

Financial instruments in Lithuania (ESIF): lessons learned

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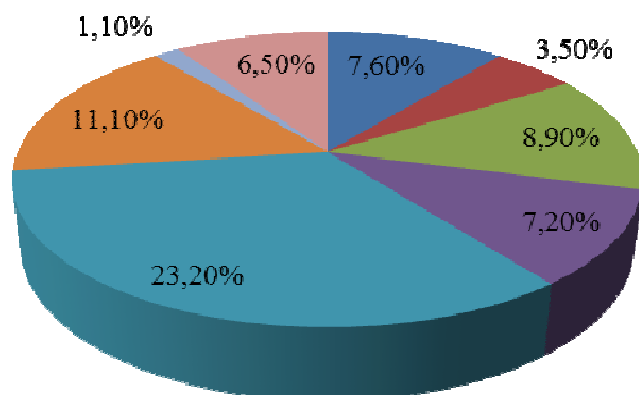
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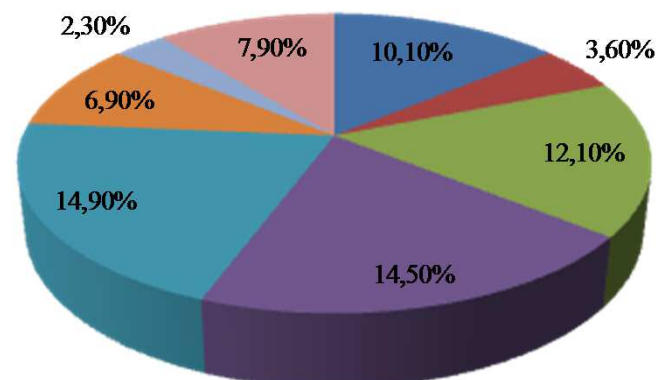
**Kuriame
Lietuvos ateitį**
2014–2020 metų
Europos Sąjungos
fondų investicijų
veiksmų programa

MAIN EU FUNDS INVESTMENT PRIORITIES IN LITHUANIA OVER 2 PP

2007–2013
6775,5 mln. EUR



2014–2020
6.709,3 mln. EUR



Main areas of EU funds investments	Change
Research and development and innovation	2,50%
Information society (IT)	0,1%
Competitiveness of small and medium-sized business*	3,2%
Energy efficiency and production and use of renewable energy (related to low-carbon economy)	7,30%
Transport sector (roads, railways, airports etc.)	-8,30%
Environment sector (water supply, waste management etc.)	-4,20%
Energy sector (electricity, gas links)	1,20%
Employment and social inclusion (European social fund)	1,40%
European social fund (which finances human recourses: employment, social inclusion, life-long learning, education, administrative capacities etc.)	1,60%

* Taking into account the funds allocated to financial instruments in 2007–2013 V

FEIs IN LITHUANIA IN 2007–2013

EE projects:

JESSICA HF (EIB)

173 MEUR

- Loans for renovation of multi-apartment buildings and student dormitories

SME financing:

JEREMY HF (EIF)

42 MEUR

- Venture capital for SMEs

Invega HF (INVEGA)

186 MEUR

- Debt instruments for SMEs (loans and portfolio guarantees)

Guarantee fund (INVEGA)

37 MEUR

- Individual guarantees for SMEs

Entrepreneurship promotion fund (INVEGA)

14,5MEUR

- Loans for entrepreneurship promotion



RESULTS OF FEI IN 2007–2013

Renovation:

- **923** multi-apartment buildings renovated (763 – OP resources). **107** are yet under renovation.
- **16** student dormitories renovated (16 – OP resources).

SME financing (ERDF):

- **3798** Loans/portfolio guarantees granted to SMEs (3142 – OP resources)
- **3089** individual guarantees granted to SMEs
- **93** venture capital investments made (87 – OP resources)

SME financing (ESF):

- **1266** soft loans granted to micro and small enterprises, natural persons, business start-ups and social enterprises developing business

LEVERAGE achieved:

- more than **460 MEUR** of private resources into SMEs and **80 MEUR** into EE



KEY SUCCESS FACTORS

- Good knowledge of market conditions and needs of final recipients.
- Ex-ante consultations with relevant stakeholders (financial institutions, central and regional governmental institutions, non-governmental sector, etc.)
- Combination of FI with other means of support (coverage of non-viable part of the project, interest rate subsidies, backing support) or other positive incentives (capacity building trainings)
- Attraction of private resources encoded at the set up of the FI.
- Quick reaction to changing market conditions



SPECIFIC CHALLENGES RELATED TO EE PROJECTS

- Competition between FI and subsidies
- Long time for creation of proper delivery mechanisms
- Capacities of construction sector, selection of constructors and quality of construction
- Right balance between state support and FI
- Need for financing financing for complex projects
- Evaluation of energy savings
- Attraction of private resources
- Underdeveloped ESCO model



AIMS in 2014-2020

- Firm commitment to **continue** with **application** and **development** of FIs
- **Extending** application of FIs to **new sectors**
- **Cooperation** between national and international financial institutions
- Promotion of NPB and investment platforms by using **EFSI**



EX-ANTE ASSESSMENTS OF MARKET NEEDS

JESSICA

Jessica pilot feasibility study
2014–2020 EIB

completed
May 2014

Energy efficiency

completed
November, 2014
Identified market failure:
€ 1 850 mln.

Public infrastructure

to be completed
II Q 2016
Identified market failure:
€ 8 400 mln.

JEREMIE

Business support

completed
April, 2015

Identified market failure:
€ 645 mln.

Renovation of public
buildings
Renovation of
multi apartments
Street lightening

Energy
Water
Waste management
Education and Science infr.
Social infr.
Health infr.
Transport infr.
Culture infr.



FUNDS ESTABLISHED (2014-2020) - STATUS QUO

645 MEUR
(market gap)

1.347 MEUR
(market gap)

167.9 + 95.1 MEUR
(market gap for Central govern.
public buildings + street lightning)

Entrepreneurship
Promotion Fund

(ESF)

24.6 + 2.3 MEUR

(INVEGA)

Business financing
fund

179.6 + 225 MEUR

(INVEGA)

Multi apartment
modernization
fund

74 + 50 MEUR

(VIPA)

JESSICA II FoF

150 + 70 MEUR

Leveraged Fund

90 + 10 + 500 MEUR

(EIB)

Energy Efficiency
Fund

79.6 + 19 MEUR

(VIPA)

Loans for SMS's as
and natural
persons to start
and develop their
own business

Loans, guarantees,
equity investments for
SMEs to increase R&D
activities, improve
entrepreneurship and
productivity

Loans for the
modernization of
multi apartment
buildings to
increase EE

Loans and guarantees
for the modernization
of multi apartment
buildings to increase
EE

Loans for renovation of
central government
buildings and
guarantees for street
lighting modernization
loans

- FI selected
- First loans are expected at the beginning of 2017

- Selection of FIs – ongoing
- First loans or guarantees – mid 2017, equity investments - 2018.

- 100% - contracted with FBs (238 loans)
- EE increased in 3620 households

JESSICA II (ERDF):

- 58 % - contracted with FBs (549 loans)
- EE increased in 5588 households

LEVERAGE FUND:

- Call for EoI – January 2017

- Public procurement for ESCO projects – on-going
- 2 guarantee confirmation letters issued

PLANNED FUNDS IN 2014–2020

Investments in EE:

Renovation of
Municipality owned
buildings

Loans

Renovation of public / private infrastructure:

Renovation of
Cultural heritage and
its actualization

Loans

Renovation of public infrastructure

Water infrastructure

Loans and guarantees

Transport
infrastructure

Loans

Promotion of Innovation

R&D
commercialization

to be identified after ex-ante assesment

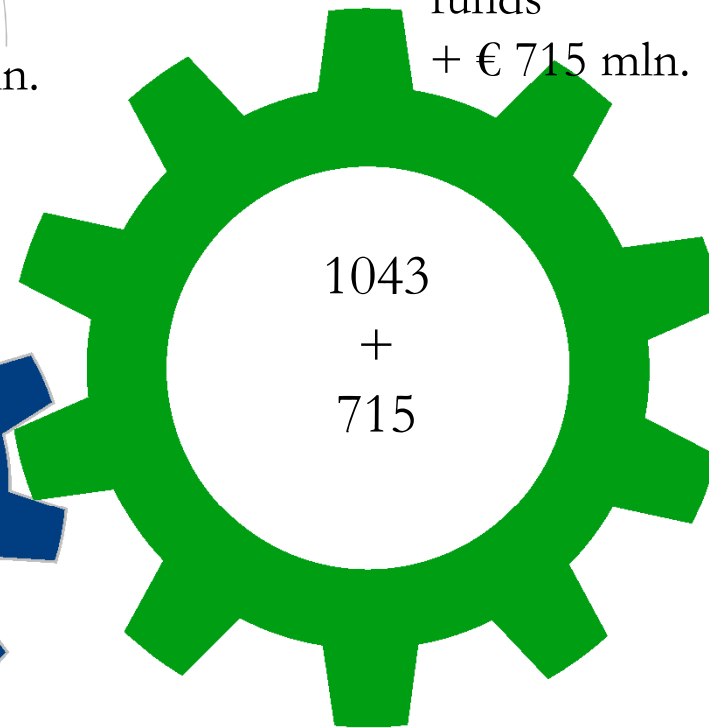
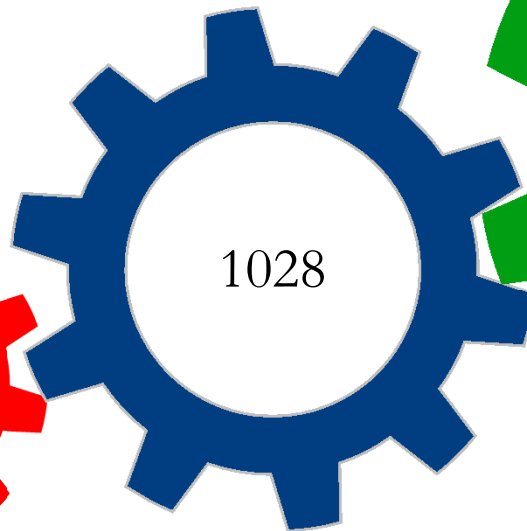


FINANCIAL INSTRUMENTS FINANCED FROM EU FUNDS

2007–2013 PP

Initial contribution € 443 mln.
+ € 585 mln. private funds

Initial contribution
€ 443 mln.



2014–2020 PP

€ 443 mln. resources returned
from 2007–2013
+ € 600 mln. 2014-2020 EU
funds
+ € 715 mln. private funds



Implementation of FI in the legal framework of 2014-2020



MAIN CHALLENGES IN 2014-2020

- Late adoption of EC guidance vs. implementation of FI
- Ex-ante assessments
- Requirements for selection of FIs
- Combination of FI with other forms of support
- Phased payments
- Management costs and fees
- Combination of EFSI and ESIF – need to simplify the implementation process of national level, not only EU level FIs

Proposals for simplification were submitted to COM in October, 2016



Further developments

- Enhancement capacity of FI application in consistency with other forms of public interventions
- Establishment of National Promotional Institution
- Development of broader possibilities to attract institutional investors (development banks, pension funds, etc.)
- Further development of investment platforms to attract EFSI financing





BROLIS
SEMICONDUCTORS

PROBIOSAN
LABORATORY

**Thank you for your
attention!**

