

September Workshop – Scale up

26 September 2024 - Combined Energy Efficiency FI for public sector building

1st Session: What are the specificities/challenges of a combined FI for public sector buildings? - Lithuania

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What are the specificities / challenges of a combined FI for public sector buildings?

Lithuania

Presenter: Vaidas Dakтариunas, Investments for the Lithuanian Economy (ILTE).

Presentation: “Combined FI for public sector buildings”:

- Overview of a direct loan FI for public buildings modernisation, as part of the Energy Efficiency Fund during the 2014-2020 and 2021-2027 periods.
- Presentation of the FI scheme with terms, challenges and corrective measures.

Note: The answers are provided by the Presenters.

Q: Grant combination: Two operations or single operation?

A: It's two operations, one for the grant (up to 70%) and another for the combined loan (over 30%) and technical assistance (up to 30%). The two operations are managed by two institutions.

Q: Investment amount (€18.9 million) – only the loan part or also the grants (70%)?

A: Only the loan part.

Q: Why are banks reluctant to lend to these entities? If they are state owned or public, it shouldn't be too problematic for them.

A: I'm not sure about the risk, but the administrative burden can be high and requirements for the financial instruments are quite difficult, e.g. Do No Significant Harm (DNSH). Also, the amounts can be too small for them. The ex-ante suggested consolidating projects (into a pool) – however, this is difficult to implement for ILTE (ex Invega) though banks could help with this process.

Q: Who are the owners of these buildings? Because some institutions cannot borrow, e.g. ministries.

A: Budgetary institutions are not in the scope. They also rely heavily on grants.



Q: How did you manage to coordinate the different steps and how do the two flows of money reconcile at the end of the day?

A: First, the client needs to submit two applications: to ILTE for a loan and to the Central Project Management Agency (CPMA) for the grant. CPMA evaluates the grant application as a first check, sending this information to ILTE who evaluate the loan and the associated risk. Then ILTE decides if they can offer the loan and the final decision about the grant is taken. If ILTE rejects the project, the grant cannot be provided.

To summarise, there is an open call for applicants to apply to CPMA for grant support, if the eligibility is okay then ILTE assesses the financial viability of the project and CPMA relies on this to provide the grant.

It would be better to have everything in one organisation but based on the situation we find ways to provide this financing to the market.

Q: In terms of payments, your FIs can step in earlier because you don't need the work to be done to pay, so you prefinance part of it and the grant comes in afterwards?

A: No, grant and loan go together. When some part of works is finished the client claims for the payments and one payment is from the subsidy and another is a loan. So, it's not after the project, it is step by step, like most construction projects.

Q: What are the key success factors to convince the public sector about FIs?

A: Marketing and good examples from pilot projects in peer-to-peer communication e.g. success for one municipality might inspire another. There needs to be marketing and informational efforts because municipalities rely heavily on grants.

Q: In Portugal, municipalities go to commercial banks and are considered good clients. Particularly for street lighting, they could repay loans from savings. Why is it different for municipalities in LT?

A: It depends on the market prices for electricity and so on. For businesses, an ESCO model would be attractive but it's hard to implement also because we don't have big companies which can take on liabilities for 20 years. One solution could be to give capital to such companies to make them stronger in the market.



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