What are **Guarantee funds?**

PROSPECT+

Guarantee funds are one of the most commonly used financing tools to facilitate private investments in energy efficiency projects.

This financing scheme enables the engagement of financial institutions and allows for sharing credit risks and distributing losses in energy efficiency investments.

With guarantee funds, loans are provided to the debtor by a commercial lender or financier.

Should the loans default or the debtor fail to meet its conditions, another entity – the guarantor – absorbs the risk and/or covers the loss.

How do Guarantee funds work?

What are the advantages?

1. Leveraging of public funds
2. Reduction of the risks for financial institutions and perception of better credit performance for energy efficiency projects

Targeted Sectors

Public Buildings | Private Buildings | Public Lighting

Characteristics

- Intended for large infrastructure projects
- Not meant as stand alone solution and not applicable for all market situations
- Typically needed in addition to public support instruments for debt financing

Example

EERSF, Bulgaria

Established through the Energy Efficiency act, the Energy Efficiency and Renewables Source Fund (EERSF) serves multiples roles as lending institution, credit guarantee facility and consulting company. It also offers technical and financial support, such as guarantees, for Bulgarian firms, municipalities and private individuals for the development of energy efficiency projects.

The PROSPECT+ project has received funding from the European Union's Horizon 2020 research and innovation programme under grant agreement No 101023271.