



JESSICA

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

JESSICA Evaluation Study for Brasov Region (Romania)

EVALUATION STUDY

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ABBREVIATIONS

ACSI	Authority for Coordination of Structural Instruments
BMA	Brasov Metropolitan Agency
EC	European Commission
EIB	European Investment Bank
EIF	European Investment Fund
ERDF	European Regional Development Fund
FS	Feasibility Study
GP	Growth Pole
HF	Holding Fund
IDA	Inter-community Development Association
IUDP	Integrated Urban Development Plan
JESSICA	Joint European Support for Sustainable Investment in City Areas
MA OP DAC	Managing Authority for Operational Programme Development of Administrative Capacity
MA ROP	Managing Authority for Regional Operational Programme
MA SOP IEC	Managing Authority Sector Operational Programme Increase of Economic Competitiveness
MRDT	Ministry of Regional Development and Tourism
NPRD	National Programme for Rural Development
NPV	Net Present Value
OP	Operational Programme
PAC	Building Permit Project
PPP	Public private partnership
PT	Technical Plan
PUD	Detailed Urban Plan
PUG	General Urban Plan
PUZ	Zonal Urban Plan
RDAC	Regional Development Agency Centre
ROP	Regional Operational Programme
SC	Steering Committee
SOP	Sector Operational Programme
SOP IEC	Sector Operational Programme Increase of Economic Competitiveness
UC	Urban Certificate
UDF	Urban Development Fund

I. INTRODUCTION

On April 1st, 2010 Deloitte Romania signed a services contract with the European Investment Bank (EIB) for performing a JESSICA Evaluation Study for Brasov Region (Romania). The subcontractors were Deloitte UK and Institute for Housing and Urban Development Studies Romania.

The evaluation was aimed at identifying challenges and opportunities associated with the practical implementation of JESSICA (Joint European Support for Sustainable Investment in City Areas) in the Brasov Region. The regional study produced for Brasov Metropolitan Agency (BMA) was meant to stand as a pilot procedure that could be replicated later according to the regional needs to other growth poles and metropolitan areas of Romania.

Our research aimed at providing answers to the following questions:

- Do the Romanian policy drivers and approach for planning urban regeneration indicate that JESSICA instrument would be suitable for Structural Funds deployment?
- If so, should a Holding Fund (HF) be established to manage the investment of JESSICA cash into Urban Development Funds (UDFs)?
- On the basis of a Holding Fund being adopted, what would be a suitable architecture for JESSICA in Brasov Region, particularly considering the number of possible UDFs required and the role of the public and private sector in this structure?
- What/where are the initial projects that would lend themselves to early implementation by the first UDFs?
- What does this imply for JESSICA deployment and what are the next steps and actions for all the stakeholders?
- Are there any statutory or legislative barriers that could prevent the optimum delivery of the JESSICA instrument in Brasov Region, and if so, what are the appropriate options for change?
- How can JESSICA be taken forward, specifically how can the Brasov Evaluation Study could indicate procedures applicable to other growth poles and metropolitan areas of Romania?

Specifically, the objectives of the Study as announced in the Terms of Reference were defined as follows:

- **Objective 1 – Facilitation of a consultative process.** To assist the Steering Committee (SC) and other relevant stakeholders in the region in managing a participatory and consultative process that identifies relevant investment projects potentially suitable for support through financial engineering instruments in the field of urban regeneration;
- **Objective 2 – Insertion of JESSICA Instruments into the Operational Programmes (OPs) - Rationale and Value Added.** To establish the rationale for using JESSICA instruments to invest in urban regeneration in the Brasov Region, within the framework of Romania's National Strategic Reference Framework (NSRF) and Operational Programmes, and principally the Regional Operational Programme. This analysis should be linked to the OP structure and priorities as well as other domestic and European programmes and initiatives relevant for the development of the Brasov Region;
- **Objective 3 – JESSICA Instruments - Organisational and financial architecture.** To analyse and develop structures for one or more revolving funds employing ERDF funding to accelerate investment in the Brasov Region and other urban areas in Romania. The structure should incorporate – as appropriate – state contributions, commercial loans, contributions from international financial institutions as well as contributions from other institutional actors, possibly including in-kind contributions in land and buildings. In particular, the possibility of existing vehicles/institutions and non-profit and commercial banks serving as UDFs should be explored;

- **Objective 4 – UDF Investment Strategy.** To define an investment strategy for JESSICA instruments, identifying UDF's and (if applicable) HF's services and financial products, their relationship with projects and beneficiaries; proposing and testing project and portfolio performance indicators; proposing arrangements for the governance of UDFs and identify constraints to implementation;
- **Objective 5 – Implementation requirements.** To set out the necessary steps and likely timetable for an action plan to implement JESSICA instruments in the Brasov Region and elsewhere in Romania.

The Report covers the findings over the period July 16th – November 15th, 2010 and completes the analysis performed in the Inception and Interim Reports. The conclusions of this Study are based on a research methodology combining discussions with Managing Authorities, local public administration representatives, project promoters and banks as well as desk research into relevant legislation, regulations, urban plans documentation, statistics and other relevant papers. Thus, the following main activities were performed:

- Interviews and consultations with Brasov Metropolitan Agency;
- Interviews with Authority for Coordination of Structural Instruments (ACSI), Managing Authority for Operational Programme Development of Administrative Capacity (MA OP DAC), Managing Authority for Increase of Economic Competitiveness, Transilvania Bank, Commercial Bank;
- Consultations during Steering Committee meetings;
- Desk research on:
 - Operational Programmes and National Programmes relevant for urban development and relevant progress reports;
 - Brasov Integrated Urban Development Plan and afferent documentation;
 - JESSICA regulations;
 - Brasov URBACT documentation;
 - Urban local legislation;
 - Relevant statistics on Brasov Growth Pole and the loan activity of Brasov City Hall;
 - Relevant statistics on commercial loans in Romania with Structural Funds activity and products for local authorities,
 - Law of public procurement and public private partnerships (PPP) legislative evolution.

We would like to cordially thank all the representatives of the above mentioned institutions for their time, the information provided and their contribution to the discussion on the new JESSICA financial vehicle and preparation of this study.

II. EXECUTIVE SUMMARY

1. Indicative need for JESSICA in Brasov Region (Romania)

This evaluation study was commissioned by the European Investment Bank (EIB) at the request of Brasov Metropolitan Agency (BMA) to explore the potential to employ JESSICA to secure a higher level of financing for needed urban development projects in the Brasov area.

Like most major cities in Romania, the Brasov metropolitan area benefited from recent national economic development investment policies and enhanced interest in real estate development. However, the crisis gripping the financial sector and its impact on public sector budgets has led to a reduction in the availability of public funding to support regeneration development. This study has been conducted within these challenging conditions -- some local authorities in Romania have struggled to meet their salary and social benefit obligations, which has meant a prioritisation of funding to these critical services and away from other areas, such as regeneration.

However, the economic crisis is being treated as a stimulus by some local authorities (such as the BMA) to adopt a more business oriented approach for regeneration investment in an attempt to move away from a 'grant dependent' culture. This shift in mentality includes investing in projects that have the potential to bring real economic and social returns for the community, plus a financial return that can be captured for investment in other regeneration projects in the medium- to long- term. This approach matches the increased interest at the EU level for understanding the benefits of financial engineering mechanisms and extending their use to deliver economic regeneration policy.

JESSICA is being promoted by the EU Commission and the EIB as one such financial mechanism for recycling economic development investment funds. Therefore, the scope of this evaluation study is defined to:

- Consider if demand exists from project promoters to use recyclable funds for regeneration development in the Brasov region;
- Review the organisational architecture of the public sector in Brasov and identify opportunities for JESSICA to complement existing regeneration initiatives;
- Identify challenges associated with the implementation of JESSICA in the Brasov Region; and
- Provide a model approach to be considered later for other growth poles and metropolitan areas of Romania.

This executive summary outlines the main recommendation that JESSICA should be adopted in the Brasov region. In addition, it explains:

- How a JESSICA Holding Fund should be constituted from the existing Structural Funds Operational Programme, including the levels of existing commitment for programme funds;
- The results of the financial simulations undertaken for a first round of likely JESSICA projects which helps establish the size of the JESSICA fund to set up initially; and
- Options for the structure of JESSICA Holding Funds and Urban Development Funds (UDFs) to be adopted for the region and other growth poles in the future.

2. Summary of Operational Programme and Legal Environment

The study was focused initially on an analysis of the Operational Programme and Romanian Law to identify if any 'major road blocks' exist to prevent JESSICA from being adopted in Brasov (or more widely in Romania) conducted before raising awareness of JESSICA in the Brasov region.

This analysis was also carried out to provide information to the Government to offer them the opportunity to review and change either the Operational Programme or legislation for the benefit of implementing JESSICA. Any such changes will need to be based on a clear value-added case for JESSICA over the status quo. Some changes will be specifically required to enable the

implementation of JESSICA; others of a more sensitive and political nature will need to occur as a part of the wider debate about the value of “grants” versus “revolving mechanisms”.

ERDF Operational Programme

The only Operational Programme with specific financial allocation for growth poles is the Regional Operation Programme (ROP) which has 74,3 million EURO for the Brasov growth pole (under Priority Axis 1.1 *Support to sustainable development of urban growth poles*).

This axis has complementarities with other ‘national’ OPs, however, the national OPs differ in that they do not have specific allocations per growth pole. Their allocations are not defined geographically and are subsequently limited in their ability to be applied to particular geographic areas (e.g. via a JESSICA UDF). We have also been informed by the Managing Authority that this limitation is unlikely to change.

According to data provided by MA ROP, at the end of September 2010 only 6 projects have actually been contracted for financing under Axis 1.1 ROP. These projects were submitted by Iasi and Cluj-Napoca Growth Poles (see table 1.1) and have a total value of approximately RON 472 million. Only RON 85 Million has been contracted to date. Assuming this 18% is reflective of other potential growth pole activity, the case for utilising JESSICA to provide more time to increase absorption is strong.

Currently, Brasov has existing draft project proposals that are likely to draw upon a portion of the growth pole funding, however initial discussions suggest that some of the remainder will be available for allocation to a JESSICA structure. All growth poles are in the process of continuing to submit projects, which are either in the evaluation process, under clarification request, or postponed for issues related to technical documentation, budgetary re-calculations and legal issues.

Table 1 Projects contracted under ROP, Axis 1

GROWTH POLE				
Title of the project	Beneficiary	Total value RON	Sum requested RON	Value contracted EUR
CLUJ				
Restauration of historic monuments central park Simion Barnutiu and Cazino from Cluj-Napoca	Cluj Napoca Municipality	40,054,575.96	30,323,085.03	3,790,385.63
Modernisation of the tramway line on the route Piata Garii - Bulevardul Muncii in Cluj Napoca	Cluj Napoca Municipality	86,208,429.01	68,113,288.58	16,217,449.66
Modernisation of the tramway line on the route Manastur - Piata Garii in Cluj Napoca	Cluj Napoca Municipality	76,848,324.41	60,701,024.53	14,452,624.89
IASI				
Development axis North-South Octav Bancila Passage	Iasi Municipality	87,862,477.42	69,433,567.83	16,531,801.86
Development of a traffic route in the cultural, historic and touristic area of Iasi City	Iasi Municipality	91,134,026.91	72,232,211.07	17,198,145.49
Development of transport axis East-West in Iasi City	Iasi Municipality	90,792,098.51	71,535,352.56	17,032,226.80
Total contracted value EUR				85,222,634.34

Public Private Partnerships and Legal Frameworks

Public -private and public-public partnership mechanisms are both widely used across the EU as possible UDF structures for deploying JESSICA funds. Under current Romanian ROP regulations however, PPPs are not eligible for implementation under a UDF, as the applicant for structural funds must be a public sector organisation. Therefore, JESSICA implementation has to first be preceded by amendment of current OP regulations to allow PPP mechanisms between local authorities and private

operators to act as JESSICA UDFs. This reality, combined with a lack of experience using PPPs in Romania, present both opportunities and challenges for ensuring the success of establishing a UDF.

Towards this end, discussions have been ongoing since November 2010 between authorities and representatives of private investors about conceiving a strong PPP legal framework. These discussions coincided with the enactment of PPP Law 178. The new law does not apply to concession contracts regulated by the public procurement legislation (Government Emergency Ordinance no. 34/2006 with all additions and completions). According to the terms of the new law, the private partner may assume some of the obligations of the public partner such as design, building, developing, rehabilitation/modernization, operating, maintenance and financing, this being obviously an important step toward unlocking potential resources for developing urban regeneration projects. We recommend that the BMA obtain clarification as to whether the role of assuming a public partner's responsibilities in a PPP includes being eligible to apply for OP funding.

The legislation on local public finances sets limits on the capacity for local public administration to contract loans, but these limits do not apply to non-reimbursable financing for EU projects. An important factor that would drive the decision for implementing a JESSICA financial mechanism resides in the capacity of local administration to identify, design and implement urban regeneration projects. Traditionally, local authorities in Romania developed urban development projects financed from the local/central budget and, to a lower extent from grants provided by the European Union; the number of projects for developing urban infrastructure financed from credits are limited. A pilot JESSICA UDF would provide an ideal opportunity for local authorities to develop the ability to manage loan mechanisms in a revolving fund structure (e.g. but not necessarily in a PPP), with an experienced private sector partner (such as a bank).

Our conclusions from discussions with local and national banks are positive. They clearly have an appetite to support JESSICA through a fund management role and understand the synergies of working with organisations such as the BMA to deliver development activity.

Another factor for JESSICA in the approach taken by the Regional Operational Programme is the obligation of the local authorities from growth poles to develop a strategic planning process, resulting in an Integrated Urban Sustainable Development Plan, which can help define projects within the scope of a JESSICA investment strategy. However, the local authorities have to date not focussed on bringing forward revenue generating projects (due in part to the provisions of Article 55 of the grant calculation method), so JESSICA provides a much needed "learning by doing" exercise", to drive forward an initiative to bring forward revenue generating projects. The BMA appears to be the first Growth Pole sponsor to take up the challenge of adopting a pilot recycling financial mechanism to try and deliver later rounds of investment.

Having summarised the key factors of the policy and legal framework for JESSICA in Brasov, it is now important to assess if demand exists from projects for a UDF providing recycling finance.

3. JESSICABLE projects in Brasov growth pole

JESSICA'ble projects need to answer positively to the following questions:

- Is the project (partially) eligible under the NSRF rules?;
- Is it included in an integrated sustainable urban development plan?;
- Will the investment occur by 2015?;
- Will the project generate sufficient revenues to provide a realistic chance of reimbursement of JESSICA funds?;
- Are private entities or financial institutions involved to provide complementary funding into a project?.

In cooperation with BMA, we reviewed a long list of over 200 potential projects for the region, and narrowed this list down (using the above criteria) to a short list of seven projects with available necessary details in order to perform the financial simulation under JESSICA conditions. It is important to remember that these seven projects are not the total number of suitable projects, but reflect those projects which had readily available information to fit within the timetable of the study. We saw evidence of other possible projects, which from our experience, would have been applicable for JESSICA, but little time was available to develop the required information for a financial simulation.

The analysed urban regeneration projects tend to have a local dimension with the predominance of city historical / traditional old centres presenting urban and social deterioration; others are mainly focused on the requalification of public spaces, the rehabilitation of buildings with differentiated use such as commerce and services, and aspects of transport and population mobility.

The results of the financial simulations suggested that these seven projects under JESSICA conditions would require an initial investment from JESSICA of approximately 11 million euro.

However, a number of other project investment opportunities could come forward with further technical analysis and joint working between the public and private sector. Without further detailed project development it is difficult to extrapolate the findings from the simulations to accurately predict what the overall size of the fund would be. The following scenarios have been put forward for general illustration:

- A minimum size of JESSICA UDF is generally accepted by potential fund managers to be in the range of 30 million euro. At this scale, the set up costs are considered worthwhile and the fund manager should have enough critical mass within the fund to spread project risk acceptably;
- 30% of the short list of projects from the Integrated Urban Development Plan (IUDP) reviewed appeared acceptable for JESSICA investment – 30% of the Growth Pole money allocated to JESSICA (i.e. 30% of 70 million euro) would equate to a fund of approximately €21 million. With additional technical assistance provided to the area, it is reasonable to assume that the percentage would improve as projects are designed specifically for JESSICA, thereby raising the demand for the fund.

At this stage it is important to remember that this result has been achieved in the context of an Operational Programme that was not designed with JESSICA mechanism in mind. Furthermore, the local public officials, while enthusiastic about the potential for adopting JESSICA, have limited practical experience of setting up projects in a suitable way to receive a JESSICA investment. We also found that the awareness of JESSICA in the private and banking sectors was extremely low and therefore it was natural for a project to be appraised without the consideration of JESSICA.

The conclusions from the project demand review can therefore be summarised as:

- Some initial projects could be readily adapted to take JESSICA investment as early 'quick wins' for a JESSICA UDF;
- Further project demand does exist, although strong technical support is required to advance project designs and business plans to the point of being ready to apply for UDF funding;
- Project promoters were willing to engage on the subject. If the restrictions around public-only applications for OP monies is relaxed, then promoters could work more closely with the public sector and a JESSICA UDF to deliver more projects.

This leads us to conclude that in evidencing demand for JESSICA in Brasov, it is not entirely a lack of projects that produces the results above. If technical support and advice were provided to the relevant stakeholders, it is reasonable to assume more suitable project investment opportunities would emerge and thereby justify the need for a larger fund to be established for the Brasov Growth Pole.

The results so far in this summary lead to a strong conclusion for at least an exploratory pilot for JESSICA to be adopted, which would act as a 'learning experience' for all parties in Brasov to then enhance further in the future. With this conclusion in mind, we now review the options for deploying a JESSICA structure in Brasov.

4. Options for deploying a JESSICA Structure in Brasov

Based on the findings of the consultation with the main stakeholders and our analysis of the JESSICA structure in other EU countries, three possible scenarios have been identified for consideration for JESSICA's implementation in Brasov:

Scenario no. 1. Implementation of a EUR 20 Million JESSICA pilot fund in Brasov.

Following discussions held between the representatives of BMA and the Managing Authority of the Regional Operational Programme (ROP) to consider the interim findings of this study, the parties agreed to exploit the possibility of pursuing the establishment of a JESSICA fund for Brasov – as a

pilot project – for about EUR 20 million, using resources of Priority Axis 1.1 of the ROP. A pilot UDF in Brasov Growth Pole in the immediate period has several advantages:

- It provides a long term financing mechanism to the growth pole, allowing more projects to be financed (multiplier effect) and orientating the projects towards interventions which will be sustainable in the long run, thus providing benefits to the local community on a long term perspective;
- Experience and knowledge will be built up for operating JESSICA-type instruments in the future, thus establishing a clear advantage for setting-up revolving funds in the next programming period;
- Not all unallocated funds are committed to the JESSICA structure, which allows further grant funding projects to remain deliverable. Due to the inexperience of Brasov in using recycling investment mechanisms, retaining this flexibility is seen as important.

As the analysis in the study reveals, there are a number of project ideas that could be early investment opportunities for the pilot fund. This project portfolio would need a significant additional effort to bring these projects to the level of maturity needed for financing by a UDF.

There are in principle two ways to establish a pilot JESSICA UDF for Brasov:

- a) The Managing Authority could set up a JESSICA Holding Fund within the EIB on the basis of a direct award under Article 44 of Regulation 1083/2006. The Holding Fund could be established with the initial purpose of selecting and investing into a UDF for the Brasov Metropolitan Area but the scope of activity of the Holding Fund could be expanded in the future. The terms and conditions will be formalized in a Funding Agreement between the MA and the EIB. Acting as a Holding Fund Manager, the EIB would undertake the UDF selection process, negotiate with the potential UDF(s) and enter into a contractual relationship with the UDF(s) on behalf of the Managing Authority (through an Operational Agreement). However, key decisions - such as final UDF selection and approval of key terms of the contract with the UDF(s) - would remain in the competence of the Investment Board of the Holding Fund, nominated by the Managing Authority. In addition, the Brasov region would benefit from EIB resources to inform and up-skill project promoters as part of the role it plays as HF manager to ensure any funds it sets up have early project investment opportunities;
- b) The Managing Authority will in a way undertake the role of launching a public procurement process for the selection of UDF(s) under Romanian law and subsequently negotiate contracts (operational agreements) with the potential UDFs.

The above options were discussed by the BMA and we have been informed that the EIB's assistance is very likely to be requested, not least to benefit from the EIB's strong technical knowledge and past experience with JESSICA. The BMA believes that JESSICA UDFs will be very difficult to set up without the support of the EIB and it is unlikely they would be as successful as an EIB led structure. The next steps in the application of this scenario would therefore be:

- Representatives of the European Investment Bank will prepare and send to Brasov Metropolitan Agency in November 2010 an Action Plan of tasks it recommends to be undertaken by the BMA and Managing Authority for the implementation of JESSICA in Brasov;
- Discussions between the main stakeholders of a JESSICA pilot project in Brasov, namely representatives of the European Investment Bank, Brasov Metropolitan Agency, Management Authority of the Regional Operational Programme, Coordination Authority for Structural Instrument from the Ministry of Finance, commercial banks and other relevant organisations. The objective of these discussions is to agree on how to implement the JESSICA UDF pilot, including the role the public sector wishes to play in the identification and selection of projects for investment by the UDF – this will also require consideration of the role that the BMA wishes to play, either as a supporter of the UDF or to be more actively involved in a PPP style arrangement. Representatives of Brasov Metropolitan Agency proposed the meeting to be held in Brasov in February 2011;
- If discussions are positive (i.e. agreement of all relevant parties in proceeding with the implementation of a the JESSICA UDF pilot project), the representatives of MA ROP and

BMA on one side and of EIB on the other will negotiate and conclude a Funding Agreement for the establishment of an EIB managed Holding Fund in Brasov;

- On concluding the Funding Agreement to set up the Holding Fund, the Fund Manager, can then start preparatory activities for securing the JESSICA mechanism: definition of the investment strategy for the pilot UDF in consultation with the local authorities from Brasov Metropolitan Area, elaboration of the necessary documents for procurement of the UDF management, optionally provision of technical assistance for bringing the maturity of the projects to be financed to the necessary standards, provision of advice & training to local authorities. It is expected that the conclusion of the Funding Agreement between EIB and the Romanian Government will take around two to three months and the procurement of a UDF a further four to six months. These activities will need to be approved by the Investment Board, appointed by the HF. The investment board can consist of representatives of the MA, the BMA, EIB and other (independent) experts.

This period will allow enough time for securing two necessary preliminary steps before the project implementation will start by the selected UDF:

- The amendment of the documents of the ROP for enabling JESSICA mechanism accessing funds from the ROP allocations under Axis 1.1. This process could be successfully finished within two-three months period;
- The enhancement of the level of maturity of the projects defined by the local authorities in Brasov region, with potential support from EIB experts.
- The Holding Fund Manager will then be able to launch the Call for Expression of Interest for UDFs, evaluate the offers received from consortiums that will apply, and award the contract for the management of the UDFs to the consortium offering the best management services. As described earlier, by this stage the public sector will have determined the role it wishes to play either within or supporting the UDF, especially on the issue of developing suitable projects for investment.
- After selection of a UDF manager the UDF will need to select projects to invest in. There is not one route for the UDF to select projects. The role of the HF and the MA can be fulfilled in different ways. For example, the UDF could be independent, selecting a project portfolio itself in line with the Operational Programme and JESSICA regulations, or the project portfolio can be selected with help of Technical Assistance provided by the HF (advised by the established Investment Board). The structure of the JESSICA mechanism will depend on the role the MA and the BMA wish to play.

Through the findings of this study, we strongly support the implementation of this first scenario, because of the obvious benefits it can bring to most of the main stakeholders:

- for **local authorities** and subsequently for **local communities** in Brasov Metropolitan Area by establishing a mechanism of provision of long-term financing for urban regeneration projects, by attracting additional resources (both financial and human) from the private sector for urban infrastructure development;
- for **Management Authority** from Regional Operational Programme by providing it with a model for financing through revolving mechanisms. A model that can be built based on a “learning by doing” exercise undertaken in the Brasov region, that can be easily replicated (if successful) at a later stage in the other growth poles in Romania. Moreover, the outcomes and results of the resources allocated to the Regional Operational Programme will be significantly increased;
- for **central authorities** in charge of programming for the next financial exercise between 2014-2020, by providing them with a pilot mechanism, on which valuable conclusions and data may be drawn for building experience for subsequent JESSICA type of mechanisms;
- for **private project promoters**, the opportunity to access Structural Funds and establish closer working relationships on using loans and equity to invest in economic development with the public sector on a trial basis.

Scenario no. 2. Re-allocation of all funds to a JESSICA structure and pilot UDF within this programming period

Options of re-allocating funds to JESSICA from less successful areas of OPs will be re-assessed next year according to the calendar of NSRF evaluation decided by the Authority for Coordination of Structural Instruments. This option is very similar to scenario 1, but it draws in much greater amounts of funding and reallocates monies from other priorities.

In the event of a clear willingness and interest to direct such funds to JESSICA, EIB and the Government may conclude a Funding Agreement for the provision of Technical Assistance services. Through this TA, support can be provided to the BMA in preparing projects which are suitable for JESSICA financing and marketing of the JESSICA instrument in the region. After re-allocation of funds from other OPs a HF can be established, possibly within the EIB, and within the current programming period. The HF will start launching the first UDFs in order to execute investments before the end of 2015. Under this scenario there will be a first pilot UDF for one growth pole to be continued with full deployment of UDFs in all growth poles after 2014, when results of the whole process will be tangible and, hopefully, successful.

It is considered that this is a higher risk approach than scenario one as the absorption of EU funding in Romania on a national level will be much more directly linked to the success of the implementation of JESSICA, which as we have outlined earlier, is a new mechanism with no 'track record' in Romania.

Scenario no. 3. Technical Assistance this programming period, implementation of JESSICA UDF's from 2014 onward.

JESSICA will be implemented during the next programming period, 2014-2020. In preparation for this phase, based on a Funding Agreement between the Romanian Government and EIB, extensive technical assistance work will be awarded for JESSICA awareness and training, identification and general design of projects, drafting applicable regulations and programming documents. This investment will be viewed as preparatory work for the next programming period and leave 'grant funding' as the remaining option for the current period.

In 2014 the JESSICA mechanism will roll-out directly at national level, without a pilot transition such as under scenario no. 1. To implement JESSICA at national level, UDFs could be created for each of the different growth-poles in 2014, which, if existing 'good practice' from other countries is followed, a Holding Fund could be used for their set up and monitoring.

We believe this option presents a low risk solution for the Romanian government, but misses out on an urgently needed 'learning by doing' opportunity for Local Authorities to see the benefits of recycling investment funds first hand.

5. Concluding Comments

The findings of this study have clearly demonstrated a case for adopting JESSICA in Brasov. The Structural Funds OP and legal framework could be changed to better support a JESSICA structure, but without clear evidence for these changes any amendments would be at risk of not being wholly suitable. Therefore a pilot process would provide a great deal of support for the transition to using recycling funds in Romanian economic development.

Projects and their promoters displayed genuine enthusiasm, but an understandable lack of understanding of this new mechanism. Frequent request for case studies show how much benefit a pilot fund could achieve in ensuring a strong pipeline of investment opportunities.

It is also clear that some of the OP budgets for technical assistance measures could be beneficially spent on a pilot process and generally preparing for a wider implementation of JESSICA. The technical assistance mentioned in all scenarios may find several sources of financing under the technical assistance axes from Operational Programmes, especially from the Technical Assistance Operational Programme, but also from the axis for technical assistance under the Regional Operational Programme.

European Investment Bank should have a natural role in leading and/or delivering the work for transit to JESSICA. According to Council Regulation No 1083/2006 of 11 July 2006 laying down general provisions on the European Regional Development Fund, the European Social Fund and the Cohesion Fund and repealing Regulation No 1260/1999 "the EIB and the EIF (European Investment

Fund) may participate, in accordance with the modalities laid down in their statutes, in the programming of assistance from the Funds. The EIB and the EIF may, at the request of Member States, participate in the preparation of national strategic reference frameworks and operational programmes, as well as in activities relating to the preparation of projects, in particular major projects, the arrangement of finance, and public-private partnerships”.

After a successful pilot period in Brasov, the roll out of JESSICA on a national level could continue to be supported by the EIB acting as Holding Fund Manager bringing additional expertise in deployment and a close relationship with EC bodies. The Managing Authority for the Regional Operational Programme would define for the HF a functioning scheme in accordance with the requirements set in ROP and other relevant national regulations. The scheme would need the careful ex-ante verification by the EC against the State Aid rules and even the ex-ante verification of the Competition Council.

A bank or other private financial institution is likely to be the best option for developing UDFs (possibly in consortium with an urban planner and/or Regional Development Agencies), developing fund mechanisms in line with the JESSICA Regulations; in terms of number of UDFs that can be organised in Brasov Growth Pole or nationwide, the decision can only be taken after an agreement on the available JESSICA fund volume for Brasov or for all growth poles.

From a thematic point of view, the revenue generating projects indicated to us by BMA can be organised into two categories:

- Rehabilitation of urban infrastructure and improvement of urban services (parking, roads, buildings and other urban infrastructure);
- Sustainable development of business environment (business centres for economic development and innovation).

However, this organisation into themes can be different in each growth pole, regarding regional and local needs for urban investments, following an analysis of portfolio of projects in each pole. The split into several UDFs may be considered for competition reasons, as the subsidiarity and administrative decentralisation principles will most likely be defended by local authorities. Obviously, a decision on the number and size of each UDF may be taken only after a thorough analysis of the investment projects portfolio of each growth pole.

Why JESSICA Should be Adopted in Brasov

At the outset, this study was commissioned to answer the following about whether JESSICA should be adopted in Brasov:

Table 2 Conclusions

Objective	Conclusion
Consider if demand exists from project promoters to use recyclable funds for regeneration development in the Brasov region.	Demand clearly exists and there is a strong appetite from the public and private sector to use recycling funds as a tool to finance economic development. The study identified sufficient potential projects examples which could proceed with a small pilot JESSICA structure in advance of a larger structure in later years.
Review the organisational architecture of the public sector in Brasov and opportunities for JESSICA to complement existing regeneration initiatives.	Supply of required resources to manage and support the deployment of JESSICA would come from the BMA, supported by the Local Authorities and other public organisations. There is agreement from these organisations to see JESSICA adopted. Private sector organisations, including local and national banks is supportive and wishes to see JESSICA adopted.

Objective	Conclusion
Identify challenges associated with the implementation of JESSICA in Brasov Region.	The nature of the OP and legislative barriers are understood and require some modification prior to adopting any JESSICA structure.
Provide a model approach to be considered later for other growth poles and metropolitan areas of Romania.	It is proposed a pilot fund of €20 million is initially deployed to prove the concept of JESSICA works in Romania. This would be best delivered through a Holding Fund managed by the EIB and it is strongly recommended that the Managing Authority enters into discussions with the EIB to that end.

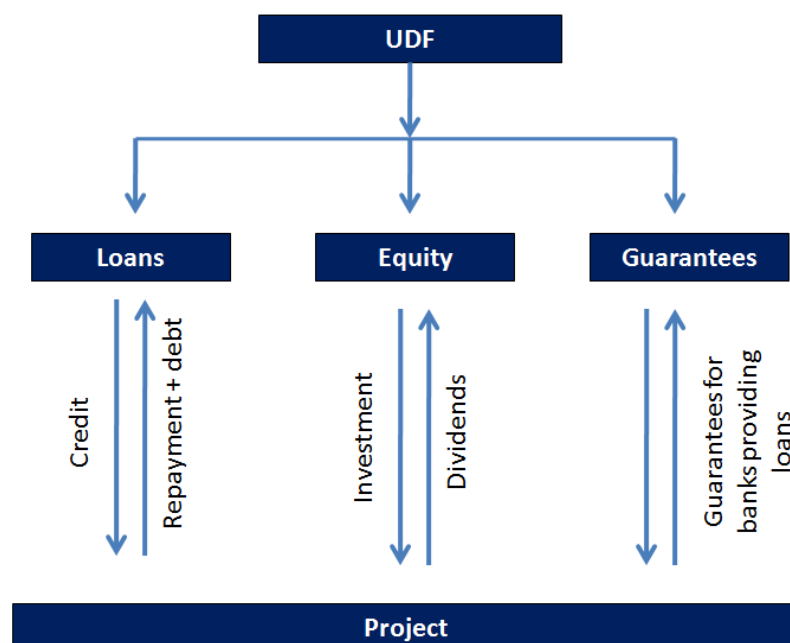
III. BUSINESS CASE FOR JESSICA

Joint European Support for Sustainable Investment in City Areas (JESSICA) is a policy initiative of the European Commission (EC), developed with the European Investment Bank (EIB) and in collaboration with the Council of Europe Development Bank (CEB), with the objective of supporting sustainable urban development through financial engineering mechanisms. Under procedures applicable in the 2007-2013 programming period, Managing Authorities in the Member States (MS) of the European Union (EU) are allowed to use some of their Structural Fund allocations through financial engineering instruments supporting urban development. These instruments are Urban Development Funds ("UDFs") investing in Public-Private partnerships (PPPs) and other projects inserted into integrated plans for sustainable urban development, and – optionally – Holding Funds ("HFs") that manage operations on behalf of Managing Authorities.

JESSICA is a response to the request by several Member States and the European Parliament to give special attention to the need for Urban Regeneration and is based on perceived market failure or market imperfection in the urban sector or, more specifically, on the lack of investment funds to finance integrated urban renewal and regeneration projects in pursuit of more sustainable urban communities.

Project promoters could be public, municipal or private sector enterprises. Furthermore, it will be possible for commercial banks or other institutional investors to also participate. The financial mechanism will reinforce long-term sustainability through the recyclable and recoverable nature of the funds. Money generated through UDFs can be reinvested to support other urban development projects.

Figure 1 UDF financing structure



JESSICA is a major opportunity for enhancing the delivery of urban regeneration funds via the EU Structural Fund programme. The deployment of the instrument has a number of advantages:

- Provision of additional resources and incentives for PPPs in urban areas - the use of public funds to leverage private investment;
- Availability of greater financial expertise from specialist institutions such as the EIB;
- Ensuring longer term sustainable impact for the ERDF and other EU interventions.

Figure 2 JESSICA channelling of funds¹



The terms and conditions for contributions from Operational Programmes to financial engineering instruments shall be set out in a funding agreement, to be concluded between the duly mandated representative of the financial engineering instrument and the Member State or the Managing Authority.

Transfer of funds to financial engineering instruments such as JESSICA also speeds up the absorption rate of the Structural Funds as they are eligible as interim payments under the Operational Programmes. If invested by the UDFs in projects, they are also eligible as final payments upon partial or final closure of Operational Programmes. When resources from the Operational Programmes invested under JESSICA are paid back to the UDF, before or after 2015, they belong to the Member State.

Employing JESSICA as a mechanism for enhanced urban regeneration activity has clear benefits and opportunities compared to the traditional means of financing such projects, through grant or commercial loan.

Table 3 – Comparison between grants, JESSICA and commercial loans

Criteria	Grants	JESSICA	Commercial loans
Volume of urban regeneration funds	<ul style="list-style-type: none"> Grant projects are assumed to be non-revenue generating or with limited revenue-generating capacity; The funds available for grants are limited and revenues generated by grants are not returned or captured by urban funds; Revenue-generating projects receive reduced grant financing based on the amount of NPV from expected revenue. 	<ul style="list-style-type: none"> EU resources are refundable under JESSICA as opposed to traditionally non-repayable grant aid. Also, JESSICA increases the pool of resources for urban development in the long run – projects repay their loans received from the UDF to the fund as revenues are generated (interest and capital). These are later reinvestment in other projects. Until the ERDF funds are used in accordance with their destination, they may be held on interest-bearing bank accounts to generate income, which will allow at least part of the operation and management costs of 	<ul style="list-style-type: none"> Resources allocated by private banks for urban regeneration projects are scarce due to the financial crisis.

¹ EIB website.

Criteria	Grants	JESSICA	Commercial loans
	the HF to be covered.		
Commitment of Operational Programmes	<ul style="list-style-type: none"> The European Commission shall automatically de-commit Operational Programme budgets which have not been used for pre-financing or interim payments or for which an application for payment has not been sent by 31st December of the third year following the year of budget commitment; Interim payments are operated based on payment claims sent by a Member State. 	<ul style="list-style-type: none"> Transferring funds to financial engineering instruments such as JESSICA speeds up the absorption rate of Structural Funds as these funds are eligible for interim payments under the Operational Programmes. If invested by the UDFs in projects, they are also eligible for final payments upon partial or final closure of Operational Programmes; The certification for the JESSICA scheme is less onerous for the Managing Authority since it is performed in one exercise at the end of the Operational Programme. 	<ul style="list-style-type: none"> Not applicable.
Fund applicants	<ul style="list-style-type: none"> Under current ROP regulations, Axis for growth poles, only public organisations are eligible to ask funds. 	<ul style="list-style-type: none"> Public administration, private companies, real estate developers, and PPP schemes. 	<ul style="list-style-type: none"> The access of local authorities is in practice rather limited.
Pre-financing	<ul style="list-style-type: none"> The payments the beneficiaries receive from the Managing Authorities for grants are issued through reimbursement of invoices already paid by beneficiaries. When pre-financing is possible under the grant scheme, the sum paid in advance is limited (around 15% of total project value). 	<ul style="list-style-type: none"> Upfront payment: the JESSICA mechanism allows projects to receive investment money prior to the completion of projects. 	<ul style="list-style-type: none"> According to conditions set in contracts concluded.
Management of ERDF funds	<ul style="list-style-type: none"> Under the responsibility of the Managing Authority - the state bears all administrative costs. 	<ul style="list-style-type: none"> Management fees are calculated based on the size of the JESSICA fund as a fixed percentage; Responsibilities related to the management of JESSICA funds and project selection are delegated to an external entity that bears all risks entailed by the execution of the fund. 	<ul style="list-style-type: none"> When commercial banks are involved in administrating the UDF, their management costs will be covered from the interest produced by the UDF funds.
Value of projects	<ul style="list-style-type: none"> Is limited by the OP regulations and depend on the funds available for the OP during the programming period; 	<ul style="list-style-type: none"> Takes into account income generated by the investments, which increases the project scale; 	<ul style="list-style-type: none"> Depends on the banks policy and on the level of indebtedness authorised by

Criteria	Grants	JESSICA	Commercial loans
	<ul style="list-style-type: none"> • Sometimes projects submitted for financing through grant do not observe the financial gap criterion (as defined by the grant rules) because of too high return on investment, which makes them ineligible under the OP. 		<p>the Commission for authorising local loans for local authorities;</p> <ul style="list-style-type: none"> • Current national economic situation restricts banks involvement in large crediting.
Duration of implementation	<ul style="list-style-type: none"> • Projects duration is limited to the programming period. 	<ul style="list-style-type: none"> • Can significantly exceed the programming period. 	<ul style="list-style-type: none"> • According to the banks policy.
Quality of projects	<ul style="list-style-type: none"> • Purely grant projects are likely to require less in-depth preparation compared to revenue-generating ones as, in the first case, there is no pressure to identify all circumstances, risks and variables of a project that may affect its financial returns. 	<ul style="list-style-type: none"> • A JESSICA project does not only have to meet the general socio-economic indicators of OPs, but should also take into account other factors such as market analyses, participation of private partners, involvement of UDFs, Managing Authorities, and banks participating in project financing. They will also be subject to enhanced scrutiny from the UDF manager in most cases. 	<ul style="list-style-type: none"> • Dependent on the bank's policy.
Debt interest	<ul style="list-style-type: none"> • The debt is paid by the beneficiary for the funds borrowed in order to bring the necessary co-financing to the project; in case of revenue-generating projects where the applicant needs to provide at least 50% of the value of the project, the debt paid by the beneficiary for its co-financing is evidently bigger. 	<ul style="list-style-type: none"> • Lower than on the private commercial market – preferential interest rate. 	<ul style="list-style-type: none"> • Highest interest rates.

IV. ADMINISTRATIVE, ECONOMIC AND SOCIAL DATA ON BRASOV GROWTH POLE

This chapter includes data collected from: Brasov Integrated Urban Development Plan, paper “Key numbers in the Brasov Metropolitan Area” issued by Brasov Metropolitan Agency in 2010, website of Brasov County Statistical Directorate and other public sources.

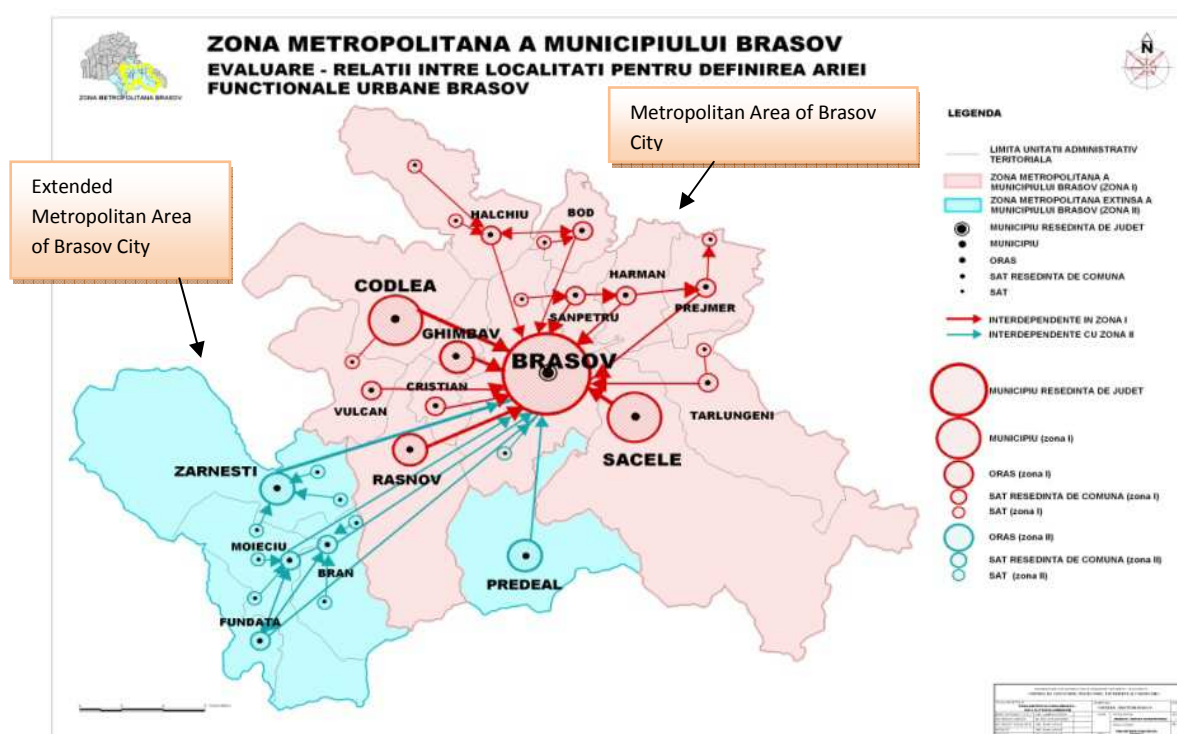
1. Location and general presentation of the growth pole

Braşov and the 13 surrounding localities together form an urban-rural area called the *Braşov Metropolitan Area*, with 403,867 inhabitants across 136,101 ha. It is the only growth pole in the Centre Development Region.

Brasov Municipality and its influence area (metropolitan area) of 13 municipalities include:

- 3 cities (Brasov, Codlea, Sacele);
- 3 towns (Ghimbav, Predeal, Rasnov);
- 8 communes (Bod, Cristian, Halchui, Harman, Prejmer, Sanpetru, Tarlungeni, and Vulcan).

Figure 3 Map of Brasov Growth Pole



The growth pole is located 160 km north from Bucharest, in the middle of a special natural and cultural landscape, and is connected through:

- European roads - E81, E68, E60 corridor IV with European regions;
- National roads – DN1 with Bucharest and Sibiu – Arad; DN 11 with Iasi, DN 13 with Sighisoara – Targu Mures – Oradea;
- Railways (with a density of 67,7km/1000 km²) connected with Bucharest, Vienna, Prague, Sofia and Istanbul;

- Airports in Bucharest and Sibiu. An international airport should be built in Ghimbav to facilitate the growth pole's accessibility and promote regional economic development.

2. Economic trends

The growth pole economy is under continuous transformation and territorial redistribution of activities, in line with the major transport axis and mobility channels. During 2005-2007, an increase in the companies' number (36.18% in the field of construction, 17% in the field of hotels and restaurants, and 16.95% in services) took place due to the national economic growth and a specific interest in real estate development in the region.

In the past few years, the several investors developed prosperous businesses including: Autoliv România S.A., Ina Schaeffler Braşov S.R.L., Eurocopter România S.A., Rolem S.R.L., Freshtex Textile Finishing S.R.L., DTR Draexlmaier Sisteme Tehnice România S.R.L., Europharm Holding S.A., Losan România S.R.L., Quin România, M.T.I. Impex S.R.L., Stabilus România S.R.L.

Two industrial parks function in Braşov: Carfil Industrial Park (with an area of 1.87 ha, and 17 industrial and service companies), and Metrom Industrial Park (6.37 ha and 15 production and service companies).

Table 4 – Data on active companies in the growth pole area (2008)²

	Growth Pole	out of Braşov city
Number of companies	17,408	14,089
Turnover (billion Lei)	29,259	24,004
Number of employees	150,285	119,110
Gross investments (billion Lei)	6,044	4,925
Net investments billion Lei)	2,414	1,799

Latest data publicly available on active companies date back in 2009 and are cumulated at the level of Braşov County, as follows:

Table 5 - Data on active companies in Braşov County (2009)³

	Braşov County
Number of companies	20,114
Turnover (billion Lei)	27,106
Number of employees	151,811
Gross investments (mil Lei)	4,987

In terms of direct foreign investment, most of the companies investing in the growth pole are located in Braşov (1,820 companies) mostly in the field of commerce and services. Most draw from Germany (21.75%), Italy (20.65%), France (6.36%), USA (5.49%), UK (4.81%) and Spain (3.48%).

The tourism sector is important for economic development and can be further developed, given the Braşov Growth Pole's remarkable landscape and cultural heritage. As the most important mountain region in the country, mountain resorts like Predeal, Poiana Braşov, Paraul Rece are famous locations for recreation, mountaineering, and winter sports. Within the tourism industry, Braşov County is in second place in Romania following Constanţa.

The charts on the next three pages outline tourist activity statistics within the following categories:

² Source of statistical data: Key numbers in the Braşov Metropolitan Area issued by Braşov Metropolitan Agency in 2010.

³ <http://www.brasov.insse.ro/main.php?id=438> - Braşov County Directorate of Statistics

- Evolution of accommodation capacity (for the period 2005-2008);
- Evolution of number of tourists accommodated in hospitality structures (for the period 2005-2008);
- Number of arrivals and nights spent by the tourists in hospitality structures in the Braşov Growth Pole (first semester of 2009).

Table 6 – Evolution of accommodation capacity – number of beds (2005-2008)⁴

		2005	2006	2007	2008
Municipal towns	Brasov (number of beds)	5,466	5,970	5,056	6,957
	Brasov (evolution of number of beds in %)		9.22%	-15.31%	37.60%
	Brasov (% of number of beds in total number of beds of BMA)	60%	57%	53%	61%
	Codlea (number of beds)	30	30	26	28
	Codlea (evolution of number of beds in %)		0.00%	-13.33%	7.69%
	Coldea (% of number of beds in total number of beds of BMA)	0.33%	0.29%	0.27%	0.25%
	Sacele (number of beds)	57	128	139	168
	Sacele (evolution of number of beds in %)		124.56%	8.59%	20.86%
	Sacele (% of number of beds in total number of beds of BMA)	0.62%	1.22%	1.47%	1.47%
	Ghimbav (number of beds)	70	70	70	50
Towns	Ghimbav (evolution of number of beds in %)		0.00%	0.00%	-28.57%
	Ghimbav (% of number of beds in total number of beds of BMA)	0.77%	0.67%	0.74%	0.44%
	Predeal (number of beds)	3,266	4,030	3,797	3,707
	Predeal (evolution of number of beds in %)		23.39%	-5.78%	-2.37%
	Predeal (% of number of beds in total number of beds of BMA)	35.79%	38.33%	40.05%	32.52%
	Rasnov (number of beds)	153	186	268	299
	Rasnov (evolution of number of beds in %)		21.57%	44.09%	11.57%
	Rasnov (% of number of beds in total number of beds of BMA)	1.68%	1.77%	2.83%	2.62%
	Cristian (number of beds)	-	-	20	16
	Cristian (evolution of number of beds in %)				-20.00%
Communes	Cristian (% of number of beds in total number of beds of BMA)			0.21%	0.14%
	Halchiiu (number of beds)	-	15	15	26
	Halchiiu (evolution of number of beds in %)			0.00%	73.33%
	Halchiiu (% of number of beds in total number of beds of BMA)		0.14%	0.16%	0.23%
	Harman (number of beds)	10	6	8	46
	Harman (evolution of number of beds in %)		-40.00%	33.33%	475.00%
	Harman (% of number of beds in total number of beds of BMA)	0.11%	0.06%	0.08%	0.40%
	Prejmer (number of beds)	-	-	5	10
	Prejmer (evolution of number of beds in %)				100.00%
	Prejmer (% of number of beds in total number of beds of BMA)			0.05%	0.72%
	Sanpetru (number of beds)	50	50	50	64
	Sanpetru (evolution of number of beds in %)		0.00%	0.00%	28.00%
	Sanpetru (% of number of beds in total number of beds of BMA)	0.55%	0.48%	0.53%	0.56%
	Tarlungeni (number of beds)	9	14	-	19
	Tarlungeni (evolution of number of beds in %)		55.56%		26.32%
	Tarlungeni (% of number of beds in total number of beds of BMA)				
	Vulcan (number of beds)	15	15	27	8
	Vulcan (evolution of number of beds in %)		0.00%	80.00%	-70.37%
	Vulcan (% of number of beds in total number of beds of BMA)	0.16%	0.14%	0.28%	0.07%

⁴ Source of statistical data: Key numbers in the Brasov Metropolitan Area issued by Brasov Metropolitan Agency in 2010.

Latest data publicly available on accommodation capacity date back in 2009 and are cumulated at the level of Brasov County, respectively 14,728 beds.⁵

Table 7 – Number of tourists accommodated in hospitality structures (2005-2008)⁶⁷

		2005	2006	2007	2008
Municipal towns	Brasov (number of tourists)	250,516	238,075	292,435	295,521
	Brasov (evolution of number of tourists in %)		-4.97%	22.83%	1.06%
	Brasov (% of number of tourists in total number of tourists of BMA)	62%	55%	60%	62%
	Codlea (number of tourists)	762	970	1077	877
	Codlea (evolution of number of tourists in %)		27.30%	11.03%	-18.57%
	Coldea (% of number of tourists in total number of tourists of BMA)	0.19%	0.22%	0.22%	0.18%
	Sacele (number of tourists)	1276	1518	2596	2554
	Sacele (evolution of number of tourists in %)		18.97%	71.01%	-1.62%
	Sacele (% of number of tourists in total number of tourists of BMA)	0.31%	0.35%	0.53%	0.53%
	Ghimbav (number of tourists)	1008	414	728	981
Towns	Ghimbav (evolution of number of tourists in %)		-58.93%	75.85%	34.75%
	Ghimbav (% of number of tourists in total number of tourists of BMA)	0.25%	0.10%	0.15%	0.20%
	Predeal (number of tourists)	150,032	187,008	186,810	164,902
	Predeal (evolution of number of tourists in %)		24.65%	-0.11%	-11.73%
	Predeal (% of number of tourists in total number of tourists of BMA)	36.90%	43.33%	38.03%	34.35%
	Rasnov (number of tourists)	1791	2410	5353	8433
	Rasnov (evolution of number of tourists in %)		34.56%	122.12%	57.54%
	Rasnov (% of number of tourists in total number of tourists of BMA)	0.44%	0.56%	1.09%	1.76%
	Cristian (number of tourists)	-	-	173	140
	Cristian (evolution of number of tourists in %)				-19.08%
Communes	Cristian (% of number of tourists in total number of tourists of BMA)			0.04%	0.03%
	Halchiu (number of tourists)	39	197	144	226
	Halchiu (evolution of number of tourists in %)			-26.90%	56.94%
	Halchiu (% of number of tourists in total number of tourists of BMA)	0.01%	0.05%	0.03%	0.05%
	Harman (number of tourists)	103	18	222	4194
	Harman (evolution of number of tourists in %)		-82.52%	1133.33%	1789.19%
	Harman (% of number of tourists in total number of tourists of BMA)	0.03%	0.00%	0.05%	0.87%
	Prejmer (number of tourists)	-	-	10	193
	Prejmer (evolution of number of tourists in %)				1830.00%
	Prejmer (% of number of tourists in total number of tourists of BMA)			0.00%	0.04%
	Sanpetru (number of tourists)	818	817	1405	1605
	Sanpetru (evolution of number of tourists in %)		-0.12%	71.97%	14.23%
	Sanpetru (% of number of tourists in total number of tourists of BMA)	0.20%	0.19%	0.29%	0.33%
	Tarlungeni (number of tourists)	65	19	50	174
	Tarlungeni (evolution of number of tourists in %)		-70.77%	163.16%	89.08%
	Tarlungeni (% of number of tourists in total number of tourists of BMA)	0.02%	0.00%	0.01%	0.04%
	Vulcan (number of tourists)	151	114	159	252
	Vulcan (evolution of number of tourists in %)		-24.50%	39.47%	58.49%
	Vulcan (% of number of tourists in total number of tourists of BMA)	0.04%	0.03%	0.03%	0.05%

⁵ <http://www.brasov.insse.ro/main.php?id=439> - - Brasov County Directorate of Statistics

⁶ Source of statistical data: Key numbers in the Brasov Metropolitan Area issued by Brasov Metropolitan Agency in 2010.

⁷ As it can be noticed, in 2007 there has been a decrease in number of beds for some of the members of Brasov Metropolitan Area – it is our assumption that this was due to the accession of Romania to EU in 2007 when part of the authorizations for functioning of touristic facilities were suspended until full alignment to new EU standards. Moreover, the biggest accommodation capacities are concentrated in Brasov and Predeal, the rest of members sharing extremely low percentages.

Latest data publicly available on tourists' accommodation date back in 2009 and are cumulated at the level of Brasov County, respectively 451,683 total number of tourists in 2009.⁸

Table 8 – Number of arrivals and nights spent by the tourists in hospitality structures in the Braşov Growth Pole (first semester of 2009)⁹

		Arrivals			Nights spent		
		Romanians	Foreigners	Total	Romanians	Foreigners	Total
Municipal towns	Braşov	74,502	24,604	99,106	158,659	55,053	213,712
	Codlea	294	9	303	388	22	410
	Săcele	5,485	774	6,259	9,798	2,480	12,278
Towns	Ghimbav	248	59	307	332	173	505
	Predeal	49,716	2,662	52,378	102,448	5,329	107,777
	Râşnov	2,723	393	3,116	5,924	1,291	7,215
Communes	Cristian	30	2	32	128	4	132
	Hălchiu	56	-	56	80	-	80
	Hărman	3,122	-	3,122	4,385	-	4,385
	Prejmer	190	87	277	357	119	476
	Sânpetru	318	246	564	543	1,800	2,343
	Vulcan	137	-	137	198	-	198

Table 9 –Distribution of tourists per type of accommodation structure in Brasov County in 2009¹⁰

Type of accommodation structure	Number of tourists accommodated in 2009
Hotel	263,392
Hostel	55
Inns and motels	15,980
Touristic villas	29,905
Touristic cottage	12,432
Bungalow	509
Holiday villages	1,943
Camping	8,694

⁸ <http://www.brasov.insse.ro/main.php?id=439> - - Brasov County Directorate of Statistics

⁹ Source of statistical data: Key numbers in the Brasov Metropolitan Area issued by Brasov Metropolitan Agency in 2010.

¹⁰ Information published by Brasov County Statistics Directorate.

Type of accommodation structure	Number of tourists accommodated in 2009
School camping	1,180
Urban board and lodging cottage	75,677
Rural board and lodging cottage	41,916

3. Demographic trends

The Braşov growth pole's population has dropped significantly over the years compared to other regions. After 1989, changes in family structure and functions, an increase in mortality rates, and external migration from the growth pole reduced the population by some 40,000 persons. .

This drop differs from other growth poles. From 1992-2008, Tarlungeni registered a 17,81% raise in population due to the natural increase of the Roma population. Localities such as Cristian, Hărman and Sânpetru registered an average 20% increase in population during the period 1992-2010 due to people from Braşov Municipality moving to peri-urban areas and adjacent localities. Emigration is the main reason for the shrinking population in Braşov.

Localities as Predeal, Hălchiu and Vulcan, however, have also registered population decreases between 13 and 40%. The populations of Hălchiu and Vulcan have dropped due to administrative reorganisation¹¹. Predeal has registered the highest drop in the population number among the growth poles due to population migration.

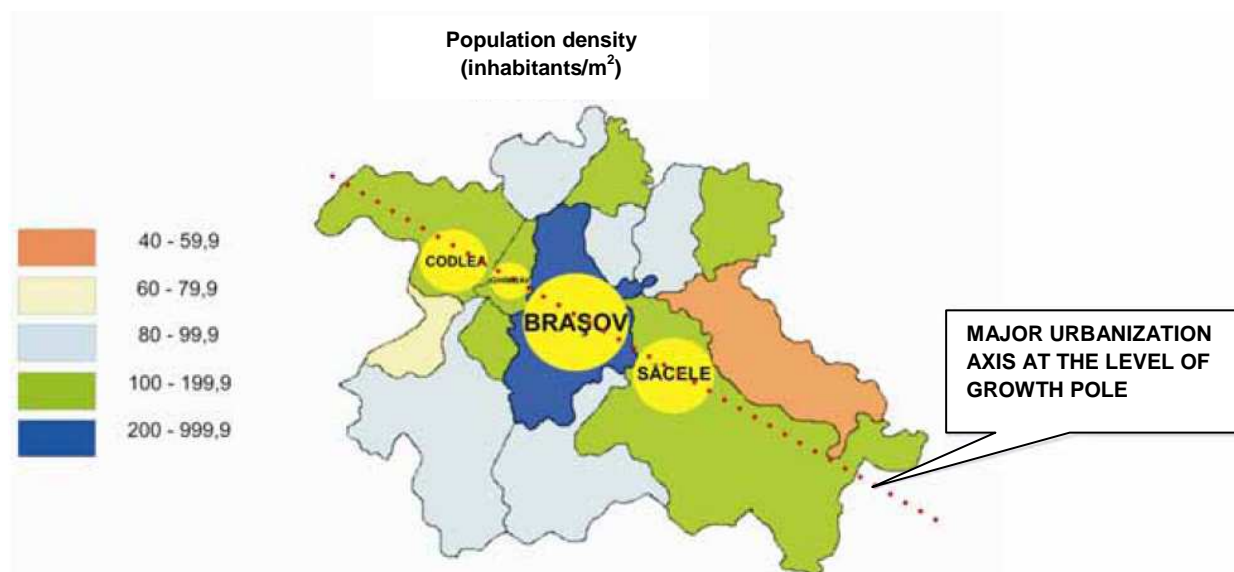
Table 10 – The evolution of the population from 1992 up to 2010¹²

Population evolution between 1992-2010						
	1992	2002	2007	2010	2007-2010 in figures	2007-2010 in percentages
Braşov Growth Pole	449,257.00	408,214.00	403,867.00	407,697.00	(41,560.00)	-10.19%
Brasov	323,736.00	284,596.00	277,945.00	276,914.00	(46,822.00)	-16.91%
Codlea	24,547.00	24,286.00	24,550.00	24,649.00	102.00	0.41%
Sacele	30,226.00	29,915.00	31,796.00	33,041.00	2,815.00	8.52%
Ghimbav	5,380.00	5,112.00	5,357.00	5,483.00	103.00	1.88%
Predeal	7,302.00	5,615.00	5,174.00	5,194.00	(2,108.00)	-40.59%
Rasnov	16,384.00	15,456.00	16,055.00	16,479.00	95.00	0.58%
Bod	4,028.00	3,927.00	4,173.00	4,569.00	541.00	11.84%
Cristian	3,764.00	3,924.00	4,300.00	4,575.00	811.00	17.73%
Halchiu	5,683.00	6,202.00	4,560.00	4,751.00	(932.00)	-19.62%
Harman	4,280.00	4,425.00	4,775.00	5,269.00	989.00	18.77%
Prejmer	8,299.00	8,316.00	8,876.00	9,276.00	977.00	10.53%
Sanpetru	3,309.00	3,449.00	3,759.00	4,327.00	1,018.00	23.53%
Tarlungeni	6,913.00	7,399.00	7,996.00	8,411.00	1,498.00	17.81%
Vulcan	5,406.00	5,592.00	4,551.00	4,759.00	(647.00)	-13.60%

The statistical data shows an accentuated urbanization for the entire growth pole. Although the urban population (the population living in municipal towns and towns) has decreased in the analysed period, in 2010 it represented 89% of the total population of the growth pole.

¹¹ Law 605 of 2002 regarding the designation of Crizbav commune in Braşov County.

¹² Source of statistical data: Key numbers in the Braşov Metropolitan Area issued by Braşov Metropolitan Agency in 2010 and <http://www.brasov.insse.ro/main.php?id=385>



4. Unemployment trends

Workforce trends within the growth pole include a limited primary and secondary sector and a developing construction and services sector. Due to the area's high urbanisation, the share of population in agriculture remains low compared against the national average.

The total unemployment rate in Brașov County in December 2008 was 10,655 persons, 4.3% of the total area's population¹³. This is lower than regional and national rates. In the new global economic environment, private sector investment is expected to decrease, and the unemployment rate is expected to increase.

Latest data publicly available on unemployment date back in 2009 and are cumulated at the level of Brașov County, respectively 21,825 unemployed people in 2009¹⁴.

Table 11 – The unemployed registered at the end of the year¹⁵

		2005	2006	2007	2008
Municipal towns	Brașov	7,388	3,600	4,259	3,403
	Codlea	826	390	122	267
	Săcele	1,594	1,181	791	614
Towns	Ghimbav	80	53	28	41
	Predeal	48	34	16	23
	Râșnov	667	603	426	440
Communes	Bod	127	87	79	80
	Cristian	105	65	46	42
	Hălchiu	164	127	118	106

¹³ Source, Institute of National Statistics – County Directorate for Statistics Brașov:
<http://www.brasov.insse.ro/phpfiles/05.Someri%201991,1995,2000-2008.pdf>

¹⁴ <http://www.brasov.insse.ro/main.php?id=386> - Brașov County Directorate of Statistics

¹⁵ Source of statistical data: Key numbers in the Brașov Metropolitan Area issued by Brașov Metropolitan Agency in 2010.

		2005	2006	2007	2008
	Hărman	200	90	62	75
	Prejmer	238	134	89	78
	Sânpetru	65	58	65	64
	Târlungeni	420	456	332	190
	Vulcan	201	137	50	51

5. Housing capacity and housing market trends

According to latest available data there are 153,000 homes in the growth pole area. The habitable area is 15 m² per capita, higher than the national level of 14 m² per capita.

Between 1992–2007, cities adjacent to the Braşov Municipality demonstrated the highest rate of house building activity. Levels of growth are illustrated here: Sânpetru (25.14%), Hărman (24.01%), Predeal (19.46 %) and Cristian (14.20 %). Conversely, the most dramatic decrease in the building activity was registered in Hălchiu Commune (-31.86 %). Compared 1992, there were **8.05%** more houses in the Brasov Metropolitan Area by 2007.

Table 12 – Evolution of existing registered houses (1992-2007)¹⁶

		1992	2002	2007	Evolution in % 1992-2007
Municipal towns	Braşov	108,152	111,527	111,874	3.33%
	Codlea	6,644	7,514	7,721	13.95%
	Săcele	9,065	9,984	10,379	12.66%
Towns	Ghimbav	1,629	1,745	1,830	10.98%
	Predeal	2,582	2,870	3,206	19.46%
	Râşnov	4,822	5,093	5,234	7.87%
Communes	Bod	1,359	1,445	1,505	9.70%
	Cristian	1,329	1,430	1,549	14.20%
	Hălchiu	1,792	2,007	1,359	-31.86%
	Hărman	1,291	1,450	1,699	24.01%
	Prejmer	2,596	2,765	2,822	8.01%
	Sânpetru	1,105	1,278	1,476	25.14%
	Târlungeni	2,295	2,399	2,441	5.98%
	Vulcan	1,548	1,814	1,398	-10.73%

The housing market faced an important development in the past years, with new residential areas built in areas peripheral to Braşov (Darste), the north-east area (Ghimbav, Stupini, Halchiu), and other communities of the growth pole (Sanpetru, Harman, Predeal, Cristian).

It has been estimated that the absorption rate for new houses in Braşov was of 1,000 – 2,000 houses annually, with demand drawing mainly residents under the age of 40, with preference for one room studios and two rooms apartments. At that moment, the number of houses in residential areas open for sale exceeded 2,700 units. The prices run between 900 and 1500 euro per square meter.

¹⁶ Braşov Integrated Urban Development Plan

In 2008 a significant decrease in transactions was registered, due to limited access to financing, market volatility and significant discrepancies between supply and demand prices. In 2009 due to the financial crisis, the transactions were practically stopped and an important decrease in prices was registered. According to a Colliers International report the average rate of sale for apartments in new projects was 6 units/project/month between 2006-2008. This average dropped to 1-2 units/project/month in 2009. In the first semester of 2009, the prices for new apartments decreased by 14.4% compared to the average price in 2008.

Latest data on registered houses are cumulated at the level of Brasov County, date back in 2008 and show an increase of just some 2% between 2005 and 2008¹⁷:

Table 13 Registered houses in Brasov County

	2005	2006	2007	2008
Braşov County	224,002	224,840	225,676	227,209

In conclusion of this chapter, after reviewing the strong and weak points of Brasov Growth Pole in terms of economics and demographics, supported by later assumptions and analysis in this Study, we have the right arguments to state that this growth pole can be the source of a good number of urban regeneration projects with a sufficiently satisfying revenue capacity backed by the strategic touristic and industrial position of Brasov.

¹⁷ <http://www.brasov.insse.ro/main.php?id=474-> Brasov County Directorate of Statistics

V. CAPACITY OF LOCAL PUBLIC ADMINISTRATION TO PROVIDE EQUITY, LOAN GUARANTEES AND OTHER NON-GRANT FINANCING

Before submitting to the criteria and conditions of the JESSICA mechanism, it is important to consider the public financial capacity of the Brasov Metropolitan Area. This capacity also needs to be considered for other growth poles should they decide to also use the mechanism. In this chapter we provide an overview of the primary legal provisions that may allow or limit the local administration from contracting/ guaranteeing loans. This includes a short status report of the level of indebt in the Brasov Growth Pole.

According to Local Public Finance Law no. 273/2006 the administrative territorial units are not allowed to access or to guarantee loans, if the total annual debt represented by due instalments to the contracted / guaranteed loans and related interest and commissions, including those of the loan to be contracted and/or guaranteed in the corresponding year, **exceeds the limit of 30% of the local authority's total revenues**.

There are a few exceptions to the above rule which benefits JESSICA. First, loans contracted/ guaranteed by the administrative territorial units to ensure pre-financing and/or co-financing of projects benefiting from the pre-accession and post-accession external *non-reimbursable funds* from EU are exempted from the above-mentioned condition. Second, clarifications provided by the norms of application for the above mentioned law precludes loans contracted/ guaranteed by local authorities through a JESSICA mechanism from the 30% limit.

Furthermore, in terms of equity or in kind contribution, the administrative territorial units (the councils as deliberative authorities) can approve collaborative support or associations for the development of local public works and services. They can decide to:

- participate with equity or in kind contributions to create commercial enterprises or public interest services (at local or county level);
- participate in the name and interest of the represented communities with equity or in kind contributions to create community development associations that could implement development projects of area or regional interest.

There are, as such, no limits on local authorities (from a public finances law perspective) on their ability to provide equity or in kind support to JESSICA funded projects.

In 2010 the Government approved *Decision no. 480* which provided approval for reimbursable finance to be contracted by administrative territorial units (including approval of level of drawings from the contracted reimbursable financing). The Decision was taken to comply with the national budgetary deficit of 6.8% for 2010. This year, the administrative territorial units can contract reimbursable financing as public debt (loans from credit institutions and bonds) to finance public investments of local interest within the limit of 1,600 mil. Lei (≈ 380 mil EUR). The limits set for the types of administrative territorial units are:

- Communes – 275.39 mil. Lei;
- Cities – 119.60 mil. Lei;
- Municipalities – 545.29 mil. Lei;
- Counties – 223.29 mil. Lei;
- Bucharest and its districts – 436.44 mil. Lei

These limits were based of the proportion of revenues for each local public administration category for 2009 compared against the total value of local budgets for 2009.

In 2010, the administrative territorial units can draw up to a maximum of 1,300 mil. Lei of public debt. The Commission for Authorising Local Loans¹⁸ authorises the reimbursable financing to be contracted by the administrative-territorial units as well as the drawings that can be made from contracted loans or loans to be contracted.

The limits set above do not apply to reimbursable financing to pre-finance and/or co-finance projects benefitting from non-reimbursable EU funds (this does not apply when, for instance, a city hall contracts a loan to ensure its share of $\approx 2\%$ in a project with Structural Funds financing.).

In Brasov Growth Pole the public information on debt level is the following:

Public authority	Value of the debt	Degree of indebtedness	Date of information
Brasov County Council		15.19%	31.12.2010
Brasov Municipality		6.1%	31.12.2010
Codlea	0		20.08.2009
Halchiu	No data available		
Ghimbav	3,296,731.02 lei		20.08.2009
Cristian	No data available		
Rasnov	No data available		
Sanpetru	No data available		
Harman	No data available		
Prejmer	No data available		
Tarlungeni	No data available		
Sacele	No data available		
Predeal		15.19%	20.08.2009
Bod	No data available		
Vulcan	No data available		

The table below indicates existing loan activity with financial institutions for Brasov City Hall valid at the end of 2010. In total, the city hall has contracted loans of some 30 million euros, with a level of debt of 6.1%, well below the maximum limit of 30% allowed by the legislation, which theoretically permits the city hall contracting additional loans .

Table 14 The status of reimbursable financing contracted by the City hall of Brasov at 31.12.2010

#	Financing institution	Topic	Date of loan award	Value of the loan	Grace period months	Reimbursement period	Interest	Fee for awarding the loan	Commitment fee	Administration fee	Other costs (legal services)	Payments already performed
1	EBRD	Rehabilitation of street network in	2005	€ 1,500,000.00	36	114	1.45%/year + EURIBOR 6M	1% of the value of the	0.5%/year		€ 50,000.00	€ 14,976,743.00
2	Romanian Commercial Bank	Investment projects - Brasov City sustainable	2007	€ 23,851,058.82	71	177	0.2%/year + BUBOR 6M			0.25%/year		€ 22,660,555.89
3	EBRD	Local investments	2009	€ 7,300,000.00	41	78	3.75%/year + EURIBOR 6M	1% of the value of the loan	0.5%/year			€ 7,207,418.18

¹⁸ This Commission examines and endorses the operations of the local public administrations of contracting/guaranteeing internal or external loans on short, medium or long term in order to make public investments of local interest or for re-financing the local debt. It includes 4 representatives from the Ministry of Finances, 3 representatives from the Ministry of Administration and Interior and 3 representatives of local public administrations associates. The Commission meets monthly or whenever necessary to analyse the requests received from the local public administrations.

Latest available data are cumulated at the level of Brasov County and date from end of 2010, as described in the table that follows.

Table 15 The status of reimbursable financing contracted by Brasov County at 31.12.2010

#	Legal basis	Guarantor	Financing institution	Date of the loan contra	Topic	Value	Interest, commissions and others	Loan period and grace period
1	Guarantee agreement	Brasov County	Romanian Commercial Bank	2007	Rehabilitation works for specific sports and leisure facilities from Brasov City and Brasov County	€ 7,920,282.35	BUBOR at 3 months+margin pf 0,3pp%/year	20 years and 60 months grace period
2	Guarantee agreement	Brasov County	Romanian Import-Export Bank	2007	Streets rehabilitations in villages and towns and purchase of 10 ambulancies for Brasov City	€ 12,398,352.94	BUBOR at 3 months without error margin	25 years and 24 months of grace period
3	Guarantee agreement	Brasov County	Romanian Commercial Bank	2009	Partial financing for the investment project "Brasov Ghimbav International Airport"	€ 14,000,000.00	EURIBOR at 6 months+margin of 4.75 pp/year	12 years and 36 months of grance period
4	Account convention	Brasov County	Romanian Commercial Bank	2009	Partial financing for the investment project "Brasov Ghimbav International Airport"	€ 14,000,000.00	EURIBOR at 6 months+margin of 4.75 pp/year	13 years and 36 months of grance period
5	Account convention	Brasov County	Romanian Commercial Bank	2007	Rehabilitation works for specific sports and leisure facilities from Brasov City and Brasov County	€ 7,920,282.35	2%/year revisable quarterly	20 years and 60 months grace period
6	Govermental Subsidiary International Agreement	Brasov County	EBRD	1995	Rehabilitation works for sewerage and water networks	\$ 9,218,500.00	LIBOR+1%	1995-2009 and 24 months grace period
7	Guarantee contract and project assistance	Brasov County	EBRD	2002	Modernisation and rehabilitation water installations	€ 14,500,000.00	EURIBOR+margin %/year	2002-2017 and 48 months grace period
8	Revenue guarantee agreement	Brasov County	EBRD	2006	Rehabilitation county roads	€ 15,000,000.00	EURIBOR+margin 1,9%/year	2006-2020 and 36 months of grace period
9	Escrow contract	Brasov County	EBRD	2006	Rehabilitation county roads	€ 15,000,000.00	EURIBOR+margin 1,9%/year	2006-2020 and 36 months of grace period

The case for JESSICA as an additional long-term source for funding urban development is strongly enhanced when considering the following circumstances: the budgets of local administrations have been reduced as a result of the financial crisis, the legislation for local public finances now imposes tougher criteria for accessing loans, and banks perform a more attentive analysis of loan files for city halls. The Government should therefore – in our opinion – opt for the long-term advantages that JESSICA provides: the re-use of funds increases the volume of urban development funds available

and the revenue generating criteria of JESSICABLE projects shifts local authorities to a more business oriented approach which prioritises projects that produce a profit.

VI. URBAN REGENERATION FINANCING SOURCES IN BRASOV GROWTH POLE AND NATIONWIDE

JESSICA concept was developed by the European Commission with the European Investment Bank for the 2007-2013 Structural Funds programme. Under new procedures, Member States are given the option to allocate part of their EU Structural Funding into Urban Development Funds to make repayable investments in projects that form part of an existing or developed integrated urban plan for sustainable urban development.

For this study we reviewed ERDF resources available for urban regeneration under the country's ROP and other OPs, including complementarities with funding from other national and European programmes, specifically for the Brasov Region. During the initial part of our work we pre-selected urban funding sources to preliminarily indicate those funds that may be employed for JESSICA or potentially fall within the scope of a JESSICA facility. The benefits of JESSICA were assessed together with the appropriate Managing Authorities and the conclusions are described in this chapter.

Currently, there is no allocation or preliminary indication for a JESSICA fund written in specific OPs or priority axis – the only Operational Programme that makes reference to this mechanism is the Regional Operational Programme that introduces the idea that “the financing of integrated urban development plans may also involve different types of financial engineering instruments (JESSICA)” – see chapter 3.2. for Priority Axes under the OP. The specific JESSICA mechanism is – however - not foreseen in any guide for applicants.

On the other hand, ROP is the only Operational Programme with allocation per growth pole under *Axis 1 Support to sustainable development of urban growth poles*. This Axis supports the development of three categories of urban poles: growth poles (7 national poles with their area of influence), urban development poles (with regional and sub-regional influence - 13) and urban centres (cities above 10.000 inhabitants, other than the growth poles and the urban centres). Up to 50% of this priority axis is allocated to financing projects from IUDPs of growth poles, the rest are allocated to the other two categories of poles. Overall, this axis has 30% of the Regional Operational Programme funds, respectively EUR 1.391,17 million (ERDF and national funds).

This allocation took into account capacity for implementation, co-financing and the experience of local authorities implementing big projects. The actions supported under this priority axis complements activities included in other ROP priority axes, as well as some actions supported under SOP Environment, SOP Human Resources, and SOP Competitiveness, taking into account that the activities envisaged under urban development are eligible only as integral parts of the integrated plans for regeneration of deprived urban areas¹⁹ -- not as individual activities. The locality members in the growth poles can submit requests for financing individual projects also within other Regional Operational Programme priority axes with the exception of projects included in IUDPs and for which financing is requested under the framework of Priority Axis no. 1.

The indicative financial allocation for the 1st call for proposals is of **EUR 621.27 million**, split as follows:

Table 16 Indicative financial allocation (mil EUR)

Ial	Constana	Ploieti	Craiova	Timioara	Cluj-Napoca	Brasov
111.25	90.32	97.00	95.50	70.49	82.41	74.30

The individual projects that will be financed through the above mentioned area of intervention of ROP have to be part of the IUDPs, and should be designed for the following categories of projects:

¹⁹ Although ROP does not give a specific definition for the “deprived urban area” concept, these areas are generally characterized by deprived physical and natural environment, declining economic activities and high share in total population of the proportion of disadvantaged groups of people. These areas have obsolete infrastructure – streets, water and wastewater, street lighting, parks and leisure areas, abandoned historical and cultural structures, abandoned industrial sites, unused lands.

Table 17 Eligible projects and allocation (mil EUR)

Projects	Targets for 2015 (%)	Braşov (mil EUR)	Romania (mil EUR)
Rehabilitation of urban infrastructure and improvement of urban services, including urban transport	60	44.58	372.76
Sustainable development of business environment	15	11.15	93.20
Rehabilitation of social infrastructure	25	18.57	155.31

The eligible applicants for the above-mentioned project types are:

- Territorial administrative units (local public administration) from the urban area or authorities at county level;
- Partnerships between territorial-administrative units (authorities of local public administration);
- Inter-community development associations.

In terms of project financial estimations under this Axis, the value of reimbursable financing is calculated as a percentage of the eligible value of the project that will be paid from the European Regional Development Fund (ERDF) monies and state budget. For projects that do not fall under the state aid rules, the percentage of the non-reimbursable financing from the total value of eligible expenditure is a maximum 98% (national budget with a maximum of 17,65% and ERDF with a maximum of 80,35%), 2% being the minimum contribution from the beneficiary. For projects that fall under the state aid rules, respectively the projects concerning the development of business centres, the minimum contribution of the beneficiary to the eligible value of the project is 50%, the rest being provided by ERDF. The contribution of the beneficiary may come from their own sources or bank credits that are not guaranteed by the state. Funds obtained from state financial support measures or as a result of them are not considered their own contributions.

The call for proposals for the sub-domain "Growth poles" was opened on December 8, 2008. Until the end of September 2010 only Iasi and Cluj-Napoca growth poles were able to contract projects (6 in total). As far as Brasov projects are concerned, only one project (Access road to Coresi-Tractorul Economic Area) had actually reached the Managing Authority, but was rejected on administrative grounds and should be re-submitted. The rest of the projects are currently held back for the same reasons that tend to delay submission in the rest of growth poles as well: legal circumstances of the properties and postponement of the procurement of feasibility studies and technical designs (apparently due to a lack of funds).

During initial research we also reviewed other Operational Programmes that finance activities likely to fall under the scope of JESSICA. We have remarked that, apart from ROP, the only other OP which specifies the growth poles is the Sector Operational Programme Increase of Economic Competitiveness that provides additional points for projects included in the IUDPs of growth poles given their strategic dimension. For the rest of OPs, the funds are spent on a competitive basis at national level, and, for the present programming period (2007-2013), this results in a lack of predictability as to the level of funding that could be attracted/allocated into a UDF/Holding Fund for Brasov or for all growth poles.

Considering the main types of projects JESSICA funds are specifically targeted towards, the potential programmes from which allocations could be made are:

Table 18 Potential financing for JESSICABLE projects

#	JESSICA types of projects*	Operational programme / National programme
1	Urban infrastructure, transport, water/wastewater, energy, etc	ROP, SOP IEC, SOP Environment, SOP Transport
2	Heritage of cultural sites, for tourism or other sustainable uses	ROP
3	Redevelopment of brown-field sites, including site clearance and decontamination	ROP ²⁰ , SOP Environment ²¹
4	Office space for SMEs, IT and/or R&D sectors	ROP, SOP IEC
5	University buildings, including medical, biotech and other specialised facilities	SOP IEC
6	Energy efficiency improvement	SOP IEC, SOP Environment, Multiannual National Programme regarding the enhancement of the energy efficiency of housing blocks

In Annex no. 1 we have calculated rough estimates of funds available for urban regeneration from the perspective of projects typically financed by JESSICA. This calculation should not be taken to represent funds that could finance JESSICA schemes, being merely an illustration of the financial effort put by Romania in the development of urban areas.

Discussions on using Structural Funds for funding a JESSICA mechanism were held with the Authority for Coordination of Structural Funds and Managing Authority for Regional Operational Programme. To complete the picture, we also collected the views of other Managing Authorities such as the authority for OP SOP IEC and OP DAC. The prevailing view was that JESSICA has clear benefits for accelerating urban regeneration and sustaining in the long term the general economic development of targeted area.

During discussions with MAs we have remarked concerns as to the level of awareness that local authorities have with regards to JESSICA (especially from the point of view of financial implications for their budgets and preparation/management of such revenue generating projects).

One option we have also investigated on the suggestion of ACSI was the allocation of funds to a JESSICA mechanism from other less successful priority intervention domains under other OPs which have low chances of absorption in the near future. We have been informed that this option implies an extended process of consultation with the Managing Authorities for OPs, with focus on those administrating funds with high risk of de-commitment, in order to identify amounts and solutions for reallocation under JESSICA. A potential optimum solution would be to allocate JESSICA under ROP. However, a clear picture of potential de-commitments would be obtained only next year and therefore an informed and feasible decision should be taken then, when the Programme managers may consider it efficient to reorient funds towards JESSICA. We have however used the timeframe of our study to explore this topic during interviews with MA for Operational Programme Increase of Economic Competitiveness and MA for Operational Programme Development of Administrative Capacity.

²⁰ Rehabilitation of unused industrial polluted sites and development for new activities.

²¹ Rehabilitation of historically polluted sites.

We are confident that if all relevant stakeholders continue the constructive debate on the implementation of the JESSICA mechanism, the mechanism could be put in place and provide significant positive outcomes before the end of present programming period.

VII. JESSICA CASE STUDIES IN BRASOV GROWTH POLE

1. Source of projects

JESSICA funds are targeted at projects that fulfil the requirements of the National / Regional Operational Programmes and types of operations such as:

- Urban infrastructure, including transport, water/wastewater, energy, etc;
- Heritage or cultural sites, for tourism or other sustainable uses;
- Redevelopment of brown-field sites, including clearance and decontamination;
- Office space for SMEs, IT and/or R&D sectors;
- University studies, including medical, biotech and other specialised facilities;
- Energy efficiency improvements.

JESSICA projects need to answer positively to the following questions:

- Is the project (partially) eligible under the NSRF rules?
- Is it included in an integrated sustainable urban development plan?
- Will the investment occur by 2015?
- Will the project generate sufficient revenues to provide a realistic chance of reimbursement of JESSICA funds?
- Are private entities or financial institutions involved to provide complementary funding into a project?

The projects selected for JESSICA case studies are part of the Integrated Urban Development Plan of Brasov Growth Pole approved in December 2009 by the Management Committee for Coordination of Structural Funds after having previously been approved by the Managing Authorities of all Operational Programmes²². The Plan includes definitions of approximately 200 projects, with anticipated financing from Axis 1.1 from ROP, OP DAC, URBACT II, ESPON, INTERREG IV C, Sector Operational Programme for Transport, NPRD, Governmental funds, local funds, private funds from operators of utilities, EBRD, EIB, SOP IEC, and ROP – other axes, Environment Fund, PPP, the South East Cooperation Programme, Agency for Governmental Strategy, Operational Programme for Human Resources Development, Phare, ISPA, Sector Operational Programme for Environment, private funds.

During initial discussions with BMA representatives we were advised that the version of IUDP published on the website of BMA is not in fact the final one as the Management Committee for Coordination of Structural Funds is still revising the list of included projects. It is worth mentioning that the Managing Authorities approve the projects from IUDP based on their announced theme that should fall under their specific general eligibility rules, while such an approval does not guarantee that the project will actually be financed – the level of details included in the Plan does not allow a proper evaluation.

The on-going revision of IUDP during the first part of our study and the grant perspective used for defining the project funding did not smooth the process of identifying the revenue generating case studies. However, a list of 10 projects was finally agreed with BMA based on the long list of more than 200 projects proposed in IUDP (version May 14, 2010), on their financing (ROP) and on their revenue generating potential. The list was also endorsed during the Steering Committee meeting on June 7, 2010.

The table below summarises the list of projects described above, as presented during the SC meeting.

²² The approval decision mentioned that the list of projects may be modified with strong justification for enhancing the dimension of economic development and development of the business environment. The changes should be submitted for the approval of the Committee.

Table 19 JESSICA case studies

#	Project owner	Title	Description	Owner of property infrastructure	Private entities involved	Total investment value (lei without VAT)
1	Brasov City Hall	Rehabilitation of touristic area Poiana Braşov - Extension of parking capacity and reconstruction of public transport terminal	Building a parking structure for 400 cars; building a platform to public transportation, including waiting area and tickets system.	Brasov City Hall	Finished facility to be leased to private sector for either fixed or flexible rent.	9,840,000
2	Rasnov City Hall	Elevator for accessing Rasnov Castle	Vertical elevator of 140 m; embankment works; works for arrival and departure points; procurement of equipment.	Rasnov City Hall	A range of possible structures by BMA - including leases, flexible rents and direct operation, will be reviewed.	7,000,000
3	Predeal City Hall	Rehabilitation of touristic area Clăbucet – Cioplea - Predeal (pleasure and spa resort)	Building a structure for pleasure and relaxation (spa, sauna, massage, sport, etc.) of 6000m ² ; developing the access infrastructure.	Predeal City Hall		12,000,000
4	Brasov City Hall	Development of economic area Brasov Nord - Centre for business, technological transport and business incubator	Building expositional site, office spaces, research labs; construction works and endowment with utilities, works for ensuring accessibility and building parking lots.			87,822,000

#	Project owner	Title	Description	Owner of property / infrastructure	Private entities involved	Total investment value (lei without VAT)
5	Codlea City Hall	Codlea business centre	Rehabilitation works and reorganisation of the existing building (2000 m2).	Codlea City Hall	A number of options will be set out.	2,927,400
6	Brasov City Hall	Access road to Coresi-Tractorul Economic Area. <i>This project was not further considered in the list of JESSICABLE projects and was replaced with CORESI business centre; it was not considered to have solid grounding as a JESSICABLE revenue-generating project.</i>	Developing a transit corridor East-West between Timis-Triaj District – CORESI area – Bartolomeu District – future GENIUS campus by building a new road transport axis with a length of 3,2278 km.	Brasov City Hall	The area used for building the transit corridor was donated by the private owner to the City Hall. The former private owner also paid the costs for the feasibility study and technical design. BMA wrote the financing request for funds under Axis 1.1 ROP.	36,037,247
7	Tarlungeni Local Council	Centre for Applied Development and Research Transilvania Motorland	Building a technological park, a research and development centre for the cars industry and a track with homologation FIA.		Likely to be some form of PPP.	74,970,000
8	Brasov City Hall	Rehabilitation of the Patria movie theater	Building rehabilitation works, extension of existing building and reconversion into Filarmonia.	Brasov City Hall	To explore with City Council to include concessions and rental model.	20,859,000

#	Project owner	Title	Description	Owner of property infrastructure / Private entities involved	Total investment value (lei without VAT)
9	Rasnov City Hall	Rehabilitation of the historical centre of Raşnov City	Rehabilitation of 4 streets (lighting, utilities, traffic signs, burying telecommunication cables, etc); underground parking; ambient fitting of the square.	Rasnov City Hall	5,221,428
10	Codlea City Hall	Rehabilitation of the historical centre in Codlea City	Rehabilitation of the old building of the City Hall (to become a museum) 324 m ² , the cultural house 1079,97 m ² (with current destination), access roads, and pedestrian area.	Codlea City Hall	13,114,285
TOTAL					269,791,360

2. General features of projects

- All the 10 case studies show that urban regeneration in Brasov is promoted by the public sector. The city halls are the main drivers of the urban regeneration projects, typically as a result of the lack of commercial attractiveness;
- The analysed urban regeneration projects tend to have a local dimension with the predominance of city historical / traditional old centres presenting urban and social deterioration;
- Projects are mainly focused on the requalification of public spaces and the rehabilitation of buildings with differentiated use such as commerce and service, but also on aspects of transport and population mobility;
- Only one of the 10 example cases is located in a village (one of the members of the growth pole), the rest being in towns/cities;
- Project funding was developed on a grant perspective under Structural Funds and they accumulate appreciatively to a total of **EUR 65,000,000.00** in investments.

Table 20 Distribution of projects per technical areas as defined under Axis 1.1 under ROP

#	Area as per ROP, Axis 1.1	
I	Rehabilitation of urban infrastructure and improvement of urban services, including urban transport	
1	Braşov City Hall	Rehabilitation of touristic area Poiana Braşov - Extension of parking capacity and reconstruction of public transport terminal
8	Braşov City Hall	Rehabilitation of Patria movie theatre
9	Rasnov City Hall	Rehabilitation historical centre of Râşnov City
10	Codlea City Hall	Rehabilitation of historical centre in Codlea City
2	Râşnov City Hall	Elevator for accessing Râşnov Castle
II	Sustainable development of business environment	
6	Braşov City Hall	Access road to Coresi-Tractorul Economic Area
3	Predeal City Hall	Rehabilitation of touristic area Clăbucet – Cioplea - Predeal - Pleasure and spa resort
4	Braşov City Hall	Development of economic area Braşov Nord - Centre for business, technological transport and business incubator
5	Codlea City Hall	Codlea business centre
7	Tarlungeni Local Council	Centre for Applied Development and Research Transilvania Motorland
III	Rehabilitation of social infrastructure	

3. Description of projects

This chapter includes data and information as received from BMA. From the list included in the previous chapter we have received information on 8 projects. Also, the project in Brasov City “Access road to Coresi - Tractorul Economic Area” was replaced with another project in the same area “CORESI Office and Trade Fair/Congress Centre” promoted by an investment company.

In some cases, BMA was able to obtain data on costs and revenues specific for each project (based on already developed feasibility studies or discussions with project promoters); in other cases the data received was obtained by extrapolation of data from other similar projects.

Projects in Brasov City

The Metropolitan Area is built around Brasov, which is a first degree municipal town and it is the only national Growth Pole from the Centre Development Region. Due to the existence of a public university and five private universities, Brasov is an important upper education regional centre. It also has the greatest degree of urbanisation in the Region (74,7%) as well as the highest GDP/inhabitant and productivity of work.

It has a population of approximately 270,000.00 and a surface of 267 km². In 2009 the city accommodated more than 290,000.00 tourists in its many hospitality structures (an accommodation capacity of around 7,000.00)²³.

Project no. 4: Build the new Brasov Business Center

The Centre will be placed in the north of Brasov (between neighbourhood Bartolomeu and Ghimbav Town) and will have an expositional site, office spaces, and research labs; there will be construction works and an endowment with utilities, works for ensuring accessibility and building parking lots. The collaboration with business agents will be stimulated by having the centre in the Campus Genius of Transilvania University.



Applicant	Brasov City Hall
Beneficiary	Community of Metropolitan Area of Brasov
Estimated amount provided in the Integrated Urban Development Plan	RON 87,822,000.00 (EUR 20,910,000.00)
Eligible amount	RON 73,800,000.00 (EUR 17,571,428.57)
Estimated date for project development	2012
Land and/or building ownership/administration	Owned by the Potato Research Institute ²⁴ and is going to become the property of the City of Brasov
Technical data	<ul style="list-style-type: none"> 10,000.00 m² on two levels, each 10,000.00; Conference hall 5000 m² total surface, capacity 1500 seats; Parking facility: 2 levels, total capacity of 200 lots, total area of 2,500 m².
Costs	<ul style="list-style-type: none"> No data provided.
Revenues	<ul style="list-style-type: none"> Conference participation fees; Seminar participation fees; Workshop participation fees; Participation fee to exhibitions; Participation fee to fairs; Tickets to cultural events; Tickets to fairs; Tickets to exhibitions; Conference hall rent: 2000-4000 EUR/day; Lobbies rent: 5-10 Euro/m²/day; Exhibition area rent: 5-10 Euro/m²/day; Cafeteria, coffee bar, artists' bar rent: 5-10 EUR/m²;

²³ Source of statistical data: *Key numbers in the Brasov Metropolitan Area* issued by Brasov Metropolitan Agency in 2010.

²⁴ National Institute in charge with potato related research projects.

- Concession: bar, buffet, cafeteria (tbd);
- Revenues from accommodation and related services.

Project no. 6 CORESI Office and Trade Fair/Congress Centre

The object of the investment is the creation of a business support structure that includes a business incubator, office space, congress centre and trade fair through the reconversion of the former aircraft hangar and some related halls on the Tractorul platform.



Applicant	Flavus Investitii SRL ²⁵
Beneficiary	Community of Brasov
Estimated amount provided in the Integrated Urban Development Plan	RON 35,982,000.00 (EUR 8,367,858.00)
Eligible amount	RON 22,668,527.00 ²⁶ (EUR 5,271,751.00)
Estimated date for project development	2011-2012
Land and/or building status	Owned by Flavus Investitii SRL
Technical data	<p>The following activities are envisaged:</p> <ul style="list-style-type: none"> ▪ Reconversion and rehabilitation of existing hangar as trade fair and congress centre with a surface of

²⁵ Company administered by the British Fund Centerra Capital Partners that bought in 2007 the former industrial platform Tractorul Brasov; <http://www.coresibrasov.ro/>

²⁶ As per Order 1294 / 2008 for approving the eligible expenditures for the major intervention domain "Integrated Urban Development Plans", Priority Axis "Support to city sustainable development – urban growth poles from Regional Operational Programme 2007 – 2013, the eligible expenditures are: feasibility study, technical expertise, energy audit, field studies, technical design, purchasing the field, approvals, authorizations, different costs associated with the preparation of the field at the start of the investment like works of demolish, rehabilitation of former industrial sites, project management, evaluation consultancy work, legal consulting, infrastructure works, project audit, EU visibility items. When the project falls under state aid rules, the list of eligible expenditures is limited.

	<div>2,400 m²;</div> <ul style="list-style-type: none">▪ Reconversion of existing halls adjacent to the hangar into outdoor exhibition space with a surface of 3,000 m²;▪ Reconversion and rehabilitation of existing hall into business incubator and congress centre with a surface of 2,900 m²;▪ Reconversion and rehabilitation of existing hall into office space with a surface of 1,800 m²;▪ Reconversion and rehabilitation of existing hall into congress centre with a surface of 300 m²;▪ Construction of new office building with a surface of 4,500 m²;▪ Construction of 330 parking places;▪ Landscaping of 6,000 m² of pedestrian walkway.																											
Costs	<table><tr><th>Expense</th><th>Yearly amount (EUR)</th></tr><tr><td>Personnel</td><td>75,000</td></tr><tr><td>Utilities (water, energy, maintenance)</td><td>65,000</td></tr><tr><td>Consumables</td><td>24,000</td></tr><tr><td>Travel</td><td>20,000</td></tr><tr><td>Marketing and PR</td><td>12,000</td></tr><tr><td>Total yearly expenses</td><td>196,000</td></tr></table>	Expense	Yearly amount (EUR)	Personnel	75,000	Utilities (water, energy, maintenance)	65,000	Consumables	24,000	Travel	20,000	Marketing and PR	12,000	Total yearly expenses	196,000													
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Consumables	24,000																											
Travel	20,000																											
Marketing and PR	12,000																											
Total yearly expenses	196,000																											
	<div>The project will have two major lines of business:</div> <ul style="list-style-type: none">▪ The organization of events - trade fairs, congresses, concerts, festivals;▪ The rental of office space to companies. <table><tr><th>Space</th><th>Surface (m2)</th><th>Rent per m2 (EUR/month)</th><th>Yearly revenue (EUR)</th></tr><tr><td>Business incubator and congress centre</td><td>2,900</td><td>8</td><td>278,400</td></tr><tr><td>Refurbished office space</td><td>1,800</td><td>8</td><td>172,800</td></tr><tr><td>New office space</td><td>4,500</td><td>10</td><td>540,000</td></tr><tr><td>Total yearly rental revenue</td><td>9,200</td><td></td><td>991,200</td></tr></table>	Space	Surface (m2)	Rent per m2 (EUR/month)	Yearly revenue (EUR)	Business incubator and congress centre	2,900	8	278,400	Refurbished office space	1,800	8	172,800	New office space	4,500	10	540,000	Total yearly rental revenue	9,200		991,200							
Space	Surface (m2)	Rent per m2 (EUR/month)	Yearly revenue (EUR)																									
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Revenues	<table><tr><th>Space</th><th>Surface (m2)</th><th>Rent per event (EUR)</th><th>Number of events</th><th>Total revenue (EUR)</th></tr><tr><td>Hangar - congress centre and trade fair</td><td>2,400</td><td>10,000</td><td>20</td><td>200,000</td></tr><tr><td>External exhibition space</td><td>3,000</td><td>5,000</td><td>3</td><td>15,000</td></tr><tr><td>Congress centre small hall</td><td>300</td><td>3,000</td><td>12</td><td>36,000</td></tr><tr><td>Total yearly revenue from events</td><td>5,700</td><td></td><td></td><td>251,000</td></tr></table>	Space	Surface (m2)	Rent per event (EUR)	Number of events	Total revenue (EUR)	Hangar - congress centre and trade fair	2,400	10,000	20	200,000	External exhibition space	3,000	5,000	3	15,000	Congress centre small hall	300	3,000	12	36,000	Total yearly revenue from events	5,700			251,000		
Space	Surface (m2)	Rent per event (EUR)	Number of events	Total revenue (EUR)																								
Hangar - congress centre and trade fair	2,400	10,000	20	200,000																								
External exhibition space	3,000	5,000	3	15,000																								
Congress centre small hall	300	3,000	12	36,000																								
Total yearly revenue from events	5,700			251,000																								

Project no. 8 Rehabilitation of Patria movie theatre as a Cultural Center and Philharmonic Orchestra

The object of the investment is the building of the former Patria movie theatre from Brasov that is currently unused. The building will undergo rehabilitation and modernization works to convert it into a museum, a touristic information point and a show hall with an estimated capacity of 300 seats. This space will serve as a venue for cultural-artistic events.



Applicant	Brasov City Hall
Beneficiary	Community of Brasov
Estimated amount provided in the Integrated Urban Development Plan	RON 20,859,000.00 (EUR 4,966,429.00)
Eligible amount	RON 17,528,571.43 (EUR 4,173,469,39)
Estimated date for project development	2011-2012
Land and/or building ownership/administration	Brasov City Hall
Technical data	<ul style="list-style-type: none"> Existing spaces for cultural and community events: 1580 m2, from which possible revenue generating: 996 m2 (P01/lobby + P10/stage + P11/concert hall + P12/lobby 2 and coffee bar + P14/bar); Extension of the ground floor with 537 m2, from which revenue generating 132 m2: (P23/artists' buffet + P26/lobby + P27/artists' lobby + P31/ lobby); Capacity: 570 places (audience).
Costs	<ul style="list-style-type: none"> Operation & maintenance: RON 4,300,000/year (EUR 1,048,780.78) in 2009 (including salaries of 110 persons from which 13 are part of the administration team and the rest are the musicians); <ul style="list-style-type: none"> Salaries: RON 231,000.00 (56.341.46 EUR/year); Operation and maintenance: RON 3,269,000 (EUR 797,317.07)/year for existing 1221 m2; Concert hall rent 2009: RON 800,000.00 (EUR 195,122.00).

Revenues

- Since 2011: increase the administration team from 13 (3-accounting, 2-legal+HR, 1-art consultants, 5-stage operators, 1 cashier, 1 genitor) to 22 (4-accounting, 2-legal+HR, 1-library, 3-art consultants, 10-stage operators, 1 cashier, 1 genitor); salaries: RON 249,900 (EUR 59,500/year (increase with 3159 Euro); Operation and maintenance: RON 6,955,250.69 =EUR 165,6012.07 Euro (increase with EUR 858,695 adding the new built facilities of 1315 m2 at the ground level and first floor).
- Revenues from events:
 - Concert Tickets price: RON 15-25/ticket (EUR 3.60-5.00/person); Maximum income: 570 places x 5 Euro/place = 2850 Euro/concert; average income: 300 places x 3.60 Euro = 1080 Euro/concert; regular: 1 concert/ week x 4 weeks x 10 months = 40 concerts/year; extra: 2 concerts/month x 8 months= 16 concerts (other artists);
 - Other cultural events: 1 event /month x 12 months= 12 events.
- Revenues from renting:
 - Concert hall rent: EUR 1500-2000/day;
 - Lobbies rent: EUR 5-10/m2 (exhibitions, community events, 8 events/year (average): high-schools graduate shows, Art High School Exhibition, music bands, theatre, tenants' associations meetings, City Hall public hearings, etc.);
 - Rehearsal studios/rooms rent: EUR 100-200/day;
 - Coffee bar, artists' bar rent: 5-10 Euro/ m2
 - Concession: bar, buffet, cafeteria (tbd);
 - Rent rate in the area: 25-40 Euro/month (commercial areas, according to the real estate operators 2010).

Project no. 1 Extension of parking capacity and construction of public transportation terminal in Poiana Brasov – the tourist resort

- Building a parking structure with 6 underground and above ground levels - 1000 lots;
- Building a platform for public transportation, one waiting area and systems for selling tickets.



Applicant	Brasov City Hall
Beneficiary	Community of Brasov and tourist population visiting Poiana Brasov
Estimated amount provided in the Integrated Urban Development Plan	RON 9,840,000.00 (EUR 2,342,800.00)
Eligible amount	RON 8,268,908.00 (EUR 1,968,786.00)
Estimated date for project development	2011-2012
Land and/or building ownership/administration	Brasov City Hall
Technical data	<ul style="list-style-type: none"> ▪ 2 level parking facility (2 levels underground or 1 level underground + 1 ground level); ▪ Capacity: 400 parking lots (double as compared to the existing 200 lots) ▪ Parking ticketing system; ▪ Public transport platform: for public transport buses and tourist coach - buses (50 buses); ▪ Waiting area for passengers; ▪ Ticketing system.
Costs and revenues (from other similar works in Brasov city - I)	<ul style="list-style-type: none"> ▪ Operation & maintenance RON 32,567.84/year (EUR 7,754.50/year) for a surface of 2850 m2 with 228 parking lots – the operator is private. <ul style="list-style-type: none"> ○ salaries for parking operators and parking ticketing machines maintenance RON 13,333.00/year (EUR 3,174.50/year); ○ parking lots sanitation: RON 0.0092/ m2 x 2850 m2 x 2 times per week x 4 weeks x 9 months = RON 1,887.84/year (EUR 450/year); ○ parking traffic marking (traffic signs to access/to get out of the parking lots, traffic lights, etc): RON 3,294.00/year (EUR 784/year); ○ marking the parking lots limits, pedestrian access, etc: RON 0.0109/ m2 x 2850 m2 x 12 months= RON 373/year (EUR 89/year); ○ snow cleaning during the winter: 0.12 lei/ m2 x 2850 m2 x 2 times a week x 4 weeks x 5 months =RON 13,680.00/year (EUR 3257/year). ▪ Max revenues 228 parking lots x 24 hours x 365 days x EUR 0.4/hour = EUR 798,912.00/year; ▪ Min revenues: 228 parking lots x 6 hours x 253 working days x EUR 0.4/hour = EUR 138,441.60/year.
Costs and revenues (from other similar works in Brasov city - II)	<ul style="list-style-type: none"> ▪ Building the parking facilities RON 2,342,986.67/year (EUR 571,460.16/year) in 2009 (road structure, asphaltting, build accesses, marking the parking lots, etc): 1295 m2 with a capacity of 1034 parking lots; ▪ Operation & maintenance: RON 87,231.34/year (EUR 21,276.00): parking lots sanitation, traffic marking and signs, snow cleaning, maintenance and repairs; ▪ Parking annual subscription: RON 120/year (EUR 28.57/year); 1034 parking lots x RON 120/year = RON 124,080.00/year (EUR 30,263.41/year); ▪ The residential parking lot subscription depends on city areas: <ul style="list-style-type: none"> ○ Area A (downtown and very good districts): RON 156/year (EUR 37.14/year); ○ Area B: RON 144/year (EUR 34.29/year);

- Area C: RON 132/year (EUR 31.42/year);
- Area D: RON 120/year (EUR 28.57/year).

Projects in Codlea Town

Codlea Town is situated 15 km from Brasov, has a surface of 13,000.00 ha and a population of approximately 24,000.00 people. It has several well known tourist objectives such as Mount Măgura and the Black Fortress Archaeological Site, although with a much smaller accommodation capacity than Brasov (28 in 2008)²⁷.

Project no. 5 Rehabilitation of a building as Business Centre – regeneration project

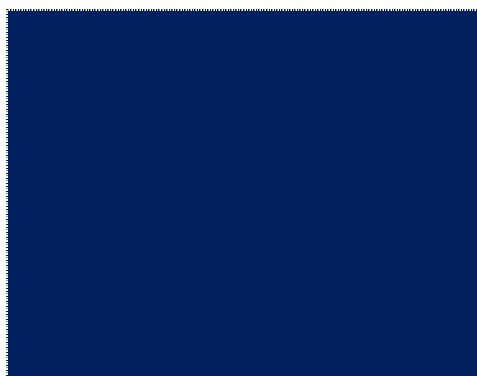
The works will be done on a 2000 m² building with 5 levels - rehabilitation works and reorganisation of the existing rooms; three levels will serve as office spaces and a conference room with other spaces for business meetings. There will also be a centre for supporting economic activities run by the Roma community.



Applicant	Codlea Town Hall
Beneficiary	Community of Codlea and community of Brasov metropolitan area
Estimated amount provided in the Integrated Urban Development	RON 2,927,400.00 (EUR 697,000.00)

²⁷ Source of statistical data: *Key numbers in the Brasov Metropolitan Area* issued by Brasov Metropolitan Agency in 2010.

Plan	
Eligible amount	RON 2,460,000.00 (EUR 585,714.28)
Estimated date for project development	2011-2012
Land and/or building ownership/administration	Codlea Town Hall
Building and land technical data	<ul style="list-style-type: none"> ▪ Infrastructure: the water/sewer, gas, electricity infrastructure available to the building, telecommunication network to be installed (underground); ▪ Building stage: existing structure (the basic cement framework structure, pillars, see picture): basement + Ground floor + 2 Floors; ▪ Roof and the attic spaces to be built; ▪ Ground print surface of the building: 972.16 m²; ▪ Surfaces: <ul style="list-style-type: none"> ○ Basement: 354.9 m² (for heating system, storage area, etc.); ○ Ground floor: 972.16 availability for: exhibition area, reception area, office service, office spaces, etc. (800 m² = exhibition + office space) – available to rent; ○ First floor: 972.16 availability for 16-20 office spaces/business incubators/seminar rooms, plus toilets, lobbies, minibar (800 m² = office, seminar rooms, business incubators) – available to rent; ○ Second floor: 972.16 availability for 14 - 15 office spaces (7.80 x 5.40=42.12 m²/office), plus toilets, lobbies, storage area – available to rent; ○ Attic: Conference and multi-functional hall : 400 m² + cafeteria 60 m² + lobby 100 m² – available to rent. ▪ Parking facilities: build and mark 50 parking lots: 15 lots x 12.5 m²/lot=625 m²
Costs	<ul style="list-style-type: none"> ▪ Operation & maintenance: RON 994,440.00/year (EUR 236,771.43/year) <ul style="list-style-type: none"> ○ Salaries 4 persons : RON 1800/month x 4 persons x 12 months =RON 86,400.00/year (EUR 20,571.43/year); ○ Operation and maintenance: 5 Euro/m²/month x 12 months x 3610 m² (approximate renting area) = RON 908,040.00.
Revenues	<ul style="list-style-type: none"> ▪ Conference hall rent in the attic EUR 1000-1500/day; 9 days/month x 12 months x EUR 1500 = EUR 162,000.00/year; ▪ Lobbies/exhibition area rent at ground floor: EUR 5-10/m²/month x 400 m² = EUR 4000/month (exhibitions, community events); Lobbies, exhibition & event area rent: 400 m² x 10 Euro/m²/month x 12 months = EUR 48,000.00; ▪ Office rent (25-30 units): 25 offices x 42.12 m²/unit x 10 Euro/m² x 12 months = EUR 126,360.00; <ul style="list-style-type: none"> ○ First floor: 10 offices x 42.12 m²=421.20m² x EUR 10/m² = EUR 4212/month; ○ Second floor: 15 offices x 42.12 m²=631.8m² x EUR 10/m² = EUR 6310/month. ▪ Business incubator rent: EUR 5-6/m²/month; <ul style="list-style-type: none"> ○ First floor: 10 incubators x 42.12 m²=421.20



m2 x EUR 5/m2=EUR 2106/month; 10 units x 42.12 m2/unit x EUR 5/m2 x 12 months= EUR 25,272.00/year;

- Coffee bar, cafeteria rent: 8-10 Euro/m2; 130 m2 x EUR 10/m2/month x 12 months = EUR 15,500.00;
 - Ground floor: 100 m2 x 10 Euro/m2=EUR 1000/month;
 - Attic: 30 m2 x 10 Euro/m2=EUR 300/month.
- Revenues from events, community, business and cultural events: organization fee: 200-500 Euro;
- Local Business Club/ membership fee: EUR 2.5/person/month, subscription: EUR 30/person/year.

Project no. 10 Rehabilitation for tourist use of Codlea Historic Center

- Rehabilitation of the old City Hall building (at present, Policlinica) for a proposed new destination: City Museum, Local Patrimony and Heritage Center;
- Create pedestrian areas with tourist facilities (urban furniture, architectural lighting, waste baskets, spring-water devices, green and flower arrangements etc.);
- Restoration of the Library Building.



Applicant	Codlea Town Hall
Beneficiary	Community of Codlea, tourist population visiting Codlea and Braşov metropolitan area
Estimated amount provided in the	RON 13,114,285.00 (EUR 3,122,448.80)

Integrated Urban Development Plan	
Eligible amount	RON 11,020,407.56 (EUR 2,623,906.56)
Estimated date for project development	2011-2013
Land and/or building ownership/administration	Codlea Town Hall
Building and land technical data	<ul style="list-style-type: none"> ▪ Object 1: City Hall building: <ul style="list-style-type: none"> ○ Basement: exhibition halls - 68 m² and workshops for young photographers-67 m²; ○ Ground floor: reception area, Casina Romaneasca - Heritage Module, Community Promotion Module, exhibition and events area, cafeteria, etc.(9 units: 3 units x 22.5 m² + 1 unit x 14.7 + 1 unit x 8.6 + 1 unit x 26.9 + 1 unit x 20.3 + 1 unit x 18.3 + 1 unit x 25= 181.3 m²); ○ First floor: 2 offices for City Hall officials (2 units x 22.4 m²=44.8 m²), seminar rooms, workshops for the young artists on traditional arts, practice workshops for students, exhibition area (6 units x 21.28 m²= 127.7 m²); ○ Attic: to be restored, could provide a multi-purpose area for community events, cultural events, social activities, professional club activities, coffee shop, etc.(132 m²). ▪ Object 2: Pedestrian areas with tourist facilities: <ul style="list-style-type: none"> ○ No. of commercial units around the pedestrian area aprox. 40; ○ New tourist shops 20; ○ No. of tourists/year visiting the town of Codlea 28,500.00 tourists/year. ○ Bury the infrastructure: water/sewer pipes, gas pipes, electricity cables, telecommunication cable: ○ Total length of buried network in the Historic Center 2000 m. ○ Capacity: 46 parking lots; ○ Parking ticketing machines: 2; ○ Public transport platform: 6 parking lots for public transport buses and tourist coach (6 buses) along the walk-sides. ▪ Object 3: Library Building: <ul style="list-style-type: none"> ○ Basement: multi-purpose area for cultural events, exhibitions, multi-media (42+26 +32 = 100 m²); ○ Ground floor: reception area, library reading rooms (21+23=46 m²), with multi-media facilities, audio-book, interactive library & events, plus cafeteria, tea-room, (45 m²) etc.; ○ First floor: manager's and staff offices (19 m²), library storage facilities, reading room for children and youth (31.5 m²); seminar/workshop room 18 m². ▪ Object 4: Cultural Centre <ul style="list-style-type: none"> ○ Basement: exhibition area (43 m²), lobby (10 m²), pottery workshops for promoting local young artists and local tradition (36 m²); ○ Ground floor: reception area, community event & concert hall (255 m²), lobby/exhibition area (48+18=66 m²), seminar rooms, 4 vocational

	clubs halls: Painting Club, Amateur Actors' Club, Music Club, Sculpture Club, cafeteria, etc. $(39.16+28.63+7.35+12.95=85\text{ m}^2)$.
Costs	No data provided.
Revenues	<ul style="list-style-type: none"> ▪ Object 1: <ul style="list-style-type: none"> ○ Rent seminar space: $194.7\text{ m}^2 \times \text{EUR } 8/\text{m}^2 \times 150\text{ days/year} = \text{EUR } 233,640.00/\text{year}$; ○ Rent exhibition space: $249.3\text{ m}^2 \times \text{EUR } 5/\text{m}^2 \times 6\text{ months/year} = \text{EUR } 7,479.00/\text{year}$; ○ Rent event space: $249.3\text{ m}^2 \times \text{EUR } 5/\text{m}^2 \times 2\text{ events/month} \times 8\text{ months/year} = \text{EUR } 19,944.00/\text{year}$; ○ From event organization: $200\text{ Euro/event m}^2 \times 2\text{ events/month} \times 8\text{ months/year} = \text{EUR } 3,200.00/\text{year}$; ▪ Object 2: <ul style="list-style-type: none"> ○ From tourist products and service sales: $\text{EUR } 6/\text{tourist/day} \times 120\text{ days} \times 28500\text{ tourists} \times 60\% \text{ (crisis effect)} = \text{EUR } 12,312,000.00/\text{year}$; ○ Underground network: $2000\text{ m} \times 2.5\text{ lei/m/year} = \text{RON } 5,000.00/\text{year} = \text{EUR } 1,190.47/\text{year}$; ○ Parking area: $46\text{ places} \times 1\text{ lei/hour} \times 4\text{ hours/day} \times 200\text{ days/year} = \text{RON } 36,800.00/\text{year} = \text{EUR } 8,762.00/\text{year}$; $6\text{ places (coach)} \times 1.5\text{ RON/hour} \times 4\text{ hours/day} \times 200\text{ days/year} = 7200 = \text{EUR } 1,714.28/\text{year}$. ▪ Object 3: <ul style="list-style-type: none"> ○ Rent seminar/workshop space: $\text{EUR } 50/\text{day} \times 3\text{ days/event} \times 12\text{ events/year} = \text{EUR } 1,800.00/\text{year}$; ○ Rent exhibition space: $100\text{ m}^2 \times 5\text{ Euro/m}^2 \times 6\text{ months/year} = \text{EUR } 3,000.00/\text{year}$; ○ Rent event space: $100\text{ m}^2 \times 5\text{ Euro/m}^2 \times 2\text{ events/month} \times 8\text{ months/year} = \text{EUR } 8,000.00/\text{year}$; ○ From event organization: $\text{EUR } 200/\text{event m}^2 \times 2\text{ events/month} \times 8\text{ months/year} = \text{EUR } 3,200.00/\text{year}$. ▪ Object 4: <ul style="list-style-type: none"> ○ Rent exhibition/event space: $119\text{ m}^2 \times \text{EUR } 5/\text{day} \times 60\text{ days/year} = \text{EUR } 35,700.00/\text{year}$; ○ Rent concert hall: $\text{EUR } 300/\text{day} \times 1\text{ event} \times 8\text{ months/year} = \text{EUR } 2,400.00/\text{year}$; ○ From event organization: $\text{EUR } 200/\text{event m}^2 \times 1\text{ event/month} \times 8\text{ months/year} = \text{EUR } 1,600.00/\text{year}$.

Projects in Rasnov Town

The town of Rasnov has a population of about 16,000.00 persons and a surface of 164 km^2 . In 2008 it had more than 8000 tourists accommodated in its hospitality structures²⁸.

²⁸ Source of statistical data: *Key numbers in the Brasov Metropolitan Area* issued by Brasov Metropolitan Agency in 2010.

Project no. 2 Elevator for accessing Rasnov Castle

The vertical elevator will have 140 meters. There will be embankment works, works for departure and arrival points, but also procurement of the transport equipment.



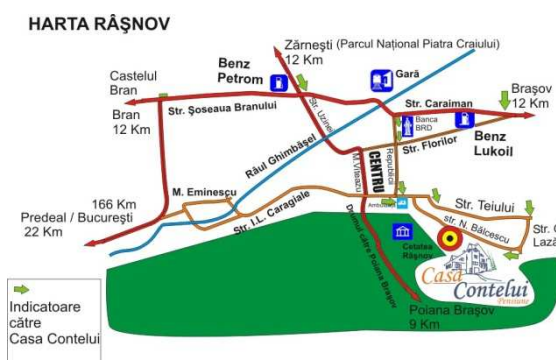
Applicant	Rasnov Town Hall
Beneficiary	Community of Rasnov
Estimated amount provided in the Integrated Urban Development Plan	RON 7,000,000.00 (EUR 1,666,667.00)
Eligible amount	RON 5,882,352.94 (EUR 1,400,560.22)
Estimated date for project development	2012 - 2013 (in parallel with the rehabilitation of the Rasnov Castle)
Land and/or building ownership/administration	Rasnov Town Hall
Technical data	<ul style="list-style-type: none"> Length of trace: 158.3 m; Height from base level: 118.9 m; Capacity: 16 persons (max. 1200 Kg); Tourists/visitors (estimation): 36,300 persons.
Expenditures	<ul style="list-style-type: none"> Salaries: RON 108,000.00 (EUR 25,714.28)/year: 5 persons x RON 1800/month x 12 months = RON 108,000.00 (EUR 25,714.28/year); Operation and maintenance: EUR 19,218.00-20,307.00/year along a period of 20 years.
Revenues	<ul style="list-style-type: none"> Transport tickets: EUR 3.00-5.00/person (includes the access to the Rasnov Castle); Commercial activities: EUR 2/person (estimated: tourist products); Tourist services: EUR 3/person (estimated: guided tour, coffee/beverages, etc.);



- Rents: 10 tourist shops x 15 m²/shop=150 m² x EUR 12/month= EUR 1800/month; EUR 1800/month x 12 months= EUR 21,600.00/year;
- Coffee shops, restaurants around Rasnov Castle: 200 m² x 10 Euro/m²/month x 12 months= EUR 24000/year;
- Parking: 30 lots x EUR 0.3/hour x 8 hours/day x 250 days/year=EUR 18000/year;
- Estimated revenues: EUR 81,647.00-136,074.00 along a period of 20 years.

Project no. 9 Rehabilitation for tourist use of Rasnov Historic Center

- Rehabilitation of 4 streets (lighting, utilities, traffic signs, burying telecommunication cables, rehabilitation of small bridges for access to individual houses, etc);
- Underground parking on two levels;
- Ambient fitting of the square;
- For one of the streets, one parking lot above level on the property of the City Hall.



Applicant	Rasnov Town Hall
Beneficiary	Community of Rasnov, plus tourist population visiting Rasnov and Brașov metropolitan area
Estimated amount provided in the Integrated Urban Development Plan	RON 5,221,428.00 (EUR 1,243,197.14)
Eligible amount	RON 4,387,754.62 (EUR 1,044,703.48)
Estimated date for project development	2011-2012
Land and/or building ownership/administration	Rasnov Town Hall
Technical data	<ul style="list-style-type: none"> ▪ Objective 1: Create the pedestrian areas with tourist facilities (urban furniture, architectural lighting, waste baskets, spring-water devices, green and flower arrangements etc.); <ul style="list-style-type: none"> ○ Streets: Izvor = 696 m, Florilor = 800 m, Republicii = 300 m, I.Creanga = 280 m = total length of streets= 2076 m; ○ Side-walks: each 1.5 m wide, total side-walk area: 2076 m x 1.5 m x 2 = 6228 m²; ○ No. of commercial units around the pedestrian area: aprox. 40; ○ New tourist shops: estimated 20;

	<ul style="list-style-type: none"> ○ No. of tourists/year visiting the city of Rasnov: 36000 tourists/year. ▪ Objective 2: Bury the infrastructure: water/sewer pipes, gas pipes, electricity cables, telecommunication cable, etc.) <ul style="list-style-type: none"> ○ Total length of buried network in the Historic Center: 2076 m; ▪ Objective 3: Create 2 parking facilities: <ul style="list-style-type: none"> a) 2 levels parking facility; <ul style="list-style-type: none"> ○ Capacity: 100 parking lots; ○ Parking ticketing machines: 3; ○ Public transport platform: for public transport buses and tourist coach - buses (6 buses); ○ Waiting area for passengers; ○ Ticketing system. b) Extend the existing parking facility on I. Creanga street, near Unirii Square <ul style="list-style-type: none"> ○ Capacity: 30 parking lots; ○ Parking ticketing machines: 1.
Expenditures	<ul style="list-style-type: none"> ▪ Operation & maintenance: Total: 32,567.84 lei /year (7754.5 Euro/year) <ul style="list-style-type: none"> ○ Salaries for parking operators + parking ticketing machines maintenance: RON 7602.15/year (EUR 1810/year); ○ Parking lot sanitation: RON 0.0092/m² x 1625 m² x 2 times per week x 4 weeks x 9 months = RON 1076.40 /year (EUR 256.28/year); ○ Parking traffic marking (traffic signs to access/to get out of the parking lots, traffic lights, etc): RON 1878.16/year (EUR 447.18/year); ○ Marking the parking lots limits, pedestrian access, etc: RON 0.0109/m² x 1625 m² x 12 months= RON 212.55/year (EUR 50.60/year); ○ Snow cleaning during the winter: RON 0.12/m² x 2850 m² x 2 times a week x 4 weeks x 5 months = RON 7800.00/year (EUR 1857.14/year).
Revenues	<ul style="list-style-type: none"> ▪ Maximum revenues: 130 parking lots x 24 hours x 365 days x EUR 0.3/hour = EUR 341,640.00/year; ▪ Minimum revenues: 130 parking lots x 6 hours x 253 working days x EUR 0.3/hour = EUR 59,202.00/year.

4. Eligibility of projects under ROP, Axis 1.1

In order to analyse how prepared the revenue generating projects indicated by BMA are for a potential UDF on the short and medium term (attracting financing from the only Operational Programme with growth pole allocation) we have performed a general evaluation of their eligibility under Priority Axis 1.1 *Support to sustainable development of urban growth poles*. The evaluation is particularly relevant since approval of projects included in IUDPs by each Managing Authority is based on the theme announced in the title of the project and in the short general description of the project – the projects that go under IUDPs should observe the objectives of the Operational Programme that it addresses; the generic approval from the respective Managing Authority does not guarantee that the project will actually be accepted in a later call for proposals.

The analysis is based exclusively on the project information summarised in the previous chapter.

CHECKLIST FOR VERIFICATION OF ELIGIBILITY FOR GRANTS²⁹

NOTE: We have only included here the critical criteria *since compliance with the remaining criteria (legal status, debts, co-financing capacity, previous financing etc) has already been ensured.*

No.	Criteria	Comments
1	The applicant is:	
	A territorial administrative unit (local public administration authority), from the urban environment or authorities at county level.	Eligible applicants are towns/municipalities from the growth poles as defined by the Government Decision no. 998/2008, respectively the county in which these entities are located are represented by their corresponding authorities of local public administration.
	A partnership between territorial administrative units (local public administration authorities).	The territorial administrative units from the growth poles may submit individually or in association with applications for projects included in the integrated urban development plans.
	An intercommunity development association (IDA)	In order to be eligible, it is compulsory that the IDA have within its membership the territorial administrative unit of the territory in which the project is going to be implemented. The statute of the Association should stipulate its existence after 31 st December 2020.
2	The applicant is the owner, administrator of the infrastructure (land/buildings/structures, etc.) which is the object of the investment.	
3	The infrastructure (land/ buildings/structures etc.) which is the object of each individual project complies cumulatively with the following requirements at the date of submission of the request for financing:	
	- it is free from any obligations/liabilities	
	- it is not under any litigation	
	- it is not subject to claims	
4	The project is included in the Integrated Urban Development Plan.	
5	The project falls within the category of operations of the Priority Axis 1, the Major Intervention Domain 1.1: Integrated Urban Development Plan	
	a) Rehabilitation of the urban infrastructure and improvement of the urban services, including urban transport.	For the projects aiming at rehabilitation of the cultural heritage: the object of the investment must be included in the list of the world cultural patrimony (Government's Decision no. 93/2004, annex A), in the list of the national cultural patrimony or in the list of the local cultural patrimony from the urban area (Order of the Minister of Culture no. 2314/2004).
	b) Sustainable development of the business environment	For the projects promoting business support structures the expenses corresponding to works or acquisitions registered before the actual signature of the financing contract – are ineligible. The projects for business support structures that foresee trading activities are also ineligible.
	c) Rehabilitation of the social infrastructure, including social housing and improvement of social services	For the growth poles the following activities are also eligible: rehabilitation/modernization of buildings devoted to social services; rehabilitation/modernization of the buildings for socio-cultural activities; rehabilitation/finalization of actually ruined and/or unused buildings and their preparation for new socio-cultural activities in rural

²⁹ Source: Applicant Guide for Axis 1.1. Full details in financial evaluation in Annex no. 5.

		areas.
6	The total value of the project is between: 1.700.000 - 90.000.000 lei	For the projects in the category: Rehabilitation of the urban infrastructure and improvement of the urban services, including urban transport, except with the tourism infrastructure.
	700.000 - 85.000.000 lei	For the projects aimed at creation/modernization/extension of the tourism infrastructure for entertainment and adjacent utilities.
	1.700.000 - 85.000.000 lei	For the projects in the category: Sustainable development of the business environment"
	350.000 - 10.500.000 lei	For the projects in the category: Rehabilitation of the social infrastructure, except with the projects aimed at increasing security and rehabilitation of social houses
	350.000 - 3.500.000 lei	For the projects aimed at increasing security and criminality prevention
	1.700.000 – 90.000.000 lei	For the projects aimed at rehabilitation of the social houses
7	The activities proposed for financing within the project were not financed from public funds in the last five years and do not benefit of public funds from other sources.	Valid for the same type of activities, performed on the same building/same infrastructure/same segment of infrastructure.
8	The period of implementation will not exceed the deadline of 31st of July 2015, except for the projects which envisage investments for business support, for which the implementation period must not exceed 31st July 2012	The state aid scheme for this type of projects is valid for the period 2008-2010
9	The projects (investments) are implemented on Romanian territory, in the urban area of the growth pole.	<p>As an exception, the projects aimed at sustainable development of the business environment and those aimed at rehabilitation/modernization of the buildings for social services, rehabilitation/modernization of the buildings for socio-cultural activities, rehabilitation/finalisation of buildings actually ruined and/or unused and their preparation for new socio-cultural activities may be implemented also in the territorial administrative unit from the rural area of the growth pole.</p> <p>Projects aimed at building bus, tramway and trolleybus stops and/or modernisation of existing ones, building inter-modal terminals in view of improving the integration of the various types of urban public transport, extension and/or modernisation of the tramway and trolleybus networks and of the afferent infrastructure, infrastructure works and endowment with specific equipment for traffic management may be implemented also in the rural area of the growth pole, if these projects are necessary for ensuring an integrated approach at the level of the growth pole and on the condition that such activities are not eligible for financing under other Operational</p>

		Programmes with EU financing.
10	Financial rate of return calculated for the investment cost (FRR/c) is < 5%, financial net present value calculated for the investment cost FNPV/c<0	In case the FRR/c is > 5%, the project will be scored "0" point for the respective evaluation criterion, which means that the project is not eligible for financing.
11	Economic rate of intern (ERR) ≥ 5.5%, Rate benefit/cost (RB/C) ≥1	In case ERR is < 5,5%, or RB/C < 1, the project will be scored "0" points for the respective evaluation criterion, therefore the project would not be eligible for financing.
12	Net aggregate cash flow is positive for the entire duration of the investment	The cash flow must be positive for each year of the project implementation, otherwise the project would not be eligible for financing.
13	For transport projects: the project should contribute directly to a significant reduction of the time needed for transport in town.	If the envisaged reduction of time is less than 10% the project will be scored with 0-2 points, with the possibility of being scored with 0 points and thus being excluded from financing. The same situation (exclusion from financing) may occur if the project is not sustained by a traffic analysis meant to demonstrate the reduction of the transport time.
14	For transport projects: the project should contribute directly to a significant increase of the number of persons using public transport or bicycles in town.	If the foreseen increase of the number of persons using public transport or bicycles is less than 5%, there are strong chances that the respective transport project will not get the required financing. The same risk is run if the project is not supported by a traffic analysis demonstrating the increase.
15	The project costs are realistic	If the project budget is incomplete or uncorrelated with the planned activities, the resources allocated/estimated are not correlated or the costs are unrealistic (most of the budgetary lines are overestimated) – then there are strong chances that the project will be scored with "0" points on the respective evaluation criteria.
16	Analysis of the project alternatives, the realistic estimation of costs and revenues resulting from the operation of the investment.	In case data is insufficient and/or poorly justified, no alternatives are formulated and/or the operation costs and revenues are unrealistic or uncorrelated with the assumptions the score may be "0" on the corresponding evaluation criteria and the project will be subsequently excluded from financing.

Based on the criteria listed in the table above and limited by the project information available, we were able to formulate some preliminary observations on the eligibility of the projects, as detailed hereafter.

Project	Comments
Project no. 4: Build the new Brasov Business Center	<p>The maximum value of a project under the topic "Sustainable development of business environment" is RON 85.000.000, while the value proposed within the current draft of the project is RON 87.822.000; thus, the value should be reduced accordingly in order for the project to be able to meet this specific eligibility criterion of the ROP.</p> <p>On the other hand, it is mentioned in the project fiche that the land on which the investment is foreseen to be placed is not actually owned by the City Hall, and this is a compulsory criterion for receiving funding through the ROP.</p> <p>Key issues:</p>

	<ul style="list-style-type: none"> ▪ Could the project be defined in such way that its total value does not exceed 85.000.000 RON? ▪ Could the land become the City Hall's property by the time of submission of the request for financing? (even earlier, having in mind that some permits are necessary for the elaboration of the feasibility study)
Project no. 6 CORESI Office and Trade Fair/Congress Centre	<p>In order for the project to be eligible for ROP Axis no. 1.1, the applicant must be a local public authority, considered as large enterprise, thus the co-financing obtained will not exceed 50% of the total eligible value of the project. If the applicant is a company (SME only), it should apply for ROP's Axis no. 4.1 – "Sustainable development of business support structures of regional and local importance", for which the project is eligible as currently defined.</p> <p>Key issues:</p> <ul style="list-style-type: none"> ▪ Is it possible that the applicant for this project will be the local authority - in order to be able to apply for Axis 1.1 of ROP? or ▪ Could the project scope be widened so a public entity is involved as one of the owners of the projects?
Project no. 8 Rehabilitation of Patria movie theatre as Cultural Centre and Philharmonic Orchestra	<p>The project is eligible, could be submitted under the topics:</p> <ul style="list-style-type: none"> ▪ Rehabilitating/modernizing buildings that host socio-cultural activities such as libraries, culture houses, communitarian centres and others alike; ▪ Rehabilitating /finalizing buildings that are currently ruined and/or unused and preparing them for new socio – cultural activities, as well as creating new social services needed by the respective community, creating public libraries, community centres etc.
Project no. 1 Extension of parking capacity and construction of public transportation terminal in Poiana Brasov – the tourist resort	<p>The project is eligible under the topic "Creating and modernizing urban public spaces: urban streets, side-walks, squares, pedestrian areas, bridges, sub-terrain and air passages, parking lots, etc as well as infrastructures belonging to urban public utilities (public lighting, broadband cabling, etc)."</p> <p>In our opinion the project has good prospects to obtain a high score, with a bonus for increasing the number of users of public transportation means.</p>
Project no. 5 Rehabilitation of a building as Business Centre – regeneration project	<p>According to the requirements for the operation "Sustainable development of the business environment" defined in the Applicant's Guide, "the business support structures that host commercial activities are not eligible to receive financing (e.g. commercial centres)". By analysing the project description, this project could be submitted to the following type of operation:</p> <ul style="list-style-type: none"> ▪ Constructing/ modernizing/ expanding buildings and annexes, that will be used by economic agents, especially SMEs, for production and/or services supply activities; <p>According to the Guide, "within this Major Domain of Intervention, for this type of projects, only initial investments will be financed; projects targeting investments in replacing or rehabilitating existing assets are not eligible, while the modernizing works must lead to an increment in</p>

	<p>the added value". Initial investment is defined as being: "investment in assets with a view to develop new units, extend an existing unit, diversify the production of a unit with new products, and fundamentally change the overall production processes of a unit."</p> <p>According to Order no. 287/2008 of the Ministry of Development, Public Works and Housing regarding the approval of the state aid scheme for regional development for creating and developing business support structures within the Regional Development Programme 2007 – 2013, initial investment is defined as being:</p> <ul style="list-style-type: none"> ▪ investment in assets with a view to develop new units, extend an existing unit, diversify the production of a unit with new products, and fundamentally change the overall production processes of a unit. or ▪ acquiring new assets in direct correlation with a production area, when that area is closed or would have been closed if it had not been bought, while the assets should be acquired by an independent investor. <p>Acquiring shares issued by an enterprise, as well as replacing investment shall not be regarded as initial investment.</p> <ul style="list-style-type: none"> ▪ <i>Rehabilitating polluted and unused sites and preparing them for new economic and/or social utilizations; - only if the site is actually polluted;</i> ▪ <i>Rehabilitating finalizing buildings that currently are damaged and/or unused – and preparing them for new socio – cultural activities [...] – Implies that the rehabilitated building must be used for socio-cultural purposes, no economic activity is mentioned</i>
<p>Project no. 10 Rehabilitation for tourist use of Codlea Historic Center</p>	<p>The project is eligible to receive financing Axis 1.1 of ROP. In the updated version of the Guide, for the operation "Rehabilitating urban infrastructure and improving urban services, including the public urban transport", it is stated that the expenses eligible are related to:</p> <ul style="list-style-type: none"> ▪ Creating and modernizing urban public spaces: urban streets, side-walks, squares, pedestrian areas, bridges, sub-terrain and air passages, parking lots etc as well as infrastructure belonging to urban public utilities (public lighting, broadband cabling, etc); ▪ Restoring, consolidating, protecting and conserving historical monuments; ▪ Rehabilitating/modernizing buildings that host socio-cultural activities such as libraries, culture houses, community centres and others alike. <p>These include all the activities proposed to be realized throughout this project. The cost-benefit analysis is positive, and the resulting indicators comply with the compulsory conditions of the evaluation grid (Financial Rate of Return is < 5%, Financial Net Present Value is <0; Economic Rate of Return is > 5.5%, the Rate Benefits/Costs is >1). From a general view, the project is well defined and fits completely to the objectives of Axis 1.1 of ROP and, if all the eligibility criteria related to the applicant will be fulfilled, (legal records, debts, co-financing capacity etc), the project is eligible to be financed.</p>

	<p>Key issue to be clarified:</p> <ul style="list-style-type: none"> ▪ The feasibility study should be updated in order for it to be newer than 1 year at the time of submission.
<p>Project no. 2 Elevator for accessing Rasnov Castle</p>	<p>The project is eligible under the topic “Creating/ modernizing/ extending leisure tourism infrastructure and connected utilities”.</p>
<p>Project no. 9 Rehabilitation for tourist use of Rasnov Historic Center</p>	<p><u>First comment:</u> According to the cost-benefit analysis from the feasibility study, the Internal Rate of Return of the project is 14.2%, which means the project will be scored “0” for the respective criterion from the evaluation grid, thus the project becomes ineligible for financing.</p> <p>From analysing the feasibility study of the project, the IRR is that high as a consequence of the fact that, although there is already a high consumption of water within the historic town centre (meaning that in the “no investment” scenario there is already income generated by the non-rehabilitated infrastructure), the income generated by the investment in sewage rehabilitation has been considered as new income. Thus, we recommend the revision of the feasibility study based on the Cost Benefit Analysis guidelines set at EU level (Working Document no. 4 from the Commission and the Guide to Cost-Benefit Analysis of Investment Projects).</p> <p><u>Second Comment:</u> The project includes activities concerning water and used water, activities that are usually financed from the Environment Sector Operational Programme. This investment could be also financed from the Regional Operational Programme, Axis 1.1, if the pipes could be integrated into the transport infrastructure, although these water-sewerage infrastructures are not explicitly mentioned as being eligible to receive financing through ROP (into the section transport and population mobility, the eligibility extends to: “creating and modernizing urban public spaces: urban streets, side-walks, squares, pedestrian areas, bridges, sub-terrain and air passages, parking lots, etc, as well as infrastructures belonging to urban public utilities (public lighting, broadband cabling, etc”).</p> <p>However, as revealed by the discussions for clarification held with the Intermediate Body of SOP Environment from the 7th Region (Centre) and Regional Development Agency 7 (Centre), Rasnov Town is not part of an integrated Master Plan for water and sewerage systems, thus there is no need for a correlation between ROP and SOP Environment in this case. RDA Centre has clarified this aspect, mentioning that the water-sewerage infrastructures could be financed through ROP if they are integrated into the roads infrastructure of the streets to be rehabilitated.</p> <p>Key issues to be clarified:</p> <ul style="list-style-type: none"> ▪ Could the cost-benefit analysis be revised in such way that the $IRR < 5\%$, $ERR > 5.5\%$, $Benefits/Costs > 1$ and aggregated net cash flow is positive for each year of the analysis? ▪ The water-sewerage infrastructure proposed to be developed through this project is integrated within the specified roads

5. Status of projects on urban documentation

Assessing project maturity is a process that involves not only analysing degree of definition and planning, progress in discussions with partners, financial visibility, observance of eligibility criteria for financing, etc, but also verifying the stage of urban documentation in place for the respective project, as requested in relevant regulations. We have performed this task of verifying the urban documents for each of the 10 revenue-generating projects with the objective of assessing how prepared the projects are for UDF support in the short – medium term, fulfilling of course the eligibility conditions under ROP. We have also included time estimates to obtain such documents where missing.

To analyse the project status in terms of urban documentation, the following legal aspects have to be taken into consideration³⁰:

- Execution of works related to a project implementation can only start if there is a building permit in place, and the procedure for the building permit begins with the Urban Certificate (UC);
- The UC provides information about the legal, economic and technical conditions of land and buildings on the plot, specifies building regulations for the new investment (according to the General Urban Plan - PUG or to the Zonal Urban Plan - PUZ and to the regulations in place), and the list of additional permits required for the building permit application, which varies from one project to the other (public utilities, environment, cultural heritage, etc.);
- Depending on the project complexity, scale and impact, the UC may require the development of a local area urban plan (PUD), or a zonal urban plan (PUZ);
- The UC is issued in 30 days, and it is usually valid for 12 months;
- The feasibility study (FS) is the documentation establishing technical and economic indicators of an investment project. It is developed by technical experts (private company), subcontracted by the project owner (through a public tender procedure in the public sector case). The time to develop a FS depends on the project and the tender conditions;
- FS is approved only if it has all additional permits indicated in the UC. The time to get these permits is usually 30 days. All public utilities permits are issued in one original. For other permits (i.e. environment, cultural heritage), the specific institutions may require additional clarifications and the time for issuing them can be longer;
- The application for the building permit includes the technical documentation and the permits, according to the UC provision. The building permit is issued in 30 days and it is valid for 12 months. During this period the execution works should start, and then the permit is valid until the project is finalised;
- Execution works follow the Technical Project (PT) and the Execution Details. Their development is also the job of a technical experts (like in FS case), and the time for drafting and approving them depends on project complexity.

From this perspective, the situation of the 10 selected projects is described in the following table³¹:

³⁰ Law no.50/1991 authorizing the execution of construction works with additional modifications; Law no. 350 for urban and regional planning with additional modifications; Government Decision no.28/2008 for technical and economic documentation of public investments.

³¹ The data is valid in July 2010 when this investigation was performed. The projects documentation was expected to evolve as the authorities were preparing for submission for grants under ROP.

Table 21 Status of projects in terms of planning documents and feasibility studies

#	Project owner	Title	Planning documents in place	Stage of FS and in TP	Urban Certificate (UC) issued (yes/valid till)	Additional permits required (according to UC)	Comments (time to documents procedures) to finalize and
1	Brasov City Hall	Rehabilitation of touristic area Poiana Braşov - Extension of parking capacity and reconstruction of public transport terminal	<ul style="list-style-type: none"> PUZ approved. 	<ul style="list-style-type: none"> FS to be developed this year. 	<ul style="list-style-type: none"> No 	-	If UC issued, FS might be finalized by the end of the year.
2	Rasnov City Hall	Elevator for accessing Rasnov Castle	<ul style="list-style-type: none"> PUG with identified conservation area approved. 	<ul style="list-style-type: none"> FS developed in 2007, needs revision. 	<ul style="list-style-type: none"> UC expired (issued 04/2007 and valid 12 months) 	<ul style="list-style-type: none"> Electricity company; Environment; County Culture Inspectorate. 	Application for a new UC should be submitted. FS might be revised by the end of the year.
3	Predeal City Hall	Rehabilitation of touristic area Clabucet-Cioplea-Predeal (pleasure and spa resort)	<ul style="list-style-type: none"> PUG under revision. 	<ul style="list-style-type: none"> Not prepared. 	<ul style="list-style-type: none"> No 	-	Project in an early stage. Further discussions are needed to develop an action plan for project preparation.
4	Brasov City Hall	Development of economic area Brasov Nord - Centre for business, technological transport and business incubator	<ul style="list-style-type: none"> The project will be included in the new PUG, which is in preparation. PUZ will be required. 	<ul style="list-style-type: none"> Not prepared. 	<ul style="list-style-type: none"> No 	-	Project in an early stage. Further discussions are needed to develop an action plan for project preparation.

#	Project owner	Title	Planning documents in place	Stage of FS and in TP	Urban Certificate (UC) issued (yes/valid till)	Additional permits required (according to UC)	Comments (time to documents procedures) to finalize and
5	Codlea City Hall	Codlea Business Centre	<ul style="list-style-type: none"> PUG and PUD approved. 	<ul style="list-style-type: none"> FS progress. 	<ul style="list-style-type: none"> UC issued 07/2010 and valid 12 months 	<ul style="list-style-type: none"> Utilities companies (water, sewerage, electricity, gas, phone); Environment. 	FS might be finalized by the end of August.
6	Flavus Investiti SRL	CORESI Office and Trade Fair/Congress Centre	<ul style="list-style-type: none"> Master Plan developed by the investor (PUZ) 	<ul style="list-style-type: none"> FS progress. 	<ul style="list-style-type: none"> No 	-	If UC issued, FS might be finalized by the end of the year.
7	Tarlungeni Local Council	Centre for Applied Development and Research Transilvania Motorland	<ul style="list-style-type: none"> PATJ and PATZM approved PUZ will be required 	<ul style="list-style-type: none"> Not prepared. 	<ul style="list-style-type: none"> No 	-	Project in an early stage. Further discussions are needed to develop an action plan for project preparation.
8	Brasov City Hall	Rehabilitation of Patria movie theater	<ul style="list-style-type: none"> No PUZ developed. 	<ul style="list-style-type: none"> FS to be developed this year. 	<ul style="list-style-type: none"> No 	-	UC should be issued. Money provided in the local budget for FS, and the study is expected to be launched by September 2010.
9	Rasnov City Hall	Rehabilitation historical centre of Rasnov City	<ul style="list-style-type: none"> PUG progress. 	<ul style="list-style-type: none"> FS in place, but needs revising. 	<ul style="list-style-type: none"> UC expired (issued 04/2007 and valid 12 months) 	<ul style="list-style-type: none"> Utilities companies (water, sewerage, electricity, gas, phone); Traffic police; Environment. 	Application for a new UC should be submitted. The public bidding for the whole package (FS + PT + PAC + ROP/Axis 1 funding application) has been finalized, and the package will be ready by October 2010.

#	Project owner	Title	Planning documents in place	Stage of FS and in TP	Urban Certificate (UC) issued (yes/valid till)	Additional permits required (according to UC)	Comments (time to documents procedures) to finalize and
10	Codlea City Hall	Rehabilitation of historical centre in Codlea City	<ul style="list-style-type: none"> PUG approved. 	<ul style="list-style-type: none"> FS in place, but needs revising. 	<ul style="list-style-type: none"> UC expired (issued 06/2008 and valid until 06/2010) 	<ul style="list-style-type: none"> Utilities companies (water, sewerage, electricity, gas, waste disposal); County Culture Inspectorate. 	<p><i>Application for a new UC should be submitted.</i></p> <p><i>The public bidding for the whole package (FS + PT + PAC + and ROP/ Axis 1 funding application) will be hold on August 2010. The package is expected to be ready by October 2010.</i></p>

6. Financial simulation under JESSICA conditions

This section details the analysis undertaken on possible projects already under development within the area covered by the Brasov growth pole. The analysis takes the form of 'financial simulations' that aim to show the effects of a project being funded by JESSICA investments, alongside more traditional forms of project finance (such as bank finance, public grant funding and developer equity). In addition the simulations look to illustrate a range of possible financial outcomes for each project by reviewing:

- The amount of capital investment that requires funding;
- The level of financing cost (namely interest cost) on the above funding levels;
- The operational profitability of the project; and
- Thereby, the project's ability to service the interest cost and repay the capital funding.

As outlined earlier in the report, over 200 projects were initially considered to see if they were suitable candidates for JESSICA funding. This list was reduced based on a series of criteria, not least the project's ability to generate returns. A short list of ten projects was selected, on the basis of discussions with the BMA and our own experience of the JESSICA mechanism, as being the most likely to be suitable for a JESSICA investment and provide a range of illustrative options for further discussion. It is important to note that the ten projects did not reflect the limit of potential JESSICA investments and did reflect the time available to conduct the study and therefore the amount of information that was readily available for projects.

Therefore, an outcome of the simulation process provides support for the following questions posed by this wider feasibility study:

- Is there a demand for the finance provided by a JESSICA instrument from economic development projects in the Brasov Operational Programme?
- How JESSICA investments could be made into those projects initially identified?
- What is the quantum of JESSICA financing that could be potentially subsumed by these projects?
- Is there a reasonable possibility of projects generating returns that replenish a UDF for further investment funding rounds?

Source of project data, its constraints and possible opportunities.

The financial simulation work has also been undertaken utilising past financial analysis tools developed by Deloitte and the EIB in previous studies, however, some changes have been necessary to reflect specific conditions of project investment in Romania. As with the evolving nature of the JESSICA mechanism across Europe, these simulations reflect the best interpretation of the Deloitte and the EIB at the time of the study and could be subject to change as a result of future adaptations of JESSICA.

The financial simulation work relied on the analysis of existing projects under development in the Brasov Operational Programme, which should be remembered was set up before the JESSICA mechanism was widely in discussion as a delivery tool. Therefore, a great many of the projects are designed to be supported by grant funding and have not had any detailed analysis undertaken around revenue generation, private finance or public:private partnering for delivery.

A clear early finding from our analysis was that several project concepts were discussed by local Council officers, which had the appearance of being potential public private joint venture that JESSICA could support. However, there was neither the technical understanding nor the organisational mechanisms in the public sector to develop these projects beyond 'the idea' phase.

In gathering information and assumptions for the simulations, we have relied solely on the information and explanations provided to us by the BMA (and its partner organisations) and do not provide any assurance over the accuracy of this assumption data. To facilitate this process we have held a series of meeting and workshop to support the BMA in sourcing the correct information for the simulation exercise and provided a reasonable level of challenge from our own understanding of the projects.

Headline assumptions

In preparing the financial simulations we have been required to make a number of financing assumptions. These assumptions are made from our best analysis and interpretation of the particular conditions for the Brasov region and specific projects reviewed, however, they should not be taken to be wholly reflective of the actual commercial or regulatory conditions that will exist in the future. We recommend that these are reviewed on a continual basis by the EIB and the Romania Authorities in the future as the development of the JESSICA mechanism evolves in Romania. The key assumptions are:

- That 'match funding' will be available for each project at the 'minimum level' of 15% and JESSICA investments will make a maximum of investment of 85% of the total financing required for a project (or to the appropriate level for areas of the OP outlined below);
- All project financing is based around a structure of 70% loan finance and 30% equity finance, which a JESSICA UDF provides the maximum level possible under the OP for each.
- Some projects require grant funding support to lower the amount of 'financing' required by JESSICA (and other match funding sources). This occurs when the returns generated by a project are not high enough to service the notional repayment requirements of this repayable finance;
- The procurement and delivery of a project is undertaken in an appropriate project company that is able to accept either a loan or equity investment from a JESSICA UDF; the project company would offer the guarantee for the loan to be contracted;
- All returns generated by a project are distributed on a pro-rata basis aligned with the level of investment made in a project financier;
- Most projects commence in 2011/12 and unless stated otherwise have a 2 year construction phase and at least a 30 year useful economic life over which returns can be generated. Where a 'capital value' can be attributed to long term revenues streams, it is assumed that this revenue stream will be sold for a 'cash sum' immediately after construction has ended and operation commenced.
- The required (weighted) return of all investors is 10% - this rate has been applied on the basis of the current operational programme requirements that only a public sector organisation can apply for ERDF funds, which could result in a lower required return from private investors. It was also found to be a suitable benchmark for the reviewed projects in order to gauge viability. We recommend that further assessment of this return rate is undertake in the future as more details emerge on the JESSICA structure in Romania.

With regard to the application of JESSICA, in the interests of clarity we have quoted below the Growth Pole's guidance for the intervention rate allowed in the Operational Programme:

"The value of reimbursable financing is calculated as percentage of the eligible value of the project that will be paid from EFRD and state budget. For projects that do not fall under the state aid rules, the percentage of the non-reimbursable financing from total value of eligible expenditure is maximum 98% (national budget with maximum 17,65% and EFDR with maximum 80,35%), 2% being the minimum contribution from the applicant. For projects that fall under the state aid rules, respectively the projects concerning the development of business centres, the minimum contribution of the applicant to the eligible value of the project is 50%, the rest being provided by EFDR. The own contribution of the beneficiary may come from own sources or bank credits that are not guaranteed by the state. Funds obtained from state financial support measures or as an effect of them are not considered own contribution."

With regard to the financial simulation and the project reviewed by it, our interpretation is that JESSICA can fund:

- 50% of any commercial or business premises development; and
- 85% of any other project.

Summarising the results

The table below summarises the results of the financial simulation and contains:

- Indicative intervention %: as prescribed for that type of project by the Operational Programme.
- Indicative JESSICA financing / Grant funding required: calculated by taking the amount of finance required by a project and applying the intervention rates applicable under the operation programme. Also noted is the level of any grant support provided to the project in order to make it viable for JESSICA investment.
- Nature of values generated: narrative of the project's revenue generating potential to illustrate the source from which JESSICA investments will be serviced. In the majority of cases the project delivers enhanced activity from the investment, which is could be captured to fund the JESSICA finance. Capital sums refer to the possible sale of revenue streams to an institutional investor.
- Estimated gross returns generated: calculated as the annual operational profit generated by each project, from which the interest and investment capital will be repaid.
- Overall financing cost: the annual maximum interest cost to be serviced by the project in any one year

Table 22 Summary of projects considered in the financial simulation

Project Name	Indicative Intervention %	Indicative JESSICA Financing (Grant) Requirement* (€)	Nature of Values Generated*	Estimation of Gross Returns Generated annum* (€)	Annual Financing Cost (€)
Rehabilitation of touristic area Poiana Braşov -	85%	1,141,380 (1,000,000)	Increased Rental Flows	133,201	104,096
Elevator for accessing Rasnov Castle	85%	850,000 (666,667)	Increased Rental Flows	99,200	77,522
Codlea Business Centre	50%	348,500 (-)	Increased Rental flows or Capital Sum	151,937	54,032
CORES! Office and Trade Fair/Congress Centre	85% / 50% (mixed rate)	7,112,679 (-)	Increased Rental flows and Capital Sum	996,640	648,689
Rehabilitation of Patria movie theater	85%	183,965 (4,750,000)	Increased Rental Flows	20,692	16,778
Rehabilitation historical centre of Rasnov City	85%	461,709 (700,000)	Increased Rental Flows	45,317	42,109
Rehabilitation of historical centre in Codlea City	85%	954,081 (2,000,000)	Increased Rental Flows	99,189	87,014

**Source: BMA and Brasov Council*

From the early collation of simulation results, it was clear that three of the projects would be able to generate sufficient returns to fund a JESSICA investment without any grant support. The other projects were found not to generate enough gross profit / cashflow to be able to service a JESSICA investment over a reasonable time period (say 10 to 15 years) and service a cost of finance at c.10%. We have therefore concluded that these projects would also require grant funding to support of portion of the 'financing requirements' of the project. In such instances, it was assumed that all projects would receive just enough grant funding to make a JESSICA investment viable (by the metrics outlined above).

When reviewing the reasons why projects were not achieving an appropriate level of viability, it was clear that the ability to generate a credible revenue stream was a major factor. We therefore recommend that the EIB and the Romanian authorities consider alternative approaches to capturing revenues streams from projects, including:

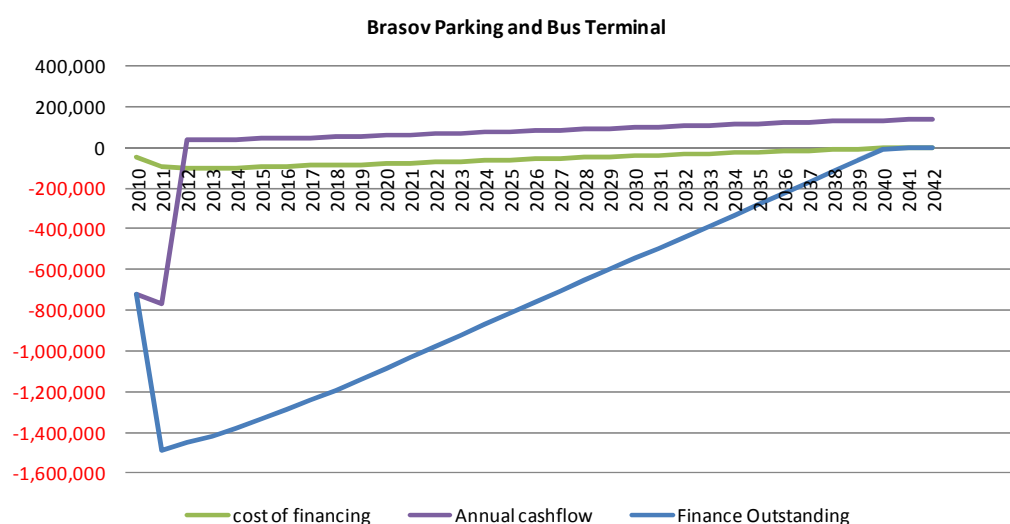
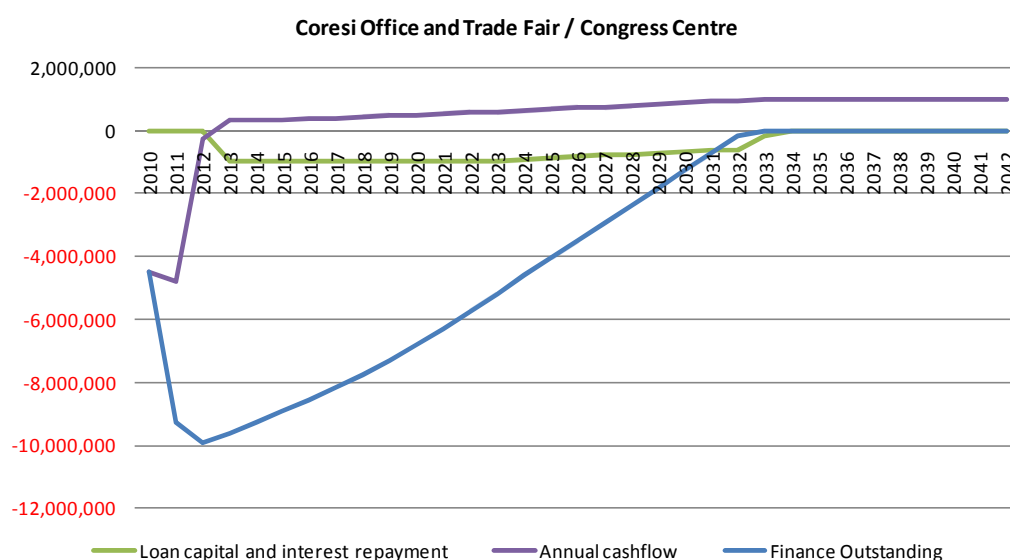
- The ring fencing of local sales or business taxes, either as a whole or on an incremental basis;
- The public sector provides a contribution to the investment repayment, as indirect financial benefits can be seen from some of the project investments reviewed.

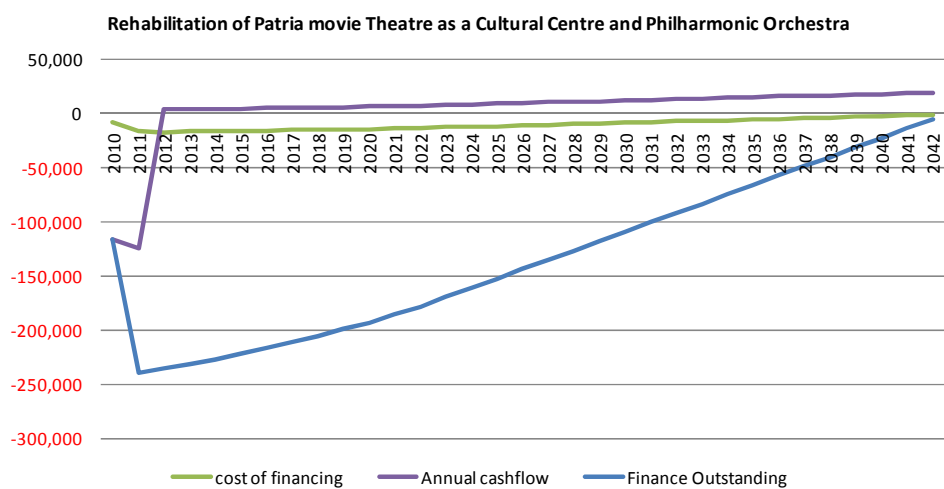
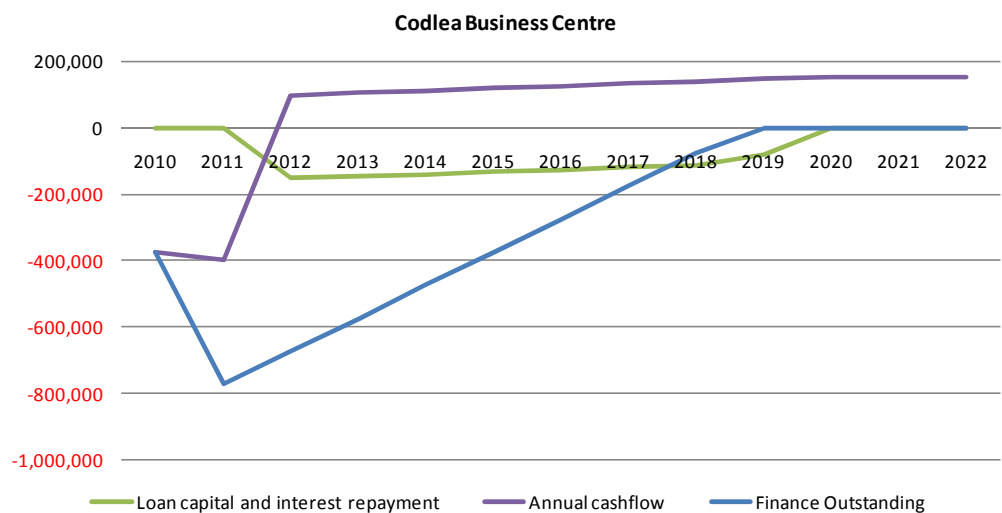
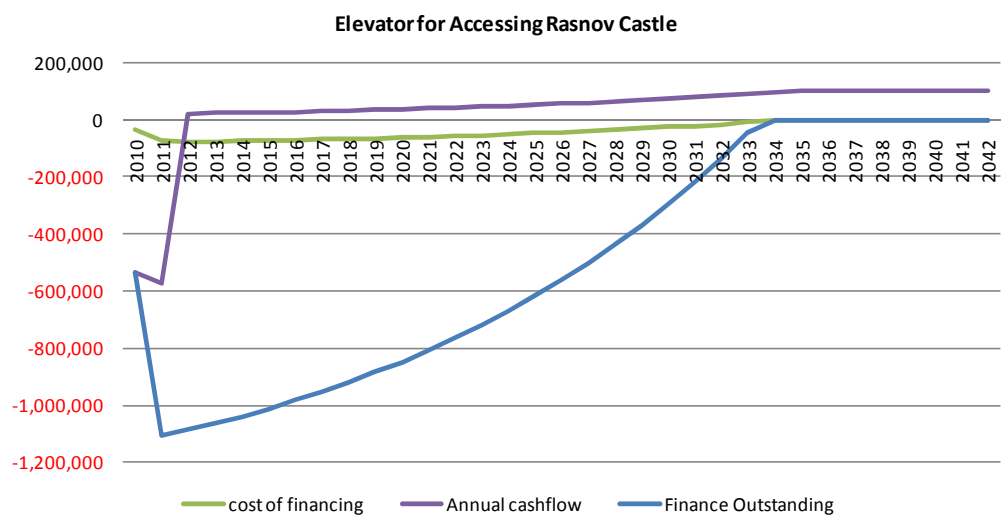
The following points should also be considered while assessing specific projects:

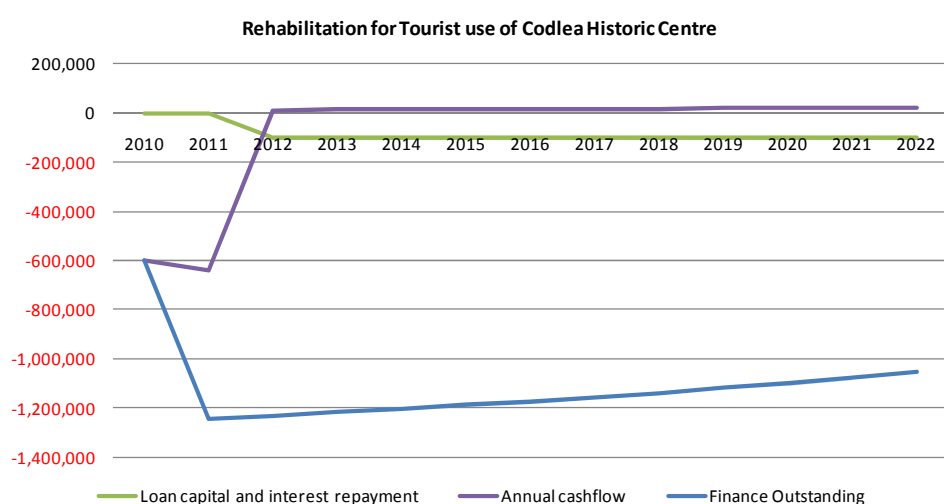
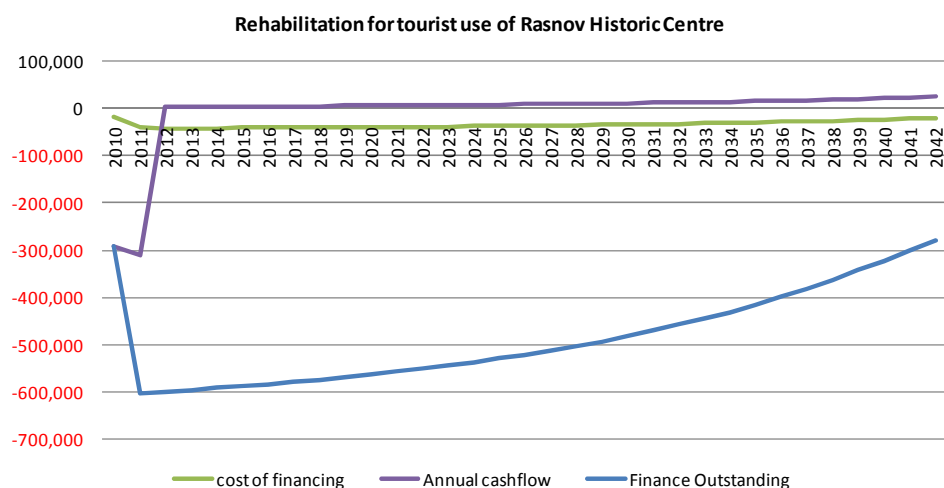
- Coresi Office and Trade Centre: the Operational Programme requires public sector to be the applicant for ERDF funds. Currently this is a wholly private sector project and will require reworking to comply with the OP, or a change in the OP to allow this type of project.
- Patria Movie Theatre: the level of grant required to make the project viable puts into questions the rationale for progressing with such a small JESSICA investment.

Analysis of project investments

For each of the projects the following graphs illustrate the summary performance for key metrics of the project, including the repayment and servicing of a JESSICA investment. It should be noted that these graphics represent the whole project financing requirements, of which the JESSICA investment makes either an 85% or 50% contribution.







Further projects where detailed simulation was not possible

In addition to the above projects, three other schemes were reviewed by Deloitte but the BMA were unable to collate or prepare sufficient information to undertake a meaningful financial simulation. These schemes are listed below and we would encourage further effort to be made in developing them as potential JESSICA investment opportunities:

- Rehabilitation of touristic area Clabucet–Cioplea-Predeal;
- Brasov Nord Development of economic area; and
- Centre for Applied Development and Research Transilvania Motorland.

The Transilvania Motorland scheme appeared particularly interesting as it appeared to be a private sector led scheme, proposed as a joint venture with public sector organisations and academic institutions. Unfortunately the concept could not be further explained to us during the study field work, but initial discussions did appear encouraging for this to be a suitable scheme.

In addition to the listed projects above, a number of other thematic concepts emerged from the simulation field work that we recommend are followed up as part of the wider JESSICA discussions. These concepts were based on discussions with Council officials and representatives of the BMA, plus our interpretation of these discussions using our past JESSICA and general economic development experience. Examples include:

- Use JESSICA to fund energy efficiency projects for commercial and residential buildings – a number of the schemes we reviewed had this as a component, which was often made unviable by major renovation or refitting works;

- Use JESSICA to support public sector place-making projects (including cable undergrounding) that are currently wholly financed by the public sector and then either sold or leased back to the private sector.

Interpretation of the simulation results

The above analysis of viable projects suggests a requirement for an initial JESSICA Fund c.€11 million – which would deliver the projects outlined above.

However, as the analysis has indicated, a number of other project investment opportunities could come forward with further technical analysis and joint working between the public and private sector. At this stage, it does remain difficult to extrapolate the findings from the simulations to suggest what overall size of fund would be required, so the following scenarios have been put forward for general illustration and debate:

- A minimum size of JESSICA UDF is generally accepted by potential fund managers to be in the region of €30 million. At this scale, the costs of set up are considered worthwhile incurring and fund manager have enough critical mass within the fund to spread project risk acceptably.
- Assuming the ratios from simulation work hold, 30% of the short list of projects reviewed appeared acceptable for JESSICA investment – 30% of the Growth Pole monies allocated to JESSICA (i.e. 30% of €70 million) would equate to fund of c.€21 million. With additional technical assistance provided to the area, it is reasonable to assume that the % would improve as projects are designed specifically for JESSICA, thereby raising demand for the fund;

The above is provided for illustration only (and as a derived output of the simulations) and should not be used without further due diligence.

At this stage it is important to remember that this result has been achieved in the context of an Operational Programme that was not designed with the JESSICA mechanism in mind and the local public officials, while enthusiastic about the potential for adopting JESSICA, have limited practical experience of setting up projects in a suitable way to receive a JESSICA investment. We also found that the awareness of JESSICA in the private and banking sectors was extremely low and therefore it was extremely common for a project to be appraised without the consideration of JESSICA.

This leads us to conclude that in evidencing a strong demand for JESSICA in Brasov, it is not entirely a lack of projects that produces the results above. If technical support and advice were provided to the relevant stakeholders, it is reasonable to assume more suitable project investment opportunities would emerge and thereby justify the need for a larger fund to be established for the Brasov Growth Pole.

Comparison of simulation results with the ‘Grant’ and Article 55 Positions

Finally, in reviewing the project simulation results, it is important to reflect them against the baseline position (of providing grants) and against the possible use of Article 55, which allows returns to be captured from ERDF funded projects (funded as grant) but capped below prescribed limits by the ERDF regulations. In these instances, the captured returns are not reinvested in Economic Development project, but are retained by the State.

The following table provides a summary of each comparator:

Table 23 Simulation Results with the 'Grant' and Article 55 Positions

	100 % GRANTS	ART 55 without JESSICA	JESSICA
General			
up front interim payment	no	no	yes
subsidy requirement	100%	gap*	gap*
final certification	same as interim certification	<i>same as interim certification</i>	at programme closure (dec 2015)
time limit for invoices for works	December 2015	December 2015	December 2015**
management fees	State bears admin cost	State bears admin cost	up to 2 % HF and up to 3 % UDF
private leverage	unlikely	some	key objective
Specific Brasov pilot portfolio			
Absorption of ERDF funds	€22.4m	€9.1m grant	€9.1m grant €11.1 Jessica
2nd round funds	nil	nil	€11.1m
early exit (e.g. 2015)	nil	nil	c.€5.2m

Key conclusions to take from the comparison are:

- Upfront payment: JESSICA mechanism allows projects to receive investment prior to completion, where as the other require reimbursal of invoices on completion;
- JESSICA and Art 55 use 'cash' more efficiently by only addressing financing gaps in projects;
- The certification for the JESSICA scheme is less onerous for the Managing Authority as undertaken in one exercise at the end of the programme;
- While time limits to submit invoices are similar, it is expected that upcoming COCOF guidance from the Commission may provide for additional time for projects invested in by JESSICA;
- Management fees are based on the size of the fund for JESSICA and therefore the appointed fund manager bears all activity risk over the execution of the fund, where as the state retains this risk when required to monitor the programme itself;
- Private leverage is most likely through the JESSICA mechanism, arguably meaning a more efficient use of ERDF cash;
- Grant regime absorbs the most ERDF cash initially, but the JESSICA mechanism provides an opportunity to reinvest returns in perpetuity, plus to ability to 'refinance' JESSICA investments via an early exit once construction phase has been completed.

Recommendations arising from the financial simulation

- Increase the technical assistance to local stakeholders to encourage the consideration of the JESSICA mechanism during project development;
- Establishing a small pilot fund to act as a demonstrator would provide examples for the wider public and private sectors to follow.

VIII. PLANNING FRAMEWORK FOR URBAN REGENERATION PROJECTS IN THE BRASOV REGION AND IN OTHER GROWTH POLES

This chapter reviews the planning framework for urban regeneration projects in the Brasov area and nation-wide, with an emphasis on the development of the Integrated Development Plan for Brasov as a growth pole and progress of proposed integrated plans within the ROP.

1. Spatial planning in Romania – regulatory overview

Spatial planning in Romania is essentially based on Law 350/2001 for urban and regional planning and its subsequent addendums. The power is devolved to the local government level allowing each county, municipality, city and commune to prepare and approve its own plan. The law establishes different planning levels and the instrument that organises the comprehensive use of space is the General Urban Plan and the Planning Subsidiary Regulations. These have force within the boundaries of each city/commune.

The law provides basic legal instruments for urban planning:

- the General Urban Plan (Ro - Plan Urbanistic General - PUG),
- the Zonal Urban Plan (Ro - Plan Urbanistic Zonal - PUZ),
- the Detailed Urban Plan (Ro - Plan Urbanistic de Detaliu - PUD).

According to its title, PUG has a more general character, while PUZ and PUD refer to an area or plot of land. The plans must also be in line with the legal and technical provisions of the local plans (Ro - *Plan de Amenajare a Teritoriului Judetean - PATJ*), region (Ro - *Plan de Amenajare a Teritoriului Zonal - PATZ*), inter-communal / inter-city area (Ro - *Plan de Amenajare a Teritoriului Zonal Intercomunal / Interorasesesc - PATI*), and national territory (Ro - *Plan de Amenajare a Teritoriului National - PATN*).

The Plans and Regulations define the structural criteria for development projects including, public utilities and services, the developing pattern, land use and future growth, etc. Receiving permissions for site development and building construction are also governed by the following acts:

- The Urban Planning Certificate (CU): a mechanism to collect and document all relevant information needed to develop a site, issued prior to getting a Building Permit;
- The Building Permit (AC): required for new buildings or interventions on existing buildings;
- The Operational Permit (only for firms): issued after the inspections and permits are obtained in order to be legally registered and operational.

Although stipulated by law, there is minimal citizen participation in the development of plans and the legislation does not presently exist for appeals. The enforcement of urban regulations and legislation is also weak (for instance, land subdivisions are not regulated). Furthermore, the impact of planning regulations (including legal statutes, as well as in economic and technical terms) is not effectively assessed. This includes impact on community life and quality of urban space.

The following laws and decisions complete the legal framework:

- Government Decision no. 525/ 1996 to approve General Urban Regulations with additional modifications;
- Law no. 50/ 1991 for building permits with additional modifications;
- Law no. 213/ 1998 regarding public property and its juridical aspects;
- Law no. 219/ 1998 regarding leasing procedures;

- Laws to approve the National Territorial Spatial Plan (PATN):
 - Section I- Transport infrastructure: Law no. 71/ 1996 (updated in 2004).
 - Section II- Water supply: Law no. 171/ 1997.
 - Section III- Conservation areas: Law no. 5/ 2000.
 - Section IV- Settlements network: Law no. 351/ 2001.
 - Section V- Natural risks areas: Law no. 575/ 2001.
- Government Decision 1 519/ 2004, to approve the Regulations for the signature rights on urban and regional planning documents, and the Regulations for the organisation of the Romanian Urban Planners Register;
- MLPAT Decision no. 21/N/2000, to approve the Guide of formulation and approval of local urban planning regulations;
- MLPAT Decision no. 13N/1999, to approve the Guide for the methodology and framework of General Urban Plan;
- MLPAT Decision no. 176/N/2000, to approve the Guide for the methodology and framework of District Urban Plan;
- MLPAT Decision no. 37/N/2000, to approve the Guide for the methodology and framework of the Site Urban Plan.

2. Spatial planning in Romania – institutional overview

An overview of the planning institutional framework is presented in the following table based on Law 350 on Physical Planning. Different categories of spatial plans are developed at different administrative levels. They first progress through a technical approval (where they collect approvals from different institutions), followed by a final/political approval from the legislative bodies. The table indicates the institutions responsible for both technical and final approval for each type of plan within each category.

Table 24 Spacial Planning Institutional Overview

A. Regional plans		
Type of plans	Technical approval	Final Approval
National development plan (PATN)	Government	Parliament
Zonal plan: <ul style="list-style-type: none"> ▪ Regional or inter-counties ▪ Inter-cities or inter-communes ▪ Borders ▪ Metropolitan 	<ul style="list-style-type: none"> ▪ The Ministry of Transport ▪ De-concentrated government institutions and interested territorial and local agencies 	<ul style="list-style-type: none"> ▪ County Council ▪ Local council
County development plan	<ul style="list-style-type: none"> ▪ The Ministry of Transport ▪ De-concentrated government institutions and interested territorial and local agencies 	<ul style="list-style-type: none"> ▪ County Council ▪ General Council of the city of Bucharest
B. General Urban Plan and Regulations		
Type of plans	Technical approval	Final Approval

City of Bucharest	<ul style="list-style-type: none"> ▪ The Ministry of Transport, Constructions and Tourism ▪ De-concentrated government institutions and interested territorial and local agencies 	<ul style="list-style-type: none"> ▪ General Council of the city of Bucharest
Cities	<ul style="list-style-type: none"> ▪ The Ministry of Transport, Constructions and Tourism ▪ County council ▪ De-concentrated government institutions and interested territorial and local agencies 	<ul style="list-style-type: none"> ▪ City Council
Towns	<ul style="list-style-type: none"> ▪ County council ▪ De-concentrated government institutions and interested territorial and local agencies 	<ul style="list-style-type: none"> ▪ City Council
Commune	<ul style="list-style-type: none"> ▪ County council ▪ De-concentrated government institutions and interested territorial and local agencies 	<ul style="list-style-type: none"> ▪ Council of the commune
Tourist resorts	<ul style="list-style-type: none"> ▪ The Ministry of Transport, Constructions and Tourism ▪ County council ▪ De-concentrated government institutions and interested territorial and local agencies 	<ul style="list-style-type: none"> ▪ Local Council (city or commune)
Urban Zonal Plans and Regulations		
Type of plans	Technical approval	Final Approval
Inner part of the city of Bucharest or other area of interest	<ul style="list-style-type: none"> ▪ The Ministry of Transport, Constructions and Tourism ▪ De-concentrated government institutions and interested territorial and local agencies 	<ul style="list-style-type: none"> ▪ General Council of the city of Bucharest
Inner part of city or other area of interest	<ul style="list-style-type: none"> ▪ The Ministry of Transport, Constructions and Tourism ▪ County council ▪ De-concentrated government institutions and interested territorial and local agencies 	<ul style="list-style-type: none"> ▪ Municipal Council
Inner part of the city/communes or other area of interest	<ul style="list-style-type: none"> ▪ County council ▪ De-concentrated government institutions and interested territorial and local agencies 	<ul style="list-style-type: none"> ▪ City /commune Council
Protected areas	<ul style="list-style-type: none"> ▪ The Ministry of Transport, Constructions and Tourism ▪ County council ▪ De-concentrated government institutions and interested territorial and local agencies 	<ul style="list-style-type: none"> ▪ Local Councils/General Council of the City of Bucharest
Detailed Urban Plans		
Type of plans	Technical approval	Final Approval
Public Investments approved by the government or other central administrative bodies, and those proposed to be in protected or special areas	<ul style="list-style-type: none"> ▪ The Ministry of Transport, Constructions and Tourism ▪ County council ▪ De-concentrated government institutions and interested territorial and local agencies 	<ul style="list-style-type: none"> ▪ Local Councils/General Council of the City of Bucharest

Any other investment	▪ Interested territorial agencies	▪ Local Councils/General Council of the City of Bucharest
C. Planning Regulation		
Type of plans	Technical approval	Final Approval
General planning regulation	<ul style="list-style-type: none"> ▪ The Ministry of Transport, Constructions and Tourism ▪ De-concentrated government institutions and interested territorial and local agencies 	▪ Government

The organisational framework encompasses three levels of public authorities with the following responsibilities:

The responsibilities of the Central Public Administration (art. 17, 18, 19, 20 of Law 350/2001/republished):

Regional and urban planning activity at the national level is coordinated by the Government which, according to the Government's Program, creates programmes, guide lines and sector policies.

The Ministry of Regional Development and Tourism is the Government's specialized body for regional and urban planning, with the following responsibilities in the field:

- to draw the Regional and Urban Planning Program;
- to draw the regional and urban planning program which substantiates the regional development plans;
- to draw the General Urban Planning Regulation;
- to approve normative acts related to the activity of regional and urban planning;
- to cooperate with the ministries and other bodies of the central public administration for substantiating the strategic sector programs, in correlation with regional and urban planning;
- to cooperate with the regional development councils, the county and local councils, and to pursue the implementation of the governmental programs and the guiding lines in the field of regional and urban planning at the regional, county and local level;
- to approve the documents on regional and urban planning, according to the competencies established in the current law.

The ministries and other bodies of the central public administration will send to the Ministry of Regional Development and Tourism, on request, all information necessary for the development of regional and urban planning activity. The Ministry may request local public administration to draw up or modify documents on regional and urban planning with a view to expanding, detailing or applying provisions included in the strategic sector programs of the Government.

The responsibilities of the County Administration (art. 21,22,23,24, of the Law 350/2001/republished)

The County Council sets the general direction for regional planning as well as the organization and development of localities based on regional and urban plans. For this purpose it coordinates the activity of the local councils and supports them with relevant technical assistance.

The County Council ensures that the provisions included in the national, regional and zonal urban plans are taken into consideration within regional and urban planning documents for the administrative territories of the county localities, and ensures that the County urban and zone plans are drawn.

Within the activity of regional and urban planning, the County Councils are supported by the Ministry of Regional Development and Tourism, as well as by the ministries and bodies of the central public administration.

The County Council may ask Local Councils to draw up or update documents on regional planning or urban planning with a view to implementing provisions included in county development programs; the request is sent to the County Council accompanied by the description of grounds for County Council decisions and the deadline for drafting or modifying the documents.

In carrying out its responsibilities for regional and urban planning, the County Council uses centralized information at the county level from all domains of economic and social activity.

The ministries and other bodies of the central public administration will supply information free of charge from their domains of territorial activity of that county to the county and local authorities, and the County Councils will provide information on the economic, social and urban planning development of the localities.

The responsibilities of the Local Public Administration (art. 25, 26, 27 of the Law 350/2001/republished)

The Local Council coordinates and is responsible for all urban planning activity carried out in the territorial administrative unit and ensures observance of the provisions included in the approved documents on regional and urban planning. The Local Council cooperates with the County Council and is supported by the latter to help progress regional and urban planning activity.

In the process of drafting the urban planning development program, the Local Council cooperates also with the business environment, and NGOs at national, county and local level. In carrying out its responsibilities for regional and urban planning the Local Council uses information from all economic and social domains of activity.

The decentralized public services of the ministries and other central bodies, business environment, non-governmental organizations and bodies that operate at local level will provide the necessary information, free of charge, for the activity of regional and urban planning.

3. Integrated Urban Development Plans

ROP Applicant Guide - Priority Axis 1.1 includes several phases in the evolution of this Plan:

- Phase I – approval of the plan;
- Phase II – admission of the individual projects;
- Phase III – technical and financial evaluation of the individual projects;

The individual projects, part of the GP - IUDP, should focus on eligible activities outlined below:

- Rehabilitation/improvement of the urban infrastructure/urban services/cultural heritage (international, national, local);
- Sustainable development of the business infrastructure: development of entrepreneurship for stimulating economic activities and the creation of new jobs/support of entrepreneurial activities by creation and/or rehabilitation of different business infrastructures;
- Rehabilitation of social infrastructure, including social housing and the improvement of social services.

The plan is structured in 5 parts. The first one addresses the existing situation, based on the existing quantitative and qualitative analysis/data, with focus on the growth pole profile. More specifically, Part 1 contains the following chapters:

- General data/information (boundaries and the list of the territorial administrative units, settlements network and population, brief historical presentation, associative structures, etc);
- Territorial audit (demography, area profile, economic competitiveness, human resources, technical infrastructure and transports, social infrastructure, housing, cultural and natural assets, quality environment, etc.);
- Administrative audit (organisational structure of the territorial administrative units and management);
- Diagnosis and SWOT analysis.

Part 2 is about strategy formulation, coordinating the existing/approved strategies of all administrative units, part of Growth Pole. In detail, the guide requires the accomplishment of the following chapters:

- Development vision;
- Strategic objectives;
- Policies and programmes;
- Priority programmes;
- Information and consultation.

Part 3 presents the spatial profile of the GP and the intervention areas dedicated to the future individual projects. The part contains information and maps regarding the following areas:

- Spatial and functional profile of the growth pole;
- Problem areas and spatial development trends;
- Identified intervention areas;
- Selection of the priority intervention areas.

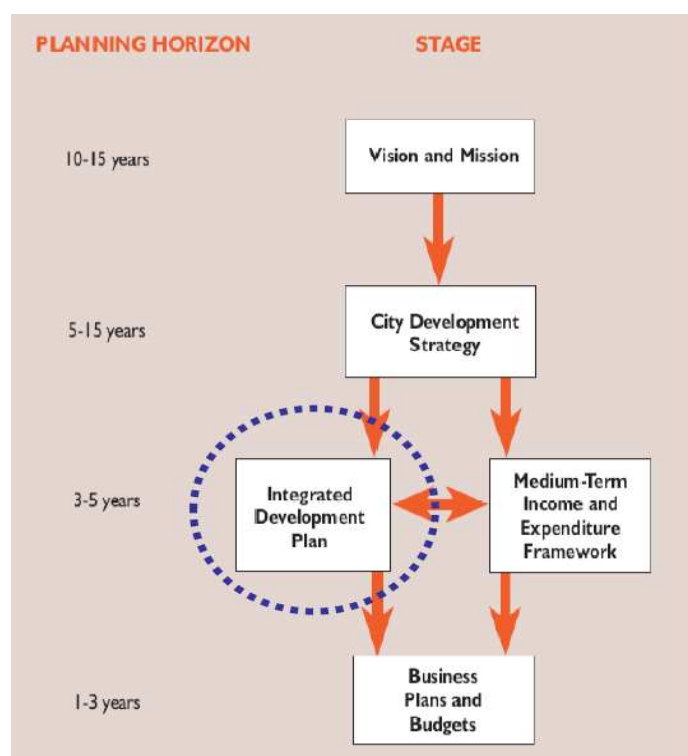
Part 4, the Action Plan, is operational and assures the implementation part of the GP-IUDP covering sections such as:

- Strategically and operational arguments;
- List of projects/estimated budget/sources of funding;
- Project fiches;
- Implementation time table.

Part 5, the management of the plan implementation, contains information about the proposed management structure and the operational relationships established between this structure and IUDP stakeholders (local public authorities, Intercommunity Development Association, ROP Managing Authority, ROP Intermediary Bodies, ROP Monitoring Committee, Regional Committees for Strategic Assessment and Correlation (RCSAC) and project beneficiaries.

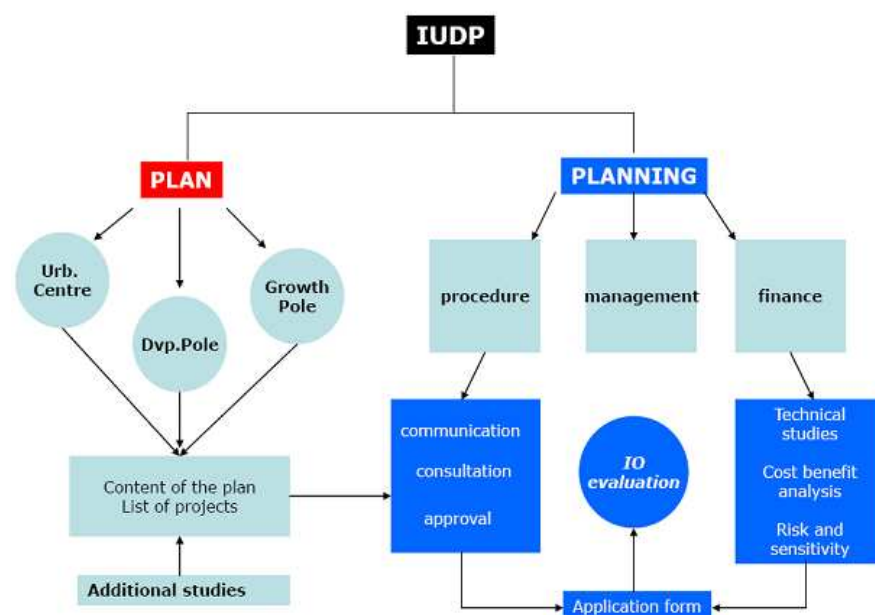
To be consistent with local development strategies the IUDPs should be considered as part of the overall development strategies of the administrative units, partners in the growth pole, according to the figure below.

Figure 4 The coordination between IUDP and the Local Development Strategies



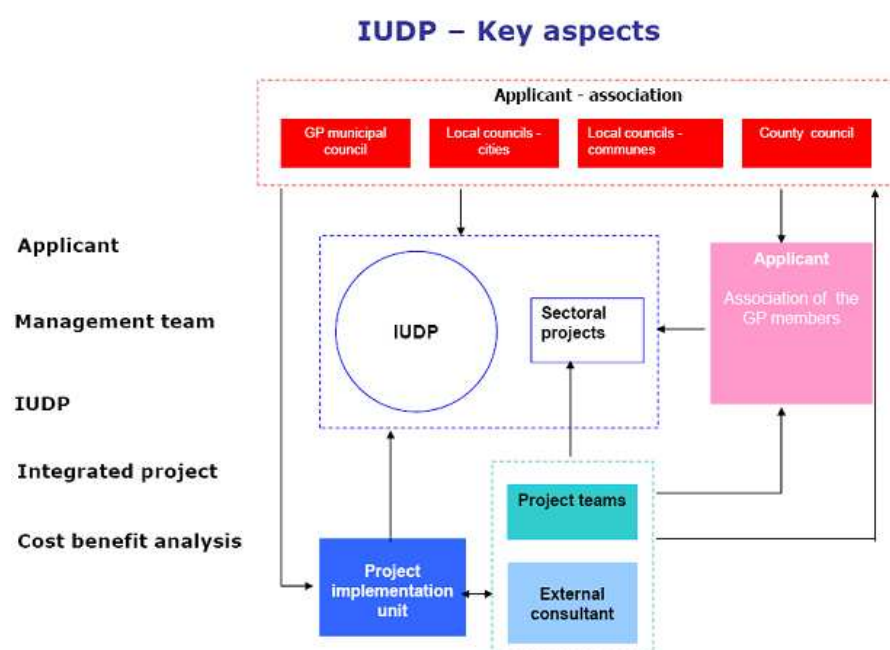
The figure no. 6 presents the chart of the plan content and the planning procedures before being approved by the Management Authorities.

Figure 5 IUDP Structural chart



During the process formulation, the plan considers a number of key elements which are presented in the next figure.

Figure 6 Key elements



As of November 2010 all growth poles have obtained a favourable decision from the Management Committee for Coordination of Structural Instruments on their specific IUDPs.

Table 25 Status of approval of IUDPs as per MA ROP data valid at the end of July 2010

Growth Pole	Status
Iasi	On 26.10.2009 the Committee of Monitoring and Coordination approved the Plan; on 09.12.2009 Iasi submitted the final version Re-approved for the new list of projects on 17.05.2010
Craiova	On 26.11.2009 the Committee of Monitoring and Coordination approved the Plan; on 11.01.2009 Craiova submitted the final version Re-approved for the new list of projects on 31.05.2010
Brasov	On 07.12.2009 the Committee of Monitoring and Coordination approved the Plan Re-approved for the new list of projects on 21.05.2010
Constanta	On 23.12.2009 the Committee of Monitoring and Coordination approved the Plan Re-approved for the new list of projects on 21.05.2010
Ploiesti	On 15.04.2010 the Committee of Monitoring and Coordination approved the Plan – final version
Cluj-Napoca	On 15.04.2010 the Committee of Monitoring and Coordination approved the Plan – final version
Timisoara	Approved by Committee of Monitoring and Coordination – final version

Table 26 Status of submission of projects from IUDPs as per MA ROP data valid at the end of July 2010

Growth pole	No. of projects (main projects + reserve projects ³²)	Projects under evaluation	Estimated value of projects submitted (million euros)	Stage of the evaluation process of individual projects
Iasi	9=8+1	3+1	51	<ul style="list-style-type: none"> • North – South Development Axis Crossing OCTAV BANCILA – the economic, technical and financial report is under verification at MA ROP; • Development of traffic network in the cultural, historic and touristic area of Iasi City – the economic, technical and financial report is under verification at MA ROP; • Development of transport axis East-West in Iasi City - the economic, technical and financial report is under verification at MA ROP; • Regional Technological Centre Iasi – the project was submitted on 12.07.2010.
Craiova	19=16+3	0		<ul style="list-style-type: none"> • According to the list of projects approved in the Committee of Monitoring and Coordination the first projects will be submitted in <u>July 2010</u>.
Brasov	36=29+7	0		<ul style="list-style-type: none"> • According to the list of projects approved in the Committee of Monitoring and Coordination the first projects will be submitted in <u>August 2010</u>.
Constanta	42=25+17	0		<ul style="list-style-type: none"> • Submission deadline – <u>August 2010</u>.
Ploiesti	22=16+6	0		<ul style="list-style-type: none"> • According to the list of projects approved in the Committee of Monitoring and Coordination the first projects will be submitted in <u>September 2010</u>.
Cluj-Napoca	25	3	39	<ul style="list-style-type: none"> • Restoration of the historic monument central park Simion Barnutiu and Casino in Cluj City; • Modernisation of the tramway line on the route Manastur – Muncii Boulevard in Cluj Napoca City; • Modernisation of the tramway line on the route Manastur – Piata Garii in Cluj Napoca City. <p>All three projects are in process of being evaluated from an economic, technical and financial point of view.</p>

4. Integrated Urban Development Plan for Brasov Growth Pole

In the context of accessing EU funding through the Regional Operational Program, BMA has developed the Integrated Urban Development Plan (IUDP), according to the ROP Applicant Guide - Priority Axis 1 "Support for Cities Sustainable Development – Growth Poles". The overall process (including technical assistance from international consultants, involvement of stakeholders, public

³² The Plan provides a list of reserve projects, to be used in case a project from the main list is rejected.

consultations, and debates) took place during 2007-2008 and continued in 2009 with evaluations and approvals from the management authority. In fact, IUDP was the result of cooperation between the following organisations: Brasov Metropolitan Agency, Brasov City Hall, representatives from local public administrations part of the Metropolitan Area, Brasov Agency for Management of Energy and Environment Protection, County Agency for Workforce, National Agency for Environment Protection, Brasov Chamber of Commerce and Industry, Brasov County Council, Brasov Local Council, General Directorate of Social Assistance and Child Protection, Brasov General Directorate for Statistics, Brasov Directorate for Social Services, National Institute for Road Vehicles, State Inspectorate for Disabled Persons, County School Inspectorate, Emergency Situations Inspectorate, Brasov Transport State Company, an external consultant.

The IUDP contains, in line with the guidelines, the auditing of the existent situation and the strategy formulation, including policies – programs – projects, with the identification of eligible projects for ROP – Priority Axis 1.

The Plan identifies two main characteristics describing the profile of the growth pole:

- Brasov Growth Pole is a focal point for tourism development due to its location in Tara Bărsei, providing access to high and picturesque areas in the Carpati Mountains, but also for its cultural traditions and historic heritage (First Romanian School, the Black Church, citadels and fortified churches, etc.);
- Brasov Growth Pole is an important centre of knowledge and technological transfer, built on industrial tradition, and fostered by Transilvania University and a range of private companies (mentioned in the previous section) contributing to research partnerships and SME development.

The following strong points/ competitive advantages support the growth pole profile:

- Tourism attractions, tourism infrastructure and services at high quality standards;
- Industrial companies located in the region;
- Transilvania University, with its specializations (tourism, transport, IT, environment, medicine, engineering, construction, etc.) and research programs in partnership with private companies;
- Geographic location and accessibility through roads, railways and airports.

Based on these aspects, and on the consultation process, the development vision for the growth pole is: *Sustainable development in the centre of knowledge!*

Strategic objectives

A package of strategic and specific objectives was formulated in order to provide the conditions for increasing growth pole economic competitiveness and for ensuring a good quality of life. They are linked to the growth pole profile and development vision, as follows:

Strategic objective 1: Sustainable development of tourism – Brasov Growth Pole, capital of Romanian tourism

- Develop tourism infrastructure;
- Preserve the cultural and historic heritage;
- Increase quality of tourism services;
- Develop niche tourism;
- Promote tourism at national and international level;
- Develop marketing strategy and tourism brand;
- Organise Olympic Festival of European Youth 2013.

Strategic objective 2: Sustainable and competitive development of local economy – Brasov Growth Pole, excellence centre for research, innovation and technological transfer

- Create operational platforms for local administration and business sector;
- Develop infrastructure for research, technological transfer, business support, especially in the field of green energy;

- Develop eco-rural economy;
- Implement energy efficiency policies and instruments;
- Develop education infrastructure to ensure competitive labour force.

Strategic objective 3: Sustainable development of transport and communications – Brasov Growth Pole, transport and communications node, logistics centre

- Develop integrated public transport system;
- Create logistics centres and inter-modal connections for efficient traffic;
- Develop sustainable infrastructure for optimal connection to transport and communications networks;
- Formulate the regional development plan of the growth pole through strategic planning and urban planning methodologies;
- Make connections to the other growth poles.

Strategic objective 4: Sustainable development of Brasov community – European living standard in Brasov Growth Pole

- Develop social infrastructure and social services;
- Increase public safety;
- Create instruments for monitoring and evaluation of quality of life;
- Preserve natural environment;
- Develop administrative capacity, and create communication platforms between public administration and citizens;
- Develop standards, monitoring and evaluation instruments for training;
- Develop human resource – Life long learning.

Main programmes and projects

For each strategic/ specific objectives, the IUDP formulates a comprehensive package of policies, programs and projects, based on consultation with all public administrations involved in the growth pole. For each project, a potential source of funding is identified, in terms of EU funding, central or local budget, and private sector investment.

A number of 30 programs and 268 projects were identified in a first stage. In a second stage, a number of 134 individual projects were assessed and prioritised (16 out of them considered reserve projects). Their total value is estimated at around Euro 22 billion and they do not all have complete background documentation to offer accurate financial estimations. These projects address all four strategic objectives, and all available funding instruments (Operational Programs of Transport, Environment, Economic Competitiveness, Human Resource Development, Administrative Capacity, Regional Operational Program, National Program for Rural Development, central and local budget, etc.).

According to the amount allocated to the Centre Region and to Brasov Growth Pole through ROP Priority Axis 1, the plan identifies 44 eligible projects, with a total value of Euro 117,382,490 to be implemented till the end of 2013³³. 62% of this value goes to projects for rehabilitation of urban infrastructure, 24% to projects aiming at business environment development, and 14% to social infrastructure projects. These projects cover the following categories of investment activities:

- Rehabilitation of urban infrastructure – public buildings, streets, pedestrian areas, parking areas, bridges, passages;

³³ Out of the total of 134 individual projects identified in the IUDP, with a total value estimated at 22,721,403,369 Euro, 44 projects are eligible for Axis 1, and have a total value of 117.382,490. The rest are projects addressing other funding sources.

- Rehabilitation of transport infrastructure, public transport, bus stops, traffic management equipment;
- Rehabilitation of heritage buildings, and areas around the buildings;
- Development of business infrastructure, and centres of technological transfer;
- Rehabilitation of social centres;
- Provision of surveillance and safety systems;
- Development of Citizens Information Centres.

As per the growth pole profile, these projects address the tourism potential and the heritage in the area and support social and economic development of the metropolitan area. They are at the moment in different stages, from project ideas to feasibility studies. A detailed list of these projects is appended in annex II of the IUDP, and includes the following:

- Develop the tourist area in Poiana Brasov – access, parking facilities, public transport terminal;
- Develop the tourist area Clabucet – Cioplea in Predeal – building recreation facilities, and improve access infrastructure;
- Rehabilitate the historic centre in Brasov – Piata Sfatului, and Patria cinema;
- Rehabilitate the historic centre in Codlea;
- Rehabilitate the historic centre in Rasnov;
- Rehabilitate the historic centre in Sacele;
- Rehabilitate the tourist area in the growth pole communities (Sacele, Codlea, Rasnov, Cristian, Crizbav, Tarlungeni, Vulcan, Harman, Sanpetru, Prejmer, and Brasov);
- Improve access to Rasnov citadel through elevator;
- Develop business centre, technological transfer, and business incubator in the north area of Brasov;
- Build crossroad access to economic area from DN1;
- Build by-pass road between DN13-DN1/DN73;
- Develop Research Centre Transilvania Motorland;
- Improve access to Coresi economic area;
- Develop Codlea business centre;
- Support economic development area in Sacele;
- Develop business centre for rural economic activities;
- Improve access to South-East economic area in Brasov;
- Develop public transport integrated system;
- Improve safety in public space and education units through specific surveillance equipment;
- Rehabilitate elderly house in District Noua, Brasov;
- Create youth vocational centre;
- Develop community centres in Vulcan, Prejmer, Sacele;
- Rehabilitate social houses in Sacele and Brasov.

IX. JESSICA ACTION PLAN

The purpose of this chapter is to indicate answers to the following tasks:

- Identification of an appropriate organisational structure and timetable for JESSICA implementation;
- Identification of the administrative and legal constraints and implications for the implementation of JESSICA instruments;
- An assessment of the need for technical assistance to help develop JESSICA instruments in the Brasov region/nationwide;
- Recommendations on how JESSICA could be taken forward, practical tools which should be developed and further documentation necessary to support the application and management of JESSICA and JESSICA-like financial instruments and to embed them into the existing administrative procedures, in particular those of current and future OPs.

As explained previously in the Report, it soon became evident in our research that **Managing Authorities are interested in deploying JESSICA in the context of the next programming period 2014-2020, while acknowledging the advantages of a transitory pilot phase to be performed until the end of 2013. From this point of view, there is a clear interest in a mechanism of assistance from the EIB for the purposes of awareness, training, project screening and preparation of regulations before the start of the next financial exercise.** They have also indicated growth poles that could make better use of such financing mechanisms because they have more significant urban development needs. This is the case for the Cluj-Napoca, Iasi and Constanta growth poles.

For the purposes of a JESSICA implementation we have identified **three possible scenarios** that could be adopted in Romania. Evidently, selection and implementation of one of the scenarios can only be made following a decision-making process involving the EIB, Managing Authorities and representatives of local authorities.

Scenario no. 1. Implementation of a EUR 20 Million JESSICA pilot fund in Brasov. Following discussions held between the representatives of BMA and the Managing Authority of the Regional Operational Programme, the parties agreed to exploit the possibility of pursuing the establishment of a JESSICA fund for Brasov – as a pilot project – for about EUR 20 million, using resources of Priority Axis 1.1 of the ROP. A pilot UDF in Brasov Growth Pole in the immediate period has several advantages:

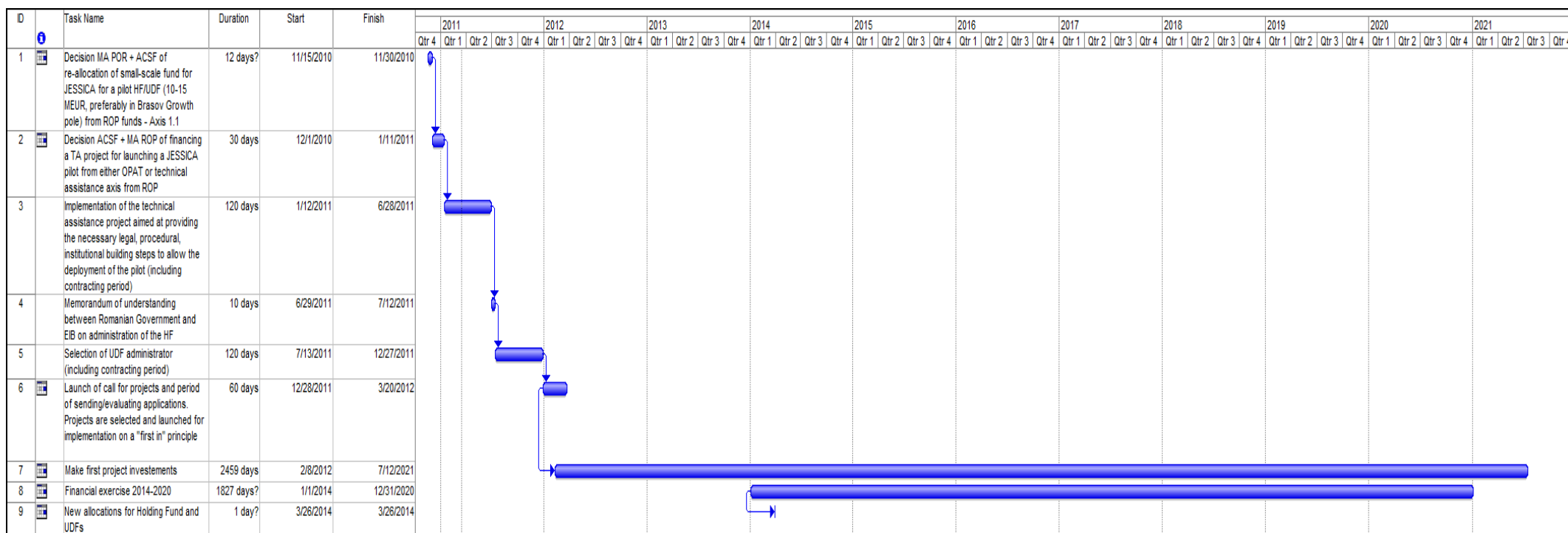
- it provides a long term financing mechanism to the growth pole, allowing more projects to be financed (multiplier effect) and orientating the projects towards interventions which will be sustainable in the long run, thus providing benefits to the local community on a long term perspective;
- experience and knowledge will be built up for operating JESSICA type instruments in the future, thus establishing a clear advantage of setting-up revolving funds in the next programming period. At the last Steering Committee meeting we were informed that, following discussions held between the representatives of Brasov Metropolitan Agency and of the Management Authority of the Regional Operational Programme, the parties agreed under a preliminary form to pursue the initiative of establishing a JESSICA fund for Brasov – as a pilot project.

This Fund would initially receive some 20 Million EUR from the funding available for Brasov Growth Pole under Axis 1.1. As the analysis in the study reveals, there are a number of projects that could clearly cover the aforementioned allocation. It is also clear that the portfolio of projects needs significant additional effort to be brought to the level of maturity needed for financing.

There are in principle two ways establish a pilot JESSICA UDF for Brasov:

- a) The Managing Authority could set up a JESSICA Holding Fund within EIB on the basis of a direct award under Article 44 of Regulation 1083/2006. The Holding Fund could be established with the initial purpose of selecting and investing into a UDF for the Brasov Metropolitan Area but the scope of activity of the Holding Fund could be expanded in the future. The terms and conditions will be formalized in a Funding Agreement between the MA and the EIB. Acting as a Holding Fund Manager, the EIB would undertake the UDF selection process, negotiate with the potential UDF(s) and enter into a contractual relationship with the UDF(s) on behalf of the Managing Authority (through an Operational Agreement). However, key decisions (such as final UDF selection and approval of key terms of the contract with the UDF(s)) would remain in the competence of the Investment Board of the Holding Fund, nominated by the Managing Authority;
- b) The Managing Authority will in a way undertake the role of and act as a Holding Fund itself and should launch a public procurement process for the selection of UDF(s) under Romanian law and subsequently negotiate contracts (operational agreements) with the potential UDFs.

Figure 7 Scenario no. 1. Implementation of a JESSICA pilot fund in Brasov

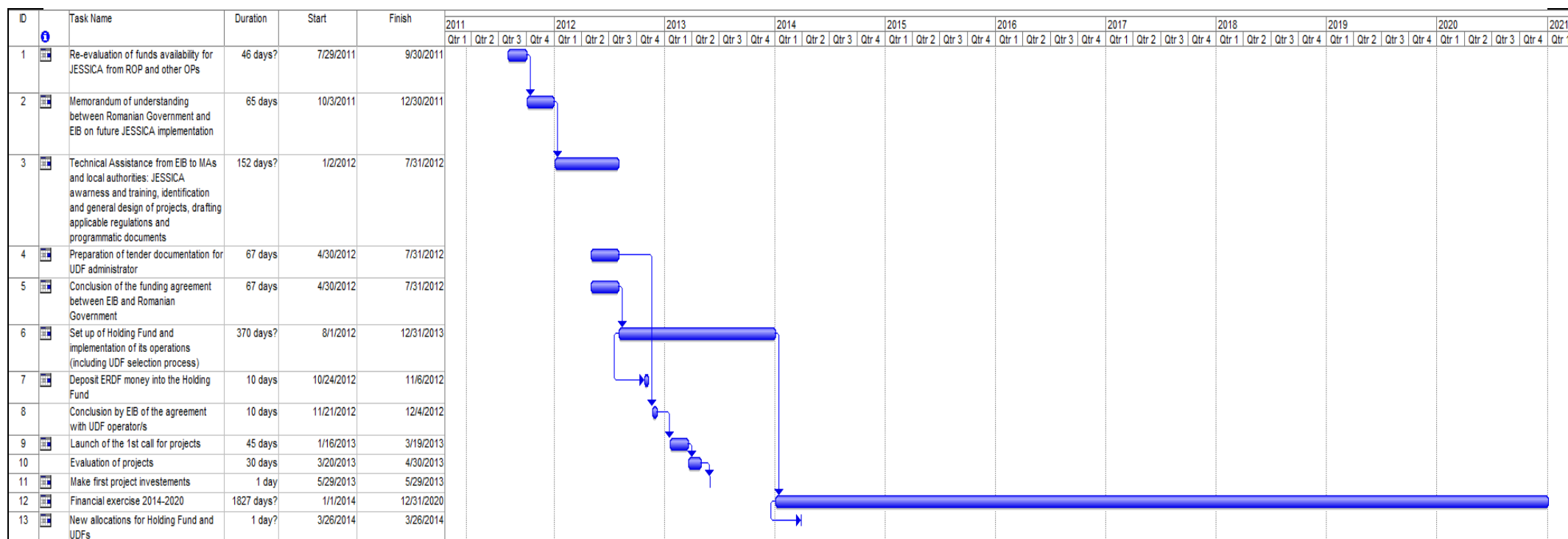


Scenario no. 2. Re-allocation of funds and pilot UDF within this programming period

The option to re-allocate funds to JESSICA from less successful areas of OPs will be re-assessed next year according to the calendar of NSRF evaluation decided by ACSI. In the event of a clear willingness and interest to direct such funds to JESSICA, EIB and the Government may conclude a Funding Agreement for the provision of Technical Assistance services. Through this TA, support can be provided to the BMA in preparing projects which are suitable for JESSICA financing and marketing of the JESSICA instrument in the region. After re-allocation of funds from other OPs a HF can be established, possibly within the EIB, and within the current programming period. The HF will start launching the first set of UDFs in order to execute investments before the end of 2015. Under this scenario there will be a pilot UDF for one growth pole to be continued with the full deployment of UDFs across all growth poles after 2014, when results of the entire process are tangible and, hopefully, successful.

It is considered that this is a higher risk approach than scenario one as the absorption of EU funding in Romania on a national level will be much more directly linked to the success of the implementation of JESSICA which, as we have outlined earlier, is a new mechanism with no 'track record' in Romania.

Figure 8 JESSICA Scenario no. 2 - Re-allocation of funds and pilot UDF within this programming period

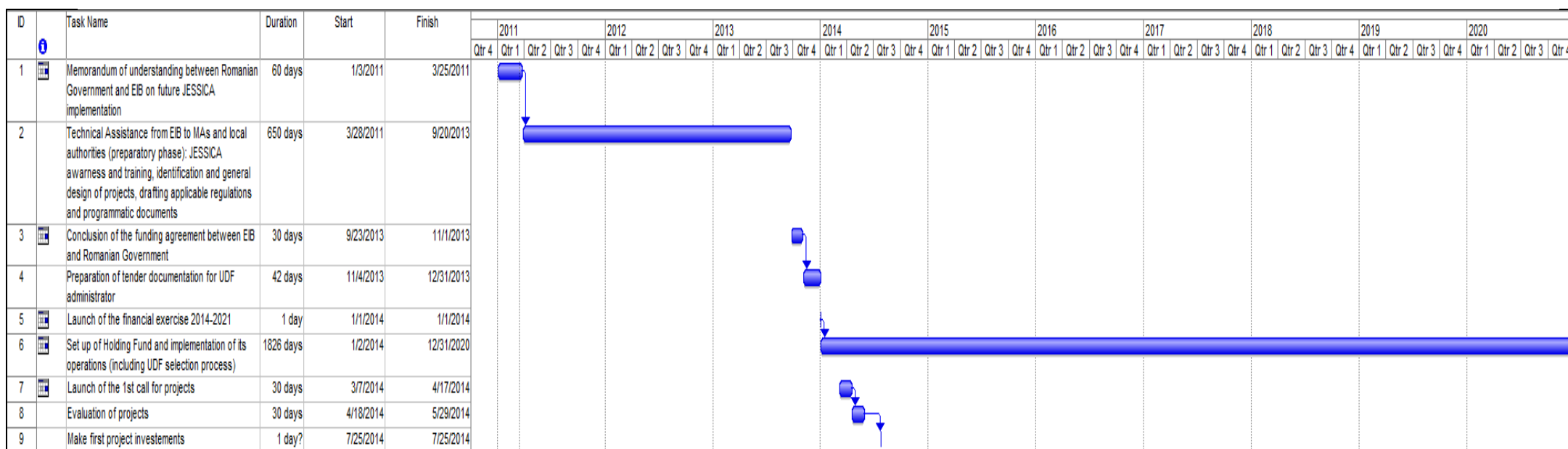


Scenario no. 3. Technical Assistance this programming period, implementation JESSICA UDF's from 2014 onward

JESSICA will be implemented during the next programming period, 2014-2020. In preparation for this phase, based on a Funding Agreement between the Romanian Government and the EIB, technical assistance work will be provided for JESSICA awareness and training, identification and general design of projects, and drafting applicable regulatory and programmatic documents. In 2014 the JESSICA mechanism will roll-out directly at a national level, without a pilot transition such as under scenario no. 1. To implement JESSICA at national level, UDFs will be created for each of the different growth-poles, therefore we would strongly advise establishing a HF at a national level.

We believe this option presents a low risk solution for the Romanian government but misses out on an urgently needed 'learning by doing' opportunity for Local Authorities to see the benefits of recycling investment funds first hand.

Figure 9 Technical Assistance this programming period, implementation JESSICA UDF's from 2014 onward



The technical assistance mentioned in all scenarios may find several sources of financing as described in the table below. We have focused on the technical assistance axis from each OP that allocates as a rule funding also for work on programming the next phase of the Structural Funds. The Operational Programmes highlighted in grey are probably more likely to invest in a training and preparatory exercise for future JESSICA implementation given the nature of their projects and closeness to the JESSICA scope. The Operational Programme for Technical Assistance should also play a key role in financing the transition work towards this financial engineering mechanism³⁴.

Table 27 Funds from OPs eligible to finance projects for preparing Structural Funds phase 2014-2020

Operational Programme	Relevant indicative operations financed from the Technical Assistance Axis	Allocated funding 2007-2013
Regional Operational Programme	<ul style="list-style-type: none"> Support to the Managing Authority and Intermediary Bodies for implementing different phases of ROP, including identification and development of projects, preparing, selecting, monitoring, evaluating, controlling and audit; Develop studies for building the fundamentals of ROP; Support the preparation of ROP for the next programming period; Organising seminars and trainings for improving the competences of the staff from the MA ROP. 	≈ 131 mil EUR
Sector Operational Programme Increase of Economic Competitiveness	<ul style="list-style-type: none"> Studies, inquiries and other information to support an efficient and quality implementation of SOP IEC (improvement of integration of sector policies within SOP IEC); Contracting external consultants (short and medium term) with regards to professional, operational, methodological, organisational/institutional problems appearing at all levels of management; using external experts and specialty experts (short and medium term) to support the selection process for projects; Specific training for the staff of organisations involved in planning, managing, implementing SOP IEC, respectively the Managing Authorities and Intermediary Bodies. 	≈ 90 mil EUR
Technical Assistance Operational Programme	<ul style="list-style-type: none"> Elaboration and distribution of reports of activities and guidelines with best practices for all institutions involved in the management of Structural Instruments; Support for analyses and studies concerning the effectiveness and efficiency of systems put into place for the implementation of Structural Instruments; Studies regarding policies relevant for Structural Instruments and studies concerning the impact of 	≈ 42 mil EUR

³⁴ In April 2010 the Authority for Coordination of Structural Instruments (Managing Authority for OP Technical Assistance) launched a tender for concluding consulting framework contracts on a period of 2 years for developing studies with the objective of improving the overall management of EU funds in Romania (the mechanism is called Technical Assistance Facility). A part of the eligible studies address the preparatory work for the next programming phase 2014-2020. The tender was cancelled in July, but should be re-launched during coming months. There are approximately 7 mil EUR allocated to this mechanism that focuses on small, specific projects and taking less than 6 months.

Operational Programme	Relevant indicative operations financed from the Technical Assistance Axis	Allocated funding 2007-2013
	<p>Structural Instruments such as macro-economic modelling, links between Structural Instruments and macroeconomic factors;</p> <ul style="list-style-type: none"> ▪ Extensive support to the process of preparation for the future Structural Instruments interventions. 	
Sector Operational Programme Environment	<ul style="list-style-type: none"> ▪ Preparation of the necessary documents/strategies for project identification and justification; ▪ Training activities on the management of Structural Funds projects for the Managing Authorities, Intermediary Bodies, beneficiaries; ▪ Preparation of studies, analyses and reports focused monitoring impacts of programme implementation, analyses of the effectiveness of the implementing structures, identification of the programme bottlenecks with the aim to formulate recommendations for improving effectiveness of the programme management. 	≈ 173 mil EUR
Operational Programme Development of Administrative Capacity	<ul style="list-style-type: none"> ▪ Support the overall management of the Operational Programme. This may include ensuring external expertise, commissioning studies in order to improve the data on public administration, ensuring training of the staff, ensuring support to Monitoring Committee meetings, etc; ▪ Support the preparation of future structural funds interventions. This may include ensuring external expertise, elaborating needs assessments for the next programming period, etc. 	≈ 11 mil EUR
Sector Operational Programme Transport	<ul style="list-style-type: none"> ▪ Support for preparatory, managing, implementing, monitoring, controlling, auditing, evaluation activities of the Operational Programme, etc; ▪ Support for the preparation of the Operational Programme for the next programming period. 	≈ 122 mil EUR
Sector Operational Programme Human Resources Development	<ul style="list-style-type: none"> ▪ Drawing up reports, background studies and research relevant to the programme's implementation and for the preparation of the next programming exercise; 	≈ 163 mil EUR

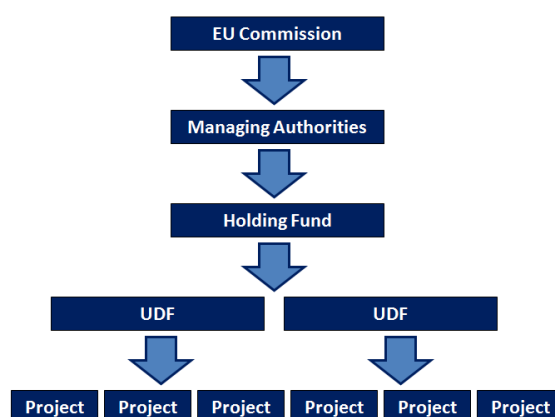
The EIB should have a natural role in leading and/or delivering the work for establishing the JESSICA mechanism. According to *Council Regulation (EC) No 1083/2006 of 11 July 2006 laying down general provisions on the European Regional Development Fund, the European Social Fund and the Cohesion Fund and repealing Regulation (EC) No 1260/1999* “the EIB and the EIF may participate, in accordance with the modalities laid down in their statutes, in the programming of assistance from the Funds. The EIB and the EIF may, at the request of Member States, participate in the preparation of national strategic reference frameworks and operational programmes, as well as in activities relating to the preparation of projects, in particular major projects, the arrangement of finance, and public-private partnerships”.

From our observations we are able to indicate **interventions for technical assistance** in the future (with no necessary order of priority):

- support in formulating PPP specific projects, including awareness and training at local public authority level;
- awareness campaign and training on the JESSICA scope and modus operandi in all growth poles, among MAs, financial institutions and potential beneficiaries;
- during the development of the next Structural Funds programming period, assistance in estimating urban regeneration funds that should be allocated to JESSICA HF nation-wide or per growth pole (in correlation with other public funds such as those from relevant National Programmes);
- during the development of the next Structural Funds programming period, assistance to MAs in developing the rules for JESSICA deployment (updating the list of eligible applicants – such as private entities under ROP, Axis 1.1, updating project conditions to JESSICA revenue-generating perspective, assessing grant/refundable financing combination³⁵ – if applicable, updating manuals of implementation, etc.).

In terms of a future JESSICA structure, in the absence of a straightforward JESSICA “GO” decision, our further analysis on the possible architecture is implicitly substantially theoretical. As a starting point, we propose using the generic JESSICA structure.

Figure 10 JESSICA standard structure



Under this structure, the UDF should generally perform the following roles:

- Act as custodian and invest JESSICA funding from the EU;
- Pro-actively develop project opportunities with the support of technical experts from UDF;
- Generation, pre-screening and analysis of projects to be funded according to JESSICA assumptions;
- Day to day management, supervision of projects, funds disbursement and collection.

The UDFs may be organised:

- from a spatial/geographical point of view – either a single country wide UDF or city / regional UDFs that are defined by geographic boundaries and invest in a mixed range of projects within that region;
- from a thematic point of view – focused on addressing certain regeneration objectives, such as infrastructure, brownfields or energy efficiency within the remit of the Managing Authority.

The choice of geographical scale (national, regional or local) and the choice of thematic support are totally dependent of public policies and orientations.

³⁵ Council Regulation (EC) No 1083/2006 of 11 July 2006 laying down general provisions on the European Regional Development Fund, the European Social Fund and the Cohesion Fund and repealing Regulation (EC) No 1260/1999: “**Urban projects receiving grant assistance from an Operational Programme may also be supported by urban development funds**”.

As for the Holding Fund, it can take two main forms:

- An initial repository for the ERDF money while UDFs are set up: The Holding Fund could then invest itself out of existence as UDFs come on stream, undertaking the necessary due diligence to satisfy all relevant stakeholders that money is being properly and appropriately invested. Once all money has been deployed, the Holding Fund would be wound up and leave the UDFs to manage the reinvestment of recycled funds;
- A continual “fund of funds” to supervise UDFs: as above, the Holding Fund would act as the initial repository while UDFs are being established, but then remain to oversee initial investments and receive returns from UDFs. The Holding Fund would then be an active investment vehicle involved in subsequent rounds of investment.

Under the JESSICA scheme the EIB has the role of HF manager and in this quality it assists the Managing Authorities in organising the procedures for selection of the UDF managers. Opting for the EIB as HF manager has some straightforward advantages:

- Avoids the time-consuming, bureaucratic procedures of the public procurement law so the fund can be rapidly made operational;
- Constitutes an alliance with a counterpart with strong financial and bank expertise;
- Easier implementation of JESSICA given that EIB has the broadest knowledge on this instrument and the experience of its operation;
- Close cooperation with the EU institutions and Romanian authorities.

As for the UDF managers, the common option is to select financial institutions based on a clear procedure (published on EIB web page). The candidates are requested to submit an Expression of Interest accompanied by business plan and investment strategy. In the offer the candidates will describe what type of financing they will provide: loan, equity or guarantees. The banks are commonly the UDF fund managers; however the UDFs can be managed by consortia of institutions demonstrating experience in fund management (financial institutions and technical specialists).

In our research on the best JESSICA structure for Brasov Growth Pole one of our starting points is the review of the role of Brasov Metropolitan Agency and Regional Development Agency Centre as potential local stakeholders under such a scheme.

Brasov Metropolitan Agency

BMA was founded at the end of 2005 based on the initiative of a number of localities from the metropolitan area of Brasov and of Brasov County Council. In 2007, BMA becomes an inter-community development association, having as a main aim the common achievement of local and regional projects, as well as providing public services.

Members of Brasov Metropolitan Agency:

1. Brasov City Hall - municipality
2. Brasov County Council
3. Codlea City hall - municipality
4. Predeal City hall - city
5. Ghimbav City hall - city
6. Rasnov City hall - city
7. Cristian City hall – village
8. Târlungeni City hall - village
9. Prejmer City hall - village
10. Hărman City hall - village
11. Sânpetru City hall - village
12. Hălchiu City hall - village
13. Vulcan City hall - village

14. Săcele City hall – municipality

15. Bod City hall – village

Its responsibilities can be summarised as such:

- carry out programs and activities to ensure sustainable development of local communities, inter-community cooperation, the direct involvement of citizens in public decision;
- develop local development strategies for municipalities such as regional development plans and land use planning, ensuring their harmonization with the Metropolitan Area Development Strategy Brasov;
- collaborate to provide and implement the Integrated Development Plan for Growth Pole Brasov;
- develop applications for funding for projects aimed at developing communities, funded from various sources;
- arrange, support and propose activities for economic revitalization of communities through the creation of industrial parks;
- provide technical assistance and advice to local communities to develop local / regional investment projects;
- collaborate with public institutions and the private sector to assist communities in applying legislation on sustainable development, environmental protection and conservation, public management performance;
- collaborate with organizations and institutions to foster and implement laws, procedures and European policies in communities in Romania.

Considering its non-governmental status and its instrumental position in promoting the projects in Brasov Growth Pole we can assume at this stage that BMA will best fulfil its role in urban regeneration from a position of promoter, applicant or beneficiary and act as facilitator in gathering financial support and private interest for the eligible projects under JESSICA.

Regional Development Agency Centre

Brasov Growth Pole is part of the Centre Development Region that covers several counties and is one of the 8 Regional Development Agencies in Romania.

Figure 11 Centre Development Region (in the centre, marked in darker blue)



The Regional Development Agency Centre (RDAC) functions based on Law 315/2004 concerning the regional development in Romania; it is also a non-governmental organisation. Some of its most important roles are:

- Drafts the regional development plans;
- Monitors the implementation of development strategies;
- Ensures consultancy for development of regional investment projects;
- Runs activities for promoting the region as an investment and touristic destination;

- Develops the project portfolio for ROP;
- Registers and verifies the eligibility of funding requests under ROP;
- Organises the sessions of technical and financial evaluation for ROP;
- Ensures the Secretariat of Regional Committee for Strategic Evaluation and Correlation.

Given the role of RDAC as Intermediary Body for ROP and its expertise in regional development, we analysed during discussions on JESSICA structure with MAs the opportunity of having this entity part of the UDF management. The prevailing opinion was that at minimum RDAC should play a consulting role with the UDF manager (a financial private institution) for specific work during selection or monitoring of projects.

Initial recommendations for JESSICA architecture

In the opinion of ACSF the most feasible and efficient architecture for JESSICA implementation in Romania would be the following:

- EIB acts as Holding Fund Manager; EIB already has a memorandum of understanding with EC for management of such financial engineering instruments (*it permits appointing the EIB directly as fund manager and is a quick process compared to the standard public procurement process*³⁶), the necessary expertise and a preferred relationship with EC bodies. The MA would define for the HF a functioning scheme in accordance with the requirements set by Regional Operational Programme. The scheme would need the careful ex-ante verification by the EC against the State Aid rules and even the ex-ante verification of the Competition Council;
- A bank or other private financial institution would be the best option for ensuring the management of the UDF, developing fund mechanisms as per the clear and strict instructions from EIB; the financial intermediary will also collaborate with the growth pole coordinator.

Most likely, one ideal bank candidate for the UDF management would have, apart from experience in managing urban investment schemes, a good familiarity with Structural Funds rules and experience in collaborating with local authorities. The table below includes a general overview of those banks that grant loans for EU fund application and state collaborating with local authorities through different loan products (no information provided on guarantee or capital investments products). The data is based exclusively on data found on the bank's websites.

Figure 12 Potential bank candidates for UDF in Brasov

#		ACTIVE IN STRUCTURAL FUNDS	PRODUCTS FOR LOCAL AUTHORITIES
1	ALPHA BANK	YES	NO
2	ATE BANK	YES	NO
3	BANC POST	YES	YES
4	BANCA COMERCIALA ROMANA	YES	YES
5	BANCA ITALO ROMENA	YES	NO
6	BANCA NATIONALA ROMANIEI	NO	NO
7	BANCA ROMANA PENTRU DEZVOLTARE	YES	YES
8	BANCA ROMANEASCA	NO	NO
9	BANCA ROMEXTERRA	YES	YES
10	BANCA TRANSILVANIA	YES	YES
11	BANK LEUMI ROMANIA	YES	NO
12	COOPERATIVA DE CREDIT DOROBANŢUL	NO	NO
13	CREDIT EUROPE BANK - former FINANSBANK	NO	NO
14	ING BANK	NO	NO
15	INTESA SANPAOLO BANK	YES	YES
16	MILLENNIUM BANK	YES	NO
17	PIRAEUS BANK	YES	NO
18	RAIFFEISEN BANK	YES	YES
19	ROYAL BANK OF SCOTLAND	NO	NO
20	UNICREDIT TIRIAC BANK	YES	NO
21	VOLKSBANK	NO	NO

In terms of the number of UDFs that can be organised within the Brasov Growth Pole or nationwide, the decision can only be taken after an agreement on the volume of the JESSICA fund for Brasov or for all growth poles. The split into several UDFs may be considered for competition reasons. From a thematic point of view, as explained in chapter *General features of projects*, the revenue generating projects indicated to us by BMA can be organised into two categories:

- Rehabilitation of urban infrastructure and improvement of urban services (parking, roads, buildings and other urban infrastructure);
- Sustainable development of business environment (business centres for economic development and innovation).

In terms of **future UDF organisation**, the audience during one of the SC meetings indicated that it **should follow the principle of administrative decentralisation** and avoid having big structures concentrated at the national level. As such, the preference is for UDFs in each growth pole each with a thematic orientation (for instance, an UDF for business development structures). The management of the UDFs should be ensured by a financial institution in consortium with an urban planner.

Also, it should be considered that the Regional Operational Programme is a de facto one national-regional programme, i.e. one programme with allocations per regions, but with the same applicable procedures and priorities; from this perspective, the potential UDFs can be defined either from a territorial perspective – as regional funds - or as national UDFs specialized on various themes.

X. KEY ISSUES FOR IMPLEMENTATION OF JESSICA IN BRASOV GROWTH POLE AND/OR NATIONWIDE

During our initial work on the project we drafted a list of key issues that may impede, delay or restrict the deployment of JESSICA in Brasov GP and/or nationwide. This chapter includes an update of hypotheses initially considered in light of the latest data obtained, along with new ones corresponding to the final stage of the Study. They provide an illustration of the effort needed to introducing the JESSICA mechanism in Romania.

Table 28 Key issues for JESSICA implementation

Issue	Comment
<p>The only Operational Programme with specific financial allocation for growth poles is the Regional Operation Programme, which has under <i>Priority Axis 1 Support to sustainable development of urban growth poles</i> 74,3 million EURO for Braşov growth pole for the programming period 2007-2013. This axis has complementarities with other OPs, yet other OPs don't have allocations per growth pole, which results in lack of predictability as to the level of funding that could be attracted into a Holding Fund for Braşov growth pole; other urban funds other than those specified under this axis are spent on a competitive basis, organised at national level.</p>	<p>In the absence of allocations on growth poles or other metropolitan areas in other OPs, the initial UDF/HF would be restricted to initial figures included in ROP Axis 1.1 (deducting also whatever sums have been contracted by the time the UDF/HF become functional).</p> <p>The other OP referencing growth poles is SOP IEC which allocates high scores for projects included in IUDPs. From discussions with MA SOP IEC we have determined that growth pole allocations will probably not be an option in the future - there is a difference between poles of growth and poles of competitiveness that represent the topic of SOP IEC; poles of competitiveness will be defined in the near future and there is a chance that the area of poles of competitiveness may coincide in some places with growth pole sections.</p> <p>From discussions with the ACSF General Director we ascertained that OP regulations set a list of eligible applicants, but do not necessarily restrict calls per applicant allowing therefore the possibility of launching calls under OPs only for growth pole applicants; this option should be investigated with the MAs as the practice hitherto has been to launch calls opened to all eligible applicants in an open and competitive manner.</p> <p>On this topic, MA DAC considers that earmarking a part of its funds for the seven areas needs a clear calculation of the projects' values, a definition of the volume of projects per type in order to have calls on measures or priority intervention domains and a good commitment from the metropolitan agencies and other local authorities that they will actually prepare the projects and apply for financing; as of July 2007, only Brasov City Hall sent a project for financing under OP DAC as part of the Integrated Urban Development Plan (a training project). Under these circumstances, an allocation for growth poles followed by a specific call for proposals risks becoming a failure due to a lack of applications, distorting at the same time funds from areas that are more solicited.</p>

Issue	Comment
	<p>In conclusion, the Romanian authorities still need to work on rolling out the growth poles policy across all aspects of public funding. Efforts are yet to be directed towards the execution of article 3 from <i>Government Decision no. 998/2008 for designating the national growth poles that have priority for investments paid from national or EU funds</i> that writes “the Ministry of Development, Public Works and Housing as well as the Ministry of Economy and Finance coordinate the drafting and implementing of the integrated development plans for national growth poles mentioned at article 1 by involving all central public administration authorities relevant for the implementation of policies in the field of growth poles, especially those Ministries that include Managing Authorities for EU programmes.”</p>
<p>At the end of September 2010, only 6 projects had been contracted under ROP, Axis 1.1, although the call for projects had been launched at the end of 2008.</p>	<p>The GP domain was opened on 8 December 2008 and is a permanent call with continuous submission of financing applications. The limited progress for contracting projects in almost two years time should create pressure on the relevant authorities and accelerate the process of submission and execution in the next 3-4 years. Considering JESSICA implications for the commitment of EU funds (as explained previously in the Report), the advantages of this financial engineering mechanism are evident - the MAs run a risk of automatic de-commitment under the N+3 rule if projects are not contracted and disbursed in due time, but JESSICA safeguards or restricts the possibility of de-commitments.</p>
<p>The current lack of developed practice and dedicated legislation for PPPs appears to be one of the most important challenges for ensuring the success of an UDF. According to the workings of the URBACT Local Support Group in Brasov GP the private investors have expressed that “there is no real culture of partnership and mutual confidence between the public authorities, private sector and banks; public-private partnerships are known but not a very popular practice, due to the past failures; consultation and cooperation with local government is more often only <i>for façade</i>” and local governments reaffirmed too that “there is no real culture of partnership</p>	<p><i>Where Structural Funds finance urban development funds, those funds shall invest in <u>public private partnerships</u> or other projects included in an integrated plan for sustainable urban development.</i>³⁷</p> <p>Until 2007 the Public Private Partnership projects were regulated by the Government Ordinance 16/2002, with its Norms of application published in Government Decision 90/2006. These acts were repealed after the publication of the Government Emergency Ordinance 34 of 19 April 2006 aligning the Romanian public procurement system to the EU public procurement directives.</p> <p>Currently, the public private partnership is governed by:</p> <ul style="list-style-type: none"> ▪ Government Emergency Ordinance 34/2006 regulating the concession of public works and concession of services; ▪ Commercial Code (articles 251-256) regulating the joint venture agreements.

37 Article 46,1 COM Regulation (EC) No 1828/2006

Issue	Comment
<p>and no mutual confidence between the public authorities, private sector and banks”.</p>	<p>The Government Emergency Ordinance 34/2006 is covering all potential partnerships between public and private entities, whether they are institutionalized or not. The major shortcomings identified when applying the ordinance provisions are linked to:</p> <ul style="list-style-type: none"> ▪ the bureaucratic procurement procedures; ▪ the requirement to support the substantiation study with a detailed technical feasibility study, thus restricting the technical options of the concessionaire; ▪ the uncertainties regarding the land property / land expropriation possibilities. <p>The joint venture agreements, regulated by the fourth article of the Commercial Code, are limited public private partnerships as they are defined in the general practice. They are not institutionalized and are mainly used to obtain private exploitation goods that are in the private property of public entities (transport of solid waste, ensuring the public lighting services). At the same time, due to the lack of elaborated regulation, the use of these types of agreements allows the public entities to avoid long and bureaucratic procurement procedures foreseen by the Government Emergency Ordinance 34/2006.</p> <p>The fresh PPP Law enacted in November 2010 is intended to regulate the PPPs not covered by the Government Emergency Ordinance 34/2006. The law is built on the following structure of sections: 1) Principles, 2) Definitions, 3) Types of activities in PPPs, 4) Public partners, 5) Area of incidence/Exceptions, 6) General rules for concluding PPP contracts, 7) Stages in awarding PPP contracts, 8) Deadlines for running the stages of PPP definition and selection of private investors, 9) Conditions for initiating PPPs, 10) Conditions for cancelling PPPs, 11) Rules concerning the project company, 12) Organization of the activity for coordinating PPPs, 13) Penalties.</p> <p>Once the entire legislative package is in place (including the methodological norms), a pertinent evaluation can be made to ascertain if it can be the basis for a strong launch of PPPs in the future as a solution to sever the lack of public funds and the incapacity of the public administration to sustain certain public services. In this case, JESSICA would have better chances for effective implementation.</p>
<p>Project development in Romania by local authorities has typically focussed on grant support; under the JESSICA mechanism they need to adopt a more “investor-</p>	<p>With PPPs in their infancy, grant rules still not fully assimilated by beneficiaries, and limited experience with EC financial engineering mechanisms (JEREMIE), Romanian authorities should be trained to understand the JESSICA mechanism regarding specific technical items such as: applicant dossier,</p>

Issue	Comment
like” mentality when involving ERDF funds in projects.	payment procedures, accounting procedures, project monitoring and reporting, project selection criteria, etc. A training and implementation manual should most likely be developed.

XI. Annex no. 1 Potential financing for JESSICABLE projects from Operational Programmes

#	Operational Programme	Allocations 2007-2013 for urban regeneration projects (EUR million)	Comments (where relevant)
1.	ROP	2,854	
	Axis1: Support to sustainable development of urban growth poles	1,391	
	Axis 2:Improvement of regional and local transport infrastructure	876	
	Axis 4: Support in developing the regional and local business environment		
	Key area of intervention 4.1: Sustainable business support structures of regional and local importance	274	
	Key area of intervention 4.2: Rehabilitation of unused industrial polluted sites and development for new activities	235	
	Axis 5: Sustainable development and tourism promotion		
	Key area of intervention 5.1: Restoration and sustainable valorisation of cultural heritage, as well as creation/modernizing of related infrastructure	78	<p>The allocated amount for this area of intervention was split into 3, as it includes three categories of actions, and there is no official split yet.</p> <ul style="list-style-type: none"> Restoration, protection and preservation of the world cultural heritage and modernizing of related infrastructure Restoration, protection and preservation of the national cultural heritage and modernizing of related infrastructure Restoration, protection and preservation of the national cultural heritage.
2.	SOP IEC	1,351	
	Axis 2 - Competitiveness through research, technological development and innovation		
	Key area of intervention 2.1 – RD partnerships between universities / research institutes and enterprises in order to achieve results applicable in economy	184	

#	Operational Programme	Allocations 2007-2013 for urban regeneration projects (EUR million)	Comments (where relevant)
	Key area of intervention 2.2 - Investments in RDI infrastructure and development of administrative capacity	89.25	The allocated amount for this area of intervention was split in 4, as it includes four categories of actions, and there is no official split yet. <ul style="list-style-type: none"> Development of existing and creation of new RD infrastructure (laboratories, research centers) Development of poles of excellence Development of RD networks, coordinated at national level and connected to the European, international specialized networks (GRID, GEANT) Strengthening the administrative capacity
	Key area of intervention 2.3 - Access of companies to RD and innovation activities	283	
	Axis 4 – Increasing energy efficiency and security of supply in the climate change context		
	Key area of intervention 4.1 - Efficient and sustainable energy (improving energy efficiency and sustainable energy system in terms of environment)	361.5	The amount allocated was split in two as this area of intervention includes: <ul style="list-style-type: none"> Investments in expansion and upgrading of transport networks for electricity, natural gas and oil, Investments in distribution networks for electricity and natural gas.
	Key area of intervention 4.2 - Use of renewable resources for producing green energy	433	
3.	SOP Environment	4,891	
	Axis 1 Extension and modernizing the water and wastewater systems	3,266	This axis is dedicated to urban areas, but the projects are regionally oriented and the applicants are Regional Water Operators.
	Key area of intervention 2.1. Development of waste management integrated systems and extension of the waste management infrastructure	991	
	Key area of intervention 2.2. Rehabilitation of historically polluted sites	176	
	Axis 3 Pollution reduction and diminishing the climate change by restructuring and rehabilitation of the urban heating systems to comply with the energy		

#	Operational Programme	Allocations 2007-2013 for urban regeneration projects (EUR million)	Comments (where relevant)
	efficiency targets in the heavily polluted cities		
	Key area of intervention 3.1. Rehabilitation of urban heating systems in hot spot areas	458	25 locations selected - thermal plants to conform with EU Directive limiting the noxious emissions.
	Total	9,096	

Also, we analysed the *Multiannual national programme regarding the enhancement of the energy performance of housing blocks* as it could be relevant and feasible for JESSICA funding. This Programme is managed by the Ministry of Regional Development and Tourism (MRDT) and the investment programme, including the corresponding financial allocations, and is approved yearly by MRDT based on identified priorities.

Multiannual national programme regarding the enhancement of the energy performance of housing blocks	
Programme administrator	Ministry of Regional Development and Tourism (MRDT) – at national level Local authorities – at local level
Short description	<p>The programme is addressed to the owners' associations interested to increase the energy performance of the housing blocks built in the period 1950-1990, regardless of the type of their heating system. The thermal rehabilitation consists of:</p> <ul style="list-style-type: none"> ▪ thermal insulation of the external walls of the block; ▪ replacement of the windows of the block and of the existent exterior doors with qualitatively superior ones, which will better insulate each room; ▪ thermal and hydro-insulation of the roofs or the terrace / thermal insulation of the floor over the last level, if the building has a truss roof; ▪ thermal insulation of the floor over the basement, if ground floor apartments are provided in the block's design; ▪ dismantling the installations and equipment located on the façades and the terrace of the housing block as well as re-installing them after the end of the thermal insulation works; ▪ restoration works. <p>The national programme and the corresponding financial allocation are approved yearly by MRDT. The national programme is based on the local programmes drafted by local authorities. The local programmes are substantiated and developed based on the contracts signed by the local authorities with owners' associations.</p>
Funding	<p>The financing scheme for each rehabilitation project is as follows:</p> <ul style="list-style-type: none"> ▪ 20% to be paid by the owners' association from own resources, ▪ 80% is provided, as a grant, from the state and the local budget as follows: 50% from the state budget through the Ministry of Regional Development and Tourism (within the limit of the funds approved yearly for the programme) and 30% from the local budget (within the limits of

	<p>the funds approved yearly for the programme).</p> <p>Funds allocated in 2010:</p> <ul style="list-style-type: none"> ▪ RON 6.402.911,00 (Braşov), ▪ RON 123.582,11 (Săcele).
Beneficiaries	Owners` associations

It may seem the funding targets of this Programme could be also suitable for JESSICA. There are however two aspects to be considered:

a) what is the revenue generating capability of such projects; and

b) the new stipulations of the amended *Council Regulation (EC) No 1083/2006 laying down general provisions on the European Regional Development Fund, the European Social Fund and the Cohesion Fund as regards simplification of certain requirements and as regards certain provisions relating to financial management* that introduced for the first time in June 2010 the financing under Structural Funds of *funds or other incentive schemes providing loans, guarantees for repayable investments, or equivalent instruments, for energy efficiency and use of renewable energy in buildings, including in existing housing*. This amendment of the Council Regulation clearly opens new opportunities for financing of housing energy efficiency schemes that will be considered in the immediate future.

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