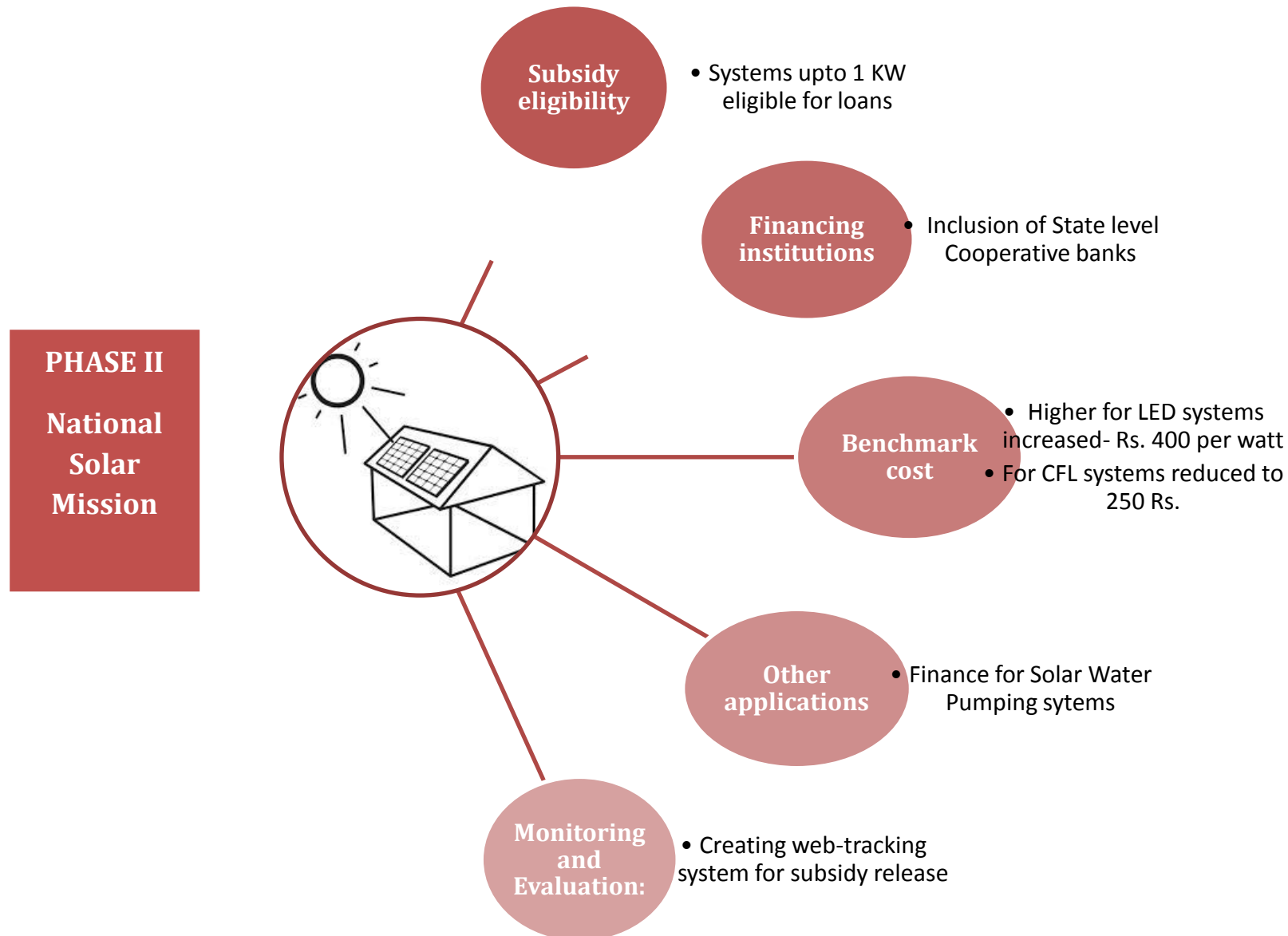


Changes introduced in Phase 2 of the National Solar Mission (Off-grid)



| Category | Barriers and Issues (February 2012 –March 2014) | SELCO's Efforts/ Recommendations (December 2012- December 2013) | Changes implemented (MNRE and NABARD circulars : June- July 2014) |
|--|--|--|--|
| Subsidies | <p>Low standards for system eligibility:</p> <ul style="list-style-type: none"> Loans available only for systems up to 300W | <ul style="list-style-type: none"> Need for increasing system capacity to enable additional poor households to avail of financingⁱ | <p>Increased System Eligibility for financing from 210W to 1 KW.ⁱⁱ</p> <ul style="list-style-type: none"> 10W - 300W at 40% capital subsidy; 300W - 1KW at 30% capital subsidy |
| Inclusion of Cooperative Banks | <p>Cooperative Banks not covered under NSM Financing:</p> <ul style="list-style-type: none"> Financing and subsidy through NABARD was only restricted to Commercial Banks and Regional Rural Banks (RRBs). | <ul style="list-style-type: none"> Inclusion of Cooperative banks in list of financial institutions to enable poorer households not connected to banks to access creditⁱⁱⁱ | <p>State level cooperative Banks included as institutions eligible to provide financing and subsidies under National Solar Mission^{iv}</p> |
| Technology Considerations | <p>Underestimated Benchmark Costs</p> <ul style="list-style-type: none"> Rs.300 per watt in 2011-12 (reducing by 10% every year) <p>Banks use benchmark costs to estimate loans and not just subsidies</p> | <ul style="list-style-type: none"> Higher benchmark cost required since systems are of lower wattage; current costs based on larger system costs and fail to consider servicing and maintenance^v Letter to MNRE requesting a clarification to banks to use Benchmark cost only for calculating subsidies, not for deciding maximum loan value of PV lighting system | <p>Differentiated benchmark costs decided:</p> <ul style="list-style-type: none"> Benchmark has been revised in the latest circular to Rs. 400 per watt peak for LED systems; while for CFL lighting systems, the cost has been reduced to Rs 250 per watt peak^{vi} <p>Clarifications issued by MNRE and NABARD (verbal and written) that Benchmark cost to be used to calculate subsidy only, not maximum loan value.^{vii}</p> |
| Financing for Solar Water Pumping systems | <p>Lack of financing schemes for Solar Water Pumping systems:</p> <ul style="list-style-type: none"> Loans and subsidies limited to solar thermal and PV solar lighting systems alone | <ul style="list-style-type: none"> Need for bridge gap financing for end-users to access other solar off-grid appliances, including Irrigation Pump sets.^{viii} | <p>Inclusion of Solar Water Pumping systems^{ix}</p> <ul style="list-style-type: none"> As part of NSM-NABARD subsidy programme With financing through Bank loans^x (30,000 pump sets to be financed) |
| Targets and Monitoring Mechanisms | <p>Monitoring Mechanisms:</p> <ul style="list-style-type: none"> No agency tracking of off-grid systems that have been installed through Bank loans Information not publicly available <p>Lack of targets for bank lending under NSM</p> | <ul style="list-style-type: none"> Need for setting up Bank-related targets and monitoring mechanisms enforced through State Level Bankers' Committee (SLBC) | <p>Creation of tracking system:</p> <ul style="list-style-type: none"> Guidelines assure creation of a web-enabled system to track subsidy release and number of systems which have been installed <p>Karnataka State Monitoring Committee open to adding</p> |

| | | | |
|---|--|---|---|
| | | | <p>targets for banks (to be confirmed)</p> <ul style="list-style-type: none"> Acting on a recommendation, Karnataka Vikas Grameen Bank (KVGB) to fix specific internal targets for their branches to ensure solar lending |
| <p>Ecosystem development and Capacity building</p> | <p>Lack of skilled HR base:</p> <ul style="list-style-type: none"> Lack of skilled Human Resource base to run various operations of providing energy access-technicians, operators, micro entrepreneurs etc. <p>Limited capacity amongst financial institutions^{xi}:</p> <ul style="list-style-type: none"> Most Bankers unaware of procedures for solar financing; mitigation of risks associated etc. Lower levels of interest amongst RRBs outside of Karnataka, Uttar Pradesh. | <ul style="list-style-type: none"> Collaboration with GIZ, to introduce Renewable energy courses as part of the current Electrical, Electronics courses in ITIs Karnataka. Ongoing talks with the Karnataka Energy Department to design Solar Energy Module for ITIs in the state. Organized Access to Finance workshop with Bankers from North India in 2013; Supported Bhartiya Vikas Trust (BVT) in conducting banker sensitization workshops on existing financial schemes, subsidies, need for solar loans etc. Creating Financial innovation and training modules for capacity building amongst Bankers | <p>No specific guidelines or documents published (to be pursued further).</p> <p>However, SELCO employees have been given key positions in various important government bodies:</p> <ul style="list-style-type: none"> Harish Hande appointed as a key member for "High Powered Task Force for NSM" for strengthening off-grid policy in Phase II of JNNSM B. Satyanarayana appointed as member of the State Level Monitoring Committee in Karnataka |

ⁱ Also articulated in the Financing Review report: <http://www.selcofoundation.org/publication/view/financing-review-nsm/>

ⁱⁱ Concerned Circular: <http://mnre.gov.in/file-manager/UserFiles/Lighting-Scheme-through-NABARD.pdf> ; mentioned on Page 1 – Clause (b); with detailed size and model specifications elaborated on Page 4 – Annexure 1.

ⁱⁱⁱ Expressed in the following report: <http://www.selcofoundation.org/publication/view/financing-review-nsm/> on Page 5, Clause 3 wherein a SWOT Analysis identifies the inclusion of Cooperatives banks as a potential measure for ensuring easy credit access

^{iv} Concerned NABARD Circular: <https://www.nabard.org/uploads/Solar%20-%20Modified%20Scheme.PDF> , Circular No. - 102/DoR-GSS - 34 /2014, page 2, clause 3.

Concerned MNRE Circular: <http://mnre.gov.in/file-manager/UserFiles/Lighting-Scheme-through-NABARD.pdf> ; Page 1, Clause (a) mentions the inclusion of Cooperative banks under NSM.

^v Recommendations made through meetings with MNRE and NABARD as part of State Level Monitoring Committee for NSM off grid policy; Also articulated in report on "Financing Review of NSM: Has It Made Off-grid Solar Affordable?" <http://www.selcofoundation.org/publication/view/financing-review-nsm/>

^{vi} Concerned Circular: <http://mnre.gov.in/file-manager/UserFiles/CFA-offgrid-decentralised-solar-applications-programme-2014-15.pdf> ; Circular No. 5/23//2009-P&C (Pt. III) (dated 3/11/2014).

^{vii} Letter number :P/HO/2012/-13/0802

^{viii} Recommendation submitted through Renewable Energy Working Group (REWG)- as part of Comments on Draft Phase 2 guidelines for Off-grid decentralized energy component of the NSM

^{ix} Concerned MNRE Circular: <http://mnre.gov.in/file-manager/UserFiles/scheme-SPV-water-pumps-NABARD.pdf>

^x Concerned NABARD Circular: Circular No. 131/DoR-GSS-41/2014; <https://www.nabard.org/uploads/Cir%20131%20H%20-%20Revised%20Solar%20P.set%20circular.PDF>

^{xi} SELCO's detailed recommendations can be found in the following Report: "Ecosystem Creation For Off-Grid Solar: Achieving Diffusion Across India" ; http://www.selcofoundation.org/wp-content/uploads/2013/10/ecosystem-development_nsm.pdf

Priority Focus Areas Going Forward:

Feedback on Phase II of JNNSM

- Feedback to be collected from Bankers and Practitioners working on the ground on the ramifications of the changes implemented in Phase II of JNNSM
- Also, their opinion on the further changes/clarifications required in the policy framework of JNNSM

Strengthening Ecosystem Development

- Ongoing efforts on engaging with state cooperative banks and decision-making bodies in the finance space e.g. RBI, NABARD
- Ongoing work to develop a Bankers' training module which can then be used to conduct sensitization workshops for capacity building and financial innovation for end-user and enterprise financing
- Carry forward talks with Karnataka Energy Department to implement Solar Energy Module in ITIs in the state (in collaboration with Directorate of Employment and Training)
- Energy Curriculum being designed which can be utilised by RSETIs

Empanelment of new Entrepreneurs and Invoicing

- Resolve issues related with new regulations laid out by MNRE for raising invoices by manufacturers rather than dealers
- Review and work towards relaxation of criteria for receiving Empanelment under NABARD scheme for SELCO incubatees

Clarifications regarding Solar water pumping scheme

- SELCO has been selected to receive Empanelment under the "Young Entrepreneurs" for the scheme
- Timelines and procedures for subsidy disbursement
- Tackle issues related to achieving Certification of solar pumps