



# THE FIRST FINANCIAL MECHANISMS SUPPORTING ESCO IN UKRAINE:

## From Bank Loans to the Decarbonization Fund

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## WHY THE FINANCIAL MECHANISMS NEEDED?



### Main barriers

- Absence of the sufficient 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

## **BLENDING FINANCE IS A KEY**

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- ➔ **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”

1 Analysis of the Financial Partners (Service Providers) and contract award



2 Transfer of funds for pilot projects implementation



Financial Partner (ESCO Fund Manager)



Partial loan principal compensation



Loan Guarantees issued by the Financial Partner



Partial interest rate compensation



Local partner banks



Loans to local ESCO companies for the implementation of projects that meet the eligibility criteria



ESCO companies



Implementation of projects to improve the energy efficiency of public buildings in Ukraine



## 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



**National Decarbonization 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





## Key parameters



**AFF**



**FSM**



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.)

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**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

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