



<b>1. Project Data:</b>		<b>Date Posted :</b> 06/24/2004	
<b>PROJ ID:</b> P063656		<b>Appraisal</b>	<b>Actual</b>
<b>Project Name:</b> Vilnius District Heating Project	<b>Project Costs (US\$M)</b>	64.5	0
<b>Country:</b> Lithuania	<b>Loan/Credit (US\$M)</b>	17.1	0
<b>Sector(s):</b> Board: EMT - District heating and energy efficiency services (100%)	<b>Cofinancing (US\$M)</b>	47.4	0
<b>L/C Number:</b> L7074			
	<b>Board Approval (FY)</b>		02
<b>Partners involved :</b>	<b>Closing Date</b>	06/05/2005	
<b>Prepared by :</b>	<b>Reviewed by :</b>	<b>Group Manager :</b>	<b>Group:</b>
Kavita Mathur	Fernando Manibog	Alain A. Barbu	OEDST
<b>2. Project Objectives and Components</b> <b>a. Objectives</b> <p>The objectives of the project were to:</p> <ul style="list-style-type: none"> <li>• reduce the cost of district heat supply in Vilnius, with benefits to consumers and to the current account deficit as a result of reduced fuel consumption;</li> <li>• improve the quality of district heating supply, both in terms of reliability and responsiveness to customers needs;</li> <li>• yield fiscal benefits to the Government by increasing the taxable profits of Vilnius District Heating Company (VDHC) and by reducing the number of households which require the heat and hot water subsidies aimed at low income families; and</li> <li>• support the commercial viability and possible future privatization of the VDHC.</li> </ul> <p>The global environment objective of the project was to reduce the emissions of Greenhouse Gases (GHG) from the Vilnius District Heating System through a targeted effort to remove the existing barriers to energy conservation.</p> <b>b. Components</b> <p>The project included the following four components:</p> <p>(a) building-level substations, including metering and temperature controls, DSM and new inlet pipes replacing group substations and 4-pipe systems;</p> <p>(b) Heat-Only Boiler (HOB) equipment replacement;</p> <p>(c) rehabilitation of (Combined Heat and Power) CHP plant equipment which has reached the end of its economic life (burner replacement, instrumentation and control system replacement and various ancillary service upgrades); and</p> <p>(d) institutional support for VDHC.</p> <b>c. Comments on Project Cost, Financing and Dates</b> <p>The project was approved on July 27, 2001. It was never signed and was withdrawn in March 2003 at the request of the guarantor.</p>			
<b>3. Achievement of Relevant Objectives:</b> <p>This review is for the Project Completion Note (PCN), as the loan was never signed and an Implementation Completion Report (ICR) was thus not prepared. The project was never implemented. The Municipality of Vilnius was able to attract private investment to improve the quality of district heating. A concession agreement was finalized six month after the Board presentation and the bidder was able to arrange financing to carry out investments. Although not discussed in the PCN, the region clarified that the project objectives will be met with private financing. The investments will be undertaken by the private sector. The cost of heat supply has decreased and the quality of supply has improved. The commercial viability is much better than at the time of appraisal.</p>			
<b>4. Significant Outcomes/Impacts:</b> <p>None.</p>			
<b>5. Significant Shortcomings (including non-compliance with safeguard policies):</b> <p>None.</p>			

6. Ratings:	ICR	OED Review	Reason for Disagreement /Comments
<b>Outcome:</b>	Not Rated	Not Rated	
<b>Institutional Dev .:</b>	Not Rated	Not Rated	
<b>Sustainability:</b>	Not Rated	Not Applicable	
<b>Bank Performance:</b>	Not Rated	Satisfactory	
<b>Borrower Perf .:</b>	Not Rated	Satisfactory	
<b>Quality of ICR:</b>		Satisfactory	

**NOTE:** ICR rating values flagged with '\*' don't comply with OP/BP 13.55, but are listed for completeness.

#### 7. Lessons of Broad Applicability:

While a strong regulatory agency is usually needed for concession agreements to succeed, Lithuania's effective regulatory agency had little role to play in this project, which is based on "regulation by contract".

**8. Assessment Recommended?** ☐ Yes ☒ No

#### 9. Comments on Quality of ICR:

The quality of the Project Completion Note (PCN) is satisfactory. The PCN is extremely brief - only one page long. It includes the basic facts such as project objectives and the reason why the project was never signed. However, the PCN might have explored a little further the adequacy of the project design, the Bank and the Borrower Performance during appraisal/preparation, and the concession agreement. Also, the PCN could have identified a few lessons.