



Financial Instruments in Lithuania: ex-ante assessments

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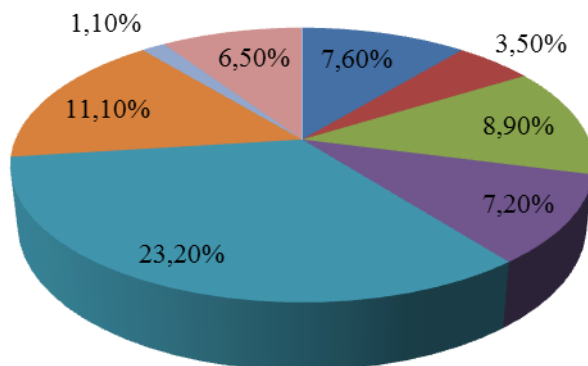
Ministry of Finance (MA)
Lithuania



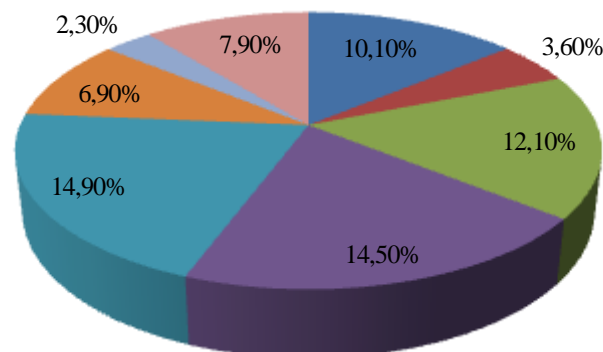


EU funds investment priorities in Lithuania over 2 PP

2007–2013
6775,5 mln. EUR



2014–2020
6.709,3 mln. EUR



Main areas of EU funds investments

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



What next in 2014-2020?

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



Ex-ante Assessments of Financial Instruments in 2014-2020

JESSICA

Jessica pilot feasibility study
2014–2020 EIB

completed
May 2014

Energy efficiency

completed
Nov, 2014
Identified market failure:
1 850 mln. EUR

Public infrastructure

Plan to complete:
September, 2015

Preliminary identified market
failure:
~8 400 mln. EUR

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.

JEREMIE

Business support

completed
April, 2015

Identified market failure:
645 mln. EUR



Investments to FI in 2007-2013 and 2014-2020

Mln. EUR

SECTOR	2007-2013 EU Structural Funds to FI instruments*	2014-2020 EU Structural Funds to FI instruments	2014-2020 Market failure
Business support	280	207	645
Energy efficiency	163	360 + ?	1850
Public infrastructure	0	?	8400
Total	443	567 + ?	10895

** In 2007-2013 in addition more than 370 mln. EUR of private resources are going to be invested in SMEs and more than 20 mln. EUR of private resources in energy efficiency.*



Ex-ante assessment for bussiness support:

- Carried out by joint group – **INVEGA, MoF, MoE, MoSSL, EIF** in partnership with:



- In accordance with EC ex ante methodology
- Start – June 2014, end date – April 2015
- Presented to the MC and the Government

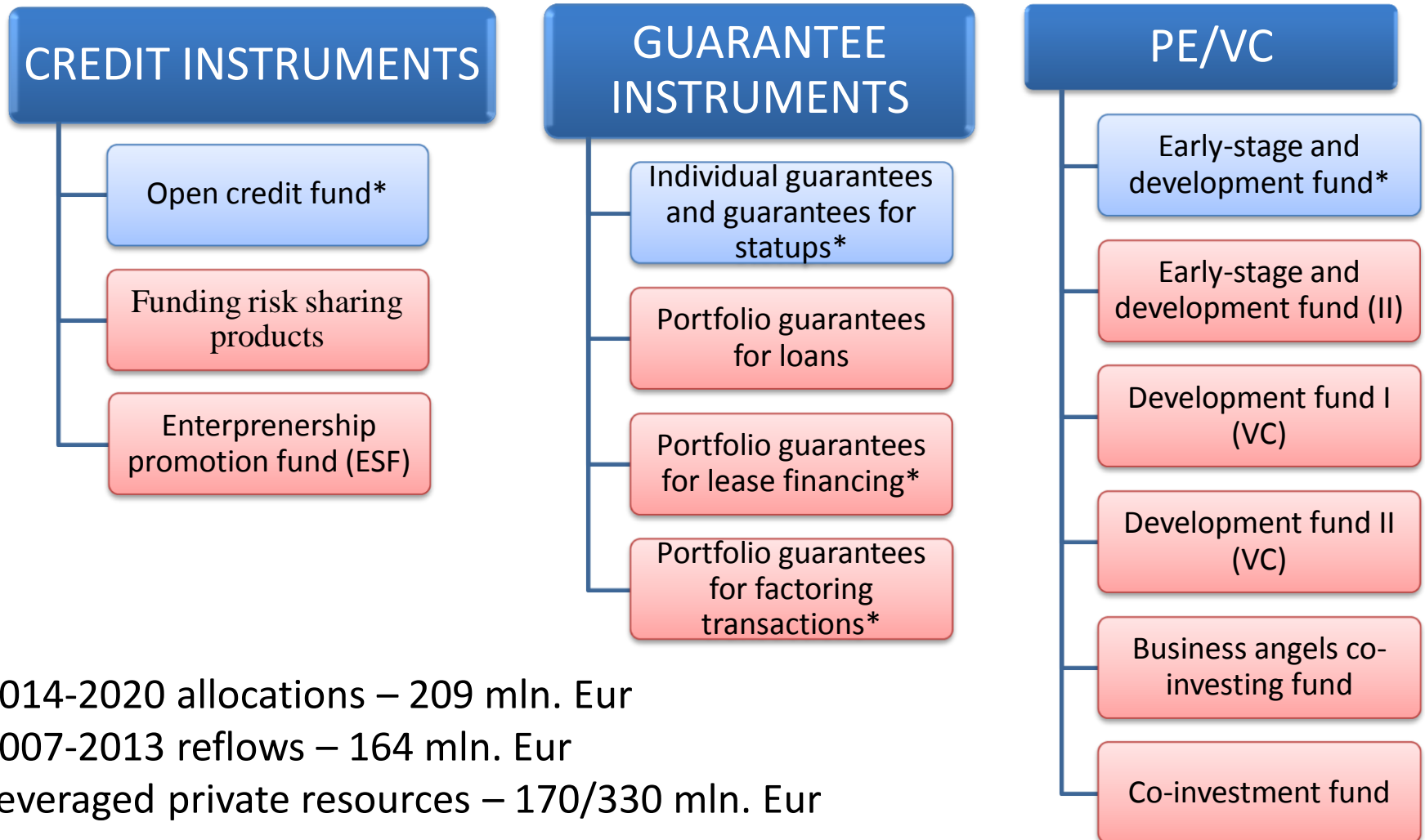


Source of the assessment

- Information gathering:
 - Demand analysis – survey on SME's access to finance and investments planned
 - Supply analysis – interviews of financial market institutions on the availability and terms for financing
 - Analysis of recent studies for SME environment/ governmental support for SMEs.
- Market failure – **645 mln. EUR** in 2016–2023 or **80 mln. EUR** per year.
- Factors limiting access to finance and lessons learned:
 - little knowledge of the alternative financing methods;
 - strict financing requirements;
 - lack of collateral;
 - exclusion of newly established enterprises – need for special attention to early -stage companies to promote development
 - too small VC market, too low amount of single VC investments to a single company;
 - limitations of Basel III requirements;
 - legal regulatory failures, etc.



Proposed Investment Strategy



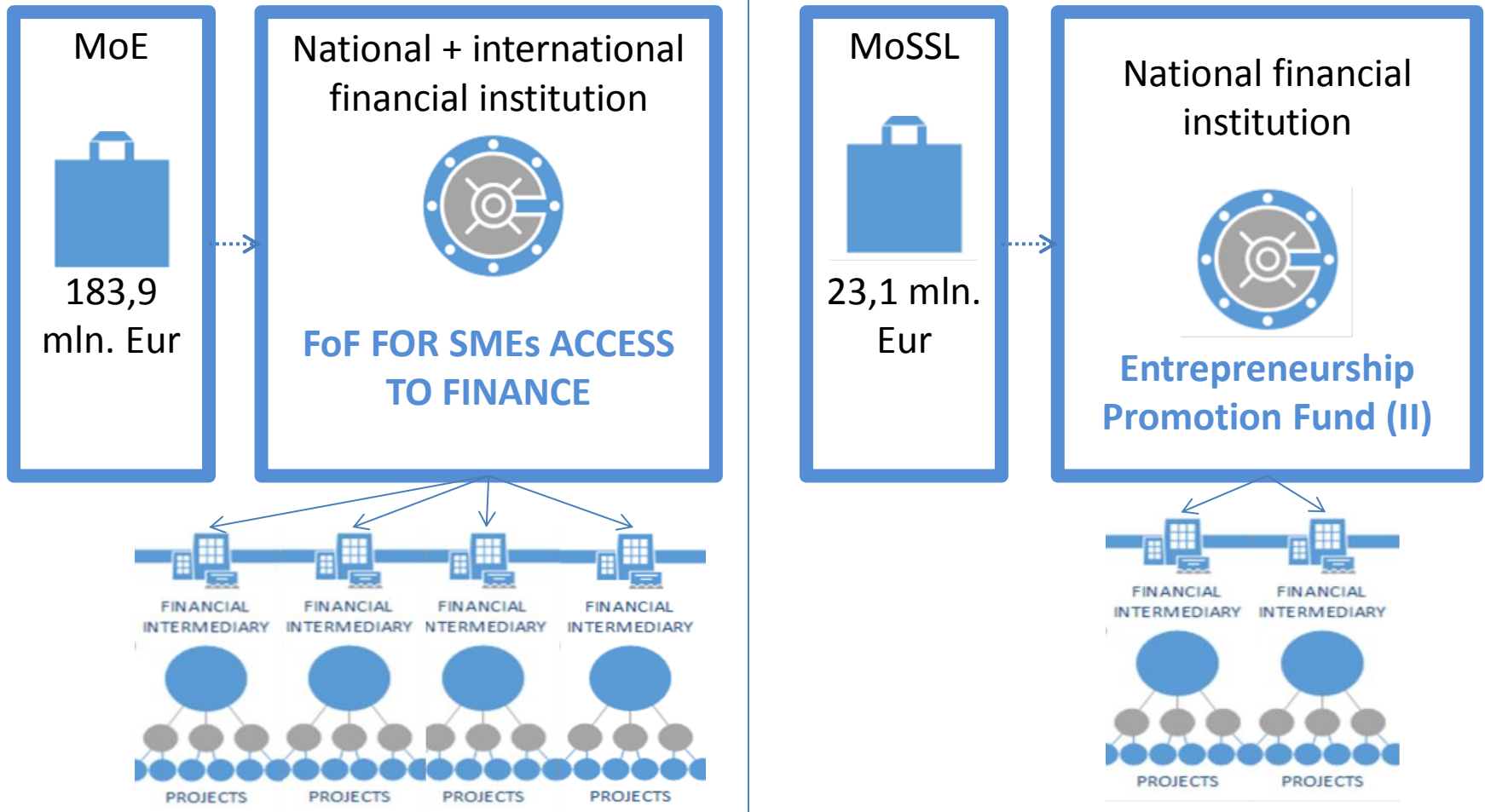
2014-2020 allocations – 209 mln. Eur

2007-2013 reflows – 164 mln. Eur

Leveraged private resources – 170/330 mln. Eur


*to be co-financed from 2007-2013 reflows

Fund of Funds for SMEs financing





Ex-ante assessment on Energy Efficiency:

- Carried out by –  in cooperation with EIB, MoFinance, MoEconomy, MoEnvironment
- Individual meetings and ongoing communication with the relevant public stakeholders (ministries, government office, municipalities, corporates)
- In accordance with EC ex ante methodology
- Start – June 2014, end date – Nov 2014
- Presented to the MC and the Government



Energy efficiency ex ante assessment

Sector analyzed	Identified market gap, million euro	Proposed financial product
Multi-apartment buildings	964,7	Preferential loan + 15 % interest rate subsidy + 15 % of State support Possibility to attract private investments through establishment of risk sharing fund
Public buildings owned by central government	66,9	ESCO model Preferential loan + up to 20 % interest rate and technical support subsidy Possibility to sell future cash flows to the private investment fund
Street lighting	50,5	ESCO model Guarantee scheme Possibility to sell future cash flows to the private investment fund
Public buildings owned by municipalities	146,8	TBC by April, 2015



Results to be achieved by 2023

Sector analyzed	EU SF and national contribution, million euro	Results
Multi-apartment buildings	281,3	655,4 mln. euro of private resources attracted 4473 buildings of 5757 th. M ² renovated 40 proc. of energy savings (672,458 MWh)
Public buildings owned by central government	65	74 mln. euro of private resources attracted 546 buildings of 615 th. M ² renovated 40 proc. of energy savings (164, 062 MWh)
Street lighting	14,5	40,9 mln. euro of private resources attracted 57 th. street lightning elements modernized Energy savings of 29, 250 MWh
Public buildings owned by municipalities	TBC	



Fund of funds for multi-apartment renovation

2007-2013

MoEn / MoF
2007-2013 JESSICA



EIB



Financial
intermediaries



2015-2016

MoEn / MoF
2014-2020
TRANSITIONAL
INSTRUMENTS



Managers of financial
instruments



Financial
intermediaries



2016-2020

Fund of funds – Legal entity

First loss capital

Funds of investors

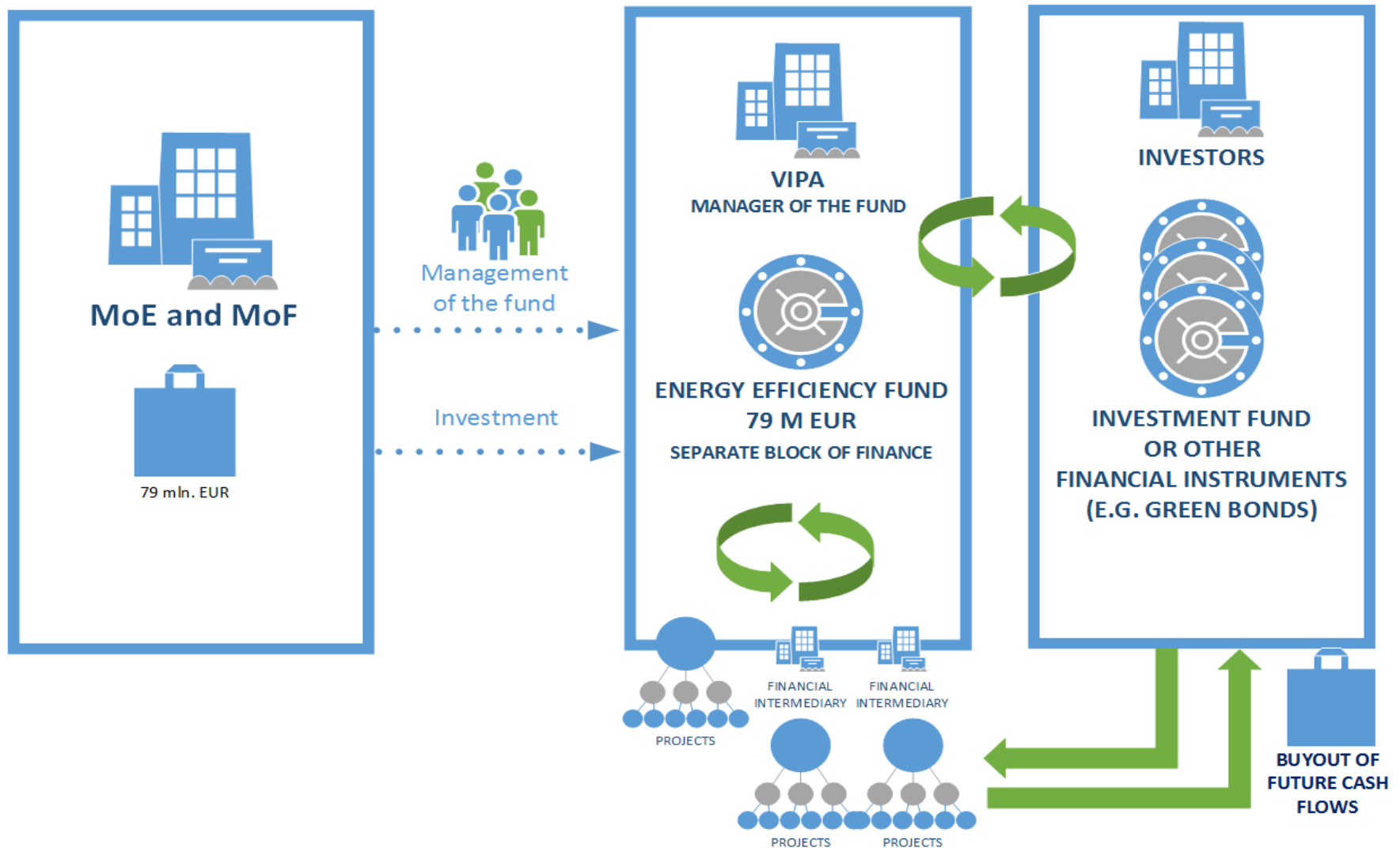
Fund manager

Investors:
Pension funds,
banks

PROJECTS



Fund of Funds for energy efficiency





Ex-ante Assessment on Public Infrastructure:

- Ex ante assessment is being carried on by:



- In cooperation with line ministries
- In accordance with EC ex ante methodology
- Start – June 2014, 1st stage of ex-ante assessment covering the analysis of market failures and suboptimal investment situations was conducted.



Preliminary results of the ex-ante assessment (1)

- The highest demand of investments was determined in transport, energy, water & wastewater, culture, education and health infrastructure.
- The highest investment potential for FI is in the sectors which generate revenue from the tariffs: energy, water, waste management, transport.



Preliminary results of the ex-ante assessment (2)

Analyzed area	Roughly identified market gap, million euro	Comment regarding further analysis of FI
Renewable energy	760	High potential for FI establishment. FI to be further assessed in this area.
Water supply, wastewater treatment	1 970	To be further assessed, but limited number of financially viable projects (need for enlargement of water supply markets).
Solid waste	45	Basic infrastructure already established. Require additional analysis of FI potencial
Regional roads, public transport	85	Limited number of financially viable projects.



Preliminary results of the ex-ante assessment (3)

- Due to a limited number of potentially viable projects and companies in sectors where the companies are municipally owned, it is suggested to design the single financial instrument for urban and territorial development covering the multi-thematic objectives and investing EUR 20-50 million of the ESI funds partially from the OP priorities 4,5,6, and 7.
- It could be established in 2017-2019.



Thank you

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