

# Mini-Grid Financing: Enabling the Role of Local Bank

Dinesh Dulal

Head – Energy and Development Organization  
NMB Bank Ltd., Nepal



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# NMB Bank at a Glance

- Establishment – 1996 A.D.
- One of the leading commercial banks of Nepal
- Has a joint venture agreement with FMO, Netherlands having 17 % shareholdings
- Only Nepali Bank to earn membership of the Global Alliance for Banking on Values (GABV)- ‘Placing People Before Profit’
- Market Leader in Mini Grid Project Financing
- ‘Bank of the Year Award’-consecutively in 2017 and 2018, by The Banker, Financial Times, London

## Network Strengths

- Total Branches : 110 Branches
- Total ATMs : 97 ATMs
- Total Extension Counters : 4 Counters



# Exposure in Mini Grid Project

- Financed 23 Mini Grid Based Micro Hydro Project Owned by Community and Private Developer ~ 850 kW
- Financed First Solar Micro Grid Project in the Country Supported by ADB under Energy for ALL Investor Forum – 75 kW
- Financed First Micro Hydro Project Based on Anchor Load Customers Supported by ADB under Energy for All Investor Forum – 30 kW



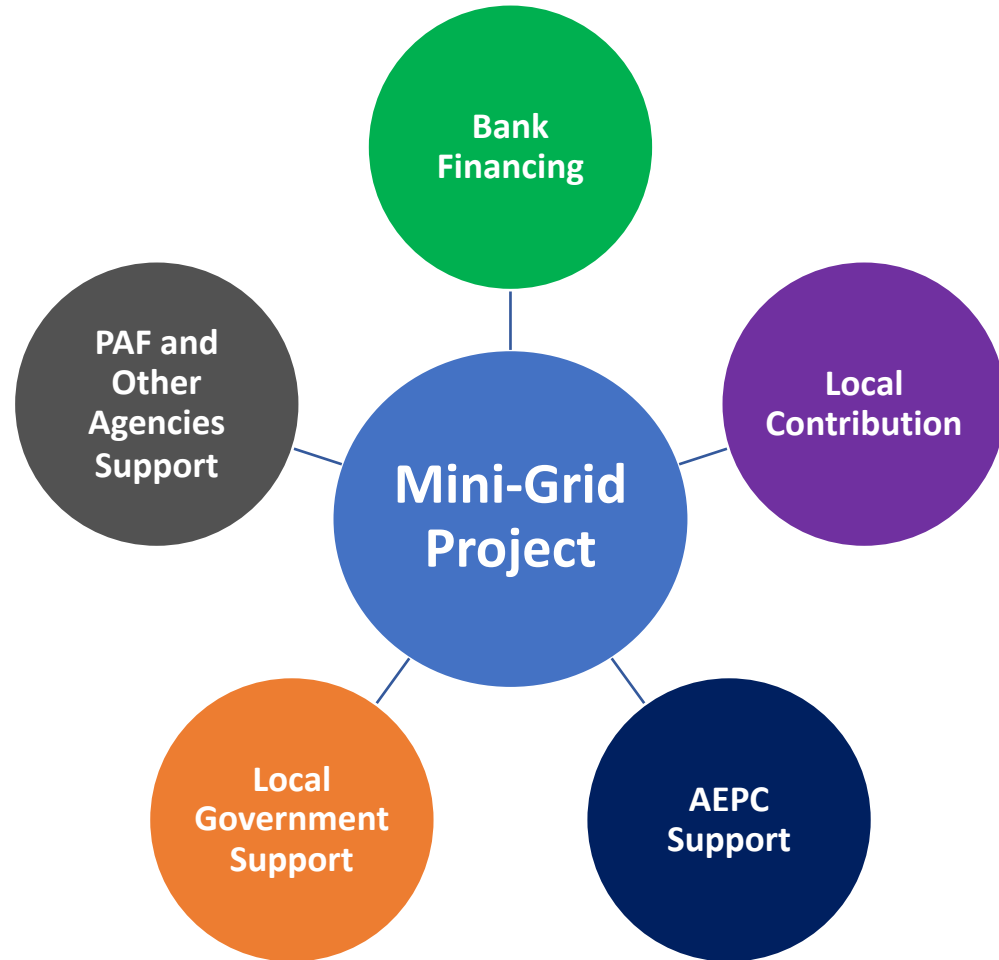
# Why We Are in Mini-Grid Business?

- New portfolio to the Bank
- Offer debt financing to cover entire energy landscape
- Portfolio diversification within the sector
- Triple bottom line (profit, social and environmental) – Value based Banking
- Partnership with local level institutions
- Help to meet the priority sector requirement
- Partnership with DP/MDB gives leverage for further partnership
- Enhances brand value
- Contributes to several of the SDGs



# Mini Grid Project Financing Model

- Project Financed under Micro Hydro Debt Fund
- Limited Recourse Project Financing
- Bridge Gap Financing
- Collateral Based Lending
  - Financing to Fill the Funding Gap at the End



# Access to Energy Initiatives

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- FMO Supported Integrated Renewable Energy Project
- Micro Hydro Debt Fund
- CREF Partner Bank
- UNCDF CleanStart Project
- REEEP Promoting Agro-Processing Based Micro Enterprise Development with Improved Water Mill Technology in Nepal Project
- GIZ RERA Project



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- AEPC doing both technical and subsidy approval under ESAP I & II
- AEPC was also doing bio gas credit fund
- ESAP II, paradigm shift – introduction of credit
- Success of credit enhancement activities BCF, MHDF, Credit Financing in RET
- Move from subsidy regime to credit regime
- Have an institution (now a mechanism) which will be flexible enough to cater to each DP/GoN



- AEPC would do the technical things
  - Technical standardization
  - Promotion
  - Awareness
  - Policy formulation
  - Technical approval
- CREF would
  - Effectively channel subsidy and credit (policy: 12.4)
  - Provide TA support through capacity building





1. Subsidies should in the long-term be phased out and replaced by credit facilities
2. CREF should be autonomous with its own mandate and well-defined management structures
3. Achieve self-financing and long-term sustainability. CREF should be allowed to place surplus funds in secure/low risk investments and thereby generate a source of income
4. The legal and institutional foundation should be acceptable to the Government of Nepal as well as to all development partners for CREF
5. Autonomy of CREF should allow it sufficient freedom in its operations with the objective of widely promoting access to financial services for the RET sector



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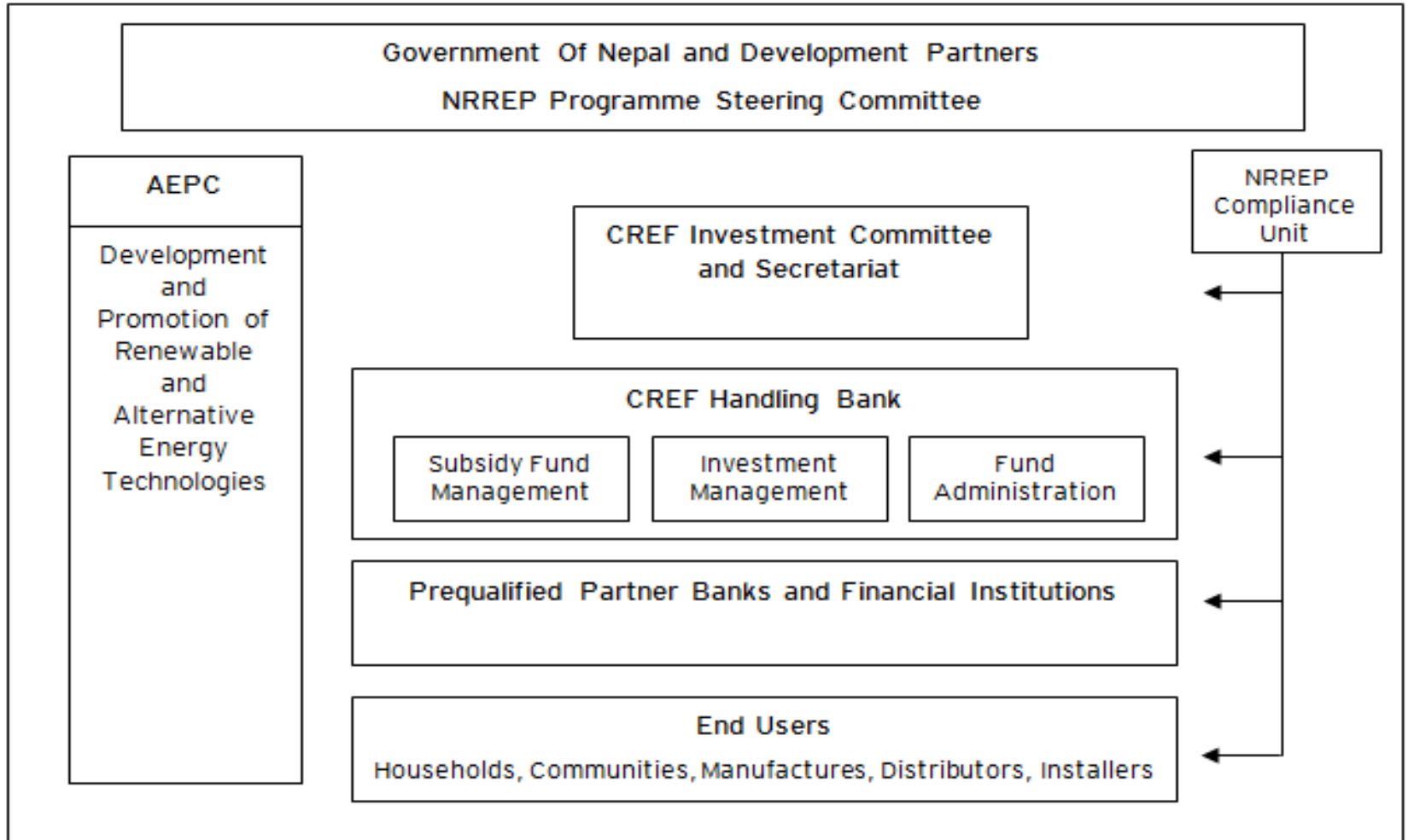
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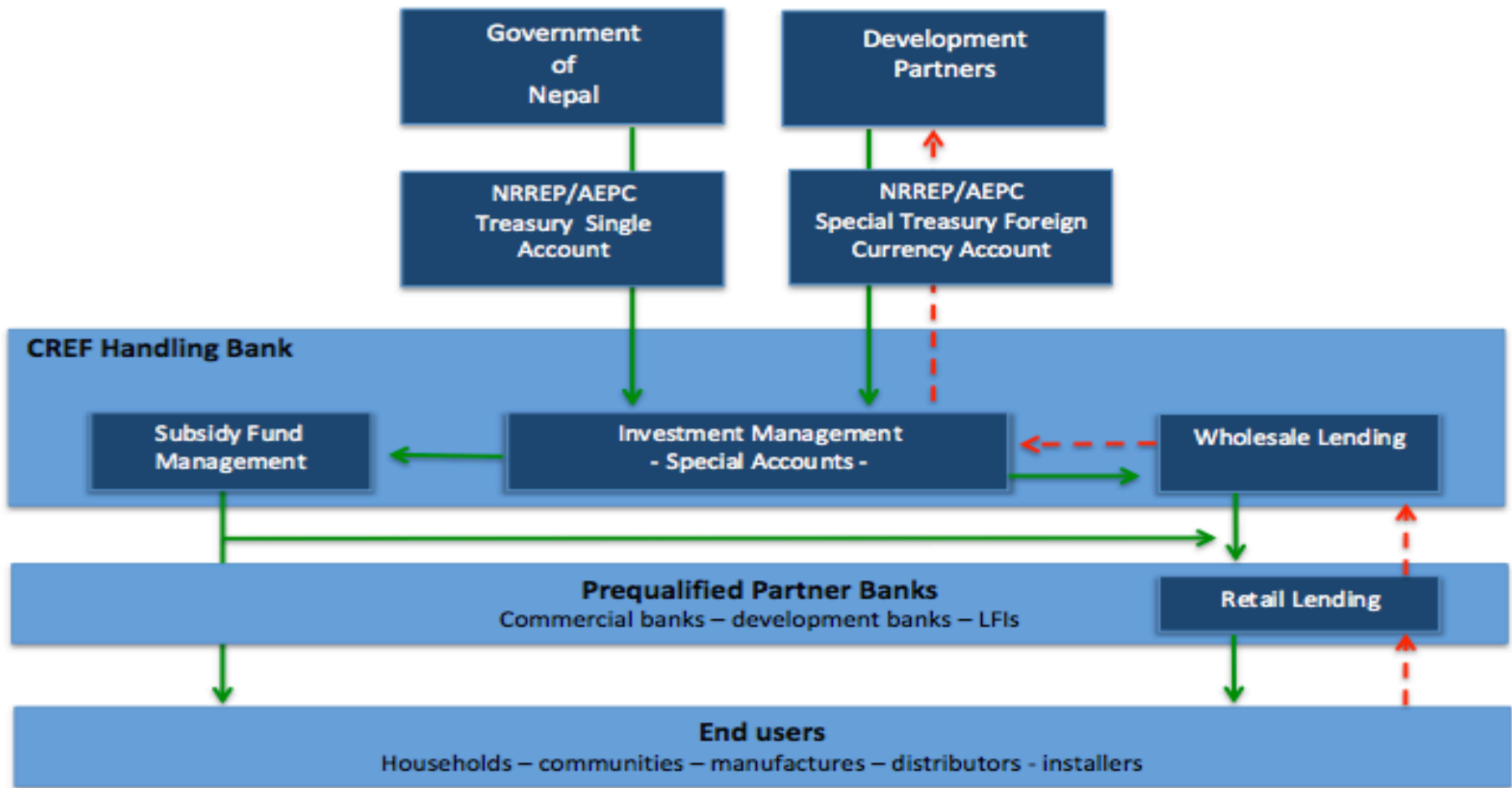
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# CREF Fund Flow Mechanism



- 1) Capital Subsidy
- 2) Partial Credit Guarantee
- 3) Debt Insurance
- 4) Liquidity Fund
- 5) First Loss Guarantee
- 6) Interest Rate Buy Down
- 7) Viability Gap Funding
- 8) Challenge Fund



- 1) **Governance and institutions:** The policy framework, governance systems, and public institutions needed to foster development of the off-grid renewable energy sector in Nepal are strengthened.
- 2) **Renewable energy demand:** Demand for, access to, and effective use of renewable energy technologies is increased; particularly for the poorest, those living in remote locations, and small and medium sized enterprises.
- 3) **Renewable energy supply:** The players across the supply chain have improved capacity to supply high quality and competitive renewable energy technologies in Nepal.
- 4) **Financing renewable energy:** Access to finance for renewable energy buyers and sellers is increased through increased access to credit, strengthened finance mechanisms, and enhanced capacity of lenders.



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**Overall aim:** Enhanced productivity and market-led expansion of Nepal's renewable energy sector leads to improved access to energy for all

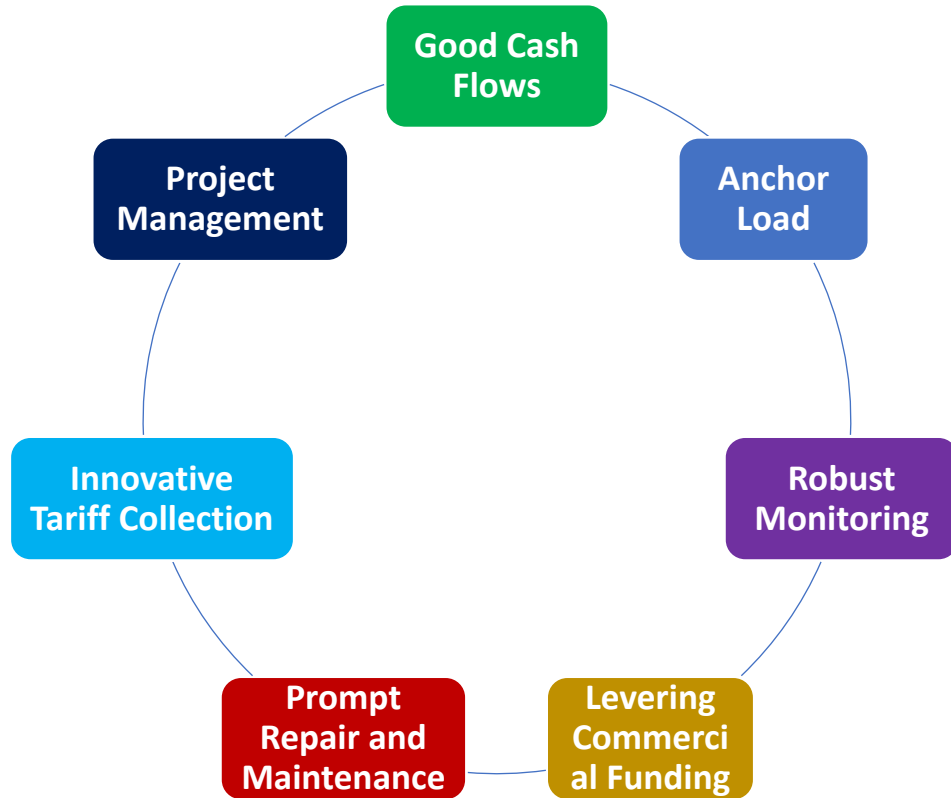
**Total Budget:** DFID has a total of £18 million available for activities in the small-scale renewable energy sector

**Credit Support:** Up to £10 million will be allocated to the CREF to provide concessionary lending in the renewable energy sector

**Program Support:** DFID will allocate up to £10 million to support the Government of Nepal and to directly deliver program activities



- Banks has an Appetite to Finance in Mini Grid Project
- Identify the Feasible MHP Project Site
- Replicate the Innovative Initiation
- Develop Strong Project Development/Management System
- Risk Identification/ Mitigation
- Sustainable Policy to Encourage Commercial Funding



Successful Mini-grid Project Development Model



# Thank you!



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