



**CALL FOR EXPRESSION OF INTEREST (CEOI)**

**UNIDO/GEF Ukraine Industrial Energy Efficiency Project: "Introduction of Energy Management System Standard in Ukrainian Industry"**

**23 August 2018, RFX 7000003099**

**Clarification No. 1**

Based on the description provided in Annex 1, Loan Guarantee Fund (LGF) will issue a guarantee to Financial Partner (FP), covering the potential risk of losses under the loans granted by FP to eligible borrowers for financing their eligible projects. This Financial mechanism looks like typical guarantee facility Bidder 1 has been dealing with under other IFIs programs. At the same time, the information provided in the Draft Design of this Annex envisages that loan principal be repaid to the LGF and the information provided in the first para of Financial Mechanism Description refers to "loans issued by the LGF", which causes confusion. Would you please clarify whether it will be a pure guarantee or any loans may be issued within the LGF;

1. LGF will be established and operated as a "stand alone" financial mechanism, so it will have a number of separated accounts to ensure that any transaction associated with its functioning will be visible and could be traced discretely of any other activity of the financial partner.
2. It is also envisaged that the UNIDO/GEF UKR IEE Project will provide a physical (in cash) contribution into the LGF.
3. During the initial stage the UNIDO/GEF UKR IEE Project contribution will function not only as guarantee but also as operational capital for the Loan issuance.
4. For the next stage when the financial partner or other donors will be willing to step in the LG F with their own capital and thus share the guarantee coverage ratio (which may happen outside of the Lifetime of the UNIDO/GEF UKR IEE Project) the UNIDO/GEF UKR IEE Project contribution/guarantee could be used primarily for the loan interest reduction.
5. All practical details of the LGF operation, management, and monitoring will be also reviewed and finalized with the selected financial partner and consolidated in the Agreement between UNIDO and the financial partner.