



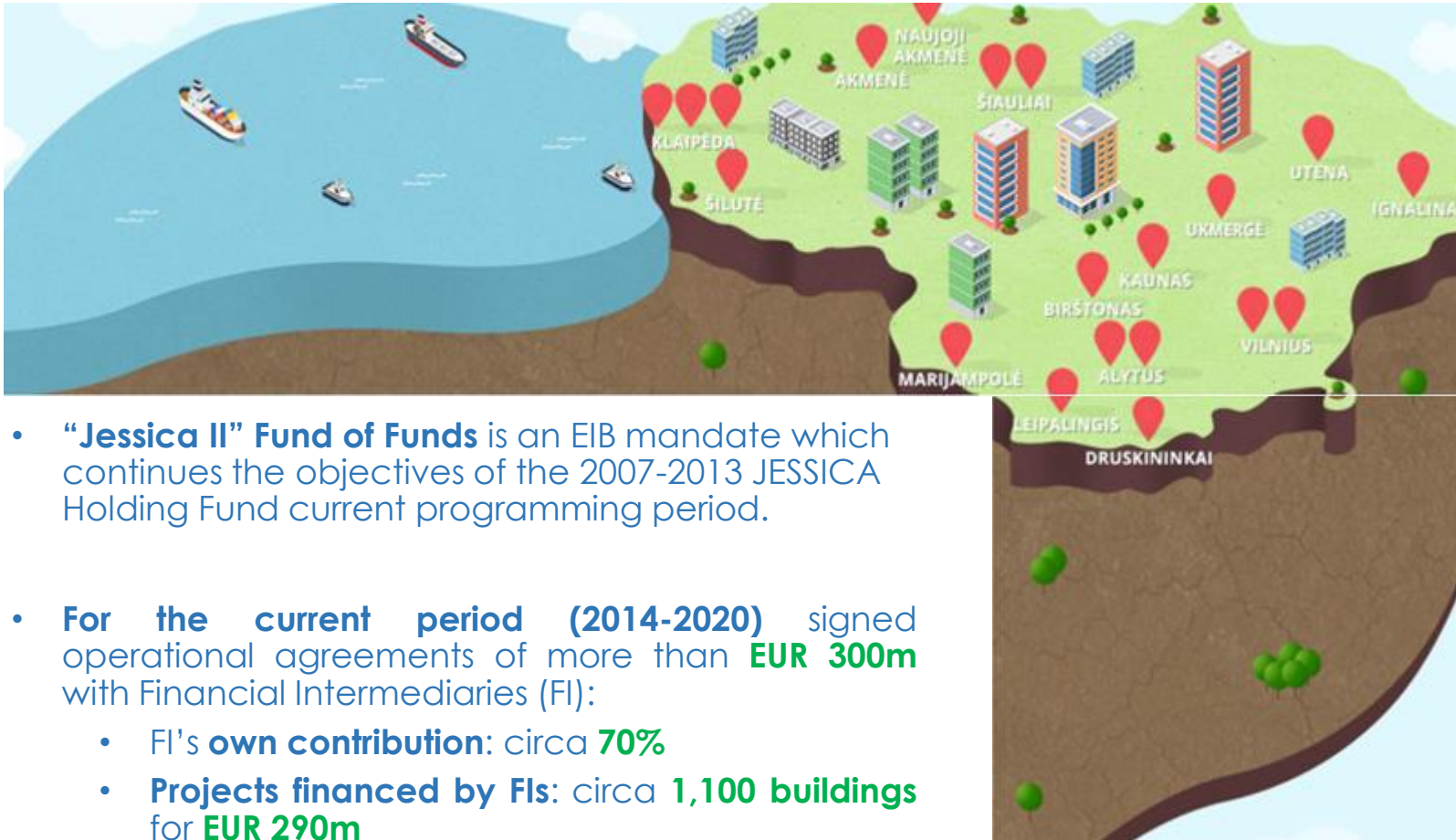
## The Case of Jessica II Financial Instruments in Lithuania

**Junona Bumelytė**, Funds Officer, European Investment Bank and **Mindaugas Rudys**, Director of Department for Development of Financial Services, Šiaulių Bankas, Lithuania

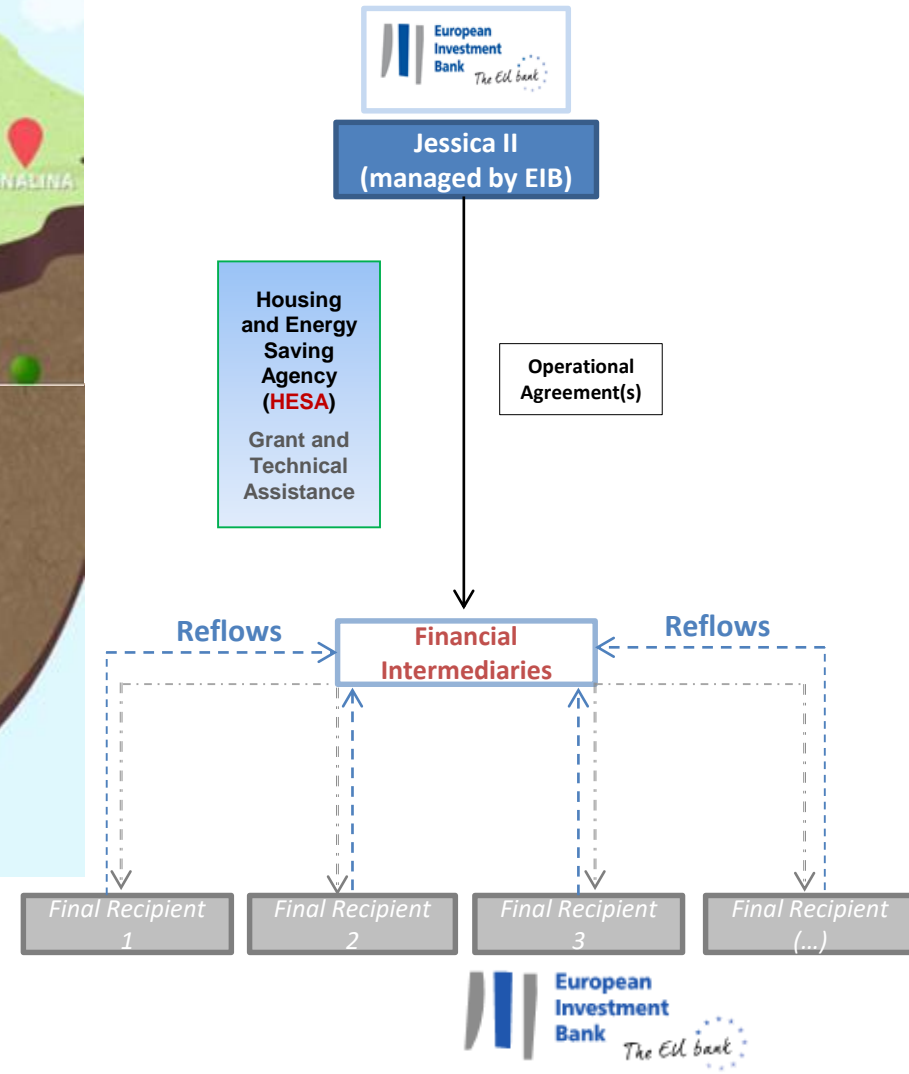
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# Financial Instruments in LT



- **“Jessica II” Fund of Funds** is an EIB mandate which continues the objectives of the 2007-2013 JESSICA Holding Fund current programming period.
- For the current period (2014-2020) signed operational agreements of more than **EUR 300m** with Financial Intermediaries (FI):
  - FI's **own contribution**: circa **70%**
  - **Projects financed by FIs**: circa **1,100 buildings** for **EUR 290m**
  - **Disbursement**: circa **80%**



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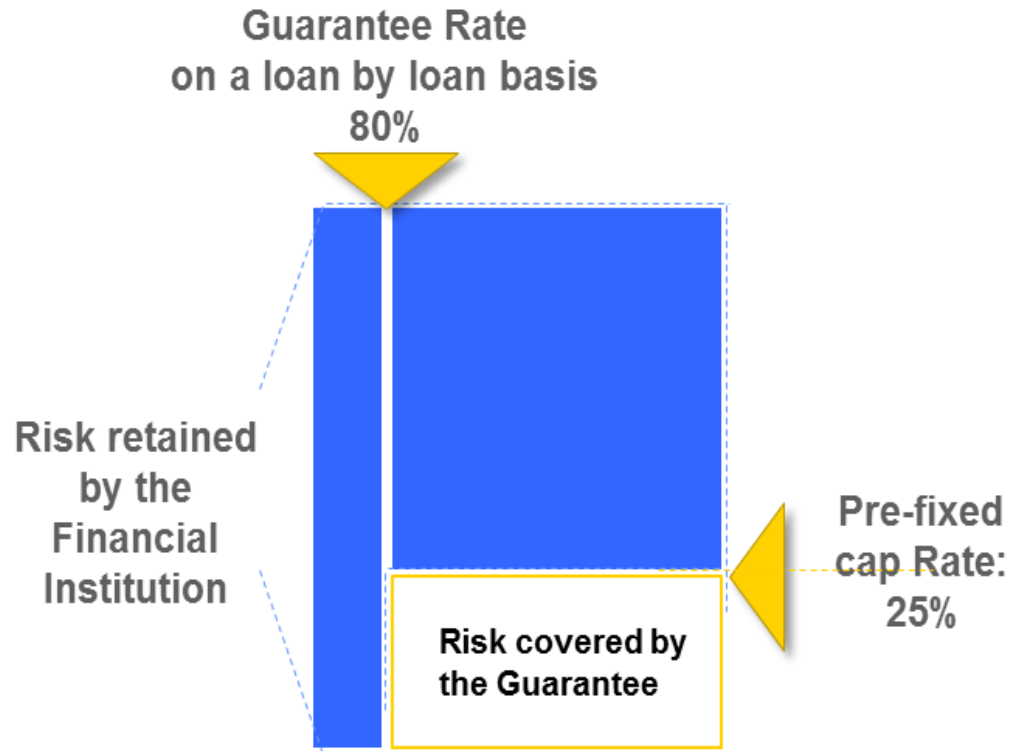




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# Next step: Leveraging more private investment

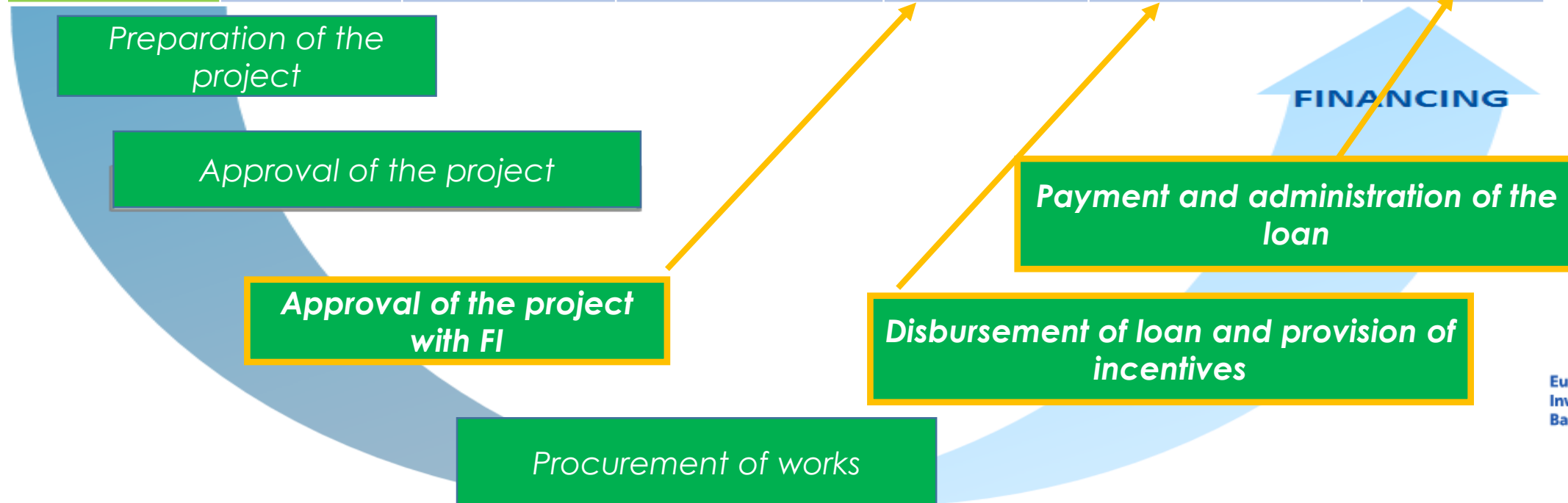


- Major step towards leveraging more private sector investment, to meet the massive investment needs.
- **EUR 100m** (ESIF and reflows) portfolio guarantee is expected to mobilise **EUR 500m** from private banking sector resources.
- Investment gap foreseen of over **EUR 1bn**.
- Negotiations with selected Financial Intermediaries ongoing.
- May attract contribution from EIB (under EFSI), when Omnibus approved, for further leverage.

# Implementation cycle: Role of FI



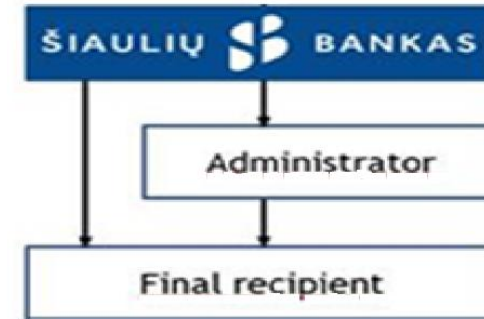
Cycle stage	Preparation of the project	Approval of the project	Approval of project with FI	Procurement of works	Disbursement of the loan and provision of incentives	Payment and administration of the loan
Steps	<ul style="list-style-type: none"> <li>Initiation</li> <li>Preparation</li> <li>Public discussions</li> </ul>	<ul style="list-style-type: none"> <li>Approval of IP with HESA</li> <li>Approval of IP in a meeting</li> <li>Info about <b>State aid</b></li> </ul>	<ul style="list-style-type: none"> <li>Presentation of the application to the FI</li> <li>Project evaluation</li> <li>Preliminary approval of FI</li> </ul>	<ul style="list-style-type: none"> <li>Procurement of construction works</li> </ul>	<ul style="list-style-type: none"> <li>Signature of loans agreement with FI</li> <li>Construction works</li> <li>Finish of the project</li> <li>Approval from HESA to get incentives</li> </ul>	<ul style="list-style-type: none"> <li>Payment of the loan and interest</li> </ul>



## Terms of loans from FIs



- Maximum credit maturity - **20 years**
- Credit currency - Euro
- Fixed credit annual interest rate - **3 % p.a.**
- Grace period for credit repayment - **up to 30 months**
- Initial contribution from final recipient - **not required**
- Credit administration fees – **none**
- Collateral/mortgage requirements – **none**



- Consent of the owners must be endorsed by **50% + 1 vote**.
- Bank applies a requirement to receive consent of **not less than 55%**
- The number of flat owners that are past due with their obligations exceeding **EUR 170** for more than **60 days** to at least one company rendering utility services or to the manager of the premises should be **less than 10%** of all the apartment/premises' owners.

# Disbursement of loan and provision of grant component



- Following procurement of works, the building Administrator signs a **loan agreement** with FI
- One loan agreement is signed for **one multi-apartment building**
- FI **opens an account** in the name of the building Administrator (on behalf of or for the need of multiple apartment owners)
- **Disbursement** of the loan follows monthly invoices for construction works
- To properly finalise the constructions works, the **Delivery and Acceptance act** is being signed by different responsible institutions
- HESA approves **finalisation of the construction works** (following approved EE certificates) and informs FI
- HESA **disburses state support** (grant) to the FI
- FI **recalculates the monthly instalment** depending on the amount of the grant and informs the building Administrator about the reduced monthly payment



# Payment and administration of the loan



- **Payment of the loan and interest** – once a month
- Building administrator **responsible for collecting monies from apartment owners and making repayments on the loan from the FI**
- The apartment owner **can prepay (its portion of) the loan at any time** (with no prepayment fee)
- **Recovery procedures** are being performed by the building administrator and then by a third party, if necessary, at a later stage





## State aid: *de minimis* aid



### **Commission Regulation (EU) No 1407/2013 of 18 December 2013 on the application of Articles 107 and 108 of the Treaty on the Functioning of the European Union to *de minimis* aid:**

*“The total amount of de minimis aid granted per Member State to a single undertaking shall not exceed EUR 200,000 over any period of three fiscal years.”*



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# Final Beneficiaries and registration of aid



## Who are the Final Beneficiaries?

- Final beneficiaries may be:
  - Home owner, i.e. **natural person**;
  - Home owner, i.e. **natural person undertaking economic activity** in its apartment(s) at the time a preferential loan is granted;
  - **Legal entity** (hair dress salon, dentist office, etc.).

## Which institution registers *de minimis* aid?

- It was agreed with the Ministry of Environment (responsible Ministry) to assign **HESA** functions of the provider of *de minimis* aid set forth in the Regulations of the Register of State Aid Awarded approved under the national legislation.



# Key steps and role of FI



The owners of apartments and other premises in a multi-apartment building inform the building administrator of any economic activity



The building administrator then applies to HESA requesting to issue a certificate on the scope of possible *de minimis* aid



Upon receipt of the application, HESA calculates and evaluates whether the total amount of *de minimis* aid provided does not exceed the limits established in the Regulations



The building administrator of commonly used premises submits the certificate issued by HESA to the financial intermediary



Following the conclusion or decision on the loan agreement, the financial intermediary notifies HESA



HESA provides details to the Register of State Aid of granted *de minimis* aid





financial instruments  
added value **ERDF** funding agreement revolving capacity building  
governance **ESF** EU guidance  
technical support seminars leverage financial intermediaries microfinance  
co-financing case studies  
investments **ESIF** fi-compass final recipients  
business plan **Thank you** thematic objectives  
advisory services guarantees banks loans **CF** equity  
private investors life cycle combination of support  
**EAFRD** conferences factsheets  
fund of funds **EMFF** investment strategy  
managing authorities manuals