

Summary of NEFCO's Country Strategy for Ukraine

1. Background

The enlargement of the EU in May 2004 caused NEFCO to revise its strategies for its countries of operation. NEFCO has decided not to invest further in Poland, Czech Republic and Slovakia and to gradually wind down investment activities in the Baltic States. This decision represents a shift its focus further to the East where the environmental challenges are greater and the need for risk finance to environmental projects is immense.

The shift in focus means that NW Russia and Ukraine will be the priority areas for future NEFCO investments. NW Russia has been a priority area for NEFCO for more than a decade, whereas Ukraine is a new country for NEFCO, a country with its own characteristics, challenges and business culture, that will have to be acknowledged and respected.

2. Overall objectives of NEFCO's investment activity in Ukraine

NEFCO will in its investment activities contribute to that Ukraine can

- Fulfil international environmental conventions
- Converge towards EU environmental directives and Nordic regional environmental strategies
- Reach the targets of OECD's Environmental Action Programme for Eastern Europe, Caucasus and Central Asia (EAP-EECCA)

This implies that NEFCO will work within

- Climate change mitigation
- Sustainable production and consumption
- Nature resources and biodiversity
- Aquatic environment

Further NEFCO shall promote relevant Nordic knowledge and technology concerning cleaner production in Ukraine.

3. Immediate objectives

- To establish a portfolio of projects
- NEFCO to register its status as a Multilateral Financial Institution in Ukraine before end 2005
- NEFCO's investments in Ukraine to have at least the same environmental cost efficiency as has been achieved so far in other countries (9-10 times that of the Nordic countries).

4. Investment tools.

NEFCO will use the following investment tools in Ukraine

- Risk capital
Capital will be made available for commercial and viable investments. NEFCO will participate in commercial projects as an equity partner and/or as a lender offering loans with equity features for eligible projects.
- Loans
Loans on market terms will be offered to eligible projects with positive environmental impacts.
- Special purpose finance
NEFCO will offer soft loans to priority environmental projects and also establish specialised revolving finance facilities for Cleaner Production and for Energy Savings.

5. Strategy

NEFCO will work in all relevant sectors where Nordic knowledge and technology can add value and generate significant environmental benefits. In the initial establishment phase NEFCO will:

- Seek investment opportunities in projects that are in accordance with national and international environmental priorities, the “Environment for Europe” cooperation and in agreement with the EU/Ukraine Neighbourhood Action Plan.
- Be open for investment in all relevant sectors where projects can demonstrate sufficient environmental benefits and where projects are fairly uncomplicated.
- Seek strong partners with whom several projects can be implemented
- Position NEFCO as a partner to Nordic companies wishing to invest in Ukraine.
- Cooperate with other International Financial Institutions and the relevant Nordic international investments funds, namely The Danish Investment Fund for Central and Eastern Europe, The Swedish Swedefund, The Finnish Finnfund, and the Norwegian Innovation Norway.
- Profile NEFCO by the establishment of Cleaner Production finance programme in a few selected cities.

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