



Annex 1 – Action plan



**UNIVERSITY
CENTRE FOR ENERGY
EFFICIENT BUILDINGS
CTU IN PRAGUE**



**MINISTRY
OF REGIONAL
DEVELOPMENT CZ**

Produced by each region, the **action plan** is a document providing details on **how** the lessons learnt from the cooperation will be exploited in order to improve the policy instrument tackled within that region. It specifies the nature of the actions to be implemented, their timeframe, the players involved, the costs (if any) and funding sources (if any). If the same policy instrument is addressed by several partners, only one action plan is required.

Part I – General information

Project: **FINERPOL, INTERREG Europe**

Partner organisation: **Czech Technical University in Prague, University Centre for Energy Efficient Buildings**

Other partner organisations involved (if relevant): **Ministry of Regional Development**

Country: **Czech Republic**

NUTS2 region: **Central Bohemia CZ02**

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Part II – Policy context

The Action Plan aims to impact: × Investment for Growth and Jobs programme
European Territorial Cooperation programme
Other regional development policy instrument

Name of the policy instrument addressed: Integrated Regional operational Programme (IROP) for the period 2014-2020, Investment priority 4c of Priority axis 2: Supporting energy efficiency, intelligent energy management and renewable energy use in public infrastructures, including in public buildings and in the housing sector; specific objective 2.5: Improving energy performance in the housing sector

Part III – Details of the actions envisaged

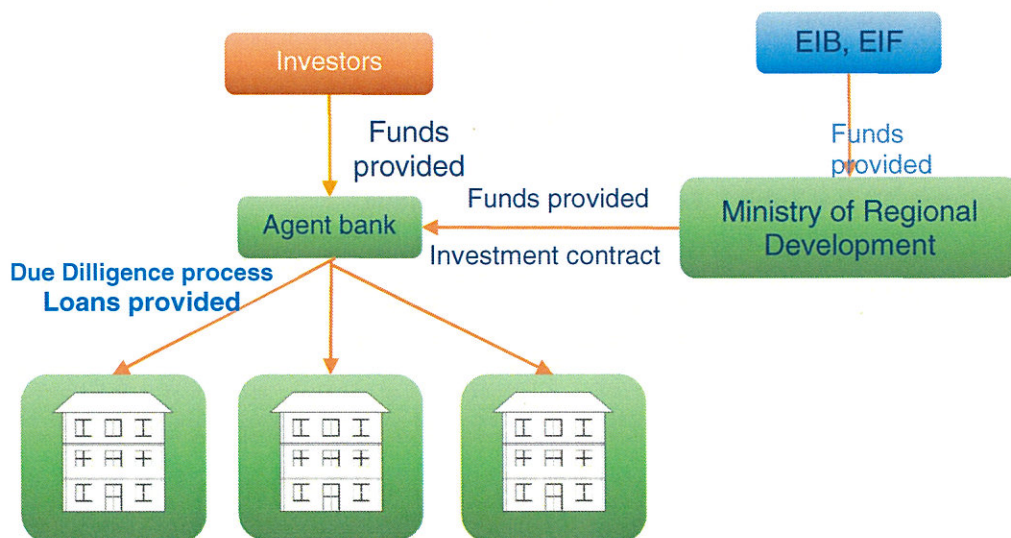
ACTION 1 - IMPLEMENTATION OF THE FINANCIAL INSTRUMENT

1. The background (please describe the lessons learnt from the project that constitute the basis for the development of the present Action Plan)

According to the Ex-Ante assessment and the internal plan of the Ministry of Regional Development the support will be provided through the debt financial instrument. These are the characteristics of the FI planned:

FI Characteristics	
Type of instrument	Loan
Total allocation	approx. 77 million EUR
Total impact	approx. 350 buildings
Investment period	Up to 20 years
Risk of defaults	5%
Expected interest rate	0,5%-2,5%
Target group	Apartment buildings (4+flats)

According to the latest development in the Czech Republic the most probable solution is the implementation of the financial instrument through Agent bank, selected by a tender process. The process should be as follows:



Regarding the fact, there is an opportunity and gap on the Czech market ready to be filled by the FI provided.

According to the analysis of the Chance for Buildings alliance in the Czech Republic (December 2016), the potential of the savings of energy costs could reach more than 50% from current status, just by retrofitting and changing the heat sources.

The total market absorption capacity, based on ex-ante analysis, is between 1.65 and 2.1 billion EUR.

Lessons learnt from the FINERPOL project

Lessons learned from interregional events and study visits, and attended events

- **EUSEW 2016** – It was surprising to hear from financial experts that even the best examples of FI need strong and consistent marketing to stimulate interest in projects.
- **Spain – Badajoz, May 2016.** It was interesting to see that the Spanish and Czech construction industries show similar characteristics. In general, the respective industries display reluctance to embrace new technologies and to seek out and adopt innovations. When it comes to new builds and retrofits, there is a tendency to follow an established method of working, complying with the standard norms and not aiming for the most energy efficient solutions available. Managing Authorities are looking for ways to stimulate more energy efficient renovations to take place with a wide range of different grant programmes and financial instruments.
- **Czech Republic – Prague, Sept 2016.** An inspiring presentation was made by a representative from an Agent Bank, reviewing examples of financial instruments implemented in the Czech environment in the previous programming periods. The presentation also pointed out key characteristics of successful financial instruments needed to succeed: pro-customer orientation, excellent communication with target audience, and simple procedures to minimise generally scepticism towards public money lending. This was also the major point discussed with the MA as well as being part of the Ex-ante assessment, influencing the action number 8 – PR, at most.
- **Great Britain – Plymouth, Nov 2016.** Besides an active use of EPCs the most interesting and inspiring of all the study visits was the model of local “energy community” combining regional funds and private money, raised through crowdfunding from local citizens. Also noteworthy was the initiative of grouping several smaller projects together in local schools (lighting and renewables), where the initial investment yielded extra finance that was used to support additional activities, including energy advice. This was a perfect example how things can work the closer are the funds to the projects.
- **Italy – Trento, Mar 2017.** A great example of cooperation between local government and an agency, helping an energy efficient project to be funded.
- **Poland – Gdansk, May 2017.** The main lesson learned from the visit concerned cooperation between local government and agencies in targeting the right projects with energy savings and social impacts. Success of FI in the Polish context is based on three pillars: comprehensive preparation, detailed work with the target groups and MA and/or Intermediary Bank driving the FI implementation.

According to the experience gathered within the project’s study visits we learnt that the debt instrument is the most commonly used. We have identified that the popularity of this type of financial instrument stems from the fact that both involved parties - providers and beneficiaries – consider the tool to be comprehensible and straightforward to use.

We have also recognised that too much complexity within an instrument and its management and/or use creates barriers for possible applicants. Once the application and use of a financial instrument are simplified as much as possible, the FI could be a break-through instrument.

The role of the regions and local municipalities in targeting the support within local area is also a key to success. The involvement of local citizens within the selection process (e.g. Plymouth Energy Community) contributes to an improved acceptance of the FI and provides a tighter connection between the financial instruments and local needs and know-how. By analysing the best practice of Plymouth Energy Community within the FINERPOL project, it was a major argument within our advice to MA (IROP) to analyse local markets in the Czech Republic. This resulted in the survey prepared by UCEEB and circulated to the target group of apartment buildings’ owners through the MA databases and distribution channels. The feedback from more than 300 respondents was received so far giving a clearer view about the current situation and demand in the local market.

The most inspiring best practice for us was the example given and visited within the FINERPOL project study, the Pomorskie Urban Development Fund. It influenced our ex-ante analyses as well as the recommendation to the MA involving the FI conditions. We have learnt that all the stakeholders needed to

adapt their mentality and attitudes, be more proactive, open and engage in dialogue with others (influencing action no. 8). The introduction of a repayable financial instrument increased the financial and socio-economic efficiency of investments for final recipients, especially in the public sector. Regional authorities focused on efficient management of funds and on innovation of their urban policies, cooperating close with financial institutions. They also kept in mind to not to provide too complex and sophisticated organisational structures of the financial instrument. So, they adopted the Holding Fund structure to ensure transparency and best practices.

These facts influenced mainly the action steps 6-10 of the list stated in par. 2.

Keeping the lessons learned in mind, we prepared a survey for the MA regarding their IROP and sent the questionnaire to the target group of apartment buildings' owners. The responses confirmed similar barriers in the local market and highlighted the requirement to simplify the application process. The MA took the survey into account when setting up the framework of their upcoming financial instrument.

2. Action (please list and describe the actions to be implemented)

No.	Step
1	<p>Acceptance of the final outputs of the ex-ante assessment</p> <p>The Ministry will accept the final outputs of the preliminary assessment of the FI to be used within the Integrated Regional Operational Programme (IROP) under the cohesion policy for the period 2014 – 2020.</p>
2	<p>Submission of the final ex-ante analysis report to the Monitoring and Auditing Committee</p> <p>In accordance with the requirements of the general Regulation, the preliminary assessment of the FI shall be submitted to the Monitoring and Auditing Committee.</p>
3	<p>Approval of the operations selection criteria by the Monitoring and Auditing Committee</p> <p>The Monitoring and Auditing Committee must assess and approve the selection criteria according to which the Agent bank will be responsible for managing and providing the FI.</p>
4	<p>Call for tender for the Agent bank</p> <p>Selection of the Agent bank according to the criteria set by the Ministry (IROP).</p>
5	<p>Signing of the financing agreement with the Agent bank</p> <p>The Ministry will conclude a financing agreement with the EIF, Ministry of Trade respectively.</p>
6	<p>Process of setup of FI administration</p> <p>Definition of responsibilities and risk sharing between the IROP and the Agent bank, as well as the credit granting procedure and monitoring of the applicants.</p>
7	<p>Preparation and conclusion of a loan agreement conditions</p> <p>Conclusion of a financing loan agreement for the applicant and the eligible conditions for successful application.</p>
8	<p>PR for FI and announcement of the call</p> <p>Preparation of communication and information measures aimed at the promotion of proposed FI within IROP to build absorption capacity (sufficient number of projects applications).</p>
9	<p>Continuous monitoring of legislation and methodologies</p> <p>Monitoring of legislative and methodological development at EC level and their possible reflection in the action plan for the implementation of FI.</p>

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Continuous monitoring of KPIs set by the FINERPOL project

Monitoring and valuing the KPIs according to the reports provided by the Agent bank for the Ministry of Regional Development, the IROP.

Target values and monitoring

Target values	
Total value invested	77 million EUR
Average investment	220t EUR
Total number of projects invested	350
Public to Private funds involved	85/15
Number of loans provided per year	80-100
CO ₂ emissions decrease	+10%
Energy costs reduction	+20%

The target value will be modified by the experience and feedback from the first rounds of investments. We assume that the numbers could increase as the termination of the subsidies provided by the EU shall approach.

Monitoring values	
Houses invested a year	count
Total and average investment	value in EUR (per project)
CO ₂ emissions decrease	calculated as estimate of t/year as of the project
Total energy costs reduction	calculated as estimate of MWh/year as of the project
Leverage	Calculated as a rate of private funds involved
Monitoring season	Quarter / year

The monitoring should be done by the perpetual report provided by the Agent bank for the Ministry of Regional Development, the IROP.

3. Players involved (please indicate the organisations in the region who are involved in the development and implementation of the action and explain their role)

The process described here above has impact within the whole Czech Republic. The loans shall be provided through the Agent bank selected by the tender.

The funds involved in the process shall be provided by the EIB within the special programme providing support to the regional development in the EU region.

The credit analysis of the applicants as well as the eligibility of the projects shall be done by the Agent bank. The risks of the loans, defaults respectively, shall be divided between the Agent bank and the Ministry according to the negotiation process and described in detail within the special investment agreement.

The target group of the provided FI shall be the Apartment housing in the Czech Republic (excl. the City of Prague), specifically houses with four or more flats.

4. Timeframe

Actions	3	4	5	6	7	8	9	10	11	12	1	2	3	4
Acceptation of the final results of the ex-ante assessment														

