated JESSICA resources (in the form of loans or equity) have to fit the requirements of the rules on State aid.

In this report in particular the aspects of the second level indicated (level of planning) will be analysed, leaving the first point to be analysed *ad hoc* in the course of the work of the JESSICA Task Force and the Directorate General for Regional Policy.

The rules on State Aid are particularly important in the cases in which the Urban Development Fund invests its resources in public private partnerships, while the case in which it is a Public Body that receives the resources, without acting in a market perspective, it would not be affected by the restrictions of the rules on State Aid.

To identify the possible problems that may emerge from the application of the rules on State Aid it is opportune to analyse separately the various ways of implementing the JESSICA model:

1. allocation of loans to Local Bodies for the carrying out of works outside a public private partnership;
2. allocation of loans to special purpose vehicles/project vehicles;
3. investment in venture capital in special purpose vehicles.

LOANS TO MUNICIPALITIES

As mentioned above, this case is exempt from the restrictions in the rules on State aid, since the Public Body does not operate in the marketplace. It is important to highlight that the fact that it does not operate in the marketplace which allows the Public Body to not be subject to the restrictions, it is not its public law nature, if for example an entirely public company is established but it operates in the marketplace and this is allocated resources of the UDF, it would be subject to the restrictions on State Aid, that are described in detail below.

An additional factor that is necessary to consider in the case the UDF grants loans directly to the Municipalities, these resources, or at least the resources that come directly or indirectly from the European Union, they are not counted for the purposes of the Internal Stability Pact, as confirmed by Circular of 30 March 2010 issued by the Department of General Accounting of the State.

LOANS TO PROJECT VEHICLES

As mentioned in the section on the structure of Banking Conventions, the allocation of loans to a project vehicle responsible for the carrying out of an urban development initiative included the IUDPs could, by applying slavishly the community regulations, possibly be harmful to competition.

To avoid violation of the rules, it is important to make sure that JESSICA resources are allocated at an interest rate that is at least equal to that established in the Communication of the Commission 2008/C14/02, that for project companies establishes an interest rate equal to the IBOR rate increased by at least 400 base points and which is the parameter estimate of the interest rate, that in these conditions "practiced by a company and so would not give the beneficiary an advantage."

As can be easily understood, the application of an interest rate of this size, on 24 June 2010 equal to a 5.31% annual rate (derived from the sum of the annual European Euribor rate, 1.31%, and the spread of 4% established by the Communication of the Commission), would not make the JESSICA model an important opportunity for private investors, since its presence could be experienced as a problem to bear.

INVESTMENT IN THE VENTURE CAPITAL OF PROJECT VEHICLES.

In this case the main criticisms of the JESSICA model can be identified, in relation to the rules on State Aid, but at the same time also the main opportunities, since it seems a restriction has not been set precisely concerning the expected internal rate of return to apply to JESSICA resources invested in the form of equity in the project.

As is known JESSICA is an instrument that cannot be considered speculative, its principal objective is not to maximise returns to the invested capital, but rather their revolution and so the opportunity to go beyond the model used to date for the allocation of public resources in outright grants.

The use of JESSICA funds has thus been considered as a catalysing resource and, in some sense in equilibrium, in the sense that it could require a return even an inferior one to other shareholders. For this way of thinking, the ways to make the rate of return on JESSICA venture capital could be less to other shareholders are many:

1. distribution of a lower JESSICA dividend – the dividend paid to the Urban Development Fund will be inferior, as a percentage, for the shares of the capital of the vehicle it holds. As an example, if of the entire capital of the vehicle 50% were JESSICA resources, it could be foreseen that in the distribution of dividends, the JESSICA shareholder (the Urban Development Fund) be given a percentage of the all the dividends that were less than 50%, so favouring the other shareholders.
2. Delayed distribution of the JESSICA dividend – in this case the Urban Development Fund would begin to receive dividends later than the other shareholders, favouring the return to other shareholders.
3. Early employment of JESSICA equity – to manage the costs of the project vehicle a distinction in the use of the venture capital of the company could be made, by employing the JESSICA equity first and then that of the other shareholders.

In this way, as an effect of various periods for the discounting of capital, the return to other shareholders would be increased.

These three possibilities or a combination of the three could be structured to favour the intervention of others in the project.

However, since there is no clear framework available regarding the minimum expected rate of return for the venture capital of the Urban Development Fund, it is important to be able structure the project even for cases in which the JESSICA resources receive the same return as the private capital.

That said, the projects presented in the European feasibility studies for implementing JESSICA, foresee normally a significantly inferior rate of return to what is seen in market transactions, in which the rate of return of equity may significantly exceed 10%.

To cut short the questions currently open on the issue of State Aid, the JESSICA Task Force and the Directorate General for Regional Policy are cooperating with other services of the European Commission, in particular the Directorate General for Competition, to clarify the applicability of the community rules to JESSICA transactions and – in the case it is necessary – procedures for notifying the aid authorities of the Commission. A clarification of the position of the Commission in this sense is expected by the end of the year.

2.8. Abruzzo – procedural hypotheses

The JESSICA model, having been structured in the community context and still in its initial phase, does not specify in a detailed manner the procedures to be followed in the selection and management of the structures that manage the process.

In this section, on the basis of the experiences observed in other European countries and of the community and national rules, we will try to define some of the possible options for the context of Abruzzo on the basis of the peculiarities that have identified.

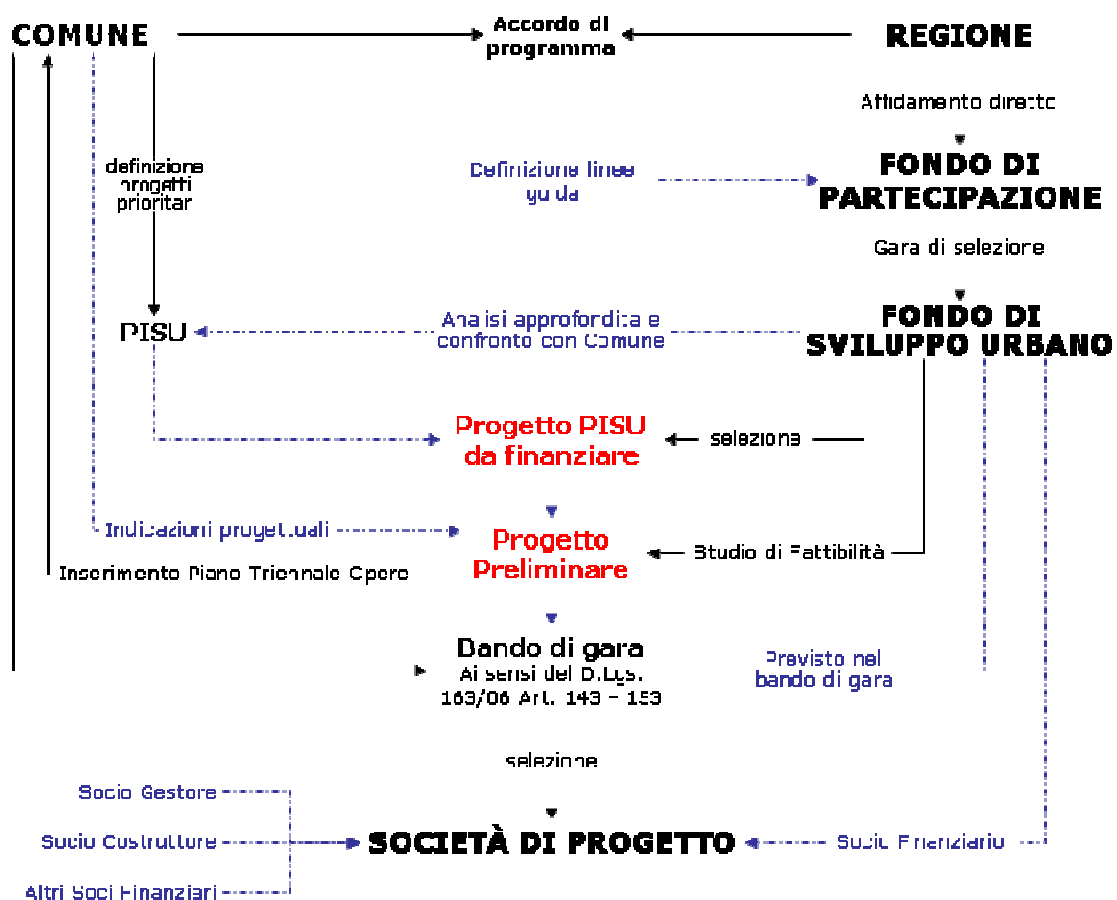
Three principal phases of the process will be analysed:

1. selection of the Holding fund;
2. selection of the Urban Development Fund;
3. selection of the project vehicle.

The analysis will concentrate on the procedures of public private partnerships, since it is thought to be, on the basis of the analyses carried out in the Region, that this hypothesis is the one that most interests the Local Authorities.

Below there is a figure that identifies the phases of the process that in principle have to be carried out.

Figure 42 - Abruzzo, hypothetical JESSICA procedure



Source: Sinloc elaborations

SELECTION OF THE HOLDING FUND

As written above in the previous sections, the selection of the Holding Fund and the drafting of the Funding Agreement are tasks performed by the Managing Authority.

There are two possible ways: direct appointment (in the case in which the EIB is appointed or a company completely owned by the Region) or by a public call for tenders.

On the basis of the Protocol of Intent signed by the EIB, the Region of Abruzzo and the four provincial capitals on 10 February 2010, with which the will of the local representatives to create a Holding Fund with the EIB, the hypothesis that will be analysed in this report is that in which the Holding Fund is directly entrusted to the EIB.

Thus the procedure to be initiated should foresee the following two steps:

1. drafting of the feasibility study for the implementation of the JESSICA model in Abruzzo.
2. the signing of the Funding Agreement between the Managing Authority and the European Investment Bank.

As detailed in the previous sections the Funding Agreement establishes:

1. size, kind and strategy of the use of the JESSICA resources;
2. how the Holding Fund is governed;
3. how the Urban Development Funds are selected;
4. the technical assistance services furnished by the EIB as the Holding Fund;
5. size of the management costs and how they are financed;
6. ...

Thanks to the expertise developed by the EIB in other operational contexts, the drafting of the Funding Agreement is not expected to be a problematical element in the process. To carry out this phase a limited time period should be necessary, estimated in about one/two months from the beginning of the negotiations between the Region and the EIB.

To prepare for the signing of the Funding Agreement, it may be hypothesised, as has been done in the figure above, the drafting of the Planning Agreement between the Region and the four provincial capitals that determines the strategies that should be followed by the Holding Fund in the management of the resources placed in it, in order to set the restrictions in the negotiations between the Region and EIB in the drafting in the Funding Agreement.

It should be underlined that the Planning Agreement is required by the JESSICA model, however it is a widely used instrument by Public Authorities and so it can be included in the process that will occur.

SELECTION OF THE URBAN DEVELOPMENT FUND

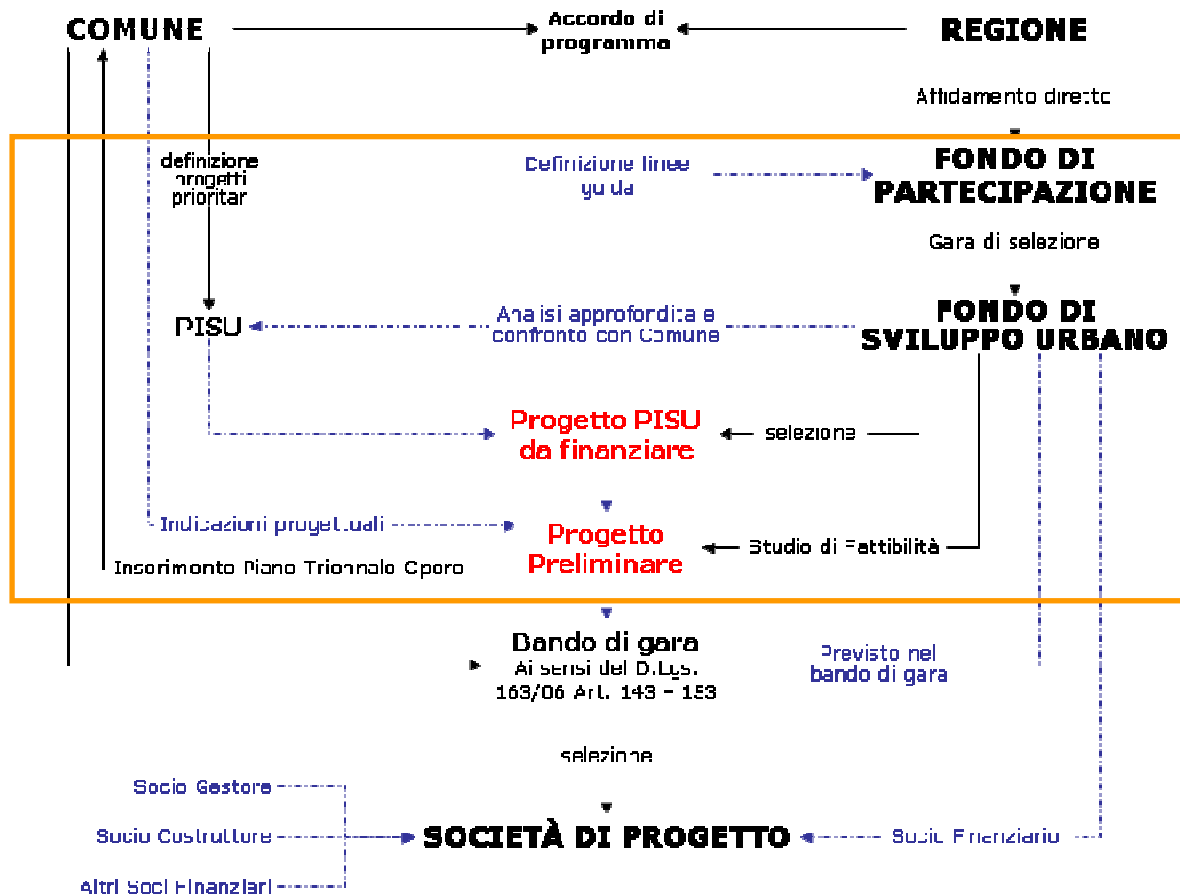
Once the Holding Fund has been established, it, or the Managing Authority in the case in which the option of a Holding Fund has not been exercised, has to select the Urban Development Fund(s) in which to place the JESSICA resources.

In order to lay out a operating procedure to be followed in this phase, the description is based on the procedures implemented by the EIB in other European countries, in particular we will analyse in detail the case in which the Urban Development Fund is selected through a public call for tenders.

This operating procedure, that the EIB (Holding Fund) typically uses allows for maximum transparency in the process and at the same time attracts other investors, so creating leverage for the public JESSICA resources.

To guide the analysis in this phase of the process the procedural outline, already seen above, highlights the mechanisms for the selection of the Urban Development Fund and project vehicles.

Figure 43 - Abruzzo, selection of the Holding Fund



Source: Sinloc elaborations

The functions of the **Urban Development Fund** are amply described in the preceding sections, it is however useful to repeat that in the end they will select, within the IUDPs, the projects to be financed with the JESSICA ERDF resources.

Considering the desire that this body is not entirely public, but that there are also private or mixed shareholders, it is extremely important that the dialogue between the Urban Development Fund (that has only public shareholders that can be traced to the Municipalities) and the Municipality is as intense and constructive as possible.

In particular, it could be provided, considering the state of the projects included in the IUDP, that through dialogue between the Municipality and Urban Development Fund that the latter will draft the feasibility study and, perhaps also the preliminary plan. This could obviously be possible only in the case in which the Urban Development Fund were a structure possessing the necessary expertise both in planning and financing, while it would not be possible in the case in which the UDF were merely an intermediary of the JESSICA financing.

If the UDF and the Municipality are capable of producing the preliminary plan (or at least a feasibility study), this could be included within the Three-Year Plan of the Work and, which then could be the subject of a public call for tenders, published by the Municipality (commissioning body) for the selection of the Project Company to which award the realisation

and management of the work, that calls for (on the basis of the context) to be realised on land/buildings belong to municipality.

In order to allow the Urban Development Fund the possibility to finance the SPV, the call for tenders held by the Municipalities could establish that any project company that participates in the call for tenders shall have as one of its shareholders/creditors the Urban Development Fund, which way would fulfil the requirements of the Community Regulation, which requires that it operate through "equity, loans or guarantees in public private partnerships".

In this way to create a two-tier "safety net" for the Public Body, since, on the one hand it determines, together with the Urban Development Fund (of which it is a *de facto* shareholder) the project for which it calls for tenders and on the other it allows the UDF to become the backer of the project company that wins the call, and so able to significantly control and influence its activities and decisions.

As mentioned above, what is presented in this section is a procedural option that, on the basis of similar experiences from interview with practitioners in the field and of the national legal restrictions, seems feasible.

This said, to determine the most opportune procedural course, it would be necessary to carry out a deeper analysis that goes beyond the scope of this report.

Within the procedural framework described in the previous sections, we will now concentrate the analysis on the possible ways to select the Urban Development Fund, that is through the elements of the public call for tenders, that will be published by the Holding Fund or the Managing Authority, if a Holding Fund is not created.

As specified previously we will use as the basis of the analysis the experience accumulated on the community level on calls for tenders for the Urban Development Funds and attempting to place them in their national and regional contexts.

One possible call for tender process, that is presented here, is subdivided in three phases of selection, each focusing on the assessment of the different requirements and characteristics:

- PHASE 1 – possession of the formal and legal requirements;
- PHASE 2 – a appraisal of the general business plan;
- PHASE 3 - appraisal of the tender and the signing of the Operational Agreement

PHASE 1 – possession of the formal and legal requirements

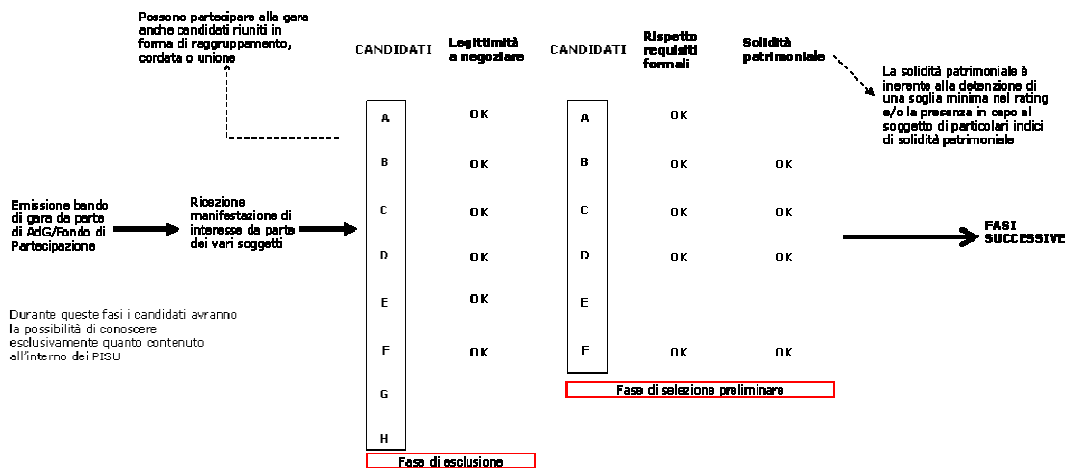
In order to be able to exercise a preventive control on the reliability of the participants in the process, the bidders that have submitted expressions of interest will be subject to a dual selection phase:

1. first they will be vetted on the legal requirements, for example their involvement in legal proceedings, such as bankruptcy, fraud, etc.;
2. the second concentrates on meeting the formal requirements in the expression of interest and their financial soundness;

In this phase it is not thought to be necessary to give the participants more information concerning the Urban Development Plans found online, consequently the effort required in this phase of the provincial capitals is limited.

For a better understanding of the first phase of the selection process the following flow chart of the process has been included.

Figure 44 - Abruzzo, UDF selection phase I



Sources: Sinloc elaborations on UDF selection procedure used in Andalusia

As can be observed, the companies admitted to the next phase of the selection process will only be those who have demonstrated they fulfil the legal requirements and are financially sound.

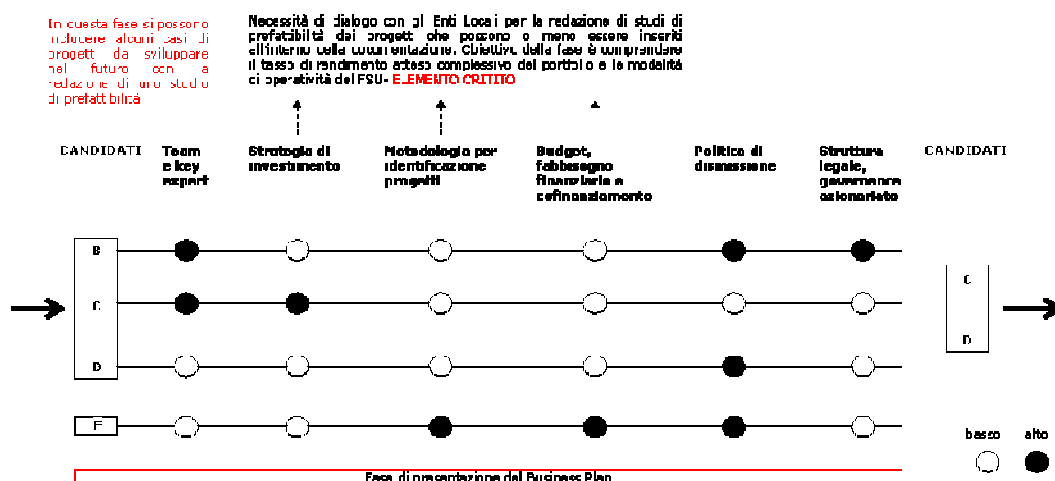
PHASE 2 – appraisal of the general business plan;

In this phase of the process both the general economic/financial traits of the participants and how the portfolios of the projects will be managed. The candidates will have the opportunity to present the structure they intend to use for the portfolio of the projects in which the investments are to be made.

- In this phase the bidders will be selected on the basis of a set of scores that will be based on: structure of governance; budget; investment strategy; operational activities;...

In order to portray the second phase of the call for tenders, see the figure below.

Figure 45 - Abruzzo, UDF selection phase II



Sources: Sinloc elaborations on UDF selection procedure used in Andalusia

As can be seen, it is necessary, in the structuring of this selection phase, to consider several problematic points, especially concerning the description of the investment strategy.

The principal problematic point is related to incompleteness often found in Integrated Plans for Sustainable Urban Development, in which it is impossible to find all the key information for the definition of the project and consequently of the economic financial plan, an instrument that is necessary for the composition of the project portfolios and their management.

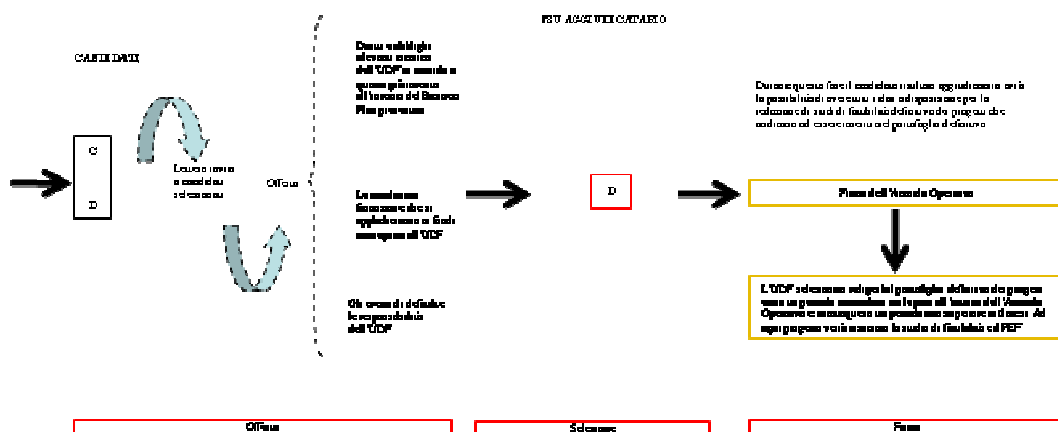
To gain the above information, two courses may be followed:

1. the creation of a data room in which the candidates admitted can see the information on the project in greater detail put together by the provincial capitals;
2. focusing the appraisal grid not so much on single projects but on the general investment strategy of the candidates, on the basis of indications of parametric projects and which do not correspond exactly to the IUDP projects.

This problem, that may not be encountered if a different call for tenders follow a different way of operating, they have to be considered carefully in order to manage the process fully and effectively/efficiently.

PHASE 3 - appraisal of the tender and the signing of the Operational Agreement

Figure 46 - Abruzzo, UDF selection phase III



Sources: Sinloc elaborations on UDF selection procedure used in Andalusia

The third phase of selection has the purpose to select the entity to assign the role of Urban Development Fund.

The candidates which pass the previous two steps may participate in this phase, here will be analysed the conditions related to:

- how the UDF shall follow management of resources;
- structuring the compensation that the UDF asks for its activities;
- liability of the parties in case of bankruptcy or other negative occurrences;
- ...

Once the selected the UDF(s) that presents the best conditions related to the factors indicated above, they will be given the additional information of the projects included in the IUDPs, perhaps through direct contact with the provincial capitals.

Then, after the completion of the phases above, the suitable candidates may negotiate an Operational Agreement with the Holding Fund/Managing Authority.

This will be negotiated and signed by the parties and only afterwards and in the ways and times contained in it, will the JESSICA resources be allocated to the Urban Development Fund,

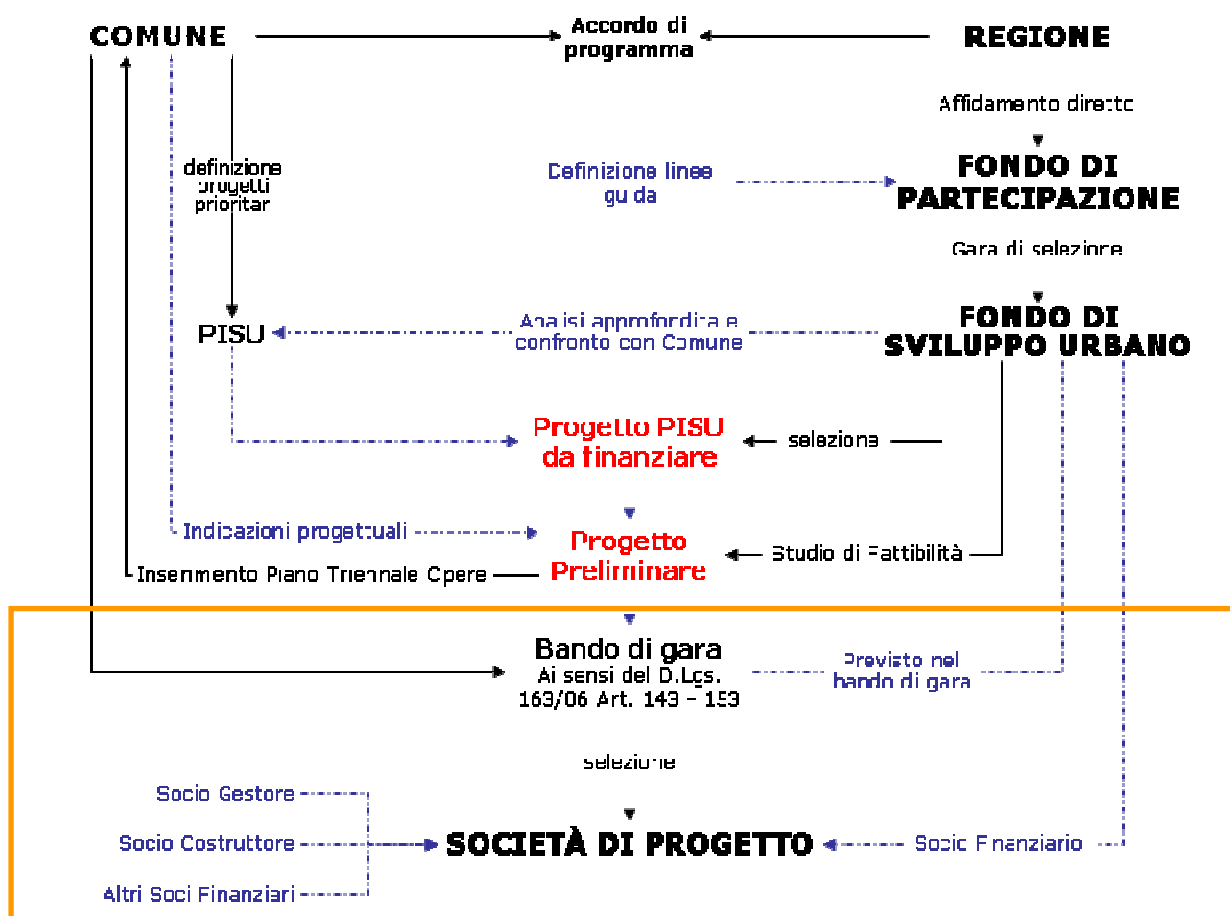
which shall in a specific time period carry out the feasibility study (and perhaps the preliminary plan) on the basis of which the Municipalities will publish the call for tenders to select the project vehicle.

As has been repeated several times, the aforesaid is a planning hypothesis, whose only purpose is to describe a scenario for the selection of the procedure of the final procurement process.

SELECTION OF THE PROJECT VEHICLE

The last phase of the process analysed so far is that related to the selection of the project vehicle that carries out the work identified and defined by the Municipality and the Urban Development Fund.

Figure 47 - Abruzzo, project vehicle selection



Sources: Sinloc elaborations

As has been briefly described in the previous sections, here the hypothesis is to carry out the selection of the vehicle through a call for tenders, as IUDP projects normally have Municipal buildings/areas or of other Public Bodies for their project site.

The fundamental point to consider for JESSICA is the necessity that one of the shareholders/creditors of the project vehicle is the Urban Development Fund.

For this purpose, on the basis of the possibility that the UDF has a public - private nature, they may have to participate in a call for tenders, with the risk of not being selected and thus not being able to carry out its function as an investor in IUDP projects.

To avoid that this problem occurs, the procedure identified in the previous sections has been hypothesised, or that the Urban Development Fund is not involved in the procedure to select the SPV, but is itself an element in the call for tenders.

In particular the call for tenders for the selection of the project company could establish that any winning company will have the requirement to have as a shareholder the Urban Development Fund, that will invest ex ante a fixed share of the resources.

This procedure, that normally is used by the Commissioning Body for the linking of a contribution to an outright grant to the winning project company seems that it could be practiced in this particular context, with two strong points:

1. the presence of the capital of the UDF allows greater control by the Public Authority of its structuring, implementation and management of the work, giving it another guarantee that the work conforms to the expectations of the Municipality;
2. the placing of JESSICA resources within the call for tenders and so their potential grant to all of the candidates could relax the restrictions of the rules on State Aid, a problem discussed above.

In the case in which one intends to follow the procedure reported here, it would be opportune to analyse in greater detail the procedural restrictions that could arise and it also be important to establish that the resources of the Urban Development Fund, of the entire capital of the project vehicle, do not represent a too conspicuous amount, for it could lower the sense of responsibility of the other shareholders of the SPV, creating a dynamic of opportunism that should be avoided.

3. IMPLEMENTATION OF JESSICA IN ABRUZZO

To assess the implementation of the JESSICA scheme in the Region of Abruzzo, several strategic aspects of planning identified by the governments of the four provincial capitals are analysed.

This chapter, which concludes the feasibility study, concentrates on both planning, but in particular on the economic and financial aspects of the pilot projects that the provincial capitals hold are priorities for the implementation of the JESSICA scheme.

The pilot projects are:

- PESCARA – recovery and reutilisation of the Area of Risulta in front of the old station;
- TERAMO – recovery and reutilisation of the old psychiatric hospital, Sant’Antonio Abate;
- CHIETI – implementation of an integrated project, the central feature of which is building a *people mover*;
- L’AQUILA – recovery and reutilisation of the former Italtel industrial complex

It is important to underline that the planning level of cited initiatives differs significantly, as like as analysis that has been possible to make on different projects.

With respect to Pescara and Teramo initiatives it has been possible to develop appropriate analysis of pilot projects, for Chieti project it has been possible making an analysis on the basis of parametric estimates, and finally, the pilot project of L’Aquila has been analysed only in qualitative terms, given the absence of quantitative data of the initiative.

In the coming sections the pilot projects are described, analysing various features:

- strategic rationale – in the context of the planning and development strategies of the region.
- Consistency with the urban planning framework and with the IUDP – where possible the project will be analysed within the context of the urban plan in which it is included and on the basis of the IUDP.
- Sustainable financing – on the basis of the planning and economic information concerning the local context, analyses will be carried out with the aim to assess the sustainability of the individual projects.
- analysis of portfolio – on the basis of the economic and financial analysis of the projects, the rate of return and sustainability of the Abruzzo Urban Development Fund will be simulated.

In the last section of the chapter it will be determined what needs to be implemented to activate the JESSICA mechanism in Abruzzo.

3.1. Pescara – redevelopment of the Area of Resulta

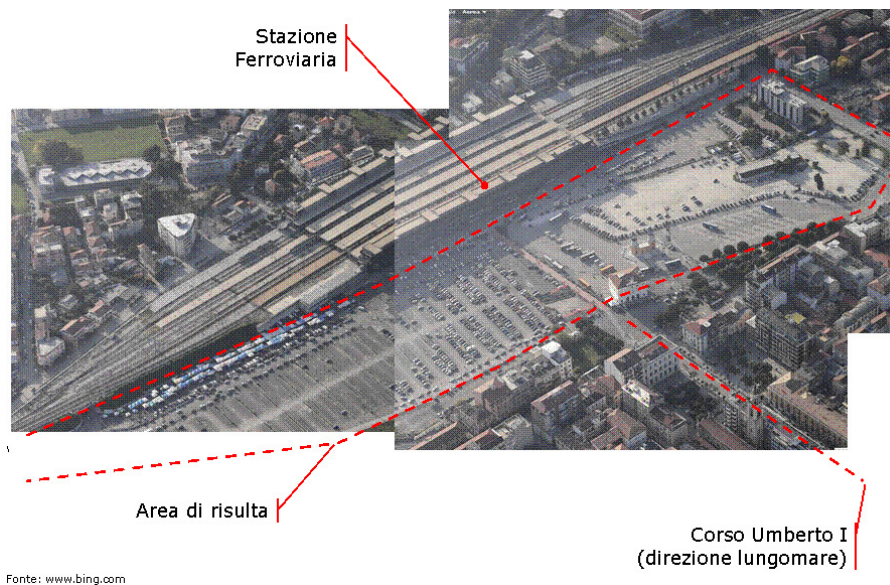
The project presented as a pilot project for the application of the JESSICA mechanism consists of the redevelopment of the “urban vacuum” in front of the old train station created by the demolition of the old station.

The area is situated in the city centre of Pescara, between the railway station and Corso Vittorio Emanuele II, directly connected to the pedestrian area of Corso Umberto I that leads to the seaside promenade.



The area is of particular importance for the urban fabric of the city, due to its notable size (more than 11 ha) and its central location.

The objective of the transformation is to create a “new urban place” characterised by open spaces and functions of public interest that is integrated with the system of public spaces of along Corso Umberto I and the seaside promenade. This objective has to be integrated with the need to guarantee the parking that the area currently provides.



The area of risulta is a large urban vacuum of about 11.5 ha, located in front of the railway station in the direction of the sea. The area once was occupied by the tracks of the old station that were moved higher up and elevated. Currently the area is primarily undeveloped, only 2

thousand **m²** of the entire surface is occupied by buildings, and it is used as a car park for about 1800 motor cars and as a bus terminal.

In July 2011 the Municipality of Pescara acquired the entire area for 6,770,308 euro from Metropolis, a company of the RFI (the Italian Railway Network), with the restriction that by July 2011 80% would be rezoned as green space.

The area coincides with the Space A of the Detailed Plan n.1 (P.P.n.1), which calls for the realisation of a central pole of integrated public spaces within the new comprehensive mobility framework. The "green-trolleybus corridor" line also crosses the area.

Tale 35 – Area di Risulta

AREA /FABBRICATO	Destinazione d'uso attuale	Superficie territoriale(1) (mq)	Superficie coperta (2) (mq)	Numero di piani fuori terra	SUL (mq)	Volume edificato (mc)	Rapporto di copertura (3) (%)	Indice di utilizzazione (mq SUL/mq)
Area scoperta	parcheeggio	107.864	53	0	0	0	-	-
Fabbricato A	Centro Astrofisica	6.031	402	5	2.010	8.040	-	-
Fabbricato B	ex serbatoio d'acqua	220	220	1	53	159	-	-
Fabbricato C	edicola	15	15	1	15	45	-	-
Fabbricato D - DEMOLITO	distributore carburanti	17	-	1	-	-	-	-
Fabbricato E - DEMOLITO	ex fabbricato manutenzione locomotori	-	-	2	-	-	-	-
Fabbricato F	ex Ferrotel	-	520	4	1570	6.280	-	-
Fabbricato G	locale magazzino	1.520	-	-	-	-	-	-
Fabbricato H	locale autorimessa	-	90	1	90	270	-	-
Fabbricato I	uffici	-	-	-	-	-	-	-
Fabbricato J	dopolavoro ferroviario (edificio principale)	-	747	1	747	2.241	-	-
Fabbricato K	uffici della Gestione Governativa_edificio appartiene a demanio mentre	55	55	1	55	165	-	-
Fabbricato M	Manufatto della gestione Governativa FS	12	12	1	12	36	-	-
TOT		115.734	2.114	-	4.552	17.236	1,8%	0,04

NOTE

(1) Superficie territoriale: superficie del lotto incluse strade e aree di proprietà pubblica

(2) Superficie coperta proiezione dell'edificio a terra (esclusi balconi, aggetti, ecc.)

(3) Rapporto di copertura Rapporto tra la superficie coperta e la superficie territoriale

(4) Indice di utilizzazione Rapporto tra la superficie coperta e la superficie territoriale

Source: Sinloc elaborations on Pescara Municipality data

The area designated for the work corresponds to Space A of the P.P.n.1 which involves the creation of a new central pole of public spaces integrated within the new comprehensive mobility framework, in particular, within P.P.n.1, the area is called Subzone B7, designated for complete transformation in order to realise new facilities.

The P.R.G. (town planning scheme) identifies parts to be implemented, in the case of P.P.n.1, through works that are exclusively public initiatives of town planning.

To organise these projects the use of instruments like, for example, urban development companies or public private partnership institutions is foreseen.

The redevelopment project for the Area of Risulta, even if it is a priority of the Municipality, it does not appear so from the planning documents of the city, in particular it is not included within the Integrated Plan for Sustainable Urban Development.

DESCRIPTION OF THE PROJECT

Beginning from the winning project of the European competition of 2004 of Monestiroli Architetti Associati, that called the redevelopment of the area of principally through the

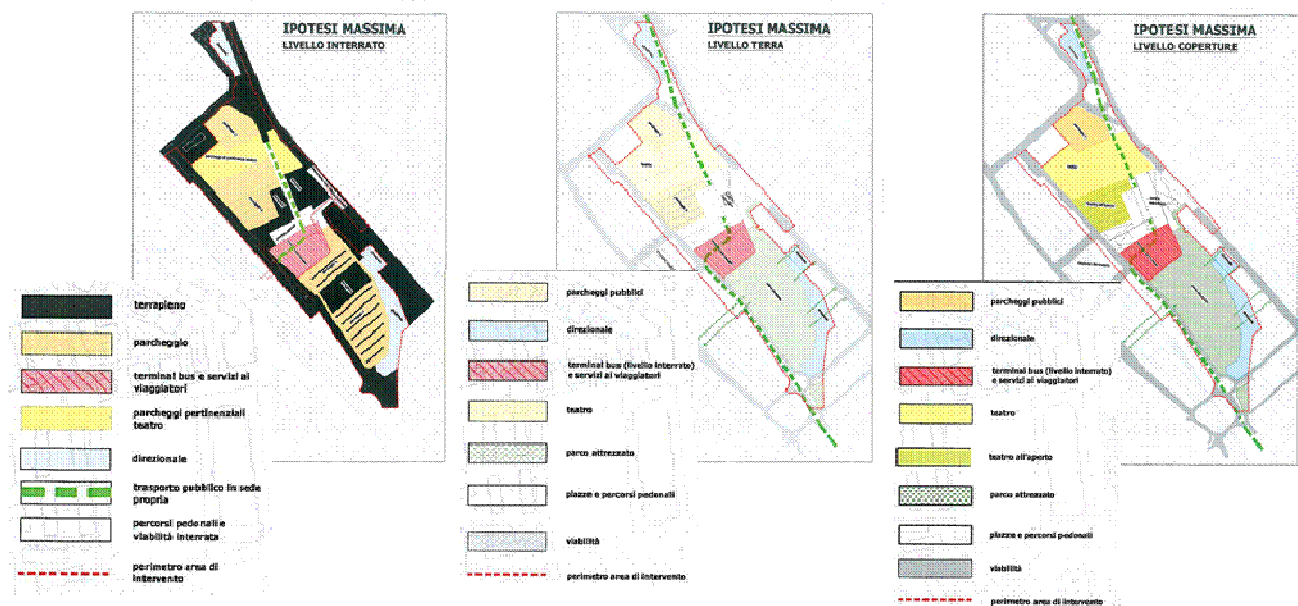
realisation of cold works, the local authorities have conceived of a potential intervention that pays greater attention to the requirement of profitability for JESSICA projects.

Their hypothesis foresees the transformation of most of the land into green spaces, while also realising services in the public interest in the area, such as a theatre, an open air arena (both financed by the Fondazione PescaraAbruzzo) and a bus station, and put the car park predominately underground.

The project also foresees the realisation of office and residential buildings, located on the edge of the area parallel to Corso Vittorio Emanuele II.

The size of the buildings to be built is limited compared to the entire surface of the area so as to allow the characteristic green to prevail.

Figure 48 – Area di Risulta, project hypothesis



Source: Pescara Municipality

In detail, the project calls for the realisation of:

- three underground car parks with a surface area of 41,100 m²;
- a car park at grade of 13,000 m²;
- a bus terminal at grade of 6,000 m²;
- a service building of the bus terminal of 1,500 m²;
- an equipped park of 36,600 m²;
- office buildings with a total surface area of 26,400 m²;
- the demolition and reconstruction of the old Ferrotel building for office space with a surface area of 1,570 m²;
- a piazza and paved paths of 19,000 m²;
- streets for 13,714 m².

Alongside these works, two other works are foreseen: a theatre and an open air arena, that will be built above the car park at grade. It is planned that both will be funded by Fondazione PescaraAbruzzo, although to date, there is no information about these works, so it has not been possible to include them in the financial business plan.

FINANCIAL BUSINESS PLAN

In the financial and economic analysis of the project, it is supposed to operate using Project Financing with a special purpose vehicle (SPV) structured as a corporation that manages all the phase of the process, in particular:

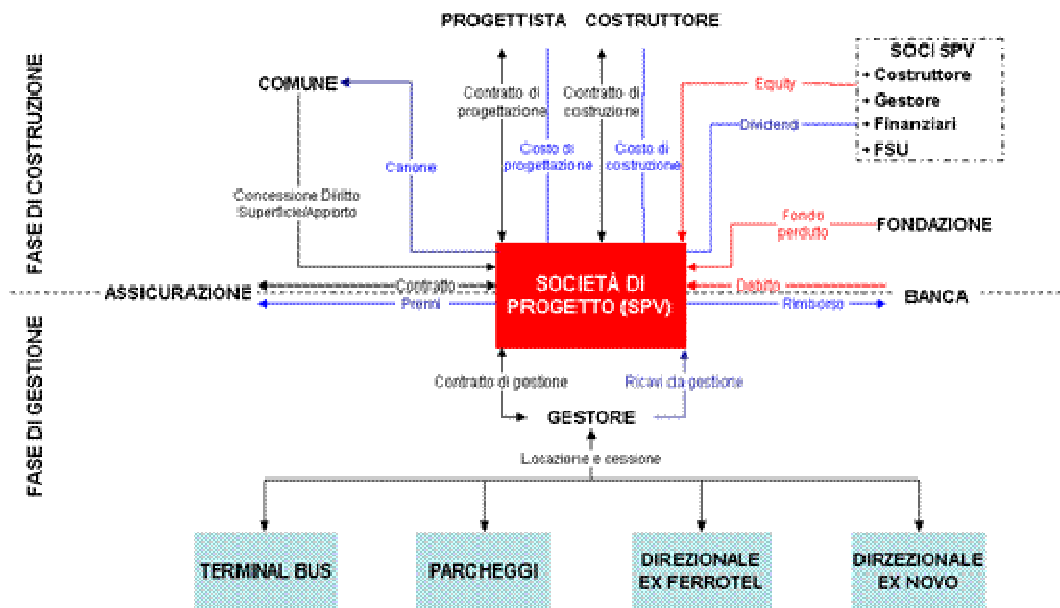
- structuring of the project;
- realisation of the work;
- management and winding up.

In this hypothesis the Municipality grants, for free, to the SPV the right to the area for a period of 30 years.

The Urban Development Fund operates as a shareholder of the SPV in the form of a financial partner.

In the figure below the scheme of relations for the management of the project/process is depicted.

Figure 49 – Relational scheme Area di Risulta project



Source: Sinloc elaborations

ECONOMIC DATA INPUT – IMPLEMENTATION COSTS

On the basis of estimates made using data from the Municipality of Pescara and processed by Sinloc, the cost of completing the work is about 98 million Euros.

That figure, specified in the table below, contains, in addition to than construction costs, the technical expenses and the municipal charges.

Table 36 – Area di Risulta, project functions

Funzioni di progetto	Superficie utile mq	Costo unitario (€/mq)	Costo realizzazione totale (€)
Terminal bus (30 stalli)	6.000	10.000	300.000
Edificio di servizio al terminal bus (servizi viaggiatore - non commerciale)	750	1.400	1.050.000
Edificio al terminal bus (commerciale)	750	1.400	1.050.000
Parcheggio interrato (1.300 posti)	41.800	700	29.260.000
Parcheggio a raso (350 posti)	13.700	600	8.220.000
Terziario (ex-Ferrotel)	1.570	1.500	2.355.000
Terziario (4 blocchi da 11 piani ciascuno)	26.400	1.450	38.280.000
Parcheggi pertinenziali del terziario (434 posti auto)	13.985	800	11.188.000
Parco attrezzato	36.300	100	3.630.000
Piazza -percorsi viabilità	19.000	100	1.900.000
Viabilità	13.714	50	685.700
Totale	173.969		97.918.700

Source: Sinloc elaborations on Pescara Municipality data

As can be observed the principal costs are related to building the underground car park and the office complex.

On the basis of hypotheses made together with the Municipality of Pescara the time for the realisation of the works of two and a half years is foreseen, divided as in the table below.

Table 37 – Area di Risulta, investment plan

Piano degli Investimenti	2011	2012	2013	Totale (€/000)
Terminale Bus	240	60	0	300
Edificio Terminal Bus non commerciale	210	630	210	1.050
Edificio Terminal Bus commerciale	210	630	210	1.050
Parcheggio interrato	17.556	11.704	0	29.260
Parcheggio superficie	1.644	4.932	1.644	8.220
Terziario Ferrotel	471	1.178	707	2.355
Terziario ex novo	5.742	15.312	17.226	38.280
Parcheggi pertinenziali terziario	5.594	4.475	1.119	11.188
Parco attrezzato	0	0	3.630	3.630
Piazza	0	0	1.900	1.900
Viabilità	0	0	686	686
Totale generale investimento (IVA esclusa)	31.667	38.921	27.331	97.919
<i>Avanzamento (%)</i>	<i>32%</i>	<i>40%</i>	<i>28%</i>	<i>100%</i>
Iva opere e impianti	3.167	3.892	2.733	9.792
Totale generale investimento (IVA inclusa)	34.834	42.813	30.064	107.711

Source: Sinloc elaborations

As can be seen in the following table, it has been planned to build the underground car park and the Bus Terminal as soon as possible, then to complete the buildings used for services; the last works to be completed are to be the equipped park, the piazza and the streets.

Table 38 – Area di Risulta building timetable

TEMPISTICA COSTI COSTRUZIONE	ANNI		
	1	2	2,5
TERMINAL BUS a raso	80%	20%	
Edificio di servizio al terminal bus (servizi viaggiatori)	20%	60%	20%
Edificio di servizio al terminal bus (commerciale)	20%	60%	20%
PARCHEGGIO INTERRATO	60%	40%	
PARCHEGGIO A RASO	20%	60%	20%
TERZIARIO (FERROTEL)	20%	50%	30%
TERZIARIO	15%	40%	45%
PARCHEGGI PERTINENZIALI DEL TERZIARIO	50%	40%	10%
PARCO ATTREZZATO			100%
PIAZZA - PERCORSI PAVIMENTATI			100%
VIABILITÀ			100%

Source: Sinloc elaborations

ECONOMIC DATA INPUT – REVENUES FROM SALE AND RENT

Certain assumptions have been made in concert with the technical experts of the Municipalities on the basis of the principal urban planning documents, statistical reports on the trends in the market in order to make the estimates of the revenues from sale and rent of the various initiatives in the draft plan, these estimates are summarised in the table below.

Table 39 – Area di Risulta revenues drivers

Funzioni di progetto	Driver Ricavi	Ricavi Unitari locazione	Ricavi unitari cessione
Terminal bus	Locazione (100%)	1€/h più IVA	nn
Edificio servizio terminal bus (non commerciale)	Locazione (100%)	10€/mq mese	nn
Edificio servizio terminal bus (commerciale)	Locazione (100%)	25 €/mq mese	nn
Parcheggio interrato	Rotazione (70%) subconcessione 30%	1€/h più IVA	1.911 €/mq
Parcheggio a raso	Rotazione (100%)	10€/mq mese	nn
Terziario (ex-Ferrotel)	Vendita (50%) locazione (50%)	12 €/mq mese	1.961 €/mq
Terziario (ex-novo)	Vendita (50%) locazione (50%)	12 €/mq mese	1.961 €/mq
Parcheggi pertinenziali	Vendita (50%) locazione (50%)	10 €/mq mese	1.911 €/mq
Parco attrezzato	Nessun ricavo	Nessun ricavo	Nessun ricavo
Piazza - percorsi viabilità	Nessun ricavo	Nessun ricavo	Nessun ricavo
Viabilità	Nessun ricavo	Nessun ricavo	Nessun ricavo

Source: Sinloc elaborations

Applying the above assumptions on the substance of the project, an estimate of the total revenue, both annual (from rent), and one-off (from sales), as reported below.

In particular it can be observed how the sale of buildings produces returns of 64.7 million (about 66% of the construction costs), while the rents of buildings/parking places is estimated to be about 6.2 million per year.

Table 40 – Area di Risulta, annual and one shot revenues

Funzioni di progetto	Ricavi annui locazioni (€)	Ricavi una tantum cessioni (€)
Terminal bus	131.400	-
Edificio servizio terminal bus (non commerciale)	90.000	-
Edificio servizio terminal bus (commerciale)	225.000	-
Parcheggio interrato	1.992.900	23.963.940
Parcheggio a raso	919.800	-
Terziario (ex-Ferrotel)	113.040	1.539.150
Terziario (ex-novo)	1.900.800	25.881.240
Parcheggi pertinenziali	839.100	13.362.668
Parco attrezzato	-	-
Piazza -percorsi viabilità	-	-
Viabilità	-	-
Totale	6.212.040	64.746.998

Source: Sinloc elaborations

The sales plan foresees that the transfers will occur after construction (advanced sale in not contemplated) and all the real estate will be sold within three years of completion of the job, as reported in the table below (sales plan).

Table 41 – Area di Risulta, selling plan

	2014	2015	2016	Stima incasso
Parcheggi interrati	11.982	7.189	4.793	23.964
Parcheggi pertinenziali	5.345	5.345	2.673	13.363
Terziario	8.226	10.968	8.226	27.420
TOTALE	25.553	23.502	15.691	64.747
	39,5%	36,3%	24,2%	

Source: Sinloc elaborations

ECONOMIC DATA INPUT – SPECIAL VEHICLE COSTS

To estimate of the costs that special purpose vehicle will sustain annually during the concession, the following table was drafted.

Table 42 – Area di Risulta, special vehicle costs

Funzioni di progetto	Superficie Utile (mq)	Gestione Costo annuo (€)	Cessione costo una tantum (€)	ICI costo annuo su locazioni (€)	ICI costo annuo fino a cessione (€)	O&MRA costo annuo su locazioni (€)
TERMINAL BUS a raso (*)	6.000	13.500	0	20.948	0	3.000
Edificio servizio BUS (servizi viaggiatori)	750	0	0	6.582	0	10.500
Edificio servizio BUS (altri servizi)	750	4.500	0	6.059	0	10.500
PARCHEGGIO INTERRATO	41.800	409.500	359.459	102.154	43.780	204.820
PARCHEGGIO A RASO	13.700	157.500	0	47.830	0	82.200
TERZIARIO (FERROTEL)	1.570	2.261	23.087	6.889	6.889	11.775
TERZIARIO	26.400	38.016	388.219	115.846	115.846	191.400
PARCHEGGI PERTINENZIALI	13.985	97.650	200.440	24.413	24.413	111.880
PARCO ATTREZZATO	36.300	0	0	no soggetto	no soggetto	no soggetto
PIAZZA - PERCORSI PAVIMENTATI	19.000	0	0	no soggetto	no soggetto	no soggetto
VIABILITÀ	13.714	0	0	no soggetto	no soggetto	no soggetto
TOTALE	173.969	722.927	971.205	330.721	190.928	626.075

Source: Sinloc elaborations

The management costs of the SPV have been estimated to be 722 thousand Euro annually plus 971.2 thousand in one-off costs, the Municipal property tax (ICI) should be 330.7 thousand annually plus 190.9 thousand annually between the management period and the date of sale,

costs of maintenance are estimated at 626.1 thousand Euro annually, these amounts derive from the following assumptions:

Annual management costs:

- Car parks: 450€ per parking space
- Other functions: 2% of annual revenues

One-off management costs: 1.5% of the revenue from sales

Municipal property tax:

- Car parks: 3.49 €/m²
- Management: 8.78 €/m²
- Retail: 8.08 €/m²

O&MRA: 1% of the total estimated costs

ECONOMIC DATA INPUT – SOURCES OF FUNDING

On the basis of how operations are foreseen carried out (project financing), it has a common financial structure for a project company, in which 20% of the sources are risk capital and 80% debt capital.

As a consequence of this choice, on the basis of the assumptions on financial charges, the pre-amortisation period and the duration of the loan, the overall need for investment has been calculated to be about 109 million Euro, with the following make up:

- Equity – 21.8 million
- Loans – 87.4 million

Using the conditions that currently practiced by commercial banks for similar projects for the analyses and making the necessary adjustments for the projects examined, the following loan conditions are foreseen.

Table 43 – Area di Risulta, loan features

Caratteristiche prestito	
Importo (€/000)	87.425
Durata complessiva	20 anni
Preammortamento (fase di costruzione)	3 anni
Anno di attivazione mutuo	2011
Primo rimborso quota capitale	2014
Ultimo rimborso quota capitale	2030
Tasso di riferimento	IRS 25 anni
Tasso base (media rilevazioni)	3,50%
Spread	2,50%
<u>Tasso di interesse ipotizzato</u>	<u>6,00%</u>

Source: Sinloc elaborations

Relative to the costs of capital, on the basis of consolidated practice and the particular case under examination, the cost for the venture capital has been calculated to be 7.2%, the result of the risk free rate (4.50%), the risk premium (3.00%) and beta (0.90). In the table below the factors that make up the cost of capital are reported in detail.

Table 44 – Area di Risulta, cost of capital

Ipotesi relative al WACC	
Capitale di debito (D/(D+E))	80,0%
Capitale di rischio o Equity (E/(D+E))	20,0%
Costo del capitale di debito (kd) (1-t)	4,35%
Tasso di rendimento titoli risk free (rf)	4,50%
Premio al rischio (mr)	3,00%
Beta di settore (b)	0,90
Costo dell'equity (ke=rf+b*mr)	7,20%
Imposte (t)	27,50%
Costo medio ponderato del capitale	4,92%

Source: Sinloc elaborations

PROFITABILITY OF THE AREA OF RISULTA PROJECT

On the basis of the assumptions made and presented above the results below on the profitability of the project, of venture capital and of JESSICA risk capital have been found.

The project, without considering the make up of the sources of funding, has an Internal Rate of Return of 6.7% greater than the assumed WACC of 4.9%.

From the point of view of economic convenience, on the basis of the estimates made, the project should be implemented.

Table 45 – Area di Risulta, economic valuation

Valutazione convenienza economica	
VAN del Progetto (€000)	14.441
Tasso di sconto VAN del progetto (WACC)	4,92%
TIR del Progetto (post tax)	6,70%

Source: Sinloc elaborations

In the analysis of the rate of return on venture capital, in consideration of the particular nature of the JESSICA resources, three kinds of analysis have been carried out:

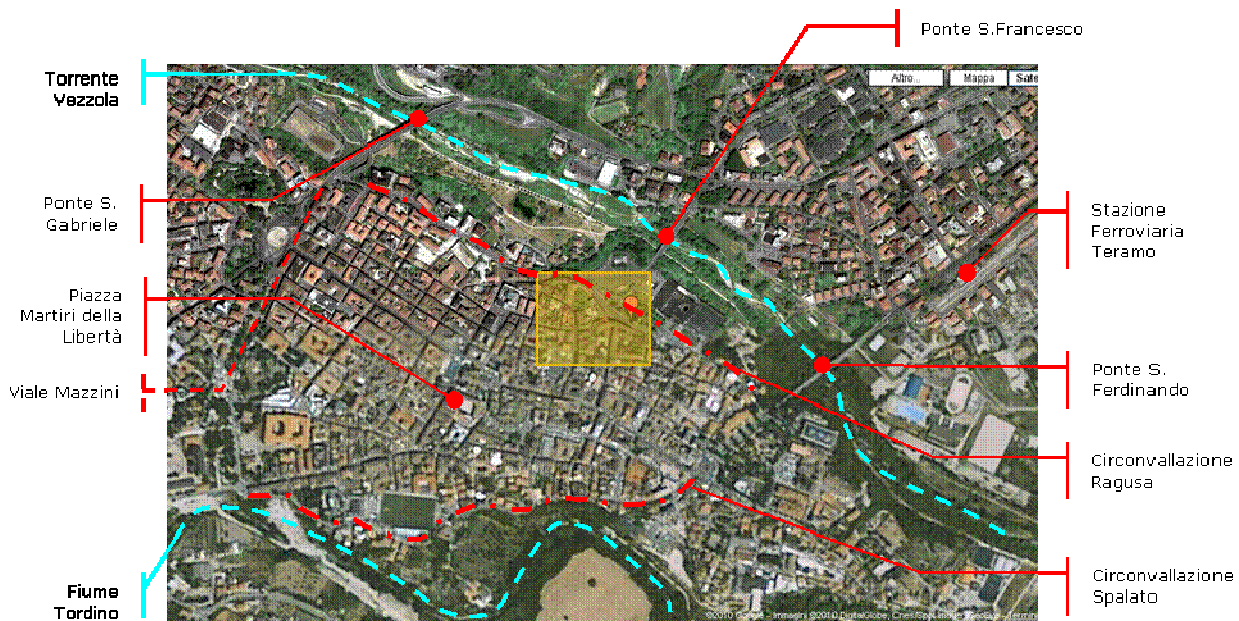
1. for JESSICA resources the same expected rate of return as for all venture capital, in this way a rate of return of 8.5% is foreseen.
2. for JESSICA resources a lower is expected rate of return than for the rest of venture capital, deriving both from the priority in JESSICA equity utilisation compared to that of other shareholders and by the smaller dividend rate of JESSICA equity.
On the basis of this information on JESSICA resources usable on the project three scenarios have been made, all things being equal, leading to different rates of return of JESSICA equity and the other shareholders:
 - a) JESSICA funds: 1.5 million ≥ other capital: 20.3 million
 - IRR Equity JESSICA: 5%
 - IRR Equity other shareholders: 8,7%
 - b) JESSICA funds: 3.5 million ≥ other capital: 18.4 million
 - IRR Equity JESSICA: 5%
 - IRR Equity other shareholders: 9,1%
 - c) JESSICA funds: 8 million ≥ other capital: 13.8 million
 - IRR Equity JESSICA: 5%
 - IRR Equity other shareholders: 10,5%

As can be seen, the JESSICA resources, in the cases in which they receive an asymmetric rate of return compared to the one of venture capital, allow other shareholders to receive a higher rate of return in comparison to cases without JESSICA resources.

3.2. Teramo – renewal of the former psychiatric hospital

The government of the Municipality of Teramo intends to examine as the pilot project to for the purpose of implementing the JESSICA scheme the renewal of the former psychiatric hospital, Sant'Antonio Abate, located at the entrance to the historical centre of Teramo.

The buildings targeted by the initiative are found on the edge of the historical centre along the walls of the city near the San Francesco Bridge. The Melatina gate is part of the complex, it is one of the entrances to the historic centre.

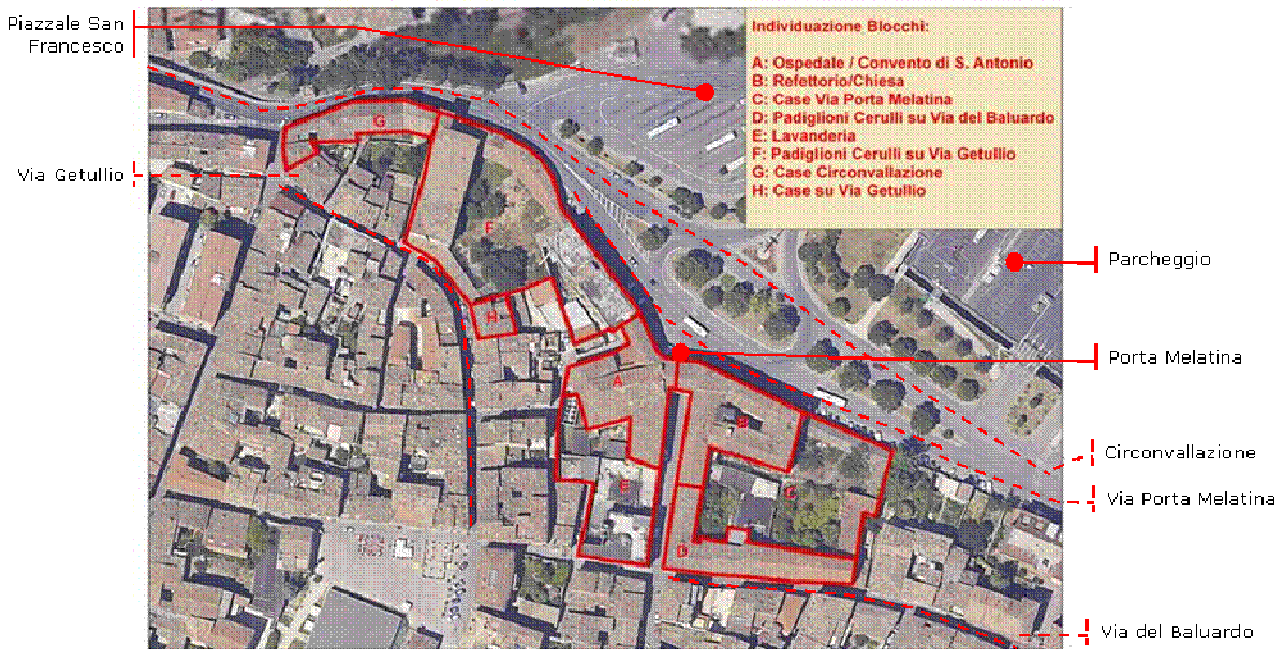


The complex of the ex psychiatric hospital occupies an area of about 11,300 m², divided in 7,800 m² of buildings and 3,500 m² of open space.

Originally the structure was built in 1323, and has been renovated or enlarged several times, it once was a hospice with Episcopal privilege, before becoming dedicated to mental health. From 1881 to 1978 the complex housed the city's Psychiatric Hospital, Sant'Antonio Abate, then it has been idle.

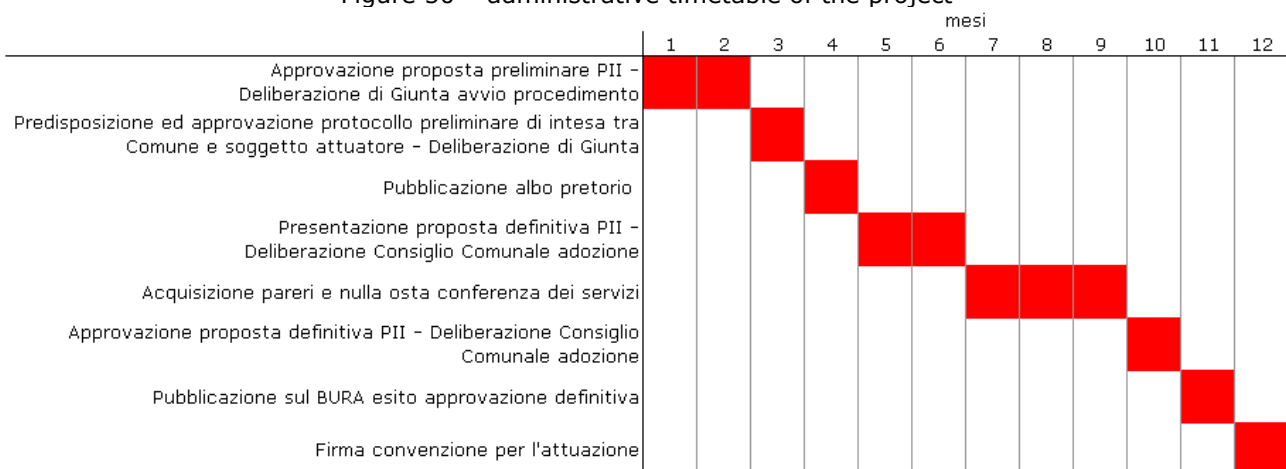
Since then the buildings have been abandoned and maintenance has not been performed, compromising significantly the state of preservation of the buildings.

In the 80s it was thought to transfer university functions to the complex, for this reason the certified land use the buildings found in the Detailed Plan of the Historical Centre is for school facilities on an urban scale, drafted in 1981 and still in force, even though the move of the University to the site of the former Psychiatric Hospital never occurred.



So if the renewal and transformation of the complex were to occur, providing for functions not currently provided for, it would be necessary to change the Detailed Plan for the initiatives, for which the authorities have provided an outline of the course to follow and how long each step would take illustrated in the table below.

Figure 50 – administrative timetable of the project



Source: Sinloc elaborations on Teramo Municipality data

The complex under examination is made up of eight blocks that occupy 11.2 thousand m² of land, on which are situated 17.4 thousand m² of gross floor space on three floors. In the figure below the various blocks are identified and defined.

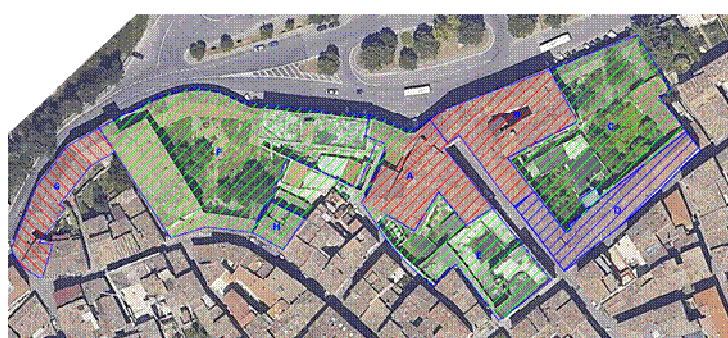
Table 46 – Former psychiatric hospital

Blocco	SF mq	SC mq	SFS mq	Collegamenti vert. mq	SUL mq	SUL_i mq	SU mq
Blocco A	1.151,60	1.151,60	-	107,72	3.197,35	2.786,32	1.922,09
Blocco B	1.204,37	1.114,98	89,39	71,01	3.260,46	2.741,40	2.358,53
Blocco C	2.332,73	906,45	1.426,28	-	906,45	774,82	728,49
Blocco D	952,41	952,41	-	179,08	2.591,43	2.157,23	1.844,60
Blocco E	1.355,14	1.002,84	352,30	28,80	1.678,73	1.439,46	1.328,33
Blocco F	3.400,00	1.806,84	1.593,16	137,29	3.851,69	3.331,88	2.981,45
Blocco G	670,00	655,31	14,69	41,56	1.344,23	1.150,83	995,25
Blocco H	195,34	195,34	-	32,68	526,36	423,79	357,74
Totale generale	11.261,59	7.785,77	3.475,82	598,14	17.356,70	14.805,73	12.516,48

Source: Sinloc elaborations on Teramo Municipality data

Then there is a map of the state of preservation of the building, identifying for each part the class of intervention that is could be to carry out.

Figura 51 – Former psychiatric hospita, conservative status



CATEGORIE DI INTERVENTO

- ▬ Restauro e Risanamento conservativo A - Art. 15 PPACS
- ▬ Restauro e Risanamento conservativo B - Art. 15 PPACS
- ▬ Ristrutturazione edilizia - Art. 17 PPACS
- ▬ Area di Ristrutturazione Urbanistica Edilizia - Art. 20 PPACS

Legenda

- Buono** L'immobile necessita di interventi di rifunzionalizzazione
- Mediocre** L'immobile necessita di interventi di rifunzionalizzazione ed interventi di consolidamento statico < 50% delle strutture portanti
- Pessimo** L'immobile necessita di interventi di rifunzionalizzazione ed interventi di consolidamento statico > 50% delle strutture portanti

STATO DI CONSERVAZIONE	CATEGORIA DI INTERVENTO		
	Buono	Mediocre	Pessimo
Blocco A		X	Restauro e Risanamento Conservativo A.
Blocco B		X	Restauro e Risanamento Conservativo A.
Blocco C		X	Area di Ristrutturazione Urbanistico Edilizia
Blocco D		X	Ristrutturazione Edilizia
Blocco E		X	Area di Ristrutturazione Urbanistico Edilizia
Blocco F		X	Area di Ristrutturazione Urbanistico Edilizia
Blocco G		X	Restauro e Risanamento Conservativo B
Blocco H		X	Area di Ristrutturazione Urbanistico Edilizia

Source: Sinloc elaborations on Teramo Municipality data

On the ownership of the complex of the former psychiatric hospital, currently it is the Local Health Authority (ASL), on the property there is a ban on its sale until the region's health deficit is repaid, although there are political efforts under way to remove the restriction on the asset in question.

For the initiative being examined to be part of the portfolio of projects of the Urban Development Fund, it has to be included in the IUDP.

From this point of view there does not seem to be any problem, since the Integrated Plan for Urban Development is drafted by the Municipality of Teramo and the initiative of rehabilitation and reutilisation of the former Psychiatric hospital is included among its priority projects, with the grant of IUDP ERDF resources thought to be about 3 million Euros.

EXPLOITABLE AREAS IN CONNECTION TO REGENERATION PROJECT

The project presented by the local government, on the basis of analyses carried out to draw up a feasibility study of the Urban Transformation Company (*Società di Trasformazione Urbana*), a structure that was never created, calls for the exploitation of several buildings belonging to the Municipality. These buildings and others belonging to the Province have been included in the initiative under examination, providing for their development.

In the table below the identified the estimated importance and value of the buildings exploitable.

Table 47 – Other Municipal buildings to be sold

IMMOBILE	PROPRIETA'	STIMA VALORE "IN USO" (€)	COSTI INTERVENTO (€)	STIMA VALORE IMMOBILE (€)	BOOK VALUE (€)	CONSISTENZE (mq)
Mercato Coperto	100% Comune Teramo	2.520.000	300.000	2.220.000	(non accatastato)	4.000
Piazza Martiri della Libertà	100% Comune Teramo	5.628.000	2.532.600	3.095.400	1.769.520	2.814
Via Della Banca - Stabile I	100% Comune Teramo	3.708.000	834.300	2.873.700	832.590	1.854
Totale		11.856.000	3.666.900	8.189.100	2.602.110	8.668

Source: Sinloc elaborations on Teramo Municipality data

Table 48 – Other Province buildings to be sold

IMMOBILE	PROPRIETA'	GRAVAMI	STIMA VALORE "IN USO" (€)	BOOK VALUE (€)	CONSISTENZE (mq)
Sede centrale	100% Provincia Teramo	Vincolo Art.10 D.lgs 42/04	7.846.784	4.931.663	6.071
Via Capuani	100% Provincia Teramo	Vincolo art.10 D.lgs 42/05	3.833.966	2.359.907	2.982
Piazza Garibaldi	100% Provincia Teramo	Vincolo art.10 D.lgs 42/06	3.511.366	2.945.000	2.562
Palazzo della sanità	100% Provincia Teramo	nessuno	990.270	514.825	585
Via Trento e Trieste	100% Provincia Teramo	nessuno	1.052.065	488.609	763
Totale			17.234.451	11.240.004	12.963

Source: Sinloc elaborations on Teramo Municipality data

GENERAL HYPOTHESIS FOR PLANNING

The municipal government has focused the proposed initiative, giving it a new function and means of intervention, taking into consideration of the restrictions of a historical and artistic nature on the buildings and their state of preservation.

For many of the buildings partial demolition is foreseen, which allows a partial or total change in the current urban fabric while maintaining its principal formal characteristics.

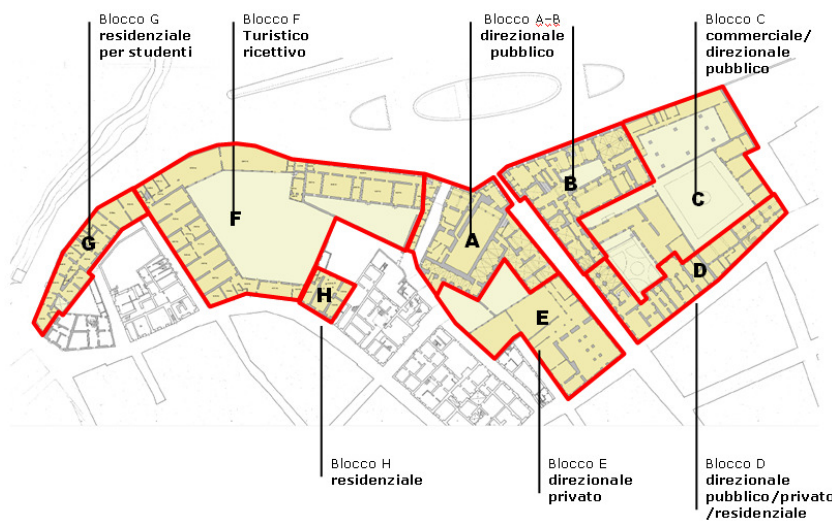
For some of the buildings rebuilding structures is foreseen.

For all the other buildings, which are of greater historical value, as for example the Church and Convent of Sant'Antonio, more conservative initiatives, such as restoration and conservative consolidation, are foreseen.

To bring the structures up to the current anti-seismic rules, *ad hoc* studies will be needed.

In the table below the different blocks are identified, specifying for each one the kind of intervention foreseen.

Figura 52 – Former psychiatric hospita, project hypothesis



STATO DI CONSERVAZIONE	CATEGORIA DI INTERVENTO		
	Buono	Mediocre	Pessimo
Blocco A		X	Restauero e Risanamento Conservativo A
Blocco B	X		Restauero e Risanamento Conservativo A
Blocco C		X	Area di Ristrutturazione Urbanistico Edilizia
Blocco D	X		Ristrutturazione Edilizia
Blocco E	X		Area di Ristrutturazione Urbanistico Edilizia
Blocco F		X	Area di Ristrutturazione Urbanistico Edilizia
Blocco G		X	Restauero e Risanamento Conservativo B
Blocco H	X		Area di Ristrutturazione Urbanistico Edilizia

Source: Sinloc elaborations on Teramo Municipality data

The idea of the project of the municipal government is to designate the complex to public and private office space and a small retail space, in the part of the complex closest to Melatina Gate, and to residential housing, student housing and tourist accommodation and services in the part of the complex next to the ring road.

The objectives of the project on the one hand is to restore the spaces of the complex to the city and on the other hand to spark a process of revitalization, both retail and construction, in one of the oldest and abandoned portions of the city.

Concerning the public office spaces, the project calls for the transfer to the new complex several Municipal and Provincial offices that currently are housed in buildings owned by the Province and the Municipality located in the historical centre.

The latter will be the object of refurbishing and then sold in order to economically sustain the project of transformation of the former psychiatric hospital.

Overall the initiative foresees a small increase in the total floor space of the former Psychiatric hospital, that will go from about 18 thousand m² to about 21 thousand m² (30.032 including the reserved parking spaces); in the table below the planned functions and surface areas are indicated.

In the following table the current total floor space and that of the project for each function are listed and the relative zoning of buildings called for in the current Development Plan.

Table 49 – Former psychiatric hospita, project hypothesis

BLOCCO	CATEGORIA DI INTERVENTO*	DESTINAZIONE POTENZIALE	IE*	IUF*	n. Piani*	SUL** attuale	SUL** potenziale	Parcheggi a standard da realizzare
			mq/mq	mq/mq		mq	mq	mq
Blocco A	Restauro e Risanamento Conservativo A	Direzionale Pubblico	-	-	-	3.305	3.305	
Blocco B	Restauro e Risanamento Conservativo A	Direzionale Pubblico	-	-	-	3.331	3.331	0
Blocco C	Area di Ristrutturazione Urbanistico Edilizia	Commerciale (PT sulla corte)	-	-	1/3	906	796	995
		Direzionale privato					796	995
Blocco D	Ristrutturazione Edilizia	Direzionale Pubblico	-	-			1.385	0
		Direzionale Privato			3	2.771	1.385	0
		Residenziale (ultimo piano)					902	376
Blocco E	Area di Ristrutturazione Urbanistico Edilizia	Direzionale privato	-	-	3	1.708	2.232	2.790
Blocco F	Area di Ristrutturazione Urbanistico Edilizia	Turistico - Ricettiva	4,8	0,6	2/3	3.989	4.871	3.044
Blocco G	Restauro e Risanamento Conservativo B	Residenziale per studenti	-	-	-	1.386	2.037	0
Blocco H	Area di Ristrutturazione Urbanistico Edilizia	Residenziale	-	-	3	559	559	233
Totale						17.955	21.040	8432

Source: Sinloc elaborations on Teramo Municipality data

For the municipal and provincial building , that according to the proposed plan will be renewed by the bodies which own them, the foreseen initiatives and how they intend to be zoned are listed in the table below (the first for the municipal buildings and the second for provincial buildings).

Table 50 – Other Munipal buildings to be sold, functions

IMMOBILE	SUPERFICIE UTILE (mq)	IPOTESI OPERATIVA	FUNZIONI DI PROGETTO	% PER FUNZIONE	SUPERFICIE UTILE PER FUNZIONE (mq)	mq PARCHEGGI PERTINENZIALI (legge Tognoli)	mq PARCHEGGI STANDARD (da NTA di PRG)
Mercato Coperto	4.000	Demolizione/ Ricostruzione (con ampliamento) e alienazione	Residenziale	40%	1.600	480	700
			Direzionale	30%	1.200	0	1.600
			Commerciale	30%	1.200	0	1.600
Piazza Martiri della Libertà	2.814	Restauro, Ristrutturazione e alienazione	Commerciale	20%	563	0	0
			Direzionale	80%	2.251	0	0
Via della banca I	1.854	Restauro, Ristrutturazione e alienazione	Residenziale	30%	556	170	250
			Direzionale	70%	1.298	0	0
Totale	8.668				8.668	650	4.150

Source: Sinloc elaborations on Teramo Municipality data

Table 51 – Other Province buildings to be sold, functions

IMMOBILE	SUPERFICIE UTILE (mq)	FUNZIONE DI PROGETTO	% PER FUNZIONE	SUPERFICIE UTILE PER FUNZIONE(mq)
Sede centrale	6.071	Direzionale	100%	6.071
Via Capuani	2.982	Direzionale	100%	2.982
Piazza Garibaldi	2.562	Residenziale	30%	769
		Direzionale	70%	1.793
Palazzo della Sanità	585	Commerciale	26%	154
		Residenziale	74%	431
Via Trento e Trieste (ex ACLI)	763	Residenziale	100%	763
Totale Immobili Provincia	12.963			12.963

Source: Sinloc elaborations on Teramo Municipality data

PROPOSED PROCEDURE

In concert with the local government, it was proposed to operate using project financing, therefore entrusting the realisation and management of the work to a special purpose vehicle.

Given the complexity of the operation, the process that is proposed to follow is outlined below and will be taken up again in the financial business plan.

1. Pre construction phase

- a) acquisition by the Municipality and Province of the former Psychiatric Hospital from the ASL and payment of a deposit to the ASL;
- b) publication of the call for tenders by the Municipality and/or the Province for the selection of the SPV that will redevelop the former Insane Asylum, of which the Urban Development Fund will become a shareholder.
- c) the selection of the SPV and the cession of it (for a price) for the provincial and municipal buildings to redevelopment, for free, of the surface rights to the former Psychiatric Hospital;
- d) assumption by the SPV of the promise to pay the debt contracted by the Municipality and the Province for the acquisition of former Psychiatric Hospital.
- e) taking on a debt by the SPV on the buildings ceded to it by the Municipality and the Province in order to pay the debt of the Municipality and the Province to the ASL.

2. Construction and initial management phase

- a) employment of the SPV's equity and the taking on the debt for the construction site of the former psychiatric hospital (a commercial loan is proposed for the work on private projects and a subsidised loan for the public office space work);
- b) construction of the first part of the former hospital (public office space, private office space, retail space and housing);
- c) transfer of the civil servants of the municipal and provincial offices from the building to be refurbished to the renovated buildings of the former psychiatric hospital;
- d) rent/sale of the other parts of the former Psychiatric Hospital when the work has been completed (private offices, residential housing, retail locations);
- e) construction of the second and final part of the former Psychiatric Hospital;
- f) initiation of the refurbishing/renewal of the buildings the Province and the Municipality ceded to the SPV.

3. Management phase

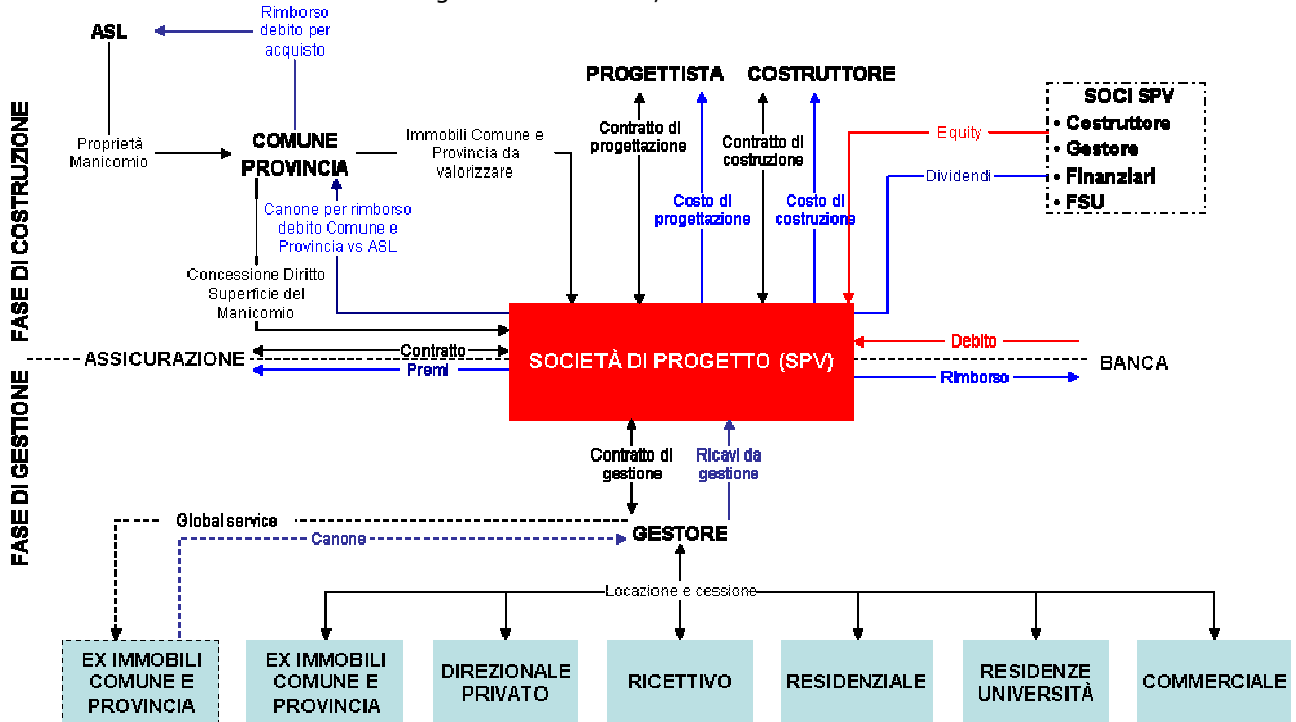
- a) continuation of the rent/sale of the non public parts of the completed former Psychiatric Hospital;
- b) management by the SPV of the maintenance of the finished public section of the former Psychiatric Hospital (global service);
- c) sale/rent by the SPV of the refurbished provincial and municipal buildings;
- d) rent/sale of the private parts of the completed former Psychiatric Hospital;

4. Final phase of the process

- a) Termination of the surface rights of the SPV and restitution of the entire redeveloped complex of the former Psychiatric Hospital to its owners: the Municipality and Province of Teramo.

In order to portray the relationships between the actors in the process the image below identifies and describes the relationships that occur in the proposed procedure described above.

Figure 53 – Teramo, relational scheme



Source: Sinloc elaborations on Teramo Municipality data

ECONOMIC DATA INPUT – IMPLEMENTATION COSTS

The project considered as a whole has a cost of about 59.2 million Euros, divided between:

- Redevelopment of the former Psychiatric Hospital – 30.9 million
- Redevelopment of the Municipal buildings – 15.7 million
- Redevelopment of the Provincial buildings – 12.5 million

To these costs the price proposed to pay for the acquisition of the former psychiatric hospital needs to be added. As a start, a price of 10 million Euro has been proposed for the acquisition. In the following table the estimated costs are detailed, on the basis of the input of the Municipality of Teramo and of semi parametric estimates.

Table 52 – Former psychiatric hospita, costs

Funzioni di progetto		Superficie Utile mq	Costo di costruzione (€/mq)	Costo realizzazione (€/mq)	Spese tecniche (€)	Costo totale stimato (€)
BLOCCO A	Direzionale Pubblico	3.305	900	957	356.948	3.519.900
BLOCCO B	Direzionale Pubblico	3.331	800	857	319.821	3.174.891
BLOCCO C	Commerciale	1.796	1.100	1.144	237.039	2.291.377
BLOCCO C	Direzionale Privato	796	1.150	1.207	109.814	1.070.284
BLOCCO C	Parcheggi (commerciale)	2.245	550	550	148.149	1.382.728
BLOCCO C	Parcheggi (direzionale privato)	995	550	550	65.649	612.728
BLOCCO D	Direzionale Pubblico	1.385	800	857	132.984	1.320.148
BLOCCO D	Direzionale Privato	1.385	800	857	132.984	1.320.148
BLOCCO D	Residenziale (ultimo piano)	902	1.250	1.303	135.293	1.310.533
BLOCCO D	Parcheggi (residenziale)	376	550	550	24.804	231.501
BLOCCO E	Direzionale Privato	2.232	1.150	1.207	308.016	3.002.040
BLOCCO E	Parcheggi (direzionale privato)	2.790	550	550	184.140	1.718.640
BLOCCO F	Turistico ricettiva	4.871	1.250	1.303	730.575	7.076.837
BLOCCO F	Parcheggi (turistico ricettivo)	3.044	550	550	200.908	1.875.143
BLOCCO G	Residenza per studenti	1.037	900	953	112.010	1.100.395
BLOCCO H	Residenziale	559	1.250	1.303	83.856	812.285
BLOCCO H	Parcheggi (residenziale)	233	550	550	15.374	143.487
Totale Ex Ospedale Psichiatrico		31.281			3.298.364	31.963.062

Source: Sinloc elaborations on Teramo Municipality data

Table 53 – Other Munipal buildings to be sold, costs

FUNZIONI DI PROGETTO		SUPERFICIE UTILE mq	COSTO DI COSTRUZIONE (€/mq)	SPESE TECNICHE (€)	COSTO TOTALE STIMATO (€)
Mercato Coperto	Residenziale	1.600	1.250	240.000	2.654.400
	Direzionale	1.200	1.150	165.600	1.846.800
	Commerciale	1.200	1.100	158.400	1.756.800
	Parcheggi (residenziale)	1.180	550	77.880	726.880
	Parcheggi (direzionale)	1.600	550	105.600	985.600
	Parcheggi (commerciale)	1.600	550	105.600	985.600
Piazza Martiri della Libertà	Commerciale	563	800	54.029	523.404
	Direzionale	2.251	800	216.115	2.122.882
	Parcheggi (commerciale)	2.080	550	137.280	1.281.280
Via Della Banca	Parcheggi (direzionale)	1.200	550	79.200	739.200
	Residenziale	556	900	60.070	584.566
	Direzionale	1.298	800	124.589	1.223.825
	Parcheggi (residenziale)	420	550	27.720	258.720
	Parcheggi (direzionale)	0	550	0	0
Totale Immobili Comune		16.748		1.552.082	15.689.957

Source: Sinloc elaborations on Teramo Municipality data

Table 54 – Other Province buildings to be sold, costs

FUNZIONI DI PROGETTO		SUPERFICIE UTILE mq	COSTO DI COSTRUZIONE (€/mq)	SPESE TECNICHE(€)	COSTO TOTALE STIMATO (€)
Sede centrale	Direzionale	6.071	800	96	5.725.132
Via Capuani	Direzionale	2.982	800	96	2.812.149
Piazza Garibaldi	Residenziale	769	900	108	1.346.357
	Direzionale	1.793	800	96	1.208.007
Palazzo della Sanità	Commerciale	154	1.100	132	148.122
	Residenziale	431	900	108	491.868
Via Trento e Trieste (ex ACLI)	Residenziale	763	900	108	804.965
Totale Immobili Provincia		12.963			12.536.600

Source: Sinloc elaborations on Teramo Municipality data

The time necessary for completion of the works has been estimated to be about four years, with the realisation of the initiatives in two phases of about two years each, followed by a timetable of the presumed costs.

Table 55 – Investment timetable

PIANO DEGLI INVESTIMENTI	TOTALE (Euro)	2011	2012	2013	2014
Ex Ospedale blocco A	3.520	1.408	2.112	0	0
Ex Ospedale blocco B	3.175	1.270	1.905	0	0
Ex Ospedale blocco C	3.311	662	662	1.324	0
Ex Ospedale blocco D	4.182	836	836	1.673	0
Ex Ospedale blocco E	4.721	0	0	2.832	1.888
Ex Ospedale blocco F	8.952	0	0	4.028	4.924
Ex Ospedale blocco G	2.161	0	0	973	1.189
Ex Ospedale blocco H	956	0	0	430	526
Pagamento aree ex Ospedale	10.000	500	500	500	8.500
Comune - mercato coperto	8.956	0	0	4.030	4.926
Comune - piazza martiri della libertà	4.667	0	0	4.667	0
Comune - via della banca	2.067	0	0	0	2.067
Provincia	12.537	0	0	0	12.537
Totale generale investimento (IVA esclusa)	69.205	4.677	6.016	20.458	36.556
IVA opere e impianti	5.771	418	552	1.996	2.806
Totale generale investimento (IVA inclusa)	74.975	5.094	6.567	22.454	39.361

Source: Sinloc elaborations on Teramo Municipality data

ECONOMIC DATA INPUT – REVENUES FROM SALE AND RENT

The data on revenues (both from sales and from rents) have been shared with the Municipality of Teramo and derive from the internal estimates of the Municipality and from market data mostly in the data base of the Agency of the Territory (OMI real estate listings).

Various revenue structures have been hypothesised by varying the percentages of sales and rents, in order to optimise the results of the Financial Business Plan, in the following tables the proposed scenario in the financial business plan relative to is detailed: the former psychiatric hospital, the municipal and provincial buildings of Teramo.

Table 56 – Former psychiatric hospital, revenues hypothesis

IMMOBILE	FUNZIONE	SUPERFICIE UTILE (mq)	% VENDITA	% LOCAZIONE	RICAVI UNITARI DI LOCAZIONE (€/mq mese)	RICAVI UNITARI DI VENDITA (€/mq)	TOTALE RICAVI UNA TANTUM	TOTALE RICAVI ANNUI (€)
BLOCCO A	Direzionale Pubblico	3.305	0%	100%	5,13 (global service)	0	-	16.938
BLOCCO B	Direzionale Pubblico	3.331	0%	100%	5,13 (global service)	0	-	17.074
BLOCCO C	Commerciale	796	0%	100%	11,00	2.150	-	105.039
BLOCCO C	Direzionale Privato	796	0%	100%	8,50	2.100	-	81.167
BLOCCO C	Parcheeggi (commerciale)	995	0%	100%	10,35	1.850	-	123.540
BLOCCO C	Parcheeggi (direzionale privato)	995	0%	100%	7,00	1.250	-	83.554
BLOCCO D	Direzionale Pubblico	1.385	0%	100%	5,13	2.150	-	7.099
BLOCCO D	Direzionale Privato	1.385	0%	100%	8,50	2.150	-	141.296
BLOCCO D	Residenziale (ultimo piano)	902	0%	100%	7,80	2.200	-	84.423
BLOCCO D	Parcheeggi (residenziale)	376	0%	100%	5,90	1.700	-	26.608
BLOCCO E	Direzionale Privato	2.232	0%	100%	8,50	2.150	-	227.664
BLOCCO E	Parcheeggi (direzionale privato)	2.790	0%	100%	7,00	1.250	-	234.360
BLOCCO F	Turistico ricettiva	4.871	0%	100%	8,00	2.300	-	467.568
BLOCCO F	Parcheeggi (turistico ricettivo)	3.044	0%	100%	7,00	1.250	-	255.701
BLOCCO G	Residenza per studenti	2.037	0%	100%	7,50	1.950	-	183.342
BLOCCO H	Residenziale	559	0%	100%	7,80	2.200	-	52.326
BLOCCO H	Parcheeggi (residenziale)	233	0%	100%	5,90	1.700	-	16.492
Totale Ex ospedale psichiatrico		30.031			116	28.351	0	2.124.190

Source: Sinloc elaborations on Teramo Municipality data

Table 57 – Other Municipality buildings to be sold, revenues hypothesis

IMMOBILE	FUNZIONI DI PROGETTO	SUPERFICIE UTILE (mq)	% VENDITA	% LOCAZIONE	RICAVI UNITARI VENDITA €/mq)	RICAVI TOTALI UNA TANTUM (€)
Mercato Coperto	Residenziale	1.600	100%	0%	2.500	4.000.000
	Direzionale	1.200	100%	0%	2.300	2.760.000
	Commerciale	1.200	100%	0%	3.100	3.720.000
	Parcheeggi (residenziale)	1.180	100%	0%	1.700	2.006.000
	Parcheeggi (direzionale)	1.600	100%	0%	1.250	2.000.328
	Parcheeggi (commerciale)	1.600	100%	0%	1.850	2.960.000
Piazza Martiri della Libertà	Commerciale	563	100%	0%	3.100	1.744.680
	Direzionale	2.251	100%	0%	2.300	5.177.760
	Parcheeggi (commerciale)	2.080	100%	0%	1.850	3.848.000
	Parcheeggi (direzionale)	1.200	100%	0%	1.250	1.500.246
Via Della Banca	Residenziale	556	100%	0%	2.500	1.390.500
	Direzionale	1.298	100%	0%	2.300	2.984.940
	Parcheeggi (residenziale)	420	100%	0%	1.700	714.000
	Parcheeggi (direzionale)	0	100%	0%	1.250	0
Totale Immobili Comune		16.748				34.806.454

Source: Sinloc elaborations on Teramo Municipality data

Table 58 – Other Province buildings to be sold, revenues hypothesis

IMMOBILE	FUNZIONI DI PROGETTO	SUPERFICIE UTILE mq	% VENDITA	% LOCAZIONE	RICAVI UNITARI DI VENDITA (€/mq)	RICAVI TOTALI UNA TANTUM (€)
Sede centrale	Direzionale	6.071	100%	0%	2.300	13.963.737
Via Capuani	Direzionale	2.982	100%	0%	2.300	6.858.899
Piazza Garibaldi	Residenziale	769	100%	0%	2.500	3.202.563
	Direzionale	1.793	100%	0%	2.300	2.946.358
Palazzo della Sanità	Commerciale	154	100%	0%	3.100	362.700
	Residenziale	431	100%	0%	2.500	1.170.000
Via Trento e Trieste (ex ACLI)	Residenziale	763	100%	0%	2.500	1.907.500
Totale Immobili Provincia		12.963				30.411.756

Source: Sinloc elaborations on Teramo Municipality data

As can be seen from the table above, it has been proposed to sell the municipal and provincial refurbished buildings and rent the whole building of the former psychiatric hospital, except for the buildings dedicated to public office space, which are not to pay rent, but to sign a global service contract.

On the basis of the assumptions made, it is thought that the special purpose vehicle will take in:

- 64.2 million Euro from the sale of the refurbished municipal and provincial buildings;
- 2.1 million Euro annually from rent

Included in the revenues deriving from rent, the proceeds of so-called global services for the public offices supplied by the project company.

In practice these services (cleaning and maintenance of the buildings) are paid for by the Public Bodies that occupy these spaces. For the purpose of this analysis on the basis of similar experiences, a cost of 41 €/m² annually (18€/m² cleaning, 21/m² maintenance) has been supposed.

Of this total is supposed to become an operational income for the project company of 12.5%, equal to 5.1 €/m².

The annual revenues from the global service activities of the project company are equal to 41 thousand Euro (5.1€/m² times 8,021 m²).

The proposed sales plan (in 2010 prices VAT excluded) foresees that the sale of the refurbished buildings occur after four years the beginning of the works and continue for three years, with the greatest intensity of sales in the first year.

Table 59 – Selling plan

PIANO DELLE CESSIONI	2015	2016	2017	STIMA INCASSO
Quota ex manicomio	0	0	0	0
Immobili Comune	23.999	6.857	3.428	34.284
Immobili Provincia	20.969	5.991	2.996	29.956
TOTALE	44.968	12.848	6.424	64.240
	70%	20%	10%	

Source: Sinloc elaborations

ECONOMIC DATA INPUT – SPECIAL VEHICLE COSTS

To determine, in concert with the technical experts of the Municipality of Teramo, an estimate of the costs that the special purpose vehicle will have to bear annually during the concession, the figures that were found are reported in the table below.

Table 60 – Former psychiatric hospital, SVP costs

IMMOBILE	FUNZIONE	% VENDITA	% LOCAZIONE	COSTI ANNUI DI GESTIONE (€)	ICI COSTO UNITARIO (€/mq)	ICI COSTO ANNUO (€)	O&MRA COSTO ANNUO (€)
BLOCCO A	Direzionale Pubblico	0%	100%	0,00	0,00	0,00	35.199
BLOCCO B	Direzionale Pubblico	0%	100%	0,00	0,00	0,00	31.749
BLOCCO C	Commerciale	0%	100%	2.101	8,08	6.429	10.154
BLOCCO C	Direzionale Privato	0%	100%	1.623	8,78	6.984	10.703
BLOCCO C	Parcheeggi (commerciale)	0%	100%	16.578	3,49	3.473	6.127
BLOCCO C	Parcheeggi (direzionale privato)	0%	100%	16.578	3,49	3.473	6.127
BLOCCO D	Direzionale Pubblico	0%	100%	0	0,00	0	13.201
BLOCCO D	Direzionale Privato	0%	100%	2.826	8,78	12.157	13.201
BLOCCO D	Residenziale (ultimo piano)	0%	100%	1.688	0,00	0	13.105
BLOCCO D	Parcheeggi (residenziale)	0%	100%	6.264	3,49	1.312	2.315
BLOCCO E	Direzionale Privato	0%	100%	4.553	8,78	19.588	30.020
BLOCCO E	Parcheeggi (direzionale privato)	0%	100%	46.500	3,49	9.741	17.186
BLOCCO F	Turistico ricettiva	0%	100%	9.351	8,78	42.744	70.768
BLOCCO F	Parcheeggi (turistico ricettivo)	0%	100%	50.734	3,49	10.628	18.751
BLOCCO G	Residenza per studenti	0%	100%	110.005	0,00	0	21.614
BLOCCO H	Residenziale	0%	100%	1.047	0,00	0	8.123
BLOCCO H	Parcheeggi (residenziale)	0%	100%	3.882	3,49	813	1.435
Totale Ex ospedale psichiatrico				273.731		117.342	309.781

Source: Sinloc elaborations

Table 61 – Other Municipality buildings to be sold, SPV costs

IMMOBILE	FUNZIONI DI PROGETTO	% VENDITA	% LOCAZIONE	COSTI ANNUI (€)	COSTO UNA TANTUM (€)
Mercato Coperto	Residenziale	100%	0%	0	60.000
	Direzionale	100%	0%	0	41.400
	Commerciale	100%	0%	0	55.800
	Parcheeggi (residenziale)	100%	0%	0	30.090
	Parcheeggi (direzionale)	100%	0%	0	30.005
	Parcheeggi (commerciale)	100%	0%	0	44.400
Piazza Martiri della Libertà	Commerciale	100%	0%	0	26.170
	Direzionale	100%	0%	0	77.666
	Parcheeggi (commerciale)	100%	0%	0	57.720
	Parcheeggi (direzionale)	100%	0%	0	22.504
Via Della Banca	Residenziale	100%	0%	0	20.858
	Direzionale	100%	0%	0	44.774
	Parcheeggi (residenziale)	100%	0%	0	10.710
	Parcheeggi (direzionale)	100%	0%	0	0
Totale Immobili Comune				0	522.097

Source: Sinloc elaborations

Table 62 – Other Province buildings to be sold, SPV costs

IMMOBILE	FUNZIONI DI PROGETTO	% VENDITA	% LOCAZIONE	COSTI ANNUI (€)	COSTI UNA TANTUM (€)
Sede centrale	Direzionale	100%	0%	0	209.456
Via Capuani	Direzionale	100%	0%	0	102.883
Piazza Garibaldi	Residenziale	100%	0%	0	48.038
	Direzionale	100%	0%	0	44.195
Palazzo della Sanità	Commerciale	100%	0%	0	5.441
	Residenziale	100%	0%	0	17.550
Via Trento e Trieste (ex ACLI)	Residenziale	100%	0%	0	28.613
Totale Immobili Provincia				0	456.176

Source: Sinloc elaborations

The costs have been estimated using the following parameters:

- One-off SPV costs – 1.5% of the revenues from the sales
- Annual SPV costs – 2% of the revenues from rent

FINANCIAL DATA INPUT – SOURCES OF FUNDING

The implemented model calls for a financial structure typical for a project company, in which 20% of the sources are venture capital and 80% debt capital.

On the basis of this premise, the financial needs that arise for the SPV total 70,8 million Euros, divided as follows:

- Equity – 14,1 million
- Debit – 56,6 million

Table 63 – Financial Structure

Struttura Finanziaria	Valore (€/000)	%
Equity	14.157	20,0%
Senior debt	56.627	80,0%
Totale Equity e Debt	70.784	100%

Source: Sinloc elaborations

Table 64 – Loan features

CARATTERISTICHE DEL DEBITO	
Importo (€/000)	56.627
Durata complessiva	19
Preammortamento (fase di costruzione)	4
Anno di attivazione mutuo	2011
Primo rimborso quota capitale	2015
Ultimo rimborso quota capitale	2029
Tasso di riferimento	IRS 25 anni
Tasso base (media rilevazioni)	3,5%
Spread	2,5%
Tasso di interesse ipotizzato	6,0%

Source: Sinloc elaborations

For what concerns the equity of the project, the cost of the venture capital has been estimated to be 7,2% as the sum of the risk free rate (4,50%), the risk premium (3,00%) and Beta (0,90). The weighted average cost of capital (WACC), calculated on the basis of the financial structure objective foreseen is equal to 5,1 %.

Table 65 – Cost of capital

Ipotesi relative al WACC	
Capitale di debito (D/(D+E))	80,0%
Capitale di rischio o Equity (E/(D+E))	20,0%
Costo del capitale di debito (kd) (1-t)	4,35%
Tasso di rendimento titoli risk free (rf)	4,50%
Premio al rischio (mr)	4,00%
Beta di settore (b)	0,90
Costo dell'equity (ke=rf+b*mr)	8,10%
Imposte (t)	27,50%
Costo medio ponderato del capitale	5,10%

Source: Sinloc elaborations

PROFITABILITY OF THE PROJECT

On the basis of the assumptions made and presented above the results below on the profitability of the project, of venture capital and of JESSICA risk capital have been found.

The project, beyond the called for financial structure, has an Internal Rate of Return of 6,23 % greater than the assumed WACC of 5,1%, so the net added value of the project is positive and equals 3,3 million Euro.

Table 66 – Economic valuation of the project

Valutazione convenienza economica	
VAN del Progetto (€/000)	3.378
Tasso di sconto VAN del progetto (WACC)	0
TIR del Progetto (post tax)	6,23%
Loan Life Net Present Value (€/000)	891

Source: Sinloc elaborations

JESSICA PROFITABILITY

The initial hypothesis used for the project is that the JESSICA resources are used as venture capital of the project company, thus the Urban Development Fund will be a shareholder of it.

As done for the other projects examined, the analysis of the rate of return on venture capital has been elaborated for three different scenarios:

1. the same rate of return is expected for both the JESSICA resources and for rest of the venture capital, 6,9%
3. the expected rate of return for JESSICA resources is lower than the rest of venture capital (through the priority given employment of JESSICA equity and the smaller dividend for JESSICA equity).

On the basis of this information on JESSICA resources usable on the project three scenarios have been made, all things being equal, leading to different rates of return of JESSICA equity and the other shareholders:

- d) JESSICA funds: 3 million ≥ other capital: 11,05 million
- IRR Equity JESSICA: 5%
 - IRR Equity other shareholders: 7,2%

- e) JESSICA funds: 8 million ≥ other capital: 6,05 million
- IRR Equity JESSICA: 5%
 - IRR Equity other shareholders: 8,4%

FINAL CONSIDERATIONS

The project analysed is in line with the initiatives typically included in the JESSICA scheme, on the basis of the first financial analysis it can be seen how the profitability for the shareholders is in line with market returns, so it can be supposed that there are also private entities interested in investing.

That said, it is necessary to underline how the initiative examined in its current state is only an idea for a project and that thus in the implementation phase may undergo important changes, both concerning the size and purpose of the project and how it may be managed.

3.3. Teramo – other IUDP projects

In consideration of the intention of government of Teramo to not concentrate all of its IUDP resources on the project of renewal of the former psychiatric hospital, in this chapter is included also a brief analysis of the other initiatives called for in the IUDP of Teramo.

Table 67 - IUDP Teramo

PROGETTI STRATEGICI INTEGRATI PRIORITARI						
AREA	SCHEDA	PROGETTO STRATEGICO INTEGRATO PRIORITARIO	QUOTA FINANZIAMENTO PUBBLICO PISU (€)	COFINANZIAMENTO PUBBLICO/PRIVATO (€)	COSTO TOTALE DELL'OPERA (€)	
2	Colleaterrato Piano D'Accio	2	Parco Urbano e centro urbano di Colleaterrato Basso: PIAZZA E RIQUALIFICAZIONE CENTRO DI QUARTIERE, COPERTURA IMPIANTI SPORTIVI	1.200.000,00	1.000.000,00	2.200.000,00
		4	Parco Urbano e centro urbano di San Benedetto: 'SCUOLA ELEMENTARE	1.600.000,00	0,00	1.600.000,00
		6	Viabilità di accesso al Nuovo Istituto Zooprofilattico: STRADA DI ACCESSO IZS	845.000,00	0,00	845.000,00
		7	Stazione ferroviaria di piano D'Accio: NUOVA STAZIONE	285.894,00	614.106,00	900.000,00
AREA 2 - COLLEATERRATO / PIANO DACCIO			3.930.894,00	1.614.106,00	5.545.000,00	
3	Via Longo	1	Intervento di recupero e riqualificazione urbanistica aree PEEP: E.R.P. VIA LONGO	0,00	32.504.000,00	32.504.000,00
AREA 3 - VIA LONGO			0,00	32.504.000,00	32.504.000,00	
4	Centro Storico	1	Riutilizzo immobili ex Ospedale Neuropsichiatrico complesso di S. Antonio Abate: RIQUALIFICAZIONE EX OSPEDALE PSICHIATRICO	3.009.106,00	25.284.980,00	28.294.086,00
AREA 4 - CENTRO STORICO			3.009.106,00	25.284.980,00	28.294.086,00	
5	Colleparco Università	2	Parco Urbano e centro urbano di Colleparco: RIQUALIFICAZIONE CENTRO QUARTIERE E IMPIANTI SPORTIVI	1.460.000,00	2.240.000,00	3.700.000,00
		4	Parco Urbano e riqualificazione area Rivacciolo: BIOPARCO E SERVIZI SOCIALI	1.100.000,00	1.100.000,00	2.200.000,00
AREA 5 - COLLEPARCO / UNIVERSITÀ			2.560.000,00	3.340.000,00	5.900.000,00	
TOTALE DEGLI INVESTIMENTI			9.500.000,00	62.743.086,00	72.243.086,00	

As can be seen, there are seven initiatives for which the use of ERDF IUDP resources is foreseen, of which several foresee a greater degree of consistency with the JESSICA mechanism, while some need the integration of other projects; some elements of the initiatives are described below.

COLLEATERRATO, PROJECT 2.2 (GRANT ERDF 1.2 MILLION)

The neighbourhood of Colleaterrato of Teramo is about 5 km from the centre of the city and has a population of about 7,500.

It is predominately a residential area with few services, but where there many PEEP (Piano per l'Edilizia Economica e Popolare, similar to council housing) buildings and many areas of public property. The intention of the local authority is to use IUDP resources to emphasise one of the characteristics of the area, that is the parks. The municipal initiatives consists in the realisation of services and sports facilities in the green areas, with the idea to create a public park that serves the entire city.



If the IUDP resources, according to the current plans, they are all dedicated to cold works for the creation of the park, there are also foreseen a series of other works complementary to the intervention, including:

- Zone A – multiuse field for sport and development of the lake
- Zone B – accommodation and services for the tourist use and a public park
- Zone C – Subsidised and rent controlled housing
- Zone D – Subsidised and rent controlled housing
- Zone E – Multiuse gymnasium
- Zone F – Neighbourhood centre
- Zone G – Fitness trail
- Zone C – Subsidised and rent controlled housing

Of the works foreseen the initiatives for tourist accommodation and services could be of interest for JESSICA investment.

- Coherence with JESSICA – the project calls for purposes typical of JESSICA initiatives.
- Potential profitability - the project itself has aspects that if correctly managed could produce significant revenue.
- Possible strategies for implementation– two strategies have been identified:
 1. the UDF could allocate the 1.2 million as a subsidised loan to the Municipality or to the project vehicle
 2. redefinition of the project using the logic of a public private partnership and calling for an initiative in which the UDF is an investor

COLLEATTERATO, PROJECT 2.2 (GRANT ERDF 2.7 MILLION)

The projects under examination concern respectively:

- the building of an elementary school;
- realisation of a varied tract;
- construction of the Piano d'Accio station.

These initiatives if analysed in standing alone, they do not have the characteristics of profitability necessary for the JESSICA , to make the initiatives conform to the logic of JESSICA various alternative solutions could be implemented:

1. Distribution of the ERDF resources of the UDF in the form of subsidised loans (perhaps at zero interest) to the Municipality that can then use the funds to finance the works.

2. Redefinition of the initiatives, calling for an increase in the size of the project through equalisation or other mechanisms within which to realise planning functions that are more profitable and coherent with the JESSICA model.
3. Integration of the works with other IUDP projects (e.g. the former psychiatric hospital) so as to balance the profitability of the set of initiatives.

COLLEATTERATO, PROJECT 4.2 (GRANT ERDF 1.46 MILLION)

The project is in the zone of Colleparco – University.

The area is characterised by the presence of much residential housing, the university, and limited number of services.



The IUDP project in question is inside a wider initiative, activated by the Integrated Plan of Interventions (PPI), that interests an area of approximately 53,030 m², 20% owned privately and the remaining 80% by the University of Teramo. The PPI calls for dedicating about 27,500 m² to sports facilities and the remaining part, about 25,530 m², to Social Housing initiatives. Among the proposed initiatives there can be identified:

- University Area: increase of the system of retail services, sports facilities and residential space, creation of systems to connect the university area, the riverfront park and the centre of the neighbourhood.
- Urban park: creation of an equipped park and connecting roads.
- Housing initiative: construction of new housing by private individuals on the land they own in exchange for the quitting of spaces (property) for the creation of the public park.
- Construction of social housing at sustainable rents.
- Redevelopment of the water tank area: moving the water tank currently located in the centre of the neighbourhood, the creation of a piazza as well as housing, retail and craft facilities.

The foreseen initiatives are coherent with the typical projects of the JESSICA scheme, in particular the works connected to the retail and craft services proposed.

- Coherence with JESSICA – the project calls for purposes typical of JESSICA initiatives.
- Potential profitability – the project calls for the realisation of purposes that typically are profitable, even if in the mix there are elements of limited attractiveness.
- Possible strategies for implementation – where it is possible, it would be desirable that the UDF co invests in the project with other interested parties. Therefore working through a partnership (e.g. PPP) may be foreseen that is the creation of a NewCo in which the UDF is a shareholder.

COLLEATTERATO, PROJECT 4.4 (GRANT ERDF 1.1 MILLION)

Also in the Colleparco zone the IUDP has indicated a second area for transformation and the creation of a zoo and an ecologically sustainable residential complex.

The area targeted for the intervention is considered by the municipal government a point of strategic importance of the system of green spaces, in order to complete a green ring around the city, that from the university runs to the Riverside Park; the environmental importance of the site is also linked to importance of the Rivacciolo stream.

The project includes the realisation of:

- 45,000 m³ of buildings predominantly for housing on an area of 16,000 m², divided in private housing, subsidised housing free of restrictions and retail facilities/office buildings.
- The zoo, located along the banks of the Rivacciolo stream on an area of about 1.5 ha.
- a Nursery School with an area of about 300 m².

The plan establishes that the investment in housing be paid for by private entities, in which in a equalising perspective will sell the areas for the standard (in addition to areas located in other parts of the municipality from which the right to build/develop), co financing the nursery school and the zoo, and will bear the maintenance costs of the green spaces and the energy infrastructure.

The total investment of the initiative is about 21 million euro.

Of which, the estimated cost of the nursery school is 600,000 €, while the cost for the realisation of the zoo is 2.2 million €.

The IUDP foresees supporting with ERDF funds half of the costs for the realisation of the zoo equal to about 1.1 million €.

For the purposes of JESSICA the initiative as a whole contains numerous points of interest, has purposes characterised by significant expected profitability and is potentially coherent with the JESSICA mechanism.

- Coherence with JESSICA – the project calls for purposes typical of JESSICA initiatives, in particular the retail and office buildings.
- Potential profitability – the expected profitability is high, despite the call for elements with no returns that decrease the overall profitability of the initiative.
- Possible implementable strategies – if undertaken it would be opportune that the means of realisation of the project were calibrated on the basis of the JESSICA model, allowing the UDF to act as an investor in/lender to the structure responsible for the realisation of the works, which could be the same company of the proposed project and the project previously analysed (Colleparco 4.2).

3.4. Chieti – people mover

The Municipality of Chieti, as was mentioned above, has not yet drafted an Integrated Plan for Urban Development, but the document is being drafted and will be finished quite soon.

The priority, for the purpose of JESSICA, identified by the Municipal Government is the project of the so-called people mover, a means of transport by rail and cable that connects the upper and lower parts of the city (Chieti alta – Chieti scalo).

Alongside this infrastructure work, the Government has planned to include other elements that complete the work and that increase its economic sustainability.

In its current state it has thus been foreseen: accommodation, service and retail buildings, social housing and an urban park.

Since the plan is still being in the phase of definition, the project and its economic and financial analysis that will be presented below may be subject to important variations in the implementation phase of the initiative.

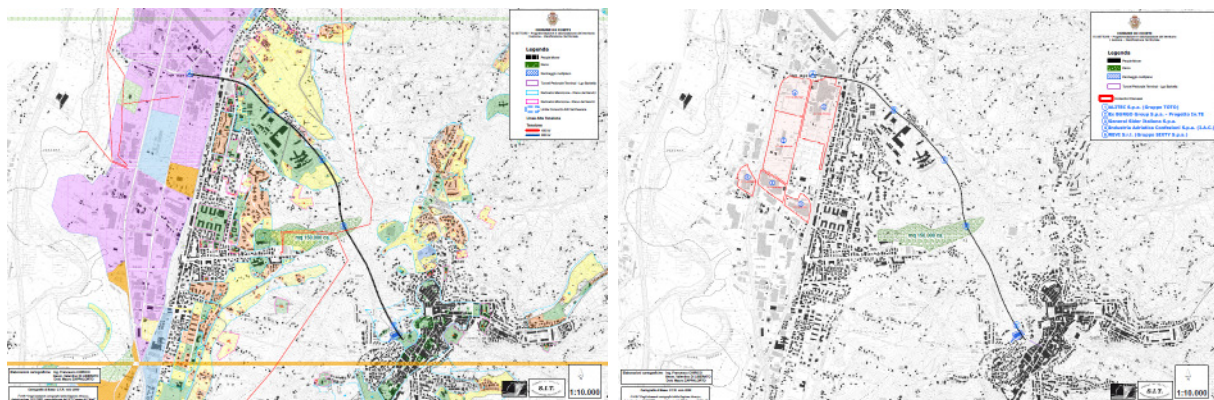
PLANNING FRAMEWORK

The proposal includes the realisation of a system of transport for people, a direct connection of the Upper City and the city centre of Chieti Scalo through the university-hospital zone of Colle dell’Ara.

These provisions are already included in the Municipal Strategic Plan.

Its principal purpose is to guarantee a speedy connection between the two urban centres and so reducing way the traffic on ordinary roadway network.

Figure 54 - general layout of the people mover Chieti



The infrastructure will have, according to the proposed route, a length of about 3,600 metres (a difference in elevation of 220 metres) with two ends of the line, one in the upper city (bus station) and the other in the lower city (Madonna delle Piane zone) the latter would guarantee connection with the existing railway system, through a node *ad hoc* with the a railway stop and related services, such as coach parking, station, etc.

Two or three intermediate stops are planned, at the level of the *university-hospital area of Colle dell’Ara* and in the *area of Colonna-ex Fornace Di Muzio* where is foreseen the realisation of an *urban park* for the city (this choice of location is functional for the realisation of direct access to the link up with the residential centre of Chieti Scalo).

The architecture of the route and the stops need to be planned to guarantee their integration with their urban context and with the objective of giving the entire line a look of transparency and lightness, that is not determined by its realisation, but rather its size and construction features, with an significant impact on the area and on the environment in general.

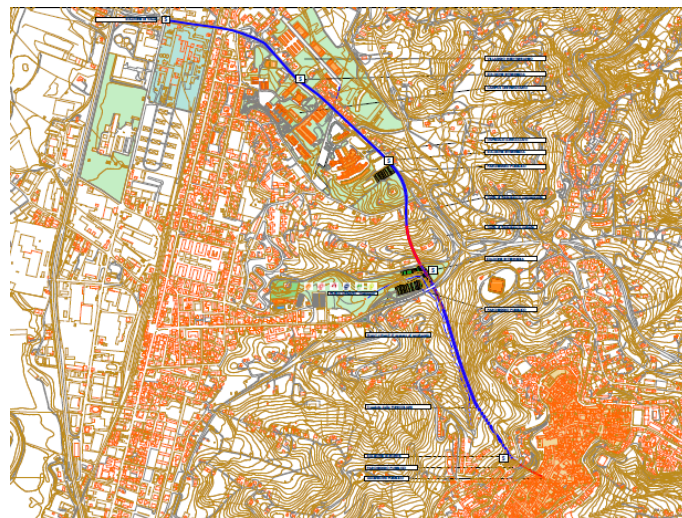
On the contrary, the necessary infrastructure works for its realisation, such parts in a tunnel, etc., provide an opportunity to redesign peri-urban and marginal environments such as the *crater* of the former brick-kiln in the Colonna zone.

The initiative under examination would become a reason for carrying out a town plan for an important part of Chieti, with the offer of new urban services, also in the support of the funding and realisation of the work.

Indeed around the proposal also calls for social housing ,hotels as well as office and service buildings.

PEOPLE MOVER – TECHNICAL FEATURES

The technology and working system, based on the research carried out, that is best suited to the Chieti case, may be for example the Air-Rail Link of Birmingham and to be more specific the cable facility with two cars of with a capacity of 300 each and comes and goes (one ascends while the other descends) on a single track with a carrying capacity of 2400 people an hour.



The minimum radius of the horizontal curves, calculated for a speed of 12 metres per second, is about 150-160 m. The need for tighter curves leads to a reduced speed. In that specific case of the route a reduced speed is not advisable and so it is desirable to maintain a straight route in order to guarantee the optimal conditions of efficiency and functionality for the work in addition to a lower estimate cost of construction.

PROJECT – ELEMENTS TO BE DEFINED

Currently the project is still in its initial phases, so some features of the project have yet to be defined and can only be clarified in a more advanced phase of the process, in particular:

- determination of the areas of the project – the area involved in the project has not been precisely determined and on what property it will be built. It can be foreseen that, once it has been identified, the Municipality will provide for their acquisition through an equalisation mechanism or other means. Currently there are not any important areas of public property in the area that could be useful to the realisation of the work.
- Size of the Urban Park – one possible proposed configuration foresees for this use an area of about 15 hectares, on which will be built a photovoltaic installation (that will not be considered in this analysis). In the analysis carried out the possibility of a smaller area for use as a park and with fewer facilities will be considered.
- Transfer of the HV power lines – along the route identified, in the area of Colonna, there are power lines that will have to be moved, that is have their route changed. For the

purposes of this analysis an estimate of 1.8 million Euro for the realisation of the work. In the analysis various hypotheses related to who has to pay this cost will be considered.

- Car parks – the project calls for the creation of two car parks, one at the point of the interchange with the urban park, of about 500 spaces, and one servicing the hospital area, already included in the Three-year Plan for Public Works, which calls for a public car park and one for the ASL with a total of 900 spaces. In the Financial Business Plan that follows the principal findings are based different solutions and sizes for the two car parks have been considered.
- Service facilities and office buildings – the initiatives foresees the realisation of office buildings and service facilities to facilitate the sustainability of the project. Also in this case, the Financial Business Plan has considered various sized projects in order to quantify its effect on the profitability of the project.
- Construction of social housing – this purpose called for as another feature of the initiative with a surface area for the project of 10,000 m².
- Temporary accommodation – this function has planned to be about 7000 m³ and increases the profitability of the entire initiative. In the economic and financial analysis several possible sizes have been considered to assess their impact on the profitability of the initiative.

FINANCIAL BUSINESS PLAN

In order to quantify, on the basis of the indications of the Local Government, preliminarily, the profitability of the proposed initiative has been carried out through various analyses and sensitivities foreseeing various procedural options.

On the basis of the information obtained from the Local Government, two forecasts (a maximum and a minimum) have been made relative to the size of various functions of the proposed project.

Table 68 – Project building costs

Funzioni di progetto	Dimensione Hp minima	Dimensione Hp massima	Unità di misura	Costi realizzazione unitari	Costi realizzazione ipotesi minima (€)	Costi realizzazione ipotesi massima (€)
People Mover	3.600	3.600	metri lineari	10.000	36.000.000	36.000.000
Nuovo parcheggio di scambio	500	500	posti auto	17.500	8.750.000	8.750.000
Parcheggio di scambio ospedale	900	900	posti auto	17.500	15.750.000	15.750.000
Social Housing	10.000	10.000	metri quadri	1.000	10.000.000	10.000.000
Attività ricettive - Albergo	2.500	10.000	metri quadri	2.000	5.000.000	20.000.000
Funzioni Direzionali	1.500	10.000	metri quadri	1.500	2.250.000	15.000.000
Funzioni Commerciali	1.500	10.000	metri quadri	1.500	2.250.000	15.000.000
TOTALE					90.800.000	120.500.000

Source: Chieti Municipality

As can be seen in the table above, the size of the investment varies greatly according to the planning hypothesis: 90.8 million in the minimum hypothesis and 120.5 million in the maximum hypothesis.

For this analysis, in consideration of the lack of important constraints on the project, it will focus on the maximum hypothesis, also in consideration of the necessity to balance the construction on the people mover with purposes with profitability and of significant size.

ECONOMIC DATA INPUT – REVENUES

In the table that follows the assumptions relative to the estimated revenue for the people mover are reported, which derive from the indications of the Local Government and the semi parametric estimates concerning the potential number of passengers in the city of Chieti. It underlines that, for the purpose of the verification and clarification of the data on the project, if it intends to pursue the initiative of the people mover, it would be opportune to carry out a detailed analysis on the potential of the means.

Table 69 – People mover, building costs

FUNZIONE DI PROGETTO	TARIFFA ORARIA (€)	NUMERO PASSEGGERI GIORNO	GIORNI ANNUALI DI ATTIVITA'	RICAVI ANNUALI (€)
People mover	1,2	7.680	360	3.317.760

Source: Sinloc elaborations on Chieti Municipality data

As can be observed, it has been estimated over 3.3 million Euro of revenues annually, on the basis of the hypothesis that foresees a 20% load factor for the means and a 16 hours of operation per day.

In the final part of the document are reported the results of alternative hypotheses relative to average number of passengers.

For what concerns the car parks are proposed to be used on a rotating basis, in the table below is found the foreseen revenue drive.

Table 70 – Parking, revenues

Funzioni di progetto	tariffa oraria (€)	ore di apertura giornaliera	indice di riempimento	giorni di attività annui
Nuovo parcheggio di scambio	1	18	30%	300
Parcheggio di scambio ospedale	1	18	30%	300

Source: Sinloc elaborations

As can be seen a cost of 1 Euro per hour has been supposed (without VAT) and utilization of 30% of the spaces, based on similar experiences, assumptions that as has been mentioned above need to be verified in detail when the decision to deploy the investment is made.

The revenue drivers and the value hypothesised for the various purposes of the project are reported in the table below.

Table 71 – Project, revenues

Funzioni di progetto	Locazione	Cessione	Prezzo di vendita €/mq	Prezzo di locazione €/mq	Ricavi una tantum (€)	Ricavi annui (€)
People Mover	nn	nn	nn	nn	0	3.317.760
Nuovo parcheggio di scambio	60%	40%	1.400	nn	7.000.000	486.000
Parcheggio di scambio ospedale	60%	40%	1.400	nn	12.600.000	874.800
Social Housing	100%	0%	1.300	5,71	0	685.200
Attività ricettive - Albergo	0%	100%	3.000	8,00	30.000.000	0
Funzioni Direzionali	0%	100%	3.000	7,00	30.000.000	0
Funzioni Commerciali	0%	100%	2.000	9,00	20.000.000	0
TOTALE					99.600.000	5.363.760

Source: Sinloc elaborations

It can be seen how the hypothesis developed foresees the sale of all the hotels, office and retail buildings, while a different mix is proposed for the other functions.

These procedural hypotheses have been foreseen to guarantee the project company the generation an important liquidity from the activities immediately after the completion of the works, and also to be able to generate an operational profitability (from the rents) that allows it to sustain its operational costs.

ECONOMIC DATA INPUT – OPERATIONAL COSTS

As has been done for the other projects analysed, the estimates of the costs that the project company will sustain in the course of its activities and as a consequence of the transfers that are foreseen.

Table 72 – Project, SPV costs

Funzioni di progetto	Locazione	Cessione	Costi gestione annui (€)	Costi una tantum cessioni (€)	ICI costo annuo (€)	O&MRA (€)
People Mover	nn	nn	2.000.000	0	0	0
Nuovo parcheggio di scambio	60%	40%	135.000	140.000	1.047	52.500
Parcheggio di scambio ospedale	60%	40%	243.000	252.000	1.885	94.500
Social Housing	100%	0%	13.704	0	0	100.000
Attività ricettive - Albergo	0%	100%	0	600.000	0	0
Funzioni Direzionali	0%	100%	0	600.000	0	0
Funzioni Commerciali	0%	100%	0	400.000	0	0
TOTALE			2.391.704	1.992.000	2.933	247.000

Source: Sinloc elaborations

For the purpose of the management cost estimates the following assumptions have been made:

- people mover – costs equal to 60% of the annual revenues are foreseen;
- *car parks* – costs of 450 Euro annual per space are foreseen;
- other functions – costs equal to 2% of the annual revenues

For what concerns the costs linked to transfers, the costs have been calculated at 2% of the revenues from sales.

Operation & Maintenance Reserve Account has been estimated at 1.5% of the costs sustained for the realisation of the work (considering only for the part rented).

ECONOMIC DATA INPUT – FINANCIAL STRUCTURE

It has been hypothesised that the special purpose vehicle, for the realisation and management of the work, with a financial structure typical for a project company with very important leverage.

In particular on the estimated investment (132.4 million Euros) there has been foreseen the following make up of the sources of funding:

- Equity (20%) – 26.5 million Euro
- Debt capital (80%) – 105.9 million Euro

Within this context, it has been foreseen that the JESSICA resources (the Urban Development Fund) would act as a shareholder in the project company, with 8 million of its equity, equal to 30% of the shares.

ECONOMIC DATA INPUT – COST OF CAPITAL AND DEBT

In the determination of the cost of the debt and the cost of the venture capital in the special purpose vehicle, the following figures have been foreseen.

Table 73 – Project, cost of capital

Costo medio ponderato del capitale (WACC)		CARATTERISTICHE DEL DEBITO	
Capitale di debito (D/(D+E))	80,0%	Importo (€000)	105.998
Capitale di rischio o Equity (E/(D+E))	20,0%	Durata complessiva	21
Costo del capitale di debito (kd) (1-t)	4,36%	Preammortamento (fase di costruzione)	3
Tasso di rendimento titoli risk free (rf)	4,50%	Anno di attivazione mutuo	2011
Premio al rischio (mr)	3,00%	Primo rimborso quota capitale	2014
Beta di settore (b)	0,90	Ultimo rimborso quota capitale	2031
Costo dell'equity (ke=rf+b*mr)	7,20%	Tasso base (IRS 25 anni)	3,50%
Imposte (t)	27,50%	Spread	2,50%
Costo medio ponderato del capitale	4,93%	Tasso di interesse ipotizzato	6,00%

Source: Sinloc elaborations

ECONOMIC DATA INPUT – PROFITABILITY OF THE PROJECT

On the assumptions made and the consequent processing, the profitability of the project has been determined and is reported in the table below.

Table 74 – Project, economic valuation

Valutazione convenienza economica	
VAN del Progetto (€000)	-8.424
Tasso di sconto VAN del progetto (WACC)	4,93%
TIR del Progetto (post tax)	3,72%
Loan Life Net Present Value (€000)	-13.197

Source: Sinloc elaborations

As can be seen, the project, despite the financial structure of the entity that will implement it, has a profitability of 3.72% that is significantly effected by the weight of the people mover.

For what concerns the profitability for the shareholders, the Internal Rate of Return is equal to 3.5% that is to be distributed in the same way to the Urban Development Fund and the other shareholders.

PEOPLE MOVER PROJECT – PRELIMINARY INDICATIONS

The project analysed, despite being presented with its boundaries ill-defined, could be implemented through the JESSICA instrument, making the opportune operational adjustments, to make it attractive to private investors.

In particular the following problematical points are noted:

- People mover – the foreseen structure has very high realisation costs and it may not be utilised fully in a reality with a limited population like Chieti. If it is held appropriate to implement the work, it will be important to assess carefully the potential demand of passengers and also to consider of convenience mobility alternatives.
- Car parks – as above, it is important to assess the appropriateness of a large number of parking spaces, which may be oversized for the reality of Chieti.
- Park – in the business plan produced this function has not been considered although it is central to the Local Government's project, so it is necessary to consider ways to make its realisation and management sustainable.

3.5. L’Aquila – former Italtel industrial area

The pilot project for implementing the JESSICA mechanism proposed by the Municipality of L’Aquila concerns the regeneration of the so-called former Italtel industrial zone.

The intervention aims to give a strong stimulus to the economy of L’Aquila, stuck hard by the earthquake of 3 April 2009 and regenerate contextually an area of the city located in a potentially strategic context for its development.

Figure 55 – project area

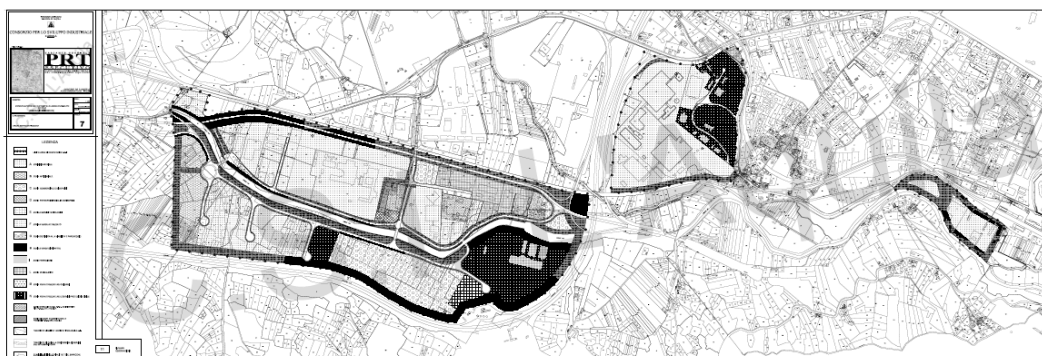


The area is of notable size, in particular:

- about 165,000 m² of land area;
- about 45,000 m² of developed land, of which 18,700 m² are currently in use

From this first idea of the size of the area, which has to be confirmed by detailed analysis, there is a developed area of about 26.3 thousand square metres.

In the figure below is an extract of the Spatial Regulatory Plan of the District of L’Aquila in which the potential area for intervention and its relative functions are identified in detail.



As can be observed from the legend above, the functions foreseen for the area are coherent and functional for the deployment of stimulus for development, in particular:

- industrial area;
- craft-trade area;
- retail and service area
- technological service area;

HISTORICAL CONTEXT OF THE INDUSTRIAL AREA

Historically the purpose of the project area was industrial, it began in the 70s as an industrial complex linked to telephony.

The area, after an important period of growth, driven by the electro technical sector and telecommunications, beginning in 90s has under gone a substantial and continuous decline, due to both a macroeconomic trend of the industry and the dynamics of particular firms.

Currently in the industrial area there are primarily firms working in the telecommunications and electro technical sector, the establishment of an important call centre occurred in May 2010.

As mentioned above, following the progressive reduction of the activities linked to the electro technical sector in L'Aquila, the so-called former Italtel pole is currently oversized for the firms on site and so it is important to decide on a strategy for its promotion and reutilisation of the area as soon as possible.

PLANNING FRAMEWORK

The urban development project has as its purpose the reutilisation of the current buildings, or some of them, and the building of new facilities for craft-trade and industrial use.

HYPOTHETICAL PLANS AND INTEGRATION WITH JESSICA

Currently the area of the industrial facilities of the project are owned by a company held directly by the Ministry of the Economy and Finance and even if the reutilisation and development of the industrial area is the declared intention of the Local Government, it has not yet been specified the operational procedure that it intends to use to create it.

For this purpose, thus, here various generic operational scenarios are considered that can be explored in the development phase, in particular:

- **direct acquisition and development of the work** – this hypothesis has the Municipality acquire the industrial area directly or through a vehicle owned entirely by the Municipality and carries out the works of redevelopment through means such as calls for tenders.

The works built could be rented/conceded to private/public enterprises and their management and maintenance could be realised by entities selected by the Municipality.

Within the process, the JESSICA mechanism could be activated through the deployment by the Urban Development Fund of soft loans to the Municipality, which therefore will be responsible for its repayment.

This means of implementation of the initiative has strengths and weaknesses that come from the procedure of the call for tenders, as analysed in the second chapter.

An important feature to consider is the retention of the risk of the project by the Municipality or the firm it controls, both the operational risk and the financial risk would be concentrated on the Municipality.

- **Acquisitions and concessions** – the hypothesis under examination, like the case analysed for Teramo, foresees that the Municipality acquire the project area and then transfer the surface rights to a special purpose vehicle or other entity, selected through a public procurement procedure.

This special purpose vehicle would realise and manage the areas for a specific time period, at the end of which it will return to the Municipality.

This operational means has important strengths, including the possibility to transfer the operational risk of the initiative to others and in addition mechanisms could be established that allow the Municipality to not have to pay directly for the resources needed for the acquisition of the area, as foreseen in the case of Teramo analysed above.

In this case the operational procedure that may be implemented are a concession or project financing, amply discussed in the second chapter.

The JESSICA scheme in this case could be applied by hypothesising that the Urban Development Fund become a shareholder of the special purpose vehicle (or other structure) that obtains the surface rights for the area.

In this way it could benefit directly from the proceeds of the initiative.

PRELIMINARY ASSESSMENTS

In consideration of the lack of detailed information related to the project analysed and the very preliminary state of the initiative, it is not possible here to carry out the quantitative analyses performed for the other three projects analysed, even if preliminary, the following considerations may be made:

- coherence with JESSICA – the project corresponds completely with the initiatives typically included in the JESSICA mechanism, thus impediments to its financing/investment by the Urban Development Fund were not found.
- Potential profitability – even if lacking detailed analysis relative to the projections of demand for the functions of the project, also considering the earthquake that has altered the industrial fabric of the province, it can be hypothesised that the expected returns of the work, if appropriately structured, allow it to afford the needed investment for its realisation.
- Possible problems – there are factors to consider in the structuring of the intervention, such as: the necessity to separate for accounting purposes, if in the case, the ERDF funds of the Urban Development Fund from other resources linked to its reconstruction; the necessity to limit the potential problematic factors linked to the current ownership structure and the restrictions effecting the area; the necessity to include the intervention within the Integrated Plan for Urban Development, etc.

In conclusion, it is thought that the project, if appropriately structured, can be coherent with the JESSICA mechanism and that it could be financed by the Urban Development Fund.

3.6. The pilot projects in JESSICA

In this section an analysis of the portfolio of the projects analysed above will be carried out, in order to assess, even if in a preliminary manner, the sustainability of the potential Urban Development Fund.

As mentioned previously, it is an essential feature that the Governments of the provincial capitals of Abruzzo and for the Region that the ERDF - IUDP are employed in the several provincial capitals in the ways foreseen by the strategies of the ROP.

As a consequence of this intent, the analysis of the portfolio that is found in this section has to be understood as a exercise useful for assessing the impact of the implementation of JESSICA may have in the context of Abruzzo, notwithstanding the agreements that will be signed between the Region and the provincial capitals and that will regulate the management of the resources.

In the table that follows are reported key data of Teramo and Pescara projects, for whom a complete urban, economic and financial analysis has been carried out. Both the projects result to be coherent with the JESSICA mechanism even in a private investor logic.

Table 75 – Teramo e Pescara projects

COMUNE	PROGETTO	INVESTIMENTO (€/000)	EQUITY (€/000)	TIR DI PROGETTO	TIR EQUITY
Teramo	Ex Ospedale Psichiatrico	70.260	14.052	6,23%	6,87%
Pescara	Area di Risulta	109.282	21.856	6,70%	8,45%

Source: Sinloc elaborations

With respect to the Chieti project, qualitative and quantitative analysis led to results presented in the following table, anyway further analysis are needed.

Project's return is still to small to guarantee the co-investment of private investors, however only through a more detailed analysis it will be possible to change assumptions and data in order to reach an higher return.

Table 76 – Chieti project

COMUNE	PROGETTO	INVESTIMENTO (€/000)	EQUITY (€/000)	TIR DI PROGETTO	TIR EQUITY
Chieti	People mover	132.498	26.500	3,72%	3,42%

Source: Sinloc elaborations

For L'Aquila project it has not been possible to develop an economic and financial analysis, and in order to simulate UDF returns, is has been assumed that the investment has a size close to the average of the other three analyzed projects, and it has returns in line with other initiatives. In the table that follows results are presented.

Table 77 – UDF profitability (hypothesis)

COMUNE	PROGETTO	INVESTIMENTO (€/000)	EQUITY (€/000)	TIR DI PROGETTO	TIR EQUITY
Teramo	Ex Ospedale Psichiatrico	70.260	14.052	6,23%	6,87%
Pescara	Area di Risulta	109.282	21.856	6,70%	8,45%
Chieti	People mover	132.498	26.500	3,72%	3,42%
L'Aquila	Ex Italtel	100.000	20.000	6,50%	7,00%
Totale		412.039	82.408	5,79%	6,43%

Source: Sinloc elaborations

As can be seen, the pilot projects considered generate a total investment of 412 million Euro (obviously the real size of the L'Aquila project may be significantly different than presumed), equal to 17 times the size of the ERDF IUDP resources (presumed to be 24 million Euro).

In specific, assuming a financial structure made up of 20% venture capital and 80% debt capital, which leads to the activation of another 82,4 million Euro of venture capital, equal to about 3,4 times the ERDF IUDP resources that are foreseen to be allocated (24 million Euro).

On the rate of return of the projects and of the risk capital, it can be observed that:

- the portfolio of projects has an average rate of return of about 5,8%;
- the average rate of return on the capital of the portfolio of projects is equal to 6,4%.

ACTIVATION OF THE JESSICA SCHEME

In this section will be carried out an analysis to determine the size and rate of return of the JESSICA resources, considering (parametrically) the impact of the structures that participate in the process (the Holding Fund and the Urban Development Fund) on the overall rate of return of the portfolio.

For the analysis, the following assumptions were formulated (that lead to a difference, possibly significant, from what be effectively implemented):

- Teramo – it is foreseen to use the entire sum of ERDF IUDP funds (8 million Euro) for the redevelopment of the former psychiatric hospital.
- Pescara – it is foreseen to invest 1 million Euro of the ERDF IUDP resources for the “Area of Risulta” project.
- Chieti – it is foreseen to invest 8 million of the ERDF IUDP resources on the people mover project.
- L'Aquila – it is foreseen to invest 8 million of the ERDF IUDP resources on the project to redevelop the former Italtel industrial complex, for which an investment is foreseen an investment, close to the average of the other three initiatives (100 million Euro) with a cash flow dynamics equal to the average of the other three initiatives.

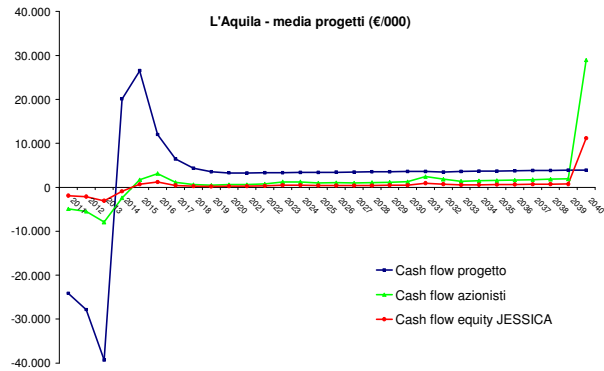
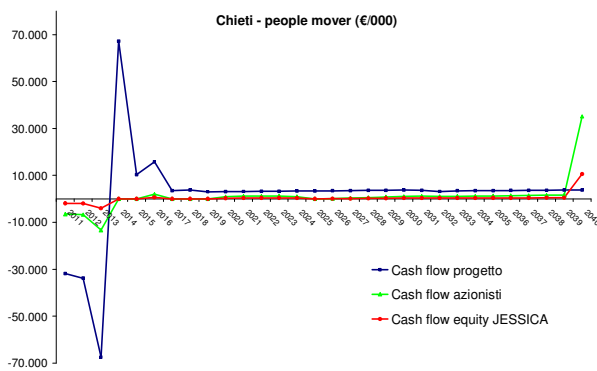
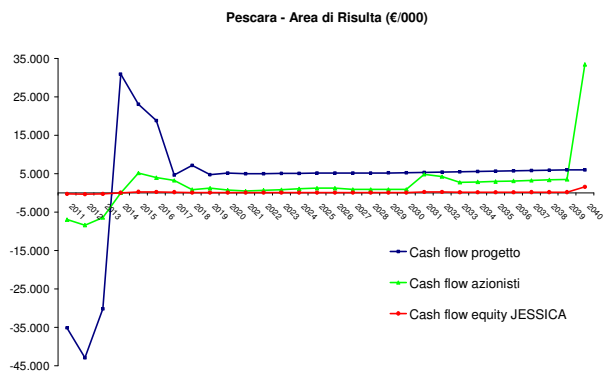
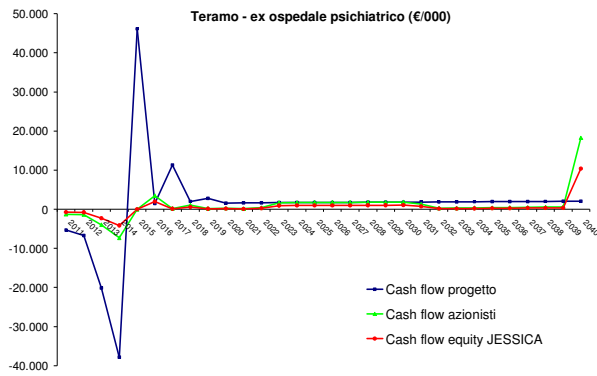
Table 78 – UDF investments and equity

COMUNE	PROGETTO	Risorse JESSICA	INVESTIMENTO (€/000)	EQUITY (€/000)
Teramo	Ex Ospedale Psichiatrico	8.000.000	70.260	14.052
Pescara	Area di Risulta	1.000.000	109.282	21.856
Chieti	People mover	8.000.000	132.498	26.500
L'Aquila	Ex Italtel	8.000.000	100.000	20.000
Totale		25.000.000	412.039	82.408

Source: Sinloc elaborations

In the graph below is illustrated the profiles of the cash flows of the pilot projects, it is foreseen to invest in them all the JESSICA resources found in the tables above, specifically:

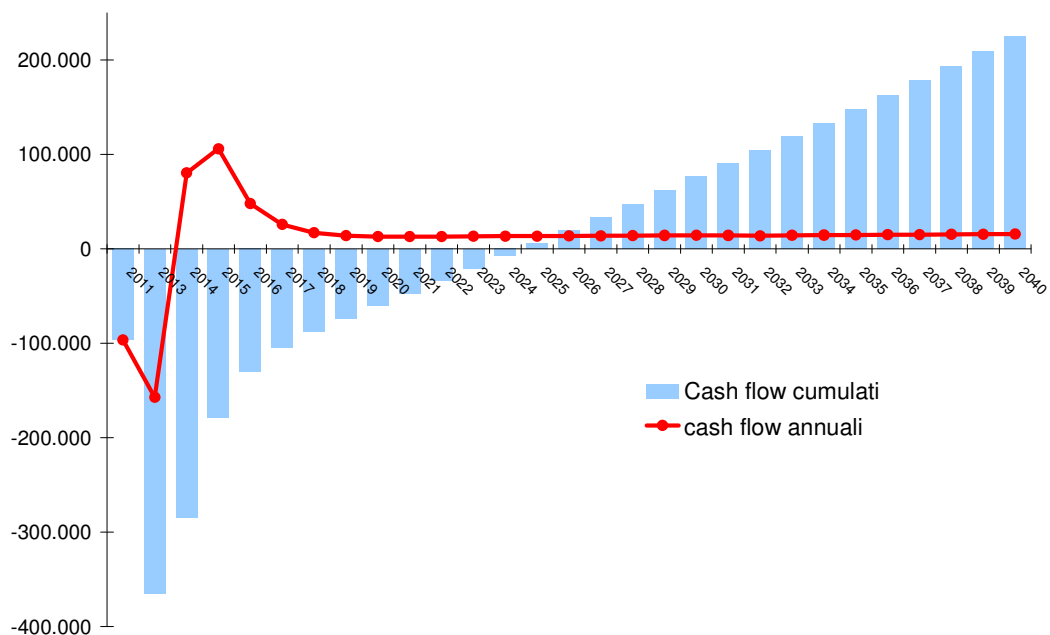
- cash flows of the project;
- cash flows of the JESSICA resources;
- cash flows of the other shareholders.



As can be seen the cash flows of the projects have similar dynamics: there is a strong demand for funds in the first period needed to finance the works, followed by positive cash flows beginning on average in the third year of activity, followed by the activation of the activities of management,

In the graph below is illustrated the summation of the cash flows (for each period and cumulative) of the projects analysed.

Figure 56 – Operative Cash flow (€/000)



Source: Sinloc elaborations

As can be seen the initiatives have a peak of demand (364 million) and generate very significant resources (224 million).

JESSICA - IMPACT OF THE INTERMEDIATE STRUCTURES

For the purpose of the analyses, it is foreseen to implement both the structures of the JESSICA mechanism, that is the Holding Fund and the Urban Development Fund, for the utilisation of which are foreseen (for the purpose of explanation and on the basis of the restrictions of Community Regulations) the cost structures seen in the following table:

Table 79 – fees scheme

	2011 - 2012	2013 - 2014	2015 - 2040
Fondo di Partecipazione	1,50%	0,75%	0,10%
Fondo di Sviluppo Urbano	3,00%	1,50%	0,50%

Source: Sinloc elaborations

The percentages reported in the table included above, indicate the yearly total of the commissions foreseen to concede to the two structures, in particular, supposing a grant of 25 million to the Holding Fund, it is estimated to concede commissions equal to 1.5% of 25 million in 2011 and 2012; in the period 2013 and 2014 it will be conceded commission equal to 0.75% of 25 million, and in the period from 2015-2040 it will be conceded annual commissions equal to 0.10% of 25 million.

The commission to pay to the Urban Development Fund will be calculated instead on the amount repaid to it in the first year by the Holding Fund, equal to 98.5% of 25 million, that is 24.62 million Euro and it follows the same scheme as the Holding Fund.

As aforesaid, these percentages and the means in which the commissions are paid are foreseen exclusively for the explanatory purposes and they do not reflect any proposals or standard practices of the European Investment Bank.

on the basis of the assumptions on the structure of the commissions that will be paid and of the cash flows of the projects analysed previously, in the table below are reported the dynamics of the JESSICA resources, in specific:

- Initial resources available for the UDF - sum available at the beginning of the period for the Urban Development Fund.
As can be observed, for the first period (2011) it has been foreseen, for simplicity in exposition, a grant to the FSU equal to 25 million, from which however should already be detracted the fees of the Holding Fund.
- JESSICA Cash Flow – with this item the resources of the Urban Development Fund that are employed and earned by the projects, in particular, assuming that in all four pilot projects the UDF acts as a shareholder of the special purpose vehicle, the JESSICA Cash Flows correspond to the “withdrawals” of JESSICA equity (in this case they will have a negative sign) or the dividends and capital gains received (in this case they will have a positive sign).
- HF and UDF Commissions – indicate the sum to be paid to the Holding Fund and to the Urban Development Fund for management fees.
- Final UDF resources – are calculated as the sum of the three previous items, they correspond to the resources of the Urban Development Funds at the end of each period.

Table 80 – UDF resources on time

	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
Risorse iniziali FSU	25.000	18.988	12.554	2.341	-3.341	-2.592	1.232	1.787	2.513	2.718	3.245
Cash Flow JESSICA	-4.898	-5.320	-9.657	-5.124	897	3.971	703	875	353	675	687
commissioni FP e FSU	-1.114	-1.114	-557	-557	-148	-148	-148	-148	-148	-148	-148
Risorse finali FSU	18.988	12.554	2.341	-3.341	-2.592	1.232	1.787	2.513	2.718	3.245	3.784

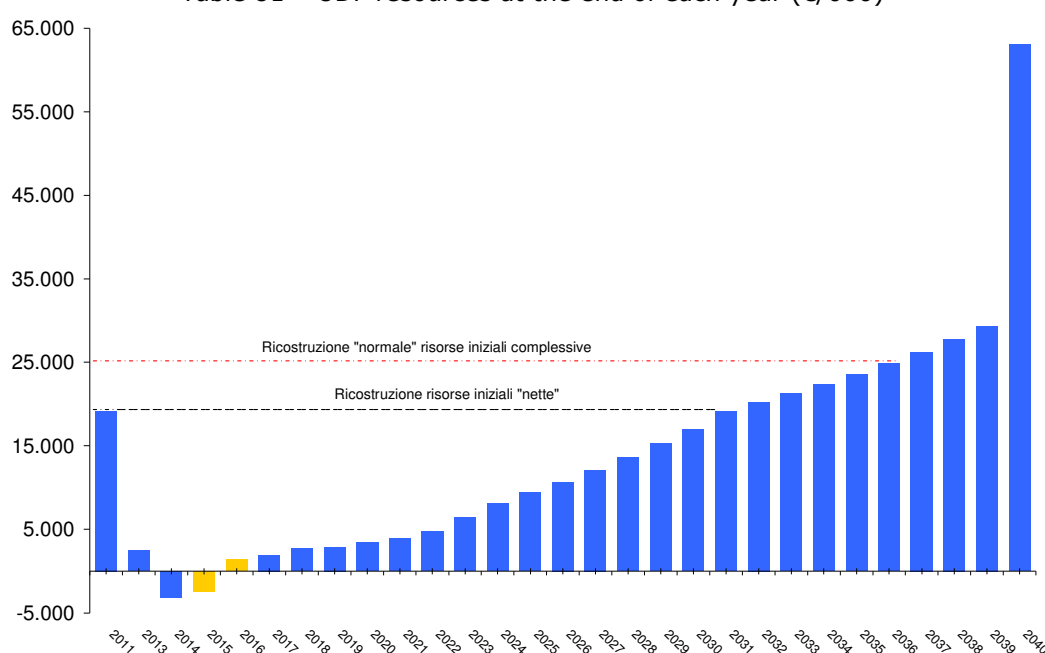
	2022	2022	2023	2024	2025	2026	2027	2028	2029	2030
Risorse iniziali FSU	3.784	0	4.898	10.218	19.875	9.202	10.532	11.917	13.428	15.057
Cash Flow JESSICA	925	0	0	0	0	1.478	1.534	1.659	1.777	1.893
commissioni FP e FSU	-148	4.898	5.320	9.657	5.124	-148	-148	-148	-148	-148
Risorse finali FSU	4.561	4.898	10.218	19.875	25.000	10.532	11.917	13.428	15.057	16.802

	2031	2032	2033	2034	2035	2036	2037	2038	2039	2040
Risorse iniziali FSU	16.802	18.893	20.101	21.110	22.209	23.406	24.702	26.097	27.593	29.192
Cash Flow JESSICA	2.239	1.357	1.157	1.248	1.345	1.444	1.543	1.645	1.747	33.801
commissioni FP e FSU	-148	-148	-148	-148	-148	-148	-148	-148	-148	-148
Risorse finali FSU	18.893	20.101	21.110	22.209	23.406	24.702	26.097	27.593	29.192	62.846

Source: Sinloc elaborations

In the graph below (a bar graph of the bottom line of the table above) the cash flow which the Urban Development Fund has available at the end of the each period from 2011 - 2040 after the fees of the UDF and the HF have been paid are depicted.

Table 81 – UDF resources at the end of each year (€/000)



Source: Sinloc elaborations

As can be seen, in two periods (2014-2015) the Urban Development Fund will need resources, from the effect linked to the withdrawals of capital necessary to finance the urban development projects and the need to pay commissions to the UDF and HF.

This factor (the need of cash in the initial periods) is typical of urban development projects, which initially have a negative cash flow which later becomes positive, this may be compensated for by deploying various corrective measures.

- through a differentiated scheduling of the works of the various projects, which allows of the phases of construction and management among the projects to be staggered;

- through the creation in the UDF of an extraordinary reserve dedicated to the payment of the fees to the structures (HF, UDF);
- through an agreement for differed payment to the intermediary structures (UDF, HF);
- ...

Another feature to consider, as can be seen in the graph above, is the concentration of a much larger cash flow in the last year of the plan (2040) than previous periods.

This occurrence, that penalises the profitability of the portfolio, is caused by the effect of the so-called phenomenon of an “entrapped fund” that is the impossibility to distribute to the shareholders all the resources produced by the project when they are formed (principally because of accounting restrictions, for example depreciation), which therefore remain in the special purpose vehicle until the end of its activity.

There are several ways this phenomenon can be mitigated (e.g. cash sweeping, shareholder loans, etc.) that can be foreseen to take effect in the implementation phase of the process and that, all things being equal, allow a higher rate of return of the portfolio of the projects.

UDF ABRUZZO FIRST CONSIDERATIONS

From the analysis carried out, it is found that a Urban Development Fund Abruzzo made up entirely of ERDF IUFD resources for a total of 25 million is plausible. It would invest in the four pilot projects indicated by the four provincial capitals (for L’Aquila there have been made assumptions of parametric investment and rate of return), after the fees of the Holding Fund and the Urban Development Fund are paid, be able to generate over the period of the plan 2011-2040) resources of 39 million Euro, going from the 25 million initially allocated (2011) to 64 million Euro at the end of the period of investment (2040).

Table 82 – JESSICA resources (€/000) available in different periods

COMUNE	INVESTIMENTO	RISORSE JESSICA DISPONIBILI AL 2011	RISORSE JESSICA DISPONIBILI AL 2020	RISORSE JESSICA DISPONIBILI AL 2030	RISORSE JESSICA DISPONIBILI AL 2040
Teramo	Ex Ospedale Psichiatrico	7.440	2.252	8.205	18.245
Pescara	Area di Risulta	681	688	1.092	4.028
Chieti	People mover	6.049	855	3.104	17.234
L’Aquila	Ex Italtel	4.500	3.520	11.520	25.160

Source: Sinloc elaborations

Table 83 – JESSICA resources (€/000) available in different periods

COMUNE	INVESTIMENTO	RISORSE FESR (€/000)	INVESTIMENTO (€/000)	EQUITY (€/000)	TIR NOMINALE DI PROGETTO	TIR NOMINALE EQUITY
Teramo	Ex Ospedale Psichiatrico	8.000	70.260	14.052	6,23%	6,87%
Pescara	Area di Risulta	1.000	109.282	21.856	6,70%	8,45%
Chieti	People mover	8.000	132.498	26.500	3,72%	3,42%
L’Aquila*	Ex Italtel	8.000	100.000	20.000	6,50%	7,00%
Rendimento FSU al netto delle commissioni						4,71%

Source: Sinloc elaborations

As can be seen in the table the rate of return of the Urban Development Fund (made up only of ERDF IUFD resources), after all the management fees (to both the Urban Development Fund and the Holding Fund) are paid, is equal to 4,7% nominal.

As has been mentioned several times, this is only to be considered an example and could differ significantly from what it really decided to be activated, nevertheless it is a good starting point.

3.7. JESSICA – work plan

In this last section, the principle things that need to be done to activate the JESSICA mechanism are identified, assuming:

- an initial sum of ERDF funds to deploy in the JESSICA scheme of 24 million;
- activation of the European Investment Bank (a separate block of capital) as the Holding Fund of JESSICA Abruzzo.

The 24 million of ERDF resources to deploy in the JESSICA mechanism will be distributed as follows:

- about 8 million Euro for the Municipality of Teramo;
- about 8 million Euro for the Municipality of Chieti;
- about 8 million Euro for the Municipality of L’Aquila.

The Municipality of Pescara, which currently has committed its ERDF IUDP resources on other projects could join the scheme later with other resources (as long as they are coherent with the restrictions of the JESSICA mechanism).

The 24 million of ERDF IUDP resources are currently attributable to the two priorities of ROP ERDF Abruzzo 2007 – 2013, in particular:

- 16 million Euro (Teramo and Chieti) – Priority IV (Local development systems) Activity IV.1.1 (Support for the Integrated Plan for Regional Development) for which use of the JESSICA instrument is possible;
- 8 million Euro (L’Aquila) – Priority VI (Economic and social recovery and renewal of the area affected by the earthquake) for which the JESSICA instrument may be used.

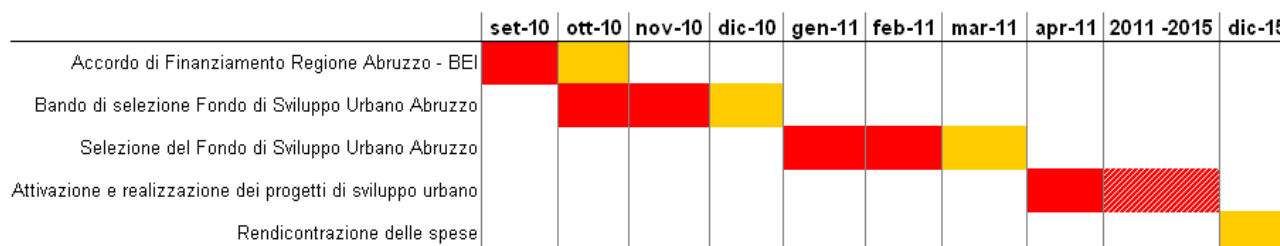
In order to activate the JESSICA mechanism it is likely that the resources dedicated to the Municipality of L’Aquila (8 million Euro) can be adapted and inserted among the endowment of Activity IV.1.1.

Both the scenarios foreseen are compatible with the activation of the JESSICA mechanism, since both for Priority II and for Priority VI are included in the ROP ERDF Abruzzo 2007 – 2013.

For what concerns the activation of the EIB as the Holding Fund, the minimum total resources required are between 25 and 30 million Euro.

From this point of view the quantity of ERDF resources to place in the JESSICA mechanism by the Region of Abruzzo is a little undersized compared to the funds entrusted by other European Regions that have deployed the JESSICA scheme.

Assuming that it is possible to deploy the EIB as the Holding Fund with a total of ERDF resources of 24 million and that this is the intention of the Region, the following timeframe for the activities of the implementation of the JESSICA mechanism is foreseen.



The work plan proposed above has been structured on the basis of the experience gained by European Investment Bank in other European contexts, however there could be substantial variations in the timetable as a consequence of unforeseeable events.

PRINCIPAL PROBLEMATICAL POINTS:

Foreseeing the activation of the JESSICA mechanism in time and manner assumed in the previous sections, there are important elements of the process to consider, in particular:

- Integrated Plans of Urban Development – currently only the Municipalities of Teramo and Pescara have drafted IUDPs, while the Municipalities of L’Aquila and Chieti have not. As was mentioned previously, the inclusion in a IUDP is a requirement for the activation of JESSICA, since JESSICA ERDF resources can be invested, for reporting purposes, only in projects included in IUDPs. Since the deadline established by the Regional guidelines for the drafting of the IUDP has passed, it is necessary, perhaps through dialogue with the Municipalities of L’Aquila and Chieti, the determination of how to realise the IUDPS for the two provincial capitals. The IUDPs obviously have to contain the projects that the provincial capitals intend to develop within the JESSICA mechanism.
- Determination of the way to invest the resources – since the ROP ERDF foresees the allocation of the IUDP resources on a territorial bases and this seems to be what the Region intends to do even if the JESSICA scheme is activated, it is necessary that this restriction is established in the agreements for the activation of JESSICA. One way that this may be accomplished is to include the territorial restriction on investment of resources (e.g. 8 million respectively for L’Aquila, Teramo and Chieti) in the Funding Agreement between the EIB and the Region of Abruzzo.
- State of the planning – a critical element found regarding the pilot projects analysed is the backward state of the planning, which could compromise the utilisation of the JESSICA ERDF resources by the deadline of December 2015, therefore there must be a strong commitment of the provincial capitals so that the projects can be activated on time.

If this element on the one hand raises an important problem for the process, on the other hand it may represent an opportunity, since it allows the Municipalities to structure, possibly in concert with the Urban Development Fund, projects more coherent with the JESSICA scheme.

This said, on the basis of the analyses carried out and the principal facts that have emerged the activation of the JESSICA mechanism in the Region of Abruzzo is feasible.