

PRICEWATERHOUSECOOPERS 



JESSICA

JOINT EUROPEAN SUPPORT FOR
SUSTAINABLE INVESTMENT IN CITY AREAS

Evaluation Study for Sweden

February 2009

This document has been produced with the financial assistance of the European Union. The views expressed herein can in no way be taken to reflect the official opinion of the European Union.

Contents

1	EXECUTIVE SUMMARY	3
2	BACKGROUND AND OBJECTIVES FOR THE EVALUATION STUDY	6
2.1	A LINK BETWEEN MAJOR URBAN ISSUES AND GROWTH POLICIES	6
2.2	JESSICA	7
2.3	IMPLICATIONS OF THE CREDIT CRISIS TO THIS STUDY	8
3	A DESCRIPTION OF JESSICA IN A SWEDISH PERSPECTIVE.....	9
3.1	WE HAVE IDENTIFIED APPROPRIATE INVESTMENT PROJECTS	9
3.2	THE CITIES ARE INTERESTED IN MOVING FORWARD – WHY?	10
3.3	ADDITIONAL INTERESTED PARTIES CAN BE MOBILISED.....	11
3.4	EXAMPLES OF SUCCESSFUL SWEDISH URBAN REGENERATION PROJECTS	12
3.5	POSSIBLE LEGAL FORMS FOR URBAN DEVELOPMENT FUNDS.....	20
4	LEGAL ENVIRONMENT AND RESTRICTIONS	22
4.1	INTRODUCTION.....	22
4.2	THE ORGANISATION OF FUND MANAGEMENT TASKS	22
4.3	STATE AID AND OTHER RESTRICTIONS FOR MUNICIPAL MATCH FUNDING	23
4.4	CONCLUSION ON THE SWEDISH LEGAL FRAMEWORK FOR A CONTINUED JESSICA IMPLEMENTATION	24
5	REGIONAL EVALUATION STUDIES.....	26
5.1	MÅLÖ	26
5.2	GÖTEBORG	42
5.3	STOCKHOLM	61
6	RECOMMENDATIONS AND CONCLUSIONS ON A PRACTICAL IMPLEMENTATION PLAN FOR JESSICA IN SWEDEN.....	83
6.1	SWOT ANALYSIS FOR THE CONTINUED IMPLEMENTATION OF JESSICA BASED URBAN DEVELOPMENT FUNDS IN SWEDEN.....	83
6.2	ACTIVITY PLAN	85
6.3	PRINCIPLES FOR DEVELOPING A JESSICA CALL FOR EXPRESSION OF INTEREST.....	87
6.4	OUR RECOMMENDATIONS	89
7	ANNEX: EIB DESCRIPTION OF CONSEQUENCES OF A POSSIBLE TEMPORARY HOLDING FUND SOLUTION	90

1 Executive Summary

Nutek has expressed interest in applying the JESSICA instrument in pursuit of the urban agenda in Göteborg, Malmö and Stockholm, and in contributing to the objectives of Nutek's respective Operational Programmes.

The European Investment Bank (EIB) has selected Öhrlings PricewaterhouseCoopers (PwC) to undertake this evaluation study in order to take stock of the urban regeneration projects in these three cities, how these projects fit within existing, integrated urban development plans for the cities, and any additional assets required to complement OP funding. Relevant legal constraints have also been analysed, particularly with respect to public sector involvement in JESSICA funds, along with proposed options for implementing JESSICA in the three cities.

We have closely interacted with the members of the Steering Committee and have reported the progress to this group in four meetings. We have also organized separate working groups in each of the cities to engage the public sector stakeholders and actively involve these stakeholders in the process of project and vehicle identification. These groups have had several workshops, resulting in an understanding of the benefits JESSICA can provide, and have also resulted in an understanding of the tasks that lie ahead in terms of the continued implementation of JESSICA in these three cities.

In the later phases of our work, several versions of draft reports have been circulated at local working group level, but these draft reports have also been distributed to Nutek and to the Steering Committee members in response to requests from various groups of decision-makers to receive, at an early stage, indications of the conclusions of our work. As a consequence, we have been able to adjust our final report to reflect the ambitions and discussions that have been discussed within the Steering Committee.

In terms of legal constraints, we have not identified any regulations against prioritising ERDF monies to one or more UDFs, in the absence of detailed business plans and cash flow projections for the individual projects. Our assessment is, therefore, that the Structural Fund Partnership should be able, given that agreements can be made amongst the relevant stakeholders, to prioritise the allocation of ERDF capital to urban development funds via traditional grant schemes.

In an Annex to this Final Report, we have also included a description from the EIB of the consequences of applying a potential temporary holding fund construction. We agree with this description and believe that the potential of an agreement to applying a holding fund structure provides sufficient benefits to warrant continued discussion and negotiation on behalf Nutek and the cities, together with EIB.

Our conclusions:

- (a) We have identified a number of potential JESSICA projects in each of the three regions of this evaluation study. These projects match the criteria set out in the relevant regulations, although many of the projects are still at an early phase in terms of developing cash flow projections and determining exact capital requirements.

- (b) Relatively limited amounts of funding are available from the Operational Programmes of each region, in relation to the estimated investment needs we have identified in the relevant JESSICA candidate projects.
- (c) Public co-financing (match funding) is available in the form of e.g. real estate. The market value of these assets has not, to date, been estimated.
- (d) Upcoming formal call procedures for the expression of interest executed by Nutek should provide regional stakeholders and potential UDF principals with the flexibility to describe and define (in their applications) the preferred/chosen fund structure and the business plan, including an account of identified project candidates and underlying agreements.
- (e) There are significant administrative timing and cost benefits to be discussed in the context of a coordinated management of the identified UDF opportunities. UDFs should, from this perspective, be organised at an aggregated investment portfolio level, to be defined in the coming discussions and negotiations between the UDF principals, municipalities, regions and, potentially, other stakeholders.
- (f) Taking into consideration the timing requirements and regulations for the allocation of ERDF funds from the Operational Programmes, we believe that there are significant efficiency gains to be realised by considering a temporary holding fund, which will be in place only until the projects have been identified and selected and the UDFs have received their funding

A number of driving forces are to be found behind the strong interest we have identified on the behalf of the cities in terms of the move forward with the establishment of JESSICA funds. In section 6.1, we have summarised the strengths, weaknesses, opportunities and threats to a successful implementation of JESSICA in Sweden. We have also identified a very strong desire to move forward on behalf of the cities involved in this evaluation study:

- JESSICA entails the possibility to receive a more optimal leverage of public assets, buildings and property.
- Through the establishment of urban development funds, additional resources and capital can be released which, in turn, enables new investments in accordance with the investment criteria and agreements entered into by the principal within each individual fund.
- Possibilities arise for initiating activities and measures in the identified projects of affected areas. These projects are initially very costly and have an excessively long period return which makes them unattractive from a purely commercial perspective, that is, without public assistance.
- JESSICA is a long-term solution, which will not be depleted of resources once the capital of the Structural Fund is deployed.
- Traditionally, grant schemes have been used to address the special needs of the Million Programme districts. This has not been successful. JESSICA focuses investment decisions on the potential for future returns, which also puts pressure on project owners to think in market terms.
- JESSICA provides the possibility for a more holistic view of urban development, in which the focus is no longer primarily on housing units, but also on infrastructure, investments in multi-use facilities, etc.

- Municipalities can retain control not only over the use of the resources that may be allocated to the UDF, but also over the returns to the fund.
- Additional resources can be mobilised from regional organisations, commercial and/or not-for-profit.

2 Background and objectives for the evaluation study

2.1 A link between major urban issues and growth policies

In Sweden, nearly 80 percent of the population resides in urban areas. The recent years' a notable inbound flow of residents reflects the global trend of urbanisation. There is a basic need of increased public investments in Swedish urban regions. Our cities continue to grow and an integrated public planning, taking into account both potential for sustainable growth and the social challenges resulting from such developments in the form of the risk of increased segregation and social exclusion, together, imply that the resources which society has at its disposal for such purposes must be used in an efficient manner.

Swedish urban development political policy has traditionally been based, to a high degree, on social-political and integration-political starting points. The previous Storstadsprogrammet has been implemented, largely speaking, via focused investments. These investments have produced, to some degree, positive results in the urban areas receiving these funds, but they have contributed to few truly lasting solutions. The elimination of social exclusion has been and is, still, an important ambition in which the neglected requirements for investments have been discussed as a component. Climbing the "housing ladder" within deprived areas has become ever more uncommon, and with the legacy from the Million Programme, there is a need for extensive renovation efforts. There are also major weaknesses in transportation infrastructure in the suburban areas, which has continued to further isolate a number of these areas.

The Swedish government has recently adopted a new urban development policy. The objective of this urban development work is to reduce the number of urban areas in Sweden characterised by a large degree of social exclusion, but also to improve the potential for the cities' contribution to the country's competitive power. In those urban areas where a high percentage of inhabitants experience social exclusion via unemployment, long-term dependency on income support, lack of security or poor health, there is a clear scope for the involved government and municipalities to find joint and effective means to eliminate social exclusion. The starting point for this work is the cooperation and support which can be provided by the authorities and municipalities' ordinary operations and not via special project grant programmes. Special focus is given to issues pertaining to work, education, security and growth. The basis for local cooperation in the work with urban development is founded, first and foremost, on the "local development agreements" which are

Lokala utvecklingsavtal för 2007

21 kommuner med lokalt utvecklingsavtal för 2007:
Borås, Botkyrka, Gävle, Göteborg, Halmstad, Haninge, Huddinge, Jönköping, Kristianstad, Landskrona, Linköping, Luleå, Malmö, Nacka, Norrköping, Stockholm, Sundsvall, Södertälje, Trollhättan, Uppsala, Växjö.

38 stadsdelar som omfattas av lokala utvecklingsavtal för 2007:
Hässleholmen (Borås), Alby, Fittja, Hallunda-Norsborg (Botkyrka), Brynäs (Gävle), Bergsjön, Gårdsten, Hjällbo, Norra Biskopsgården (Göteborg), Andersberg (Halmstad), Jordbro (Haninge), Flemingsberg, Vårby gård, Västra Skogås (Huddinge), Öxnehaga (Jönköping), Gamlegården (Kristianstad), Centrum och Öster (Landskrona), Skäggetorp (Linköping), Hertsön (Luleå), Fosie, Hyllie, Rosengård, Södra Innerstaden (Malmö), Fisksätra (Nacka), Klockaretorget (Norrköping), Husby, Rinkaby, Rågsved, Skärholmen, Tensta (Stockholm), Skönsberg (Sundsvall), Fornhöjden, Geneta, Hovsjö, Ronna (Södertälje), Kronogården (Trollhättan), Gottsunda (Uppsala), Araby (Växjö).

being established between the Swedish government and the concerned municipalities. Local development agreements will comprise the basis of a more enhanced strategic cooperation than the previous project-based cooperation between, primarily, public stakeholders. The agreements will enable local partnerships between government authorities, municipalities, private stakeholders and the civil society.

Local development agreements have thus far been established with 21 municipalities and include a total of 38 city districts. As regards major urban areas, special “urban area agreements” have been produced. Based on these local agreements, strategic city district plans have been developed, which comprise an exceptionally good platform for discussing methods via the establishment of urban development funds which, with EU structural funds serving as the base, can offer both a more efficient utilisation of public funds and make possible an increased degree of cooperation between municipalities/ regions and commercial interests/the business community.

The Swedish government has, through its urban development policy framework, formed the basis for growth-supportive urban development; however, there are additional building blocks which can accelerate a positive development. The urban development policies are implemented via ordinary resources and by converting existing support funds to investments which can possibly provide a return on projects which are interesting to society and which can possibly also generate new investment funds for future projects in these areas , implying a dramatically improved leveraging of the planned support funds and also a changed view of public investments in these areas. This can potentially result in a dramatically improved leverage on the planned grants/funds and may also, fundamentally, change the manner in which public investments in these areas are planned, developed, proposed and determined.

2.2 JESSICA

JESSICA (Joint European Support for Sustainable Investment in City Areas) is a joint initiative between the Commission and EIB in cooperation with the Council of Europe's development bank to stimulate investments within the framework of integrated plans for urban development in major urban areas. Using JESSICA, the managing authorities can utilise resources from structural funds to invest in urban development funds via repayable financial mechanisms, such as equity, guarantees and loans. These investments can be made via special purpose urban development funds (UDFs).

There are two possibilities for the administration and organization of these funds:

- Nutek can, through a formal call procedure, determine the degree of interest in organising potential funds. Thereafter, funding agreements are formed based on guidelines from Nutek and are formalized through a decision by Nutek and in a contract between the chosen fund, its principal and stakeholders at local level. A designated UDF then executes the investments, provides the loans or provides guarantees, based on its own available resources.
- Alternatively, JESSICA can be organised via a temporary holding fund providing a number of urban development funds with capital. Also in these cases, a funding agreement is agreed between the Swedish government and the holding fund, and formalized through a decision by Nutek.

One need which the JESSICA initiative addresses is the request from a number of member states to improve possibilities for the renewal and stimulation of certain major urban areas based on the perceived "gap" between, on the one hand, the potential for purely commercial projects that are of interest and benefit to society and, on the other hand, the limited resources available in the public sector. In particular, there is a lack of investment capital for projects leading to more integrated societal development and sustainable growth in major urban areas.

The purpose of JESSICA is, in other words, to offer a more efficient utilisation of EU capital from the structural funds and, at the same time, to mobilise additional resources for much needed investments, e.g. property, land, buildings and other fixed assets, and capital and also expertise from both the public and private stakeholders.

Öhrlings PricewaterhouseCoopers (PwC) has been commissioned to evaluate the potential for JESSICA implementation in Sweden and to identify relevant projects in the three chosen major urban areas. The three areas which have been chosen for the evaluation study are Stockholm, West Sweden (Göteborg) and Skåne/Blekinge (Malmö). The operational programmes for the regional funds in the respective areas all have documentation stipulating that the regions wish to execute investments within the framework of JESSICA based on an integrated urban development plan, and in which they indicate a readiness to make reservations within their own structural fund allocations for such implementation.

2.3 Implications of the credit crisis to this study

During the autumn of 2008, a serious financial crisis has had a dramatic impact on the global financial system. One effect of this crisis is that it is, for the moment, very difficult to access capital in the financial markets, and private investors have also taken a notably more restrictive position, not the least within the construction sector.

However, our impression is that this situation has emphasised the need, in the investigated urban areas, for utilising public funds as efficiently as possible. At the same time, there is a strong interest in the financial sector to invest in stable and long-term investment projects which are guaranteed and/or partly financed by the public sector. With the structural funds and public co-financing as a base, EIB and other international financial institutions may be interested in providing further funds in the form of loans, guarantees, and possibly even equity. This can, in turn, result in a "critical mass" whereby private investors and lenders could also consider joining these types of investment programmes rather than participating in purely commercial investments. It should also be noted that the EU Commission recently determined, in conjunction with its package aimed at addressing the financial crisis and downturn in the economic cycle, to provide EIB with the assignment of significantly increasing its lending for investments in member states.

Contacts have been made, during the progress of the work with representatives of a number of construction and housing companies. These companies have declared that they may be interested in participating in public-private solutions at project level, but they are not interested in new construction projects. However, they can well imagine participating in renovation and restoration assignments. There is also an expressed interest from these representatives in renovating Million Programme buildings on behalf of the municipalities.

3 A description of JESSICA in a Swedish perspective

3.1 We have identified appropriate investment projects

3.1.1 Parameters

During the course of the evaluation study, a number of examples of interesting project candidates for investments, corresponding to JESSICA requisites, have been identified in the three regions.

In the descriptions of the various proposed projects, we have used parameters from the traditional allocation of Structural Funds grants, in addition to specific JESSICA parameters.

ERDF parameters	JESSICA parameters
➤ Gender equality	➤ Included in the integrated urban development plan
➤ Integration	➤ Revenue potential
➤ Environment	➤ Potential for joint private-public financing analysed
➤ Correspondence with EU and national legal frameworks	➤ Contribution to sustainable development in deprived areas
➤ Contributes to the objectives of the Operational Programme	
➤ Project organisation clearly defined	
➤ Reviewed and specified cost budget and cash flow projections	
➤ Cost efficiency	
➤ Regeneration and development	

The projects identified display a set of common characteristics and objectives:

1. In general, the projects are multi-use, demonstrating many fields of application.
2. The projects all aim at promoting the integration of city districts, thereby utilising the dormant growth potential in these areas.
3. The projects are clearly integrated into existing plans for urban development.
4. A number of important potential partners and stakeholders have been identified.

These projects could be "led" by regional urban development funds within the framework of local action plans and agreements.

3.2 The cities are interested in moving forward – why?

3.2.1 Driving forces

A number of driving forces are to be found behind the strong interest we have identified on behalf of the cities in moving forward with the establishment of JESSICA funds.

- JESSICA entails the possibility to receive a more optimal leverage of public assets, buildings and property.
- Through the establishment of urban development funds, additional resources and capital can be released which, in turn, enables new investments in accordance with the investment criteria and agreements entered into by the principal within each individual fund.
- Possibilities arise for initiating activities and measures in the identified projects of affected areas. These projects are initially very costly and have an excessively long period of return making them unattractive from a purely commercial perspective, without public assistance.
- JESSICA is a long-term solution, which will be depleted of resources once the capital of the Structural Fund is deployed.
- Traditionally, grant schemes have been used to address the special needs of the Million Programme districts. This has not been successful. JESSICA focuses investment decisions on their potential for future returns, which also puts pressure on project owners to think in market terms.
- JESSICA provides the possibility for a more holistic view of urban development, in which the focus is no longer primarily on housing units, but also on infrastructure, investments in multi-use facilities, etc.

3.2.2 Investments, not grants

The municipal investments in a JESSICA fund or in a project must, in this context, be considered as investments and not as grants to a private stakeholder. Conversely, JESSICA can be considered as a means of creating possibilities for private stakeholders to invest risk capital in projects which are also important for the public sector. An urban development fund operated completely within the private sector would imply that the possibilities for public control would not be satisfactory, and there is a significant risk that the fund's operations could not be integrated with local development plans. A cooperation model would offer a better balance between the private sector's required return and society's priorities and investment requirements. The public sector may need to accept lower returns in order to be able to attract private risk capital on the conditions of the market.

The amount of public match funding must equal the percentage required in the relevant Operational Programme. However, this does not imply that co-financing cannot be treated as an investment in municipal decision-processes! This is one of the most important characteristics of JESSICA – by these means, which would otherwise have been considered to comprise a grant, can, instead, be considered to comprise an investment, although without any requirement of repayment to the EU.

Funds allocated by municipalities for public match funding can today stem from the municipal operational budget or investment budget. With JESSICA, we believe that it will become clearer that the municipalities are providing public co-financing to the fund constituting an investment, in which the fund administers the financial in a manner regulated on the basis of a shareholder agreement.

3.2.3 Funding integrity and municipal/regional control over the use of UDF resources

There is a strong requirement from the municipalities and regions to retain control over the use of any resources that may be allocated to the UDF, so that the resulting benefits from the projects in which the UDF invests are able to address the issues that the municipality wishes to address, and in the correct geographic area. The same requirements will most likely apply when the use and distribution of the eventual returns and profit/loss to the fund are discussed. We have perceived this requirement to be so strong that it can almost be considered as a condition that must be fulfilled in order for a municipality to devote resources to a UDF.

However, PwC is convinced that this type of conditional requirements can be accommodated within the discussions leading up to a funding agreement (possibly in the form of a shareholder agreement) in which the investment policy and governance of the UDF are determined and described. Due to the fact that these types of restrictions can be regulated in the funding agreement, we see no reason to *a priori* limit the geographical scope of the potential UDFs to single municipalities.

3.3 Additional interested parties can be mobilised

The UDF structure we propose can initially be established by the local stakeholders using funds purely from the public sector, i.e. from municipalities and municipal companies, and possibly, regions and county councils, together with the grants emanating from the EU's structural funds and public co-financing.

On the basis of this foundation, private interested parties can become significantly more interested in participating in an investment solution of this kind than they would be in a purely commercial project in these urban areas. Private participation on a project level can thus be facilitated by the fact that a UDF is investing in the project.

The private parties which can be expected to be interested in participating once a UDF has been established will likely consist of investors and technical expertise, as well as of market active companies owned by municipalities. Other categories of interested parties which we anticipate will be interested in participating in a UDF and/or projects, in which a UDF invests, include:

- Non-profit organisations, for example, public-utility housing organisations interested in retaining the value of their properties.
- Industrialists with a regional profile and interest in urban development.
- Churches and associations

Working with this evaluation study, several organisations under each of these categories have been actively involved or contacted by the members of our three regional working groups. We would, in particular, like to mention the following organisations as representatives and potential contributors in the continued work in each of the regions:

Malmö

- MKB Fastighets AB
- The Association Drömmarnas Hus
- EFM Group (Property Manager of Rocent)

Göteborg

- Vision Angered,
- Förvaltnings AB Framtiden, municipal housing company
- Vägverket, Swedish Road Administration
- The City of Göteborg
- Business Region Goteborg (BRG)
- Västra Götaland Region
- City District of Lärjedalen and Gunnared
- The Church of Sweden and the Tomas Church, local churches
- Local association HAMSAM
- Företagarföreningen, trade association of local businesses

Stockholm

- Telge Hovsjö and Telge Fastigheter, municipal housing companies
- Botkyrkabyggen, non-profit housing company
- Stendörren Fastigheter AB, private property company
- Landic, private property company
- Riksbyggen, real estate company
- NCC, construction and property development company
- Subtopia, municipal development company

3.4 Examples of successful Swedish urban regeneration projects

There are a number of examples in which private and/or municipality-owned private companies have successfully collaborated with cities to regenerate urban areas (often driven by the commercial interests of a real estate company), and where municipalities have contributed land assets to realize political objectives, without necessarily expecting to be able to benefit from or directly control any of the financial returns from these contributions, which could also be the case using a fund structure. We believe that this is where JESSICA could provide a missing piece in the urban regeneration puzzle, making it possible to apply a similar logic in areas with less attractive property values and which fall outside the normal scope of commercial real estate developers.

These examples illustrate that the legal framework for private-public collaboration and the scope for joint efforts exists in commercially interesting areas, and we believe that the same logic is applicable in the urban areas where we have focused our work within the scope of this evaluation study, given that a long-term perspective for prioritising ERDF grants can be

applied. Many of the examples are quite well known in Sweden, and have experienced tough commercial periods, as well as successful periods. Often there is a discussion as to whether these urban development projects are truly successful, but there is also, in general terms, agreement that these projects have contributed to sustainable urban development and have fundamentally changed previously deprived urban areas.

Below, we have listed a couple of these successful examples, but there are also others:

- Old military facilities in Växjö, Kristianstad, Jönköping
- Old hospital facilities such as Beckomberga in Stockholm
- Old industrial areas, such as Hammarby Sjöstad or Saltsjö Qvarn.

The purpose of presenting these reference urban regeneration projects, alongside the project candidates identified through this Evaluation Study, is to demonstrate that revenue-generating project components, that were not financed on the basis of grants, could just as well have been financed with JESSICA instruments. If JESSICA had been applied for such projects, a stronger focus on the use of project returns could have been implemented, and a clearer picture of the profitability of the project as a whole, from the public sector point of view, could have been achieved. We have presented certain key financials for the two projects as identified in the public accounts for the companies involved, but many interesting details are, of course, hidden and are closely guarded as commercial secrets by the private companies.

3.4.1 Göteborg: Älvstranden development¹

Älvstranden Utveckling AB's business concept is: 'To develop purpose-designed properties at Norra and Södra Älvstranden, Gullbergsvass, Kvillebäcken and Backaplan. The company shall acquire, develop and dispose of property. This will be done in a manner that offers the best outcome for the City of Göteborg. Through effective management we will also direct operations in such a way that we can preserve good, long-term appreciation in value. Development will take place in an ecologically sustainable manner.'

FINANCIAL HIGHLIGHTS – ÄLVSTRANDEN	
Initial investment from municipality:	N/A
Total accrued rent revenue:	Est. 1 000 – 1 500 MSEK
Annual rent revenue 2007:	320 MSEK
Group yield (direktavkastning) 2007:	6%
Current book value of real estate:	3 752 MSEK (2000: 966 MSEK)
Current assess value (taxeringsvärde) of land and buildings:	2 820 MSEK
Total rentable space 2007:	67 buildings, 341 000 sqm. Unexploited building rights: 400 000 sqm.
Total sales revenue from divested land and assets:	N/A (2006: 279 MSEK, -743.4 MSEK result)
Grant financing:	N/A
Total EU grant financing:	<5 MSEK
Sources of revenue:	Rent, real estate sales at a premium

The former shipyard area along the northern riverbank in central Göteborg was previously cut off from adjacent residential areas and when the oil crisis and following recessions hit the shipyards, the area became a useless piece of land.

After a slow start, the redevelopment of the area as an up-market, mixed-use district (with housing, high-tech industries, educational facilities, a science park and an accessible waterfront) took off in the 1990's. The area has already become a successful, stylish new quarter for Göteborg. By the time that the scheme is complete, in about 2025, it will have

¹ Adapted from Norra Älvstranden Case Study, Oct 2006, http://www.urbed.com/cgi-bin/get_binary_doc_object.cgi?doc_id=250&fname=extra_pdf_5.pdf

around 13,000 residents. 40,000 people will work there (far more than worked in the shipyards), and, in addition, there will be 13,000 students. It will be an important part of the city centre, and more importantly, as planned, it will be one of the main drivers of the regional economy.

In 1996, the Eriksbergs Förvaltnings AB was acquired by the City of Göteborg. Over the next few years, a number of divestitures, acquisitions and swaps were undertaken, resulting in Eriksbergs Förvaltnings AB owning the majority of the land between the bridges Älvsborgsbron and Götaälvbron, the area today referred to as Norra Älvstranden. In 1998, the company took the new name, Norra Älvstranden Utveckling (Development) AB (NUAB), to better reflect the business concept. The new owner originally wanted to privatize the newly acquired area, but the recession in the construction and real estate markets stopped these plans. Instead, the new company started selling certain completed buildings in Eriksberg, and a new strategy for urban development began to take form.

In 1998, ownership of all the land was brought under the control of a single development company, NUAB, which is fully owned by the City of Göteborg but has its own board of directors. NUAB has the clear objective of bringing about the redevelopment of the area, and this is to be accomplished in such a way that such redevelopment does not result in any cost to the City. NUAB can borrow money on commercial terms in order to finance its projects, and, although it works within the framework set by the City, NUAB is a market-led, consumer-oriented organisation. It operates very much like a private sector company.

When it was set up, NUAB insisted upon three conditions:

1. It would be free of party politics, regardless of whoever controlled the City Council.
2. It would be free to reinvest all its profits back into the scheme.
3. The Planning Authority would agree to work co-operatively and flexibly with NUAB.

Bringing in a private sector approach was quite a change. In Sweden, the public sector had been used to planning projects and then just delivering them according to the plan (a 'linear approach' to development). This was the case, for example, with the One Million Homes Programme, which had led to the building of high quality apartments, however, with far too many of apartments and not always in inappropriate locations.. However, after Sweden's financial crisis, it was realised that developments had to be far more market-oriented, especially if private sector investment was to be attracted. This has led to a different relationship between the development company and the Planning Authority. Much more of the pre-planning is undertaken by NUAB. The rigid overall master plan no longer applies. Instead, the Planning Authority has provided a set of overall guidelines. (For example, residential buildings in certain areas have to be designed to allow for retail uses on the ground floor. However, these spaces do not necessarily have to be used for retailing initially, but it may be required later.) The Planning Authority and the development company have a permanent, joint working group which discusses all planning issues, but the Planning Authority still has to give its formal approval to proposals in the usual manner.

In addition to working closely with the Planning Authority and other City Council developments, NUAB also works closely with developers and potential developers and with potential end users of sites in the area. In this way, the Planning Authority has been able to move development forward step by step, taking advantage of changing market conditions, but always keeping in mind the overall aims of the scheme for Göteborg, as a whole.

The regeneration of Norra Älvstranden has now acquired a real momentum. Already some 6,000 people now live in the area. Over 400 businesses, employing about 15,000, operate there and the 'knowledge centre' has around 9,000 students. Different parts of the area have predominantly different uses and have been developed at different stages. While parts of the site are quite densely built up, others are still quite empty.

Although it is far from complete, the regeneration of Norra Älvstranden is undoubtedly a success – both visibly and invisibly. Over 11 billion SEK has been invested in the area – and none of this represents new money from the public sector. The area is undoubtedly a place in which people with freedom of choice wish to live (and are prepared to pay to do so), and a place in which businesses (including very large businesses) wish to invest. The area is becoming an accepted central quarter for the city, although it is nothing like as lively as the city centre itself, and property values are rising.

On the invisible side – the diversification of the city's economy so that it remains prosperous in a highly competitive world – Norra Älvstranden appears also to be succeeding. It is, of course, impossible to say whether the particular niches (safety, telematics, etc) in which the city is aiming to grow strong, will, in fact, prove to be defensible. However, the City, and the key players in Norra Älvstranden including the major businesses, share a vision and plausible strategy for the economic development of Göteborg, and are working collaboratively to use the redevelopment of Norra Älvstranden to help achieve this vision and strategy. This seems very promising.

Nevertheless, there are still some unresolved issues to be tackled. Norra Älvstranden is still relatively inaccessible, compared with the city centre. In particular, a means of crossing the railway and main roads at the back of the site needs to be found. This will enable the site to be socially and economically part of the remainder of Hisingen, the island on which it lies, and where a sizable proportion of the city's population live and work. (There is also talk of another bridge across the river, but as yet this is only at initial, discussion level). Then there is the issue of broadening the social make-up of the people living and working in the area, to include all sectors of the community, including immigrants. NUAB does not receive any public subsidies, and yet has had to invest in infrastructural and environmental improvements. As a result, there is little 'affordable' housing and workspace in the area at present. There are plans for more social housing in the future to help create a more 'balanced' community. There has also been concern that investment in Norra Älvstranden is taking resources and attention away from other areas of the city. However, NUAB stresses that the City has not spent any extra resources on Norra Älvstranden; the scheme has been financially self-contained.

The area has been gradually developed, followed by divestitures of individual buildings. This led to the development of the area becoming an arena in which the municipality-owned private company could collaborate with new users and various municipal organizations and authorities before letting the private sector freely develop the area. The sales revenues could be used to initiate and finance new projects, as well as for infrastructure investments, and also to enable projects with zero return, but with benefits to the society, as a whole.

3.4.2 Malmö: Ekostaden Augustenborg²

FINANCIAL HIGHLIGHTS – EKOSTADEN AUGUSTENBORG	
Total Cost of Project:	Around 150 MSEK is being invested in total.
Total accrued rent revenue:	Est. 600 MSEK (from 2000)
Annual rent revenue 2007:	92 MSEK
Yield (direktavkastning) 2007:	5.25%
Current assess value (taxeringsvärde) of land and buildings:	655 MSEK
Grant financing:	50% of certain project components were financed by Swedish government programme LIP (Local Investment Programme), total 23 MSEK
Sources of revenue:	Rent (potential real estate sales)

Ekostaden Augustenborg is the collective name for a programme to develop Augustenborg into a more socially, economically and environmentally sustainable neighbourhood.

Ekostaden Augustenborg, one of Sweden's largest urban sustainability projects, was supported by the Swedish government's Local Investment Programme and also financed by key local partners within Malmö City and the MKB housing company. Malmö applied for and received grants from the Swedish Government Local Investment Programme, LIP, for several of the subcomponents in the Augustenborg project.

The project was launched in 1998 and the results , to date, indicate that Augustenborg has become an attractive, multicultural neighbourhood in which the turnover of tenancies has decreased by almost 20%, and the environmental impact has decreased to a similar degree. Ekostaden Augustenborg is a programme to develop Augustenborg into a more socially, economically and ecologically sustainable neighbourhood. The Ekostaden initiative has been developed as a partnership between several departments in the City of Malmö, the MKB Housing Company, local schools, businesses and local inhabitants.

Since 1998, Augustenborg has been undergoing a transformation from a forgotten, or notorious, neighbourhood into a flagship of sustainable urban renewal. Groundbreaking initiatives to tackle flooding through the creation of green roofs and open rainwater systems; innovation in public transport and community-run eco-car-pools; building and green-space renewal to decrease energy and increase amenity and biodiversity; and a major programme to recycle over 70% of waste have all combined to demonstrate the feasibility of having an environmentally friendly habitat in a post-war housing area. A second phase of the project is currently under development and is based on the ideas of local residents, as well as being

² Adapted from Trevor Graham, 2008

partly inspired by the Western Harbour development's success in decreasing energy use and increasing renewable energy production in the neighbourhood.

Ekostaden has also worked closely with other local initiatives, such as the EU financed URBAN programme and a national Social & Economic Development Programme. These initiatives have started to work together with local people to tackle local socio-economic problems and some progress has been made. Unemployment is falling significantly, there are no more empty apartments in the neighbourhood and it is increasingly being seen as an attractive area in which to live.

In Sweden, there is a high degree of autonomy for the local authorities and a limited tradition of working in partnership. The local development partnerships have been interesting initiatives from this perspective. Both have developed with different functions and aims. The Augustenborg partnership is made up of relevant local authority departments (technical and social functions), the school and the local housing company. All of these bodies have committed time and financial resources to the implementation of the project and have constituted the core of the management committee. Local citizens have been involved at a later stage, in a consultative role, although there were initial plans to establish a more formal role for residents in the management group. The initiative for the project came primarily from the housing company and the council-run industrial area in Augustenborg.

Ekostaden Augustenborg is a partnership between MKB fastighets AB, Gatukontoret, VÄrket, Serviceförfatningen and Fosie Stadsdelsförvaltning with additional financial support from the Local Investment Programme for ecological transition, the EU URBAN programme, the EU LIFE programme and a number of other sponsors, totalling around 150 MSEK.

- Project started 1998, first phase finished 2003, second phase starts under 2004
- Partners: MKB housing cooperation, City of Malmö
- 3000 inhabitants, 1800 apartments, 32 ha, of this 3 Ha is an industrial area
- Reduction of negative environmental impact calculated to 15 %per capita.
- 65 % of waste recycled, 60 % reduction in rainwater leaving the area to the wastewater treatment plant
- Total investments 150 million SEK

The government decided in March 1998 to grant Malmö municipality 147.6 MSEK in a local investment programme for ecological transformation and development.

Project	Total investment (MSEK)		Environment related (MSEK)		Grant (MSEK)	
	Asked	Paid	Asked	Paid	Asked	Paid
1. Ekostaden Augustenborg (9 delätgärder)	71	85	71	85	23 (32 %)	23 (27 %)
2. Cykelstaden	34	46	34	46	15 (46 %)	15 (33 %)
3. Sanering av förorenad industri mark	70	42	70	42	49 (70 %)	29 (70 %)
4. Nya Ängslätskolan	190	198	51	51	25 (50 %)	25 (50 %)
5. Malmö i grönt och blått						
A. Landsbygdens mindre vattendrag	10	5	10	5	5 (50 %)	2,5 (50 %)
B. Ringdammen	4,5	0	4,5	0	2 (45 %)	0
6. Ekologisk omställning av Rosengård	57	75	27	28	13 (50 %)	13 (47 %)
7. Administration	2	2	2	2	2 (100 %)	2 (100 %)
8. 100 procent förnybar energi	58	90	32	57	10 (30 %)	10 (17 %)
Totalt	498	546	303	319	146	123

The partnership around the Western Harbour initiative was based in the city's expansion and the planned Housing Expo. The main organisational body for the area was the developers group, co-ordinated by the Planning Department in the city and involving all developers, the housing expo organisation and other relevant bodies. The initiative came from the City of Malmö.

The aims and objectives of the Augustenborg initiative were clearly defined and the submissions for government funding became the common governing documentation on which the partnership operated. The aims of the Western Harbour project were broader in that they focused on (i) the local concerns of developing an attractive sustainable futuristic housing area (ii) the short-term concerns of hosting the National Housing Expo 2001 and (iii) the strategic concern of retaining high-income families and associated tax-revenues within the municipality of Malmö. Both projects have had clear targets and quantifiable outputs, clearly defined and reported, often to external financers (national government, EU, etc.).

Participatory processes in the two projects have been significantly different due to the differing natures of the areas. In Augustenborg, a high priority was given to community participation in the formation and development of the initiative and in supporting additional measures initiated by local citizens. In the Harbour, an innovative process with developers to agree to a consensus Quality Programme has provided all key stakeholders with an important voice in the development of the overall project, from strategic goals to delivery. The Quality Programme has become the guiding document for the development of the area, particularly with regards to sustainability criteria.

Ekostaden Augustenborg was co-ordinated by a small management team, employed by the district council, based initially in the Housing Company office in the neighbourhood and later in another building, which was developing as a community resource and focus for sustainable development initiatives in the area (URBAN programme, social development programme, etc).

Both projects are focused on clearly defined geographical areas – Augustenborg is an existing residential neighbourhood with major road and rail infrastructure marking its boundaries; the Western Harbour is focused on an area between the sea front and the Exhibition Centre.

3.5 Possible structures for urban development funds

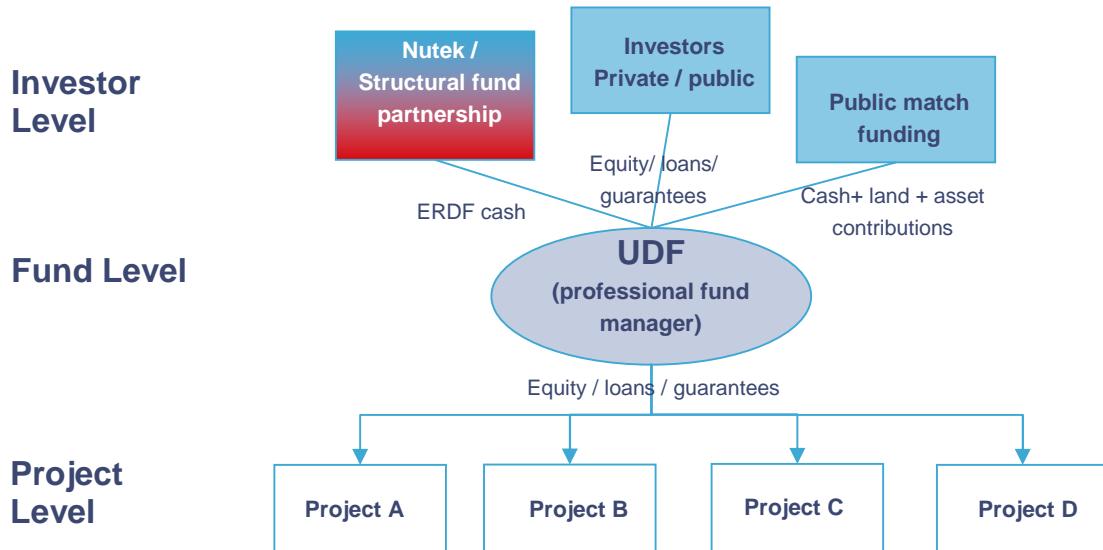
3.5.1 What is a UDF?

The urban development funds obtain investment capital, knowledge, expertise and other resources from private and public stakeholders. These funds make cash payments in the form of investments in development projects, and also receive return cash flows from these projects.

A UDF can be established as an independent legal entity or as defined assets within existing financial institutions, with separate administration, accounting and contracts for its operations. Municipalities and regions may be the principals (shareholders or lenders/co-financers) of a UDF and can contribute cash or other financial assets, as well as properties, buildings and real estate.

Following a formal open call procedure by Nutek, a UDF can make investments in urban development projects on the basis of the fund agreement (shareholder agreement) which Nutek can require to be established with the principals of each UDF. A UDF utilises its own resources for investments, but can also draw on other resources for specific investment projects.

The relationship between the shareholders and the fund manager can be considered to comprise an agreement in which the fund manager undertakes to carry out stipulated tasks, against remuneration. The fund manager acts as a custodian, proactively developing project opportunities. The ownership of the shareholders is separated from the administration of the fund, and the custody of the assets in the fund. In practice, this implies that if a fund-administering limited liability company were to enter into bankruptcy, this would have no effect on the investors, as the fund and the fund manager have separate finances. In this eventuality, the custody institute, in which the net wealth of the fund is kept, would intervene and administer the fund until such time as another fund manager would be able to take over the fund. The objective of this construction is, of course, to protect the investor.



A small executive board of the UDF will be required to administer these tasks. Based on an analysis of current legal frameworks (amongst other things, the Municipality Act, the Swedish Companies Act, the Act on Public Procurement, government support regulations) attempted to identify the motivation and consequences in terms of the choice of various legal forms for a UDF as regards procurement regulations, the possibilities of private contributions at fund level, respectively at project level, timing issues and administrative regulations, as well as the risk of being attacked on the grounds of non-allowed government support.

Our hypothesis has been that entirely independent urban development funds will be established at an appropriate aggregated level, one for each project region. With this basis, separate fund management organisations will need to be established by the principals/stakeholders in each region. Consequently, legal entities must be created in each region for this purpose, and contracts/agreements with the principals regarding the operations must be prepared. The management of the fund's assets is a service that may need to be procured on behalf of the fund, with this procurement likely being a public procurement, as the original principals will belong to the public sector. The party procuring this service must be agreed upon by the stakeholders.

3.5.2 Which legal structure is best suited for a UDF?

When choosing between a civil law form (e.g. limited liability company, foundation) and a public law structure (e.g. local federation, joint committee) for the fund, one guiding principle should be the potential perceived by the principals for attracting private investors and/or financiers at fund level. Private actors may participate in a civil law structure, but not in a public law structure.

In summary, we believe that the structure of a private limited liability company (aktiebolag) is probably the most appropriate legal structure for the establishment of a UDF in Sweden. This type of company can be established with municipal shareholders and can enter into contracts as required.

4 Legal environment and restrictions

4.1 Introduction

In the discussions with the cities and Nutek in the working groups around the potential implementation of JESSICA in Sweden, a number of legal concerns were identified at an early stage. We have investigated these together with our legal experts, and have not identified any constraints that would make it impossible to organise UDF structures according to the JESSICA framework, although a few issues need to be closely guarded in the subsequent work.

The legal restrictions that were identified and analysed include:

- Restrictions on the commercial use of land and property owned by the public sector
- Demonstration to evidence that legal structures exist resembling (or could possibly resemble) UDFs
- Determination of the manner in which grants from OPs be transformed into repayable and recyclable assistance?

We will return to these questions after a few paragraphs on the legal environment for municipal investments and contributions from Operational Programmes.

4.2 The organisation of fund management tasks

As regards responsibility for the establishment of the fund structures (holding fund or UDF), this process may well initially involve public principals alone, in such a manner that private investments only enter the picture at project level. However, we do not consider that allowing private participation at fund level (beside the Structural Funds grants and public co-financing) would contravene the regulations, or should, otherwise, be ruled out in advance, even if current market conditions limit the possibilities of bringing in private stakeholders at an early stage.

The potential procurement of fund administration to be carried out by the principal falls under the stipulations of the Public Procurement Act, while the procurement and the investments carried out by a UDF will be governed by the agreements established between each UDF and its principal. In other words, a civil law fund structure is not necessarily covered by the Public Procurement Act, even if it is likely that the Public Procurement Act should be applied by a UDF.

In terms of a budget for fund management, it is still too early to predict the costs, with any degree of certainty. In some cases, municipalities may choose to organise the fund management tasks using largely their own employees, and in other cases outsourcing of fund management may be chosen. We believe that there are significant synergies and economies of scale in the coordination of fund management tasks, which also means that cost efficiency can be significantly improved if a coordinated approach is chosen.

Our best estimate is, currently, that a completely separate and independent UDF will incur management costs of 2-4MSEK p.a. Depending on the size of the UDF and/or Holding Fund, these tasks could be funded by interest income earned on the temporary investment of the ERDF cash contributions (i.e. it pays for itself).

4.3 State aid and other restrictions for municipal match funding

If investments from private sector investors are provided to the UDFs or directly into the projects on more favourable terms than ERDF or other public sector monies, state aid may exist and may be considered inappropriate. Therefore, specific consideration of state aid issues needs to be taken when a UDF investment is made.

An assessment based upon the identified projects in each urban area does not imply any immediate risk that a UDF would be accused of receiving or distributing inappropriate state aid, providing that the selection procedure for investments in individual projects and the selection of a UDF for the receipt of structural funds is based on fundamental Community law principles.

Moreover, the UDF capital is expected to be invested in several parallel projects. A UDF is an investment fund which is required to invest its available funds in projects. A UDF is likely to seek such provisions for its investment funds (of in the form of loans/warranties) within a limited geographical area (as set out in the shareholder agreement). In this manner, it will be able to contribute an integrated approach to investments in urban development and growth.

The potential for publicly matched funding from municipalities to ERDF financed projects (including any potential JESSICA based UDFs) could be restricted by the provisions in the Local Government Act (Kommunallagen) stating that the action should be in the public interest and should have a clear relationship to the geographic area or members of the municipality or county in question (Chapter 2, Section 8, first paragraph) and that directed support to individual commercial organisations may only be given if there is particular reason to do so (Chapter 2, Section 8, 8th p.). In a recent government bill to the Riksdag (2008/09:21), it is proposed that a competency expanding provision should be introduced, giving municipalities and counties the possibility to provide publicly matched funding within the framework of ERDF grant schemes and Operational Programmes beyond the existing restrictions concerning geographic and benefit to citizens.

It is our assessment that, as long as the operations in which the UDF fund invests fall within municipal competence and can be considered to be "conventional municipal operations" and as long as the fund invests on market conditions, the Local Government Act (Chapter 2, Section 8, first section) should not cause any serious concerns. The state aid issue, from an EU law and Municipal law perspective, must be monitored and can also be regulated in the shareholder agreements, particularly as regards the distribution of risks and returns between public and private stakeholders in a UDF.

As regards investments in a fund or project made by a municipality in the form of the transfer of land or properties, this should also be based on market value. These are, however, basically issues which could be regulated in forthcoming contracts between the UDF and its principals, and in conjunction with decisions made by the fund's investment committee as regards investments in various projects.

4.4 Conclusion on the Swedish legal framework for a continued JESSICA implementation

In summary, we have not been able to identify any regulations in Swedish or EU law that would prohibit the Partnership Management Committees from prioritising allocations to Urban Development Funds without being advised of the specific details, or without having reviewed a business plan for each of the future projects of the UDF. Our assessment is that these prioritising decisions can, from a legal perspective (given that this is in line with the political desire of the participating organisations), be based on descriptions at UDF level of the intended investment strategy, along with an indicative account of potential investment candidates.

To reach this conclusion, we have made the following observations and considerations:

- The UDF will be an independent legal entity, possibly in the form of a limited liability company with shares held by municipalities where a shareholder agreement will regulate e.g. liquidity policy, asset management, investment focus and decision procedures for making investments, as well as the treatment of return on investment, in accordance with e.g. state aid regulations.
- Potentially, the principals may have to procure services for fund management and other tasks. In doing so, these procurement procedures will be undertaken under public procurement law unless other procedures can be applied under a Holding Fund framework.
- Municipalities are free to contribute assets to the UDF, but must do so without violating the Market Investor Principle (state aid regulations) or the restrictions on profit-generating investments or charge levels in the Local Government Act. Based on ongoing discussions in this area, we believe that the Market Investor Principle is the stronger regulation and that state aid issues will need to be carefully guarded when negotiating UDF shareholder agreements, composing investment policies and making investment decisions.
- According to current EU guidelines, land and other non-monetary assets can be accepted as publicly matched funding, providing that there is appropriate supporting documentation to the market value of these assets.
- Private sector participation at the UDF level may take place in the form of municipal companies, but is unlikely to involve privately held companies. However, private interest for participation at UDF level is likely to increase if there is a track record and if there are other resources clearly identified .Moreover, private sector interest for participation at project level is likely to increase if a fund structure is applied, as the project is screened, “trimmed”, in the process leading to acceptance by the Investment Committee.

Returning to the initial issues that were raised concerning the legal appropriateness of a continued implementation of JESSICA in Sweden:

1. Restrictions on the commercial use of land and property owned by the public sector

Our assessment is that although municipalities have to balance partly conflicting regulations (state aid and non-profit), there is no real obstacle in contributing land and other assets to a UDF structure that is owned or part-owned by the municipality.

2. Demonstrate that legal structures exist that resemble (or could resemble) UDFs

We have in this Final Report shown a couple of illustrative examples of municipality-owned companies undertaking urban development projects using public land resources and revenue potential.

3. How can grants from OPs be transformed into repayable and recyclable assistance?

Although existing regulations need to be balanced and watched, we do not consider that existing regulations raise any insurmountable obstacles against using JESSICA based urban development funds for transforming ERDF grants from existing Operational Programmes into repayable and recyclable assistance.

5 Regional evaluation studies

5.1 Malmö

5.1.1 Background

Key facts

Malmö has seen a very positive development in recent decades. Clear signs of this are the transformation from an industrial city to one with a university, a fixed transportation link with Copenhagen and with an extensive establishment of knowledge-intensive companies. At the same time, Malmö is characterised by imbalances in welfare, easily observable on the labour market and in housing. The hitherto generally very positive development, with strong economic growth, has not involved the full utilisation of the entire city's potential as an engine for the region, nor has its full potential to create a sustainable and coherent city been achieved. The fact that Malmö continues to be a divided city, with evident differences in living conditions between different areas is, in many ways, rooted in the existence of barriers of a physical nature. Consequently, efforts to remove these physical barriers through investments of various types will be of major importance for continued positive development and for the possibility of fully shouldering the city's role as a regional engine.

Malmö is the third largest city in Sweden, with a population of 284,987 as at 30 September 2008. At this date, Skåne County had slightly more than 1.2 million inhabitants, and the Öresund Region 3.7 million in total. During 2007, Malmö's population increased by about 4,600, and the rate of increase continued to be the same in 2008. Malmö's development can be well illustrated by population growth. In 1970, Malmö had 265,000 inhabitants, a number which had decreased to less than 230,000 by 1984. Slightly less than 30% of Malmö's population was born outside Sweden. Migrants from Denmark currently constitute the single largest group. Movement to and from Malmö, as well as within Malmö, is high. Malmö also has a comparatively young population. The average age is 37, which can be compared to the corresponding number for all of Sweden, 41.

Malmö's role in the development in the region can be illustrated by the extensive amount of commuting which takes place to and from the city. Approximately 55,000 people commute to work in Malmö, while 25,000 commute from the city to work in other municipalities.

The labour market in Malmö has undergone a dramatic change in recent decades. From being a typical industrial city, Malmö is now a city clearly characterised by growth within services and knowledge-intensive companies within various industries. The largest segment is "trade and communication", with about 24% of job opportunities, followed by "finance and consulting" with 19%, "nursing and health care" with 15% and "manufacturing industry" with 11%. The largest employers, except for the City and Skåne Regional Council, are the building company, Skanska, and the Swedish Post Office, Posten. Salary level development in Malmö notably exceeds the development reported for the other parts of the country, including the other two major cities.

The unemployment rate, before the current fluctuations in the business cycle, amounted to approximately 3.5%, as compared with the national average of 2.7%. Possibly of greater interest is the employment rate for those between 20-64, which amounts to 64%, as compared with the national figure of 76.7%. The imbalance mentioned at the beginning of this chapter becomes clear, as does the social exclusion and, it is important to add, the unused potential, waiting to be tapped.

The so-called “incapacity rate” in Malmö has decreased in recent years, in line with the country as a whole. “Incapacity rate” refers to a measurement of the number of days per insured party for which sickness allowance, industrial injuries allowance, rehabilitation allowance, sickness benefit or activity compensation have been paid. In Malmö, the figure for 2008 is 35.4 days, which is at the same level as the figure for the Skåne County as a whole, and is slightly lower than the corresponding figure for the nation as a whole.

Malmö University has seen a rapid and very positive development and the University plays a prominent role in the transformation Malmö has experienced. The University currently has approximately 20,000 registered students. The proportion of the population of Malmö with post-secondary education is 41%, as compared with the national figure of 35%.

During the last four years, approximately 5,000 housing units have been built in Malmö, a rate of construction which is, historically, very high. Furthermore, a number of larger investments have been made in the City's infrastructure, such as the City Tunnel, Västra Hamnen and Norra Hamnen, sports facilities and the University. Generally speaking, the investment volume in Malmö has been very high in recent years.

The ERDF for Skåne-Blekinge

During this Structural Funds Period, Sweden is divided into eight so-called NUTS II areas. The City of Malmö is included in an area covering Skåne and Blekinge Counties. A Structural Funds Programme including an operating programme exists for this area. This programme includes three action areas, the third of which is focused on “special urban measures”. A proportion of 25% of the programme’s budget has been earmarked for this action area. The overall goal for the action area is “reinforced sustainable development in the urban area to enhance economic growth in the whole region”.

Three Priority Axes exist within the action area “special urban measures”, the second of which has the title “local area measures”. There follows below a summary of the goals, activities, selection criteria and main beneficiaries of this Priority Axis.

The goal for the Priority Axis as a whole is as follows: “to promote a development of the urban area that creates cohesion and integration and utilises people’s resources for sustainable growth.”

The aim is to contribute to structural measures at local area level in order to combat social exclusion, in which investments will create the conditions for entrepreneurship, work places and employment. Cooperation between public stakeholders and local stakeholders shall be promoted and efforts should also be implemented through a combination of funds from ERDF and ESF. The operating programme specifically mentions that “the investment tool JESSICA will be studied for possible testing, with the aim of increasing the quality of neglected physical structures”. At present, approximately MSEK 48 is available within this Priority Axis.

Examples of activities that may receive support include

- the stimulation of small-scale service production in deprived areas
- the support of cooperation between the public sector and new forms of business linked to housing, for increased service and heightened attractiveness,
- the support of processes of change in residential areas, as regards the administration of housing units, improved environments and heightened security, possibly supported by venture capital procurement in early stages, on the basis of the JESSICA initiative, and

- the promotion of meeting places for the development of contact networks to promote individuals' establishment on the labour market and in society.

A number of activity and result indicators are presented in the operating programme. These include the “number of new investments for increased attractiveness” and the “number of private-public partnerships”.

Among these selection criteria, it can be mentioned that the projects should have a clear urban dimension, with a starting point in the region’s unique major urban environments, dedicated to increasing the attractiveness and welfare in the housing areas as the objective for the joint priorities of both the Swedish government and the Municipality. According to the programme, the projects shall also contribute to improving the conditions for entrepreneurial activities and new businesses, as well as diversity, unity and integration.

The programmes for sustainable urban development

There exist a number of programmes or equivalent documents stipulating the focus of the Municipality’s efforts for sustainable urban development. Among those that can be mentioned in this context are the physical comprehensive plan from 2002, for which an applicability assessment was conducted in 2006, and the action programme “Welfare for All” from 2004, as well as the newly prepared environmental programme. In addition to these, special mention should be made of the so-called Metropolitan Agreement (“Local Development Agreement for the Period 2008-2010 for Urban Development Work”) between the City of Malmö and the Swedish government, as well as a Dialogue Memorandum for the urban area Rosengård (“Strategies for Development in a Urban area”). The latter document was presented in November 2008 and should be considered a part of the Municipality’s commitment with the Swedish government included in the Metropolitan Agreement.

In all the documents mentioned here, it is pointed out that Malmö is a city that is divided in a number of aspects. Recent decade’s development and transformation has entailed the development of a new Malmö, a Malmö growing in its role as a university city and centre for the knowledge-intensive production of both goods and services, engaged an increasingly intensive exchange with the surrounding region on both sides of the Öresund Channel. At the same time, there exist areas within Malmö that have not taken part in this development and which are not contributing to development in relation to their potential. There exist several barriers, some of which are physical.

Given this background, the strategy for Malmö’s further development is clear. The goal is to continue to stimulate the development in the direction taken in recent years, at the same time as goal-oriented efforts are made to decrease social exclusion in certain residential areas in order to tear down barriers and to fully harness these areas’ latent potential.

In the programme “Welfare for All”, there exist a number of goals and commitments in five different areas: work, education, living and meeting places, safety and growth. The comprehensive plan points out Malmö’s regional role as an easily-accessible place for work, service, education and events, among other things. Malmö shall support development in the Öresund Region, Skåne and the south-western parts of Skåne. This should be achieved through efforts within infrastructure and the provision of housing and through various measures to decrease segregation and generally increase the attractiveness of the city.

During 2008, the City of Malmö and the Swedish government signed a Local Development Agreement for the period 2008-2010 for urban development. The agreement “expresses the

parties' joint intent during the period to ... aim to diminish the level of social exclusion in the urban areas covered by this agreement". The urban areas in question in Malmö are Fosie, Hyllie, Rosengård and the southern inner city. The agreement does not imply that further funds will be made available to the City. The City is expected to create a local partnership, including government authorities, the Region, trade and industry, as well as property owners and residents' organisations. Within this partnership, the City should establish a strategic urban district plan, with goals within the areas of work, education, security and growth. According to the agreement, the Swedish government should, furthermore, pursue a dialogue with the Municipality regarding the need for coordinated efforts and state initiatives to stimulate the development of the urban areas and the residents encompassed by this agreement.

In the form of a Dialogue Memorandum, the City Building Office has established strategies for the urban area of Rosengård during the autumn of 2008. This document includes a number of suggestions for measures in the physical structure of the area to increase its attractiveness. This can take place through such measures as the creation of meeting places, the removal of physical barriers, the development of new public transport routes and the creation of conditions giving rise to more work places and innovation in the area.

With reference to the above presentation of these four documents, it is apparent that there exist particularly favourable foundations as regards the direction of the work for sustainable urban development in Malmö. One of the documents also has the character of an agreement between the City and the Swedish government, while two of the urban areas mentioned in the agreement are the subject of proposed projects, as described below.

5.1.2 Our approach

The roles of the Regional Working Group and PwC

Öhrlings PwC has been engaged by the European Investment Bank (EIB) to conduct an evaluation study regarding the conditions for application of the EU's tool JESSICA to Sweden's three metropolitan areas. In accordance with the working model presented in PwC's proposal for call to EIB, an important part of this evaluation study has been formed by the analysis of the conditions and the preparation of an inventory of possible investments and the identification of potential stakeholders, in collaboration with regional working groups.

The working group in Malmö consists of representatives of a number of local authorities in the City of Malmö, NUTEK's regional office, MKB and the association Drömmarnas Hus ("the House of Dreams") in Rosengård. The group has met on two occasions.

Through the work in the group, the proposals for investments, stakeholders, timetable and indicative budget have been rooted both locally and regionally. PwC's role has been to contribute to the creation of the working group and to contribute information concerning the JESSICA instrument at workshops with the working group and in connection with building support for the ideas provided by the stakeholders who were unable to participate in the meetings of the working group. PwC has also summarised the terms and conditions recorded and has placed these into a national JESSICA perspective.

The identification and nomination process for determining the projects included in this study

In reference to the positive development and remaining challenges in Malmö as described above, and in reference to the potential for an enhanced role as a regional catalyst, it has been deemed natural to concentrate the measures that should be supported by funds under the structural funds' "special urban operations – local area operations" with the application of the EU instrument JESSICA to south-eastern Malmö, which in this case includes the district Holma-Kroksbäck.

5.1.3 South-eastern Malmö including Holma-Kroksbäck – an area with potential for development

Today, south-eastern Malmö is the area defining the city as young, creative, and multicultural. Consequently, Malmö is an important growth catalyst, even if the effect of that growth, in terms of the increased welfare of the inhabitants, is less noticeable in this part of the city. There exists great potential in south-eastern Malmö, from the entrepreneurial district in Norra Sorgenfri, which is taking first steps towards renewal, to the cultural suburb of Lindängen, where new forces are taking over. Here there is proximity to the growth zone of Hyllie, with Holma-Kroksbäck at its outskirts, and Möllevången, which is teeming with urban quality, to??? including the creative and cosmopolitan Rosengård. Located in the middle of this area is Augustenborg, the international benchmark for sustainable urban renewal.

The south-eastern Malmö area extends southwards from Norra Sorgenfri, Augustenborg, Nydala, Hermodsdal, and Lindängen to Holma and Kroksbäck, and eastwards from Möllevången to Törnrosen, Örtagård, Herrgården and the rest of Rosengård.

Approximately 30 percent of Malmö's total population lives in this south-eastern area. Of these residents, a total of 45 percent were born outside of Sweden, while 60 percent are of non-Swedish descent, which can be compared with 27 percent and 36 percent, respectively, for Malmö as a whole. The south-eastern Malmö area has more immigrants than Malmö on average, but the variation within the area is high, from 24 percent in Katrinelund to 67 percent in Herrgården. There is significant diversity in the area – a total of 154 countries are represented. In all of Malmö, 171 countries are represented. In the area live 74 percent of Malmö's Iraqis, 80 percent of Malmö's Somalis and 70 percent of Malmö's Lebanese and Bosnians. The largest groups born outside of Sweden are from Iraq and the former Yugoslavia. Of Malmö's unemployed (18-64 years), 43 percent live in the south-eastern area and 54 percent of those inhabitants of Malmö receiving economic support live in the south-eastern area. The employment rate (20-64 years) is 48 percent. The corresponding figure for all of Malmö is 64 percent. Ninety-two percent of all employers in the south-eastern Malmö area have fewer than 20 employees. Twenty-three percent are entrepreneurs. Fifty-seven percent have five or fewer employees. About 23 percent of the population (20-64 years) in the area have only nine years or fewer of education. The corresponding figure for all of Malmö is 16 percent.

Meanwhile, it should be noted that official statistics often paint a picture of these districts which, in itself, can worsen the conditions for development. Unofficial statistics present another type of view in that they present questions from another perspective. For instance, 40 percent of the inhabitants of Hermodsdal claim to have a better level of education than has been officially determined as the minimum level in Sweden, which suggests a large, hidden potential, as well as structural discrepancies contributing to social exclusion. In the ongoing work of analysing the area and producing an action plan for south-eastern Malmö, a number

of such issues have been identified in which local stakeholders cannot control the situation, but where action could improve the situation significantly.

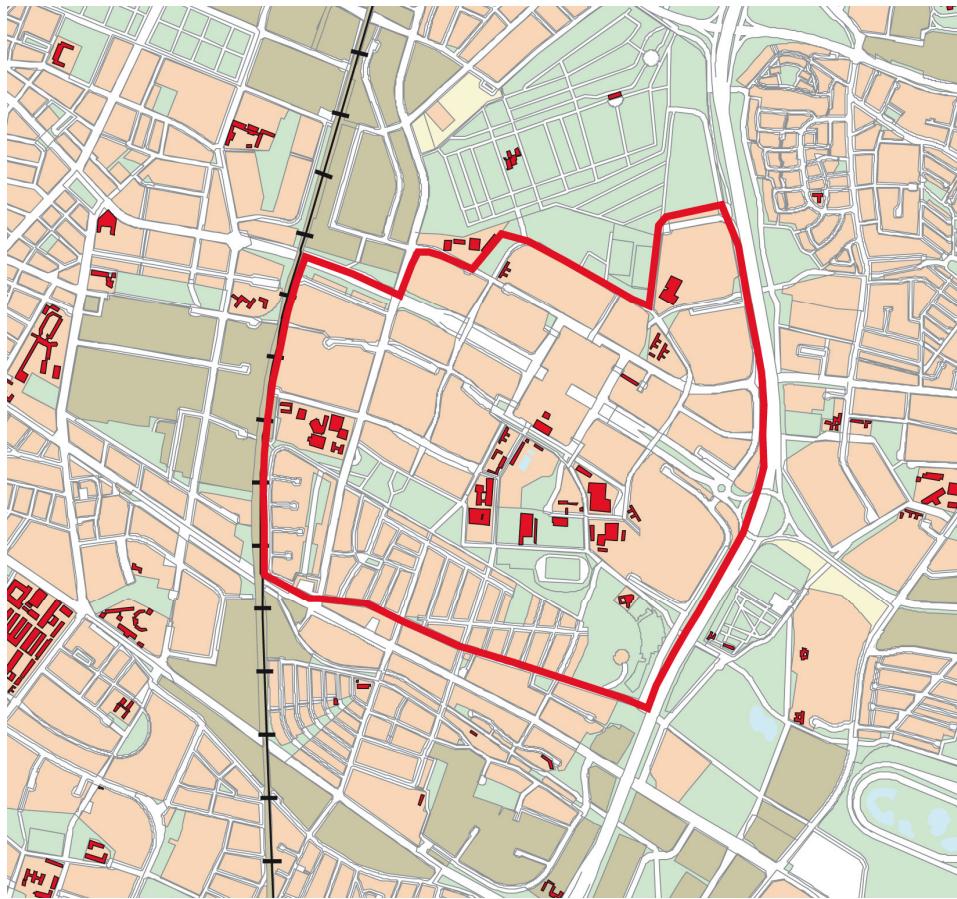
In south-eastern Malmö, there exist both traditional housing districts (e.g. the stretch covering Nydala/Hermödsdal/Lindängen) and outdated industrial areas from the 1930s and 1940s, of an almost exclusively commercial nature (N Sorgenfri and N Grängesbergsgatan), and large-scale Million Programme areas from the 1960s and 1970s. There also exist areas with a mixture of both commerce and flats (Möllevången). The pre-War construction needs to be vitalised, and the industrial areas need to receive new businesses, complemented with housing units and services. The post-War constructions need to be more concentrated, primarily as regards new work places. Measures of this nature contribute to fulfilling the overriding goals for Malmö's development: to make the city more concentrated, diverse, vital and sustainable. The area is generally characterised by small businesses, cultural diversity and opportunities.

5.1.4 Possible Priority Projects for the JESSICA fund

There are two areas within this part of Malmö in which a few important investments, which could be relevant in terms of JESSICA, could function as catalysts for a broader and more positive social development.

Rosengård

Rosengård is an area inspiring many associations, both positive and negative, but which forms the core of a large part of southern and eastern Malmö and which currently defines the city – youthful, creative and multicultural. Accordingly, this part of the city acts as an important instigator of growth for Malmö's development, even though the effects of this development are not always obvious in areas such as Rosengård. The urban area of Rosengård consists primarily of areas characterised by the classic Million Programme, but also includes a district of detached, single-family homes, constructed during the period 1930-1950.



Rosengård is not a homogenous urban area, and includes large, prosperous tenant-owners' associations, areas of detached single-family homes and a well-managed stock of rental flats. The entire area is characterised by various physical barriers, both external and internal. Towards the west, in the direction of the city, there is a railway line, where safety regulations prevent housing construction in close proximity, and where the possibilities for crossing the railway tracks are limited. Towards the east, is the motorway-like ring road, which also cuts off the urban area from the eastern parts of Malmö. North of Rosengård is the cemetery, Östra Kyrkogården, which, despite its beauty and positive contribution to the local environment, also constitutes something of a physical barrier towards the north.

The urban area also includes additional internal physical barriers, such as Amiralsgatan, the most obvious, a sunken, four-lane road cutting through the area, dividing north from south. Recent shopping centre spans Amiralsgatan, while a number of footbridges attempt to create connections, but this part of the urban area's core remains barren and difficult to navigate. Between the "Million Programme Rosengård" and the "Detached Single-Family Home Rosengård", there exists a green open space, where the recreational facilities around the swimming pool Rosengårdssbadet form the connection between the built-up areas to the north and south.

At the juncture formed by the recreational facilities, the green open space, the motorway and Amiralsgatan is Herrgården, the section of Rosengård that solely consists of rental accommodation and where the large turnover speaks for the area's role as first stop for many newly-arrived refugees and as a first step on the property ladder. This contributes to a difficult socio-economic situation, which is worsened by cramped living conditions in poorly-suited

accommodation and by the aforementioned structural obstacles to open access to further education and the labour market.

Many exciting activities, initiatives and planning processes are underway at Rosengård, which, taken together, are close to forming a critical mass for the transformation of the area. The City of Malmö's City Building Office has recently completed the first phase of work towards a comprehensive renewal strategy for the urban area, which may act as an important turning point with consequences for the Malmö and for the region as a whole. The opportunity now exists to transform the infrastructure and to bridge the barrier effects, increasing cohesion, trade and areas for social interaction. Increasing the concentration of new housing units and other premises may lead to a reduction in the number of inhabitants moving away from the area, and may also result in improved urban development around the centre, with positive economic and social consequences. New attractions, such as the swimming pool and Drömmarnas Hus, may attract other residents of Malmö to the area, as well as inhabitants from outside the city. New public transport connections, with rail bound traffic and transport hubs connecting tramway and railway immediately to the west of Rosengård, may help to link the urban area with central Malmö.

Current activity in the area

For the last 20 years, Drömmarnas Hus has operated a down-to-earth and effective cultural programme, which has developed from its local roots in Herrgården to become an engine for youth culture and integration on a regional level, gaining unbeatable local support and status. Drömmarnas Hus is currently working, with support from the City of Malmö, to plan an innovation and cultural centre at Rosengård's Herrgård (the so-called IC Huset), which may act as a regional centre for innovative upper secondary school and university education, premises for commercial and cultural events and other activities.

Drömmarnas Hus is currently mobilising investors and partners to create an exciting concept which may act as a drawing card to enable a greater mobilisation of investors in the area.

MKB Fastighets AB has recently purchased a number of rental properties within Herrgården and is driving a positive development in living conditions in the area, encouraging other property owners to participate in enhancing the area. Municipal local authorities are also working within Herrgården, in close collaboration with local residents, to transform the little park within the area.

MKB has a large stock of rental accommodation in the southern part of Rosengård, where the company has worked actively and successfully during a long period of time to increase the district's attractiveness, and is now taking this activity further and opening so-called "bokaler", which combine accommodation and entrepreneurship in a new concept.

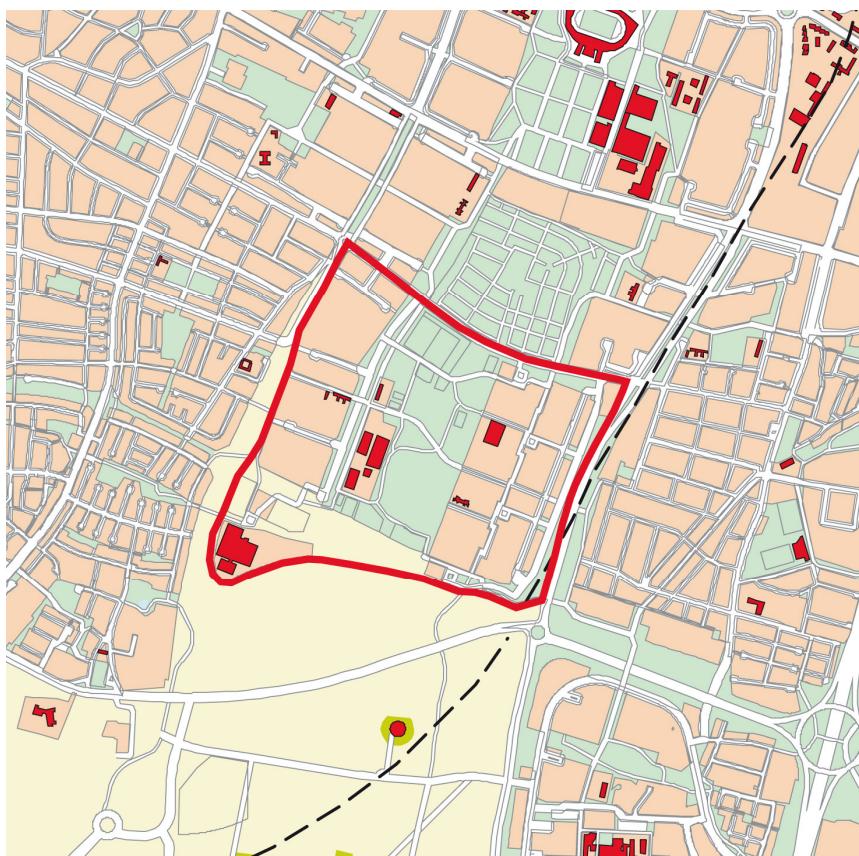
Malmö City Real Estate Department, which owns the swimming pool and the recreational facilities around the ice rink, is planning an important investment in this area in the near future. Previously, ideas have been presented for a Turkish bath, as a future attraction.

An extensive renovation of the shopping centre, Rocent, has contributed to improved profitability, and conditions are positive as regards continued work with this development.

One of Malmö's largest tenant-owners' associations, located on the northern side of Rocent, is planning major renovation work, with increased energy efficiency, investments in renewable energy and local management of surface water.

Holma/Kroksbäck

Holma and Kroksbäck are two residential areas in the urban area of Hyllie, which are quite typical Million Programme districts. These residential areas are separated by an underused park. To the east and west of the area, major roads cut off surrounding urban areas. Unlike adjacent areas, Holma and Kroksbäck have a low employment rate and low average income. MKB is the largest single property owner. Furthermore, there are also a number of tenant-owner associations and other owners in the urban area.



Conditions for Holma and Kroksbäck have changed significantly in conjunction with plans to develop an area lying south of the area in order to build a shopping centre, ice hockey arena, commercial area and housing units in conjunction with a new railway station with connections to Copenhagen and Malmö Centre . This has entailed a certain degree of deterioration and short-term risks. For example, the green open space and allotments to the west of Kroksbäck have been replaced by a four lane road which currently forms a powerful barrier against the adjoining area of detached houses (not shown on the map). Furthermore, the new route of Annatorpsvägen, south of the area, has further increased separation from the new area under construction to the south. However, there are possibilities in sight for the entire area to gain greater attractiveness as a result of its proximity to the expansive Hyllie. If Holma and Kroksbäck succeed in integrating in this development, their status may change considerably, but if they are excluded, the segregation effect may, instead, intensify.

Current activity in the area

A land area in North Hyllie, south of Holma-Kroksbäck, is about to undergo development. Starting in March 2009, HSB will construct approximately 250 flats. This construction will take place in three stages, one each year. There is also capacity for approximately three times as many housing units and services in the area, so further development may take place.

The Road and Traffic Office is planning a themed playground, a unique contoured football pitch and a new exercise area for dogs in Krokbäcksparken in 2009. This is part of a larger plan for Krokbäcksparken, to be implemented over several years. Back in 2007, the project "adventure pedagogy" was initiated, based on the concept that young people can learn to cooperate by carrying out exercises in a park.

Malmö Environmental Administration is running a smaller project called "Ecological Adaptation of Post-War Buildings". As the name suggests, this project concerns an attempt to environmentally adapt post-War residential areas, above all, perhaps, within the Million Programme districts. These areas have a great need of regeneration, so the Environmental Administration carries out inspections to assess what can be done to make these areas more environmentally friendly. Kroksbäck is included in this project. The efforts of the Environmental Administration and MKB as regards environmental adaptation have principally been directed towards the school in Kroksbäck.

MKB is undertaking several projects in both Holma and Kroksbäck.

In Holma:

- MKB is involved in Holma Aktivitetshus, a youth activity centre. MKB coordinates and supports activities in the premises.
- Attempts are being made to actively attract increased trade and industry to the area through advertising and the creation of more attractive premises. Increased trade and industry in Holma would stabilise the area, according to MKB.
- An evaluation study is being carried out on the development of a handicraft street in Holma. EU funds have been received for this purpose. This is intended to be a shopping street with "bokaler", combined residential and commercial premises in which craftsmen can live and work.

In Kroksbäck:

- MKB is involved in "Kroksbäckslyftet", a project to enhance and improve living conditions in Kroksbäck socially, environmentally and from a public safety point of view.
- MKB is collaborating with social networks in the area, such as schools, social security offices and the police in order to produce solutions for the area.
- Sponsorship of the after-school centre, Flamman.
- Mellanbäcksparken, a park for children and young people, is in the process of being completed and will be inaugurated in August.

The City Building Office is considering creating improved connections in the area. Ideas have also been voiced regarding increasing the concentration of buildings.

The Services Administration wishes to inspect the local school, Kroksbäcksskolan. The school is out-of-date and must be adapted in order to be able to better meet new educational

requirements. The school environment needs to be made more attractive. In addition, there are too many students for the size of the buildings. However, at the moment, there is no finalised plan as to the manner in which the school is to be handled.

It is very important that the new construction in north Hyllie is well connected to the existing areas of Holma-Kroksbäck. The strengthening of the obstacles existing in the area must be avoided and new obstacles should not arise. One way to do this is to ensure that the barrier effect of Anneterpsvägen is reduced by decking over the road with residential properties and public areas to create a natural connection between Holma and Holma-Kroksbäck.

Potential for development

The pieces of the puzzle fit together to provide a broad and long-term commitment to physical change for Rosengård and Holma-Kroksbäck, at the same time as a commitment is made towards the elimination of structural faults and work with capacity building measures to achieve stronger socio-economic development. If these elements are addressed, together, in a coherent long-term area strategy, there exists great potential for development.

With this, development all over Skåne will change. This definitive breakthrough for the positive and exciting multicultural Malmö will dampen the xenophobic tendencies that have received their clearest political expression in other parts of Skåne, outside Malmö's boundaries. Positive images from south-eastern Malmö can send powerful signals to similar areas in Helsingborg and Landskrona. An increased employment rate in these districts of the City will improve its economy and the Region's economy, launching a positive upwards spiral. A release of creativity, entrepreneurial spirit and youthfulness will create new opportunities for entrepreneurship in Malmö and the entire Region. An even stronger positive image of a Malmö in which segregation problems are successfully addressed will increase the attractiveness of the entire Region as a safe and secure place in which to remain, live and establish businesses. In other words, a commitment to a small, geographically limited part of Skåne may positively impact the entire region.

5.1.5 The projects

Descriptions

Below are presented three investment projects which have been identified within the framework of this evaluation study. The projects are at different stages of development and all of them have a certain amount of work remaining before they can be given a comprehensive description. The three projects are:

1. The innovation and educational centre IC Huset in Rosengård.
2. Investment in land and roads to enable the enlargement of the current parking facilities for the main building in Rosengård's shopping centre, with housing units and businesses.
3. Decking over of the street level of the Holma-Kroksbäck urban area to enable the sale of development rights for a higher concentration of buildings in the area.

IC Huset

The Innovation and Training Centre, IC Huset, at Drömmarnas Hus is considered to be a project of a strategic nature which may be an important contribution to trigger the transformation of this entire urban area.

Drömmarnas Hus is the base for the cultural, educational and developmental activities operated by the association Theatre X, which has grown from its local roots to become a regional activity also commanding strong support at national level. The association's turnover is currently approximately SEK 25 million, making it a powerful and well-established stakeholder. IC Huset is intended to bridge the gap in the local market for premises for culture-related education, conferences and medium-sized exhibitions or trade fairs, as well as other developmental work.

According to earlier calculations made by the City Real Estate Department of the City of Malmö, an investment into new premises has been calculated at approximately SEK 150-200 million. At the same time, operating and repayment expenses have been estimated to amount of approximately SEK 15 million.

A ten year business plan is currently under preparation. This plan will facilitate the estimation of the scope of operations and budget and allow planning for specific needs. A number of stakeholders are holding talks with Drömmarnas Hus and are expected to sign a Declaration of Intent by 15 February 2009, when a more extensive proposal will be presented to the City of Malmö. Region Skåne, Malmö University, Rosengård Urban area administration, Kultur Malmö and the Education Administration's Aesthetic Secondary School Programme are stakeholders with whom discussions are taking place with regards to the rental of IC Huset for various types of activities. In addition, advanced discussions are underway with three large and well-established private stakeholders, one with international activities and reputation, as regards the establishment of these parties in IC Huset.

It is unclear as to which entity is to manage the construction of IC Huset, but the City of Malmö is one conceivable developer, at the same time as negotiations are underway with a heavyweight private stakeholder who has expressed significant interest. A further possibility is for a joint development company to be established. These models must be further investigated. The main stakeholders are the non-profit organisation Drömmarnas Hus, and the City of Malmö. In addition, there are other stakeholders, such as other larger property owners in the area and, possibly, Region Skåne. As regards the activities to be undertaken in IC Huset, a potential partial financier may be found in the European Social Fund.

We have made the following assessments regarding the criteria: The project is completely in line with the aim and direction of Malmö's strategic development, as stated in the documents presented above. The project thereby also corresponds with the mutual commitments of the so-called "Metropolitan Agreement" between the City of Malmö and the Swedish government. The level of earnings continues to show a degree of uncertainty, but should be satisfactory considering revenue levels for operations in the current premises. Both public and private stakeholders have been identified.

Activity in the association, Drömmarnas Hus, is open and inclusive, and appeals to a very broad target group, young and old, women and men, those born in Sweden and those born outside the country, residents of Malmö and residents of other parts of Skåne. The project is aimed at developing a meeting place in Rosengård which will have positive effects on the attractiveness of the area and which will contribute to creating a contact network to promote the participants' establishment on the labour market and in the community. An evaluation

study is currently been carried out under assignment of the City of Malmö. The results of this evaluation study will be reported in spring 2009, at which point further details relating to the business plan, earnings and project organisation, among other things, will be clarified.

Rocent

The Rocent shopping centre represents the central point of Rosengård and, aside from shops and stores, the centre also contains a number of official and public functions. A certain reprofiling of Rocent took place a number of years ago, which led to City Gross moving into part of Rocent, resulting in a city-wide customer base, whilst the remaining businesses still focus on local customers. Potential exists to continue to raise the level of attractiveness of Rocent by creating a more inviting environment around the actual central buildings.

A large two storey car park, the lower level of which is considerably underused, is situated adjacent to the shopping centre. The entire area is surrounded by major roads, in addition to which, the traffic route Admiralsgatan passes beneath Rocent. The overall impression is of an area lacking any human scale, with the feeling of being uninhabited and, thereby, unsafe. Consequently, the area represents a barrier between north and south Rosengård, as well as between east and west Rosengård, reducing the attractiveness of the central buildings, occupying large areas that are largely underused and contributing to a negative image of the area.

Many early discussions have been initiated with the property manager EFM Group, who has expressed interest in maintaining a continued dialogue regarding the development of the centre within the framework of the JESSICA investigation. One possible development is for new properties to be constructed on parts of the upper parking level. These properties would be used for housing and business premises or, alternatively, primarily for housing units with the possibility of converting the lower levels into business premises, as and when market interest for such premises increases. Another possibility would be to build around the car park and possibly demolish a small strip around it to create buildings facing the street, together with a square facing the shopping centre.

Both measures are of interest from a community perspective, but the initial investment cost for preparation for the sale of the development rights may be excessively high and there is the risk that it would not be possible to realise this investment without a certain degree of support. The JESSICA fund could, therefore, possibly partly finance an initial investment for preparing the sale of the development rights, and the subsequent revenue could cover the fund's expenses and return to the property owners, a British fund manager.

As the project is currently still at the conceptual stage, it has not been possible to undertake a deeper analysis of costs and earning potentials, or a timetable. Initial and informal discussions with the investment company have been positive and discussions about this matter will continue.

Considering the background presented above, it is difficult to indicate even an approximate level of investment. The date for initiation of construction is also uncertain.

Primary stakeholders are the City of Malmö and the owner of the main building in Rosengård shopping centre, a British pension fund. The building is administered by the EFM Group. Furthermore, other property owners are likely potential stakeholders, given the value of a general increase in attractiveness to other major property owners in the area.

An investment, such as the one described above, will generally increase the attractiveness of the area and is, thereby, consistent with the criteria of the Structural Funds Programme. The investment can also be designed so as to increase accessibility within the area, in line with ambitions for the City's development. Even if the analysis needs to be extended, this investment has the potential to provide considerable earnings, which could contribute to other future investments in the area.

Holma-Kroksbäck

In order to be able to link Holma-Kroksbäck with the new area in Hyllie, there exist plans to deck over approximately 300 meters of Annentorpsvägen to create a green thoroughfare, or even build up a thoroughfare over the road as an integration corridor. This will contribute towards increasing the value of the land directly connected to any such deck on both sides of the road, and also alongside the road.

Existing preparatory sketches assume a simple construction for the deck over as a green thoroughfare, but with a high degree of development in adjoining areas. The provisional calculations indicate an increased land value of a total of SEK 150-160 million in the surrounding areas, subsequently made available for development. Estimated development costs are also highly provisional, but could well total the same, approximate amount.

The alternative proposal is for building to take place above the concrete deck. This would require a much stronger construction but, on the other hand, would increase physical integration between the areas, as well as potential earnings. Once again, this calculation is highly provisional, but it is conceivable that the sale of land would provide revenue of a total of SEK 250 million and that the cost for the measure would be in the interval of SEK 280-300 million.

A closer analysis of the alternatives would be needed in order to secure these figures, as well as to include other socio-economic aspects in the investment.

The possible stakeholders also require further research. The JESSICA Fund may be the trigger in the implementation of the measure, by way of mobilising capital for the initial investment. It is most likely that the investment will then be made by the City, but through the sale of land to different market players, the measure will lead to collaboration with trade and industry. An alternative is for a portion of the initial investment in the decking over to be shared with private capital, possibly with the involvement of the developers. Against this background, other larger property owners in the area, for example MKB, can be considered to be included in the group of stakeholders.

The measure will tangibly increase the accessibility and attractiveness of southeast Malmö and is, therefore, consistent with both the Structural Fund Programme and the specific criteria applicable to the JESSICA instrument.

5.1.6 Summary/conclusions

There are a number of projects within the region of Malmö meeting the criterion inherent in the application for structural funds financed via JESSICA. The projects are also in line with the urban development plans but they are at an early stage of development.

Relatively limited amounts are available from the structural funds for Skåne-Blekinge.

Malmö is interested in establishing an UDF in order to enable the usage of the JESSICA instrument. Considering both the timing circumstances and the regulations regarding payment of structural funds, a temporary holding fund structure is considered as a possibility.

Activity plan

- ÖPwC delivers a final report to EIB.
- Nutek determine if JESSICA should be implemented in Sweden.
- If Nutek decides to implement JESSICA, Malmö initiates a process to establish a UDF, alternatively Malmö contacts other interested parties in order to establish a holding fund.
- If the decision is to directly establish a UDF, Malmö starts working on a business plan in which the projects requiring investment funds from the UDF are identified and Malmö initiates a procurement process to establish a fund administration function ?.
- Nutek undertakes a call in order to enable interested parties within the region to describe their choice of fund structure. The call should, therefore, be as open as possible in order to provide an opportunity to the region to choose the most suitable structure.
- Nutek will specify the terms of reference necessary to obtain JESSICA funds
- The Structural Fund Partnership for Skåne-Blekinge will make its prioritizing decision and Nutek decides in accordance with this decision.
- The UDF will make investment decisions according to plan, or if a holding fund system has been chosen, the local UDF will make investment decisions on the basis of proposals from the holding fund.

Summary of identified projects and their “fit” with the identified JESSICA criteria

In the table below the projects are mapped against the general parameters valid for ERUF and against the parameters that are valid specifically for JESSICA. The meanings of the symbols in the chart are:

X= Fullfills the parameter

NC= Draft exists but is not complete

0= Does not fulfill the parameter

Parameters	Malmö	Malmö	Malmö
Projects	IC huset	Rocent	Holma-Kroksbäck
ERUF parameters			
Equality of opportunity	X	X	X
Integration	X	X	X
Environment	X	X	X
Agreement with EU and and national regulations	X	X	X
Contribution to the programme's goals	X	X	X
Report on the project organisation	NC	NC	NC
Assessed and specified cost budget	NC	NC	NC
Cost efficiency	NC	NC	NC
Renewal and further development	X	X	X
Jessica parameters			
Included in the integrated plan for city devopment	X	X	X
Possibility of revenues	X	X	X
Potential for common private-public financing analysed	X	X	X
Sustainable urban development in deprived areas	X	X	X

External contacts in Malmö during the evaluation study

We have worked with several key stakeholders in addition to City of Malmö

- MKB Fastighets AB has been represented and has participated continuously in the working group for Malmö. MKB is a large property owner in Rosengård, as well as Holma-Kroksbäck, and has substantial experience of other urban development projects.
- The Association, Drömmarnas Hus, has been represented and has participated continuously in the working group for Malmö. Drömmarnas hus is primarily interested in the project IC-huset, which will undertake the construction of a new building in which the activities of the association can take place. The association is working on a prestudy for the city of Malmö in order to produce plans and identify suitable financiers for the project..
- EFM Group (Property Manager of Rocent) manages the shopping centre Rocent in Rosengård on behalf of a British pension fund. Preliminary contacts have been established between the City of Malmö and the EFM Group in order to identify their interest in enlarging the existing building. EFM Group has shown an interest in this project and a document has been produced in English and sent to the British owners of the property.
- Other contacts of interest are Swedbank and the construction and property development company, Skanska. These contacts have been taken only for information purposes.

5.2 Göteborg

5.2.1 Background

Facts

Göteborg is the capital of Sweden's Western major urban area. The Region has a population of approximately 950,000, of which some 500,000 live in Göteborg Municipality, comprising Sweden's second-largest major urban area. The Region has an old tradition of harbour districts and heavy industry. Over the last few decades, this Region has been transformed into a centre for the automotive industry, the pharmaceutical industry, petrochemistry, and is also a logistics hub for Sweden and the Nordic Region, as well as for education and knowledge-intensive operations. The Region is also subject to extensive immigration and has a considerable degree of segregation between its various districts.

Regional development has been positive during the last five-year period. Larger investments in infrastructure are lagging behind Stockholm and Malmö, which constitute Sweden's other two major urban districts. Today (autumn, 2008), the region is significantly affected by the decrease in profitability within the automotive industry, and in the short-term, the Göteborg Region has been assessed as the part of Sweden which will be impacted to the greatest degree by the current recession.

Together with twelve other municipalities, Göteborg constitutes the so-called Göteborg Region. This Region includes the municipalities of Göteborg, Mölndal, Partille, Kungsbacka, Öckerö, Tjörn, Stenungsund, Kungälv, Lilla Edet, Ale, Alingsås, Lerum, and Härryda. The Region's goal is to expand to a population of 1.5 million by 2020.

Göteborg has the largest harbour in all of Scandinavia and Northern Europe. Each year, a total of 11,000 vessels, 40.7 million metric tons of cargo, and 2.2 million passengers pass through the harbour. The harbour makes Göteborg the best logistics site in Sweden. Here, there is non-stop traffic to South-East Asia and North America. Together with Göteborg-Landvetter Airport, the harbour constitutes an important component of the transport network. The Municipality's intention is to strengthen the harbour's position as the logistics hub of the Nordic Region.

The Swedish automotive industry is based in Western Sweden and Göteborg. The four automotive manufacturers in the area are AB Volvo, Volvo Cars Corporation, Saab, and Pininfarina. Western Sweden also serves as the location of several of the industry's "centres of excellence". The automotive industry in Western Sweden employs approximately 63,000, which corresponds to approximately 45% of the industry total in Sweden (140,000). The employment rate for the automotive industry is approximately 16% in the Göteborg Region.

Göteborg is the capital of the Region and seat of the Västra Götaland County Government. The population of Göteborg Municipality was almost exactly 500,000 in November 2008. Population growth has been strong since 1995. From the year 2000, the population has grown by approximately 4,000 per year. Regional growth has been strong, and employment has increased by approximately 14% during the period, corresponding to an annual average of 2%. During the autumn of 2008, however, several companies, primarily within the automotive industry, announced lay-offs, which is the reason why a decrease in employment in 2009 is likely.

Göteborg is one of Sweden's major urban municipalities with good conditions for attracting residents and businesses. The city is also the municipality which, during recent years, has climbed the fastest in several municipality rankings. Factors influencing the Municipality's attractiveness, and which are taken into account, are a high level of education, good communications and close proximity to the sea.

Wage earners in Göteborg total approximately 40,000. Slightly more than 25,000 are employed within the private sector, and 10,000 are employed by the Municipality and the County.

As the Region grows, there is a need to develop and improve railway communications in Göteborg. As it is today, Göteborg's central railway station, which serves as a railway hub, is operating at full capacity, and is also a one-way station. In order to increase capacity, improvements must be made within the City of Göteborg.

Many of Göteborg's rental flats are located in the so-called "Million Programme" districts. In Göteborg, several of these districts are located in the north-eastern areas. Built between 1960 and the late seventies, these districts are in need of significant resources to repair and renovate both buildings and public areas. Several investigations have been made at a national level to analyse and define the problems and costs associated with these Million Programme districts.

Regional Structural Fund Programme for Göteborg

In the Structural Fund Programme work, Sweden is divided into eight so-called NUTS II regions. Göteborg is part of the region "Western Sweden", which includes Västra Götaland County and Halland County.

During the current structural fund period (2007-2013), Western Sweden is included in the EU goals for competitiveness and employment financed by the European Regional Development Fund (ERDF) and the European Social Fund (ESF), which are the two structural funds applicable to financing in Sweden. According to the action documents for the Regional Structural Fund Programmes, there is MSEK 90 in EU funds and MSEK 135 in national funds for urban development in deprived areas. This corresponds to a total of MSEK 225 for the Göteborg Region, in addition to which another MSEK 11.8 in private funds is estimated to be available. Of the MSEK 90 in EU funds, an estimated MSEK 50 could be included in a JESSICA fund.

The overall programme objective is to create sustainable growth through an increase in the number of companies, as well as in the growth of existing companies, facilitating the creation of new jobs and sustainable urban development. The objective for the Priority Axis is to create 3,400 new jobs, 1,300 new businesses, 4,750 businesses engaging in growth-promoting activities, and 20 investments to increase the attractiveness of these deprived districts.

For Western Sweden, there are three Priority Axes in which Priority Axis 3 "Sustainable Urban Development" is the Priority Axis suitable to JESSICA funding. In accordance with Priority Axis 3, efforts shall be focused on Göteborg's deprived areas in need of local development work to create new businesses and employment. Projects contributing to the creation of new businesses and jobs will be taken under special consideration in the announcement. The priorities shall also contribute to the integration of the project with the criteria of equality, integration, and diversity.

Programme for sustainable urban development plans

The Swedish government has decided to offer those municipalities included in its discussions to sign Local Development Agreements as defined in the law text 2008:348 on urban development work for districts characterised by exclusion in Sweden. Municipalities have been offered Local Development Agreements to develop a more strategic cooperation than in the previous project-based joint action, particularly between public stakeholders. The agreements seek to enable local partnerships between public authorities, municipalities, private stakeholders, and civil society for the implementation of the local development work.

The City of Göteborg and the Swedish government have signed a Local Development Agreement valid from 25 September 2007. The starting point of the agreement is the following urban political objectives determined by the Swedish Parliament:

- Fewer individuals living in exclusion in urban districts.
- Fewer urban districts characterised by exclusion
- Increased economic growth and sustainable development in urban districts, as well as in metropolitan and large city areas, in order to increase competitiveness.

The Municipality has two overall starting points. In the local development work, the Agreement shall be seen as the part of the Municipality's regular work to stimulate growth, and also to counteract segregation and social exclusion in the city, as a whole. It has its

starting point in the objectives stated in the Municipal budget which are linked to the political objectives for major urban areas.

The Municipality has agreed to:

- Produce Strategic Urban District Plans.
- Establish cooperation agreements between the Municipality and Swedish governmental authorities.
- Participate actively in the distribution of knowledge and experience.

The Swedish government has committed itself to support and contribute to the feasibility of these objectives.

The following Municipal steering documents shall be taken into account when producing the Strategic Urban District Plans:

- The Municipality's Objectives and Budget
- The individual urban area's Objectives and Budget
- Strategy for utilising the EU structural funds

In Göteborg Municipality, the districts of Bergsjön, Biskopsgården, Gunnared, and Lärjedalen are those characterised by exclusion within the major urban area. Gunnared, and Lärjedalen have been included in the Strategic Urban District Plan "Vision Angered".

For the target areas/urban areas mentioned above, four objectives, on which the efforts will be designed, have been collectively formulated:

- Work
- Education
- Security
- Growth

5.2.2 Our working method

The regional working group and PwC

In order to identify and select projects suitable for financing through the JESSICA fund structure, a working group was established by the City Office. In Göteborg, the regional working group has included representatives from:

- NUTEK, John Wallon
- The City Office, Hans Olsson, Head of Urban Development and Social Analysis, Susan Runsten, Pia Borg, Petra Senthen
- Assistant City Legal Advisor, Ofelia Hendar
- Gunnared City district administration, Per-Olof Isaksson Head of Urban development, Marie Svensson EU Coordinator,
- Lärjedalen City district administration, EU Coordinator, Maja Olsson
- Bergsjön City district administration, EU Coordinator Petter Spanne
- Traffic Office, Max Falk, Lisa Sundell
- City Planning Office, Åsa Swan, Gunnel Jonsson

- Vision Angered, Jan-Åke Ryberg, responsible Project Manager for "Vision Angered"
- Business Region Göteborg, Petra Sedelius
- The meetings were led by Catarina Saxborn, PwC.

The regional working group in Göteborg has been assigned with the responsibility of qualifying and selecting those projects deemed suitable for assessment as regards the possibility of establishing a JESSICA fund.

The projects have been evaluated according to the selection criteria of the structural funds, as well as on the basis of the specific selection parameters identified for JESSICA.

The working group has held three meetings (once each month) during the evaluation period of the "JESSICA Evaluation Study". There have also been follow up meetings, held on a continual basis, between PwC and the City Office. Experts and representatives of impacted commissions and organisations have been invited to these meetings. A larger follow up meeting was held regarding one of the selected projects, to which the government-owned National Swedish Road Administration was invited for a review and presentation of their future plans and visions for the area. (The National Swedish Road Administration owns, manages, and constructs all main roads and motorways in Sweden.)

During the preliminary study, PwC and impacted parties and experts, as well as EU Coordinators, Traffic Offices, City district administrations, the Swedish Road Administration, "Vision Angered", and Municipality experts, have regularly monitored the selection of projects, the writing of project reports, and the preparation of background material.

The identification and nomination processes for determining the projects included in this study

In connection with the first meeting of the working group, PwC presented the background and facts surrounding the possibilities for establishing JESSICA funds in Sweden. The working group was very interested and had several questions regarding the structure, management and possibilities for potential projects. The selection criteria identified by PwC, together with Nutek, and EIB were, primarily, those parameters stated by ERUF:

- Equal Opportunity
- Integration
- Environment
- Agreement on community law and national rules and regulations
- Contributing to the programme objectives
- Disclosed project organisation
- A thoroughly prepared and specified cost budget
- Cost efficiency
- Renewal and development

PwC's assessment is based on studies of action documents regarding the Regional Structural Fund Programme and discussions within the working group. PwC are also aware of the fact that it is the Structural Fund Partnership which assesses and prioritises the projects. The projects must prepare a business plan including market analysis, preliminary cost and income

analysis, an analysis of possible interested parties and a business proposition to interested parties for each individual case.. A project organisation must also be identified and appointed.

The identified JESSICA parameters are:

- Inclusion in an integrated plan for urban development
- Income opportunities
- Analysis of the possibilities for joint public-private financing
- Sustainable urban development in deprived areas

It is the opinion of both the working group and PwC that “Vision Angered”, which is a Strategic Urban District Plan including the proposed project, is the uniting and politically adopted document guaranteeing that the projects in question are part of an integrated and sustainable urban development plan. There are opportunities for revenues from both of the individual projects and from “Vision Angered” as a whole, and there is also the possibility of public-private financing.

5.2.3 The “Vision Angered” Project

The Angered area finds itself in the midst of an expansion of its commercial services. A new local hospital is planned for 2010; a swimming hall and an ice rink are planned, as is new housing accommodation. Under the name “Vision Angered From a Growth Perspective”, all stakeholders (public authorities, businesses, and organisations) are gathering in Göteborg’s North-Eastern urban areas to develop a good local community within the areas of education, sports, housing, healthcare, recreation, and culture. Both entrepreneurial and cultural growth are important for the creation of new jobs, and these also increase the general attractiveness of the area, establish a creative environment, and contribute to building the urban areas’ identities.

Today, Angered is an area in which the population is growing steadily. Previously, this area had a problem with inhabitants moving away, leading to a decrease in population. This trend has now changed, however, and the population has increased steadily since 1998/1999. The employable percentage of the population here is above the Göteborg average. Meanwhile, Angered’s share of the unemployed and socially excluded is among Göteborg’s highest. Accordingly, average income and the average educational level are among Göteborg’s lowest.

Since 2005, the town district committies of Gunnared and Lärjedalen have been engaged in district development work within “**Vision Angered – Angered From a Growth Perspective**”. This has been undertaken in cooperation with, among others, BRG (Business Region Göteborg), representatives of local enterprise, and GöteborgsLokaler (property owners). Vision Angered also incorporates the Strategic Urban District Plans for Lärjedalen, Bergsjön, and Gunnared.

“**Vision Angered – Angered From a Growth Perspective**” contains a collection of quantitative and qualitative objectives for Angered’s total development over the next 10-15 years. The declared objectives revolve around inhabitants, housing accommodation, businesses, infrastructure, diversity, safety, ecology, resource conservation, the environment, culture, etc, which all belong together in the “**Vision Angered – Angered From a Growth Perspective**” context.

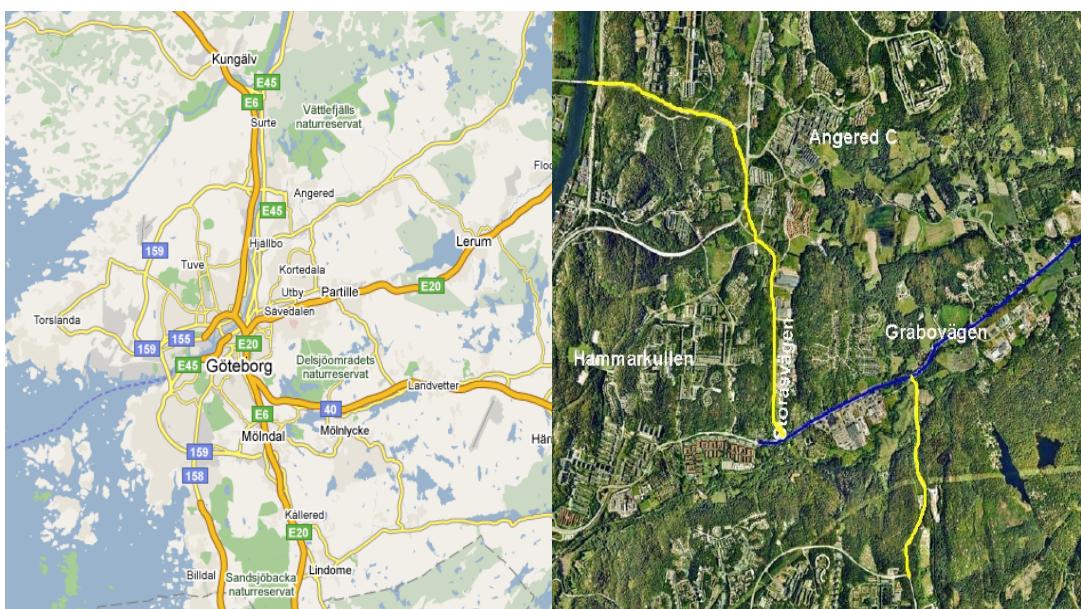
Under the umbrella term “Vision Angered”, the Regional Working Group in Göteborg has established four sub-projects which it intends to test in the preliminary study. This is part of the cross-city link Angered-Bergsjön-Olofstorps-Partille, the “Blå Stället” Cultural Centre in Angered Centre, Hammarkullentorg, and Bergsjödalen’s industrial area.

Section of the cross-city link Angered-Bergsjön-Olofstorps-Partille

Idea and vision

One of the identified preconditions for growth in the Angered district has been the cross-city link that connects Partille with Olofstorps, Bergsjön, Angered, and, via the Angered Bridge, Hisingen. As part of an extension of this motorway system, a cross-city link would also connect the E20 motorway with the E45 motorway and also the E6 motorway between Malmö and Oslo. The cross-city link would also relieve pressure on traffic problems and ease the environmental impact on central Göteborg. In addition, the cross-city link would increase the attractiveness of the area with easier access to harbours and Landvetter airport.

The main idea of the project is that a rapid expansion of infrastructure, as described above, would provide the conditions to create an expansion of attractive areas for industry and commerce, as well as the expansion of attractive living areas, and attractive service and meeting areas in these expanding districts. If no expansion of infrastructure is undertaken, Angered risks remaining a part of Göteborg which does not generate its own share of growth in the Region. The planned road project plays a crucial role in the implementation of “Vision Angered – Angered From a Growth Perspective”. According to this Vision, the distance between Angered Bridge and Gårdstenssliden in the West, via Rävebergsvägen and Korpvägen, to Angered’s Storåsväg in the Storås industrial area will be affected. This distance is approximately 2 kilometres.



Objective

By improving the access to Angered Centre, the impact of such an extension is likely to be immediate. In the long run, this implies increased interconnections with nearby Bergsjön, Olofstorps, among others, and Partille and Kärra. Today, the infrastructure in the area

resembles a large “hand” with “fingers” extending into the residential areas, which makes navigation difficult between the districts. Not many people pass through the area. Facilitating improved navigation between the districts also creates enhanced solidarity and greater possibilities for businesses and the shared utilisation of the services available in the area. The new motorway section would immediately increase access to the Centre, and decrease the traffic jams which occur during rush hours due to traffic lights, narrow roads, and dangerous traffic entrances and exits.

Possibilities

The large number of workers who commute from the North-Eastern districts to Hisingen and the Arendal area could have an improved commute by better access to the Angered Bridge – without obstructing intersections with traffic lights. Public transport would also be quicker, which may increase the number of individuals choosing to use public transportation. The area is also linked with the new E45 motorway, the construction of which has already begun.

In the long run, a cross-city link would benefit all sub-areas, and would also open the area up for businesses and housing accommodation. Moreover, a cross-city link would also tie together the E20 and E45 motorways, as well as the E6 motorway between Malmö and Oslo. The cross-city link would also decrease traffic problems and the environmental impact on central Göteborg. In addition, a cross-city link would make the area more attractive with its close proximity to harbours and to Landvetter Airport.

Target groups

Initially, the target groups are those living and working in the North-Eastern districts of Angered, Bergsjön, Hammarkullen, Gårdsten, Lövgärdet, Hjällbo, among others, which together compose the District Administrations Gunnared and Lärjedalen, which are included in “Vision Angered”. Secondary groups initially benefiting from this are located in nearby municipal centres as Ale Municipalit.

From a future perspective, the entire Göteborg Region would benefit from a cross-city link from E20, via Partille to Angered, continuing on to the E6 and the E45 to Oslo and Karlstad. This would, in particular, open up all of the North-Eastern districts, which have relatively central locations in Göteborg, to the establishment of new housing accommodation and businesses. The central parts of Göteborg would also experience less traffic, which is a precondition for the continuing expansion of the city and the region.

Interested parties in the project are, initially, the City of Göteborg, the Swedish Road Administration (the Swedish government), the Västra Götaland Region (VGR) (since the road could become a regional road), the Göteborg Region (GR), as well as local businesses, entrepreneurs, among others. In a future expansion, new inhabitants, new entrepreneurs, construction companies, and schools can be added to the list.

Due to the Municipality's plans for further development, the Swedish Road Administration has prioritised the section of the road passing by Angered Centre. It is important to settle the issue on responsibility at an early stage (who decides and who finances). An important aspect pertains to the Municipality's possibilities to produce the requisite detailed plans.

Time plan and budget

According to the Swedish Road Administration, the next step in the planning process for improved road connections is to carry out a formal “Preliminary study” with an associated description of the environmental impact. The implementation of this is expected to take a maximum of one year.

After the preliminary study has been established, a “Working Plan” will be produced. This plan will aim at investigating the object in detail, while at the same time constituting a basis for road rights, i.e., the right to utilise the land for road traffic. The implementation of this plan is expected to take a maximum of one year.

If a preliminary study is initiated in January 2009, and a working plan is carried out thereafter, this process should be completed at the end of 2010, at latest (that is, unless any complications arise).

Thereafter, documentation on construction standards will be prepared, and a contractor will be procured. One assessment would indicate that construction could commence in the first quarter of 2011; however, a more accurate assessment of when construction can commence will be made in January 2009.

The investment cost for the portion included in the “road project” described in this report, and which shall be assessed as regards the possibility of financing through a JESSICA fund, is estimated at MSEK 180-220. Future income could stem from sales of development sites, housing sites, increased employment opportunities with increased tax income for the Municipality, and decreased segregation and exclusion, which leads to lower costs related to social welfare, criminality, and other socioeconomic costs.

Analysis of the project against the background of ERUF/JESSICA parameters

The project is seen as an initial prerequisite for the implementation of “Vision Angered”, and is the sub-project with the largest degree of support, and is also the most urgent, according to the assessment of the working group, which is largely based on articulated political ambitions and the needs of the area as identified by the local government officers. The project can be said to fulfill the JESSICA parameters in that it comprises a part of Vision Angered, which, in its turn, comprises a part of the Strategic Urban District Plan according to the Local Development Agreement. Interest on behalf of both the Swedish Road Administration and the Region also indicates the possibility of achieving co-financing of the project. It may be more difficult to prove that the ERUF parameters, such as equal opportunity and integration, are directly impacted by the project, but as a part of “Vision Angered”, these parameters can also be said to be met, indirectly.

5.2.4 The “Blå Stället” Cultural Centre at Angered square

Idea and vision

The Blå Stället Cultural Centre was opened in 1979. There are now some 46,000 inhabitants from all over the world living in the Angered area. Many of these are new to Swedish society, and more than 100 different languages are spoken in the area. This calls for a new and

different selection of cultural activities in order to meet the needs of the number inhabitants with different origins.

After 30 years, Blå Stället is, in many ways, obsolete. In order to act as a cultural magnet contributing to attractiveness and jobs, the premises of the Cultural Centre must be expanded and adjusted according to its new functions. Measures which must be taken are, among other things, the construction of a new entrance, a modernised theatre with workshops, an exhibition hall, conference rooms, a modernised café, areas for different activities, a citizens' office adjusted for its new functions, etc. Moreover, the architecture and aesthetic expression should be modernised and should contribute to the attractiveness of the area for residents and entrepreneurs in both the Angered and the Göteborg areas. Creating a visually appealing expression of the Cultural Centre will contribute to the identity of the area, as well its attractiveness to visitors.

Together with the Vision Angered development work, previous development efforts and the transnational cooperation undertaken by Blå Stället Cultural Centre, constitute a solid ground for moving forward and developing culture and the Blå Stället Cultural Centre. An expansion of the Blå Stället Cultural Centre is of major significance for the growth zone in which Angered is already located, and will contribute to sustainable urban development in Angered and Göteborg, as a whole.

Today, there are several established activities at Blå Stället, such as the university-preparatory arts programme at the Angered Studio, as well as the Angered Theatre.

Objective

The objective of the preliminary study is to form a basis for an implementation project, the objective of which is to invest in the Blå Stället Cultural Centre to create sustainability and increased attractiveness in Angered, which, in turn, will contribute to the creation of new conditions and the integration of young adults (20-30 years) in the nearby areas, the North-East, and in the Göteborg Region.

Possibilities

The proposed project is comprised of a preliminary study, the purpose of which is to provide a basis and a plan for an implementation project. The overall purpose of this implementation project is to make culture a vital part of "Vision Angered". Within the framework of the preliminary study, a new cooperation between the Blå Stället Cultural Centre and commerce will be initiated. Knowledge and information will be acquired from other cultural centres that have been developed in cooperation with local businesses. A special focus will be on how the premises are used in this cooperation, how cultural activities can vitalise commerce, and how businesses can contribute with knowledge and experience in the development of new cultural entrepreneurs.

Among other things, the Cultural Centre, with conference facilities, shall constitute the hub in the planned "cultural forum". By reinforcing the Cultural Centre's role in local society and by establishing a creative and attractive environment in Angered, the implementation project will generate a professional supply of culture to both local and regional stakeholders. The purpose of the implementation project is also to create innovative jobs and work environments through culture. At the same time, the future Cultural Centre of Angered will make the area

more attractive, establish a creative physical environment, contribute to the establishment of the identity of the urban area, create new jobs through cultural tourism, conference arrangement, etc. The Cultural Centre shall function as a platform for cultural entrepreneurs and should contribute so that cultural workers with different backgrounds will be able to establish themselves on a professional basis.

Target groups

At this initial stage of development, possible interested parties include residents living in the North-Eastern areas of Göteborg, Göteborg Municipality via the North-Eastern urban districts (Gunnared, Lärjedalen, Kortedala, Bergsjön), the Göteborg Region (GR), the Västra Götaland Region (VGR), "Vision Angered", Angered High School, SDF Gunnared recreational/youth efforts, and also commerce, associations, Angered Theatre, the housing companies, as well as cultural groups in Göteborg via Culture and Business.

The primary target groups include residents and businesses in the North-Eastern areas of Göteborg. Secondly, all inhabitants in the entire Göteborg Region can be said to be a target group, as the Blå Stället Cultural Centre contributes to the cultural life of the City of Göteborg as a whole and, thereby, is directed at all inhabitants who are interested in culture, both within the local district, and throughout the entire city.

Cultural practitioners and the local business associations constitute other important target groups, as the project shall contribute to increased local business activity, primary within cultural production, such as music, theatre and dance, but also in art and various types of craftsmanship. The project also presupposes the participation of both the Urban Area Administration, as well as the Urban Area Committees in Gunnared, Lärjedalen, Kortedala and Bergsjön. As regards issues concerning development strategies, these institutions should undertake a close co-operation with housing companies, cultural institutions, BRG and Göteborg&Co.

Time plan and budget

Preliminary study: The total budget for the preliminary study amounts to SEK 500,000. The object of the preliminary study is among others to estimate the total budget for implementation according to the requirements stated below:

- Estimated investment costs are (investments in culture for improving attractiveness)
- Expansion costs, approximately MSEK 40.
- The reconstruction cost is estimated at SEK 15,000/ square metre x 4,000 square metres = MSEK 60.
- Costs that can be attributed to the implementation project are currently estimated at MSEK 10.

What is the next step?

The approved preliminary study shall result in an implementation application in the summer of 2009.

Analysis of the project against the background of ERUF/JESSICA parameters

The projects meet all of the criteria identified for ERUF and JESSICA. An application for funding from the Structural Fund to finance the evaluation study which will initiate the project has been filed. We can also identify additional stakeholders from both the public and the private sectors, and can confirm that the project promotes equality and integration.

5.2.5 Hammarkulletorget



Idea and vision

Today, Hammarkulletorget is badly planned, and the local supply of services is deficient. Investments in renovating the square are needed to make the square more attractive and to improve public and commercial services. In developing the square, it is important to take availability and infrastructure into consideration. In certain cases, there may be a need to reconsider the design of the area according to scale, size, function and infrastructure. Certain areas and buildings which are currently separated should, in the future, be interconnected.

Göteborg has nominated Hammarkullen as a case study in the URBACT network URBAMECO. A Local Action Plan (LAP) has been developed on the basis of ideas and the potential provided by local stakeholders. To date, the action plan focuses on the following areas:

Objectives

People living in the area need attractive and inviting places where they can meet and socialise. Families living under overcrowded conditions need areas to socialise outside the

home and, therefore, areas that function as “external living rooms” are required. There is also a need for public meeting spaces indoors, such as cafes and the like. The Community Centre should be utilised in a better manner, together with the development of the square.

The existing proposal also involves developing an education profile for Hammarkullen, focusing on area-based learning. Through the so-called “Kommuniversitet” (“Municipal University”), the University of Göteborg already has a certain presence in this residential area. Kommuniversitet implies that certain courses and in-depth studies offered by the Department for Social Work and the Programme for Teacher Training of the University of Göteborg and by Chalmers University of Technology are provided at Hammarkullen. The implemented university activities have been well received, and, at present, Kommuniversitet is considering the possibility of further developing its activities by attaching more departments. In order to develop this profile and attract more institutions to Hammarkullen, permanent premises for education and studies are needed, as well as administrative personnel to act as coordinators. Part of this undertaking is to attract more students to Hammarkullen. The students are offered an opportunity to undertake research and participate in training and seminars, as well as being provided assistance in finding accommodation. Together with the development of the education profile, the intention is also to provide positive examples and create an image of the municipal services in Hammarkullen, with a focus on area-based learning.

A third component of LAP refers to the goal of developing an active trade association, and creating new job opportunities based on local residents' own ideas and possibilities.

Possibilities

The area has high potential within several different areas. Hammarkulletorget is favourably situated, only 15 minutes by tram from central Göteborg. However, this is the only transport connection to Hammarkullen, and there are no cross-city links in Angered. The multicultural nature of the local society, with a social infrastructure of high quality, a strong community spirit and the annual Hammarkullen Carnival, constitute the internal potential characterising Hammarkullen and its inhabitants.



Cultural diversity and environmental renewal should be the guiding principles in the development of Hammarkulletorget.

Target groups

Possible stakeholders are:

- Lärjedalen district committee
- Förvaltnings AB Framtiden
- The Church of Sweden and the Tomas Church
- The association council, HAMSAM
- The Trade Association
- NUTEK
- The primary health care in Västra Götaland County

Future stakeholders, other than those mentioned above, may be: entrepreneurs, municipal housing companies and housing construction companies as well as the Universities in the Göteborg area.

Time plan and budget

The action plan will be ready for implementation in February 2009. After political consideration, the action plan may be used as a starting point for implementing and financing various activities. Those aspects concerning investments may be relevant in terms of JESSICA. The project is still at too early a stage to present a substantial project proposal and, consequently, a budget cannot be calculated.

Analysis of the project against the background of ERDF/JESSICA parameters

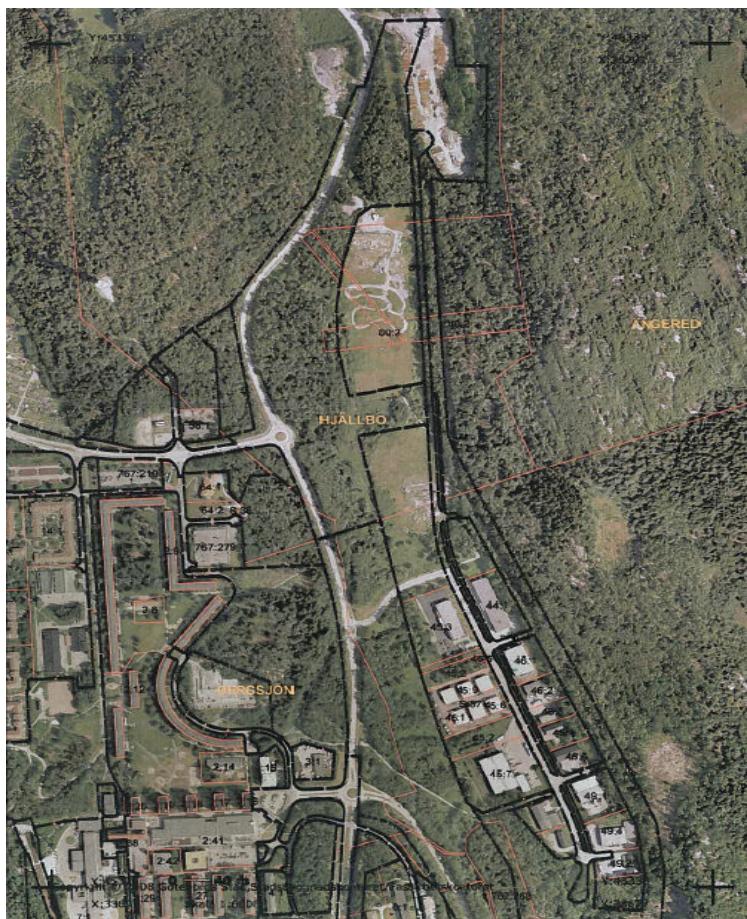
At present, there are no project proposals to consider. As the action plan will not be ready until February 2009, it will not be possible, in PwC's judgement, to present a project description and a project budget as a basis for a project application for Hammarkulletorget. It is PwC's assessment that the project, as it looks today, does not meet the criteria established for JESSICA funding.

5.2.6 The industrial area of Bergsjödalen

Vision

Bergsjödalen is a smaller industrial area located in the eastern part of Bergsjön, where, at present, approximately 30 companies are operating within industries such as manufacturing, warehousing, logistics, and vehicle maintenance.

Only the southern part of the area has buildings, water, electricity and roads. For many years, the northern part has been planned in detail for light industry and the land has been prepared for construction and the installation of water and electricity. Until now, such an expansion has not taken place. At present, the land is being leased by a number of different organisations. These leasing agreements can be cancelled on the basis of 3-6 months notice.



The Bergsjödalen industrial area is located approximately 5 kilometres from Partille and the E20 motorway that leads either to central Göteborg or towards Stockholm. Partly because of this, the company Constructor moved its entire operations from Gårda in central Göteborg to Bergsjödalen a couple of years ago. As the company's operations are highly dependant on transport possibilities, the company sought a location with good communications. The company also sought cheaper land and premises, compared with the price situation in central Göteborg. These two aims were achieved and, today, Constructor runs its entire operations from Bergsjödalen, with approximately 60 employees. According to a recent survey undertaken by the company, the employees are highly satisfied with the move to the area.

Objectives

Within the scope of "Vision Angered" and the present favourable physical location of the area, there are possibilities for the further development of the industrial area and the creation of additional job opportunities within it.

In summary, there are two aspects of Bergsjödalen that need to be developed within the project.

- Preparation of the northern part with roads, water, electricity and buildings
- Expansion of the previously constructed southern part of the area

Opportunities

The City of Göteborg's long-term strategic goals for the central parts of the City are to concentrate the city core and to build more housing units in central parts of the City. This execution of this concentration work will imply that companies running lighter industrial operations will be forced to relocate to other parts of the City. Considering these circumstances, together with the higher price of land in the central parts of the City, Bergsjödalen and other similar areas are considered to have significant growth and expansion potential.

Infrastructure and communications are already of an acceptable standard in the areas towards Partille and the E20 motorway. The construction of a north east link towards Angered should further increase the attractiveness of the Bergsjödalen area, as it would significantly improve the connection with the E6 motorway. This would be advantageous as additional companies would be able to establish their operations in the area in the near future.

Target groups

Possible, initially interested parties are:

- The City of Göteborg: District Administration, Property Management Department, City Building Office, Road Traffic Office, Göteborg Water, etc.
- Business Region Göteborg (BRG)
- Västra Götaland Region
- The Business Association of Bergsjödalen
- The West Sweden Chamber of Industry and Commerce
- Confederation of Swedish Enterprise
- Current and future companies

In a longer perspective, it is possible to say that good and accessible working areas, with good access to land, are favourable to the entire Göteborg region. Together with the above-mentioned stakeholders, construction companies, transport and logistics companies and other entrepreneurs can all be considered possible future stakeholders in the development of the area.

Time plan and budget

The following should be undertaken prior to the production of a definitive project plan:

- Examine the interest among trade and industry in Western Swedish in establishing in Bergsjödalen.
- Build a partnership between public and private sectors to work with the development of this area.
- Cancel leasing agreements with leaseholders when a substantial interest for a development of the area is identifiable.
- Install water, electricity and construct roads.

- Examine the possibilities of building a business hotel in the area.

The total land area is approximately 66,300 square metres. The total value of the land is currently difficult to estimate. The value of the land depends on the actual possibility of exploitation, as well as associated time consumption and costs in such exploitation.

Analysis of the project against the background of ERUF/JESSICA parameters

Currently, there is no project proposal in place to consider. It is PwC's belief that there is insufficient time to produce a project description and budget to function as a basis for a project application for Bergsjödalen's industrial area. It is PwC's belief that the project, as it looks today, does not meet the criteria specified for JESSICA funding.

5.2.7 Summarising analysis of “Vision Angered – Angered from a Growth Perspective” and its projects within the ERUF/JESSICA parameters

On the basis on the assessment made by PwC, it is of interest to assess all of “Vision Angered” as a possible JESSICA fund. We also believe that “Vision Angered”, as a whole, better meets all parameters indentified as specific to ERUF and JESSICA. Reconciliation has also been made within the task force, which, unanimously, supports the proposal to consider “Vision Angered” as an umbrella for the incoming projects.

The subprojects are all in early, but varying, stages and are currently encountering difficulty in securing sufficient support. However, of the four projects described, “Part of Cross-City Link” and “Blå Stället Cultural Centre” are projects that could be initiated within the near future. Considering the short time available individual funds for each project are not sustainable, and, according to the local taskforce, not desirable.

Looking at the cost effectiveness of establishing a fund and procuring fund management, it is neither efficient nor appropriate to establish such small, local funds as would be the case for each individual project. If a regional JESSICA fund is to be utilised, this fund should be established at a “Vision Angered” level in order to achieve effective fund management and the efficient use of fund grants. The advantage granted by the fund's long-term opportunities is also better utilised in a larger perspective.

“Vision Angered – Angered from a Growth Perspective” corresponds very well with the guidelines established for the Structural Funds Programme, the governmental urban development policies and the criteria for the establishment of JESSICA funds.

5.2.8 Conclusions

Activity plan

Based on our assessment described above, we conclude that there are great opportunities to establish a JESSICA fund for the different types of projects we are considering for the Göteborg Region. The projects described are all parts of the coherent overall project plan for the area, which has political support in the Municipality as “Vision Angered – Angered from a Growth Perspective.” Our recommendation is that a fund should be established for “Vision Angered” as a whole. There already currently exists an activity plan for the implementation of

Vision Angered, in which two of the three projects described above have proceeded to the extent that there is substance and an interest from stakeholders to prepare action plans, business plans, market plans and budgets in the short period available for the establishment of a fund.

“Vision Angered” includes several projects for every sub-area/urban area. The cross-city link described above forms a precondition for the entire Vision. Together with the Blå Stället Cultural Centre, this project is the one that should be taken to the next level.

There are two options for setting up a fund in the Göteborg Region. One alternative is to establish a Regional Fund with an appointed organisation for fund administration, the other is to establish a National Fund, under which regional project funds can be set up.

The advantage of a regional fund is that the grants invested are guaranteed to be reinvested in the same region. This has been of importance to the region, as the returns provided back to the fund and the reinvestments will take place in the distant future. The disadvantage is that there is limited time to establish a fund and procure fund management. We assess the time needed to set up a fund at 3-5 months, but consider that the procurement of fund management will take another 3-5 months. In addition, the Göteborg Region has not advanced sufficiently in its project to make this alternative a realistic choice.

The time aspect favours a national fund, but that suggestion is not considered feasible on the basis of the interviews carried out with regional representatives.

Summary of identified projects and their “fit” with the identified JESSICA criteria

In the table below the projects are mapped against the general parameters valid for ERUF and the parameters that are valid specifically for JESSICA. The meaning of the symbols in the chart are:

X= Fullfills the parameter

NC= Draft exists but is not complete

0= Does not fulfill the parameter

Parameters	Göteborg	Göteborg	Göteborg	Göteborg
Projects	Vision Angered - del av vägsträckn.	Blå stället	Hammarkulletorget	Bergsjödalen
ERUF parameters				
Equality of opportunity	X	X	X	X
Integration	X	X	X	X
Environment	X	X	X	X
Agreement with EU and national regulations	X	X	X	X
Contribution to the programme’s goals	X	X	X	X
Report on the project organisation	NC	NC	NC	NC
Assessed and specified cost budget	NC	NC	NC	NC
Cost efficiency	NC	NC	NC	NC
Renewal and further development	X	X	X	X
Jessica parameters				
Included in the integrated plan for city devopment	X	X	X	X
Possibility of revenues	X	X	X	X
Potential for common private-public financing analysed	X	X	X	X
Sustainable urban development in deprived areas	X	X	X	X

External contacts in Göteborg during the evaluation study

We have worked with several key stakeholders, in addition to Göteborgs Stad:

- Vision Angered, municipality-owned association
- Förvaltnings AB Framtiden, municipal housing company
- Vägverket, Swedish Road Administration
- The City of Göteborg
- Business Region Goteborg (BRG)

- Västra Götaland Region
- District Community Lärjedalen and Gunnared
- The Church of Sweden and the Tomas Church, local churches
- Local association council HAMSAM
- Företagarföreningen, trade association of local businesses

We have also had a meeting with a director at the Swedish Road Administration, Vägverket, together with the President of "Vision Angered" and leading political representatives of Göteborg. All of these individuals show a high positive interest in establishing Jessica funds for the projects in question. Vision Angered have had positive contacts with the local associations in Angered, such as HAMSAM och the local business association. Due to the financial crisis, it has been difficult to conduct specific discussions with the construction companies, and the working group took the decision that this is not the right time for workshop discussions with this category of stakeholders in Göteborg.

5.3 Stockholm

5.3.1 Background

The Stockholm region has developed very positively during recent decades. A high level of population density and a diversified business community are important reasons behind this favourable development. The Stockholm region's international profile is notable in a number of areas. One of Europe's strongest innovation environments for ICT operations exists here, and the region is northern Europe's leading actor in the Life-Science field. The region's finance and banking operations are also growing in importance. At the same time, the tourism industry in this region is the most successful in Scandinavia, in terms of attracting business travellers, tourists and shoppers. Environmental technology, fashion, design, culture and competitive healthcare and public services are other areas contributing to the external environment's image of the region as a progressive, creative and environmentally-aware region.

A large portion of this growth and the increase in employment in the region is taking place within knowledge-intensive companies. In international terms, Stockholm is a very competitive region. In a selection of 66 major urban regions with a minimum of 2 million inhabitants, Stockholm County is ranked, internationally, at number 25. The region's position is particularly strong within the EU, where it ranks 6th of 28.

Inhabitants in the region have an overall positive image of their region and the majority are satisfied with their living conditions.

The population of Stockholm County has increased during the last 30 years by nearly 400,000, that is, on an average of 13,000 per year. Stockholm has primarily attracted new inhabitants from abroad, whilst the net inflow from other areas of Sweden is limited. A young population has resulted in a stable increase in the birth rate. This high birth rate and the inflow of new inhabitants have been approximately equal in terms of contributing to population growth.

Today, the Stockholm labour market region includes all of Stockholm County, Uppsala County, with the exception of Älvkarleby Municipality, and the three municipalities of

Strängnäs, Gnesta and Trosa in Södermanland. During the next decades, improvements in the transport system that have already been determined will make possible a further expansion and consolidation of the greater region.

The Stockholm region is a monocentric region with an entirely dominating central city core. Workplaces in the Stockholm region are concentrated, to a high degree, to the region's centre, but an approximately equivalent number of workplaces are located in less densely populated peripheral areas. The region's housing is geographically dispersed to an even greater degree than the workplaces. There exist major differences between the region's various districts as regards the composition of households, housing and the degree to which residential environments are experienced as safe and secure. Those inhabitants with a weaker resource base, often immigrants, are underrepresented in terms of both owning their own homes and in terms of tenant-owner association flats (as opposed to rental flats). Ethnic segregation also has a geographic pattern, for example in the so-called "Million Programme" districts in Stockholm (the Järva area), Botkyrka, Haninge, Huddinge and Södertälje. In general, housing is of good quality and well maintained, but approximately fifty percent of rental flats are located in the Million Programme districts, where there is considerable need for regeneration. The high maintenance requirements for the coming decades refer to housing units built between 1960 and 1980, where the maintenance level has been poor for a number of years and where the situation will require significant resources.



5.3.2 Regional structural fund programme for regional competitiveness and employment in Stockholm, 2007-2013

Stockholm County was included in the EU's objectives for competitiveness and employment for 2007-2013, which are financed by two funds - the European Regional Development Fund (ERDF) and the European Social Fund (ESF). The programme has three major, priority areas which are to provide guidance as regards the manner in which the projects within the programme are to be developed. These are: Priority 1 – Innovative Environments in the Urban Area, Priority 2 – Business Development and Priority 3 – Accessibility.

The programme area for Stockholm County will be provided with MSEK 338 for supporting projects. The programme's project stakeholders will co-finance their activities by 60%. The priority areas applying to JESSICA are Priority 1:3 Support of Integration and Diversity and Priority 3.1 Improvement of Accessibility and Conditions for Regional Expansion. For Priority 1.3, there exists a total budget of MSEK 60, of which approximately MSEK 50 currently remains to be utilised for a possible implementation of JESSICA. As regards Priority 3.1, there exists a total budget of MSEK 80, of which approximately MSEK 58 remains for utilisation in a possible implementation of JESSICA. In total, there exists approximately MSEK 108 which may be utilised in the JESSICA project. In addition to this, a national public contribution of 60% will be paid, as required by the project.

Measure 1.3 Support of Integration and Diversity

In the operational programme document for the Regional Structural Fund Programme, it is stated that an important premise for succeeding in strengthening the Stockholm region's international competitiveness is to utilise all of the competencies of its inhabitants. The region has a very diverse population, which contributes towards the creation of a strong, dynamic, open and creative environment. Women and men born outside Sweden have unique areas of expertise from other countries, cultures and languages. This competence must be utilised, to a greater degree, in order to develop the Stockholm region's international competitiveness.

The importance of good and sustainable growth conditions for the large cities and metropolitan areas has been emphasised in the national strategy for regional competitiveness and employment. It will be important to undertake activities taking into consideration the metropolitan areas' specific problems, such as social exclusion, a high and increasing level of criminality and a generally deteriorated quality of life in deprived urban areas. The vulnerable urban areas need to be developed into attractive urban areas. A step in this process is the support of a polycentric region and the further development of a number of regional cores within this region. The target groups for these activities are employers in Stockholm County and the inhabitants living within these deprived urban areas.

Measure 3.1 Improvement of Accessibility and Conditions for Regional Expansion

In the operational programme document for the Regional Structural Fund Programme, it is stated that the Stockholm region has a lack of capacity which prevents the region from developing in the most beneficial manner. There exist capacity weaknesses and waiting periods as regards both new roads and railway lines. This creates a barrier as regards accessibility within the region, with neighbouring regions and internationally. This capacity needs to be improved in order for the region to develop in the most beneficial manner.

The work with supporting the development of a functionally cohesive region implies both activities to enhance regional expansion and solutions to improve the inter-regional transportation system. This, in turn, requires activities involving both soft and hard infrastructure. These efforts can aim at developing the cooperation for intra-county and cross-county planning processes for a functionally cohesive region. In Mälardalen, there are positive premises for creating a common functional labour, housing unit and educational market. The target groups for these activities are the inhabitants, companies, public stakeholders and traffic authorities of Stockholm County, as well as Stockholm's local labour market region.

5.3.3 Sustainable urban development plans

Regional development plans

The regional responsibility for development and the work with growth includes, amongst other things, the task of producing regional development programmes and of coordinating the implementation of the programmes. As regards Stockholm, the regional development programme (RUFS) is being produced by the Regional Planning and Traffic Office at Stockholm County Council. Currently, there is a proposal for a new regional development plan for the Stockholm region, RUFS 2010. This proposal is now being studied as an exposure draft and a decision on its adoption is expected to be taken in May 2010.

There is a regional development programme for Södertörn. Södertörn includes eight municipalities in the southern portion of Stockholm County – Södertörn-Botkyrka, Haninge, Huddinge, Nykvarn, Nynäshamn, Salem, Södertälje, and Tyresö. Today, all of Södertörn is included in the Stockholm region. Södertörn belongs to the Stockholm labour market and housing region and the financial effects of this are notable. Also administratively, Södertörn is a part of the Stockholm region as all of the municipalities belong to Stockholm County. Södertörn has, as a part of the Stockholm region, common interests as regards a number of issues. These have been compiled in a regional development programme for Södertörn which was produced in 2007. Södertörn notes in this development plan that a regional development plan for the Stockholm region (RUFS 2001) includes, as an important goal, the aim that the region, which is now comprised of one strong, single core, should be further developed to include a number of cores. In addition to the central regional core, the development of seven, further cores should be stimulated: Barkarby-Jakobsberg, Kista-Sollentuna-Häggvik, Täby-centrum – Arninge, Kungens Kurva-Skärholmen, Flemingsberg-Haninge centres, and Södertälje. The latter four regional cores all lie within Södertörn. One of the several goals in Södertörn's regional development plan is that the four regional cores of Södertörn comprise growth motors.

Local development agreements

The Swedish government has invited 21 municipalities to enter into local development agreements for the period 2008-2010. These agreements, which are based on ordinances concerning urban development work, refer to a total of 38 urban districts. Amongst the 21 municipalities are Stockholm, Botkyrka and Södertälje, and amongst the 38 urban districts are Husby, Rinkeby, Rågsved, Skärholmen and Tensta in the City of Stockholm, Alby, Fittja and Hallunda - Norsborg in Botkyrka and Fornhöjden, Geneta, Hovsjö and Ronna in Södertälje.

The aim of the local development agreements is to decrease the degree of social exclusion in a number of urban areas in Sweden. This social exclusion is characterised by, amongst other things, a high level of unemployment, a high portion of inhabitants receiving income

subsidies, a low level of average income, low average educational levels, a high portion of students who have not completed their high school training, low voting levels in elections, etc. Common for a number of these urban areas is the fact that they were established within the so-called Million Programme.

For each urban area included in the local development agreement, the municipality will prepare a strategic urban district plan in which local goals will be formulated within four target areas:

- Work
- Education
- Security
- Growth

Botkyrka and Stockholm have signed an agreement with the Swedish government. The agreement for Stockholm will shortly be approved by the Municipal Executive Committee. Södertälje will also sign their agreement within the near future.

Urban development plans

Södertälje, Botkyrka and the City of Stockholm have produced development programmes including the deprived urban areas. These programmes are at various stages as regards their anchoring within the Municipal Executive Committee, and as regards the decision making processes.

Work is underway in Södertälje with the production of a development programme for the entire municipality to include both the renovation of the city centre and a vision for Hovsjö 2020.

Botkyrka Municipality has produced a plan for long-term sustainability development within Alby, "The Future for Alby" which is currently being discussed via a citizen dialogue. After the completion of this dialogue, the plan will be adjusted and reformulated into a development programme for Alby. The Municipal Assembly is expected to take a decision on this development programme in the beginning of 2009.

The City of Stockholm has produced a plan for Järvafältet called, "Järvalytet". The plan is expected to be adopted by the Municipal Assembly. A vision document has been produced called "Vision Järva 2030" providing a view of what can be achieved via Järvalytet. The "Vision Järvalytet" emphasises, as with the development programme for Södertörn, the need to develop the regional cores referred to in RUFS 2001. One of the cores referred to in RUFS 2001 is Kista with its surroundings, in which Järva is included. A closer description of the development plans for Södertälje, Alby and Järva is found in the respective project descriptions.

5.3.4 Our working methods

The regional working groups

A working group was established in Stockholm with the responsibility of identifying projects within the region which could possibly be financed via JESSICA. The members of this working group are:

- Magnus Andersson, City Executive Board, Järvalyftet
- Arion Chryssafis – Unit Manager Social Services, City of Stockholm
- Linda Axelsson City Planner, Södertälje Municipality
- Wadih el-Achkar, Municipal Business Manager - Botkyrka
- Gustav Fridlund, Project Manager Botkyrka Municipality
- Susanna Rockström – Programme Manager, Regional Structural Fund Programme, Nutek
- Martin Ängeby – The Office of Regional Planning and Urban Transportation
- Connie van der Capellen - PwC

This working group has met twice during the period of the study and only certainof the members of the group could be in attendance on both occasions. Prior to this, the working group has had one preparatory meeting at which a number of project proposals had been identified.

In addition to discussing the possible JESSICA projects, the working group discussed the proposed structure for an urban development fund. The working group has not presented an anchored proposal regarding the number of funds which should be established.

In addition, PwC has met with representatives for Botkyrka Municipality and Subtopia, Södertälje Municipality and The City of Stockholm, on a number of occasions, in order to more closely penetrate the proposed projects on the basis of a JESSICA perspective. An information meeting was also held with City Commissioner Joakim Larsson, who is responsible for suburban areas and the housing companies, together with Arion Chryssafis and Magnus Andersson from The City of Stockholm.

A workshop was held with representatives of the working group and with representatives of the construction industry, real estate and real estate management companies, invited by the working group. The participants at this workshop were:

- Telge Hovsjö and Telge Fastigheter, municipal housing companies
- Botkyrkabyggen, non-profit housing company
- Folkhem, private housing company
- Stendörren Fastigheter AB, private property company
- Landic, private property company
- Riksbyggen, real estate company
- NCC, construction and property development company

The aim of the workshop was to discuss the interest in establishing a partnership in order to develop, in the long term, the urban areas in the Million Programme districts where the market

has failed to promote such development. The issues which were discussed at the workshop were:

- What type of investment is required to boost the Million Programme and develop an attractive city environment?
- What type of investment could you consider undertaking?
- On which premises would you consider entering into such a project?
- What is required in order that you would enter into a long-term partnership with the municipality with the aim of boosting the Million Programme and developing an attractive city environment?

In conclusion, it became apparent that the construction and real estate companies are interested in taking part in PPP (Public Private Partnership) solutions at project level. However, these companies are not interested in contributing at fund level. The market is currently in such a condition that the construction companies are not interested in undertaking new construction but are very interested in a renovation/restoration assignment. Botkyrka will proceed with dialogues with a number of the companies, who were present at the workshops, with the aim of establishing cooperation concerning concrete projects.

5.3.5 The Södertälje case

Södertälje Municipality is one of Sweden's twenty largest municipalities and is located in the southern part of Stockholm County. There is a total of approximately 85,000 inhabitants in the city and of these approximately 40% of the inhabitants were born outside Sweden. The expansion of the city has been notably characterised by the expansion of the business community and during the 1960s and 1970s a number of the heavily inhabited areas expanded. These have been dominated by housing in multi-tenant buildings built and planned on the basis of the ideals of the Million Programme. Today, the Municipality's housing market is comprised approximately 65% of multi-tenant housing, the majority of which is to rental flats and the remaining portion is small houses/attached houses.

Already at an early stage, a number of the newly built Million Programme districts were characterised by a high level of unemployment and socio-economically weak groups of inhabitants and a high level of inhabitants born outside Sweden. During the 1990's four of these areas were included in the urban development initiative, Ronna, Genesta, Hovsjö and Fornhöjden. During a number of years, various programmes and projects have been undertaken with the aim of strengthening the situation of the inhabitants and with the purpose of developing these areas. However, in subsequent evaluations it has been noted that there are few sustainable results at urban area level.

During 2005, a more extensive renewal project was initiated in the city area, Hovsjö. The property holdings in Hovsjö were separated from the municipality's housing company, Telgebostäder, and Telge Hovsjö was established. The model was Gårdstensbostäder and in the same manner as with Gårdstensbostäder, the inhabitants comprise the majority of the board members in Telge Hovsjö. The company's assignment is to manage the existing housing accommodation and also to develop the urban area, generally speaking.

Hovsjö Cultural Centre – A pioneering project to create a centre for meetings and the exchange of ideas

Idea and vision

The project concerns the development of a cultural centre in Hovsjöskolan's current premises as a location for meetings for all inhabitants living within Hovsjö and other parts of Södertälje. The idea is to create a meeting place for all people, regardless of origin, religion, interests meant? and age. Such a centre is important for Hovsjö and all of Södertälje and is an important stage in the work in tearing down the "unseen walls" found in Södertälje today. This will be a place where people can meet, have their association meetings, have a cup of coffee, train with their team in the sports hall and where there are many other social activities. A meeting place such as this could contribute, in a constructive manner, to "normalising" the climate in Hovsjö and to creating important contacts and bridges to, amongst other things, the business community and work life. Furthermore, a cultural centre could contribute to increasing the value of and interest in the area and could serve as an important part of the general development of this city area.

It would be possible to have continuing education courses for the university and colleges in this cultural centre within such fields as pedagogy, construction and health. There are a number of companies and organisations which have shown interest in this concept and who can contribute with new aspects and ideas, for example, Folkuniversitetet Bilda and local associations. It is important to build this centre together with the inhabitants of Hovsjö in order that everyone feels a part of the work and can participate and impact the development of this meeting place.

The project comprises a part of the total renewal of Södertälje which has been underway during two years. This renewal implies, amongst other things, an increase in the number of visitors to shops and restaurants, the construction of new housing units close to the centre and the establishment of new infrastructure supporting the development towards an attractive city core comprising a centre for Södertälje's inhabitants. Currently, Södertälje Municipality is working with a development plan covering all of Södertälje, that is, both the renewal of Södertälje and a vision for Hovsjö.

Objective

As previously mentioned, the overall goal is to create a location for meetings between people. Hovsjö is to be a secure location, sought out as a place for creating contacts and for enriching and uplifting experiences, as well as creating insight via meetings in the form of associations, sports, training and education, cafes, etc. In the long-term perspective there are no limitations in increasing the possibilities for interaction between the areas outside of Hovsjö and the Municipality and, thereby, "putting Hovsjö on the map" as a good example of a successful meeting place. Getting universities and colleges to see Hovsjö cultural centre as a unique and exciting centre for education and cultural exchange – when it comes to exciting meetings in the schools and during leisure time—this is what Hovsjö should be seen to provide.

Possibilities

The school has premises adapted for activities which, on the basis of minor changes, could provide for an increased scope of usage. Already today, a cafe is planned to be placed next to the school's cafeteria. The school's sports hall functions today but needs to be renovated and, in the long term, even extended. To undertake such plans together with some of the

companies who have shown an interest in the area is one possible means of receiving financial contributions and also "know how", which can be to Hovsjö's benefit.

Target groups

The inhabitants in Hovsjö and other parts of Södertälje are the primary target groups. The secondary groups are initially the close lying municipalities and educational institutions in Sweden. Considering that the physical premises of the former school buildings will serve as the basis for the centre, there is the possibility to attract the majority of groups within society. This can be associations requiring a meeting place, continuing education, courses and, of course, everyone who is curious about what is happening in "Hovsjö" in terms of the cultural and activity centre. It is important to attract all groups in society, something that contributes to a diminished degree of segregation. One interested party in the project is the housing company, Telge Hovsjö, whose assignment is to administer the existing housing accommodations and also to develop the urban area, generally speaking.

Time plan and budget

In order that this project can be realised, there is a requirement of both financial support and engagement and good advice. Initially, there is a need for the establishment of a basic organisation which can be developed in pace with the requirements arising as the centre grows and establishes itself. Telge Hovsjö needs to recruit an individual who is responsible for leading this work and who is provided with the primary duty of producing a project and operational plan. This is necessary in order to achieve a clear, well formulated operational concept with goals and sub-goals enabling the evaluation of the process and the establishment of the centre. Here, Södertälje Municipality plays a central role in the realisation of the project. A financial plan for the project has been produced in cooperation between Telge Hovsjö and the Municipality.

There are a number of activities which need to be initiated as soon as possible. A website is central and will be required in order to inform and communicate effectively. Similarly, a competition should be announced within the Municipality/Hovsjö in order to identify a name for the centre/meeting place. This will have at least two positive effects. Partly, the information will be spread regarding the operations and, partly, people will become engaged in the project. Telge Hovsjö has, already at this point in time, noted a large interest from a number of people as regards the initiation of the work with the cultural centre.

A desirable, and not unrealistic, time perspective for initiating the project is that one person shall be employed during the spring of 2009 and that this individual begins to work, at full speed, with the project during the summer. In August/September there could, then, exist a functioning, basic project organisation. During the spring, the company will work with communicating the project to cooperation partners and to all target groups. If everything goes as planned, the centre's operations should be open to the public in August. This is a tight time schedule but with good cooperation it is realistic. The project will not, however, be dependent on the time plan but will be implemented even if delays arise.

A rough estimate of the investment is shown below:

Activity	Cost
Stage 1	
Renovation and rebuilding of changing-rooms	MSEK 1
Rebuilding of kitchen and serving area	MSEK 1
Stage 2	
Meeting rooms, etc.	MSEK 1-40

Analysis of the project against the background of ERUF/JESSICA parameters

In describing the various projects which have been proposed, we have applied the parameters taken from the traditional allocation of structural fund financing, and have also applied the specific JESSICA parameters. We are very conscious of the fact that it is the Structural Fund Partnership which assess and prioritises these projects. Presented below is a general analysis undertaken by PwC.

ERUF parameters	JESSICA parameters
➤ Equality of opportunity	➤ Included in the integrated plan for city development
➤ Integration	➤ Possibility of revenues
➤ Environment	➤ Potential for common private-public financing analysed
➤ Agreement with EU and national regulations	➤ Sustainable urban development in deprived areas
➤ Contribution to the programme's goals	
➤ Report on the project organisation	
➤ Assessed and specified cost budget	
➤ Cost efficiency	
➤ Renewal and further development	

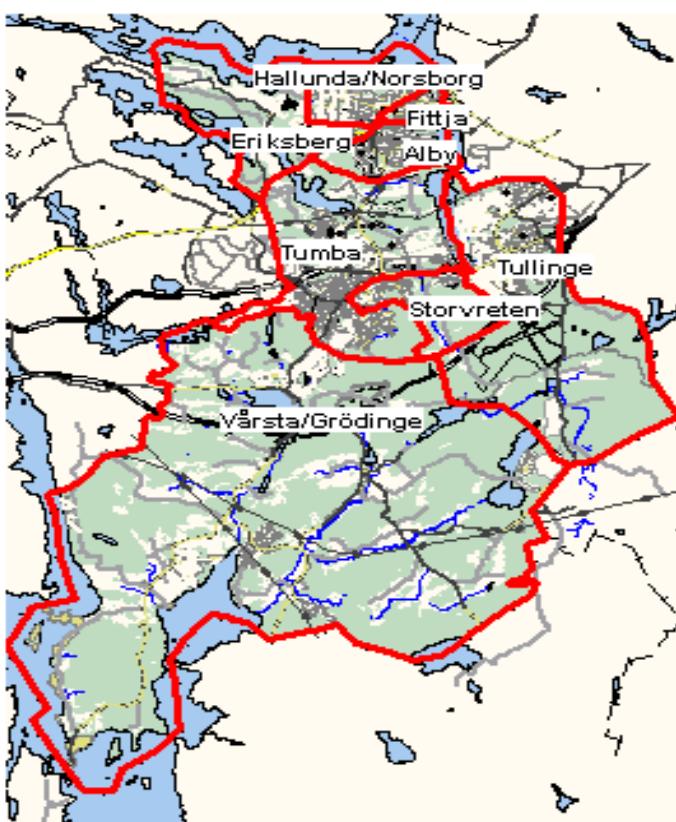
If one considers the Hovsjö project from the perspective of the structural fund, one can note that it can most accurately be classified as a project within the Priority Axis 1.3, that is, Support of integration and diversity. An example of activities mentioned within this activity area is the creation of new and the development of existing meeting places and contact channels. The Hovsjö project involves the development of a cultural centre and the creation of meeting places for everyone within Hovsjö and other parts of Södertälje in Hovsjö school's current premises. The idea is to create a meeting place for everyone regardless of origin,

religion, interests and age. Such a centre is important for Hovsjö and all of Södertälje and is an important step in the work of tearing down the “unseen walls” which exist in Södertälje today. The project should, thereby, also meet the horizontal criterion regarding equal opportunity, integration and the environment. As regards other common parameters in the form of project organisation, cost budget, etc. the project must present an application to Nutek, including these portions, in accordance with Nutek’s instructions.

According to the JESSICA parameters which PwC has identified, the project shall be included in an integrated urban development plan, there should exist the possibility of future returns and this should include a sustainable city development activity in a vulnerable area. The Hovsjö project is included as an integrated part of Södertälje’s development programme. Hovsjö is a urban area characterised by a high level of social exclusion on the basis of the parameters which the Swedish government is committed to evaluating in the local development agreements, that is, employment level, high school education level, portion with at least a 3-year high school education and the number of inhabitants dependent on welfare benefits. As regards future possible returns, these can include revenues from, amongst other things, the cafe and other operations, as well as in the form of a higher value on the properties in the vicinity, as a result of the improved environment. The major cooperation partner in this project is Telge Hovsjö which is a municipality-owned housing company. In addition, there can be other interested parties. These have not, however, been identified.

5.3.6 The Botkyrka/Alby case

Botkyrka is located in the southern portion of the Greater Stockholm region. This is the fourth largest municipality with a total of 26 municipalities in this region. There are a total number of 79,000 inhabitants. The northern portion of Botkyrka, where Alby is located, developed quickly during the 1970's. This area was planned on the basis of a traditional Swedish nuclear family perspective. The development was not, on the other hand, planned. The new suburbs were never independent, neitheras regards the provisoin of workplaces or as regards trade and business, but these suburbs have become bedroom communities. Furthermore, there was an excess number of rental flats when the area was completely developed and these flats were filled with immigrants who had a different life style than the life style of the inhabitants for which the housing had originally been planned. Today, Alby has 11,700 inhabitants and the average age is 34.3. More than fifty percent of the population in Alby, 58.5% have been born outside Sweden. More than 40% of these inhabitants have their background in Asia, primarily the Middle East.



Botkyrka Municipality has recently produced a long-term programme for the sustainable development of Alby. The programme has been the subject of a citizens' dialogue and is, currently, in the process of a new citizen's dialogue with the aim of securing the long-term action plan. The Municipal Assembly plans, in the beginning of 2009, to adopt a resolution regarding this development programme. The programme is based on five major areas of responsibility:

- Create a good environment for children
- Create improved work possibilities for women and men
- Renew the city environment
- Develop Alby's identity
- Test new working forms in the Municipality

Subtopia

Almost 10 years ago leading politicians and civil servants within Botkyrka Municipality took the initiative to create a strategy for a creative arts industry with its centre in Botkyrka/Alby. The aim of the strategy was to:

- Increase local initiative and entrepreneurship with a focus on youth
- Stimulate new jobs and investments
- Attract visitors
- Strengthen local identity

- Create a strong brand – The Vision of Botkyrka
- Build a strong cultural infrastructure
- Create a lively local environment

The initiative led to the creation of Subtopia. The aim of Subtopia is to create a new arena for culture, education and business by combining different forms of artistic expression and training, together with entrepreneurship and social engagement. The focus is on the circus arts, street arts, film and media. Subtopia is located in Alby in a building built by LM Ericson 100 years ago and belongs to the Municipality-owned company, Upplev Botkyrka.

Subtopia hosts some 40 organisations, such as Cirkus Cirkör, Clowns without Borders, Fanzingo, the filmbase, the University College of Dance, etc.

Establishment of a stage in Subtopia

The development programme for Alby includes a further investment in Subtopia by strengthening the business cluster around it, allowing the operations to be visible in the entire city area, increasing visitors and stimulating service and associated activities requested by the visitors. This investment is to lead to creating improved employment opportunities and to creating the premises for young people to develop their creativity.

The new investment refers to the establishment of a stage for new circus arts and street arts with the aim of attracting visitors who would otherwise not visit this area. Subtopia is, today, primarily aimed at production and training, and lacks attractive attributes, such as a place for the commercial execution of these arts. The plans also include making the pedestrian underpass from the underground to Subtopia more attractive, possibly building flats in the vicinity and building overnight accommodation for visitors.

Objective

The objective with the stage is to:

- Attract visitors, new inhabitants and companies
- Increase the value of buildings in the vicinity
- Create improved conditions for local and regional stakeholders to distribute content
- Position Subtopia as a national centre for circus arts and street arts
- Strengthen Subtopia as a cluster
- Stimulate artistic development

The stage shall also be able to be leased to other stakeholders not associated with Subtopia.

Possibilities

Today there is a warehouse owned by the Municipality which is situated near Subtopia and which could be used as a circus stage. A stage of this type would imply a competitive advantage for Alby as there is currently no stage specifically for circus and street arts in Sweden. Furthermore, here is an “alternative” conference facility in the region. Finally, there is a major requirement of a stage for local associations, schools, etc.

The Municipality has invested in the warehouse building and plans to make a basic inventory of the physical infrastructure and produce a business plan. It has been determined that there is a requirement of co-financing as regards this project.

Target groups

The target groups are:

- Inhabitants in the Stockholm region with an interest in circus arts and street arts
- Private and public stakeholders within circus companies, film and TV producers, art schools, etc.

Potential stakeholders are:

- Official stakeholders at national level
 - Ministry of Culture (ongoing cultural evaluation.-Current signals indicate an increased regionalisation of the state's cultural politics. Circus is not considered to be a specific form of art),
 - The Swedish Arts Council (will likely be restructured in conjunction with the new state cultural politics),
 - Ministry of Finance,
 - Ministry of Enterprise, Energy and Communications,
 - Ministry of Integration and Gender Equality (this Ministry may be interested in the development of a model for city development in the "Million Programme districts" which includes stimulation for engaging the market). Official actors at regional level
 - Stockholm County Council Culture Committee (could become regional principal in connection with the new cultural politics)
 - The Office of Regional Planning and Urban Transportation/RUFS
 - Cultural institutions
 - Cirkus Cirkör,
 - Riksteatern,
 - Other circus companies, Juggling the Arts, etc
 - Colleges/Universities
 - University College of Dance
 - University College of Film, Radio, Television and Theatre
 - Private stakeholders who are investors
 - EIB
 - Other banks
 - Finance and investment companies
 - Real estate companies
 - Private stakeholders who are sponsors

- Resource intensive companies (innovative market communication is increasingly important)
- Other: film and TV production companies, event companies, etc. (low cost as a competitive advantage).

Time plan and budget

The next step is to produce a business plan to include a market analysis, a preliminary cost and revenue analysis, an analysis of possible interested stakeholders and a business offer to such stakeholders. The Municipality plans to produce a long-term business plan and will undertake, parallel with this, certain investments in basic physical infrastructure during 2009-1010.

A preliminary cost and income calculation has been produced on the basis of two different scenarios, according to the following:

Scenario 1

- Estimated investment requirement in buildings (physical adaptation of existing premises):
- Euro 1 – 1,500,000 (Botkyrka + JESSICA)
- Value, existing real estate/land:
- Alby kvarn 2, “Circus warehouse”: estimated Euro 3,000,000
- Estimated sources of income:
- Support to cultural programmes: Euro 500,000 (Ministry of Culture)
- Support to operations/administration: Euro 300,000 (Botkyrka)
- Sales: 30 % of turnover of cultural programmes
- Leasing revenue: Euro 50,000

Scenario 2

- Estimated investment requirement in buildings (new construction):
- Euro 10 – 15,000,000 (private stakeholders + JESSICA)
- Value, existing real estate/land:
- Alby kvarn 2, “Circus warehouse”: estimated at Euro 3,000,000
- Subtopia area: Euro 10,000,000
- Estimated income resources:
- Support to the cultural programmes and operations/administration: Euro 1-3,000,000 Euro (Ministry of Culture)
- Sales: 30 % of the turnover of the cultural programmes
- Leasing income: Euro 100,000

Analysis of the project against the background of ERUF/JESSICA parameters

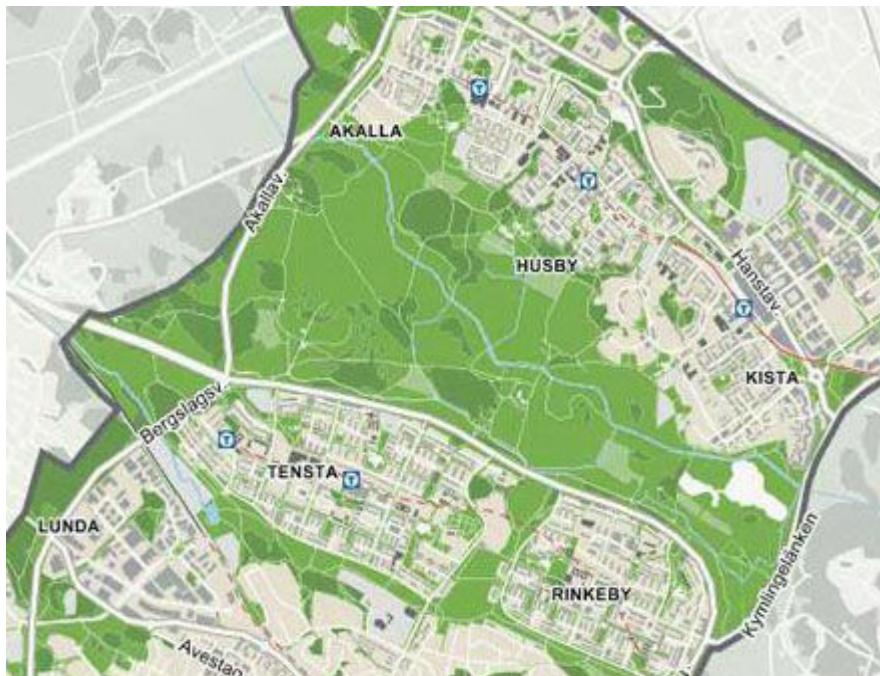
The Subtopia project can most appropriately be classified as a project within Priority Axis 1.3 on the basis of a structural fund perspective, that is, Support of integration and diversity. An example of the activities mentioned within this activity area is the creation of new meeting places and the development of existing meeting places and contact channels. The investment in Subtopia should lead to the creation of improved work opportunities and the premises for young people to develop their creativity via a strengthening of the business cluster around Subtopia, allowing for the operations to be visible in the entire city area, an increase in visitors and the stimulation of services and associated activities as requested by the visitors. The project should also meet the horizontal criterion of integration, equality of opportunity and the environment as the ambition is to, amongst other things, provide an increased number of work opportunities to both women and men in Alby. Other requirements are placed on an application for structural funds such as a cost budget, detail regarding co-financing, proposed project organisation, etc. These must, of course, be provided in conjunction with an application for structural funds as determined by Nutek.

From a JESSICA perspective, it can be noted that Subtopia is included an integrated part of the development programme for Alby. Furthermore, Alby is a city area which is characterised by a high level of social exclusion in terms of the parameters that the government commits to evaluate in the local development agreements. The project is, finally, a commercial project, in which the initiators expect that, in the long term, they will be able to have return on their investments via ticket revenues. A large number of possible stakeholders have been identified but the work with contacting these remains to be undertaken

5.3.7 The City of Stockholm– Järvalyftet

The City of Stockholm has produced a long-term and combined vision for Stockholm's growth and development towards a world class city – Vision 2030. In 2030 The City of Stockholm is expected to have close to one million inhabitants and the Stockholm-Mälaren region close to 3.5 inhabitants. This places requirements on the development of everything from housing, communication and the business climate to health care, schools, hospitals and culture. Against this background, The City of Stockholm adopted, together with a number of stakeholders in the region, between spring 2006-spring 2007,a long-term and combined vision for the development of Stockholm and for a sustainable growth in the project "Vision Stockholm 2030". Within this vision there are three common themes as regards the future development of the city and a number of significant characteristics showing what it will be like to live, work and visit Stockholm in 2030.

A special programme has been produced for the urban areas surrounding Järvafältet: Akalla, Hjulsta, Husby, Kista, Rinkeby and Tensta, the so-called Järvalyftet.



Järva was built between 1965-75, as a part of the Million Programme in order to solve the lack of housing which existed at that time. The 60,000 inhabitants living at Järvafältet comprise approximately 8% of The City of Stockholm's population. This is a population which is younger than average and in which the portion of inhabitants born outside Sweden is larger than for the city as a whole. Many people here are new in Sweden and in Stockholm, and the creation of positive premises for integration is an important goal for the city and Järvalyftet's many other actors.

Early on the Million Programme experienced problems and during the years a number of investments have been made in this area—from small changes to large measures. Many positive results have been achieved. However, in spite of the investment in major resources, one has still, largely speaking, not achieved the stable and positive societal development which was the purpose of these investments. The hope is that Järvalyftet can be different. Here the City of Stockholm cooperates with a large number of external stakeholders in a uniquely broad and long-term investment with a focus on both “hard” and “soft” issues, which can lift Järva to become a growth motor, a cultural meeting place and a place to which one wishes to move – and remain.

On 13 September 2007, the Municipal Assembly adopted a directional decision regarding Järvalyftet and on 17 October a unanimous political steering committee with representatives from all parties in the City Hall adopted a common target profile. Järvalyftet includes everything from the renovation of housing and the development of the City of Stockholm environment to increased safety, better education and more jobs. This investment implies that the City of Stockholm will take a holistic view as regards these areas, in terms of all municipal sectors and will, at the same time, cooperate with a large number of external stakeholders, such as other authorities and companies, associations and the business community, as well as with those citizens living in these urban areas. The City of Stockholm has reserved a budget of MSEK 200 for Järvalyftet and this is to be comprised of the partial financing, in project form, provided by various local authorities, which is in agreement with the goal profile in place for Järvalyftet.

A combined vision for the Järva area has been produced, Vision Järva 2030, which has the same theme as Vision 2030 for Stockholm. This document is currently being reviewed as a draft exposure document and a decision is expected to be taken during the first quarter of 2009 by the Municipal Assembly. Järvalytet is included as a part of Vision Järva 2030 and stipulates the means whereby to achieve this vision. A large number of project ideas have been presented in response to Järvalytet. Below is a description of the projects which have progressed quite far in terms of planning and which could comprise a JESSICA project.

5.3.8 Decking over of the new E18 at Tensta and Rinkeby for housing

In order to decrease the new E18's barrier effects, the City of Stockholm has taken the initiative to construct two decks for housing construction at Tensta and Rinkeby. The aim with the over-decking is to decrease the E18's barrier effects by connecting Södra Järva with Järvafältet's green area and to achieve a more traffic secure environment for all types of traffic. A number of blocks of flats will be built on the deck. Attractive blocks of flats can be built at this location at the edge of the respective urban area with an open view over the vicinity. The idea is that the new buildings will provide the inhabitants of Rinkeby with new possibilities as regards the nature of the housing but the buildings will also attract people working in Kista to live at "Rinkebyterassen".

Time plan and budget

The planned construction commencement of the actual over-decks is for next year and the construction time is approximately 5-6 years. A detailed plan for the housing construction and investments in the physical environment in order to make possible this construction has been initiated. Construction will be initiated between 2013-2014.

The investments in the physical environment with the over-decking in Rinkeby are expected to cost approximately MSEK 150. The calculated revenues from the sale of the flats are MSEK 40-50. A stakeholder, in addition to the City of Stockholm, is the construction company ByggVesta. ByggVesta is a private real estate company building and managing flats. They build both tenant owner association flats and rental flats and commercial premises. The emphasis is on rental flats.

The investments in the physical environment with the over-decking in Tensta are expected to cost MSEK 80-90 and the calculated income from the sale of flats is MSEK 50. Stakeholders in addition to The City of Stockholm are the construction companies, Veidekke Bostads and Bouwfonds Property Development (BPD) which recently established cooperation on the Swedish market. Veidekke is a Norwegian construction company which has established a strong position in Sweden during recent years. Veidekke builds, primarily, tenant owner flats. BPD is one of Europe's largest project development companies within both flats and commercial real estate, with operations in the Netherlands, France, Germany, Belgium, Czech Republic, Slovak Republic, Spain and Denmark.

Analysis of the project against the background of ERUF/JESSICA parameters

The project can most appropriately be considered to comprise a project within Priority Axis 3.1 that is, Improved accessibility and premises for regional expansion. Examples of activities mentioned within this area are, amongst other things, smaller infrastructure investments and

measures improving the efficiency of the utilisation of existing infrastructure. The project should also be able to comply, at least partially, with the horizontal criterion of integration, equality of opportunity and environment as the ambition is, amongst other things, to provide the inhabitants of Tensta and Rinkeby with an improved environment and possibility for inhabitants outside the area to move to an attractive place to live and, in this manner, achieve an increased level of integration. Other requirements on the application for structural funds, such as a cost budget, details regarding co-financing, proposed project organisation, etc. must, of course, be in place.

Based on a JESSICA perspective, it can be noted that the project is included as a portion of Järvalytet; the investment is made in one of the areas indicated as a city area with a high level of social exclusion in terms of the parameters which the government commits to evaluating in the local development agreements. A future revenue source is the sale of land and housing, or site-lease rents. Private stakeholders have been contacted, Bygg Vesta and Veidekke Bostads and Bouwfonds Property Development (BPD) which, at least initially and prior to the financial crisis, have shown an interest in the project.

5.3.9 Summary / conclusions

Our conclusions can be summarized as follows:

- We have identified a number of projects which should be able to meet the criterion inherent in the application for structural funds financed via JESSICA. These projects are also in line with the urban development plans.
- The identified projects are currently at a very early stage of development.
- Cofinancing by means of real estate is identified
- Relatively limited amounts are available from the structural funds in Stockholm for Jessica in relation to the investment requirement addressed by the projects.
- The municipalities have not made a final decision as to the number of funds they think should be established. They have indicated that they would prefer one fund per municipality. Our recommendation is that a fund should be established at as high a level as possible as this provides considerable synergy effects in terms of administration, cost and time. Binding agreements between the municipalities can regulate the manner in which the funds are to be distributed and the entity who is to execute the distribution.
- Nutek's call should be formulated as open as possible in order to provide the presumptive applicants with the opportunity to make their own decisions regarding the form of fund structure.
- Considering both the time restrictions and regulations regarding payment of structural funds, a temporary holding fund structure should be considered.

Plan of action

Nutek is the managing authority and determines if JESSICA should be implemented in Sweden. If the decision is to implement JESSICA, the following steps will be required :

- According to the time schedule planned by Nutek for the region of Stockholm, Nutek will make a call in May or June.
- According to this tentative time plan, the Structural Fund Partnership for Stockholm will undertake its prioritising decision as regards both ordinary applications and JESSICA applications in October.
- Parallel with this, one or several Urban Development Funds (UDF) will be established by the municipalities in the form of a company. The UDF prepares a business plan in which the projects requiring investment funds from the UDF are identified. A fund administration is established.
- If the decision is to establish a temporary holding fund, an agreement must be made with the interested parties, channelling structural funds to JESSICA and establishing a joint holding fund for the UDFs.

Summary of identified projects and their “fit” with the identified JESSICA criteria
In the table below the projects are mapped against the general parameters valid for ERUF and the parameters that are valid specifically for JESSICA. The meanings of the symbols in the chart are:

X= Fullfills the parameter

NC= Draft exists but is not complete

0= Does not fullfill the parameter

Parameters	Södertälje	Botkyrka	Stockholm
Projects	Hovsjö	Subtopia	Järvalyftet
ERUF parameters			
Equality of opportunity	X	X	X
Integration	X	X	X
Environment	X	X	X
Agreement with EU and and national regulations	X	X	X
Contribution to the programme’s goals	X	X	X
Report on the project organisation	NC	NC	NC
Assessed and specified cost budget	NC	NC	NC
Cost efficiency	NC	NC	NC
Renewal and further development	X	X	X
Jessica parameters			
Included in the integrated plan for city devopment	X	X	X
Possibility of revenues	X	X	X
Potential for common private-public financing analysed	NC	X	X
Sustainable urban development in deprived areas	X	X	X

External contacts in Stockholm during the evaluation study

We have worked with several key stakeholders, in addition to the municipalities involved and Stockholms Stad. We have met the managing director of Subtopia, a municipal development company with direct interest in one of the projects. Furthermore, a workshop was held with representatives of the working group and with representatives of the construction industry, real estate and real estate management companies, among others:

- Telge Hovsjö and Telge Fastigheter, municipal housing companies
- Botkyrkabyggen, non-profit housing company
- Folkhem, private housing company
- Stendörren Fastigheter AB, private property company
- Landic, private property company
- Riksbyggen, real estate company
- NCC, construction and property development company

The aim of the workshop was to discuss the interest in establishing a partnership in order to develop, in the long term, the urban areas in the Million Programme districts where the market has failed to promote such development.

6 Recommendations and conclusions on a practical implementation plan for JESSICA in Sweden

6.1 SWOT analysis for the continued implementation of JESSICA based urban development funds in Sweden

Below, we have attempted to summarise the activities of the three local working groups and our overall analysis and observations in terms of a SWOT analysis for the continued implementation of JESSICA in Sweden.

6.1.1 Strengths

JESSICA will add important characteristics to the urban development and regeneration in the areas selected for the evaluation study:

- Increased stamina and longevity for the resources currently available in the Operational Programmes
- Extended resources beyond current ERDF monies and co-financing
- Increased time for utilizing the available resources, higher sustainability of investment
- Serving as a natural part in and pursuit of the ongoing transformation in the studied areas
- Serving as a complementary method for handling the challenges connected with deprived areas

Additional strengths for the continued JESSICA implementation:

- The municipalities have positive experience from setting up and working with special purpose development companies in which public land and assets are invested for urban development purposes.
- Urban regeneration and development has become a politically prioritised issue.
- The identified projects are all part of integrated urban development plans that have been, or are going to be, formally determined by the decision makers in the respective municipalities.
- The identified projects are in line with the overall Swedish government policy regarding urban development and growth policy.

6.1.2 Weaknesses

- Small/limited amounts are available in the Operational Programmes
- N+2 rules will compress the time schedule

- The formal call procedures that are normally used in the allocation from Operational Programmes will make the allocation and prioritisation of ERDF monies to JESSICA based UDFs, difficult and complex
- No national public organisation has stepped forward offering significant publicly matched funding outside the regional stakeholders
- A complex and potentially time consuming process may be necessary to reach an agreement on the manner in which UDF capital can be invested (shareholder agreements)
- The projects are at a very early stage of development

6.1.3 Opportunities

- JESSICA and the potential to collaborate within UDFs, creates a foundation for a broader commitment to urban development.
- Potentially, significant resources are available as loans to the UDF projects.
- Administrative advantages and timing gains can be achieved if a temporary national holding fund is utilised.
- Operational programmes have clear and strong guidelines for the manner in which available resources may be used.
- The cooperation of EIB and other parties, that would not be able to participate without JESSICA, may create the critical mass to attract other private sector organizations to the UDF projects.
- By means of JESSICA ,a focus can be placed on urban development in deprived areas in an innovative manner.

6.1.4 Threats

- Parts of the Swedish regulatory framework have not been designed or legally tested (in court cases) with JESSICA in mind (Local Government Act, Kommunallagen).
- Short-term prioritisation and failure to prioritise JESSICA ahead of other more traditional grant schemes may further fragment the already limited available resources in the Operational Programmes.
- The Stockholm municipalities disagree on how to use the limited structural funds available, and on where (at what level) an urban development fund should be established.
- Potential or real disagreement in the regions on how and where to use the limited capital.

6.2 Activity plan

We have assessed the following activities to be necessary in realising the planned UDF funds. We have attempted to describe the two options on the basis of a joint, temporary holding fund structure.

Activity	Responsible
Indicative decisions regarding the provision of funds for JESSICA-related measures for each area.	PMC/ Nutek
Alternative A Establish an agreement with the identified interested parties regarding the establishment of UDF structures within the four areas, including the selection of a legal structure for each UDF.	Cities
1. Organise separately managed UDF fund structures with individual business plans.	Cities
2. Organise a steering structure for each individual UDF (Board/Investment Committee).	Cities
3. Determine investment criteria for the fund administrator in each individual UDF, as well as guidelines for proposals to the investment committee (for example, corresponding existing development plans, JESSICA decisions for project implementation, gives a sufficient return/ hurdle rate, exploits potentially available public and private resources .	Nutek/ PMC/ Cities
4. Appoint a fund administration organisation, potentially in accordance with the Public Procurement Act for each individual UDF with the assignment to plan project preparations, identify potential investments as well as fund administration. The business plan from the fund administrator is required in the responses to the call procedure.	Cities
5. Separate open call procedures to identify each UDF, make evaluations based upon each fund's planned investment portfolio/project, ERDF adaptation, competence as regards fund administration, assessments of the distribution of earnings, specifications for funding agreements between the UDF and its principals, etc. Prioritisation by PMC.	Nutek/PMC
6. Enter into funding agreements with each UDF including the terms for ERUF grants which regulate, for example, planned investments, investment strategies, steering and reporting.	Cities
7. Distribute funds to each UDF (eligible interim payments, eligible expenditure at ERDF closure will be the total of UDF payments for investment in supported urban development projects).	Nutek
8. Monitor and report to Nutek on investment activity in different UDFs	Nutek or cities
Alternative B Establish an agreement with identified interested parties regarding channelling structural funds to JESSICA and	

establishing a joint holding fund for the independent UDF's.

1. Negotiate a letter of intent regarding the establishment of a mutual holding fund, including guidelines for entering the holding fund agreement with a fund manager.	Nutek/ Cities
2. Appoint an investment committee to undertake monitoring and steering for the fund manager.	Nutek/ cities
3. Identify candidates for HF administration and prepare a letter of intent regarding the appointment of a fund administrator with the assignment of planning the project preparations, identifying potential UDF investments as well as fund administration.	Nutek
4. Establish a holding fund.	Fund administrator
5. Sign a "holding fund agreement" with the holding fund which specifies the conditions, planned investments, governance and reporting.	Cities?
6. Payment of funds to the holding fund (eligible interim payments, eligible expenditure at ERDF closure will be the total of UDF payments for investment in supported urban development projects).	Nutek
7. Organise separate UDF fund structures with individual business plans.	Cities
8. Organise a steering structure for each UDF (Board of Directors/Investment Committee).	Cities
9. Establish investment criteria for the fund administrator for each UDF as guidelines for proposals to the investment committee (for example, corresponding existing development plans, JESSICA decisions for project implementation, providing returns (does not comprise grants), utilisation of other public and private resources.)	Nutek/ PMC/ Cities
10. Procure a fund administrator in accordance with the Public Procurement Act for each individual UDF with the assignment to plan project preparations, identify potential investments as well as fund administration. The business plan for the fund administrator is required in the proposal for call.	Cities
11. Announcements to identify each UDF, make evaluations based upon the fund's planned investment portfolio/project, ERUF adaptation, competence as regards fund administration, assessments of the distribution of earnings, etc. Prioritisation of PMC.	Holding fund / PMC
12. Sign fund agreements with each UDF including the conditions for ERUF grants which regulate, for example, planned investments, investment strategies, steering and reporting.	Holding fund
13. Pay out funds to each UDF (eligible interim payments, eligible expenditure at ERDF closure will be the total of UDF payments for investment in supported urban development projects).	Holding fund

14. Monitor and report to Nutek as regards financing and investments in the project. | **Holding fund**

The major difference in the application of a temporary holding fund structure is that the requirements as to early preparation of business plans for individual projects and development funds are significantly less extensive and, thereby, payment is likely to be able to take place at an earlier point in time.

Through our work with the three major urban areas, we have identified a number of common characteristics, not only in terms of the type of public interest characterising the projects and the type of investments which are required for realising the visions we have found to exist, but also in terms of the practical activities and competencies which will be required on behalf of stakeholders at local and national level in order to formulate UDF-based solutions in the respective areas.

Of course, one also finds distinctive features in the respective areas, but the common characteristic is so strong that already in the progress of our work to produce the evaluation study, we experienced strong synergies between the three areas included in the study.

For the sake of efficiency, it is important that the forthcoming work ensures a coordinated continuation of this work. However, there can also exist political coordination gains in formulating a common view as regards defining the nature of the with designing a fund-based strategy for urban development issues and as regards describing what the expected results of this work. . The goal with a continued common approach could be to design a joint strategy for integrated urban development from a growth perspective.

In order to save time and to undertake an efficient joint implementation of JESSICA in the three areas, it could also be interesting to consider a joint administration of the required UDF structures.

6.3 Principles for developing a JESSICA call for expression of interest

- The formal call for expression of interest can be developed by Nutek, or if using a HF structure, by the HF manager using instructions from Nutek and other stakeholders. The call procedure should be based on established Nutek best practice, but also needs to include additional elements and requirements that will be tailored for a JESSICA call.
- In principle, the responsibility for proposing a UDF structure should lie with the UDF principals, most likely municipalities. The proposed structure will reflect an agreement at regional level.
- It is our strong recommendation that this call procedure should, if possible, exclusively focus on identifying UDF candidates and not "normal" grant projects, to avoid fragmentisation and an increased administrative burden in the evaluation process, as well as in the production of the applications.

Requirements should also can be formulated on applications to clarify the business plan of the UDF, in accordance with Commission regulation (EC) No 1828/2006, Section 8, Article 43 of 8 December 2006:

The business plan shall specify at least the following:

- (a) the targeted market of enterprises or urban projects and the criteria, terms and conditions for financing them;
- (b) the operational budget of the financial engineering instrument;
- (c) the ownership of the financial engineering instrument;
- (d) the co-financing partners or shareholders;
- (e) the by-laws of the financial engineering instrument;
- (f) the provisions on professionalism, competence and independence of the management;
- (g) the justification for, and intended use of, the contribution from the Structural Funds;
- (h) the policy of the financial engineering instrument concerning exit from investments in enterprises or urban projects;
- (i) 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.

The business plan shall be assessed and its implementation monitored by, or under the responsibility of, the Member State or the managing authority. The assessment of the economic viability of the investment activities of the financial engineering instruments shall take into account all sources of income of the enterprises concerned.

The content and structure of the business plans that will need to be developed for future call procedures will be controlled and decided by Nutek and should probably closely follow the standard requirements for Nutek managed ERDF call procedures, including:

- Cost specification/budget
- Documented sources of / commitments for funding: ERDF, public match funding and other private or public sources
- Revenue/ cash flow projections and breakdown
- Valuation documentation for non-monetary match funding (e.g. land assets)
- Non-financial contributions (e.g. labour)
- Risk analysis
- Cash flow breakdown per calendar year, e.g.
 - Staff

- o Advisors
- o Facilities
- o Investments
- o Other, e.g. marketing, supplies, travel expenses, etc.
- o Grants

6.4 Our recommendations

We have identified a number of potential JESSICA projects in each of the three regions included this evaluation study. These projects match the criteria set out in the relevant regulations, although many of them are still in an early phase in terms of developing cash flow projections and determining exact capital requirements.

Relatively limited amounts of funding are available from the Operational Programmes of each region, in relation to the estimated investment needs we have identified in the relevant JESSICA candidate projects.

Public co-financing (matched funding) is available in the form of e.g. real estate. The market value of these assets has not yet been estimated.

Upcoming formal call procedures for expression of interest carried out by Nutek should give regional stakeholders and potential UDF principals the flexibility to describe and define (in their applications) the preferred/chosen fund structure and the business plan, including an account of identified project candidates and underlying agreements.

There are significant administrative timing and cost benefits to be discussed in the context of a coordinated management of the identified UDF opportunities. UDFs should, from this perspective, be organised at an aggregated investment portfolio level, to be defined in the coming discussions and negotiations between the UDF principals, municipalities, regions and other, potential stakeholders.

Taking into consideration the timing requirements and regulations for the allocation of ERDF funds from the Operational Programmes, we believe that there are significant efficiency gains to be realised by considering a temporary holding fund which will only exist until the projects have been identified and selected and the UDFs have received their funding.

7 ANNEX: EIB description of consequences of a possible temporary holding fund solution

European Investment Bank (EIB) support for JESSICA implementation in Sweden

Introduction

This letter sets out what we perceive to be the status of the Joint European Support for Sustainable Investment in City Areas (JESSICA) initiative in Sweden, based on discussions at steering group meetings, with NUTEK colleagues, and PWC Ohrlings - consultants selected by EIB to undertake a JESSICA evaluation study in Sweden (the "JESSICA study"). The JESSICA study, which is scheduled to conclude before year end 2008, has been funded jointly by EIB and the European Commission, Directorate General Regional Development.

Background

Following a series of initial meetings on JESSICA through early 2008, during which NUTEK and the cities of Stockholm, Göteborg and Malmö were informed of the workings of the new initiative, the three cities agreed with NUTEK to investigate the possibility of utilising EU Structural Funds via this financial engineering mechanism in their respective city-regions. Terms of reference for the JESSICA study were drafted by EIB and agreed with a steering group, established and led by NUTEK (the "Steering Group"), and the European Commission. PWC Ohrlings was mandated to undertake the JESSICA study in September 2008 and monthly Steering Group meetings, and indeed sub-steering group meetings at regional level, have been held since.

A preliminary report has been produced by PWC Ohrlings and submitted to NUTEK for the purposes of updating colleagues in the respective Structural Fund Programme Monitoring Committees (the "regional partnerships"). It is our understanding that the working groups are positive to JESSICA in all three regions, and PWC's preliminary report confirms the rationale and indeed the potential for using this mechanism to deliver integrated and sustainable urban development projects in the three cities.

The European Investment Bank's role in support of JESSICA

EIB involvement in the JESSICA initiative involves:

- advising and assisting national, regional and local authorities in implementing JESSICA.
- promoting the use of Urban Development Funds (UDFs) and best practice across Europe.
- leveraging, where appropriate, its own financing into urban projects supported under the initiative.
- acting as a JESSICA Holding Fund, when requested by Member States or Managing Authorities to do so.

With almost EUR 30 billion (SEK 310 billion) in lending support to urban transport and renewal projects over the past five years, EIB has extensive experience in preparing and financing urban development projects across Europe. Following a European Council agreement (Leipzig Ministerial Informal meeting of 24/25 May 2007) to place urban regeneration as a major common policy, EIB has been considering efforts to step up its involvement in the sector. In this respect, and following similar rules in place with respect to EIB involvement in infrastructure funds, the bank is looking at opportunities to co-finance JESSICA investment into UDFs. We consider Sweden to have relatively advanced planning

and sustainable urban investment frameworks which could allow for EIB investment to take place.

In addition, EIB already enjoys a good working relationship with each of the three Swedish cities involved with this initiative.

Moving forward with JESSICA in Sweden

Assuming a positive decision to move ahead with JESSICA, one of the challenges now faced by NUTEK and the regional partnerships appears to be the urgent need to “reserve” funding within the respective programmes for this purpose and, perhaps more importantly, achieve the establishment of appropriate UDF vehicles in order to draw down the Structural Fund monies before the end of 2009. As set out in the preliminary report of PWC Ohrlings, achieving this objective requires a number of steps/processes involving both NUTEK and the cities/regions themselves:

- agreeing, procuring and establishing appropriate UDF vehicles
- appropriate governance structures for such vehicles
- detailed business plan and project feasibility
- negotiation of appropriate contribution agreements between NUTEK, as Managing Authority of the Structural Funds, and the UDFs themselves.

As a partner in the JESSICA initiative, EIB would be able to assist NUTEK and the cities in achieving these steps. Under a technical assistance arrangement, NUTEK could engage EIB for this purpose.

A more formal alternative, which achieves and indeed helps pay for the above by allowing for a more *rapid* draw down of the EU Structural Funds, through the establishment of a JESSICA Holding Fund. Formation of a Holding Fund using EIB does not require the establishment of an independent vehicle, nor does it require that projects have been identified or business plans prepared.

Whilst it would probably not make economic sense to establish a separate Holding Fund for each region, we believe the possibility exists to establish a single Holding Fund for the three regions collectively. Economies of scale should be achievable, whilst at the same time segregating the contributions received in respect of each of the regions by dedicating them for exclusive use within the specific region concerned. Annex 1 illustrates a possible JESSICA implementation structure for Sweden, using a mutual Holding Fund.

In order to access ERDF funding, national public contributions could possibly take the form of “contributions in kind” – being publicly-owned land and buildings³. The benefit of such an approach would be that national cash resources would not be required in order to draw down Structural Fund monies. Identification of municipalities with urban regeneration strategies and project land and building assets could be determined via a preliminary call for expression of interest. These are likely to be the same municipalities already that have been involved in the working group discussions thus far. The ERDF allocations drawn down would then be ring-fenced within the Holding Fund for allocation only to those projects located within the respective operational programme areas.

The tasks undertaken by EIB as Holding Fund manager are more fully described in Annex 2 and which include some of the “value added” steps/processes highlighted in first paragraph of this section above. Depending on the size of the Holding Fund, all of the above could be funded by interest income earned on the temporary investment of the ERDF cash contributions (i.e. it pays for itself).

³ The Commission has recently submitted revised text of the Structural Fund Regulations to the EU Council for approval, proposing that contributions in kind be considered as eligible expenditure in the establishment of or contribution to funds or holding funds.

The Holding Fund would be supervised by an Investment Board, the members of which could be nominated by NUTEK and/or designated public authorities. Annex 2 sets out more detail on the governance arrangements that would be adopted in respect of an EIB Holding Fund. For Sweden, the Investment Board could be created with representatives from the regional programmes and/or municipalities involved. In such structure, different members of the Investment Board would be responsible for decisions taken in respect of the use of the Structural Funds in the different regions/municipalities.

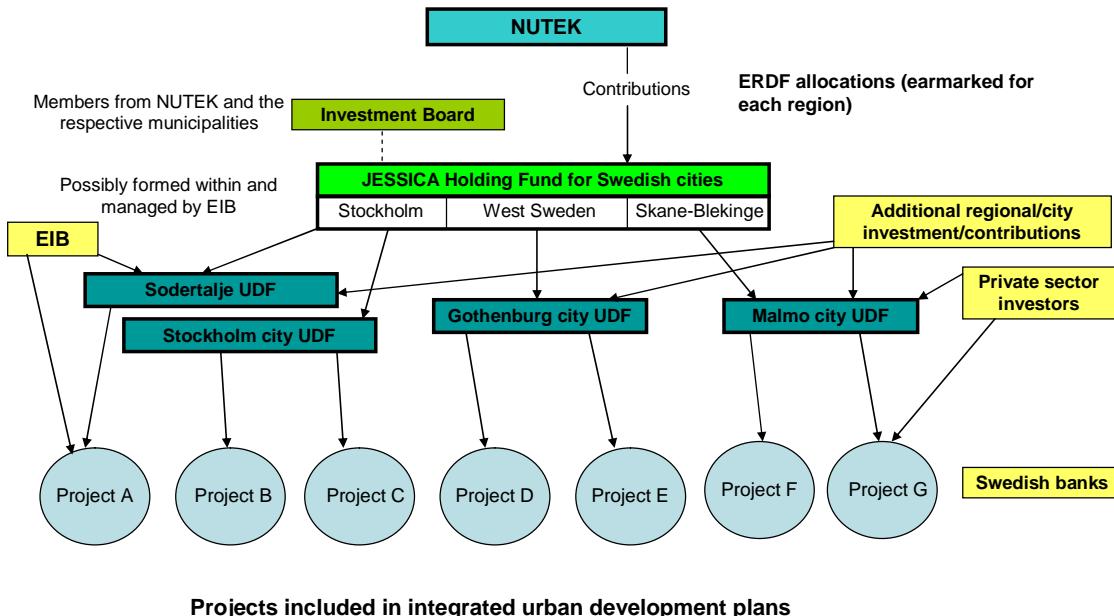
Finally, the Holding Fund could also be structured as a *temporary vehicle* by having winding up provisions that provide for the contributions/investments in UDFs, once identified and established, to transfer from the Holding Fund back to the Managing Authority, other designated public bodies, or another entity established as a Holding Fund in the future.

Conclusion

We are excited by the possibility of Sweden embracing JESSICA, particularly with respect to its three largest cities. We also remain interested in further assisting NUTEK and the cities concerned in implementing the initiative should they indeed decide to go with it.

Frank Lee
JESSICA Task Force – European Investment Bank
5 December, 2008

POSSIBLE JESSICA STRUCTURE FOR SWEDEN



The JESSICA Holding Fund concept

Why use a JESSICA Holding Fund?

A Holding Fund is a fund set up to invest in more than one UDF. Whilst a Holding Fund is not mandatory for the implementation of JESSICA, there are several benefits for Member States in having one. It allows Managing Authorities to delegate some of the tasks required in implementing JESSICA to appropriate professionals. On a more practical level, it allows for the Member State to still take advantage of JESSICA funding immediately, via the establishment of a Holding Fund, whilst UDFs and qualifying urban investment projects are being established and implemented by municipalities and other market participants. The interest earned on the funding received by the Holding Fund will cover the management costs and surplus might also be used, in the interim, to promote awareness, prepare feasibility studies and assist UDFs in preparing and implementing urban development projects. Holding Funds also allow for an intermediate level agglomeration of other public and/or private sector resources for investment of the combined resources into specific UDFs. It is our understanding that interest would not need to be paid back to the Commission in the event that the monies are not eventually invested by the Holding Fund in UDFs during the programming period.

Why choose EIB as Holding Fund?

EIB is assisting the Commission in implementing JESSICA throughout the EU. As a result of this unique relationship, it has the ability to influence the Commission's interpretation of the financial engineering and JESSICA-specific Regulations, as well as specific UDF schemes that might be created. Because of this unique relationship the Structural Funds Regulations allow for EIB to be selected as Holding Fund *without* the need for public tender, which would otherwise be required, for example, should the Managing Authority wish to appoint another service provider in this regard. There is also a legal presumption in the Structural Funds regulations that the EIB meets all the requirements concerning management, professional standards and independence required to be directly appointed as a Holding Fund for JESSICA.

Because of its expertise and active involvement in the development of JESSICA, EIB is in a position to make all necessary arrangements to perform its role as a Holding Fund in a reasonably short time frame.

Implementing JESSICA right across Europe puts EIB in a unique position of being able to distribute and implement best practice in both urban renewal expertise and the funding mechanisms which exist to implement them. Indeed the Commission recommends that Member States use EIB when deciding to adopt a Holding Fund for the implementation of JESSICA⁴.

EIB, being an International Financial Institution and already active in Sweden, potentially represents a neutral or unbiased participant in the development/implementation of JESSICA, able to appraise and recommend investments in specific UDFs based on objective selection criteria.

As a not-for-profit institution, EIB will seek to only recover its costs of establishing and operating a Holding Fund in Sweden.

How to establish a Holding Fund with EIB

EIB can be appointed as Holding Fund via the signing of a “Funding Agreement” with the relevant Managing Authority(ies).

This agreement must set out the funding arrangements and objectives for the use of the funds. It should also make provision for the tasks, duties and rights of the EIB when performing its role as Holding Fund. The agreement will make clear that the Bank is only managing the funds on behalf, and for the benefit, of the Managing Authority or other designated public authority(ies), who retains propriety over the funds. The Funding Agreement would therefore not be a grant agreement or donation of any form. It shall also provide for an exit strategy to enable returns from UDF investments to be distributed to the Managing Authority and for parties to exit from the agreement. Funds received by EIB will, in accordance with the Regulations, be appropriately segregated and managed as a separate block of finance within the Bank, thereby avoiding the complication of establishing an independent legal entity.

The Funding Agreement shall also provide for the provisions concerning governance of the Holding Fund. Governance provisions shall ensure that the funds always remain under supervision of the Managing Authority or designated public authority(ies) and that final investment decisions remain subject to the approval of the Managing Authority or designated public authority(ies).

More specifically, governance could be structured as follows:

- EIB shall prepare calls for expression of interest to UDF promoters, based on selection criteria agreed with the Investment Board and Programming Monitoring Committee;
- Based on applications received, EIB will examine, prepare and submit investment proposals to an Investment Board established for representatives of the Managing Authority or other designated public authority(ies); all proposals shall be in line with the conditions laid down in the Funding Agreement or guidelines subsequently adopted by the Investment Board;
- the Investment Board shall remain responsible for the investment decisions of the Holding Fund;
- the Investment Board shall be empowered to approve or reject EIB investment proposals but, in order to guarantee technical and professional independence, it may not modify the proposals submitted by EIB.

The Bank’s role shall thus consist of the performance of typical Holding Fund management tasks, such as administrative management, reporting, accounting, monitoring and treasury,

⁴ Section 2 b) of the Note of the Commission services on financial engineering in the 2007-2013 Programming Period – July 2007.

and the provision of “value added” services that lead to the most effective and efficient investment of the funds.

The kinds of specific tasks that might be performed by EIB as Holding Fund?

- agreeing an overall strategy and investment policy for the JESSICA Holding Fund, for approval by the Investment Board, including criteria for the selection of appropriate UDF investments;
- assistance with the identification of suitable urban projects and the establishment of UDFs in Sweden, including assistance in the preparation of UDF business plans, governance arrangements, etc;
- assistance with identification and appraisal of integrated and sustainable urban development plans considered central to a UDF's business plan;
- call(s) for expression of interest addressed to UDFs and other identified potential promoters of UDFs;
- implementing approved investments in UDFs in accordance with guidelines established in the Funding Agreement and as approved by the Investment Board;
- monitoring and reporting to the Investment Board on the performance of investments in UDFs;
- defining the winding-up provisions of the JESSICA Holding Fund, including the re-utilisation of resources returned from investments in UDFs or, where applicable, left over after all guarantees have been honoured;
- negotiating and establishing contractual arrangements, including appropriate exit provisions, between the JESSICA Holding Fund and the UDFs; and
- assisting with the interpretation of the Regulations, in particular relating to eligibility of urban project expenditures and “integrated plans for sustainable urban development”.