

Upscaling Mini Grids for Least Cost and Timely Access to Electricity Services

Guarantees and Financial Products

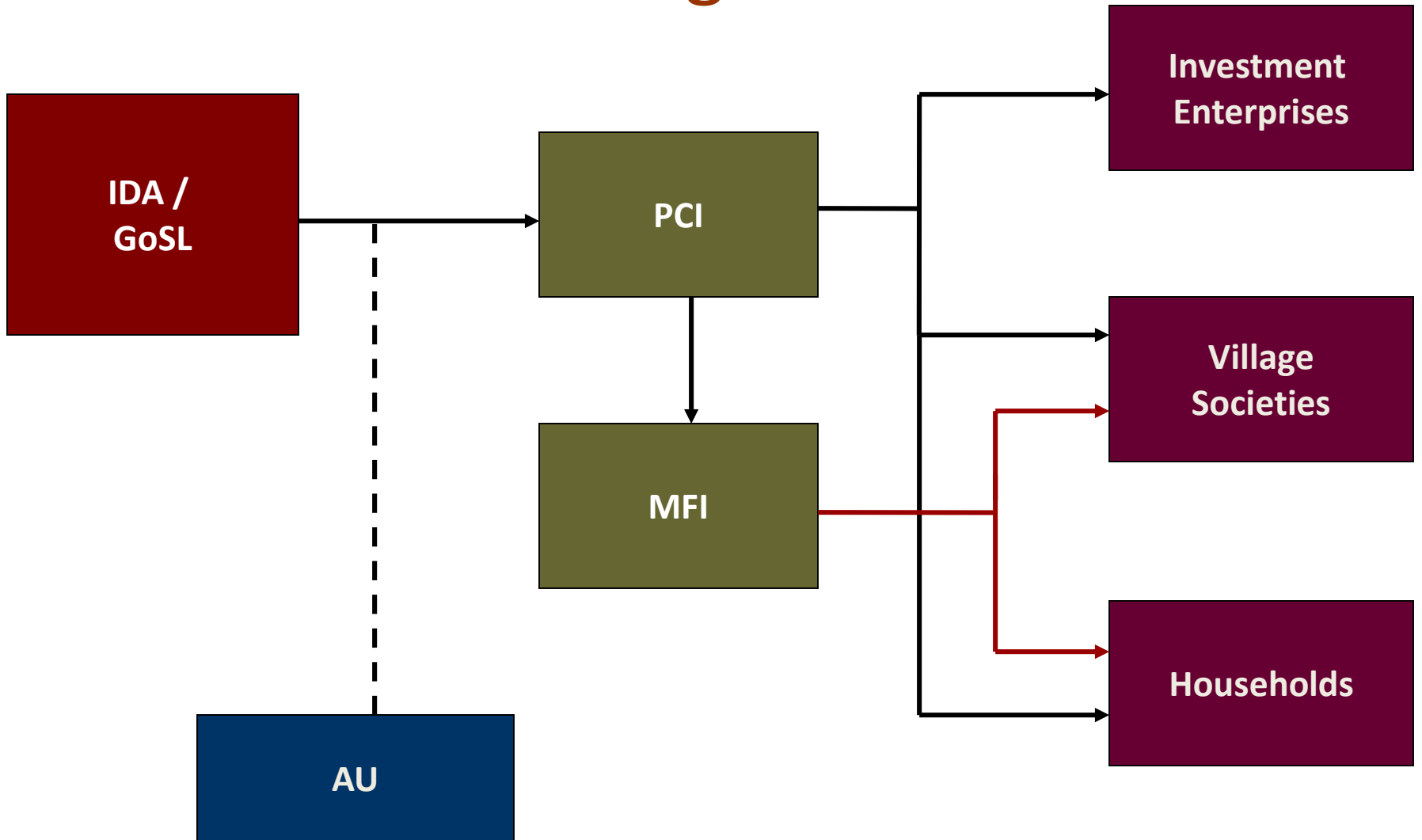
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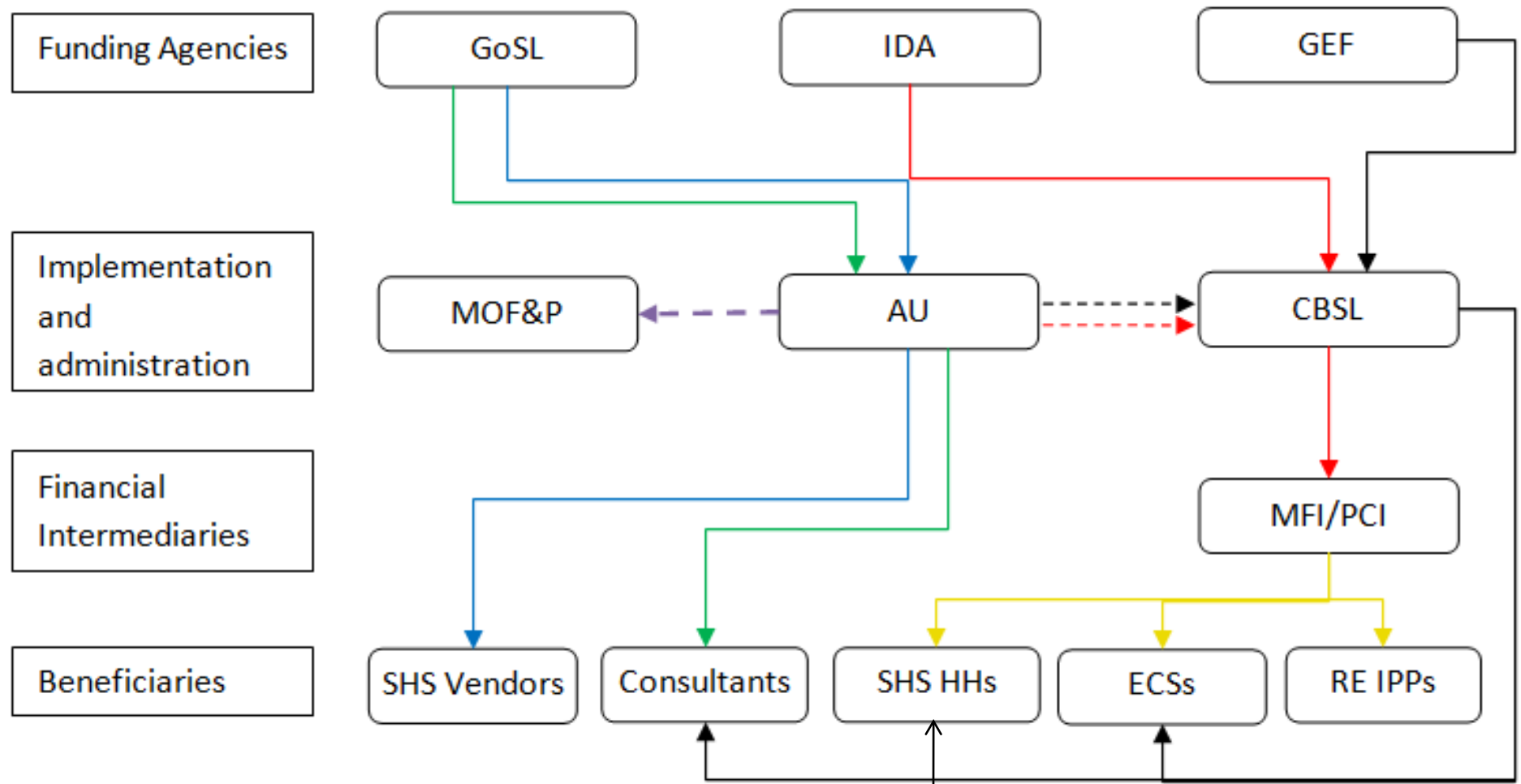
07 February 2017

Sri Lanka

- Island nation; 65,600 sq km; 21 m population
- Three IDA (USD 94.7m) & GEF (USD 11.8m) assisted Renewable Energy Programmes during a 15 year period
 - √ ESD Project
 - √ RERED Project
 - √ RERED Additional Financing
- Access to grid: 40% of households (1996)
today over 96% of households

Credit Programme





	Loan Facilities		Counterpart Funding
	Reporting		SHS Subsidy
	GEF Grant		IDA Credit
	Withdrawal Applications (Grant)		Withdrawal Applications (Credit)

Business Model

- Demand driven, market based approach
- Create an enabling environment:
 - ✓ Address information, institutional, legal/regulatory and financial barriers in an integrated manner
 - ✓ Loans on standard commercial criteria
 - ✓ O/P based subsidies for off-grid projects
 - ✓ Technical assistance and capacity building
- Program management by an Administrative Unit set up within DFCC Bank

Administration

- Integrated approach to resolve issues
- Clear focus (did not try resolve all issues in the power sector)
- Flexible management; learn and adopt as you go
- Introduce stringent rules as the industry matures
- Continuous interaction with all stakeholders and information dissemination
- Lean administrative structure

Results

- ESD and RERED Projects
 - √ 85 grid connected projects; 215 MW
 - √ 210 community based projects; 7,952 HH
 - √ SHS; 131,528 HH
- Beyond RERED (in addition to above)
 - √ Over 75 projects; over 210 MW

Off-grid Community-based Projects

- A typical 10kW off-grid scheme serves 40 HH within a 2km radius
- Built, owned and operated by the community through an Electricity Consumer Society (ECS)
- Technical specifications defined by Project
- Technical assistance and grant through GEF
- Loans on market terms, based on independent credit assessment and access to long-term funds

Typical Funding Plan (example)

1/3

Capacity = 10kW

Beneficiaries = 40 families

LKR

Total cost = 2,500,000

Less. Labor and materials
sourced from village = (250,000)

Cash requirement = 2,250,000

Typical Funding Plan (example)

2/3

- Cash Requirement = LKR 2,250,000

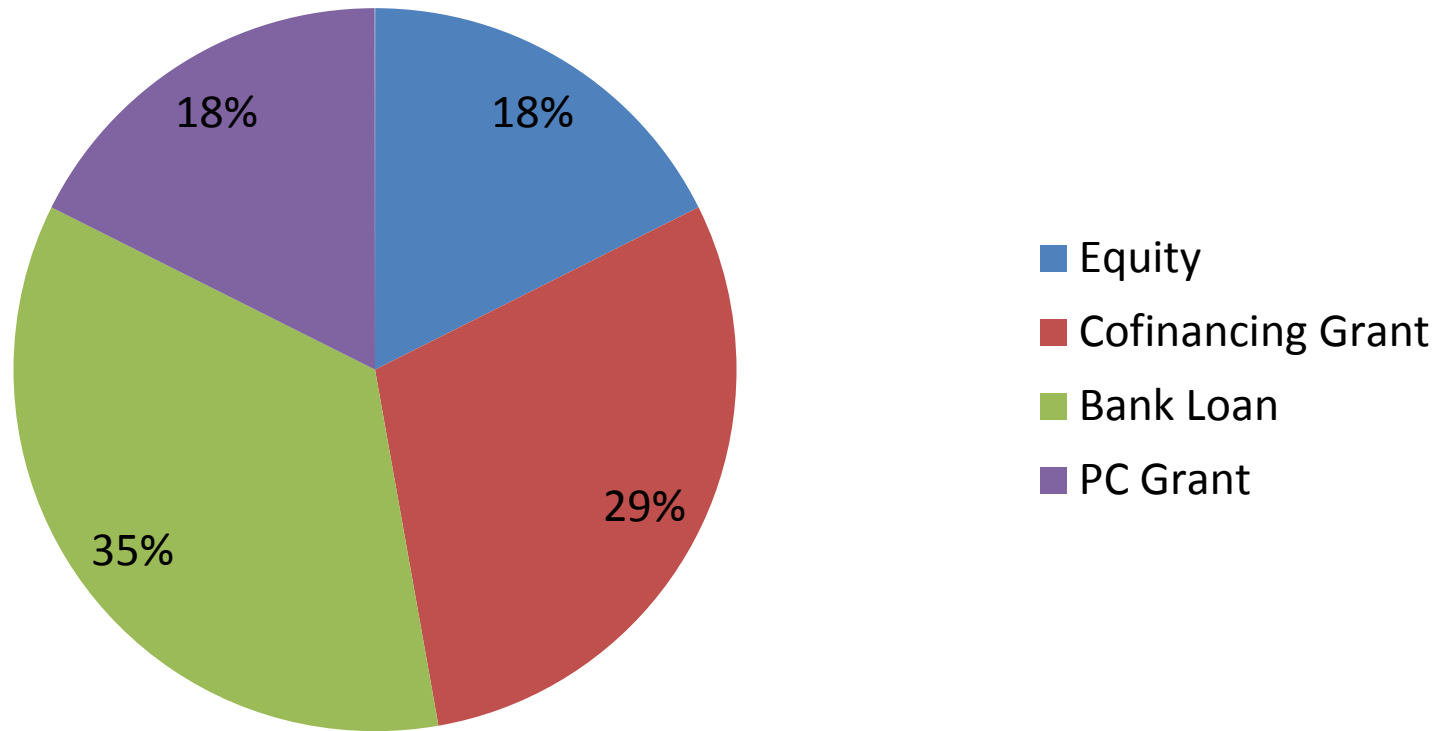
		LKR
• Equity contribution	= $10,000 * 40$	= 400,000
• Co-financing grant	= $10 * 600 * 112$	= 672,000
• Bank Loan	= $20,000 * 40$	= 800,000
• Grants from Provincial Council		= <u>400,000</u>
		2,272,000

- Working Capital

Machinery supplier provides suppliers' credit subsequent to a down-payment

Typical Funding Plan (example)

3/3



Initial Reluctance of FIs (PCIs)

- Unfamiliar sector
- Lack of knowledge
- Competency of developers
- Expansion of the grid
- Commitment of the State Agencies
- Adequate collateral
- Rural outreach

Q1 - Inclusion of banks

Initiatives

Q2 - Risk Mitigation in Financing

Risk	Off-grid	Grid-connected
Regulatory		
Technical		
Competency		
Default		
Market		

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