



VIEŠŲJŲ INVESTICIJŲ PLĖTROS AGENTŪRA



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Financial instruments in Lithuania: **Transport infrastructure (roads)**

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CONTENT

- Primary results of ex ante assessment for transport
- Proposed financial products for road infrastructure
- Quantitative and qualitative assessment
- Other areas for potential FI application



RESULTS OF PUBLIC INFRASTRUCTURE EX ANTE ASSESSMENT - TRANSPORT

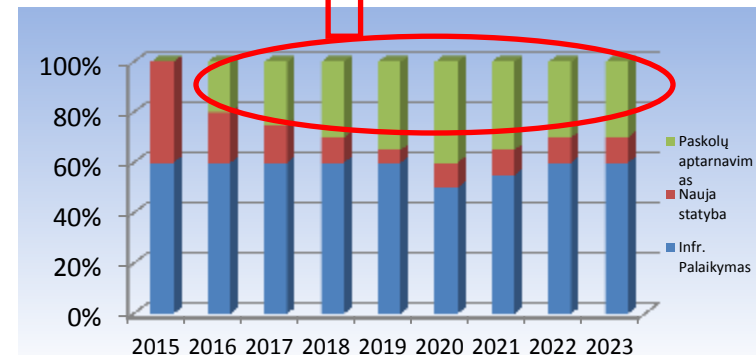
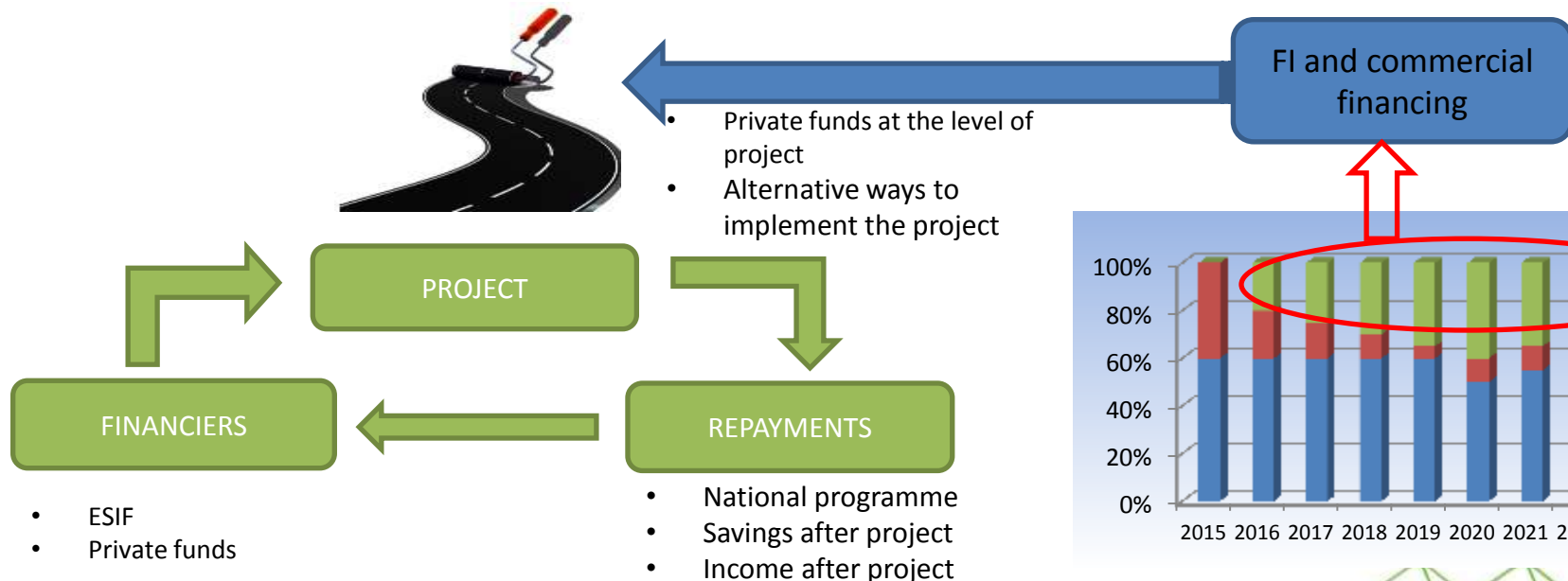
- Ex ante not finished – results are available only from the 1st part
 - Transport **sub-sectors analyzed**: road infrastructure, railways, airports, water transport infrastructure, public transport
 - The **investment gap** for transport sector during the period 2015-2020 was calculated **2.437 M EUR** (difference between investment demand and investment supply)
 - Out of which **562 M EUR** investment gap is calculated to occur in the **road infrastructure**
 - (suggestion) The primary amount of funds (ESI or national) to be contributed to the Road fund is **100-150 mln. EUR**, but in the future it could be increased
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CHANGES IN PROJECT FINANCING

Up to now:



Opportunity for the future:



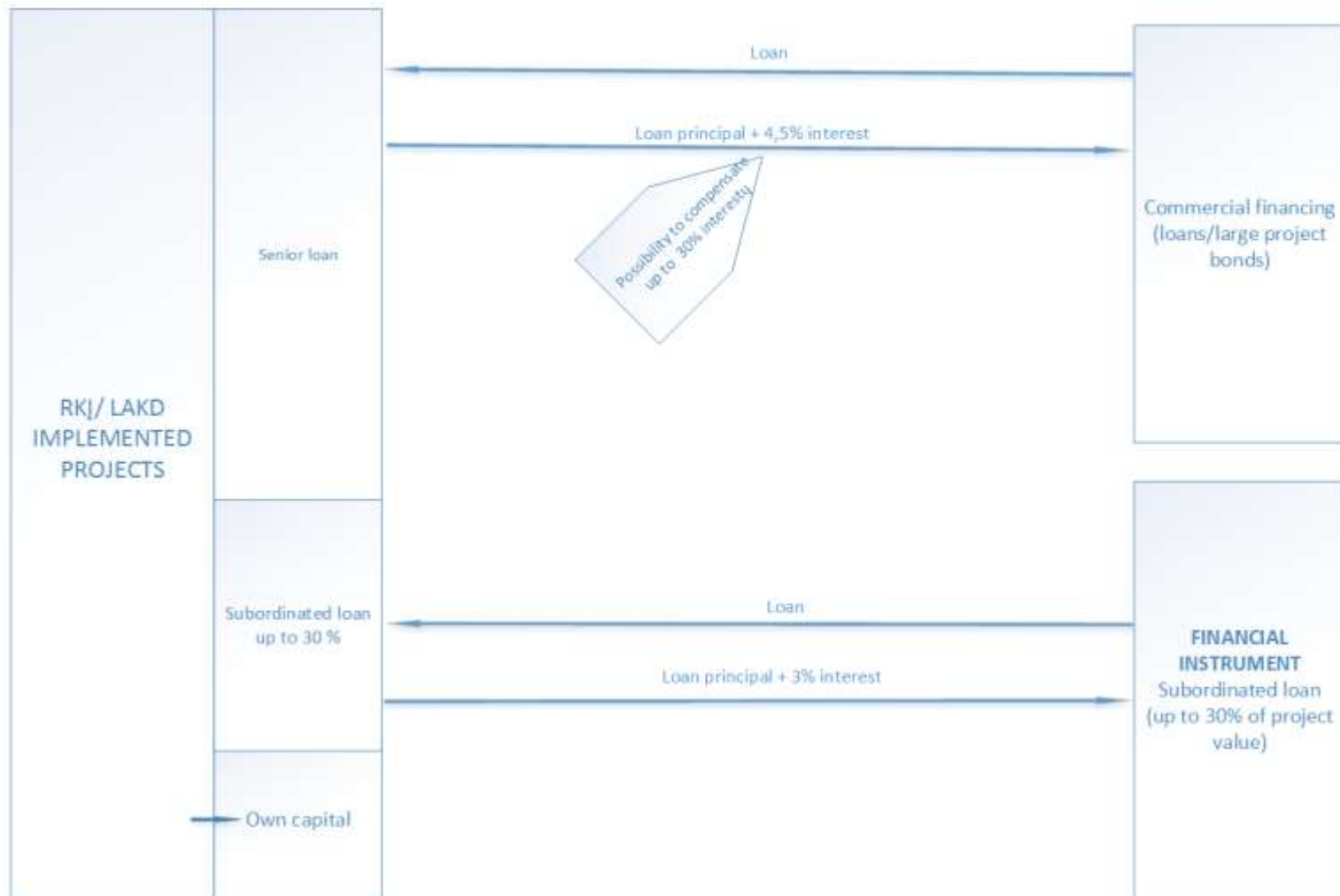
FINANCIAL MODELS UNDER ASSESSMENT

- 6 alternative financial models (relying on best practice examples in the world) included in ex ante:
 - loans:
 - ✓ Preferential loan, investors contribute to a fund instead of a project (fund level vs. project level)
 - ✓ Preferential loans with forfeiting facility
 - ✓ Subordinated loans up to 30% of project value
 - guarantees:
 - ✓ Guarantee with quick payment, with the right of recourse to the beneficiary
 - ✓ Convertible guarantee, if the guarantee event occurs, guarantee payments are converted to subordinated debt
 - equity:
 - ✓ Capital contribution when project is a PPP project



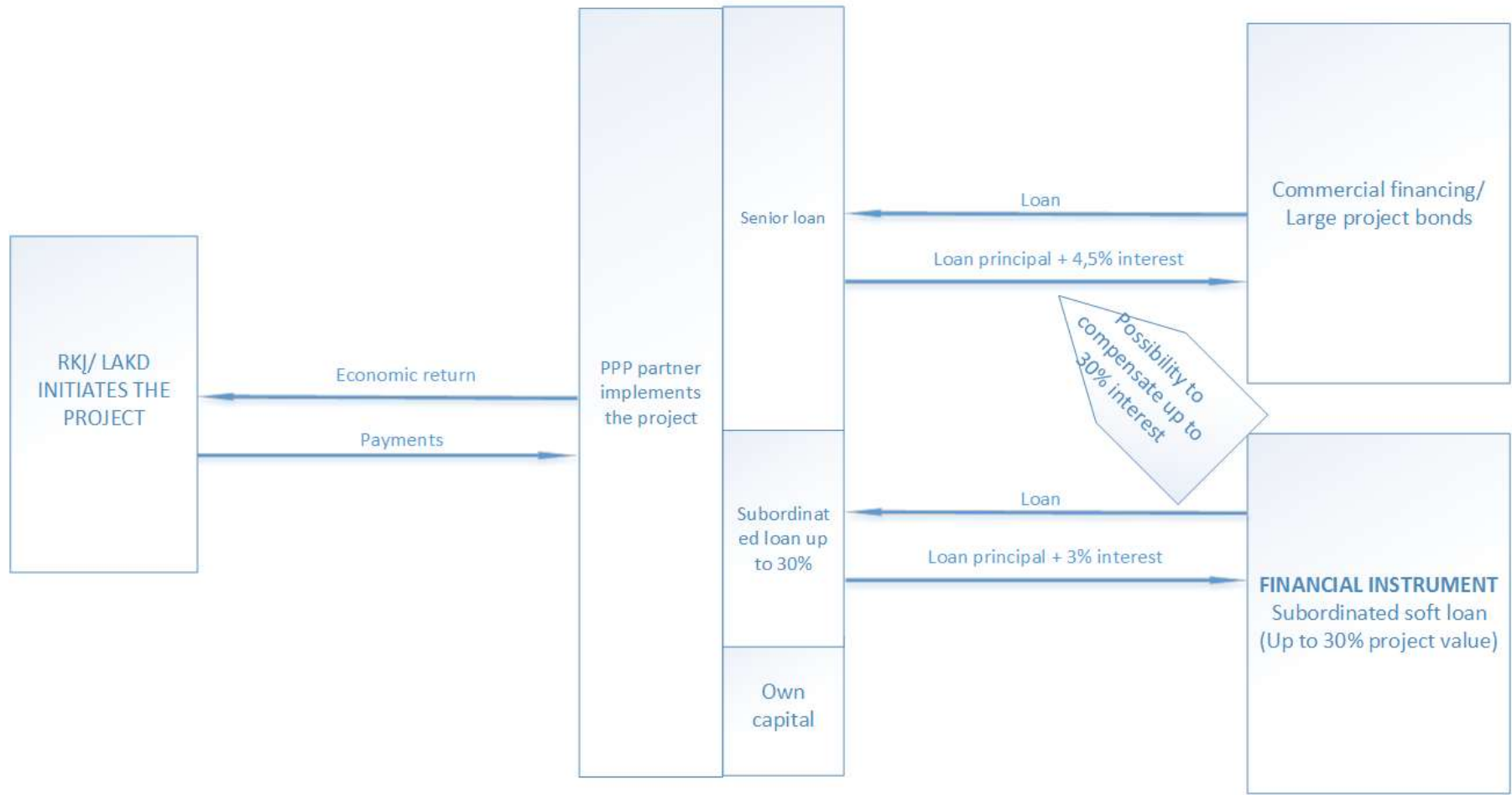
PROPOSED FINANCIAL INSTRUMENT (1)

Subordinated loan model when project is implemented directly by RKJ/ LAKD



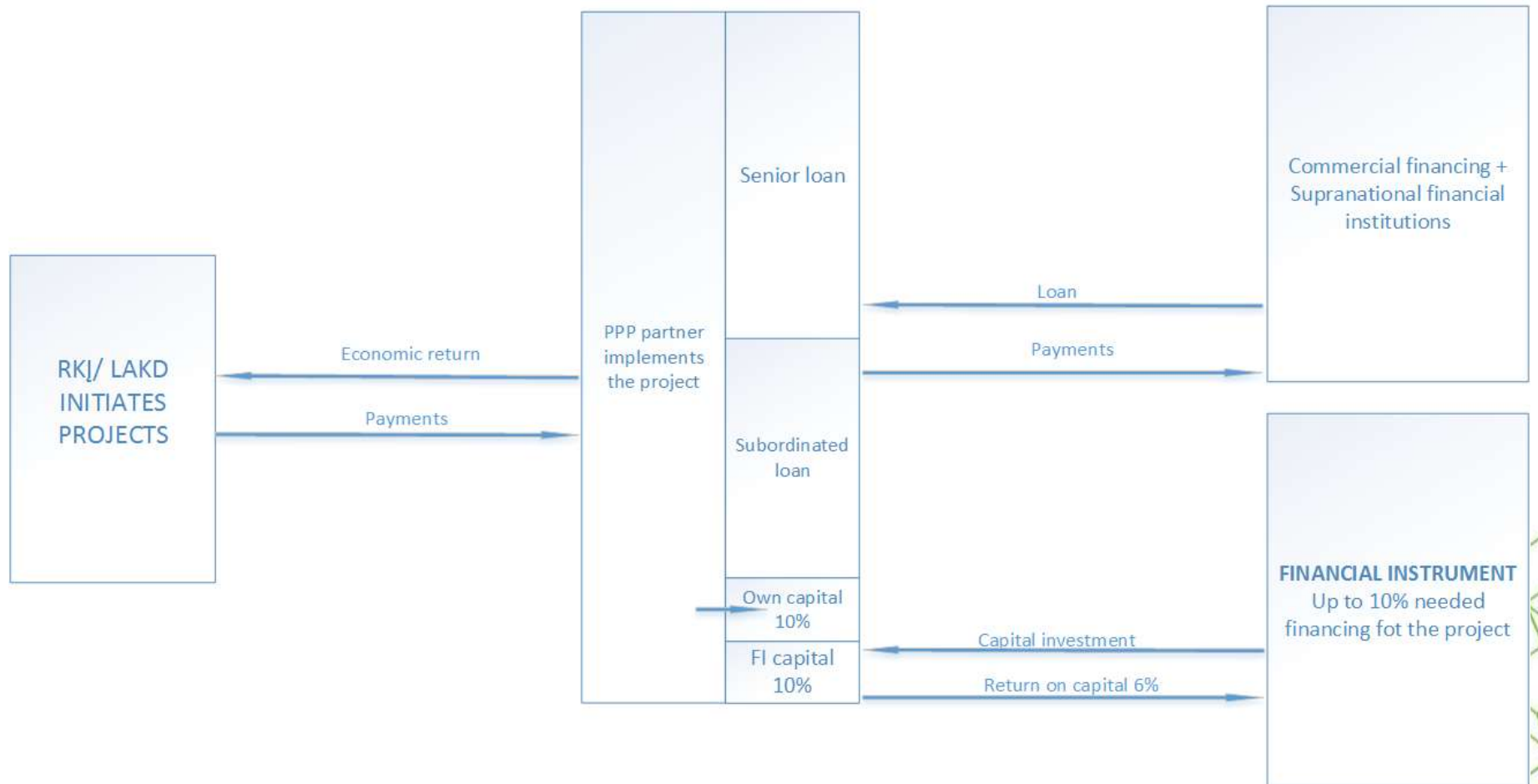
PROPOSED FINANCIAL INSTRUMENT (2)

Subordinated loan model implemented with PPP partner



PROPOSED FINANCIAL INSTRUMENT (3)

Capital investment FI



RESULTS OF FINANCIAL MODELLING

Indicator	FI – subordinated debt	FI – capital investment
Length of renovated roads (km)	239	650
Contributed funds for projects until 2023 (M EUR)	157,60	143,00
Disbursed funds for projects until 2023 (M EUR)	157,60	143,00
Repaid funds until 2023 (M EUR)	44,54	27,90
Private funds at the level of the project (M EUR)	367,74	1287,00
Total value of projects (M EUR.)	525,34	1430,00
Multiplier	1,05	0,95
Leverage	3,45	9,58

QUALITATIVE ASSESSMENT OF FI

Qualitative feature	Subordinated debt	Capital investment
User subject to financing	PPP/RKl	PPP
Need of private investments	Average	Very big
Popularity of FI and willingness to use it	Big	Average
Risk reduction for private partner (if PPP)	Low	Big
Risk reduction for commercial financier (if PPP)	Big	Small
Reduction in project pricing	Big	Small/Average
Complexity of financing structure	Average	Big

SUGGESTIONS

- The needs of the projects can be covered by:
 - **Subordinated debt up to 30 % of project value** (USA experience)
 - a good practice example, reduces the cost of project
 - Can be combined with **interest rate subsidy** for the commercial financing
- FI targets big, strategic projects for road infrastructure development



OTHER POTENTIAL AREAS FOR FI IN TRANSPORT SECTOR

- Public green transport – typical area for FI
- Infrastructure development for electric vehicles
- Railways and water transport infrastructure



Thank you!

