What are revolving funds?

Revolving funds are used to create a continuous cycle of investment to grow projects. This is done by taking an initial investment to create a project, and then using the profits to pay back the investment and fund further project expansions/creation.

How does it work?

A. Applications are submitted to the fund
   i) Review process
      - Energy audit
      - Assess credit and future cash flow
      - Renovation cost assessment
   ii) Approval process
      - Building info gathered
      - Managing bank sends funds to construction company

B. Renovation & post-renovation
   - Construction begins
   - Repayments begin
     - Homeowners pay back loan through utility bills
     - Savings are sent to managing bank

How to set up a revolving fund?

a) Convene stakeholders
   - discover market gaps, create innovative projects and to ensure continuous collaboration

b) Describe the projects
   - Identify uncontroversial investments
   - Outline how internal contracting can bolster investments

c) Define objectives and target markets
   - Focus initial activities and targeted markets

d) Demonstrate previous instances of success by other municipalities
   - How do these apply to your city?

e) Demonstrate value
   - Quantify energy savings

f) Create 5 & 15 year projections
   - Focus on magnitude of savings

What are the benefits?

Recycling of capital for future use
Efficient use of public funds
Sustainability of public investments
Eliminates financial barrier by creating liquidity
Demonstrates commercial viability of green investments
Creates credit history

Example

Amsterdam, the Netherlands has created funding for 29 projects worth 14 million EUR.

One project is the largest solar panel installation in the country. The investments were 80,000 EUR a day.