





THE FIRST FINANCIAL MECHANISMS SUPPORTING ESCO IN UKRAINE:

From Bank Loans to the Decarbonization Fund

Serhii Novosolov,

Green Financial Mechanisms Specialist, UNDP in Ukraine

sergii.novosolov@undp.org







WHY THE FINANCIAL MECHANISMS NEEDED?

Main barriers

- Absence of the ssufficient collateral- due to the specific of ESCO companies
- High interest rates in national currency
- Lack of awareness and understanding of the ESCO model among local banks



Solutions

- Guarantees/subguarantees
- "Soft" loans
- Trainings and awareness raising companies

Financial Mechanism

- Set of documents and rules with clear description of the roles/actions of each actor
- Sustainability- should be active after the project interventions will be finished
- Demonstration effect- clarity of results achieved
- **Replicability** easy to be followed







BLENDED FINANCE IS A KEY

- → Multiply the small interventions/investments to catalyze the market effects
- → Each party doing its own interventions, clearly describes
- → Different tools for different cases- applicability and flexibility

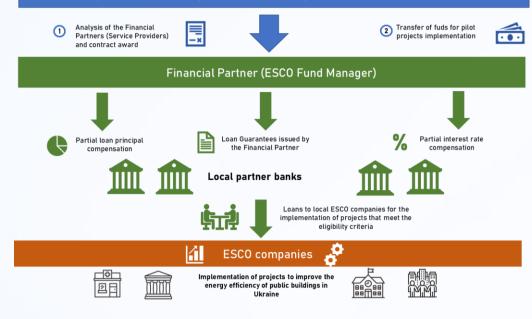






AFFORDABLE FINANCE FACILITY (ESCO FUND)

UNDP-GEF Project "Removing barriers to increase investment in energy efficiency in public buildings in Ukraine through the ESCO modality in small and medium sized cities"











FINANCE SUPPORT MECHANISM

UNDP-GEF Project "Removing barriers to increase investment in energy efficiency in public buildings in Ukraine through the ESCO modality in small and medium sized cities"

Transfer of funds projects implementation



UANDP **National Decorbonization Fund**

Establishing and licensing a special financial company



Providing "soft" loans to local ESCO

Supporting ESCO in technical and financial issues through a special Helpdesk



gef	G		N P
Key parameters	AFF CEMANING SAFAGM POSEUTRY	FSM Макшонеме товариство ФОНД ДЕКАРБОНІЗАЦІЇ УКРАЇНИ	
Loan period	up to 5 years	up to 10 years	
Interest rate	7-9%	3%	
Additional benefits	portfolio guarantees	collateral options tailored to the company and project	
Loan issuance	local partner-banks	JSC "DFU" directly	
Use of funds	loan tenure compensation (up to 20%)	direct loans	
Partner's contribution	subsidization of the interest rate + portfolio guarantees	"soft" interest rates+ special requirements for the collateral	







RESULTS

Affordable Finance Facility

17 projects applied for financing and considered as a pipeline

Total project cost: UAH 120 mln. (~USD 2.8 mln.)

7 projects financed and started the implementation

Total project cost: UAH 61.6 mln. (~USD 1.4 mln.)

Total amount of grant support: UAH 7.7 mln. (~USD 181 thsd.)

Finance Support Mechanism

13 projects applied for financing and considered as a pipeline

_	_	/	1
	۰	0	0

Total project cost: UAH 40 mln. (~USD 941 thsd.)