

VIPA

BUILD2LC
Interreg Europe



European Union
European Regional
Development Fund

Lithuanian experience on financial instruments

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Málaga, 13 September, 2018 | Open Conference on Project Results

Agenda

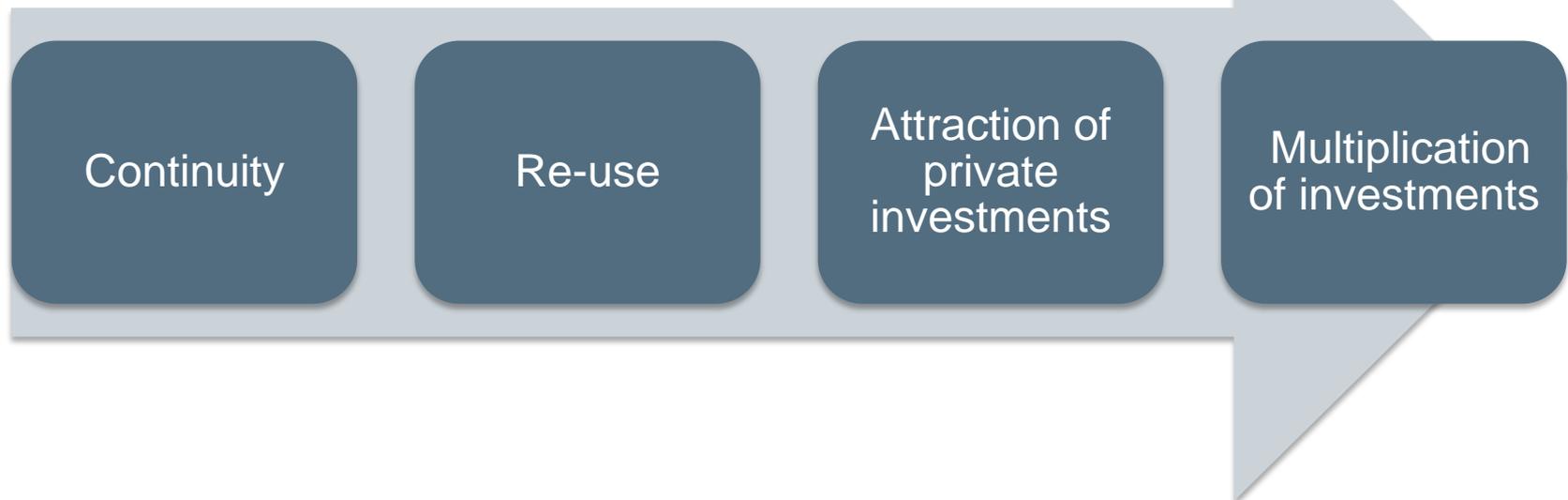




EE FI'S IN LITHUANIA

More with less

POSITIVE SOLUTION – FINANCIAL INSTRUMENTS!



2007-2013 – first experience setting up Jessica for EE in residential housing, Jeremie for SMEs
2014-2020 – strategic focus on the continuation of established FIs and expansion to other sectors

Financial instruments financed from EU funds

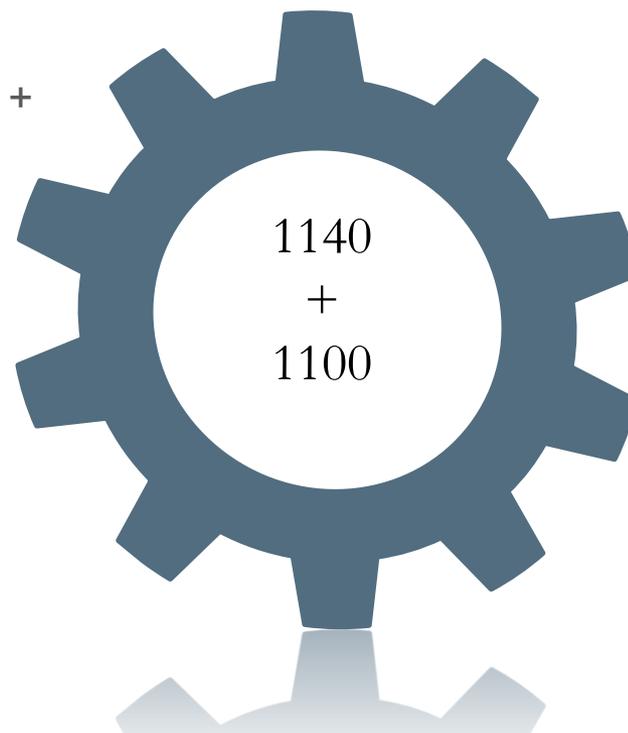
2007–2013 PP
(7% funds allocated to FIs)

2014–2020 PP
(10% funds allocated to FIs)

EUR 530 m repaid investments
EUR 700m 2014-2020 EU funds +
EUR 1100 m private funds

Initial contribution EUR 443m +
Private funds EUR 510m

Initial contribution
EUR 443m



FINANCIAL INSTRUMENTS IN 2014-2020 – STATE OF PLAY

ENERGY EFFICIENCY IN MULTI APARTMENT BUILDINGS

1.347 MEUR (market gap for modernization of multi apartment buildings)

Multi apartment modernization fund
74 + 50 + 68 + 100?
MEUR (VIPA)

Loans for the modernization of multi apartment buildings to increase EE

- 237 loans signed (80 MEUR)
- EE increased in 6659 households

Paid to final recipients 72.6 MEUR

JESSICA II FoF
150 + 130 MEUR
Leverage Fund (LF) ?
90 + 10 + 500 MEUR
(EIB)

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

JESSICA II:

- 783 loans signed (202 MEUR)
- EE increased in 11896 households

Paid to final recipients 138 MEUR

FINANCIAL INSTRUMENTS IN 2014-2020 – STATE OF PLAY

ENERGY EFFICIENCY IN PUBLIC BUILDINGS

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

Energy Efficiency Fund

79.6 + 19 MEUR (VIPA)

Loans (direct and ESCOs)
for renovation of central
government buildings and
guarantees for loans
granted by commercial
banks for street lighting
modernization projects

- 3 loans signed
 - 4 guarantee confirmation letters issued
 - Public procurement for ESCO projects – on-going
- Paid to FF 19 MEUR (25 %)

Municipality buildings renovation Fund

17.3 MEUR (VIPA) + 20
MEUR intermediary bank

Loans for renovation of
municipal buildings

- Selection of FIs – on-going
- Paid to FF 4.3 MEUR (25 %)

EE FI's in
Lithuania



ABOUT VIPA

About VIPA

Established in 2012

Owned by Ministry of Finance

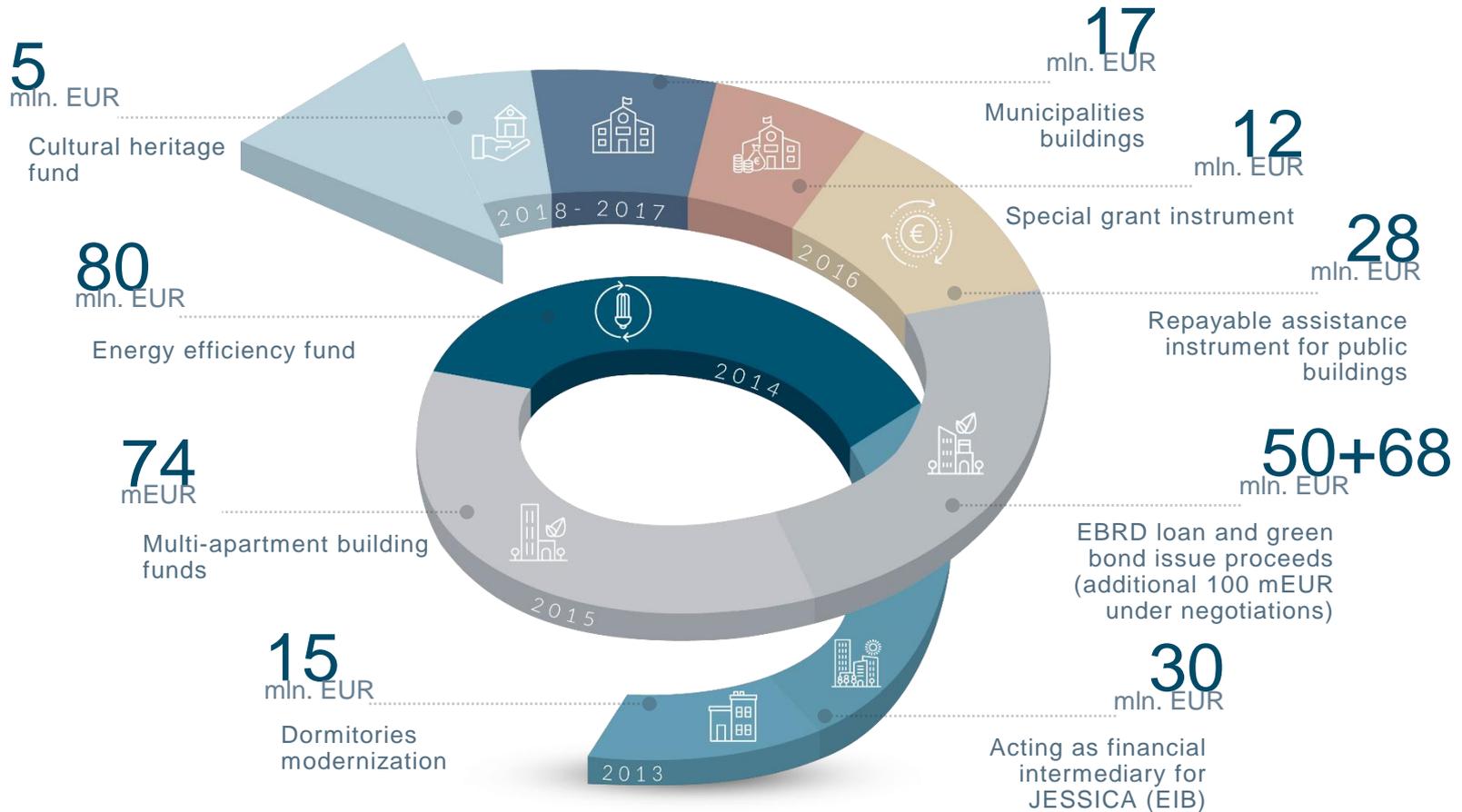
Acting as NPI

Addressing market failures

VIPA



About VIPA



VIPA

Total funds under management – over 400 mEUR
+ additional 125 mEUR to be mobilized in 2018

EE FI's in
Lithuania

About VIPA



CHALLENGES AND SOLUTIONS IN FI

MAB challenges



Apartment owners related challenges

- Chronic distrust of population in Government
- Failed public relations program
- Poorly organized apartment owners
- Large share of owners on fixed income
- Many low income people were eligible for heating bill compensations, and had no incentive to join the program



Bank related challenges

- Initial reluctance and distrust
- Risk averse



Law related challenges

- Possible state aid issues
- Legality of personal data handling
- Turning the apartment owners into borrowers against their will (possibly), and as a consequence

Other constraints:

- limitations within construction sector, as mostly small companies bid for contracts
- success in lowering gas prices

MAB Corrective measures

- Result based subsidy element introduced
- Municipalities instructed to draw lists of the worst-performing buildings
- Municipalities appointed renovation administrators
- Administrators borrow on behalf and in favor of apartment owners
- Loan remains off the balance of Administrator
- 50% +1 of apartment owners have to agree to join the program
- Gradual phase-out of heating bill compensations
- Technical assistance institution and measures



Main loans conditions:

- 3 % fixed interest rate
- up to 20 years loan maturity
- loan amount - up to 100 % EE investment
- 2 years grace period (during construction)
- no collateral required

- up 40% EE investments reimbursement subject to energy savings (gradual phasing-out)
- up to 100% of project development costs reimbursed
- 100% of reimbursement of installments to low income families

Public buildings challenges



Owners related

- Dependency on grants
- No obligations to achieve results
- Low expertise within institutions
- Public debt issues
- Complex projects needed



Bank related challenges

- Reluctance to exercise additional administrative burden
- Risk averse



Law related challenges

- Procurement related challenges
- Eurostat treatment of off balance sheet financing
- Complicated PPP process

Other constraints:

- Poorly organized ESCO sector
- Long payback periods

Public buildings corrective measures

- Standardized ESCO procurement documentation and agreement for public buildings developed (ELENA)
- TA measures introduced
- Quasi-grant (repayable assistance) instrument (blending solution) introduced
- No alternative instruments are available
- Introducing obligations to the asset owners
- Close work with European institutions on Eurostat treatment
- Training and awareness raising campaigns for recipients



LESSONS LEARNED

Lessons learned

- Good knowledge of market conditions and final beneficiaries (invest in quality of ex-ante assessment):
 - Important to see the “big picture”
 - Consult with stakeholders, but be consistent and tough, if necessary
 - Coordinated in-house development allows for better representation of public interest (although high competence team is needed)
 - Allow for more flexibility in ex-ante assessment
- Good planning – milestones and steps to achieve them
- Apply corrections in a timely manner
- Excessive grant funding is detrimental both to donor and beneficiaries
- FI’s do not “fly” if you have similar subsidy (including related sectors) instruments or they are considered

Lessons learned

- Delegate process owner
- TA for project pipeline development facilitates the start and implementation of FI's
- Challenge to “go first” – must be brave and optimistic
- Standardize and simplify process as much as possible (e.g. “one stop shop”)
- Think innovatively
- Develop technical assistance facilities and promote your initiatives
- Ensure quality of implemented projects
- Play “Carrot-and-Stick” game (if motivative measures do not work, introduce punishing ones)

Lessons learned

- Slow start of FIs - raising public awareness, changing mentality, subsidies vs loans, challenge to shift thinking from “grants” to “revolving investments”
- Consistent policies and stable procedures (assurance of on-going political support)
- Need for national reforms – respective strategic changes need to be done before the potential FIs could practically work in other sectors
- Reluctance of financial intermediaries to perform new administrative functions related to ESIF
- If possible try to make room for flexibility, limit restrictions to minimum
- While project pipeline accelerating think of alternative financing sources leveraging public funds

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Thank you!

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