



Financial instruments in Lithuania – visions & ambitions for future

2020-02-20. VILNIUS. 3B & EC Meeting for future of FIs

WHERE ARE WE OR WHERE IS ACTUALLY VILNIUS? □



WHO ARE WE?

WHERE ARE WE WITH FINANCIAL INSTRUMENTS IN LITHUANIA TODAY?

KEY CHALLENGES & LESSONS LEARNED

WHERE WE WANT TO BE & WHAT THE FUTURE HOLDS?

WE & THE NEW CPR □



WHERE ARE WE OR WHERE IS ACTUALLY
VILNIUS ? □



WHO ARE WE?



AN OPEN & CREATIVE NATION
WE LIKE TRYING NEW THINGS
WE LIKE PILOTING
WE LIKE LEARNING FROM OURSELVES &
OTHERS
WE LIKE SHARING & COOPERATION
WE LIKE TO SUCCEED
WE LIKE FUN & FRIENDSHIPS
WE DON'T LIKE TO GIVE UP



**FI
ENTHUSIASTS
AT MANAGING
AUTHORITY**





**EIB, INVEGA, VIPA
AND OTHER
FI FANS OUTSIDE
MA**



WHERE ARE WE WITH FINANCIAL INSTRUMENTS IN LITHUANIA TODAY?

FI INVESTMENTS IN LITHUANIA – 12 YEARS & COUNTING



1,1 BN EUR
ESIF FUNDS
902 MEUR
STATE BUDGET
INVESTED

2,5 BN EUR
PRIVATE
INVESTMENTS
ATTRACTED



528 MEUR REPAYED AND RE-
INVESTED

59 048 HOUSEHOLDS RENOVATED
616 GWH OF ENERGY SAVED
143 667 T OF **CO2** REDUCED

9508 LOANS/GUARANTEES FOR SME'S
102 VENTURE CAPITAL INVESTMENTS MADE
5404 GUARANTEES FOR RURAL
DEVELOPMENT (SB)

FI INVESTMENTS IN 2014-2020 – STATE OF PLAY



SECTOR	GAP, MEUR	ESI funds , MEUR		Private and other funds, MEUR	
		INVESTED	ATTRACTED	FORESEEN	
Business financing	685	228	370	> 6	
Residential housing	1.357	324	598	350	
Public infrastructure (EE+other)	> 700	132	21,2	1	
TOTAL	~ 2.747	684	933,4	357	

WHATS NEW IN 2019 - FOFS ESTABLISHED IN 2019



**Co-investment fund
for Transport and
Communications**
5 MEUR

Developing mobility services and products, intellectual transport systems (ITS) and innovative transport technologies reducing CO2 emissions produced by the transport sector (SMEs);

Water fund
30 MEUR
**+ combined with
repayable assistance**

Development of water supply and sewage networks; and renovation of these networks

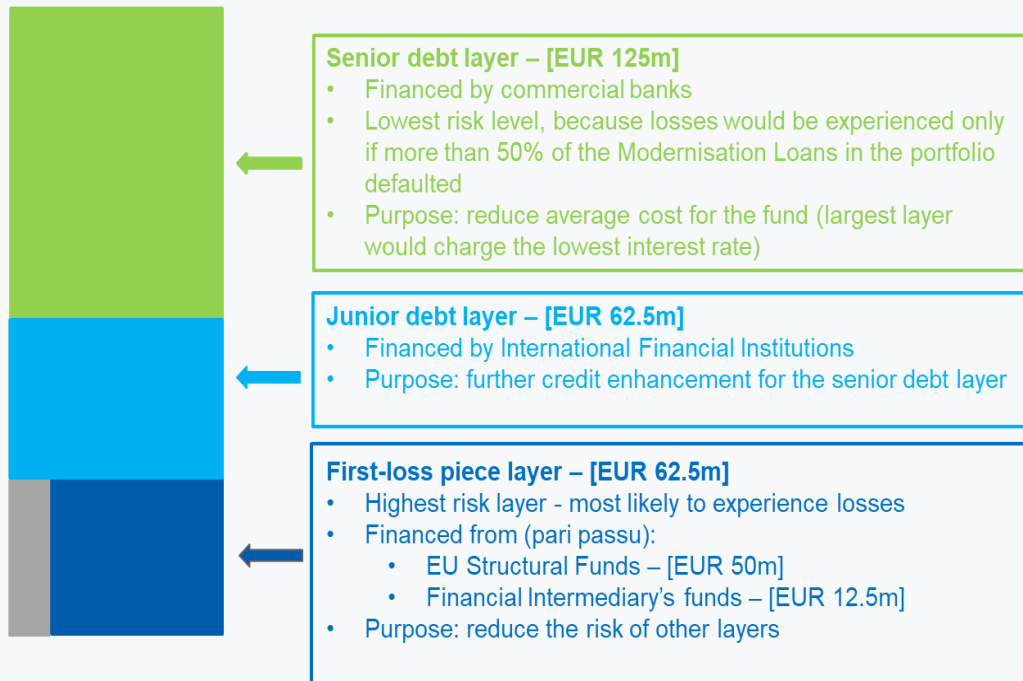
50% repayable subsidy + 50% loan (until 2019-09-30);

30% repayable subsidy + 70% loan (since 2019-10-01) (subsidy for sewage collection networks)

NEW INVESTMENT PLATFORM FOR ENERGY EFFICIENCY



Total portfolio size: [EUR 250m]



Challenges in the market

- Need to attract private sector financing to meet the demand;
- Banks with available funds find administration of Modernisation Loans too burdensome;
- Banks with capacity to administrate the Modernisation Loans lack sufficient own funds.

Solution with Investment Platform

- One Financial Intermediary with capacity to on lend third party funds via Modernisation Loans;
- EU Structural Funds and Financial Intermediary's own funds – First-loss piece layer;
- Banks without capacity to administrate Modernisation Loans to participate as senior or junior lenders.



ERDF - Declared in total – 366 MEUR (59 %) out of 616,1 MEUR

- Multi-apartment modernization fund 74 MEUR (ERDF) - 74 MEUR declared
- Jessica II FoF -150 MEUR (ERDF) - 150 MEUR declared
- Leverage fund (90 MEUR)- 22,5 MEUR declared
- Municipalities' buildings fund 17,3 MEUR(ERDF) - 4,3 MEUR declared
- Energy efficiency fund 79,6 MEUR (ERDF) - 19 MEUR declared
- Cultural heritage fund 6,13 MEUR (ERDF) - 1,5 MEUR declared
- Business financing fund (199,08 MEUR) (ERDF) - 94,7 MEUR declared

ESF-Entrepreneurship Promotion Fund- Declared in total – 13,4 MEUR (50 %) out of 26,8 MEUR:

CF – Declared in total 8,8MEUR (25%) out of 35 MEUR

- Co-investment fund for Transport and Communications 5 MEUR - 1,3 MEUR declared
- Water fund 30 MEUR – 7,5 MEUR declared



KEY CHALLENGES & LESSONS LEARNED

KEY CHALLENGES

- ❑ Rather conservative & frequent audits - “gold plating”, “grant style”
- ❑ Ex-ante assessment – too detailed requirements & lack of flexibility
- ❑ Limited possibilities for combination of FI with other forms of support within one instrument
- ❑ Negotiations with financial intermediaries; Building the pipeline
- ❑ State aid issues (e.g. EFSI financing less restrictive, GBER dedicated mostly for grants – need to be adopted to financial instruments)
- ❑ Conservative EUROSTAT treatment of state and municipalities debt limits (e.g. ESCO or other cost saving investment)
- ❑ Term of equity funds exceeding eligibility period;
- ❑ Too detailed requirements for evidence supporting that investments were used for its intended purpose



LESSONS LEARNED AND FUTURE FOCUS



Piloting FIs in new “unusual” sectors is time & resource consuming

Integrated approach is a must!

Center of the game - final beneficiary or 5 WHYS ?

Need for strong leadership & motivation from all parties



Focusing more on attraction of private investments

More efficient use of reflows

Considering alternative mechanisms for financing/problem solving

Mobilizing expertise & capacities

Strengthening internal and external cooperation



WHERE WE WANT TO BE & WHAT THE FUTURE HOLDS?

FOCUS AND AIMS FOR FUTURE

CONTINUING & DEVELOPING FINANCIAL INSTRUMENTS – TAILOR-MADE, INTEGRATED, FOCUSED

MAXIMUM SIMPLICITY & CLARITY FOR ALL

WIDENING POSSIBILITIES FOR INVESTING VIA FIs – not only ESIF, National budget also! + REFLAWS

EXTRA FUNDS RESERVED FOR PILOTING FIs

COMBINATION & INTEGRATION

UNLOCKING NEW MARKETS FOR FIs – exploring new sectors

(SOCIAL) IMPACT INVESTING

GREEN FINANCING

ALTERNATIVE FINANCING – crowd funding, bonds, direct lending

STRONGER NPIs

COOPERATION WITH IFIs

LEVERAGE OF INVESTMENTS

FI CONSIDERATIONS IN LITHUANIA FOR 2021-2027



PO1 A Smarter Europe – Innovative and Smart Economic Transformation



Business financing
Science and business cooperation

PO2 A Low Carbon and Greener Europe



Multi-apartment building renovation
Renovation of Municipality owned buildings
Water infrastructure

PO3 More connected Europe



Road transport infrastructure modernisation (*new sector*)
Environmentally friendly public transport (*new sector*)
Development of alternative fuel infrastructure (*new sector*)



PO4 A more social Europe –
Implementing the European Pillar of Social Rights



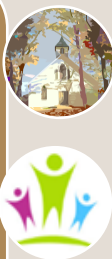
Entrepreneurship Promotion

Development of social housing (*new sector*)

Scholarship Fund (improving performance of governmental fund) other possibilities could be discussed (*new sector*)

Mobile ambulance projects (*new sector*)

PO5 Europe closer to citizens



Culture Heritage Fund could be expanded and used for municipal and local needs

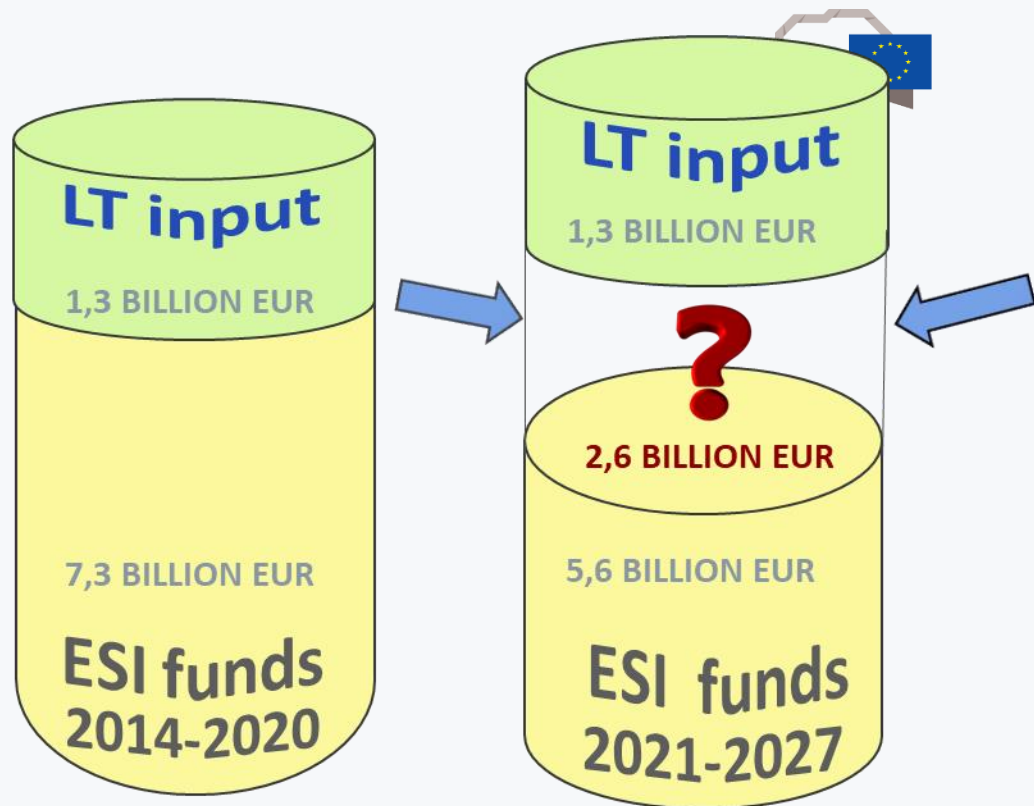
Interior ministry is highly interested in creating fund for regional development, but has no experience and are in need for consultation and explore foreign practice (*new sector*)

WHAT THE FUTURE HOLDS?

Increasing needs




-  Quality of education
-  Health sector
-  Regional disparities
-  Public sector
-  Innovations



DECREASE OF EU FUNDING FOR LT 2021-2027

Does IMPACT INVESTING has a future in LT?



PO 4:
A More Social
Europe –
Implementing
the European
Pillar of Social
Rights

- Health Ministry
- Social Security and Labour Ministry
- Education, Science and Sport Ministry
- Interior Ministry
- Culture Ministry

Where are we?

- **MA+ Social Security and Labour Ministry + Invega working on SIB PILOT in LT**
- **SIB feasibility study for LT (partnering with EIB)**
- **Identifying list of problems**
- **Talks with NGOs**
- **Creating list of potential service providers/developers**
- **Seeking objective data and indicators**
- **Calculating indicators**
- **Finding potencial developers**
- **Finding potencial investors**
- **Creating a SIB program (model)**
- **Making it work!**



WE & THE CPR

POST2020 REGULATION – OUTSTANDING ISSUES FOR LT

Ex-ante assessment (Art. 52)

- Specify that list of elements is **indicative**
- Withdraw details such as “**leverage effect**”, “**differentiated treatment**”

Eligibility rules & Thresholds for cost & fees (Art. 57, 62)

- “Phasing” is hardly suitable for equity FIs
- Threshold of 15% too low for specific funds (equity)
- 7% threshold should only be applicable to holding fund level
- Clarity needed for practical calculation of thresholds

Combination & Durability (Art. 52, 5, 59)

- The use of grants only when directly linked to investment is **limiting the efficient use of combination**
- re-introduction of *para 3* or Article 59 is not suitable (durability)

Differentiated treatment and Re-use (Art. 55; 56)

- Foresee possibility to use reflows for differentiated treatment
- Specify “independent assessment”
- Delete “associated to such further investments”
- re-use of reflows for **the same purpose**, not the specific policy objective of OP



GOOD LUCK FOR US!

FINANCIAL INSTRUMENTS IN 2014-2020 – STATE OF PLAY

ESTABLISHED FUNDS

PLANNED FUNDS

645 MEUR

(market gap for business support (8 years))

BUSINESS

Entrepreneurship Promotion Fund

24,6 + 2,3 MEUR
(ESF) (INVEGA)

Business financing fund

199,1 + 302 MEUR
(ERDF) (INVEGA)

Loans for Micro and Small companies as well as natural persons to start and develop their own business.

- 598 loans signed for 11,5 MEUR; 10,8 MEUR disbursed

Loans, guarantees, equity investments for SMEs in order to increase R&D activities in start specialization, improve the level of entrepreneurship and productivity

- 851 guarantees issued for 120,8 MEUR;
- 98 loans signed for 30 MEUR; 26,9 MEUR disbursed;
- Attraction of private resources for equity instr. – 25 MEUR

Transport innovation fund
5 MEUR (selection of FoF manager on-going)

EFSI for LF
500 MEUR (EIB)

1.357 MEUR

(market gap for modernization of multi apartment buildings)

EE IN HOUSING

Multi apartment modernization fund

74 + 50 + 68 + 100 MEUR (VIPA)

Loans for the modernization of multi apartment buildings to increase EE

- 315 loans signed (140,3 MEUR)
- EE increased in 8219 households

EE investment platform
10 + 25 MEUR (VIPA)

JESSICA II FoF Leverage Fund (LF)

150 + 230 MEUR
– selected 1st FI (ŠB)
90 + 10 + 500 MEUR (EIB)

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

- JESSICA II:**
- 1230 loans signed (336,5 MEUR)
 - EE increased in 22932 households

167.9 + 95.1 MEUR

(market gap for Central govern. public buildings + street lighting)

EE IN PUBLIC INFRASTRUCTURE & MORE

Energy Efficiency Fund (VIPA)

79.6 + 19 MEUR (planned)

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

- 12 loans signed (buildings)
- 5 ESCO contracts (buildings)
- 1 guarantee for street lighting

Fund for municipality owned buildings (VIPA)

17.3 + 20 MEUR (Agreement with the FI - Šiaulių bankas signed 2018-05-18)

- 1 loan signed for 0,39 MEUR; 0.12 disbursed

Cultural heritage Fund (VIPA)

5.2 + 0.9 MEUR (Agreement with the FI - Šiaulių bankas signed 2018-12-20)

Water fund (VIPA)

30 MEUR (Agreement with FoF manager signed 2019-02-01)

Call for proposal for final recipients foreseen in April 2019