

Annual Post-Issuance Report 2019



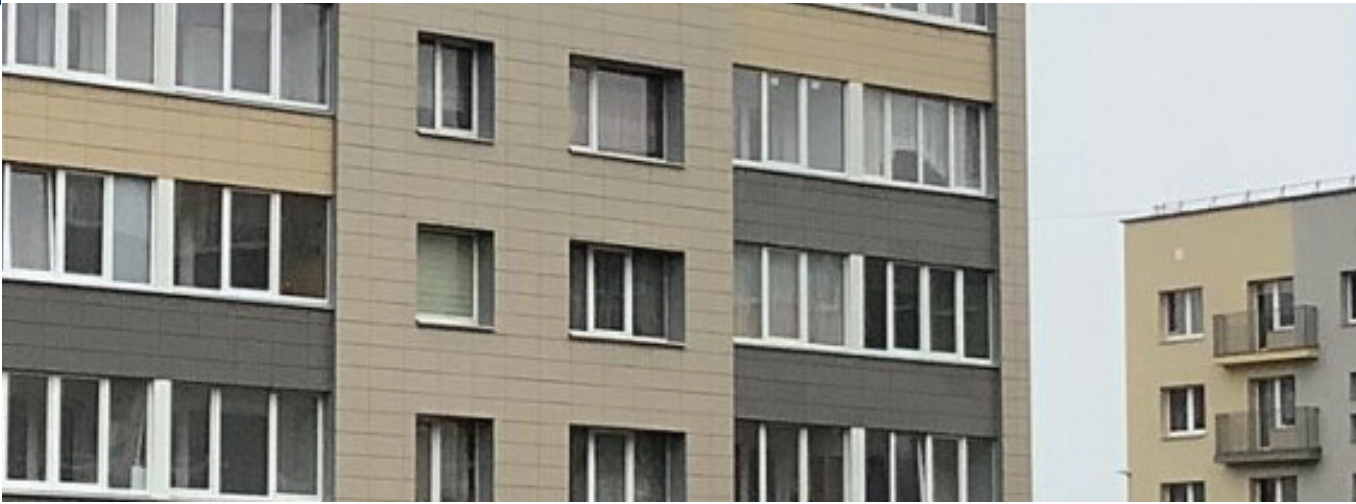
MINISTRY OF FINANCE
of the Republic of Lithuania



INTRODUCTION

In April 2018, the Government of Lithuania issued its first 10-year 1.2% Green Bond LT0000610305 through the domestic auction. The first tranche of the Green Bond amounting to EUR 20 million serves as one of a variety of financing sources along with Operational Programme for the European Union funds investment in 2014–2020 of the Republic of Lithuania and international financial institutions cover the financing gap for multi-apartment building upgrades and achieve broad national objectives for energy efficiency. There are plans to tap this issue once or twice in 2020 in order to raise through this financial instrument EUR 68mn in total.

This report is the annual report for 2019 in accordance with Lithuanian Green Bond Framework. The reporting is based on the World Bank Guide for Public Sector Issuers 'Green Bond Proceeds Management & Reporting' published in 2018.



GOVERNANCE AND PROJECT SELECTION

Green bond issuance and oversight is supported by a multi-layered organizational framework that involves:

- **Ministry of Finance**, which issued the green bond, initially received proceeds and subsequently on-lent them to VIPA.
- **Public Investment Development Agency (VIPA)**, a Lithuanian National Promotional Institution with the goals of financing and promoting sustainable development. VIPA received the green bond proceeds through an on-lending process authorized by government Resolution No. 341 that was adopted on April 9, 2018. VIPA is responsible for eligible green project selection and oversight and subsequent on-lending of the borrowed funds to multi-apartment buildings' communities, i.e. project administrators. The 'eligible projects' mean the soviet-era multi-apartment modernization projects which would achieve at least 40 percent of energy savings after modernization. VIPA carries out financial, reputational and management capacity risk assessments of project administrators, and on a selective basis performs administrative audits on sites.
- **Housing Energy Efficiency Agency (BETA)**, which is an independent agency under the Ministry of Environment, is responsible for implementation and administration of the eligible green bond projects. BETA performs technical project evaluation, including energy efficiency savings performed by accredited entities. BETA also performs planned and unplanned site inspections to check the compliance of performed activities with the requirements of multi-apartment building modernisation programme.
- **Ministry of Environment**, which is responsible for general supervision, coordination and strategic planning related to the green bond projects.
- **State Territorial Planning and Construction Inspectorate**, an independent agency under the Ministry of Environment, performs planned and unplanned site inspections to check the compliance of performed activities with the requirements of technical regulations and other national legislation.
- **State Labour Inspectorate**, an independent agency under the Ministry of Social Security and Labour, conducts planned and unplanned site inspections to evaluate the compliance with occupational health and safety requirements.

The Government has decided to allocate the green bond proceeds to the selected eligible projects with the intention of addressing increasing fuel consumption, energy demand and greenhouse gas emissions by modernizing multi-apartment buildings and raising public awareness of the energy performance of buildings and energy savings. These upgrades primarily align with the energy efficiency and green buildings categories of the Green Bond Principles.

BETA is assessing and prioritizing a list of projects received funding from the Green Bond proceeds. Each year the list of around 500 new projects is identified, with details provided as to their location, amount of project upgrade and expected energy class achieved or to be achieved.

VIPA has already evaluated and issued conditional obligation letters to finance projects for the amount exceeding EUR 68 million. As soon as specified conditions are met (e.g. procurement is completed), VIPA signs loan agreements and allocates green bond proceeds to the energy efficiency projects in multi-apartment buildings. Green bond proceeds are allocated to these projects on a first-come, first-served basis.

Total disbursement for eligible projects during 2018-2019 is provided in Figure 1.

Figure 1. DISBURSEMENT/EXPENDITURE FOR ELIGIBLE PROJECTS (FIGURES IN THOUSANDS EUR) IN 2018-2019

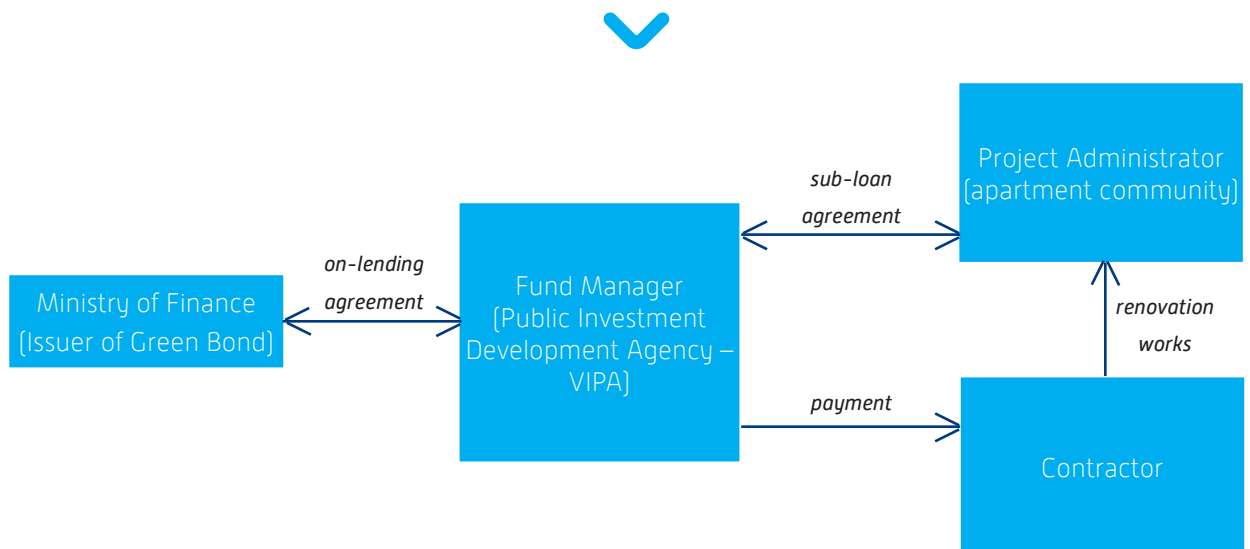
Project Name	Energy efficiency (renovation) projects of multi-apartment buildings
Approved Amount	20,000
Actual Disbursements 2018	
Q2	0
Q3	0
Q4	0
Total 2018	0
Actual Disbursements 2019	
Q1	0
Q2	0
Q3	1,401
Q4	7,952
Total 2019	9,353



USE OF PROCEEDS

A scheme for the use of green bond proceeds is shown below:

Interconnection between main participants



As a result of the aforementioned scheme, VIPA has got the 10-year loan from the Ministry of Finance, while a project administrator can get a 20-year sub-loan for renovation.

Proceeds from the green bond were on-lent to VIPA, which subsequently opened a separate account to manage the proceeds. The separate green bond account is used to receive the net proceeds, disburse payments to the contractors implementing the eligible projects, issue other payments related to the eligible projects and receive loan payments from the end borrowers. Proceeds held in the dedicated green bond account are managed in accordance with VIPA's normal accounting policies which govern all aspects of the proceeds management and accounting processes. VIPA maintains an accounting system with an accounting code for all transactions relating to the distribution of green bond proceeds, allowing it to track green bond proceeds on a project-by-project basis. VIPA accounting policies also govern the list of eligible investments for green bond cash balances that have not yet been allocated to eligible projects, with eligible investments including:

- Government securities of the Republic of Lithuania
- Debt securities issued or guaranteed by foreign governments
- Term deposits with the Bank of Lithuania and commercial banks established in accordance with the procedure established by laws of the Republic of Lithuania or branches established by foreign banks in Lithuania
 - Time deposits with foreign commercial banks
 - Debt securities issued by Lithuanian or foreign commercial banks
 - Lithuanian and foreign investment funds, the portfolio of which does not include shares
 - Debt securities issued by international organizations

Quarterly flows and balances of funds on the VIPA account is presented in Figure 2.

Figure 2. GREEN BOND LEDGER ACCOUNT (IN THOUSANDS EUR) ON DECEMBER 31, 2019

	Credit	Debit	Balance
May 18th, 2018	20,000		
2018 Q2			20,000
2018 Q3			20,000
2018 Q4			20,000
2019 Q1			20,000
2019 Q2			20,000
2019 Q3		1,401	18,599
2019 Q4		7,952	10,647



IMPACT REPORTING

To monitor performance of the eligible projects, certain indicators have been selected as follows:

- energy performance of the buildings before and after modernisation;
- amount of greenhouse gases emitted into the atmosphere;
- number of modernised building, financed using the proceeds.

Below you can see a table with detailed information indicated (Figure 3).

Figure 3. FULL DETAILED IMPACT REPORTING (IN THOUSANDS EUR) ON DECEMBER 31, 2019

Name	Energy Efficiency
Eligible Amount in Thou EUR	20,000 (100%)
Allocated to Date in Thou EUR	9,353
% Disbursed	47%
Goals and Key Beneficiaries	Loans for energy efficiency (renovation) projects of the soviet era multi-apartment buildings
Project Lifetime (years)	20
Capacity or Coverage	49
Units	Multi-apartment buildings
Expected Production or Improvement from Baseline	12,700
Units	MWh
Emissions Reduced Tons of CO2 equiv.	0*
Progress to Date	0%*

* At the end of 2019, modernisation of 49 buildings was stated being financed using the green bond proceeds. Whereas, no projects were finished yet, thus 0 % of projects were fully implemented due to extended procedures and evaluation of the two other performance indicators can be made. The indicators (the energy performance of the buildings before and after modernisation and the emissions of greenhouse gases reduced) will be calculated after completion of the modernization of a building.



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