

The Investment Pact



The financial assistance programme to improve the energy efficiency of schools, kindergartens, sports facilities and other social infrastructure in municipalities

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1 Introduction and Background

Energy efficiency and climate change mitigation, growth and employment and the promotion of education and families are joint concerns for the Federal Government, the Federal States and municipalities. The energy efficient refurbishment of municipalities' social infrastructure forms a key step towards achieving these goals. There is an urgent need for action, primarily in municipalities with particular difficult financial situations.

Around 40 percent of the total amount of energy consumed is utilised by existing buildings (such as residential buildings, commercial buildings and public purpose buildings). The public sector and, in particular, social buildings play an important role: in Germany there are around 40,000 schools (predominantly formal education facilities, including special schools), around 48,000 kindergartens, day-care centres and crèches plus tens of thousands of gymnasiums. The energy requirements of more than half of these 150,000 buildings is a long way from meeting present-day building standards and they are in urgent need of renovation to improve their energy efficiency. Expensive energy is being wasted.



This is especially true of schools built in the 1960s and 1970s, and day-care and youth centres. According to the "Bildungsbericht 2003" (Education Report 2003), head teachers have reported that around 50 percent of school buildings are in a bad condition. A full and comprehensive renovation is often long overdue: the plaster is crumbling, roofs leak, windows are stuck shut. This also leads to a waste of expensive energy.

Tight budgets and rising energy prices mean there is an urgent need for action. The large amount of existing buildings within the municipal social infrastructure presents a huge potential for saving energy. An average of around 20 percent of a building's energy consumption can be saved through modernisation to improve its energy performance.

In individual buildings energy savings can be well in excess of 80 percent.

So far the German Federal Government has taken part in this task within the framework of the "CO₂-Gebäudesanierungsprogramm" (programme to reduce CO₂ emissions from buildings) of the KfW-Förderbank, which offers reduced-interest loans to schools and day-care centres owned by municipalities and private owners for basic renovation to improve energy efficiency.



However, towns and municipalities with difficult financial situations are unable to participate in this loan programme. They are not in a position to tackle the need for renovation that has built up in recent years without external help. In light of this enormous



backlog, the Federal Government, together with the Federal States and municipalities, is providing financial assistance for improving the energy efficiency of the social infrastructure by means of the Investment Pact. Primarily, municipalities with a particularly difficult financial situation should be able to take advantage of the Investment Pact



Energy efficiency and climate change mitigation, growth and employment and the promotion of education and families are joint concerns for the Federal Government, the federal States and municipalities. The energy-efficient refurbishment of the social infrastructure of municipalities can be a central

starting point in a focused strategy to address these issues.

2 The Investment Pact

Through the Investment Pact, the German Federal Government together with the federal states and municipalities provides support in the form of grants to improve the energy efficiency of schools, kindergartens, sports facilities and other social infrastructure. The Federal Government is thus aiming to achieve objectives in urban development and environmental and economic policy simultaneously:



- Promotion of climate change mitigation through energy saving and the reduction of CO₂ emissions from existing buildings;
- Stabilisation of the construction market to encourage employment in local small and medium companies through mostly regional procurement of small-scale building and renovation measures;
- Social investment in particular in schools, kindergartens, sports and youth facilities,
- Reduction of the investment backlog in municipalities with difficult or tight financial situations;
- Contribution to educating children and young people about energy saving and climate change from an early age.

2.1 Procedure and Requirements for Implementation

The German Federal Government, in accordance with the 2008 and 2009 Federal Budget, is providing federal funds to finance the improvement of the energy-efficiency of social infrastructure in municipalities. Financial assistance can be provided under the following conditions¹:



Eligible municipalities and areas:

This concerns municipalities with particular problems in their public budgets. A municipality can be described as having budgetary problems if it cannot finance necessary investments with the help of loans, due to restrictions imposed by the municipal supervision authorities.

In addition, measures can be financed in areas that are already participating in the Urban Development Assistance Programmes (Städtebauförderung) of the Federal Government and the federal states (including the pilot areas).

¹ As a basis for the implementation of the Investment Pact, the Federal Government and the Bundesländer have signed administrative agreements (Investitionspakt 2008 and 2009).

Eligible Buildings:

Buildings that form part of the social infrastructure owned by the municipalities are eligible, and also buildings owned by private, religious and charitable institutions, as long as they are used for public (municipal) purposes (for example day-care centres, schools, sports facilities, multi-purpose halls and youth centres). It is necessary to ensure the continued use of the building as part of the social infrastructure by means of a long-term approach (for example an urban development strategy).



Buildings are to have an energy consumption value that exceeds the respective benchmark value stipulated in the “Energieeinsparverordnung” (Energy Conservation Regulation EnEV) for that type of building or to have been built before 1990 and never fully modernized in terms of improving their energy efficiency.

Eligible Measures:

The renovation of a building to improve its energy efficiency must at least bring it up to the energy performance standard of a new building according to the EnEV / DIN 18599 and this is to be shown by means of an energy demand-based certificate. The measures are designed to reduce the demand for primary energy, notably fossil fuels, for example through the use of renewable energy.

The Federal Government, federal states and municipalities fund the Investment Pact jointly, each contributing a third. Under certain circumstances, it is possible for municipalities to finance their share through a loan (for example via the KfW programme "Investitionsoffensive für strukturschwache Gemeinden" (Investment offensive for municipalities with poor infrastructure)). This must be in agreement with the respective municipal supervisory authority. Exceptions in obtaining credit should be possible, as the measures to improve energy efficiency are intended to be profitable.



For municipalities with particular problems in their public budgets, there is also the option of reducing their own contribution to a minimum of 10 percent of the total amount of financial assistance; the Federal Government and the respective federal state would then take on up to 45 percent accordingly. As in the programme "Zukunftsinvestitionen der Kommunen und Länder" (Investments for the Future of Municipalities and Federal States), a federal state can increase the Federal Government's share of funding up to 75 percent.

The application process for the funds provided under the Investment Pact is modelled on the procedures of the Urban Development Assistance Programme (Städtebauförderung) and uses the 2008 and 2009 administrative agreements of the Investment Pact as its basis. The municipality is to submit an application for funding to the relevant federal state. After application, and submission of the documents referred to in accordance with the respective federal state's guidelines to the responsible state ministry, it is decided which individual measures are to be included in the federal state's programme. The funds from the Investment Pact will be awarded as grants. The budgetary arrangements will be completed over a period of five years. Project implementation in accordance with the budget will take place over five years.

2.2 Programme Budget

The Federal Government provided the initial funding in 2008, which amounted to 200 million Euros (guaranteed level of funding). Together with the contributions from the federal states and municipalities, the funding amounted to a total of 600 million Euros. Municipal school buildings, children's day-care centres and sports halls were in particular need of renovation to improve their energy efficiency. The municipalities used around 40 percent of these investment grants to improve the energy efficiency of their schools; a further 40 percent was used to renovate kindergartens, day-care centres and sports halls.

Due to the high demand for refurbishment in the municipalities and the expected employment effects, the Investment Pact was continued in 2009 with a budget of 300 million Euros (guaranteed level of funding) from the first Economic Stimulus Package (Konjunkturpaket I). This could be used to kick-start investment of up to 900 million Euros.



The Federal Government assistance will be distributed amongst the federal states according to the actual problems that are present². The federal states are responsible for the specific terms of funding and the distribution of the financial assistance to the municipalities.

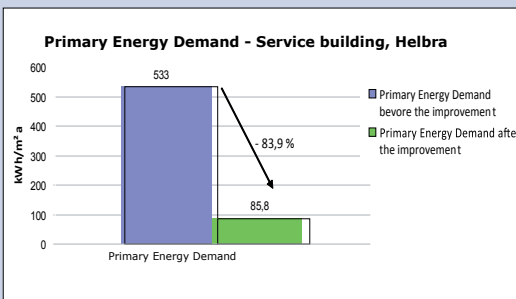
² Distribution is dependent on the following scheme: proportion of the population (70%), proportion of population loss on the municipal level greater than 2% (7.5%), proportion of unemployed (7.5%), proportion of apartments in residential buildings prior to 1918 (7.5%), proportion of foreign-born residents (7.5%), based on the total sum of the State.

Practical Example: Service Building in Helbra (Saxony-Anhalt)

The Service Building in Helbra, a municipality with particular problems in its public budget, is a good practical example of an innovative concept to save a high amount of energy and CO₂ and can also be used to educate interested parties. The building to be refurbished is located in an assisted area for urban redevelopment and development (“Städtebauliche Sanierung und Entwicklung”). Originally constructed as a café in 1880, the building has been used in many different ways over the years, each time being altered in its structure.



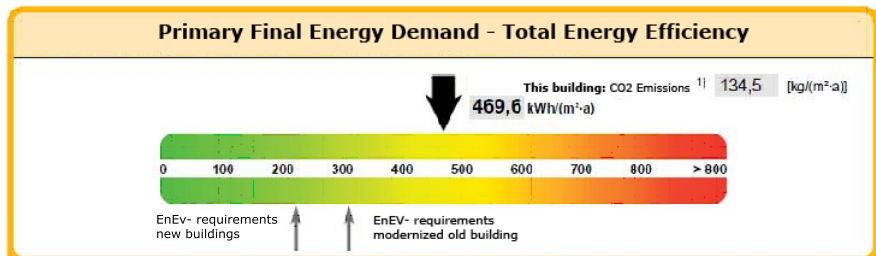
The project, including the renovation and transformation of the building into a multi-generation house with a service office, is developing a new way of living. Young and old will live in the house together, being additionally interlinked through service providers, associations and other stakeholders. On all floors and in the outdoor areas, there are places for meeting and communication. The conversion was carried out to enable accessibility, for example through installing a lift. This project contributes to the sustainable development of the municipal neighbourhood. The listed building was able to reduce its primary energy consumption by more than 80 percent through a variety of technical measures, including roof and external wall insulation, the replacement of windows and the installation of solar panels for hot water and heating.



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2.3 Duration of the programme and outlook: the Economic Stimulus Package II

The Federal Government launched the Investment Pact for 2008 and 2009. The measures can be financed over a period of up to five years. The far-reaching objectives of the Investment Pact are reflected in the second Economic Stimulus Package (Konjunkturpaket II) of the Federal Government. A central component of the Economic Stimulus Package is the "Zukunftsinvestitionen der Kommunen und Länder" programme (Investments for the Future of Municipalities and Federal States) - for which the Investment Pact served as a "blueprint".



In Germany there are more than 12,000 municipalities, all of which can apply. Special consideration will be given to municipalities with particular problems in their public budgets. The focus of investment is placed primarily on educational infrastructure, but hospitals, noise abatement on municipal roads, urban infrastructure such as sports facilities, youth centres, social centres for senior citizens, buildings of (voluntary) fire brigades etc. and rural infrastructure are also eligible (excluding wastewater treatment facilities and public transport).

The refurbishment of buildings will be amongst the projects funded, with the main focus of the renovation on measures to reduce CO₂ emissions, increase energy efficiency and the use of renewable energy.



The second Economic Stimulus Package should produce an economic impact as quickly as possible to secure jobs in the local construction industry and in the building trade. Therefore, investment in construction measures will be promoted only if the measures can be implemented by 2011. These can be, for example, modernization and renovation measures in already existing buildings with plans that are (largely) completed or can be drawn up on a short-term basis.

The financial implementation of the measures must be settled by the end of 2011, after this deadline the funds will be forfeited. The contact partner is the German Federal Ministry of Finance (BMF).



3 National Contact Point

The National Contact Point for the programme “Investment Pact for the Energy Efficiency Improvement of Social Infrastructure in Municipalities” was established to be a centre of expertise for this specific programme. Its services are available to a broad expert audience.



Information on the Investment Pact will be made available through publications and on the internet at www.investitionspekt.info

4 Contact

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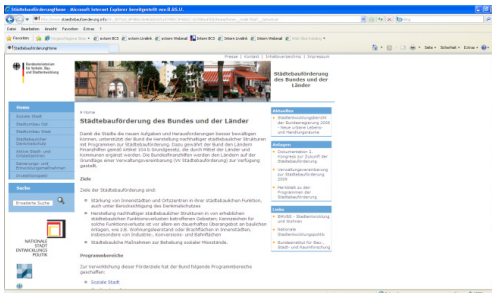
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www.investitionspekt.info



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