Experience of Lithuania in financing multi-apartment housing refurbishment

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Outline

• Background situation
• Financial mechanism
• Process
• Promotion and communication
• Results
Background. Housing situation in Lithuania

- population <3,19 mln.;
- > 66 % of population lives in multi-apartment buildings built between 1961-1990;
- 97 % private ownership, 3% social housing;

<table>
<thead>
<tr>
<th>Year</th>
<th>Urban inhabitants</th>
<th>Rural inhabitants</th>
<th>Year</th>
</tr>
</thead>
<tbody>
<tr>
<td>1910</td>
<td>14,5%</td>
<td>85,50%</td>
<td>1910</td>
</tr>
<tr>
<td>1914</td>
<td>23%</td>
<td>77%</td>
<td>1914</td>
</tr>
<tr>
<td>1945</td>
<td>15%</td>
<td>85%</td>
<td>1945</td>
</tr>
<tr>
<td>2007</td>
<td>66,7%</td>
<td>33,3%</td>
<td>2007</td>
</tr>
</tbody>
</table>

© Department of Statistics to the Government of the Republic of Lithuania (Statistics Lithuania), 2005.
Main goals are:
Expand housing options for all social groups

Strengthen the capacity of the housing sector in the housing market

Ensure effective use of existing housing, maintenance, upgrading and modernization, including the rational use of energy resources

Approved in 2004 by Lithuanian Government

English version available on the internet site www.am.lt
Attempts to modernise Multi-apartment buildings

- Attempts to launch modernisation of apartment blocks in early 90’s were rejected
- World Bank Project in 1996-2004
- Subsidised renovation programme launched in 2006; this Programme ran out of money in late 2007
- Decision to launch a “win-win” scheme using JESSICA in early 2009
- Initiative of the European Commission (DG REGIO) which was launched at the beginning of 2006 and is supported by the EIB & CEB
Background. Approved legal acts

- The **Law on the State support** for the acquisition or rent of housing and for the modernization of multi family buildings of the Republic of Lithuania (latest amendment January, 2012);

- Resolution No. 1213 of the Government of the Republic of Lithuania regarding the Approval of the **Program for the refurbishment (modernisation) of multi-apartment buildings** (latest amendment December, 2011);

- **The Rules of State support** for the refurbishment (modernization) of multi-apartment buildings, approved by the Government of the Republic of Lithuania (latest amendment July, 2012);

- The Description of the **procedure for the preparation of modernisation projects** for multi family buildings, approved by Minister of Environment of the Republic of Lithuania (latest amendment July, 2012);

- The description of the **procedure for payment of credit and interest** taken for the renovation (modernization) of multi family buildings for low income families, approved by the Minister of Environment and the Minister of Social security and Labor of the Republic of Lithuania (February, 2012)
Background. Agreements signed

JESSICA Holding Fund

The contribution committed into the JESSICA Holding Fund is EUR 227 mln. (784 mln. Lt) and it consists of:
- European Regional Development fund (EUR 127 mln.)
- National funding (EUR 100 mln.)

EUR 149 mln. has been transferred from the EUR 227 million allocation.

EIB has to date disbursed to UDF’s:

6.000.000,00 € to Šiaulių bank (I JESSICA Call 2010);
6.000.000,00 € to Swedbank (I JESSICA Call 2011);
6.000.000,00 € to SEB bank (I JESSICA Call 2012);
10.000.000,00 € to Šiaulių bank (II JESSICA Call 2011);
20.000.000,00 € undergoing III JESSICA Call 2012.
Financial mechanism. JESSICA scheme

Ministries of Finance and of Environment
contribution of EUR 149m from Operational Programme:
« Promotion of Cohesion 2007-2013 »

JESSICA Holding Fund managed by EIB

Investment Committee

Urban Development Funds
Lithuanian banks:
Šiaulių Bankas
Swedbank
SEB

Contingent loans

Modernisation Loans

PROJECTS:
Eligible energy efficiency projects in multi-apartment buildings

BORROWERS:
Individual owners of apartments in multi-apartment buildings / administrators of commonly used premises of multi-apartment buildings

HUDA
Technical assistance

Repayments
## Financial mechanism. JESSICA scheme

<table>
<thead>
<tr>
<th>Support elements</th>
<th>100% grant* to prepare renovation documentation</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>15% loan rebate for where minimum energy efficiency level is met (class “D” level, 20% reduction) + 15% grant from CCP (40% reduction)</td>
</tr>
<tr>
<td></td>
<td>Exceptional 100% subsidy on all expenses for low-income persons</td>
</tr>
<tr>
<td>Maturity</td>
<td>up to 20 years</td>
</tr>
<tr>
<td>Interest rate</td>
<td>fixed for entire loan period at 3% p.a.</td>
</tr>
<tr>
<td>Self-financing</td>
<td>bank may require a down payment (not more than 5%)</td>
</tr>
<tr>
<td>Maximum monthly instalment</td>
<td>determined for each multi-apartment building</td>
</tr>
<tr>
<td>Insurance</td>
<td>no loan insurance requirements</td>
</tr>
<tr>
<td>Guarantees</td>
<td>no third party guarantee requirements</td>
</tr>
<tr>
<td>Grace period</td>
<td>2 years, during construction</td>
</tr>
</tbody>
</table>

*Until 31/12/2013 after which the grant will be 50%
Financial mechanism.
Investments for the modernisation - 100%

- Home owners funds approx. 5%
- Soft loans with 3% interest rate ~ 65%
- State support for implement-ed energy efficient measures 15%
- State support via Climate Change Program 15%
Financial mechanism. Participants

- Apartment owners
- Housing and Urban Development Agency
- Housing administration companies
- European Investment Bank (EIB)
- Municipalities
- Commercial banks (3 selected banks)
- Engineering consultant companies
- Contractors
- Etc.
Financial mechanism. Process

- Preliminary proposal
- EC before refurbishment
- Investment plan
- Technical supervision
- Technical project
- Contractor works
- State support
- EC after refurbishment
- Preliminary proposal
Process. State of play, October 2012

• Decision to participate 328 out of which - approved 197 Investment Plans (IP);

• Total planned investments (out of approved 197 IP) – 160 million Lt (EUR 46.4 million);

• 72 approved applications for credits:
  – JESSICA I: 35
    Credit value – 17.2 million Lt (4.9 million Eur)
  – JESSICA II: 37
    Credit value – 9.7 million Lt (2.8 million Eur)
Interest in participation of a new energy efficient refurbishment model under JESSICA

- Vilnius: 71
- Kaunas: 57
- Klaipėda: 49
- Šiauliai: 32
- Panevėžys: 36
- Alytus: 23
- Tauragė: 16
- Utena: 9
- Telšiai: 10
- Marijampolė: 9

**Legend:**
- Blue: Decisions to take part in JESSICA programme
- Red: Number of Investment Plans, approved by HUDA
The communication is being planned and implemented taking into account key influential aspects, such as:
1) Season;
2) Political, social and economic events in the country;
3) Course of the processes;
4) Real action plan
Promotion and communication. PR campaign
Vaišvilos g. 9, Plungė
5 floors, 50 apartments.
Built in 1978.
Total heated area – 2 590,16 m²

Implemented measures:
Heating and hot water system upgrading; replacement of windows and exterior doors; roof insulation; wall insulation; basement ceiling insulation; insulation of base; drinking water pipelines and equipment replacement; repair works of sewage system; floor insulation on the ground; electrical wiring repair works; stairwell repair works

Investments – 385.319,16 EUR
Results and Monitoring

Completion date – September 20, 2011

Energy efficiency class (according to Energy Performance Certification classification) before refurbishment (modernisation) – E, planned value – C, Achieved value – B;

Energy consumption before modernisation - 293,94 kWh/kv.m

Energy consumption after modernisation - 121,01 kWh/kv.m

Energy savings - 58,83 (%)
Benefits of JESSICA in Lithuania

- Energy efficiency programme designed with the support of both grants and financial engineering instruments – excellent scheme to be replicated by Lithuania in future programming period
- Assistance and experience of European Investment Bank as a JESSICA Holding Fund manager in establishing and developing JESSICA financial product
- Recycling ability via repayable investment
- Mobilisation of the country’s financial and construction sectors
- Large scale national programme with a potential to become an important stimulus for the economy
Thank you for your attention!