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Abstract:

Urban entrepreneurialism and neoliberal urban governance are taking new forms under finance-dominated accumulation. We examine and contribute to theorizing the mechanisms through which urban governance is financialized, using as a case study JESSICA, one of the European Union's initiatives for implementing an 'urban sensitive' policy seeking sustainable and integrated development. Like other initiatives promoting financialization, JESSICA deploys the logic of finance to select and fund urban social initiatives and development projects on the basis of their potential return on investment. Understanding this process requires placing questions of political economy—how urban governance is shaped by the broader political economic context—with questions of governmentality—how stakeholders are enrolled in and come to take for granted new governance initiatives. Following the multi-scalar institutional infrastructure is crucial for understanding how this works. Taking relational multiscalar approach we trace how changes at the supranational scale filter down to shape urban policy selection and performance in Sofia, Bulgaria. In Sofia, we document how return-on-investment calculations conflict with social welfare priorities. Contrasts between the trajectory of financialization of urban governance between the European Union and the US demonstrates how this is geographically variegated, shaped by the broader context/conjuncture within which such financialization is embedded.

Key words: Financialization, urban governance, governmentality, depoliticization, European Union Structural Funds

1. Introduction

For a good three decades, the forms of urban governance gathered under the label of urban entrepreneurialism and, increasingly, neoliberal urbanism, have been a leitmotif of urban policymaking across the global North (Harvey, 1989; Leitner, 1990; Hall and Hubbard, 1998;

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Brenner and Theodore, 2003). City governments have been enjoined to shift their policymaking away from social expenditures toward limiting state spending and promoting economic competitiveness in increasingly global markets, while insulating the technical expertise deemed essential to urban entrepreneurialism from the democratic political process. Neoliberal urbanism has survived what many speculated would be its death-knell: the 2008 global economic crisis (Aalbers, 2013). Even though this crisis emanated from what were deemed to be the most entrepreneurial spaces of the world's most entrepreneurial cities—London's City and New York City's Wall Street—inducing a dramatic hiatus in the global economy, the hard questions then being asked of neoliberalism have dissipated (Peck et al., 2013). Urban austerity is back on the agenda in the North, and urban entrepreneurialism is spreading rapidly across the global South. Yet the events of 2008 brought attention to another aspect of this phase of globalizing capitalism and urban entrepreneurialism: its financialization. In this paper we interrogate the implications of this era of 'finance-dominated accumulation' (Stockhammer, 2008; Jessop, 2013) for urban entrepreneurialism in the European Union.

We are not the first to address such issues. In the United States, studies of the financialization of urban policymaking note how Reagan's 1980s fiscal federalism pulled the rug out from under long-standing Federal aid for struggling/needy cities. Cities were enjoined to become entrepreneurial and rely on themselves to mobilize resources to generate growth and compete in the national and global market place. Eventually, US cities found themselves forced to borrow from global financial markets to cover cash flow problems, to address social problems, and to raise the fixed capital necessary for infrastructure expenditures (Kirkpatrick and Smith, 2011; Peck and Whiteside, 2016). This is

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entirely consistent with the nostrum that the urban scale must be the engine-room for neoliberal economic growth, as supra and subnational scales came to the fore in economic policymaking (Brenner and Theodore, 2002; Swyngedouw, 2004). Industrial districts, city-regions and creative, sustainable and resilient cities now are seen as the key to national and global economic growth (Scott and Storper, 2003). Likewise, the European Union has extended its influence downward from the national and regional to the urban scale, promoting neoliberal approaches to urban policymaking.

Since its inception the European Union (EU) has sought the magic elixir for simultaneously realizing economic competitiveness (through the Single Market) and social inclusion and cohesion (through its Structural Funds): It is imagined that it must be possible for these to live in harmony (Amin and Tomaney, 1995; Dunford, 2005; Farole et al., 2011). The EU's engagement with the urban scale dates back over two decades. An early example was the inter-urban networking initiatives linking EU cities (also at times with those beyond the EU): a policy program that could be aligned with urban entrepreneurialism (Leitner and Sheppard, 2002; Leitner et al., 2003). This is just one of several EU-inspired urban initiatives deploying EU Structural Funds to level the playing field for its Member States' cities and regions, while stimulating their competitiveness. The most recent twist in the plot, examined here, links Structural Funds with financialization. Unlike the US, where struggling cities find themselves turning willy-nilly to finance markets, JESSICA (Joint European Support for Sustainable Investment in City Areas), the EU's latest urban initiative, seeks to achieve sustainable development goals by aligning urban development projects with the logic of finance through the use of Financial Engineering Instruments (FEI). This entails deploying financial risk assessment as a key decision-making tool for funding urban development

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projects, relying on the expertise of financial institutions to maximize returns across a portfolio of risky intra-urban investments.

In this paper, we analyze JESSICA as a case study of the financialization of the EU's 'urban sensitive' development policy. We do this by linking questions of political economy—how urban governance is shaped by the broader political economic context—with questions of governmentality—how stakeholders are enrolled in and come to take for granted new governance initiatives. In section 2 we summarize the state of knowledge on the financialization of neoliberal urban governance, in terms of both the changing structural context and how these ideas become commonsense. Section 3 summarizes the emergence of Financial Engineering Instruments for implementing EU Cohesion Policy at the urban scale, introducing JESSICA. We examine JESSICA's roll-out, in terms of its financial infrastructure and how a consensus is constructed, in section 4. A full analysis of these processes also entails a relational multiscalar approach, tracing how changes at the supranational scale filter down to the local scale. In this spirit, we undertake a case study of how JESSICA has been rolled out in Bulgaria, with particular attention to project selection in Sofia (section 5), critically assessing the tensions between financial logics and urban sustainability and cohesion.

2. Financialization, neoliberal urban governance and post-political governmentality

Two issues are at stake in the financialization of urban governance: The nature and implications of financialization (the realm of political economy), and the ways in which city governments and residents become enrolled in this process (questions of governmentality). Seeking to put these approaches in conversation with one another, we summarize recent

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scholarship in both areas, with particular attention to how financialization is reshaping both urban governance and governmentality.

2.1 The financialization of neoliberal urban governance

Questions of finance long have circulated around scholarship on urban entrepreneurialism and neoliberal urban governance, questions that municipal authorities confront as they strategize about attracting investment toward, or stimulating it within, their jurisdictions. Responding to this, scholars worked to identify the financial instruments and practices mobilized to promote local economic competitiveness (Leitner, 1990; Sbragia, 1996; Hackworth, 2002). Over the past two decades, however, the ever-expanding penetration of financial capital and interests into multiple spheres of socio-economic life has profoundly deepened the complexities of finance. Under an emerging 'finance-dominated accumulation regime', where profits in non-financial firms are increasingly derived from financial activity rather than production (Stockhammer, 2008), the yield-seeking logic of interest-bearing capital has become manifest at various scales: financialization.[1]

The financial crisis of 2008 galvanized geographers to examine the interrelated scales, territories and networks through which financialization unfolds (Pike and Pollard, 2010), as well as its geographic causes and consequences (French et al., 2011; Christophers, 2012). Recently scholars have turned to examine the relationship between financialization and the production of urban space, with particular attention to the complex nexus of infrastructure and property assets, financial instruments, intermediaries and the state (Halbert and Attuyer 2015). With respect to infrastructure, Torrance (2008) finds that international norms in commercial law have become the governing mechanisms that secure investors' interests and control over community assets in Toronto, which are then bundled into global portfolios of

financial institutions such as the Macquarie Group. Examining the Thames Water utility in the UK, Allen and Pryke (2013) also show how the institutionalization of financial management techniques and their juridical autonomy represents a 'ring-fencing' of politics, which prioritizes financial viability and profitability over value for households. Turning to urban property assets, Guironnet and Halbert (2014) and Savini and Aalbers (2015) show how the use of complex ownership structures such as Special Purpose Vehicles (SPVs), de-contextualize land-use from local planning, as developers and city planners increasingly tailor property developments to investors' expectations and demands.

Other authors have focused more squarely on the role of the local state and intermediaries in buttressing and mediating the financialization of metropolitan governance. Halbert and Attuyer (2015) highlight the ways that financialization processes percolate through locally specific 'structures of opportunities' marked by state regulation and local market features. Conceptualizing financial circuits as 'sociotechnical mediations', they highlight the set of actors, from financial intermediaries to local government and development corporations that mediate and differentially contest financialization processes. Weber (2010), examining Tax Increment Finance (TIF) instruments in Chicago, shows that municipal officials are active agents facilitating financial integration, turning local property into fungible assets (cf. Clark and O'Connor, 1997). Also in Chicago, Ashton et al. (2014) examine the central role of the local state in producing a market for urban infrastructures, where a dense network of financial intermediaries shapes deals. Examining two US Rust Belt cities, Pacewicz (2012) finds that TIFs created a 'structural opening' for new development professionals in charge of city finance, who are increasingly incentivized to use financial instruments to maintain their administrative positions. While financial deals and

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mechanisms have enabled city officials to derive short-term benefits and advance immediate policy goals, they have also burdened the local state with new liabilities, duties and exposures to risk in times of crisis (Ashton et al., 2014; Raco, 2014; Gotham, 2016).

Implications for how broader-scale changes in governing mechanisms affect, or are affected by, the financialization of urban policy are less clear. Situating Detroit within a broader political economic and path-dependent restructuring of US cities from urban growth machine to 'debt-machine', Peck and Whiteside (2016: 5) see this shift exemplifying how, increasingly, "entrepreneurial strategies are realized through financially mediated means". Rutland (2010) argues a streamlined and depoliticized process for development approvals in Halifax, Nova Scotia legitimized by 'creative city' strategies, facilitated the financialization of urban development. Gotham (2016: 1083), examining federally subsidized tax-exempt bonds for the regeneration of disaster-devastated US Gulf Coast cities, highlights the inherent risks and contradictions of financialization strategies, as "private profits take precedence over public sector regulation, democratic oversight, and broader community recovery needs". Lake (2015) examines Social Impact Bonds (SIBs), issued to finance urban policy tools seeking to address pressing social issues (recidivism, homelessness, public safety, family support, etc.). He argues that the calculus of the profitability of the investment vehicle becomes the medium through which urban governance is practiced, and urban policy formulated and enacted. For him, this use of financial logics to achieve public objectives constitutes a "reversal of the ends and means in the practice of urban policy" (ibid: 8). Whereas urban entrepreneurialism utilized financial instruments to achieve public goals, Lake argues that SIBs mark a shift to financial performance becoming the end in itself.

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Together, these studies document a variety of ways in which the turn to financial markets to fund local state initiatives and actions (real estate development, infrastructure provision, social programs, and financial management) is shaping urban development policy. To various degrees these authors conclude that this is enrolling local states to act in ways that increasingly meet their investors' expectations, with Lake (2015) going so far as to argue that these expectations have become the goal of urban policy. Going beyond the city, Peck and Whiteside (2016) also spell out how the broader US context shapes such actions, something that the limited European scholarship, described above, has yet to examine. Focusing on the European Union, we examine how supranational state institutions seek to engineer an urban (re)development policy through financialization.

2.2 Governmentality and the Depoliticization of Urban Governance

An important aspect of the transformation of urban governance under neoliberalism has been the de-politicization of 'best practice' entrepreneurial policymaking, on the grounds that this is a technical issue best left to experts. In the Anglophone world, entrepreneurial urbanism was implemented through the consensus politics of elite 'growth coalitions', which promoted and mobilized urban 'growth machines' (Molotch, 1976; Wilson and Jonas, 1999). A variety of 'quasi-public' agencies, relatively insulated from urban democratic politics, were created to subsidize or orchestrate private investments and coordinate a range of public and private stakeholders, underpinning a shift from government to governance (Jessop, 1997; Rhodes, 1996).[2] Although political elites and advocacy groups promoting market-oriented policies have commonly presented this shift as increasing stakeholder participation and empowering communities in the governance process, in reality "an extraordinary degree of

selectivity" has privileged the interests, demands and imaginaries of powerful actors and networks (Swyngedouw et al., 2002: 556-7; Leitner and Sheppard, 2002).

We draw on governmentality (Foucault, 1991; Lemke, 2001) to conceptualize how elected officials, bureaucrats and citizens are enrolled in governmental networks underpinning neoliberal urbanism. Governmentality theorizes the operation of state power beyond institutional-administrative channels, examining the relationship between *political rationalities* – the discursive fields within which the exercise of power is conceptualized, *programs of government* translating these rationalities into different policy realms, and *technologies of government* – the strategies, techniques and procedures through which programs of government are made operable (Rose and Miller, 1992). From this perspective, understanding transformations in neoliberal urban governance requires examining the technologies deployed to govern at a distance (MacKinnon, 2000; Raco and Imrie 2000). Government at a distance foregrounds the dispersal of centralized bureaucratic management to a multitude of social spheres and agencies, enabling and constraining personal freedoms in order to secure state power and achieve government objectives (Dean, 1999; Miller and Rose, 1990; Swyngedouw, 2005). Under neoliberalism, the agency and freedom of entrepreneurial subjects are sutured to calculable measures – such as financial performance – that enable the monitoring and regulation of their actions (Lemke, 2001). In short, these technologies are designed to enroll seemingly autonomous actors into governmental networks by aligning their conduct with the logic of the market.

In their study of the Single Regeneration Budget (SRB) in England, Raco and Imrie (2000) show how neoliberal discourses enjoining local communities into 'self-governance' and a competitive bidding process for urban regeneration funds require a reframing of

governance in terms of performance outcomes. This output-centered governance in turn requires deploying business knowledge and expertise (ibid: 2200; Raco, 2003: 85; see Miller and Rose, 1990), a deference to the rule of experts that has been a key tactic enabling neoliberal governmentality to outflank democratic input and supervision. The circumvention of political oversight through quasi-public institutions and private sector actors and networks has been a central characteristic of neoliberal government for several decades (MacLeod, 2011). However, the introduction and institutionalization of new financial instruments and expertise in the case discussed here through the EU Structural Funds, further removes urban development decisions from political debate, stimulating new forms of public-private collaboration in the increasingly networked multilevel governance of the EU (Dabrowski, 2014).

Recent scholarship focused on another defining characteristic of government at a distance: the disciplining role of consensus. Examining sustainability paradigms, Swyngedouw (2009) and Raco (2014) argue that an apparent neoliberal 'politics of liberation' is couched within a constructed political consensus that defines sustainability in terms of growth, imposing constraints on the emergent 'self-governance' of localities (Raco, 2014; Raco and Lin, 2012; While et al., 2004). These and other critical analysts of contemporary neoliberal politics have drawn attention to how the construction of political consensus, removed from the formal political process and increasingly so under financialized capitalism, undermines democratic governance (Kamat, 2014; Fraser, 2015). In this way, neoliberalism wraps itself in a liberal democratic blanket even as it dismantles and bypasses democratic institutions and values (Brown 2003).

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As we show below, the financialization of the European Union's emergent 'urban sensitive' policy enacts government at a distance, emphasizing the positive modalities of sustainable and inclusive growth in order to build consensus. Consensus is enacted through a network of mostly private, but also public sector actors, within a complex institutional infrastructure, whose operation is guided by a logic favoring financial performance. Through calculative performance criteria of financial instruments, and the entrepreneurial mentality they enjoin, the European Commission has enhanced its influence over, and legitimized its role in, the urban policy realm.

3. Financial Engineering Instruments, JESSICA and the EU Urban Development Agenda

Financial Engineering Instruments (FEIs), "forms of funding where risk is shared between investors and the enterprises in which they invest" (Nicolaides 2013: 1), have become mainstream instruments in the EU's increasingly 'urban sensitive' regional development policy. Their ascent in EU policy circles reflects a broader proliferation of innovative finance in public spending, centered around narratives of cost-effectiveness and doing 'more with less' public money (European Commission, 2010; URBACT, 2010), particularly in the post-2008 context of fiscal austerity. In the EU context, FEIs manifest as dedicated investment funds providing diverse financial products for urban development projects, and small and medium enterprises. [[3]] Given that urban redevelopment projects are always risky, with unpredictable outcomes, proponents of financial engineering argue that financial tools are designed for exactly such situations. Applying FEIs to urban development, then, should manage risk by maximizing returns across a portfolio of projects in a particular city. Positive returns are expected across the portfolio, with the performance of individual projects

continually monitored so that investment can readily be shifted from less to more successful projects (Kreuz and Nadler, 2010). Implementing this relies on the expertise of financial institutions and fund managers (Schneidewind et al., 2013).

The use of FEIs in Cohesion Policy is rationalized on four general grounds. First, they help achieve public policy objectives "through commercial mechanisms": investing in commercial enterprises offers potential returns to public and private funds, while involving private sector actors in decision-making should enable more effective and efficient use of European funds by improving investment decisions (Schneidewind et al., 2013: 26). Second, transforming EU grants into financial products (loans, loan guarantees, or equity financing) means that FEIs can leverage private investments to extend the impact of EU funds, at a time of "increased pressure on the scarce EU budget resources" to meet the ambitious targets of *Europe 2020*: the EU's overarching policy framework of Smart, Sustainable and Inclusive Growth (Spence et al., 2012: 10; European Commission, 2010). Third, by generating financial returns FEIs can underwrite revolving funding streams that enable sustainable investments, creating "a lasting legacy from EU funds" (Schneidewind et al., 2013: 27). Finally, FEIs are anticipated to address financial market gaps or market failures, providing risk coverage for otherwise reluctant private sector investors, especially in new (particularly Eastern European) Member States like Bulgaria, whose financial markets are deemed to be underdeveloped and lacking capacity to resolve such failures (European Commission, 2012: 3; Mazars et al., 2013: 49; Schneidewind et al., 2013: 26-27).

While FEIs have featured in EU sectoral policies since the 1994-1999 programming period (Mazars et al., 2013), their expanded role in the EU's Cohesion Policy during 2007-2013 marks a deepening and financialization of market-based logics and practices in EU

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developmental praxis. While acknowledging that the goals of FEIs (financial returns) can diverge from the goals of Cohesion Policy, those promulgating FEIs argue that they are a good fit to cohesion goals under *Europe 2020*:

> In the context of Cohesion Policy, a *divergence between the objectives of [Structural Funds] and of FEIs* can be noted. The latter are, by definition, a tool to increase the competitiveness of the supported firms, covering the most promising players often located in advantaged regions. Cohesion Policy, however, traditionally aims at reducing development disparities and promoting economic and social cohesion in the EU, thus also investing in weaker regions. Having said this, it is clear that [Cohesion Policy's] contribution to the EU2020 goals *corresponds better with the nature of FEIs* (Schneidewind et al., 2013: 26; emphasis added).

This tension between competitiveness and cohesion carries across to the EU's emergent urban development policy agenda, where FEIs are deployed to advance the EU's sustainable and integrated urban development policy framework. The JESSICA initiative for urban regeneration exemplifies this.

3.1 JESSICA: 'Balanced competitiveness' as best practice for urban sustainable development

In the EU, as elsewhere, cities are seen as key drivers of economic growth in an increasingly competitive global economy. Yet, since the negative social and environmental effects of inter-urban competition also are most clearly manifest in cities, a parallel concern has been ensuring sustainable outcomes and balanced spatial development (Leitner and

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Sheppard, 1999). Together, these policy objectives constitute the notion of 'balanced competitiveness'. [4] One of a number of recent European Commission initiatives focusing on cities and deployed to help meet the objectives of *Europe 2020*, JESSICA uses FEIs to finance urban regeneration projects that meet sustainability criteria, broadly defined. Thus JESSICA is the leading edge of the financialization of the EU's 'urban sensitive' development policy. [5]

JESSICA has emerged out of the European Commission's experience with the URBAN I (1994-1999) and URBAN II (2000-2006) Community Initiatives, seeking an integrated area-based approach to urban regeneration in deprived areas (European Investment Bank, 2007: 13-15). The URBAN initiatives also promoted close partnerships between local authorities, communities and stakeholders in identifying local challenges and strategies for tackling problems. *Community Initiative Partnerships* (CIP) submitted proposals to the Commission on a competitive basis, which distributed grants to successful applicants. However, this was a limited funding stream targeted to cities within existing Member States, and contributed to differentiated outcomes and divergent trajectories across the EU polity (Carpenter, 2006; Hamedinger et al., 2008). In the intergovernmental dialogue between Member States and the Commission on the emerging urban agenda, [6] there was a desire to make such integrated urban development approaches part of 'mainstream' Structural Funds and to identify a model that could be widely disseminated and implemented, while adhering to the principles of 'balanced competitiveness'. This mainstreaming engendered a shift in the main evaluation criteria for CIP approval under URBAN II, to consider "their capacity to become flagship programmes at national and European levels and to facilitate the dissemination of good practice across each Member State and other parts of Europe" (CEC, 2000: 7).[7]

The search for best practice and capacity building mechanisms in urban policy was

especially driven by the impending Eastern enlargement of the EU, given the large disparities in wealth, diverse governance structures and lack of experience with local democratic governance in post-socialist states. Noting that EU enlargement and increasing economic integration would strongly affect the spatial development trajectory of the EU, Member States' spatial planning ministers sought greater cooperation and coordination for implementing spatial governance through "spatially transcendent development guidelines" (Committee on Spatial Development, 1999: 7, 46-51).

The *European Investment Bank* (EIB) was envisaged as a key player for grounding 'balanced competitiveness' across the diverse EU polity. With EU expansion, the EIB had assisted post-socialist countries' transitions to market democracy. Now it was to become more centrally involved in urban/spatial development, playing a "key role" in effecting economic policy and spatial modernization through the incentive and leveraging effects of loan financing (Committee on Spatial Development, 1999: 18).[8] Under URBAN II, the Commission also envisioned EIB participation in providing loans for CIPs, and in playing an advisory role on the committee overseeing these partnerships (CEC, 2000: 9).

The evolving intergovernmental dialogue between Member States' spatial planning ministers and the Commission converged on an 'urban sensitive' policy approach that aligned market efficiency with balanced territorial development, rather than treating them as conflicting objectives. [9] Notable commitments to emerge were the 2006 Bristol Accord on Sustainable Communities, and the 2007 Leipzig Charter on Sustainable European Cities. These sought to operationalize the EU Sustainable Development Strategy by implementing an integrated approach that co-ordinates spatial and sectoral aspects of urban policy, and serves as a "basis for a consensus between the state, regions, cities, citizens and economic

actors." (German Presidency, 2007: 2). The Bristol Accord emphasized the need to "enhance the impact of European Investment Bank (EIB) loan finance" in contributing to a sustainable urban development agenda, and to "foster generic 'place-making' skills" for implementing this strategy (UK Presidency, 2005: 3, 5).[10] Building on this, the Leipzig Charter recommended that cities draw up "integrated urban development programmes" and identified FEIs as one of the mechanisms for achieving these urban development goals: "using financial engineering instruments to leverage private capital into the implementation of integrated urban development strategies, offers promising opportunities to enhance the effectiveness of conventional national and European funding sources" (German Presidency, 2007: 7).

Unveiled during the 2007-2013 EU programming period, JESSICA and JEREMIE have become mainstream Cohesion Policy instruments for the 2014-2020 period, with the new 'urban dimension' requiring that 5% of European Regional Development Funds (ERDF)[11] be invested in integrated urban development (European Union, 2013; European Commission, 2014a). Within JESSICA, a market-oriented approach, underwritten by a financial logic, is taken to the allocation of funds for a sustainable urban agenda. In the spirit of Community Initiative Partnerships, Member States can shape its local implementation: JESSICA projects must be part of integrated plans, whose mechanisms and criteria for implementation are left to Member States' discretion (European Commission, 2016b). In the absence of Commission competency in the sphere of urban policy, JESSICA is being rolled out by means of a complex financial engineering infrastructure, flanked by ancillary policy networks promoting consensus and entrepreneurial conduct – governmentality at work.

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4. Rolling out JESSICA and its financial infrastructure

In its coordinating role, the EC put in place a complex institutional framework to roll out JESSICA—a host of intermediaries, stakeholders, national and local officials and think tanks, supplementing this with networking platforms in order to build consensus around the initiative (Figure 1). We examine each in turn.

The Structural Funds made available by the EC are placed in the hands of Managing Authorities (MAs), responsible for selecting and monitoring Urban Development Funds (UDFs). The European Commission highly encourages MAs to delegate UDF oversight to a Holding Fund (HF), as this offers "the advantage of enabling MAs to delegate some of the tasks required to implement JESSICA to expert professionals" (European Commission, 2014b), especially in Member States where market conditions for UDFs are seen as wanting:

> [It] is important to consider the maturity of the market in terms of UDF development. In most regions, UDFs are still at an early stage of their investment capabilities. In this context, the HF can play an important role in promoting the emergence of UDFs and in encouraging local public authorities to use the JESSICA approach for their investments in sustainable urban development (PWC, 2010: 14).

While HFs are optional, through appeals to 'expertise' the EIB has become the default HF manager for JESSICA funds across the EU.[12] It provides financial and management expertise, shaping JESSICA-related financial flows, carrying out the Holding Fund's investment strategy and investing across a portfolio of UDFs. In short, the EIB has become the 'center of calculation' for this infrastructure (Fig. 1), routing EC funding downward to particular Urban Development Funds, and net returns on UDF investments back upwards to

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the Managing Authorities. The EIB retains significant discretion in guiding and implementing the investment strategy. An Investment Board, with members appointed by the Managing Authority, oversees HF operations, with the power only to approve or reject proposals from the EIB.

UDFs are the key institutional node, anchoring JESSICA in participating Member States and transforming Structural Funds into debt instruments. UDFs leverage EU funds with private capital, deploying them as subsidized loans to finance particular Urban Development Projects (UDPs). UDFs, typically consortia of bank and non-bank financial institutions, are set up as Joint Stock Companies. Their governance structure consists of a fund manager, board of directors, and supervisory board. The UDF manager selects the final beneficiaries (public, private or public-private) based on their financial viability, and perceived alignment with criteria for sustainable urban development and with integrated urban plans.[13] Compensating private sector investors is the first priority for net returns on UDP investments, however; any remaining funds, net of interest payments and management fees, are returned to the MAs (Deloitte, 2012).

Deference to expert knowledge plays a key role in the removal of direct oversight by elected political authorities. Beyond the EIB's monitoring and managerial roles, private sector consulting corporations are contracted to appraise the UDFs, also producing 'how to' manuals for their operation, and the methodological guidelines for assessing JESSICA's performance (PWC, 2013). This networked centralization of knowledge and power is supposed to ensure effective policy implementation. Taken together, this is an immensely complex institutional infrastructure, which performs a financialization of the EU's 'urban sensitive' development policy: the choice of projects is placed in the hands of experts in

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finance, trained to generate returns across a risky portfolio, in the belief that these skills translate from picking stocks to picking urban development projects. Institutional impenetrability, reinforced by deference to expertise, simultaneously conceals the process from political participants while deterring them from seeking to influence it — depoliticization at work.

Indirect channels of oversight and communication are critical to generating consensus. The *JESSICA Networking Platform* (JNP) and URBACT's '*Jessica for Cities*' working group, in particular, were organized and institutionalized to exchange ideas and experiences and facilitate dialogue between the EC, the EIB, Managing Authorities, and public and private stakeholders. JNP's bi-annual networking events, hosted by the EIB and the EC at EC Regional Policy offices in Brussels between 2009 and 2012, functioned as spaces where government at a distance could be enacted through face-to-face interactions: it is at such meetings that governance actors' professional subjectivities could be molded, and technologies of government refined.

These platforms serve to disseminate codified knowledge by identifying and promoting emerging concepts, typologies, governance structures, toolboxes and methodologies for implementing and evaluating the policy tools. This repertoire of best practices constitutes the 'learning' instruments that form the backbone of neoliberal fast-policy implementation (Peck, 2002). Deloitte's (2012) "UDF Handbook" and PWC's (2010) "JESSICA Holding Fund Handbook" provide a how-to guide for local officials: "explaining the variety of features that [Managing Authorities] can implement, and guidelines that are compliant with EU regulations" (PWC, 2010: 3). A notable example, highlighting the machinic character of this dissemination project, is a framework defining the "*JESSICAbility*" of

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projects: "a standard matrix to show the salient features of the project being evaluated and facilitate the screening and creation of portfolios of projects suitable for JESSICA instruments" (URBACT, 2013: 4).

This codification of knowledge and practice occurs within narrowly (pre)defined epistemological parameters of performance-based governance, with financial risk-assessment a key decision-making mechanism. This calculability of risk is applied at the scale of individual projects (based on their risk-adjusted rate of return) and that of the UDF itself (based on the aggregate risk profile of its underlying portfolio).[14] Applying Modern Portfolio Theory (Markowitz, 1952), UDFs invest in a variety of urban development projects with differing performance characteristics (e.g. brown-field development vs. condominiums) (PWC, 2010: 5; Kreuz and Nadler, 2010: 19). While this strategy may direct financing to projects with conceivably higher benefits to the public (i.e., often with lower projected financial returns), balancing out performance and risk necessitates also financing projects with higher private benefit (often higher returns). Under this approach, financial and social sustainability are presented as mutually attainable (Kreuz and Nadler, 2010).

Successful rollout thus involves technologies of government that inculcate entrepreneurial subjectivities. Those rolling out JESSICA identify cultural barriers that need to be overcome: "implementation [of JESSICA] entails a *profound cultural shift* regarding the way in which [EU] assistance is provided" (JNP, 2009: emphasis added). This is particularly evident in countries like Bulgaria, which have been characterized by the European Commission as having a lack of financial management capacity and a prevailing mindset of grant-dependency that are in need of redress (European Commission, 2012). Dabrowski's (2014) study of JESSICA in Spain and Poland highlights bureaucrats' and local authorities'

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preference for and familiarity with grants as a major impediment (along with legal uncertainties and capacity gaps) to rolling out the initiative. Similarly, local authorities in Bulgaria have questioned the need for such new financial instruments (Stefanov et al., 2012: 10-11). We turn to Bulgaria, to interrogate how JESSICA is rolled out and its implications for urban development in a Member State transitioning from state socialism.

5. JESSICA in Bulgaria

Preparations for the JESSICA initiative in Bulgaria began in 2006 when the EIB carried out an evaluation study to determine the instrument's local potential and challenges, including "analysis of the urban planning environment, evaluation of existing funding opportunities…and market demand for urban regeneration and development, and elaboration of a JESSICA Action Plan" (Deloitte, 2009: 6; see also EIB, 2007: 3). This action plan laid out the steps for setting up the necessary institutions and integrated plans, providing training for local authorities and assistance for "composing manuals on successful PPPs and elaboration of guidelines for transformation of 'grant-type' projects into 'JESSICAble' projects" (Deloitte, 2009: 97). Noting local authorities' 'grant mentality' and lack of capacities in preparing revenue-generating projects, they are urged to "start thinking more entrepreneurially, [and view] themselves more as investors rather than grant beneficiaries" (Deloitte, 2009: 69).

JESSICA became fully operational in 2012 when the EIB concluded agreements on two UDFs (EIB, 2012a, 2012b),[[15]] two years after negotiating a Holding Fund agreement with the Ministry of Regional Development (MRD) as the Managing Authority (EIB, 2010). In the background of these negotiations, technocrats and financiers were setting up Joint Stock

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Companies to govern the UDFs, also charting out the obligations, responsibilities and rights for the multiple parties involved. Lawyers and lawmakers were also busy, establishing the administrative-legal groundwork for the instruments. In August 2012, the Bulgarian Parliament enacted a new Public-Private Partnership (PPP) law allowing the government and municipalities to enter into joint ventures with private businesses for up to 35 years, enabling and streamlining the types of PPPs stipulated in the JESSICA framework (Deloitte, 2009). The lack of clear and unified regulation was one of the factors contributing to the initially slow structuring of PPPs and the realization of projects under JESSICA (Nikolcheva, 2013).

While regulatory barriers were being re-worked in the national capital, public consensus on JESSICA was being constructed on a mobile platform. The regional development minister Lilyana Pavlova – a Brussels-trained expert in fund management and financing – spearheaded this effort, promoting the instruments with a cross-country tour to the six other cities for which JESSICA funding was intended in early 2012 (MRD, 2012). The Minister also joined representatives from the EIB and the two Urban Development Funds at a public information session to present "Investment Opportunities [through] the JESSICA Initiative in Bulgaria" to interested attendees at the Grand Hotel Sofia. Unveiling the initiative before members of the business community and media, the minister stressed its entrepreneurial character and potential for public-private partnership:

> JESSICA encourages entrepreneurship and allows everyone to participate in the development of Bulgarian cities. …[T]he program is a unique opportunity for collaboration of Bulgarian municipalities and businesses in the name of a better urban environment. Unlike grant schemes, income generation is not only permissible but is a

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> desired element, and hence *demand for profitable and sustainable projects is key to the success of the initiative* (MRD, 2012, our emphasis).

In addition to these workshops, officials, policy strategists and fund managers took to podia to promote JESSICA at a number of conferences, attended by architects, mayors, consultants, designers, engineers, real estate developers, business leaders and a number of technology firms.[16]

The two UDFs making up Bulgaria's JESSICA initiative are The Fund for Sustainable Urban Development Sofia (FSUDS), and the Regional Urban Development Fund (RUDF) targeting the next six largest cities (central nodes in their respective EU NUTS 2 region).[17] Sofia's FSUDS is co-financed by the Fund for Local Authorities and Governments (FLAG), a government corporation providing loans to municipalities, in partnership with *UniCredit Bulbank* and *Raiffeisen Bank* (as the loan administrators), with a capital of BGN50 million (approximately equally from the ERDF and FLAG). The RUDF is co-financed by *Société Generale Expressbank*, in partnership with Elena Holdings (a non-bank financial institution), and Balkan Advisors, an investment-banking consultancy, with combined capital of BGN 110.7 million (see Table 1).[18]

These UDFs have financed a host of projects in Bulgaria's main cities. As of 2016 FSUDS has financed 12 projects amounting to BGN 49 million (FSUDS, 2016), while RUDF has financed 24 projects totaling BGN 124 million (RUDF, 2016). To be eligible for funding, projects must adhere to the thematic foci outlined in Priority Axis 1 of Bulgaria's Regional Development Operational Program: "Sustainable and Integrated Urban Development". These priorities include social infrastructure, housing, economic activities, improvement of the physical environment and sustainable urban transport systems. Projects must also be part of

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an Integrated Plan for Sustainable Urban Development (IPSUD), drawn up for every city.[19] Under IPSUD Sofia 2014-2020 projects must be located within one of three urban 'impact zones': a) prevailing social character; b) public functions with high public importance; c) potential for economic development (FSUDS, 2016). Funded projects cover a wide range: parking lots, sports arenas and facilities, regenerated buildings (especially of cultural and historic significance), commercial venues such as expo centers and movie theaters, public markets, technological upgrades of medical facilities. These all are fee-generating activities with stable recurrent cash flow, and seen as contributing to urban sustainability (broadly defined).

5.1 Educational and Sports Complex Lozenets: Sustainable urban development?

To unpack the implications of an individual Bulgarian Urban Development Project we turn to one that, by comparision to others, is claimed to have a high potential socio-economic impact: the "Educational and Sports Complex *Lozenets*" (*OSK Lozenets*), a modern K-12 education center equipped with sports facilities.[20] This is a prominent UDP within Sofia, garnering praise from local and national authorities and media alike. Its financing is a complex mixture of public, private, national and EU funds. The total estimated cost is BGN 35 million, 50% a loan from FSUDS with the remainder the private-sector investor's own resources.[21] The FSUDS loan in turn is equally shouldered by FLAG and Bulgaria's Regional Development Operational Program—itself funded from the national budget and EU funds (see Table 2).

This project, anchored by the "St. George International School & Preschool", is presented as a successful public-private partnership model that efficiently utilizes funds

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while fitting within the 'social infrastructure' priority of FSUDS. One of the stated appeals of the project is its 'non-traditional' combination, for Bulgaria, of an educational with a sports facility, whose multifunctional sports complex, equipped with indoor arenas, pools, spa and massage center, will only be accessible by the general public at a cost (Popova, 2015). The project's investors claim that its objective is "to contribute to sustainable urban development by improving social infrastructure and investments in education, culture, sports and health" (OSK, 2015). As the Minister of Youth and Sports Krassen Kralev proclaimed at the groundbreaking ceremony: "This project exceeded my expectations. I hope it becomes an example for creating a wonderful educational complex, with a major ephasis on the physical and sports training of our children. I am sure it will be a model that Bulgaria will be proud of, and will become an example for its combination of quality education and sports activities" (*24chasa*, 2015). Indeed, in line with the EU's vision for sustainable urban development such a project echoes the Leipzig Charter's recommendation that special attention be given to educational improvement in deprived areas: "By means of a policy focus on children and young people which is tailored to the social area they live in, we must contribute to improving the prospects of the children and young people living in deprived neighbourhoods to participate and realize their ambitions and to ensure equal opportunities on a long-term basis." (German Presidency, 2007: 6)

5.2 Financial vehicles for wunderkinder

Although *OSK Lozenets* is presented as a model public-private partnership under JESSICA, we contend that its contributions to deprived youth's livelihoods, or to sustainable and inclusive growth more broadly, are much less than they seem. St. George School is an elite private

school owned by Wonder Group, a Bulgarian for-profit organization specializing in educational services for children from kindergarten to high school. Under the motto "*We are the future*", Wonder Group's mission is to develop model citizens with cosmopolitan outlooks:

> At St. George International School & Preschool every day, with all our love and dedication, we support children from the earliest stage to discover their unique self and their individual talents, and to confidently pursue a life path of knowledge and virtues (SGS, 2015). The school develops [individuals] with strong general knowledge, who display awareness of and demonstrate core universal values, who are well-oriented and engaged in a dynamic modern world, who also demonstrate responsible and active citizenship behavior (SGS, 2016a).

This potential for children to become model and successful individuals is not an equally attainable opportunity, however. The annual cost of EUR 8500 for the 2016-2017 school year (SGS, 2016), with Bulgarian per capita Gross Domestic Product of EUR 6500 in 2016, precludes access for the bulk of Bulgarian families. St. George School, a member of the Council of British International Schools, claims to be the only private educational institution in Bulgaria offering internationally accredited bilingual Bulgarian-English instruction. For its pupils, it aims to "increase their competitiveness in terms of admission to elite national and international universities" (SGS, 2016b). This exclusivity makes it attractive for those parents able to afford "the best Bulgarian-English academic programme from early childhood to the start of university" (SGS, 2015), intended for "children whose parents appreciate the benefits of international educational standards" (SGS, 2016b). This falls well short of the social inclusion objectives prioritized in the

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Leipzig Charter.

The exclusionary nature of *OSK Lozenets* reflects the economic logic of JESSICAbility. As *OSK Lozenets* CEO Kremena Peneva acknowledges: "For the project to be sustainable over time, it must be based on an economic logic. Given the funding model of private schools in Bulgaria, we rely solely on [tuition] fees. For many families, they are unaffordable" (quoted in Popova, 2016). The need for financial sustainability is tied to the demands of project financing. While the project is made possible by a "more acceptable interest rate of European funds [through JESSICA]" (Peneva, quoted in Peeva, 2015), repaying this subsidized financing bears on the projects' design, with the repayment strategy rooted in expanding the student body (an increased fee base) and generating additional fees from the sports complex (ibid).

The exclusive and privatized nature of *OSK Lozenets* highlights the limits on possible urban futures that are inherent to the JESSICA initiative and the financing mechanisms it deploys, given that financing for 'JESSICAble' projects depends on their capacity to generate revenues ('rentability'). As the project investor makes clear, "this investment aims to provide an appropriate and *profitable* educational, social and cultural infrastructure" (OSK, 2016, emphasis added). Not simply a unique design feature, the 'non-traditional' combination of private school and sports complex aligns with such revenue generating requirements.

Beyond the question of who benefits from using the finished project, this case study also raises questions about who benefits from utilizing the subsidized loans available via JESSICA. *OSK Lozenets* is self-described as "a Bulgarian joint stock company specialized in the realization of investment projects and their management" (OSK, 2016). It functions as a Special Purpose Vehicle, set up by the project's investor to ring-fence the parent company's

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assets. Yet it is difficult to directly identify the parent company: Wonder Group is the main 'partner' in *OSK Lozenets*, holding licences to operate the St. George School & Preschool, but the project's sole shareholder is Kamalia Trading Limited - an anonymous offshore shell company registered in Cyprus (Bulgarian Registry Agency, 2016), and linked to Eurohold – a large Bulgarian holding company involved in auto trade, real estate, insurance, financial leasing and intermediation markets (Eurohold, 2013; Nikolaeva, 2015). Ownership of the large plot of land on which the project is built is similarly obscure: previously held by offshore entities listed in Belize, Cyprus and the British Virgin Islands, whose directors and representatives sit on the boards of Eurohold subsidiaries, ownership was transferred to *OSK Lozenets* in 2014 (Bulgarian Registry Agency, 2016). Members of *OSK Lozenets'* board of directors similarly hold positions across Eurohold's dense network of subsidiary companies (ibid).

Summarizing, whereas JESSICA provides a mechanism that posits the efficient use of EU funds through application of commercial appraisal principles, financial performance and involvement of private actors, this example highlights the persistent contradictions between social benefit and private gain.[22] When JESSICAbility criteria undermine the social inclusiveness of UDP projects, and when the network of beneficiaries utilizing JESSICA funds is not only exclusive but also obscure, it becomes hard to defend JESSICA as closing the gap between the EU's twin goals of market efficiency and social inclusion.

6. Conclusion

This paper contributes to our understanding of how urban entrepreneurialism and neoliberal urban governance become financialized: A subtle but vital shift from local state

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actions seeking to attract private sector investment by subsidizing profitability, to using the logic of finance to select and fund urban social initiatives and development projects on the basis of their potential return on investment (ROI). We show, first, that understanding this process requires placing questions of political economy—how urban governance is shaped by the broader political economic context—with questions of governmentality—how stakeholders are enrolled in and come to take for granted new governance initiatives. Following the multi-scalar institutional infrastructure is crucial for understanding how this works.

An application of the broader EU Financial Engineering Instrument framework, JESSICA's highly complex, multi-scalar institutional infrastructure, flanked by networks that secure consent and private sector consultants measuring financial performance, engenders deference to financial expertise. The institutional infrastructure and discourses put in place to enact these projects also serve to mold political subjectivities that enroll local governments into conduct in line with market and financial logic and interests. This model tends to depoliticize urban policy making, underwriting the belief that financial expertise is as applicable to selecting urban development projects as it is to selecting financial instruments.

Second, we find that the financialization of urban governance is geographically variegated, shaped by the broader context/conjuncture within which it is embedded. The EU context has generated a financialization of urban governance that differs in form, and in inter-scalar embeddedness, from that prevalent in the United States. In the US, Reagan's fiscal federalism effectively removed higher levels of the state from supporting urban development, forcing cities to resort to their own devices. Compounded by the current

climate of austerity politics, cities have had to resort to the private finance market to cover revenue shortfalls and achieve policy objectives, increasingly exposing localities to risks while insulating financial interests from political pressures. The European Union, pursuing Cohesion Policy as a supplement to the Single Market, deploys financialization to work more directly with cities and private actors to fund urban development projects. Rather than pushing cities to turn to existing finance markets, JESSICA seeks to engineer a finance market for urban development projects whose center of calculation is the European Investment Bank.

Third, we adopt a relational multiscalar approach, tracing how changes at the supranational scale filter down to shape policy selection within Sofia. Governmental networks and technologies enable the EU to influence the urban policy arena across diverse socio-institutional contexts. In Bulgaria, deemed by the European Commission as a particularly appropriate Member State for this initiative given its underdeveloped financial markets, its local authorities' inadequate financial expertise and a prevailing 'grant mentality', we trace how JESSICA has been rolled out and broad consensus secured.

Finally, examining the *OSK Lozenets* Urban Development Project in Sofia, we demonstrate that there is a tension between ROI calculations and sustainable and integrated urban development. It is highly exclusive in practice, designed with profitability in mind, and is transferring subsidized JESSICA funding into the hands of murky Bulgarian private sector corporations. Given that what is good for the disadvantaged urban residents—the many—need not align with what is good for investors—the few (Amin et al. 2000), it is important to critically examine EU claims that ROI-based projects are consistent with sustainable and inclusive growth. Whereas the European Commission envisions JESSICA as a case where FEIs

and the sustainable and inclusive growth goals of *Europe 2020* can be amenable bedfellows, the analysis presented here alerts us to the danger that JESSICA underwrites profitability at the expense of sustainability and/or inclusiveness.

More broadly, the increasingly dominant, taken-for-granted position of financial logics and practices in shaping policy objectives at multiple scales in Europe and the United States raises questions about its implications for the nature and trajectory of neoliberal urbanism. Examining urban social impact bonds in the US context, Lake (2015) is quite pessimistic, suggesting that means and ends have been reversed: That urban policy has become the means through which to secure financial performance. In contrast, and notwithstanding tensions between ROI and their contributions to cohesion, we suggest that the distinctive financialization trajectory of the European Union's 'urban sensitive' policy leaves openings for member states and municipalities to retain the power to restrict the kinds of projects to be considered for financialized funding ('JESSICAble'). Within JESSSICA, the entanglement of sustainability with financial logic was not a foregone conclusion but reflected an intergovernmental deliberative process, albeit within the institutional channels of EU policy-making. This underlines the necessity of attending to the spatio-temporally, conjuncturally shaped and variegated nature of the financialization of urban governance, teasing out its complex, hybrid and open-ended trajectories, as this research agenda goes forward.

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Footnotes

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[1] Scholars have examined financialization processes transforming national economies (Krippner, 2005; Stockhammer, 2008), shifting the behavior and organization of capitalist enterprises toward short-term performance and the maximization of shareholder value (Froud et al., 2002), and conditioning everyday life (Martin, 2002; Langley, 2008). For an overview see Pike and Pollard (2010). For analysis of how uneven geographic causes and consequences of the crisis unfolded in the EU context see Hadjimichalis (2011).

[2] Such agencies included Regional Development Agencies, Training and Enterprise Councils, Local Enterprise Companies, Urban Development Companies (see Peck and Tickell, 1995; Jones, 1997; MacKinnon, 2000; Raco, 2003).

[3] JESSICA and JEREMIE (Joint European Recourses for Micro to Medium Enterprises) are the two main initiatives introduced during the 2007-13 programming period by the European Commission, in partnership with the European Investment Bank and the European Investment Fund, respectively. JEREMIE financing comprises the bulk of resources utilized through FEIs. As of 2015, Member States reported a total of 1,052 FEIs (including 77 holding funds (HF) and 975 specific funds): 89% account for FEIs for enterprises (JEREMIE), 7% for urban development projects (JESSICA), and 4% for funds for energy efficiency/renewable energies. FEIs were set-up in 25 Member States and received financial support from 188 operational programs (OP). The total value of (OP) contributions paid to the FEIs amounted to EUR 16.9 billion, including EUR 11.7 billion of Structural Funds (ERDF and ESF, see note 11). Total support for FEIs in the field of urban development constituted EUR 1.7 billion of OP contributions in 11 Member States, an increase of about 10% compared to 2014 (European Commission, 2016a). Altogether, FEIs represent about 5% of ERDF funds. During the 2014-20 period the scope for FEIs has expanded to all ESI funds.

[4] The notion of balanced competitiveness was set out in the European Spatial Development Perspective (ESDP). This non-binding agreement between EU spatial planning ministers, first drafted in 1997, sought to establish an explicit spatial approach to the disparate sectoral policies of the European Community, with the aim of achieving "balanced and sustainable development" of the European territory through a polycentric urban system (Committee on Spatial Development, 1999: 10-11). While foregrounding the "contradictory spatial effects of Community policies" (in the context of competition policy and the European Single Market), the ESDP's promotion of 'balanced competitiveness' subscribes to the idea that "sustainable development requires a policy which promotes competitiveness and supports economic and social integration" (Committee on Spatial Development, 1999: 60).

[5] The EU's urban agenda was framed by three key documents: "Towards an Urban Agenda in the European Union", "Sustainable Urban Development in the European Union: A Framework for Action" and the European Spatial Development Perspective. Because the European Commission lacks competency in urban policy (given the principle of subsidiarity), over the years it has sought to develop a more 'urban sensitive' policy, through a number of initiatives. For a detailed overview see Atkinson (2001; 2014).

[6] Successive Ministerial meetings (under different presidencies of the Council of the EU) have moved the urban agenda foreword (see note 9). The 2000 Lille "Multiannual Programme of Co-operation in Urban Affairs within the European Union" was instrumental in giving tangible form to the objectives outlined by the Commission and the ESDP by establishing a

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common referencing framework for urban policies and identifying a common set of priorities and strategic proposals (Atkinson and Duhr, 2002).

[7] An important element to URBAN II was the establishment of the European Network for Exchange of Experience (or URBACT), a networking platform for the sharing of knowledge, best practices, and capacity-building programs between European policy-makers and municipal officials.

[8] "With the same financial volume, loans can reach a larger number of target parties than grants. As *loans have a greater 'incentive effect'*, a larger number of investment projects can be promoted. Contributions on the part of loan recipients in the form of interest payments and capital repayments also increase the efficiency of this in terms of economic policy. …The main objective of the EIB is the promotion of the development of both infrastructure and investments in less favoured regions of the EU. For this reason, loans could contribute in a significant way to the managing of future enlargement towards the East by modernizing the spatial structure… (Committee on Spatial Development, 1999: 18, emphasis added).

[9] The 2004 Rotterdam 'Urban Acquis' built on the Lille 'Multiannual Programme' and identified a set of common principles for urban policy, to achieve the goals of the Lisbon and Gothenburg agendas: "linking economic competitiveness to social inclusion and environmental quality" (Dutch Presidency, 2004). The URBAN Network of EU cities further identified the need for "new instruments of urban management and governance", emphasizing the importance of a participatory approach to urban governance and the crucial "involvement of private partners and finances" (URBAN Network, 2005).

[10] The European Commission, the European Investment Bank and the Council of Europe Development Bank signed a Memorandum of Understanding in May 2006, agreeing to "coordinate their approach to urban renewal and development actions in the context of Structural Funds interventions for the programming period 2007-2013…and encourage greater use of financial engineering products in urban renewal and development…" particularly through JESSICA (European Commission et al., 2006: 2, 5). An amendment to Structural Funds regulation (1083/2006, Article 44) by the Council of the EU cleared the way for the use of FEIs, provided that they are included in an integrated plan for sustainable urban development (Council of the EU, 2006: 28, 48).

[11] The European Regional Development Fund is the main fund (along with the European Social Fund and the Cohesion Fund) comprising the EU's Cohesion Policy. For the 2014-2020 period, the resources allocated to these funds are: ERDF (EUR 196 billion), ESF (EUR 86 billion) and CF (EUR 63.4 billion). Along with the European Agricultural Fund for Rural Development (EAFRD) and the European Maritime and Fisheries Fund (EMFF), the five funds comprise the European Structural and Investment Funds (ESIF).

[12] The EIB manages 18 Holding Funds, comprising 40 Urban Development Funds in 9 Member States (EIB, 2017).

[13] These criteria are identified by Member States' Operational Programs for the implementation of Cohesion Policy (thematic programs for targeted investment, agreed upon by the European Commission and each Member State for each programming period), with Priority Axes targeting sustainable urban development.

[14] This UDF risk profile is evaluated by the Holding Fund, based on the UDF's capital adequacy ratio, credit rating, level of diversification, etc. (PWC, 2010: 37-44).

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[15] As Holding Fund manager the EIB selected UDFs through a call for expression of interest (EIB, 2011).

[16] Including the *Conference for Integrated Urban Development*, the *Investment and Real Estate Conference "Balrec"*, and the *Urban Innovation Forum 2013: The City and the Buildings.*

[17] Nomenclature of Units for Territorial Statistics (NUTS), a territorial jurisdiction of the EU, exist at the state (NUTS 1), regional (NUTS 2) and sub-regional (NUTS 3) levels, which differ in size across Member States.

[18] The interest rates are determined by a combination of a fixed rate determined by the Holding Fund, market rate of EURIBOR/SOFIBOR, interest rate hedging cost, a risk premium and fees (RUDF, 2016).

[19] Sofia's IPSUD was developed through a partnership between the National Center for Territorial Development and two architecture and engineering consultancies: Urbitat and Infraproject Consult. The plan was approved by the Sofia city council in 2013.

[20] *Lozenets* is a residential neighborhood in Sofia, where the project is located.

[21] BGN = Bulgarian *lev*. BGN 34 million ~ US$20 (€17.4) million at current exchange rates.

[22] Theurillat and Crevoisier (2013), taking a territorial institutionalist approach, define sustainability as a context-specific social construct subject to negotiation, and show the complex negotiations between stakeholders over 'sustainability' in financialized projects. In their example, sustainability need not necessarily be at odds with investor and government demands, though within the confines of a commercial project.

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Table 1. The Sourcing of Urban Development Funds in Bulgaria

UDF	Funding source	Amount (BGN)	Total	Non-financing partners
RUDF	Société Generale	73.8 million	110.7 million	Elena Holding Elena Investment Balkan Advisors
	ERDF	36.9 million		
FSUDS	FLAG	24.6 million	49.2 million	Raiffeisen Bank UniCredit Bank
	ERDF	24,6 million		

Source: FSUDS (2016); RUDF (2016)

Table 2. Funding sources for *OSK Lozenets* (Bulgarian Lev)

<table>
<tr><th>Source</th><th>Investor</th><th colspan="3">Fund for Sustainable Urban Development Sofia (JESSICA)</th></tr>
<tr><td rowspan="3">Amount</td><td rowspan="3">17,211,678
(OSK Lozenets)</td><td colspan="3">17,602,470</td></tr>
<tr><td rowspan="2">8,801,235
FLAG</td><td colspan="2">8,801,235
OPRD</td></tr>
<tr><td>7,481,049.75
ERDF</td><td>1,320,185.25
National budget</td></tr>
<tr><td>Type</td><td>Equity capital</td><td colspan="3">Loan</td></tr>
<tr><td>Total</td><td colspan="4">34,814,148</td></tr>
</table>

Public	Private	Public-Private

FLAG: Fund for Local Authorities and Government
OPRD: Operational Program Regional Development
ERDF: European Regional Development Fund

Source: FSUDS (2016); OSK Lozenets (2016)

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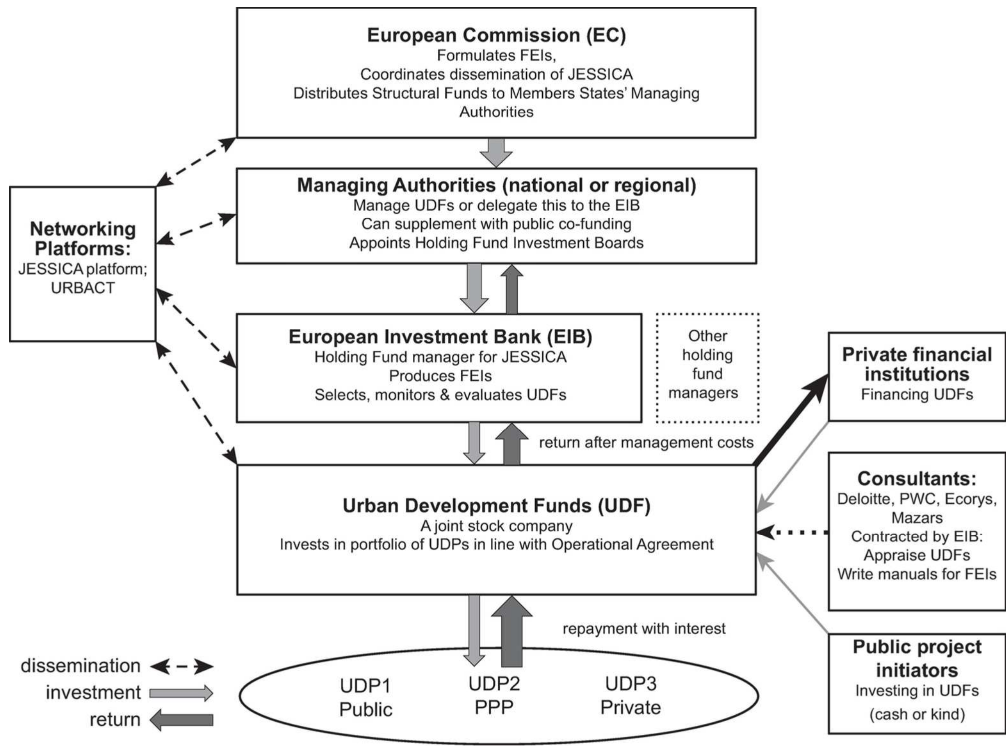

JESSICA's Multiscalar Institutional Infrastructure

Source: Authors, drawn by Matt Zebrowski, Cartography Lab, UCLA

132x97mm (300 x 300 DPI)