What is **Guarantee funding?**

PROSPECT

Guarantee funding is a risk-sharing financial mechanism designed to facilitate access to finance by reducing the exposure of lenders to potential losses.

By addressing risk-related barriers, guarantee funding acts as a catalyst for mobilising private capital. It strengthens local investment markets, improves financing conditions, and enables the large-scale deployment of energy efficiency and renewable energy projects across different sectors.

How does Guarantee funding work?

What are the advantages?

1. Enable LRAs to mobilise significant investment & preserve fiscal space
2. Break structural market barriers & support the long-term development of local financial ecosystems
3. Empower accessibility of investements and project uptake
4. Optimise the use of public resources

Charecteristics

- Public cover potential losses enabling a small capital base to mobilise larger volumes of private investment
- Financial risk is shared between the guarantor and the lender
- Improved access to finance
- Standardised lending and aggregation of multiple small-scale projects
- Can be adapted to different sectors and combined with other support measures.

Example

Energy Refurbishment in Buildings, Bergamo, Italy

The city of Bergamo has signed a 10-year EPC contract involving approximately 160 public buildings in different actions: energy service, energy refurbishment and maintenance. The contract foresees guaranteed reduction goals in energy consumption.

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