

USE OF COHESION FUNDING FOR HOME RENOVATIONS

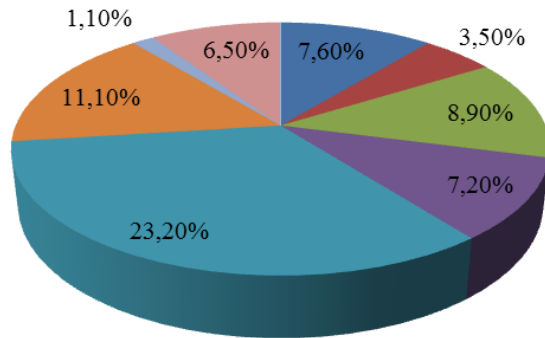
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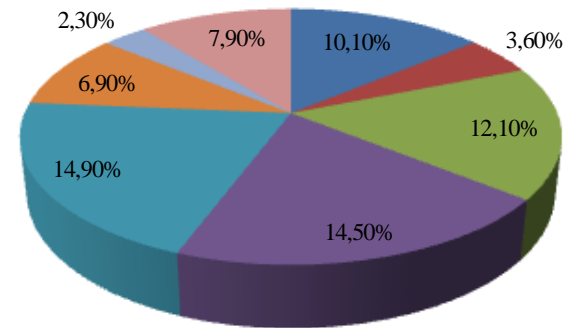


MAIN EU FUNDS INVESTMENT PRIORITIES IN LITHUANIA OVER 2 PP

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



MULTI-APARTMENT BUILDING STATUS

- more than 38 000 multi-apartment buildings;
- more than 800 000 apartments;
- around 97% of apartments are privately owned;
- around 68% of population lives in multi-apartment buildings build before year 1993;
- around 65% of multi-apartment buildings are heated using central heating system



RATIONALE

- Problems in construction sector during crisis
- Very inefficient residential housing infrastructure
- Moving towards energy independence goal due to geopolitical reasons
- Very conservative commercial banks approach
- Lack of initiative from apartment owners
- Funding gap - 1 billion EUR until 2023 (demand more than 1.3 billion EUR), over 10 billion EUR total



MULTI-APARTMENT BUILDING MODERNIZATION HISTORY

Launch of modernization of multi-apartment buildings in early 90's were rejected

Small scale World Bank Project in 1996-2004

Subsidized renovation program launched in 2006 and ran out of money in 2007

JESSICA launched in early 2009 (using ES SF of 2007-2013)

ABRF established in early 2015 (using ESIF 2014-2020)

JESSICA II launched in mid 2016

Securitization initiative and guarantee instrument development



PROGRAM CHALLENGES IN 2007-2013



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 (possibly) against their will, and as a consequence
- Constraint: limitations within construction sector, as mostly small companies bid for contracts
- Success in lowering gas prices
- Late guidance on FI's





DECISIONS TAKEN IN 2007-2013

Corrective measures

- JESSICA holding fund established
- Extra 25% written-off if savings reach 40% (limited duration – until end of 2014, but nothing is more persistent than the temporary)
- Municipalities instructed to draw lists of the worst-performing buildings and appointed renovation administrators
- 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 (+ interest rate subsidy)
- up to 20 years loan maturity
- loan amount - up to 100 % EE investment
- no collateral required

- up 40% EE investments reimbursement subject to energy savings (gradual phasing-out)

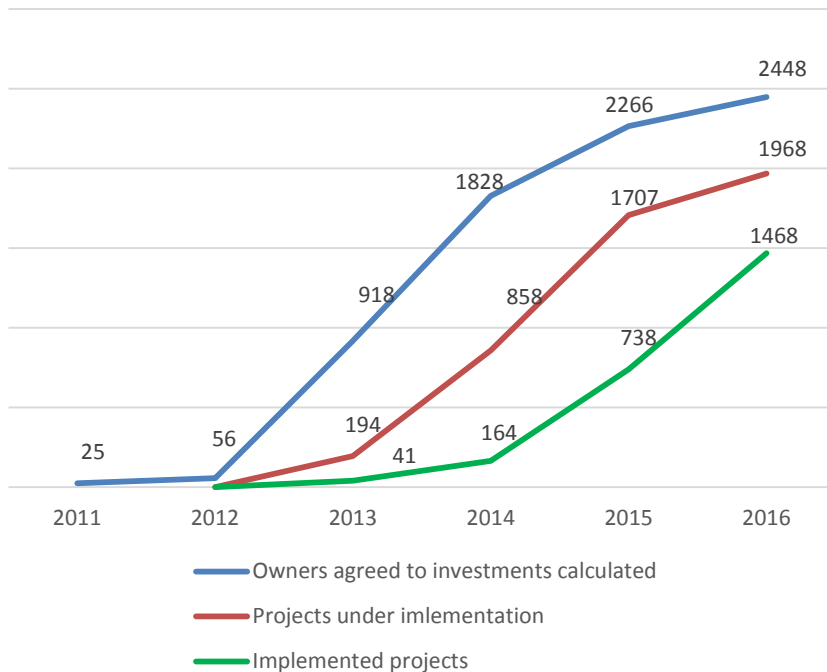
- up to 100% of project development costs reimbursed

- 100% of reimbursement of installments to low income families



MULTI-APARTMENT BUILDING MODERNIZATION RESULTS (up to date)

Program implementation results



Results (up to date):

- over 1500 buildings renovated and around 55 thousand households affected;
- average savings 67%;
- over 450 GWh annual energy savings;
- around 63 thousand tons of CO2 emissions saved;
- increase in value of the buildings - 15-20%;
- over 400 mEUR investments materialized in construction sector (new jobs and taxes paid);
- better living conditions;
- better awareness of benefits (92% of apartment owners recognize the need for renovation)



PROGRAMME FOR ENHANCEMENT OF EE IN CITY BLOCKS



Municipal building

Kinder garden

Multi-apartment building

- On 1st of June 2015, the Government of the RL approved the procedure for the development and the implementation of programmes for enhancement of energy efficiency in quarters **VIPA appointed as the financing coordinator of the programme**
- On 15th of June 2016, **VIPA evaluated the three proposals** regarding the modernization of pilot city blocks, and drew up the plans for funding the enhancement of energy efficiency of the quarters concerned

- Value of the programmes – EUR 41 m
- Programmes will be implemented until 2022
- 61 percent of the expenses are allocated for the renovation of multi-apartment houses
- Other expenses:
 - Street lighting
 - Public buildings of municipalities
 - Recreational and green areas
 - Heating delivery infrastructure

VIPA
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FINANCING DEVELOPMENTS

INSTITUTIONAL FINANCING

- In 2007-2013 minor leverage effect was achieved
- In 2014-2020 (up to date) leverage effect of up to 1:1 is achieved using commercial bank financing and IFI financing

NEW INSTRUMENT IS BEING DEVELOPED

- Market may be ready to finance multi-apartment building renovation program with some credit enhancement
- Guaranty FI to be developed in 2017 with possible leverage effect of 1:5

SECURITISATION

- Green bonds issue is envisaged based on cash flows received for renovation of multi-apartment
- Legal framework upgrade process together with ministry of Finance and EBRD
- Leverage of 1:10 may be achieved in next 10 years



LESSONS LEARNED AND RECOMMENDATIONS

- Good knowledge of market conditions and final beneficiaries (invest in quality of ex-ante assessment)
- Delegate process owner
- Standardize and simplify process as much as possible (e.g. “one stop shop”)
- Excessive grant funding is detrimental both to donor and beneficiaries
- FI’s do not “fly” if you have similar subsidy instruments or they are considered



LESSONS LEARNED AND RECOMMENDATIONS

- Consistent policies and stable procedures
- Develop technical assistance facilities and promote your initiatives
- Think innovatively and make good planning
- Ensure quality of implemented projects
- Play “Carrot-and-Stick” game (if motivative measures do not work, introduce punishing ones)

THANK YOU

Further information sources:

- <http://vipa.lt/en/>
- info@vipa.lt or justinas.bucys@vipa.lt

Some other useful sources

- <http://www.eefig.eu/index.php> (#EEFIG)
- <http://www.interregeurope.eu/build2lc/> (#BUILD2LC)
- <http://guarantee-project.eu/> (#guarantee_H2020)

QUESTIONS?

