

Example of Supporting Energy Efficiency Improvements: Leveraged Fund Lithuania



Jessica II in Lithuania

2014 – 2020 Programming Period

Step 1: Under **Jessica II Fund of Funds Lithuania** the banks continue to perform agency function and provide own funds via pre-financing scheme:

- Financed with **EUR 150m** of EU structural funds;
- To date attracted **EUR 130m** of private resources through the pre-financing mechanism. Significant over-collateralisation remains.

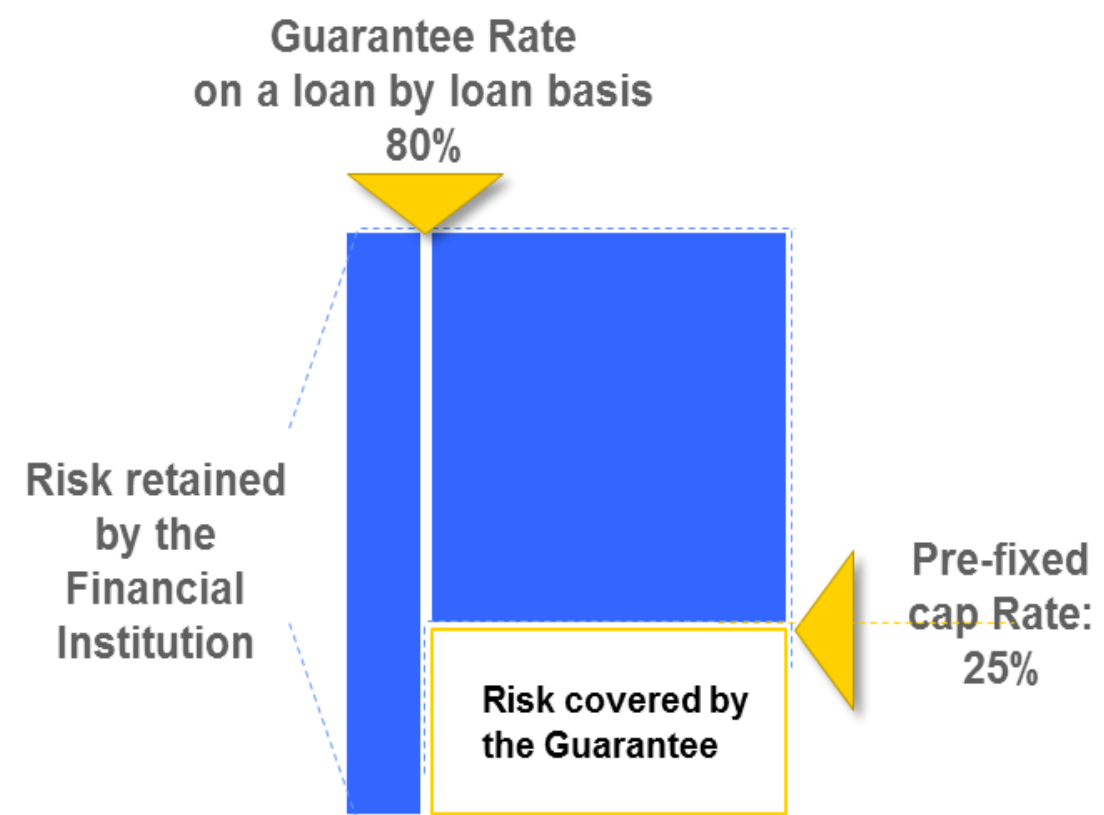
Step 2: Under the **Leveraged Fund** the banks will be financing the modernisation loans *solely* with their own funds, supported by the First-loss Portfolio Guarantee instrument financed with EU structural funds.

Expected Leveraged Fund results in Lithuania:

circa **1,500** projects (up to **32,500** households) signed for **EUR 500m**

and circa **65,000** annual reduction of CO₂

Leveraged Fund First-loss Portfolio Guarantee Instrument



- Major step towards the pursuit of leveraging private sector investment to meet the massive investment needs
- **Up to EUR 100 million** direct first demand guarantee under the Jessica II Fund of Funds Lithuania
- Offers **80%** risk coverage on a loan by loan basis with cumulative losses capped to **25%** at portfolio level
- Overall portfolio coverage **20%** results in **5x** leverage to mobilise up to **EUR 500 million** private resources
- Banks participate with own funds

Financing Models for the Modernisation Loans and Covered Losses

- **Direct Model** is defined as the model where financing is provided directly from the Financial Intermediaries to the Final Recipients.
- **Administrator Model** is defined as the model where financing is provided from the Financial Intermediaries to the administrators of multi-apartment buildings for the ultimate benefit of Final Recipients.
- **The Guarantee shall cover** at the Guarantee Rate established losses (i.e. losses identified after a default has occurred and after the Financial Intermediary has concluded its workout process) incurred by the Financial Institutions.

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