

Mini-Grid Financing

Enabling the Role of Local Banks

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Discussion

- Why local banks
- Why local banks are reluctant
- Risk Mitigation
- Wholistic Approach

Importance of Local Banks

- Loan Size
- Transaction cost
- Cost of mobilization
- Currency risk
- Rural outreach

Reluctance of Local Banks

Lack of understanding

- Technology
- Resource assessment
- Environmental and social concerns

Longevity

- Competency of developers
- Reliability of equipment
- Standards & regulations

Reluctance of Local Banks

Financial Constraints

- Asset and liability mismatch
- Lack of collateral
- Recovery if grid arrives

Regional/Rural Presence

- Lack of outreach
- Cost of monitoring & follow-up

Training and Capacity Building

Financial Institutions

- Technical appraisal
- Resource assessment
- Environment & Social concerns

Developers

- Acceptable standards and guidelines
- Resource assessment

Beneficiaries

- Basic operation & maintenance
- Safety

Regulatory Framework

Human Capital

Registered pool of experts for

- Resource Assessment
- Project Development
- Env. & Social Assessment

Certification

- Accredited agencies to certify equipment
- Accredited laboratories to test equipment

Technical standards & Guidelines

To ensure

- Safety
- Reliability
- Industry Best Practices

Regulatory Framework

Consumer Protection

- Warranties
- Insurance

Supervision

- Random independent verification by the regulator

Resource assessment

- Identification
- Mapping

Asset and Liability Mismatch

- Regulatory clearance to grant LT loans
- Support of long term credit lines
- Loans granted securing commissioned projects based on past performance and linked to future cashflows
- Initial investment by green funds and subsequent bank funding linked to demonstrated cash inflows

Collateral

- Cashflow-based lending
- Loan amortization by season
- Secure cashflows through ESCROW Account
- Ability to takeover and transfer as going concern
 - Mortgage of project assets and shares
 - Custody of project agreements and licenses
- Partial/Conditional Credit Guarantees

Government Policy on Electrification

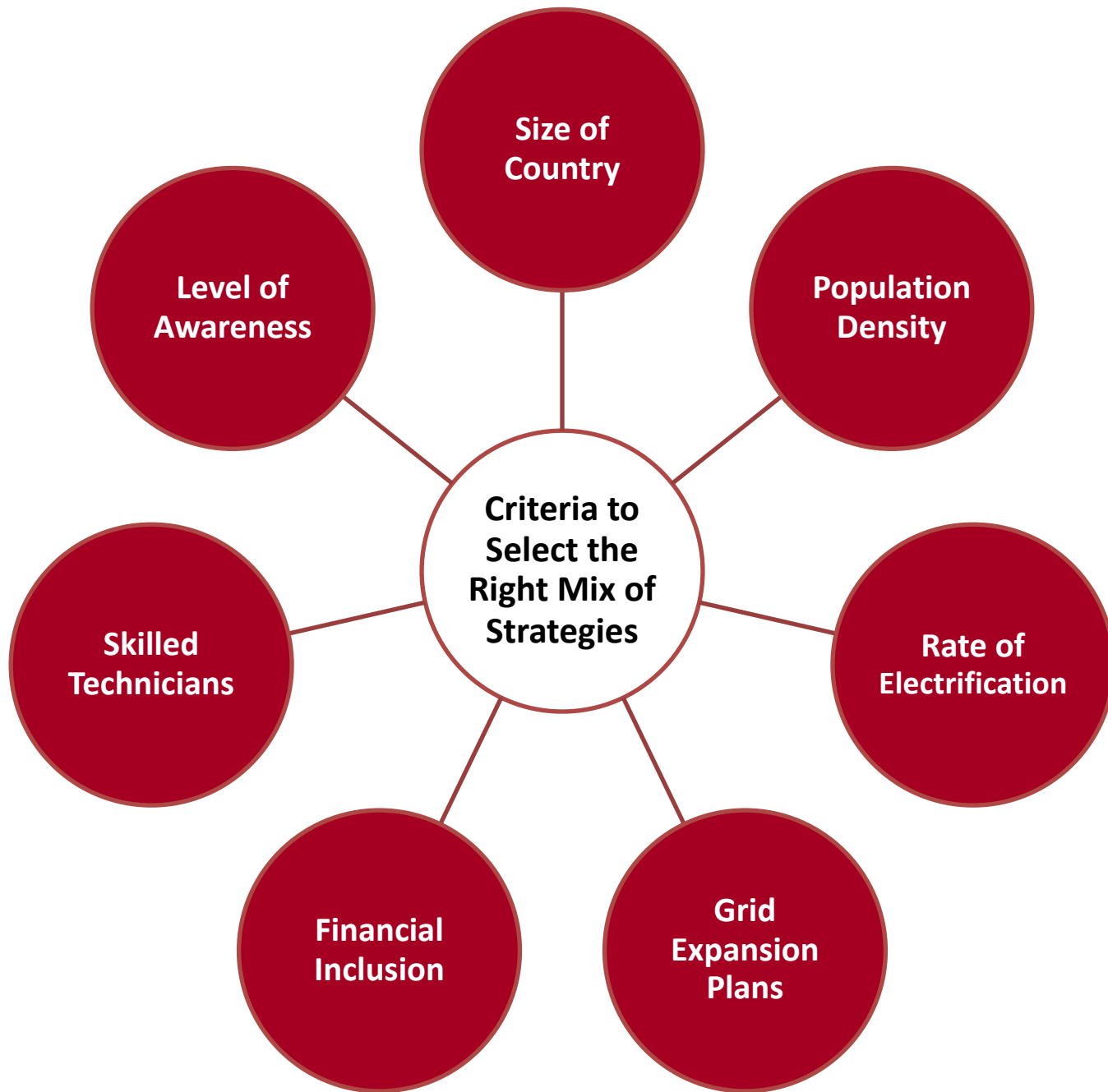
- Fair assessment of the grid expansion
- Incremental cost of meeting grid standards without compromising on safety
- Affordability of rural communities and financial viability
- Clear and transparent compensation mechanisms in the vent of grid arrival

Outreach

Intermediaries

- Regional / rural banks, MFIs
- Block loans to such banks
 - Based on financial strength
 - For specific purposes
 - With stringent disbursement conditions
 - Monitoring performance of the entity
- Training & capacity building





Enabling Environment

- Flexibility; learn and adopt as you go
- Conducive Government Policy
- Standardized arrangements to minimise barriers to entry
- Need-based technical assistance and capacity building
- Other business opportunities in the region to cross-sell products
- Syndication of loans
- Encourage investors to establish links with technically competent professionals

Contact

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