



Experiences with the national revolving fund in Estonia

Mirja Adler
KredEx

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Revolving fund

Lessons learned after 1 ½ year of implementation

Methods to involve and inform end beneficiaries
and other stakeholders

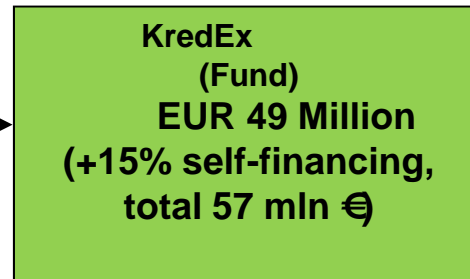
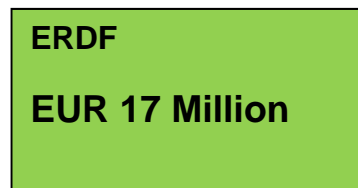
Innovative financing tools: combination of national
and municipal funding schemes

From grants to revolving fund – why?

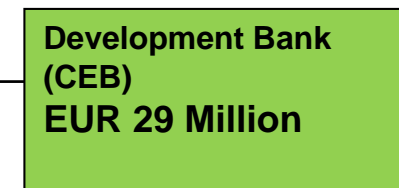
- Opportunity for re-usage of the funds
- Funds stay in state
- Support scheme (10% support) *versus* loan scheme (state support is even bigger)
- Loan is needed for reconstruction anyway
- Opportunity also to smaller buildings
- Easier to administer, lower administrative costs
- End-beneficiary is used to take loan
- Innovative scheme

Revolving fund

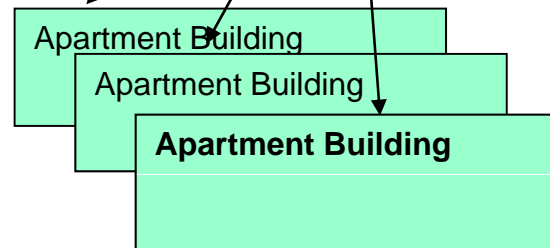
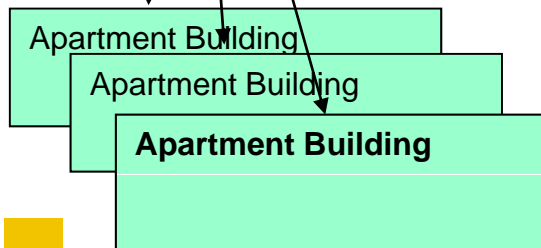
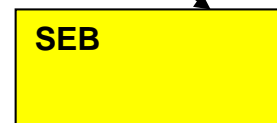
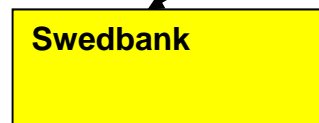
1. ERDF to equity of the fund



2. Additional funding up to 50% of total



3. Favorable funding to the commercial banks



4. Loan to the apartment associations. Commercial Bank takes the risk of the lenders

Steps to implement

- Terms of measure
- Approval from European Commission
- Tender for additional financing
- Tender for the banks
- Agreements with banks
 - Terms for buildings
 - Monthly reports
 - Terms for financing (tranches, interest, risk margin, auditing etc)
- “Work” with end-beneficiary

Credit from Fund to the Bank

- Credit to 2 banks
- Maturity: 20 years
- Annuity loan
- Maximum limit of risk margin for Banks
- Terms for credit to multi-apartment buildings
- Fixed interest rate for end-beneficiaries
- Bank is responsible for credit risk of multi-apartment buildings

Difficulties so far

- First time for KredEx to take a loan – lot of preparation and discussions, longer period as expected
- “Political” problems – European Commission sees Commission Regulation 1828/2006 differently from us (energy efficiency vs. criteria for accepted areas)
- Tendering conditions could not be fixed until CEB has made a loan decision – can be a problem

Problems to expect by preparing

- Difficulties with tendering – if local banks do not show the interest
- Loan decision for additional funding – if negative?
- Program – if EC or Ministry of Finance does not approve the program
- Matching cash flows – credit to fund holder and credits to banks. Important question for costs.
- Economical situation – possible that buildings will not take loans...

Problems during implementation in Estonia

- End-beneficiaries are still careful with taking the loan
- No actual opportunity to persuade end-beneficiaries, only raise awareness and motivate
- Many documents to prepare before loan application can be finalized
- Loan conditions are rather difficult
- Reporting to EU is burdensome
- Banks reporting is significant

Documents to prepare – can be varied from country to country

- Operational program – project has to be included
- Program name accepted by the Government
- Program confirmed by Minister
- Loan application
- Invitation to tender
- Agreement between fund and bank
- Decisions in different levels
- General provisions for building loan
- Forms for different reporting

Status quo

- Start 24.06.2009
- 25.02.2011:
225 contracts with multi-apartment buildings,
total 17,5 mln € (average 79 400 €, saving
33,4%)
- Expecting high interest in 2011 (spring) –
renovation grant (AAU financing) opened 30 th
September 2010



Information to market participants

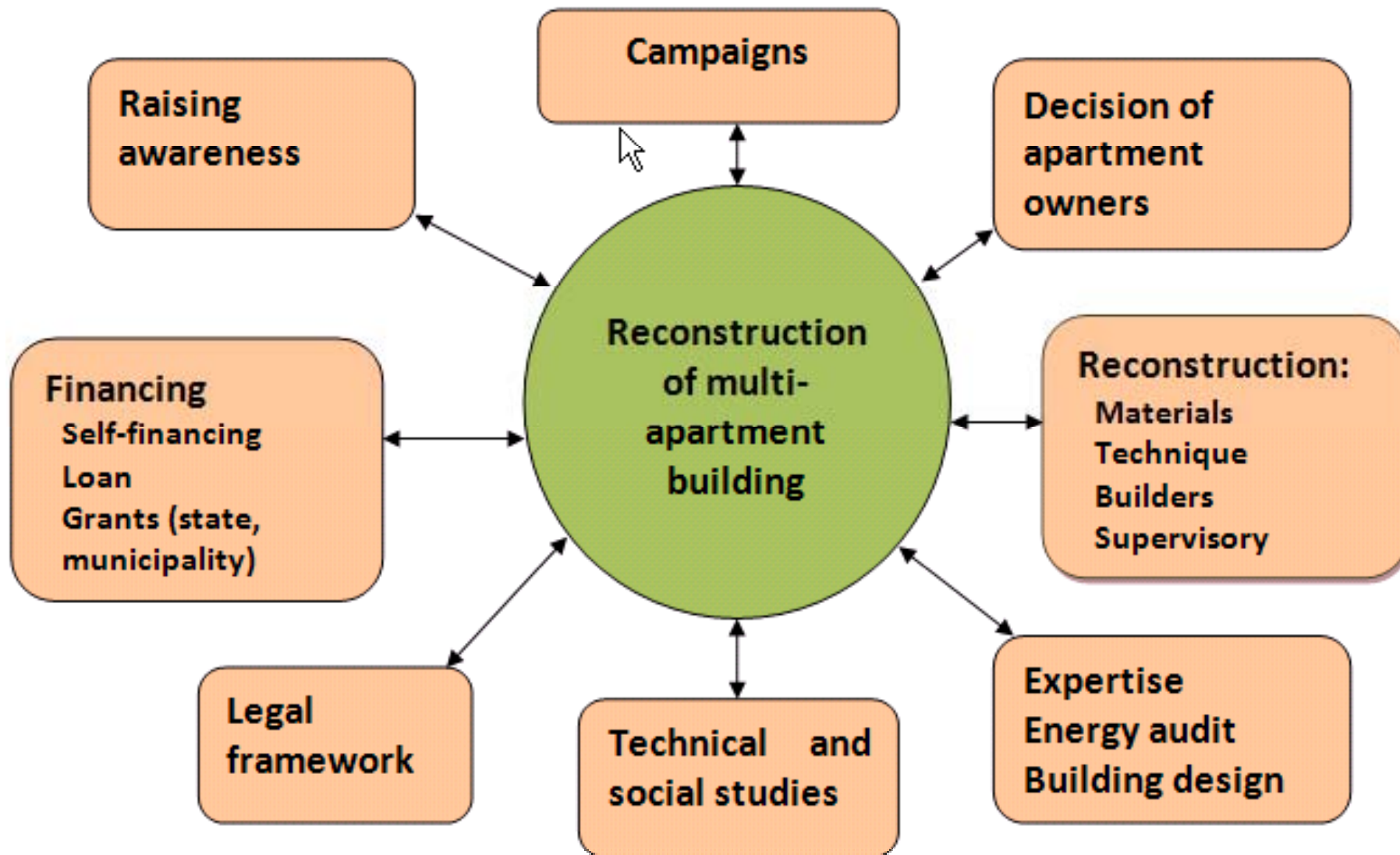
- Press-conference in public media
- Infodays/seminars/workshops - to end beneficiaries, builders, energy auditors, project designers, local municipalities
- Advertisements in newspapers/magazines
- Internet (website, banners, news, articles)
- Campaigns
- Direct mails
- Leaflets/booklets

Combination of national and municipal funding schemes

- Credit guarantee from KredEx – if needed
- State grant from KredEx for:
 - energy audit – 50%, max 700 €
 - technical inspection – 50%, max 700 €
 - building design documents - 50%, max 4 000 €
- Reconstruction grant from GIS up to 35%
- Tallinn city grant 10% for apartment buildings using renovation loan

Complex approach

- Legal framework
 - Decision making, financing, reconstruction
- Grant for seminars from 2003/6000 participants
- Campaigns about energy efficiency
- Energy auditors, supervisory
- Grant for energy audits, building design etc
- Grant for reconstruction works
- Technical studies
- Financial measures (loan, guarantee)



Conclusions

- Building reconstruction is unavoidable
- 2 years for preparations as a first country to implement revolving fund scheme in housing – long period
- Economical conditions have changed drastically during preparation, are getting better again
- Scheme has great future (low interest, high energy efficiency) – with grants best financial terms over history
- Complex approach - awareness raising, promotion, state and local support, legal and financial framework

Contact:

Credit and Export Guarantee
Fund KredEx

Mirja Adler

Hobujaama 4
10151 Tallinn, Estonia

Tel: +372 6 674 100
Fax: +372 6 674 101

E-mail: mirja.adler@kredex.ee
www.kredex.ee