

United Nations Industrial Development Organization (UNIDO)

Supporting the first guarantee-based financial mechanism launched by a UN agency



Case Study

- The Client** The United Nations Industrial Development Organization (UNIDO) is a specialized agency of the United Nations headquartered in Vienna, Austria, that promotes industrial development for poverty reduction, inclusive globalization and environmental sustainability. The mission of the Agency is to promote and accelerate inclusive and sustainable industrial development (ISID) in its 170 member states.
- The Challenge** UNIDO's Department of Energy was working on implementing a programme in Ukraine designed to improve energy management in Ukrainian industry by promoting widespread implementation of international energy management systems (EnMS) standards and industrial energy efficiency best-available technologies.
- Access to financing and cost of financing were the two biggest challenges facing SMEs/corporates wishing to invest and upgrade their industrial energy efficiency plans and therefore preventing UNIDO and the Ukrainian Government from implementing a wide-spread programme.
- The Solution** UNIDO and Ukrgasbank, a state-owned bank focused on green finance, have signed a contract that enabled the launch and operation of a \$1.5 million Loan Guarantee Fund as a special financial mechanism within the framework of the UNIDO-GEF (Global Environment Facility) project *Introduction of Energy Management System Standard in Ukrainian Industry*. Supported by national stakeholders, and facilitated by Citi, the Loan Guarantee Fund aims to help industrial companies access capital for the implementation of energy management systems in line with ISO 50001 and other energy efficiency measures.
- Ukrgasbank provides a total of \$1.5 million worth of loans (in the local currency equivalent) to SMEs/corporates to invest into EnMS implementation and better energy system projects (fans, pumps, compressed air, steam, etc.). The individual loans are typically capped at \$150,000 but can also be higher.
- On UNIDO's request Citi issued a guarantee to Ukrgasbank covering the non-payment risk of loans provided by Ukrgasbank to corporates/SMEs. In case of loan non-repayment by the client Ukrgasbank claims the funds under the guarantee from Citi.
- The Result** Thanks to the guarantee, Ukrgasbank can extend loans to the SMEs/corporates at lower interest rates without requesting loan security from borrowers, thereby reducing the cost of investing into better EnMS and ensuring a wide-spread adoption and success of UNIDO's and Ukrainian Government's programme. In addition, this programme is expected to accelerate and bring these investments forward, which is of essence from a climate change mitigation perspective and a more sustainable COVID-19 recovery.